

# **AP VIII Calm Eagle Holdings S.C.A**

*Société en Commandite par Actions*

Consolidated financial statements for the year ending  
December 31, 2018

2, avenue Charles de Gaulle  
L-1653 Luxembourg  
**RCS Luxembourg: B 193011**  
Share capital: EUR 137,466,670.00

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## **1. GOVERNING BODIES**

### **Board of Managers**

- AP VIII Euro LP (Lux) S.à .r.l.

### **Supervisory Board**

- Laurent Ricci
- René Beltjens
- Ibrahim Jabri

### **Statutory Auditor**

- KPMG Luxembourg Société coopérative

## **2. MANAGERS' CONSOLIDATED REPORT**

To the Managers of AP VIII Calm Eagle Holding S.C.A

Under the law and the articles of association, the Board of Managers is honoured to present to you for appraisal the Management Report and Consolidated Financial Statements of AP VIII Calm Eagle Holdings S.CA (hereinafter as the "Company" or jointly with its subsidiaries as the "Group"), in respect of the financial year 2018.

### **2.1. MACROECONOMIC FRAMEWORK**

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

#### **2.1.1. – INTERNATIONAL ECONOMIC SITUATION**

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

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

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

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

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

Equity Indexes	2018	2017	YTD
DOW Jones	23 327	24 719	-5,6%
Nasdaq	6 635	6 903	-3,9%
S&P 500	2 507	2 674	-6,2%
Eurostoxx 50	3 001	3 504	-14,3%
PSI 20	4 731	5 388	-12,2%
FTSE MIB	6 728	7 688	-12,5%
DAX 30	10 559	12 918	-18,3%
CAC 40	4 731	5 313	-11,0%
IBEX 35	8 540	10 044	-15,0%
BOVESPA	87 887	76 402	15,0%
NIKKEI 225	20 015	22 765	-12,1%
Hang Seng 25	25 846	29 919	-13,6%

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

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

(%)

Debt Market	2Y		
	2018	2017	Var 18/17 (bps)
Debt Germany	-0,61	-0,63	0,02
Debt France	-0,46	-0,47	0,01
Debt England	0,75	0,44	0,31
Debt Italy	0,47	-0,25	0,73
Debt Spain	-0,24	-0,35	0,10
Debt Portugal	-0,35	-0,10	-0,25

(%)

Debt Market	10Y		
	2018	2017	Var 18/17 (bps)
Debt Germany	0,24	0,43	-0,19
Debt France	0,71	0,79	-0,08
Debt England	1,28	1,19	0,09
Debt Italy	2,74	2,02	0,73
Debt Spain	1,42	1,57	-0,15
Debt Portugal	1,72	1,94	-0,22

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

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

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

### **2.1.2. – DOMESTIC ECONOMIC SITUATION**

Despite the fact that the latest official data for the year have not yet been published, it appears that in the whole of 2018 the Portuguese economy will have grown steadily above 2%. This represents a slowdown compared to the 2.8% in 2017, and reflects a natural more moderate growth as the economy enters a more mature stage of the cycle (in addition to starting to feel the effect of the economic slowdown in the main neighbouring economies in a traditionally open economy as is the Portuguese).

Thus, it is expected that this dynamic will continue in 2019, with a growth rate close to, but possibly slightly below 2%. However, the Portuguese economy is facing this stage of the cycle, reinforced by the competitiveness improvements achieved in recent years (workers skills, innovation capacity, and improvements in the labour market).

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

After adjusting this expenditure data with the payment of Christmas subsidies to civil servants and pensioners, these figures confirm the forecast that the budget balance will end the year at about -0.7% of the Portuguese GDP.

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

### 2.1.3. – INSURANCE MARKET

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

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

Life insurance premiums totalled €8,115 million, + 14.5% more than in the previous year (+€1.026 million), of which stand out the growth in premiums on contributions to retirement savings plans (PPRs) (+ 55.5%, compared to 2017). This is the highest value ever in this class, showing that these products keep deserving savers' trust.

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

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

### 2.2. – RELEVANT FACTS IN 2018

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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



Among these initiatives we highlight the following:

Private

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

Corporate

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

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

- Achieving the milestone of 332 thousand "Green Clients" in Tranquilidade (an increase of 220 thousand over 2017), which is complemented by 120 thousand LOGO Customers, also dematerialized, which have a differentiated value proposition, both financially and in service level, thus allowing the Company to count on a high level of efficiency;
- Easier registration in the Tranquilidade App, which already has 66 thousand registered users, and has registered 8.000 accesses during the last month of the year;
- Keeping up with the ambitious process automation program that will help increase efficiency in production and claims operations.

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

In this sense, it was decided:

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

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

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

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

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

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

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

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

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

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

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

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

## 2.3. KEY VARIABLES AND BUSINESS INDICATORS

	(in TEUR)		
	2018	2017	VAR 18/17 (%)
<b>Balance Sheet</b>			
Investments	1 517 901	1 568 048	-3,2%
Net assets	2 235 437	2 322 024	-3,7%
Equity	190 981	184 957	3,3%
Provision for unearned premiums (DI+RA)	164 585	160 769	2,4%
Mathematical provision - Life	528 554	591 765	-10,7%
Provision for claims (DI+RA)	990 311	994 864	-0,5%
Provision for claims, net of reinsurance	904 876	916 278	-1,2%
Technical Provisions (DI+RA)	1 706 483	1 776 607	-3,9%
<b>Gains &amp; Losses</b>			
Gross direct insurance premiums written	819 889	755 201	8,6%
Premiums earned, net of reinsurance	714 423	654 666	9,1%
Cost of Direct Insurance Claims	624 851	648 039	-3,6%
Costs of claims, net of reinsurance	549 696	586 432	-6,3%
Operating costs	133 274	181 759	-26,7%
Income	37 481	28 916	29,6%
Net Income	7 576	-47 381	-116,0%
<b>Indicators</b>			
Gross premiums written/ n° of employees	848,7	649,4	30,7%
Direct insurance claims rate of	69,3%	78,5%	-9,2 p.p.
Claims rate net of reinsurance	76,9%	89,6%	-12,6 p.p.
Net Income/ Gross premiums written	0,9%	-6,3%	7,2 p.p.
Combined ratio net of reinsurance	94,7%	109,5%	-14,8 p.p.

## 2.4. – THE BUSINESS OF THE GROUP IN 2018

### 2.4.1. – TOTAL PRODUCTION

Consolidated direct insurance production amounted to €819,703k in 2018, which means a + 8.6% change over the previous.

The Group recorded a 2.4% decrease in the volume of direct life insurance premiums and a 9.4% increase in Non-Life.

TOTAL DIRECT INSURANCE PRODUCTION					(in TEUR)
	2018	%	2017	%	VAR 18/17 (%)
<b>Life business</b>	<b>53 983</b>	<b>6,6</b>	<b>55 289</b>	<b>7,3</b>	<b>-2,4%</b>
Insurance contracts	53 983	6,6	55 289	7,3	-2,4%
<b>Non-Life business</b>	<b>765 720</b>	<b>93,4</b>	<b>699 650</b>	<b>92,7</b>	<b>9,4%</b>
Accidents & health	254 209	31,0	230 641	30,6	10,2%
Fire & other damage	112 627	13,7	106 267	14,1	6,0%
Motor	334 478	40,8	298 968	39,6	11,9%
Transport	6 246	0,8	6 334	0,8	-1,4%
Third-party liability	17 417	2,1	17 300	2,3	0,7%
Sundry	40 743	5,0	40 140	5,3	1,5%
<b>TOTAL</b>	<b>819 703</b>	<b>100,0</b>	<b>754 939</b>	<b>100,0</b>	<b>8,6%</b>

#### 2.4.2. – COSTS OF DIRECT INSURANCE CLAIMS

Consolidated total claims costs for non-life insurance in 2018 amounted to €520,920k, which represents a decrease of -3.9% compared to 2017.

The Fire & Other Damage sector presented a significant decrease in costs with claims of -12.5% in 2018 compared to the previous year (-€12.537k), especially in Multi-risk. This decrease was mainly due to the large fires that devastated Portugal in the second half of 2017, whose impact on costs of direct insurance claims amounted to approximately €51,600k.

DIRECT INSURANCE CLAIMS COSTS & BENEFITS PAID				(in TEUR)
	2018	2017	VAR 18/17 (%)	
<b>Life business</b>	<b>103 931</b>	<b>106 108</b>	<b>-2,1%</b>	
Insurance contracts	103 931	106 108	-2,1%	
<b>Non-Life business</b>	<b>520 920</b>	<b>541 931</b>	<b>-3,9%</b>	
Accidents & health	175 805	194 507	-9,6%	
Fire & other damage	87 492	100 029	-12,5%	
Motor	232 841	233 934	-0,5%	
Transport	12 373	2 189	465,2%	
Third-party liability	7 589	9 886	-23,2%	
Sundry	4 820	1 386	247,8%	
<b>TOTAL</b>	<b>624 851</b>	<b>648 039</b>	<b>-3,6%</b>	

The non-life loss ratio in 2018 (costs of gross claims / gross premiums acquired) stood at 69.3%, which represents, on a comparable basis, an increase of 9.2 bps over the previous year.

CLAIMS COSTS / GROSS PREMIUMS EARNED *			(%)
	2018	2017	
Accidents & health	70,0	85,4	
Fire & other damage	77,1	93,6	
Motor	72,1	80,4	
Transport	194,4	32,8	
Third-party liability	44,6	56,9	
Sundry	12,0	3,5	
<b>TOTAL</b>	<b>69,3</b>	<b>78,5</b>	

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

**2.4.3. – TECHNICAL PROVISIONS**

The technical provisions for direct insurance and reinsurance accepted in 2018 amounted to €1,706,483k, resulting in a variation of -3.9% (- €70,124k) compared to 2017.

<b>TECHNICAL PROVISIONS</b>			(in TEUR)
	<b>2018</b>	<b>2017</b>	<b>VAR 18/17 (%)</b>
Mathematical provision	528 554	591 765	-10,7%
Provisions for unearned premiums	164 585	160 769	2,4%
Provisions for Claims	990 311	994 864	-0,5%
Life	61 177	65 452	-6,5%
Workers' compensation	564 772	553 024	2,1%
Other business	364 362	376 388	-3,2%
Other technical provisions	23 033	29 209	-21,1%
<b>TOTAL</b>	<b>1 706 483</b>	<b>1 776 607</b>	<b>-3,9%</b>

**2.4.4. – REINSURANCE CEDED**

The balance of reinsurance ceded in 2018 amounted to €2,227k negative.

Within the reinsurance balance, the impact on claims and changes in technical provisions resulting from the aforementioned fires occurred in Portugal in 2017, which resulted in the recognition of reinsurance recoverable amounting to €41,127k.

<b>REINSURANCE CEDED</b>			(in TEUR)
	<b>2018</b>	<b>2017</b>	<b>VAR 18/17 (%)</b>
Premiums	92 149	89 552	2,9%
Commissions	-12 771	-13 979	-8,6%
Claims and variation of technical provisions	-77 151	-60 747	27,0%
<b>RESULT</b>	<b>2 227</b>	<b>14 826</b>	<b>-85,0%</b>

**2.4.5. – OPERATING COSTS**

Operating costs amounted to €133,274k in 2018, resulting in a variation of -26.7% over the previous year.

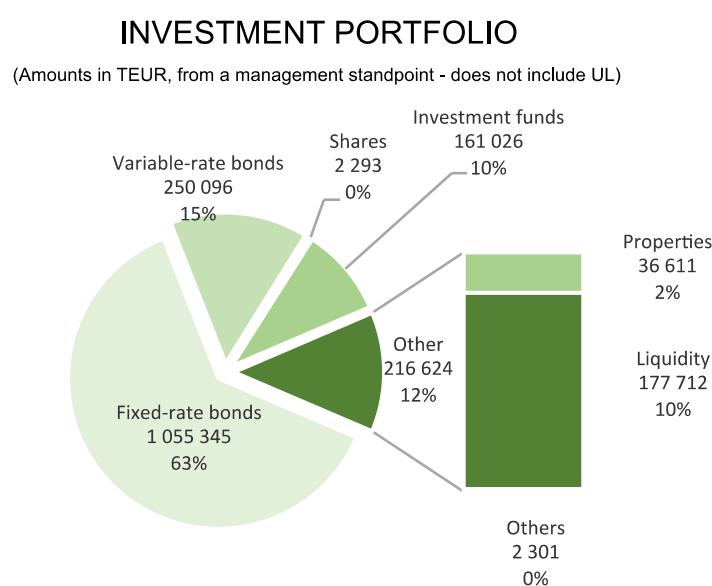
Staff costs amounting to €62,538k decreased by -38.5% over 2017. This decrease is directly related to non-recurring costs related to the post-merger Group restructuring (-€35,610k). Without this effect, the Staff Costs would be 5.4% below 2017. Third-party supplies & services costs decreased by -10.5% compared to 2017.

<b>OPERATING COSTS</b>			(in TEUR)
	<b>2018</b>	<b>2017</b>	<b>VAR 18/17 (%)</b>
Staff costs	62 538	101 720	-38,5%
Third-party supplies & services	54 255	60 601	-10,5%
Taxes and charges	5 714	5 910	-3,3%
Depreciation	9 409	11 524	-18,4%
Other	1 358	2 004	-32,2%
<b>TOTAL</b>	<b>133 274</b>	<b>181 759</b>	<b>-26,7%</b>

## 2.4.6. – INVESTMENTS

The financial activity of the Group recorded an overall average return, with effect in net income, of 1.8%, to which contributed the maintenance of the investment strategy in fixed rate bonds and in diversified investment funds, and the process of bringing down the exposure to the real estate sector.

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



The main vectors of the investment strategy adopted included management of the duration of assets and liabilities, and minimization of the interest rate risk of the investment portfolio, following the regulations for insurance activities designated as Solvency II. In this way, the investment strategy implemented in 2018 aimed, firstly, at closing the durations Gap between assets and liabilities, mainly in Non-Life and, secondly, at investing in assets with higher yields (mainly through investments in non-listed loans) thus optimising the RoSCR.

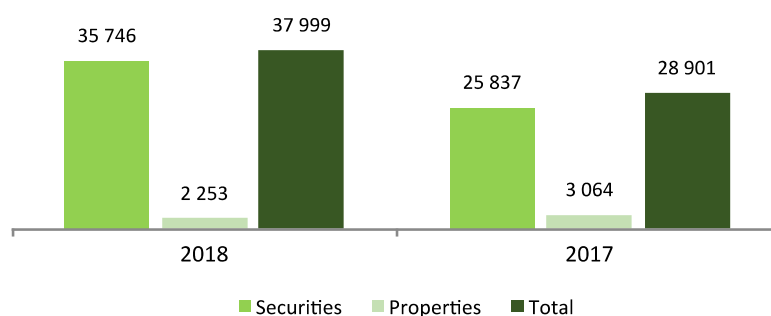
In order to promote an increase in the duration of investment portfolios, the Group has promoted investment in long-term Euro Core (or quasi-government) bonds, with some exposure to short maturities in High Yield, Investment Grade and Financial, in order to capture a significant correlation with the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

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

At the end of the year, the investment portfolio of the Group stood at €1,685 million. Investment in fixed rate bonds represented the largest share of the total investment, with 62% of the total investment portfolio. The bonds portfolio (direct investment) showed an average investment grade rating (A) and a sovereign debt exposure of €714,520k, with strong exposure to Euro Core countries.

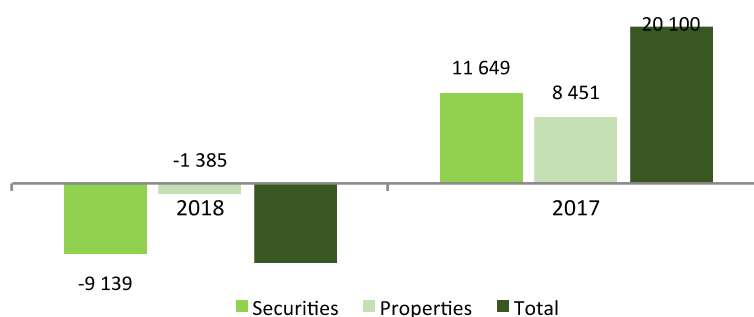
### INTEREST, RENTS AND DIVIDENDS

(Amounts in TEUR, from a management standpoint - does not include UL)



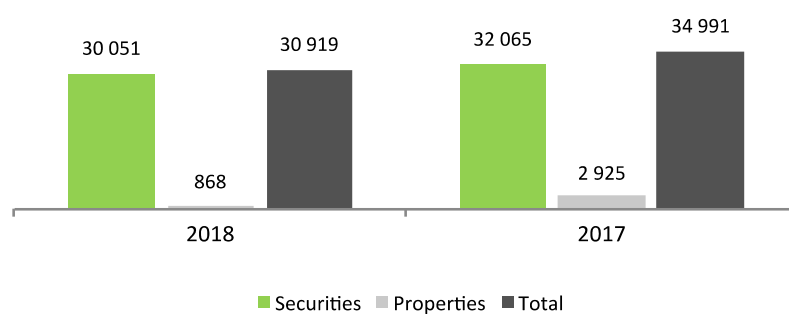
### GAINS RECORDED IN PROFIT AND LOSS

(Amounts in TEUR, from a management standpoint - does not include UL and impairments)



### RESULTS OF FINANCIAL ACTIVITY

(Amounts in TEUR, from a management standpoint - does not include UL)



In 2018, the result of the consolidated financial activity of the Group was positive at €30,919k, which represents a decrease of €4,072K compared to the previous year.



### 2.4.7. – EQUITY AND SOLVENCY MARGIN

The Group returned a net profit in 2018 of €7.6 million compared with a loss of -€47.4 million in 2017. The equity attributed to the Group increase by €4.9 million.

EQUITY	(in TEUR)		
	2018	2017	VAR 18/17 (%)
Share capital	41 467	41 467	0,0%
Other capital instruments	105 836	105 836	0,0%
Revaluation reserves	-14 292	-8 379	70,6%
Other reserves	10 089	6 806	48,2%
Retained earnings	16 873	64 257	-73,7%
Net income	7 576	-47 381	-116,0%
<b>TOTAL</b>	<b>167 549</b>	<b>162 606</b>	<b>3,0%</b>
Non-controlling interests	23 432	22 351	4,8%
<b>Total Equity and non-controlling interests</b>	<b>190 981</b>	<b>184 957</b>	<b>3,3%</b>

In addition to the reality described above, there is a set of impacts arising from non-recurring events, which affected the 2018 and 2017 results.

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

- Recognition in 2017 of the total cost to be incurred with the process of the Group's restructuring, estimated at €35.6 million;
- Recognition of the potential loss to be incurred with the sale in 2018 of a number of properties, estimated at €18.8 million;

On the other hand, regarding the net income for 2018, there is a non-recurring event that has a significant impact, which is presented as follows:

- Derecognition of deferred taxes (originating in Tranquilidade) in the amount of €24.4 million.

The Group monitors solvency in accordance with the new regime in force. In keeping with legislation, the definitive solvency-margin data and more detailed information on Risk Management will be publicly disclosed during the month of June 2019 through the solvency and financial-situation report.

### 2.4.8. – RISK MANAGEMENT, INTERNAL CONTROL SYSTEM AND COMPLIANCE

#### Risk Management and Internal Control System

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

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

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

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

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

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

## 2.5. GOALS FOR 2019

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

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

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

For the Group, 2019 has three main objectives:

1. To accelerate the process of transformation, namely through innovation in supply, services, and simplification of processes;
2. To focus on profitability, both by continuing to gain efficiencies in internal processes and structure, and in the profitability of the business itself;
3. To strengthen the market position, continuing to grow above the market, and especially in non-compulsory insurance classes.

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

1. Technical Excellence, through the application of advanced techniques and product innovation;
2. Customer focus, keeping the customer at the centre of the decision-making process;
3. Effective distribution, omnichannel and in collaboration with partners;
4. Simplicity and efficiency of processes, making them faster and smarter.

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

1. Product Innovation:
  - Strengthening the value proposition of the most profitable insurance classes, namely Health, Life Risk, and in Small and Medium Enterprises;
  - New Offer of Personal Accidents, Multirisk Housing, and Local Accommodation.
2. Technical Innovation
  - Sophistication of pricing models and detection of the propensity for fraud.
3. Communications
  - *Crystal Clear Project*, aiming at renewing all the internal and external communications of Seguradoras Unidas, making it more effective and appealing;
  - Training of employees and cultural transformation towards an increasingly unique and collaborative culture, open to change and focused on execution capacity.
4. Digitalization
  - Simplification of operations, namely through digitization of processes, namely Claims and Production;
  - Digital client, consolidating the "Green Client" initiative, extending the App functionalities, and launching Tranquilidade Net Corporate;
  - New partner services, such as web services for greater system integration and the new Agents Portal.
5. Commercial efficiency and innovative distribution
  - Development of a more efficient Distribution Network, namely through the systematic monitoring of commercial agents and development of analytical models to prevent erosion and to identify new opportunities

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

## 2.6. CLOSING REMARKS

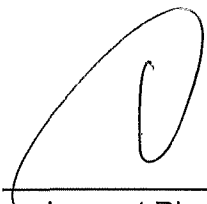
In this extremely challenging year, the Board of Directors wishes to acknowledge its Clients, Brokers, Employees, and all other Partners, for their contribution towards the Group's development.

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

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

Luxembourg, 14<sup>th</sup> June 2019

THE BOARD OF MANAGERS

By:   
Name: Laurent Ricci  
Title: permanent representative  
AP VIII Calm Eagle Holdings S.C.A.



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To the Shareholders of  
AP VIII Calm Eagle Holdings S.C.A.  
2, avenue Charles de Gaulle  
L-1653 Luxembourg

## REPORT OF THE REVISEUR D'ENTREPRISES AGREE

### *Report on the audit of the consolidated financial statements*

#### *Opinion*

We have audited the consolidated financial statements of AP VIII Calm Eagle Holdings S.C.A., and its subsidiaries (the "Group"), which comprise the consolidated statement of financial position as at December 31, 2018, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at December 31, 2018, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union.

#### *Basis for Opinion*

We conducted our audit in accordance with the Law of 23 July 2016 on the audit profession ("Law of 23 July 2016") and with International Standards on Auditing ("ISAs") as adopted for Luxembourg by the "Commission de Surveillance du Secteur Financier" ("CSSF"). Our responsibilities under the Law of 23 July 2016 and ISAs are further described in the « Responsibilities of "Réviseur d'Entreprises agréé" for the audit of the consolidated financial statements » section of our report. We are also independent of the Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants ("IESBA Code") as adopted for Luxembourg by the CSSF together with the ethical requirements that are relevant to our audit of the consolidated financial statements, and have fulfilled our other ethical responsibilities under those ethical requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### *Other information*

The Board of Managers of the Managing Partner is responsible for the other information. The other information comprises the information stated in the consolidated management report but does not include the consolidated financial statements and our report of "Réviseur d'Entreprises agréé" thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information we are required to report this fact. We have nothing to report in this regard.

***Responsibilities of the Board of Managers of the Managing Partner for the consolidated financial statements***

The Board of Managers of the Managing Partner is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRSs as adopted by the European Union, and for such internal control as the Board of Managers of the Managing Partner determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the Board of Managers of the Managing Partner is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Board of Managers of the Managing Partner either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

***Responsibilities of the Réviseur d'Entreprises agréé for the audit of the consolidated financial statements***

The objectives of our audit are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue a report of "Réviseur d'Entreprises agréé" that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Law of 23 July 2016 and with ISAs as adopted for Luxembourg by the CSSF will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with the Law of 23 July 2016 and with ISAs as adopted for Luxembourg by the CSSF, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Managers of the Managing Partner.
- Conclude on the appropriateness of the Board of Managers of the Managing Partner's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our report of the "Réviseur d'Entreprises agréé" to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our report of the "Réviseur d'Entreprises agréé". However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities and business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

***Report on other legal and regulatory requirements***

The consolidated management report is consistent with the consolidated financial statements and has been prepared in accordance with the applicable legal requirements.

Luxembourg, June 14, 2019

KPMG Luxembourg  
Société coopérative  
Cabinet de révision agréé



C. Veeckmans



### 3. CONSOLIDATED FINANCIAL STATEMENTS - CONSOLIDATED BALANCE SHEET (ASSETS) AS AT DECEMBER 31, 2018 & 2017

(in TEUR)	Notes to the Financial Statements	AS AT DECEMBER 31, 2018			AS AT DECEMBER 31, 2017
		Gross value	Impairment, depreciation/ amortisation or adjustment	Net value	
Cash & cash equivalents and sight deposits	8	130 987		130 987	110 627
Investments in affiliates, associates and joint venture	4				35 769
Financial assets held for trading	7	474		474	4 211
Financial assets classified in the initial recognition at fair value through profit or loss	7	440 101		440 101	366 902
Hedge derivatives					
Available-for-sale assets	7	1 040 614	5 075	1 035 539	1 115 252
<b>Loans &amp; Receivables</b>		<b>56 741</b>	<b>15 000</b>	<b>41 741</b>	<b>43 001</b>
Deposits at cedent companies	7	2		2	2
Other deposits	7	11 728		11 728	34 123
Loans granted	7	17 643	15 000	2 643	4 851
Receivables					
Other	7	27 368		27 368	4 025
Held-to-maturity investments					
<b>Land &amp; Buildings</b>		<b>46</b>		<b>46</b>	<b>2 913</b>
Property, plant and equipment	9				2 647
Investment property	9	46		46	266
Other tangible assets	10	55 355	49 191	6 164	5 198
Inventories	5	98		98	80
Goodwill	12	65 981		65 981	65 981
Other intangible assets	12	146 694	133 433	13 261	15 363
<b>Technical provisions for reinsurance ceded</b>		<b>109 399</b>		<b>109 399</b>	<b>101 219</b>
Provisions for unearned premiums	5	21 967		21 967	21 482
Mathematical provision for life business	5	1 997		1 997	1 151
Provisions for claims	5	85 435		85 435	78 586
Provision for profit-sharing	5				
Provision for rate commitments					
Portfolio stabilisation provision					
Other technical provisions					
Assets for post-employment benefits & other long-term benefits	23	2 145		2 145	209
<b>Other debtors for insurance &amp; other operations</b>		<b>139 045</b>	<b>14 965</b>	<b>124 080</b>	<b>143 978</b>
Receivables for direct insurance operations	13	60 241	7 429	52 812	63 342
Accounts receivable for reinsurance operations	13	41 825	314	41 511	49 045
Accounts receivable for other operations	13	36 979	7 222	29 757	31 591
<b>Tax assets</b>		<b>79 697</b>		<b>79 697</b>	<b>108 929</b>
Current tax assets	24	6 632		6 632	6 444
Deferred tax assets	24	73 065		73 065	102 485
Accruals & deferrals	13	3 061		3 061	3 243
Other items of assets	13	117 735		117 735	124 571
Assets held for sale	11	64 928		64 928	74 577
<b>TOTAL ASSETS</b>		<b>2 453 101</b>	<b>217 664</b>	<b>2 235 437</b>	<b>2 322 024</b>

The accompanying notes form an integral part of these consolidated financial statements.

### 3. CONSOLIDATED FINANCIAL STATEMENTS - CONSOLIDATED BALANCE SHEET (LIABILITIES & EQUITY) AS AT DECEMBER 31, 2018 & 2017

(in TEUR)	Notes to the Financial Statements	AS AT DECEMBER 31, 2018	AS AT DECEMBER 31, 2017
<b>LIABILITIES</b>			
<b>Technical provisions</b>			
Provisions for unearned premiums	5	164 585	160 769
Mathematical provision for life business	5	528 554	591 765
<b>Provisions for claims</b>			
For life insurance	5	61 177	65 452
Workers' compensation	5	564 772	553 024
Other business lines	5	364 362	376 388
Provision for profit-sharing	5	13 553	16 491
Provision for rate commitments	5	3 981	
Portfolio stabilisation provision	5	427	427
Provision for claims-rate deviations	5		
Provision for unexpired risks	5	5 072	12 291
<b>Other technical provisions</b>			
Financial liabilities of the deposit component of insurance contracts and transactions considered as investment contracts for accounting purposes	6	132 902	142 913
<b>Other financial liabilities</b>			
Hedge derivatives			
Subordinated liabilities	6		
Deposits received from reinsurers	6	400	400
Other	6, 7	30 659	19 716
Liabilities for post-employment benefits & other long-term benefits	23	235	415
<b>Other creditors for insurance &amp; other operations</b>			
Payables for direct insurance operations	13	37 451	35 131
Payables for reinsurance operations	13	33 198	56 421
Payables for other operations	13	15 704	17 805
<b>Tax liabilities</b>			
Current tax liabilities	24	17 659	18 660
Deferred tax liabilities			
Accruals & deferrals	13	46 834	64 922
Other Provisions	13	10 823	4 077
Other Liabilities			
Liabilities held for sale	11	12 108	
<b>TOTAL LIABILITIES</b>			
		<b>2 044 456</b>	<b>2 137 067</b>
<b>EQUITY</b>			
Equity capital	25	41 467	41 467
(Treasury shares)			
Other capital instruments			
<b>Revaluation reserves</b>			
For adjustment of the fair value of financial assets	26	-10 620	-1 756
For revaluation of land & owner-occupied buildings			
For revaluation of intangible assets			
For revaluation of other tangible assets			
For adjustments to the fair value of cash-flow hedge instruments			
For adjustments to the fair value of net investment hedges in foreign currency			
For currency translation differences	26	-4 969	-5 682
Deferred tax reserve	26	1 297	-941
Other reserves	26	10 089	6 806
Retained earnings		16 873	64 257
Share premium		105 836	105 836
Net result for the year		7 576	-47 381
<b>TOTAL EQUITY ATTRIBUTABLE TO THE GROUP</b>			
		<b>167 549</b>	<b>162 606</b>
Non-controlling interests	4	23 432	22 351
<b>TOTAL EQUITY</b>			
		<b>190 981</b>	<b>184 957</b>
<b>TOTAL LIABILITIES &amp; EQUITY</b>			
		<b>2 235 437</b>	<b>2 322 024</b>

The accompanying notes form an integral part of these consolidated financial statements.

### 3. CONSOLIDATED FINANCIAL STATEMENTS - PROFIT & LOSS ACCOUNT FOR THE YEARS ENDED DECEMBER 31, 2018 & 2017

	(in TEUR)	Notes to the Financial Statements	AS AT DECEMBER 31, 2018				AS AT DECEMBER 31, 2017
			Technical Life	Technical Non-Life	Non-Technical	Total	
<b>CONTINUING OPERATIONS</b>							
<b>Premiums earned net of reinsurance</b>			<b>49 037</b>	<b>665 386</b>		<b>714 423</b>	<b>654 666</b>
Gross premiums written		14	53 983	765 906		819 889	755 201
Ceded reinsurance premiums		14	-5 146	-87 003		-92 149	-89 552
Changes in provisions for unearned premiums		5, 14	198	-14 661		-14 463	-9 846
Changes in provisions for unearned premiums, reinsurers' part		5, 14	2	1 144		1 146	-1 137
Commissions on insurance contracts and transactions considered investment contracts or provision of services contracts for accounting purposes		15	309			309	573
<b>Costs of claims, net of reinsurance</b>			<b>103 020</b>	<b>446 676</b>		<b>549 696</b>	<b>586 432</b>
Amounts paid			<b>99 422</b>	<b>449 086</b>		<b>548 508</b>	<b>501 627</b>
Gross amounts		5	100 915	514 847		615 762	540 554
Reinsurers' part		5	-1 493	-65 761		-67 254	-38 927
Provision for claims (change)			<b>3 598</b>	<b>-2 410</b>		<b>1 188</b>	<b>84 805</b>
Gross value		5	3 033	6 060		9 093	107 616
Reinsurers' part		5	565	-8 470		-7 905	-22 811
Other technical provisions, net of reinsurance		5	3 926	-6 981		-3 055	-14 204
<b>Mathematical Provision of Life Business, Net of Reinsurance</b>			<b>-66 022</b>			<b>-66 022</b>	<b>-65 916</b>
Gross amount		5	-65 175			-65 175	-65 770
Reinsurers' part		5	-847			-847	-146
Profit sharing, net of reinsurance		5	941			941	-4 416
<b>Net operating costs &amp; expenses</b>		21	<b>15 837</b>	<b>184 460</b>		<b>200 297</b>	<b>214 665</b>
Acquisition costs			10 416	146 830		157 246	166 861
Deferred acquisition costs (change)		5	311	-1 836		-1 525	-3 576
Administrative costs			7 928	49 419		57 347	65 359
Reinsurance commissions and profit sharing			-2 818	-9 953		-12 771	-13 979
<b>Financial Income</b>		16	<b>8 184</b>	<b>9 133</b>	<b>20 164</b>	<b>37 481</b>	<b>28 916</b>
On interest on financial assets not carried at fair value through profit or loss			6 659	5 772	3 146	15 577	14 091
On interest on financial liabilities not carried at fair value through profit or loss							
Other			1 525	3 361	17 018	21 904	14 825
<b>Financial Costs</b>		16	<b>2 635</b>	<b>2 828</b>	<b>2 010</b>	<b>7 473</b>	<b>5 113</b>
profit or loss							
profit or loss							
Other			2 635	2 828	2 010	7 473	5 113
<b>Net gains on financial assets &amp; liabilities not carried at fair value through profit or loss</b>			<b>-3 060</b>	<b>2 990</b>	<b>-100</b>	<b>-170</b>	<b>4 998</b>
On available-for-sale assets		17, 18	272	1 521	-100	1 693	9 561
On loans & accounts receivable							
On investments held to maturity							
On financial liabilities carried at amortised cost		6, 17	-3 332			-3 332	-4 080
On others		17		1 469		1 469	-483
<b>Net gains on financial assets &amp; liabilities carried at fair value through profit or loss</b>			<b>2 933</b>	<b>-43</b>	<b>-11 295</b>	<b>-8 405</b>	<b>12 223</b>
Net gains of financial assets & liabilities held for trading		17, 18					6 477
recognition at fair value through profit or loss		6, 17, 18	2 933	-43	-11 295	-8 405	5 746
Currency translation differences		19		5 135	-7 896	-2 761	-6 914
Net gains on the sale of non-financial assets not classified as available-for-sale non-current assets and discontinued operating units		17, 18		-732		-732	-6 261
<b>Impairment losses (net of reversal)</b>			<b>-619</b>	<b>4 657</b>	<b>3 102</b>	<b>7 140</b>	<b>-42 520</b>
On available-for-sale assets		7	-619	-284		-903	-5 823
On loans and receivables carried at amortised cost							
On investments held to maturity							
On others		12, 13		4 941	3 102	8 043	-36 697
Other technical income/costs, net of reinsurance		20	-7	-5 460		-5 467	-3 804
Other provisions (change)		13			-6 795	-6 795	-2 393
Other income/expenses		20			-4 121	-4 121	1 730
Negative goodwill recognised immediately in profit or loss							
Gains & losses on associates and joint ventures carried using the equity method		4, 16			2 874	2 874	5 570
as held for sale		18			258	258	14 712
<b>Net result before tax</b>			<b>-3 560</b>	<b>54 084</b>	<b>-5 819</b>	<b>44 705</b>	<b>-60 182</b>
Corporation tax for the period - Current tax		24			-1 852	-1 852	-4 672
Corporation tax for the period - Deferred tax		24			-31 605	-31 605	12 423
Other taxes		24			-53	-53	-64
<b>Net result from continuing operations</b>			<b>-3 560</b>	<b>54 084</b>	<b>-39 329</b>	<b>11 195</b>	<b>-52 494</b>
<b>DICONTINUED OPERATIONS</b>							
Net result from discontinued operations							
<b>Net result for the year</b>			<b>-3 560</b>	<b>54 084</b>	<b>-39 329</b>	<b>11 195</b>	<b>-52 494</b>
<b>Attributable to:</b>							
<b>- Owners of the parent</b>							
Net result from continuing operations						7 576	-47 381
Net result from discontinued operations							
<b>Net result for the year</b>						<b>7 576</b>	<b>-47 381</b>
<b>- Non-controlling interests</b>							
Net result from continuing operations						3 619	-5 113
Net result from discontinued operations							
<b>Net result for the year</b>						<b>3 619</b>	<b>-5 113</b>
						<b>11 195</b>	<b>-52 494</b>

The accompanying notes form an integral part of these consolidated financial statements.

#### 4. CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2018 & 2017

(in TEUR)	2018	2017
<b>Net result for the year</b>	<b>11 195</b>	<b>(52 494)</b>
<b>Items that may be reclassified to the consolidated statement of profit or loss</b>	<b>(8 864)</b>	<b>(2 995)</b>
Change in fair value of available-for-sale investments	(13 287)	2 576
Change in current and deferred taxes	3 355	(1 553)
Change in currency reserve	1 069	(4 018)
<b>Items that will not be reclassified to the consolidated statement of profit or loss</b>	<b>2 881</b>	<b>4 814</b>
Change of actuarial deviations recognised in reserves	2 881	4 814
Change in current & deferred taxes	-	-
<b>Total comprehensive income for the year</b>	<b>(5 983)</b>	<b>1 819</b>
<b>Total income for the year</b>	<b>5 212</b>	<b>(50 675)</b>
Attributable to:		
- Owners of the parent	4 222	(45 765)
- Non-controlling interests	990	(4 910)
	<b>5 212</b>	<b>(50 675)</b>

The accompanying notes form an integral part of these consolidated financial statements.

## 5. CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEARS ENDED DECEMBER 31, 2018 & 2017

(In TEUR)	Share capital	Revaluation reserves		Deferred tax reserve	Other reserves	Retained earnings	Share premium	Net income for the period	Total Equity attributable to the Group	Non-controlling interests	TOTAL EQUITY
		For adjustment of the fair value of financial assets	For currency translation differences								
<b>Balance as at January 1, 2017</b>	<b>41 467</b>	<b>(4 045)</b>	<b>(2 112)</b>	<b>439</b>	<b>1 686</b>	<b>51 913</b>	<b>105 836</b>	<b>12 484</b>	<b>207 668</b>	<b>26 375</b>	<b>234 043</b>
Increase/ (reduction) of the capital	-	-	-	-	-	-	-	-	-	-	-
Changes in fair value, net of taxes	-	2 289	(3 570)	(1 380)	-	-	-	-	(2 661)	(334)	(2 995)
Actuarial differences recognised in reserves	-	-	-	-	4 277	-	-	-	4 277	537	4 814
Other reserves	-	-	-	-	843	-	-	-	843	106	949
Allocation of net result for the previous year to retained earnings	-	-	-	-	-	12 484	-	(12 484)	(0)	-	(0)
Change in the consolidation scope	-	-	-	-	-	(140)	-	-	(140)	780	640
Net result for the year	-	-	-	-	-	-	-	(47 381)	(47 381)	(5 113)	(52 494)
<b>Balance as at December 31, 2017</b>	<b>41 467</b>	<b>(1 756)</b>	<b>(5 682)</b>	<b>(941)</b>	<b>6 806</b>	<b>64 257</b>	<b>105 836</b>	<b>(47 381)</b>	<b>162 605</b>	<b>22 351</b>	<b>184 957</b>
Increase/ (reduction) of the capital	-	-	-	-	-	-	-	-	-	-	-
Changes in fair value, net of taxes	-	(8 864)	713	2 238	-	-	-	-	(5 913)	(2 952)	(8 865)
Actuarial differences recognised in reserves	-	-	-	-	2 559	-	-	-	2 559	322	2 881
Other reserves	-	-	-	-	724	-	-	-	724	91	815
Allocation of net result for the previous year to retained earnings	-	-	-	-	-	(47 381)	-	47 381	-	-	-
Change in the consolidation scope	-	-	-	-	-	(2)	-	-	(2)	-	(2)
Net result for the year	-	-	-	-	-	-	-	7 576	7 576	3 619	11 195
<b>Balance as at December 31, 2018</b>	<b>41 467</b>	<b>(10 620)</b>	<b>(4 969)</b>	<b>1 297</b>	<b>10 089</b>	<b>16 873</b>	<b>105 836</b>	<b>7 576</b>	<b>167 549</b>	<b>23 432</b>	<b>190 981</b>

The accompanying notes from an integral part of these consolidated financial statements.

## 6. CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2018 & 2017

(in TEUR)	<b>2018</b>	<b>2017</b>
<b><i>Cash flow from operating activities</i></b>	<b><u>(55 203)</u></b>	<b><u>63 751</u></b>
Profit for the year	11 195	(52 494)
Depreciation and amortisation	9 409	11 524
Impairment of assets, net of reversals and recoveries	(8 043)	42 520
Post-employment benefits	443	(4 281)
Increase in other provisions	6 745	2 326
Variation of receivables from direct insurance, reinsurance and other operations	27 537	(46 296)
Variation of other assets and liabilities for taxes	30 469	(17 868)
Variation of other assets and liabilities	(28 475)	104 226
Variation of payables from direct insurance, reinsurance and other operations	(23 004)	29 364
Increase in provisions for direct technical insurance	(70 124)	23 171
Decrease in provisions for ceded technical reinsurance	(8 180)	(19 743)
Decrease in financial liabilities of the deposit component of insurance contracts and transactions considered as investment contracts for accounting purposes	(10 011)	(8 698)
Variation of other items of assets	6 836	-
<b><i>Cash flow from investing activities</i></b>	<b><u>74 482</u></b>	<b><u>(30 957)</u></b>
Purchase of investments	5 941	(41 499)
Disposal of affiliates and associates	35 769	-
Acquisition of tangible and intangible assets	(6 946)	(8 757)
Disposal of tangible and intangible assets	5	83
Acquisition of properties	(732)	-
Disposal of land and buildings	-	19 216
Disposal of assets held for sale	40 445	-
<b><i>Cash flow from financing activities</i></b>	<b><u>1 081</u></b>	<b><u>(12 564)</u></b>
Investments in subordinated liabilities	-	(8 540)
Acquisition of non-controlling interests	1 081	(4 024)
<b><i>Net change in cash &amp; cash equivalents &amp; sight deposits</i></b>	<b><u>20 360</u></b>	<b><u>20 230</u></b>
Cash & cash equivalents at the start of the year	110 627	90 397
Cash & cash equivalents at the end of the year	130 987	110 627

The accompanying notes form an integral part of these consolidated financial statements.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT DECEMBER 31, 2018 & 2017

### NOTE 1 - GENERAL INFORMATION

AP VIII Calm Eagle Holdings S.C.A (hereafter the "Company") was incorporated on November 14, 2014 and is organised under the laws of Luxembourg as a Société en Commandite par Actions for an unlimited period. The Company is controlled by the affiliate investment funds of Apollo Global Management, LLC.

The Company was initially incorporated under the laws of Luxembourg as a Société à Responsabilité Limitée for an unlimited period. On December 30, 2015, an extraordinary general meeting decided to change the legal form of the Company into a corporate partnership limited by shares (Société en Commandite par Actions). The registered office of the Company is established at 2, avenue Charles de Gaulle, L-1653 Luxembourg. The Company's financial year starts on January 1 and ends on December 31 of each year.

The main activity of the Company is acquisition of participations, in Luxembourg or abroad, in any companies or enterprises in any form whatsoever, and the management of those participations. The Company may in particular acquire, by subscription, purchase and exchange or in any other manner, any stock, shares and other participation securities, bonds, debentures, certificates of deposit and other debt instruments and, more generally, any securities and financial instruments issued by any public or private entity. It may participate in the creation, development, management and control of any company or enterprise.

Further, it may invest in the acquisition and management of a portfolio of patents or other intellectual property rights of any nature or origin. The Company may borrow in any form, except by way of public offer. It may issue, by way of private placement only, notes, bonds and any kind of debt and equity securities. It may lend funds, including, without limitation, the proceeds of any borrowings, to its subsidiaries, affiliated companies and any other companies. It may also give guarantees and pledge, transfer, encumber or otherwise create and grant security over some or all of its assets to guarantee its own obligations and those of any other company, and, generally, for its own benefit and that of any other company or person. For the avoidance of doubt, the Company may not carry out any regulated financial sector activities without having obtained the requisite authorisation.

The Company may use any legal means and instruments to manage its investments efficiently and protect itself against credit risks, currency exchange exposure, interest rate risks and other risks. The Company may carry out any commercial, financial or industrial operation and any transaction with respect to real estate or movable property which, directly or indirectly, favours or relates to its corporate object.

As at December 31, 2018 the Company owns direct and indirect subsidiaries (jointly referred to as the "Group"). The core business activity of the Group is carried out through its subsidiary in Portugal - Seguradoras Unidas, SA -, an insurance company resulting from the merger by incorporation into Companhia de Seguros Tranquilidade, SA., of the insurance companies wholly owned by it, T-Vida, Companhia de Seguros, SA (established in July 2006), the Seguros LOGO, SA (established in December 2007) and Açoreana Seguros, SA (acquired on August 5, 2016).

This merger was registered and came into effect on December 30, 2016, after approval of the management and supervisory bodies of the four entities involved and upon prior approval by the Insurance and Pension Funds Supervisory Authority (ASF), the incorporated entities having been extinguished by incorporation on that date. On the same day, Companhia de Seguros Tranquilidade, SA, changed its name to Seguradoras Unidas, SA. Nevertheless, from a commercial viewpoint, the Group's board decided to keep the Tranquilidade, Açoreana and LOGO brands active.

The Group was formed on January 15, 2015 by the way of acquisition of 32,000,000 shares representing 100% of the share capital of Tranquilidade, the acquisition having received the prior approval of the Insurance and Pension Fund Supervisory Authority (ASF). Tranquilidade has its registered office and principal place of business at Av. da Liberdade, 242, Lisbon.

It is registered at the Lisbon Registry of Companies. It currently operates through its offices in Lisbon, Porto, Ponta Delgada, Luanda e Maputo. The distribution network is divided into 23 commercial zones (21 on mainland Portugal, plus the Azores and Madeira), which are supported by a total of 585 physical points of sale geographically spread throughout the whole of mainland Portugal and the autonomous regions. By type, the physical network comprises 13 own points of sale (in Lisbon, Porto, plus 11 in the Azores), and 572 partner points of sale with the Tranquilidade or Açoreana image (in the Azores), of which 236 are exclusive.

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

## **NOTE 2 – INFORMATION BY SEGMENTS**

The Group is engaged in all Life and Non-life branches of insurance for which it has been authorised by the ASF and its underwriting policies and rules are defined with a view to obtaining for each product the best cost/benefit balance for the Group, the customer and the business partner, using for the purpose every available source of information for a proper assessment of the quality of the physical, financial and moral risks.

The operating segments reported are keeping with a business-lines framework typology.

The breakdown of the main headings of the profit & loss account as at December 31, 2018 & 2017, segmented by the main Life business lines, is as follows:



(in TEUR)

2018	Total Life	Traditional	With-profits capitalisation	Without- profits capitalisation
<b>Profit &amp; loss headings</b>				
Gross premiums written	53 983	41 637	3 945	8 401
Commissions on investment contracts	309	-	10	299
Gross premiums earned	54 181	41 835	3 945	8 401
Returns on investments	4 795	3 496	396	903
Gross cost of claims	103 948	25 575	76 310	2 063
Change in mathematical reserve	(65 175)	(764)	(62 728)	(1 683)
Other technical provisions	3 926	2 645	1 281	-
Profit-sharing	941	837	102	2
Gross operating costs	18 655	15 043	1 403	2 209
Balance of reinsurance	(551)	(551)	-	-
Other amounts of the profit & loss account	-	-	-	-
Technical result	(3 561)	1 443	(12 017)	7 013

(in TEUR)

2017	Total Life	Traditional	With-profits capitalisation	Without- profits capitalisation
<b>Profit &amp; loss headings</b>				
Gross premiums written	55 294	41 103	9 620	4 571
Commissions on investment contracts	573	-	-	573
Gross premiums earned	54 837	40 646	9 620	4 571
Returns on investments	9 533	7 037	1 625	871
Gross cost of claims	106 107	26 674	76 295	3 138
Change in mathematical reserve	(65 770)	(8 263)	(57 507)	-
Other technical provisions	(8 958)	(4 487)	(4 471)	-
Profit-sharing	(4 416)	1 291	(5 707)	-
Gross operating costs	24 210	12 681	2 131	9 398
Balance of reinsurance	(820)	(820)	-	-
Other amounts of the profit & loss account	-	-	-	-
Technical result	12 950	18 968	504	(6 522)

The breakdown of the main headings of the profit & loss account as at December 31, 2018 & 2017, segmented by the main Non-Life business lines, is as follows:

(in TEUR)

2018	Total Non-Life	Workers' Compensation	Fire & Other Damage	Motor	Other
<b>Profit &amp; loss headings</b>					
Gross premiums written	765 906	164 623	112 723	334 487	154 073
Reinsurance ceded premiums	(87 003)	(2 419)	(43 869)	(1 427)	(39 288)
Gross premiums earned	751 245	163 983	113 697	322 761	150 804
Returns on investments	18 312	9 591	1 628	5 636	1 458
Gross cost of claims	520 907	113 824	87 486	232 849	86 748
Gross operating costs	194 414	35 412	34 156	85 535	39 311
Technical result	54 084	28 326	4 807	16 644	4 307

(in TEUR)

2017	Total Non-Life	Workers' Compensation	Fire & Other Damage	Motor	Other
<b>Profit &amp; loss headings</b>					
Gross premiums written	699 907	144 164	106 407	298 982	150 354
Reinsurance ceded premiums	(84 787)	(2 817)	(41 658)	(1 172)	(39 140)
Gross premiums earned	690 518	143 063	107 319	291 170	148 966
Returns on investments	(33 436)	(15 169)	(4 091)	(11 286)	(2 890)
Gross cost of claims	542 063	132 738	100 048	234 256	75 021
Gross operating costs	204 434	36 176	42 097	84 713	41 448
Technical result	(101 982)	(36 905)	(25 536)	(41 445)	1 904

The breakdown of the main headings of the profit & loss account as at December 31, 2018 & 2017, of the Non-Life technical account by geographic zone is as follows:

(in TEUR)

2018	Total	Portugal	Mozambique	Angola
<b>Profit &amp; loss headings</b>				
Gross premiums written	765 906	746 148	2 565	17 193
Reinsurance ceded premiums	(87 003)	(81 248)	(646)	(5 109)
Gross premiums earned	751 245	733 856	2 528	14 861
Returns on investments	18 312	12 448	91	5 773
Gross cost of claims	520 907	511 158	1 295	8 454
Gross operating costs	194 414	192 069	654	1 691
Technical result	54 084	44 305	309	9 470

(in TEUR)

2017	Total	Portugal	Mozambique	Angola
<b>Profit &amp; loss headings</b>				
Gross premiums written	699 907	681 119	2 394	16 394
Reinsurance ceded premiums	(84 787)	(79 451)	(689)	(4 647)
Gross premiums earned	690 518	673 083	2 323	15 112
Returns on investments	(33 436)	(33 963)	104	423
Gross cost of claims	542 063	532 815	1 183	8 065
Gross operating costs	204 434	201 887	685	1 862
Technical result	(101 982)	(106 351)	302	4 067

The Life technical account as of December 31, 2018 & 2017 arises primarily from the operations in Portugal, bearing in mind that the amounts in respect of the African operations are not significant.

### NOTE 3 - BASIS OF PREPARATION OF THE CONSOLIDATED FINANCIAL STATEMENTS AND ACCOUNTING POLICIES

#### STATEMENT OF COMPLIANCE

The consolidated financial statements of the Group have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union ("IFRS"). For the purposes of these consolidated financial statements, the term IFRS will be used to encompass both IFRS and the International Accounting Standards (IAS) still in force, as well as all relevant interpretations ('IFRIC') issued by the International Accounting Standards Board (IASB) and endorsed by the European Union.

## **BASIS OF PRESENTATION**

The Board of Managers has adopted the Group's consolidated financial statements for the year ended December 31, 2018 on June 14, 2019.

The Group adopted the IFRS and the mandatory-application interpretations as from the incorporation date as detailed in Note 34.

Recently issued accounting standards and interpretations that have not yet come into force and that the Group has not yet applied in the preparation of its financial statements may also be consulted in Note 34.

The accounting policies described hereunder have been applied consistently for all periods presented in the financial statements.

The consolidated financial statements are expressed in thousands of euros, rounded to the nearest thousand, and the rounded amounts presented may not add up to the unit in all cases. The Board of Managers considers the EUR to be the currency that represents the economic effect of the underlying transactions, events and conditions. The Partnership's primary investing activities are denominated in EUR.

The consolidated financial statements have been prepared on a going concern basis and in accordance with the historic cost principle, with the exception of assets and liabilities carried at fair value, particularly available-for-sale financial assets, financial assets at fair value through profit or loss and investment properties. Other financial assets and liabilities as well as non-financial assets and liabilities are carried at amortised cost or historic cost less any impairment losses.

Preparation of the consolidated financial statements requires the Group to make judgements and estimates and use assumptions that affect the application of the accounting policies and the amounts of income, costs, assets and liabilities.

The estimates and assumptions used are based on the most recent information available, acting as support for judgements on the value of assets and liabilities valued solely using these sources of information. The actual results may differ from the estimates.

## **MAIN ACCOUNTING PRINCIPLES AND VALUATION CRITERIA ADOPTED**

### **Financial assets**

#### *Classification*

The Group classifies its financial assets at the start of each transaction, taking into account the underlying intention, in accordance with the following categories:

- Financial assets at fair value through profit or loss, which include:
  - Financial assets held for trading, which essentially correspond to securities acquired for the purpose of realising gains as a result of short-term fluctuations in market prices. Also included in this category are derivative financial instruments, excluding those that meet hedge-accounting requirements;

- Financial assets designated at the time of their initial recognition at fair value, with variations, are recognised in profit or loss, particularly where:
  - such financial assets are managed, valued and analysed in-house on the basis of their fair value;
  - Such designation eliminates any inconsistency of recognition and measurement (accounting mismatch);
  - such financial assets contain embedded derivatives.
- Available-for-sale financial assets, which includes:
  - non-derivative financial assets the intention of which is to be held for an indeterminate period;
  - financial assets that are designated as available-for-sale at the time of their initial recognition;
  - financial assets that do not fall within the other categories.
- Loans and receivables, in which financial assets with fixed or determinable payments, not listed on an active market, are classified, which includes sums receivable related with direct insurance operations, reinsurance ceded and transactions related with insurance contracts and other transactions.
- Financial assets held to maturity, which includes non-derivative financial assets with fixed or determinable payments and fixed maturity for which the Group has the intent and ability to hold to maturity and were not assigned to any other category of financial assets. Any reclassification or sale of financial assets recognised in this category that is not undertaken close to maturity requires the Group to reclassify this entire portfolio as available-for-sale financial assets and the Group will, during two years, be unable to classify any financial asset in this category.

#### *Recognition, initial measurement and derecognition*

Purchases and sales of financial assets at fair value through profit or loss and available-for-sale financial assets are recognised on trade date, that is, on the date the Group undertakes to buy or sell the asset.

Financial assets are initially recognised at their fair value plus trading costs, except where classified as financial assets at fair value through profit or loss, in which case these costs are recognised in profit or loss.

These assets are derecognised where (i) the Group's contractual rights to receive their cash flows expire or (ii) the Group has transferred substantially the whole of the risks and benefits associated with holding them.

#### *Subsequent measurement*

Following initial recognition, financial assets at fair value through profit or loss are carried at fair value, and changes are recognised in profit or loss.

Investments classified as available for sale financial assets are carried at fair value, and any changes are recognised under reserves until such time as the investments are derecognised or an impairment loss is recognised, when the accumulated amount of the potential gains and losses is recorded under reserves and transferred to profit or loss.

Exchange differences associated with these investments are also recognised under reserves, in the case of equity instruments, and recognised in profit or loss in the case of debt instruments. Interest, calculated at the effective interest rate, and dividends are recognised in the income statement.

The fair value of quoted financial assets is their current bid price. In the absence of quotation, the Group estimates the fair value using (i) valuation methodologies such as the use of prices of recent similar transaction at arm's length, discounted cash-flow techniques and customised options valuation models designed to reflect the specifics and circumstances of the instrument, and (ii) valuation assumptions based on market information.

Loans and receivables are subsequently carried at amortised cost on the basis of the effective interest-rate method.

Financial instruments in respect of which the fair value cannot be measured reliably are carried at acquisition cost, net of impairment losses.

#### *Transfers between categories*

In October 2008 the IASB issued a revision of IAS 39 - Reclassification of financial instruments (*Amendments to IAS 39 Financial Instruments: Recognition and Measurement and IFRS 7: Financial Instruments Disclosures*).

This amendment came to allow an enterprise to transfer financial assets at fair value through profit or loss to the available-for-sale financial assets portfolio, to Loans and receivables or to financial assets held to maturity, provided such financial assets meet the characteristics of each category.

Additionally, transfers of financial assets recognised in the available-for-sale financial assets category to the categories of Loans and advances to customers - Securitised credit and Financial assets held to maturity are permitted in certain specific circumstances.

#### *Impairment*

The Group regularly assesses whether there is objective evidence that a financial asset or group of financial assets shows triggers of impairment. For those financial assets showing triggers of impairment, the respective recoverable value is determined and impairment losses are recorded in profit or loss.

A financial asset or group of financial assets is impaired where there is objective evidence of impairment as a result of one or more events occurring after its initial recognition, such as: (i) for equity securities, prolonged or significant decline in the fair value, and (ii) for debt securities, where this event (or events) impact(s) on the estimated future cash flows of the financial asset or group of assets, which can be estimated reasonably.

In accordance with the Group's policy, a decrease in the fair value of an equity instrument of 30% is considered a significant decrease and the period of 1 year is presumed a prolonged decrease in the fair value.

When there is evidence of impairment of available-for-sale financial assets, the unrealised loss accumulated under reserves, corresponding to the difference between acquisition cost and fair value, less any impairment loss of the asset already recognised in profit or loss, is transferred to profit or loss.

If in a subsequent period the amount of the impairment loss falls, the impairment loss previously recognised is reversed and offset under profit or loss for the year until the acquisition cost is re-established, provided the increase of the fair value is objectively related with an event occurring after recognition of the impairment loss, except with regard to equity instruments, in which case the increase of the fair value is recognised against reserves.

### **Derivative financial instruments**

Derivative financial instruments are recognised on their trade date at fair value. Subsequently, the fair value of derivative financial instruments is revalued on a regular basis, and the resultant gains or losses are recorded directly in profit or loss for the period.

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

### **Embedded Derivatives**

Derivatives embedded in other financial instruments are treated separately where their economic characteristics and their risks are not closely related with the principal instrument and the principal instrument is not carried at fair value through profit & loss. These embedded derivatives are recorded at fair value and changes in fair value are recognised in profit & loss.

### **Financial liabilities**

An instrument is classified as a financial liability where there is a contractual obligation for its settlement to be made by paying cash or another financial asset, regardless of its legal form.

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

The Group derecognises financial liabilities when they are settled, cancelled or extinguished.

### **Transactions in foreign currency**

Transactions in foreign currency are translated at the exchange rate on the transaction date. Monetary assets and liabilities expressed in foreign currency are translated into euros at the exchange rate on the reporting date. The exchange differences are recognised in profit or loss except where classified as cash-flow hedges or net investment hedges, in which case the exchange differences are recognised under reserves.

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

The Group applied IAS 29, considering that the conditions established for Angola (hyperinflationary economy) were met. Therefore, before the working currency is translated into the reporting currency for the financial statements of Angola subsidiaries, the carrying values of assets, liabilities, equity, income and expenses were restated based on the general price index that reflects changes in the purchasing power of the currency of the country in which the operations are generated (Note 33).

### **Tangible assets**

The Group's tangible assets are carried at acquisition cost less accumulated depreciation and impairment losses.

Subsequent costs incurred with the tangible assets are capitalised only if it is probable that they will generate future economic benefit for the Group. All maintenance and repair costs are recognised as a cost in accordance with the accrual accounting principle.

Land is not depreciated. Depreciation of tangible assets is calculated using the straight-line method at the following rates which reflect the expected useful lives of the assets:

<b>Asset Type</b>	<b>Number of years</b>
Owner-occupied properties	-
IT hardware	3 to 6
Furniture & materials	4 to 8
Indoor facilities	5 to 20
Machines and tools	4 to 8
Transport material	4
Other equipment	7 to 10

The expected useful life of the assets is reviewed on each balance sheet date and is adjusted, if appropriate, in accordance with the expected pattern of consumption of the future economic benefits that are expected to be obtained from the use of the asset.

Where there is an indication that an asset might be impaired, IAS 36 requires that its recoverable value be estimated, and an impairment loss recognised in the event that the net value of an asset exceeds its recoverable value. Impairment losses are recognised in the income statement.

The recoverable value is determined as the higher of the fair value less cost to sell and the value in use, the latter calculated on the basis of the present value of the estimated cash flows that are expected to be obtained from ongoing use of the asset and from its sale at the end of its useful life.

### **Investment properties**

The Group classifies as investment properties real estate held for rental, for capital gains or both.

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

Subsequent related expenditure is capitalised where it is probable that the Group will incur future economic benefits over and 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 sell such assets, they are available for immediate sale and their sale is very likely.

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

The fair value is based on market value, which is determined on the basis of the expected selling price obtained through periodic valuations carried out by the Group.

The subsequent measurement of these assets is performed at the lower of the carrying amount and the corresponding fair value less costs to sell, and they are not subject to depreciation. Unrealised losses are recognised as impairment losses on the profit or loss.

### **Intangible assets**

The value in force (ViF) of the acquired business is recognised as an intangible asset and is written down over the period of recognition of the income associated with the acquired policies. The ViF is the estimated present value of the future cash flows of contracts in force on the acquisition date.

Costs incurred with the acquisition of software are capitalised, as the additional expenses borne by the Group required to implement it. These costs are amortised using the straight-line method over the expected useful lives of these assets, usually 3 years.

Costs directly related with the development of software by the Group, which is expected to generate future economic benefits over a period of more than one year are recognised and recorded as intangible assets. These costs are amortised on a straight-line basis over the expected useful lives of these assets, which do not, in the main, exceed 5 years.

All other charges related with IT services are recognised as costs when incurred.

Where there is an indication that an asset might be impaired, IAS 36 requires that its recoverable value be estimated, and an impairment loss recognised in the event that the carrying amount exceeds its recoverable value.

The recoverable amount is determined based on the greater of the value in use of the assets and the fair value less costs to sell, and is calculated with recourse to valuation methodologies supported by discounted cash-flow techniques, considering market conditions, time value and business risks.



Impairment losses are recognised in the income statement.

### **Leasing**

The Group classifies lease transactions as finance leases or operating leases in the light of their substance and not of their legal form, complying with the criteria established in IAS 17 – Leases.

Transactions in which the risks and benefits inherent in the ownership of an asset are transferred to the lessee are classified as finance leases. All other lease transactions are classified as operating leases.

In operating leases, payments made by the Group in the light of operating lease contracts are recorded as costs during the periods to which they refer.

Finance lease contracts are recorded on their start date, under assets and liabilities, at the acquisition cost of the leased property, which is equivalent to the present value of the future rent payments. The rents comprise (i) the financial charge debited to profit and loss and (ii) the financial amortisation of capital, which is deducted from liabilities.

Financial charges are recognised as costs over the life of the lease, in order to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

### **Cash & cash equivalents**

For the purpose of preparing the statement of cash flows, the Group considers as "Cash & cash equivalents" the total of "Cash & cash equivalents and short deposits." Cash & cash equivalents includes amounts recorded in the balance sheet maturing at less than three months of the reporting date, and includes cash and balances at credit institutions.

### **Reinsurance**

Reinsurance contracts are reviewed to determine whether the respective contractual provisions involve the transfer of a significant insurance risk. Reinsurance contracts that do not involve transfer of significant insurance risk are recorded using the deposit accounting method and are carried under loans as financial assets or liabilities related with reinsurance business. Amounts received or paid under these contracts are recorded as deposits using the effective interest-rate method.

In the course of its business the Group accepts and cedes business. Receivables or payables related with reinsurance business include balances receivable from or payable to insurance and reinsurance companies in keeping with the provisions defined in advance in the respective ceded-reinsurance treaties.

The accounting principles applicable to liabilities related with reinsurance accepted within the scope of insurance contracts that involve significant insurance risks are treated in a manner identical to that of direct insurance contracts.

## Employee benefits

Liabilities for employee benefits are recognised in accordance with the principles laid down by IAS 19 – Employee Benefits.

### *Post Retirement Benefit Plan*

Some Group entities assume liability for the payment to its employees of benefit complements over and above the Social Security old-age and disability pensions under the terms established in the applicable Collective Bargaining Agreements (CBAs).

The collective bargaining agreement that originally applied to the labour relations which affected some Group entities was the Collective Bargaining Agreement published in BTE n° 32 of August 29, 2008, which determined that employees covered by this agreement, admitted into the sector up until June 22, 1995, may access a pecuniary benefit complementing the pension granted by Social Security.

Some Group entities, in line with other insurance undertakings in identical circumstances, declared the end of the life and application of this agreement with effect from December 31, 2016, especially as regards the said supplementary defined-benefit pension plans.

The Group's liabilities for the said retirement-pension complements (defined-benefit plan) are calculated annually, on the reporting date, for each plan individually.

On December 23, 2011, a new Insurance Collective Bargaining Agreement was approved, published in BTE n° 2 of January 15, 2012, altering a previously-defined set of benefits. This collective bargaining agreement was succeeded and replaced by the Collective Bargaining Agreement published in BTE n° 4 of January 29, 2016.

The Collective Bargaining Agreement was the object of an extension order-in-council, published in BTE n° 25, dated July 8, 2016, which determined the application of the provisions of this agreement to all employees of Group entities not affiliated with the signatory unions, except for employees affiliated with Sinapsa - National Union of Insurance and Related Professionals.

Of the changes resulting from the Collective Bargaining Agreement of 2012, which have been maintained in the new Collective Bargaining Agreement, the following are underscored:

- (i) with regard to post-employment benefits, employees come to be covered by a defined-contribution plan;
- (ii) length-of-service bonus equal to 50% of their actual salary, which will be due, upon fulfilment of the respective conditions for its grant, when the employees complete one or more multiples of 5 years with the Group.

With regards to the change of the supplementary pension plan, the nature of which was changed from defined benefit to defined contribution, and taking into account that the fully-funded amount of the liabilities for past services in respect of old-age pensions payable to current employees was converted into individual accounts of these employees, forming part of their individual retirement plan, according to IAS 19, the Group settled the liability.

*Defined Benefits Plan*

The Group's net liability for the defined-benefit pension plan, in the said limited cases in which it continues, is calculated separately for each plan, through an estimate of the value of future benefits that each employee is to receive in exchange for his service during the current and past periods.

The benefit is discounted to determine its current value, and the discount rate corresponding to the rate of high-quality corporate bonds of companies with a high rating with a maturity similar to that of the liabilities of the plan. The net liability is determined after deducting the fair value of the Pension Fund's assets.

The interest income/ cost of the pension plan is calculated by the Group by multiplying the net asset/ liability involved in retirement pensions (liabilities less the fair value of the fund's assets) by the discount rate used in determining the retirement-pension liabilities as mentioned above. On this basis, the net income/ cost of interest includes interest costs associated with the retirement-pension liabilities and the estimated return on the fund's assets, both measured on the basis of discount rate used in the calculation of the liabilities.

The re-measurement gains and losses, namely (i) the actuarial gains and losses resulting from differences between actuarial assumptions used and the amounts actually incurred (gains and losses of experience) and from the changes in actuarial assumptions and (ii) gains and losses arising from the difference between the estimated returns on the fund's assets and the amounts obtained are recognised in equity under other comprehensive income (Other reserves).

In its profit and loss account the Group recognises a total net value that includes (i) the cost of the current service, (ii) the net interest income/cost of the pension plan, (iii) the effect of early retirements, (iv) past service costs and (v) the effects of any settlement or curtailment during the period. The net income/cost of the pension plan is recognised under staff costs. Costs of early retirements corresponds to the increase of liabilities due to retirement before the worker reaches retirement age.

The plan is financed each year through the Group's contributions to cover the projected pension liabilities, including complementary benefits as appropriate. The minimum financing of the liabilities is 100% for pensions under payment and 95% for the past services of personnel still in service.

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

*Defined-contribution plan*

For the defined contribution plans, which cover most employees, the liabilities relating to the benefit attributable to employees of some Group entities are recognised as cost for the year when they fall due.

As at December 31, 2018, and except for employees covered by a defined-benefit plan, some Group entities have two defined-contribution plans, depending on the initial origin of the employer (Tranquilidade or Açoreana, prior to the merger) for employees in service taken on by June 22, 1995, as well as for all employees who meet the conditions set out in the new Collective Bargaining Agreement, making annual contributions taking into account the

individual remuneration of each employee. In addition, the Group assigned a defined contributions plan to its Board of Managers.

#### *Length-of-service bonus*

The length-of-service bonus is 50% of the salary when the employee, over and above the conditions laid down in Clause 42 of the said collective bargaining agreement, completes one or more multiples of 5 years with the Group. The length-of-service bonus is determined using the same methodology and assumptions as those of post-employment benefits.

Any actuarial gains and losses are recognised in profit or loss when incurred.

This benefit applies to all employees covered by the 2016 Collective Bargaining Agreement.

#### *Health benefits*

Additionally, some Group entities granted a medical-assistance benefit to its employees in service and to pre-retirees up to retirement age. The measurement and recognition of the Group's obligations with health benefits attributable to pre-retirees up to retirement age is performed in a manner similar to the pension liabilities.

#### *Short-term benefits:*

Other short-term benefits, including variable remuneration as and when payable to employees, are accounted for as costs for the financial year to which it refers.

### **Corporate tax**

The Group is subject to Corporate Income Tax (CIT) and to the Municipal Surcharge in Portugal. It is also subject to CIT and Net Wealth Tax (NWT) in Luxembourg. The corporate income tax is 18% for 2018, and taking into consideration the solidarity surtax of 7%, and including 6.75% municipal business tax rate, the overall tax rate is 26.01% in Luxembourg. The Group is incurring the minimum NWT in Luxembourg.

Group companies having their registered office in Portugal are subject to Corporation Tax (IRC) and to the Municipal Surcharge, the aggregate rate of which in 2018 and 2017 is 22.5%, plus the respective State Surcharge determined in accordance with Law 66-B/2012 of December 31, leading to the application of an additional 3% on the portion of taxable income exceeding €1,500,000 and less than €7,500,000, 5% on the portion of taxable income exceeding €7,500,000 and less than €35,000,000, and 7% on the portion of taxable income exceeding the latter amount.

The other Group entities are subject to local taxes in the countries/ territories in which they are established.

Corporation tax includes current taxes and deferred taxes. Corporation tax is recognised in profit or loss except where it is directly related with items recognised directly in equity, in which case it is also recorded with a contra-entry under equity.

Deferred taxes recognised under equity stemming from the revaluation of available-for-sale financial assets are subsequently recognised in profit or loss at the time the gains and losses that gave rise to them are recognised.

Current tax is calculated on the basis of the taxable profit for the year, which differs from the book profit owing to adjustments to the taxable income resulting from costs and income not relevant for tax purposes, or that will only be considered in other accounting periods, as well as adjustments of value for the purpose of calculation of the taxable capital gains.

Deferred tax corresponds to the impact on tax recoverable/ payable in future periods resulting from temporary deductible or taxable differences between the carrying amount of the assets and liabilities and their tax base, used in determining the taxable profit.

Deferred tax liabilities are generally recorded for all taxable temporary differences, while deferred tax assets are only recognised up to the amount where it is probable that future taxable profits will allow the use of the corresponding deductible tax or tax-loss differences.

Additionally, deferred tax assets are not recorded where their recoverability may be questioned due to other situations, including questions of interpretation of tax legislation in force.

Deferred taxes are calculated at the tax rates that are expected will be in force at the time of reversal of the temporary differences, which correspond to the rates approved or substantially approved on the reporting date.

### **Provisions and contingent liabilities**

Provisions are set aside when there is a present (legal or constructive) obligation resulting from past events for which the future expenditure of resources is probable and can be determined reliably. The amount of the provision is the best estimate of the amount to be paid to settle the liability as of the reporting date.

Should no future expenditure of resources be probable, it is a contingent liability. Contingent liabilities are subject to disclosure, unless the possibility of their payment is remote.

Other provisions are intended to address tax and other contingencies resulting from the Group's business.

### **Recognition of interest**

Income in respect of interest on available-for-sale financial assets and financial assets at fair value though profit or loss are recorded under specific headings of gains & losses.

Calculation of the amortised cost is performed using the effective-rate method, its impact recorded under returns on investments.

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

In calculating the effective interest rate future cash flows are estimated considering all the contract terms of the financial instrument (e.g., put options), though possible future credit losses are not considered. The calculation includes commissions constituting an integral part of the effective interest rate, transaction costs and all premiums and discounts related with the transaction.

### **Dividends received**

Returns on capital instruments (dividends) are recognised as and when received.

### **Earnings per share**

Basic earnings per share are calculated dividing the Group's net profit/(loss) by the weighted average number of ordinary shares issued.

### **Offsetting financial instruments**

Financial assets and liabilities are carried in the balance sheet at net value where there is a legal possibility of offsetting the amounts already recognised and there is the intention of settling them at their net value or of realising the asset and settling the liability simultaneously.

### **Adjustments of receipts pending collection and of doubtful debt**

On each date of presentation of financial statements, the Group assesses the existence of impairment of assets originated by insurance and reinsurance contracts, such as receivables from the insured, brokers, reinsurers and of technical provisions for reinsurance ceded, and also of other receivables.

Should impairment losses be encountered, the carrying amount of the respective asset is reduced against the profit and loss account for the year, and the cost is reflected under Impairment losses (net of reversals). The amounts of these adjustments are calculated on the basis of the value of premiums pending collection and of doubtful debt, in keeping with the criteria established by the ASF.

### **Report by operating segments**

The Group determines and presents operating segments based on the management information produced in-house.

A business operating segment is an identifiable component of the Group that is intended to provide an individual product or service or a group of related products or services, within a specific economic environment, and is subject to risks and benefits that can be differentiated from others operating in different economic environments.

The Group controls its business through the main operating segments referred to in Note 2, in keeping also with the disclosure requirements defined by the ASF (business lines and geography). The Group has not adopted IFRS 8, since it is not a listed entity.

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

IFRS establish a series of accounting procedures and require the Board of Managers to make the necessary judgements and estimates to decide the most appropriate accounting procedures.

The main accounting estimates and judgements used by the Group in the application of the accounting principles are detailed as follows, with a view to improving the understanding of how their application affects the Group's reported results and their disclosure.

Considering that in many situations there are alternatives to the accounting treatment adopted by the Board of Managers, the results reported by the Group could be different had a different treatment been chosen.

The Board of Managers considers that the choices made are appropriate and that the financial statements adequately present the Group's financial position and the results of its operations in all materially relevant aspects.

The alternatives analysed hereunder are presented only to help readers to understand the financial statements and are not intended to suggest that other alternatives or estimates are more appropriate.

#### **Entities included in the consolidation perimeter**

To determine the entities to be included in the consolidation perimeter, the Group assesses the extent to which it is exposed to or has rights to the variability of the returns generated by its involvement with that entity and may take possession thereof through its power over that entity (*de facto* control).

The decision that an entity has to be consolidated by the Group requires the use of judgement, estimates and assumptions to determine the extent to which the Group is exposed to the variability of the returns and the ability to take possession thereof through its power.

Other assumptions and estimates could lead to a different consolidation perimeter of the Group, with a direct impact on the consolidated results.

#### **Fair value of financial instruments and other assets at fair value**

Fair value is based on market quotations, where available, and in the absence of quotations, it is determined on the basis of prices of recent similar transactions realised under market conditions, or on the basis of valuation methodologies based on discounted future cash flows taking into account market conditions, the time value, the yield curve and volatility factors.

These methods may require the use of assumptions or judgements in estimating the fair value.

Consequently, the use of other methods or different assumptions or judgements in applying a given model could give rise to financial results different from those reported.

#### **Impairment of Available-for-sale Financial Assets**

The Group determines that there is impairment of its available-for-sale assets where there is a prolonged or significant decline of the fair value. Determination of prolonged or significant decline requires judgement.

In accordance with the Group's policy, a decrease in the fair value of an equity instrument of 30% is considered a significant decrease and the period of 1 year is presumed a prolonged decrease in the fair value, for capital instruments and events that alter the estimated future cash flows of debt securities.

Additionally, valuations are based on market prices or measurement models that always require the use of certain assumptions or judgements in order to establish the fair value estimates.

The use of alternative methodologies and of different assumptions and estimates could lead to a different level of impairment losses recognised, with a consequent impact on the Group's results.

### **Corporate tax**

Determination of corporation tax requires certain interpretations and estimates. Other interpretations and estimates could result in a different amount of corporation tax, current and deferred, recognised during the period.

In keeping with tax legislation in force, the Tax Authorities are entitled to review the calculation of the taxable income made by the Group companies having their registered office in Portugal, during a period of four years or longer period if deduction of tax losses is involved, in which case a period identical to the time limit for their deduction applies.

There may therefore be corrections to the taxable income as a result of differences in the interpretation of tax legislation. Nevertheless, the Board of Managers of the Group's parent company is convinced that there will be no significant corrections to the corporation tax recorded in the consolidated financial statements.

### **Impairment of Goodwill**

The recoverable amount of the goodwill carried in the Group's assets is reviewed annually, regardless of the existence of signs of impairment.

For this purpose, the carrying amount under assets of the respective goodwill is compared with its recoverable value. An impairment loss associated with goodwill is recognised when the recoverable amount of the entity to be tested is lower than its carrying amount.

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

### **Impairment of long-term assets**



Long-term intangible assets (ViF) are reviewed for impairment when there are facts or circumstances that indicate that the carrying amount is not recoverable. Considering the uncertainties regarding the determination of the recoverable amount of the intangible assets, based as it is on the best information available at the time, changes of the assumptions may result in different impacts on the determination of the level of impairment and consequently on the Group's results.

### **Technical provisions and liabilities relating to investment contracts**

Determination of the Group's insurance companies liabilities for insurance contracts is performed based on the methodologies and assumptions described in Note 4. These liabilities reflect a quantified estimate of the impact of future events on the Group's accounts, carried out on the basis of actuarial assumptions, claims history and other methods accepted with in the sector.

Technical provisions in respect of traditional life products and annuities have been determined on the basis of various assumptions, namely, mortality, longevity and interest rate, applicable to each cover, including a risk and uncertainty margin.

Technical provisions in respect of Accident and Health products have been determined on the basis of various assumptions, namely, mortality, longevity and interest rate, applicable to each cover, including a risk and uncertainty margin.

The assumptions used were based on the past experience of the Group and of the market. These assumptions may be reviewed in the event that future experience confirms their inadequacy.

Technical provisions arising from insurance and investment contracts with discretionary profit sharing include (i) provision for profit sharing, (ii) provision for unearned premiums, (iii) provision for unexpired risks, (iv) liabilities adequacy test and (v) provisions for reported and unreported claims, including their settlement costs, (vi) mathematical reserve of Life contracts, (vii) portfolio-stabilisation provision and (viii) provision for rate commitments.

The mathematical reserve includes the valuation resulting from the liabilities adequacy test.

The provision for profit-sharing includes the liability determined through shadow accounting.

The provision for claims includes the estimate of liabilities for claims incurred as of the balance-sheet date. Where there are claims indemnifiable under insurance contracts, any sum paid or that is expected to be paid by the Group is recognised as a loss in profit or loss.

The Group sets aside provisions for the payment of claims arising from with-profits insurance and investment contracts. In their determination it periodically assesses its liabilities using actuarial methods and taking into account the respective reinsurance covers. The provisions are periodically reviewed by qualified actuaries.

The Group records provisions for claims in Non-Life business to cover payments to be made, considering the estimated final cost of reported and unreported claims on each balance-sheet date.

The provisions for claims do not represent an exact calculation of the amount of the liabilities, rather an estimate resulting from application of actuarial valuation techniques. These estimated provisions correspond to the Group's expectation of the ultimate cost of settling claims based on an evaluation of the facts and circumstances known at the time, on a review

of the historic settlement patterns, on an estimate of trends in terms of claims frequency and costs, and other factors.

Variables used in the determination of the estimate of the provisions may be affected by internal and/or external events, especially alterations to claims management processes, inflation and legal alterations. Many of these events are not directly quantifiable, particularly on a prospective basis.

Additionally, there may be a significant time difference between the moment of occurrence of the insured event (claim) and the moment when this event is reported to the Group. The provisions are regularly reviewed through an ongoing process as and when additional information is received and the liabilities come to be liquidated.

In view of the above and taking into account the nature of the insurance business, the determination of provisions for claims and other liabilities for insurance contracts is highly subjective, and the actual amounts payable in the future may turn out to be significantly different from estimates made.

However, the Group believes that the insurance contract liabilities carried in the financial statements properly reflect the best estimate of amounts payable by the Group as of the reporting date.

#### **NOTE 4 - CONSOLIDATION**

##### **Consolidation principles**

The consolidated financial statements now presented reflect the assets, liabilities and results of AP VIII Calm Eagle Holdings S.C.A. and its subsidiaries ("Group") and the results attributable to the Group related to financial investments in associated companies.

The accounting policies have been applied consistently by all Group companies.

##### *Subsidiaries*

Subsidiaries are entities (including investment funds and securitisation vehicles) controlled by the Group. The Group controls an entity when it is exposed to or has rights to the variability of the returns generated by its involvement with that entity and may take possession thereof through its power over that entity (*de facto* control). The financial statements of subsidiaries are included in the consolidated financial statements from the date on which the Group acquires control until the date on which control ceases.

The accumulated losses are attributed to non-controlling interests in the respective proportion, which may involve recognition of negative non-controlling interests.

In a step acquisition transaction that results in the acquisition of control, when calculating the goodwill, the revaluation of any holding previously acquired is recognised in profit or loss. At the time of a partial sale leading to loss of control of a subsidiary, any remaining holding is measured at fair value on the date of sale and the gain or loss resulting from this revaluation is recorded in profit or loss.

##### *Associates*

All companies over which the Group has powers to exert significant influence over their financial and operational policies, though it does not exercise control over them, are classified

as associates. The Group is normally presumed to exert significant influence when it is empowered to exercise more than 20% of the associate's voting rights.

Even where voting rights are less than 20% the Group may exert significant influence through participation in the management of the associate or in the composition of the board of directors with executive powers. Investments in associates are recorded using the equity method, provided the Group acquires significant influence, until such time as it ends.

When the value of accumulated losses incurred by an associate and attributable to the Group equals or exceeds the carrying amount of the holding and of any other medium- and long-term interests in that associate, the equity method is discontinued, unless the Group has a legal or constructive obligation to recognise such losses or has made payments on behalf of the associate.

#### Goodwill

Business combinations are recorded using the purchase method. The acquisition cost is equal to the fair value determined on the date of purchase of the assets transferred and of liabilities incurred or assumed. The costs directly related to the acquisition of a subsidiary are allocated directly to profit or loss. On the acquisition date, which is the moment when the Group obtains control of the subsidiary, the assets, liabilities and contingent liabilities that meet the recognition requirements of IFRS 3 – "Business Combinations" are recorded at their fair value.

Positive goodwill resulting from acquisitions is recognised as an asset and recorded at acquisition cost and is not subject to amortisation. Goodwill arising on the acquisition of holdings in subsidiary companies is defined as the difference between the acquisition cost and the total or proportional fair value of the assets and liabilities and contingent liabilities of that business, depending on the option taken.

If it is found that the portion corresponding to the percentage of the holding acquired by the Group in the assets, liabilities and contingent liabilities of a subsidiary exceeds the acquisition cost, the excess is recorded directly in the income statement for the year in which the business combination occurs.

The recoverable amount of the goodwill is assessed annually, regardless of the existence of impairment indicators, in accordance with the requirements of IAS 36 - "Impairment of Assets".

Any impairment losses are recognised in profit or loss for the period and cannot be reversed. The recoverable amount is determined based on the value in use of the assets and the fair value less selling costs, and is calculated with recourse to valuation methodologies supported by discounted cash-flow techniques, considering market conditions, time value and business risks.

Goodwill is not corrected on the basis of the final determination of the value of the contingent price paid, being this impact being recognised against profit or loss, against or in equity, if applicable.

#### *Impairment*

The recoverable amount of investments in associates is assessed annually, regardless of the existence of impairment indicators. Impairment losses are determined based on the difference between the recoverable amount of investments in associates and their carrying amount. The impairment losses determined are recorded against the statement of income, and are subsequently reversed through profit or loss if there is a reduction of the estimated impairment loss in a subsequent period.

The recoverable amount is determined based on the greater of the value in use of the assets and the fair value less selling costs, and is calculated with recourse to valuation methodologies such as discounted cash flow techniques, considering the market conditions, the time value and the business risks.

#### *Acquisition and dilution of non-controlling interests*

The acquisition of non-controlling interests that do not cause a change of control of a subsidiary is accounted for as a transaction with shareholders and, as such, no additional goodwill resulting from such a transaction is recognised. The difference between the acquisition cost and the fair value of non-controlling interests is recognised directly in reserves. Likewise, gains or losses arising from sales of controlling interests that do not lead to a loss of control over a subsidiary are always recognised against reserves.

#### *Loss of control*

Gains or losses arising from the dilution or sale of a portion of the financial holding in a subsidiary, with loss of control, are recognised by the Group in the income statement.

In dilutions of controlling interests without loss of control, differences between the acquisition cost and the fair value of the non-controlling interest are recorded against reserves.

#### *Investments in foreign subsidiaries and associates*

The financial statements of the foreign subsidiaries and associates of the Group are prepared in their functional currency, defined as the currency of the primary economic environment in which they operate or the currency in which the subsidiaries obtain their income or finance their activity. In the consolidation process, assets and liabilities, including goodwill, of foreign subsidiaries not considered as functional currency of a hyperinflationary economy, are converted into euro at the official exchange rate at the balance sheet date.

Regarding the investments in foreign operations that are consolidated in the Group accounts under the full consolidation and equity methods, for exchange differences between the conversion to Euros of the opening net assets at the beginning of the year and their value in Euros at the exchange rate ruling at the balance sheet date, for consolidated accounts, are charged against consolidated reserves – exchange differences.

The income and expenses of these subsidiaries are converted to Euros at an approximate rate of the rates ruling at the dates of the transactions. Exchange differences from the conversion to Euros of the profits and losses for the reporting period, arising from the difference between the exchange rate used in the income statement and the exchange rate prevailing at the balance sheet date, are recognised in reserves - exchange differences.

On disposal of investments in foreign subsidiaries for which there is loss of control, exchange differences related to the investment in the foreign operation and to the associated hedge transaction previously recognised in reserves, are transferred to profit and loss as part of the gains or loss arising from the disposal.

If the functional currency of a foreign subsidiary is the currency of a hyperinflationary economy, then its financial statements are first adjusted to reflect the purchasing power at the date of the current balance sheet and later converted into the reporting currency using the exchange rate at the current balance sheet date.

In this regard, non-monetary items are updated at the end of the reporting period through the application of a general price index, from the acquisition date or the last revaluation date, whichever occurred most recently. Income and expenses items, including other comprehensive income, are also updated, and the gain or loss on the net monetary position is calculated, which reflects the gain or loss on the net monetary position of the foreign subsidiary.

As at 31 December 2018, for Angola, the inflation rate accumulated in the past three years is close to or above 100%, depending on the index used, and there is also the prospect that it will continue to cumulatively exceed 100% in 2019. This is an objective quantitative condition in addition to the existence of other conditions set forth in IAS 29, that the functional currency of Tranquilidade – Corporação Angolana de Seguros, S.A. and ADV Angola – Planos e Sistemas de Saúde, Lda financial statements as of 31 December 2018 corresponds to the currency of a hyperinflationary economy.

#### *Balances and transactions eliminated in the consolidation*

Balances and transactions between Group companies, including any unrealised gains or losses arising from intragroup transactions, are eliminated in the consolidation process, except where the unrealised losses evidence the existence of an impairment that should be recognised in the consolidated accounts. Unrealised gains arising from transactions with associates are eliminated in the proportion of the Group's holding therein. Unrealised losses are also eliminated, but only in situations where they do not evidence the existence of impairment.

#### **Consolidation Perimeter**

The summarised financial information of the subsidiaries and associates listed in the consolidation perimeter, taken from its statutory accounts as of December 31, 2018 & 2017, except where otherwise indicated, are as follows:

Company	Location	Consolidation method	2018		2017	
			Percentage of control	Percentage of interest	Percentage of control	Percentage of interest
Seguradoras Unidas, S.A.	Lisbon, Portugal	Full	100,00%	88,83%	100,00%	88,85%
Tranquilidade Mocambique Companhia de Seguros, S.A.	Maputo, Mozambique	Full	99,996%	88,83%	99,996%	88,85%
Tranquilidade Mocambique Companhia de Seguros Vida, S.A.	Maputo, Mozambique	Full	99,997%	88,83%	99,997%	88,85%
Advancecare Health International, S.A.	Lisbon, Portugal	Full	100,00%	88,83%	100,00%	88,85%
ADV Angola - Planos e Sistemas de Saude, Lda	Luanda, Angola	Full	100,00%	88,83%	100,00%	88,85%
Tranquilidade - Corporação Angolana de Seguros, S.A.	Luanda, Angola	Full	49,00%	43,53%	49,00%	43,54%
GNB, Companhia de Seguros, S.A.	Lisbon, Portugal	Equity	-	-	25,00%	22,21%
Europ Assistance, S.A.	Lisbon, Portugal	Equity	-	-	47,00%	41,76%
Calm Eagle Holdings S.à r.l.	Luxembourg, Luxembourg	Full	100,00%	88,83%	100,00%	88,85%
Calm Eagle Intermediate Holdings S.à r.l.	Luxembourg, Luxembourg	Full	100,00%	88,83%	100,00%	88,85%
Calm Eagle Parent Holdings S.C.A.	Luxembourg, Luxembourg	Full	88,83%	88,83%	88,85%	88,85%
AP VIII Calm Eagle Holdings S.C.A.	Luxembourg, Luxembourg	Parent	-	-	-	-

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

In 2018, the Group sold 47% of its stake in Europ Assistance, S.A. and recorded a capital loss of €1,250k resulting from this sale under Net Gains on financial assets and liabilities not valued at fair value through gains and losses (Note 17).

In 2018, the Group sold 25% of its stake in GNB - Companhia de Seguros, S.A. and recorded under a capital gain of €8,817k resulting from this sale under the heading Net Gains from financial assets and liabilities not valued at fair value through gains and losses (Note 17).

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

In December 2018, the Group reached an agreement to sell its stake in Tranquilidade - Corporação Angolana de Seguros, S. A. to another shareholder, namely Banco Económico, S. A., as well as to a local investor. This agreement is still subject to the approvals by the Angolan Insurance Regulation and Supervision Agency, and by the National Bank of Angola, and it is expected that such approvals will be published during the year of 2019. Due to the terms of this agreement, and in accordance with the requirements of IFRS 5 - Non-current assets held for sale and discontinued operations, all assets and liabilities of this subsidiary were reclassified, respectively, to non-current assets held for sale and operating units discontinued and liabilities of a disposal group classified as held for sale (Note 11).

Additionally, and within the scope of the application of IFRS 10 – Consolidated financial statements, the Group's consolidation perimeter includes the following special purpose vehicles as of December 31, 2018 & 2017:

	Registered office	Activity	% Economic interest	
			2018	2017
Corpus Christi - Fundo de Investimento Imobiliário Fechado	Portugal	Closed-end-Real-estate Investment Fund	100,00%	100,00%
Imoprime - Fundo de Investimento Imobiliário Fechado	Portugal	Closed-end-Real-estate Investment Fund	84,89%	84,89%
AAME TRQ CORP LOANS/HIGH YIELD BONDS FUND	Ireland	Open-end Securities Investment Fund	100,00%	100,00%
AAME TRQ GLOBAL INV GRADE CORP CREDIT	Ireland	Open-end Securities Investment Fund	100,00%	100,00%
AAME MULTI-CREDIT STRATEGY FUND	Ireland	Open-end Securities Investment Fund	100,00%	100,00%
AAME FINANCIAL BOND FUND	Ireland	Open-end Securities Investment Fund	100,00%	100,00%
AAME TRQ LOAN ORIGINATION FUND	Ireland	Open-end Securities Investment Fund	100,00%	100,00%

In 2017 the Group made, through the collective investment body designated Tranquilidade Diversified Income ICAV (Irish Collective Asset-Management Vehicle), an additional

investment of €270 million in the open-source investment sub-funds referred to in the table, and in 2018 it increased its investments by an additional €92 million, representing at 31 December 2018 a cumulative total investment of €452 million spread over the 5 sub-funds of open-ended investment funds.

### Investments in associates

As of December 31, 2018 & 2017, the financial information concerning associates is presented in the following table:

(in TEUR)

	Interest held	Income of the associate attr. to the Group		Carrying amount		
		2017/2018	2018	2017	2018	2017
GNB, Companhia de Seguros, S.A.	0,00%		1 217	1 581	0	12 068
Europ Assistance S.A.	0,00%		1 657	3 989	0	23 701
			<b>2 874</b>	<b>5 570</b>	<b>0</b>	<b>35 769</b>

Movement under this heading during 2018 & 2017 is as follows:

(in TEUR)

<b>Balance as at the acquisition date of subsidiary</b>	<b>60 919</b>
Income of the associates attributable to the Group	11 029
Other changes in equity attributable to the Group	(191)
Impairment	(27 759)
Dividends	(8 229)
<b>Balance as at 1 January 2018</b>	<b>35 769</b>
Income of the associates attributable to the Group	2 874
Other changes due to deconsolidation	(35 801)
Impairment	-
Dividends	(2 842)
<b>Balance as at 31 December 2018</b>	<b>0</b>

In 2017, the Group recorded an impairment of €27,8 million following the sale in May, 2018 of the holding in Europ Assistance SA for the amount of €22,3 million, which was previously accounted at a fair value resulting from the Purchase Price Agreement (PPA) at the time of the acquisition of Tranquilidade in 2015.

The equity method calculation was performed based on the estimated net asset of EA, which provided impairment loss above referred. If considered the final net asset of EA the impairment loss would have been €28,9 million, but with no effect on 2017 consolidated equity.

The breakdown and the financial information concerning associates is presented in the following tables:

	(in TEUR)							
	Assets		Liabilities		Equity		Net income	
	2018	2017	2018	2017	2018	2017	2018	2017
GNB, Companhia de Seguros, S.A.	-	122 287	-	90 915	-	31 372	-	6 322
Europ Assistance, S.A.	-	82 351	-	41 732	-	40 619	-	9 015

## Non-controlling interests

The breakdown of non-controlling interests as at December 31, 2018 & 2017, is as follows:

	(in TEUR)					
	% Non-controlling interest		Non-controlling interest (Balance sheet)		Non-controlling interest (Income statement)	
	2018	2017	2018	2017	2018	2017
Imoprime-Fundo de Investimento Imobiliário Fechado	15,11%	15,11%	5 625	5 166	458	(357)
Tranquilidade - Corporação Angolana de Seguros, S.A	51,00%	51,00%	3 493	4 881	858	1 080
CRIA - Centro de Reabilitação Integrada de Seguros, S.A.	0,00%	0,00%	-	-	-	41
GIGA - Grupo Integrado de Gestao de Acidentes, S.A.	0,00%	0,00%	-	-	-	19
Calm Eagle Parent Holdings S.C.A.	11,17%	11,15%	14 314	12 304	2 303	(5 897)
<b>Total</b>			<b>23 432</b>	<b>22 351</b>	<b>3 619</b>	<b>(5 113)</b>

## NOTE 5 – NATURE AND EXTENT OF THE HEADINGS AND OF THE RISKS RESULTING FROM INSURANCE CONTRACTS, INVESTMENT CONTRACTS AND REINSURANCE ASSETS

### PROVISION OF INFORMATION ALLOWING IDENTIFICATION AND EXPLANATION OF THE AMOUNTS INDICATED IN THE FINANCIAL STATEMENTS RESULTING FROM INSURANCE AND INVESTMENT CONTRACTS

#### Accounting policies adopted in respect of insurance and investment contracts

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

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

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

A contract issued by the Group that transfers just the financial risk, with no profit-sharing with a discretionary component of Group, is classified as a financial instrument.

Life contracts, in which the investment risk is borne by the policyholder (Unit-Linked) issued by the Group, which merely transfer the financial risk, without profit-sharing with a



discretionary component of the Group, were classified as investment contracts and are carried as financial instruments. Liabilities correspond to the value of the associated unit, less management commissions, redemption commissions and any penalties.

Unit-linked contracts held by the Group are classified as financial liabilities at fair value through profit or loss, which depends on the fair value of the financial assets, derivatives and investment property that form part of the collective unit-linked investment fund. Valuation techniques are used to determine the fair value of the issue date and on each reporting date.

The fair value of the financial liability is determined through the units, which reflect the fair value of the assets that make up the investment fund, multiplied by the number of units attributable to each policyholder on the reporting date.

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

IFRS 4 Insurance Contracts applies to all insurance contracts (including reinsurance contracts) that the Group issues and to reinsurance contracts it holds, except for specified contracts covered by other IFRSs. IFRS 4 focuses on types of contracts rather than types of entities. Therefore it applies to both entities regulated as insurance entities and all other entities.

With-profits insurance contracts and investment contracts are recognised and measured as follows:

#### *Recognition of costs & income*

Costs and income are recorded during the year to which they refer, irrespective of the moment of their payment or receipt, in accordance with the accrual accounting principle.

#### *Premiums*

Gross premiums written of the Non-life direct insurance branches and reinsurance accepted and reinsurance ceded premiums are carried respectively as income and costs under Premiums earned net of reinsurance in the profit and loss during the year to which they refer, regardless of the moment of their receipt or payment.

Premiums of discretionary with-profits life insurance policies and investment contracts considered as long-duration contracts are recognised as income when owed by the policyholders.

The benefits and other costs are recognised simultaneously with recognition of the income over the life of the contracts. The accrual involves setting aside provisions/ liabilities for discretionary with-profits insurance contracts and investment contracts.

Quantitative analysis of direct insurance and reinsurance accepted and reinsurance ceded premiums is addressed in Note 14.

#### *Provisions for Unearned Premiums*

The provision for unearned premiums reflects the amount of written premiums of insurance contracts attributable to future years, that is, the part corresponding to the period from the reporting date up until the end of the period to which the premium refers.

The Group calculated this provision receipt by receipt, through application of the *pro-rata temporis* method based on gross premiums written in respect of contracts in force.

### Acquisition costs

Acquisition costs that are directly or indirectly related to sales contracts, including brokerage commissions and other expenses charged to the acquisition, are capitalised and deferred over the life of the respective contracts and are recognised as a deduction from the amount of the technical provisions of insurance contract and reflected under Provisions for unearned premiums.

Deferred acquisition costs are subject to recoverability tests at the time of issue of the contracts and are subject to impairment tests on the balance-sheet date. Deferred acquisition costs of the Non-life branch are written down over the period during which the premiums associated with these contracts are acquired.

### Life mathematical reserve

The purpose of Life mathematical reserves is to record the present value of the Group's future liabilities in respect of discretionary with-profits insurance and investment contracts issued. They are calculated using actuarial tables and formulae fully in keeping with the ASF rules and regulations, as follows:

Tranquilidade products portfolio	Mortality Table	Technical rate	Açoreana products portfolio	Mortality Table	Technical rate
<b>Retirement Savings Plans and Capitalisation Products (*)</b>			<b>Retirement Savings Plans and Capitalisation Products (*)</b>		
Up to December 1997	GKM 80	4%	Up to December 1998	GKM 80	4%
January 1998 to June 1999	GKM 80	3,25%	January 1999 to June 2003	GKM 80	3%
After July 1, 1999	GKM 80	3% & 2,5%	August 2003 to September 2011	GKM 80	3% and variable
After March 2003	GKM 80	2,75%	After October 3, 2011 (**)	GKM 80	0.25% & 3%
After January 1, 2004 (**)	GKM 80	0% & 0,814%			
<b>Insurance in case of Life (*)</b>			<b>Insurance in case of Life (*)</b>		
Annuities – Up to June 2002	TV 73/77	4%	Annuities – Up to December 1997	PF 6064	6%
After July 1, 2002	TV 73/77	3%	After December 1, 1997	GKF 80	3% & 4%
After January 1, 2004	GKF 95	3%	After January 1, 2007	GKF 95 e GKF 80	2% & 3%
After October 1, 2006	GKF 95 e GKF 80	3%, 2,25% & 1,15%	After October 1, 2016.	GRF 95	1,5%
Other insurance in case of Life	TV 73/77	4%			
<b>Insurance in case of Death (*)</b>			<b>Insurance in case of Death (*)</b>		
Up to December 2004	GKM 80	4%	Up to April 2013	GKM 80	3% & 4%
After January 1, 2005	GKM 80	4%	After April 1, 2013	GKM 95	3% & 4%
After January 1, 2008	GKM 80 e GKM 95	4%			
After October 1, 2013	PASEM 2010	0%			
<b>Mixed Insurance (*)</b>			<b>Mixed Insurance (*)</b>		
Up to September 1998	GKM 80	4%	Up to February 2001	PM 6064	4%
After October 1, 2008	GKM 80	3,25%	After March 29, 2001	GKM 80	3% & 4%

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

With regard to the portfolio purchased from Açoreana Seguros, SA, on August 5, 2016, for the purposes of determining their fair value, the liabilities were discounted taking into account the EIOPA (risk-free interest rate) curve with volatility adjustment.

*Provision for rate commitments*

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

*Non-life mathematical reserve*

The aim of the Non-life mathematical reserves is to record the present value of the Group's future liabilities in respect of insurance contracts issued. They are calculated on the basis of recognised actuarial methods under applicable legislation.

For Non-redeemable Pensions (including future payments to the FAT [Workers' Compensation Fund]) 95% of the TD 88/90 mortality table applies for men (2017: 95% of TD 88/90) and 95% of the TV 88/90 mortality table applies for women (2017: 95% of the TV 88/90), with an interest rate of 2.75% (2017: 2.75%) and management fees of 1.5% (2017: 1.5%), and for Redeemable Pensions the TD 88/90 mortality table (2017: TD 88/90) with an interest rate of 5.25% (2017: 5.25%) and management fees of 0% (2017: 0%).

With regard to the portfolio purchased from Açoreana Seguros, SA, on August 5, 2016, for the purposes of determining their fair value, the liabilities were discounted taking into account of the EIOPA (risk-free interest rate) curve with volatility adjustment.

*Provisions for claims*

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

To determine this provision an analysis is performed of claims in progress at the end of each year, with a consequent estimate of the liabilities existing as of that date. In Workers' Compensation, in that part not in respect of pensions and Motor, the average cost method is applied. The provision for claims management costs is also calculated using the average cost method.

In order to calculate the liabilities associated with claims incurred but not reported (IBNR), actuarial estimates were made for the most significant branches, based on triangulations of amounts paid, taking into account the specific characteristics of each branch; as for the branches of insufficient dimension a generic rate is applied to the amount of claims costs for the year in respect of reported claims.

In Workers' Compensation a Mathematical Reserves is also set aside for claims occurred up to December 31, 2018, that involve payment of pensions already approved by the Labour

Court or having reached conciliation agreement, and also the estimated liabilities for pensions claims recorded up to December 31, 2018, that are pending final agreement or sentence.

Mathematical Reserves to claims occurred, involving payment of life-long pensions in respect of Workers' Compensation are calculated using actuarial assumptions under recognised actuarial methods and current labour legislation. Additionally, there is also a Mathematical Reserve to meet pension liabilities for claims occurred relating to the potential permanent disability of the injured undergoing treatment as at December 31, 2018, or for claims occurred by not yet reported.

The provision for claims is not discounted, except for those of Workers' Compensation that are calculated using life or similar techniques, and the Group therefore assesses the adequacy of the liabilities based on the projection of future cash flows, discounted at interest rates that correspond to the expected profitability of the assets assigned to these liabilities. Any shortfall is recorded in the Group's profit or loss when determined.

*Provision for attributed profit-sharing*

The provision for attributed profit-sharing corresponds to the amounts attributed to the insured or beneficiaries of the insurance and investment contracts, in the form of profit-sharing, that have not yet been distributed or incorporated.

This provision is calculated in accordance with the technical bases of the products and taking into account, as and where applicable, the income from the allocated asset portfolios, including capital gains and losses realised and unrealised recognized profit or loss for the year and impairment losses recorded in the period, less the negative balances of previous years, where this deduction is contractually laid down.

*Provision for profit-sharing to be attributed (Shadow accounting)*

The provision for profit sharing of the Life branch to be attributed reflects the net value of potential gains and losses (fair-value adjustments) of financial assets allocated to the liabilities of with-profits insurance and investment contracts, of the estimated share of the policyholders or beneficiaries of the contract, provided that the balances per portfolio do come to be negative, based on the expectation that they will participate in such unrealised gains and losses as and where they occur, in accordance with the contractual and regulatory conditions applicable.

This provision is set aside directly with a contra entry under revaluation reserves for adjustments to the fair value of available-for-sale financial assets allocated to with-profits life products.

*Provision for unexpired risks*

The provision for unexpired risks corresponds to the estimated amount to cover probable indemnities and other costs to be borne following the year-end in excess of the amount of premiums imputable to subsequent years in respect of contracts in force as of the reporting date.

As stipulated by the ASF, the amount of the provision for unexpired risks to be set aside must be equal to the product of the sum of gross premiums written imputable to a future period or periods (unearned premiums) and of premiums enforceable not yet processed in respect of contracts in force, by a ratio based on the sum of the claims ratios, expenses and ceding less the investments ratio.

*Provisions for reinsurance ceded*

Provisions for reinsurance ceded are determined by applying the foregoing criteria for direct insurance, taking into account the percentages of the assignment, as well as the other provisions of treaties in force. Depending on whether the reinsurance stems from direct insurance or reinsurance accepted, the Provision for Claims is calculated in accordance with the rules in force.

Changes in Direct Insurance and Reinsurance Technical Provisions

The breakdown of the direct insurance and reinsurance accepted unearned premiums reserve (UPR) reflected in liabilities net of deferred acquisition costs (DAC) is as follows:

(in TEUR)

<b>BALANCE SHEET</b>	<b>2018</b>			<b>2017</b>		
	<b>UPR gross</b>	<b>DAC</b>	<b>UPR Net</b>	<b>UPR gross</b>	<b>DAC</b>	<b>UPR Net</b>
<b>Businesses/ Groups of Businesses</b>						
<b>Life</b>						
Traditional	3 429	-	3 429	3 829	327	3 502
<b>Non - Life</b>						
Accidents & health	22 999	4 555	18 444	28 261	5 153	23 108
Fire & other damage	37 831	8 028	29 803	39 139	7 823	31 316
Motor	117 841	22 117	95 724	107 424	21 455	85 969
Marine, air and transport	1 471	288	1 183	1 657	329	1 328
General third-party liability	4 882	958	3 924	4 544	895	3 649
Credit and fidelity insurance	44	8	36	53	10	43
Legal protection	4	1	3	85	12	73
Assistance	14 387	2 831	11 556	13 736	2 557	11 179
Sundry	604	121	483	751	149	602
<b>Total</b>	<b>203 492</b>	<b>38 907</b>	<b>164 585</b>	<b>199 479</b>	<b>38 710</b>	<b>160 769</b>

The change of the direct insurance and reinsurance accepted provision for unearned premiums (UPR) is reflected in profit or loss at its gross value within the premiums earned group and the amount of deferred acquisition costs (DAC) in the operating costs & expenses group, broken down as follows:

(in TEUR)

Businesses/ Groups of Businesses	2018			2017		
	UPR gross	DAC	UPR Net	UPR gross	DAC	UPR Net
<b>Life</b>						
Traditional	(198)	(311)	113	457	304	153
<b>Non - Life</b>						
Accidents & health	3 080	435	2 645	2 944	759	2 185
Fire & other damage	(974)	263	(1 237)	(912)	(77)	(835)
Motor	11 726	857	10 869	7 812	2 634	5 178
Marine, air and transport	(80)	(30)	(50)	(358)	(28)	(330)
General third-party liability	393	74	319	(73)	(14)	(59)
Credit and fidelity insurance	(9)	(2)	(7)	(23)	2	(25)
Legal protection	(81)	(11)	(70)	(8)	(1)	(7)
Assistance	755	278	477	209	37	172
Sundry	(149)	(28)	(121)	(202)	(40)	(162)
<b>Total</b>	<b>14 463</b>	<b>1 525</b>	<b>12 938</b>	<b>9 846</b>	<b>3 576</b>	<b>6 270</b>

The breakdown of provisions for unearned reinsurance ceded premiums reflected under assets and the respective annual variation in the profit & loss account is as follows:

(in TEUR)

Businesses/ Groups of Businesses	Balance sheet balance		Change in gains & losses	
	2018	2017	2018	2017
<b>Life</b>				
Traditional	10	11	2	3
<b>Non - Life</b>				
Accidents & health	228	55	556	445
Fire & other damage	7 564	8 386	(684)	(2 406)
Motor	-	3	-	(6)
Marine, air and transport	509	697	(149)	(268)
General third-party liability	760	508	254	40
Credit and fidelity insurance	13	14	(1)	(11)
Legal protection	2	22	(20)	(3)
Assistance	12 322	11 126	1 289	1 170
Sundry	559	660	(101)	(101)
<b>Total</b>	<b>21 967</b>	<b>21 482</b>	<b>1 146</b>	<b>(1 137)</b>

The breakdown of the mathematical reserve of Life business reflected under liabilities and the respective annual change in profit or loss in 2018 & 2017 are as follows:

	(in TEUR)	
	<b>2018</b>	<b>2017</b>
<b>Balance as at January 1</b>	<b>591 765</b>	<b>654 581</b>
Variation of the year	(65 175)	(65 770)
Incorporation of profit sharing	1 983	2 609
Other movements	(19)	345
<b>Balance as at December 31</b>	<b>528 554</b>	<b>591 765</b>

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

The mathematical provision for outwards reinsurance reflected under assets and the respective annual change in the profit & loss account are as follows:

	(in TEUR)			
Products	Balance sheet balance		Change in gains & losses	
	2018	2017	2018	2017
Traditional	1 997	1 151	847	146
With-profits capitalisation	-	-	-	-
<b>Total</b>	<b>1 997</b>	<b>1 151</b>	<b>847</b>	<b>146</b>

The breakdown of the provision for direct insurance and reinsurance accepted claims reflected in liabilities and the respective change in the profit & loss account are as follows:

	(in TEUR)			
Businesses/ Groups of Businesses	Balance sheet balance		Change in gains & losses	
	2018	2017	2018	2017
<b>Life</b>				
Traditional	61 177	65 452	3 033	18 974
With-profits capitalisation	-	-	-	-
<b>Non - Life</b>				
Workmen's compensation	564 772	553 024	13 734	26 714
Personal accidents & health	14 124	18 079	(857)	1 808
Fire & other damage	66 963	81 119	(13 924)	38 804
Motor	238 073	237 370	1 751	18 769
Marine, air and transport	4 397	3 229	1 197	(489)
General third-party liability	32 353	32 212	66	2 107
Credit and fidelity insurance	151	184	(34)	(27)
Legal protection	12	13	(1)	-
Assistance	17	24	13	12
Sundry	8 272	4 158	4 115	944
<b>Total</b>	<b>990 311</b>	<b>994 864</b>	<b>9 093</b>	<b>107 616</b>

The balance of the provision for Workers' Compensation claims includes the amount of €431,881k (2017: €417,604k) in respect of the Workers' Compensation mathematical reserve. This balance of the mathematical reserve includes the result obtained through the liabilities adequacy test which, in 2018 and 2017, was zero, and a provision for the

contributions to the Workers' Compensation Fund in the amount of €22,913k (2017: €23,633k).

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

The balance of the provision for claims includes an estimated provision in the amount of €55,585k (2017: €59,698k) in respect of claims that occurred up to December 31, 2018, and not yet reported (IBNR). It also includes an estimate in the amount of €22,270k (2017: €25,704k) for management fees relating to the settlement of outstanding claims declared.

The evolution of the provision for claims in respect of previous years and their readjustments is as follows:

Businesses/ Groups of Businesses	(in TEUR)			
	Provision for claims* as at 31.12.2017 (1)	Claims* paid in 2018 (2)	Provision for claims* as at 31.12.2018 (3)	Readjustments (3) + (2) - (1)
<b>Life</b>				
Risk products	65 452	39 459	30 222	4 229
Other traditional products	-	-	-	-
<b>Non-Life</b>				
Accidents & health	571 103	76 585	486 949	(7 569)
Fire & other damage	81 119	65 278	17 290	1 449
Motor				
- Third-party liability	190 560	77 179	107 348	(6 033)
- Other covers	46 810	24 275	15 076	(7 459)
Marine, air and transport	3 229	1 188	1 297	(744)
General third-party liability	32 212	5 536	25 838	(838)
Credit and fidelity insurance	184	(333)	149	(368)
Legal protection	13	4	10	1
Assistance	24	1	15	(8)
Sundry	4 158	873	1 667	(1 618)
<b>Total</b>	<b>994 864</b>	<b>290 045</b>	<b>685 861</b>	<b>(18 958)</b>

\* Claims incurred in 2017 and earlier

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

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

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

The breakdown of the ceded-reinsurance claims provision reflected under assets and of the respective annual change in profit or loss is as follows:



(in TEUR)

Businesses/ Groups of Businesses	Balance sheet balance		Change in gains & losses	
	2018	2017	2018	2017
<b>Life</b>				
Traditional	2 705	3 338	(565)	544
Capitalization with results participating	-	-	-	-
<b>Non - Life</b>				
Workmen's compensation	7 425	5 253	2 193	(392)
Personal accidents & health	97	702	27	(351)
Fire & other damage	43 872	44 291	(236)	24 138
Motor	15 731	11 998	3 854	(1 409)
Marine, air and transport	1 133	1 262	(120)	206
General third-party liability	8 045	8 478	(425)	208
Credit and fidelity insurance	78	349	(271)	(44)
Legal protection	-	-	-	-
Assistance	3	12	2	-
Sundry	6 346	2 903	3 446	(89)
<b>Total</b>	<b>85 435</b>	<b>78 586</b>	<b>7 905</b>	<b>22 811</b>

The balance of the provision for reinsurance-ceded claims includes an estimated provision in the sum of €3,224k (2017: €3,025k) in respect of claims that occurred up to December 31, 2018, and not yet reported (IBNR).

The breakdown of costs of claims in 2018 is as follows:

(in TEUR)

Businesses/ Groups of Businesses	Amounts paid - Instalments (1)	Amounts paid- Claims- management costs imputed (2)	Change of provision for claims: (3)	Cost of claims (4) = (1) + (2) + (3)
Traditional	20 490	8	2 717	23 215
Capitalization with results participating	78 373	2 044	299	80 716
<b>Non - Life</b>				
Accidents & health	159 123	3 788	12 894	175 805
Fire & other damage	99 203	2 204	(13 915)	87 492
Motor				
-Third-party liability,	144 256	8 455	5 830	158 541
- Other covers	74 890	3 493	(4 083)	74 300
Marine, air and transport	11 085	82	1 206	12 373
General third-party liability	7 053	474	62	7 589
Credit and fidelity insurance	(333)	-	(34)	(367)
Legal protection	5	-	-	5
Assistance	1	-	13	14
Sundry	1 042	11	4 115	5 168
<b>Total</b>	<b>595 188</b>	<b>20 559</b>	<b>9 104</b>	<b>624 851</b>
Reinsurance accepted	15	-	(11)	4
<b>Grand total</b>	<b>595 203</b>	<b>20 559</b>	<b>9 093</b>	<b>624 855</b>

The breakdown of costs of claims in 2017 is as follows:

(in TEUR)

Businesses/ Groups of Businesses	Amounts paid -	Amounts paid- Claims-	Change of	Cost of claims
	Instalments	management costs	provision for	
	(1)	imputed	claims:	(4) = (1) + (2) + (3)
		(2)	(3)	
<b>Life</b>				
Traditional	22 269	6	4 400	26 675
Capitalization with results participating	61 719	3 139	14 574	79 432
<b>Non - Life</b>				
Accidents & health	156 368	9 654	28 485	194 507
Fire & other damage	58 721	2 491	38 817	100 029
Motor				
-Third-party liability,	129 633	13 236	6 918	149 787
- Other covers	67 159	5 109	11 879	84 147
Marine, air and transport	2 448	316	(575)	2 189
General third-party liability	6 396	1 382	2 108	9 886
Credit and fidelity insurance	5	4	(27)	(18)
Legal protection	10	6	-	16
Assistance	4	-	15	19
Sundry	413	15	942	1 370
<b>Total</b>	<b>505 145</b>	<b>35 358</b>	<b>107 536</b>	<b>648 039</b>
Reinsurance accepted	51	-	80	131
<b>Grand total</b>	<b>505 196</b>	<b>35 358</b>	<b>107 616</b>	<b>648 170</b>

The breakdown of the provision for profit sharing is reflected under liabilities and the respective annual change in profit or loss is as follows:

(in TEUR)

Businesses/ Groups of Businesses	Balance sheet balance		Change in gains & losses	
	2018	2017	2018	2017
<b>Life</b>	13 553	16 491	941	(4 416)
<b>Non - Life</b>	-	-	-	-
Accidents & health	-	-	-	-
<b>Total</b>	<b>13 553</b>	<b>16 491</b>	<b>941</b>	<b>(4 416)</b>

The evolution of the provision for profit-sharing in Life and Non-Life carried under liabilities was as follows in 2018 & 2017:

(in TEUR)

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

The breakdown of the provision for reinsurance ceded profit sharing reflected in assets and the respective annual change in the profit & loss account is as follows:

Products	(in TEUR)			
	Balance sheet balance		Change in gains & losses	
	2018	2017	2018	2017
Traditional	-	-	-	(4)
With-profits capitalisation	-	-	-	-
<b>Total</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(4)</b>

The breakdown of the rate-commitment provision carried under liabilities and of the respective annual change in the profit & loss is as follows:

Products	(in TEUR)			
	Balance sheet balance		Change in gains & losses	
	2018	2017	2018	2017
Traditional	2 700	-	2 700	(8 870)
With-profits capitalisation	1 281	-	1 281	(366)
<b>Total</b>	<b>3 981</b>	<b>-</b>	<b>3 981</b>	<b>(9 236)</b>

The breakdown of the portfolio-stabilisation provisions reflected in liabilities is as follows:

Products	(in TEUR)			
	Balance sheet balance		Change in gains & losses	
	2018	2017	2018	2017
Traditional	427	427	-	300
With-profits capitalisation	-	-	-	-
<b>Total</b>	<b>427</b>	<b>427</b>	<b>-</b>	<b>300</b>

The breakdown of the provision for unexpired risks reflected under liabilities and the respective annual change in profit or loss is as follows:

Businesses/ Groups of Businesses	(in TEUR)			
	Balance sheet balance		Change in gains & losses	
	2018	2017	2018	2017
Accidents & health	836	5 453	(4 558)	(8 426)
Fire & other damage	593	4 681	(3 912)	4 592
Motor	3 302	2 139	1 163	(725)
Marine, air and transport	341	19	324	(44)
General third-party liability	-	-	-	-
Credit and fidelity insurance	-	-	-	-
Legal protection	-	(3)	3	(3)
Assistance	-	(33)	33	(563)
Sundry	-	35	(35)	(78)
<b>Total</b>	<b>5 072</b>	<b>12 291</b>	<b>(6 982)</b>	<b>(5 247)</b>

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

Under this Standard, in 2017, the calculation of the provision for unexpired risks was subject to an extraordinary procedure requested by some of the Group's insurance companies and

duly approved by the ASF, through which the special and particular nature of concentration operations was taken into account.

It should be noted that since its acquisition by Apollo Global Management, the Group was involved in business-combination processes and, during 2016 it acquired the whole of the share capital of Açoreana Seguros, SA. The resulting cost increase was to cause an increase of the amount of the provision for risks in progress not related to pricing deficiencies.

Thus, in 2017, the Group considered that the amount of €35,610k relating to the total extraordinary costs incurred with personnel relating to indemnities or compensation granted to employees arising from termination by mutual agreement that in no way represents the recurring levels associated with an operation in the normal course of business and therefore the Group decided not to consider, for the purpose of calculating this provision, the amount imputed to Non-Life, i.e., €32,097k.

### **NATURE AND EXTENT OF SPECIFIC INSURANCES RISKS**

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

The evolution of the comparison between (i) the amounts paid of the non-life branches, net of reimbursements, without management costs, gross of reinsurance and excluding the Workers' Compensation mathematical reserve, and ii) the final cost estimate, is as follows:

(in TEUR)

*Amounts paid net of repayments (cumulative amounts)*

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Years elapsed										
0	203 512	237 626	236 495	226 613	240 279	226 501	214 460	215 873	227 946	242 329
1	317 476	358 391	341 803	328 157	339 447	324 446	306 864	313 591	380 101	
2	347 970	383 391	363 125	351 704	361 669	347 899	323 507	334 015		
3	362 827	395 329	374 118	365 031	374 703	356 440	335 155			
4	369 912	403 580	379 458	370 598	382 737	360 825				
5	375 089	410 214	383 758	376 024	388 402					
6	377 835	414 548	387 361	379 222						
7	381 203	416 781	390 171							
8	384 481	420 832								
9	385 935									

(in TEUR)

*Final estimate of cost of claims net of reimbursements*

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Years elapsed										
0	398 229	434 023	397 409	393 492	396 861	379 447	355 311	359 361	459 853	470 684
1	397 715	431 281	402 056	386 867	391 036	387 930	355 792	351 602	439 323	
2	404 384	438 271	403 487	388 647	399 230	395 630	354 182	349 236		
3	396 449	428 598	401 755	390 194	403 806	397 203	357 297			
4	391 028	426 586	400 511	390 213	404 394	394 818				
5	389 925	425 883	401 815	390 804	405 107					
6	389 074	428 858	403 166	389 687						
7	389 968	429 227	402 902							
8	390 927	430 041								
9	389 664									

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

In order to implement it, the Group contracts the type of reinsurance most appropriate to mitigate the risks accepted, based on proportional and non-proportional treaties, in accordance with the following tables:

<b>Non-Life Insurance</b>	<b>Type of reinsurance</b>
Assistance	Proportional
Guarantees	Proportional
Guarantees (Fidelidade)	Proportional
Engineering	Proportional
Fire (simple risks)	Proportional
Fire (condominium)	Proportional
Fire and loss of profits (establishment and industrial risks)	Proportional
Fire and other damage (disaster-retention protection)	Not Proportional
Fire and other damage (disaster-retention sub-layer protection)	Not Proportional
Fire and other damage (disaster-retention sub-layer protection)	Not Proportional
Fire and other damage (aggregate-retention protection)	Not Proportional
Health (serious illnesses)	Proportional
Health (medical expenses)	Not Proportional
Health (2nd opinion)	Proportional
Cyber risks civil liability	Proportional
General third-party liability	Not Proportional
General third-party liability	Proportional
Environmental third-party liability	Proportional
Health professionals third-party liability	Proportional
Directors' third-party liability (article 396)	Proportional
D&o third-party liability	Proportional
Credit intermediates third-party liability	Proportional
Marine (cargo)	Proportional
Marines (hulls)	Proportional
Marines (hull- fleets)	Proportional
Maritime (retention protection)	Not Proportional
Motor (third-party liability)	Not Proportional
Motor (own damage)	Not Proportional
Personal accidents	Not Proportional
Personal accidents	Proportional
Personal Accident (Loan Protection)	Proportional
Workers' compensation	Not Proportional
Agro	Proportional
<b>Life Insurance</b>	<b>Type of reinsurance</b>
Life Mortgage Loan	Proportional
Life Group	Proportional
Individual Life	Proportional
Life VTCC2.0	Proportional
Health Professionals Life	Proportional
Life + Cool	Proportional
Catastrophe Life	Not Proportional
Cumulative Protection Life	Not Proportional
Assistance	Proportional
Health	Proportional
Life Premium Protection	Proportional
Life Contributive Group & Non-Contributive Group	Proportional
Banif Life Treasury Management	Proportional
Capitalisation / PPR	Proportional
Life + Win	Proportional

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

Area of analysis	Scenarios	(in TEUR)	
		Impact on pre-tax income 2018	2017
Cost of claims	5% increase of the year's costs of claims, net of reinsurance	(32 514)	(34 349)
Expenses	10% increase of operating costs, net of reinsurance	(25 353)	(24 827)
Life expectancy	Decrease of 10% in mortality of current Works Accid. pensioners	(7 471)	(7 023)
Mortality	10% decrease of the mortality of the insured of life business	(1 211)	770

The risks of changes in the cost of claims and in general expenses stems from the influence exercised on these items either for reasons of greater occurrence of cost-generating facts, inflation or lesser internal efficiency.

The longevity risk covers uncertainty as to effective losses caused by insured people living longer than expected. It can be more relevant in, for example, the mathematical pensions in the Workers' Compensation segment.

The longevity risk is managed through the price, the subscription policy and regular review of the mortality tables used to define the prices and to set aside provisions accordingly. When the conclusion is that the longevity is greater than assumed in the mortality tables, supplementary provisions are set aside and the tables are updated.

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

## NATURE AND EXTENT OF THE MARKET RISK, CREDIT RISK, LIQUIDITY RISK, CURRENCY RISK AND OPERATING RISK

### Market Risk

Market risk is normally associated with the risk of loss or occurrence of adverse alterations to the Group's financial position. It is the result of the level or volatility of the market prices of financial instruments, and is also closely related with the mismatching-risk between assets and liabilities, for which the Group has implemented an ALM policy.

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

Market-risk management lies within the scope of the Investments Policy, under the rules of allocation of assets by class and type of issue, and is undertaken through the Financial Committee structure. The investment policies adopted by the Group, duly formalised in a special document, are governed by prudent risk-acceptance levels and portfolio diversification, taking the evolution of the financial markets into account.

It should also be pointed out that Investment Policy in force at the Group defined by the Finance Committee, in conjunction with the limits set by the Overall Risk Management Committee and approved by the Board of Managers, and there is therefore effective segregation of competence in this matter.



### Exchange-Rate Risk

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

(in TEUR)

Area of analysis	Scenarios	Impact on pre-tax income	
		2018	2017
Currency	10% depreciation of the value of all foreign currencies against EUR	(885)	(5 089)

The segregation of the financial instruments exposure is as follows:

(in TEUR)

2018	EUR	USD	GBP	Others	Total
Available-for-sale financial assets	1 035 014	-	-	525	1 035 539
Investments in associates and joint ventures	-	-	-	-	-
Term deposits	7 515	2 285	-	1 928	11 728
Financial assets at fair value through profit or loss	196 539	194 783	46 935	1 844	440 101
Financial assets held for trading	398	23	53	-	474
Held-to-maturity investments	-	-	-	-	-
<b>Total holdings and financial instruments</b>	<b>1 239 466</b>	<b>197 091</b>	<b>46 988</b>	<b>4 297</b>	<b>1 487 842</b>

(in TEUR)

2017	EUR	USD	GBP	Others	Total
Available-for-sale financial assets	1 114 687	-	-	565	1 115 252
Investments in associates and joint ventures	35 769	-	-	-	35 769
Term deposits	7 000	4 113	-	23 010	34 123
Financial assets at fair value through profit or loss	165 369	155 704	43 154	2 675	366 902
Financial assets held for trading	4 211	-	-	-	4 211
Held-to-maturity investments	-	-	-	-	-
<b>Total holdings and financial instruments</b>	<b>1 327 036</b>	<b>159 817</b>	<b>43 154</b>	<b>26 250</b>	<b>1 556 257</b>

The currency risk of Financial Assets accounted at fair value through the profit and loss is fully covered through forward contracts for which there is a permanent roll over in place. As such, the exchange rate risk is nil for this class of assets.

### Equities Risk

The equity risk stems from the volatility of the market prices of equities, and only the systematic risk is measured, in that the non-systematic is taken into account in the concentration risk.

Stock market securities held by the Group are exposed to this risk, as are the investment funds consisting wholly or partly of such securities. The sensitivity analysis is as follows:

(in TEUR)

Area of analysis	Scenarios	Impact on fair-value reserves before tax	
		2018	2017
Equities	10% decrease of stock-market values	(15 275)	(19 915)

### Real-Estate Risk

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

(in TEUR)

Area of analysis	Scenarios	Impact on pre-tax income	
		2018	2017
Properties	10% decrease in the value of real estate and real estate funds	(4 665)	(9 518)

### Interest-rate Risk

Interest-rate risk is inherent in all assets and liabilities whose value is sensitive to alterations of the time frame or to interest-rate volatility. In risk-exposure terms, as far as assets are concerned, this applies mainly to bonds. Liabilities are exposed through Workers' Compensation pensions, not mandatorily redeemable, and through life insurance mathematical reserves.

A scenario of rising interest rates is the one that implies loss of value for the Group.

(in TEUR)

Area of analysis	Scenarios	Impact on fair-value reserves before tax	
		2018	2017
Interest rate	100 b.p. decrease of the interest-rate curve - Effect on Assets	114 453	101 406
	100 b.p. increase of the interest-rate curve - Effect on Assets	(94 285)	(77 500)

(in TEUR)

Area of analysis	Scenarios	Impact on pre-tax income	
		2018	2017
Interest rate	10 b.p. decrease of the interest-rate curve - Effect on Liabilities	(59 683)	(46 157)
	10 b.p. increase of the interest-rate curve - Effect on Liabilities	33 002	29 705

### Spread Risk

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

(in TEUR)

Rating	2018		2017	
	%	value	%	value
AAA	24%	310 689	17%	220 449
AA	27%	357 661	30%	381 579
A	12%	161 362	10%	123 616
BBB	19%	247 742	28%	356 868
BB	3%	40 697	6%	73 535
B	4%	48 890	3%	36 631
CCC	0%	4 961	0%	1 473
Unrated	11%	144 454	8%	98 722
<b>Total</b>	<b>100%</b>	<b>1 316 456</b>	<b>100%</b>	<b>1 292 873</b>

These figures do not include deposits, because they are understood to lie outside the scope of analysis for the risk involved.

### Concentration Risk

Concentration risk refers to the additional volatility inherent in highly concentrated portfolios and to partial or total losses through issuer default. The breakdown of their distribution by sectors of activity is as follows:

(in TEUR)

Sector of activity	2018		2017	
	%	Gross Amount	%	Gross Amount
Basic resources	1%	8 675	1%	10 608
Communications	3%	41 999	3%	39 043
Consumables (cyclic)	2%	24 180	2%	26 053
Consumables (non-cyclic)	4%	54 521	4%	60 494
Energy	2%	23 740	3%	32 050
Financial	11%	161 926	15%	239 971
Funds	8%	117 705	12%	164 676
Public debt	56%	809 979	50%	761 237
Industrial	4%	55 444	3%	74 693
Medicine	2%	28 461	0%	9 846
Technology	0%	4 624	0%	10 946
Public / collective services	4%	57 477	5%	67 382
Other	4%	51 017	0%	5 858
	<b>100%</b>	<b>1 439 747</b>	<b>100%</b>	<b>1 502 857</b>

The figures include the headings of Financial assets held for trading, Financial assets classified on initial recognition at fair value through profit or loss and Available-for-sale assets and loan capital and ancillary capital contributions under the Loans heading. The Available-for-sale assets heading does not include real-estate investment funds for reasons of consistency with the non-inclusion in this breakdown of investments in Land & buildings.

These figures do not include deposits, because they are understood to lie outside the scope of analysis for the risk involved.

## Liquidity Risk

The liquidity risk stems from the possibility that the Group may not hold assets of sufficient liquidity to meet cash-flow requirements to fulfil its obligations to policyholders and other creditors as they fall due. It should be pointed out that to mitigate this risk the Group prepares a cash-flow plan on a monthly basis, adjusted weekly to its cash requirements/surpluses.

The breakdown of the maturity and estimated flows of the assets and liabilities subject to this type of risk, as at December 31, 2018 & 2017 is as follows:

2018	< 1 month	1-3 months	3-12 months	1-5 years	> 5 years	Without maturity	(in TEUR)
							Total
Financial assets	65 068	106 069	84 788	578 137	789 548	267 047	1 890 657
Financial liabilities and mathematical reserve	40 347	87 172	70 962	306 176	271 980	2 231	778 868
	<b>24 721</b>	<b>18 897</b>	<b>13 826</b>	<b>271 961</b>	<b>517 568</b>	<b>264 816</b>	<b>1 111 788</b>

2017	< 1 month	1-3 months	3-12 months	1-5 years	> 5 years	Without maturity	(in TEUR)
							Total
Financial assets	63 428	140 430	75 657	360 088	1 017 741	251 197	1 908 541
Financial liabilities and mathematical reserve	38 841	97 733	80 305	310 557	334 960	1 755	864 151
	<b>24 587</b>	<b>42 697</b>	<b>(4 648)</b>	<b>49 531</b>	<b>682 781</b>	<b>249 442</b>	<b>1 044 390</b>

## Credit Risk

The credit risk corresponds to the possible losses through default or through deterioration of the counterparties' credit levels that mitigate the existing risk, such as reinsurance contracts or derivatives, amounts receivable from brokers and other exposures to credit not considered in the spread risk.

One of the control procedures involves systematic monitoring of the amounts and age of overdue premiums. In the selection of depository banks and of reinsurers their ratings are taken into account and their evolution is periodically monitored throughout the year.

The breakdown of the balances of deposits is as follows:

Rating	2018		2017	
	%	value	%	value
AAA	0%	-	0%	-
AA	16%	22 357	0%	-
A	40%	57 349	37%	53 774
BBB	8%	11 289	5%	7 407
BB	0%	407	0%	330
B	0%	10	0%	20
CCC	28%	39 782	26%	36 995
Unrated	8%	11 394	32%	46 054
<b>Total</b>	<b>100%</b>	<b>142 589</b>	<b>100%</b>	<b>144 580</b>

The breakdown of the debtor balances of the reinsurers, without deduction of impairment, is as follows:

Rating	(in TEUR)			
	2018		2017	
	%	value	%	value
AAA	0%	-	0%	-
AA	48%	20 215	44%	23 460
A	50%	20 869	55%	29 327
BBB	0%	-	0%	-
BB	0%	-	0%	-
B	0%	-	0%	-
CCC	0%	-	0%	-
Unrated	3%	740	1%	238
<b>Total</b>	<b>100%</b>	<b>41 824</b>	<b>100%</b>	<b>53 025</b>

### Operational Risk

Operational risk is the risk of major losses stemming from inadequacy or failures in processes, people or systems, or external events, within the scope of the Group's day-to-day business, and it can be subdivided into the following categories:

- intentional professional malpractice (internal fraud);
- illicit activities carried on by third parties (external fraud);
- practices related with human resources and safety at work;
- customers, products and commercial practices;
- external events causing damage to physical assets;
- interruption of the business and systems failures;
- Risks related with business processes.
- Legal risk

### Strategic Risk

Strategic Risk is the risk arising from strategic decisions. We define Strategic Risk as the risk of taking inadequate business decisions, implementing decisions in an improper manner or not being able to adapt to changes in the operating environment. As a general rule, the Strategic Risk is a risk that arises in conjunction with other risks, but it may also arise as an individual risk.

### Reputation Risk

Reputation Risk is the risk arising from possible damage to the reputation of the companies, resulting in a negative perception by the public (for example, among customers, business partners, shareholders or supervisory authorities). Like the strategic risk, reputation risk is one that arises in conjunction with other risks, but it may also arise as an individual risk.

### Systemic Risk

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

## Emerging Risks

Existing risks or those that may arise that are difficult to quantify and have high loss potential. Characterised by a high degree of uncertainty, where even basic information is scarce, which would support a proper evaluation of the frequency and severity of a given risk.

### Mitigation measures

As the Group's main mitigation measures and in the light of the risks detailed above we would underscore the following:

- existence of a Code of Conduct;
- constant updating of internal rules and of procedures manuals;
- implementation of internal and external fraud-prevention policies and procedures;
- implementation of measures related with security in access to the owner-occupied properties;
- implementation of measures related with security in accessing databases and information systems;
- definition and implementation of the human-resources management policy;
- existence of training programmes covering knowledge recycling;
- training employees who interact directly with customers;
- implementation and documentation of a disaster-recovery plan and performance of periodic tests and simulation in respect of the plan;
- implementation and documentation of a business-continuity plan, as well as procedures allowing the recuperation of critical business activities and functions.

## **SOLVENCY**

In 2015 the Solvency II Directive (Directive 2009/138/EC of the European Parliament and of the Council of November 25) on access to insurance and reinsurance business and the exercise thereof, and respective amendments were transposed to Portuguese law through Law 147/2015 of September 9, 2015, which set the date of entry into force of the new Solvency II legislation as January 1, 2016.

The Group monitors solvency in accordance with the new regime in force. In keeping with legislation, the definitive solvency-margin data and more detailed information on Risk Management will be publicly disclosed during the month of June 2019 through the solvency and financial-situation report.

## **ADEQUACY OF PREMIUMS AND PROVISIONS**

With regard to the adequacy of the premiums and provisions an annual analysis is performed of the technical bases and of the actuarial principles and rules used to construct the pricing of the insurance. To the extent reasonably predictable, a check is performed of the adequacy of the premiums charged, on a prudent actuarial basis, so as to cover the commitments assumed by the Group stemming from claims associated with the insurance in question.

In general terms, the Group's provisions policy is of a prudential nature, using actuarially-recognised methods and complying with legal rules and regulations.

## BUSINESS RATIOS

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

	2018	2017
		(%)
a) Claims ratio	69,1%	78,3%
b) Acquisition ratio	18,9%	21,2%
c) Administrative ratio	6,5%	8,0%
<b>Combined ratio</b>	<b>94,5%</b>	<b>107,5%</b>

a) (Costs of claims + imputed costs + variation of technical provisions + Other costs - technical income) / premiums earned.

b) (Acquisition brokerage remuneration + imputed costs + variation of deferred acquisition costs) / gross premiums written

c) (Administrative brokerage remuneration + imputed costs) / gross premiums written

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

	2018	2017
		(%)
Claims / Premiums (IFRS 4)	192,6%	191,9%
Benefits Paid / Deposits Received (IAS 39)	2134,8%	2176,8%
Acquisition Costs / (Premiums + Deposits Received)	19,7%	26,3%
Administrative Costs / (Premiums + Deposits Received)	14,5%	16,7%

## AMOUNTS RECOVERABLE ON CLAIMS

The amounts recoverable in respect of payments made against claims, stemming from the acquisition of rights or the obtaining of ownership, and the risk of failure to collect them are included under the following headings and involve the following amounts:

	2018	2017
		(in TEUR)
Receivables	3 571	4 469
Adjustment of doubtful loans	(1 075)	(2 410)
<b>Net total</b>	<b>2 496</b>	<b>2 059</b>

As far as acquisition of legal ownership of the insured goods is concerned, the amounts are included under the following heading and are as follows:

	2018	2017
		(in TEUR)
Salvage	97	80
Other stocks	-	-
<b>Inventories</b>	<b>97</b>	<b>80</b>

**Note 6 - Liabilities for Investment Contracts and Other Financial Liabilities**

The movements under liabilities for investment contracts are as follows:

(in TEUR)

	Financial without profit- sharing	Unit Linked	PPR Unit Linked	Capitalisation Operations Unit Link	<b>Total</b>
<b>Balances as at 31 December 2016</b>	<b>116 360</b>	<b>7 078</b>	<b>27 872</b>	<b>300</b>	<b>151 610</b>
Additional liabilities in the year, net of commissions	585	-	-	-	585
Amounts paid	(13 911)	-	8	-	(13 903)
Technical interest	5 128	-	9	-	5 137
Other movements	20	-	(505)	(31)	(516)
<b>Balances as at 31 December 2017</b>	<b>108 182</b>	<b>7 078</b>	<b>27 384</b>	<b>269</b>	<b>142 913</b>
Additional liabilities in the year, net of commissions	246	165	182	-	593
Amounts paid	(8 634)	(350)	(2 817)	(81)	(11 882)
Technical interest	3 629	(228)	(1 225)	-	2 176
Other movements	2 223	(353)	(2 768)	-	(898)
<b>Balances as at 31 December 2018</b>	<b>105 646</b>	<b>6 312</b>	<b>20 756</b>	<b>188</b>	<b>132 902</b>

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

The breakdown of gains and losses on financial liabilities for investment contracts is as follows:

(in TEUR)

	2018			2017		
	Gain	Loss	Balance	Gain	Loss	Balance
<u>Carried at fair value through profit or loss</u>	<b>4 430</b>	<b>(810)</b>	<b>3 620</b>	<b>5 906</b>	<b>(2 131)</b>	<b>3 775</b>
Capitalisation	3 983	(488)	3 495	3 881	(727)	3 154
PPR	447	(322)	125	2 025	(1 404)	621
<u>Carried at amortised cost</u>	-	<b>(3 332)</b>	<b>(3 332)</b>	-	<b>(4 080)</b>	<b>(4 080)</b>
Capitalisation	-	(3 126)	(3 126)	-	(3 454)	(3 454)
PPR	-	(206)	(206)	-	(626)	(626)
<b>Total</b>	<b>4 430</b>	<b>(4 142)</b>	<b>288</b>	<b>5 906</b>	<b>(6 211)</b>	<b>(305)</b>

The amounts carried in the financial statements also include the amounts of Notes 17 and 18, so the analysis should be performed in conjunction with these notes.

The breakdown of Other financial liabilities is as follows:

(in TEUR)

	2018	2017
Deposits received from reinsurers	400	400
Derivatives	7 386	1 006
Other	23 273	18 710
<b>Book value</b>	<b>31 059</b>	<b>20 116</b>



Deposits received from reinsurers represent the amount of bond posted by reinsurers as a result of acceptance of risks and of the receipt of premiums arising from the reinsurance-ceded business.

The figures for Other recorded in 2018 & 2017 have to do with financial transactions in the settlement stage taking into account their value dates. The breakdown of the Derivatives figures is provided in Note 7.

### Note 7 - Financial Instruments

The detailed inventory of holdings and financial instruments is presented at the end of the notes to the consolidated financial statements in Appendix 1, and can be summarised as follows:

	(in TEUR)	
	<b>2018</b>	<b>2017</b>
Available-for-sale financial assets	1 035 539	1 115 252
Investments in associates and joint ventures	-	35 769
Term deposits	11 728	34 123
Financial assets at fair value through profit or loss	440 101	366 902
Financial assets held for trading	474	4 211
<b>Total holdings and financial instruments</b>	<b>1 487 842</b>	<b>1 556 257</b>
Other financial assets	30 013	8 878
<b>Total financial assets</b>	<b>1 517 855</b>	<b>1 565 135</b>

In 2018, Appendix 1 takes into consideration €7,386k in respect of derivative financial instruments having a negative value that are carried in the balance sheet under Other financial liabilities under Liabilities (Note 6).

In 2018, Term deposits does not include any amount related to deposits from Tranquilidade – Corporação Angolana de Seguros, S.A. with Angolan banks denominated mostly in Angolan Kwanzas, with a term of less than one year (2017: €24,893k).

Investments in associates are detailed in Note 4, while information on the remaining financial instruments is provided throughout this Note 7.

### FINANCIAL ASSETS CLASSIFIED IN THE INITIAL RECOGNITION AT FAIR VALUE THROUGH PROFIT OR LOSS

This heading includes securities that, as provided for in IAS 39 and in accordance with the option taken and the documented risk-management strategy, the Group considers (i) to be managed and their performance measured on the basis of their fair value, and/or (ii) or contain embedded derivative instruments.

The breakdown of the balance of this type of asset is as follows:

	(in TEUR)	
	<b>2018</b>	<b>2017</b>
Bonds & other fixed-income securities		
Public issuers'	105 389	53 800
Other issuers'	103 109	136 825
Corporate loans	164 204	110 418
Other floating-rate securities	67 399	65 859
<b>Book value</b>	<b>440 101</b>	<b>366 902</b>
<i>Acquisition cost</i>	436 921	365 645

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

Additionally, this heading includes hybrid fixed-income securities in the sum of €6,212k (2017: €2,922k). These securities are valued at their fair value determined on the basis of the prices indicated by the sources used by the Group for the entire instrument, in accordance with the market conditions prevailing on the reporting date.

#### AVAILABLE-FOR-SALE FINANCIAL ASSETS

The breakdown of this type of asset is as follows:

	(in TEUR)	
	<b>2018</b>	<b>2017</b>
Bonds & other fixed-income securities		
Public issuers'	713 744	717 454
Other issuers'	222 987	272 923
Equities	2 293	5 330
Other floating-rate securities	96 515	119 545
<b>Book value</b>	<b>1 035 539</b>	<b>1 115 252</b>

The breakdown of the final balance sheet figures as at December 31, 2018 & 2017, is as follows:

	(in TEUR)				
	Amortised or acquisition cost	Accrued interest	Fair-value reserve	Impairment	<b>Book value</b>
Bonds & other fixed-income securities					
Public issuers'	710 587	9 317	(2 450)	-	717 454
Other issuers'	257 396	5 306	10 221	-	272 923
Equities	5 689	-	698	(1 057)	5 330
Other floating-rate securities	117 784	-	5 294	(3 533)	119 545
<b>Balance as at December 31, 2017</b>	<b>1 091 456</b>	<b>14 623</b>	<b>13 763</b>	<b>(4 590)</b>	<b>1 115 252</b>
Bonds & other fixed-income securities					
Public issuers'	702 532	9 138	2 074	-	713 744
Other issuers'	218 270	4 278	773	(334)	222 987
Equities	3 178	-	233	(1 118)	2 293
Other floating-rate securities	98 567	-	1 571	(3 623)	96 515
<b>Balance as at December 31, 2018</b>	<b>1 022 547</b>	<b>13 416</b>	<b>4 651</b>	<b>(5 075)</b>	<b>1 035 539</b>

As at December 31, 2018, Other floating-rate securities include €12,252k, relating to the Group's participations in real-estate investment funds (2017: €17,694k).

Movements under impairment losses are as follows:

	(in TEUR)	
	<b>2018</b>	<b>2017</b>
<b>Balance as at January 1</b>	<b>4 590</b>	<b>1 774</b>
Appropriations of the year	903	3 949
Cancellations for the period for sale of assets	(408)	(1 133)
Written back in the year	(10)	-
<b>Balance as at December 31</b>	<b>5 075</b>	<b>4 590</b>

The impairments recorded in profit or loss through adjustment of fair value in investments, segregated by the respective categories, are as follows:

	(in TEUR)	
	<b>2018</b>	<b>2017</b>
Bonds & other fixed-income securities	(334)	-
Equities & other floating-rate securities	(569)	(3 949)
	<b>(903)</b>	<b>(3 949)</b>

## FINANCIAL ASSETS/LIABILITIES HELD FOR TRADING

The breakdown of the balance of this type of assets and liabilities is as follows:

	(in TEUR)			
	<b>2018</b>		<b>2017</b>	
	Fair value	Notional value	Fair value	Notional value
Derivatives - forward and swap contracts - Asset	474	106 906	4 211	289 859
Derivatives - forward and swap contracts - Liability	(7 386)	292 419	(1 006)	169 505
<b>Book value</b>	<b>(6 912)</b>	<b>399 325</b>	<b>3 205</b>	<b>459 364</b>

Investments made by the Group are predominantly in euros, although its portfolio does contain some transactions expressed in other currencies. In this way, though always with the authorisation of its Financial Committee, the Group entered into several exchange-rate hedge contracts for its investments in foreign currency.

Though they do not provide perfect hedging, these exchange-rate hedges endeavour to cover the exchange-rate risk on the principal and interest through successive renovation throughout the year, using swap and forward mechanisms for the purpose. Changes in the fair value of these derivative instruments are recognised directly profit or loss, since the Group does not use hedge accounting in that the requirements set out for the purpose by IAS 39 have not been met.

Contracts with positive fair value are carried under Assets, under Financial assets held for trading and contracts with negative fair value they are carried under Liabilities, under Other financial liabilities – Other.

## HELD-TO-MATURITY INVESTMENTS

As at December 31, 2018 & 2017, no assets are classified in this category.

## OTHER FINANCIAL ASSETS

Besides the financial instruments described above, the Group also has other assets, as follows:

	(in TEUR)	
	<b>2018</b>	<b>2017</b>
Loans granted	2 643	4 851
Deposits at cedent companies	2	2
Other	27 368	4 025
<b>Total of other financial assets</b>	<b>30 013</b>	<b>8 878</b>

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

The breakdown of Other financial assets as at December 31, 2018 & 2017, is as follows:

	(in TEUR)		
	Acquisition cost	Impairment	Book value
Other financial assets			
Loans	19 851	(15 000)	4 851
Other financial assets	4 027	-	4 027
<b>Balance as at December 31, 2017</b>	<b>23 878</b>	<b>(15 000)</b>	<b>8 878</b>
Other financial assets			
Loans	17 643	(15 000)	2 643
Other financial assets	27 370	-	27 370
<b>Balance as at December 31, 2018</b>	<b>45 013</b>	<b>(15 000)</b>	<b>30 013</b>

Impairment losses under Loans correspond to the whole of the cash loan to Espírito Santo Financial Portugal, SGPS, SA. As of December 31, 2018 & 2017 there were no movements in impairment losses.

The breakdown of loans granted as at December 31, 2018 & 2017, is as follows:

	(in TEUR)	
	<b>2018</b>	<b>2017</b>
Loans to employees	1 443	1 922
Other loans	1 200	1 750
Shareholder's loan	-	1 179
<b>Total loans granted</b>	<b>2 643</b>	<b>4 851</b>

## FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES CARRIED AT AMORTISED COST

The breakdown of the fair value of financial assets and liabilities carried at amortised cost is as follows:

(in TEUR)

	2018		2017	
	Fair value	Book value	Fair value	Book value
Cash & cash equivalents and sight deposits	130 987	130 987	110 627	110 627
Loans & receivables	41 741	41 741	43 001	43 001
Other debtors for insurance & other operations	124 080	124 080	143 978	143 978
Other	117 735	117 735	124 571	124 571
<b>FINANCIAL ASSETS AT AMORTISED COST</b>	<b>414 543</b>	<b>414 543</b>	<b>422 177</b>	<b>422 177</b>
Financial liabilities on investment contracts	138 560	132 902	151 328	142 913
Other financial liabilities	31 059	31 059	20 116	20 116
Other creditors for insurance & other operations	86 353	86 353	109 357	109 357
<b>FINANCIAL LIABILITIES AT AMORTISED COST</b>	<b>255 972</b>	<b>250 314</b>	<b>280 801</b>	<b>272 386</b>

The fair value of the financial liabilities of investment contracts is estimated contract by contract using the best estimate of the assumptions to project the expected future cash flows and the risk-free interest rate on the issue date.

For the other ones, taking into account the fact that these are short-term assets and liabilities, their balance as at the reporting date is considered a reasonable estimate of their fair value.

With regard to the valuation method used, according to the levels prescribed in IFRS 13, all financial instruments carried at amortised cost are Level 3, except Cash and cash equivalents and sight deposits, which are Level 1.

## VALUATION METHODS

Financial instruments are stratified according to the levels prescribed in IFRS 13, described as follows:

- Level 1 - Financial instruments measured according to (unadjusted) prices available on official markets having quotations disclosed by entities providing transaction prices in liquid markets.
- Level 2 - Financial instruments measured using internal valuation methods that mainly consider parameters and variables observable in the market.
- Level 3 - Financial instruments measured in accordance with internal valuation methodologies considering parameters or variables not observable in the market, having a significant impact on the valuation of the instrument and prices provided by third parties whose parameters are not observable in the market.

The breakdown of the value of the financial instruments stratified by the measurement method used, in accordance with the levels prescribed in IFRS 13, is as follows:

(in TEUR)

	2018			Total
	Level 1	Level 2	Level 3	
<b>Available-for-sale financial assets</b>	<b>938 289</b>	<b>69 029</b>	<b>28 221</b>	<b>1 035 539</b>
Securities & equity paper	63 631	17 325	15 559	96 515
Equities & other floating-rate securities	201	-	2 092	2 293
Bonds & other fixed-income securities				
Public issuers'	676 382	37 362	-	713 744
Other issuers'	198 075	14 342	10 570	222 987
<b>Financial assets at fair value through profit or loss</b>	<b>204 774</b>	<b>235 298</b>	<b>29</b>	<b>440 101</b>
Securities & equity paper	2 981	64 389	29	67 399
Equities & other floating-rate securities	-	-	-	-
Bonds & other fixed-income securities				
Public issuers'	105 389	-	-	105 389
Other issuers'	96 404	6 705	-	103 109
Corporate loans	-	164 204	-	164 204
<b>Financial assets held for trading</b>	<b>181</b>	<b>293</b>	<b>-</b>	<b>474</b>
Securities & equity paper	-	-	-	-
Equities & other floating-rate securities	-	-	-	-
Bonds & other fixed-income securities				
Public issuers'	-	-	-	-
Other issuers'	-	-	-	-
Derivatives	181	293	-	474
<b>Total Financial Assets</b>	<b>1 143 244</b>	<b>304 620</b>	<b>28 250</b>	<b>1 476 114</b>
Derivatives	(586)	(6 800)	-	(7 386)
<b>Total Financial Liabilities</b>	<b>(586)</b>	<b>(6 800)</b>	<b>-</b>	<b>(7 386)</b>

(in TEUR)

	2017			Total
	Level 1	Level 2	Level 3	
<b>Available-for-sale financial assets</b>	<b>1 020 866</b>	<b>65 277</b>	<b>29 109</b>	<b>1 115 252</b>
Securities & equity paper	80 263	20 366	18 916	119 545
Equities & other floating-rate securities	2 021	659	2 650	5 330
Bonds & other fixed-income securities				
Public issuers'	680 294	29 617	7 543	717 454
Other issuers'	258 288	14 635	-	272 923
<b>Financial assets at fair value through profit or loss</b>	<b>181 472</b>	<b>75 007</b>	<b>110 423</b>	<b>366 902</b>
Securities & equity paper	3 035	4 135	58 689	65 859
Equities & other floating-rate securities	-	-	-	-
Bonds & other fixed-income securities				
Public issuers'	53 800	-	-	53 800
Other issuers'	124 637	12 188	-	136 825
Corporate loans	-	58 684	51 734	110 418
<b>Financial assets held for trading</b>	<b>-</b>	<b>4 211</b>	<b>-</b>	<b>4 211</b>
Securities & equity paper	-	-	-	-
Equities & other floating-rate securities	-	-	-	-
Bonds & other fixed-income securities				
Public issuers'	-	-	-	-
Other issuers'	-	-	-	-
Derivatives	-	4 211	-	4 211
<b>Total Financial Assets</b>	<b>1 202 338</b>	<b>144 495</b>	<b>139 532</b>	<b>1 486 365</b>
Derivatives	-	(1 006)	-	(1 006)
<b>Total Financial Liabilities</b>	<b>-</b>	<b>(1 006)</b>	<b>-</b>	<b>(1 006)</b>

In 2017 and 2018 there were no transfers between levels.

The reconciliation of Level 3 assets is as follows:

(in TEUR)								
	31 Dec 2017	Potential gains	Purchases	Sales	Impairments	Gains realised	Reclassification	31 Dec 2018
<b>Available-for-sale financial assets</b>	<b>29 593</b>	<b>(2 487)</b>	<b>11 777</b>	<b>(11 563)</b>	<b>(224)</b>	<b>4 900</b>	<b>(3 775)</b>	<b>28 221</b>
Securities & equity paper	18 916	(2 332)	571	(10 230)	(101)	4 967	3 768	15 559
Equities & other floating-rate securities	3 734	(99)	-	(672)	(123)	(148)	-	2 092
Bonds & other fixed-income securities								
Public issuers'	7 543	-	526	(566)	-	40	(7 543)	-
Other issuers'	-	(56)	10 680	(95)	-	41	-	10 570
<b>Financial assets at fair value through profit or loss</b>	<b>110 423</b>	<b>-</b>	<b>29</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(110 423)</b>	<b>29</b>
Securities & equity paper	58 689	-	29	-	-	-	(58 689)	29
Equities & other floating-rate securities	-	-	-	-	-	-	-	-
Bonds & other fixed-income securities	-	-	-	-	-	-	-	-
Public issuers'	-	-	-	-	-	-	-	-
Other issuers'	-	-	-	-	-	-	-	-
Corporate loans	51 734	-	-	-	-	-	(51 734)	-

The Securities and units dealt with in this level include €12,251k in respect of units in closed-end investment funds (2017: 14,583k) and €3,307k in respect of private equity funds (2017: 4,551k), whose fair value resulted from the publication of the Total Net Value of the Fund (TNVF) determined by the management companies.

The reclassifications from level 3 to level 2 were due to the fact that last year corporate loans were valued at the origination date YTM, since the origination date was close to the year end. This year, these financial instruments are valued according to valuation methodologies considering observable market data (benchmark indexes, change in swap rates, financial data public available specific to the company) to adjust the YTM at origination data, so these investments could be reclassified to level 2 investments.

The assets of these funds results from a diverse set of assets and liabilities carried in the respective accounts at fair value, using the internal methodologies of the management company. Since it is not feasible to present a sensitivity analysis of the various components of the respective assumptions used by the entities, the impact of a +/-10% change to the TNVF and corporate loans, in 2018 and 2017, is detailed as follows:

(in TEUR)							
Area of analysis	2018	Assets type	Impact on profit or loss for the period			Impact on the fair-value reserve	
			10%	rise	10% decrease	10%	rise
Investment fund		Closed real estate investment funds	-	-	-	1 225	(1 225)
Investment fund		Private equity funds	3		(146)	331	(188)
Loans		Corporate loans	-	-	-	-	-

(in TEUR)							
Area of analysis	2017	Assets type	Impact on profit or loss for the period			Impact on the fair-value reserve de justo valor	
			10%	rise	10% decrease	10%	rise
Investment fund		Closed real estate investment funds	-	-	-	1 458	(1 458)
Investment fund		Private equity funds	22		(271)	433	(184)
Loans		Corporate loans	5 173		(5 173)	-	-

**NOTE 8 - CASH, CASH EQUIVALENTS & SIGHT DEPOSITS**

The balance of this heading is as follows:

	(in TEUR)	
	<b>2018</b>	<b>2017</b>
Cash in hand	126	170
Deposits at credit institutions	130 861	110 457
<b>Total</b>	<b>130 987</b>	<b>110 627</b>

**NOTE 9 - LAND & BUILDINGS**

As mentioned in Note 3 above, land and buildings held by the Group are valued using the cost model in the case of the owner-occupied properties in keeping with the option provided for by IAS 16, and using the fair-value model in the case of investment properties, in keeping with the procedure laid down in IAS 40. Regardless of the measurement model, valuations are performed on all properties on a regular basis.

Valuations of land and buildings are performed with a view to obtaining the presumed transaction value, usually the market value (fair value), that is, the price at which the land or building could be sold, on the valuation date, by private agreement between an independent, interested seller and buyer, it being understood that the property is subject to a public offer on the market, that the conditions thereof allow a regular and orderly sale, and that there is a normal period of time to negotiate the sale, taking the nature of the property into account.

These valuations are performed using a weighted combination of the "Market Comparison" and "Income" valuation methods. The respective values lead to alterations of the fair value of investment properties (real estate held for income) and are used for the purpose of impairment tests of the tangible assets (owner-occupied properties).

The "Market Comparison" method is based on market evidence, which involves market research on properties comparable to the one subject to valuation, the values being based on an analysis of transactions involving similar properties. The "Income" method consists of determining the value of the land or building on the basis of the ratio between the effective annual rent and an appropriate capitalisation rate.

Income properties that are transferred to non-current assets held for sale and discontinued operations under IFRS 5 are valued in accordance with the amounts described in the promissory purchase and sale contracts, less possible selling costs.

As provided for by IFRS 13 - Fair value measurement, valuations of land and buildings maximise use of observable market data. However, since the valuations in general also consider non-observable data, the fair value of the Group's land and buildings is classified at level 3 of the fair-value hierarchy defined by IFRS 13.

The Group believes that the land and buildings it owns are subject to their greatest and best use, and therefore the valuations carried out to ascertain the respective fair value are prepared taking into account their current use, as laid down by IFRS 13 - Fair value measurement.



Land and buildings are classified as Owner-occupied properties when used in the Group's operational activity and as investment properties in other cases. In those cases that, since their use is shared, warrant classification as mixed, and each part analysed and measured separately. The valuers responsible for the valuation of the assets are duly certified for the purpose and are registered with the CMVM.

### *Fair-value model*

The breakdown of balances and movements involving Investment Properties in both years is as follows:

	(in TEUR)	
<b>Investment properties - Income-generating Buildings</b>	<b>2018</b>	<b>2017</b>
<b>Net Balance as at January 1</b>	<b>266</b>	<b>43 891</b>
Increases through acquisition	732	-
Transfers to assets to be discontinued	(220)	(34 939)
Transfers to investment properties	-	7 697
Written off/Sales	-	(9 959)
Variations of fair value	(732)	(6 424)
<b>Net Balance as at December 31</b>	<b>46</b>	<b>266</b>

All income properties held directly by the Group are intended to generate rents, even if for some reason rent is not charged; there are no properties for the sole purpose of appreciation.

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

The breakdown of rental properties in keeping with their ability to generate income is as follows:

	(in TEUR)	
	<b>2018</b>	<b>2017</b>
Properties that generate rental income	-	220
Properties that generate no rental income	46	46
<b>Total</b>	<b>46</b>	<b>266</b>

The amounts recognised in profit & loss in respect of the income and costs of investment properties are as follows:

	(in TEUR)	
	<b>2018</b>	<b>2017</b>
<b>Rental income</b>	<b>612</b>	<b>1 207</b>
<b>Operating costs</b>	<b>27</b>	<b>465</b>
- on properties that generate rental income	31	75
- on properties that do not generate rental income	(4)	390

### *Cost model*

The breakdown of Owner-occupied properties as at December 31, 2018 & 2017, is as follows:

	(in TEUR)	
	<b>2018</b>	<b>2017</b>
<b>Gross value</b>	-	<b>2 877</b>
Accumulated depreciation and impairments	-	(230)
<b>Net Balance as at December 31</b>	-	<b>2 647</b>

Movements under Owner-occupied properties in both years is as follows:

	(in TEUR)	
<b>Tangible assets - Own Service Buildings</b>	<b>2018</b>	<b>2017</b>
<b>Net Balance as at January 1</b>	<b>2 647</b>	<b>35 426</b>
Changes to the consolidation perimeter	-	(272)
Transfers to assets to be discontinued	-	(15 789)
Transfers to investment properties	-	(7 697)
Written off/Sales	-	(667)
Impairments - [(Allocation)/Use]	-	(8 590)
Depreciation charges for the period	(25)	(550)
Currency translation differences	-	785
IFRS 5 impact	(2 622)	-
<b>Net Balance as at December 31</b>	<b>0</b>	<b>2 647</b>

The amount of Transfers in 2017 has to do with real-estate assets that the Group intends to sell, and the respective processes are expected to be finalised in subsequent years. Due to this fact they were transferred to Non-current Assets held for sale and discontinued operations (Note 11).

#### NOTE 10 - OTHER TANGIBLE FIXED ASSETS AND INVENTORIES

Besides the owner-occupied properties referred to Note 9, the Group has other tangible assets measured using the cost model, details of which, as at December 31, 2018 & 2017, are as follows:

	(in TEUR)	
	<b>2018</b>	<b>2017</b>
<b>Equipment</b>	<b>55 355</b>	<b>50 666</b>
Office equipment	5 908	5 722
Machines and tools	2 072	2 056
IT Hardware	35 240	34 680
Indoor fixtures & fittings	2 686	2 686
Leased buildings expenditure	8 268	4 208
Transport material	466	561
Other tangible assets	715	752
<b>Fixed assets in progress</b>	-	<b>2 051</b>
<b>Accumulated depreciation</b>	<b>(49 191)</b>	<b>(47 519)</b>
<b>Impairments</b>	-	-
<b>Total</b>	<b>6 164</b>	<b>5 198</b>

The breakdown of movements under this heading, in net value, under this heading, is as follows:

	(in TEUR)		
	Equipment	Fixed assets in progress	Total
<b>Balance as at January 1, 2017</b>	<b>4 535</b>	<b>-</b>	<b>4 535</b>
Changes to the consolidation perimeter	(52)	-	(52)
Additions	320	2 051	2 371
Transfers	-	-	-
Depreciation charges for the period	(1 778)	-	(1 778)
Written off/Sales	(83)	-	(83)
Currency translation differences	1	-	1
Hyperinflationary effect - IAS 29	205	-	205
<b>Balance as at December 31, 2017</b>	<b>3 147</b>	<b>2 051</b>	<b>5 198</b>
Additions	3 524	253	3 777
Transfers	2 304	(2 304)	-
Depreciation charges for the period	(2 397)	-	(2 397)
Written off/Sales	(5)	-	(5)
Currency translation differences	(300)	-	(300)
Hyperinflationary effect - IAS 29	(47)	-	(47)
IFRS 5 impact	(62)	-	(62)
<b>Balance as at December 31, 2018</b>	<b>6 164</b>	<b>-</b>	<b>6 164</b>

Mention is also made of the fact that there are other assets fundamentally related with salvage, which, in 2018, amount to €95k (2017: €78k).

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

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

The breakdown of the balance of non-current assets & liabilities held for sale and discontinued operations is as follows:

	Asset				Liability
	Buildings - Income	Buildings - Owner occupied	Other non-current assets held for sale	Total	Other non-current liabilities held for sale
<b>Balance as at January 1, 2017</b>	<b>71 113</b>	<b>32 893</b>	<b>-</b>	<b>104 006</b>	<b>-</b>
Transfers	34 939	15 788	-	50 727	-
Fair value changes	(4 719)	1 139	-	(3 580)	-
Written off/Sales	(52 347)	(24 229)	-	(76 576)	-
<b>Balance as at December 31, 2017</b>	<b>48 986</b>	<b>25 591</b>	<b>-</b>	<b>74 577</b>	<b>-</b>
Transfers	220	-	30 576	30 796	12 108
Fair value changes	5 155	(581)	-	4 574	-
Written off/Sales	(26 660)	(18 359)	-	(45 019)	-
<b>Balance as at December 31, 2018</b>	<b>27 701</b>	<b>6 650</b>	<b>30 576</b>	<b>64 928</b>	<b>12 108</b>

The amount of Transfers in 2017 & 2018 has to do with real-estate assets that the Group has an actual sale intention and whose processes are expected to be completed in subsequent years, with the effective realization of the sale. (Note 9). The properties included in the

balance as of December 31, 2018 will be disposed of until July 31, 2019, after the completion of the on-going licensing processes.

The properties that were transferred to this item in 2017 & 2018 under IFRS 5 were valued according to the values described in the proposals or in the promissory notes of the purchase or sale, or deducted from possible disposal costs.

In December 2018, the Company reached an agreement to sell its stake in Tranquilidade - Corporação Angolana de Seguros, S.A. to another shareholder, namely Banco Económico, S. A., as well as to a local investor. This agreement is still subject to the approvals by the Angolan Insurance Regulation and Supervision Agency, and by the National Bank of Angola, and it is expected that such approvals will be published during the year of 2019.

Based on the terms of this agreement, the Group recorded a provision for other risks and charges amounting to €9,3 million (Note 13) and in accordance with IFRS 5 - Non-current assets held for sale and discontinued operations, all the assets and liabilities of this subsidiary were reclassified, respectively, to non-current assets held for sale and discontinued operations and liabilities of a disposal group classified as held for sale (Note 4).

The summary of these assets and liabilities is as follows:

	(in TEUR)
	<b>Asset</b>
Cash & cash equivalents and sight deposits	1 881
Available-for-sale assets	1 917
Loans & Receivables	22 927
Land & Buildings	2 213
Other tangible assets	27
Technical provisions for reinsurance ceded	138
Other debtors for insurance & other operations	1 377
Tax assets	71
Accruals & deferrals	26
	<b>30 576</b>
	(milhares de euros)
	<b>Liability</b>
Provisions for unearned premiums	5 418
Provisions for claims	3 284
Provision for unexpired risks	125
Other creditors for insurance & other operations	2 871
Tax liabilities	102
Accruals & deferrals	276
Other Provisions	32
	<b>12 108</b>

#### NOTE 12 - INTANGIBLE ASSETS

All intangible assets are measured using the cost method. With the exception of goodwill, all the estimated useful lives are finite, 5 years for the development of computer applications (straight-line amortisation), 3 years for software (straight-line amortisation) and duration until maturity of the respective portfolio acquired and non-linear amortisation, in the case of Value in force (ViF).

As at December 31, 2017 & 2018, goodwill corresponds just to the positive difference between the acquisition cost and the fair value attributable to the respective net assets acquired, in the amount of €65,981k thousand euros, in respect of the acquisition on August 5, 2016, of Açoreana Seguros, SA.

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

A goodwill impairment test was performed in 2018 based on its recoverable amount, based on which no impairment indicator was obtained. The estimated recoverable value was based on the Group's business plan and on the respective cash-flow projections discounted at a rate of approximately 9%. The impairment was assessed using an appraisal estimate for the whole company, as the CGU are not separated due to the merger of the entities and full integration (Açoreana with Tranquilidade and Logo and T-Vida). The FCFE appraisal was based on ORSA projections for the next 5 years and a perpetuity growth of 2%.

As at December 31, 2018, the Value in Force (ViF) corresponds to the acquisition cost of the contractual positions resulting from acquired contracts, including all rights, obligations and guarantees emerging therefrom in the amount, net of amortisation, of:

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

These assets are written down over the period of recognition of the income associated with the acquired contracts. As stated and provided for in the accounting policies, the Group conducted a review of the recoverable amount of the ViF of the portfolio acquired in 2006 from GNB - Companhia de Seguros de Vida, having concluded that an impairment loss existed in the amount of €16,476k.

VIF asset is estimated based on the expected last cash-flow, i.e., including policies renewals, lapses, mortality, etc. accordingly to actuarial rules and practices on the time of the acquisition of the portfolio. 2006 for T-Vida portfolio and 2016 for risk business of Açoreana. The amortization schedule was also determined on the acquisition dates based on the expected cash-flows.

The breakdown of Goodwill and Other intangible assets is as follows:

(in TEUR)

	<b>2018</b>	<b>2017</b>
<b>Goodwill</b>	<b>65 981</b>	<b>65 981</b>
<b>Other intangibles</b>	<b>146 693</b>	<b>144 436</b>
Software development costs	74 626	74 275
Software	13 552	12 970
Intangibles in progress	1 680	355
Value in force	56 836	56 836
<b>Accumulated amortisation</b>	<b>(116 957)</b>	<b>(110 575)</b>
<b>Impairments</b>	<b>(16 475)</b>	<b>(18 498)</b>
	<b>79 242</b>	<b>81 344</b>

Movements in both years are as follows:

(in TEUR)

	<b>Goodwill</b>	<b>Other intangibles</b>	Software development costs	Software	Intangibles in progress	Value in force	<b>Total</b>
<b>Balance as at January 1, 2017</b>	<b>65 981</b>	<b>21 225</b>	<b>5 442</b>	<b>3 558</b>	<b>2 763</b>	<b>9 462</b>	<b>87 206</b>
Additions	-	6 440	42	481	5 917	-	6 440
Amortisation charges for the period	-	(9 196)	(5 448)	(440)	-	(3 308)	(9 196)
Impairments	-	2 129	-	-	-	2 129	2 129
Transfers	-	(5 283)	3 042	-	(8 325)	-	(5 283)
Written off/Sales	-	-	-	-	-	-	-
Changes to the consolidation perimeter	-	(2)	-	(2)	-	-	(2)
Hyperinflationary effect - IAS 29	-	51	-	51	-	-	51
<b>Balance as at December 31, 2017</b>	<b>65 981</b>	<b>15 363</b>	<b>3 078</b>	<b>3 648</b>	<b>355</b>	<b>8 283</b>	<b>81 344</b>
Additions	-	3 169	346	785	2 038	-	3 169
Amortisation charges for the period	-	-	-	-	-	-	-
Impairments	-	(6 987)	(2 948)	(616)	-	(3 424)	(6 987)
Transfers	-	2 022	-	-	-	2 022	2 022
Written off/Sales	-	(188)	525	-	(713)	-	(188)
Hyperinflationary effect - IAS 29	-	(37)	-	(37)	-	-	(37)
Currency translation differences	-	(83)	-	(83)	-	-	(83)
<b>Balance as at December 31, 2018</b>	<b>65 981</b>	<b>13 261</b>	<b>1 001</b>	<b>3 698</b>	<b>1 680</b>	<b>6 882</b>	<b>79 242</b>

The outstanding balance of the value in force will be amortised as follows:

(in TEUR)

	<b>2019</b>	<b>2020</b>	<b>2021</b>	<b>2022</b>	<b>Subsequent</b>	<b>Total</b>
Estimated amortisation	1 239	1 453	444	370	3 376	<b>6 882</b>

Amortisation of intangible assets is allocated to items of the profit & loss account as follows:

(in TEUR)

	<b>2018</b>	<b>2017</b>
<b>Amortisation of intangible assets for the period:</b>	<b>6 987</b>	<b>9 196</b>
Costs of claims, net of reinsurance		
Amounts paid - Gross amounts	1 178	1 602
Net operating costs & expenses		
Acquisition costs	2 563	3 096
Administrative costs	2 969	4 175
Financial Costs		
Other	277	323

**NOTE 13 – OTHER ASSETS, LIABILITIES, ADJUSTMENTS AND PROVISIONS***Assets and adjustments*

The breakdown of the balance of Receivables for direct insurance operations is as follows:

	(in TEUR)	
	<b>2018</b>	<b>2017</b>
<b>Gross assets</b>	<b>60 241</b>	<b>72 522</b>
Policyholders		
Receipts pending collection	42 998	55 465
- reimbursement of claims	6 764	7 317
Insurance brokers	7 159	1 915
Co-insurers	3 320	7 825
<b>Adjustments</b>	<b>(7 429)</b>	<b>(9 180)</b>
Receipts pending collection	(4 390)	(4 239)
Doubtful debt	(3 039)	(4 941)
<b>Net Assets</b>	<b>52 812</b>	<b>63 342</b>

Reimbursements required in respect of payments made as a result of claims occurring during the guarantees suspension period and not yet received amount to €3,569k (2017: 4,416k euros).

The breakdown of the balance of Account Receivables for reinsurance operations is as follows:

	(in TEUR)	
	<b>2018</b>	<b>2017</b>
<b>Gross assets</b>	<b>41 824</b>	<b>53 025</b>
Reinsurers	41 824	53 025
Reinsured	-	-
<b>Adjustments</b>	<b>(313)</b>	<b>(3 980)</b>
Doubtful debt	(313)	(3 980)
<b>Net Assets</b>	<b>41 511</b>	<b>49 045</b>

The breakdown of the balance of Account Receivables for other operations is as follows:

	(in TEUR)	
	<b>2018</b>	<b>2017</b>
<b>Gross assets</b>	<b>36 979</b>	<b>39 013</b>
Related entities	1 231	1 245
Real-estate operations	-	553
IFAP	5 058	2 397
FAT	1 565	1 222
Management on account of IDS and Principals	7 384	5 153
Guarantees	1 906	1 446
Rents & other amounts pending collection	906	943
Staff	407	390
Advances to suppliers	123	124
Clients	2 688	8 508
Other receivables	15 712	17 032
<b>Adjustments</b>	<b>(7 222)</b>	<b>(7 422)</b>
Doubtful debt	(7 222)	(7 422)
<b>Net Assets</b>	<b>29 757</b>	<b>31 591</b>

As of December 31, 2018, the balance of "Customers" includes the amount of €2,565k (2017: €6,780k) related to receivables from customers of ADV Angola - Planos e Sistemas de Saúde, Lda, having its registered office in Angola, an entity wholly owned by the subsidiary AdvanceCare Health International.

Movements in respect of adjustments to Receivables are reflected in Impairment losses – Other, in the profit & loss account, and are broken down as follows:

	(in TEUR)	
	<b>2018</b>	<b>2017</b>
<b>Adjustment of receipts pending collection</b>		
<b>Balance as at January 1</b>	<b>4 239</b>	<b>3 820</b>
Appropriations for the year	452	409
Use for the year	-	10
IFRS 5 effect	(301)	-
<b>Balance as at December 31</b>	<b>4 390</b>	<b>4 239</b>
<b>Adjustment of doubtful loans</b>		
<b>Balance as at January 1</b>	<b>16 343</b>	<b>14 267</b>
Appropriations for the year	-	2 076
Use for the year	(5 769)	-
Changes to the consolidation perimeter	-	-
<b>Balance as at December 31</b>	<b>10 574</b>	<b>16 343</b>

The balance of accruals and deferrals under Assets is as follows:



	(in TEUR)	
	<b>2018</b>	<b>2017</b>
<b>Accrued income</b>	<b>633</b>	<b>1 501</b>
- Reinsurance Profit commission	280	-
- Services rendered	351	1 499
- Other accruals	2	2
<b>Deferred costs</b>	<b>2 428</b>	<b>1 742</b>
- Insurance	215	72
- Rentals	347	284
- Acquisition costs	1 768	1 095
- Other deferred costs	98	291
<b>Total</b>	<b>3 061</b>	<b>3 243</b>

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

#### *Liabilities and provisions*

The breakdown of the balance of Payables for direct insurance operations under Liabilities is as follows:

	(in TEUR)	
	<b>2018</b>	<b>2017</b>
Policyholders (return premiums payable)	4 508	4 367
Insurance brokers	0	0
- Commissions payable	3 177	3 575
- Current accounts	9 440	4 026
Co-insurers	1 528	8 755
Advances	18 798	14 408
<b>Total</b>	<b>37 451</b>	<b>35 131</b>

The breakdown of the balance Payables for reinsurance operations under Liabilities is as follows:

	(in TEUR)	
	<b>2018</b>	<b>2017</b>
Reinsurers	33 186	56 409
Reinsured	12	12
<b>Total</b>	<b>33 198</b>	<b>56 421</b>

The breakdown of the balance of Payables for other operations under Liabilities is as follows:

	(in TEUR)	
	<b>2018</b>	<b>2017</b>
Related entities	869	1 866
Other suppliers of goods & services	4 841	5 492
IFAP	1 642	1 013
WA Pensions	1 353	1 571
Bank loans	-	1 675
Other payables	6 953	5 908
Commissions and other charges payable	46	280
<b>Total</b>	<b>15 704</b>	<b>17 805</b>

The balance of accruals and deferrals under Liabilities is as follows:

	(in TEUR)	
	<b>2018</b>	<b>2017</b>
<b>Deferred income</b>	<b>1 946</b>	<b>4 754</b>
- Rentals	119	187
- Billed services	1 827	4 567
<b>Accrued costs</b>	<b>44 888</b>	<b>60 168</b>
- Staff costs (subsidies, charges & bonuses)	14 560	34 135
- Acquisition costs (incentives & commissions)	16 883	10 654
- Third-party supplies & services	11 349	13 704
- Taxes	122	-
- Other	1 973	1 675
<b>Total</b>	<b>46 834</b>	<b>64 922</b>

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

The breakdown of Other provisions under Liabilities and respective movements are as follows:

	(in TEUR)	
	<b>2018</b>	<b>2017</b>
Taxes	11	2 257
Other adjustments	743	1 001
Other risks	10 069	819
<b>Total</b>	<b>10 823</b>	<b>4 077</b>

	(in TEUR)	
	<b>2018</b>	<b>2017</b>
<b>Balance as at January 1</b>	<b>4 077</b>	<b>1 752</b>
Appropriations for the period	9 558	2 925
Use for the year	(2 813)	(600)
<b>Balance as at December 31</b>	<b>10 823</b>	<b>4 077</b>

In 2017, the Group set aside provisions for i) a possible contingency with Social Security in the amount of €2,257k in respect of differences of interpretation of contributions payable on some variable remunerations in respect of past years and ii) contractual contingencies relating to the sale of properties in the amount of €750k. In 2018, the Group settled the

amounts related to the Social Security contingency mentioned above, and also challenged the matter and the corresponding amounts in court.

In 2018, under the agreement to sell its stake in Tranquilidade - Angolan Corporation of Insurance, SA (Note 4), the group recorded a provision for other risks and charges amounting to €9.3 million.

These movements are included in Other provisions (change) of the statement of income.

#### NOTE 14 - INSURANCE CONTRACT PREMIUMS

The breakdown of gross premiums written, changes of the unearned premiums (UPR) provision, and the earned direct insurance and reinsurance accepted premiums is as follows:

(in TEUR)

Businesses/ Groups of Businesses	2018			2017		
	Gross premiums written	UPR change	Premiums earned	Gross premiums written	UPR change	Premiums earned
<b>Life</b>						
Traditional	41 637	(198)	41 835	41 103	457	40 646
With-profits capitalisation	12 346	-	12 346	14 191	-	14 191
<b>Non-life</b>						
Accidents & Health	254 233	3 080	251 153	230 666	2 944	227 722
Fire & other damage	112 723	(974)	113 697	106 407	(912)	107 319
Motor	334 486	11 726	322 760	298 981	7 812	291 169
Marine, air and transport	6 284	(80)	6 364	6 367	(358)	6 725
General third-party liability	17 437	393	17 044	17 318	(73)	17 391
Credit and fidelity insurance	78	(9)	87	79	(23)	102
Legal protection	74	(81)	155	199	(8)	207
Assistance	37 739	755	36 984	37 007	209	36 798
Sundry	2 852	(149)	3 001	2 883	(202)	3 085
<b>Total</b>	<b>819 889</b>	<b>14 463</b>	<b>805 426</b>	<b>755 201</b>	<b>9 846</b>	<b>745 355</b>

The breakdown of gross premiums written, of variation of the unearned premiums reserve (UPR) and of the earned premiums, in reinsurance ceded, is as follows:

(in TEUR)

Businesses/ Groups of Businesses	2018			2017		
	Premiums written	UPR change	Premiums earned	Premiums written	UPR change	Premiums earned
<b>Life</b>						
Traditional	5 146	2	5 144	4 765	3	4 762
<b>Non-life</b>						
Accidents & Health	5 307	540	4 767	7 729	445	7 284
Fire & other damage	43 869	(656)	44 525	41 657	(2 406)	44 063
Motor	1 427	1	1 426	1 172	(6)	1 178
Marine, air and transport	2 837	(155)	2 992	2 923	(268)	3 191
General third-party liability	2 430	255	2 175	1 866	40	1 826
Credit and fidelity insurance	29	(1)	30	22	(11)	33
Legal protection	3	(20)	23	28	(3)	31
Assistance	28 475	1 281	27 194	26 532	1 170	25 362
Sundry	2 626	(101)	2 727	2 858	(101)	2 959
<b>Total</b>	<b>92 149</b>	<b>1 146</b>	<b>91 003</b>	<b>89 552</b>	<b>(1 137)</b>	<b>90 689</b>

Details of some amounts in respect of Non-Life direct insurance and reinsurance accepted, for 2018, are as follows:

(in TEUR)

Businesses/ Groups of Businesses	Gross premiums written	Gross premiums earned	Gross cost of claims	Gross operating costs	Balance of reinsurance
Accidents & Health	254 209	251 326	175 805	58 145	(32)
Fire & other damage	112 627	113 517	87 492	34 133	11 662
Motor					
-Third-party liability,	204 028	198 444	158 541	51 658	5 630
- Other covers	130 450	124 299	74 300	33 877	(833)
Marine, air and transport	6 246	6 365	12 373	1 615	7 539
General third-party liability	17 417	17 020	7 589	5 104	(1 829)
Credit and fidelity insurance	78	87	(367)	22	(299)
Legal protection	74	155	5	39	(23)
Assistance	37 739	36 983	14	9 402	(27 204)
Sundry	2 852	2 990	5 168	640	2 381
<b>Total</b>	<b>765 720</b>	<b>751 186</b>	<b>520 920</b>	<b>194 635</b>	<b>(3 008)</b>
Reinsurance accepted	187	59	(13)	(221)	1 333
<b>Grand total</b>	<b>765 906</b>	<b>751 245</b>	<b>520 907</b>	<b>194 414</b>	<b>(1 675)</b>

Details of some amounts in respect of Non-Life direct insurance and reinsurance accepted, for 2017, are as follows:

(in TEUR)

Businesses/ Groups of Businesses	Gross premiums written	Gross premiums earned	Gross cost of claims	Gross operating costs	Balance of reinsurance
Accidents & Health	230 641	227 861	194 175	60 081	(4 084)
Fire & other damage	106 268	106 905	100 037	42 031	17 727
Motor					
-Third-party liability,	185 305	181 356	149 808	49 911	987
- Other covers	113 662	109 783	84 452	34 800	(621)
Marine, air and transport	6 334	6 680	2 187	2 594	(1 478)
General third-party liability	17 300	17 363	9 887	6 972	(1 114)
Credit and fidelity insurance	79	102	(18)	22	(41)
Legal protection	199	208	16	37	(31)
Assistance	37 007	36 798	19	7 004	(24 846)
Sundry	2 855	3 060	1 368	1 046	(1 533)
<b>Total</b>	<b>699 650</b>	<b>690 116</b>	<b>541 931</b>	<b>204 498</b>	<b>(15 034)</b>
Reinsurance accepted	258	402	132	(64)	1 028
<b>Grand total</b>	<b>699 907</b>	<b>690 518</b>	<b>542 063</b>	<b>204 434</b>	<b>(14 006)</b>

Some amounts of the Life business line are as follows:

(in TEUR)

	2018	2017
<b>Gross direct insurance written and reinsurance accepted premiums</b>	<b>53 983</b>	<b>55 294</b>
In respect of personal contracts	42 042	36 127
In respect of group contracts	11 941	19 167
	<b>53 983</b>	<b>55 294</b>
Periodic	39 922	44 385
Non-periodic	14 061	10 909
	<b>53 983</b>	<b>55 294</b>
On without-profits contracts	34 728	31 709
On with-profits contracts	19 255	23 585
	<b>53 983</b>	<b>55 294</b>
<b>Balance of reinsurance</b>	<b>(551)</b>	<b>(820)</b>

**NOTE 15 - INSURANCE CONTRACT COMMISSIONS RECEIVED**

The insurance contracts issued by the Group in respect of which there is only the transfer of a financial risk without discretionary profit sharing, including fixed-income capitalisation products and products in which the investment risk is borne by the policyholder are classified as investment contracts and accounted for as a liability, the subscription, management and redemption commissions thereof being recorded as revenues and calculated fund by fund in accordance with the general conditions of each product.

**NOTE 16 – INVESTMENT INCOME/REVENUE AND EXPENDITURE**

The accounting policies adopted for the recognition of income and costs in respect of investments are addressed in Note 3.

The balance of the Income and of the Gains & losses on associates headings, segregated by the various types of income, is as follows:

	(in TEUR)	
	<b>2018</b>	<b>2017</b>
<b>Interest</b>	<b>30 853</b>	<b>21 550</b>
Available-for-sale financial assets	11 694	13 086
Financial assets at fair value through profit or loss	15 087	7 459
Held-to-maturity investments	-	-
Deposits, loans & other assets	4 072	1 005
<b>Rents</b>	<b>2 252</b>	<b>3 064</b>
Land & buildings	2 252	3 064
<b>Dividends</b>	<b>4 564</b>	<b>4 288</b>
Financial assets at fair value through profit or loss	-	3
Available-for-sale financial assets	4 564	4 285
<b>Net income of associates</b>	<b>2 874</b>	<b>5 570</b>
<b>Total</b>	<b>40 543</b>	<b>34 472</b>

The breakdown of Income by type of asset is as follows:

	(in TEUR)	
	<b>2018</b>	<b>2017</b>
Bonds & other fixed-income securities		
Public issuers'	5 933	6 431
Other issuers'	11 810	13 704
Corporate loans	9 038	410
Equities	2 995	6 681
Other floating-rate securities	4 443	3 177
Properties	2 252	3 064
Deposits	3 811	800
Loans & other assets	261	205
<b>Total</b>	<b>40 543</b>	<b>34 472</b>

The breakdown of Financial costs is as follows:

	(in TEUR)	
	2018	2017
Costs imputed to the investments function	5 462	4 542
Direct operating costs	2 014	571
<b>Total</b>	<b>7 476</b>	<b>5 113</b>

#### NOTE 17 - GAINS & LOSSES REALISED ON INVESTMENTS

The amounts carried under net gains of financial and non-financial assets and liabilities, segregated by category, are as follows:

	2018			2017		
	Gain	Loss	Balance	Gain	Loss	Balance
<b>Financial - Not at fair value</b>	<b>10 613</b>	<b>(7 451)</b>	<b>3 162</b>	<b>11 532</b>	<b>(2 454)</b>	<b>9 078</b>
Available-for-sale financial assets	9 144	(7 451)	1 693	11 513	(1 952)	9 561
Investments in associates and joint ventures	1 469	-	1 469	19	(502)	(483)
<b>Financial - At fair value</b>	<b>47 101</b>	<b>(51 763)</b>	<b>(4 662)</b>	<b>11 778</b>	<b>(7 616)</b>	<b>4 162</b>
Financial assets at fair value through profit or loss	9 636	(10 755)	(1 119)	1 583	(1 167)	416
Financial assets held for trading	37 465	(41 008)	(3 543)	10 195	(6 449)	3 746
<b>Non-financial</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>493</b>	<b>(330)</b>	<b>163</b>
Land & buildings - Own use	-	-	-	4	(143)	(139)
Land & buildings - Held for income	-	-	-	489	(187)	302
<b>Non-current assets classified as held for sale</b>	<b>10 398</b>	<b>(10 140)</b>	<b>258</b>	<b>18 012</b>	<b>(3 300)</b>	<b>14 712</b>
Land & buildings - Owner occupied	-	-	-	11 746	-	11 746
Land & buildings - Income	10 398	(10 140)	258	6 266	(3 300)	2 966
<b>Total</b>	<b>68 112</b>	<b>(69 354)</b>	<b>(1 242)</b>	<b>41 815</b>	<b>(13 700)</b>	<b>28 115</b>

The 2017 figures for Investments in associates and joint ventures are in respect of the gain on the sales of CRIA - Centro de Reabilitação Integrada de Acidentes and of GIGA - Grupo Integrado de Gestão de Acidentes, respectively a gain of €19k and a loss of €68k.

The amounts in 2018 of Investments in associates and joint ventures correspond to the realized gains on the sales of Europ Assistance, S. A. and GNB - Companhia de Seguros, S. A., respectively, a loss of €1,250k and a gain of €8,817k.

The amounts Financial assets managed by third parties have to do with the return generated by the assets operationally managed by GNB – Seguros Vida, SA, relating to Non Unit-Linked investment contracts marketed by the Group.

In addition to the amounts of gains and losses realised on investments, the amounts carried in the financial statements include gains and losses of financial liabilities carried at amortised cost amounting to -€3,332k (2017: -€4,080k), as shown in Note 6.

#### NOTE 18 - GAINS & LOSSES STEMMING FROM ADJUSTMENTS TO THE FAIR VALUE OF INVESTMENTS

The breakdown of gains and losses stemming from adjustments to the fair value of investments is as follows:

(in TEUR)

	2018			2017		
	Gain	Loss	Balance	Gain	Loss	Balance
<b>Financial - At fair value</b>	<b>9 369</b>	<b>(16 731)</b>	<b>(7 362)</b>	<b>8 613</b>	<b>(4 327)</b>	<b>4 286</b>
Financial assets at fair value through profit or loss	9 254	(6 500)	2 754	5 330	(3 775)	1 555
Financial assets managed by third parties	-	-	-	3 283	(552)	2 731
<b>Non-financial</b>	<b>-</b>	<b>(732)</b>	<b>(732)</b>	<b>7 017</b>	<b>(22 030)</b>	<b>(15 013)</b>
Land & buildings - Held for income	-	-	-	7 017	(13 441)	(6 424)
Land & buildings - Own use	-	-	-	-	(8 589)	(8 589)
<b>Total</b>	<b>9 369</b>	<b>(17 463)</b>	<b>(8 094)</b>	<b>15 630</b>	<b>(26 357)</b>	<b>(10 727)</b>

The amounts Financial assets managed by third parties have to do with the return generated by the assets operationally managed by GNB – Seguros Vida, SA, relating to Non Unit-Linked investment contracts marketed by the Group.

In addition to the amounts of fair-value adjustment gains and losses on investments, the amounts carried in the financial statements include gains and losses of financial liabilities carried at fair value through profit or loss amounting to €3.620k (2017: €3.775k), as shown in Note 6.

#### NOTE 19 - GAINS & LOSSES ON CURRENCY TRANSLATION DIFFERENCES

This heading includes the results of the exchange-rate revaluation of monetary assets and liabilities expressed in foreign currency in accordance with the accounting policy described in Note 3, except those that stem from financial instruments measured at fair value through profit or loss.

The balance is broken down as follows:

(in TEUR)

	2018			2017		
	Gain	Loss	Balance	Gain	Loss	Balance
Available-for-sale financial assets	-	-	-	1 040	(1 040)	-
Financial assets held for trading	280	(190)	90	15	(5 295)	(5 280)
Other	1 408	(4 259)	(2 851)	779	(2 413)	(1 634)
<b>Total</b>	<b>1 688</b>	<b>(4 449)</b>	<b>(2 761)</b>	<b>1 834</b>	<b>(8 748)</b>	<b>(6 914)</b>

#### Note 20 – Other Income, Expenses and variation of Other Provisions

The breakdown of the balance of Other technical income/expense, net of reinsurance, is as follows:

	(in TEUR)	
	<b>2018</b>	<b>2017</b>
<b>Other technical income</b>	<b>13 153</b>	<b>9 263</b>
Co-insurance management commissions	338	499
Management on account of claims	12 815	8 764
<b>Other technical expense</b>	<b>(18 620)</b>	<b>(13 067)</b>
Co-insurance management commissions	(1 118)	(515)
Management on account of claims	(17 502)	(12 552)
<b>Value of gains &amp; losses</b>	<b>(5 467)</b>	<b>(3 804)</b>

The breakdown of the Other income/expense heading is as follows:

	(in TEUR)	
	<b>2018</b>	<b>2017</b>
<b>Other non-technical income</b>	<b>11 012</b>	<b>25 109</b>
Reimbursement of taxes	171	4 898
Other gains	268	6 109
Interest & other financial gains	708	44
Services provided	9 865	14 031
Gains on disposal of tangible assets	-	28
<b>Other non-technical expense</b>	<b>15 133</b>	<b>23 379</b>
Donations	147	198
Sponsorship	67	67
Gifts for customers	110	42
Fines	48	40
Subscriptions	26	2 359
Contractual terminations	55	1 895
Services provided	8 801	9 653
Other expenses	5 550	8 460
Banking services & default interest	329	665
<b>Value of gains &amp; losses</b>	<b>(4 121)</b>	<b>1 730</b>

Income for services rendered refer mostly to the operating income of Group entities other than insurers, while the expenses for services rendered refer mostly to staff costs and third-party supplies and services of these entities.

In 2018, Other expenses include the impact of the application of IAS 29 in the amount of €975k (2017: €2,015k).

In 2017, the Group received a favourable indication on the partial acceptance of an application for the exemption of taxes paid regarding the 2016 merger process and the respective integration of property assets and other tangible assets, this being the justification of the value for the caption Tax Refund as the reimbursement will be around €4.9 million. Although the acceptance was not in full, the Company filed a legal action on the other €0.6 million that made up the rest of the €5.5 million of the application.

#### NOTE 21 - SUNDRY COSTS BY FUNCTION AND NATURE OF EXPENSE



Costs carried under Costs by nature of expense to be imputed are not shown directly in the profit & loss account, in that they are distributed to the Group's four main functions and are reflected in and distributed to the following headings:

- Claims Function: Claims costs - Gross amounts paid
- Acquisition Function: Operating costs and expenses – Acquisition costs
- Administrative Function: Operating costs and expenses – Administrative costs
- Investment Function: Financial costs - Other

The process of imputing costs by nature of expense is in keeping with the following criteria, depending on the case:

- % of time devoted to each function by cost centre;
- % of use of IT resources;
- % of persons allocated to each function.

The breakdown of these expenses and their distribution using the classification based on their function as at December 31, 2018 & 2017, is as follows:

	Cost of claims		Acquisition costs		Administrative costs		Cost of investments		Other costs not allocated		(in TEUR) Total 2018	
Staff costs	11 636	19%	21 250	34%	24 972	40%	2 084	3%	2 597	4%	62 538	100%
Third-party supplies & services	7 032	13%	18 709	34%	21 993	41%	1 230	2%	5 291	10%	54 255	100%
Taxes	3	0%	3 670	64%	2 033	36%	8	0%	-	0%	5 714	100%
Depreciation	1 883	20%	2 940	31%	3 541	38%	782	8%	263	3%	9 409	100%
Other costs	-	0%	-	0%	-	0%	1 358	100%	-	0%	1 358	100%
<b>Total</b>	<b>20 554</b>	<b>15%</b>	<b>46 569</b>	<b>35%</b>	<b>52 539</b>	<b>39%</b>	<b>5 462</b>	<b>4%</b>	<b>8 151</b>	<b>6%</b>	<b>133 275</b>	<b>100%</b>

	Cost of claims		Acquisition costs		Administrative costs		Cost of investments		Other costs not allocated		(in TEUR) Total 2017	
Staff costs	23 541	23%	43 928	43%	29 716	29%	1 379	1%	3 156	3%	101 720	100%
Third-party supplies & services	9 151	15%	23 400	39%	20 535	34%	697	1%	6 816	11%	60 600	100%
Taxes	691	12%	9	0%	4 979	84%	231	4%	-	0%	5 910	100%
Depreciation	1 967	17%	3 842	33%	4 961	43%	394	3%	360	3%	11 524	100%
Other costs	7	0%	11	1%	145	7%	1 841	92%	-	0%	2 004	100%
<b>Total</b>	<b>35 358</b>	<b>19%</b>	<b>71 190</b>	<b>39%</b>	<b>60 337</b>	<b>33%</b>	<b>4 542</b>	<b>2%</b>	<b>10 332</b>	<b>6%</b>	<b>181 759</b>	<b>100%</b>

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

Staff costs are detailed in Note 22.

The breakdown of Third-party supplies & services is as follows:

	(in TEUR)	
	<b>2018</b>	<b>2017</b>
Electricity and water	588	696
Fuel	642	636
Office material, stationery, etc.	197	205
Gift articles	11	629
Office equipment & property maintenance	528	389
Hardware maintenance	6 001	5 974
Rents	5 348	4 397
Operational rental of vehicles & other rentals	2 223	2 280
Travel & entertainment costs	1 017	1 207
Telephone communications and networks	458	480
Post	3 088	3 095
Insurance	445	312
Retainers & fees	281	1 600
Advertising & marketing	4 794	4 967
Cleaning, hygiene and comfort	514	569
Surveillance and security	138	185
Outsourcing, consultancy & specialised work	16 273	21 627
Software services & development	7 364	7 745
Subscriptions	490	882
Premium collection	1 388	1 379
Broker training	65	64
Temporary work	448	161
Other sundry supplies & services	1 954	1 122
<b>Total</b>	<b>54 255</b>	<b>60 600</b>

The breakdown of Taxes and charges is as follows:

	(in TEUR)	
	<b>2018</b>	<b>2017</b>
Insurance Authorities levy	1 922	1 785
FAT levy	1 835	1 866
Municipal property tax	17	7
Fee for the General Secretariat of the MAI (Home Affairs)	1 744	1 815
Portuguese Green Card Office levy	107	103
Other taxes, fees and licenses	90	334
<b>Total</b>	<b>5 714</b>	<b>5 910</b>

The breakdown of the Amortisation charges is as follows:

	(in TEUR)	
	<b>2018</b>	<b>2017</b>
Software development costs	2 838	4 094
Software	617	294
Other intangible assets	3 532	4 808
IT Hardware	586	718
Owner-occupied properties	25	550
Office equipment & machines	257	210
Indoor facilities	203	124
Other equipment	1 352	726
<b>Total</b>	<b>9 409</b>	<b>11 524</b>

The breakdown of the Other costs is as follows:

	(in TEUR)	
	<b>2018</b>	<b>2017</b>
Interest on reinsurers' deposits	-	60
Interest on financial leases	-	104
Securities' custody & management and other commissions	1 358	1 840
<b>Total</b>	<b>1 358</b>	<b>2 004</b>

The breakdown of Net operating costs and expenses is as follows:

	(in TEUR)	
	<b>2018</b>	<b>2017</b>
Acquisition costs		
Brokerage remuneration	89 313	79 720
Imputed costs insurance companies	46 569	71 190
Other acquisition costs	21 364	15 951
Deferred acquisition costs (change)	(1 525)	(3 576)
Administrative costs		
Brokerage remuneration	4 808	5 022
Imputed costs insurance companies	52 539	60 337
Other administrative costs	-	-
Reinsurance commissions & profit-sharing	(12 771)	(13 979)
<b>Total</b>	<b>200 297</b>	<b>214 665</b>

#### NOTE 22 -STAFF COSTS

The breakdown of average number of workers in the Group's service by professional category is as follows:

	<b>2018</b>	<b>2017</b>
Senior managers	27	29
Managers	36	42
Co-ordinators	122	149
Technicians	401	468
Specialists	364	458
Ancillary staff	16	17
<b>Total</b>	<b>966</b>	<b>1 163</b>

After the end of the period granted by the Ministry of Labour, Solidarity and Social Security in which the 'Restructuring Company Status' was in force, there were 966 workers at the end of 2018.

Staff costs are detailed as follows:

	(in TEUR)	
	2018	2017
Remuneration - Corporate officers	2 710	2 512
Remuneration - Personnel	42 901	47 071
Charges on remuneration - Corporate officers	878	413
Charges on remuneration - Personnel	11 254	11 601
Post-employment benefits - Defined-benefit pension plans	1 169	397
Other employee long-term benefits	200	1 071
Employment termination benefits	-282	35 610
Mandatory insurance	1 238	1 061
Social welfare costs	1 177	1 110
Training	250	392
Other staff costs	1 042	482
<b>Total</b>	<b>62 538</b>	<b>101 720</b>

The 2017 amount of Employment termination benefits includes both the amounts already incurred and also those estimated in respect of the restructuring process approved by the Board of Directors in the wake of the merger process at the end of 2016, which has also been submitted to and approved by the Ministry for Labour, Solidarity and Social Security.

In 2018 Staff costs include a cost in respect of individual retirement plans amounting to €1,169k (2017: €1,071k), of which €390k (2017: €425k) relate to the governing bodies. As at December 31, 2018 & 2017, the Group had no loans or advances extended to corporate officers.

The remunerations paid to the Governing Bodies in 2018 are as follow:

	(TEUR)		
	Remuneration		Total
	Fixed	Variable	
<b>Board of Directors</b>			<b>2 341,3</b>
Alexandre Wallace Humphreys	-	-	-
Bogdan Ignashchenko	-	-	-
Gernot Wilhelm Friedrich Lohr	-	-	-
Gonçalo Fernando de Salvado Marques Oliveira	275,0	31,0	306,0
Gustavo Alexandre P.T. Mesquita Guimarães (Presidente)	150,0	-	150,0
Jan Adriaan de Pooter	400,0	342,0	742,0
José António Correia Dias Nogueira Silva <sup>(1)</sup>	229,2	61,0	290,2
Nuno Miguel Pombeiro Gomes Diniz Clemente <sup>(2)</sup>	69,1	185,0	254,1
Pedro Luís Francisco Carvalho	320,0	279,0	599,0
<b>Board of Auditors</b>			<b>110,0</b>
Luís Maria Viana Palha da Silva (Presidente)	50,0	-	50,0
Manuel Maria de Paula Reis Boto	30,0	-	30,0
Pedro Manuel Aleixo Dias	30,0	-	30,0
Sandra Maria Simões Filipe de Ávila Valério (Vogal Suplente)	-	-	-
<b>Total Remuneration</b>	<b>1 553,3</b>	<b>898,0</b>	<b>2 451,3</b>

<sup>(1)</sup> Named March, 2018.

<sup>(2)</sup> The member of corporate bodies listed above no longer hold the position in question.

The fees billed and to be billed by KPMG e Associados, SROC, SA, the outgoing Statutory auditor and other entities of the network, for 2018, excluding expenses and value added tax, amount to €544k, of which €468k relate to the statutory audit of the accounts (of which €100k belongs to KPMG Luxembourg as group auditor) and €60k to other reliability-guarantee services, in particular within the scope of Solvency II and of the specific procedures for the combat against money laundering and the anti-fraud policy, and €16k relating to other services not included in the previous concepts.

**NOTE 23 - OBLIGATIONS INVOLVING EMPLOYEE BENEFITS**

*Retirement pensions and health benefits*

As stated in Note 3, some entities of the Group assume liability for the payment to its employees of benefit complements over and above the Social Security old-age and disability pensions under the terms established in the applicable Collective Bargaining Agreements (CBAs).

In accordance with the Collective Bargaining Agreement originally applicable, published in BTE n° 32 of August 9, 2008, employees covered by this agreement, admitted into the sector up until June 22, 1995, may access a pecuniary benefit complementing the pension granted by Social Security.

As stated in Note 3, those entities of the Group declared the end of the life and application of this agreement with effect from December 31, 2016, especially as regards the said supplementary defined-benefit pension plans.

There are also plans covering a number of health benefits for employees in service and pre-retirees up to normal retirement age.

As also mentioned in Note 3, on December 23, 2011, a new Insurance Collective Bargaining Agreement was approved, published in BTE n° 2 of January 15, 2012, altering a previously-defined set of benefits.

In the meantime, this Collective Bargaining Agreement was succeeded and replaced by the Collective Bargaining Agreement published in BTE n° 4 of January 29, 2016, which was the object of an extension order-in-council, published in BTE n° 25, dated July 8, 2016, which determined the application of the provisions of this agreement to all employees of those entities of the Group not affiliated with the signatory unions, except for employees affiliated with Sinapsa - National Union of Insurance and Related Professionals.

Of the changes resulting from the Collective Bargaining Agreement of 2012, which have been maintained in the new Collective Bargaining Agreement, the following are underscored:

(i) with regard to post-employment benefits, employees come to be covered by an individual defined-contribution retirement plan;

(ii) length-of-service bonus equal to 50% of the actual salary, which will be due, upon fulfilment of the respective conditions for its grant, when the employees complete one or more multiples of 5 years with the Group.

With regard to the alteration of the pension plan applicable to employees, the nature of which was changed from defined benefit to defined contribution, and taking into account that the fully-funded amount of the liabilities for past services in respect of old-age pensions payable to current employees was converted into individual accounts of these employees, forming part of their individual retirement plan, according to IAS 19, the Group settled the liability.

Since actuarial deviations are recognised in reserves, the Group had no additional impact on profit or loss and on reserves as a result of the actual settlement of the plan.

Additionally, the Group curtailed the defined-benefit pension plan of the directors that it had up until December 31, 2015. In the course of 2016 the renunciation of the plan in force was agreed between the Associate (Tranquilidade) and the participants and beneficiaries with vested rights.

These participants agreed to the transfer the amount of the funded liabilities in the pension fund, on the date of the renunciation, to subscription to an open defined-contribution pension fund. For pensioners with pensions payable, the liability is covered through the purchase of annuities, ensuring future payments.

The actuarial valuation of the retirement pensions and health benefits is performed annually at the Group, the most recent one with reference to December 31, 2018.

The main assumptions considered in the actuarial studies as at December 31, 2018 & 2017, used to determine the updated value of the liabilities of the Group Tranquilidade Pension Fund for employee pensions and health benefits are as follows:

	2018	2017
<b>Financial assumptions</b>		
Wage growth rates	0,50%	0,50%
Pension growth rate	0,50%	0,50%
Early-retirement pension growth rate	0,50%	0,50%
Discount rate	1,00%	1,00%
Probability of transition to pre-retirement	5,00%	15,00%
<b>Demographic assumptions and valuation methods</b>		
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 impact of the alteration in 2018 of the assumption relating to the probability of moving to pre-retirement represented an increase of about €3,9 million in the actuarial deviations.

The main assumptions considered in the actuarial studies as at December 31, 2018 & 2017, used to determine the updated value of the liabilities of the Açoreana Seguros Pension Fund for the pensions and health benefits of employees and former directors of Global Seguros are as follows:

	2018	2017
<b>Financial assumptions</b>		
Wage growth rates	0,50%	0,50%
Pension growth rate	0,50%	0,50%
Discount rate	1,55%	1,55%
<b>Demographic assumptions and valuation methods</b>		
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>

In accordance with the accounting policy described in Note 3, the discount rate used to estimate retirement pension and health benefit liabilities is the market rate on the reporting date associated with high-rating corporate bonds having maturities similar to those of the liabilities.

As at 31 December 2018 & 2017, the number of participants covered by the defined-benefit plan was as follows:

	<u>2018</u>	<u>2017</u>
On service	33	59
Pensioners	291	299
	<u><b>324</b></u>	<u><b>358</b></u>

As at December 31, 2018 & 2017, the Group's liabilities for past services, according to actuarial studies carried out, as well as the funds and provisions available for the coverage thereof amounted to:

	2018			2017		
	Retirement pensions	Benef. Health	Total	Retirement pensions	Benef. Health	Total
Liabilities as at December 31	(24 558)	(304)	(24 862)	(47 585)	(357)	(47 942)
Balance of the fund as at December 31	27 458	-	27 458	48 179	-	48 179
<b>Net assets/ (liabilities) in the balance sheet as at December 31</b>	<u><b>2 900</b></u>	<u><b>(304)</b></u>	<u><b>2 596</b></u>	<u><b>594</b></u>	<u><b>(357)</b></u>	<u><b>237</b></u>

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

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

It should also be said that, in the past, a part of the retirement pension liabilities was transferred by the Fund to the Group through the acquisition of life assurance (annuities) policies from T-Vida, Companhia de Seguros, SA (the entity whose merger by incorporation into Seguradoras Unidas took place on December 31, 2016).

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

In accordance with ASF Regulatory Standard nº 5/2007-R, of April 27, insurance companies shall ensure at the end of each year:

- a) full funding of the current value of pension liabilities payable, including pre-retirement and early retirement benefits up to the normal retirement age and thereafter; and
- b) funding of a minimum of 95% of the current value of the liability for past services of personnel in service, excluding pre-retirees or early retirees.

As at December 31, 2018 & 2017, the Group's liabilities for pensions payable were fully financed.

The pension plan in question is non-contributory, is independent of social security and is financed by the entities of the Group's pension fund.

Given the current level of financing of the fund, no contributions are expected to be required next year. The pension fund of the entities of the Group has an average duration of about 6 years (Tranquilidade Group Pension Fund) and 9 years (Açoreana Seguros Pension Fund).

The breakdown of liabilities for retirement pensions and health benefits is as follows:

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

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

The evolution of the value of the pension fund in 2018 & 2017 is as follows:

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

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

The evolution of actuarial deviations recognised in the reserve is as follows:

	2018			2017		
	Retirement pensions	Benef. Health	Total	Retirement pensions	Benef. Health	Total
Deviations recognised in reserves as at January 1	(4 778)	263	(4 515)	(846)	608	(238)
Actuarial (gains) & losses						
- on liabilities	(6 640)	(55)	(6 695)	(2 820)	(345)	(3 165)
- on the plan's assets	745	-	745	(1 112)	-	(1 112)
Asset ceiling	3 391	-	3 391	-	-	-
<b>Deviations recognised in reserves as at December 31</b>	<b>(7 282)</b>	<b>208</b>	<b>(7 074)</b>	<b>(4 778)</b>	<b>263</b>	<b>(4 515)</b>

The evolution of assets receivable/ liabilities deliverable in 2018 and 2017 is as follows:



(TEUR)

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

The breakdown of the costs for the period incurred with retirement pensions and health benefits is as follows:

(TEUR)

	2018			2017		
	Retirement pensions	Benef. Health	Total	Retirement pensions	Benef. Health	Total
Cost of current service	54	-	54	216	-	216
Net interest costs in the balance of the cover of liabilities	123	2	125	44	14	58
Curtailment	21	-	21	123	-	123
<b>Costs for the year</b>	<b>198</b>	<b>2</b>	<b>200</b>	<b>383</b>	<b>14</b>	<b>397</b>

The sensitivity analysis and its impacts on the accumulated post-employment benefits liability, taking its main conditioning factors into account, is as follows:

(TEUR)

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

Bearing in mind that two funds coexist as at December 31, 2018 & 2017, the total assets of the pension fund are reported separately, as per the two tables.

The values of assets disclosed hereunder, and which do not include any asset in the Group, represent the whole of the assets of the Pension Fund of the Tranquilidade Group, of which the Group holds about 53.7% in 2017, can be broken down as follows:

(TEUR)

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

As at December 29, 2016, Açoreana Seguros cancelled collective subscription n° 2 to the Banif Open-end Companies Welfare Pension Fund, FP, and set up the Açoreana Seguros Pension Fund, a closed-end fund set up on December 29, 2016, retroacting its effects to January 1, 2012.

This Fund is an Autonomous Asset allocated solely to the implementation of the three Pension Plans provided for in the Pension Fund Contract (two Defined Benefit Plans and one Defined Contribution Plan) and the breakdown of their assets, which do not include any asset in the Group, is as follows:

	(TEUR)	
	2018	2017
Equities & other floating-rate securities	4 277	4 240
Fixed-income securities	11 862	12 314
Real estate	2 679	2 786
Liquidity	1 053	1 058
Other assets	-	1 763
	<b>19 871</b>	<b>22 161</b>

Of the total value of the assets of the 2 funds (Pensions Fund of the Tranquilidade Group and Açoreana Seguros Pensions Fund), about 24% relate to assets that cover the defined contributions plans. The total value of the assets of both funds stratified by the valuation method used, and in accordance with the levels described in Note 7, is analysed as follows:

	(TEUR)	
	2018	2017
Level 1	36 176	72 197
Level 2	1 240	1 368
Level 3	2 798	2 759
	<b>40 213</b>	<b>76 324</b>

The reconciliation of Level 3 assets is as follows:

	(TEUR)	
	2018	2017
<b>January 1</b>	<b>2 759</b>	<b>2 550</b>
Purchases	601	321
Disposals	(248)	(52)
Change in fair value	(314)	(60)
<b>December 31</b>	<b>2 798</b>	<b>2 759</b>

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

#### NOTE 24 - CORPORATE TAX

The Group is subject to Corporate Income Tax (CIT) and to the Municipal Surcharge in Portugal. It is also subject to CIT and Net Wealth Tax (NWT) in Luxembourg. The corporate income tax is 18% for 2018, and taking into consideration the solidarity surtax of 7%, and including 6.75% municipal business tax rate, the overall tax rate is 26.01% in Luxembourg. The Group is incurring the minimum NWT in Luxembourg.

As mentioned in Note 3, the Group companies which have registered office in Portugal are subject to the tax regime established by the Corporation Tax Code (IRC), this tax being determined at each company individually, and the Group does not therefore determine its tax on the consolidated result.

Since there was a tax loss in 2017, the calculation of the current tax of the parent company of the Group for 2018 was determined on the basis of the nominal tax rate and of the various rungs of the municipal surcharge, totalling about 22.5%, which was the nominal rate approved as of the reporting date.

The Group companies have been subject to annual inspections by the tax authority, whose latest report refers to 2016. Generally speaking, there have been no significant adjustments to the tax returns delivered and inspected. However, after having inspected the years 2015 and 2016, the Tax Authority decided, in 2018, to make an inspection of 2014, a year that had already been analysed at the time of the application for the maintenance of tax losses requested by the Group in 2015, which was agreed to by the Tax Authority in the same year.

This 2014 inspection led to differences, mostly relating to the acceptance of capital losses on the sale of securities, with a negative impact on results amounting to €24.9 million (tax estimate short by €0.5 million and a reversal of deferred tax on tax losses of €24.4 million). The Group will contest these differences judicially.

In general and relating to tax issues concerning Corporate Income Tax, VAT, PTT and Stamp Duty, the Group has already submitted or is preparing the submission of legal proceedings for a total amount of about €43.3 million relating to taxes and interests paid or to the non-acceptance of tax losses, pertaining fundamentally to Corporate Income Tax of the years 2006 and 2014, amounting to €15.6 and €24.9 million Euros, respectively. If the legal decisions are favourable, the respective values will be considered as revenue in the years in which these decisions become known and irrevocable.

Subsequent years are subject to inspection and possible adjustment by the Tax Authority during a period of four years or longer period if deduction of tax losses is involved, in which case a period identical to the time limit for their deduction applies. Given the nature of any corrections that might be made, it is not possible to quantify them at this time. However, in the opinion of the Group's Board of Managers no significant correction to the accompanying financial statements in respect of the years referred to above is to be expected.

Group entities presented tax losses for the fiscal years described, as follows:

(in TEUR)

Period	Brought forward	Used	Unrecognized	Carried forward	Last year for use
2014	116 149	-	116 149	-	2026
2015	2 308	-	-	2 308	2027
2016	93 374	-	-	93 374	2028
2017	38 378	-	-	38 378	2022
2018	14 057	-	-	14 057	2023
<b>Total</b>	<b>264 266</b>	<b>-</b>	<b>116 149</b>	<b>148 117</b>	

For the purpose of calculation of deferred taxes and determination of the base amount of temporary differences, Group companies conducted a recoverability test vis-à-vis the business plans approved by management bodies and the resultant taxable profits expected.

Any tax losses carried forward still recoverable to be undertaken in each taxation period may not exceed 70% of the respective taxable income, though without prejudice to the deduction of that part of these losses that has not been deducted, under the same conditions, by the end of the respective deduction period.

By virtue of the merger that took place, the tax losses of the merged entities, with the exception of those relating to the incorporating entity, are subject to an annual deduction limitation corresponding to the ratio between the respective equity of each and of the last period ended before the merger and the whole of the equity of all the entities involved in the merger during the same period.

In respect of the 2015 tax losses of the Group's merged entity, Açoreana Seguros, SA, taking into account the change of ownership of more than 50% of the share capital in 2016 and the limitation to the deduction of tax losses enshrined in paragraph 8 of the Corporation Tax (IRC) Code, the Group decided not to recognise in its accounts the deferred tax asset arising from losses carried forward in the amount of €6.2 million, which could be used during the 12 fiscal years next following.

The Group's merged entity, Açoreana Seguros, SA, delivered in 2016, within the statutory deadlines, the respective applications for maintenance of these tax losses, and on the date of closure of the years 2017 and 2018, is awaiting approval thereof by the Tax Authority.

The breakdown of current tax assets and liabilities reported in 2018 and 2017 is as follows:

(in TEUR)

	2018		2017	
	Current tax assets	Current tax liabilities	Current tax assets	Current tax liabilities
Corporation tax	190	615	753	2 851
Tax withheld at source	493	2 408	29	1 712
Value added tax	127	320	157	949
Other taxes & levies	793	12 891	411	11 528
Social security contributions	11	1 425	195	1 620
Local authority taxes	5 018	0	4 899	0
<b>Total</b>	<b>6 632</b>	<b>17 659</b>	<b>6 444</b>	<b>18 660</b>

In 2017, the Group received a favourable indication on the partial acceptance of an application for the exemption of tax paid regarding the 2016 merger process and the respective integration of property assets and other tangible assets, this being the justification for the value of Local Taxes as the estimated reimbursement was of about €4.9 million.

In 2018 the Company received the effective partial acceptance by the Tax Authority, which allowed the said value to be revised to €5.0 million, and, given that the acceptance was not total, the Company filed a legal action in January of 2019 on the other €0.4 million, which makes up the rest of the €5.4 million of the full application.

The breakdown of the net amount of deferred tax assets and liabilities recognised in the 2018 and 2017 balance sheets is as follows:

(in TEUR)

	Assets		Liabilities		Net	
	2018	2017	2018	2017	2018	2017
Investments	25 065	25 658	(1 231)	(5 572)	23 835	20 087
Post-employment benefits	582	5 548	-	-	582	5 548
Technical provisions	14 459	16 506	-	-	14 459	16 506
Value in force	4 071	4 595	(488)	(651)	3 584	3 945
Doubtful debt provision	604	955	-	-	604	955
Tax losses	31 104	49 460	-	-	31 104	49 460
Properties	17	4 493	(1 523)	-	-1 505	4 493
Other temporary differences	402	1 492	-	-	402	1 492
<b>Total</b>	<b>76 306</b>	<b>108 707</b>	<b>(3 241)</b>	<b>(6 222)</b>	<b>73 065</b>	<b>102 485</b>

In 2018, caused by the purchase of Açoreana Seguros, S.A., a deferred tax asset of €17,018k is recognised (2017: €17,107k), arising from the impairments (available-for-sale assets) or potential losses (financial assets classified at initial recognition at fair value through profit or loss) related to the holding in BANIF, SA.

Recognition of the said asset stems from the fact that it can be expected that these losses will count for the purpose of determining the taxable profit when they are effectively realised, notably through the liquidation of BANIF, SA, under the terms of article 81(1) of the IRC Code.

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

On December 31, 2018, and on the basis of i) the rates in force after January 1, 2019, and ii) the expectation of conversion into costs and income accepted for tax purposes and the perspective of tax loss or profit in each future fiscal year, the Group changed the rate (base rate and surcharges) used in the calculation of deferred taxes, of 24.84% to 24.71% (decrease of about €227k).

Current and deferred taxes in 2018 & 2017 were recognised as follows:

(in TEUR)

	Fair-value reserve	Gains & losses	Total 2018
<b>Current Tax</b>	<b>52</b>	<b>(1 906)</b>	<b>(1 854)</b>
Corporation tax estimate	52	(485)	(433)
Autonomous tax	-	(1 421)	(1 421)
<b>Deferred tax</b>	<b>2 185</b>	<b>(31 605)</b>	<b>(29 420)</b>
Investments	923	2 825	3 748
Post-employment benefits	-	(4 966)	(4 966)
Doubtful debt provision	-	(351)	(351)
Properties held for sales	-	(5 998)	(5 998)
Value in force	-	(361)	(361)
Technical provision	-	(2 047)	(2 047)
Tax losses	1 262	(19 617)	(18 355)
Other temporary differences	-	(1 090)	(1 090)
<b>Total</b>	<b>2 237</b>	<b>(33 510)</b>	<b>(31 274)</b>

	(in TEUR)		
	Fair-value reserve	Gains & losses	<b>Total 2017</b>
<b>Current Tax</b>	<b>454</b>	<b>(4 736)</b>	<b>(4 282)</b>
Corporation tax estimate	454	(3 459)	<b>(3 005)</b>
Autonomous tax	-	(1 277)	<b>(1 277)</b>
<b>Deferred tax</b>	<b>(1 834)</b>	<b>12 423</b>	<b>10 589</b>
Investments	(207)	(2 284)	<b>(2 491)</b>
Post-employment benefits	-	5 233	<b>5 233</b>
Doubtful debt provision	-	(1 326)	<b>(1 326)</b>
Properties held for sales	-	5 462	<b>5 462</b>
Value in force	-	(407)	<b>(407)</b>
Technical provision	-	(1 166)	<b>(1 166)</b>
Tax losses	(1 626)	8 150	<b>6 524</b>
Other temporary differences	-	(1 240)	<b>(1 240)</b>
<b>Total</b>	<b>(1 380)</b>	<b>7 687</b>	<b>6 307</b>

The amounts shown in the above table do not consider the effect of non-controlling interests.

Reconciliation of the effective tax rate is as follows:

	(in TEUR)	
	<b>2018</b>	<b>2017</b>
Pre-tax income	44 705	(60 182)
<b>Income tax calculated at 27.08%</b>	<b>(11 628)</b>	<b>16 297</b>
Autonomous Tax	(1 760)	(1 647)
Tax losses carried forward not considered	(30 424)	(367)
Untaxed impairments	(1 787)	(8 713)
Non-taxable items	(3 113)	(445)
Properties	331	5 176
Dividends excluded from taxation	744	1 348
Tax benefits	137	241
Other income & costs excluded from taxation	193	(68)
Effect of different tax rates of subsidiaries operating in other jurisdictions	7 982	(1 881)
Differences in capital gains accepted for tax purposes	5 815	(2 253)
<b>Current and Deferred Tax</b>	<b>(33 510)</b>	<b>7 688</b>
<b>Effective tax rate</b>	<b>75,0%</b>	<b>12,8%</b>

## NOTE 25 - SHARE CAPITAL

As at December 31, 2018, the subscribed capital is EUR 137,466,670.00 (2017: EUR 137,466,670.00) and is represented as shown in the table below, paid up to EUR 41,466,670.00. The remaining EUR 96,000,000.00 capital unpaid is uncalled at year-end.

Class of shares	Numbers of shares 31/12/2017	Value of shares 31/12/2017 (EUR)	Unpaid capital 31/12/2017 (EUR)	Numbers of shares 31/12/2018	Value of shares 31/12/2018 (EUR)	Unpaid capital 31/12/2018 (EUR)
Class A shares	128 000 000	128 000 000	96 000 000	128 000 000	128 000 000	96 000 000
Class B shares	1 051 851	1 051 851	-	1 051 851	1 051 851	-
Class C shares	1 051 851	1 051 851	-	1 051 851	1 051 851	-
Class D shares	1 051 851	1 051 851	-	1 051 851	1 051 851	-
Class E shares	1 051 851	1 051 851	-	1 051 851	1 051 851	-
Class E shares	1 051 851	1 051 851	-	1 051 851	1 051 851	-
Class G shares	1 051 851	1 051 851	-	1 051 851	1 051 851	-
Class H shares	1 051 851	1 051 851	-	1 051 851	1 051 851	-
Class I shares	1 051 851	1 051 851	-	1 051 851	1 051 851	-
Class J shares	1 051 858	1 051 858	-	1 051 858	1 051 858	-
UP shares	4	4	-	4	4	-
<b>Total</b>	<b>137 466 670</b>	<b>137 466 670</b>	<b>96 000 000</b>	<b>137 466 670</b>	<b>137 466 670</b>	<b>96 000 000</b>

#### NOTE 26 - RESERVES

Under equity there are several types of reserves, the nature and purpose of which are as follows:

##### *Legal reserve*

In accordance with Luxembourg company law, the company is required to transfer a minimum of 5% of its net profit for each financial year to a legal reserve. This requirement ceases to be necessary once the balance on the legal reserve reaches 10% of the issued share capital. The legal reserve is not available for distribution to the shareholders.

##### *Fair-value reserves*

Fair-value reserves represent the potential gains and losses in respect of the available-for-sale investments, net of the impairment recognised in profit or loss during the year and/or previous years.

	(in TEUR)	
	<b>2018</b>	<b>2017</b>
Investments in associates and joint ventures	(10 314)	(10 109)
Floating-rate securities	1 804	5 992
Fixed-income securities	2 847	7 771
Currency translation differences reserve	(4 969)	(5 682)
Other reserves	(4 957)	(5 410)
<b>Fair-value reserves</b>	<b>(15 589)</b>	<b>(7 438)</b>

##### *Deferred and current tax reserves*

Deferred and current taxes recognised under equity stemming from the revaluation of available-for-sale investments are subsequently recognised in profit or loss at the time the gains & losses that gave rise to them are recognised.

Deferred taxes are calculated, in accordance with the liabilities method based on the balance sheet, on the temporary differences between the book values of the assets and liabilities and their tax basis, using the tax rates approved or substantially approved on the reporting date in each jurisdiction that are expected to be applied when the temporary differences are reversed.

*Actuarial Deviations Reserve*

In keeping with IAS 19 - Employee Benefits, the Group recognises actuarial gains against reserves.

*Reserve of currency translation differences*

Currency translation differences reserve includes the amount resulting from the variation in national currency of the net assets of subsidiaries and associates expressed in foreign currency resulting from the conversion of the respective financial statements.

*Share premium*

As at December 31, 2018 the share premium amounts to EUR 105,836,415 (2017: EUR 105,836,415).

**NOTE 27 – EARNINGS PER SHARE**

Earnings per share attributable to the parent company's shareholders as at December 31, 2018 and 2017 was as follows:

	<b>2018</b>	<b>2017</b>
Net income for the year (EUR)	7 576	(47 381)
Number of shares (closing)	9 466 670	9 466 670
Earnings per share (EUR)	<b>0,80</b>	<b>(5,01)</b>

Earnings per share related to the discontinued operation of Angola as at December 31, 2018 was €1,00 (2017: €0,43).

**NOTE 28 - DIVIDENDS PER SHARE**

As of December 31, 2018, the Group's sole shareholder was the partnership AIF VIII Euro Leverage, L.P., owned by the Apollo Group, to which no dividends were paid in 2018 and 2017.

**NOTE 29 - TRANSACTIONS BETWEEN RELATED PARTIES**

On January 15, 2015, the Apollo Group, via the firm Calm Eagle Holdings, S.à.r.l. acquired the whole of the Group's share capital, this acquisition having warranted prior approval of the ASF.



As defined in IAS 24, related parties of Seguradoras Unidas, SA, are considered to be (i) subsidiary companies; (ii) subsidiaries and associated companies of the Group Apollo; (iii) members of the Board of Managers and of the supervisory bodies; and, (iv) pension fund. Besides the members of the Board of Managers, persons closely related with them (family relations) and entities that they control or over whose management they have significant influence are considered related parties.

The relationships between related entities were made on terms equivalent to those that prevail in arm's length transactions and cover several business areas, the most relevant services and operations being health-insurance management, consultancy, assets management and medical services.

As of December 31, 2018 & 2017, the overall amount of the Group's assets and liabilities that refer to transactions with associate and related companies can be summarised as follows:

(in TEUR)

	2018				2017			
	Assets	Liabilities	Costs	Income	Assets	Liabilities	Costs	Income
Advancecare	193	969	7 249	275	2 555	1 132	6 431	188
Apollo Management International	-	-	1 122	-	-	-	1 423	-
Apollo Management VIII, L.P.	-	-	-	-	-	-	500	-
Close to Customers, A.C.E.	427	-	4 116	138	-	-	-	-
Esumédica	18	-	105	14	6	-	147	-
GNB Seguros	-	-	-	-	-	-	-	2 176
Apollo Investment Fund VIII, L.P.	-	1 163	-	-	-	733	-	-
AIF VIII Euro Leverage, L.P.	1 358	35	-	20	1 338	35	-	21
AP VIII C.E Parent Holdings II	8	-	-	-	8	-	-	-
Apollo Management Holdings LP	-	12	-	320	-	12	521	-
Europ Assistance	-	-	-	-	-	1 946	-	2 214
<b>Total</b>	<b>2 004</b>	<b>2 178</b>	<b>12 592</b>	<b>767</b>	<b>3 907</b>	<b>3 858</b>	<b>9 022</b>	<b>4 599</b>

In 2018, under the agreement to sell its stake in Tranquilidade - Angolan Corporation of Insurance, SA, the group recorded a provision for other risks and charges amounting to €9.3 million.

In 2018 a cost was recorded of a third-party liability insurance for the duties of the Board of Directors in the amount of €204k (2017: €204k).

In 2018 a cost was recorded of individual retirement plans of members of the Board of Directors in the amount of €390k (2017: €425k).

In 2018 no cost with termination benefits was recorded relating to members of the Board of Directors (2017: €761k).

In 2017 and 2018 no transfers were made to the defined benefits pensions funds.

With regard to other employee benefits, see also the information disclosed in Note 22 and in the Remuneration Policies.

### NOTE 30 - STATEMENT OF CASH FLOWS

The Group presents its cash flows using the indirect method.

**NOTE 31 – COMMITMENTS & CONTINGENCIES**

In 2016 two promissory purchase and sale agreements were concluded for the sale of most of the properties held by the Group and by the Pension Fund of the Group's parent company, as well as the real-estate funds held by the Group, namely Imoprime and Imocrescente.

Under the agreement the Group entered into a commitment and guarantee of payment of compensation not exceeding 15% of the price of the real-estate portfolio sold, in the event of disagreements as to the representations and warranties provided by the Group, of which the following are underscored: (i) absence of structural or construction defects, (ii) licensing of the properties, (ii) absence of disputes, debts or commitments to third parties, and (iv) ownership of the properties sold. As at December 31, 2017 & 2018, this possible contingency could have a maximum of €18,743k, expiring 24 months after the signature of the public deeds, meaning that it ended on February 24, 2019.

Also as a result of the contract referred to above, rental agreements were concluded with the purchasers of the various spaces occupied by the Group with rent guarantees having the following maturity:

	(in TEUR)		
	Up to 3 months	4 to 12 months	>1 to 5 years
Contracted rents	869	2 534	8 397

The Group has operating lease agreements relating to transport material and the maturity of the outstanding operational-lease instalments is as follows:

	(in TEUR)		
	Up to 3 months	4 to 12 months	>1 to 5 years
Operating lease contracts	285	730	1 637

The Group also has an option for the purchase of 2% of the share capital of Tranquilidade – Corporação Angolana de Seguros, SA, which, if it comes about, will change the holding to 51% of the share capital and voting rights of this entity, the entire process being contingent upon prior authorisation by the competent Angolan authorities. This option is only in force taking into consideration that, as mentioned in Note 4, the process of approval of the agreement to sell this participation had been accepted and published by the official Angolan authorities competent for the purpose.

In 2017 the Portuguese Competition Authority (AdC) established an administrative proceeding against various operators in the insurance market for practices that restrict competition. The Group collaborated in this investigation and provided all the information requested. In this context, Group and the AdC started a transaction procedure. In February 2019, Group was notified of the AdC's resolution to approve the transaction, with no pecuniary penalty being applied on the Group, thus concluding the process.

**NOTE 32 - SUBSEQUENT EVENTS**

On January 15, 2019 the Group concluded a joint venture agreement, which was published in BTE, No. 5 of February 8, 2016, and will replace the previous collective bargaining instruments applied in the Group, including the Collective Bargaining Agreement published in BTE, No. 4 of January 29, 2016.

The main points in relation to the new collective bargaining agreement are the following:

- (i) with regard to post-employment benefits, the workers remain covered by the defined contribution plan;
- (ii) the mentioned long-service bonus is replaced by an annual career bonus, equivalent to 10% of the effective monthly pay, for each complete year of service (as from 3 years), and this new bonus will only start from January 1<sup>st</sup> 2020.

In 2019, a transitory regime will come into force, which, in short, will mean the following:

- (i) The long-service bonus from the Collective Bargaining Agreement published in BTE, No. 4 of January 29, 2016, which falls due in 2019, equivalent to 50% of the effective monthly pay of the worker, will be paid at the time when the respective cycle of 5 years is completed;
- (ii) The other workers, who on January 1<sup>st</sup> 2018 have completed 3 or more years of service in the Group, with the exception of those who already benefitted from days of paid annual leave and wish to keep this benefit in 2019, will benefit from an extraordinary pecuniary compensation equivalent to 10% of their effective monthly pay, which will be paid by May 31 2019.

Furthermore, regarding employees of the Group in active service or whose contracts ceased after June 30, 2016, members of Sinapsa – National Union of Insurance Professionals and included in the defined benefits pension plan, under the Collective Bargaining Agreement of 2008, the respective migration to the defined contributions pension plan was protocolised.

Pursuant to this migration, which presupposes the express agreement of participating workers, the value of the respective liabilities with retirement benefit for past services, in the terms contemplated in the Collective Bargaining Agreement of 2008, calculated on December 31, 2016, plus the earnings from this date to the date on which the necessary alteration to the respective contract to set up the pension fund was concluded, after the authorization of the Supervisory Authority for Insurance and Pension Funds, will be converted into an individual account.

Liabilities with past services amount to about €463k plus earnings of about €22k. Given the current value of the assets of the fund, it can be expected that these liabilities will be totally financed by the fund on the transfer date.

Concerning the tax losses of 2015 of the merged entity Açoreana Seguros, S.A., (Note 24) the Group was notified in February 2019 by the Tax Authority of the acceptance of the requests applying for authorization to maintain them. The positive impact on the results of

recognising the respective deferred tax asset amounting to €6,2 million will therefore occur in 2019.

#### NOTE 33 – HYPERINFLATION EFFECT

As mentioned in the accounting policies, on December 31, 2017 & 2018, the Group applied IAS 29, considering that the conditions established for Angola (hyperinflationary economy) were met.

Therefore, before the working currency is translated into the reporting currency for the financial statements of Tranquilidade - Corporação Angolana de Seguros, SA and ADV Angola - Planos e Sistemas de Saúde, Lda., the carrying values of assets, liabilities, equity, income and expenses were restated based on the general price index that reflects changes in the purchasing power of the currency of the country in which the operations are generated, as follows:

- (i) monetary items are not restated because they are already expressed in terms of the current monetary unit at the reporting date;
- (ii) the assets and liabilities linked by agreement to price changes are adjusted under the terms of the agreement to determine the amount outstanding at the date of the statement of financial position;
- (iii) all other assets and liabilities that are not monetary are restated (with the exception of certain items that are recorded at current amounts at the reporting date, such as the net realizable value and the market value);
- (iv) all items of the income statement are restated by applying the change in the general price index from the dates on which the items of income and expenses were initially recorded in the financial statements.

The gain or loss on the net monetary position calculated is included in the results and disclosed separately. On this basis, the Group's financial statements include the following impacts related to the application of IAS 29 to the above entities:

- Increase of reserves, by €1,586k (2017: €2,104k)
- Decrease in net income for the year, by €975k (2017: €2,691k).

The price index used was the Consumer Price Index published by the National Bank of Angola based on information from the National Statistics Institute of Angola, which amounted to 232,02 (base December 31, 2014 = 100), at the end of 2018.

#### NOTE 34 – OTHER INFORMATION

##### RECENTLY-ISSUED STANDARDS AND INTERPRETATIONS

Recently-issued accounting standards and interpretations that have come into force and that the Group has applied in the preparation of its financial statements are as follows.

##### IFRS 15 Revenue from contracts with customers

On May 28, 2014 the IASB issued standard IFRS 15 - Revenue from contracts with customers. IFRS 15 was adopted by Regulation of the European Commission no. 1905/2016, of September 22, 2016. With compulsory application in periods that start on, or after January 1 2018.

This standard revokes the standards IAS 11 - Construction contracts, IAS 18 - Revenue, IFRIC 13 - Customer Loyalty Programmes, IFRIC 15 - Agreements for the Construction of Buildings, IFRIC 18 - Transfers of Assets Deriving from Customers and SIC 31 Revenue - Barter Transactions Involving Advertising Services.

IFRS 15 establishes a model based on 5 steps of analysis in order to determine when the revenue is recognised and the amount. The model specifies that revenue shall be recognised when an entity transfers goods or services to the customer, measured at the amount that the entity expects to be entitled to receive. Depending on the fulfilment of some criteria, revenue is recognised:

- At the exact time when the control of the goods or services is transferred to the customer; or
- Throughout the period, in as much as this reflects the entity's performance.

There was no impact in the Group from the adoption of this standard, considering that the majority of its activity corresponds to contracts that come under IFRS 4.

### **IFRIC 22 – Transactions in foreign currency and consideration of advances**

The interpretation of IFRIC 22 was issued on December 8, 2016, which application is mandatory for periods that start on, or after, January 1, 2018.

The new IFRIC 22 establishes that, when there have been advances in foreign currency for the purpose of acquisition of assets, support of expenses or generation of income, and applying paragraphs 21 to 22 of IAS 21, the transaction date considered for the purpose of the determination of the exchange rate to be used in the recognition of the asset, expense or income (or part thereof) inherent thereto, is the date on which the entity initially recognised the non-monetary asset or liability resulting from the payment or receipt of the advance in foreign currency (or in the case of multiple advances, the rates in force for each advance).

There were no impacts in the Group from the adoption of this interpretation.

### **Other alterations**

The IASB also issued the following:

- On June 20, 2016 and applicable to periods that start on, or after, January 1<sup>st</sup> 2018, alterations to IFRS 2 – Classification and Measurement of Transactions with Share-based Payments;
- On December 8, 2016 and applicable to periods that start on, or after January 1<sup>st</sup> 2018, alterations to IAS 40 – Transfer of investment properties, clarifying the moment in which the entity shall transfer properties under construction or development from, or to, investment properties when there is a change in the use of these properties that is supported by evidence (besides those listed in paragraph 57 of IAS 40);

- The annual improvements of the 2014-2016 cycle, issued by the IASB on December 8 2016 introduce alterations, with a date of application for periods that start on, or after, July 1<sup>st</sup> 2018 to the standards IFRS 1 (deletion of short-term exemptions for first-time adopters) and IAS 28 (measurement of an associated company or joint venture at fair value) and with an effective date on, or after, January 1<sup>st</sup> 2017 to standard IFRS 12 (clarification of the scope of application of the standard).

There were no impacts in the Group from the adoption of these alterations.

The Group decided against the early application of the following standards and/or interpretations adopted by the European Union

### **IFRS 9 - Financial instruments (issued on 2009 and altered in 2010, 2013 and 2014)**

IFRS 9 was adopted by European Commission Regulation No. 2067/2016, of November 22 2016 (defining the entry in force at the latest by the start date of the first financial year that starts on or after January 1<sup>st</sup> 2018).

IFRS 9 (2009) introduced new requirements for the classification and measurement of financial assets. IFRS 9 (2010) introduced additional requirements related with financial liabilities. IFRS 9 (2013) introduced the methodology of the cover. IFRS 9 (2014) made alterations limited to the classification and measurement contained in IFRS 9, and new requirements for dealing with the impairment of financial assets.

The requirements of IFRS 9 represent a significant change to the current requirements contemplated in IAS 39, with regard to financial assets. The standard contains three categories of measurement of financial assets: amortised cost, fair value through other comprehensive income (OCI), and fair value through profits or loss. A financial asset will be measured at amortised cost if it is held under a business model whose objective is to keep the asset in order to receive the contractual cash flows and the terms of its cash flows produce revenue, on specified dates, related only with the nominal amount and interest in force.

If the debt instrument is held under a business model that receives revenue from the contractual cash flows of the instrument and from sales, the measurement will be at fair value through other comprehensive income (OCI), with revenue from interest affecting the results.

For an investment in equity instruments that is not held for trading, the standard allows an irrevocable choice, on initial recognition, on an individual basis for each share, to present the alterations in fair value in OCI. None of these amounts recognised in OCI will be reclassified to results at any date in the future. However, dividends generated by these investments are recognised in the income statement instead of in OCI, unless they clearly represent a partial recovery of the cost of the investment.

In the other situations, both the cases in which financial assets are held under a trading business model, or other instruments that do not only have the purpose of receiving interest and amortisation and capital, are measured at fair value against the income statement. This situation also includes investments in equity instruments, where the entity does not opt to present the alterations in fair value in OCI, being therefore measured at fair value with the alterations recognised in the income statement.

The standard requires that embedded derivatives in contracts whose base contract is a financial asset, covered by the scope of application of the standard, are not separated; instead, the hybrid financial instrument is assessed in full and, if there are embedded derivatives, these will have to be measured at fair value through results. The standard eliminates the categories currently existing in IAS 39 of “held until maturity”, “available for sale” and “accounts receivable and payable”.

IFRS 9 (2010) introduces a new requirement applicable to financial liabilities designated at fair value, by option, and imposes the separation of the component of alteration of fair value that is attributable to the credit risk of the entity, and its presentation in OCI, instead of under results. With the exception of this alteration, IFRS 9 (2010) in general, transposes the guidelines of classification and measurement, contemplated in IAS 39 for financial liabilities, without substantial alterations.

IFRS 9 (2013) introduced new requirements for hedge accounting which aligns this more closely with risk management. The requirements also establish a greater use of principles to hedge accounting resolving some weak points contained in the coverage model in IAS 39. IFRS 9 (2014) establishes a new model of impairment based on “expected losses” which will replace the current model based on “losses incurred” contemplated in IAS 39.

Therefore, the loss event no longer needs to be verified before constituting an impairment. This new model aims to speed up the recognition of losses by way of impairments applicable to debt instruments held, whose measurement is at amortised cost or at fair value through OCI.

In cases where the credit risk of a financial asset has not increased significantly since its initial recognition, the financial asset will generate an accumulated impairment equal to the expectation of loss that is estimated to be able to occur in the next 12 months.

If the credit risk increases significantly, the financial asset will generate an accumulated impairment equal to the expectation of loss that is estimated to be able to occur until the respective maturity, thereby increasing the amount of impairment recognised. Once a loss event is verified (which is currently called “objective evidence of impairment”), the accumulated impairment is allocated directly to the instrument in question, its accounting treatment being similar to that contemplated in IAS 39, including the treatment of the respective interest.

IFRS 9 was applicable on or after January 1<sup>st</sup> 2018.

Alterations to IFRS 4: Application of IFRS 9 Financial instruments with IFRS 4: Insurance contracts (issued on September 12 2016) allows an insurer, which meets determined specified criteria, to adopt a temporary exemption to IFRS 9 and to maintain the application of IAS 39 until January 1<sup>st</sup> 2021. Although the Group is not an insurer, but a holding company, the amount of insurance liabilities is significant compared with its total amount of liabilities.

Considering that the criteria contemplated for the temporary exception are met, the Company chose not to adopt the standard with reference to January 1<sup>st</sup> 2018. This option was based on the alteration also introduced in the Plan of Accounts for Insurance Companies, through Regulatory Standard no. 3/2008-R issued by the ASF.

However, given the nature of the Group’s activities, it can be expected that this standard may have relevant impacts on the Financial Statements of the Company.

### **IFRS 16 - Leasing**

On January 13, 2016, the IASB issued standard IFRS 16 - Leasing, of compulsory application in periods that start on, or after, January 1<sup>st</sup> 2019. The standard was endorsed in the European Union by European Commission Regulation No. 1986/2017, of October 31. Its early adoption is permitted provided that IFRS 15 is also adopted. This standard revokes standard IAS 17 - Leasing. IFRS 16 removes the classification of leasing as operational or financial, treating all leasing as financial.

Short-term leases (under 12 months) and low-value asset leases (like personal computers) are exempted from the application of the standard's requirements.

The Group will recognise the new assets and liabilities for its operational leasing specifically of agencies and installations (central services). The nature of the expenses related with this operational leasing will be altered, seeing that IFRS 16 replaces linear operational leasing expenses by depreciation for assets under right of use and charges with interest relating to leasing liabilities.

Previously, the Group used to recognise operational leasing expenses linearly while the leasing contract was valid, and used to recognise assets and liabilities only in as much as it observed a difference in the period of time between the leasing payments and the recognition of the expense.

The Group plans to apply the practical procedure relating to the definition of leasing contract on the transition date, or rather, it will apply IFRS 16 to all contracts concluded before January 1<sup>st</sup> 2019 and identified as leasing in accordance with IAS 17 and IFRIC 4.

In this way, for leasing previously classified as operational leasing under IAS 17, the asset under right of use is measured by an amount equal to the leasing liability, adjusted by the amount of any prior or additional leasing payments related with this leasing, recognised in the statement of financial position immediately before the date of initial application. So, on January 1<sup>st</sup> 2019 the impact on retained earnings will be null.

The Group has already made an initial assessment of the potential impacts on its financial statements although it still has not consolidated its assessment in order to gauge the amount of the impacts to be incorporated in the financial statements.

The real impact of applying IFRS 16 on the financial statements in the period of initial application will depend on future economic conditions, on the development of the Group's portfolio of leasing contracts, on the Group's assessment, specifically, if it will exercise some of the renewal options, on the amplitude that the Group chooses in terms of the use of the practical measures available and recognition of exceptions.

### **IFRIC 23 – Uncertainty on the processing of income tax**



On June 7, 2017 an interpretation was issued on, for accounting purposes, how to deal with uncertainties on the processing of income tax, especially when tax legislation requires a payment to be made to the Tax Authorities under a tax dispute, and the entity tries to appeal against the understanding in question that led to the making of this payment.

The interpretation defined that the payment may be considered a tax asset, if it relates to income tax, in the terms of IAS 12, applying the criterion of the likelihood defined by the standard regarding the favourable outcome for the entity on the respective matter of dispute in question. In this context, the entity may use the method of the most likely amount or, if the resolution dictates intervals of values in question, it may use the expected value method. IFIRC 23 is applied for years that start on, or after, January 1<sup>st</sup> 2019, and may be adopted beforehand.

The Group does not expect any significant changes on the adoption of this interpretation.

#### Standards, alterations and interpretations issued but not yet effective for the Group

The improvements of the 2015-2017 cycle, issued by the IASB on December 12, 2017 introduce alterations, with an effective date for periods that start on, or after January 1<sup>st</sup> 2019, to the standards IFRS 3 (remeasurement of a participation previously held as a joint operation when it obtains control over the business), IFRS 11 (non-remeasurement of the participation previously held in the joint operation when it obtains joint control over the business), IAS 12 (accounting of all the fiscal consequences of the consistent payment of dividends), IAS 23 (treatment as general loans of any loan originally made to develop an asset when this becomes ready for use or sale).

Other alterations made by the IASB expected to come into force on or after January 1<sup>st</sup> 2019 are the following:

- Long-term interests in Associated Companies and Joint ventures (Alteration to IAS 28 issued on October 12 2017) clarifying the interaction with the application of the model of impairment contemplated in IFRS 9;
- Alterations, cuts or liquidations of the plan (alterations to IAS 19, issued on February 7 2018) where it clarifies that in the accounting of alterations, cuts or liquidations of a defined benefit plan the company shall use updated actuarial assumptions to determine the costs of past services and the net interest of the period. The effect of the asset ceiling is not taken in consideration for the calculation of the gain or loss in the liquidation of the plan and is treated separately in other comprehensive income (OCI);
- Alterations to the definition of Business (alteration to IFRS 3, issued on October 22 2018);
- Alterations to the definition of Materiality (Alterations to IAS 1 and to IAS 8, issued on October 31 2018).

The Group does not expect any relevant impacts with the application of these alterations on its financial statements.

#### **IFRS 17 – Insurance contracts**

On May 18, 2017 the IASB issued a standard that replaced IFRS 4 and completely reformed the processing of insurance contracts. The standard introduces significant changes to the way in which the performance of insurance contracts is measured and presented with diverse impacts also in terms of the financial position. The standard contemplates its application for years that start on or after January 1<sup>st</sup> 2021.

The Group is assessing the impacts that this standard will have on its financial statements.

APPENDIX 1 – INVENTORY OF HOLDINGS AND FINANCIAL INSTRUMENTS (UNAUDITED)

Designation	Quantity	Amount of par value	% of par value	Average acquisition cost	Total Value acquisition cost	Carrying amount (Includes accrued interest)	
						Unit	Total
<b>1 - AFFILIATES, ASSOCIATES, JOINT VENTURES AND OTHER RELATED COMPANIES</b>							
<b>1.2 - Foreign Securities</b>							
1.2.2 - Holdings in associates							
TRANQUILIDADE DIVERSIFIED INCOME ICAV	2			1,00	2,00	1,00	2,00
sub-total	2	0,00			2,00		2,00
<b>Total</b>	<b>2</b>	<b>0,00</b>			<b>2,00</b>		<b>2,00</b>
<b>2 - OTHER</b>							
<b>2.1 - Domestic securities</b>							
2.1.1 - Capital instruments and unit trusts							
2.1.1.1 - Equities							
B.P.G. SA	10 472			2,09	21 905,33	1,54	16 124,38
BANIF SGPS	6 954 651 167			0,00	0,00	0,00	0,00
COMP. PREVIDENTE	6			532,54	3 195,23	0,00	0,00
COMP. PREVIDENTE SCPP	198			109,86	21 752,48	247,87	49 077,37
COMPETA	306 960			1,64	503 699,84	0,11	34 686,48
ESTELA GOLF	40			5 540,45	221 618,00	1 015,06	40 602,45
FETAL	2 760			20,84	57 528,12	0,00	0,00
HOTEL TURISMO ABRANTES	125			0,00	0,00	0,00	0,00
IMOVALORSII	90 000			0,00	0,00	0,00	0,00
MADIBEL	7 955			0,01	80,88	0,00	0,00
NORMA ACORES	4 000			35,77	143 082,80	36,66	146 644,46
NOS ACORES	13 936			24,65	343 497,32	21,57	300 550,74
NOS MADEIRA	17 314			62,39	1 080 220,46	51,12	885 176,52
Portugal Capital Ventures S.C.R. S.A.	2 525			6,06	15 300,49	5,85	14 780,35
S.N.I.SOC NAC IMOBILIARIA SA	7 500			0,00	0,00	0,00	0,00
SONAGI	55 600			0,44	24 293,86	3,00	166 800,00
SONAGI AN	100			0,06	5,51	0,01	1,00
SPECTACOLOR PORTUGAL	7 500			14,66	109 986,38	13,32	99 921,15
FINPRO SCR SA	1 425 332			0,00	0,00	0,00	0,00
AUDATEX PORTUGAL	150			301,47	45 220,35	301,47	45 220,35
sub-total	6 956 603 640	0,00			2 591 387,05		1 799 585,25
2.1.1.3 - Investment fund units							
BANIF IMOGEST	257 879			21,91	5 650 696,22	17,95	4 629 495,38
Dublin Real Estate Fund Class ID	2 000 000			1,44	2 872 220,00	1,33	2 666 640,00
ESP SANTO INFRASTRUCTURE FUND I	3 500			11,05	38 684,10	70,39	246 376,58
ESPIRITO SANTO VENTURES III	200 000 916			0,01	1 870 761,98	0,01	1 430 006,55
EXPLORER II	92			8 847,87	814 369,41	10 091,40	928 825,57
IMOCRESCENTE FD DE INV IMOB FECHADO	3 274			997,11	3 264 765,93	1 513,31	4 954 931,55
SC1 Classe A Fundo Capital Risco	1 000 000			0,58	581 175,42	0,70	702 607,41
FUNDO DE COMPENSAÇÃO SEGURADORAS UNIDAS	27 920			1,06	29 469,38	1,05	29 319,03
sub-total	203 293 581	0,00			15 122 142,44		15 588 202,07
<b>sub-total</b>	<b>7 159 897 221</b>	<b>0,00</b>			<b>17 713 529,49</b>		<b>17 387 787,32</b>
2.1.2 - Debt securities							
2.1.2.1 - Public debt							
PT OT 4.95% 10/25/23		3 200 000,00	121,32%	113,8%	3 641 289,38	122,2%	3 911 284,16
PT OT 5.65% 02/15/24		1 100 000,00	125,25%	117,4%	1 291 921,66	130,2%	1 432 100,40
PT OT 4.8% 06/15/20		40 000,00	107,48%	113,0%	45 216,00	110,1%	44 040,39
sub-total	0	4 340 000,00			4 978 427,04		5 387 424,95
2.1.2.3 - Other issuers'							
ENTIGERE		23 200,00	0,00%	0,0%	0,00	0,0%	0,00
BANIF 09/19 TV 30/06/2019		5 000 000,00	0,00%	0,0%	0,00	0,0%	0,00
BRISA 1.875% 04/25		1 600 000,00	101,59%	102,4%	1 638 917,44	102,8%	1 645 512,98
BRISA 3.875% 04/21		400 000,00	108,07%	112,3%	449 113,50	111,0%	443 903,62
E.D.P. 5.375%/16-09-2075		500 000,00	104,71%	101,9%	509 651,95	109,0%	544 917,74
EDP FINANCE 2.625% 01/22		1 900 000,00	106,08%	107,0%	2 033 843,07	108,6%	2 062 897,41
EDP FINANCE 4.125% 01/21		500 000,00	107,72%	111,0%	555 171,80	111,6%	558 109,86
EDP FINANCE 4.875% 09/20		2 500 000,00	108,12%	112,2%	2 805 293,13	109,6%	2 739 161,65
GALP ENERGIA 3% 01/14/21		1 200 000,00	103,05%	103,4%	1 240 487,69	105,9%	1 271 255,18
GALP ENERGIA 4.125% 01/19		200 000,00	100,35%	104,4%	208 741,81	104,2%	208 388,94
MOTA ENIGIL 5.5% 04/19		300 000,00	99,53%	93,7%	281 171,26	100,6%	301 798,33
REN FINANCE 4.75%		2 200 000,00	107,55%	113,3%	2 492 687,37	108,5%	2 387 792,90
REN FINANCE BV 2.5% 02/25		750 000,00	105,21%	106,2%	796 349,65	107,4%	805 578,60
RENTIGLOBO SGPS 0% 17-200626		401 000,00	0,00%	0,0%	0,00	0,0%	0,00
RENTIGLOBO SGPS 0% 200626		2 006 000,00	0,00%	0,0%	0,00	0,0%	0,00
RENTIGLOBO SGPS 1,5% 17-200626		882 400,00	0,00%	0,0%	0,00	0,0%	367,67
Semapa TV /30-11-2020		100 000,00	101,40%	101,1%	101 115,74	101,6%	101 638,59
A. GAUDENCIO TF 25/05/1995		49 900,00	0,00%	0,0%	0,00	0,0%	0,00
C.G.D. TV CMS Cap-Floor/05-08-2021		1 000 000,00	80,00%	80,0%	800 000,00	82,0%	820 273,98
FNAC INVEST 22/05/1995		24 950,00	0,00%	0,0%	0,00	0,0%	0,00
sub-total	0	21 537 450,00			13 912 544,41		13 891 597,45
<b>sub-total</b>	<b>0</b>	<b>25 877 450,00</b>			<b>18 890 971,45</b>		<b>19 279 022,40</b>
<b>Total</b>	<b>7 159 897 221</b>	<b>25 877 450,00</b>			<b>36 604 500,94</b>		<b>36 666 809,72</b>



















AP VIII CALM EAGLE HOLDINGS S.C.A.

		(EUR)						
Designation		Quantity	Amount of par value	% of par value	Average acquisition cost	Total Value acquisition cost	Carrying amount (Includes accrued interest)	
							Unit	Total
Purchase forward contract	Bought EUR 1145992.79 Sold USD 1370000.00							-1 342
Purchase forward contract	Bought GBP 200000.00 Sold EUR 227203.53							-156
Purchase forward contract	Bought USD 1320000.00 Sold EUR 1146465.28							-22
Purchase forward contract	Bought EUR 950708.80 Sold USD 1090000.00							143
Purchase forward contract	Bought USD 9210000.00 Sold EUR 8040311.55							-1 424
Purchase forward contract	Bought EUR 12486220.28 Sold GBP 11270000.00							-885
Purchase forward contract	Bought EUR 113548208.00 Sold USD 135830000.00							-123 001
Purchase forward contract	Bought EUR 1145992.79 Sold USD 1370000.00							-1 220
Purchase forward contract	Bought GBP 200000.00 Sold EUR 227203.53							-142
Purchase forward contract	Bought USD 1320000.00 Sold EUR 1146465.28							-20
Purchase forward contract	Bought EUR 950708.80 Sold USD 1090000.00							130
Purchase forward contract	Bought USD 9210000.00 Sold EUR 8040311.55							-1 294
Purchase forward contract	Bought EUR 12486220.28 Sold GBP 11270000.00							-442
Purchase forward contract	Bought EUR 113548208.00 Sold USD 135830000.00							-61 501
Purchase forward contract	Bought EUR 1145992.79 Sold USD 1370000.00							-610
Purchase forward contract	Bought GBP 200000.00 Sold EUR 227203.53							-71
Purchase forward contract	Bought USD 1320000.00 Sold EUR 1146465.28							-10
Purchase forward contract	Bought EUR 950708.80 Sold USD 1090000.00							65
Purchase forward contract	Bought USD 9210000.00 Sold EUR 8040311.55							-647
Purchase forward contract	Bought EUR 3855549.83 Sold GBP 3480000.00							-603
Purchase forward contract	Bought EUR 24886476.86 Sold USD 29770000.00							-59 502
Purchase forward contract	Bought EUR 451705.19 Sold USD 540000.00							-1 061
Purchase forward contract	Bought USD 510000.00 Sold EUR 442952.50							-17
Purchase forward contract	Bought EUR 520715.04 Sold GBP 470000.00							-82
EURO-BUND FUTURE 07/03/2019								80 794
EURO-BUND FUTURE 07/03/2019								-94
US 10YR NOTE FUT (CBT) 20/03/2019								-241 119
US 5YR NOTE FUTURE (CBT) 29/03/2019								-12 959
LONG GILT FUTURE (LIFFE) 27/03/2019								-6 054
EURO BUXL 30Y BONDS 07/03/2019								-1 178
INTEREST RATE SWAP IRS 2 1,500,000.00 EUR 06/09/2018 06/09/2025								6 956
INTEREST RATE SWAP IRS 3 3,000,000.00 EUR 04/09/2018 06/09/2028								17 669
EURO-BUND FUTURE 07/03/2019								100 296
EURO-BUND FUTURE 07/03/2019								-116
US 10YR NOTE FUT (CBT) 20/03/2019								-299 321
US 5YR NOTE FUTURE (CBT) 29/03/2019								-16 087
LONG GILT FUTURE (LIFFE) 27/03/2019								-7 516
EURO BUXL 30Y BONDS 07/03/2019								-1 462
INTEREST RATE SWAP IRS 2 1,500,000.00 EUR 06/09/2018 06/09/2025								8 635
INTEREST RATE SWAP IRS 3 3,000,000.00 EUR 04/09/2018 06/09/2028								21 934
<b>Total</b>		<b>0</b>	<b>0,00</b>			<b>0,00</b>		<b>-6 911 821,62</b>
2.5 - Term deposits								
Dep Prazo EUR BES (Imoprime)						7 500 000,00		7 515 166,66
Dep Prazo EUR BES (CORPUS CHRISTI)						0,00		0,00
Dep Prazo MOÇAMBIQUE						4 183 926,18		4 213 003,92
<b>Total</b>		<b>0</b>	<b>0,00</b>			<b>11 683 926,18</b>		<b>11 728 170,58</b>
<b>Total</b>		<b>7 168 273 315</b>	<b>1 215 223 433,14</b>			<b>1 487 801 576,13</b>		<b>1 481 655 919,44</b>
<b>3 - GRAND TOTAL</b>		<b>7 168 273 315</b>	<b>1 215 223 433,14</b>			<b>1 487 801 576,13</b>		<b>1 481 655 921,44</b>

## APPENDIX 2 - DISCLOSURE OF REMUNERATION POLICIES (UNAUDITED)

This disclosure includes the following 3 components:

- Remuneration Policy for the members of the Corporate Offices, Supervisory Board, and Board of the Shareholders' Meeting, including senior staff with remuneration paid during 2018;
- Remuneration Policy for "Key Employees";
- Statement of compliance, in the terms contemplated in article 4 of ASF Standard 5/2010.R, of 1 April.

### REMUNERATION POLICY FOR MEMBERS OF THE CORPORATE OFFICES, SUPERVISORY BOARD, AND BOARD OF THE SHAREHOLDERS' MEETING OF SEGURADORAS UNIDAS, S.A.

#### 1. Introduction | Object

- 1.1 The object of this Remuneration Policy for Members of the Corporate Offices, Supervisory Board, and Board of the Shareholders' Meeting of Seguradoras Unidas S. A. (hereinafter also referred to as "Company" or "SU"), is to comply with the regime contemplated in Law 28/2009, of June 19, which states that entities of public interest, as is the case of insurance and reinsurance companies, shall, annually, submit a declaration on the remuneration policy for members of its administrative and supervisory boards for approval by the General Meeting.
- 1.2 With regard to the insurance business, this is still regulated by Delegated Regulation (EU) 2015/35 of the Commission of October 10, and also by the provisions set out in Regulatory Standard No. 5/2010-R and Circular No. 6/2010 of the Supervisory Authority for Insurance and Pension Funds (ASF), both of April 1<sup>st</sup>.
- 1.3 It is based on the mentioned legal and regulatory framework that this Remuneration Policy for Members of the Corporate Offices, Supervisory Board, and Board of the Shareholders' Meeting of Seguradoras Unidas, S. A. for 2018 ("Remuneration Policy") is prepared and disclosed, and which is submitted for the approval of the General Meeting.

#### 2. Principles applicable to the Remuneration Policy

This Remuneration Policy follows the principles set out in Circular No. 6/2010, of April 1<sup>st</sup>, specifically the following:

- a) The Remuneration Policy and its respective practices are established, implemented and maintained in conformity with the Company's activity, (i) being consistent with the management strategy and effective risk controls, (ii) avoiding excessive risk exposure, (iii) avoiding potential conflicts of interests, and (iv) being coherent with the Company's long-term objectives, values and interests;

- b) The Remuneration Policy follows the principle of proportionality, being designed in order to take into account the internal organization of the Company, and also the dimension, nature and complexity of the risks inherent to its activity;
- c) The Remuneration Policy respects the limits contemplated in the Company's Articles of Incorporation.

### 3. Approval, Disclosure and Revision of the Remuneration Policy

#### 3.1 Approval

The Remuneration Policy for the corporate offices of the Company is, in the terms contemplated in article 13 of the Company's Articles of Incorporation, approved by way of General Meeting, under proposal of the Remuneration Committee.

##### 3.1.1 Remuneration Committee

###### a) Composition

The Remuneration Committee is comprised by two non-executive directors, elected in a General Meeting for the period 2016 to 2018.

###### b) Tasks

The Remuneration Committee performs the tasks contemplated in Circular No. 6/2010, of April 1<sup>st</sup>, among which is the revision, at least once a year, of the Company's Remuneration Policy, and also its implementation.

##### 3.1.2 External consultants

No services of External Consultants are used in the definition of the said remuneration policy.

#### 3.2 Disclosure

The Remuneration Policy is transparent and will be published internally, specifically, through its publication on the Company's website. The Remuneration Policy shall also be included in the annual report and accounts, available on the Company's institutional site for a minimum period of 5 years.

#### 3.3 Revision

The Remuneration Policy is reviewed at least once a year, in the terms contemplated in Article 64(5) of the legislation governing access to and exercise of insurance and reinsurance business (RJAS).

The Remuneration Policy undergoes an independent internal evaluation by the key functions of the Company in articulation with each other.

#### 4. Members of the Board of Directors with Executive Functions

##### 4.1 Remuneration of the Members of the Board of Directors with Executive Functions

The remuneration of the members of the Board of Directors with executive functions is set by the Remuneration Committee in conformity with this Remuneration Policy, and includes a fixed component of remuneration and, possibly, a variable component.

###### 4.1.1 Fixed Component of the Remuneration

The members of the Board of Directors with executive functions receive a fixed monthly remuneration, paid 14 (fourteen) times in each full calendar year, the definition of which will be based on the competitive positioning within the universe of benchmark companies in the country.

Whenever the total annual remuneration of the members of the Board of Directors with executive functions includes a fixed component and a variable component, the fixed component of the remuneration will respect the limits set annually in a General Meeting, and should not, as a rule, be lower than 60% of the said total annual remuneration.

###### 4.1.2 Variable Component of the Remuneration

The fixed component may be supplemented by a variable remuneration, calculated based on criteria of individual and/or collective performance and subject to limits, in terms to be defined in a General Meeting.

The annual variable remuneration, when applicable, should not, as a rule, be more than 40% of the total annual remuneration, although its precise value may vary, in each year, depending on the assessment of the individual and overall performance of the members of the Board of Directors with executive functions, and also on the Degree of Compliance of the Company's main annual objectives, namely the Net Result of the previous year, the Profitability of Equity and the Combined Ratio, with the evaluation process always taking into consideration the appropriateness, both of the equity of the Company to the risks assumed, and also of the representation of the technical reserves.

The payment of the variable component of the remuneration, when attributed, takes place, preferably, after the determination of the accounts of each economic year, and the annual variable remuneration of all the members of the Board of Directors with executive functions

cannot exceed 5% of the profits of the year, when applicable, as determined in Article 13 of the Company's Articles of Incorporation.

#### 4.1.2.1 Eligibility for the Variable Component | Performance Criteria | Attribution

- (a) Eligibility for receiving variable remuneration is based on a process of individual and/or collective performance assessment, defined by the Company based on measurable and pre-determined criteria, including non-financial criteria, specifically taking the following indicators into account:
  - (i) Net remuneration relating to the period of the assessment;
  - (ii) ROE;
  - (iii) Combined ratio; and
  - (iv) Adequacy of the capital to the level of risk and to the technical reserves established.
- (b) The performance of the members of the Board of Directors with executive functions is assessed by the Sole Shareholder of the Company, in a General Meeting, in accordance with the model defined internally in the Company, specifically following the principles set out in this Remuneration Policy.
- (c) If the results show a relevant deterioration in the Company's performance in the last year assessed or when this can be expected in the year in progress, necessary and adequate limitations may be introduced, including the possible non-payment of any variable component, in order to preserve its financial equilibrium and to meet the other solvency ratios enforced by law.

#### 4.1.2.2 (Non) Deferral of the Variable Component

Considering the current remuneration structure, the maximum values considered and the defined risk tolerance levels, it was not considered necessary, to date, to defer part of the variable component of the remuneration.

#### 4.1.2.3 Nature of the Variable component | Financial instruments

Variable remuneration may be attributed in the form of a performance bonus, performance award and/or distribution of profits, as may be expressly determined in a General Meeting.

Without prejudice to the above, the shareholder may, by way of a General Meeting, define that the variable component of the remuneration, or a part thereof, may be attributed through stock plans or options for the acquisition of stock of the Company or of any other company of the Group.

#### 4.1.2.4 Conclusion of contracts



Members of the Management Body may not conclude contracts, whether with the Company or with third parties, the effect of which is to mitigate the risk inherent to the variability of the remuneration that is set for them by the Company.

#### 4.2 Pension Fund and Other Benefits

The members of the Board of Directors with executive functions may also benefit from a contribution to a Pension Fund in the terms and conditions set out in the Resolution of the Sole Shareholder, dated July 10 2016, of which Minutes number 53 of the Book of Minutes of the General Meeting were drawn up.

Besides what is stated in this Remuneration Policy other forms of remuneration of the members of the Board of Directors with executive functions are not considered, and neither any significant pecuniary or non-pecuniary benefits being attributed to them.

#### 5. Members of the Board of Directors without executive functions

The members of the Board of Directors without executive functions may receive a fixed annual remuneration in terms to be defined by the Remuneration Committee which, in any case and if so, will not depend on any element of performance, there being no payment of any variable remuneration.

#### 6. Limits on the indemnity payable for dismissal without just cause of the Management Body

A possible indemnity for dismissal without just cause of a member of the Management Body should not be paid if this results from an inappropriate performance of the outgoing member.

#### 7. Supervisory Bodies

##### 7.1 Audit Board

7.1.1 The Audit Board, in the terms contemplated in article 25 of the Company's Articles of Incorporation, consists of three members, of whom one performs the functions of Chairperson.

7.1.2 The respective members are remunerated through the payment of a fixed monthly amount, paid 12 times in each full calendar year, in the terms defined in a General Meeting.

#### 8. Certified Public Accountant

The Certified Public Accountant will be remunerated in accordance with the conditions defined in the applicable legislation. The respective fees shall be proposed by the Certified

Public Accountant and approved by the Board of Directors, after the opinion of the Audit Board.

## 9. Members of the Board of the Shareholders' Meeting

9.1 The Board of the Shareholders' Meeting, in the terms contemplated in article 15 of the Company's Articles of Incorporation, consists of a Chairperson and a Secretary.

9.2 The members of the Board of the Shareholders' Meeting may be remunerated through an amount established by a General Meeting, on the date it is held, this being defined by the Remuneration Committee, if it is to be paid.

### **Table of remuneration paid in 2018 to the members of the governing bodies of Seguradoras Unidas, SA.**

	Remuneration		(TEUR)
	Fixed	Variable	Total
<b>Board of Directors</b>			<b>2 341,3</b>
Alexandre Wallace Humphreys	-	-	-
Bogdan Ignashchenko	-	-	-
Gernot Wilhelm Friedrich Lohr	-	-	-
Gonçalo Fernando de Salvado Marques Oliveira	275,0	31,0	306,0
Gustavo Alexandre P.T. Mesquita Guimarães (Presidente)	150,0	-	150,0
Jan Adriaan de Pooter	400,0	342,0	742,0
José António Correia Dias Nogueira Silva <sup>(1)</sup>	229,2	61,0	290,2
Nuno Miguel Pombeiro Gomes Diniz Clemente <sup>(2)</sup>	69,1	185,0	254,1
Pedro Luís Francisco Carvalho	320,0	279,0	599,0
<b>Board of Auditors</b>			<b>110,0</b>
Luís Maria Viana Palha da Silva (Presidente)	50,0	-	50,0
Manuel Maria de Paula Reis Boto	30,0	-	30,0
Pedro Manuel Aleixo Dias	30,0	-	30,0
Sandra Maria Simões Filipe de Ávila Valério (Vogal Suplente)	-	-	-
<b>Total Remuneration</b>	<b>1 553,3</b>	<b>898,0</b>	<b>2 451,3</b>

<sup>(1)</sup> Named March, 2018.

<sup>(2)</sup> The member of corporate bodies listed above no longer hold the position in question.

During 2018, and regarding the four members of the Board of Directors with executive functions, contributions were also made to the Pensions Fund, in the terms contemplated in paragraph 4.2 of this of Remuneration Policy, totalling €417,250.

## REMUNERATION POLICY FOR "KEY EMPLOYEES" OF SEGURADORAS UNIDAS, S. A.

### 1. Introduction | Object

1.1 The object of this Remuneration Policy for Employees who perform key functions for Seguradoras Unidas, S. A. (hereinafter also referred to as "Company" or "SU"), for 2018,

is to comply with the regime contemplated in Delegated Regulation (EU) 2015/35 of the Commission of October 10, and also with the provisions set out in Regulatory Standard No. 5/2010-R and with Circular no. 6/2010 of the Supervisory Authority for Insurance and Pension Funds (ASF), both of April 1<sup>st</sup>.

1.2 Based on this framework, and in particular on ASF Standard No. 5/2010, of April 1<sup>st</sup>, this Remuneration Policy applies:

- a) To Employees who carry out their professional activity with key functions, this being understood to be all those who perform an activity concerning risk management, internal control, compliance, and actuarial systems;
- b) To all Employees with top management positions (Senior Directors) and Consultants of the Management Body, irrespective of the area in which they work, in as much as they perform a professional activity with a material impact on the risk profile of the Company, these being understood to be those who have regular access to privileged information and who take part in the decisions on the Company's management and business strategy.

1.3 For the purpose of this Remuneration Policy, the group of Employees identified above will, in this document, be generically called "Key Employees".

1.4 Unless otherwise decided by the Board of Directors, the terms of this Remuneration Policy also apply, with the necessary adaptations, to the other Employees of the Company who are not included in the positions/functions defined above in point 1.2.

## 2. Principles Applicable to the Remuneration Policy

This Remuneration Policy follows the principles set out in Circular No. 6/2010, of April 1<sup>st</sup>, specifically the following:

- a) The Remuneration Policy and its respective practices are established, implemented and maintained in conformity with the Company's activity, (i) being consistent with the management strategy and effective risk controls, (ii) avoiding excessive risk exposure, (iii) avoiding potential conflicts of interests and (iv) being coherent with the long-term objectives, values and interests of the Company;
- b) The Remuneration Policy follows the principle of proportionality, being designed in order to take into account the internal organization of the Company, and also the dimension, nature and complexity of the risks inherent to its activity;
- c) The Remuneration Policy respects the limits contemplated in the Company's Articles of Incorporation.

## 3. Approval, Disclosure and Revision of the Remuneration Policy

### 3.1 Approval

The Remuneration Policy for "Key Employees" is assessed and approved by the Board of Directors, on a proposal presented by the Director responsible for Human resources.

Various members of staff from the main Departments of the Company, in particular from the Department of Human resources, participate in the elaboration of the Remuneration Policy proposal.

### 3.2 External consultants

No services of External Consultants are used in the definition of the said remuneration policy.

### 3.3 Disclosure

The Remuneration Policy is transparent and will be published internally, specifically, through its publication on the Company's website.

The Remuneration Policy shall also be included in the annual report and accounts, available on the Company's institutional site for a minimum period of 5 years.

### 3.4 Revision

The Remuneration Policy is reviewed at least once a year, in the terms contemplated in article 64(5) of the legislation governing access to and exercise of insurance and reinsurance business (RJAS).

The Remuneration Policy undergoes an independent internal evaluation by the key functions of the Company in articulation with each other.

## 4. Key Employees

### 4.1 Remuneration of Key Employees

4.1.1 The remuneration of Key Employees involves a fixed part and, possibly, a variable part (i) depending on the fulfilment of the objectives associated to the respective functions, irrespective of the performance of the areas under their control, ensuring that the remuneration provides them with an appropriate reward given the relevance of the performance of their functions and (ii) that is compatible with their role in the Company and not in relation to its performance.

4.1.2 In the determination of these two components, diverse factors are considered by the Board of Directors, the most significant being:

- The economic situation and the results obtained by the Company;
- The Company's medium and long-term interests;
- The specific features of the function performed;
- The wage practices in force in the insurance sector;
- The performance assessment, on a corporate, departmental and individual level.

4.1.3 Pursuant to Law and the Articles of incorporation, the Board of Directors is responsible for setting the remuneration of the "Key Employees" of the Company, regarding the management of its human resources policy, in order to fulfil the Company's strategic objectives.

#### 4.2 Fixed Component of the Remuneration

Whenever the total annual remuneration of the Key Employees includes a fixed component and a variable component, the fixed component of the remuneration will respect the limits that are set by the Board of Directors, comprising the basic salary and other regular and periodic payments, attributable to all the Employees of the Company, representing on average in the Company approximately between 80% and 85% of the total annual remuneration.

#### 4.3 Variable Component of the Remuneration

The fixed component may be supplemented by a variable remuneration, calculated based on criteria of individual and/or collective performance and subject to limits, in terms to be defined by the Board of Directors.

The annual variable remuneration, when applicable, shall not exceed, on average, 20% of the total annual remuneration for all of the Employees of the Company, and the maximum individual value, in general, shall not be more than 40% of the total value of the annual remuneration.

#### 4.4 Eligibility for the Variable Component | Performance Criteria | Attribution

4.4.1 Eligibility for the attribution of variable remuneration is annual, and is based on a performance assessment process, defined by the Company based on measurable and pre-determined criteria, including non-financial criteria.

4.4.2 The variable remuneration, set each year, is not a right of the Employees, and its criteria of attribution may be altered and/or revoked at any time by the Board of Directors, being subject to annual approval by the Board of Directors depending on the performance and annual assessment of the Employees.

4.4.3 The eligibility and/or amount of the variable remuneration, when due, may be reduced or, at most, suppressed, in the event of a deterioration in performance or negative performance of the Company.

#### 4.5 (Non) Deferral of the Variable Component

Considering the current remuneration structure, the maximum values considered and the defined risk tolerance levels, it was not considered necessary, to date, to defer part of the variable component of the remuneration.

#### 4.6 Nature of the Variable Component | Financial Instruments

If variable remuneration is payable, its payment will be, as a rule, made in one go, in cash, unless otherwise decided by the Board of Directors.

Variable remuneration may be attributed in the form of performance bonuses, in accordance with the factors identified above or others that may be specifically contemplated by the Board of Directors, or even the distribution of profit-related bonuses based on a proposal to be formulated by the Board of Directors and decided in a General Meeting of the Company.

Without prejudice to the above, the Board of Directors, in line with the guidelines stipulated by the shareholder in this matter, may define that the variable component of the remuneration, or part thereof, may be attributed through stock plans or options for the acquisition of stock of the Company or of any other company of the Group, in the manner that it sees fit.

#### 4.7 Other benefits

Besides the fixed and variable remuneration described in this remuneration policy, “Key Employees” may also receive, if applicable, the following benefits, as defined in the Collective Bargaining Instrument (IRCT) applicable in the Company or in the Company’s specific regulations for the Employees in general:

- Health insurance;
- Life assurance;
- Individual pension plans, in the event of retirement due to old age or disability.

**APPENDIX 3 - STATEMENT OF COMPLIANCE (ARTICLE 4(1) OF ASF STANDARD 5/2010-R, OF APRIL 1)  
(UNAUDITED)**

Detailed description of the recommendations set out in ASF Circular 6/2010 of April 1, adopted and not adopted.

Recommendation	Degree of compliance	Comments
<b>I. General Principles</b>		
I.1 Adoption of a remuneration policy (RP) consistent with effective risk management and control that will prevent excessive exposure to risk, will prevent potential conflicts of interests and will be coherent with the long-term objectives, values and interests of the Institution, and particularly with the growth and profitability prospects and with customer protection;	Complies	
I.2 Appropriateness of the RP in the light of the size, nature and complexity of the business, especially with regard to the risks assumed or to be assumed;	Complies	
I.3 Adoption of a clear, transparent and adequate structure in respect of the definition, implementation and monitoring of the RP that will objectively identify the employees involved in the process as well as their responsibilities and competences.	Complies	
<b>II. Approval of the Remuneration Policy (RP)</b>		
II.1 Approval of the RP by a Remuneration Committee or, if its existence is not viable or is not warranted (size, nature or complexity of the Institution), by the General Meeting;	Complies	
II.2 Approval by the Board of Directors of the RP applicable to the employees;	Complies	
II.3 Involvement in the definition of the RP of persons of functional independence and adequate technical capabilities, in order to avoid conflicts of interest and to allow an independent value judgement to be made;	Complies	
II.4 The RP shall be transparent and accessible to all the Institution's employees; The RP shall also be formalised in a separate document, duly updated, stating the changes made and the reasons therefor, and the previous versions shall be kept on file;	Complies	
II.5 Disclosure of the assessment process to the employees prior to the period of time covered by its application;	Complies	

Recommendation	Degree of compliance	Comments
<b>III. Remuneration Committee (RC)</b>		
III.1 Should one exist, the RC shall review the RP and its implementation each year, so as to allow a reasoned, independent value judgement to be made about the RP in the light of the recommendations (Circular 6/2010), particularly as to its effect on the management of the Institution's risks and capital;	Complies	
III.2 The members of the RC shall be independent with regard to the management body and shall meet the requirements of competence and professional qualifications appropriate to the performance of their duties;	Complies partially	The RC comprises two unremunerated non-executive members of the Board of Directors so as to ensure independence
III.3 Should the RC make use of external services (consultants), it should not hire a natural or corporate person who provides or has provided services, during the previous three years, to any structure dependent on the management body or to the management body itself or has a present relationship with a consultant of the institution. This recommendation is also applicable to any natural or corporate person related with them by an employment or provision of services contract.	Not applicable	
III.4 The RC shall inform the equityholders, each year, as to the performance of its duties and shall be present at the AGM at which the Remuneration Policy is on the agenda;	Complies	
III.5 The RC shall meet at least once a year and shall write up minutes of every meeting held.	Complies	
<b>IV. Management Body – Executive Members</b>		
IV.1 The remuneration shall include a variable component, its determination dependent on an assessment of performance in keeping with predetermined, measurable criteria, including non-financial criteria, that take into account: individual performance, real growth of the institution, wealth actually created, protection of the customers interests, long-term sustainability, risks assumed and compliance with the rules applicable to the business;	Complies	The evaluation criteria are based on management indicators, taking into account at all times the adequacy of the equity to its level of risk and the representation of the technical provisions.



Recommendation	Degree of compliance	Comments
<b>IV. Management Body – Executive Members (continuation)</b>		
IV.2 Adequacy of the fixed and variable components, the fixed component to account for a sufficiently high proportion of total remuneration. The variable component shall be subject to a maximum limit.	Complies	
IV.3 Payment of a substantial part of the variable component in financial instruments issued by the institution, appreciation of which is dependent on medium- and long-term performance.	Does not comply	This measure will be subject to revaluation during 2019.
IV.4 Deferral of a substantial part of the variable component during a minimum of 3 years, its payment dependent of the institution’s good performance;	Does not comply	Considering the current remuneratory structure, the maximum limits established and the defined risk tolerance limits, it was not considered necessary, to date, to defer part of the variable component of the remuneration. This measure will be subject to revaluation during 2019
IV.5 The variable component subject to deferral shall be determined in the increasing proportion of its weight relative to the fixed component;	Not applicable	Not applicable in view of the response to point IV.4.
IV.6 Absence of contracts concluded by members of the management body the effect of which is to mitigate the variability of the established remuneration;	Complies	
IV.7 Retaining, up to the end of the tenure, the value of the shares attributed under the variable component, up to the limit of twice the total annual remuneration, unless required to pay taxes on the benefit generated by the shares in question;	Not applicable	Not applicable in view of the response to point IV.3.
IV.8 Where the variable remuneration includes allocation of options, the start of the exercise period shall be deferred during no less than 3 years;	Not applicable	Not applicable in view of the response to point IV.3.
IV.9 Following the exercise referred to in the preceding point (IV.8), the executive members of the management body shall retain a certain number of shares up to the end of their tenure, the number to be fixed.	Not applicable	Not applicable in view of the response to point IV.3.
<b>IV. Management Body – Non-Executive Members</b>		
IV.10 The remuneration of the non-executive members of the management body shall not include any component whose value depends on the performance or value of the institution.	Complies	
<b>IV. Management Body - Indemnities in the event of dismissal</b>		
IV.11 Definition of adequate legal instruments to ensure that the compensation established for any unfair dismissal of a member of the management body will not be paid if the dismissal or termination by mutual agreement is the result of inadequate performance by the member in question.	Complies	

Recommendation	Degree of compliance	Comments
<b>V. Employee Remuneration – Relationship between Fixed and Variable Remuneration</b>		
<p>V.1 If the employees’ remuneration includes a variable component it must be adequately in balance with the fixed component, taking into account, in particular, the performance, the responsibilities and the duties of each individual; The fixed remuneration shall account for a sufficiently important part of the total remuneration. The variable component shall be subject to a maximum limit.</p>	Complies	
<p>V.2 Substantial payment of a variable part in financial instruments issued by the institution, the appreciation of which depends on the medium- and long-term performance of the institution, subject to a retention policy aligned with the long-term interests of the Institution.</p>	Does not comply	This measure will be subject to revaluation during 2019.
<b>V. Employee Remuneration – Variable Remuneration Allocation Criteria</b>		
<p>V.3. Performance assessment must take into account not only individual performance but also the collective performance of the unit of the structure in which the employee is involved and of the institution itself. It must include relevant non-financial criteria, such as regard for the rules and procedures applicable to the business carried on, especially the internal-control rules and those relating to relations with customers.</p>	Complies	
<p>V.4 The criteria governing the award of the variable remuneration in the light of performance must be predetermined and measurable, based on a multi-year framework of three to five years, in order to ensure that the assessment process is based on long-term performance.</p>	Complies partially	The criteria used are predetermined and measurable. They are not related to a multi-year framework since the understanding is that this component has little weight in the overall amount and concerns the meeting or otherwise of annual goals.
<p>V.5 The variable remuneration, including the deferred part of this remuneration, shall be paid or shall constitute a vested right if it is sustainable in the light of the financial situation of the institution as a whole and is warranted in the light of the performance of the employee in question and of the structure unit of which he is a part. The whole of the variable remuneration shall, generally speaking, be severely reduced in the event of decrease of the performance or negative performance of the institution.</p>	Complies	

Recommendation	Degree of compliance	Comments
<b>V. Key Employee Remuneration – Deferral of Variable Remuneration</b>		
V.6. A significant part of the variable remuneration shall be deferred for a period not less than three years and its payment shall be dependent on future performance criteria, measured on the basis of criteria suited to the risk, which take into account the risks associated with the activity on the basis of which it is awarded.	Does not comply	It was considered to date that the little weight of this component in Total Annual Remuneration does not justify its deferral. This measure will be subject to revaluation during 2019.
V.7. The part of the variable remuneration subject to deferral under the terms of the preceding number shall be determined in growing proportion to its relative weight compared to the fixed component of the remuneration. The percentage deferred shall increase significantly in proportion to the seniority or responsibilities of the employee.	Not applicable	Not applicable in view of the reply to the preceding point.
<b>V. Employees’ Remuneration – Key Employees</b>		
V.8. Employees performing tasks associated with key functions shall be remunerated in the light of the achievement of the objectives associated with their duties, regardless of the performance of the areas under their control, the remuneration to provide a reward adequate to the importance of the exercise of the duties.	Complies partially	The variable component of the remuneration of key employees is independent of the performance of the operating units but dependent on the results of the Company.
V.9 In particular, actuarial duties and the actuary in charge shall be remunerated in a manner in keeping with their role at the institution and not in respect of its performance.	Complies partially	Since the remuneration is appropriate to the function, it is not entirely foreign to its performance
<b>VI. Assessment of the Remuneration Policy</b>		
VI.1 The remuneration policy shall be submitted to independent internal review at least annually, performed by key departments of the institution in articulation with each other.	Complies	
VI.2 The assessment called for in the preceding number shall include, in particular, an analysis of the institution’s remuneration policy and of its implementation in the light of the recommendations of this Circular, especially in respect of its effect on the management of the risks and of the capital of the institution.	Complies	
VI.3 The key departments shall present to the management body and the AGM or, if any, the remuneration committee, a report on the results of the assessment to which number VI.1 refers, detailing in particular the measures required to correct any insufficiencies in the light of these recommendations.	Complies	

Recommendation	Degree of compliance	Comments
<b>VII. Financial Groups</b>		
VII.1 The parent company of an insurance group or financial conglomerate subject to supervision by the ASF on the basis of its consolidated situation shall ensure that all its affiliates, including those abroad, implement mutually consistent remuneration policies, based on these recommendations.	Complies	
VII.2 Adoption of these recommendations shall be ensured in respect of all remuneration paid to each employee by the those institutions that are a part of the same insurance group or financial conglomerate.	Complies	
VII.3 The key functions of the parent company shall perform at least once a year, in articulation with each other, an assessment of the remuneration practices of the affiliates abroad, in the light of the recommendations of this Circular, especially in respect of their effect on the management of the institution's risk and capital.	Not applicable	
VII.4. The key functions shall submit to the management body of the parent company and to its general meeting or, should one exist, to the remuneration committee, a report on the results of the assessment to which the preceding number refers, detailing in particular the measures required to correct any insufficiencies in the light of these recommendations.	Not applicable	