

GENERALI SEGUROS, S.A.

ANNUAL REPORT AND ACCOUNTS

STANDALONE FINANCIAL STATEMENTS

2020

TRAN
QUILI
DADE

AÇOREANA

LOGO

grupo  GENERALI

GENERALI SEGUROS, S.A.

Av. da Liberdade, n.º 242

1250 - 149 Lisbon / Portugal

Registered with the Commercial Registry Office of Lisbon

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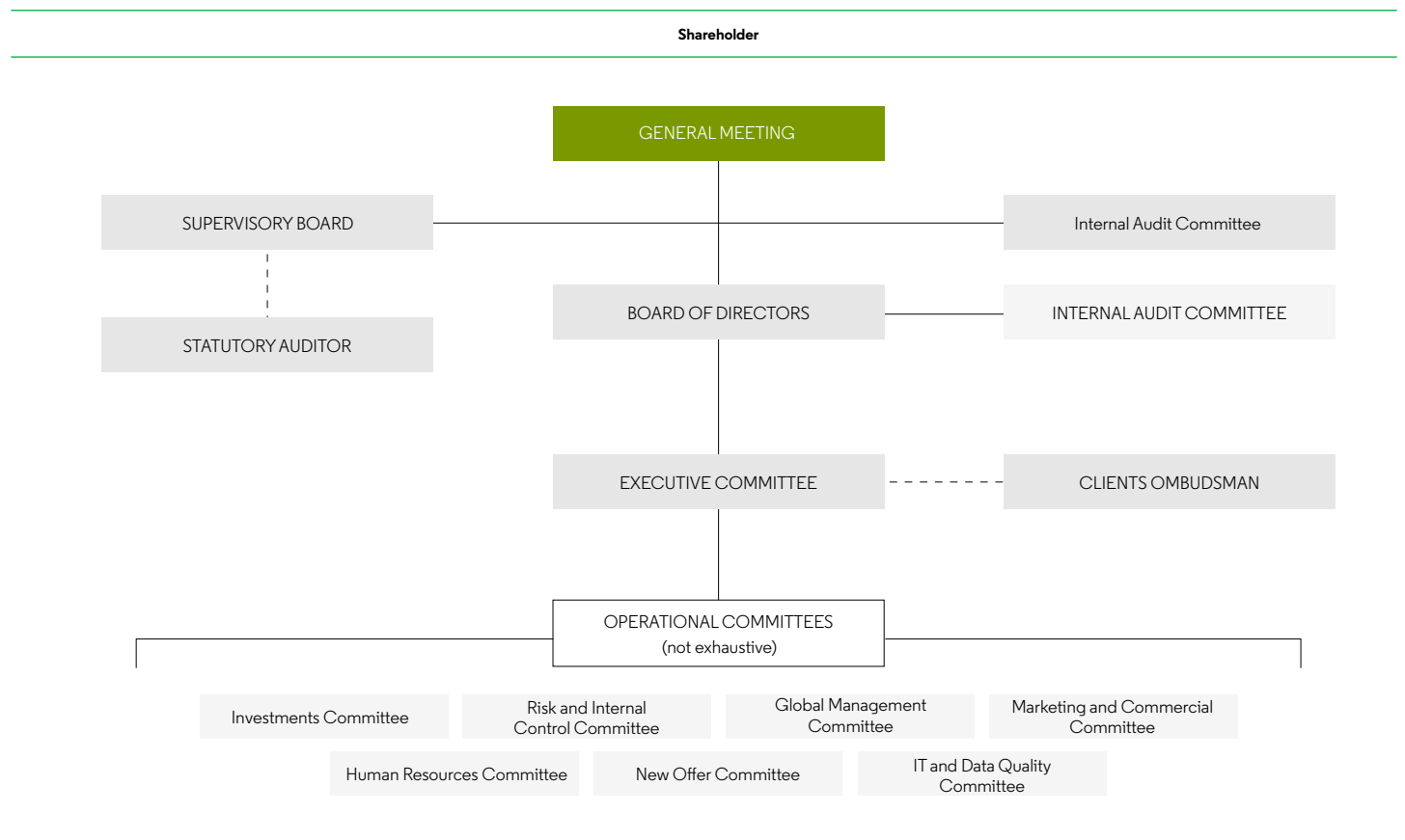
01

**CORPORATE
GOVERNANCE
MODEL**

CORPORATE GOVERNANCE MODEL

According to the corporate governance model currently in place, as of this report, the company comprises a board of directors, a supervisory board, a statutory auditor, and an executive director, who is a member of an executive committee, to which the board of directors has delegated day-to-day management powers.

Additionally, several committees have been created to continually assess, control, monitor, discuss and decide on significant aspects related to governance and risk management, the risk management system, the company’s strategy, objectives, and business data, thus bolstering a governance model based on sound and prudent management, effective communication, enhanced transparency and interaction between management and supervisory bodies, key functions and top-level management.



02

**GOVERNING
BODIES**

GOVERNING BODIES

GENERAL MEETING

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

BOARD OF DIRECTORS

Jaime Anchústegui Melgarejo (Chairman)
João Vieira de Almeida (Vice-President)
Pedro Luís Francisco Carvalho (Chief Executive Officer)
Stefano Flori
Riccardo Candoni
Patrícia Ribeiro Sanina Espírito Santo

SUPERVISORY BOARD

Manuel Soares Pinto Barbosa (Chairman);
José Manuel Serrão (Member)
Nelson Marques Fontan (Member)
Henrique Paulo Marques de Oliveira Xavier (Alternate Member)

STATUTORY AUDITOR

KPMG e Associados, SROC, S.A., represented by Ana Cristina Soares Valente Dourado (Effective)
Hugo Jorge Gonçalves Cláudio (Alternate)

By delegation of the Board of Directors, the company shall be managed by an executive committee, which is composed by:

João Carlos Dorés Candeias Barata (Chief Insurance Officer)
José António Correia Dias Nogueira da Silva (Chief Operating Officer)
Pedro Luís Francisco Carvalho (Chief Executive Officer)
Rogério de Magalhães Dias (Chief Distribution Officer)
Stefano Flori (Chief Financial Officer)

03

**DIRECTORS'
REPORT**

DIRECTORS' REPORT

Dear shareholders,

In accordance with the law and the company's articles of association, the Board of Directors is honoured to present the Annual Report and Financial Statements of Generali Seguros, S.A, hereinafter shortly referred to as *Generali Seguros* or *the company*, for the year ended 2020.

3.1. MACROECONOMIC FRAMEWORK

3.1.1. INTERNATIONAL ECONOMIC SITUATION

International organisations' latest projections suggest that global economic activity fell sharply in 2020, around 3.5%, according to the European Commission, compared to a 2.9% growth rate in 2019. The fall in gross domestic product (GDP) last year has no parallel since the Great Depression in 1929, hitting advanced economies and a wide range of emerging and developing countries, including Southeast Asia.

Lockdown measures that followed Covid-19 pandemic have not only affected industrial, commercial, and service sectors, but have also increased labour market slack and led to greater financial market volatility. In the euro area, and according to the European Commission, GDP is expected to shrink by 7.7% in 2020, a 1.2% rise compared with 2019, with a significant impact on external demand for Portugal exports (more than a double-digit drop for most of Portugal main trading partners). Unemployment rate in the Euro area is projected to be around 9.6%, an increase of 2.1 percentage points above year-earlier levels.

Early in the year, **stock markets** were heavily punished by the coronavirus outbreak, reflecting the impact of economic decline anticipated in business outputs. Nevertheless, most broad stock indexes closed at levels higher than at the start of the year, having hit a new record high due to central banks' highly accommodative and timely monetary policy stance, governments' swift and sound action, and scientific advances in Covid-19 vaccine development and its prompt approval.

Last year, **sovereign debt markets** of the euro area and the United States of America (USA) benefitted from a sharp drop in interest rates, which have reached a new record low. The evolution of the aggregate euro area also benefitted from the reduction of risk premia of member states, supported by the implementation of the European Central Bank's asset purchase programme and the approval of the European stimulus package.

Despite a slight increase at the end of the year, U.S. Treasury yields continued the downward trend, falling more than twice as much as German Bund yields, supported by cuts in the benchmark U.S. interest rates, and the European Development Fund's sovereign debt purchase programme. The performance of private debt was also positive across segments, benefitting from the liquidity injected into the banking system by central banks and the downward pressure on interest rates that followed, leading investors to seek for this attractive asset class.

In **foreign exchange markets**, the euro (€) appreciated against the U.S. dollar (USD) in 2020, signalling an end to two consecutive years of depreciation. The euro also gained 5.7% against the British pound (GBP) and 3.6% against the Japanese yen (JPY) last year. The U.S. dollar index, a measure that compares the value of the dollar against a basket of six foreign currencies, recorded a steep drop at the end of the year.

Finally, in relation to the **money market** within the euro area, the three-month Euribor rate fell 16 basis points to a negative 0.55% in 2020, while the six-month Euribor rate fell 20 basis points to a negative 0.53%, and the twelve-month Euribor rate dropped 25 basis points to a negative 0.50%.

With respect to **central banks**, at a meeting held on 10th December, the governing council of the European Central Bank (ECB) recalibrated several instruments of its monetary policy, keeping its key interest rates unchanged, though. Short-term interest rates are projected to remain at historically low levels for an extended period, given the expansionary monetary policy, the return to ECB's non-traditional monetary stimulus and the launch of several liquidity injection programmes.

3.1.2. DOMESTIC ECONOMIC SITUATION

In 2020, the Portuguese economy contracted sharply, largely reflecting the adverse effects of Covid-19 pandemic on economic activity. In this context, GDP shrank by 7.6% over the past year, the greatest drop in the last decades. The decline in domestic demand caused a large negative swing in annual GDP, after a positive contribution in 2019, mainly due to a reduction in consumer spending.

The decline in net external demand over the past year contributed substantially to a negative GDP growth, reflecting a sharp decline in imports and exports of both goods and services, with a focus on an unprecedented drop in tourism exports. After a 17.3% fall in the first semester, the national economy recovered rapidly in the third quarter, with growth reaching 13.3% quarter-on-quarter. Real GDP increased by 0.9% in the fourth quarter of 2020, strongly hampered by the second wave of the Covid-19 pandemic.

3.1.3. INSURANCE MARKET

The coronavirus crisis has had a major impact on the insurance sector. Overall, direct insurance underwriting fell by 18.7% to €9.9 billion in 2020, reflecting a €2.3 billion decrease compared with the previous year, mainly due to the negative evolution of life insurance and a slight increase in non-life insurance.

Life insurance still accounts for the most part of direct insurance underwriting. Nevertheless, life insurance premiums fell by 34.8% in all business lines compared with 2019 (-€2.4 billion), with an emphasis on uncorrelated life insurances, excluding Pension Savings Scheme (-27.9%) and overall Pension Saving Schemes (-62.9%).

Closely correlated to economic activity, non-life insurance most directly reflected the impacts of the Covid-19 pandemic and was largely affected by the implementation of the extraordinary moratorium measures and the adjustment of insurance premiums.

Although non-life insurance premiums rose 3.0% in 2020, they remained well below their level in 2019, at 7.9%. Non-life insurance premium volume amounted to €5.4 billion, an increase of €155 million compared with the year earlier, with health insurance continuing its steady growth with an increase of 8.2%.

Workers' compensation insurance slowed its double-digit growth, having increased just around 1.2% compared to the same period a year earlier.

Motor vehicle and fire and other property damage insurances decreased from 7% and 6.8% in 2019 to 2.1% and 4.3% in 2020 respectively.

3.2. HIGHLIGHTS 2020

According to flash estimates released by the Office for National Statistics in February 2021, GDP shrank by 7.6% in 2020 compared to 2.2% in the previous year, driven by the adverse impacts of the coronavirus pandemic on the economy. After falling sharply by 13.9% in the second quarter, economic activity picked up slightly quarter on quarter, rising by 13.3% in the third quarter and 0.4% over the next, though the negative effects of the pandemic persisted. Consumer spending fell sharply and is projected to have shrunk by 6.8%, according to the Bank of Portugal. Imports and exports have also fallen markedly, with tourism being one of the hardest hit sectors by a decline in exports.

In 2020, interest rates remained exceptionally low or even below zero, heavily affecting financial companies' profit, further dampened by considerable uncertainty around the economic recovery. This environment is very unfavourable to the savings marketplace, further hampered by behaviours that increased consumer uncertainty, thus discouraging businesses from placing savings products on the market.

On a global level, the insurance market fell by 18.7% in 2020 driven by a 34.8% decrease in life insurance, maintaining its downward trend. Despite the sharp contraction in economic activity, the insurance market remained resilient in non-life insurance, which has grown 3%.

Non-life insurance growth was mainly driven by an increase in workers' compensation and health insurances (3.2%), fire and other property damage insurance (4.3%), and motor vehicle insurance (2.1%). Health insurance experienced the biggest rise (8.2%) in non-life insurance, securing its position as the third largest and one of the most representative non-life insurance business lines. The increase in health insurance reflects the importance that consumers place on health, particularly in an exceptional year in which health has proven itself to be one of the most valued assets to individuals. In relation to compulsory insurances, workers' compensation increased by 1.2%, despite a reduction in pay due to furlough schemes and part time work during lockdown or restrictions on activity.

The insurance sector has taken a balanced approach and proven resilient to the effects of the pandemic, with the adoption of measures aimed at supporting companies and families and proper management of domestic prices.

Life insurance premium volume dropped by 34.8% mainly due to the negative performance of endowment insurance and pension savings scheme, which fell by 19 percentage points to 25.5% in 2020 driven by a 62.9% drop in premium volume. Traditional product growth, particularly risk life insurance, has remained stable (+1.1%) over the past year.

Generali Seguros remained below market growth rate in non-life insurance, with a 1% increase in premium volume compared with 3% in domestic market (comparison based on aggregate values in 2019 and 2020), driving down its market share by 0.3 percentage points to 18.4% compared with the previous year.

Conversely, Generali Seguros outperformed the market in life insurance, with a 0.3 percentage point gain compared with the previous year, achieving a 2.1% market share, with an emphasis on risk life insurance, which grew 5.5% compared with 1.7% in domestic market.

The Covid-19 pandemic marked the year 2020 with direct impacts on economic activity, whether deepening the difficulty to target new customers or the challenge to increase customer retention in an extremely economic vulnerable environment for both individuals and particularly for companies.

The year was also marked by the merger by incorporation of Generali, Companhia de Seguros, S.A. and Generali Vida, Companhia de Seguros, S.A. into Generali Seguros, S.A., formerly Seguradoras Unidas, S.A., which consisted into the immediate incorporation of the company's business activity and its distribution networks.

Despite these challenges, Generali Seguros expanded its customer base, accounting for nearly 1.9 million customers, both individuals and companies, and its customer retention rate rose to 87%, having sustained customer growth.

Non-life insurance premium growth was most affected by the performance of business lines associated with companies, particularly workers' compensation (-2.4%), multi-risk (+2.8%) and third-party liability insurance (-2%).

Generali Seguros remained focused on its transformation process, particularly on its digital strategy on the back and front office, with a direct impact on sales processes, operational performance, and partner and customer service levels.

To deliver excellent service quality to both private and corporate customers, the company put in place a set of changes and launched new products or initiatives aimed at improving customer experience, making it simpler, faster, and clearer.

Among those initiatives, we highlight the following:

Private

- Upon integration, Tranquilidade and Generali products were standardised in April and narrowed down to a single offer that includes key business lines, namely motor, workers' compensation, multi-risk, health and life insurance;
- A new home insurance was launched, an innovative product that provides cover not only for home protection, but also for people, pets, and belongings, whether inside or outside the house. The product rests on a modular structure of optional additional covers that enable customers to choose the solution that best suits their needs, whether being a landlord or tenant, or owning a flat, a villa or a rented property;
- Within personal accident insurance, a new product was launched that provides cover for hospital stay and disability adjusted to different types of injury, with solutions that address physical health recovery and consumer financial protection;
- In risk life insurance, *Vida Mais* was redesigned to make it more commercially attractive and enable its access to the health service discount network. In relation to products associated with mortgage, it was also simplified the access to discounts for customers with healthy life habits;
- In health insurance, we reinforced communication related to the pandemic and online health services and reimbursed Covid-19 diagnostic testing expenses and other incurred until the diagnostic;
- LOGO invested in the development of its digital channels to leverage online sales through the brand website, customer area and mobile application, and enhance customer digital experience:
 - Motor insurance green cards are made available to policyholders electronically via email;
 - Self-service tools have been developed to increase website traffic and reduce inbound call volume to the contact centre;
 - Chatbot, *Whatsapp* and website push notifications have undergone continuous improvement;
 - New customer journeys have been developed to foster business recovery and growth;
 - Social media leads have been generated to capture new customers.

Corporate

- Workers' compensation cover was extended to telecommuting, providing protection to our customers' employees during the Covid-19 pandemic-associated lockdown;
- A new health corporate insurance was launched that provides a cash benefit for hospital stay due to Covid-19 infection. This health insurance further includes a convalescence compensation associated with Covid-19 infection, after discharge from an intensive care unit;
- A new risk life corporate insurance was launched for employees, with two underwriting options and extended covers to include travel costs in case of hospital stay, and assistance to pets. This insurance further includes cancer protection, one of the most feared diseases in nowadays society;
- New digital tools were made available to enable policyholders to manage their insurance portfolio:
 - the new website *Portal Empresas* provides policyholders with an easy-to-use and safe self-service interface to manage their insurance details and policies, with a focus on features that enable users to view their current and past policies, submit and track their claims, view and print documents, and submit annual leave;
 - the company launched a new version of the claims handling module for workers' compensation insurance, with a contemporary design and a user-friendly interface. This new version comprises an autofill form feature, making it easier and faster to file a claim.

The Covid-19 outbreak caused an unprecedented disruption to economic activity in 2020 and brought challenges for both families and companies. This difficult backdrop brought the company closer to its customers, highlighting the need for effective and timely communication, and implementing support measures, namely:

- Insurance payments were deferred, and payment deadlines were automatically extended to 60 days;
- Insurance underwriting and approval procedures were simplified, and prospective customers exempted from the need to go under medical examination for life Insurance associated with mortgage;
- Self-employed workers' compensation was adjusted upon customer request in cases of reduced income;
- Salaries were adjusted for companies with furloughed employees;
- Home delivery was automatically included in the insurance cover for restaurants.

The company continued to pursue its process automation programme aimed at increasing operational efficiency in sales and claims management and improving customer experience:

- The company launched a new tool to track property damage claims on motor insurance, with real-time tracking updates sent by text message to customers and an option to schedule individually a vehicle damage inspection and repair;
- Remote healthcare services were bolstered by an online symptom assessor, a digital solution that provides medical assistance based on artificial intelligence. Additionally, the demand for online consultations with a doctor rose sharply due to the coronavirus pandemic, with a frequency rate 10 times higher than in the previous year.

Digital strategy and customer and partner driven platform innovation remained a key pillar of the company's market position and were taken as a priority:

- The company closed the year with 860,000 green customers, an increase of 200,000 customers compared with the year earlier, plus 160,000 customers from LOGO, also dematerialised, enabling the company to achieve high service levels and efficiency in customer communication and innovation;
- The company has adopted a holistic approach to customer communication to convey regular and appropriate content to its customers through commercial campaigns, prevention actions, and institutional and information initiatives, thus increasing customer engagement and fostering a life partner relationship;
- In an effort to leverage digital communication and improve customer communication and service levels, the company sought to obtain customer consent for marketing material. By the end of the year, 30% of customers had given their consent to receiving marketing communications;
- Simple communication made it easier for the company to incorporate the new language and apply it to customer interactions.

The distribution strategy focused on the effort to consolidate the relationship with key business partners while incorporating the two commercial networks stemming from Seguradoras Unidas and Generali Portugal. This aim was achieved in a highly unusual environment due to the coronavirus pandemic, with almost 100% of employees working from home. A special team was set up to facilitate commercial dynamics and develop the relationship with major business partners.

In this context, special emphasis was placed on the following initiatives:

- Commercial teams were reinforced, and the commercial zones support team was reorganised and incorporated into operational management. A new commercial zone was established in Oporto metropolitan area, specifically in the Southern zone of the city, and new insurance agents were recruited to provide effective support to the 2,500 most relevant partners;
- Commercial dynamics was boosted through a sophisticated incentive scheme and new commercial campaigns, with a focus on strategic products for retail segments;
- The pace of digital transformation of the distribution network was accelerated:
 - Increasing digital presence:
 - by expanding the digital toolkit, which consists of a microsite, present in tranquilidade.pt and in Google and Google Maps;
 - by promoting professional presence in social media through training programmes;
 - by launching Sociabble platform, which already accounted for 400 partners in 2020, with access to a wide-ranging marketing content, from products to prevention;
 - Creating and managing leads for partners:
 - Of the new lead management software;
 - Focus on digital leads;
 - Zero paper:
 - Increasing the number of fully digital policies by introducing changes to the policy issuance process, such as moving to digital signature;
- Profit margins were improved across partners, aided by the pandemic-associated lockdown, particularly in the first semester of the year.

As a result, in an extraordinary difficult environment, the performance has proven again the company's strong commitment to its partners:

- Multi-brand and exclusive partners grew 4% and 7% respectively in non-life and risk life insurance compared with 2019, with a focus on workers' compensation and motor insurance;
- Insurance brokers decreased 3.4% due to drops in motor and transport insurance for corporate customers;
- Partnerships grew 10.7% in global, mainly due to motor insurance, showing great resilience;
- Within risk life and health insurance, supervised channels continued to play a major role in revenue growth, namely exclusive partners (+18% in individual risk life and 17% in health insurance) and multi-brand partners (14% in individual risk life and 14% in health insurance).

Two digital commercial meetings were held in April and October in an innovative approach that gathered nearly 4,000 guests. The April meeting made Generali Seguros a pioneer in this type of events, which has proven to be of great significance to the distribution network, with a positive response at the height of the lockdown.

A partner satisfaction survey, R-NPS, was conducted for the first time, revealing a high satisfaction level of 8.3 out of 10.

In the insurance business, we touch people's lives every day, and our efforts have always aimed to protect people, their welfare, our planet and future generations as well. It is about creating a long-lasting value shared by the parties involved: customers, employees, distributors, shareholders, local communities, environment, and the society in general.

In 2020, and considering the impacts caused by the Covid-19 pandemic, the company's social responsibility programme focused on initiatives aimed at fighting the devastating effects of the pandemic.

The company launched a Covid-19 health insurance, a unique and pioneer product in the market designed for companies looking for protection for employees who might fall ill with Covid-19. For every person insured with Tranquilidade, one euro was donated to the Portuguese Red Cross, and for every person insured with Açoreana, one euro was donated to the Azorean Regional Civil Protection and Fire Services.

The company raised €18,000 from the product sales and handed it to the Portuguese Red Cross, helping to increase the institution's testing capacity, particularly fast tests. In the Azores, the company handed a €6,000 donation to the Azorean Regional Civil Protection and Fire Services. Also in the Azores, at the beginning of the coronavirus pandemic, the company handed over PCR machines for Covid-19 diagnostic tests, increasing laboratory testing capacity at the Regional Health Service.

Acknowledging the effects of the slowdown in economic activity due to the pandemic, the company anticipated a € 50-million payment to agents, suppliers, and healthcare providers in early April to increase liquidity and support agents in managing their insurance portfolios.

The company organised a reforestation activity in Torres Vedras within its environmental responsibility programme, addressed to employees and their families, accounting for nearly 200 participants, who have planted 2,500 trees. For the second time running, the company joined the campaign Portugal Chama to help raise awareness about fire prevention and fighting in rural areas, a challenge that will only be overcome with the contribution of society, companies and citizens.

Over the year, the company was awarded twice for its brand strategy and partner and customer service, namely:

- *SuperBrand 2020* awarded by consumers;
- APCE 2020 award, a Covid-19 special edition that distinguishes the company's commercial web meetings as the best virtual event.

In 2020, the LOGO brand celebrated its 12th anniversary and launched a new mobile app *Ganha LOGO* to encourage safe driving, rewarding those who drive safely. The app analyses a set of parameters, using a smartphone's built-in sensors to track driving behaviour, and produces a driving score at the end of each trip. Focused on road safety, the app also displays a set of warnings about risky driving behaviours and provides useful hints for defensive driving to reduce the risk of accidents.

3.3. KEY VARIABLES AND BUSINESS INDICATORS

(thousand of euros)

	2020	2019	VAR 20/19 (%)
Balance Sheet			
Investments ^{a)}	2 604 843	1 771 034	47,1
Net assets	3 220 002	2 244 653	43,5
Equity	335 199	175 632	90,9
Unearned premium provision (DI+RA)	218 376	183 989	18,7
Mathematical provision and Investment contract liabilities	831 508	603 291	37,8
Claims provision (DI+RA)	1 300 649	1 051 931	23,6
Claims provision, net of reinsurance	1 174 186	991 381	18,4
Technical provisions (DI+RA)	2 427 978	1 783 002	36,2
Gains and Losses			
Direct insurance gross written premiums	937 783	871 555	7,6
Life	55 940	48 096	16,3
Non-Life	881 843	823 459	7,1
Earned premiums, net of reinsurance	831 013	766 695	8,4
Life	46 237	42 754	8,1
Non-Life	784 776	723 941	8,4
Direct insurance claim-related costs	683 310	676 482	1,0
Life	89 155	79 743	11,8
Non-Life	594 155	596 739	-0,4
Claim-related costs, net of reinsurance	595 994	660 544	-9,8
Life	82 569	79 805	3,5
Non-Life	513 425	580 739	-11,6
Operating expenses	130 981	117 736	11,2
Revenues	20 096	18 124	10,9
Net income	18 895	-40 132	147,1
Indicators			
Direct insurance claims rate	68,0%	74,2%	-6,1 p.p.
Claims rate net of reinsurance	71,7%	86,2%	-14,4 p.p.
Net income / gross written premiums	2,0%	-4,6%	6,6 p.p.
Combined ratio net of reinsurance	93,1%	105,4%	-12,3 p.p.

a) It includes investments in associates and joint ventures, financial assets held for trading, financial assets measured on initial recognition at fair value through profit and loss, available-for-sale assets, loans and accounts receivable, held-to-maturity investments, land and buildings, non-current assets held for sale, cash and cash equivalents and demand deposits and investment-related possible retentions. It excludes unit-linked and cash asset portfolios and demand deposits managed by treasury and which are not considered investments.

Differences on the balance sheet variables reflect the effects of the merger by incorporation of Generali, Companhia de Seguros, S.A. and Generali Vida, Companhia de Seguros, S.A. into Seguradoras Unidas, S.A. on 1st October 2020. Consequently, gains and losses variables reflect the activity carried out by Seguradoras Unidas on a standalone basis over nine months, and a further three months as a merged company.

3.4. UNDERWRITING PERFORMANCE IN 2020

3.4.1. DIRECT INSURANCE PREMIUMS

The insurance market presented a negative variation of 18.7% compared with 2019.

The company experienced a sharp fall in direct life insurance premiums, with a 23.5% drop (-€28.8 million) to €93.6 million compared with the previous year, particularly noticeable in financial (-40.3%) and conventional products (-1.5%).

Non-life insurance premiums rose by €9,4 million to €985.3 million in 2020, up 1% compared with the year earlier, driven by a 2.9% increase (+€3.9 million) in fire and other damage and a 9.3% increase (+€9.8 million) in health insurance.

Multi-risk insurance accounts for a large part of the difference in fire and other damage growth, with a 2.8% rise compared with the previous year, amounting to €3.1 million.

Motor insurance rose slightly by 0.9% to €3.7 million, but remained well below pre-pandemic levels, strongly affected by the pandemic and restrictions imposed on people's movements between regions.

Workers' compensation insurance fell by €5.7 million, down 2.4% compared with 2019 reflecting the direct impact of the coronavirus pandemic with a decrease of the overall value of salaries eligible for income protection and a rise in unemployment rate.

(thousand of euros)					
Direct Insurance Premiums	2020	%	2019	%	VAR 20/19 (%)
Life	55 940	6,0	48 096	5,5	16,3
Traditional	43 174	4,6	38 957	4,5	10,8
Financial	12 766	1,4	9 139	1,0	39,7
Non-Life	881 843	94,0	823 459	94,5	7,1
Accidents and health	295 262	31,5	272 529	31,3	8,3
Fire and other damage	125 897	13,4	116 139	13,3	8,4
Motor	385 580	41,1	363 974	41,8	5,9
Transport	4 744	0,5	6 218	0,6	-23,7
Third-party liability	19 205	2,0	18 176	2,1	5,7
Others	51 155	5,5	46 423	5,3	10,2
Total	937 783	100,0	871 555	100,0	7,6

The amounts for 2019 refer solely to the activity carried out by Seguradoras Unidas. The amounts for 2020 reflect the activity carried out by Seguradoras Unidas on a standalone basis over nine months, and a further three months as a merged company.

3.4.2. DIRECT INSURANCE CLAIMS COSTS

Direct non-life claims costs rose to €668.2 million, down 6% compared with aggregate value in 2019 and 2020.

Costs related to accident and health insurance claims fell by €39.1 million, down 12.5% compared with the previous year, with an emphasis on a 15.9% drop in workers' compensation insurance (-€34.8 million).

Motor insurance claims costs fell by €71.2 million, down 21.3% compared with 2019.

On the other hand, fire and other damage claims costs rose sharply by €49 million in 2020, up 89.5% compared with the previous year.

(thousand of euros)			
Direct Insurance Claim-Related Costs	2020	2019	VAR 20/19 (%)
Life	89 155	79 743	11,8
Traditional	23 318	22 702	2,7
Financial	65 837	57 041	15,4
Non-Life	594 155	596 739	-0,4
Accidents and health	233 483	240 440	-2,9
Fire and other damage	96 566	44 177	118,6
Motor	236 046	303 423	-22,2
Transport	2 274	5 917	-61,6
Third-party liability	21 835	6 012	263,2
Others	3 951	-3 230	-222,3
Total	683 310	676 482	1,0

The amounts for 2019 refer solely to the activity carried out by Seguradoras Unidas. The amounts for 2020 reflect the activity carried out by Seguradoras Unidas on a standalone basis over nine months, and a further three months as a merged company.

Non-life claims rate (gross claims costs/gross premiums earned) fell by 5.5 percentage points from 73.9% in 2019 to 68.4% in 2020.

Claims costs incurred in 2020 reflect the impact of the coronavirus pandemic, which accounted for much of the fall in claims, particularly in motor insurance, workers' compensation, and health insurance.

It should be noted an increase in provisions for motor insurance in connection to the incorporated companies, driven by method harmonisation for calculating insurance liabilities. Nevertheless, this increase in provisions was not enough to offset the downward impact of the pandemic and the amount added to provisions for bodily injury component in 2019.

It should also be noted an increase in provisions for workers' compensation insurance in connection to the incorporated companies, driven by the same method harmonisation for calculating insurance liabilities. Nevertheless, this increase in provisions was still insufficient to offset the effects of the pandemic and the amount added to provisions in 2019 driven by the use of a new mortality table.

It should also be noted the increase in provision for life insurance stemming from the liability adequacy test.

	(%)	
Non-Life Claims Costs / Non-Life Gross Earned Premiums *	2020	2019
Accidents and Health	78,2	89,1
Fire and other Damage	78,7	38,4
Motor	62,3	86,2
Transport	46,0	94,0
Third-Party Liability	115,3	33,6
Others	8,0	-7,4
Total	68,0	74,2

* claims costs with costs expressed in % of earned premiums

The amounts for 2019 refer solely to the activity carried out by Seguradoras Unidas. The amounts for 2020 reflect the activity carried out by Seguradoras Unidas on a standalone basis over nine months, and a further three months as a merged company.

3.4.3. TECHNICAL PROVISIONS

Direct insurance and earned reinsurance technical provisions rose by €645 million to €2.4 billion in 2020, up 36.2% compared with the previous year.

	(thousand of euros)		
Direct Insurance and Earned Reinsurance Technical Provisions *	2020	2019	VAR 20/19 (%)
Unearned Premium Provision	218 376	183 989	18,7
Life Mathematical Provision	769 419	479 400	60,5
Claims Provisions	1 300 649	1 051 931	23,6
Life	75 402	55 061	36,9
Workers' compensation insurance	754 445	623 578	21,0
Other Business Lines	470 802	373 292	26,1
Other Technical Provisions	139 534	67 682	106,2
Total	2 427 978	1 783 002	36,2

The amounts reflect the effects of the merger by incorporation of Generali, Companhia de Seguros, S.A. and Generali Vida, Companhia de Seguros, S.A. into Seguradoras Unidas, S.A. as at 1st October 2020.

3.4.4. REINSURANCE CEDED

Reinsurance ceded premiums amounted to €13.5 million last year with a negative account balance in the company's balance sheet, compared with €66.1 million in 2019.

In non-life insurance, reinsurance recovery reached an exceptional new high in 2020, with a rise from 4.9% in 2019 to 13.7% last year, driven by the occurrence of high insurance claims that were mostly recovered through reinsurance. This exceptional rise accounted for much of the reinsurance ceded growth.

	(thousand of euros)		
Reinsurance Ceded	2020	2019	VAR 20/19 (%)
Life	2 160	1 480	45,9
Premiums	9 431	4 845	94,7
Commissions	-382	-256	49,2
Claims and Changes in Technical Provisions	-6 889	-3 109	121,6
Non-Life	2 015	52 020	-96,1
Premiums	92 140	86 842	6,1
Commissions	-9 089	-14 618	-37,8
Claims and Changes in Technical Provisions	-81 036	-20 204	301,1
Result	4 175	53 500	-92,2

The amounts for the year ended 2019 refer solely to the activity carried out by Seguradoras Unidas, while the amounts for the year ended 2020 reflect the activity carried out by Seguradoras Unidas on a standalone basis over nine months, and a further three months as a merged company.

3.4.5. TECHNICAL BALANCE, NET OF REINSURANCE

Technical balance, net of non-life reinsurance, was €178.7 million in 2020, reflecting a rise of €109.1 million on an annual aggregate basis compared with the previous year, due to a reduction in reinsurance ceded adverse balance and an improvement of direct insurance balance.

Except for fire and other damage and third-party liability insurance, all business lines experienced significant improvements in their technical balances, net of reinsurance, in 2020 compared with the previous year.

(thousand of euros)			
Technical Balance, net of Reinsurance*	2020	2019	VAR 20/19 (%)
Accidents and Health	28 493	-7 883	461,4
Fire and other Damage	24 108	28 786	-16,3
Motor	108 933	15 471	604,1
Transport	2 547	1 502	69,6
Third-Party Liability	-3 053	8 134	-137,5
Others	11 892	9 062	31,2
Total	172 920	55 072	214,0

* excluding any costs allocated to functions

The amounts for the year ended 2019 refer solely to the activity carried out by Seguradoras Unidas, while the amounts for the year ended 2020 reflect the activity carried out by Seguradoras Unidas on a standalone basis over nine months, and a further three months as a merged company.

3.4.6. OPERATING COSTS

Operating costs rose to €157.4 million in 2020, up 3.7% compared with the previous year.

The rise can be partly explained by a large amount of costs resulting from the incorporation of the two companies in 2020. Personnel costs were €75.7 million, down 0.8% compared with the year earlier. Supply and outsourcing costs increased €4.8 million, up 9.4% compared with the year earlier.

(thousand of euros)			
Operating Expenses	2020	2019	VAR 20/19 (%)
Personnel Costs	60 726	58 353	4,1
Supplies and Outsourcing Services	47 544	38 693	22,9
Taxes and Fees	6 303	5 960	5,8
Depreciations	14 957	14 785	1,2
Others*	1 451	-55	-2 738,2
Total	130 981	117 736	11,2

* it includes provisions for risks and fees, supported interest rates, commissions and other investment-related costs

The amounts for the year ended 2019 refer solely to the activity carried out by Seguradoras Unidas, while the amounts for the year ended 2020 reflect the activity carried out by Seguradoras Unidas on a standalone basis over nine months, and a further three months as a merged company.

3.4.7. PERSONNEL

Throughout 2020, 27 new permanent employees were recruited and a further 295 employees from Generali and Generali Vida were incorporated on a permanent basis, while 128 employees left the company, of which 26 by mutual agreement, 38 by own initiative or the company's, and 63 by reason of collective redundancy.

	2020	2019	VAR 20/19 (%)
Total number of employees on a permanent basis as at 1st January	920	924	-0,4
Hired	27	42	-35,7
Merger by incorporation of Generali and Generali Vida as at 1 st October	295	0	-
Left	128	46	178,3
by pre-retirement or retirement	0	0	-
by own initiative or the company's	38	27	40,7
by termination of employment contract by mutual agreement	26	18	44,4
by collective redundancy	63	0	-
Others (decease)	1	1	0,0
Total number of employees on a permanent basis as at 31st December	1 114	920	21,1

3.4.8. INVESTMENT PERFORMANCE

The company's financial activity recorded a global average income growth of 4.3%, supported by the continuity of the investment strategy on fixed rate bonds and diversified investment funds, and the process of reducing the company's exposure to the real estate sector and high yield debt.

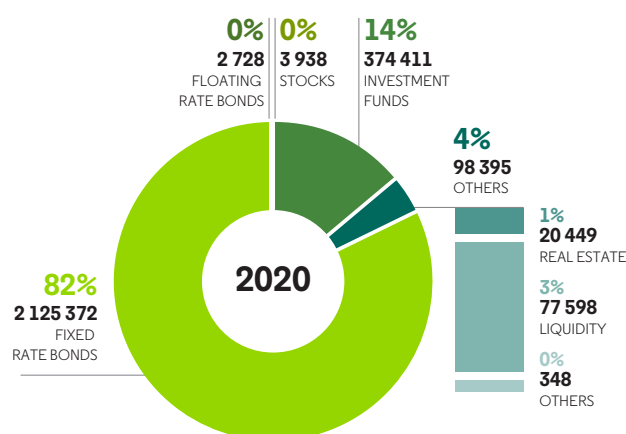
Except for external volatility near the end of the first quarter, the evolution of financial markets remained consistent with history throughout 2020, marked by all-time low interest rates. Despite a sudden surge in March, interest rates soon fell into correction territory that lasted until the end of the year, with a strong impact on the valuation of fixed-income assets.

In this context and given the uncertainty around the evolution of financial markets, the company maintained its conservative investment strategy mainly focused on fixed-income assets either through direct investments or investment funds.

Following a change in control of the company's share capital, investments under Apollo's management were substantially reduced, except for private debt loans, which will continue to be managed by the former shareholder until maturity. Therefore, investment funds in which the company had a controlling interest (ICAVs) declined from €417 million in 2019 to only €122 million in 2020. It should be noted that a significant part of investment grade and financial assets were transferred from ICAVs to the company's direct portfolio, and high-yield assets sold throughout the process.

Investment Portfolio 2020

(Values expressed in thousand of euros and from a management perspective– it does not include UL)



* It includes investments in associates and joint ventures, financial assets held for trading, financial assets measured on initial recognition at fair value through profit and loss, available-for-sale assets, loans and accounts receivable, held-to-maturity investments, land and buildings, non-current assets held for sale, cash and cash equivalents and demand deposits and investment-related possible retentions. It excludes unit-linked and cash asset portfolios and demand deposits managed by treasury and which are not considered investments.

The investment strategy adopted had two major core guidelines: managing asset and liability lifetime and reducing the interest rate risk affecting the company's investment portfolio, according to the regulatory provisions for the insurance business set out in the European Directive Solvency II.

Therefore, while seeking to improve RoSCR, the company reduced its exposure to European core countries' government bonds, encouraged investment in Portuguese government bonds with long durations, and seized some investment grade opportunities to buy short-term corporate bonds.

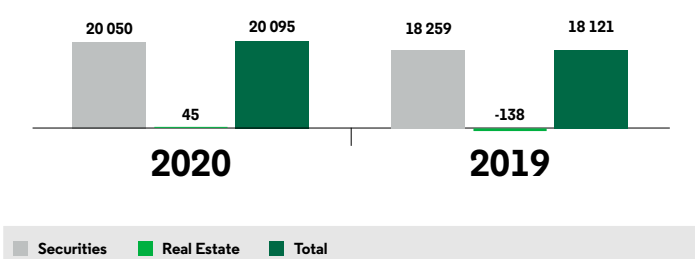
In order to disperse risk to other issuers outside the euro area and other asset classes with higher yields, and render transactions more flexible and faster, the company maintained its investment in the Exchange Traded Funds, always under currency hedging, though.

At the year end, the company's investment portfolio was €2.6 billion. Fixed rate bonds represented the largest segment of the company's investment, accounting for 82% of its overall investment portfolio. Bond portfolio (direct investment) averaged an A investment grade rating over 2020 and an exposure to sovereign debt of €1.4 billion, with strong exposure to the European core countries.

It is important to note that the assets of Generali Portugal were incorporated into the company's balance sheet in September 2020, amounting to more than €641 million.

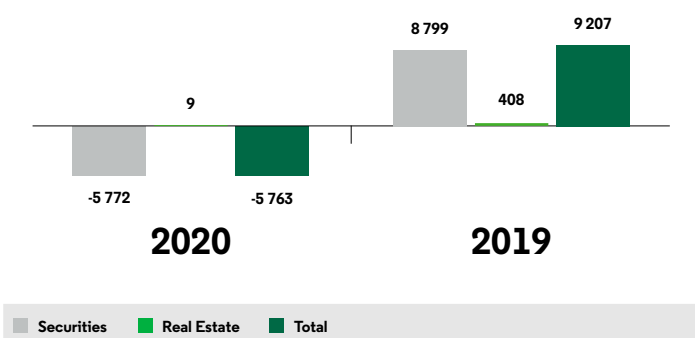
Interests and Returns

(Values expressed in thousand of euros and from a management perspective – it does not include UL)



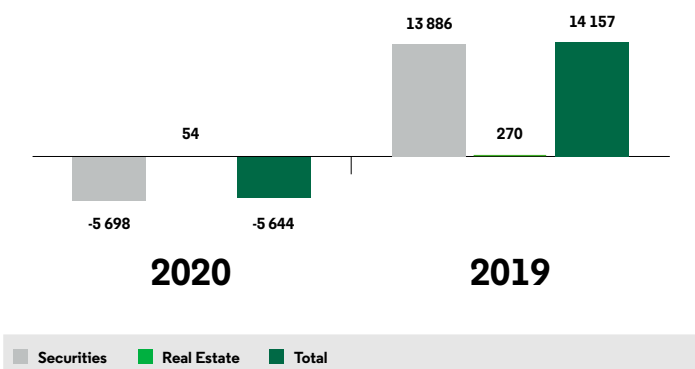
Capital Gains or Losses Recorded in Profit or Loss

(Values expressed in thousand of euros and from a management perspective – it does not include UL or impairments)



Financial Performance Results*

(Values expressed in thousand of euros and from a management perspective – it does not include UL)



* Includes impaired securities in the amount of € 19.9 million (2019: € 13.2 million)

In 2020, the company recorded a negative financial result of €5.6 million, representing a €19.8 million reduction compared with the previous year. Asset impairments of €20 million, mainly on private debt loans, accounted for much of the difference. It should be mentioned that the company's financial results include solely the financial results of the former Generali Portugal for the fourth quarter, amounting to €4 million.

On the other hand, and contrary to the business plan's projections, fund returns (ICAVs) were not paid in December 2020 (around €10 million), with a significant impact on this year's financial results.

The company's average return on financial assets was 0.2% compared with 0.9% in 2019. By incorporating the effect of unrealised gains accounted for in the fair value reserve, average return on financial assets was 4.3% compared with 5.1% in 2019.

3.4.9. EQUITY AND SOLVENCY MARGIN

The company's net income rose by €19 million in 2020, up from negative €40.1 million in the previous year. The company's net income for 2020 was adversely impacted by a set of non-recurring events, among which the following are highlighted:

- Recognition of capital losses of € 4.9 million from the sale of high-yield bond ICAV funds;
- Recognition of a € 16.4 million impairment loss on ICAV – MCR fund;
- Recognition of a € 6.7 million impairment loss on outstanding debt related to IFAP;
- A €6.4 million additional provision for liability adequacy test in life insurance;
- Recognition of € 17.4 million in costs incurred in relation to the incorporation process.

Nevertheless, it is important to note that the company's net income for 2019 was also adversely impacted, in net terms, by a set of non-recurring events of significantly greater magnitude, among which the following are highlighted:

- Recognition of a €20.6 million increase in technical provisions for life insurance, and a further €28.2 million provisioning increase for non-life insurance (workers' compensation), following a liability adequacy test;
- A €20 million increase in technical provisions for workers' compensation insurance (mortality table was replaced by the Portuguese Office for National Statistic's table for 2016/2018), and a further €18 million provisioning increase for motor insurance, in its bodily injury component, relative to previous years;
- Recognition of €5 million in claims costs, net of reinsurance, in connection with the storms Elsa and Fabien;
- Recognition of €10 million in costs incurred in relation to the company's restructuring process;
- Recognition of €1.3 million impairment losses over the company's held interests in its African subsidiaries;
- Recognition of capital gains of €1.7 million from the sale of the company's controlling interest in AdvanceCare Health International, S.A.;
- Recognition of €6.2 million of deferred taxes over tax losses arising from Açoreana, not recognised before, upon approval by the Portuguese Tax and Customs Authority.

	(thousand of euros)		
Equity Capital	2020	2019	VAR 20/19 (%)
Share Capital	84 000	84 000	0,0
Other Equity Instruments	27 097	27 097	0,0
Revaluation Reserves	136 007	45 324	200,1
Other Reserves	149 400	53 979	176,8
Retained Earnings	-80 200	5 364	n.a.
Net Income	18 895	-40 132	-147,1
Total	335 199	175 632	90,9

The amounts reflect the effects of the merger by incorporation of Generali, Companhia de Seguros, S.A. and Generali Vida, Companhia de Seguros, S.A. into Seguradoras Unidas, S.A. on 1st October 2020. Except for the company's net income for 2019 that reflects solely the activity carried out by Seguradoras Unidas, the company's net income for 2020 reflects business operations carried out over nine months by Seguradoras Unidas on a standalone basis, and a further three months as a merged company.

Equity increased €159.6 million reflecting the effect of the aforesaid merger, and the positive performance registered in the revaluation reserve (€95 million, without considering the merger effect), plus a positive net income of €18.9 million.

The company monitors its solvency according to the new Solvency II framework in force as of 1st January 2016. Final data on the solvency margin shall be publicly disclosed in the Solvency and Financial Condition Report in April, as provided for in the law.

3.4.10. RISK MANAGEMENT, INTERNAL CONTROL SYSTEM AND COMPLIANCE

Risk Management and Internal Control System

The application of qualitative requirements set out in the European Directive Solvency II, and the new legal framework that governs the access and exercise of the insurance and reinsurance activity (abbreviated as RJAS in Portuguese) have brought about substantial changes to the insurance business, with special emphasis on the principles associated with the development of best practices for risk management.

The definition of qualitative requirements and their subsequent development have increased the efficiency of governance and risk management systems as well as internal control procedures. In this context, the growing interconnection between the insurer's management and risk self-assessment structures is particularly noteworthy, which are now understood as an integral and essential part of the business strategy.

In relation to the governance system, current standards place particular emphasis on the performance of the insurer's management body, holding it responsible for implementing effective risk internal control and management systems.

Considering that 2020 was a year marked by the incorporation of the new insurance companies and their risk management framework, several major activities were developed over the last financial year, among which the following are highlighted:

- Reviewing and establishing policies within the Solvency II programme in force and the internal control system;
- Developing initiatives intended to drive a risk culture, with an emphasis on risk self-assessment by boards and management and the need for implementing additional controls;
- Defining risk appetite;
- Monitoring strategic asset allocations (SAA);
- Reporting the own risk and solvency assessment (ORSA);
- Reviewing the company's governance system and organisational structure;
- Monitoring investment limits;
- Monitoring developments discussed within the New Offer Committee (underwriting and products);
- Monitoring liquidity;
- Supporting the capital management process;
- Implementing the investment framework;
- Implementing the underwriting risk framework;
- Monitoring the company's solvency position;
- Self-assessing main risks;
- Analysing emerging risks;
- Launching a programme totally devoted to digital risk management;
- Implementing an operating loss management process across the organisation;
- In relation to business continuity risk:
 - Implementing business continuity and incident response plans to ensure business operation in an incident scenario, and protection of critical players, such as customers, investors and interested parties;
 - The exceptional situation caused the pandemic due to the novel coronavirus forced the company to implement its business continuity plan by transitioning all its employees to telecommuting, including those involved in critical processes.

In relation to non-financial information provided in article 66-B of the Portuguese Commercial Code, pursuant to article 451, clause 6, of the Portuguese Commercial Code, we hereby inform that the company shall prepare a separate management report comprising all non-financial information, under article 66-B of the Portuguese Commercial Code, which shall be posted on the company's website within the legal timeframe.

3.5. KEY VARIABLES AND BUSINESS INDICATORS

On 1st October 2020, insurance companies Generali, Companhia de Seguros, S.A. and Generali Vida, Companhia de Seguros, S.A. were merged by incorporation into Seguradoras Unidas, S.A., forming a new legal entity under the name Generali Seguros, S.A.

For the purpose of comparing business evolution, companies' numbers are herein presented in aggregate amounts for each of the financial years ended 2019 and 2020.

	(thousand of euros)		
	2020	2019	VAR 20/19 (%)
Gains and Losses			
Direct insurance gross written premiums	1 078 884	1 098 339	-1,8
Life	93 587	122 397	-23,5
Non-life	985 297	975 942	1,0
Earned premiums, net of reinsurance	934 150	937 256	-0,3
Life	67 956	88 758	-23,4
Non-life	866 193	848 498	2,1
Direct insurance claims costs	789 794	829 561	-4,8
Life	121 570	118 545	2,6
Non-life	668 224	711 016	-6,0
Claim-related costs, net of reinsurance	680 876	782 563	-13,0
Life	103 077	103 849	-0,7
Non-life	577 799	678 714	-14,9
Operating costs	157 379	151 694	3,7
Net income	12 918	-49 731	-126,0
Indicators			
Direct insurance claims rate – Non-life	68,4%	73,9%	-5,5 p.p.
Claims rate / Net of reinsurance – Non-life	66,7%	80,0%	-13,3 p.p.
Net income / Gross written premiums	1,2%	-4,5%	5,7 p.p.
Combined ratio net of reinsurance – Non-life	91,0%	105,0%	-14,0 p.p.

Gross written premiums fell 1.8% from €1.09 billion in 2019 to €1.07 billion in 2020.

In life insurance, gross written premiums fell 23.5%, driven by a 40.3% and 1.5% drop in financial and traditional products respectively.

In non-life insurance, gross written premiums rose €985 million, up 1% compared with the previous year, with a 2.9% and 9.3% increase in fire and other damage and health insurance respectively.

Direct non-life claims costs amounted to €668 million in 2020, down 6% compared with the year earlier. Non-life claims rate settled at 68.4% in 2020, down 5.5 percentage points compared with 2019. Operating costs rose to €157 million, up 3.7% compared with the previous year.

Aggregate net income for 2020 was €12.9 million, reflecting a €49.7 million increase compared with the previous year.

3.6. PROPOSAL FOR CAPITAL ALLOCATION

Under the terms and for the purposes set forth in article 376, clause b) of the Portuguese Commercial Code, the Board of Directors of Generali Seguros, S.A. proposes a €18,894,967.99 net income for 2020 to be allocated as follows:

- a) 10% of net income, amounting to € 1,889,496.80, to be allocated to legal reserve;
- b) the remaining amount to be recorded in retained earnings.

3.7. GOALS FOR 2021

From a macroeconomic perspective, economic activity is expected to pick up slowly over the coming months, as the effects of the pandemic fade, driven largely by the implementation of Covid vaccination programmes aimed at achieving herd immunity. Nonetheless, uncertainty will remain at unprecedented levels, and the pace of economic recovery is expected to slow over the year.

According to the Bank of Portugal, national GDP growth is projected to stand at 3.9% after a 5.6% decline, and government and consumer spending to be below 4.9% and 3.9% respectively. Gross fixed capital formation is also expected to have a limited impact on GDP growth, around 4.4%.

Exports are a major contribution to domestic economic activity and are expected to rise above 9.2%, following a 20.1% decline in 2020, driven by uncertainty around the impact of the pandemic in Portugal at the start of the year, bringing tourism industry to an almost complete halt, one of most contributing sectors to national GDP growth.

Fiscal stimulus packages deployed by governments, particularly those introduced by the European Development Fund, will play a pivotal role in the pace of economic recovery, and have an uneven impact on different sectors. While economy is expected to recover over time, it is anticipated to remain below pre-pandemic levels until the end of 2022, in the most optimistic scenario.

Unemployment rate is projected to remain elevated as a result of businesses' temporary or permanent closures due to lockdown. Benchmark interest rates in major markets are projected to remain at extremely low levels until the end of 2022, with an impact on yield of investors' financial investments.

In insurance sector, premium volume is expected to increase as economic activity recovers over the year, with greater impact on corporate products. Nevertheless, and given the uncertainty about the outlook, insurance companies are expected to adopt a responsible and balanced approach, with a focus on technical balance, consistent with last year's events. Therefore, insurance companies remain committed to their own transformation processes designed to simplify and optimise practices and operations and subsequently reduce operating costs, based on digital enablers.

Customers are increasingly demanding and mirror their expectations in the insurance sector based on their best buying experiences in other industries. Customers expect insurance companies to deliver innovative and modular products, provide excellent service levels and facilitate contact and transaction. Therefore, innovation will increasingly assert itself as a market topic either at product level or service functionalities available to customers and partners.

In Portugal, Generali Seguros aims to establish itself as a lifetime partner for its customers and business partners and be recognised as a stakeholder that brings economic and social value to the market in which it operates. 2021 has three main goals:

1. strengthen the company's market position;
2. focus on returns, whether resulting from technical component or efficiency gains brought by optimised internal processes and a streamlined organisational structure after the incorporation of the new insurance companies;
3. consolidate the transformation process by continuing to drive innovation to deliver new products and excellent service and simplifying processes.

The achievement of these goals relies on eight hallmarks:

1. Distributors

1.1 Digital visibility

Optimise business partners' digital presence by developing social media content and increasing social media use, namely Facebook and Instagram, and digital advertising as well.

1.2 Creation and management of leads

Extend leads creation tool to an increasing number of distributors by incorporating it in everyday modus operandi to increase sales productivity.

1.3 Advice addressed to customer needs

Use a sales-oriented approach focused on customer needs by developing the appropriate digital tool and facilitating training programmes for distributors.

1.4 Zero paper policy

Improve digital strategy with partners within a policy aimed at eliminating total paper consumption.

2. Customers

2.1 Human and solidarity-based experience

- Implement a holistic communication strategy by establishing regular contact with customers, at the appropriate moment to deliver relevant content aimed at increasing awareness levels, the number of policies by customer and customer retention.
- Incorporate into the company's DNA the Net Promoter Score (NPS) tool aimed at measuring customer satisfaction level and translate customer experiences into new actions designed for improving products, services, processes, and customer service levels.

2.2 Communication

Ensure the brand's new voice is used in all communication points with the customer.

2.3 Differentiated value proposition

- Use predictive analytics models to forecast sales and customer retention and achieve higher levels of customisation for product and service offer.
- Create new modular products to incorporate service components.

2.4 Advanced multichannel experience

- Improve current features and their use in customer area in the mobile app or desktop.
- Extend to other business lines new solutions to settle claims closer and faster and claims tracking component.
- Launch new simulators for motor and home insurance adapted to the optimisation of digital buying experience.

Based on these eight hallmarks and continued refinement of pricing models and fraud-prone detection systems, increasing commercial effectiveness and innovation in the distribution network, the company aims to fulfil its business plan and achieve its goals of growth and profitability in 2021, while incorporating the operations of Generali Portugal and Seguradoras Unidas into Generali Seguros.

3.8. COVID-19: CONTEXT AND CORPORATE RESPONSE

Covid-19 was officially identified for the first time in human beings in December 2019 in the city of Wuhan, China, and it is suspected its virus originated in animals. The primary outbreak led to a global pandemic, which has had three different waves until this moment and throughout 2020, the third of which we are currently experiencing.

As of 9th February 2021, and based on estimates, nearly 106,900,000 people were confirmed to have tested positive for Covid-19 and 2,300,000 were reported to have died from the coronavirus infection worldwide. In Portugal, statistics are impressive, with a total of 771,000 confirmed cases and 14,600 deaths since the start of the pandemic. Portugal is currently one of the countries to record one of the highest daily coronavirus infection and death cases globally.

The beginning of 2020 was marked by a significant and sudden change in social relationships, particularly with the so-called self-isolation, and in labour practices, especially with the absence of these or their transition to telecommuting. The government implemented a package of measures aimed at supporting families and businesses and which have proven to be fundamental to lessen the impacts of the pandemic on economic activity, weighing substantially on public finance though.

The year unfolded at different paces, with clearly different moments. Initially, the government imposed a nationwide lockdown with tight Covid-19 restrictions that were being steadily loosened towards the summer and until its end, allowing schools to open in early September. The coronavirus situation has significantly worsened from November until today and the country has gone into the third wave of the Covid-19 pandemic, which is projected to have peaked on 29th January and lasts until today.

The third wave forced the government to impose a new lockdown, closing schools and contributing to a slight improvement on the daily number of coronavirus infections and deaths. It should be noted that the country remains under the state of emergency, the eleventh since the start of the pandemic, which was announced to be in place until 1st March 2021.

Covid-19 vaccination programme, which was a source of optimism at the end of the year and the start of the new one, is currently underway, though moving at slower pace than previously announced. The Portuguese government aims for 70% of its population to be fully vaccinated by the end of summer and 100% until the end of the year. Given the circumstances, restrictions are assumed to remain in place in coming months, although they are expected to be gradually loosened towards the end of the year.

The effects of the Covid-19 pandemic have been especially detrimental to the economy, with GDP projected to fall to all-time lows in 2021 for the last 45 years. Following an initial period in which economic recovery was anticipated to enter the year with some momentum, it is essential to revise economic estimates in the light of the evolution of the pandemic, which means that economic activity will be revised downward in coming months.

Unemployment rate rose substantially in 2020, although still less than it was projected due to the furlough scheme and support measures, which have prevented many job losses. Uncertainty and volatility have been a reality over the last year and survey-based indicators suggest that they are likely to continue over 2021.

From an internal perspective, it should also be noted that the company has put in place a set of preventive and response measures since early March 2020, intended to adequate business operations to this new emerging reality. Therefore, it was implemented a contingency plan and established a Covid-19 monitoring office designed to monitor and keep a close watch on the current situation and its progress.

In this context, a set of measures was put in place within human resources, which relied mostly on remote work supported by the company's own infrastructures, part of which was already included in the business continuity plan. In relation to the company's premises, several measures were set in motion to mitigate existing risks either by limiting access to the premises on an early stage or restricting access at a later phase.

Additionally, a set of measures was put in place to monitor business activity in all its components aimed to follow closely the situation and its latest developments on a daily basis, and therefore implement preventively any corrective action deemed necessary.

As far as the company's activity is concerned, it is important to highlight a set of effects that have had substantial impact on business, technical and financial components, given the close relation of the company with the insurer market and the latter with the economy and this with the population.

In this sense, adverse effects have lowered the demand for insurance products and have increased the cancellation of existing contracts, leading to a decline in business growth, although it has been partly offset by a decrease in accident ratio. This was mainly due to restrictions imposed on the circulation of people and compulsory suspension of most of economic activities, resulting in serious shortfalls in projected revenues in commercial, industrial, and agricultural sectors.

Additionally, given that financial assets account for the most part of the company's assets, and a large number is listed on the stock exchange, negative effects were substantial, due to the depreciation of stock quotations and indices and the negative impacts that the economic crisis had on private debt markets and in some geographies. Therefore, the company recorded impairments and unrealised losses over 2020.

3.9. FINAL REMARKS

In this challenging year, the Board of Directors wants to express its gratitude to customers, agents, employees, and partners for their contribution to the development and growth of the company.

Generali Seguros further expresses its gratitude to the Portuguese Association of Insurers for the support provided within its areas of expertise and for acting in the best interest of the insurance sector.

A final word to thank the support of the Insurance and Pension Funds Supervisory Authority, which has contributed decisively for Generali Seguros to overcome with success one more important stage of its history.

Lisbon, 26th March 2020

THE BOARD OF DIRECTORS

Jaime Anchústegui Melgarejo
(Chairman of the Board of Directors)

João Vieira de Almeida
(Vice-President of the Board of Directors)

Pedro Luís Francisco Carvalho
(Chief Executive Officer)

Stefano Flori
(Member)

Riccardo Candoni
(Member)

Patrícia Ribeiro Sanina Espírito Santo
(Member)

04

**FINANCIAL
STATEMENTS**

FINANCIAL STATEMENTS

STATEMENT OF FINANCIAL POSITION AS AT 31ST DECEMBER 2020 AND 2019

(thousand of euros)

	Notes to Appendix	31 st December 2020			31 st December 2019
		Gross Amount	Impairment, Depreciations / Amortisations or Adjustments	Net value	
Assets					
Cash and cash equivalents and demand deposits	8	82 840		82 840	78 751
Investments in subsidiaries, associates and joint ventures					
Financial assets held for trade					
Financial assets classified on initial recognition at fair value through profit and loss	6	9 722		9 722	10 304
Hedge derivatives					
Available-for-sale assets	6	2 511 615	25 240	2 486 375	1 659 103
Loans and Receivables		17 651	15 000	2 651	8 586
Deposits with ceding companies	6	2		2	2
Other deposits	6	1 412		1 412	
Loans granted	6	15 804	15 000	804	1 017
Accounts receivable					
Others	6	433		433	7 567
Held-to-maturity investments	6	12 487		12 487	
Land and Buildings		24 436	8 754	15 682	16 056
Owner-occupied properties	9	21 451	8 754	12 697	16 010
Income properties	9	2 985		2 985	46
Other tangible assets	10	51 770	45 953	5 817	6 961
Inventories					
Goodwill	12	65 981		65 981	65 981
Other intangible assets	12	168 989	157 544	11 445	12 920
Technical Provisions for Ceded Reinsurance		290 617		290 617	85 893
Unearned premium provision	4	32 129		32 129	23 320
Life mathematical provision	4	109 491		109 491	2 023
Provision for claims deviations	4	126 463		126 463	60 550
Provision for profit-sharing	4	22 534		22 534	
Provision for rate commitments					
Provision for portfolio stabilisation					
Other technical provisions					
Assets for post-employment benefits and other long-term benefits	23	4 928		4 928	2 397
Other Debtors for Insurance Operations and Other Operations		151 547	31 529	120 018	90 027
Accounts receivable from direct insurance operations	13	69 413	10 986	58 427	42 258
Accounts receivable from reinsurance operations	13	46 556	4 197	42 359	31 388
Accounts receivable from other operations	13	35 578	16 346	19 232	16 381
Tax Assets		55 415		55 415	82 655
Current tax assets	24	2 790		2 790	6 472
Deferred tax assets	24	52 625		52 625	76 183
Accruals and deferrals	13	3 429		3 429	3 174
Other asset items	13	47 829		47 829	114 171
Non-current assets held for sale and discontinued operational units	11	4 766		4 766	7 674
Total Assets		3 504 022	284 020	3 220 002	2 244 653

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STATEMENT OF FINANCIAL POSITION AS AT 31ST DECEMBER 2020 AND 2019

(thousand of euros)

Liabilities and Equity	Notes to Appendix	31 st December 2020	31 st December 2019
Liabilities			
Technical Provisions	4	2 427 978	1 783 002
Unearned premium provision	4	218 376	183 989
Life mathematical provision		769 419	479 400
Claims Provisions	4	1 300 649	1 051 931
Life	4	75 402	55 061
Workers' compensation insurance	4	754 445	623 578
Other lines of business	4	470 802	373 292
Provision for profit-sharing	4	84 065	16 279
Provision for rate commitments	4	31 133	24 584
Provision for portfolio stabilisation	4	263	252
Provision for claims deviations	4	23 110	18 093
Provision for unexpired risks		963	8 474
Other technical provisions			
Financial liabilities of the deposit component of insurance contracts and operations considered for accounting purposes as investment contracts	5	62 089	123 891
Other Financial Liabilities		165 724	19 580
Hedge derivatives			
Subordinated liabilities	5	10 000	
Deposits from reinsurers	5	140 417	400
Others	5	15 307	19 180
Liabilities for post-employment benefits and other long-term benefits	23	792	421
Other Creditors for Insurance Operations and Other Operations		128 314	79 110
Accounts receivable from direct insurance operations	13	70 640	44 108
Accounts receivable from reinsurance operations	13	42 500	24 191
Accounts receivable from other operations	13	15 174	10 811
Tax Liabilities		27 991	16 705
Current tax liabilities	24	27 991	16 705
Deferred tax liabilities			
Accruals and deferrals	13	71 133	45 452
Other provisions	13	782	860
Other liabilities			
Liabilities of a disposal group classified as held for sale			
Total Liabilities		2 884 803	2 069 021
Equity			
Share capital	25	84 000	84 000
(Treasury shares)			
Other capital instruments	25	27 097	27 097
Revaluation Reserves		184 832	60 836
For adjustment of the fair value of financial assets	26	184 832	60 836
For revaluation of land and owner-occupied buildings			
For revaluation of intangible assets			
For revaluation of other tangible assets			
For adjustments to the fair value of cash-flow hedge instruments			
For adjustments to the fair value of net investment hedges in foreign currency			
For exchange rate differences			
Deferred tax reserve	26	-48 825	-15 512
Other reserves	26	149 400	53 979
Retained earnings	25	-80 200	5 364
Net income for the period		18 895	-40 132
Total Equity		335 199	175 632
Total Liabilities and Equity		3 220 002	2 244 653

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STATEMENT OF INCOME FOR THE YEARS ENDED 31ST DECEMBER 2020 AND 2019

(thousand of euros)

Profit and Loss Account	Notes to Appendix	31 st December 2020			31 st December 2019	
		Technical Life	Technical Non-Life	Non-Technical	Total	
Earned Premiums, Net of Reinsurance		46 237	784 776		831 013	766 695
Gross written premiums	14	56 063	884 000		940 063	876 255
Reinsurance ceded premiums	14	-9 431	-92 140		-101 571	-91 687
Provision for unearned premiums (changes)	4 e 14	-390	-6 965		-7 355	-19 226
Provisions for unearned premiums, reinsurers' share (changes)	4 e 14	-5	-119		-124	1 353
Commissions of insurance contracts and operations considered for accounting purposes as investment contracts or as service contracts	15	262			262	702
Claim-Related Costs, Net of Reinsurance		82 569	513 425		595 994	660 544
Paid amounts		76 422	467 470		543 892	573 212
Gross amount	4	81 241	515 642		596 883	616 887
Reinsurers' share	4	-4 819	-48 172		-52 991	-43 675
Claims provision (changes)		6 147	45 955		52 102	87 332
Gross amount	4	7 914	79 249		87 163	62 447
Reinsurers' share	4	-1 767	-33 294		-35 061	24 885
Other technical provisions, net of reinsurance	4	5 759	-8 862		-3 103	25 117
Life Mathematical Provision, Net of Reinsurance		-49 415			-49 415	-50 821
Gross amount	4	-53 398			-53 398	-50 795
Reinsurers' share	4	3 983			3 983	-26
Profit-sharing, net of reinsurance	4	4 035	500		4 535	2 310
Net Operating Costs and Expenses	21	21 413	216 890		238 303	197 344
Acquisition costs		14 190	175 740		189 930	162 550
Deferred acquisition costs (changes)	4	-75	-3 954		-4 029	-853
Administrative costs		10 564	53 881		64 445	53 665
Reinsurance commissions and profit-sharing		-3 266	-8 777		-12 043	-18 018
Revenues	16	9 411	10 553	132	20 096	18 123
On interest on financial assets not carried at fair value through profit and loss		8 264	8 681	127	17 072	9 247
On interest on financial liabilities not carried at fair value through profit and loss						
Others		1 147	1 872	5	3 024	8 876
Financial Costs	16	839	2 534	18	3 391	5 832
On interest on financial assets not carried at fair value through profit and loss						
On interest on financial liabilities not carried at fair value through profit and loss						
Others		839	2 534	18	3 391	5 832
Net Gains on Financial Assets and Liabilities Not Carried at Fair Value Through Profit and Loss		-3 036	-4 617	97	-7 556	4 966
On available-for-sale assets	17 e 18	-199	-4 617	97	-4 719	7 036
On loans and accounts receivable						
On held-to-maturity investments						
On financial liabilities carried at amortised cost	5 e 17	-2 837			-2 837	-3 791
On others	17 e 18					1 721
Net Gains on Financial Assets and Liabilities Carried at Fair Value Through Profit and Loss		2 834	890	-440	3 284	3 547
Net gains of financial assets and liabilities held for trading	19		937		937	
Net gains on financial assets & liabilities classified in the initial recognition at fair value through profit and loss	5, 17 e 18	2 834	-47	-440	2 347	3 547
Exchange rate differences	19		-1 312	-774	-2 086	185
Net gains on non-financial assets not classified as available-for-sale non-current assets and discontinued operating units	17 e 18		9		9	
Impairment Losses (Net of Reversal)		-1 800	-18 172	-4 530	-24 502	-5 415
On available-for-sale assets	6	-1 800	-15 692	-4	-17 496	-11 864
On loans and receivables carried at amortised cost						
On held-to-maturity investments						
On others	7, 12, 13 e 18		-2 480	-4 526	-7 006	6 449
Other technical income/costs, net of reinsurance	20	-23	-4 352		-4 375	-5 314
Other provisions (change)	13			77	77	707
Other income/expenses	20			519	519	-1 511
Negative goodwill recognised immediately in profit and loss						
Gains and losses on associates and joint ventures carried using the equity method						
Gains and losses on non-current assets or disposal groups classified as held for sale	17 e 18			-428	-428	408
Net Income Before Tax		-11 315	43 288	-5 365	26 608	-57 233
Income tax for the period – Current tax	24			-6 019	-6 019	-1 402
Income tax for the period – Deferred tax	24			-1 694	-1 694	18 503
Net Income For The Period		-11 315	43 288	-13 078	18 895	-40 132
Earnings per Share (in euros)	27				0,10	-0,22

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05

**STATEMENT OF
COMPREHENSIVE
INCOME**

STATEMENT OF COMPREHENSIVE INCOME

STATEMENT OF COMPREHENSIVE INCOME FOR THE PERIODS ENDED 31ST DECEMBER 2020 AND 2019

(thousand of euros)

	2020	2019
Net Income for the Period	18 895	-40 132
Items that May be Reclassified to the Income Statement	68 286	48 929
Change of fair value of available-for-sale assets	93 624	64 313
Change in current & deferred taxes	-25 338	-15 384
Items that Will Not be Reclassified to the Income Statement	459	-332
Change of actuarial deviations recognised in reserves	459	-332
Change in current & deferred taxes	-	-
Total Other Comprehensive Income, Net of Taxes	68 745	48 597
Total Comprehensive Income For the Period	87 640	8 465

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STATEMENT OF CHANGES IN EQUITY

STATEMENT OF CHANGES IN EQUITY

STATEMENT OF CHANGES IN EQUITY FOR THE PERIODS ENDED 31ST DECEMBER 2020 AND 2019

(thousand of euros)

	Share Capital	Other Capital Instruments	Revaluation Reserves	Deferred and Current Tax Reserve	Other Reserves		Other Reserves	Net Income for the Period	Total
		Supplementary Capital Contributions	For Adjustments to the Fair Value of Available-For-Sale Financial Assets		Legal Reserve	Other Reserves			
Balance as at 1st January 2019	84 000	27 097	-3 477	-128	42 173	7 074	-40 218	50 646	167 167
Net gains for adjustment to fair value of available-for-sale financial assets			64 313						64 313
Adjustments for recognition of deferred and current taxes				-15 384					-15 384
Actuarial differences recognised in reserves						-332			-332
Appropriation of the previous year's results					5 064		45 582	-50 646	-
Total Changes in Equity	-	-	64 313	-15 384	5 064	-332	45 582	-50 646	48 597
Net income for the period								-40 132	-40 132
Balance as at 31st December 2019	84 000	27 097	60 836	-15 512	47 237	6 742	5 364	-40 132	175 632
Net gains for adjustment to fair value of available-for-sale financial assets			93 624						93 624
Adjustments for recognition of deferred and current taxes				-25 338					-25 338
Actuarial differences recognised in reserves						459			459
Share-based payment plans recognised in reserves						142			142
Merger effect			30 372	-7 975	2 666	92 154	-45 432		71 785
Appropriation of the previous year's results							-40 132	40 132	-
Total Changes in Equity	-	-	123 996	-33 313	2 666	92 755	-85 564	40 132	140 672
Net income for the period								18 895	18 895
Balance as at 31st December 2020	84 000	27 097	184 832	-48 825	49 903	99 497	-80 200	18 895	335 199

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**STATEMENT
OF CASH FLOWS**

STATEMENT OF CASH FLOWS

STATEMENT OF CASH FLOWS FOR THE PERIODS ENDED 31ST DECEMBER 2020 AND 2019

(thousand of euros)

	2020	2019
Cash Flow from Operating Activities	103 509	70 844
Net income for the period	18 895	-40 132
Depreciation and amortisation charges for the period	14 957	14 785
Impairment of assets, net of reversals and recoveries	24 502	5 415
Change in technical provisions for direct insurance	44 824	58 956
Change in technical provisions for ceded reinsurance	-33 441	23 506
Change in liabilities for investment contracts	-61 803	-9 010
Change in other provisions	-77	-707
Change in debtors for direct insurance, reinsurance and other operations	-13 611	34 076
Change in other tax assets and liabilities	11 336	-19 567
Change in other assets and liabilities	63 782	6 052
Change in creditors for direct insurance, reinsurance and other operations	34 145	-2 530
Cash Flow from Investment Activities	-107 084	-68 001
Variation of investments	-117 616	-70 764
Disposals of subsidiaries and associates	-	2 721
Dividends received	2 628	8 544
Interest	13 270	9 354
Acquisitions of tangible and intangible assets	-5 424	-9 909
Disposals of tangible and intangible assets	58	-
Acquisition of real estate	-	-20 203
Disposal of land and buildings	-	12 256
Cash Flow from Financing Activities	-3 873	19 180
Dividend distribution	-	-
Change in liabilities in lease contracts	-3 873	19 180
Equity capital subscription	-	-
Net Change in Cash and Cash Equivalents and Demand Deposits	-7 448	22 023
Cash and cash equivalents at the start of the period	78 751	56 728
Merger effect	11 537	-
Cash and cash equivalents at the end of the period	82 840	78 751

08

**NOTES TO
THE FINANCIAL
STATEMENTS**

NOTES TO THE FINANCIAL STATEMENTS

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIODS ENDED 2020 AND 2019

NOTE 1 – GENERAL BUSINESS INFORMATION

Generali Seguros, S.A., hereinafter shortly referred as to the company, is an insurance company resulting from a merger by incorporation into Seguradoras Unidas, S.A. of the insurance companies Generali, Companhia de Seguros, S.A. and Generali Vida, Companhia de Seguros, S.A.

This merger was registered and came into effect on 1st October 2020, following approval of the management and supervisory bodies of the three entities involved and upon prior approval of the Insurance and Pension Funds Supervisory Authority (abbreviated as ASF in Portuguese). The incorporated companies ceased to exist on incorporation as at such date and Seguradoras Unidas, S.A. changed its corporate name to Generali Seguros, S.A. Nevertheless, the company's management bodies decided to preserve the brands Tranquilidade, Açoreana and LOGO for commercial reasons.

The incorporating company Seguradoras Unidas, S.A. was an insurance company resulting from a merger by incorporation into Companhia de Seguros Tranquilidade, S.A. of its wholly owned subsidiaries T-Vida, Companhia de Seguros, S.A., Seguros LOGO, S.A. and Açoreana Seguros, S.A. on 30th December 2016 (registry and effective date).

On 15th January 2015, the company's total share capital was acquired by Calm Eagle Holdings, S.à r.l., a corporation controlled by Apollo Global Management, LLC's affiliated investment funds under prior approval of the ASF.

On 8th January 2020, Assicurazioni Generali S.P.A acquired the company's total share capital under prior approval of the ASF.

The company is headquartered in Lisbon, having its registered office at Avenida da Liberdade, 242, and is registered with the Commercial Registry Office of Lisbon under tax identification number 500 940 231. The company pursues insurance and reinsurance activities in Portugal within the scope of life and non-life insurance, except credit insurance, under the supervision of the ASF and under licence no. 1197 and LEI code no. 549300CGCHTYQ1Z4V333.

Following the merger, the company runs its business through its offices in Lisbon, Oporto and Ponta Delgada. Its distribution network in Portugal is divided into 21 commercial zones (19 in mainland Portugal, Azores and Madeira), which are supported by local offices and a total of 688 physical points of sale scattered across the mainland and islands. By typology, the physical network consists of 13 own stores, namely 1 in Lisbon, 1 in Oporto and 11 stores in the Azores, and 675 partner stores under the brand Tranquilidade or Açoreana, in the Azores, 262 of which are exclusive.

The company provides motor vehicle insurance, including motorcycle, home protection, life insurance (with critical illness cover for protection in the event of serious illness and also mortgage protection in the event of death) and health insurance plans through LOGO, an insurance digital brand released in January 2008 and the first direct insurer to operate solely online, totalling 165.000 customers.

Considering that the company is the product of a merger by incorporation of other companies, effective as of 1st October 2020, all information provided in the company's financial statements and further detailed in the following notes reflect the companies' integrated balance sheet for the year ended 31st December 2020, and therefore the profit and loss statement reflects the activity carried out by Seguradoras Unidas over nine months on a standalone basis and a further three months as a merged company, in compliance with accounting standards.

In view of the foregoing, no direct comparison can be made between the financial statements for the year ended 2020 and those for the year ended 2019, the latter of which refers only to Seguradoras Unidas, S.A.

Given that the three companies were under the control of a sole shareholder, Assicurazioni Generali, S.p.A., the merger was completed based on the carrying amount of assets and liabilities and under the principle of fiscal neutrality.

NOTE 2 – BUSINESS SEGMENT INFORMATION

The amounts provided in this note should be interpreted in light of the constraints associated with the disclosure of financial information as mentioned in Note 1 above.

The company operates in all life and non-life lines of insurance under licence from the ASF, and its underwriting policies and rules are set out to attain for each product the best value for money for the company, customers and partners, using every information source available to assess the quality of physical, financial and moral risks.

The operating segments reported correlate with a business line framework typology.

The table below breaks down the main line items of the revenue and expenses account, segmented by the most relevant business lines within life insurance:

(thousand of euros)				
2020	Total Life	Total Life	Capitalisation with Profit-Sharing	Capitalisation without Profit-Sharing
Profit and Loss Line Items				
Gross written premiums	56 063	43 174	5 376	7 513
Investment contract commissions	262	-	84	178
Gross earned premiums	55 673	42 784	5 376	7 513
Investment results	6 547	5 018	625	904
Gross claims costs	89 155	23 318	17 505	48 332
Changes in mathematical reserve	-53 398	-6 490	-9 329	-37 579
Changes in provision for rate commitment	6 380	2 059	274	4 047
Changes in provision for portfolio stabilisation	11	11	-	-
Profit-sharing	4 809	3 227	454	1 128
Gross operating costs	24 679	20 392	1 309	2 978
Balance of reinsurance	-2 161	-2 161	-	-
Technical result	-11 315	3 124	-4 128	-10 311

(thousand of euros)				
2019	Total Life	Total Life	Capitalisation with Profit-Sharing	Capitalisation without Profit-Sharing
Profit and Loss Line Items				
Gross written premiums	48 244	39 105	3 345	5 794
Investment contract commissions	702	-	206	496
Gross earned premiums	47 598	38 459	3 345	5 794
Investment results	2 740	2 185	187	368
Gross claims costs	79 743	22 702	14 323	42 718
Changes in mathematical reserve	-50 795	-7 299	-9 451	-34 045
Changes in provision for rate commitment	20 604	12 772	7 832	-
Changes in provision for portfolio stabilisation	-175	-175	-	-
Profit-sharing	2 310	1 685	-78	703
Gross operating costs	19 141	15 108	2 097	1 936
Balance of reinsurance	-1 480	-1 480	-	-
Technical result	-21 268	-5 629	-10 985	-4 653

The table below breaks down the main line items of the revenues and losses account segmented by the most relevant business lines within non-life insurance:

(thousand of euros)					
2020	Total Non-Life	Workers' Compensation	Fire and Other Damage	Motor	Other
Profit and Loss Line Items					
Gross written premiums	884 000	199 327	126 280	385 720	172 673
Reinsurance ceded premiums	-92 140	-2 903	-47 105	-2 121	-40 011
Gross earned premiums	877 035	200 957	123 275	378 971	173 832
Investment results	-15 183	-7 375	-1 478	-4 831	-1 499
Gross claims costs	594 891	163 438	96 449	236 023	98 981
Gross operating costs	225 667	45 402	37 337	92 272	50 656
Technical result	43 288	-14 114	3 522	53 911	-31

(thousand of euros)

2019	Total Non-Life	Workers' Compensation	Fire and Other Damage	Motor	Other
Profit and Loss Line Items					
Gross written premiums	828 011	190 647	116 897	364 211	156 256
Reinsurance ceded premiums	-86 842	-3 135	-44 001	-1 339	-38 367
Gross earned premiums	809 431	189 041	115 732	352 100	152 558
Investment results	3 397	2 910	28	414	45
Gross claims costs	599 591	176 015	45 844	303 478	74 254
Gross operating costs	196 221	38 942	33 150	84 126	40 003
Technical result	-44 992	-22 962	12 205	-37 388	3 153

NOTE 3 – FINANCIAL STATEMENTS AND ACCOUNTING POLICIES PREPARATION BASIS

PRESENTATION BASIS

The company's financial statements herein presented report to the financial year ended 31st December 2020 and have been prepared in accordance with the principles set forth in the Plan of Accounts for Insurance Companies issued by the ASF.

The principles established in the Plan of Accounts for Insurance Companies comply with the International Accounting Standards and International Financial Reporting Standards (IAS/IFRS) as adopted by the European Union, pursuant to the Regulation (EC) no. 1606/2002 of the European Parliament and of the Council of 19th July transposed into the Portuguese legal system by the Decree Law no. 35/2005 of 17th February, except for the application of IFSR 4 Insurance Contracts, on which only insurance contract type classifying principles have been applied.

The IFRS comprise accounting standards issued by the International Accounting Standards Board (IASB) and interpretations issued by the International Financial Reporting Interpretation Committee (IFRIC) and its predecessors.

In 2020, the company adopted the IFRS and interpretations applicable for annual periods beginning on 1st January 2020. The accounting policies were consistent with those used before to prepare the financial statements of the 2019 financial year.

The standards mentioned above are broken down in Note 33. In accordance with the transition requirements of those standards and interpretations, comparative amounts are presented to meet the disclosure objective of the standards.

The accounting standards and interpretations issued recently but not yet effective and which the company has not yet applied to its financial statements may also be reviewed in Note 33, specifically the possibility provided by IFRS 4 amended version of applying IFRS 9 – Financial Instruments simultaneously with IFRS 17 – Insurance Contracts.

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

These financial statements have been prepared in accordance with the historical cost principle, except for assets and liabilities recognised at fair value, namely available-for-sale financial assets, financial assets at fair value through profit and loss and investment properties. Other financial assets and liabilities, as well as non-financial assets and liabilities are recognised at amortised cost or historical cost less any impairment losses.

Non-current assets held for sale are recognised at their lower carrying value or fair value, less costs to sell. Liabilities over responsibilities for services rendered associated with defined benefits are recognised at the present value of past responsibilities with pension funds net of fund assets.

The preparation of the financial statements in compliance with the Plan of Accounts for Insurance Companies requires the company to make judgments and estimates and use assumptions that affect its accounting policies and the value of profits, costs, assets, and liabilities.

These estimates and assumptions are based on the most recent data available, supporting judgements on the value of assets and liabilities, the valuation of which is not supported by other sources. Actual results may differ from estimates.

As mentioned in Note 1 above, and considering that the company is the product of a merger by incorporation of other companies, effective as at 1st October 2020, all data provided in the financial statements and further described in the following notes reflect the companies' integrated balance sheet for the year ended 31st December 2020, and therefore revenues and losses reflect the activity carried out by Seguradoras Unidas over nine months on a standalone basis and a further three months as a merged company, in compliance with accounting standards.

In view of the foregoing, no direct comparison can be made between the financial statements for the year ended 31st December 2020 and those for the year ended 31st December 2019, the latter of which refers only to Seguradoras Unidas, S.A.

Under the terms of the applicable laws and accounting regulations, the company prepares consolidated financial statements.

The company's financial statements for the year ended 31st December 2020 were approved by the Board of Directors on 10th March 2021. These financial statements are pending approval by the General Meeting.

KEY ACCOUNTING PRINCIPLES AND VALUATION CRITERIA ADOPTED

Investments on Subsidiaries and Associated Companies

Subsidiaries

A subsidiary means an entity that is controlled by the company, including investment funds and securitisation vehicles. The company controls an entity when it is exposed, or holds rights to, to variations in revenue resulting from its involvement with that entity and may claim it by the power it holds over the relevant activities of that entity (de facto control).

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

Associates

An associate means an undertaking over which the company has considerable influence but has no control over its financial and operational policy.

It is assumed that the company has considerable influence when it holds more than 20% of the voting rights of its associate. Whenever the company holds, directly or indirectly, less than 20% of the voting rights of its associate, it is assumed that the company does not have considerable influence, except where such influence can be clearly demonstrated.

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

Impairment

The recoverable amount of investments in subsidiaries and associates is measured on a yearly basis, regardless of the existence of any indicators of impairment. Impairment losses are measured based on the difference between the recoverable amount of investments in subsidiaries and associates and their carrying value. Impairment losses are recognised in profit and loss and are subsequently reversed in profit and loss, provided the estimated impairment loss is reduced in a subsequent period.

The recoverable amount is determined based on the higher of an asset's fair value, less costs to sell, and its value in use, and it is calculated using valuation methodologies supported by discounted cash flows techniques, considering market conditions, time value and business risks.

Whenever a subsidiary's liabilities exceed its assets, in addition to impairments that need to be created to cancel the investment, the company makes a provision when it holds an obligation over a subsidiary's liabilities.

Financial Assets

Classification

The company classifies its financial assets into different categories according to their purpose at the beginning of each transaction, namely:

- Financial assets at fair value through profit and loss, which include:
 - Financial assets held for trading that correspond essentially to securities acquired to realise gains as a result of short-term swings in market prices. Derivative financial instruments are also included in this category, excluding those that meet hedge accounting requirements;
 - Financial assets that are designated on their initial recognition as one to be measured at fair value with fair value changes in profit and loss, particularly when:
 - Such financial assets are managed, assessed and revised internally based on fair value;
 - Such designation eliminates an inconsistency of recognition and measurement (accounting mismatch);
 - Such financial assets contain embedded derivatives.
- Available-for-sale financial assets, which include:
 - Non-derivative financial assets that are held for an undetermined period of time;
 - Financial assets that are designated on their initial recognition as available for sale;
 - Financial assets that do not fall into any other category.

- Loans and receivables that are classified as financial assets with either fixed or determinable payments that are not quoted in an active market, which include amounts receivable related to direct insurance and ceded reinsurance operations and transactions related to insurance contracts and other transactions.
- Held-to-maturity financial assets that include non-derivative financial assets with either fixed or determinable payments and fixed maturity and for which the company has both the intention and the ability to hold to maturity and are not designated as financial assets at fair value through profit and loss, available for sale or loans and receivables. Any reclassification or sale of a held-to-maturity financial asset carried out far from maturity shall require the company to reclassify all its held-to-maturity investments as available-for-sale for the current and the next two reporting periods, being unable to classify any other financial asset into this category.

Recognition, measurement and derecognition

The purchase or sale of a financial asset at fair value through profit and loss and available-for-sale financial asset is recognised at the trade date, that is, the date on which the company commits itself to buy or sell an asset.

Financial assets are initially recognised at their fair value plus transaction costs, except for financial assets recognised at fair value through profit and loss, wherein such transaction costs are directly recognised in profit and loss.

These assets are derecognised when (i) the company's contractual rights expire once it has received the cash flows from the assets, or when (ii) the company has transferred substantially all the risks and rewards of ownership of the assets.

Subsequent measurement

After initial recognition, financial assets at fair value in profit and loss are measured at fair value, with fair value changes recognised in profit and loss.

Investments classified as available-for-sale financial assets are recognised at fair value with fair value changes recognised in equity. When these investments are derecognised or an impairment loss is identified, the cumulative potential gains or losses that were recognised in equity are recognised in profit and loss.

Variations in foreign exchange rates associated with these investments are also recognised in equity, in case of shares, and in profit and loss, in case of debt instruments. Interest calculated at effective interest rate and dividends are also recognised in the statement of total recognised gains or losses.

The fair value of quoted financial assets is their current bid price. When financial assets are not quoted, the company estimates their fair value by using (i) valuation methodologies, such as the prices of similar transactions carried out recently under market conditions, discounted cash flow techniques and customised option pricing models to reflect the specifics and circumstances of the financial instrument; and (ii) valuation assumptions based on market information.

Loans and receivables are subsequently measured at amortised cost based on the effective interest rate method.

Financial instruments whose fair value cannot be measured reliably are recognised at acquisition cost, net of impairment losses.

Transfers between categories

In October 2008, after amendments, IASB reissued IAS 39 – *Amendments to IAS 39 Financial Instruments: Recognition and Measurement*, and IFRS 7 – *Financial Instruments Disclosures*.

This amendment enables an entity to transfer financial assets at fair value through profit and loss to its available-for-sale financial asset portfolios, loans and receivables or hold-to-maturity financial assets, provided those financial assets meet the specifics of each category.

Additionally, financial assets initially recognised as available-for-sale financial assets may be recognised as consumer asset-backed securities or hold-to-maturity financial assets under specific circumstances.

Impairment

The company assesses on a regular basis whether there is any evidence that a financial asset or a group of financial assets may be impaired. If any such evidence of impairment exists, the company calculates the recoverable amount of the asset or group of assets and recognises the impairment loss in profit and loss.

A financial asset or a group of financial assets are impaired wherever there is any objective evidence of impairment as a result of one or more events that have occurred after their initial recognition, such as: (i) for equity securities, a continued depreciation or significant decline in their market value; and (ii) for debt securities, when such event or events have an impact on the estimated future cash flows of the financial asset or group of financial assets that can reasonably be estimated.

Under the company's policies in place, a significant decline refers to a 30% decrease in the fair value of a financial instrument and continued depreciation is assumed as a decrease in fair value below the acquisition cost over a one-year period.

When there is an evidence that an available-for-sale financial asset may be impaired, the cumulative potential loss recognised in equity, which corresponds to the difference between the asset's acquisition cost and its present fair value, less any impairment loss on the asset previously recognised in profit and loss, is recognised in profit and loss.

If, in a subsequent period, the amount of the impairment loss decreases, the impairment loss previously recognised is reversed in profit and loss of the reporting period until the reinstatement of the asset's acquisition cost, provided the increase in fair value is objectively related to an event occurring after the initial recognition of the impairment loss, except for shares or other capital instruments, wherein the increase in fair value of securities is recognised in equity.

Derivative Financial Instruments

Derivative financial instruments are recognised at fair value on trade date. Subsequently, the fair value of derivative financial instruments is revaluated on a regular basis and any gains or losses resulting from such revaluation are recognised directly in profit and loss of the reporting period.

The fair value of derivative financial instruments corresponds to their market value, whenever available, or is determined based on valuation techniques, which include discounted cash flow models and option pricing models, wherever appropriate.

Embedded Derivatives

Derivatives that are embedded in other financial instruments are accounted for separately when their economic characteristics and risks are not attached to the host instrument and the host instrument is not carried at fair value through profit and loss. These embedded derivatives are recognised at their fair value with fair value changes recognised in profit and loss.

Financial Liabilities

An instrument is classified as a financial liability when there is a contractual obligation to deliver cash or other financial asset, regardless of its legal form.

Non-derivative financial liabilities include loans, creditors for direct insurance and reinsurance operations and other liabilities. These financial liabilities are initially recognised (i) at fair value less any transaction costs incurred; and (ii) subsequently at amortised cost based on the effective interest rate method, except for investment contract liabilities wherein the investment risk is borne by the policyholder, being recognised at fair value.

The company derecognises its financial liabilities when they are extinguished, that is, when the contractual obligation is either discharged, cancelled, or expired.

Foreign Currency Operations

Foreign currency transactions are converted into euros at the exchange rate at the transaction date. Monetary assets and liabilities measured in a foreign currency are converted into euros at the exchange rate at the balance sheet date. Exchange differences resulting from such conversion are recognised in profit and loss, except when those differences are classified either as a cash flow hedge or a net investment hedge. In these cases, exchange variations are recognised in equity.

Non-monetary assets and liabilities measured at historical cost in a foreign currency are converted using the exchange rate at the transaction date. Non-monetary assets and liabilities measured at fair value in a foreign currency are converted into euros using the exchange rate at the date when their fair value was determined.

Tangible Assets

The company's tangible assets are initially measured at acquisition cost, less accumulated depreciations, and impairment losses.

Subsequent costs with tangible assets are capitalised only if such assets are likely to generate value for the company. All repair and maintenance expenses are recognised as cost under the accrual basis of accounting. Land is not depreciated.

Depreciations of tangible assets are calculated on a straight-line basis at the depreciation rates broken down below that reflect the expected useful life of assets:

Asset Type	Number of Years
Owner-occupied properties	50
IT Hardware	3 to 4
Furniture and materials	4 to 8
Indoor fixtures and fittings	3 to 20
Machines and tools	4 to 8
Transport material	4
Other equipment	4 to 10
Right-of-use property	13
Right-of-use car fleet	4

The expected useful life of assets is revised at the date of each balance sheet and further adjusted, where appropriate, in accordance with the expected consumption pattern of future economic benefits that are expected to arise from the continued use of the asset.

When there is an evidence that an asset may be impaired, IAS 36 requires its recoverable amount to be estimated and the relevant impairment loss recognised, whenever the carrying amount of an asset exceeds its recoverable amount. Impairment losses are recognised in the statement of income for the reporting period.

The recoverable amount is determined based on the higher of an asset's fair value, less costs to sell, and its value in use, which is calculated based on the present value of estimated cash flows that are expected to arise from the continued use of the asset and its disposal at the end of its useful life.

Investment Properties

The company classifies as investment properties any real estate property held for lease or capital appreciation or both.

Investment properties are initially recognised at acquisition cost, including transaction costs directly related, and subsequently at fair value. Fair value changes determined at the date of each balance sheet are recognised in profit and loss. Investment properties are not depreciated.

Any subsequent related costs are capitalised whenever investment properties are likely to generate value for the company above the performance level initially estimated.

Non-current Assets Held for Sale

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

All non-current assets are measured in accordance with all applicable IFRS before being classified as non-current assets held for sale. After their reclassification, these assets are measured at the lower carrying amount and fair value, less cost to sell.

Fair value is based on market value, which is determined based on the expected selling price obtained through regular evaluations made by the company.

These assets are subsequently measured at the lower of their carrying amount and the corresponding fair value, net of costs to sell, and they are not subject to depreciation. In the event of unrealised losses, these assets are recognised as impairment losses in profit and loss for the reporting period.

Intangible Assets

The value-in-force business (VIF) is recognised as an intangible asset, and it is depreciated over the period of recognition of future earnings on the insurance policies acquired. The value in-force business is the estimated present value of future cash flows at the acquisition date.

Costs incurred for the acquisition of software are capitalised, as well as any additional expenses borne by the company necessary to implement it. These costs are amortised on straight-line basis over the expected useful life of these assets, which usually averages about 3 years.

Any costs directly related to IT applications developed by the company, which are expected to generate value for the company beyond one reporting year, are recognised and recorded as intangible assets. These costs are amortised on a straight-line basis over the expected useful life of these assets, which, for the most part, does not exceed 5 years.

Any other expenses associated with IT services are recognised as costs when incurred. When there is an evidence that an asset may be impaired, IAS 36 requires the recoverable amount to be estimated and recognised as an impairment loss whenever the carrying amount of an asset exceeds its recoverable amount.

The recoverable amount is determined based on the higher of an asset's value in use and its market value, less costs to sell, and it is calculated using valuation methodologies supported by discounted cash flow techniques, considering market conditions, time value and business risks.

Impairment losses are recognised in profit and loss.

Goodwill

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

Negative goodwill arising from an acquisition is recorded directly in profit and loss in the reporting period in which the business combination occurs.

The recoverable amount of goodwill is measured on a yearly basis, regardless of any evidence of impairment. Potential impairment losses are recognised in profit and loss for the period. The recoverable amount is determined based on the higher of an asset's value in use and its market value, less costs to sell, and it is calculated using valuation methodologies supported by discounted cash flow techniques, considering market conditions, time value and business risks.

Leases (IFRS16)

At inception of a contract, the company assesses whether the contract is, or contains, a lease. A contract is, or contains, a lease if it conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To conclude whether a contract conveys the right to control the use of an asset for a given period of time, the company assesses whether the three following conditions are met:

- i) the contract involves the use of an identified asset, which may be implicitly or explicitly specified in the contract and is physically distinct or, in case of a portion of an asset, represent substantially all the capacity of the asset physically distinct. If the supplier has a substantive right to substitute the asset throughout the period of use, there is no identified asset;
- ii) the company has the right to obtain substantially all the economic benefits from using the asset over the period of use; and
- iii) the company has the right to determine the use of the identified asset. The company has the ability to determine the use of the identified asset when it has the most relevant decision-making rights to change how and for what purpose the asset is used. Occasionally, when the site where relevant decisions are made is predetermined, the company has the right to determine the use of the identified asset, if (i) the company has the right to operate the asset; or (ii) the company designs the asset in a way that it predetermines how and for what purpose the asset will be used throughout the period of use.

At the start or revaluation of a contract that contains a lease component, the company allocates the consideration payable to each lease component based on its relative standalone price. Nevertheless, for the lease of land and buildings in which the entity is a lessee, the company has elected not to separate non-lease components from lease components and account for all components as a single lease.

As a lessee

The company recognises a right-of-use asset and a lease liability at the start of the lease. The right-of-use asset is initially measured at cost, which comprises the amount equal to the lease liability at initial recognition, adjusted to any lease payments made before or at the start date, plus any additional direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or restore the site where it is located, less any lease incentives received.

Subsequently, the right-of-use asset is depreciated on a straight-line basis from the start date to the end of the useful life of the right-of-use asset or at the end of the lease term. The estimated useful life of a right-of-use asset is determined on the same basis as the useful life of property and equipment. Additionally, the right-of-use asset is reduced on a regular basis by impairment losses, if any, and adjusted to certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of any lease payments that are not paid at the start date, discounted using the interest rate implicit in the lease or, if the interest rate implicit in the lease cannot be readily determined, the company's incremental interest rate. The company usually uses its incremental borrowing rate as a discount rate.

Lease payments included in the measurement of lease liabilities comprise the following: (i) fixed payments, including in-substance fixed payments; (ii) variable lease payments that depend on an index or a rate, initially measured using the index or rate at the start date; (iii) amounts expected to be payable under a residual value guarantee; and (iv) the exercise price of a purchase option that the company is reasonably certain to exercise, lease payments in the renewal period if the company is reasonably certain to exercise the renewal option, and payments of penalties for early termination of the lease, unless the company is reasonably certain not to exercise the termination option.

The lease liability is measured at amortised cost using the effective interest rate method and remeasured when there is a change in future lease payments resulting from a variation of an index or rate, if there is a change in the estimate of the amounts expected to be payable under a residual value guarantee, or if the company reassesses its option to purchase the underlying asset, extend the lease term or terminate the lease.

When a lease liability is measured in the aforementioned manner, an adjustment is made to the right-of-use asset that either corresponds to its carrying amount, or is recognised in profit and loss if the carrying amount of the right-of-use asset is reduced to zero.

The company owns right-of-use assets that do not fall into the definition of investment properties in other tangible assets and other intangible assets and lease liabilities in other liabilities on the balance sheet.

Short-term leases and leases of low-value assets

The company has chosen not to recognise any right-of-use assets and lease liabilities for short-term leases with a lease term of twelve months or less and leases of low-value assets. Lease payments associated with these arrangements are recognised in the income statement as an expense on a straight-line basis throughout the lease term.

Subleases

A sublease requires the lessee to enter into a sublease contract with a third party, acting as an intermediate lessor, while the head lease entered into with the original lessor remains valid and in effect.

The standard IFRS 16 – Leases requires a lessor to evaluate all subleases by reference to the right-of-use asset rather than to the underlying asset. The intermediate lessor, being also a lessee by reference to the head lease, is required to recognise an asset in its financial statements: a right-of-use asset arising from the original lease (if the lease is classified as an operating lease); or a financial asset, measured under IAS 39, arising from the sublease (if the lease is classified as a finance lease). If the head lease is a short-term lease, the sublease is classified as an operating lease.

Cash and Cash Equivalents

To prepare the statement of cash flows, the company considers the total of the cash and cash equivalents and demand deposits section to be cash and cash equivalents. Cash and its equivalents comprise the amounts recognised in the balance sheet with a maturity of three months or less from the balance sheet date, which comprise cash flows and deposits with credit institutions.

Reinsurance

Reinsurance contracts are reviewed to determine whether contract provisions suppose the transfer of a significant insurance risk. Reinsurance contracts that do not entail the transfer of a significant insurance risk are accounted for using the deposit method and recognised in loans as assets or liabilities on the reinsurance business. The amounts collected or paid under reinsurance contracts are recognised as deposits using the effective interest rate method.

In the course of its commercial activity, the company accepts and cedes business. The amounts payable or receivable on the reinsurance business comprise payables or receivables from insurance and reinsurance companies in accordance with the contract provisions laid down in the respective reinsurance treaties.

Accounting principles applicable to liabilities on accepted reinsurance under insurance contracts that suppose a significant insurance risk are handled in a similar fashion to direct insurance contracts.

Employee Benefits

Responsibilities with employee benefits are recognised under the principles set forth in IAS 19 – Employee Benefits.

Post-Retirement Benefit Plan

The company takes on responsibility for granting its employees supplementary benefits to the old-age and disability pensions emerging from the Social Security System under the terms set forth in the applicable Collective Bargaining Regulation Instruments.

The company's liabilities regarding said benefits to old-age and disability pensions (defined-benefit pension plan) are calculated individually for each plan on an annual basis, at the balance sheet date.

Labour relations existing within the company were originally governed by the Collective Bargaining Convention, published on the Labour Bulletin no. 32 of 29th August 2008, which set out that any employee admitted to the insurance sector before 22nd June 1995 under this agreement would be entitled to receive a supplementary pension benefit of a pecuniary nature funded by the Social Security System.

The company announced, in line with other insurance companies in similar circumstances, that the Collective Bargaining Convention would cease to be effective and applied as of 31st December 2016, specifically regarding the supplementary defined-benefit pension plans.

On 23rd December 2011, a new Collective Agreement for the Insurance Sector was approved, published on the Labour Bulletin no. 2. of 15th January 2012, changing a set of benefits established previously. This collective agreement was later followed and superseded by the Collective Bargaining Agreement, published on the Labour Bulletin no. 4 of 29th January 2016.

The Collective Bargaining Agreement was later extended by a ministerial ordinance, published on the Labour Bulletin no. 25 of 8th July 2016, causing the schemes under this agreement to be applied to all employees of the company who were not affiliated with granting trade unions, except for employees affiliated with SINAPSA – National Union of Insurance Workers and Related.

Among the changes arising from the Collective Agreement for the Insurance Sector in 2012 that migrated to the Collective Bargaining Agreement approved in 2016, the following two were particularly noteworthy:

- i) within post-employment benefits, employees were now covered by an individual defined-contribution plan;
- ii) a loyalty bonus awarded to employees who stayed in the company for one or more multiples of five years, equal to 50% of their base salaries and paid once the appropriate award conditions were met.

As to the change of the supplementary pension plan, the nature of which shifted from a defined-benefit to a defined-contribution, and considering that fully funded past service liabilities related to old-age pensions due to active employees under the new agreement were converted into individual accounts for these employees, incorporating their individual pension plans, the company settled its liability under IAS 19.

Meanwhile, on 15th January 2019, the company entered into the first joint Company Agreement with the representatives of the trade unions in the insurance industry, namely: SINAPSA, National Union of Insurance Workers and Related; SISEP, Portuguese Union of Insurance Workers; and STAS, Union of Workers of the Insurance Business; which was published on the Labour Bulletin no. 5 of 8th February 2019, having superseded any prior Collective Bargaining Regulation Instruments applied in the company.

The conditions and provisions laid down in this new Company Agreement have brought about changes into a set of benefits awarded to the employees of the company, specifically:

- i) within post-employment benefits, employees are still covered by a defined-contribution plan, under which the company will make a 3,25% contribution of an employee's annual base pay on a yearly basis, without prejudice to any employees in pre-retirement or retired before 1st January 2019, who are still covered by the pension schemes laid down in the Collective Bargaining Regulation Instruments applicable at the time of their early retirement or retirement.
- ii) the former loyalty bonus is superseded by an annual career bonus, equal to 10% of an employee's monthly base pay for each complete year of service following a three-year period. This new bonus, which came into effect on 1st January 2020, may also take the form of a leave for a length of days, as an alternative to the pecuniary reward and/or based on age and seniority.

Defined-benefit plan

The company's net liability for the defined-benefit pension plan applicable to a limited number of cases is calculated separately for each plan by estimating the value of future benefits that each employee is due to receive in return for services rendered to date.

The benefit is discounted to determine its present value by applying the discount rate corresponding to high-quality corporate bonds, with a maturity similar to the average maturity of the plan's bonds. The company's net liability is determined after deducting the fair value of pension fund assets.

The company calculates pension interest earnings/costs by multiplying pension net assets/ liabilities (liabilities deducted from the fair value of pension fund assets) by the discount rate used for determining pension liabilities mentioned above. On this basis, net interest earnings/costs include the interest cost on pension liabilities and the estimated return on pension fund assets, both measured based on the discount rate used to calculate liabilities.

Remeasurement gains and losses, namely (i) actuarial gains and losses that stem from the differences between the actuarial assumptions used and the values effectively measured (experience gains and losses) as well as from any changes in actuarial assumptions and (ii) gains and losses that stem from the difference between the estimated return on pension fund assets and the values obtained, are recognised against equity in other comprehensive income Other Reserves.

The company recognises in profit and loss a total net amount that includes (i) current service costs, (ii) the net pension interest income/cost, (iii) the effect of early retirements, (iv) past service costs and (v) the effects of any settlements or cuts occurred over the reporting period. The net pension income/cost is recognised in personnel costs. Early retirement costs mean an increase in pension liabilities resulting from premature retirements, that is, a retirement before an employee reaches the retirement age.

The pension plan is funded by contributions paid each year by the company to cover projected pension liabilities, including supplementary benefits, where appropriate. The minimum liability funding is 100% for pensions payable and 95% for past service of active employees.

At each reporting date, the company assesses the recoverability of any fund excess for each individual plan, based on the prospect of future contributions that may be required.

Defined-contribution plan

For defined-contribution plans, which cover most employees, any liabilities arising from the benefits granted to the employees of the company are recognised as costs of sales when due.

On the 31st December 2020, and save for any employees under the defined-benefit plan, the company had three defined-contribution plans according to the origin of the employing company prior to the merger, either Tranquilidade, Açoreana or Generali, for any active employees admitted to the company before 22nd June 1995, as well as for all employees that fulfilled the requirements set out in the new Collective Bargaining Agreement, making annual contributions based on each employee's base pay. The company has further established a defined-contribution plan for executive directors.

Loyalty bonus

Still in force before the new Company Agreement had come into effect, the loyalty bonus amounted to 50% of an employee's pay, whenever an eligible employee had rendered service for one or more multiples of five years in the company. Loyalty bonus was determined using the same methodology and assumptions of post-employment benefits.

This benefit was applied to all employees under the 2016 Collective Bargaining Agreement, whose loyalty bonus of a pecuniary nature was due over the year of 2019, having been established a transition scheme in 2019, which set out the payment of an amount equal to 50% of their actual pay or the entitlement to a paid leave for a length of days.

Actuarial deviations were recognised in profit and loss when incurred.

Career award

The career award became effective as of 1st January 2020 and amounts to 10% of an employee's actual monthly pay for each complete year of service after three years with the company. This award further comprises a leave for a length of days, as an alternative to the pecuniary reward and/or based on age and seniority.

Actuarial deviations were recognised in profit and loss when incurred.

Share-based payments

Employees and executive directors may also be granted share-based payments as a part of their remuneration package. Share-based payments are transactions in which the company receives services as consideration for equity instruments (equity-settled transactions). The company has no obligation to settle these transactions in its own equity instruments, since they are to be settled in shares issued by the shareholder Assicurazioni Generali, S.p.A. Share-based payments are measured at the fair value of equity instruments on the grant date and are expensed at each reporting date over the vesting period, considering the best estimate of the number of equity instruments to be granted.

Healthcare benefits

Additionally, the company granted a healthcare benefit to all active and pre-retired employees up to the retirement age, providing the minimum cover for medical assistance on an inpatient and outpatient basis, with the applicable capital sums, deductibles and copayments. These minimum guarantees laid down in the current Company Agreement do not compromise the existence or application of a more advantageous or comprehensive scheme to which employees may have access.

The company's liabilities with healthcare benefits awarded to pre-retired up to the retirement age are calculated and recognised in a similar fashion to those associated with pensions.

Short-term benefits

Other short-term benefits, such as copaid school expenses with an employee's child, life insurances, discounts in other types of insurance and variable pays when due to employees, are recognised as an expense in the period to which they relate.

Taxes on Income

The company is subject to taxation under the Corporation Tax and the Municipal Surtax, whose aggregate rate amounts to 22,5% for the reporting periods of 2020 and 2019, plus the respective State Surtax, computed under the terms of the Law no. 66-B/2012 of 31st December, which corresponds to the application of an additional rate of 3% on the portion of taxable income above €1,500,000 and below €7,500,000, 5% on the portion of taxable income above €7,500,000 and below €35,000,000 and 7% on taxable income the latter amount.

Taxes on income comprise current and deferred taxes. Taxes on income are recognised in profit and loss, except when they relate to items recognised directly in equity, in which case they are also recognised in equity.

Taxes recognised in equity arising from the revaluation of available-for-sale investments are subsequently recognised in profit and loss when the gains and losses that gave rise to them are recognised in profit and loss.

Current taxes are calculated based on the taxable income for the reporting period, which differs from the accounting income due to adjustments to the tax base resulting from expenses or earnings that are not relevant for tax purposes, or which will only be considered in other reporting periods, as well as value adjustments intended for determining taxable capital gains.

Deferred taxes correspond to the impact on the recoverable or payable tax in future periods stemming from deductible or taxable temporary differences between the carrying amount of assets and liabilities and their tax base used to determine taxable income.

Deferred tax liabilities are usually recognised for all taxable temporary differences, whereas deferred tax assets are only recognised up to the amount at which it is likely for future taxable income to exist and enable the use of the corresponding deductible taxable differences or carry forward tax losses. Moreover, deferred tax assets are not recognised when their recoverability is brought into question due to any other situations, including differing interpretations of tax laws.

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

Provisions and Contingent Liabilities

Provisions are made when there is a present legal or constructive obligation resulting from past events where there is a likelihood that resources will be disbursed in the future and such disbursement can be reliably established. The provision amount corresponds to the best estimate of the amount to be disbursed to settle the liability at the balance sheet date.

If future disbursement of resources is unlikely, then it is a contingent liability. Contingent liabilities are subject to disclosure unless they are unlikely to materialise.

Other provisions are intended to cover tax contingencies and others resulting from the company's business activity.

Recognition of Interest Income

Interest income on available-for-sale assets carried at fair value in profit and loss is recognised in the specific line items of profit and loss.

Amortised cost is calculated using the effective rate method and its impact recognised in investment income.

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

To calculate the effective interest rate, the future cash flows are estimated considering the contract terms of the financial instrument, for example an advanced payment option, and not considering, however, any future credit losses. The calculation includes the commissions that are an integral part of the effective interest rate, transaction costs and all the premiums and discounts directly related to the transaction.

Dividends Received

Income on capital instruments (dividends) is recognised when received.

Earnings Per Share

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

Offsetting Financial Instruments

Financial assets and liabilities are recognised at net value in the balance sheet when the company has a legal enforceable right to set-off and intends either to settle them on a net basis or realise financial assets and settle financial liabilities simultaneously.

Allowance to Doubtful Debts

By reference to the presentation date of each financial statement, the company assesses whether there is any evidence of impairment on assets arising from insurance and reinsurance contracts, namely accounts receivable from insured persons, brokers, reinsurers and reinsured persons, and technical provisions for ceded reinsurance, and on other accounts receivable as well.

If any impaired losses are identified, the carrying value of the asset is reduced in profit and loss for the reporting period and the cost is reflected in impairment losses, net of reversal. The amounts of these adjustments are calculated based on the amount of premiums receivable and doubtful debts, according to the criteria set out by the ASF.

Reporting by Operating Segments

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

A business operating segment is an identifiable component of the company that is intended to supply a single product or service or a block of related products or services within a specific economic environment and which is subject to risks and benefits that are distinguishable from others that operate in a different economic environment.

The company controls its business activity through the main operating segments mentioned in Note 2. The company has not adopted IFRS 8 as it is not a listed entity. The information presented meets the disclosure requirements set out by the ASF.

MAIN ESTIMATES AND JUDGEMENTS USED IN THE PREPARATION OF THE FINANCIAL STATEMENTS

The International Financial Reporting Standards (IFRS) set out a series of accounting procedures and require the Board of Directors to make certain judgments and estimates deemed necessary to decide on the most appropriate accounting policies.

The main accounting estimates and judgments used by the company in the application of the accounting principles are reviewed as described ahead to improve understanding of the extent of their application and their impact on the financial information reported by the company and its disclosure.

Considering that there are alternatives to the accounting policies adopted by the Board of Directors, the financial information reported by the company could have been different if other accounting policies had been chosen. The Board of Directors considers that the choices made are appropriate and the financial statements truly depict the financial position of the company and the results of its operations in all their materially relevant aspects.

The analysis of the alternatives described ahead is meant only to assist the reader in understanding the financial statements and is not intended to suggest that other alternatives or estimates are more appropriate.

Fair Value Financial Instruments and Other Assets at Fair Value

The fair value of a financial instrument is based on its quoted market price, whenever available. In the absence of a quoted market price, the fair value of a financial instrument is measured based on the prices used in similar transactions carried out recently under market conditions or based on valuation methodologies supported by future discounted cash flows, considering market conditions, time value, yield curve and volatility factors.

Certain assumptions or judgments may be needed in estimating fair value while using these methodologies.

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

Impairment of Available-For-Sale Financial Assets

The company determines whether any of its available-for-sale assets is impaired when there is a continued or significant depreciation of the fair value of an asset. Judgement is required when there is a continued or significant depreciation in value.

Under the company's policies in place, a significant decline refers to a 30% decrease in the fair value of a financial instrument and continued depreciation is assumed as a decrease in fair value below the acquisition cost over a one-year period for financial instruments and events that change estimated future cash flows for debt securities.

In addition, evaluations are obtained through market prices or valuation models that require the use of certain assumptions or judgments in estimating fair value.

Consequently, the use of alternative methodologies, different assumptions and estimates may lead to a different revaluation of a recognised impairment loss and impact differently on the financial results reported by the company.

Corporation Tax and Deferred Taxes

Certain interpretations and estimates are required to determine the amount of corporation tax. Other interpretations and estimates could result in a different amount of corporation tax, current and deferred, recognised in the period.

In accordance with tax laws currently in force, tax authorities may revise the calculation of the tax base made by the company over a four-year period or longer, if deducted tax losses are called into question, in the case of which a period equal to the time limit for tax loss deduction is applied.

Therefore, corrections to tax base are likely to occur mostly as a result of differing interpretations of tax laws. Nonetheless, the Board of Directors is firmly convinced that there will be no need for significant corrections to taxes on income reported in the financial statements.

Additionally, the company assesses the recoverability of deferred tax assets. This assessment is based on an estimate of future taxable income, which comprises (i) the business plan approved by the management body, and (ii) the expected reversal of temporary differences arising from the carrying amount of an asset in the balance sheet and its tax base.

Any changes in the estimate approach may affect the determination of the recoverable amount of deferred tax assets.

Impairment of Goodwill

The recoverable amount of goodwill recognised in the company's assets is revised yearly by reference to the end of the period or whenever there is an evidence of impairment.

For this purpose, the carrying amount of a goodwill asset is compared to its recoverable amount. A goodwill impairment loss is recognised whenever the recoverable amount of the entity being tested is lower than its carrying amount.

In the absence of a market price, it is calculated based on discounted value techniques using a discount rate that takes into account the risk associated with the unit being tested. Judgement is required for determining future cash flows and the discount rate.

Future cash flows are determined based on the business plan approved by the management body. Any changes in the estimate approach may affect the determination of the recoverable amount of deferred tax assets.

Investment Contract-Related Technical Provisions and Liabilities

The company's insurance contract liabilities are determined based on the methodologies and assumptions described in Note 4. These liabilities reflect a quantifiable estimate of the impact of future events on the company's accounts, based on actuarial assumptions, claims tracking record and other methods accepted in the insurance sector.

Technical provisions for traditional life products and annuities have been determined based on several assumptions, namely mortality, longevity, and interest rate, applicable to each insurance cover, including risk margin and uncertainty.

Technical provisions for workers' compensation products have been determined based on several assumptions, namely mortality, longevity, and interest rate, applicable to each insurance cover, including risk margin and uncertainty.

These assumptions have been used based on the company's past experience and the market. These assumptions may be subject to revision, if it is anticipated that future experience will prove them to be inadequate.

Technical provisions arising from insurance and investment contracts with discretionary profit-sharing include (i) provision for profit-sharing allocated or to be allocated, (ii) provision for unearned premiums, (iii) provision for current risks, (iv) liability adequacy test, (v) provision for reported and unreported claims, including their settlement costs, (vi) mathematical provision for life insurance contracts, (vii) provision for portfolio stabilisation and (viii) provision for rate commitments.

The mathematical provision includes the evaluation resulting from the liability adequacy test. The provision for profit-sharing includes the liability measured through shadow accounting. Provision for claims includes an estimate of claim liabilities incurred at the balance sheet date.

Whenever there are compensable claims under insurance contracts, any amount paid or estimated to be paid by the company is recognised as a loss in profit and loss.

The company establishes the provisions for the payment of claims arising from insurance and investment contracts with profit-sharing and assesses its liabilities on a regular basis using actuarial methodologies and considering their reinsurance covers. Provisions are reviewed on a regular basis by qualified actuaries.

The company records provisions for non-life claims to cover payments to be made considering the estimated ultimate cost for reported and unreported claims at the end of each balance sheet date.

Claims provisions are not an accurate calculation of the liability amount, but rather an estimate that arises from the application of actuarial valuation techniques. The estimate of these provisions reflects the company's expectation on the ultimate cost of claim settlement based on the analysis of facts and circumstances known to date, the review of claim settlement patterns and the estimate of the trends as for incidence and claim-related costs and other factors.

Variables used to estimate provisions may be affected either by internal or external events, specifically changes in claim management processes, inflation and legislation. Many of these events are not directly quantifiable, particularly on a prospective basis.

Furthermore, there may be a considerable lapse of time between the insured event (claim) occurring and it actually being reported to the company. Provisions are reviewed on a regular basis, through a continuous process, as additional information is received, and liabilities are settled.

In the light of the foregoing and considering the nature of the insurance business, it is highly subjective to establish claims provisions and other liabilities arising from insurance contracts, which means that the present value of future cash outflows may be substantially different from their estimates.

Nevertheless, the company considers that the insurance contract liabilities recognised in its financial statements appropriately reflect the best estimate at the balance sheet date of the amounts to be disbursed by the company.

NOTE 4 – NATURE AND EXTENT OF ITEMS AND RISKS RESULTING FROM INSURANCE CONTRACTS AND REINSURANCE ASSETS**INFORMATION REPORTING TO IDENTIFY AND EXPLAIN THE AMOUNTS RECOGNISED IN THE FINANCIAL STATEMENTS RESULTING FROM INSURANCE AND INVESTMENT CONTRACTS****Accounting Policies Adopted for Insurance and Investment Contracts**

The amounts provided in this note should be interpreted in light of the constraints associated with the disclosure of financial information as mentioned in Note 1 above.

The company issues contracts that include either an insurance or a financial risk or a combination of both.

A contract under which the company accepts a significant insurance risk from another party, by agreeing to compensate the insured person, if a specified uncertain future event adversely affects the insured person, is classified as an insurance contract.

A contract issued by the company under which the transferred insurance risk is not significant, but with a significant financial risk, particularly due to the existence of profit-sharing with a discretionary component on the company, is classified as an investment contract, but recognised and measured in accordance with the accounting policies applicable to insurance contracts.

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

Life contracts issued by the company under which the investment risk is borne by the policyholder, without profit-sharing with a discretionary component on the company, have been classified as investment contracts and accounted for as financial instruments. Liabilities are equal to the value of the associated participation unit, less management fees, redemption fees and any penalties.

Unit-linked contracts held by the company are classified as financial liabilities at fair value in profit and loss, which depends on the fair value of financial assets, derivatives and/or investment properties that are part of the collective unit-linked fund. Valuation techniques are used to determine the fair value at the issuance date and each balance sheet date.

The fair value of financial liabilities is determined through shares, which reflect the fair value of assets that incorporate each investment fund, multiplied by the number of shares assignable to each policyholder at the balance sheet date.

Unit-linked insurance contract liabilities represent the capitalised value of the premiums received at the balance sheet date, including the fair value of any guarantees or embedded derivatives.

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

Recognition of revenue and expenses

Revenue and expenses are recognised in the year to which they relate, regardless of the moment in which they are paid or received, in accordance with the accrual basis accounting principle.

Premiums

Gross written premiums of non-life direct insurance and accepted reinsurance and premiums of ceded reinsurance are recognised as revenue and expenses respectively in the line item earned premiums, net of reinsurance, in profit and loss for the year to which they relate, regardless of the moment in which they are paid or received.

Premiums of life insurance policies and investment contracts with discretionary profit-sharing, which are considered long-term contracts, are recognised as revenue when due by policyholders.

The recognition of benefits and other expenses occurs simultaneously with the recognition of revenue over contract length. This matching is attained by establishing provisions/liabilities for insurance and investment contracts with discretionary profit-sharing.

The quantitative analysis of premiums of direct insurance, accepted reinsurance and ceded reinsurance is discussed in detail in Note 14.

Unearned premium provision

An unearned premium provision is equal to the amount of written premiums of insurance contracts allocated to subsequent years, that is, the portion of premium corresponding to the number of days from the balance sheet closing date to the end of the period to which the premium relates.

The company calculated this provision on a receipt-by-receipt basis, having applied the pro-rata temporis method to the gross written premiums of contracts still in effect.

Acquisition costs

Acquisition costs that are directly or indirectly related to the sale of contracts, including sales commissions and other expenses allocated to the procurement function, are capitalised and deferred over contract length and are recognised as a deduction from the amount of technical provisions of insurance contracts and reflected in unearned premium provisions. Deferred acquisition costs are subject to recoverability tests when contracts are issued and further subject to impairment tests at the balance sheet date.

Non-life deferred acquisition costs are amortised over the period in which the premiums associated with these contracts are received.

Life mathematical provision

Life mathematical provisions are intended to recognise the present value of the company's future liabilities arising from insurance and investment contracts with discretionary profit-sharing issued and are calculated based on actuarial tables and formulas in accordance with the regulations issued by the ASF, as broken down below:

Products Stemming Originally from Tranquilidade	Mortality Table	Technical Rate
Retirement Savings Plans and Capitalisation Products (*)		
Up to December 1997	GKM 80	4%
From January 1998 to June 1999	GKM 80	3,25%
After 1 st July 1999	GKM 80	3% and 2,5%
After March 2003	GKM 80	2,75%
After 1 st January 2004 (**)	GKM 80	0% and 0,883%
Insurance in case of Life (*)		
Annuities – Up to June 2002	TV 73/77	4%
After 1 st July 2002	TV 73/77	3%
After 1 st January 2004	GKF 95	3%
After 1 st October 2006	GKF 95 and GKF 80	3%, 2,25%, 1,15% and 0%
Other insurance in case of Life	TV 73/77	4%
Insurance in case of Death (*)		
Up to December 2004	GKM 80	4%
After 1 st January 2005	GKM 80	4%
After 1 st January 2008	GKM 80 and GKM 95	4%
After 1 st October 2013	PASEM / F 2010	0%
After 1 st January 2020	PASEM / F 2010 and GKM95	0%
Mixed Insurance (*)		
Up to September 1998	GKM 80	4%
After 1 st October 1998	GKM 80	3,25%

* Product technical bases according to the year in which products were traded.

** Rates determined annually. The rate was 0.00% in 2020.

Products Stemming Originally from Tranquilidade	Mortality Table	Technical Rate
Retirement Savings Plans and Capitalisation Products (*)		
Up to December 1998	GKM 80	4%
From January 1999 to June 2003	GKM 80	3%
From August 2003 to September 2011	GKM 80	3% and variável
After 3 rd October 2011 (**)	GKM 80	0% a 3%
Insurance in case of Life (*)		
Annuities – Up to December 1997	PF 6064	6%
After 1 st December 1997	GKF 80	3% and 4%
After 1 st January 2007	GKF 95 and GKF 80	2% and 3%
After 1 st October 2016	GRF 95	1,5%
Insurance in case of Death (*)		
Up to April 2013	GKM 80	3% and 4%
After 1 st April 2013	GKM 95	3% and 4%
Mixed Insurance (*)		
Up to February 2001	PM 6064	4%
After 1 st March 2001	GKM 80	3% and 4%

* Product technical bases according to the year in which products were traded.

** Rates determined annually. The rate was 0.00% in 2020.

In relation to the portfolio of Açoreana Seguros, S.A. acquired on 5th August 2016, and for the purpose of determining its fair value, liabilities have been discounted by considering the EIOPA's curve (risk-free interest rate) with volatility adjustment.

Products Stemming Originally from Generali Vida	Mortality Table	Technical Rate
Retirement Savings Plans and Capitalisation Products (*)		
Up to December 1998		4%
From January 1999 to May 2012		3%
After May 2012 (***)		annual variable
Insurance in case of Life (*)		
Lifetime and temporary annuities		
Up to December 1999	TV 73/77	4%
After 1 st January 2000	GRM 95 / GRF 95	between 3% and 2%
After 1 st July 2013	Unisex (GRM/F 95 basis)	between 2.75% and 0.5%
Reversionary annuities and with reinsurance	Unisex (GRM/F 95 basis)	between 2.75% and 0.5%
Insurance in case of Death (*)		
Whole of life insurance		
Up to April 2000	GKM 80	4%
From May 2000 to January 2015	GKM 95	3%
After January 2015	Unisex (GKM/F 95 basis)	3% and 2.5%
Level term life insurance		
Up to May 2000	GKM 80	4%
From June 2000 to May 2009	GKM 95	3%
From June 2009 to February 2015	SIM 2000	3%
After February 2015	Unisex (SIM/F 2000)	3%
Level term life insurance packages	SIM 2000	3%
TAR		
Up to April 2010	GKM/F 95	3%
From March 2017	SIMF 2000, SIM/F 2006, SIM/F 2012, Unisex (SIM/F 2000), Unisex (SIM/F 2006), Unisex (SIM/F 2012)	3%
TAR GROUP	GKM 80 or SIM 2000	4% and 3%
Mixed Insurance (*)		
Up February 1996	PM 6064	4%
From March 1996 to December 1998	GKM 80	4%
From January 1999 to March 2015	GKM 80	3%

* Product technical bases according to the year in which products were traded.

** Rates determined annually. The rate was 0.25% in 2020.

Rate commitment provision

The company carries out a liability adequacy test based on future cash flows discounted at interest rates that correspond to the revenue brought in by the assets related to such liabilities, including an estimate of future revenue brought in by assets to be acquired in reinvestment under the investment policy approved and considering the mortality rate projected. This valuation is carried out by an autonomous fund.

The assessment takes into consideration implicit rates which are comprised between -0.4% and 3.3% (2019: between -0.2% and 2.5%).

By reference to 31st December 2020, the mortality table considered in the assessment was 100% of PERMP/PERFP 2000 (2019: 100% of PERMP/PERFP 2000).

Non-life mathematical provision

Non-life mathematical provisions are intended to recognise the present value of the company's future liabilities arising from underwritten insurance contracts and are calculated based on actuarial methods recognised under the terms of the applicable laws.

For non-reimbursable pensions, including future payments for the Workers' Compensation Fund, it was applied to men 100% of the mortality table used by the Portuguese Office for National Statistic for the male population in the period between 2017-2019 (2019: 2016-2018) and to women 100% of the mortality table for the female population (2019: 2016-2018), with a 1.93% interest rate (2019: 1.77%) and a 1.5% management fee (2019: 1.5%). For reimbursable pensions, it was applied the TD 88/90 mortality table (2019: TD 88/90) with a 5.25 % interest rate (2019: 5.25%) and a 0% management fee (2019: 0%).

In relation to the portfolio of Açoreana Seguros, S.A. acquired on 5th August 2016, and for the purpose of determining its fair value, liabilities have been discounted by considering the EIOPA's curve (risk-free interest rate) with volatility adjustment.

Claims provision

Claims provision is the undiscounted estimated value of future cash flows to be paid for claims occurred and still not settled, including liability estimates for claims incurred, but not yet reported (IBNR) and other direct and indirect costs expected from the settlement of outstanding claims under ongoing management and claims incurred, but not yet reported (IBNR).

The company estimates the provision for reported and unreported claims based on past experience, available information and the application of actuarial methods.

To determine claims provision, the company analyses all claims still to be settled at the end of each year and estimates any subsequent liabilities existing at the time. The company uses the average cost method to establish the provisions for both workers' compensation insurance, excluding pensions, and motor insurance. The average cost method is also used to determine the provisions for claims handling costs.

The company makes actuarial estimates based on triangulations of paid claims, considering the specifics of each business line, to establish liabilities arising from claims incurred, but not reported (IBNR) for major business lines. As to minor business lines, a generic rate is applied to the amount of claim-related costs incurred over the year for reported claims.

A mathematical provision is also established for workers' compensation claims incurred up to 31st December 2020 that require the payment of pensions previously approved by the Labour Court or under a prior conciliation agreement. The company also estimates pension liabilities for claims incurred up to 31st December 2020 that are pending on a final agreement or court ruling.

Mathematical provisions for claims incurred, involving the payment of lifelong pensions related to workers' compensation insurance, are calculated using actuarial assumptions by reference to actuarial methods legally recognised and under the applicable labour laws.

It is also established a mathematical provision to cover pension liabilities for claims incurred related to potential permanent disabilities of claimants undergoing treatment (lifelong assistance) up to 31st December 2020 or claims incurred, but not yet reported (IBNR).

Claims provisions are not discounted, except for worker's compensation insurance claims that are calculated based on life techniques or similar. Therefore, the company carries out a liability adequacy test based on projected future cash flows, discounted at interest rates that correspond to the revenue brought in by the assets related to such liabilities. An inadequacy, if any, will be recognised in profit and loss, when determined.

As at 31st December 2020, the implicit rate considered in the liability adequacy test was 1.93% for a 13.1-year duration (2019: a 1.87% rate for a 14.4-year duration).

Provision for attributable profit-sharing

The provision for attributable profit-sharing equates to the amounts to be payable to insured persons or beneficiaries of insurance and investment contracts by sharing a portion of profit that has not been allocated or incorporated.

This provision is calculated according to the product technical basis and considering, whenever applicable, the revenue generated by allocated asset portfolios, including realised and unrealised capital gains and losses that were not recognised in income and impairment losses recognised in the period, deducted from negative balances in previous years, in cases where this deduction has been contractually fixed.

Provision for attributable profit-sharing in life (shadow accounting)

The provision for attributable profit-sharing in life insurance reflects the net value of potential capital gains and losses (fair value adjustments) of financial assets related to liabilities arising from insurance and investment contracts with profit-sharing, in the portion estimated to be attributed to policyholders or insurance contract beneficiaries, provided that portfolio balances are not negative, and based on the expectation that they will participate in such unrealised gains and losses when they are realised, in accordance with applicable contract and regulatory conditions.

This provision is recognised directly against revaluation reserves through fair value adjustments of available-for-sale financial assets allocated to life products with profit-sharing.

Current risks provision

The provision for current risks equates to the amount estimated to cover future compensations and other costs to be incurred after the year end and which exceed the value of premiums attributable to subsequent years in connection to contracts still in force at the financial statement date.

As set forth by the ASF, the provision amount for current risks shall be equal to the sum of the gross written premiums attributable to the following year or years (unearned premiums) and the premiums demandable and still not processed related to contracts still in force, by a ratio based on the sum of claims, costs, and cession ratios at which the investment ratio is deducted.

Claims rate deviation provision

The provision for claims rate deviation is intended to cover an exceptionally high claims rate in those business lines wherein, by virtue of their nature, major swings are projected to occur throughout time. This provision is established for rent guarantee, atomic risk and seismic hazard zone insurances.

In relation to rent guarantee and atomic risk insurances, the provision is established when these business lines have a positive technical result. This provision is calculated based on specific rates established by the ASF and applied to the technical result. As to seismic hazard zone insurance, this provision is calculated by applying a risk factor, defined by the ASF for each seismic zone, to the capital retained by the company.

Ceded reinsurance provisions

Provisions for ceded reinsurance are determined by applying the aforesaid criteria for direct insurance, while taking into consideration ceding commissions and other conditions set forth in the treaties currently in force. Depending on whether the reinsurance derives from direct insurance or ceded reinsurance, the claims provision is calculated in accordance with the appropriate regulations.

Changes in Technical Provisions for Direct Insurance and Reinsurance

The provision for unearned premiums (abbreviated as UPR in English) of direct insurance and accepted reinsurance recognised in liabilities, net of deferred acquisition costs (DAC), is analysed as depicted in the table below:

(thousand of euros)

Balance Sheet	2020					2019		
	UPR Gross	DAC	Gross UPR Merger Effect	DAC Merger Effect	Net UPR	Gross UPR	DAC	Net UPR
Business Lines / Groups of Business Lines								
Life	4 107	526	-	-	3 581	3 717	451	3 266
Accidents and health	23 177	5 060	14 127	2 395	29 849	27 597	5 601	21 996
Fire and other damage	42 088	8 137	10 196	2 958	41 189	39 083	7 782	31 301
Motor	136 521	25 864	13 214	3 183	120 688	129 772	22 338	107 434
Marine, air and transport	1 178	248	102	41	991	1 403	257	1 146
General third-party liability	5 427	1 088	825	246	4 918	5 200	982	4 218
Loan and collateral	51	8	5	-	48	38	7	31
Legal protection	4	1		-	3	4	2	2
Assistance	18 579	3 360	1 846	470	16 595	16 969	2 858	14 111
Others	598	123	43	4	514	592	108	484
Total	231 730	44 415	40 358	9 297	218 376	224 375	40 386	183 989

Changes in the provision for unearned premiums of direct insurance and accepted reinsurance is recognised in profit and loss at gross value within the group of earned premiums, and the deferred acquisition costs (DAC) are reflected in the group of costs of sales, and it can be analysed as follows:

(thousand of euros)

Gains and Losses	2020			2019		
	UPR Gross	DAC	UPR Net	UPR Gross	DAC	UPR Net
Business Lines / Groups of Business Lines						
Life	390	75	315	646	451	195
Accidents and health	-4 420	-541	-3 879	2 537	403	2 134
Fire and other damage	3 005	355	2 650	1 165	-249	1 414
Motor	6 749	3 526	3 223	12 111	247	11 864
Marine, air and transport	-225	-9	-216	-87	-35	-52
General third-party liability	227	106	121	289	22	267
Loan and collateral	13	1	12	-6	-1	-5
Legal protection	-	-1	1	-	1	-1
Assistance	1 610	502	1 108	2 583	27	2 556
Others	6	15	-9	-12	-13	1
Total	7 355	4 029	3 326	19 226	853	18 373

The provision for unearned premiums of ceded reinsurance reflected in assets, net of deferred acquisition costs (DAC), and variations of provision for unearned premiums of ceded reinsurance reflected in assets and recognised in profit and loss are analysed as follows:

(thousand of euros)

Business Lines / Groups of Business Lines	Balance Sheet Balance					Variation of Gains and Losses			
	2020					2019		2020	2019
	Gross UPR	DAC	Gross UPR Merger Effect	DAC Merger Effect	Net UPR	Net UPR			
Life	2 663	155	-	-	2 508	11	472	1	
Accidents and health	-2 484	27	4 018	330	1 177	288	-2 798	61	
Fire and other damage	12 587	2 567	1 771	179	11 612	8 625	1 395	1 061	
Motor	-	-	-	-	-	-	-	-	
Marine, air and transport	550	159	69	25	435	481	-90	-28	
General third-party liability	872	172	157	27	830	649	51	-111	
Loan and collateral	6	2	-	-	4	9	-5	-4	
Legal protection	-	-	-	-	-	-	-	-2	
Assistance	13 687	-	1 260	-	14 947	12 720	967	398	
Others	758	171	29	-	616	537	50	-23	
Total	28 639	3 253	7 304	561	32 129	23 320	42	1 353	

The evolution of the mathematical life provision reflected in liabilities is analysed as follows:

(thousand of euros)

	2020	2019
Balance as at 1st January	479 400	528 554
Change for the period	-53 398	-50 795
Incorporation of profit-sharing in results	845	1 641
Merger effect	342 572	-
Balance as at 31st December	769 419	479 400

In relation to the portfolio of Açoreana Seguros, S.A. acquired on 5th August 2016, and for the purpose of determining its fair value, liabilities were discounted by considering the EIOPA's curve (risk-free interest rate) with volatility adjustment. The impact of this acquisition on the financial statements as at 31st December 2020 amounted to €16.4 million (2019: €18.8 million).

The mathematical provision for ceded reinsurance reflected in assets is analysed as follows:

(thousand of euros)

Products	Balance Sheet Balance			Variation of Gains and Losses	
	2020	2020 Merger Effect	Total 2020	2019	2020
Traditional	-692	1 251	559	2 023	-692
Capitalisation	-3 291	112 222	108 931	-	-3 291
Total	-3 983	113 473	109 491	2 023	-3 983

The provision for claims of direct insurance and ceded reinsurance reflected in liabilities, and the respective annual variation in profit and loss, net of reimbursements, is analysed as follows:

(thousand of euros)

Business Lines / Groups of Business Lines	Balance Sheet Balance			Variation of Gains and Losses	
	2020	2020 Merger Effect	Total 2020	2019	2020
Life	62 976	12 426	75 402	55 061	7 914
Workers' compensation	658 581	95 864	754 445	623 578	40 481
Personal accidents and health	20 397	6 878	27 275	15 057	4 970
Fire and other damage	57 926	10 280	68 206	37 362	20 841
Motor	277 978	33 029	311 007	283 098	-3 247
Marine, air and transport	3 717	243	3 960	5 141	-1 274
General third-party liability	45 073	10 380	55 453	30 541	14 698
Loan and collateral	168	-	168	235	-67
Legal protection	17	-	17	13	7
Assistance	-	-	-	-	-
Others	4 635	81	4 716	1 845	2 840
Total	1 131 468	169 181	1 300 649	1 051 931	87 163

The balance of the provision for workers' compensation insurance claims includes €673.2 million (2019: €557.8 million) related to the mathematical provision for workers' compensation insurance, also including the provisions for lifelong assistance. This balance of the mathematical provision includes a provision for contributions to the Workers' Compensation Fund in the amount of €33.9 million (2019: €25.1 million).

In relation to the portfolio of Açoreana Seguros, S.A. acquired on 5th August 2016, and for the purpose of determining its fair value, liabilities were discounted by considering the EIOPA's curve (risk-free interest rate) with volatility adjustment. The impact of this acquisition on the financial statements as at 31st December 2020 amounted to €31.2 million (2019: €33.3 million).

The balance of claims provision includes an estimated provision of €61.5 million (2019: €41.9 million) related to claims incurred until 31st December 2020 and still not reported (IBNR). It further includes an estimate of €12.3 million (2019: €14.6 million) for management fees related to the settlement of outstanding reported claims.

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

(thousand of euros)						
Business Lines / Groups of Business Line	Claims Provision at 31.12.2019 (1)	Claims Provision* at 01.10.2020 - Merger Effect (2)	Claims* Paid in 2020 (3)	Claims Provision* as at 31.12.2020 (4)	Readjustments (4) + (3) - (2) - (1)	
Accidents and health	638 636	82 705	84 856	671 426	34 941	
Fire and other damage	37 362	5 517	23 202	21 964	2 287	
Motor						
Third-party liability	250 004	26 548	99 900	180 634	3 982	
Other covers	33 093	838	20 445	9 842	-3 644	
Marine, air and transport	5 141	204	2 964	1 831	-550	
General third-party liability	30 541	10 155	4 711	49 773	13 788	
Loan and collateral	235	-	-15	158	-92	
Legal protection	13	-	7	6	-	
Assistance	-2	-	-	-	2	
Others	1 847	81	364	2 202	638	
Total	996 870	126 048	236 434	937 836	51 352	

* Claims incurred in 2019 and earlier.

Within accident and health insurance, the observed readjustment relates mostly to workers' compensation, which incorporates several impacts, among which a change in actuarial assumptions, namely a new mortality table, a variation of the discount rate, and, in the context of the merger process, an alignment of provisioning criteria of the portfolio arising from the non-life insurance company incorporated last October. It should be mentioned that financial income associated with the mathematical provisions were not taken into consideration.

In relation to third-party liability, it comprises a set of long-term liabilities that are difficult to determine. In view of this, third-party liability is subject to regular revaluation with an impact on expected future liabilities and thus in the revaluation of the appropriate provisions for previous years. These revaluations are due to heavier court rulings.

Other insurance lines reflect minor readjustments that stem from day-to-day management of the claims handling function.

The provision for ceded reinsurance recognised in assets and its annual variation in gains and losses is analysed as follows:

(thousand of euros)							
Business Lines / Groups of Business Lines	Balance Sheet Balance			2019	Variation of Gains and Losses		
	2020	2020 Merger Effect	Total 2020		2020	2019	
Life	3 546	4 874	8 420	1 781	1 767	-924	
Workers' compensation	13 775	7 710	21 485	8 378	5 395	953	
Personal accidents and health	777	1 377	2 154	100	677	3	
Fire and other damage	40 803	3 880	44 683	23 151	17 652	-20 721	
Motor	20 079	3 761	23 840	16 421	3 658	690	
Marine, air and transport	1 321	99	1 420	1 535	-214	402	
General third-party liability	11 546	9 151	20 697	7 815	3 731	-231	
Loan and collateral	87	-	87	78	9	-	
Legal protection	-	-	-	-	-	-	
Assistance	-	-	-	-	-	-2	
Others	3 677	-	3 677	1 291	2 386	-5 055	
Total	95 611	30 852	126 463	60 550	35 061	-24 885	

The balance of the provision for ceded reinsurance includes an estimated provision of €8.2 million (2019: €1.7 million) related to claims incurred until 31st December 2020 and still not reported (IBNR).

The table below depicts claims cost breakdown analysis for 2020:

(thousand of euros)

Business Lines / Groups of Business Lines	Amounts Paid – Collected Premiums (1)	Amounts Paid- Claims Handling Costs (2)	Variation of Claims Provision (3)	Claims Costs (4) = (1) + (2) + (3)
Life				
Traditional	21 655	425	1 239	23 319
Pension savings scheme and capitalisation with profit-sharing	57 987	1 171	6 680	65 838
Non-Life				
Accidents and health	183 806	4 208	45 469	233 483
Fire and other damage	73 121	1 952	21 494	96 567
Motor				
Third-party liability	160 923	6 229	1 466	168 618
Other coverages	69 129	2 972	-4 672	67 429
Marine, air and transport	3 590	68	-1 384	2 274
General third-party liability	6 510	626	14 699	21 835
Loan and rent guarantee	-18	3	-67	-82
Legal protection	6	3	7	16
Assistance	-	-	-1	-1
Others	1 170	7	2 840	4 017
Total	577 879	17 664	87 770	683 313
Accepted Reinsurance	1 340	-	-607	733
Grand Total	579 219	17 664	87 163	684 046

The table below shows claims cost breakdown analysis for 2019:

(thousand of euros)

Business Lines / Groups of Business Lines	Amounts Paid – Collected Premiums (1)	Amounts Paid- Claims Handling Costs (2)	Variation of Claims Provision (3)	Claims Costs (4) = (1) + (2) + (3)
Life				
Traditional	23 015	2 121	-2 434	22 702
Pension savings scheme and capitalisation with profit-sharing	60 770	-	-3 729	57 041
Non-Life				
Accidents and health	176 700	4 020	59 720	240 440
Fire and other damage	72 737	1 519	-30 079	44 177
Motor				
Third-party liability	172 064	7 825	54 077	233 966
Other coverages	74 629	3 125	-8 297	69 457
Marine, air and transport	4 731	84	1 102	5 917
General third-party liability	7 376	535	-1 899	6 012
Loan and rent guarantee	-10	1	85	76
Legal protection	16	1	1	18
Assistance	-	-	-	-
Others	3 097	6	-6 427	-3 324
Total	595 125	19 237	62 120	676 482
Accepted Reinsurance	2 525	-	327	2 852
Grand Total	597 650	19 237	62 447	679 334

The provision for profit-sharing recognised in liabilities presented the following evolution:

(thousand of euros)

Business Lines / Groups of Business Lines	Balance Sheet Balance			Variation of Gains and Losses		
	2020	2020 Merger Effect	Total 2020	2019	2020	2019
Life						
Traditional	3 209	7 314	10 523	2 198	3 227	1 685
Capitalisation	24 138	48 904	73 042	14 081	1 582	625
Accidents and health	201	-	201	-	201	-
Fire and other damage	17	-	17	-	17	-
Motor	273	-	273	-	273	-
Marine, air and transport	-	-	-	-	-	-
General third-party liability	9	-	9	-	9	-
Loan and collateral	-	-	-	-	-	-
Legal protection	-	-	-	-	-	-
Assistance	-	-	-	-	-	-
Others	-	-	-	-	-	-
Total	27 847	56 218	84 065	16 279	5 309	2 310

(thousand of euros)

	2020	2019
Balance as at 1st January	16 279	13 553
Appropriation for the period	5 547	2 310
Payments	-2 632	-3 461
Incorporation into mathematical provision	-846	-1 641
Variation of attributable profit-sharing (shadow accounting)	9 499	5 518
Merger effect	56 218	-
Balance as at 31st December	84 065	16 279

The provision for profit-sharing in ceded reinsurance income recognised in assets and its annual variation in gains and losses are analysed as follows:

(thousand of euros)

Business Lines / Groups of Business Lines	Balance Sheet Balance			Variation of Gains and Losses		
	2020	2020 Merger Effect	Total 2020	2019	2020	2019
Traditional	379	3 098	3 477	-	475	-
Capitalisation with profit-sharing	1 941	17 116	19 057	-	299	-
Total	2 320	20 214	22 534	-	774	-

The table below shows the analysis of the provision for rate commitment recognised in liabilities as a result of the liability adequacy test:

(thousand of euros)

Products	Balance Sheet Balance			Variation of Gains and Losses		
	2020	2020 Merger Effect	Total 2020	2019	2020	2019
Traditional	12 150	-	12 150	15 472	-3 322	12 772
Capitalisation with profit-sharing	18 815	168	18 983	9 113	9 702	7 832
Total	30 965	168	31 133	24 585	6 380	20 604

The analysis of the provision for portfolio stabilisation recognised in liabilities is shown in the table below:

(thousand of euros)

Products	Balance Sheet Balance		Variation of Gains and Losses	
	2020	2019	2020	2019
Traditional	263	252	11	-175
Total	263	252	11	-175

The provision for claims rate deviations recognised in liabilities and its annual variation in gains and losses are broken down as shown in the table below:

(thousand of euros)

Business Lines / Groups of Business Lines	Balance Sheet Balance			Variation of Gains and Losses		
	2020	2020 Merger Effect	Total 2020	2019	2020	2019
Accidents and health	-	-	-	-	-	-
Fire and other damage	17 345	4 074	21 419	16 462	883	1 454
Motor	-	-	-	-	-	-
Marine, air and transport	-	-	-	-	-	-
General third-party liability	1 305	-	1 305	1 305	-	-
Loan and collateral	121	35	156	210	-89	-177
Legal protection	-	-	-	-	-	-
Assistance	-	-	-	-	-	-
Others	112	118	230	116	-4	8
Total	18 883	4 227	23 110	18 093	790	1 285

The table below shows the analysis of current risks recognised in liabilities and its annual variation in gains and losses:

(thousand of euros)

Business Lines / Groups of Business Lines	Balance Sheet Balance			Variation of Gains and Losses		
	2020	2020 Merger Effect	Total 2020	2019	2020	2019
Accidents and health	208	16	224	3 019	-2 812	2 183
Fire and other damage	-1 390	2 123	733	183	-1 573	-410
Motor	-	-	-	4 987	-4 987	1 685
Marine, air and transport	5	1	6	285	-280	-56
General third-party liability	-	-	-	-	-	-
Loan and collateral	-	-	-	-	-	-
Legal protection	-	-	-	-	-	-
Assistance	-	-	-	-	-	-
Others	-	-	-	-	-	-
Total	-1 177	2 140	963	8 474	-9 652	3 402

According with the regulatory standard no. 10/2016R of 15th September, emerging and exceptional costs, including personnel costs related to pre-retirement and indemnifications or compensations paid to employees of insurance companies by means of termination of employment contract by mutual agreement, arising unequivocally and duly proven from restructuring processes that fall outside the scope of merger operations, may not be considered in the calculation of the provision for current risks.

In 2020 and 2019, under this regulatory standard, the calculation of the provision for current risks was subject to exceptional procedures, upon request of the company and duly approved by the ASF, by which the exceptional and unique nature of merger operations was taken into consideration.

It should be noted that the company has taken part in several merger processes, which have led to an increase in costs and therefore an increase in the provision amount for current risks not related to tariff insufficiencies.

Therefore, the company considered that the amount of €10.6 million (2019: €10.0 million) relative to total personnel costs incurred over last year resulting from indemnifications or compensations for termination of employment contract by mutual agreement are exceptional and do not reflect recurring levels associated with day-to-day operations. Therefore, the company decided not to consider the amount of €9.2 (2019: 8.7 million) relative to non-life insurance for determining the relevant provision.

The amounts of other technical provisions, net of reinsurance, recognised in gains and losses of non-life insurance are equal to the sum of variations expressed above in provision tables for claims rate deviations of direct insurance and provision tables for current risks of direct insurance.

NATURE AND EXTENT OF SPECIFIC INSURANCE RISKS

Under the Solvency II framework, the company has provided its structure and procedures with the tools needed to satisfy the requirements of risk management.

The Risk and Internal Control Committee forms part of the company's governance structure and it is responsible for analysing and verifying whether decisions made by the company comply with the strategy and policies established for risk management, internal control system and compliance.

(thousand of euros)

Years Elapsed	Final Claims Cost Estimate, Net of Reimbursements									
	Year of Occurrence									
	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
0	490 239	473 924	473 657	470 672	439 587	435 629	534 278	553 551	583 447	532 955
1	504 146	469 242	473 226	484 377	444 137	430 331	517 378	524 770	567 862	
2	503 969	469 747	481 080	493 405	441 411	426 835	521 918	552 460		
3	501 399	471 892	485 890	496 037	446 049	442 825	528 461			
4	500 912	472 006	486 471	493 570	454 482	447 165				
5	503 180	470 769	487 612	494 727	460 767					
6	504 918	470 364	489 429	493 243						
7	505 211	477 001	497 136							
8	506 223	479 053								
9	507 591									

The company operates a reinsurance policy intended to ensure protection against the impact of large claims or catastrophic events by mitigating risk, reducing the need for capital and protecting the interests of its policyholders, insured persons, other insurance beneficiaries, shareholders and employees.

To pursue this policy and serve its purpose, the company negotiates the most appropriate type of reinsurance to mitigate the risks accepted, based on either proportional or non-proportional treaties, according to the following tables:

Non-Life Insurance	Type of Reinsurance
Assistance	Proportional
Deposits	Proportional
Deposits (loyalty)	Proportional
Engineering	Proportional and Not Proportional
Fire (simple risks)	Proportional and Not Proportional
Fire (condominium)	Proportional and Not Proportional
Fire and profit losses (establishment and industrial risks)	Proportional and Not Proportional
Fire and other damage (disaster-retention protection)	Not Proportional
Fire and other damage (disaster-retention top-layer protection)	Not Proportional
Fire and other damage (disaster-retention sub-layer protection)	Not Proportional
Health (serious illnesses)	Proportional
Health (medical expenses)	Not Proportional
Health (2 nd opinion)	Proportional
Cyber risks third-party liability	Proportional
General third-party liability	Not Proportional
Environmental third-party liability	Proportional
Health professionals third-party liability	Proportional
Directors' third-party liability (article 396)	Proportional
Directors and officers third-party liability	Proportional
Credit intermediation third-party liability	Proportional
Marine (cargo)	Proportional and Not Proportional
Marine (hulls)	Proportional and Not Proportional
Marine (hull-fleets)	Proportional and Not Proportional
Marine (retention protection)	Not Proportional
Motor (third-party liability)	Not Proportional
Motor (own damage)	Not Proportional
Personal accidents	Not Proportional
Personal accident (loan protection)	Proportional
Workers' compensation	Not Proportional
Agro	Proportional

Life Insurance	Type of Reinsurance
Life Mortgage Loan	Proportional
Life Group	Proportional
Individual Life	Proportional
Life VTCC2.0	Proportional
Health Professionals Life	Proportional
Life + Cool	Proportional
Catastrophe Life	Not Proportional
Cumulative Protection Life	Not Proportional
Assistance	Proportional
Health	Proportional
Life Premium Protection	Proportional
Life Contributive Group and Non-Contributive Group	Proportional
Banif Life Treasury Management	Proportional
Capitalisation / Pension Savings Schemes	Proportional
Life + Win	Proportional
Life Capitalisation	Proportional

The table below shows the sensitivity analysis of insurance risk, considering its main constraints:

		(thousand of euros)	
Analysis Area	Scenarios	Impact on Profit Before Tax	
		2020	2019
Claim-Related Costs	5% increase of claim-related costs, net of reinsurance (non-life), for the period	-29 834	-36 584
Expenses	10% increase of operating costs, net of reinsurance (non-life)	-26 711	-23 096
Longevity	10% decrease in mortality of current pensioners in workers' compensation	-14 508	-6 869
Mortality	10% decrease in mortality of insured persons in life insurance	-2 266	-2 225

The risk of variation in the level of claims costs and overhead costs arises from the influence exerted on these items whether due to greater incidence of facts that generate cost, inflation or lower internal efficiency.

The longevity risk covers the uncertainty of effective losses resulting from the increasing life expectancy of insured persons and it may be more relevant, for example, in mathematical pensions associated with workers' compensation.

The longevity risk is managed through pricing, underwriting policy and regular reviews of the mortality tables used to set prices and establish provisions accordingly. When longevity is understood to be above the level reflected in the mortality tables, additional provisions are established, and mortality tables are updated. It should be noted that, for the purpose of sensitivity analysis of the mortality risk in life insurance, future premiums are not considered.

NATURE AND EXTENT OF OTHER RISKS

Market risk

The market risk is usually associated with the risk of loss or any adverse changes to the financial position of the company and arises from the level or volatility of market prices of financial instruments and is also strongly related to the risk of mismatching between assets and liabilities for which the company has implemented an ALM policy.

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

The investment policies adopted by the company, duly formalised in a separate document, are based on prudent levels of risk acceptance and portfolio diversification, considering the evolution of financial markets.

It should also be noted that the investment policy in force within the company is put forward by the Investment Committee.

Exchange rate risk

The exchange rate risk stems from the volatility of interest rates against the euro, and the sensitivity analysis is described as follows:

		(thousand of euros)	
Analysis Area	Scenarios	Impact on Profit Before Tax	
		2020	2019
Exchange rate	10% appreciation of the value of all foreign currencies against the euro	-1 796	-248

Equity risk

Equity risk arises from the volatility of stock market prices and is intended to measure the systematic risk only, since non-systematic risk is considered in the concentration risk.

Stock market securities held by the company are exposed to this risk, as well as investment funds made up either totally or partially by these securities and shares held by the company in other companies. The sensitivity analysis is described as follows:

		(thousand of euros)	
Analysis Area	Scenarios	Impact on Profit and Fair Value Reserves Before Tax	
		2020	2019
Equity	10% decrease of stock-market values	-646	-60 050

Real estate risk

Real estate risk arises from the volatility of real estate market prices. The sensitivity analysis is described as follows:

		(thousand of euros)	
Analysis Area	Scenarios	Impact on Profit and Fair Value Reserves Before Tax	
		2020	2019
Real estate	10% decrease in the value of real estate and real estate funds	-971	-1 284

Interest rate risk

Interest rate risk is inherent to all assets and liabilities, whose value is sensitive to changes in the time structure or volatility of interest rates. Within interest-sensitive assets, bonds are particularly exposed to interest rate risk.

Liabilities are exposed through not-compulsory pensions of workers' compensation and mathematical provisions for life insurance.

A rising interest rate scenario is a scenario that supposes a loss of value for the company:

		(thousand of euros)	
Analysis Area	Scenarios	Impact on Fair Value Reserves Before Tax	
		2020	2019
Interest rate	100 b.p. decrease of the interest rate curve – Effect on assets	177 634	128 608
	100 b.p. increase of the interest rate curve – Effect on assets	-177 634	-102 536

		(thousand of euros)	
Área de Análise	Scenarios	Impact on Profit Before Tax	
		2020	2019
Interest rate	100 b.p. decrease of the interest rate curve – Effect on assets	-132 859	-69 940
	100 b.p. increase of the interest rate curve – Effect on assets	98 296	52 487

Spread risk

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

(thousand of euros)

Rating	2020		2019	
	%	Valor	%	Valor
AAA	9%	201 518	27%	284 321
AA	20%	428 416	40%	428 618
A	19%	397 492	12%	122 137
BBB	48%	1 021 858	15%	163 989
BB	3%	55 200	2%	24 121
B	0%	-	0%	2 091
CCC	0%	1 820	0%	777
Unrated	1%	23 146	3%	35 715
Total	100%	2 129 450	100%	1 061 768

These amounts do not reflect any deposits, as they are deemed to fall outside the scope of analysis of this risk.

Concentration risk

Concentration risk relates to the additional volatility in highly concentrated portfolios and partial or total losses due to the issuer's default. The table below shows its breakdown analysis by business sector:

(thousand of euros)

Business Sector	2020		2019	
	%	Net Value	%	Net Value
Basic resources	3,4%	86 191	0,2%	3 647
Communications	1,4%	35 196	1%	12 332
Consumables (cyclic)	2,6%	66 057	1%	11 641
Consumables (non-cyclic)	3,2%	82 137	1%	24 035
Energy	1,6%	40 579	0%	7 156
Financial	12,9%	327 207	4%	71 500
Funds	14,8%	375 439	36%	599 524
Public debt	53,5%	1 356 420	51%	840 856
Industrial	2,2%	55 952	1%	20 768
Medicine	0,5%	11 511	0%	0
Technology	0,7%	16 645	0%	922
Public / Collective services	2,0%	51 779	3%	48 653
Others	1,2%	29 849	1%	23 224
Total	100%	2 534 962	100%	1 664 257

The amounts comprise investments in subsidiaries, associates and joint ventures, financial assets held for trading, financial assets measured on initial recognition at fair value through profit and loss, available-for-sale assets and shareholder loans and supplementary capital loans in Loans Granted. Real estate funds are excluded from held-for-sale assets on grounds of coherence in line with the exclusion of investments in land and buildings from this analysis.

These amounts do not include deposits, as they are deemed to fall outside the scope of analysis of this risk.

Liquidity risk

Liquidity risk arises from the company's ability to hold sufficiently liquid assets to meet cash flow requirements needed to satisfy the its obligations towards policyholders and other creditors as they become due. It should be noted that, for liquidity risk mitigation purposes, the company prepares a treasury plan on a monthly basis, which is subject to weekly adjustments to capital needs or surpluses.

The estimated maturity and cash flow analysis of the assets and liabilities exposed to liquidity risk is as described below:

(thousand of euros)						
2020	< 3 months	3-12 months	1-5 years	> 5 years	Without Maturity	Total
Financial assets	224 421	95 285	429 277	1 632 196	380 743	2 761 922
Financial liabilities, mathematical provision and investment contract liabilities	152 470	69 619	372 611	390 830	140 016	1 125 546
Net	71 951	25 666	56 666	1 241 366	240 727	1 636 376

(thousand of euros)						
2019	< 3 months	3-12 months	1-5 years	> 5 years	Without Maturity	Total
Financial assets	169 139	140 980	311 106	723 493	616 224	1 960 942
Financial liabilities, mathematical provision and investment contract liabilities	88 859	115 053	218 478	279 591	-	701 981
Net	80 280	25 927	92 628	443 902	616 224	1 258 961

Counterparty risk

Counterparty risk corresponds to any potential loss arising from the default or deterioration of credit levels of any counterparty that mitigates existing risks with risk mitigation techniques, such as reinsurance contracts or derivatives, receivables stemming from intermediators, as well as other exposures to credit that have not been included in spread risk.

As a control procedure, the company systematically monitors the progress of premium amounts and maturities owed. The company takes into consideration credit ratings assigned to each entity, when selecting depositary banks and reinsurers, and follows periodically their progress over the year.

The deposits breakdown analysis is shown in the table below:

(thousand of euros)					
Rating	2020		2019		
	%	amount	%	amount	
AAA	0%	-	0%	-	
AA	89%	73 918	86%	67 756	
A	0%	365	0%	362	
BBB	4%	3 665	4%	3 511	
BB	0%	227	0%	-	
B	4%	3 079	9%	6 880	
CCC	0%	-	0%	-	
Unrated	2%	1 566	0%	220	
Total	100%	82 820	100%	78 729	

The reinsurance recoverable breakdown analysis, without impairment deduction, is shown in the table below:

(thousand of euros)					
Rating	2020		2019		
	%	amount	%	amount	
AAA	0%	-	0%	-	
AA	44%	17 385	49%	13 228	
A	47%	18 305	50%	13 733	
BBB	7%	2 707	0%	-	
BB	2%	686	0%	-	
B	0%	-	0%	-	
CCC	0%	-	0%	-	
Unrated	0%	80	1%	210	
Total	100%	39 163	100%	27 171	

Operational risk

Operational risk is the risk of material loss resulting from inadequate or failed internal processes, persons or systems or external events within the company's day-to-day operations. Operational risk can be subdivided into the following categories:

- Deliberate bad conduct within professional ethics (internal fraud);
- Illicit activity carried out by third parties (external fraud);
- Practices related to human resources and safety at work;
- Customer, product and commercial practices;
- Physical asset damage caused by external events;
- Business interruption and system failure;
- Business process-related risks.
- Legal risk.

Strategic risk

Strategic risk is the risk arising from strategic decisions. We define strategic risk as the risk to take inadequate business decisions, implement decisions ineffectively or fail to adapt to changes in operational environment. Strategic risk typically emerges combined with other risks, but it may surface individually.

Reputational risk

Reputational risk refers to the potential damage to the company's reputation resulting from negative public perception, for instance among customers, business partners, shareholders or authorities. Just as strategic risk, reputational risk appears combined with other risks, but it may emerge individually.

Intragroup transaction risk

Intragroup transaction risk stems from the company's reliance on significant intragroup transactions that may significantly affect the solvency or the liquidity position of the group or any of the entities involved in these transactions, which may be related to:

- Investments;
- Balances between companies, including loans, recoverables and agreements to centralise asset or cash management;
- Guarantees and arrangements, such as letters of credit;
- Operations with derivatives;
- Returns, coupons and other interest payments;
- Trade reinsurance;
- Service supply or cost sharing agreements;
- Purchase, sale or rental of goods.

Systemic risk

The systemic risk refers to the risk of instability or collapse of the financial system or market, with severe impact on assets, interest rates, exchange rates, affecting the economy as a whole.

Emerging risks

Emerging risks are existing or prospective risks difficult to quantify and likely to cause substantial losses. Emerging risks carry a high level of uncertainty, wherein basic information, that would support an appropriate evaluation on the frequency and severity of a given risk, is sparse.

Mitigation measures

The company has put in place a set of measures intended to mitigate the risks outlined above. Among those measures, the following are highlighted:

- Ensure that the code of conduct is upheld;
- Ensure that internal regulations and manuals of procedures are subject to continuous update;
- Implement policies and procedures to prevent both internal and external fraud;
- Implement security measures to control and limit the access to premises;
- Implement measures to manage and secure access to databases and information systems;
- Implement a human resource management policy;
- Facilitate training programmes that comprise knowledge recycling;
- Facilitate training programmes addressed to employees who interact directly with customers;
- Implement a recovery plan in the event of a catastrophe and drill exercises to be conducted on a regular basis according to the relevant plan;
- Implement and document a business continuity plan and procedures aimed at restoring the company's critical business functions and activities in the event of a disruption.

SOLVENCY

In 2015, the European Directive Solvency II 2009/138/EC of the European Parliament and of the Council of 25th November 2009, that governs the access and exercise of the insurance and reinsurance activity, and its amendments were transposed to the Portuguese legal system by the Law no. 147/2015 of 9th September 2015, which provided that the new Solvency II Framework would come into force on 1st January 2016.

The company monitors its solvency under the framework currently in force. According with the provisions laid down in the legislation, final data on the solvency margin and more detailed information on risk management shall be publicly disclosed in the Solvency and Financial Condition Report in April 2021.

ADEQUACY OF PREMIUMS AND PROVISIONS

In relation to the adequacy of premiums, the company analyses every year the technical bases, actuarial principles and rules used to establish insurance rates, verifying, within reasonable anticipation, the adequacy of premiums charged on a prudential actuarial basis to guarantee the satisfaction of any commitments made by the company arising out of claims associated with insurance contracts.

In general, the provisioning policy of the company is of a prudential nature, using actuarially recognised methods and complying with all applicable regulations and laws.

ACTIVITY RATIOS

The main non-life activity ratios, gross of reinsurance, are broken down below:

	(%)	
	2020	2019
Claims ratio ^(a)	67,4%	75,3%
Acquisition ratio ^(b)	19,4%	18,1%
Administrative ratio ^(c)	6,1%	5,6%
Combined Ratio	92,9%	99,0%

a) (Claims costs + incurred costs + variations of technical provisions + other costs – technical revenues) / earned premiums

b) (Acquisition intermediation remunerations + incurred costs + variations of deferred acquisition costs) / gross written premiums

c) (Administrative intermediation remunerations + incurred costs) / gross written premiums

The main life activity ratios, gross of reinsurance, are broken down below:

	(%)	
	2020	2019
Claims/Premiums (IFRS 4)	159,0%	165,3%
Benefits paid/Deposits received (IAS 39)	24949,0%	2164,3%
Acquisition costs/Premiums + Deposits received)	25,1%	24,1%
Administrative costs/(Premiums + Deposits received)	18,8%	14,9%

CLAIMS RECOVERABLES

The recoverable amounts related to paid claims arising from the acquisition of rights or ownership and the risk of not receiving those amounts are included in the line items mentioned below:

	(thousand of euros)	
	2020	2019
Accounts receivable	1 445	2 093
Adjustment for doubtful loans	-353	-711
Net Total	1 092	1 382

NOTE 5 – PASSIVOS POR CONTRATOS DE INVESTIMENTO E OUTROS PASSIVOS FINANCEIROS

The amounts provided in this note should be interpreted in light of the constraints associated with the disclosure of financial information, as mentioned in Note 1 above.

The breakdown of financial liabilities by investment contract may be analysed as follows:

	(thousand of euros)				
	Financial Without Profit-Sharing	Unit-Linked	Pension Savings Scheme Unit-Linked	Capitalisation Operations Unit-Link	Total
Balances as at 1st January 2019	105 646	6 312	20 756	188	132 902
Additional liabilities for the period, net of commissions	436	172	194	-	802
Amounts paid	-11 174	-1 551	-2 805	-71	-15 601
Technical interest rates	-6 869	-44	-171	-	-7 084
Other entries	10 465	543	1 844	20	12 872
Balances as at 31st December 2019	98 504	5 432	19 818	137	123 891
Additional liabilities of the period, net of commissions	380	236	140	-	756
Amounts paid	-62 537	-814	-2 031	-11	-65 393
Technical interest rates	1 461	180	117	-	1 759
Other entries	1 076	-	-	-	1 076
Balances as at 31st December 2020	38 884	5 035	18 044	126	62 089

The total amount of financial liabilities of unit-linked contracts is €23.2 million (2019: €25.4 million) and corresponds to the level 2 of the valuation method in accordance with the three levels set out in IFRS 13, given that these are financial instruments measured according with quoted prices (not adjusted) available in official markets and quoted prices disclosed by entities that provide transaction prices in liquid markets.

Gains and losses in financial liabilities arising from investment contracts can be analysed as follows:

	2020			2019		
	Gain	Loss	Balance	Gain	Loss	Balance
Carried at Fair Value through Profit and Loss	6 013	-2 990	3 023	7 907	-4 478	3 429
Capitalisation	3 844	-958	2 886	4 655	-1 545	3 110
Pension savings scheme	2 168	-2 031	137	3 252	-2 933	319
Carried at Amortised Cost	69 159	-71 996	-2 837	16 207	-19 999	-3 791
Capitalisation	59 655	-62 449	-2 794	6 343	-10 049	-3 706
Pension savings scheme	9 504	-9 547	-43	9 864	-9 949	-85
Total	75 171	-74 986	186	24 114	-24 477	-363

The amounts reported in the financial statements further include the amounts stated in Notes 17 and 18, and therefore the analysis should be combined with said notes.

The table below shows the breakdown analysis of other financial liabilities:

	(thousand of euros)	
	2020	2019
Other financial liabilities		
Deposits received from reinsurers	140 417	400
Subordinated liabilities	10 000	-
Right-of-use assets (IFRS16)	15 307	19 180
Carrying Amount	165 724	19 580

Deposits received by reinsurers represent the amount of the collateral used by reinsurers for accepting the risks and receiving the premiums arising from ceded reinsurance operations.

Subordinated liabilities consist of two subordinated loans with a 10-year term at a fixed rate, amounting to €5 million each, underwritten by two entities of the Generali Group, namely Generali Horizon and Participatie Maatschappij Graafschap Holland N.V.

As mentioned in Note 3 above, the company adopted IFRS 16 – Leases on 1st January 2019, which superseded the former IAS 17 – Leases that remained in force until 31st December 2018. Under this new standard, the company recognised a right-of-use asset and lease liability as at the lease date. Minimum future lease payments related to irrevocable operating leases, upon maturity are the following:

	(thousand of euros)	
	2020	2019
Up to 1 year	5 784	6 128
From 1 year to 5 years	8 936	12 364
Over 5 years	1 439	1 906
Total Future Payments	16 159	20 398
Interest cost to accrue or defer to expenses	-852	-1 218
Total Liabilities Under IFRS16	15 307	19 180

The lease liability was initially measured at the present value of the lease payments that were not made at the start date, discounted using the interest rate implicit in the lease or, if the interest rate implicit in the lease cannot be readily determined, the company's incremental interest rate.

In 2020, under this standard, the company recorded an interest expense of €442 thousand (2019: €516 thousand) arising from changes in value of financial liabilities.

NOTE 6 – FINANCIAL INSTRUMENTS

The amounts provided in this note should be interpreted in light of the constraints associated with the disclosure of financial information as mentioned in Note 1 above.

The table below shows a breakdown summary of the comprehensive inventory of the company's held interests and financial instruments presented in Annex 1 at the end of the financial statements.

	(thousand of euros)	
	2020	2019
Available-for-sale financial assets	2 486 375	1 659 103
Investments in subsidiaries and associates	-	-
Term deposits	1 412	-
Financial assets initially recognised at fair value through profit and loss	9 722	10 304
Held-for-trading financial assets	-	-
Held-to-maturity investments	12 487	-
Total Held Interests and Financial Instruments	2 509 996	1 669 407
Other financial assets	1 239	8 586
Total Financial Assets	2 511 235	1 677 993

Note 7 provides an analysis of investments in subsidiaries and associates, while Note 6 provides an analysis of the remaining financial instruments.

FINANCIAL ASSETS MEASURED ON INITIAL RECOGNITION AT FAIR VALUE THROUGH PROFIT AND LOSS

As provided in IAS 39 and in line with the option taken and the documented risk management strategy, all securities that the company deems (i) to be managed and their performance assessed on a fair value basis, and/or (ii) contain embedded derivative instruments, are classified under this line item.

The balance of this asset account is broken down as shown below:

	(thousand of euros)	
	2020	2019
Bonds and other fixed-income securities		
By public issuers	1 272	1 259
By other issuers	6 451	5 951
Equities	-	-
Other floating-rate securities	1 999	3 094
Carrying Amount	9 722	10 304
Acquisition Cost	9 176	9 448

As at 31st December 2020, this line item included fixed-income securities with embedded derivatives of €1.5 million (2019: €3 million).

This heading further includes structured fixed-income or collateralised securities amounting to €6 million (2019: €4 million). These securities are recognised at fair value, which is determined based on prices provided by the sources used by the company for the whole instrument, according to market conditions at the reference date of the financial statements.

AVAILABLE-FOR-SALE FINANCIAL ASSETS

The balance of this asset account is broken down as shown below:

	(thousand of euros)	
	2020	2019
Bonds and other fixed-income securities		
By public issuers	1 393 280	848 594
By other issuers	714 799	204 946
Equities	3 938	1 502
Other floating-rate securities	374 358	604 061
Carrying Amount	2 486 375	1 659 103

The table below shows the breakdown of the final balance sheet:

	(thousand of euros)				
	Amortised or Acquisition Cost	Accrued Interest	Fair-Value Reserve	Impairment Imparidade	Carrying Amount
Bonds and other fixed-income securities					
By public issuers	778 268	9 931	60 395	-	848 594
By other issuers	193 794	3 926	7 526	-300	204 946
Equities	2 181	-	181	-860	1 502
Other floating-rate securities	614 564	-	3 217	-13 720	604 061
Balance at 31st December 2019	1 588 807	13 857	71 319	-14 880	1 659 103
Bonds and other fixed-income securities					
By public issuers	1 175 211	16 934	201 135	-	1 393 280
By other issuers	662 288	9 919	43 147	-555	714 799
Equities	5 074	-	270	-1 406	3 938
Other floating-rate securities	388 634	-	9 003	-23 279	374 358
Balance at 31st December 2020	2 231 207	26 853	253 555	-25 240	2 486 375

As at 31st December 2020, other floating-rate securities included participating interests held by the company in real estate investment funds amounting to €1.5 million (2019: €7.6 million).

Entries recorded in loss on impairment may be detailed as follows:

	(thousand of euros)	
	2020	2019
Balance as at 1st January	14 880	7 580
Merger Effect	871	-
Appropriations for the period	16 819	11 864
Writte-offs for sale of assets	-1 638	-2 180
Reversals	-5 692	-2 384
Balance as at 31st December	25 240	14 880

Impairments recognised in profit and loss through fair value adjustments in investments, divided by the respective categories, are as follows:

	(thousand of euros)	
	2020	2019
Bonds and other fixed-income securities	-30	-19
Equities and other floating-rate securities	-16 789	-11 845
Total	-16 819	-11 864

HELD-FOR-TRADING FINANCIAL ASSETS AND LIABILITIES

As at 31st December 2020 and 2019, there were no assets or liabilities classified under this category.

HELD-TO-MATURITY INVESTMENTS

The balance of this asset account is broken down as shown below:

	(thousand of euros)	
	2020	2019
Bonds and other fixed-income securities		
By public issuers	12 487	-
By other issuers	-	-
Equities	-	-
Other floating-rate securities	-	-
Carrying Amount	12 487	-
Market value	13 648	-

The table below shows the breakdown of the final balance sheet:

	(thousand of euros)		
	Acquisition Cost	Impairment	Carrying Amount
Bonds and other fixed-income securities			
By public issuers	-	-	-
By other issuers	-	-	-
Equities	-	-	-
Other floating-rate securities	-	-	-
Balance as at 31st December 2019	-	-	-
Bonds and other fixed-income securities			
By public issuers	12 487	-	12 487
By other issuers	-	-	-
Equities	-	-	-
Other floating-rate securities	-	-	-
Balance as at 31st December 2020	12 487	-	12 487

OTHER FINANCIAL ASSETS

In addition to the financial instruments described above, the company owns other assets as outlined below:

	(thousand of euros)	
	2020	2019
Loans	804	1 017
Deposits with cedent companies	2	2
Others	433	7 567
Total of Other Financial Assets	1 239	8 586

In 2020 and 2019, the amounts recognised in others correspond to financial operations awaiting clearing and settlement, taking notice of their value dates.

The following table shows the breakdown of other financial assets:

(thousand of euros)			
	Acquisition Cost	Impairment	Carrying Amount
Other financial assets			
Ancillary capital contributions	-	-	-
Loans	16 017	-15 000	1 017
Others	7 569	-	7 569
Balance as at 31st December 2019	23 586	-15 000	8 586
Other financial assets			
Ancillary capital contributions	-	-	-
Loans	15 804	-15 000	804
Others	435	-	435
Balance as at 31st December 2020	16 239	-15 000	1 239

The impairment losses recognised in *loans* correspond to the total cash loan granted to Espírito Santo Financial Portugal, SGPS, S.A. As at 31st December 2020 and 2019, no entries were made in impairment losses. Loans to employees amounted to €804 thousand.

FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES RECOGNISED AT AMORTISED COST

The fair value of financial assets and liabilities recorded at amortised cost is analysed as shown in the table below:

(thousand of euros)				
	2020		2019	
	Fair value	Carrying amount	Fair value	Carrying amount
Cash and cash equivalents and demand deposits	82 840	82 840	78 751	78 751
Loans and accounts receivable	2 651	2 651	8 586	8 586
Held-to-maturity investments	13 648	12 487	-	-
Other debtors for insurance operations and other operations	120 018	120 018	90 027	90 027
Financial Assets at Amortised Cost	219 157	217 996	177 364	177 364
Financial liabilities on investment contracts	64 752	62 089	129 202	123 891
Other financial liabilities	165 724	165 724	19 580	19 580
Other creditors for insurance operations and other operations	128 314	128 314	79 110	79 110
Financial Liabilities at Amortised Cost	358 790	356 127	227 892	222 581

The fair value of financial liabilities of investment contracts is estimated on a contract-by-contract basis, using the best estimate assumption to project expected future cash flows and the risk-free interest rate as at the issuance date.

Considering that these are short-term assets and liabilities, the balance at the balance sheet date is considered a reasonable estimate of fair value.

In relation to the valuation method, in accordance with the levels provided in IFRS 13, all financial instruments recognised at amortised cost are level 3, except for cash and their equivalents and demand deposits that are level 1.

VALUATION METHODOLOGIES

Financial instruments are ranked according to the levels provided in IFRS 13, which encompasses the following description:

- **Level 1** – Financial instruments measured according to quoted prices (unadjusted) available in official markets and quoted prices disclosed by entities that provide transaction prices in liquid markets;
- **Level 2** – Financial instruments measured according to internal valuation methodologies, considering mainly parameters and variables that are observable in the market;
- **Level 3** – Financial instruments measured according to internal valuation methodologies, considering parameters and variables that are not observable in the market and with a significant impact on the valuation of the instrument and prices provided by third parties, whose parameters are not observable in the market.

The value of financial instruments ranked by the valuation method used and according to the levels described above is analysed as follows:

(thousand of euros)

	2020			Total
	Level 1	Level 2	Level 3	
Available-For-Sale Financial Assets	2 336 846	121 699	27 830	2 486 375
Securities and shares	248 177	121 699	4 482	374 358
Equities and other floating-rate securities	2 271	-	1 667	3 938
Bonds and other fixed-income securities				
By public issuers	1 393 280	-	-	1 393 280
By other issuers	693 118	-	21 681	714 799
Derivatives	-	-	-	-
Financial Assets at Fair Value Through Profit and Loss	8 624	1 098	-	9 722
Securities and shares	1 946	53	-	1 999
Equities and other floating-rate securities	-	-	-	-
Bonds and other fixed-income securities				
By public issuers	1 272	-	-	1 272
By other issuers	5 406	1 045	-	6 451
Derivatives	-	-	-	-
Held-to-maturity investments (at market value)	13 648	-	-	13 648
Securities and shares	-	-	-	-
Equities and other floating-rate securities	-	-	-	-
Bonds and other fixed-income securities				
By public issuers	13 648	-	-	13 648
By other issuers	-	-	-	-
Derivatives	-	-	-	-
Total Financial Assets	2 359 118	122 797	27 830	2 509 745

(thousand of euros)

	2019			Total
	Level 1	Level 2	Level 3	
Available-For-Sale Financial Assets	1 161 013	462 878	35 212	1 659 103
Securities and shares	176 410	416 993	10 658	604 061
Equities and other floating-rate securities	172	-	1 330	1 502
Bonds and other fixed-income securities				
By public issuers	804 728	43 866	-	848 594
By other issuers	179 703	2 019	23 224	204 946
Derivatives	-	-	-	-
Financial Assets at Fair Value Through Profit and Loss	9 194	1 077	33	10 304
Securities and shares	3 061	-	33	3 094
Equities and other floating-rate securities	-	-	-	-
Bonds and other fixed-income securities				
By public issuers	1 259	-	-	1 259
By other issuers	4 874	1 077	-	5 951
Derivatives	-	-	-	-
Total Financial Assets	1 170 207	463 955	35 245	1 669 407
Total Financial Assets	-	-	-	-
Total Financial Liabilities	-	-	-	-

The value classified as level 2 in securities and shares in 2020 includes approximately €122 million (2019: €417 million) related to an investment in 2 sub-funds (2019: €5 sub-funds) that belong to a collective entity under the designation of ICAV, which stands for Irish Collective Asset Management Vehicle, wholly owned by the company.

The fair value of these assets was determined based on their equity value, which, in turn, is measured based on market prices or market information available for asset valuation (risk curves, spreads, etc.), as provided in IFRS 13. This fund is further subject to a look-through analysis by the company in accordance with the Solvency II requirements.

The reconciliation of level 3 assets is as described below:

(thousand of euros)

	Dec. 31 st , 2019	Potential Gains	Purchases	Sales	Impairments	Gains Realised	Reclassification	Dec. 31 st , 2020
Available-for-Sale Financial Assets	35 212	258	9	-7 253	-310	-17	-69	27 830
Securities and shares	10 658	-252	9	-7 101	-274	-16	1 458	4 482
Equities and other floating-rate securities	1 330	-8	-	-152	-36	-1	534	1 667
Bonds and other fixed-income securities								
By public issuers	-	-	-	-	-	-	-	-
By other issuers	23 224	518	-	-	-	-	-2 061	21 681
Financial Assets at Fair Value Through Profit and Loss	33	-	-	-33	-	-	-	-
Securities and shares	33	-	-	-33	-	-	-	-
Equities and other floating-rate securities	-	-	-	-	-	-	-	-
Bonds and other fixed-income securities								
By public issuers	-	-	-	-	-	-	-	-
By other issuers	-	-	-	-	-	-	-	-

Securities and shares under this level include €1.5 million related to shares in closed-end real estate funds (2019: €7.6 million) and €3 million related to private equity funds (2019: €3.1 million), whose fair value arose from the disclosure of the Fund Global Net Value (FGNV) established by management companies.

The assets of these funds arise from a diversified group of assets and liabilities measured at fair value in their balance sheet accounts by internal methodologies used by management companies.

Since it is not feasible to present a sensitivity analysis of the different components of the assumptions used by entities, the impact of a plus/minus 10% change in the FGNV of the funds is analysed as follows:

(thousand of euros)

Analysis Area	Asset Type	Impact On Profit		Impact On Fair Value Reserve	
		10% Rise	10% Fall	10% Rise	10% Fall
Investment fund	Closed-end real estate investment funds	-	-75	146	-71
	Private equity funds	-	-54	302	-248

(thousand of euros)

Analysis Area	Asset Type	Impact On Profit		Impact On Fair Value Reserve	
		10% Rise	10% Fall	10% Rise	10% Fall
Investment fund	Closed-end real estate investment funds	-	-376	760	-384
	Private equity funds	-	-39	306	-270

NOTE 7 – INVESTMENTS IN SUBSIDIARIES AND ASSOCIATES

The amounts provided in this note should be interpreted in light of the constraints associated with the disclosure of financial information, as mentioned in Note 1 above.

The table below summarises the financial data of the company's subsidiaries and associates:

(thousand of euros)

Nome da Empresa/Sede	Classifica- tion	Valuation Method	Stake (%)			Financial Data							
			Direct	Voting Right	Effective	Assets		Liabilities		Equity		Net Income	
						2020	2019	2020	2019	2020	2019	2020	2019
Tranquilidade – Corporação Angolana de Seguros, S.A. Edifício ESCOM, Rua Marechal Brós Tito, n.º 35 15.ºD LUANDA	Subsidiary	Acquisition cost net impairment	49,00	49,00	49,00	27 105	35 353	22 047	29 296	5 058	6 057	2 822	1 440
Tranquilidade Moçambique Companhia de Seguros, S.A. Av. Armando Tivane, 1212 Caixa Postal 1959, Maputo, Moçambique	Subsidiary	Acquisition cost net impairment	99,996	100,00	100,00	4 509	4 345	3 576	3 275	933	1 070	662	309,5
Tranquilidade Moçambique Companhia de Seguros Vida, S.A. Av. Armando Tivane, 1212 Caixa Postal 1959, Maputo, Moçambique	Subsidiary	Acquisition cost net impairment	99,997	100,00	100,00	3 022	4 658	1 739	3 245	1 283	1 413	232	304
Tranquilidade Diversified Income ICAV 2 nd Floor, Block E Iveagh Court Harcourt Road Dublin D02 YT22 Ireland	Subsidiary	Acquisition cost net impairment	100,00	100,00	100,00	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.

The values in 2020 translate the latest unaudited information received by each subsidiary or associate, and therefore final official values may differ.

In 2019, the company divested 100% of the share capital of AdvanceCare Health International, S.A., which it held for the amount of €1 million (financial interest and ancillary contributions), having recorded a capital gain of €1.7 million arising from this sale (Note 17) in net gains on financial assets and liabilities not carried at fair value through profit and loss.

Variations in the balance of this line item for 2019 are detailed in the table below, while no variation was recorded in 2020.

(thousand of euros)

2020	Opening Balance	Acquisition, capital- raising and disposals	Impairment	Transfers to non-current assets available for sale	Closing Balance
Advancecare Health International	100	-100	-	-	-
Tranquilidade – Corp. Angolana Seguros	-	-	-	-	-
Tranquilidade – Moçambique Seguros	716	-	-562	-154	-
Tranquilidade – Moçambique Seguros Vida	949	-	-745	-204	-
Total	1 765	-100	-1 307	-358	-

According to the standard IAS 36 and the accounting policy, the company performed an impairment analysis of its subsidiaries and associates based either on the value in use determined based on the business plans approved by the Board of Directors of each entity or the fair value less cost to sell, wherever applicable.

In 2019, the company reached an agreement to sell its stake in Tranquilidade Moçambique Companhia de Seguros, S.A. and Tranquilidade Moçambique Companhia de Seguros Vida, S.A. The sale failed to materialise over the course of 2020 and the company is currently in negotiations for an alternative agreement to complete the process. Consequently, the company recognised an impairment of €400 thousand, which now totals €3.2 million, having recognised its stake in non-current assets held for sale and discontinued operations in 2019, as provided in Note 11.

In 2018, the company reached an agreement to sell its stake in Tranquilidade – Corporação Angolana de Seguros, S.A to other shareholder, Banco Económico, S.A., and another local investor. In accordance with the provisions of this agreement, the company recognised an impairment of €2.1 million in 2020, which now amounts to €7.3 million, having recognised its stake in non-current assets held for sale and discontinued operations in 2018, as provided in Note 11.

This agreement was approved by the National Bank of Angola in 2019, but, against all expectations, the company failed to sell its stake due to delays in the Angolan Agency for Insurance Regulation and Supervision's approval, the only remaining condition that was still not satisfied. Nevertheless, and despite the agreement with Banco Económico had expired at 31st December 2020 due to this situation, the company maintains its strong intention to sell this asset and will therefore enter into multiple negotiations to attain its goal.

The company also has a controlling interest in the following special-purpose entities, classified in held-for-sale financial assets, as provided in Note 6, and included in the consolidation perimeter:

	Registered Office	Business	% Economic Interest	
			2020	2019
CORPUS CHRISTI	Portugal	Closed-End Real Estate Investment Fund	-	100,00%
IMOPRIME	Portugal	Closed-End Real Estate Investment Fund	-	84,89%
AAME TRQ CORP LOANS/HIGH YIELD BONDS FUND	Ireland	Open-End Securities Investment Fund	-	100,00%
AAME TRQ GLOBAL INV GRADE CORP CREDIT	Ireland	Open-End Securities Investment Fund	-	100,00%
AAME MULTI-CREDIT STRATEGY FUND	Ireland	Open-End Securities Investment Fund	100,00%	100,00%
AAME FINANCIAL BOND FUND	Ireland	Open-End Securities Investment Fund	-	100,00%
AAME TRQ LOAN ORIGINATION FUND	Ireland	Open-End Securities Investment Fund	100,00%	100,00%

The company invested a total of €426 million in five open-ended sub-funds through a collective investment entity called Tranquilidade Diversified Income ICAV (Irish Collective Asset-Management Vehicle) until 31st December 2019. The company liquidated three sub-funds over the past year and reduced its investments, on a net basis, by €295 million to a cumulative total of €122 million apportioned between the two remaining open-ended sub-funds at the year end.

In 2020, the company also liquidated its real estate investment funds.

NOTE 8 – CASH AND CASH EQUIVALENTS AND DEMAND DEPOSITS

The amounts provided in this note should be interpreted in light of the constraints associated with the disclosure of financial information, as provided in Note 1 above.

The balance of cash and cash equivalents is analysed as follows:

	(thousand of euros)	
	2020	2019
Cash	20	22
Deposits with Credit Institutions	82 820	78 729
Total	82 840	78 751

NOTE 9 – LAND AND BUILDINGS

The amounts provided in this note should be interpreted in light of the constraints associated with the disclosure of financial information, as provided in Note 1 above.

As mentioned in Note 3 above, the land and buildings owned by the company are measured using a cost model in the case of real estate properties for the company's own use, in accordance with the option provided in IAS 16, and a fair value model in the case of income properties, in accordance with the option provided in IAS 40. Regardless of the valuation model, all real estate properties are subject to regular valuations.

Land and building valuations are intended to obtain the expected transaction value, usually the market value (fair value), that is, the price at which the land or building could be sold at the valuation date, through a private contract between a seller and a buyer, both interested and independent, being understood that the asset has been admitted to public trading under market conditions that ensure a fair and orderly trade, within a reasonable time period for negotiation, considering the nature of the asset.

These valuations are made through a combined weighting of two valuation methods Comparative *Market Analysis* and Income, leading to changes in the fair value of investment properties (income property) and provide a basis for impairment testing of tangible assets (owner-occupied property).

The Comparative *Market Analysis* method is always used, being based on evidence available in the market, where a real estate survey is carried out to find properties comparable to the property under valuation, being the valuation supported by the analysis of the transaction price of similar properties. The Income method aims to determine the value of a land or building through the quotient between the effective annual rent and the appropriate capitalisation rate.

When income properties are transferred to non-current assets held for sale and discontinued operations under IFRS 5, they are valued in accordance with the amounts stated in the presale agreements deducted from any disposal costs.

As provided in IFRS 13 – *Fair Value*, when measuring the fair value of land and buildings, the company maximises the use of observable market data. Nevertheless, given that most valuations also consider unobservable market data, the fair value of land and buildings owned by the company is classified in level 3 of the fair value hierarchy defined by IFRS 13.

The company considers that the land and buildings it holds are put to their best possible use. Therefore, the valuations made to determine their fair value are prepared considering their current use, as provided in IFRS 13 – *Fair Value*.

Land and buildings are classified as owner-occupied property when the company uses them in the ordinary course of business and as investment property in the remaining cases. When the company uses part of a property for own use and other part for earning rentals or capital appreciation, the property is classified as hybrid, and each part shall be subject to analysis and measured separately. The persons responsible for the valuation of the company's assets are duly certified for the purpose and registered with the Portuguese Securities Market Commission (abbreviated as CMVM in Portuguese).

Fair value model

The balance and entries made in income property for 2020 and 2019 may be analysed as follows:

	(thousand of euros)	
Investment Property – Income Property	2020	2019
Net balance as at 1st January	46	46
Additions through acquisition	-	-
Transfers to assets to be discontinued	-	-
Transfers of own service	-	-
Write-offs / Sales	-	-
Changes in fair value	9	-
Merger effect	2 930	-
Net balance as at 31st December	2 985	46

All investment properties held directly by the company are intended to provide rental income, even if for some reason no rent is being charged. The company does not therefore hold any property for the sole purpose of capital appreciation.

Income property is analysed according to its ability to provide rental income as outlined below:

	(thousand of euros)	
	2020	2019
Properties that have generated rental income	2 959	-
Properties that have not generated rental income	26	46
Total	2 985	46

The amounts recognised in profit and loss related to revenue and expenses with investment properties are as follows:

	(thousand of euros)	
	2020	2019
Rental Income	45	-138
Operating Costs	18	-1
properties that have generated rental income	4	12
properties that have not generated rental income	15	-13

Cost model

The balance and entries made in owner-occupied property for 2020 and 2019 may be analysed as follows:

	(thousand of euros)	
	2020	2019
Gross Amount	21 451	20 203
Accumulated depreciations and impairment losses	-8 754)	-4 193)
Net balance as at 31st December	12 697	16 010

(thousand of euros)		
Tangible Assets – Owner-Occupied Buildings	2020	2019
Net balances at 1st January	16 010	15 344
Additions under IFRS16	12	4 859
Write-offs / Sales	-	-
Impairments – [(Allocation) / Use]	-	-
Merger effect	900	-4 193
Depreciation of property IFRS16	-4 220	-
Depreciation of property for own use	-5	-
Net balance as at 31st December	12 697	16 010

The company adopted IFRS 16 – Leases on 1st January 2019, which superseded the former IAS 17 – Leases that remained in force until 31st December 2018. Under this new standard, the company recognised a right-of-use asset and a lease liability as at the lease date.

The right-of-use asset is initially measured at cost, which comprises the amount equal to the lease liability at initial recognition, adjusted to any lease payments made before or at the start date, plus any additional direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or restore the site where it is located, less any lease incentives received.

Subsequently, the right-of-use asset is depreciated on a straight-line basis from the start date to the end of the useful life of the right-of-use asset or at the end of the lease term. Moreover, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

NOTE 10 – OTHER TANGIBLE FIXED ASSETS AND INVENTORIES

The amounts provided in this note should be interpreted in light of the limitations associated with the disclosure of financial information, as provided in Note 1 above.

In addition to owner-occupied property mentioned in Note 9, the company owns other tangible assets measured at the cost model, which are analysed as outlined below:

(thousand of euros)		
	2020	2019
Equipment	51 770	46 359
Office equipment	6 042	5 357
Machinery and tools	2 307	2 102
IT Hardware	25 937	24 317
Fixtures and fittings	4 554	2 678
Leased buildings expenses	9 245	9 206
Transport material	171	195
Right-of-use assets (IFRS16) – Transport material	2 738	1 812
Other tangible assets	776	692
Investment Property Under Construction or Development	-	-
Accumulated Depreciations	-45 953	-39 398
Equipment	-44 193	-38 767
Right-of-use assets (IFRS16) – Transport material	-1 760	-631
Impairments	-	-
	5 817	6 961

The company adopted IFRS 16 – Leases on 1st January 2019, which superseded the former IAS 17 – Leases that remained in force until 31st December 2018. Under this new standard, the company recognised a right-of-use asset of transport material and a lease liability as at the lease date.

The right-of-use asset is initially measured at cost, which comprises the amount equal to the lease liability at initial recognition, adjusted to any lease payments made before or at the start date, plus any additional direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or restore the site where it is located, less any lease incentives received.

Subsequently, the right-of-use asset is depreciated on a straight-line basis from the start date to the end of the useful life of the right-of-use asset or at the end of the lease term. Moreover, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The balance and entries made under this category are analysed as follows:

	(thousand of euros)			
	Equipment	Right-of-use assets (IFRS16)	Investment Property Under Construction	Total
Balance as at 1st December 2019	5 711	-	-	5 711
Adoption under IFRS16 (gross value)	-	1 607	-	1 607
Additions	2 187	205	-	2 392
Transfers	-	-	-	-
Depreciations	-2 118	-631	-	-2 749
Write-offs / Sales	-	-	-	-
Balance as at 31st December 2019	5 780	1 181	-	6 961
Additions	761	52	-	813
Transfers	-	-	-	-
Depreciations	-2 183	-556	-	-2 739
Write-offs / Sales	-58	-	-	-58
Merger effect	539	301	-	840
Balance as at 31st December 2020	4 839	978	-	5 817

NOTE 11 – NON-CURRENT ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS

The amounts provided in this note should be interpreted in light of the limitations associated with the disclosure of financial information, as provided in Note 1 above.

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

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

	(thousand of euros)			
	Income Buildings	Owner-Occupied Buildings	Investments In Subsidiaries, Associates And Joint Ventures	Total
Balance at 1st January 2019	15 398	2 052	2 122	19 572
Transfers	-	-	358	358
Changes in fair value	-	-	-	-
Write-offs / Sales	-10 204	-2 052	-	-12 256
Balance at 31st December 2019	5 194	-	2 480	7 674
Transfers	-	-	-	-
Changes in fair value	-428	-	-2 480	-2 908
Write-offs / Sales	-	-	-	-
Balance at 31st December 2020	4 766	-	-	4 766

The amounts listed in buildings correspond to real estate assets which the company intends to sell and whose processes were either completed in 2020 or are expected to be completed in 2021, after the conclusion of any permitting processes underway, with effective sale, as described in Note 9.

In 2019, the company reached an agreement to sell its stake in Tranquilidade Moçambique Companhia de Seguros, S.A. and Tranquilidade Moçambique Companhia de Seguros Vida, S.A. The sale failed to materialise over the course of 2020 and the company is currently in negotiations for an alternative agreement to complete the process. Consequently, the company recognised an impairment of €400 thousand, which now totals €3.2 million, having already transferred its investments in subsidiaries, associates and joint ventures in 2019, as described in Note 7.

In 2018, the company reached an agreement to sell its stake in Tranquilidade – Corporação Angolana de Seguros, S.A to other shareholder, Banco Económico, S.A., and another local investor. In accordance with the provisions of this agreement, the company recognised an impairment of €2.1 million in 2020, which now amounts to €7.3 million, having transferred its investments in subsidiaries, associates and joint ventures in 2018, as provided in Note 7.

This agreement was approved by the National Bank of Angola in 2019, but, against all expectations, the company failed to sell its stake due to delays in the Angolan Agency for Insurance Regulation and Supervision's approval, the only remaining condition that was still not satisfied. Nevertheless, and despite the agreement with Banco Económico had expired at 31st December 2020 due to this situation, the company maintains its strong intention to sell this asset and will therefore enter into multiple negotiations to attain its goal.

NOTE 12 – INTANGIBLE ASSETS

The amounts provided in this note should be interpreted in light of the limitations associated with the disclosure of financial information, as provided in Note 1 above.

All intangible assets are measured using the cost model. Except for goodwill, all estimated useful lives are finite, being five years for software development expenses (linear depreciation), three years for software (linear depreciation) and duration to maturity of acquired portfolio and non-linear depreciation, in the case of value in place (VIF).

As at 31st December 2020 and 2019, the amount of goodwill recorded was €66 million and corresponded to the excess between the acquisition cost and the fair value of net identifiable assets related to the acquisition of Açoreana Seguros, S.A. on 5th August 2016.

The amount of goodwill was largely determined by measuring mathematical provisions for workers' compensation and life insurance at fair value and discounting the estimated cash flows of these liabilities to the EIOPA's curve (risk-free interest rate), with volatility adjustment, in accordance with Solvency II requirements.

In 2020, the value of goodwill was tested for impairment based on its recoverable amount and no evidence of impairment was identified. The recoverable amount is determined based on the higher of an asset's value in use and its market value, less costs to sell, and it is calculated using valuation methodologies supported by discounted cash flow techniques, considering market conditions, time value and business risks. The estimated recoverable amount was based on the company's business plan and cash-flow projections discounted at a 8.5% rate.

As at 31st December 2020, the value in place corresponded to the acquisition cost of contractual positions arising from contracts traded, including all rights, liabilities and guarantees stemming from them, in the net value of depreciation and impairments of:

- € 4.1 million related to the acquisition to the former GNB, Companhia de Seguros de Vida, S.A. of its policy portfolio relative to the traditional intermediation channel in 2006 (current Gama Life, Companhia de Seguros de Vida, S.A.);
- € 68 thousand related to the acquisition to Açoreana Seguros, S.A. of its life policy portfolio in 2016 (an entity merged by incorporation into Seguradoras Unidas on 30th December 2016).

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

As mentioned, and provided in the accounting policies, the company revised the recoverable amount of the value in place of the portfolio acquired to GNB, Companhia de Seguros de Vida, S.A. in 2006 and recognised an impairment loss of €13 million.

The balance of goodwill and other intangible assets is analysed as follows:

	(thousand of euros)	
	2020	2019
Goodwill	65 981	65 981
Other Intangibles Assets	168 989	152 211
Software development costs	79 914	78 322
Software	26 151	13 432
Intangible assets under construction or development	287	315
Value in force	56 836	56 836
Right-of-use assets (IFRS16) – Software	5 801	3 306
Accumulated Depreciations	-144 640	-124 606
Other intangible assets	-141 037	-123 077
Right-of-use assets (IFRS16) – Software	-3 603	-1 529
Impairments	-12 904	-14 685
	77 426	78 901

The company adopted IFRS 16 – Leases on 1st January 2019, which superseded the former IAS 17 – Leases that remained in force until 31st December 2018. Under this new standard, the company recognised a right-of-use asset and lease liability as at the lease date.

The right-of-use asset is initially measured at cost, which comprises the amount equal to the lease liability at initial recognition, adjusted to any lease payments made before or at the start date, plus any additional direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or restore the site where it is located, less any lease incentives received.

Subsequently, the right-of-use asset is depreciated on a straight-line basis from the start date to the end of the useful life of the right-of-use asset or at the end of the lease term. Moreover, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The entry recorded in both reporting periods may be analysed as follows:

(thousand of euros)

	Goodwill	Other Intangible Assets	Software Development Costs	Software	Intangible Assets Under Construction	Value in Force	Right-of-use assets (IFRS16)	Total
Balance as at 1st December 2019	65 981	13 195	4 000	633	1 680	6 882	-	79 176
Adoption of IFRS16 (gross value)	-	2 075	-	-	-	-	2 075	2 075
Additions	-	3 835	168	138	2 298	-	1 231	3 835
Depreciations	-	-7 842	-2 865	-418	-	-3 030	-1 529	-7 842
Impairments	-	1 791	-	-	-	1 791	-	1 791
Transfers	-	-134	3 529	-	-3 663	-	-	-134
Balance as at 31st December 2019	65 981	12 920	4 832	353	315	5 643	1 777	78 901
Merger effect	-	538	-	538	-	-	-	538
Additions	-	4 599	187	128	1 789	-	2 495	4 599
Depreciations	-	-7 982	-2 294	-380	-	-3 234	-2 074	-7 982
Impairments	-	1 781	-	-	-	1 781	-	1 781
Transfers	-	-411	1 406	-	-1 817	-	-	-411
Balance as at 31st December 2020	65 981	11 445	4 131	639	287	4 190	2 198	77 426

The closing balance of the value in force shall be depreciated as follows:

(thousand of euros)

	2021	2022	2023	2024	Subsequent	Total
Estimated depreciation	444	370	362	352	2 662	4 190

The depreciations of intangible assets are distributed by items in gains and losses as outlined below:

(thousand of euros)

	2020	2019
Depreciations of intangible assets	7 982	7 842
Claim-related costs, net of reinsurance		
Amounts paid – Gross amounts	1 038	1 333
Net operating costs and expenses		
Acquisition costs	3 033	2 980
Administrative costs	3 672	3 137
Financial costs		
Others	239	392

NOTE 13 – OTHER ASSETS, LIABILITIES, ADJUSTMENTS AND PROVISIONS

The amounts provided in this note should be interpreted in light of the limitations associated with the disclosure of financial information, as provided in Note 1 above.

Assets and Adjustments

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

(thousand of euros)

	2020	2019
Gross Assets	69 413	47 268
Policyholders		
Outstanding amounts	50 865	34 256
Claims reimbursement	4 052	6 244
Insurance intermediaries	9 199	3 850
Co-insurers	5 297	2 918
Adjustments	-10 986	-5 010
Outstanding amounts	-8 480	-3 585
Doubtful loans	-2 506	-1 425
Net Assets	58 427	42 258

Gross impairment reimbursements due for services delivered related to claims incurred during the suspension period of guarantees and not yet paid for amount to €1.4 million (2019: €2.1 million).

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

	(thousand of euros)	
	2020	2019
Gross Assets	46 556	36 272
Reinsurers	39 163	27 171
Reinsured	7 393	9 101
Adjustments	-4 197	-4 884
Doubtful loans	-4 197	-4 884
Net Assets	42 359	31 388

As at 31st December 2020, the line item *reinsured* included the amounts to be received from Tranquilidade, Corporação Angolana de Seguros, S.A., in the total amount of €7 million (2019: €8.5 million) and on which adjustments for doubtful debts were recorded, totalling nearly €4 million (2019: €4.2 million), associated with the amounts pending collection.

As at 31st December 2020, the line item *reinsured* still included amounts to be received from two subsidiaries in Mozambique, in the total amount of €300 thousand (2019: €400 thousand) and on which adjustments for doubtful debts were recorded, totalling nearly €200 thousand (2019: €400 thousand), associated with the amounts pending collection.

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

	(thousand of euros)	
	2020	2019
Gross Assets	35 578	25 500
Related entities	8 959	7 613
Advances to suppliers of goods and services	262	77
IFAP	11 448	4 266
FAT	1 819	1 652
Management on account of IDS and principals	5 603	5 928
Guarantees	472	440
Payment plans	2 782	2 534
Rents and other outstanding amounts	254	440
Personnel	120	138
Costumers	307	49
Other receivables	3 552	2 363
Adjustments	-16 346	-9 119
Doubtful debt	-16 346	-9 119
Net Assets	19 232	16 381

As at 31st December 2020, the line item *related entities* included amounts to be received from Tranquilidade, Corporação Angolana de Seguros, S.A., in the total amount of €5.8 million (2019: €6 million) and on which adjustments for doubtful debts were recorded, totalling nearly €5.2 million (2019: €5.2 million), associated with the amounts pending collection.

As at 31st December 2020, the heading *reinsured* still included amounts to be received from two subsidiaries in Mozambique, in the total amount of €1.6 million (2019: €1.5 million) and on which adjustments for doubtful debts were recorded, totalling nearly €1 million (2019: €1.3 million), associated with the amounts pending collection.

The entry made to adjust accounts receivable and further reflected in *impairment losses – others* in gains and losses may be analysed as follows:

	(thousand of euros)	
	2020	2019
Adjustment of Outstanding Amounts		
Balance at 1st January	3 585	4 269
Appropriations	1 316	-
Reversals	-	-684
Merger effect	3 579	-
Balance as at 31st December	8 480	3 585
Adjustment of Doubtful Loans		
Balance as at 1st January	15 428	20 709
Appropriations	4 991	-
Reversals	-	-5 281
Merger effect	2 630	-
Balance as at 31st December	23 049	15 428

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

	(thousand of euros)	
	2020	2019
Accrued Income	1 299	1 559
Profit reinsurance commission	257	513
Services rendered	1 042	1 046
Deferred Costs	2 130	1 615
Insurance	65	60
Rentals	324	304
Other services	1 741	1 251
Total	3 429	3 174

In 2020, the asset balance of other current assets amounted to €47.8 million (2019: €114.2 million) in relation to investment contracts sold by the company, but whose assets are operationally managed by the former GNB, Seguros Vida, S.A. (current Gama Life, Companhia de Seguros de Vida, S.A.).

Liabilities and Provisions

The liability balance of accounts payable for direct insurance operations is broken down as follows:

	(thousand of euros)	
	2020	2019
Policyholders (return premiums payable)	24 201	4 702
Insurance intermediaries		
Fees	192	1 522
Current accounts	11 066	10 820
Co-insurers	3 609	2 223
Premiums received in advance	31 572	24 841
Total	70 640	44 108

The line item reversal for accounts payable amounts to €13.4 million and includes an estimate made by the company on projected impacts resulting from adjustments to premiums of workers' compensation related to policies with variable premiums, which are usually known after the closing date of the accounting period. This estimate was determined based on the evolution of domestic economic activity over the past year, with sufficient granularity to ensure that such estimate would be correctly applied to the company's insurance portfolio, and thus reflect in the best possible way the potential impacts.

The liability balance of accounts payable for reinsurance operations is broken down as follows:

	(thousand of euros)	
	2020	2019
Reinsurers	42 425	24 082
Reinsured	75	109
Total	42 500	24 191

The liability balance of accounts payable for other operations is broken down as follows:

	(thousand of euros)	
	2020	2019
Related entities	463	504
Other suppliers of goods and services	3 824	1 537
IFAP	930	4
AT Pensions	1 415	1 155
Other payables	8 542	7 611
Total	15 174	10 811

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

	(thousand of euros)	
	2020	2019
Deferred Income	26	22
Rentals	26	22
Accrued Costs	71 107	45 430
Personnel costs (subsidies, charges and bonuses)	23 811	21 253
Acquisition costs (incentives and commissions)	29 874	15 690
Service outsourcing	17 273	8 330
Taxes	149	157
Total	71 133	45 452

Accrued expenses related to personnel include estimates of restructuring costs in the amount of €8.8 million (2019: €10.2 million).

The entries and liability balance of other provisions are broken down as follows:

	(thousand of euros)	
	2020	2019
Tax and social security contingencies	168	-
Legal contingencies	430	745
Other provisions	184	115
Total	782	860

	(thousand of euros)	
	2020	2019
Balance at 1st January	860	1 567
Appropriations	238	505
Use for the year	-316	-1 212
Balance at 31st December	782	860

NOTE 14 – PREMIUMS OF INSURANCE CONTRACTS

The amounts provided in this note should be interpreted in light of the limitations associated with the disclosure of financial information, as provided in Note 1 above.

Gross premiums issued, variations of provision for unearned premiums (PPNA) and earned premiums of direct insurance and accepted reinsurance are analysed as follows:

Business Lines / Groups of Business Lines	(thousand of euros)					
	Gross Written Premiums		UPR Change		Earned Premiums	
	2020	2019	2020	2019	2020	2019
Life						
Traditional	43 174	39 105	390	646	42 784	38 459
Pension Savings Schemes and Capitalisation with profit-sharing	12 889	9 139	-	-	12 889	9 139
Non-Life						
Accidents and health	296 805	275 818	-4 418	2 537	301 223	273 281
Fire and other damage	126 280	116 897	3 005	1 165	123 275	115 732
Motor	385 720	364 211	6 750	12 111	378 971	352 100
Marine, air and transport	4 793	6 373	-225	-87	5 018	6 460
General third-party liability	19 248	18 289	227	289	19 021	18 000
Loan and rent guarantee	88	65	13	-6	75	71
Legal protection	7	8	-0	-	8	8
Assistance	48 082	43 193	1 609	2 583	46 473	40 610
Others	2 977	3 157	6	-12	2 972	3 169
Total	940 063	876 255	7 355	19 226	932 708	857 029

Gross issued premiums amount to €13.4 million and were reduced by an estimate made by the company on projected impacts resulting from adjustments to premiums of workers' compensation related to policies with variable premiums, which are usually known after the closing date of the accounting period. This estimate was determined based on the evolution of domestic economic activity over the past year, with sufficient granularity to ensure that such estimate would be correctly applied to the company's insurance portfolio, and thus reflect in the best possible way the potential impacts.

Premiums issued, changes in provision for unearned premiums (PPNA) and earned premiums of ceded reinsurance are analysed as follows:

Business Lines / Groups of Business Lines	(thousand of euros)					
	Gross Written Premiums		UPR Change		Earned Premiums	
	2020	2019	2020	2019	2020	2019
Life						
Traditional	9 431	4 845	-5	1	9 436	4 844
Pension Savings Schemes and Capitalisation with profit-sharing	-	-	-	-	-	-
Non-Life						
Accidents and health	6 430	5 591	-2 802	61	9 232	5 530
Fire and other damage	47 105	44 001	1 706	1 061	45 400	42 940
Motor	2 121	1 339	-	-	2 121	1 339
Marine, air and transport	1 952	2 968	-117	-28	2 069	2 996
General third-party liability	2 377	2 263	66	-111	2 311	2 374
Loan and rent guarantee	7	25	-8	-4	15	29
Legal protection	-	-	-	-2	-	2
Assistance	29 310	27 790	966	398	28 344	27 392
Others	2 838	2 865	71	-23	2 767	2 888
Total	101 571	91 687	-124	1 353	101 695	90 334

The breakdown of certain amounts related to non-life insurance for 2020, according to the form required by the ASF, is analysed as follows:

(thousand of euros)

Business Lines / Groups of Business Lines	Gross Written Premiums	Gross Earned Premiums	Gross Claim-Related Costs	Gross Operating Costs	Balance of Reinsurance
Accidents and health	295 263	298 410	233 483	72 217	2 850
Fire and other damage	125 897	122 751	96 566	37 202	15 448
Motor					
Third-party liability	232 299	228 882	168 618	51 609	5 519
Other coverages	153 281	149 935	67 429	40 658	-875
Marine, air and transport	4 744	4 942	2 274	1 281	287
General third-party liability	19 205	18 937	21 835	5 788	2 072
Loan and rent guarantee	88	75	-82	16	-
Legal protection	7	8	16	5	-
Assistance	48 082	46 472	-1	14 274	-28 344
Others	2 977	2 972	4 017	633	1 207
Total	881 843	873 384	594 155	223 683	-1 836
Accepted reinsurance	2 157	3 651	736	1 984	-180
Grand Total	884 000	877 035	594 891	225 667	-2 016

Certain amounts of life insurance are stated below:

(thousand of euros)

	2020	2019
Gross Written Premiums for Direct Insurance and Accepted Reinsurance	56 063	48 244
Relating to personal contracts	47 361	35 542
Relating to group contracts	8 702	12 702
	56 063	48 244
Periodic	49 675	44 113
Non-periodic	6 388	4 131
	56 063	48 244
On contracts with profit-sharing	33 733	30 492
On contracts without profit-sharing	22 330	17 752
	56 063	48 244
Balance of Reinsurance	-2 160	-1 480

NOTE 15 – COMMISSIONS RECEIVED FROM INSURANCE CONTRACTS

Insurance contracts issued by the company in which a financial risk is transferred without discretionary profit-sharing, namely capitalisation products with fixed income rate and products in which the investment risk is borne by the policyholder are classified as investment contracts and accounted for as a liability and their underwriting, management and redemption fees recorded as income and calculated on a fund-by-fund basis, according to the general conditions of each product.

NOTE 16 – INVESTMENT INCOME AND EXPENSES

The values provided in this note should be interpreted in light of the limitations associated with the disclosure of financial information, as provided in Note 1 above.

The accounting policies adopted for the recognition of revenue and expenses related to investments are addressed in Note 3 above.

The balance of income broken down into different types of revenue is as follows:

	(thousand of euros)	
	2020	2019
Interest	17 423	9 717
Available-for-sale financial assets	17 495	9 507
Financial assets initially recognised at fair value through profit and loss	351	470
Held-for-trading financial assets	-	-
Held-to-maturity investments	212	-
Deposits, loans and other assets	-635	-260
Rents	45	-138
Land and buildings	45	-138
Dividends	2 628	8 544
Investments in subsidiaries, associates and joint ventures	-	-
Available-for-sale financial assets	2 628	8 544
Financial assets initially recognised at fair value through profit and loss	-	-
Total	20 096	18 123

The balance of income analysed by type of asset is as follows:

	(thousand of euros)	
	2020	2019
Bonds and other fixed-income securities		
By public issuers	9 805	4 960
By other issuers	8 253	5 017
Equities	112	72
Other floating-rate securities	2 516	8 472
Real estate	45	-138
Deposits	-589	-353
Loans and other assets	-46	93
Total	20 096	18 123

The balance of financial expenses is broken down as follows:

	(thousand of euros)	
	2020	2019
Investment function incurred costs	3 372	5 832
Direct operating costs	19	-
Total	3 391	5 832

NOTE 17 – REALISED GAINS AND LOSSES ON INVESTMENTS

The amounts provided in this note should be interpreted in light of the limitations associated with the disclosure of financial information, as provided in Note 1 above.

The amounts recorded in net gains on financial assets and liabilities, broken down into categories, are as follows:

	(thousand of euros)					
	2020			2019		
	Gain	Loss	Balance	Gain	Loss	Balance
Financial – Not at Fair Value Through Profit and Loss	3 717	-8 436	-4 719	9 952	-1 195	8 757
Available-for-sale financial assets	3 717	-8 436	-4 719	8 231	-1 195	7 036
Investments in subsidiaries, associates and joint ventures	-	-	-	1 721	-	1 721
Financial – At Fair Value Through Profit and Loss	237	-160	77	23	-492	-469
Financial assets initially recognised at fair value through profit and loss	237	-160	77	23	-492	-469
Held-for-Trading financial assets	-	-	-	-	-	-
Non-Current Assets Classified as Held for Sale	-	-	-	408	-	408
Owner-occupied properties	-	-	-	-	-	-
Income properties	-	-	-	408	-	408
Total	3 954	-8 596	-4 642	10 383	-1 687	8 696

The amounts of investments in subsidiaries, associates and joint ventures correspond to a realised gain arising from the sale of AdvanceCare Health International, S.A. in 2019, totalling €1.7 million.

The amounts of financial assets managed by third parties relate to revenue generated by assets that are operationally managed by the former GNB, Seguros Vida, S.A. (current Gama Life, Companhia de Seguros Vida, S.A.) relating to non-unit-linked investment contracts traded by the company.

In addition to realised gains and losses on investments, the amount recorded in the financial statements include the gains and losses of financial liabilities carried at amortised cost in the amount of €2.8 million (2019: -€3.8 million), as shown in Note 5 above.

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

The amounts provided in this note should be interpreted in light of the limitations associated with the disclosure of financial information, as provided in Note 1 above.

The gains and losses arising from fair value adjustments in investments may be analysed as follows:

	(thousand of euros)					
	2020			2019		
	Gain	Loss	Balance	Gain	Loss	Balance
Financial – at Fair Value	33	-344	-311	911	-28	883
Financial assets initially recognised at fair value through profit and loss						
Debt securities	31	-130	-99	559	-28	531
Equities, participation units and other floating-rate securities	2	-214	-212	352	-	352
Non-Financial	9	-	9	-	-	-
Income properties	9	-	9	-	-	-
Owner-occupied properties	-	-	-	-	-	-
Non-current Assets Held For Sale	45	-473	-428	-	-	-
Income property	45	-473	-428	-	-	-
Owner-occupied property	-	-	-	-	-	-
Total	87	-817	-730	911	-28	883

The amounts of financial assets managed by third parties relate to revenue generated by assets that are operationally managed by the former GNB, Seguros Vida, S.A. (current Gama Life, Companhia de Seguros de Vida, S.A.) relating to unit-linked investment contracts traded by the company.

In addition to gains and losses arising from fair value adjustments in investments, the amounts recorded in the financial statements include the gains and losses of financial liabilities carried at fair value through profit and loss in the amount of -€3 million (2019: €3.4 million), as shown in Note 5 above.

In 2019, a gain of fair value adjustment of debts was recorded in the amount of €220 thousand.

NOTE 19 – GAINS AND LOSSES ON EXCHANGE RATE DIFFERENCES

The amounts provided in this note should be interpreted in light of the limitations associated with the disclosure of financial information, as provided in Note 1 above.

This line item includes income arising from the exchange rate revaluation of monetary assets and liabilities denominated in a foreign currency, according to the accounting policy described in Note 3 above, except for those resulting from financial instruments carried at fair value through profit and loss.

The balance is broken down as follows:

	(thousand of euros)					
	2020			2019		
	Gain	Loss	Balance	Gain	Loss	Balance
Available-for-sale financial assets	445	-1 757	-1 312	-	-	-
Held-for-Trading financial assets	1 700	-763	937	-	-	-
Others	1 210	-2 921	-1 711	925	-740	185
Total	3 355	-5 441	-2 086	925	-740	185

NOTE 20 – OTHER REVENUES, EXPENSES AND VARIATIONS OF OTHER PROVISIONS

The amounts provided in this note should be interpreted in light of the limitations associated with the disclosure of financial information, as provided in Note 1 above.

The balance of other technical revenue and expenses, net of reinsurance, is broken down as follows:

	(thousand of euros)	
	2020	2019
Other Technical Income	12 280	15 243
Co-insurance handling commissions	109	113
Other Technical Revenues	1	-
Claims handling costs	12 171	15 130
Other Technical Expenses	16 655	20 557
Co-insurance handling commissions	510	439
Pension fund other expenses	10	-
Other Technical Revenues	36	-
Claims handling costs	16 100	20 118
Total	-4 375	-5 314

The balance of other revenues and expenses is broken down as follows:

	(thousand of euros)	
	2020	2019
Other Non-Technical Revenues	1 585	3 957
Tax refund	157	165
Other gains	1 163	3 193
Interest and other financial gains	10	33
Services rendered	254	561
Gains on disposal of tangible assets	1	5
Other Non-Technical Expenses	1 067	5 468
Donations	103	88
Sponsorship	67	78
Customer gifts	8	16
Fines	0	5
Subscriptions	12	19
Doubtful debt	320	4 401
Other expenses	404	765
Banking services and default interest rate	150	96
Tangible asset disposal costs	2	-
Total	519	-1 511

NOTE 21 – OTHER COSTS BY FUNCTION AND NATURE

The amounts provided in this note should be interpreted in light of the limitations associated with the disclosure of financial information, as provided in Note 1 above.

The costs recorded in costs by nature to be allocated are not recognised directly in profit and loss, since they have been apportioned between the four main functions of the company and reflected in the following line items:

- Claims Function: Claim-related costs – Gross amounts paid;
- Acquisition Function: Operating costs – Acquisition costs;
- Administrative Function: Operating costs – Administrative costs;
- Investments Function: Financial costs – Others.

The process of allocating costs according to their nature observes the following criteria, wherever appropriate:

- % of the time apportioned to each function by cost centre;
- % of use of IT resources;
- % of people allocated to each function.

The analysis of these expenses and their allocation, based on their classification according to their function, is as follows:

(thousand of euros) (%)										
2020	Claims Costs		Acquisition Costs		Administrative Costs		Investment Costs		Total	
Personnel costs	10 556	17%	20 530	34%	28 061	45%	1 579	3%	60 726	100%
Service outsourcing	5 771	12%	21 548	45%	20 798	44%	(573)	-1%	47 544	100%
Taxes	-	0%	4 198	67%	2 102	33%	3	0%	6 303	100%
Depreciations	1 337	9%	3 105	21%	9 584	64%	931	6%	14 957	100%
Provisions for contingencies and charges	-	0%	-	0%	-	0%	-	0%	-	0%
Other costs	-	0%	-	0%	-	0%	1 432	100%	1 432	100%
Total	17 664	13%	49 381	38%	60 545	46%	3 372	3%	130 962	100%

(thousand of euros) (%)										
2019	Claims Costs		Acquisition Costs		Administrative Costs		Investment Costs		Total	
Personnel costs	11 007	19%	19 678	34%	25 136	42%	2 532	4%	58 353	100%
Service outsourcing	5 851	15%	16 131	42%	14 633	38%	2 078	5%	38 693	100%
Taxes	2	0%	3 955	66%	2 003	34%	-	0%	5 960	100%
Depreciations	2 377	16%	4 034	27%	7 097	48%	1 277	9%	14 785	100%
Provisions for contingencies and charges	-	0%	-	0%	-	0%	-	0%	-	0%
Other costs	-	0%	-	0%	-	0%	(54)	100%	(54)	100%
Total	19 237	16%	43 798	37%	48 869	42%	5 833	5%	117 737	100%

The amount of personnel costs is analysed in Note 22.

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

	(thousand of euros)	
	2020	2019
Electricity and water	298	413
Fuel	359	599
Office supplies, stationery and other	83	67
Corporate gifts	218	74
Office equipment and property maintenance	452	441
IT Hardware maintenance	4 417	3 293
Rents	-96	272
Operational rental of vehicles and other rentals	654	860
Travel and entertainment expenses	291	569
Telephone communications and networks	618	287
Mail	1 882	2 410
Insurance	349	305
Retainers and fees	146	247
Advertising and marketing	10 271	4 259
Cleaning, hygiene and comfort	485	337
Surveillance and security	69	86
Outsourcing, consulting and specialised work	11 735	14 688
Software services and development	11 236	6 655
Subscriptions to APS	1 056	527
Premium collection	1 533	1 406
Intermediaries' training	93	151
Temporary work	69	149
Other supplies and services	1 326	598
Total	47 544	38 693

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

	(thousand of euros)	
	2020	2019
ASF levy	2 204	2 000
FAT levy	2 070	1 954
Municipal property tax	-	67
Fee for the General Secretariat of the MAI	1 863	1 764
Portuguese Green Card Office levy	131	134
Other taxes, fees and licences	35	41
Total	6 303	5 960

The amount of depreciations is broken down as follows:

	(thousand of euros)	
	2020	2019
Software development costs	2 089	2 779
Software	380	418
Other intangible assets	3 438	3 116
IT Hardware	486	325
Office equipment and machines	239	243
Indoor facilities	83	84
Right-of-use assets (IFRS16)	6 862	6 354
Other equipment	1 375	1 466
Total	14 957	14 785

The company adopted IFRS 16 – *Leases* on 1st January 2019, which superseded the former IAS 17 – *Leases* that remained in force until 31st December 2018. Under this new standard, the company recognised a right-of-use asset and a lease liability as at the lease date.

Subsequently, the right-of-use asset is depreciated on a straight-line basis from the start date to the end of the useful life of the right-of-use asset or at the end of the lease term. Moreover, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The amount of other expenses is broken down as follows:

	(thousand of euros)	
	2020	2019
Reinsurer deposit interest	131	-
Securities' custody and management and other commissions	1 301	-54
Total	1 432	-54

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

	(thousand of euros)	
	2020	2019
Acquisition costs		
Intermediaries remuneration	109 350	100 327
Incurred costs	49 381	43 798
Other acquisition costs	31 199	18 425
Deferred acquisition costs (changes)	-4 029	-853
Administrative costs		
Intermediaries remuneration	3 900	4 796
Incurred costs	60 545	48 869
Reinsurance commissions and profit-sharing	-12 043	-18 018
Total	238 303	197 344

NOTE 22 – PERSONNEL COSTS

The amounts provided in this note should be interpreted in light of the limitations associated with the disclosure of financial information, as provided in Note 1 above.

The analysis of the average number of employees of the company, allocated by professional category, is as follows:

	2020	2019
Directors / Top Management	26	23
Managers / Middle Management	40	44
Coordinators / Operational Management	164	107
Technicians	275	239
Specialists / Operationals	607	504
Ancillary Personnel	2	3
Total	1 114	920

It should be mentioned that 295 employees from Generali, Companhia de Seguros, S.A. and Generali Vida, Companhia de Seguros, S.A were incorporated into the company, following the merger on 1st October 2020.

The amount of personnel costs is broken down as follows:

	(thousand of euros)	
	2020	2019
Remuneration – Governing bodies	766	2 079
Remuneration – Personnel	38 524	34 434
Charges on remuneration – Governing bodies	121	515
Charges on remuneration – Personnel	8 948	8 058
Defined–contribution plans	913	1 140
Post–employment benefits – Defined–benefit pension plans	72	-7
Employment termination benefits	8 173	10 033
Mandatory insurance	506	562
Social welfare costs	1 556	1 113
Training	428	338
Other personnel costs	719	88
Total	60 726	58 353

In 2020, the value of benefits provided upon termination of employment encompasses both paid and estimated amounts related to the reorganisation process approved by the executive committee, following the change in control of the company and the merger that took place last year.

In 2020, personnel costs included the cost of individual pension plans amounting to €913 thousand (2019: €1.1 million), of which €49 thousand regarded the company's governing bodies (2019: €422 thousand).

In 2020, personnel costs further include a cost of €142 thousand (2019: €0) arising from share-based payments, of which €46 thousand relate to the company's governing bodies.

As at 31st December 2020 and 2019, there were no loans granted by the company to the members of its governing bodies.

Remuneration policies of the members of the Board of Directors, the Supervisory Board, the Board of the General Meeting, and key-function employees are disclosed in remuneration policies at the end of this annual report.

Fees invoiced and to be invoiced by the company's statutory auditor, KPMG & Associados, SROC, S.A., relating to 2020, excluding expenses and the value added tax, amount to €345 thousand, of which €290 thousand relate to statutory audit and €55 thousand to other assurance services within Solvency II and specific procedures to prevent money laundering and fraud.

NOTE 23 – OBLIGATIONS WITH EMPLOYEE BENEFITS

The amounts provided in this note should be interpreted in light of the limitations associated with the disclosure of financial information, as provided in Note 1 above.

Retirement pensions and health benefits

As mentioned in Note 3 above, the company takes on responsibility for granting its employees supplementary benefits to the old-age and disability pensions emerging from the Social Security System under the terms set forth in the applicable Collective Bargaining Regulation Instruments.

In accordance with the Collective Bargaining Convention, which was originally applicable to labour relations, published on the Labour Bulletin no. 32 of 29th August 2008, any employee admitted to the insurance sector before 22nd June 1995 under this agreement would be entitled to receive a supplementary pension benefit of a pecuniary nature funded by the Social Security System.

As mentioned in Note 3 above, the company announced that the Collective Bargaining Convention would cease to be effective and applied as of 31st December 2016, specifically in relation to the supplementary defined-benefit pension plans.

There are also other plans that comprise a set of health benefits for both active and pre-retiring employees until the normal retirement age.

As mentioned in Note 3 above, on 23rd December 2011, a new Collective Agreement for the Insurance Sector was approved, published on the Labour Bulletin no. 2 of 15th January 2012, changing a set of benefits established previously.

This collective agreement was later followed and superseded by the Collective Bargaining Agreement, published on the Labour Bulletin no. 4 of 29th January 2016.

The Collective Bargaining Agreement was later extended by a ministerial ordinance, published on the Labour Bulletin no. 25 of 8th July 2016, which determined the schemes under this agreement to be applied to all employees of the company who were not affiliated with granting trade unions, except for employees affiliated with SINAPSA – National Union of Insurance Workers and Related.

Among the changes arising from the Collective Agreement for the Insurance Sector in 2012 that migrated to the Collective Bargaining Agreement approved in 2016, the following two were particularly noteworthy:

- i) within post-employment benefits, employees were now covered by an individual defined-contribution plan;
- ii) a loyalty bonus awarded to employees who stayed in the company for one or more multiples of five years, equal to 50% of their base salaries and paid once the appropriate award conditions were met.

In relation to the change of the supplementary pension plan, the nature of which shifted from a defined-benefit to a defined-contribution, and considering that fully funded past service liabilities related to old-age pensions due to active employees under the new agreement were converted into individual accounts for these employees, incorporating their individual pension plans, the company settled its liability under IAS 19.

Considering that actuarial deviations are recognised in reserves, no additional impact was reflected on income and reserves arising from the effective settlement of the plan.

Meanwhile, on 15th January 2019, the company entered into the first joint Company Agreement with the representatives of the various trade unions in the insurance industry, namely: SINAPSA, National Union of Insurance Workers and Related; SISEP, Portuguese Union of Insurance Workers; and STAS, Union of Workers of the Insurance Business; which was published on the Labour Bulletin no. 5 of 8th February 2019, having superseded any prior Collective Bargaining Regulation Instruments applied in the company.

In the specific case of the entities incorporated in 2020, the agreement was entered into as at 8th March and later published on the Labour Bulletin no. 13 of 8th April 2019.

The conditions and provisions laid down in this new Company Agreement have brought about changes into a set of benefits awarded to the employees of the company, specifically:

- i) within post-employment benefits, employees are still covered by a defined-contribution plan, under which the company will make a 3,25% contribution of an employee's annual base pay on a yearly basis, without prejudice to any employees in pre-retirement or retired before 1st January 2019, who are still covered by the pension schemes laid down in the Collective Bargaining Regulation Instruments applicable at the time of their early retirement or retirement;
- ii) the former loyalty bonus is superseded by an annual career bonus, equal to 10% of an employee's monthly base pay for each complete year of service following a three-year period. This new bonus, which came into effect on 1st January 2020, may also take the form of a leave for a length of days, as an alternative to the pecuniary reward and/or based on age and seniority.

The actuarial evaluation of health and pension benefits is carried out on an annual basis and was last performed on the 31st December 2020.

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

	2020	2019
Financial Assumptions		
Wage growth rates	1,00%	1,00%
Pension growth rate	0,50%	0,75%
Early-retirement pension growth rate	0,50%	0,75%
Discount rate	0,35%	0,30%
Probability of transition to pre-retirement	1,00%	5,00%
Demographic Assumptions and Valuation Methods		
Mortality table	GKF 95	GKF 95
Disability table	Suisse Re 2001	Suisse Re 2001
Actuarial valuation method	<i>Project Unit Credit Method</i>	<i>Project Unit Credit Method</i>

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

	2020	2019
Financial Assumptions		
Wage growth rates	1,00%	1,00%
Pension growth rate	0,50%	0,75%
Discount rate	0,60%	0,55%
Demographic Assumptions and Valuation Methods		
Mortality table		
Men	GKF 95	GKF 95
Women	GKF 95	GKF 95
Disability table	Suisse Re 2001	Suisse Re 2001
Actuarial valuation method	<i>Project Unit Credit Method</i>	<i>Project Unit Credit Method</i>

The main assumptions considered in actuarial studies used to determine the updated value of liabilities for retirement pensions and health benefits for employees and former directors of Generali, Companhia de Seguros, S.A. and Generali Vida, Companhia de Seguros, S.A., within the Generali Pension Fund, are the following:

	2020	2019	2019
		Generali Não-Vida	Generali Vida
Financial Assumptions			
Wage growth rates	1,00%	1,00%	1,00%
Pension growth rate	0,50%	0,75%	1,50%
Discount rate	0,60%	0,55%	1,00%
Demographic Assumptions and Valuation Methods			
Mortality table			
Men	GKF 95	GKF 95	SIM 2010
Women	GKF 95	GKF 95	SIF 2010
Disability table	Suisse Re 2001	Suisse Re	Suisse Re
Actuarial valuation method	<i>Project Unit Credit Method</i>	<i>Project Unit Credit Method</i>	<i>Project Unit Credit Method</i>

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

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

	2020	2019
Active employees	47	31
Retired employees	247	259
Total	294	290

Based on actuarial studies, the company's liabilities for past services, as well as the funds and provisions available to cover those liabilities amounted to:

	2020			2019		
	Retirement Pensions	Health Benefits	Total	Retirement Pensions	Health Benefits	Total
Liabilities at 31 st December	-20 411	-94	-20 505	-24 429	-187	-24 616
Balance of the fund at 31 st December	25 433	-	25 433	27 013	-	27 013
Net Assets/(Liabilities) in the Balance Sheet at 31st December	5 022	-94	4 928	2 584	-187	2 397

(thousand of euros)

In 2020, liabilities for post-employment and other long-term benefits included liabilities for defined-contribution benefits amounting to €658 thousand and liabilities for loyalty bonuses in the amount of €134 thousand. In 2019, this line item included liabilities for defined-contribution benefits in the amount of €421 thousand.

It is important to mention that, in the past, part of the liabilities for retirement pensions was transferred by the fund to the company through the acquisition of life insurance policies (annuities) to T-Vida, Companhia de Seguros, S.A. (an entity merged by incorporation into Seguradoras Unidas on 30th December 2016).

The number of pensioners (annuity recipients) covered by these policies amounts to 241 (2019: 241), and total liabilities amount to €4.3 million (2019: €4.6 million).

Under the terms of the regulatory standard no. 5/2007-R of 27th April of the ASF, insurance companies shall ensure at the end of each reporting period:

- a) total funding at present value of liabilities for pensions payable, including pre-retirement and early retirement payments due until and after normal retirement age;
- b) a 95% minimum funding level at present value of liabilities for past services rendered by active employees, excluding employees in pre-retirement or early retirement.

As at 31st December 2020 and 2019, the company's liabilities for pensions payable were funded in full. The pension plan in question is non-contributory and independent from the Social Security System and it is sponsored by the pension fund of the company.

Considering the current funding level of the pension fund, contributions will most likely be needed next year for the Açoreana Seguros Pension Fund, in the amount of €372 thousand. The Tranquilidade Group Pension Fund averages a six-year time span, while the Açoreana Seguros Pension Fund averages a nine-year time span and the Generali Pension Fund a twenty-year time span.

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

(thousand of euros)

	2020			2019		
	Retirement Pensions	Health Benefits	Total	Retirement Pensions	Health Benefits	Total
Liabilities as at 1st January		187	24 616	24 558	304	24 862
Benefits settlement	-	-	-	-	-	-
Current service cost	-	28	28	51	-	51
Interest cost	-	3	167	303	4	307
Actuarial (gains) and losses on liabilities	-	-48	-1 726	2 578	5	2 583
Pensions paid by the fund	-	-	-2 800	-3 061	-	-3 061
Benefits paid by the Company	-	-48	-48	-	-126	-126
Curtailment	-	-	-	-	-	-
Merger effect	-	-	268	-	-	-
Balance of the Fund as at 31st December	20 411	94	20 505	24 429	187	24 616

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

(thousand of euros)

	2020			2019		
	Retirement Pensions	Health Benefits	Total	Retirement Pensions	Health Benefits	Total
Balance of the Fund as at 1st January		-	27 013	27 458	-	27 458
Benefits settlement	-	-	-	-	-	-
Actual fund income	-	-	-	-	-	-
Interest income	-	-	123	365	-	365
Actuarial gains and losses	-	-	166	596	-	596
Pensions paid by the fund	-	-	-2 800	-3 061	-	-3 061
Asset ceiling	-	-	-1 432	1 706	-	1 706
Transfers to other pension funds	-	-	-	-51	-	-51
Merger effect	-	-	2 363	-	-	-
Balance of the Fund as at 31st December	25 433	-	25 433	27 013	-	27 013

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

(thousand of euros)

	2020			2019		
	Retirement Pensions	Health Benefits	Total	Health Benefits	Benefícios Saúde	Total
Deviations Recognised in Reserves as at 1st January	-6 955	213	-6 742	-7 282	208	-7 074
Actuarial (gains) and losses						
on liabilities	-1 678	-48	-1 726	2 578	5	2 583
on the plan assets	-166	-	-166	-596	-	-596
Asset ceiling	1 432	-	1 432	-1 706	-	-1 706
Transfers to other pension funds	-	-	-	51	-	51
Deviations Recognised in Reserves as at 31st December	-7 366	165	-7 201	-6 955	213	-6 742

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

(thousand of euros)

	2020			2019		
	Retirement Pensions	Health Benefits	Total	Health Benefits	Benefícios Saúde	Total
(Assets) / Liabilities Receivable or Payable as at 1st January	-2 584	187	-2 397	-2 900	304	-2 596
Actuarial gains and losses on liabilities		-48	-1 726	2 578	5	2 583
Actuarial gains and losses of funds		-	-166	-596	-	-596
Charges for the period:						
Current service cost	28	-	28	51	-	51
Net interest cost on the balance of liability coverage	41	3	44	-62	4	-58
Contributions made in the period and pensions paid by the Company	-	-48	-48	-	-126	-126
Asset ceiling	1 432	-	1 432	-1 706	-	-1 706
Transfers to other pension funds	-	-	-	51	-	51
Merger effect	-2 095	-	-2 095	-	-	-
(Assets) / Liabilities Receivable or Payable as at 31st December	-5 022	94	-4 928	-2 584	187	-2 397

Pension and health benefit costs incurred in 2020 may be analysed as follows:

(thousand of euros)

	2020			2019		
	Retirement Pensions	Health Benefits	Total	Health Benefits	Benefícios Saúde	Total
Current service cost	192	3	195	51	-	51
Net interest costs in the balance of liability coverage	-123	-	-123	-62	4	-58
Curtailment	-	-	-	-	-	-
Costs for the Period	69	3	72	-11	4	-7

The sensitivity analysis and its impact on accrued liabilities for post-employment benefits, considering its main constraints, is as follows:

(thousand of euros)

	2020		2019	
	+25 p.p.	-25 p.p.	+25 p.p.	-25 p.p.
Variation of liability discount rate	-410	427	-495	515
Variation in pension evolution	429	-416	562	-544
Variation in salary evolution	154	-178	179	-213

Considering the coexistence of three funds, pension fund assets are reported in separate, as provided in the three following tables.

The asset value reported below, which does not include any asset of the Group, accounts for the asset total of the Tranquilidade Group Pension Fund and may be analysed as follows:

(thousand of euros)

	2020	2019
Equities and other floating-rate securities	1 513	1 884
Fixed-income securities and bond funds	12 519	15 268
Real estate	130	157
Liquidity	2 593	877
Subscriptions and redemptions in progress	-	-
Other assets	10	14
Total	16 765	18 200

By reference to 29th December 2016, Açoreana Seguros withdrew its collective membership no. 2 from the Banif Previdência Empresas Open-End Pension Fund, PF, having established the Açoreana Seguros Pension Fund on 29th December 2016, a closed-end fund with retroactive effects to 1st January 2012.

This fund comprises autonomous assets, which are exclusively allocated to the fulfilment of the three pension plans provided in its articles of association (two defined-benefit pension plans and one defined-contribution pension plan), and its asset value, which does not include any asset of the Group, may be analysed as follows:

	(thousand of euros)	
	2020	2019
Equities and other floating-rate securities	6 355	7 517
Fixed-income securities and bond funds	7 963	8 427
Real estate	1 533	1 694
Liquidity	1 629	1 780
Subscriptions and redemptions in progress	-	-
Other assets	10	-
Total	17 490	19 418

The asset value reported below accounts for the asset total of the Generali Pension Fund and may be analysed as follows:

	(thousand of euros)	
	2020	2019
Equities and other floating-rate securities	41	n.a.
Fixed-income securities and bond funds	11 204	n.a.
Real estate	-	n.a.
Liquidity	147	n.a.
Subscriptions and redemptions in progress	-	n.a.
Other assets	-579	n.a.
Total	10 813	-

Almost 21% of the total asset value of the three funds (Tranquilidade Group Pension Fund, Açoreana Seguros Pension Fund and Generali Pension Fund) relate to assets that cover the defined-contribution plan. The total asset value of the three funds, ranked by the valuation method used in accordance with the levels described in Note 6 above, is analysed as follows:

	(thousand of euros)	
	2020	2019
Level 1	42 681	34 955
Level 2	1 010	1 133
Level 3	1 377	1 530
Total	45 068	37 618

The reconciliation of level 3 assets is as described below:

	(thousand of euros)	
	2020	2019
1st January	1 530	2 798
Purchases	458	317
Disposals	-377	-714
Fair Value Changes	-234	-870
31st December	1 377	1 530

Level 3 is largely comprised of closed-end real estate funds and a 10% change in the fair value of these assets would correspond to an estimated loss or gain of €138 thousand (2019: €153 thousand).

NOTE 24 – CORPORATION TAX

The amounts provided in this note should be interpreted in light of the limitations associated with the disclosure of financial information, as provided in Note 1 above.

As mentioned in Note 3 above, the company is subject to the tax regime provided in the Corporation Tax Code.

Considering that the company recorded a tax loss in 2019, the calculation of the current tax for 2020 was determined based on the nominal tax rate and the different levels of surtaxes, of about 22.5%, which corresponds to the nominal rate approved at the balance sheet date.

The company has been subject to annual inspections by the Portuguese Tax and Customs Authority, whose last report refers to the 2018 financial year. Overall, no significant adjustments have been made to the Company Tax Return filed and inspected. Nevertheless, in 2018, and following the inspections of the 2016 and 2015 tax years, the Portuguese Tax and Customs Authority carried out an inspection of the 2014 tax year, a period which had already been under review when the company filed a request seeking state approval to maintain tax losses for the 2015 tax year, having received a favourable response from the Portuguese Tax and Customs Authority in that same year.

Several differences have arisen from this inspection, most of them related to the acceptance of capital losses resulting from the sale of securities, with a negative impact on income in 2018 amounting to €24.9 million (an underestimate of the amount of tax due of €500 thousand and a reversal of deferred taxes on tax losses of €24.4 million). It should be mentioned that the company will challenge these differences by judicial review.

Overall, and considering all tax issues related to corporation tax, value added tax, municipal tax on real estate conveyance and stamp duty, the company has already challenged or is in the process of challenging the overpayment of estimated taxes and relating interest and non-recognition of reported tax losses by judicial review, which totals nearly €46.8 million, arising mostly from corporation tax for the 2006 and 2014 tax years, amounting to €15.6 million and €24.9 million respectively. If the company receives favourable court ruling in this case, the respective amounts shall be recognised as revenue in the reporting year in which those decisions are known and irrevocable, though subject to time limits for tax reporting, in the case of corporation tax.

Tax years not yet inspected are subject to inspection by the Portuguese Tax and Customs Authority over a four-year period or longer, and corrections may follow, if deducted tax losses are brought into question, in the case of which a period equal to the time limit for tax loss deduction is applied. Given the nature of any prospective corrections that may be made, it is not possible to quantify those for the time being. Nevertheless, it is the understanding of the Board of Directors that any correction deemed necessary for the reporting periods mentioned above will have no significant impact on the attached financial statements.

The entities merged with the company presented a negative tax income liability for the reporting period, as described below:

(thousand of euros)					
Period	Brought Forward	Used	Unrecognised	Carried Forward	Last Year for Use
2014	9 288	6 344	-	2 944	2028
2015	40 155	9 556	-	30 600	2029
2016	105 034	188	-	104 845	2030
2017	33 209	19 619	-	13 590	2024
2018	13 082	-	330	12 753	2025
2019	26 642	-	398	26 245	2026
2020	7 593	-	-	7 593	2032
Total	235 005	35 708	727	198 570	

To calculate deferred taxes and determine the tax base to offset temporary differences, the company carried out a recoverability test of the total tax losses of the six incorporated entities in view of the business plan approved by the management body and the expected taxable income.

The deduction of any tax losses to be reported and eventually recovered for each tax year shall not exceed 70% of the respective taxable income (80% for losses generated in 2020), without affecting the deduction of the portion of those tax losses that have not been deducted, in the same conditions and until the end of the respective period of deduction.

By way of the merger, tax losses incurred by the incorporated companies, except those related to the incorporating company, are subject to an annual deduction limit, which corresponds to the ratio between the equity of each company and the last closed accounting period prior to the merger and total equity of all companies involved in the merger in that same period.

On 8th January 2020, Assicurazioni Generali S.P.A acquired the company's total share capital under prior approval by the ASF.

It is worth noting that limits will apply to tax loss deduction by virtue of this change in control of more than 50% of the company's share capital, as provided in article 52, clause 8, of the Corporation Tax Code. Nevertheless, this constraint may be prevented if the company files a request seeking state approval to maintain tax losses and receives a favourable response from the Portuguese Tax and Customs Authority to use those, provided it acknowledges the operation to entail an economic interest, as provided in article 52, clause 12, of the Corporation Tax Code.

In view of the foregoing and considering there is continued uncertainty over income tax treatments, it is necessary to determine whether this asset should be recognised under IAS 12 requirements – Income Taxes, and in accordance with the interpretation defined in IFRIC 23 – Uncertainty over Income Tax Treatments, which is effective for periods beginning on or after 1st January 2019.

This interpretation has shed some light on the requirements used in the recognition of a tax asset, provided it relates to income tax, by applying the probability criteria defined in the standard in relation to a positive outcome in favour of the entity on the subject matter.

Considering that the request was filed with the Portuguese Tax and Customs Authority in a timely fashion on 28th January 2020 and within the legal timeframe (formal condition), and it is clear and publicly known that the operation entails a recognised economic interest (material condition), explained in further detail in the request, it is the company's understanding to be able to recognise tax assets arising from tax losses existing on 31st December 2019, in the amount of €41.4 million, confident that it will receive a favourable response.

Current tax assets and liabilities are explained as follows:

	(thousand of euros)			
	2020		2019	
	Current Tax Assets	Current Tax Liabilities	Current Tax Assets	Current Tax Liabilities
Corporation tax	1 000	7 688	66	221
Tax withheld at source	1	1 936	0	1 305
Value added tax	82	284	82	710
Other taxes and levies	1 683	16 894	1 268	13 509
Social security contributions	24	1 188	38	959
Municipal taxes	-	-	5 018	-
Total	2 790	27 991	6 472	16 705

In 2017, the company was given a preliminary seal of approval, though only partial, on a request filed with the tax authority seeking exemption of taxes paid within the 2016 merger process and the respective incorporation of the real estate assets and other tangible assets, thereby justifying the amount recognised in municipal taxes, as the reimbursement amount was estimated to be approximately €4.9 million.

In 2018, the company eventually received effective state approval, though still partial, which allowed it to revise upwards the aforesaid amount to €5 million. Considering that the approval was only partial, the company lodged a lawsuit in January 2019 to claim the refund of the remaining amount of taxes paid, which amounted to €500 thousand of a total of €5.5 million stated in the request.

In 2019, the company received a second approval for the refund of the remaining amount of taxes paid and by the end of 2020 it had already received the total amount of taxes paid.

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

Deferred Taxes	(thousand of euros)					
	Assets		Liabilities		Net	
	2020	2019	2020	2019	2020	2019
Investments	30 595	26 840	-41 801	-12 952	-11 207	13 888
Post-employment benefits	2 429	2 654	-	-	2 429	2 654
Provisions not accepted	2 527	178	-	-	2 527	178
Tax losses	41 700	41 577	-	-	41 700	41 577
Real estate	560	648	-	-	560	648
Value in force	3 374	3 726	-18	-286	3 357	3 439
Technical provisions	12 438	13 230	-	-	12 438	13 230
Other temporary differences	821	569	-	-	821	569
Total	94 444	89 421	-41 819	-13 239	52 625	76 183

In 2020 and as a result of the merger of Açoreana Seguros, S.A., the company recognised a deferred tax asset of €18.0 million (2019: €17.5 million) arising from impairments (available-for-sale assets) or potential losses (financial assets measured on initial recognition at fair value through profit and loss) associated with its financial stake in BANIF, S.A.

The recognition of this asset stems from the expectation these losses may be used to determine taxable income, when they are effectively realised, namely upon the liquidation of BANIF, S.A. under the terms of article 81, clause 1, of the Corporation Tax Code.

As at 31st December 2020, other temporary differences included nearly €207 thousand (2019: €73 thousand) related to the extraordinary depreciation of intangible assets, which shall only be accepted for tax purposes in future years.

As at 31st December 2020, and in line with i) the rates in place after 1st January 2021 and ii) the expectation of conversion rate in revenue and costs accepted for tax purposes and the prospect of tax income or losses for each reporting period, the company changed the rate (base tax rate and surtaxes) used to calculate deferred taxes from 25,37% to 26,15% (an increase of nearly €1.6 million).

Current and deferred taxes were recognised in the reporting period as follows:

(thousand of euros)

2020	Fair Value Reserve	Profit and Loss	Merger effect – Retained Earnings	Merger effect – Tax Reserve	Total
Current Tax	-1 548	-6 019	-	-1 248	-8 815
Corporation tax estimate	-1 548	-5 415	-	-1 248	-8 211
Autonomous tax	-	-603	-	-	-603
Deferred Tax	-23 789	-1 694	8 652	-6 728	-23 559
Investments	-22 121	3 534	221	-6 728	-25 094
Post-employment benefits	-	-253	28	-	-225
Provisions not accepted	-	1 831	518	-	2 349
Tax losses	-1 667	-6 081	7 871	-	123
Real estate	-	30	-118	-	-88
Value in force	-	-83	-	-	-83
Technical provisions	-	-791	-	-	-791
Other temporary differences	-	119	132	-	251
Total	-25 337	-7 713	8 652	-7 975	-32 373

(thousand of euros)

2019	Fair Value Reserve	Profit and Loss	Total
Current Tax	-	-1 402	-1 402
Corporation tax estimate	-	-	-
Autonomous tax	-	-1 402	-1 402
Deferred Tax	-15 384	18 503	3 119
Investments	-11 721	1 775	-9 946
Post-employment benefits	-	2 072	2 072
Provisions not accepted	-	-426	-426
Tax losses	-3 663	14 135	10 472
Real estate	-	2 153	2 153
Value in force	-	-144	-144
Technical provisions	-	-1 230	-1 230
Other temporary differences	-	167	167
Total	-15 384	17 101	1 717

The reconciliation of the effective tax rate may be analysed as follows:

(thousand of euros)

	2020	2019
Income before tax	26 608	-57 233
Nominal tax rate	26,80%	21,0%
Tax Determined on the Basis of the Official Rate	-7 131	12 019
Impairments and provisions not accepted for tax purposes	-499	-956
Derecognised tax losses / Tax losses generated not carried forward	-250	4 877
Other income and costs excluded from taxation / DTA differences	548	1 992
Autonomous tax	-603	-1 402
Real estate	30	106
Dividends excluded from taxation	1	2
Tax benefits	189	100
Differences in capital gains accepted for tax purposes	2	362
Tax Recognised in Profit and Loss	-7 713	17 101
Effective Tax Rate	29,0%	29,9%

NOTE 25 – CAPITAL

The values provided in this note should be interpreted in light of the limitations associated with the disclosure of financial information, as provided in Note 1 above, and are all listed in the Capitalization Table.

As at 31st December 2020, the company's share capital was €182 million, represented by 182 million shares with a nominal value of €1 each, of which €84 million have been paid up by its former and sole shareholder Calm Eagle Holdings S.à r.l. Unpaid share capital shall be paid up within a five-year timeframe starting on 30th December 2016 and it may be paid up beforehand upon reasoned request by the Board of Directors in this regard.

In 2016, the former shareholder carried out several operations aimed to strengthen and revert ancillary payments. The net value of these movements reflected a reimbursement of €32.9 million, and as at 31st December 2020 ancillary payments amounted to €27.1 million without bearing any interest and subject to the refund conditions provided in applicable laws.

As at 8th January 2020, the company's total share capital was acquired by Assicurazioni Generali S.p.A., under prior approval of the ASF, and all the above amounts and conditions mentioned in relation to paid-up share capital, unpaid share capital and ancillary payments remain unchanged, valid and in place.

The results for the periods ended 31st December 2019 and 2018 were applied to 2020 and 2019 respectively, as outlined below:

	(thousand of euros)	
	2020	2019
Retained earnings	-40 132	45 582
Dividend payment	-	-
Legal reserve	-	5 064
Total	-40 132	50 646

NOTE 26 – RESERVES

The amounts provided in this note should be interpreted in light of the limitations associated with the disclosure of financial information, as provided in Note 1 above.

Within equity, there are different types of reserves, whose nature and purpose are as follows:

Legal Reserve

The legal reserve can only be used to cover accumulated losses or raise capital. In accordance with Portuguese laws, the legal reserve shall be credited on an annual basis with at least 10% of the annual net profit up to the limit of the share capital.

Fair Value Reserves

Fair value reserves represent potential capital gains and losses related to the portfolio of investments available for sale, net of impairment recognised in profit and loss in the reporting period and/or in previous periods.

Current and Deferred Tax Reserves

Current and deferred taxes recognised in equity arising from the revaluation of investments available for sale are subsequently recognised in profit and loss, when the gains and losses that gave rise to those are recognised in profit and loss.

Deferred taxes are calculated, using the balance sheet liability method, on temporary differences between the carrying amounts of assets and liabilities and their tax bases. Tax rates approved or substantively approved at the balance sheet date in each jurisdiction are used to value deferred taxes and are expected to be applied when temporary differences are reversed.

Free Reserves

Free reserves arise from a decision taken within the General Meeting to apply retained earnings obtained in the year or carried forward.

Actuarial Deviation Reserves

In accordance with IAS 19 – Employee Benefits, the company recognises actuarial deviations against reserves.

As at 31st December 2020 and 2019, reserves may be analysed as follows:

	(thousand of euros)	
	2020	2019
Fair value reserves of financial assets	184 832	60 836
Deferred tax reserve	-48 825	-15 512
Other reserves	149 400	53 979
Legal reserve	49 903	47 237
Actuarial deviation reserve	7 201	6 742
Free reserves	3 342	-
Other reserves	88 954	-
Reservas	285 407	99 303

The entries of each reserve within equity are described in the statement of changes in equity, which is incorporated in the beginning of this annual report, along with the remaining financial statements.

Gross fair value reserve may be analysed as per asset typology as follows:

	(thousand of euros)	
	2020	2019
Fixed-income securities	244 070	67 921
Floating-rate securities	9 274	3 398
Shadow accounting	-68 512	-10 483
Fair value Reserves	184 832	60 836

Net fair value reserve is explained as follows:

	(thousand of euros)	
	2020	2019
Amortised cost of available-for-sale investments (without accrued interest)	2 258 060	1 588 807
Impairment	-25 240	-14 880
Amortised /acquisition cost net of impairment	2 232 820	1 573 927
Fair value of available-for-sale investments (without accrued interest)	2 486 375	1 645 246
Gross revaluation reserve (Fair value – cost)	253 555	71 319
Revaluation reserve of reclassified securities – Held-to-maturity investments	-211	-
Deferred and current taxes	-48 825	-15 512
Shadow Accounting	-68 512	-10 483
Revaluation Reserve Net of Taxes	136 007	45 324

The entry of fair value reserve is as follows:

	(thousand of euros)	
	2020	2019
Balance as at 1st January	45 324	-3 605
Changes in fair value, including variations on disposal	201 320	81 703
Impairment recognised	-19 295	-11 864
Changes in shadow accounting	-58 029	-5 526
Changes of deferred and current taxes recognised for the period	-33 313	-15 384
Balance as at 31st December	136 007	45 324

NOTE 27 – EARNINGS PER SHARE

The amounts provided in this note should be interpreted in light of the limitations associated with the disclosure of financial information, as provided in Note 1 above.

Earnings per share in the years ended 31st December 2020 and 2019 were the following:

	2020	2019
Net income for the period (in thousands of euros)	18 895	-40 132
Number of shares (year-end)	182 000 000	182 000 000
Earnings per Share (in euros)	0,10	-0,22

NOTE 28 – DIVIDENDS PER SHARE

As at 31st December 2019, the company had as sole shareholder Calm Eagle Holdings, S.à r.l., a company of the Apollo Group, which received no dividends for the year ended 2019. As at 31st December 2020, the company had as sole shareholder company Assicurazioni Generali, which received no dividends for the year ended 2020.

NOTE 29 – RELATED PARTY TRANSACTIONS

The amounts provided in this note should be interpreted in light of the limitations associated with the disclosure of financial information, as provided in Note 1 above.

As provided in IAS 24, related parties shall mean any person or entity that has control or exerts significant influence over the company. Pension funds, the members of the Board of Directors and the Executive Management Committee are considered related parties, as well as the persons close to the latter (family ties) and the entities under their control or over which they exert considerable influence.

Considering the acquisition of the company's total share capital by Assicurazioni Generali S.p.A. on 8th January 2020, under prior approval by the ASF, all the company's subsidiaries and other entities that incorporated the former shareholder, the Apollo Group, which had acquired the company's total share capital through Calm Eagle Holdings S.à r.l. on the 15th January 2015, under prior approval by the ASF, are considered related parties as at 31st December 2019.

All the company's subsidiaries and other entities of the Generali Group, to which the current shareholder belongs, are considered related parties as at 31st December 2020.

As at 31st December 2020, the company's governing bodies are made up of (i) a Board of Directors (Jaime Anchústegui Melgarejo, João Vieira de Almeida, Pedro Luís Francisco Carvalho, Stefano Flori, Riccardo Candoni and Patrícia Ribeiro Sanina Espírito Santo); (ii) an Executive Committee (Pedro Luís Francisco Carvalho, Stefano Flori, João Carlos Dores Candeias Barata, José António Correia Dias Nogueira da Silva and Rogério de Magalhães Dias), and (iii) a Supervisory Board (Manuel Soares Pinto Barbosa, José Manuel Serrão, Nelson Marques Fontan and Henrique Paulo Marques de Oliveira Xavier).

Relationships between related parties comprise different business areas, with particular emphasis on operations and services, classified by entity type:

- a) subsidiaries (reinsurance, claims management and consultancy);
- b) associates (reinsurance and consultancy);
- c) other related parties (reinsurance, health insurance management, life and non-life insurances, consultancy, asset management, IT services, and medical assistance).

The company's total amount of assets and liabilities related to operations carried out with associates and related companies, including technical provisions, is summarised as follows:

(thousand of euros)

	2020				2019			
	Assets	Liabilities	Costs	Profits	Assets	Liabilities	Costs	Profits
ADVANCECARE	-	2 936	8 067	284	1	1 041	8 674	250
CLOSE TO CUSTOMERS, A.C.E.	10	-	4 712	120	85	-	4 955	120
APOLLO MANAGEMENT HOLDINGS LLP	-	-	-	-	-	11	147	-
APOLLO MANAGEMENT INTERNATIONAL	-	25	25	-	-	-	-	255
CALM EAGLE HOLDINGS SARL	-	-	-	-	7 195	-	-	70
ESUMÉDICA	-	-	96	-	-	-	110	1
TRQ ANGOLA	3 605	-	2 132	782	5 205	-	2 280	3 696
TRQ MOÇAMBIQUE NÃO VIDA	492	-	150	889	186	-	1 801	673
TRQ MOÇAMBIQUE VIDA	274	-	3	262	102	-	2	113
AAME TRQ GLOBAL INV GRADE CORP CREDIT (*)	-	-	-	429	-	-	-	2 626
AAME TRQ CORP LOANS/HIGH YIELD BONDS FUND (*)	-	-	4 905	-	-	-	-	-
AAME MULTI-CREDIT STRATEGY FUND	-	-	-	555	-	-	-	2 920
AAME FINANCIAL BOND FUND (*)	-	-	1 246	-	-	-	-	-
AAME TRQ LOAN ORIGINATION FUND	-	-	-	289	-	-	-	734
AACHENER UND MUNCHENER VERSICHERUNG AG	-	4	-	-	-	-	-	-
ASSICURAZIONI GENERALI, S.P.A.	159 386	144 354	3 316	4 938	-	-	-	-
ASSICURAZIONI GENERALI, S.P.A. UK BRANCH	-	0	-	-	-	-	-	-
€OP ASSISTANCE	15 816	3 726	31 404	-	-	-	-	-
GENERALI CORPORATE SERVICES S.C.A.R.L.	-	0	-	-	-	-	-	-
GENERALI ESPAÑA, S.A.	14 486	1 148	1 332	494	-	-	-	-
GENERALI €OPEAN REAL ESTATE INVESTMENTS S.A.	502	-	-	-	-	-	-	-
GENERALI FRANCE S.A.	83	-	-	3	-	-	-	-
GENERALI HOLDING VIENNA AG	12	20	-	-	-	-	-	-
GENERALI HORIZON B.V.	-	5 000	66	-	-	-	-	-
GENERALI IARD S.A.	460	24	-	-	-	-	-	-
GENERALI INSURANCE ASSET MANAGEMENT S.P.A.	-	770	998	-	-	-	-	-
GRUPO GENERALI ESPAÑA AGRUPACIÓN DE INTERÉS ECONÓMICO	2	-	-	-	-	-	-	-
GSS – GENERALI SHARED SERVICES, SCARL (ALEMANHA) (*)	21	-	507	-	-	-	-	-
GENERALI PARTICIPATIONS NETHERLANDS N.V.	-	5 000	66	-	-	-	-	-
GENERALI BELGIUM S.A.	13	-	-	-	-	-	-	-
GENERALI VERSICHERUNG AG (SUIÇA)	144	-	-	-	-	-	-	-
GENERALI SCHADEVERZEKERING MIJ	15	-	-	-	-	-	-	-
GENERALI ALLGEMEINE VERSICHERUNG	10	-	-	-	-	-	-	-
GENERALI VERSICHERUNG AG (ALEMANHA)	-	4	-	-	-	-	-	-
GENERALI PROVIDENCIA BIZTOSITO	2	-	-	-	-	-	-	-
GENERALI POJIST'OVNA A S	2	-	-	-	-	-	-	-
GENERALI SLOVENSKO POJIST'OVANA	-	1	-	-	-	-	-	-
GENERALI ROMANIA ASIGURARE REA	19	-	-	-	-	-	-	-
GENERALI TOWARZYSTWO UBEZPIECZ	6	-	-	-	-	-	-	-
GENERALI CESKA POJIST'OVNA A.S	-	16	-	-	-	-	-	-
FUNDO PENSÕES GENERALI	564	37	-	-	-	-	-	-
	195 922	163 065	59 025	9 046	12 774	1 052	17 968	11 459

* Entity divested in 2020

In 2020, the company recognised an impairment loss for its non-controlling interest in the subsidiary Tranquilidade, Corporação Angolana de Seguros, S.A. in the amount of €2.1 million, which adds up to an impairment loss of €5.2 million recognised in 2018.

In 2020, the company recognised an impairment loss for its held interests in two subsidiaries in Mozambique in the amount of €400 thousand, which adds up to impairment losses of €1.3 million and €1.5 million recognised in 2019 and 2017 respectively.

In 2020, the company recognised an impairment reversal of debits in its subsidiary Tranquilidade, Corporação Angolana de Seguros, S.A. and two subsidiaries in Mozambique in the amount of €100 thousand (2019: an additional impairment of €100 thousand) and €500 thousand (2019: an additional impairment of €700 thousand) respectively.

In 2020, the company recognised costs incurred in a third-party liability insurance for the members of the Board of Directors in the amount of €61 thousand (2019: €189 thousand).

In 2020, the company recognised costs incurred in individual pension plans for the members of the Board of Directors in the amount of €49 thousand (2019: €424 thousand).

In 2020, the company recognised costs incurred in share-based plans related to members of the Board of Directors totalling €46 thousand (2019: €0).

In 2020, no costs were incurred for termination of contracts and relevant charges related to members of the Board of Directors (2019: €3.3 million).

In 2019 and 2020, no transfers were made to defined-benefit pension funds.

For more in-depth information on other employee benefits, refer to Note 22 above and remuneration policies.

NOTE 30 – STATEMENT OF CASH FLOWS

The amounts provided in this note should be interpreted in light of the limitations associated with the disclosure of financial information, as provided in Note 1 above.

The statement of cash flows was prepared using the indirect method and the application of funds and can be found at the beginning of this annual report, along with the remaining statements.

NOTE 31 – COMMITMENTS AND CONTINGENCIES

The company held a call option on 2% of the share capital of Tranquilidade, Corporação Angolana de Seguros, S.A. until 31st December 2020. Given the current global pandemic scenario and the economic situation in Angola, the Board of Directors decided that it was not in the company's best interest to exercise its right.

NOTE 32 – MERGER

As mentioned in Note 1 above and considering that the company is the product of a merger by incorporation of other companies, effective as of 1st October 2020, all information provided in the company's financial statements and further detailed in the aforementioned notes reflect the companies' integrated balance sheet for the year ended 2020, and therefore the profit and loss statement reflects the activity carried out by Seguradoras Unidas over nine months on a standalone basis and a further three months as a merged company, in compliance with accounting standards.

In view of the foregoing, no direct comparison can be made between the financial statements for the year ended 2020 and those for the year ended 2019, the latter of which refers only to Seguradoras Unidas, S.A.

Given that the three companies were under the control of a sole shareholder, Assicurazioni Generali, S.p.A., the merger was completed on the basis of the carrying amount of assets and liabilities and under the principle of fiscal neutrality.

The integrated balance sheet can be broken down into the balance sheets of both incorporating and incorporated companies, as provided in the table below, as well as the adjustments made upon the merger, as of 1st October 2020, further broken down into the most significant line items of the balance sheet.

(thousand of euros)

Line Items	Seguradoras Unidas 30.09.2020	Merger effect (Generali – Comp Seguros Balance incorporation)	Merger effect (Generali Vida Balance incorporation)	Merger effect (Adjustments)	Merger effect (Total)	Generali Seguros 01.10.2020
Cash, demand deposits, financial assets and investments	1 897 023	209 527	430 435		639 962	2 536 985
Land and buildings, other tangible and intangible assets	96 658	3 181	803	1 186	5 170	101 828
Technical provisions for ceded reinsurance	135 502	32 722	138 561		171 283	306 785
Other debtors and assets for post-employment benefits	75 312	22 244	8 755	5 414	36 413	111 725
Tax assets	60 371	9 267	467	-6 846	2 888	63 259
Accruals, deferrals and other assets	81 736	311	31		342	82 078
Non-current assets held for sale	7 674					7 674
Total Assets	2 354 276	277 252	579 052	-246	856 058	3 210 334
Technical provisions	1 812 634	188 794	411 359	5 414	605 567	2 418 201
Financial liabilities	111 682	19 246	131 253	-319	150 180	261 862
Other creditors and liabilities for post-employment benefits	71 387	7 811	7 249		15 060	86 447
Tax liabilities	28 246	10 318	1 269	-6 730	4 857	33 103
Accruals and deferrals, other provisions and other liabilities	78 320	7 259	1 350		8 609	86 929
Total Liabilities	2 102 269	233 428	552 480	-1 635	784 273	2 886 542
Share capital	84 000	73 000	14 000	-87 000		84 000
Other equity instruments	27 097					27 097
Revaluation reserves	119 372	25 485	4 887		30 372	149 744
Deferred tax reserve	-30 651	-6 465	-1 510		-7 975	-38 626
Other reserves	54 017	3 573	2 858	88 389	94 820	148 837
Retained earnings	-34 768	-44 699	5 244	-5 977	-45 432	-80 200
Income for the period ended	32 940	-7 070	1 093	5 977		32 940
Total Equity	252 007	43 824	26 572	1 389	71 785	323 792
Total Liabilities And Equity	2 354 276	277 252	579 052	-246	856 058	3 210 334

The merger accounting method relied on a broad set of accounting transactions that have basically eliminated intragroup balances and reclassified balances intended to streamline overlapping frameworks and transfer profits and losses of the incorporated entities to retained earnings.

NOTE 33 – OTHER INFORMATION

ACCOUNTING STANDARDS AND INTERPRETATIONS ISSUED RECENTLY

The accounting standards and interpretations last issued and currently in place, which the company has adopted to prepare its financial statements, are the following:

Amendments to references to the Conceptual Framework in IFRS standards

In March 2018, the International Accounting Standards Board (IASB) issued a comprehensive set of concepts for financial reporting gathered in the revised Conceptual Framework for Financial Reporting, shortly referred to as Conceptual Framework. This was intended to update any references and quotes in the standards of the current version of the Conceptual Framework or the 2010 former version, by replacing those with any references to the newly revised version of the Conceptual Framework.

The revised Conceptual Framework became effective for annual periods beginning on or after 1st January 2020, with early application permitted, for companies that use the Conceptual Framework to develop accounting policies when no IFRS standard applies to a particular transaction.

The company did not record any impacts arising from the current interpretation.

Definition of Materiality (amendments to IAS 1 and IAS 8)

On 31st October 2018, the IASB amended its definition of materiality to ease an entity's judgement on materiality.

The amendments consist of (a) replacing the term “be expected to influence” with “it could reasonably be expected to influence”; (b) including the concept of “omitted” together with the concepts of “omitted” and “misstated or obscured” information in the definition of materiality; (c) clarifying that the “users” referred to are the primary users of general-purpose financial statements mentioned in the Conceptual Framework; and (d) aligning the definition of materiality among IFRS publications.

The amended definition of materiality thus states that “information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general-purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity.”.

The amendments were effective as of 1st January 2020 but could be applied earlier.

The company did not record any impacts arising from the current interpretation.

Interest Rate Benchmark Reform (amendments to IFRS 9, IAS 39 and IFRS 7)

On 26th September 2019, the IASB amended IFRS 9, IAS 39 and IFRS 7. The amendments introduce some changes to specific requirements of hedge accounting to soften potential effects caused by the uncertainty around the IBOR reform. Moreover, the amendments require companies to provide information to investors on their hedging relationships that are directly affected by those uncertainties.

The amendments provide exceptions for entities that apply the requirements of hedge accounting, assuming that the interest rate benchmark index, on which contractual cash flows of hedged risks, hedged items and hedging instruments are based, will not change as a result of the IBOR reform. The exceptions that have been put forward apply solely to the requirements of hedge accounting, and the amendments will not lessen the impact of any other consequences that are likely to derive from the interest rate benchmark reform.

The amendments are of limited scope. If a hedging relationship ceases to meet the requirements of hedge accounting for no other reasons than those specified in the amendments, hedge accounting shall be discontinued.

Moreover, the amendments clearly state that, if an entity recognises cash flows based on interest rate benchmark as cash flows of hedged items, the entity shall not assume, for the purpose of measuring the inefficiency of the cashflow hedge, zero cash flow after the expected date of the replacement of the interest rate benchmark with an alternative interest rate. Gains and losses on cash flow hedges shall be measured using cash flows based on the interest rate benchmark when applying the present value technique, discounted at the market discount rate, which translates the expectations of market participants on the uncertainty arising from the reform.

The amendments are mandatory for all hedging relationships to which the exceptions apply. The amendments became effective for annual periods beginning on or after 1st January 2020. The amendments are applied retrospectively to hedging relationships existing at the beginning of the reporting period in which the entity first applies the amendments and to the gains or losses recognised in other comprehensive income at the beginning of the reporting period in which the entity first applies the amendments, that is, even if the reporting period is shorter than a full financial year.

The company did not record any impacts arising from the current interpretation.

Definition of Business (amendments to IFRS 3 – Business Combinations)

On 22nd October 2018, the IASB amended its definition of business.

The amendments state that an acquired set of activities and assets to be deemed a business shall include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create outputs. The amendments further state that a set of activities and assets may qualify as business without including all the inputs and processes needed to create outputs or including its own outputs, replacing the term “ability to create outputs” with “ability to contribute to creating outputs”.

It ceased to be necessary to assess whether market participants are able to replace any missing inputs or processes (as for instance by incorporating acquired activities and assets) and continue to generate outputs. The amendments place special emphasis on whether acquired inputs and substantive processes together significantly contribute to the ability to produce outputs.

The amendments apply to transactions whose acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1st January 2020. Early application is permitted and must be disclosed.

The company did not record any impacts arising from this interpretation.

The company decided not to apply earlier any of the following standards and/or interpretations adopted by the European Union.

Covid-19 – Rent Concessions (amendment to IFRS 16)

In May 2020, the IASB issued Covid-19 – Rent Concessions, which amended IFRS 16 – Leases. Under an optional practical expedient and eligible criteria, this amendment exempts a lessee from assessing whether eligible rent concessions related to Covid-19 are lease modifications. Instead, when opting for the practical expedient, a lessee must account for eligible rent concessions as they were not lease modifications, in such a way as to enable, for instance, the amount of rent excused on or before 30th June 2021 to be recognised in profit and loss in the same year in which the concession is granted, thus avoiding it to be recognised over the contract length, as it would be the case if the practical expedient would not have been introduced.

The amendment is effective for annual periods beginning on or after 1st June 2021, with early application permitted.

The company is currently evaluating the impacts of this standard on its financial statements, although no significant effects are expected.

Interest Rate Benchmark Reform – Phase II (amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16)

In August 2020, the IASB issued the Interest Rate Benchmark Reform – Phase II, which amends IFRS 9 – Financial Instruments, IAS 39 – Financial Instruments: Recognition and Measurement, IFRS 7 – Financial Instruments: Disclosure, IFRS 4 – Insurance Contracts, and IFRS – Leases.

These amendments are intended to provide valuable information to those who use financial statements and assist those involved in their preparation in applying IFRS standards, whenever contractual cash flows or hedging relationships reflect changes arising from the transition from an IBOR to an alternative benchmark interest rate, within a risk-free rate reform (IBOR reform).

The amendments complete the second phase that the IASB added to its project, which addresses the accounting impacts of the IBOR reform. On 26th September 2019, the IASB issued the Interest Rate Benchmark Reform to amend IFRS 9, IAS 39 and IFRS 7, completing the first phase of the project, which focused on the accounting impacts that preceded the IBOR reform.

The amendments apply retrospectively to annual periods beginning on or after 1st January 2021, with early application permitted.

The company is currently evaluating the impacts of this standard on its financial statements, although no significant effects are expected.

IFRS 9 – Financial Instruments (issued in 2009 and amended in 2010, 2013 and 2014)

The standard IFRS 9 was adopted by the European Commission Regulation no. 2067/2016 of 22nd November 2016, which set the effective date at the very latest to the start date of the first financial reporting period starting on or after 1st January 2018.

The 2009 version of IFRS 9 provided new requirements for classifying and measuring financial assets, and its 2010 reissued version provided further requirements on accounting for financial liabilities. The 2013 amended version of IFRS 9 introduced the new general hedge accounting model, and the 2014 version provided limited amendments to the classification and measurement requirements for financial assets and a new impairment model.

IFRS 9 requirements reflect a significant change from the requirements provided in IAS 39 related to financial assets. The standard comprises three measurement categories of financial assets: amortised cost, fair value against other comprehensive income, and fair value through profit and loss. A financial asset shall be measured at amortised cost, (i) if it is held within a business model whose objective is to hold the asset in order to collect contractual cash flows, and (ii) its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

If the debt instrument is held within a business model whose objective is achieved either by collecting contractual cash flows or selling financial assets, it will be measured at fair value through other comprehensive income, with revenue from interest affecting the results.

If an equity investment is not held for trading, the standard allows an entity to make an irrevocable election at initial recognition, on an individual basis for each share, to present fair value changes in other comprehensive income. None of the values recognised in other comprehensive income will be reclassified in profit and loss at any date in the future. However, dividend income is recognised in profit and loss instead of other comprehensive income, unless it clearly accounts for a partial recovery of the investment cost.

In the remaining situations, whether in cases in which financial assets are held within a trading business model, or in cases in which other instruments do not have the sole purpose of collecting interest and amortisation and capital, financial assets are measured at fair value through profit and loss. This situation also includes equity investments for which the entity elects to present fair value changes in profit and loss instead of other comprehensive income.

The standard requires that embedded derivatives attached to contracts, whose host contract is a financial asset, within the scope of the standard, are not separated; instead, the hybrid financial instrument is assessed in full and, if there are any embedded derivatives, these will have to be measured at fair value through profit and loss. The standard removes the categories currently existing in IAS 39: “held to maturity”, “available for sale” and “accounts receivable and payable”.

The 2010 version of IFRS 9 introduces a new requirement applicable to financial liabilities recognised at fair value, by option, and imposes the separation of the component of change in

fair value that is attributable to the credit risk of the entity, and its presentation in other comprehensive income, instead of profit and loss. Except for this amendment, the 2010 amended version of IFRS 9 transposes the guidelines of classification and measurement, provided in IAS 39 for financial liabilities, without any substantial changes.

The 2013 version of IFRS 9 introduced new requirements for hedge accounting, which aligns this more closely with risk management. The requirements also establish a broader use of principles to hedge accounting, overcoming some weak spots identified in the hedge accounting model in IAS 39. The 2014 final version of IFRS 9 establishes a new impairment model based on “expected losses”, which will replace the current model based on “losses incurred” provided in IAS 39.

Therefore, the loss event no longer needs to be verified for an asset to be impaired. This new model aims to speed up the recognition of losses by way of impairments applicable to debt instruments held, whether measured at amortised cost or at fair value against other comprehensive income.

If the credit risk of a financial asset has not increased significantly since initial recognition, the amount of impairment loss will be equal to the credit loss that is expected to occur in 12 following months.

If the credit risk of a financial asset has increased significantly since initial recognition, the amount of impairment loss will be equal to the credit loss that is expected to occur until the contractual maturity of the financial asset, thus increasing the impairment loss recognised. When there is an objective evidence of impairment on a financial asset, the impairment loss is directly allocated to the relevant financial asset and accounted for in a way similar to that provided under IAS 39, including interest.

On 25th June 2020, the IASB published an amendment to IFRS 4 – Insurance Contracts, issued on 12th September 2016, related to the application of IFRS 9 – Financial Instruments. The amendment provides eligible insurers with a temporary exemption from applying IFRS 9 and thus continuing to apply IAS 39 until 1st January 2023.

Having met the eligibility criteria for temporary exemption, the company decided not to adopt IFRS 9 as of 1st January 2018. The decision relied on the amendment made to the Plan of Accounts for Insurance Companies, under the regulatory standard no. 3/2018 issued by the ASF.

Nevertheless, the company expects the standard to have a significant impact on its financial statements, given the nature of its business activity.

Standards, amendments and interpretations issued, but not yet effective for the company.

IFRS 17 – Insurance Contracts

On 18th May 2017, the IASB issued a standard that superseded IFRS 4 and completely restructured the processing of insurance contracts. The standard introduces substantial changes in the measurement and presentation of the performance of insurance contracts, with different impacts also on the financial position. The standard is effective for annual periods beginning on or after 1st January 2023.

The company is currently evaluating the impacts of this standard on its financial statements.

References to the Conceptual Framework (Amendments to IFRS 3)

In May 2020, the IASB issued References to the Conceptual Framework, which amended IFRS 3 – Business Combinations. The amendments updated IFRS 3, replacing references to a former version of the Conceptual Framework with the latest version issued in May 2018. The amendments apply to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1st January 2022. Early application is permitted, provided an entity also applies, either before or at the same time, all the amendments set out in Amendments to References to the Conceptual Structure of IFRS Standards, issued in March 2018.

Property, plant And Equipment – Proceeds Before Intended Use (Amendments to IAS 16 – Tangible fixed assets)

In May 2020, the IASB issued Property, Plant and Equipment – Proceeds Before Intended Use, which amended IAS 36 – Tangible Fixed Assets. The amendments prohibit deducting from the cost of an item of property, plant and equipment any proceeds from the sale of items produced while bringing that asset to the site and condition necessary for it to be able to operate in the manner intended by the management body. Instead, an entity recognises in profit and loss the proceeds from selling such items. The amendments apply retrospectively for annual periods beginning on or after 1st January 2022, with early application permitted.

This amendment will have no impacts on the company's financial statements, given the nature of its business activity.

Onerous Contracts – Cost of Fulfilling a Contract

In May 2020, the IASB issued Onerous Contracts – Cost of Fulfilling a Contract, which amended IAS 37 – Provisions, Contingent Liabilities and Contingent Assets.

The amendments aim to clarify the requirements of IAS 37 on onerous contracts. The amendments specify which costs an entity must consider in determining the cost of fulfilling a contract for the purpose of assessing whether the contract is onerous. The amendments is effective for annual periods beginning on or after 1st January 2022, with early application permitted.

Annual Improvements to IFRS standards 2018-2020 Cycle

The Annual improvements to IFRS Standards 2018-2020 Cycle issued by the IASB on 14th May 2020 introduced amendments to IFRS standards: (a) allow a subsidiary, associate or joint venture that first adopts IFRS after its parent and applies paragraph D16 (a) of IFRS 1 – First-time Adoption of International Financial Reporting Standards to measure cumulative conversion differences using the amounts reported by its parent, based on the parent's transition date to IFRS standards; (b) clarify that the reference to the fees used in the 10 per cent test include only fees paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on other's behalf (IFRS 9); (c) removes potential confusion regarding the treatment of lease incentives by applying IFRS 16 – Leases, as provided in the Illustrative Example 13 attached to IFRS 16; (d) remove the requirement in paragraph 22 of IAS 41 – Agriculture for entities to exclude taxation cash flows when measuring the fair value of a biological asset, using a present value technique.

The amendments are effective for annual periods beginning on or after 1st January 2022, with early application permitted.

Clarification on the Classification of Liabilities as Current or Non-Current (Amendments to IAS 1 – Presentation of Financial Statements)

On 23rd January 2020, the IASB issued an amendment to IAS 1 – Presentation of Financial Statements to clarify the classification of debt and other liabilities as current or non-current.

The amendments clarify that a liability is classified as non-current, if an entity expects and has the discretion to defer settlement of a liability for at least 12 months after the reporting period.

These amendments are intended to (a) specify that the right of an entity to defer settlement of a liability must exist at the end of the reporting period; (b) clarify that the classification is unaffected by the intentions or expectations of the management body about whether an entity will exercise its right to defer settlement of a liability; (d) clarify the requirements to classify a liability that an entity will or may settle in its own equity instruments.

This amendment is effective for reporting periods beginning after 1st January 2023.

ANNEX 1 – INVENTORY OF OWNERSHIP INTERESTS AND FINANCIAL INSTRUMENTS

(euros)

Designation	Quantity	Amount	% of Amount	Average Acquisition Cost	Total Value Acquisition Cost	Carrying Amount (Includes Accrued Interest)	
						Unit	Total
1 – SUBSIDIARIES, ASSOCIATES, JOINT VENTURES AND OTHER RELATED COMPANIES							
1.2 – Foreign Securities							
1.2.2 – Held interest in associates							
TRANQUILIDADE DIVERSIFIED INCOME ICAV	2			1,00	2,00	1,00	2,00
TRQ ANGOLA	2 450			2 986,90	7 317 897,10	0,00	0,00
TRQ MOÇAMBIQUE CS	49 998			27,23	1 361 259,95	0,00	0,00
TRQ MOÇAMBIQUE VIDA	66 998			27,02	1 810 331,96	0,00	0,00
Total	119 448	0,00			10 489 491,01		2,00
2 – OTHERS							
2.1 – Domestic securities							
2.1.1 – Capital instruments and shares							
2.1.1.1 – Equities							
SONAGI AN	100			0,06	5,51	0,01	1,00
B.P.G. SA	10 472			2,09	21 905,33	0,63	6 590,77
S.N.I.SOC NAC IMOBILIARIA SA	7 500			0,00	0,00	0,00	0,00
SPECTACOLOR PORTUGAL	7 500			14,66	109 986,38	13,76	103 215,70
AUDATEX PORTUGAL	150			301,47	45 220,35	301,47	45 220,35
HOTEL TURISMO ABRANTES	125			0,00	0,00	0,00	0,00
COMP. PREVIDENTE	6			532,54	3 195,23	0,00	0,00
COMP. PREVIDENTE SCPF	198			109,86	21 752,48	0,00	0,00
ESTELA GOLF	40			5 540,45	221 618,00	1 197,46	47 898,49
MADIBEL	7 955			0,01	80,88	0,00	0,00
NOS MADEIRA	17 314			62,39	1 080 220,46	41,71	722 094,16
NOS ACORES	13 936			24,65	343 497,32	14,47	201 662,39
AUDATEX PORTUGAL	75			249,40	18 704,92	301,47	22 610,25
BANIF SGPS	6 954 651 167			0,00	0,00	0,00	0,00
BANCO ESPIRITO SANTO-REG (BES PL)	243 000			0,72	175 670,10	0,00	0,24
ENTIGERE	23 200			0,00	0,00	0,00	0,00
FETAL	2 760			20,84	57 528,12	0,00	0,00
FINPRO SCR SA FVO	2 284 652			0,00	0,00	0,00	0,00
IMOVALORSGII	90 000			0,00	0,00	0,00	0,00
Portugal Capital Ventures S.C.R. S.A.	2 525			6,06	15 300,49	5,17	13 064,63
SONAGI	55 600			0,44	24 293,86	3,00	166 800,00
subtotal	6 957 418 275	0,00			2 138 979,43		1 329 157,98
2.1.1.3 – Shares in investment funds							
BANIF IMOGEST	174 417			14,38	2 507 274,52	8,36	1 457 951,70
ESP SANTO INFRASTRUCTURE FUND I	3 500			0,01	37,02	5,11	17 881,05
ESPÍRITO SANTO VENTURES III	201 403 854			0,01	1 874 109,30	0,01	1 867 013,73
EXPLORER II	80			10 087,02	811 281,75	6 674,25	536 798,58
SC1 Classe A Fundo Capital Risco	1 000 000			0,57	573 178,77	0,60	602 000,00
FUNDO DE COMPENSAÇÃO SU	46 902			1,07	50 085,48	1,13	53 026,88
subtotal	202 628 754	0,00			5 815 966,84		4 534 671,94
subtotal	7 160 047 029	0,00			7 954 946,27		5 863 829,92
2.1.2-Debt securities							
2.1.2.1 – Public debt							
INFRAESTRUTURAS 4.675 10/16/24		2 150 000,00	118,62%	100,0%	2 150 000,00	119,6%	2 571 302,86
PORTUGUESE OT'S 4.1 04/15/37		35 000 000,00	155,59%	96,6%	33 809 858,50	158,5%	55 479 626,22
PORTUGUESE OT'S 4.95 10/25/23		17 480 000,00	115,76%	106,3%	18 578 956,68	116,7%	20 393 329,72
PORTUGUESE OT'S 4.1 02/15/45		10 815 000,00	174,21%	123,1%	13 314 372,20	177,8%	19 228 002,18
PORTUGUESE OT'S 2.875 10/15/25		11 615 000,00	116,01%	103,1%	11 974 981,05	116,6%	13 545 169,20
PORTUGUESE OT'S 0.475 10/18/30		68 900 000,00	104,36%	98,9%	68 171 554,00	104,5%	71 971 562,94
PGB 0.9 10/12/35		12 394 041,10	107,30%	100,0%	12 399 066,42	107,7%	13 352 523,43
PORTUGUESE OT'S 5.65 02/15/24		34 340 000,00	119,51%	114,7%	39 387 770,06	124,4%	42 734 486,40
O.T. Fev 3.875% /15-02-2030		30 940 000,00	135,60%	120,5%	37 296 251,90	139,0%	43 003 571,67
PGB 2.2 10/17/22 FVO		10 445 000,00	105,28%	101,7%	10 621 168,70	105,7%	11 044 045,12
PORTUGUESE OT'S 2.875 07/21/26		2 225 000,00	118,14%	99,1%	2 204 514,50	119,4%	2 657 169,80
PORTUGUESE OT'S 4.125 04/14/27		8 415 000,00	128,05%	117,2%	9 861 773,95	131,0%	11 023 792,28
PORTUGUESE OT'S 2.125 10/17/28		11 453 846,15	117,90%	101,8%	11 660 213,92	118,3%	13 554 049,02
PGB 2 1/4 04/18/34		22 400 000,00	126,01%	109,0%	24 417 997,50	127,6%	28 579 804,19
PORTUGUESE OT'S 1.95 06/15/29		13 550 000,00	117,34%	102,7%	13 910 401,50	118,4%	16 043 643,31
PORTUGUESE OT'S 3.85 04/15/21		31 272 214,28	100,46%	90,4%	28 260 571,74	103,2%	32 272 410,17
subtotal	0	323 395 101,53			338 019 452,62		397 454 488,51

(euros)

Designation	Quantity	Amount	% of Amount	Average Acquisition Cost	Total Value Acquisition Cost	Carrying Amount (Includes Accrued Interest)	
						Unit	Total
2.1.2.3 – By other public issuers							
FNAC INVEST 22/05/1995 FVO		24 950,00	0,00%	0,0%	0,00	0,0%	0,00
A. GAUDENCIO TF 25/05/1995 FVO		49 900,00	0,00%	0,0%	0,00	0,0%	0,00
BRISA 3.875% 04/21		400 000,00	100,57%	112,3%	449 113,50	103,5%	413 899,74
BRISA 1.875% 04/25		1 600 000,00	107,63%	102,4%	1 638 917,44	108,9%	1 742 239,77
C.G.D. TV CMS Cap-Floor/05-08-2021 FVO		1 000 000,00	102,48%	80,0%	800 000,00	104,5%	1 045 078,78
GALP ENERGIA 3% 01/14/21		1 200 000,00	100,10%	103,4%	1 240 487,69	103,0%	1 235 810,81
RENTIGLOBO SGPS 1,5% 17-200626		661 800,00	0,00%	0,0%	0,00	0,0%	275,75
RENTIGLOBO SGPS 0% 17-200626		401 000,00	0,00%	0,0%	0,00	0,0%	0,00
RENTIGLOBO SGPS 0% 200626		2 006 000,00	0,00%	0,0%	0,00	0,0%	0,00
EDP FINANCE 4.125% 01/21		500 000,00	100,19%	111,0%	555 171,80	104,1%	520 424,46
EDP FINANCE 2.625% 01/22		1 900 000,00	102,97%	107,0%	2 033 843,07	105,5%	2 003 940,92
REN FINANCE BV 2.5% 02/25		750 000,00	110,70%	106,2%	796 349,65	112,9%	846 799,57
EDP FINANCE BV 1.625 01/26/26		1 700 000,00	107,75%	99,7%	1 695 002,00	109,3%	1 857 456,86
	subtotal	0	12 193 650,00		9 208 885,15		9 665 926,66
	subtotal	0	335 588 751,53		347 228 337,77		407 120 415,17
	Total	7 160 047 029	335 588 751,53		355 183 284,04		412 984 245,09
2.2 – Foreign securities							
2.2.1 – Capital instruments and shares							
2.2.1.1 – Equities							
KBC GROUP NV (KBC BB)	671			64,63	43 368,61	57,28	38 434,88
ANHEUSER-BUSCH INBEV SA/NV (ABI BB)	524			58,19	30 491,31	57,01	29 873,24
ROCHE HOLDING AG-GENUSSCHEIN (ROG SE)	62			311,17	19 292,59	285,70	17 713,47
ABB LTD-REG (ABBN SE)	1 511			21,33	32 232,76	22,85	34 521,58
BAYERISCHE MOTOREN WERKE AG (BMW GY)	488			62,24	30 372,88	72,23	35 248,24
DEUTSCHE POST AG-REG (DPW GY)	1 243			33,35	41 449,26	40,50	50 341,50
HEIDELBERGCEMENT AG (HEI GY)	536			65,93	35 338,02	61,22	32 813,92
HENKEL AG & CO KGAA VORZUG (HEN3 GY)	225			93,71	21 083,74	92,30	20 767,50
COVESTRO AG (ICOV GY)	775			44,44	34 442,14	50,48	39 122,00
SIEMENS AG-REG (SIE GY)	499			95,31	47 560,74	117,52	58 642,48
VOLKSWAGEN AG (VOW GY)	343			170,93	58 630,00	170,10	58 344,30
ALLIANZ SE-REG (ALV GY)	225			197,90	44 526,79	200,70	45 157,50
MUENCHENER RUECKVER AG-REG (MUV2 GY)	113			265,82	30 037,73	242,80	27 436,40
HUGO BOSS AG-ORD (BOSS GY)	529			36,19	19 145,92	27,29	14 436,41
DELIVERY HERO SE (DHER GY)	107			37,91	4 056,76	127,00	13 589,00
INSTONE REAL ESTATE GROUP AG (INS GY)	364			10,75	3 913,00	21,00	7 644,00
COMMERZBANK AG (CBK GY)	4 221			5,57	23 501,61	5,27	22 227,79
SIEMENS ENERGY AG (ENR GY)	249			21,10	5 255,07	30,00	7 470,00
EVONIK INDUSTRIES AG (EVK GY)	275			27,05	7 438,57	26,68	7 337,00
PORSCHE AUTOMOBIL HLDG-PRF (PAH3 GY)	728			58,30	42 443,50	56,40	41 059,20
TRATON SE (BTRA GY)	891			25,41	22 640,46	22,61	20 141,06
BANCO SANTANDER SA (SAN SQ)	11 371			3,64	41 435,43	2,54	28 859,60
CAIXABANK SA (CABK SQ)	4 513			2,45	11 045,28	2,10	9 481,81
INDUSTRIA DE DISEÑO TEXTIL (ITX SQ)	752			29,18	21 941,08	26,04	19 582,08
NCG BANCO NC	185 838			0,50	92 919,00	0,00	0,00
ACS ACTIVIDADES CONS Y SERV (ACS SQ)	1 193			30,37	36 229,64	27,15	32 389,95
REPSOL SA (REP SQ)	3 666			13,88	50 889,60	8,25	30 244,50
TELEFONICA SA (TEF SQ)	8 243			6,58	54 223,03	3,25	26 748,54
REPSOL SA-RTS (REP/D SM)	3 666			0,00	0,00	0,29	1 048,11
TELEFONICA SA-RTS (TEF/D SM)	8 243			0,00	0,00	0,18	1 501,05
NOKIA OYJ (NOKIA FH)	14 839			3,72	55 214,05	3,15	46 757,69
CREDIT AGRICOLE SA (ACA FP)	745			11,22	8 361,20	10,32	7 688,40
SAFRAN SA (SAF FP)	295			143,88	42 444,82	115,95	34 205,25
CARREFOUR SA (CA FP)	1 876			16,05	30 103,03	14,03	26 320,28
TOTAL SE (FP FP)	1 556			48,88	76 057,92	35,30	54 926,80
ACCOR SA (AC FP)	698			33,26	23 215,75	29,60	20 660,80
BOUYGUES SA (EN FP)	347			37,73	13 091,29	33,65	11 676,55
SANOFI (SAN FP)	213			85,73	18 260,94	78,70	16 763,10
AXA SA (CS FP)	1 578			23,06	36 392,59	19,51	30 789,94
DANONE (BN FP)	394			72,89	28 719,67	53,76	21 181,44
PERNOD RICARD SA (RI FP)	135			159,13	21 483,09	156,80	21 168,00
MICHELIN (CGDE) (ML FP)	114			108,94	12 418,76	104,95	11 964,30
PEUGEOT SA (UG FP)	2 685			16,62	44 622,58	22,37	60 063,45
SCHNEIDER ELECTRIC SE (SU FP)	501			93,12	46 652,61	118,30	59 268,30
COMPAGNIE DE SAINT GOBAIN (SGO FP)	1 359			34,15	46 412,22	37,50	50 962,50

(euros)

Designation	Quantity	Amount	% of Amount	Average Acquisition Cost	Total Value Acquisition Cost	Carrying Amount (Includes Accrued Interest)	
						Unit	Total
CAPGEMINI SE (CAP FP)	149			101,12	15 066,19	126,80	18 893,20
VINCI SA (DG FP)	337			86,43	29 127,89	81,36	27 418,32
VIVENDI (VIV FP)	1 654			23,43	38 751,89	26,38	43 632,52
SOCIETE GENERALE SA (GLE FP)	1 493			29,80	44 496,13	17,02	25 413,85
BNP PARIBAS (BNP FP)	968			48,13	46 585,15	43,11	41 725,64
ORANGE (ORA FP)	3 226			14,11	45 506,03	9,73	31 401,88
AMUNDI SA (AMUN FP)	82			48,85	4 005,30	66,80	5 477,60
REXEL SA (RXL FP)	475			7,89	3 748,22	12,90	6 125,13
BRITISH AMERICAN TOBACCO PLC (BATS LN)	1 063			40,27	42 806,94	30,25	32 159,58
IMPERIAL BRANDS PLC (IMB LN)	1 266			23,23	29 408,89	17,15	21 717,61
BP PLC (BP/ LN)	8 364			5,26	43 975,11	2,85	23 809,04
ROYAL DUTCH SHELL PLC-A SHS (RDSA NA)	1 823			26,09	47 555,37	14,61	26 641,32
UNILEVER PLC (UNA NA)	828			51,56	42 688,39	49,57	41 039,82
VODAFONE GROUP PLC (VOD LN)	28 236			1,84	51 897,49	1,35	38 150,62
CRH PLC (CRH ID)	1 191			27,03	32 188,88	34,02	40 517,82
LINDE PLC (LIN GY)	199			154,74	30 792,94	213,00	42 387,00
INTESA SANPAOLO (ISP IM)	19 301			2,28	43 937,05	1,91	36 915,09
ENI SPA (ENI IM)	4 025			14,09	56 695,31	8,55	34 405,70
SNAM SPA (SRG IM)	2 399			4,53	10 873,41	4,60	11 037,80
MONCLER SPA (MONC IM)	243			34,67	8 424,95	50,14	12 184,02
TECHNOGYM SPA (TGYM IM)	2 592			7,24	18 767,18	9,24	23 950,08
UNICREDIT SPA (UCG IM)	3 427			12,77	43 757,29	7,65	26 209,70
GRUPO GENERALI ESPANA AIE	2			1 000,00	2 000,00	1 000,00	2 000,00
ARCELORMITTAL (MT NA)	2 816			11,66	32 844,22	18,88	53 166,08
AIRBUS SE (AIR FP)	298			122,83	36 602,13	89,78	26 754,44
NN GROUP NV (NN NA)	1 081			39,28	42 463,39	35,53	38 407,93
ABN AMRO GROUP NV-CVA (ABN NA)	3 213			17,16	55 149,60	8,02	25 768,26
FERRARI NV (RACE IM)	61			134,53	8 206,07	188,65	11 507,65
ING GROEP NV (INGA NA)	7 284			10,75	78 283,68	7,64	55 657,04
AKZO NOBEL N.V. (AKZA NA)	402			66,07	26 560,70	87,86	35 319,72
GENERALI EUROPEAN REAL ESTATE INVESTMENTS SA	26 912			18,66	502 154,60	18,66	502 154,60
subtotal	394 809	0,00			2 929 320,17		2 608 522,97
2.2.1.3 - Shares in investment funds							
ISHARES CORE EURO CORP BOND	131 458			134,01	17 616 445,94	136,49	17 942 702,42
ISHARES EURO CORP EX-FINCL	503 978			120,44	60 701 466,21	122,86	61 916 217,20
ISHARES EURO CORP EX-FIN 1-5	318 500			111,38	35 474 582,50	111,46	35 498 417,50
ISHARES EURO CORP 1-5YR	262 900			111,87	29 410 375,00	112,02	29 450 058,00
ISHARES EURO HY CORP	81 956			105,13	8 616 414,69	102,72	8 418 520,32
ISHARES EURO ULTRASHORT BOND	163 000			100,37	16 360 149,82	100,21	16 333 415,00
FIDELITY TARGET 2035 ACCOES	6 300			21,23	133 722,83	39,20	246 960,00
FIDELITY TARGET 2040 ACCOES	9 700			20,72	200 961,19	39,54	383 538,00
FIDELITY TARGET 2030 ACCOES	21 000			10,47	219 840,39	18,27	383 670,00
FIDELITY TARGET 2025 ACCOES	52 500			9,93	521 414,15	17,27	906 675,00
FIDELITY TARGET 2045 ACCOES	160			14,70	2 352,73	16,57	2 651,20
FIDELITY TARGET 2050 ACCOES	240			14,43	3 463,83	16,56	3 974,40
GENERALI INV SICAVINCOME PARTNERS ASIAN DEBT FUND	212 226			91,04	19 321 315,96	96,04	20 382 424,64
ABERDEEN SM BETA LVGE GROWTH FUND E	1 000			17,56	17 560,52	18,55	18 549,90
LO ASIA VALUE BOND SHE X1	274 199			91,17	24 999 999,94	102,47	28 097 136,31
GENERALI MULTI MANAGER SOLUTIONS UMBRELLAALGEBRIS CREDIT FUND (1)	300 000			100,00	30 000 000,00	100,46	30 138 000,00
AAME TRQ LOAN ORIGINATION FUND	38 886			1 009,64	39 260 628,21	1 045,07	40 638 263,36
AAME MULTI-CREDIT STRATEGY FUND	1 002 032			100,90	101 105 841,06	80,90	81 060 921,85
subtotal	3 380 036	0,00			383 966 534,97		371 822 095,10
subtotal	3 774 845	0,00			386 895 855,14		374 430 618,07
2.2.2-Debt securities							
2.2.2.1 - Public debt							
REPUBLIC AUSTRIA 6.25% /15-07-2027		1 350 000,00	145,90%	161,6%	2 182 208,55	148,8%	2 008 721,73
REPUBLIC OF AUSTRI 4.15% 03/15/37		2 700 000,00	171,35%	155,8%	4 207 735,49	174,7%	4 715 800,68
REPUBLIC OF AUSTRI 2.4% 05/23/34		2 610 000,00	136,39%	124,2%	3 242 088,68	137,8%	3 597 795,58
REPUBLIC OF AUSTRIA 0.75% 10/20/2026		8 058 000,00	108,25%	102,5%	8 257 886,71	108,4%	8 734 657,92
REPUBLIC OF AUSTRIA 1.5% 20/02/2047		16 000 000,00	138,36%	111,0%	17 767 680,00	139,7%	22 344 125,38
BELGIAN 0304 5 03/28/35		5 035 000,00	174,51%	160,6%	8 086 285,01	178,3%	8 978 331,80
Belgium Kingdom 4.00%/28-03-2022		2 700 000,00	105,80%	121,0%	3 266 171,21	108,8%	2 938 839,13
BELGIAN 0320 4.25 03/28/41		2 700 000,00	182,29%	120,0%	3 240 994,00	185,5%	5 009 108,96
BELGIAN 0324 4.5 03/28/26		70 000,00	127,41%	99,8%	69 825,70	130,8%	91 585,34

(euros)

Designation	Quantity	Amount	% of Amount	Average Acquisition Cost	Total Value Acquisition Cost	Carrying Amount (Includes Accrued Interest)	
						Unit	Total
FRANCE TELECOM 3.375 09/16/22		100 000,00	106,25%	92,3%	92 293,00	107,2%	107 227,50
AUTOSTRADE PER L 4.375 09/16/25		500 000,00	112,46%	109,3%	546 250,00	113,7%	568 671,93
CRED AGRICOLE SA 3.9 04/19/21		600 000,00	101,07%	99,7%	597 978,00	103,8%	622 802,55
BOMBARDIER 6.125% 05/15/21		1 100 000,00	97,45%	100,1%	1 101 263,38	98,2%	1 080 335,98
BARCLAYS 6.625% 03/30/22		600 000,00	107,91%	118,2%	708 928,53	112,9%	677 544,97
ABN AMRO BANK NV 6.375 04/27/21		500 000,00	102,00%	117,0%	584 830,00	106,3%	531 659,01
DEUTSCH BAHN FIN 3.75 06/01/21		1 320 000,00	101,74%	99,7%	1 315 670,40	103,9%	1 371 912,47
HEIANA 3 1/2 03/19/24		400 000,00	111,91%	111,0%	444 128,45	114,7%	458 650,14
MUNICH RE 6.25% 05/26/42 FVO		400 000,00	108,48%	122,0%	488 000,00	112,2%	448 925,18
TELEKOM FINANZ 4% 04/04/22		1 400 000,00	105,25%	117,2%	1 640 843,51	108,2%	1 515 013,44
CIE DE SAINT-GOBAIN 3.625% 06/15/21		1 300 000,00	101,75%	102,9%	1 337 478,18	103,7%	1 348 443,64
SANDVIK AB 4.1 07/02/27		600 000,00	123,06%	100,0%	600 000,00	125,1%	750 631,28
CLOVERIE PLC SWISS REINS 6.625% 09/01/42 FVO		4 392 000,00	110,68%	121,8%	5 348 051,83	112,9%	4 957 358,22
ABN AMRO BANK NV 7.125 07/06/22		800 000,00	110,61%	125,4%	1 002 880,00	114,1%	912 700,56
GE CAP € FUND 3.65 08/23/32		1 000 000,00	120,17%	106,6%	1 065 720,00	121,5%	1 214 660,15
PETROBRAS GLOBAL FINANCE 4.25% 10/02/23		1 080 000,00	109,39%	89,4%	965 275,26	110,4%	1 192 753,32
ERSTE GROUP 7.125 10/10/22		4 000 000,00	112,61%	115,2%	4 606 381,61	114,2%	4 568 506,88
ENEL FINANCE 4.875% 04/17/23		1 000 000,00	111,84%	125,8%	1 258 337,40	115,3%	1 152 851,67
UNICREDIT SPA 6.95% 10/31/22		980 000,00	111,27%	110,9%	1 086 525,25	112,4%	1 101 815,03
HANRUE 5 06/30/43		700 000,00	111,79%	111,4%	779 710,47	114,3%	800 202,41
STANDARD CHARTERED 3.625% 11/23/22		500 000,00	106,30%	105,1%	525 575,10	106,7%	533 383,99
SOCIETE GENERALE 4 06/07/23		3 600 000,00	109,06%	108,4%	3 901 696,56	111,3%	4 007 780,53
TELEFONICA 3.987% 23		800 000,00	108,72%	108,8%	870 646,24	112,5%	899 639,60
AXASA 5 1/8 07/04/43		1 400 000,00	112,16%	110,9%	1 552 605,11	114,7%	1 605 186,10
GOLDMAN SACHS GROUP 3.25% 02/01/23		1 585 000,00	107,14%	112,7%	1 786 436,82	110,1%	1 745 198,12
TELSTRA CORP LTD 2.5 09/15/23		150 000,00	107,26%	98,9%	148 353,00	108,0%	161 990,31
VOLKSWAGEN INTFN 3.3 03/22/33		300 000,00	127,59%	98,6%	295 698,00	130,2%	390 462,56
SNAM 3.375 01/29/21		600 000,00	100,25%	98,4%	590 496,00	103,4%	620 141,37
ENEL FIN INTL NV 4.45 04/23/25		1 500 000,00	116,68%	100,0%	1 500 000,00	119,8%	1 796 290,36
MICROSOFT CORP 2.625% 05/33		400 000,00	132,99%	125,3%	501 212,02	134,7%	538 952,09
BHP BILLITON FIN 3.125 04/29/33		1 000 000,00	133,28%	98,5%	985 430,00	135,4%	1 353 876,41
JPMORGAN CHASE 2.875 05/24/28		300 000,00	120,40%	98,9%	296 556,00	122,1%	366 432,45
PM 3 1/8 06/03/33		4 110 000,00	125,59%	125,1%	5 143 254,00	127,4%	5 235 993,06
ENI SPA 3.25 07/10/23		572 000,00	108,77%	98,8%	565 204,64	110,3%	631 053,62
A2A SPA 4.375% 01/10/21		260 000,00	100,06%	114,2%	296 881,80	104,3%	271 230,73
VOLKSWAGEN 5.125% 09/29/49		3 000 000,00	109,03%	105,4%	3 161 574,50	110,7%	3 320 754,22
TELIASONERA AB 3.5 09/05/33		500 000,00	138,80%	102,4%	512 185,00	139,9%	699 617,04
AMERICA MOVIL 6.375% 09/06/73		400 000,00	114,58%	115,7%	462 682,69	116,6%	466 405,61
INTESA SANPAOLO 6.625% 09/13/23		1 085 000,00	114,03%	117,3%	1 272 444,56	116,0%	1 258 737,73
BANQ FED CRD MUT 3 11/28/23		400 000,00	109,49%	100,8%	403 100,00	109,8%	439 037,62
FINMEC FINANCE 4.5% 01/21		730 000,00	100,14%	110,5%	806 569,00	104,4%	762 180,71
MSFT 2 1/8 12/06/21		800 000,00	101,71%	102,8%	822 080,72	101,9%	814 813,91
AEROPORTI ROMA 3.25 02/20/21		100 000,00	100,42%	99,8%	99 824,00	103,0%	102 970,26
FRESENIUS SE & CO 4% 02/01/24		1 200 000,00	112,42%	117,0%	1 404 578,21	114,1%	1 368 915,61
ORANGE 5.25% 12/29/49		2 200 000,00	113,76%	110,8%	2 437 572,48	118,5%	2 606 172,45
BHARTI AIRTEL INTERNAT 3.375% 05/2021		750 000,00	101,04%	99,6%	747 114,95	103,1%	773 416,16
ACHMEA HYPOBK 2.75 02/18/21		300 000,00	100,38%	99,8%	299 397,00	102,8%	308 282,37
ING BANK NV 02/25/26		950 000,00	100,50%	100,7%	956 593,00	103,6%	983 949,37
GAS NATURAL FENOSA 2.875% 03/24		600 000,00	109,40%	99,9%	599 229,38	111,7%	670 342,89
OBRASCON HUARTE LAIN 4.75% 03/15/22		200 000,00	59,98%	74,3%	148 662,48	61,4%	122 725,46
BANQ FED CRD MUT 2.625 03/18/24		900 000,00	109,10%	99,0%	890 820,00	111,2%	1 000 580,13
BNP PARIBAS 03/20/26		1 000 000,00	100,58%	99,7%	996 505,48	102,8%	1 028 306,22
FIAT FINANCE 4.75% 03/21		1 000 000,00	101,00%	107,4%	1 073 717,91	104,7%	1 046 958,91
REDEXIS GAS FINANCE 2.75% 04/21		2 000 000,00	100,08%	99,7%	1 993 964,41	102,1%	2 041 768,32
NNGRNV 4 5/8 04/08/44		1 400 000,00	112,25%	107,5%	1 504 886,25	115,6%	1 618 865,06
IBERDROLA 2.5% 10/22		600 000,00	104,99%	99,8%	598 895,90	105,5%	632 715,28
PETROLEOS MEXICA 3.75 04/16/26		1 028 000,00	100,19%	100,9%	1 037 561,84	102,9%	1 057 314,03
AEGON NV 4 04/25/44		2 096 000,00	109,97%	102,1%	2 140 025,78	112,7%	2 362 375,57
BANQ FED CRD MUT 3 05/21/24		1 000 000,00	109,56%	99,7%	996 896,72	111,4%	1 114 026,30
LB BADEN-WUERTT 05/27/26		500 000,00	100,68%	99,7%	498 595,00	102,4%	511 988,20
GOLDMAN SACHS GP 2.875 06/03/26		100 000,00	114,58%	99,0%	98 964,00	116,2%	116 246,81
SODEXO 1.75% 01/24/2022		700 000,00	101,63%	100,0%	699 882,51	103,3%	722 865,97
AVIVA PLC 07/03/44		800 000,00	111,11%	100,7%	805 992,00	113,0%	904 284,02
CARREFOUR 1.75% 07/22		500 000,00	102,49%	99,6%	497 904,09	103,3%	516 492,80
FIAT CHRYSLER 4.75% 07/15/22		225 000,00	106,67%	108,0%	242 971,15	108,9%	244 962,71

(euros)

Designation	Quantity	Amount	% of Amount	Average Acquisition Cost	Total Value Acquisition Cost	Carrying Amount (Includes Accrued Interest)	
						Unit	Total
CMCSA 2 1/2 09/15/26		220 000,00	114,49%	110,6%	243 213,85	115,2%	253 484,57
SAMPFH 1 1/2 09/16/21		524 000,00	101,38%	101,5%	531 640,76	101,8%	533 505,03
MET 1 1/4 09/17/21		500 000,00	101,19%	101,1%	505 491,95	101,6%	507 759,03
HSBC 5.25% 12/29/49		1 000 000,00	104,56%	95,8%	957 736,36	106,1%	1 060 738,52
ADIDAS AG 1.25% 10/21		750 000,00	100,80%	99,5%	746 164,95	101,1%	758 135,29
UNIQA INSURANCE 6 07/27/46		1 600 000,00	122,50%	101,9%	1 630 000,00	125,1%	2 001 293,15
BLACKROCK 1.25% 05/06/25		980 000,00	106,48%	99,6%	976 034,51	107,3%	1 051 508,96
MOODY'S CORP 1.75% 03/27-26		500 000,00	110,11%	98,3%	491 699,36	111,5%	557 667,75
AIR PRODUCTS & CHEMICALS 1% 02/12/25-14		750 000,00	104,89%	99,6%	746 935,92	105,8%	793 257,81
WP CAREY 2% 01/20/23		1 500 000,00	103,77%	102,4%	1 536 282,51	105,7%	1 584 875,53
WESFARMERS 1.25% 10/21		840 000,00	101,19%	100,3%	842 930,01	101,5%	852 432,85
AUSTRALIA PACIFIC AIRPORTS 1.75% 10/24		500 000,00	104,41%	99,3%	496 420,45	104,8%	523 911,19
WALGREENS BOOTS 2.125 11/20/26		500 000,00	107,54%	105,2%	526 115,00	107,8%	538 916,28
GAS NATURAL FENOSA 4.125% 11/29/49		2 400 000,00	105,38%	101,8%	2 443 362,70	105,9%	2 540 891,25
IBM CORP 1.25% 05/26/23		880 000,00	103,57%	99,9%	878 790,21	104,3%	917 983,30
GLAXOSMITHKLINE 1.375 12/02/24		200 000,00	106,04%	98,7%	197 378,00	106,1%	212 290,56
VOLVO 4.85% 03/10/78		2 100 000,00	108,48%	103,2%	2 166 457,56	112,4%	2 360 679,62
STATE GRID € OPE DEV 1.5% 01/22		1 000 000,00	101,44%	99,8%	998 476,15	102,8%	1 028 285,73
STATE GRID € 2.45 01/26/27		1 000 000,00	109,45%	98,8%	987 500,00	111,7%	1 117 217,62
ARCELORMITTAL 3.125 01/14/22		1 400 000,00	103,16%	99,2%	1 389 010,69	106,2%	1 486 350,18
TELECOM ITALIA 3.25% 01/23		400 000,00	105,27%	107,5%	429 964,22	108,4%	433 494,77
EVONIK INDUSTRIES 1% 01/23/23		500 000,00	102,30%	99,5%	497 730,90	103,2%	516 195,64
GOLDMAN SACHS GROUP 1.375% 07/26/22		1 050 000,00	102,55%	99,5%	1 044 783,33	103,1%	1 082 972,29
JP MORGAN CHASE 1.5% 01/27/25		1 000 000,00	106,33%	100,0%	999 567,11	107,7%	1 077 243,28
ENAGAS FINANCIACIONES 1.25% 02/25		700 000,00	105,71%	99,3%	695 217,95	106,8%	747 804,66
CARREFOUR 1.25% 06/25		500 000,00	105,49%	99,6%	498 073,48	106,2%	531 080,89
RABOBANK 1.375 02/03/27		500 000,00	108,63%	94,0%	469 980,00	109,9%	549 368,56
MORGAN STANLEY 1.75% 01/30/25		1 000 000,00	106,97%	99,9%	998 634,79	108,6%	1 085 801,03
TEOLLISUUDEN 2.125% 02/04/25		1 500 000,00	99,64%	99,5%	1 492 407,33	101,6%	1 523 374,05
FCE BANK PLC 1.134% 02/10/22		500 000,00	99,75%	100,0%	500 065,76	100,8%	503 795,76
NATIONAL GRID NA INC 0.75% 02/22		200 000,00	101,03%	99,6%	199 150,47	101,7%	203 382,73
STATOIL ASA 0.875 02/17/23		900 000,00	102,17%	96,3%	866 610,00	102,9%	926 399,79
GRAND CITY PROPERTIES 3.75% 12/29/49		1 900 000,00	101,28%	101,0%	1 918 338,66	104,5%	1 985 986,13
TOTAL 2.625% 12/29/49		4 215 000,00	106,50%	98,1%	4 135 089,89	108,7%	4 582 387,35
TYCO INT FINANCE 1.375% 02/25/25		500 000,00	100,90%	99,9%	499 356,96	102,1%	510 299,95
AT&T INC 1.3% 09/05/23		600 000,00	103,44%	101,4%	608 351,81	103,9%	623 148,16
FLOWERVE CORP 1.25% 03/17/22		1 880 000,00	100,03%	99,6%	1 872 064,45	101,0%	1 899 110,90
POHJOLA BANK PLC 0.75% 03/22		500 000,00	101,27%	99,8%	498 903,48	101,9%	509 460,88
NATIONWIDE BLDG SOCIETY 1.25% 03/25		880 000,00	105,57%	100,0%	879 587,78	106,6%	938 171,19
KINDER MORGAN 1.5 03/16/22		1 000 000,00	101,79%	99,4%	994 030,00	103,0%	1 029 849,28
INTESA SANPAOLO 1.125% 03/22		500 000,00	101,51%	99,8%	498 890,39	102,4%	512 195,38
DELPHI AUTOMOTIVE 1.5% 03/25		16 150 000,00	105,41%	94,1%	15 201 840,54	106,6%	17 220 190,79
COCA-COLA 1.125% 03/09/27		880 000,00	107,28%	99,2%	873 328,92	108,2%	952 093,12
SVENSKA CELLULOSA 1.125% 03/25		1 000 000,00	104,82%	99,8%	998 368,67	105,8%	1 057 517,15
KELLOGG CO 1.25% 03/10/25		1 380 000,00	105,14%	100,0%	1 379 650,93	106,2%	1 464 921,64
BK TOKYOMITSUBISHI UFJ 0.875% 03/22		880 000,00	101,43%	99,7%	877 498,92	102,1%	898 779,63
BERKSHIRE HATHAWAY 1.125% 03/16/27		880 000,00	106,92%	99,0%	871 203,33	107,8%	948 726,01
PPG INDUSTRIES 1.4% 03/13/27		880 000,00	106,90%	98,9%	870 428,65	108,0%	950 617,93
ENAGAS FIN 1% 03/25/23		500 000,00	102,53%	99,8%	498 993,08	103,3%	516 502,13
METRO AG 1.5% 03/25		500 000,00	103,27%	99,9%	499 369,63	104,4%	522 222,47
VATTENFALL 3% 03/19/77		2 000 000,00	107,63%	87,8%	1 755 009,39	110,0%	2 199 730,22
REPSOL 3.875% 12/29/49		1 932 000,00	100,66%	95,9%	1 853 502,00	103,6%	2 002 424,14
UNIBAIL-RODAMCO 1% 03/14/25		1 000 000,00	103,45%	99,7%	997 463,38	104,3%	1 042 542,77
BERTELSMANN SE 04/23/75		600 000,00	103,08%	100,0%	600 000,00	105,2%	630 913,40
SILVERBACK FIN 3.1261 02/25/37		1 500 000,00	75,56%	72,4%	1 086 700,12	76,0%	1 140 383,89
AVIVA PLC 3.375 12/04/45		660 000,00	111,11%	99,1%	653 743,20	111,4%	734 995,74
SAMVARDHANA MOTH 3.7 06/18/25		900 000,00	96,05%	100,0%	900 000,00	98,0%	882 331,04
ZUERCHER KBK 06/15/27		2 008 000,00	103,27%	99,5%	1 998 839,76	104,7%	2 102 498,33
HSBC HOLDINGS 3 06/30/25		500 000,00	111,83%	99,1%	495 743,51	113,3%	566 703,95
WELLS FARGO CO 1.5 09/12/22		700 000,00	102,94%	103,3%	723 002,00	103,4%	723 715,05
SHELL INTL FIN 1.875 09/15/25		1 800 000,00	109,88%	98,8%	1 777 680,00	110,4%	1 987 669,02
KENNEDY WILSON € 3.25% 11/12/25		1 300 000,00	101,42%	103,8%	1 348 954,33	101,9%	1 324 171,35
IBM CORP 1.125 09/06/24		1 412 000,00	104,91%	99,4%	1 403 513,88	105,3%	1 486 308,18
URW 1.375 03/09/26		148 000,00	104,62%	98,9%	146 306,88	105,7%	156 491,14
AMERICA MOVIL SA 2.125 03/10/28		1 500 000,00	113,02%	98,2%	1 473 367,50	114,7%	1 721 197,83

(euros)

Designation	Quantity	Amount	% of Amount	Average Acquisition Cost	Total Value Acquisition Cost	Carrying Amount (Includes Accrued Interest)	
						Unit	Total
PETROLEOS MEXICA 5.125 03/15/23		850 000,00	104,13%	114,5%	973 080,00	108,2%	919 867,45
MORGAN STANLEY 1.75 03/11/24		700 000,00	105,77%	97,8%	684 775,00	107,2%	750 261,78
DIGITAL €O FIN 2.625 04/15/24		1 000 000,00	108,30%	107,7%	1 077 200,00	110,2%	1 101 660,50
LIBERTY MUTUAL 2.75 05/04/26		1 100 000,00	113,62%	107,0%	1 176 736,00	115,4%	1 269 817,62
SES SA 4.625% 12/29/49		300 000,00	102,65%	103,3%	309 865,75	107,3%	321 750,03
JNJ 1.15 11/20/28		1 400 000,00	110,61%	107,6%	1 506 400,21	110,7%	1 550 343,69
AURIZON NETWORK PTY 3.125% 06/01/26		5 100 000,00	114,55%	109,6%	5 590 314,68	116,4%	5 935 028,77
SPMIM 3 3/4 09/08/23		3 000 000,00	106,20%	105,6%	3 167 500,00	107,4%	3 221 157,84
MYLAN NV 3.125 11/22/28		800 000,00	119,09%	108,2%	865 272,00	119,4%	955 351,42
AVLN 0 5/8 10/27/23		1 536 000,00	102,48%	99,5%	1 527 585,18	102,6%	1 575 792,48
SANTANDER ISSUAN 3.125 01/19/27		500 000,00	114,23%	108,0%	540 000,00	117,2%	585 944,30
NESNVX 2 3/8 01/18/22		700 000,00	83,46%	93,5%	654 513,40	85,3%	597 068,14
TELEFONICA EMIS 2.318 10/17/28		1 200 000,00	116,26%	102,7%	1 231 800,00	116,7%	1 400 828,11
BACR 3 1/8 01/17/24		500 000,00	118,85%	113,8%	568 999,33	122,2%	610 893,83
BAC 1.379 02/07/25		400 000,00	104,24%	101,4%	405 771,04	105,5%	421 919,16
BBVASM 3 1/2 02/10/27		4 300 000,00	116,73%	113,1%	4 861 580,00	119,8%	5 152 931,60
PETROLEOS MEXICA 2.5 08/21/21		1 300 000,00	100,20%	101,7%	1 322 400,00	101,1%	1 314 320,72
ABNANV 4.4 03/27/28		400 000,00	87,14%	93,9%	375 414,08	88,1%	352 275,48
LIBMUT 1 3/4 03/27/24		1 500 000,00	105,32%	101,1%	1 516 734,15	106,7%	1 599 870,92
WFC 1 1/2 05/24/27		5 070 000,00	107,48%	105,3%	5 338 203,00	108,4%	5 494 943,09
AMER INTL GROUP 1.875 06/21/27		2 000 000,00	110,13%	98,4%	1 967 477,00	111,1%	2 222 483,28
BP CAPITAL PLC 1.637 06/26/29		800 000,00	110,96%	100,1%	800 504,00	111,8%	894 398,42
TMO 2 7/8 07/24/37		600 000,00	132,56%	117,9%	707 158,80	133,8%	802 900,24
NWIDE 2 07/25/29		500 000,00	104,52%	97,5%	487 253,90	105,4%	526 899,81
UNANA 0 7/8 07/31/25		200 000,00	104,99%	103,6%	207 219,48	105,4%	210 707,90
BATSLN 2 1/4 01/16/30		20 900 000,00	109,99%	100,7%	21 049 700,00	112,1%	23 438 566,95
BACR 2 02/07/28		13 100 000,00	102,24%	97,4%	12 753 260,00	104,0%	13 627 909,43
VOVCAB 2 01/24/25		2 000 000,00	102,63%	102,5%	2 050 000,00	104,5%	2 089 877,05
BANCO SABADELL 0.875 03/05/23		1 500 000,00	101,78%	97,5%	1 462 245,00	102,5%	1 537 476,94
FCA BANK IE 06/17/21		2 000 000,00	100,09%	97,4%	1 947 800,00	100,1%	2 001 828,78
BANCO SANTANDER 2.125 02/08/28		18 500 000,00	109,08%	100,4%	18 571 535,00	111,0%	20 528 911,98
CHUBB INA HLDGS 1.55 03/15/28		2 000 000,00	109,89%	100,0%	1 999 792,80	111,1%	2 222 437,28
CB 2 1/2 03/15/38		1 500 000,00	131,16%	103,1%	1 546 254,02	133,2%	1 997 250,71
AKFAST 3 7/8 10/05/78		500 000,00	106,13%	98,8%	493 896,15	107,0%	535 243,15
CFRVX 1 03/26/26		700 000,00	105,98%	103,0%	720 930,94	106,7%	747 208,76
SCENTRE GROUP TR 1.75 04/11/28		1 000 000,00	108,13%	99,8%	998 360,00	109,4%	1 093 984,38
HANRUE 1 1/8 04/18/28		700 000,00	109,70%	104,2%	729 447,50	110,5%	773 385,36
MONDI FINANCE PL 1.625 04/27/26		1 000 000,00	107,81%	101,7%	1 016 990,00	108,9%	1 089 157,20
FIDELITY NATL IN 2 05/21/30		525 000,00	113,65%	99,8%	523 971,00	114,9%	603 083,85
ALTRIA GROUP INC 2.2 06/15/27		450 000,00	109,09%	108,4%	487 620,00	110,3%	496 281,14
ALTRIA GROUP INC 1.7 06/15/25		2 500 000,00	105,88%	101,9%	2 547 800,00	106,8%	2 670 113,28
AIB 2 1/4 07/03/25		200 000,00	109,00%	100,2%	200 335,04	110,1%	220 238,90
C 1 1/2 07/24/26		200 000,00	106,23%	101,0%	201 926,34	106,9%	213 766,92
GS 2 11/01/28		680 000,00	113,52%	104,0%	707 229,24	113,8%	774 111,32
VW 1 5/8 08/15/25		320 000,00	106,23%	98,0%	313 450,27	106,8%	341 885,11
BMW 1 7/8 09/11/23		270 000,00	116,38%	110,4%	298 146,68	117,0%	315 958,27
PG 1 7/8 10/30/38		200 000,00	127,43%	117,3%	234 602,10	127,7%	255 494,18
ESBIRE 2 1/8 11/05/33		500 000,00	121,66%	110,4%	551 983,03	122,0%	609 917,47
T 1.05 09/05/23		600 000,00	102,95%	100,3%	601 540,80	103,3%	619 764,60
VW 3 1/4 11/18/30		5 200 000,00	124,98%	115,1%	5 986 028,30	125,4%	6 518 733,45
GEN MOTORS FIN 2.2 04/01/24		1 000 000,00	105,86%	100,0%	999 650,00	107,5%	1 075 085,02
VW 2 3/4 07/10/23		200 000,00	117,39%	112,1%	224 205,82	118,9%	237 701,60
IMPERIAL BRANDS 1.125 08/14/23		500 000,00	102,64%	100,0%	499 780,00	103,1%	515 332,10
IMPERIAL BRANDS 2.125 02/12/27		1 000 000,00	108,23%	104,8%	1 047 800,00	110,1%	1 101 005,67
BBVASM 2.575 02/22/29		13 800 000,00	105,35%	102,3%	14 120 850,00	107,5%	14 841 735,84
ABESM 2 3/8 09/27/27		5 000 000,00	110,62%	95,4%	4 770 000,00	111,2%	5 561 819,83
SCGAU 1.45 03/28/29		8 400 000,00	106,19%	91,9%	7 721 060,00	107,3%	9 012 313,26
VOLKSWAGEN FIN 1.5 10/01/24		800 000,00	104,79%	96,8%	774 032,00	105,2%	841 308,64
NIBC BANK NV 2 04/09/24		2 500 000,00	104,63%	100,5%	2 511 517,00	106,1%	2 652 071,54
MET 0 3/8 04/09/24		220 000,00	101,73%	98,3%	216 169,49	102,0%	224 401,21
MS 0.637 07/26/24		290 000,00	101,81%	98,7%	286 152,86	102,1%	296 040,30
BPLN 1.231 05/08/31		2 860 000,00	108,25%	106,7%	3 052 220,60	109,1%	3 118 847,90
NE PROPERTY 2.625 05/22/23		1 700 000,00	103,96%	102,0%	1 734 153,00	105,6%	1 794 630,51
UNANA 1 1/2 06/11/39		200 000,00	118,83%	109,6%	219 219,48	119,7%	239 333,88
TMO 1 3/4 04/15/27		110 000,00	110,23%	104,9%	115 416,33	111,5%	122 629,55

(euros)

Designation	Quantity	Amount	% of Amount	Average Acquisition Cost	Total Value Acquisition Cost	Carrying Amount (Includes Accrued Interest)	
						Unit	Total
CHUBB INA HLDGS 1.4 06/15/31		2 000 000,00	110,78%	102,0%	2 040 020,00	111,5%	2 230 854,06
CAIXABANK 1.375 06/19/26		1 000 000,00	105,39%	102,4%	1 023 530,00	106,1%	1 061 244,58
ARNDTN 4 3/4 PERP		100 000,00	116,80%	106,8%	106 754,14	119,6%	119 551,48
STANLN 0.9 07/02/27		500 000,00	104,55%	101,7%	508 500,00	105,0%	525 009,64
CNHI 1 5/8 07/03/29		6 580 000,00	105,40%	103,7%	6 823 664,00	106,2%	6 988 439,74
DT 1 3/8 07/05/34		700 000,00	112,19%	100,0%	699 762,03	112,9%	790 052,80
SABSM 0 7/8 07/22/25		12 700 000,00	102,16%	94,8%	12 040 954,00	102,6%	13 024 198,77
PHILIP MORRIS IN 1.45 08/01/39		1 200 000,00	101,86%	99,9%	1 198 932,00	102,5%	1 229 540,61
GS 0 1/8 08/19/24		280 000,00	100,39%	95,7%	267 915,41	100,4%	281 226,68
SAMHALLSBYGG 1.125 09/04/26		2 900 000,00	102,93%	99,3%	2 880 881,00	103,3%	2 995 522,66
DHR 0 3/4 09/18/31		600 000,00	103,01%	94,3%	566 023,02	103,2%	619 362,52
FCABNK 0 1/2 09/13/24		7 000 000,00	101,14%	94,9%	6 639 500,00	101,3%	7 090 334,23
GSK 0 09/23/21		380 000,00	100,23%	99,8%	379 179,52	100,2%	380 880,53
TLGGR 3 3/8 PERP		300 000,00	104,52%	93,4%	280 064,40	104,6%	313 769,64
BMW 0 3/8 09/24/27		360 000,00	102,64%	94,5%	340 089,49	102,7%	369 869,16
CKHGTH 1 1/8 10/17/28		670 000,00	105,28%	97,0%	649 657,70	105,5%	706 921,92
CK HUTCHISON 1.5 10/17/31		2 600 000,00	107,45%	99,7%	2 591 199,00	107,8%	2 801 827,17
HENKEL 1 09/30/22		600 000,00	113,24%	111,8%	671 030,99	113,5%	681 110,61
ENELIM 0 06/17/24		390 000,00	100,43%	97,1%	378 548,82	100,4%	391 676,26
EOANGR 0 10/24/22		810 000,00	100,41%	99,1%	802 312,41	100,4%	813 312,88
JPM 1.047 11/04/32		850 000,00	107,58%	95,8%	813 981,25	107,7%	915 855,33
SABSM 0 5/8 11/07/25		5 000 000,00	100,79%	90,5%	4 526 830,00	100,9%	5 044 102,86
BPCAPITAL PLC 1.104 11/15/34		500 000,00	105,86%	86,7%	433 675,00	106,0%	529 971,34
ISPIM 1 11/19/26		640 000,00	103,85%	93,8%	600 074,27	104,0%	665 376,21
EOFP 2 3/8 06/15/27		600 000,00	100,87%	101,0%	606 240,00	101,0%	605 860,06
ARCELORMITTAL 1 05/19/23		716 000,00	100,84%	99,9%	715 176,60	101,5%	726 458,30
TELJAS 1 3/8 05/11/81		2 000 000,00	101,25%	101,0%	2 019 400,00	102,1%	2 042 630,14
CB 0.3 12/15/24		270 000,00	101,45%	96,9%	261 739,15	101,5%	273 952,87
ACAFFP 0 7/8 01/14/32		400 000,00	104,90%	94,2%	376 648,75	105,7%	422 975,99
DIGITAL DUTCH 1.5 03/15/30		2 000 000,00	107,94%	100,4%	2 008 963,62	109,4%	2 187 444,87
UNICREDIT SPA 1.8 01/20/30		1 500 000,00	104,57%	99,6%	1 494 300,00	106,3%	1 594 114,19
GS Float 04/21/23		510 000,00	100,25%	97,3%	496 381,98	100,3%	511 326,73
LLOYDS 0 3/8 01/28/25		320 000,00	101,26%	95,4%	305 357,20	101,6%	325 140,25
FCABNK 0 1/4 02/28/23		290 000,00	100,35%	93,7%	271 644,45	100,6%	291 678,89
CMCSA 0 1/4 05/20/27		550 000,00	101,49%	96,3%	529 772,49	101,6%	559 051,45
IBM CORP 1.2 02/11/40		500 000,00	107,25%	99,6%	497 982,64	108,3%	541 547,36
WFC 0 5/8 08/14/30		1 030 000,00	101,72%	90,7%	934 446,90	102,0%	1 050 207,73
SIEGR 0 02/20/23		500 000,00	100,53%	99,5%	497 734,80	100,5%	502 636,87
DOW CHEMICAL CO 1.125 03/15/32		500 000,00	103,77%	86,5%	432 645,00	104,7%	523 638,05
DOW CHEMICAL CO 1.875 03/15/40		2 090 000,00	111,28%	100,0%	2 090 824,59	112,9%	2 359 015,47
GIVNVX 1 04/22/27		100 000,00	106,57%	102,1%	102 144,49	107,3%	107 260,07
GIVNVX 1 5/8 04/22/32		100 000,00	114,00%	104,5%	104 545,93	115,1%	115 126,23
LLOYDS BK GR PLC 4.5 03/18/30		900 000,00	114,37%	114,2%	1 027 800,00	117,9%	1 061 506,74
UNANA 1 1/4 03/25/25		200 000,00	105,95%	105,0%	209 978,28	106,9%	213 823,88
UNANA 1 3/4 03/25/30		160 000,00	115,55%	111,6%	178 483,84	116,9%	187 037,14
DEGELN 1 7/8 03/27/27		430 000,00	111,43%	106,8%	459 437,22	112,9%	485 331,79
HEIANA 2 1/4 03/30/30		100 000,00	118,31%	110,3%	110 299,67	120,0%	120 012,94
DHR 2.1 09/30/26		230 000,00	111,52%	106,5%	245 041,76	112,1%	257 718,44
BAC 3.648 03/31/29		270 000,00	124,30%	116,4%	314 383,27	127,1%	343 043,44
NESNVX 1 1/8 04/01/26		90 000,00	106,75%	105,1%	94 550,98	107,6%	96 832,11
NESNVX 1 1/2 04/01/30		70 000,00	113,93%	108,9%	76 231,42	115,1%	80 538,63
LLOYDS 3 1/2 04/01/26		4 730 000,00	113,69%	112,6%	5 327 592,35	116,3%	5 502 028,01
GS 3 3/8 03/27/25		190 000,00	113,94%	109,6%	208 323,65	116,5%	221 388,68
BERTEL 2 04/01/28		200 000,00	112,41%	104,7%	209 456,68	113,9%	227 832,14
RBS 2 3/4 04/02/25		5 050 000,00	111,15%	109,1%	5 510 814,21	113,2%	5 716 991,59
BACR 3 3/8 04/02/25		4 900 000,00	110,31%	108,7%	5 324 251,54	112,8%	5 528 889,72
SGOFP 2 3/8 10/04/27		200 000,00	114,26%	105,6%	211 228,26	114,8%	229 657,76
MNDILN 2 3/8 04/01/28		200 000,00	114,63%	101,4%	202 883,74	116,4%	232 833,96
VOLKSWAGEN FIN 3.375 04/06/28		2 600 000,00	119,86%	114,7%	2 981 057,50	122,3%	3 180 969,04
EOANGR 1 10/07/25		160 000,00	105,14%	102,2%	163 532,61	105,4%	168 602,58
STATE GRID OSEAS 0.797 08/05/26		820 000,00	102,19%	100,0%	820 000,00	102,5%	840 584,12
CHGRID 1.303 08/05/32		4 300 000,00	104,37%	102,6%	4 411 535,00	104,9%	4 510 515,46
TOTAL 1.491 04/08/27		200 000,00	109,61%	105,3%	210 641,52	110,7%	221 396,90
BATSLN 3 1/8 04/07/28		370 000,00	116,64%	106,4%	393 703,13	118,9%	440 054,12
SYNNVX 3 3/8 04/16/26		10 000 000,00	107,98%	100,5%	10 053 563,75	110,4%	11 037 594,04

(euros)

Designation	Quantity	Amount	% of Amount	Average Acquisition Cost	Total Value Acquisition Cost	Carrying Amount (Includes Accrued Interest)	
						Unit	Total
ENBW 0 5/8 04/17/25		400 000,00	103,35%	100,8%	403 214,76	103,8%	415 151,25
SSELN 1 3/4 04/16/30		780 000,00	112,00%	102,8%	801 688,80	113,2%	883 323,20
WFC 1.338 05/04/25		400 000,00	104,13%	100,1%	400 304,00	105,0%	420 070,81
HEINEKEN NV 1.75 05/07/40		500 000,00	114,91%	104,3%	521 450,00	116,0%	580 240,28
BANCO SANTANDER 1.375 01/05/26		300 000,00	106,14%	99,6%	298 839,00	107,0%	321 118,30
WPPLN 2 3/8 05/19/27		3 000 000,00	112,07%	103,7%	3 109 620,00	113,5%	3 406 245,96
RICHEMONT INT 1.625 05/26/40		878 000,00	117,06%	98,4%	863 837,86	118,0%	1 036 367,41
CONTI-GUMMI FIN 2.125 11/27/23		537 000,00	105,74%	99,6%	534 631,83	105,9%	568 880,69
CONGR 2 1/2 08/27/26		6 820 000,00	111,64%	102,8%	7 011 631,62	112,5%	7 672 391,25
VVOYHT 1 7/8 05/27/27		1 029 000,00	108,01%	99,2%	1 020 613,65	109,1%	1 122 954,12
STANLN 2 1/2 09/09/30		7 680 000,00	107,16%	105,3%	8 083 768,80	107,9%	8 289 703,87
IFXGR 2 06/24/32		9 000 000,00	113,64%	101,2%	9 104 000,00	114,7%	10 320 899,30
SESGFP 2 07/02/28		1 000 000,00	107,75%	99,6%	995 800,00	108,8%	1 087 506,97
SPMIM 3 3/8 07/15/26		2 000 000,00	104,43%	103,3%	2 065 000,00	106,0%	2 119 823,24
MRKGR 1 5/8 09/09/80		2 000 000,00	102,29%	102,0%	2 040 000,00	102,8%	2 055 805,18
TOTAL 2 PERP		7 000 000,00	103,59%	101,6%	7 113 750,00	104,2%	7 296 552,44
MOLHB 1 1/2 10/08/27		3 000 000,00	102,90%	102,6%	3 078 750,00	103,2%	3 097 322,50
VOVCAB 2 1/2 10/07/27		2 000 000,00	105,52%	105,0%	2 100 000,00	106,1%	2 122 017,30
PEPSICO INC 1.05 10/09/50		900 000,00	105,94%	100,9%	908 018,50	106,2%	955 645,18
STORA ENSO OYJ 0.625 12/02/30		381 000,00	101,73%	99,2%	377 993,91	101,8%	387 782,59
CST000CONTA MARGEM MORGAN STANLEY USD					461 838,59		461 838,59
CST001CONTA MARGEM MORGAN STANLEY USD					735 041,41		735 041,41
CST000CONTA MARGEM MORGAN STANLEY GBP					87 442,69		87 442,69
CST001CONTA MARGEM MORGAN STANLEY GBP					127 714,22		127 714,22
	subtotal	0	657 060 227,72			670 028 892,50	712 996 864,58
	subtotal	0	1 437 700 900,45			1 547 681 735,89	1 722 580 729,67
	Total	3 774 845	1 437 700 900,45			1 934 577 591,03	2 097 011 347,74
3 - GRAND TOTAL		7 163 941 322	1 773 289 651,98			2 300 250 366,08	2 509 995 594,83

09



**REMUNERATION
POLICY DISCLOSURE**

REMUNERATION POLICY DISCLOSURE

The remuneration policy disclosure encompasses three components:

- Information on the remuneration policy for the members of the governing bodies and key functions;
- The remuneration table with the amounts paid in 2020 to the members of the governing bodies;
- A statement of compliance provided in article 4 of the regulatory standard no. 5/2010-R of 1st April of the ASF.

9.1. REMUNERATION POLICY FOR THE MEMBERS OF THE GOVERNING BODIES AND KEY FUNCTIONS

a) General principles

The remuneration policy for the members of the governing bodies and key functions was approved by the General Meeting on 31st July 2020, as documented in minutes no. 78, and it sets forth the general principles applying to the company's target population, except key functions:

- Fixed and variable components of remuneration shall be weighed in a manner as to ensure that fixed pay is a sufficiently high proportion of total remuneration to allow for total flexibility in variable pay;
- The total amount of variable pay is based on the global performance of the individual, the overall results of the company and the group;
- A substantial portion of the variable pay shall be deferred for a minimum of a three- year period and the deferral period shall be appropriate to the business nature, its risks and the activity of the employees in question;
- Financial and non-financial criteria shall be considered when assessing performance;
- Performance measurement shall include a downward adjustment (malus and clawback arrangements) for current and future risk exposure, considering the risk profile and capital cost;
- Personal hedging strategies or liability related insurance, which would alter or undermine risk alignment effects embedded in remuneration arrangements, are prohibited;
- All variable components of remuneration are subject to a bonus cap;
- Market data shall be considered for all remuneration-related decisions;
- No person within the target population shall receive payments and/or attendance bonuses for any other position assigned in subsidiaries and associates of the Generali Group, save for any specific exception, formally justified and duly authorised by the relevant governing bodies

The remuneration policy comprises specific provisions addressing key functions and the relevant remuneration, which shall be consistent with the level of responsibility and duties assigned to ensure the level of independence required.

The variable pay of key functions is independent from the performance of business units and areas under their control.

b) Decision-making process

The remuneration policy of the governing bodies is approved by the General Meeting under the terms laid down in article 13 of the company's articles of association.

No external consultants were involved in the definition of the remuneration policy.

In accordance with the provisions set forth in article 13 of the company's articles of association, the remuneration of the members of the governing bodies is set up by the General Meeting or a remuneration committee appointed by the former and composed of two or more members, whether a shareholder or not. Considering that the merger process became effective near the end of 2020, no remuneration committee was established in that period, although it is scheduled to be appointed in 2021.

The remuneration policy is revised on a yearly basis and subject to an independent internal evaluation by the company's key functions, working in cooperation between them, and further disclosed in the company's internal platform and annual report.

c) Executive members of the Board of Directors

• Remuneration framework

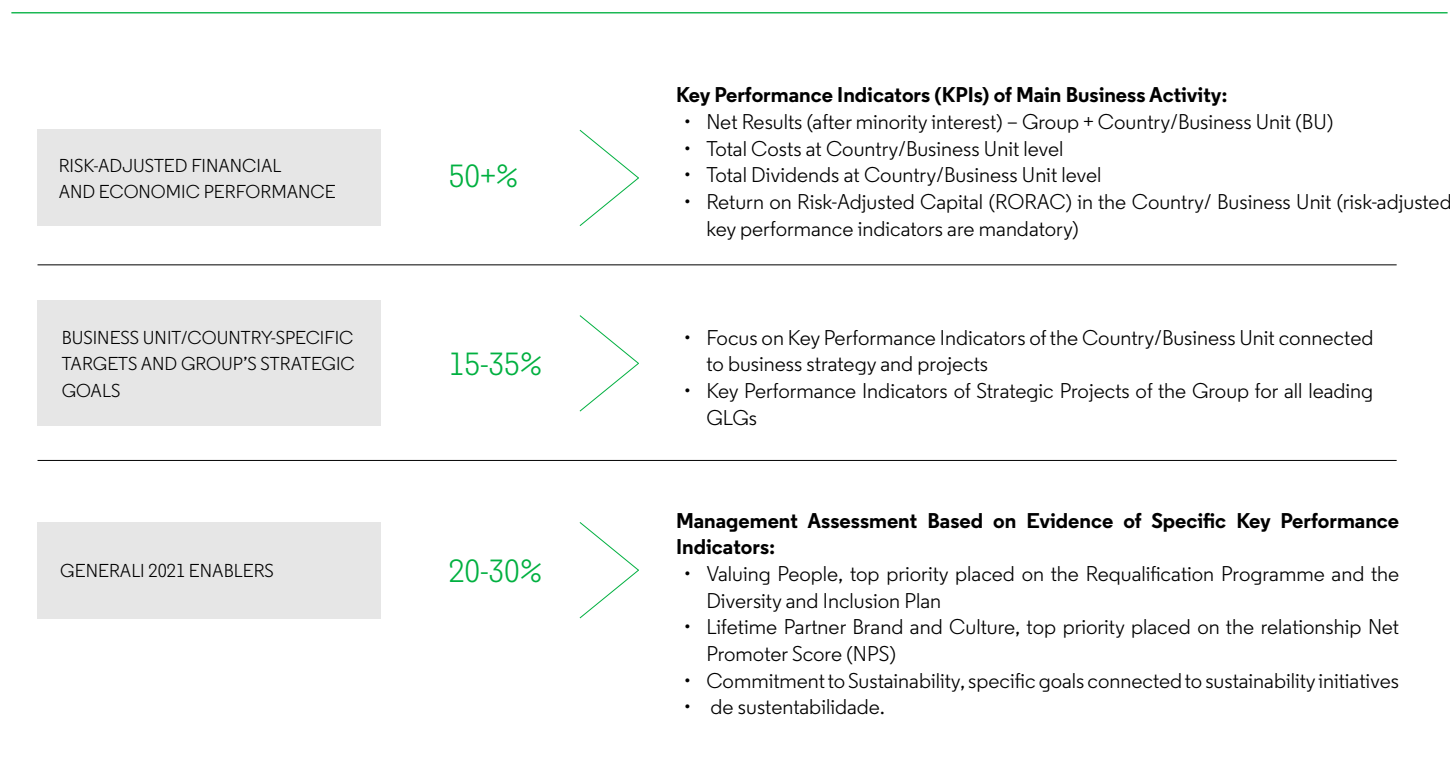
- The remuneration of the executive members of the Board of Directors comprises a fixed component, fringe benefits and, potentially, a variable component.
- Whenever annual remuneration of the executive members of the Board of Directors comprises a variable component, it shall comply with the provisions set forth in the remuneration policy approved by the General Meeting.
- Under the company’s articles of association, the remuneration of the executive members of the Board of Directors includes a percentage of profits, which shall not exceed 5% of total profits to be shared.
- Under the terms set forth in the remuneration policy, fixed pay shall be sufficient to draw and retain key individuals and provide appropriate remuneration to the function, should variable component not be paid due to failure in achieving performance-related goals at an individual, corporate and group level.
- The remuneration package is intended to stay competitive between the median and upper quartile of the reference market, based on an individual positioning reliant on performance evaluation and potential and strategic business impact, according to a segmented approach.

• Variable component of remuneration

- Variable pay is intended to drive management bodies to achieve business goals by establishing a direct connection between bonuses and financial and non financial targets at an individual, corporate and group level.
- Performance is evaluated under a multi-perspective approach, which assesses the results attained by the individual, the company and the group as a whole within a given period.
- The impact of variable pay on total remuneration relies on the organisational level, the potential to influence directly the group’s results and the impact of individual work on the business.
- Overall variable pay comprises an annual and deferred component and its structure relies on different percentages and deferral periods depending on the cluster of the beneficiary subject to the remuneration policy.
- Variable pay, whether annual or deferred, comprises a reduction (malus) or a reversal (clawback) mechanism. In relation to annual bonuses, the final goal achievement evaluation includes an individual appraisal focused on compliance with regulatory provisions within governance, audit and ethical processes. The appraisal is used in the calibration process and as a malus and clawback mechanism.

- Eligible criteria for short-term variable pay

Eligible criteria for short-term variable pay for the executive members of the Board of Directors relies on individual and/or aggregate performance evaluation process set by the company and based on measurable and predetermined criteria, including non-financial criteria, which shall consider the following indicators:



Performance evaluation of the executive members of the Board of Directors is ratified and approved by the General Meeting, according to the model set out internally within the organisation, specifically in compliance with the governing principles laid down in the remuneration policy.

Should results show a relevant deterioration of business performance in the last financial year or when such deterioration is expected to occur over the current period, necessary and appropriate limitations may apply, including non-payment of any variable component, aimed to preserve financial balance and attain the remaining solvability ratios legally required.

– Long-term variable pay (deferral of variable pay)

The executive members of the Board of Directors may be eligible to be part of a deferred variable pay programme, with a multi-year timeframe approved periodically by the relevant bodies of the Generali Group. Generali Seguros, S.A. applies the rules and procedures laid down in the plan.

– Nature of variable pay | Financial instruments

Variable pay may consist of performance bonuses, performance prizes and/or profit-sharing bonuses, as may be provided by the General Meeting.

Without prejudice to the above, the shareholder may establish within the General Meeting that the variable component of remuneration, or a portion of it, may be awarded in the form of share plans or share options in the company or other company of the group.

• Other contracts

In accordance with the provisions set forth in the remuneration policy, employees shall not use personal hedging strategies or liability related insurance to alter or undermine risk alignment effects embedded in their variable pay arrangements.

• Fringe benefits

The target population fringe benefits may differ in type and value depending on the cluster of the beneficiary. These benefits may include individual pension plans, health insurance and other guarantees in case of death or disability or other benefits offered in the reference market.

In relation to pension plans, the executive members of the Board of Directors may benefit from a contribution to the Pension Fund, under the terms and conditions approved by the General Meeting. The executive directors may also benefit from other advantageous contractual conditions, such as insurances or other products of the Generali Group.

Additionally, other benefits may be awarded over a defined period of time, in line with market practices, in cases of internal or international mobility, namely housing, childhood education and other allowances attached to internal and international mobility.

d) Non-executive members of the Board of Directors

Non-executive members of the Board of Directors may receive an annual fixed remuneration, as may be provided by the General Meeting, which, in any case and should it happen, shall not rely on any performance feature. Non-executive directors are not eligible to receive any variable pay.

e) Compensation limits to be paid to members of the Board of Directors for termination without cause

No indemnity for termination of employment contract without cause shall be paid to any member of the Board of Directors, if such termination arises from insufficient performance of the departing member.

g) Supervisory Board

Under the terms provided in article 25 of the company's articles of association, the Supervisory Board is composed of a chairperson and two members appointed by the General Meeting, which shall also appoint an alternate member.

The members of the Supervisory Board receive an annual fixed remuneration, paid quarterly, under the terms set forth in article 13 of the company's articles of association.

h) Statutory auditor

The statutory auditor shall receive a fee under the conditions laid down in the applicable law. Audit fee shall be advanced by the statutory auditor and submitted to the Board of Directors for approval, upon recommendation of the Supervisory Board.

i) Members of the Board of the General Meeting

The Board of the General Meeting is composed of a chairperson and a secretary appointed by the General Meeting, under the terms provided in article 15 of the company's articles of association.

The members of the Board of the General Meeting may receive a fixed fee for each General Meeting held, paid on the meeting scheduled date, wherever such fee is due.

j) Employees with key functions

The remuneration of employees with key functions comprises a fixed and, eventually, a variable pay, (i) depending on the pursuit of the objectives associated with the respective functions, regardless of the performance of the areas under their control and ensuring that remuneration provides proper reward, considering the relevance of their functions, (ii) in harmony with their role within the company and not in relation to the performance of the organisation.

The Board of Directors shall weigh and balance several factors before deciding on these two components, among which the following are highlighted:

- the company' interests on a medium and long-term perspective;
- specific features of the function held;
- salary practices in the insurance industry;
- performance evaluation.

- Fixed component of remuneration

Fixed pay is determined in accordance with the level of responsibility and function assigned and shall be appropriate to ensure the independence required.

- Variable component of remuneration

- Eligibility criteria

Eligibility for award of variable pay is annual and relies on a performance evaluation process set by the company and based on measurable and predetermined criteria, including non-financial criteria. The scorecard balanced model adopted by the group provides a framework to set goals and assess effective performance of key functions.

Goals must be independent of the results achieved by business units and operational areas under the control of key functions and solely attached to the effectiveness and quality of those controls (specific activities of each key function, according to goals based on effectiveness and quality of controls, excluding economic and financial goals that may otherwise create a conflict of interest).

Variable pay is not a statutory employment right and shall be determined each year based on predetermined criteria, which may be changed and/or revoked at any moment by the Board of Directors and is subject to approval by the Board of Directors based on employee performance evaluation.

- (Non) Deferral of variable pay

Considering the country risk rating, the remuneration policy currently in place, maximum remuneration limits and risk tolerance levels, it was not deemed necessary to defer a portion of the variable remuneration until this date.

- Nature of variable pay | Financial Instruments

Variable component of remuneration may consist of performance prizes, according to the abovementioned factors, or others that may be specifically established by the Board of Directors or even profit-sharing bonuses, under a proposal by the Board of Directors and subject to approval at the General Meeting.

- Other benefits

In addition to the aforesaid fixed and variable components of remuneration, employees with key functions may be awarded, wherever applicable, the following benefits under the Collective Bargaining Regulation Instrument applicable to the company or the organisation's own set of regulations extensive to all employees:

- health insurance;
- life insurance;
- individual pension plans, in case of retirement for old age or disability.

9.2. REMUNERATION TABLE OF THE AMOUNTS PAID TO THE MEMBERS OF THE GOVERNING BODIES OF GENERALI SEGUROS, S.A.

(thousand of euros)

	Remuneration		Total
	Fixed	Variable	
Board of Directors			3 491
Alexander Wallace Humphreys (Member) ⁽¹⁾	–	–	–
António Cassio dos Santos (Chairman) ⁽¹⁾	–	–	–
Bogdan Ignashchenko (Member) ⁽¹⁾	–	–	–
Gernot Wilhelm Friedrich Lohr (Vogal) ⁽¹⁾	–	–	–
Gonçalo Fernando de Salvado Marques Oliveira (Member) ^{(1) (2)}	628	–	628
Gustavo Alexandre P.T. Mesquita Guimarães (Chairman) ^{(1) (2)}	300	–	300
Jaime Anchústegui Melgarejo (Chairman)	–	–	–
Jan Adriaan de Pooter (Member) ^{(1) (2)}	1 384	–	1 384
João Vieira de Almeida (Vice-President)	25	–	25
José António Correia Dias Nogueira Silva (Member) ^{(1) (2)}	455	154	609
Patrícia Ribeiro Sanina Espírito Santo (Member)	–	–	–
Pedro Luís Francisco Carvalho (CEO)	315	230	545
Riccardo Candoni (Member)	–	–	–
Stefano Flori (Member) ⁽³⁾	–	–	–
Supervisory Board			255
Henrique Paulo Marques de Oliveira Xavier (Alternate member)	5	–	5
José Manuel Serrão (Member)	5	–	5
Luís Maria Viana Palha da Silva (Chairman) ⁽¹⁾	100	–	100
Manuel Maria de Paula Reis Boto (Member) ⁽¹⁾	60	–	60
Manuel Soares Pinto Barbosa (Chairman)	15	–	15
Nelson Manuel Marques Fontan (Member)	10	–	10
Pedro Manuel Aleixo Dias (Member) ⁽¹⁾	60	–	60
Sandra Maria Simões Filipe de Ávila Valério (Alternate member) ⁽¹⁾	–	–	–
Total Remuneration	3 362	384	3 746

(1) The aforesaid member of the governing bodies no longer holds the position in question.

(2) These amounts equate to compensations paid for termination of employment contract.

(3) According to the provisions set forth in the remuneration policy, the person in question is a board member of Assicurazioni Generali and therefore is not eligible to receive remuneration from Generali Seguros. In this case, remuneration shall be paid directly by the parent company and costs subsequently charged to Generali Seguros, S.A. through an intragroup agreement.

In 2020, the company recorded costs incurred in share-based payment plans related to members of the Board of Directors in amount of €46 thousand, namely: Pedro Luís Francisco Carvalho (€38 thousand) and Stefano Flori (€8 thousand).

During 2020, no contributions were made to the Pension Fund related to the executive members of the Board of Directors, despite a rise in the corresponding cost.

In 2020, no costs were incurred for termination of contracts and relevant charges related to members of the Board of Directors.

9.3 STATEMENT OF COMPLIANCE (ARTICLE 4, CLAUSE 1 OF THE REGULATORY STANDARD NO. 5/2010-R OF 1ST APRIL OF THE ASF)Breakdown of the recommendations adopted and not adopted included in the Circular Letter no. 6/2010 of 1st April of the ASF.

Recommendations	Compliance Level	Comments
I. General Principles		
I.1	Compliant	
I.2	Compliant	
I.3	Compliant	
II. Remuneration Policy Approval		
II.1	Compliant	
II.2	Compliant	
II.3	Compliant	
II.4	Compliant	
II.5	Compliant	
III. Remuneration Committee		
III.1	Not applicable	
III.2	Not applicable	
III.3	Not applicable	
III.4	Not applicable	
III.5	Not applicable	
IV. Executive Members of the Board of Directors		
IV.1	Compliant	At this stage, evaluation criteria rely on global indicators, individual and corporate results, namely: i) growth; ii) profit; iii) key indicators; iv) risk-adjusted return on capital; v) strategic actions.
IV.2	Compliant	
IV.3	Compliant	Paid amount did not account for a substantial portion of variable pay and it was paid within a programme implemented in parent company.
IV.4	Compliant	
IV.5	Compliant	
IV.6	Compliant	
IV.7	Compliant	
IV.8	Compliant	
IV.9	Compliant	

Recommendations	Compliance Level	Comments
IV. Non-executive members of the Board of Directors		
IV.10 The remuneration of the non-executive members of the Board of Directors shall not include any component whose value depends on the performance or value of the organisation.	Compliant	
IV. Board of Directors – Compensation for termination of employment contract		
IV.11 Definition of the appropriate legal instruments to ensure that any compensation for termination of employment contract without cause of a member of the Board of Directors will not be paid, if dismissal or termination by mutual agreement arises from insufficient performance of the departing member.	Not applicable	There shall be no compensation for any form of dismissal without just cause of a member of the Board of Directors.
V. Remuneration of Employees – Fixed and Variable Pay Ratio		
V.1 If the remuneration of employees comprises a variable component, it shall be fair and balanced against fixed component, considering the performance, responsibilities and duties of each employee. Fixed pay shall account for a sufficiently important portion of total remuneration. Variable pay shall be subject to a maximum limit.	Compliant	
V.2 Substantial payment of a variable portion in financial instruments issued by the organisation, whose appreciation depends on the long and medium-term performance of the organisation and further subject to a retention policy aligned with the organisation's long-term interests.	Not applicable	No employee variable pay is paid, whether partial or in total, in financial instruments issued by the organisation.
V. Remuneration of Employees – Eligibility Criteria for Variable Pay		
V.3 Performance evaluation shall consider not only individual performance, but also the performance of the unit in which the employee is involved and the organisation itself. It shall further include relevant non-financial criteria, such as compliance with business-related rules and procedures, especially relating to internal control and customer relations.	Compliant	
V.4 Eligibility for award of variable pay relies on performance criteria, which are measurable and predetermined based on a multi-year timeframe from three to five years, in order to ensure that the evaluation process is based on long-term performance.	Compliant	
V.5 Variable pay, including its deferred portion, shall be paid or constitute a vested right if feasible, considering the financial situation of the organisation as a whole, and awarded in light of the performance of the employee and its operating unit. Total variable pay shall be severely reduced in case of deterioration or poor performance of the organisation.	Compliant	
V.6 A significant portion of variable pay shall be deferred for a period of no less than three years, and its payment shall depend on future performance standards based on risk-adjusted criteria, which take into consideration business risks based on which they are applied.	Non-compliant	Deferral approach is not applicable to employee variable pay.
V.7 The portion of variable pay subject to deferral, under the terms of the preceding number, shall be determined in steady proportion to its relative weight compared to fixed pay. The percentage deferred shall amount significantly in proportion to the seniority or responsibilities of the employee.	Not applicable	Deferral approach is not applicable to employee variable pay.
V. Remuneration of employees with key functions		
V.8 Remuneration of employees with key functions shall be determined in accordance with the attainment of the objectives associated with their duties, regardless of the performance of the areas under their control. Remuneration shall provide a reward that corresponds to the relevance of the exercise of their duties.	Compliant	
V.9 Remuneration of the actuary officer and the actuarial function shall be consistent with their role in the organisation and not with their performance.	Compliant	
VI. Evaluation of the Remuneration Policy		
VI.1 The remuneration policy shall be submitted to an independent internal review at least once a year and carried out in cooperation between the organisation's key functions.	Compliant	
VI.2 The evaluation mentioned in VI.1 shall include an analysis of the remuneration policy of the organisation and its implementation in light of the recommendations of this circular letter, particularly as to their impact on risk management and the organisation's equity.	Compliant	
VI.3 Employees with key functions shall submit a report to the Board of Directors and the General Meeting or the Remuneration Committee, if any, with the results of the analysis referred to in VI.1 and the measures deemed necessary to correct any insufficiencies in light of these recommendations.	Compliant	
VII. Financial Groups		
VII.1 The parent company of an insurance group or financial conglomerate subject to supervision by the ASF on the basis of its consolidated situation shall ensure that all its subsidiaries, including those based abroad, implement mutually consistent remuneration policies by reference to these recommendations.	Not applicable	
VII.2 The adoption of these recommendations shall be applied to the overall remuneration paid to each employee by those organisations that form part of the same insurance group or financial conglomerate.	Not applicable	
VII.3 Key functions of the parent company shall perform at least once a year, in cooperation with each other, an assessment of the remuneration practices adopted by the subsidiaries based abroad, in light of these recommendations, particularly as to their impact on risk management and the subsidiary's equity.	Not applicable	
VII.4 Employees with key functions shall submit to the Board of Directors and the General Meeting of the parent company or the Remuneration Committee, if any, a report on the results of the assessment mentioned in VI.1, detailing the measures required to correct any insufficiencies in light of these recommendations.	Not applicable	

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**STATUTORY AUDITORS'
REPORT**



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STATUTORY AUDITORS' REPORT

(Free translation from a report originally issued in Portuguese language.
In case of doubt the Portuguese version will always prevail.)

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

We have audited the accompanying financial statements of **Generali Seguros, S.A.** (the Entity), which comprise the statement of financial position as at 31 December 2020 (showing a total of 3,220,002 thousand euros and equity of 335,199 thousand euros, including a net income of 18,895 thousand euros), and the income statement, statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and the accompanying notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements give a true and fair view, in all material respects, of the financial position of **Generali Seguros, S.A.** as at 31 December 2020, and of its financial performance and its cash flows for the year then ended in accordance with the accounting principles generally accepted in Portugal for the insurance sector as established by Autoridade de Supervisão de Seguros e Fundos de Pensões (ASF).

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and further technical and ethical standards and guidelines as issued by Ordem dos Revisores Oficiais de Contas (the Portuguese Institute of Statutory Auditors). Our responsibilities under those standards are further described in the "Auditors' responsibilities for the Audit of the Financial Statements" section below. We are independent of the Entity in accordance with the law and we have fulfilled other ethical requirements in accordance with the Ordem dos Revisores Oficiais de Contas' code of ethics.

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

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current year. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.



Measurement of financial instruments (including impairment recognition)

As at 31 December 2020, the available-for-sale financial assets, financial assets initially recognized at fair value through profit or loss and held to maturity investments amount to 2,486,375 thousand euros, 9,722 thousand euros and 12,487 thousand euros respectively, as disclosed in note 6 to the financial statements, accounting for around 77%, 0.3% and 0.4% of total assets, respectively.

The risk

The held to maturity financial instruments are measured at amortized cost, net of any impairments, being the remaining assets measured at fair value in accordance with the respective accounting policy described in note 3 – Financial instruments of financial statements.

With regard to available-for-sale assets, changes in fair value are included in other comprehensive income and, if there is an impairment, the accumulated value is reclassified to profit or loss for the year.

Regarding the available-for-sale financial assets, the Entity determines that an impairment loss exists when a significant or prolonged decline in the fair value occur.

With regard to held to maturity financial assets, the Entity determines that there is an impairment when there is an event that may impact the estimated value of future cash flows.

The fair value of most of these financial instruments is determined with reference to active market or through price providers. As referred in note 3 – Critical accounting estimates and judgements in preparing the financial statements, the valuations are obtained through prices on markets or through valuation methodologies which require certain assumptions or judgements to be used when determining the fair value estimates.

Developments in the economic environment, as well as the control and monitoring of the spread of COVID – 19 and its effects could create volatility in markets with impacts on the future clearance of the fair value of financial instruments.

Our response to the identified risk

Our audit procedures included, among other, the following procedures:

- Evaluation of design and implementation of the controls of the Entity concerning the valuation of investments portfolio;
- Testing the valuation of the investments portfolio in order to conclude on the reasonability of the fair value estimates recognised by the Entity, taking into account external price sources, analysis of the main assumptions considered in the valuation of units;
- Impairment testing of assets held to maturity and assets available for sale; and,
- Evaluation of the adequacy of the information disclosed by the Entity in accordance with the applicable accounting framework.



Life mathematical reserve and financial liabilities related to investment contracts

As at 31 December 2020, the life mathematical reserve (including the reserve to meet interest rate commitments) and the financial liabilities related to investment contracts, amount to 800,552 thousand euros and 62,089 thousand euros, respectively, and account for around 28% and 2% of total liabilities, respectively.

The risk

At each reporting date, the Entity performs a liability adequacy test on insurance contracts and investment contracts presented in the captions mathematical reserve and financial liabilities, based on actuarial techniques acknowledged by the legislation in force, as described in accounting policies in note 4 referring to insurance and investment contracts.

This is an area that involves significant judgement by Management over future outcomes, namely (i) the ultimate total settlement value of long term policyholder liabilities (which relies on a wide set of economic, demographic and business assumptions used as inputs for estimating the long term policyholder liabilities) and (ii) the expected future returns on assets portfolio covering these liabilities as referred in note 3 – Critical accounting estimates and judgements in preparing the financial statements. Using alternative methodologies and assumptions could result in a different level of mathematical reserve and liabilities related to investment contracts.

Our response to the identified risk

Our audit procedures included, among other, the following procedures:

- Evaluation of design and implementation of the key controls of the Entity at the claims reserving policy level;
 - Assessment of the design and implementation of the main controls carried out by the Entity in terms of its technical provisioning policy;
 - Evaluation of the adequacy of the assumptions used on the calculation of the liabilities related to life insurance contracts and investment contracts;
 - Evaluation of the adequacy of mathematical reserve and liabilities related to investment contracts taking into account the contractual agreements of each life product, including guarantees; and,
 - Evaluation of the adequacy of the information disclosed by the Entity in accordance with the applicable accounting framework.
-

Claims reserve

As at 31 December 2020, the claims reserve, amounting to 1,300,649 thousand euros, accounts for 49% of total liabilities, from which 673,185 thousand euros refer to the mathematical reserve of workmen's compensation, as described in note 4 to the financial statements.

i) Claims reserve (except the mathematical reserve of workmen's compensation - pensions) in the amount of 627,464 thousand euros

The risk

The claims reserve corresponds to the incurred claims but not settled, to the estimated responsibility for the incurred claims and still not reported (IBNR), together with the related direct and indirect claims handling costs at year-end. The claims reserve, with exception to the mathematical reserve of workmen's compensation, are not discounted, as described in the accounting policies of note 4 related to insurance contracts and investment contracts.

The claims liabilities are inherently uncertain, involving in their estimation a significant judgement by the management of the Entity.

The Entity determines the best estimate of claims reserve based on the past experience of claims settlement, other explicit or implicit assumptions and statistical methodologies.

Our response to the identified risk

Our audit procedures included, among other, the following procedures:

- Evaluation of design and implementation of the key controls of the Entity at the claims reserving policy level;
 - Tests in order to verify the adequacy of the claims reserve estimate, which comprised, among other, the utilization of commonly accepted actuarial techniques (run-off analysis);
 - Evaluation of the methodology and assumptions used by the Entity on the claims reserve estimate;
 - Evaluation the work performed and the conclusions reached by the chief actuaries; and,
 - Evaluation of the adequacy of the disclosures produced by the Entity, in accordance with the applicable accounting framework.
-

ii) Claims reserve – Mathematical reserve of workmen’s compensation (including the reserve for future contributions to the *Fundo de Acidentes de Trabalho*) in the amount of 673,185 thousand euros

The risk

As described in the accounting policies in note 4 related to insurance contracts and investment contracts, the mathematical reserves of workmen’s compensation, is an area which requires significant judgement by management on uncertain future outcomes, namely, (i) the ultimate total settlement value of long term policyholder liabilities (which, besides the legal and regulatory requirements to be observed, rely on a wide set of economic, demographic and business assumptions used as inputs for estimating the long term policyholder liabilities) and, (ii) the expected future returns on assets portfolio covering these liabilities.

Our response to the identified risk

Our audit procedures included, among other, the following procedures:

- Evaluation of design and implementation of the key controls of the Entity at the workmen’s claims reserving policy level;
- Evaluation of the adequacy of the methodologies and economic and non-economic assumptions used by the Entity on projecting and discounting the liabilities resulting from workmen’s compensation line of business;
- Evaluation of the work produced and the conclusions obtained by the responsible actuaries of the Entity; and,
- Evaluation of the adequacy of the disclosures produced by the Entity, in accordance with the applicable accounting framework.

Emphasis of matter

We draw attention to notes 1 and 32 of the accompanying notes to the financial statements where, where it is mentioned the merger by incorporation into Seguradoras Unidas, S.A. of Generali - Companhia de Seguros, S.A. and Generali Vida - Companhia de Seguros, S.A., and subsequent rename of the Entity into Generali Seguros, S.A. This merger took effect on 1 October 2020, and as a result all the financial information presented in the accounting corresponds to the merged balance sheet of all the Entities, and the gains and losses correspond to the nine-month activity of Seguradoras Unidas, S.A. on a standalone basis, complemented by three months of the Entity’s activity already merged. Therefore, the comparative information shown in the income statement and cash flow statement is not comparable. Our opinion is not modified in relation to this matter.

Responsibilities of Management and the Supervisory Body for the Financial Statements

Management is responsible for:

- the preparation of financial statements that give a true and fair view of the Entity’s financial position, financial performance and the cash flows, in accordance with the accounting principles generally accepted in Portugal for the insurance sector as established by ASF;



- the preparation of the management report, the corporate governance report, in accordance with applicable laws and regulations;
- designing and maintaining an appropriate internal control system to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error;
- the adoption of accounting policies and principles appropriate in the circumstances; and
- assessing the Entity's ability to continue as a going concern, and disclosing, as applicable, the matters that may cast significant doubt about the Entity's ability to continue as a going concern.

The supervisory body is responsible for overseeing the Entity's financial reporting process.

Auditors' Responsibilities for the Audit of the Financial Statements

Our responsibility is to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatements, whether due to fraud or error, and to issue an auditors' 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 skepticism 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 Entity's internal control;
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management;
- conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' 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 auditors' report. However, future events or conditions may cause the Entity to cease to continue as a going concern;
- evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation;



- communicate with those charged with governance, including the supervisory body, regarding, among other matters, the planned scope and timing of the audit, and significant audit findings including any significant deficiencies in internal control that we identify during our audit;
- determine, from the matters communicated with those charged with governance, including the supervisory body, those matters that were of most significance in the audit of the financial statements of the current year and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes their public disclosure; and
- provide the supervisory body with a statement that we have complied with the relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

Our responsibility also includes the verification that the information contained in the management report is consistent with the financial statements.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

On the Management Report

Pursuant to article 451, nr. 3, al (e) of the Portuguese Companies' Code, it is our opinion that the management report was prepared in accordance with the applicable legal and regulatory requirements and the information contained therein is consistent with the audited financial statements and, having regard to our knowledge and assessment of the Entity, we have not identified any material misstatements.

On the non-financial information defined in article 66-B of the Portuguese Companies' Code

Pursuant to article 451, nr. 6, of the Portuguese Companies' Code, we inform that the Entity has prepared a separate report where includes the non-financial information defined in article 66-B of the Portuguese Companies' Code, which shall be made publicly available on the Entity's internet site in the legal timing.

On the additional matters provided in article 10 of the Regulation (EU) nr. 537/2014

Pursuant to article 10 of the Regulation (EU) nr. 537/2014 of the European Parliament and of the Council of 16 April 2014, and in addition to the key audit matters mentioned above, we also report the following:

- We were first appointed as auditors of the Entity in the shareholders general assembly held on 9 December 2016 for a first mandate to complete the civil year. We were reappointed as auditors of the Entity in the shareholders general assembly held on 31 July 2020 for the year 2020.
- Management has confirmed to us that they are not aware of any fraud or suspicion of fraud having occurred that has a material effect on the financial statements. In planning and executing our audit in accordance with ISAs we maintained professional skepticism and we designed audit procedures to respond to the possibility of material misstatement in the financial statements due to fraud. As a



result of our work, we have not identified any material misstatement of the financial statements due to fraud.

- We confirm that the audit opinion we issue is consistent with the additional report that we prepared and delivered to the supervisory body of the Entity on 22 March 2021.
- We declare that we have not provided any prohibited services as described in article 77, nr. 8 of the Ordem dos Revisores Oficiais de Contas statutes and we have remained independent of the Entity in conducting the audit.

22 March 2021

SIGNED ON THE ORIGINAL

KPMG & Associados

Sociedade de Revisores Oficiais de Contas, S.A. (nr. 189)

represented by

Ana Cristina Soares Valente Dourado (ROC nr. 1011)

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**REPORT AND OPINION
OF THE SUPERVISORY
BOARD**

REPORT AND OPINION OF THE SUPERVISORY BOARD FOR THE FINANCIAL YEAR 2020

To the shareholders of

Generali Seguros SA

1. Under the terms of the current legislation and the mandate attributed to the Supervisory Board, we hereby submit to the General Meeting of the Shareholders of Generali Seguros SA our Report and Opinion on the activities performed and the financial statements of Generali Seguros SA for the year ending on 31 December 2020; the latter document is the responsibility of the Board of Directors. The Supervisory board of Generali Seguros SA was appointed at the General Meeting of 30 October 2020 and formally took office for the years 2020 to 2022 on 10 December 2020, following the registration of its members with the Portuguese Insurance and Pension Funds Authority (ASF).

Firstly, it should be noted that the 2020 financial year was of particular significance and required an extraordinary workload, due to the integration of Seguradoras Unidas SA into the Assicurazioni Generali S.p.A. Group, one of the largest and foremost insurance groups in the world, which occurred on January 8, 2020. This operation was complemented by the subsequent merger by incorporation of the two insurance companies that the Group already held in Portugal, Generali - Companhia de Seguros SA and Generali Vida - Companhia de Seguros SA. The operations and distribution networks of the three companies were integrated on 1 October 2020, and the respective accounts were closed on that date; the accounts of Generali Seguros SA at 31 December 2020 therefore include the merger of the three companies as from the date mentioned above.

Moreover, during the previous year Seguradoras Unidas SA had completed the integration process of Companhia de Seguros Tranquilidade SA, Açoreana Seguros SA, Seguros Logo SA and T Vida - Companhia de Seguros SA begun in 2016. Generali Seguros SA therefore includes six distinct insurance companies whose integration process occurred over two consecutive years, an effort that deserves to be commended and was completed with remarkable success and recognition at the level of both the market and the insurance sector supervisory entity.

2. Since it took office, the Supervisory Board's priority has been to follow the interim audit performed by the Statutory Auditor KPMG & Associados with reference to 30 September 2020, the merger date. The Supervisory Board's main objective has been the analysis of those areas that, by their nature, materiality and level of appreciation involved, were considered critical at the merger date. These activities were eased by the fact that the members of the Supervisory Board had performed identical functions on the Supervisory Boards of Generali - Companhia de Seguros SA and Generali Vida -

Companhia de Seguros SA until their merger into Generali Seguros SA. It should be noted that such work required an extensive audit and analysis of the balance sheets of the three Companies on the merger date, as well as with reference to September 30 and December 31, 2019, in addition to the analysis of other relevant information on accounting and management provided by the Companies and their respective Auditors.

Following the assessment described above, carried out in the initial phase of its activities, the Supervisory Board focused on verifying the compatibility and adequacy of the accounting policies and valuation criteria adopted. Subsequently, and taking into account the Additional Report submitted by KPMG with reference to the accounts closing date of 31 December 2020, the Supervisory Board analysed those areas considered as most relevant to the drafting of its opinion, to be included in the Statutory Auditors' Report of the same date; it also identified the most relevant issues, namely in view of managing future integration activities of the information systems originating in the three Companies, to standardise the internal control mechanisms, the treatment of questions related to revenue recognition, treatment of deferred taxation and the regularisation of various discrepancies and differences in procedures and criteria found in the audit, which essentially derived from the merger process.

It should also be noted that the Supervisory Board took into consideration the information on solvency margin monitoring contained in the Management Report, in accordance with the new Solvency II Regime, and shall monitor the publication of the corresponding final data in the company's Report on Solvency and Financial Condition next April. The Supervisory Board shall also continue to follow the drafting of the Report on non-financial information which, in accordance with the applicable legal provisions, will be submitted separately and published within the legal deadline.

3. Following its analysis of the Annual Report and Accounts of Generali Seguros SA, the Supervisory Board also wishes to highlight the following points:

- a) The market share of Generali Seguros SA reached 18.4% in Non-Life insurance and 2.1% in Life insurance, with the customer base increasing to 1.9 million individual and corporate customers;
- b) According to the Balance Sheet of Generali Seguros SA dated 31 December 2020, total Assets reached €3,220 million, an increase of 43.5 % over the previous year, mostly due to the integration of the two companies previously held by Assicurazioni Generali SpA in Portugal, while Equity value reached €335.2 million, an increase of 90.9 % over the previous year;
- c) The Mathematical Provision and Investment Contract Liabilities increased by 37.8% to €831.5 million euros; Claims Provision, net of Reinsurance increased to €1,174.1 million, an increase of 18.4%; and Technical Provisions increased to €2,427.9 million euros, an increase of 36.2%;
- d) The financial activities of Generali Seguros SA recorded an average overall profitability of 4.3%, helped by the ongoing investment strategy on fixed-rate bonds and diversified investment funds, and by the gradual reduction of exposure to the real estate sector and to higher-risk debt (High-Yield);

- e) The 2020 results were negatively affected by several non-recurring events; of particular impact, capital losses resulting from the sale of High-Yield exposures in ICAV Funds, the recognition of impairment in the ICAV-MCR Fund and IFAP, as well as the LAT Provision reinforcement. The recognition of an amount of €17.4 million related to Integration Costs was also included;
- f) Despite the effects described above, the positive Net Income for the year reached €18.9 million, reflecting an improvement of 147.1% compared to the previous year.

4. The Supervisory Board reviewed the strategy guidelines that the Board of Directors intends Generali Seguros SA to pursue in 2021 to consolidate and expand its position in the Portuguese insurance market. The strategy will leverage the company's ongoing and expanding transformation process, enhanced by the 2020 merger, with the implementation of a digital strategy in the front and back offices, with direct impact on sales processes, operational performance and service levels to customers and distribution partners. The number of "green" or dematerialised customers has indeed been increasing significantly and already exceeds one million. On the other hand, larger Community transformations imposed by the risks brought about by the Covid-19 pandemic were at the forefront of numerous Company initiatives: the creation of a Covid-19 Monitoring Office, the extension of Workmen's Compensation coverage to remote work, to enable our customers' employees to remain protected during periods of confinement, and the launch of a corporate health insurance product targeting protection against Covid-19.

In 2021, the Supervisory Board intends to keep devoting its best attention to issues related to risk control, internal control systems improvement, the monitoring of the financial information preparation and disclosure process and Auditing tasks, especially those related to the Financial Statements.

5. After the 2020 Financial Statements closing, it should be noted that the first two months of 2021 saw a new surge of Covid-19 pandemic-related risks, which required a new lockdown. The measures adopted resulted in a substantial improvement of the situation during the month of March. Meanwhile, the ongoing vaccination process makes it possible to anticipate a risk reduction over the coming months, and therefore the gradual improvement of the health, economic and social situation, which is expected to help the recovery of the insurance sector and of Generali Seguros SA indicators in 2021. No factors are expected to threaten solvency levels and the regulatory requirements applicable to the Company.

6. In view of the above and of the contents of the Statutory Auditors' Report issued by KPMG, it is our opinion – unreservedly and with a unanimous emphasis – that the Financial Statements for the financial year 2020, the Management Report under the responsibility of the Board of Directors, as well as the proposal for the distribution of profit – amounting to €18,894,967.99 as expressed in paragraph 3.6 of the present document – are in accordance with the applicable accounting standards and statutory

provisions. The Supervisory Board therefore recommends that they be approved by the General Meeting of Generali Seguros SA.

Finally, we wish to express our greatest appreciation to the Board of Directors, to KPMG & Associados - Sociedade de Revisores Oficiais de Contas SA, and to the services of Generali Seguros SA, for the collaboration provided to the Supervisory Board in the performance of our legal duties.

Lisbon, March 22, 2021

SIGNED ON THE ORIGINAL

Manuel Pinto Barbosa, Chairman

SIGNED ON THE ORIGINAL

Nelson Fontan – Member

SIGNED ON THE ORIGINAL

José Manuel Serrão – Member

GENERALI SEGUROS, S.A.

ANNUAL REPORT AND ACCOUNTS
STANDALONE FINANCIAL STATEMENTS

2020