

SPARKLE ASSETS LIMITED
(the “**Company**”)
(Incorporated in the British Virgin Islands with limited liability)

ANNOUNCEMENT

We refer to the US\$400,000,000 6.875% Senior Notes due 2020 issued by the Company on 30 January 2013 and guaranteed by, *inter alias*, Fosun International Limited (the “**Parent Guarantor**”).

The Parent Guarantor has released the attached announcement dated 25 June 2014 on The Stock Exchange of Hong Kong Limited.

BY ORDER OF THE BOARD

Qin Xuetang
Director

25 June 2014

THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to any aspect of this circular or as to the action to be taken, you should consult a stockbroker or other registered dealer in securities, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares of Fosun International Limited, you should at once hand this circular to the purchaser or transferee or to the bank, stockbroker or other agent through whom the sale was effected for transmission to the purchaser or the transferee.

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MAJOR TRANSACTION

**ACQUISITION OF EQUITY INTERESTS IN
CERTAIN PORTUGUESE INSURANCE COMPANIES**

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DEFINITIONS

In this circular, the following expressions have the following meanings, unless the context requires otherwise:

“Acquisition”	the acquisition of 80% of the share capital and voting rights of each of Fidelidade, Multicare and Cares as contemplated under the Direct Reference Sale Agreement as well as the further acquisition of shares of Fidelidade (up to 5% of the share capital and voting rights of Fidelidade) not purchased by employees of the Insurance Companies under the Employee IPO (as defined in the circular)
“Announcement(s)”	the announcement(s) dated 7 February 2014 and/or 15 May 2014 issued by the Company in relation to the Acquisition
“Board”	the board of Directors
“Business Day”	a day other than a Saturday, Sunday or holiday in Portugal
“Cares”	Cares-Companhia de Seguros, S.A., a company incorporated under the laws of Portugal, being one of the Insurance Companies
“CGD”	Caixa Geral de Depósitos, S.A., a company incorporated under the laws of Portugal
“Company” or “Fosun”	Fosun International Limited 復星國際有限公司, a company incorporated under the laws of Hong Kong and whose shares are listed and traded on the main board of the Hong Kong Stock Exchange
“Completion”	completion of the acquisition of the 80% of the share capital and voting rights of each of the three Insurance Companies as contemplated under the Direct Reference Sale Agreement on 15 May 2014
“CSS” or “Vendor”	Caixa Seguros e Saúde, SGPS, S.A., the insurance arm of a state-owned bank CGD and the vendor under the Direct Reference Sale Agreement
“Direct Reference Sale Agreement”	the Direct Reference Sale Agreement dated 7 February 2014 entered into between the Purchaser and the Vendor in relation to the Acquisition
“Directors”	the directors of the Company
“Enlarged Group”	the Group as enlarged by the Acquisition
“Euro”	Euro, the official currency of the eurozone
“Fidelidade”	Fidelidade-Companhia de Seguros, S.A., a company incorporated under the laws of Portugal, being one of the Insurance Companies

DEFINITIONS

“Fosun Holdings”	Fosun Holdings Limited 復星控股有限公司
“Fosun International Holdings”	Fosun International Holdings Ltd.
“Fosun Pharma”	Shanghai Fosun Pharmaceutical (Group) Co., Ltd. 上海復星醫藥(集團)股份有限公司
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Hong Kong Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Insurance Companies”	collectively, Fidelidade, Multicare and Cares
“Latest Practicable Date”	19 June 2014, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained herein
“Listing Rules”	the Rules Governing the Listing of Securities on the Hong Kong Stock Exchange
“Macau”	the Macau Special Administrative Region of the PRC
“Model Code ”	Model Code for Securities Transactions by Directors of Listed Issuers
“MOP”	Macau pataca, the lawful currency of Macau
“Multicare”	Multicare-Seguros de Saúde, S.A., a company incorporated under the laws of Portugal, being one of the Insurance Companies
“NAV”	the net asset value of the Insurance Companies to be determined in accordance with certain agreed principles pursuant to the terms of the Direct Reference Sale Agreement
“PRC”	the People’s Republic of China
“Purchaser”	Millennium Gain Limited, an indirect wholly-owned subsidiary of the Company, the purchaser under the Direct Reference Sale Agreement
“RMB”	Renminbi, the lawful currency of the PRC
“SFO”	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Shareholder(s)”	holders of the issued ordinary share(s) of the Company
“Shares”	the shares of the Company

LETTER FROM THE BOARD

FOSUN 复星

復星國際有限公司
FOSUN INTERNATIONAL LIMITED

(Incorporated in Hong Kong with limited liability)

(Stock Code: 00656)

Directors:

Executive Directors:

Mr. Guo Guangchang (*Chairman*)

Mr. Liang Xinjun (*Vice Chairman and Chief Executive Officer*)

Mr. Wang Qunbin (*President*)

Mr. Ding Guoqi

Mr. Qin Xuetang

Mr. Wu Ping

Registered address:

Room 808, ICBC Tower

3 Garden Road

Central

Hong Kong

Non-Executive Director:

Mr. Fan Wei

Independent Non-Executive Directors:

Mr. Zhang Shengman

Mr. Andrew Y. Yan

Mr. Zhang Huaqiao

Mr. David T. Zhang

25 June 2014

To the Shareholders

Dear Sir or Madam,

MAJOR TRANSACTION

ACQUISITION OF EQUITY INTERESTS IN CERTAIN PORTUGUESE INSURANCE COMPANIES

1. INTRODUCTION

Reference is made to the Announcement whereby the Company announced that on 7 February 2014, the Purchaser, being an indirect wholly-owned subsidiary of the Company, and the Company entered into the Direct Reference Sale Agreement with CGD and the Vendor in Lisbon, Portugal, pursuant to which the Purchaser agreed to purchase and the Vendor agreed to sell shares, representing 80% of the share capital and voting rights of each of the Insurance Companies, namely Fidelidade, Multicare and Cares, for an aggregate consideration of Euro 1 billion (subject to adjustment). In

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addition, the Purchaser has agreed to purchase additional shares of Fidelidade representing up to 5% of the share capital and voting rights of Fidelidade at the same price, to the extent such shares are not purchased by employees of the Insurance Companies as part of Fidelidade's privatization process. On 17 April 2014, the Company was notified by the Insurance Institute of Portugal (Instituto de Seguros de Portugal) of a decision of non-opposition to the Acquisition and all conditions precedent set out in the Direct Reference Sale Agreement were satisfied, and the Acquisition was completed on 15 May 2014.

The purpose of this circular is, among other things, to provide you with more information in relation to the Acquisition.

2. ACQUISITION

In fulfilment of the obligations assumed by the Portuguese Republic within the context of the Economic and Financial Assistance Programme agreed with the European Union, the International Monetary Fund and the European Central Bank, the Portuguese Government approved, by means of Decree-Law 80/2013, of 12 June 2013, the privatization process of the shareholdings held by CGD, through CSS, in the Insurance Companies by means of, among other possible structures, (i) a direct sale by way of agreement of up to 100% of the share capital and voting rights of the three Insurance Companies (namely Fidelidade, Multicare and Cares) and (ii) an initial public offering of shares representing up to 5% of the share capital and voting rights of Fidelidade, addressed solely to employees of the Insurance Companies (the "**Employee IPO**").

The Company was one of the two final bidders selected by the Portuguese Government to provide a final proposal, and submitted on 16 December 2013 a binding proposal for the acquisition of shares representing 80% of the share capital and voting rights of each of the three Insurance Companies. The Company also proposed in the bid document to purchase additional shares representing up to 5% of the share capital and voting rights of Fidelidade, to the extent such shares are not purchased by employees of the Insurance Companies in the Employee IPO.

On 9 January 2014, the Company was selected by the Portuguese Government as the winner of the bid to purchase shares of the three Insurance Companies in the direct sale process and potentially to purchase additional shares of Fidelidade thereafter upon completion of the Employee IPO.

On 7 February 2014 (after trading hours in Hong Kong), the Company entered into a formal agreement in relation to the Acquisition with details set out as follows:

DIRECT REFERENCE SALE AGREEMENT

Date	7 February 2014
Parties	1. Millennium Gain Limited, an indirect wholly-owned subsidiary of the Company, as the Purchaser; 2. the Company;

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3. CSS, a direct wholly-owned subsidiary of CGD, as the Vendor; and

4. CGD.

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, the Vendor and its ultimate beneficial owners are third parties independent of the Company and connected persons of the Company, and not the connected persons of the Company.

Assets to be transferred

Subject to the terms and conditions of the Direct Reference Sale Agreement, the Purchaser agreed to purchase shares representing 80% of the share capital and voting rights of each of Fidelidade, Multicare and Cares.

In addition, the Purchaser agreed to purchase additional shares representing up to 5% of the share capital and voting rights of Fidelidade at the same consideration payable for each share of Fidelidade under the Direct Reference Sale Agreement, to the extent such shares are not acquired by employees of the Insurance Companies under the Employee IPO. The remainder of the share capital and voting rights of the Insurance Companies (not owned by the Company or employees of the Insurance Companies) continue to be owned by CSS.

The Insurance Companies form the largest insurance group in Portugal, with the largest market shares in both life and non-life insurance, and across most major individual products. They benefit from a diversified distribution platform (particularly from the exclusive access to more than 800 CGD's branches) and a portfolio of highly recognizable brands.

Consideration

The aggregate consideration for the acquisition of the Insurance Companies under the Direct Reference Sale Agreement is Euro 1 billion subject to an adjustment equivalent to the difference between the final NAV at the end of the month prior to Completion and as at 30 June 2013, if any.

The consideration for the Acquisition has been adjusted to approximately Euro 1.038 billion from Euro 1 billion, and will be further adjusted based on a closing audit to be completed within 45 Business Days from 15 May 2014, pursuant to the Direct Reference Sale Agreement.

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With reference to the adjusted consideration of approximately Euro 1.038 billion, the consideration payable for the further acquisition of up to 5% of the share capital of Fidelidade is approximately Euro 61.3 million, being calculated by multiplying 6,050,000 shares of Fidelidade (representing 5% of the share capital of Fidelidade) by approximately Euro 10.13 per share of Fidelidade, subject to the same adjustment as stated above.

The consideration for the Acquisition was determined through arm's length negotiations among the parties to the Direct Reference Sale Agreement by reference to, among other matters:

- (i) the value of the assets and business of the Insurance Companies; and
- (ii) the factors set out in the section headed "Reasons for and Benefits of the Acquisition".

According to the International Financial Reporting Standards, the audited net profits (both before and after taxation) of the Insurance Companies (on an aggregate basis) for the two financial years immediately preceding the Acquisition were as follows:

	For the year ended	
	31 December	
	2013	2012
	<i>(audited)</i>	<i>(audited)</i>
	<i>approximately</i>	<i>approximately</i>
	<i>RMB million</i>	<i>RMB million</i>
Net profit before tax	1,255	1,392
Net profit after tax	958	915

The audited total assets and net assets of the Insurance Companies (on an aggregate basis) were approximately RMB 107,635 million and approximately RMB 10,717 million, respectively, as at 31 December 2013.

The consideration had been satisfied by a combination of the internal resources of the Group and external financing, such as bank loans and/or other means as available to the Company.

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Payment and completion

1. Euro 100 million has already been paid by the Purchaser as a prepayment to the Vendor pursuant to the Direct Reference Sale Agreement; in addition, bank guarantees in respect of the remaining consideration of Euro 900 million as well as the consideration for the potential additional shares of Fidelidade of approximately Euro 58.5 million have been provided;
2. the remaining consideration of Euro 900 million has already been settled upon Completion;
3. any adjustment payment relating to changes in NAV will be made by the Purchaser or the Vendor (as appropriate) within 20 Business Days upon presentation of the price adjustment report (which shall be ready within 45 Business Days from the date of Completion) to the Purchaser and the Vendor; and
4. any consideration payable for the acquisition of shares of Fidelidade left over from the Employee IPO will be paid within 20 Business Days from the notice of the Vendor to the Purchaser of completion of the Employee IPO.

Further announcement(s) will be made in relation to any further acquisition of the shares of Fidelidade upon the completion of the Employee IPO (if any), if and when appropriate, in compliance with the applicable requirements of the Listing Rules.

Conditions precedent

Completion was conditional upon the fulfilment of, inter alia, the following conditions precedent (except if waived by the Parties) on or before 9 months after the date of the Direct Reference Sale Agreement:

- (i) If legally required, the Purchaser obtaining, as soon as possible after the date of the Direct Reference Sale Agreement, a decision of non-opposition, expressed or implied, with or without being subject to conditions and obligations, by the competent competition authorities; and

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- (ii) The Purchaser obtaining, as soon as possible after the date of the Direct Reference Sale Agreement, a decision of non-opposition by the Insurance Institute of Portugal (Instituto de Seguros de Portugal), to the acquisition by the Purchaser of a qualifying holding in the Insurance Companies, without conditions or obligations or with conditions and obligations which do not have a relevant materially adverse impact on the current business of the Insurance Companies or of the Purchaser.

The Completion took place on 15 May 2014.

Other major terms

Vendor's Right to Opt-out: prior to the date of Completion, the Vendor calculated the preliminary NAV as at the date of the end of the month prior to the Completion, and if the price resulting from the preliminary NAV is lower than the price that was calculated on the basis of the NAV as at 30 June 2013 by 10% or more, the Vendor has the option of (1) going ahead with the Completion, or (2) terminating the Direct Reference Sale Agreement, subject to the reimbursement of the Company and the Purchaser in respect of their transaction expenses incurred up to a maximum of Euro 7 million (on an aggregate basis), and returning the prepayment of Euro 100 million (together with any accrued interest) paid by the Purchaser and the bank guarantees, all within 20 Business Days upon the date of the termination.

REASONS FOR AND BENEFITS OF THE ACQUISITION

The Insurance Companies have become subsidiaries of the Company upon Completion and remain principally engaged in insurance business in Portugal, which is a core business, a key growth engine and a strategic priority for the Group. The Group regards the development of the insurance business as an attractive way to connect the Group's investment capability to high-quality long-term capital. The Acquisition, being another milestone in the Group's path towards internationalisation, will further expand the Group's insurance business, and strengthen the Group's capability to access high-quality long-term capital.

In particular, the Company believes the following benefits can be achieved:

1. the audited total assets of the Insurance Companies as of 31 December 2013 amounted to approximately Euro 12.8 billion. The Company plans to apply its investment and asset allocation capabilities to enhance the Insurance Companies' performance;
2. synergies could be achieved between the investments of the insurance segment of the Group and the Insurance Companies; and

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3. the Company will regard the Insurance Companies as part of the Group's platform for business development in the European Union and Portuguese-speaking countries, involving cooperation in both insurance and non-insurance projects.

The Directors (including the independent non-executive Directors) are of the view that the Acquisition is in the ordinary and usual course of business of the Group, and that the terms of the Direct Reference Sale Agreement are on normal commercial terms and in the interest of the Company and its Shareholders as a whole.

FINANCIAL EFFECTS OF THE ACQUISITION

Following the Completion, the Insurance Companies have already become the indirect subsidiaries of the Company and their results would be consolidated into the consolidated financial statements of the Group. 80% of the share capital and voting rights of each of the Insurance Companies have been held by the Company after the Completion.

According to the consolidated statement of financial position of the Group as contained in the Annual Report 2013 of the Company, the audited total assets and liabilities of the Group as at 31 December 2013 were approximately RMB183.1 billion and RMB121.8 billion, respectively, whereas according to the unaudited pro forma financial information as contained in Appendix III of this circular, the unaudited pro forma total assets and total liabilities of the Enlarged Group as at 31 December 2013 were approximately RMB286.9 billion and RMB223.4 billion following the consolidation of results and assets and liabilities of the Insurance Companies as at 31 December 2013.

The financial effects of the Acquisition on the Group is set out in Appendix III to this circular and as follows:

a. **Assets**

As of 31 December 2013, the consolidated total assets of the Group were approximately RMB183.1 billion. According to the unaudited pro forma financial information, the unaudited pro forma consolidated total assets of the Enlarged Group would have been increased to approximately RMB286.9 billion.

b. **Liabilities**

As of 31 December 2013, the consolidated total liabilities of the Group were approximately RMB121.8 billion. According to the unaudited pro forma financial information, the unaudited pro forma consolidated total liabilities of the Enlarged Group would have been increased to approximately RMB223.4 billion.

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c. Total equity

As of 31 December 2013, the total equity of the Group was RMB61,299.8 million. According to the unaudited pro forma financial information, the unaudited pro forma total equity of the Enlarged Group would have been increased to RMB63,535.5 million.

d. Earnings

For the year ended 31 December 2013, the consolidated net profit of the Group was RMB7,852.8 million and according to the accountants' report of the Insurance Companies as set out in Appendix II to this circular, the audited net profit (on an aggregate basis) for the year ended 31 December 2013 was amounted to Euro 113.8 million (approximately RMB958.1 million). The Directors believe the Insurance Companies will be able to continue to generate profit attributable to the Shareholders in the future.

INFORMATION ON THE PARTIES

The Company

The principal businesses of the Company include (i) insurance; (ii) industrial operations; (iii) investment; and (iv) asset management.

CGD

CGD is the largest international bank in Portugal, with a nationwide distribution platform of more than 800 branches with more than 4 million customers in Portugal. As of September 2013, CGD's market share was 21.6% by customer loans and 28.0% by deposits. CGD is also present in selected international markets including Spain, Mozambique, Angola, Macau and Brazil.

CSS

CSS is the largest insurance group in Portugal, contributing to approximately 30% of the nation's insurance market. It has leading market shares in life and general insurance in Portugal, as per the report issued by Associação Portuguesa de Seguradores (Portuguese Insurers Association) in April 2013. Its position is supported by a diversified distribution platform — including exclusive access to CGD's leading branch network — and a highly recognized portfolio of brands.

LISTING RULES IMPLICATIONS

As one of the applicable percentage ratios (as defined under Rule 14.04(9) of the Listing Rules) in relation to the Acquisition (even after the adjustment to the consideration) exceeds 25% and is less than 100%, the Acquisition constitutes a major transaction of the Company and is subject to the approval by the Shareholders under the Listing Rules.

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To the best of the knowledge, information and belief of the Directors, after having made all reasonable enquiries, no Shareholder or any of their respective associates have any material interest in the Direct Reference Sale Agreement and the Acquisition, thus no Shareholder is required to abstain from voting if the Company were to convene a general meeting for the approval of the Direct Reference Sale Agreement and the Acquisition. The Company had already obtained a written shareholder approval from Fosun Holdings, the controlling Shareholder holding approximately 79.60% of the total issued shares of the Company as at the Latest Practicable Date, in lieu of holding a general meeting to approve the Direct Reference Sale Agreement and the Acquisition in accordance with Rule 14.44 of the Listing Rules.

3. FINANCIAL AND TRADING PROSPECTS OF THE GROUP

While accelerating development in key areas including financing, real estates, health, culture and tourism, logistics and commerce, the Group also attaches importance to new opportunities arising from changes in the mode of China's economic development and pays close attention to investment opportunities arising from the global economic landscape, and in particular, focuses on the growth of personal experience-driven consumption and investment opportunities brought about by the slow growth of the branded luxury industry worldwide. More importantly, the society puts more emphasis on environmental protection and pays more attention to food safety issues. From 2014, the Group will start investing in the broad environmental protection sector.

The Development Direction of the Group

For insurance business, based on the foundation of rapid growth in this segment in 2013, on one hand, supported by the investment capability of the Group, Yong'an Property Insurance Company Limited, Pramerica Fosun Life Insurance Co., Ltd. and Peak Reinsurance Company Limited will endeavour in ongoing product innovation through resources sharing with all business segments of the Group and introducing the concept of mobile internet in 2014 and will strengthen and expand their existing insurance business; on the other hand, leveraging on the Insurance Companies, the Group will spend extra efforts to explore the investment opportunities in overseas insurance companies.

For industrial operations, Fosun Pharma, as the core platform for pharmaceuticals and healthcare development of the Group, will strive to become a leading local enterprise with international visions, bio-pharmaceutical innovation capabilities and an advantageous position in the healthcare sector in China through persistent deepening of business restructuring efforts. Shanghai Forte Land Co., Ltd. will adhere strictly to a rapid asset turnover model, enhancing its systemic development capabilities, and further enhancing its capacity as a full-licensed real estate developer, so as to maximize shareholder returns. In the area of product strategy, Hive City (Community) is a product under the new model of urbanisation pioneered by the Group, integrating its global resources to participate in the construction of core urban functions through a public-private-partnership ("PPP") model, featuring "Urban-Industry integration with urban development underpinned by industrial operations". The Hive City (Community) products developed by the Group tap the Group's existing resources in its industrial investments, combining with national and global resources to construct core functions urgently required by urban upgrading and industrial upgrading, including the direct financing function, the healthcare and medical function, the culture, experience and travel function, and the trade and logistics function, etc., seeking to pioneer innovative planning concepts through establishing a 3-in-1

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community for work, living and consumption, vibrant communities with 24-hour active passenger traffic. Through industries providing core service functions, ancillary services and supporting living and consumption services industries, these communities provide adequate and diverse job opportunities. These Hive City (Community) will also lower the barriers of entry to provide room for innovative entrepreneurial start-ups, seeking to constitute functional communities that are self-sufficient, environmentally friendly with active dispersal of peripheral services. While serving the cities, these functions will gradually form community-style cities through seamless homogeneous connections of Hive City (Community) of different functions. For city strategies, it will deepen its foothold in first and second-tier cities and strive to replenish its land bank. It will also strengthen its cost management and enhance its marketing efforts. Taking “innovation and reforms” as the driving force, Nanjing Nangang Iron & Steel United Co., Ltd. will fully implement the internationalisation strategy, persistently deepen the internal reform and proactively grasp the potential opportunities arising from the rebound of the iron and steel industry while strengthening the reform of technology and importance of operation management upgrade to meet annual production and operation targets and bring itself on a fast track of transformation and upgrading. In addition to continuously optimising production and operations at its headquarters, Hainan Mining Co., Ltd. will continue to enhance its operation, management and investment capabilities to groom itself into a leading domestic large-scale mining enterprise that enjoys a worldwide reputation, and will further improve its production and sales capabilities, strive for steady growth in iron ore annual output, sales volume, sales revenue and net profit. Hainan Mining Co., Ltd. will also further proceed with its listing plan, and will strive to complete its initial public offering of shares in 2014.

For investment, in light of the major economic trends, we will adhere to our value investing philosophy and stay concentrated on the major projects, actively implement our investment model of “Combining China’s Growth Momentum with Global Resources”, identify and capture better and more precise investment opportunities in China and other markets with international perspectives and the mobile internet concept. In particular, after the completion of the acquisition of an 80% equity interest in the Insurance Companies, the Group will strengthen its investments, especially its fixed income investments, in EU and OECD member states. Meanwhile, the Group will continue to take root in China, and accelerate investments with a focus on China’s growth momentum, promote overseas investment with our investment model of “Combining China’s Growth Momentum with Global Resources”. We will also introduce more outstanding partners into China and share the growth momentum arising from economic transformation and development in China.

For asset management, we will put more emphasis on facilitating the establishment of an integrated financing platform for limited partners based on our existing foundation. Leveraging improvements in our investment capabilities, we will enhance product innovation. Meanwhile, we will have access to high quality capital such as insurance capital through various channels and will vigorously promote rapid growth in scale of our asset management operations.

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4. WAIVERS FROM STRICT COMPLIANCE WITH THE LISTING RULES

The Company has requested to the Stock Exchange to consider granting waivers to the Company from strict compliance with the requirements of Rule 4.03 and 4.09(2) of the Listing Rules. The Stock Exchange has granted waivers to the Company from strict compliance with the relevant requirements of the Listing Rules so that (i) Deloitte & Associados, SROC S.A., an accounting firm registered with the Institute of Chartered Accountants in Portugal, can act as the reporting accountants for the accountants' report of Insurance Companies; and (ii) the reporting accountant can report the financial information of the Insurance Companies as a group of companies on a combined basis. The accountants' report of Insurance Companies on a combined basis prepared by Deloitte & Associados, SROC S.A. has been included as Appendix II to this circular.

5. RECOMMENDATION

Although no general meeting will be convened for approving the Acquisition, the Directors (including the independent non-executive Directors) believe that the transactions contemplated under the Direct Reference Sale Agreement are fair and reasonable and are in the best interests of the Company and the Shareholders as a whole. Accordingly, if the general meeting were convened for approving the Acquisition, the Directors would have recommended the Shareholders to vote in favour of the Acquisition.

6. ADDITIONAL INFORMATION

Your attention is also drawn to the additional information set out in the Appendices to this circular.

Yours faithfully,
By Order of the Board
Guo Guangchang
Chairman

1. FINANCIAL INFORMATION OF THE GROUP

The Company is required to set out or refer to in this circular the information for the last three financial years with respect to the profits and losses, financial record and position, set out as a comparative table and the latest published audited balance sheet together with the notes on the annual accounts for the last financial year for the Group. The financial information of the Group is disclosed in the following documents which have been published on the websites of the Hong Kong Stock Exchange (<http://www.hkexnews.hk>) and the Company (<http://www.fosun.com>):

- The audited consolidated financial statements of the Group for the year ended 31 December 2013 are set out in the annual report of the Company (pages 77 - 204) published on 14 April 2014. Please also see below link to the Annual Report 2013:

<http://www.hkexnews.hk/listedco/listconews/SEHK/2014/0414/LTN20140414375.pdf>

- The audited consolidated financial statements of the Group for the year ended 31 December 2012 are set out in the annual report of the Company (pages 70 - 189) published on 17 April 2013. Please also see below link to the Annual Report 2012:

<http://www.hkexnews.hk/listedco/listconews/SEHK/2013/0417/LTN20130417258.pdf>

- The audited consolidated financial statements of the Group for the year ended 31 December 2011 are set out in the annual report of the Company (pages 65 - 193) published on 24 April 2012. Please also see below link to the Annual Report 2011:

<http://www.hkexnews.hk/listedco/listconews/SEHK/2012/0424/LTN20120424254.PDF>

2. INDEBTEDNESS

At the close of business on 30 April 2014, being the latest practicable date prior to the printing of this circular for the purpose of ascertaining information contained in this indebtedness statement, the Enlarged Group had an aggregate outstanding indebtedness of approximately RMB81,022,343,000, which was comprised of:

As at 30 April 2014

RMB'000

Interest-bearing bank and other borrowings:

Bank loans

Guaranteed	1,293,180
Secured	16,884,542
Unsecured	<u>34,345,559</u>
	52,523,281

Private placement notes	2,986,686
Corporate bonds and enterprise bonds	10,926,252
Senior notes	4,035,072
Medium-term notes	2,585,050
Other borrowings, secured	546,320
Other borrowings, unsecured	<u>4,715,954</u>
Total interest-bearing bank and other borrowings	78,318,615

Convertible bonds	2,413,270
Loan from related companies	198,500
Finance lease payables	<u>91,958</u>

Total	<u><u>81,022,343</u></u>
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Repayable:

Within one year	40,937,309
In the second year	12,170,028
In the third to fifth years, inclusive	24,557,952
Over five years	<u>3,357,054</u>

81,022,343

As at the close of business on 30 April 2014, some of the Enlarged Group's bank loans were secured by the pledge of some of the Enlarged Group's buildings, plant and machinery, mining infrastructure, investment properties, prepaid land lease payments, properties under development, completed properties for sale, time deposits with original maturity of more than three months, trade and notes receivables, inventories, equity investment at fair value through profit or loss, an investment in a jointly-controlled entity and investment in subsidiaries.

Contingent Liabilities:

As at the close of business on 30 April 2014, the Enlarged Group had the following contingent liabilities:

	As at 30 April 2014 <i>RMB'000</i>
Guaranteed bank loans of:	
Related parties	508,000
Third parties	<u>50,000</u>
	558,000
Qualified buyers' mortgage loans	<u>2,473,034</u>
	<u><u>3,031,034</u></u>

Save as aforesaid or as otherwise disclosed herein, and apart from intra-group liabilities and normal trade payables, at the close of business on 30 April 2014, the Enlarged Group did not have any outstanding debts securities, bank overdrafts, liabilities under acceptances (other than normal trade bills), acceptances credits, material hire purchase commitments, mortgages or charges, which were either guaranteed, unguaranteed, secured or unsecured.

Save as disclosed above, the Directors have confirmed that there have been no material changes in the indebtedness and contingent liabilities of the Enlarged Group since 30 April 2014.

3. WORKING CAPITAL

Taking into account the existing cash and bank balances, the present internal resources and the available banking facilities of the Enlarged Group, the Directors, after due and careful enquiry, are of the opinion that the working capital of the Enlarged Group is sufficient for at least 12 months from the date of this circular.

APPENDIX II ACCOUNTANTS' REPORT OF INSURANCE COMPANIES

ACCOUNTANTS' REPORT ON THE INSURANCE COMPANIES

(Amounts expressed in Euros, except when otherwise expressly indicated)

25 June 2014

The Directors

Fosun International Limited

Dear Sirs,

We set out below our report on the combined financial information relating to Fidelidade – Companhia de Seguros, S.A. (“Fidelidade”), Multicare – Seguros de Saúde, S.A. (“Multicare”) and Cares – Companhia de Seguros, S.A. (“Cares”) and their subsidiaries and associates (hereinafter collectively referred to as “Target Insurance Companies” or “Insurance Group”) of Caixa Seguros e Saúde, SGPS, S.A (“CSS”) for each of the three years ended 31 December 2013 (the “Relevant Periods”) (the “Financial Information”) for inclusion in the circular of Fosun International Limited (“Fosun”) dated 25 June 2014 (the “Circular”) in connection with the major acquisition (the “Proposed Acquisition”) of Fosun. Details of the Proposed Acquisition are set out in the Circular.

CSS is a wholly-owned subsidiary of Caixa Geral de Depósitos S.A. (“CGD”), a bank held by the Portuguese state.

During the Relevant Periods and as at the date of this report, particulars of the Target Insurance Companies are as follows:

Name of the Company	Placement of incorporation establishment	Date of incorporation	% Equity interest	Registered/paid-in capital			The date of this report	Principal activities
				31 December				
				2011	2012	2013		
Fidelidade - Companhia de Seguros, S.A.	Portugal	07-10-1835	100.00%	520,000,000	605,000,000	381,150,000	381,150,000	Underwriting of life and non-life insurance
Multicare - Seguros de Saúde, S.A.	Portugal	13-05-2007	100.00%	18,000,000	18,000,000	27,000,000	27,000,000	Underwriting and Reinsurance of healthcare Insurance
Cares - Companhia de Seguros, S.A.	Portugal	19-03-1995	100.00%	7,500,000	7,500,000	7,500,000	7,500,000	Reinsurance of assistance and legal protection
Subsidiaries:								
Via Directa - Companhia de Seguros, S.A.	Portugal	28-11-1997	100.00%	23,000,000	23,000,000	23,000,000	23,000,000	Underwriting and Reinsurance of non-life Insurance
Companhia Portuguesa de Resseguros, S.A.	Portugal	13-01-1983	100.00%	7,500,000	7,500,000	7,500,000	7,500,000	Reinsurance of non-life Insurance

APPENDIX II ACCOUNTANTS' REPORT OF INSURANCE COMPANIES

(Amounts expressed in Euros, except when otherwise expressly indicated)

Name of the Company	Placement of incorporation establishment	Date of incorporation	% Equity interest	Registered/paid-in capital			The date of this report	Principal activities
				31 December				
				2011	2012	2013		
Universal Seguros, S.A.(a)	Angola	02-06-2009	70.00%	784,000,000	784,000,000	784,000,000	784,000,000	Underwriting of life and non-life insurance
Fidelidade - Investimentos Imobiliários, S.A.	Portugal	19-11-1991	100.00%	18,200,000	18,200,000	18,200,000	18,200,000	Renting of property, and providing associated services
Fundo de Investimento Imobiliário Fechado Saúdeinvest	Portugal	10-12-2002	82.18%	84,497,034	84,497,034	84,497,034	84,497,034	Property portfolio Management
Fundo de Investimento Imobiliário Fechado Bonança I	Portugal	22-12-1993	100.00%	18,455,522	18,455,522	18,455,522	18,455,522	Property portfolio Management
GEP - Gestão de Peritagens Automóveis, S.A.	Portugal	11-11-1996	100.00%	100,000	100,000	100,000	100,000	Providing services for the assessment of damage
E.A.P.S. - Empresa de Análise, Prevenção e Segurança, S.A.	Portugal	11-11-1996	100.00%	50,000	50,000	50,000	50,000	Risk analysis and prevention services
CETRA - Centro Técnico de Reparação Automóvel, S.A.	Portugal	15-03-1973	100.00%	750,000	750,000	750,000	750,000	All type of motor vehicle Activity
Cares RH - Companhia de Assistência e Representação de Seguros, S.A.	Portugal	29-01-1991	100.00%	50,000	50,000	50,000	50,000	Representantion and assistance of foreign insurers and claims management support services
Cares Multiassistance, S.A.	Portugal	08-11-2002	51.00%	100,000	100,000	100,000	100,000	Providing services relating to repair and restoration works
Associates:								
Audatex Portugal - Peritagens Informat. Derivadas de Acidentes, S.A.	Portugal	03-01-1995	33.67%	2,250,000	2,250,000	2,250,000	2,250,000	Providing services for the assessment of damage
HIGHGROVE - Invest. Part. SGPS, S.A.	Portugal	21-09-1999	25.00%	1,309,230	1,309,230	1,309,230	1,309,230	Holding company

(a) - Amount in Kwanzas (AKZ).

The Financial Information for the Relevant Periods set out in this report has been prepared in accordance with International Financial Reporting Standards (“IFRS”), and as explained in Note 1 of Section A below, was prepared from the underlying combined financial statements of the Target Insurance Companies, prepared under IFRS as endorsed by the European Union (which regarding the Target Insurance Companies in the Relevant Periods correspond to IFRS), and adjusted to restate the property for own use held by the Target Insurance Companies at cost instead of at revaluation, in order to keep consistency with Fosun’s accounting policy on property for own use.

APPENDIX II ACCOUNTANTS' REPORT OF INSURANCE COMPANIES

(Amounts expressed in Euros, except when otherwise expressly indicated)

The above mentioned underlying combined financial statements have been audited by us, Deloitte & Associados, SROC S.A., and were prepared from the statutory financial statements of the Target Insurance Companies, through an exercise that comprised the aggregation of such financial statements, corrected by the impact of consolidating Fidelidade's and Cares's subsidiary companies and eliminating transactions, balances, income and expenses between the Target Insurance Companies and adjusted for the differences between Portuguese Generally Accepted Accounting Principles ("Portuguese GAAP") and IFRS/International Accounting Standards ("IAS") Standards, as endorsed by the European Union.

The statutory financial statements of Fidelidade, Multicare and Cares for each of the three years ended 31 December 2013, were prepared in accordance with the principles set out in the Chart of Accounts for the Insurance Sector, approved by the Portuguese Insurance Institute (ISP) according to regulations 4/2007-R of 27 April, with the changes brought in according to regulations 20/2007-R of 31 December and 22/2010-R of 16 December, and the remaining regulatory standards issued by the insurance regulator, and were audited by us, Deloitte & Associados, SROC S.A..

We have examined the audited combined financial statements of the Target Insurance Companies for the Relevant Periods ("Underlying Financial Statements") in accordance with the Auditing Guideline 3.340 "Prospectuses and the reporting accountants" as recommended by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

The directors of the Target Insurance Companies are responsible for the Underlying Financial Statements and the directors of Fosun are responsible for the contents of the Circular in which this report is included.

It is our responsibility to compile the Financial Information set out in this report from the Underlying Financial Statements, to form an independent opinion on the Financial Information and to report our opinion to you.

In our opinion, on the basis of preparation set out in Note 1 of Section A of the accountants' report "General Information and Basis of Preparation", the Financial Information gives, for the purpose of this report, a true and fair view of the combined state of affairs of the Target Insurance Companies as at 31 December 2011, 2012 and 2013, and of the combined results and combined cash flows of the Target Insurance Companies for the Relevant Periods.

Without qualifying our report, we draw your attention that our audit report on the combined financial statements of the Target Insurance Companies for the Relevant Periods, dated 7 April 2014, contains the following emphasis of a matter, which are applicable to the combined financial information:

- i) In accordance with the procedures established for the accounting treatment of the provision for profit sharing not yet attributed, the Insurance Group recorded in 2013 and 2012 gains in the amounts of Euro 13,548,257 and Euro 21,070,968, respectively, by using the provision generated during those years as a result of the net unrealised gains attributable to the insured persons, arising from the appreciation of the investment portfolios linked to life insurance products with profit sharing clauses. The use of this provision was intended to compensate losses generated in previous years in the technical results of the respective

APPENDIX II ACCOUNTANTS' REPORT OF INSURANCE COMPANIES

(Amounts expressed in Euros, except when otherwise expressly indicated)

products which were recorded in the Insurance Group's statement of profit and loss, as the income from the respective investment portfolios was not enough to cover the expenses correspondent to the technical interest rates guaranteed to the insured persons (Note 3.15.f).

- ii) The Portuguese Insurance Institute's regulatory standard no. 4/2011-R of 2 June 2011, applicable to the accounting periods beginning on or after 1 January 2011, introduced significant changes to the rules applicable to the calculation of insurance companies' solvency margins, namely the removal of deductions of unrealised capital losses on securities recorded at amortised cost. Following the enactment of this regulatory standard, the Insurance Group reclassified in 2011 debt instruments previously recorded as available for sale assets to "Investments to be held to maturity", which are recorded at amortised cost. The reclassifications were made on the basis of the fair value of such assets at 1 January 2011 and 1 October 2011, which amounted to Euro 3,236,375,908 and Euro 26,187,539, respectively. At 31 December 2011, the negative revaluation reserve on debt securities reclassified to investments to be held to maturity, comprising the unrealised capital losses generated prior to the reclassifications, which amounted to Euro 99,969,364, remained recorded in shareholders' equity, being amortised until maturity of the corresponding investments. At 31 December 2011, the amount of unrealised capital losses net of capital gains on investments to be held to maturity which in accordance with the applicable accounting policy was not recognised in the financial statements, excluding the amounts relative to Greek Public Debt Securities, amounted to Euro 730,242,409. As of 31 December 2013 and 2012, the investments to be held to maturity held by the Insurance Group presented net unrealised capital gains in the amounts of Euro 106,873,391 and Euro 72,403,130, respectively (Note 22).
- iii) In 2011, the Insurance Group used the balances of the profit sharing provision to be attributed, comprising realised net capital gains attributable to the insured persons, to cover the losses recorded during the year on the technical accounts of life insurance products with a profit sharing component. These net capital gains have been originally transferred from the "Fund for Future Appropriations" where they had been recorded in accordance with the accounting standards previously applicable to insurance companies. Up to 31 December 2010, the net capital gains recorded in the profit sharing provision to be attributed were primarily used to compensate the net unrealised capital losses of the respective investments portfolios. Accordingly, in 2011, losses recorded on the technical accounts during the year, offset by the use of the provision for profit sharing to be attributed, reached an amount of approximately Euro 26,300,000 (Note 31).
- iv) During the year 2011, the Insurance Group revised the methodology used to estimate the claims costs of life insurance products classified as insurance contracts, and started to recognise the liabilities for claims settled more than three years ago at that time but not yet paid, including the amounts originated from redemptions and maturities, based on the expected amount of payments to be made, as determined by an external consultant based on the Insurance Group's historical data on similar claims payments. The previous methodology consisted in the recognition of the liability's nominal amount. Therefore, the provisions recorded by the Insurance Group in 2011 were reduced as a result of such methodology revision by an amount of approximately Euro 19,080,000 (Note 31).

APPENDIX II ACCOUNTANTS' REPORT OF INSURANCE COMPANIES

(Amounts expressed in Euros, except when otherwise expressly indicated)

(A) FINANCIAL INFORMATION

COMBINED STATEMENTS OF PROFIT OR LOSS FOR THE YEARS ENDED 31 DECEMBER 2013, 2012 AND 2011

	<i>Notes</i>	2013	2012	2011
Income				
Gross premiums written	5	1,315,791,311	1,366,310,435	1,400,869,751
Less: Premiums ceded to reinsurers and retrocessionaires	5	<u>(161,378,111)</u>	<u>(170,920,380)</u>	<u>(168,508,763)</u>
Net premiums written		1,154,413,200	1,195,390,055	1,232,360,988
Change in unearned premium provisions, net of reinsurance	5	<u>8,949,426</u>	<u>2,918,187</u>	<u>6,634,101</u>
Net earned premiums		1,163,362,626	1,198,308,242	1,238,995,089
Net investment income	6	451,885,929	439,034,915	488,255,118
Net realised and unrealised investment gains (losses) and impairment				
- Net realised gains and losses relating to investments at fair value through shareholders' equity and other investments	7	24,367,156	31,092,563	(21,919,879)
- Net realised gains and losses and change in fair value of assets and liabilities at fair value through profit and loss	8	(26,457,984)	(6,398,546)	(22,481,148)
- Investments impairment loss	9	(36,521,653)	(46,784,161)	(224,168,268)
Other income	10	39,059,710	35,726,459	34,387,115
Other gains	11	20,284,683	20,844,377	17,324,657
Other losses	12	<u>(54,860,333)</u>	<u>(53,505,514)</u>	<u>(6,795,508)</u>
Total income		<u>1,581,120,134</u>	<u>1,618,318,335</u>	<u>1,503,597,176</u>

APPENDIX II ACCOUNTANTS' REPORT OF INSURANCE COMPANIES

(Amounts expressed in Euros, except when otherwise expressly indicated)

	Notes	2013	2012	2011
Benefits, losses and expenses				
Claims and insurance benefits incurred (gross)	13	(1,056,977,679)	(1,284,907,964)	(1,977,983,511)
Claims and insurance benefits incurred (ceded)	13	93,600,516	63,293,620	86,189,441
Commission expenses	14	(139,289,429)	(140,205,134)	(140,226,570)
Administrative and other expenses	15	(332,785,024)	(347,040,739)	(330,650,836)
Change in insurance contract liabilities, net of reinsurance	13	173,500,022	413,944,207	1,064,896,721
Interest allocated to investments contracts	32	<u>(170,549,982)</u>	<u>(158,633,724)</u>	<u>(164,717,965)</u>
Total benefits, losses and expenses		<u>(1,432,501,576)</u>	<u>(1,453,549,734)</u>	<u>(1,462,492,720)</u>
Profit from operations		<u>148,618,558</u>	<u>164,768,601</u>	<u>41,104,456</u>
Share of results of associates	16	<u>473,791</u>	<u>548,202</u>	<u>484,282</u>
Profit before taxation		<u>149,092,349</u>	<u>165,316,803</u>	<u>41,588,738</u>
Income tax expense	17	<u>(35,279,137)</u>	<u>(56,618,282)</u>	<u>(4,464,755)</u>
Profit after taxation		<u><u>113,813,212</u></u>	<u><u>108,698,521</u></u>	<u><u>37,123,983</u></u>
Attributable to:				
Owners of the Insurance Group companies		113,503,710	109,392,781	35,722,294
Non-controlling interests	41	<u>309,502</u>	<u>(694,260)</u>	<u>1,401,689</u>
		<u><u>113,813,212</u></u>	<u><u>108,698,521</u></u>	<u><u>37,123,983</u></u>

APPENDIX II ACCOUNTANTS' REPORT OF INSURANCE COMPANIES

(Amounts expressed in Euros, except when otherwise expressly indicated)

COMBINED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEARS ENDED 31 DECEMBER 2013, 2012 AND 2011

	2013	2012	2011
Profit after taxation	<u>113,813,212</u>	<u>108,698,521</u>	<u>37,123,983</u>
Items that may be reclassified subsequently to profit or loss			
Change in potential gains/(losses) on financial assets:			
- Gross amount	92,781,308	551,952,910	(212,423,171)
- Life insurance contracts with profit sharing	(30,442,174)	(76,576,713)	3,136,963
- Exchange differences	(112,440)	36,942	715,976
- Deferred tax	(14,092,296)	(79,850,019)	14,965,373
- Current tax	<u>(3,811,867)</u>	<u>(60,101,250)</u>	<u>43,749,785</u>
	<u>44,322,531</u>	<u>335,461,870</u>	<u>(149,855,074)</u>
Items that will not be reclassified subsequently to profit or loss			
Actuarial deviations:			
- Gross amount	(4,969,989)	(18,584,765)	(10,320,661)
- Current tax	1,571,013	—	—
- Deferred tax	<u>1,192,886</u>	<u>5,846,591</u>	<u>3,046,143</u>
	<u>(2,206,090)</u>	<u>(12,738,174)</u>	<u>(7,274,518)</u>
	<u>155,929,653</u>	<u>431,422,217</u>	<u>(120,005,609)</u>
Attributable to:			
Owners of the Insurance Group companies	155,620,151	432,116,477	(121,407,298)
Non-controlling interests	<u>309,502</u>	<u>(694,260)</u>	<u>1,401,689</u>
	<u>155,929,653</u>	<u>431,422,217</u>	<u>(120,005,609)</u>

APPENDIX II ACCOUNTANTS' REPORT OF INSURANCE COMPANIES

(Amounts expressed in Euros, except when otherwise expressly indicated)

COMBINED STATEMENTS OF FINANCIAL POSITION AS AT 31 DECEMBER 2013, 2012 AND 2011

	<i>Notes</i>	2013	2012	2011
Asset				
Cash and cash equivalents	18	202,418,277	653,061,572	435,455,448
Term deposits	19	1,360,345,062	605,576,604	548,515,244
Investments:				
- Financial assets held for trading	20	—	75,047,138	63,592,168
- Financial assets designated at fair value through profit or loss	20	47,905,493	59,698,776	90,998,619
- Available for sale assets	21	6,287,915,753	6,257,349,765	6,146,363,557
- Investments to be held to maturity	22	2,877,576,151	3,116,712,595	3,781,909,020
Policyholder account assets in respect of unit-linked contracts	20	865,832,411	1,052,083,382	535,608,752
Interest in associates	23	1,507,632	2,433,106	2,193,640
Insurance and reinsurance debtors	24	162,454,674	178,587,465	254,228,374
Reinsurers' share of insurance contract provisions	25	180,658,246	192,398,055	220,024,066
Other receivables and accruals	26	51,659,758	60,069,703	62,203,684
Tax recoverable	17	2,960,817	—	—
Deferred tax assets	17	157,813,134	139,619,893	216,725,501
Assets for post-employment and other long term benefits	36	5,434,293	6,327,959	1,681,750
Investment properties	27	432,657,831	421,431,197	435,515,623
Property for own use	27	99,029,643	102,816,247	105,678,990
Tangible fixed assets	28	24,688,138	39,068,319	43,112,488
Goodwill	29	2,272,113	2,272,113	2,272,113
Intangible assets	30	21,836,547	22,687,464	20,944,374
Total assets		<u>12,784,965,973</u>	<u>12,987,241,353</u>	<u>12,967,023,411</u>

APPENDIX II ACCOUNTANTS' REPORT OF INSURANCE COMPANIES

(Amounts expressed in Euros, except when otherwise expressly indicated)

	Notes	2013	2012	2011
Liabilities				
Unearned premium provisions	31	265,513,886	276,400,927	290,352,459
Provision for outstanding claims	31	1,846,128,066	1,896,418,382	1,942,381,505
Provision for unexpired risks	31	41,011,366	16,768,642	28,925,657
Other life insurance contract liabilities	31	1,889,382,890	2,017,659,737	2,329,093,139
Financial liabilities for Unit-Linked contracts	32	988,154,104	1,148,224,880	585,723,159
Investment contract liabilities	32	6,032,465,275	5,594,757,114	6,266,958,689
Loans obtained from credit and financial institutions	33	30,835,054	29,166,099	42,902,549
Other financial liabilities	33	4,406,403	14,083,378	3,166,301
Insurance and reinsurance creditors	34	140,228,270	160,066,570	196,724,681
Other payables and accruals	35	124,408,257	113,896,463	119,971,851
Tax payable	17	—	90,174,716	6,547,008
Deferred tax liabilities	17	47,211,665	37,759,685	13,349,981
Liabilities for post-employment and other long term benefits	36	25,674,630	23,404,151	11,678,849
Other provisions	37	76,584,465	59,219,213	44,556,198
Subordinated Debt	38	—	91,600,000	176,600,000
		<u>11,512,004,331</u>	<u>11,569,599,957</u>	<u>12,058,932,026</u>
Net assets		<u>1,272,961,642</u>	<u>1,417,641,396</u>	<u>908,091,385</u>
Capital and reserves attributable to the owners of the Insurance Group companies				
Paid in capital	39	415,650,000	630,500,000	545,500,000
Reserves	40	725,168,980	658,665,758	306,331,379
Net income for the period	40	<u>113,503,710</u>	<u>109,392,781</u>	<u>35,722,294</u>
		<u>1,254,322,690</u>	<u>1,398,558,539</u>	<u>887,553,673</u>
Non-controlling interests	41	<u>18,638,952</u>	<u>19,082,857</u>	<u>20,537,712</u>
Total equity		<u>1,272,961,642</u>	<u>1,417,641,396</u>	<u>908,091,385</u>

APPENDIX II ACCOUNTANTS' REPORT OF INSURANCE COMPANIES

(Amounts expressed in Euros, except when otherwise expressly indicated)

COMBINED STATEMENTS OF CHANGES IN EQUITY FOR THE YEARS ENDED AS AT 31 DECEMBER 2013, 2012 AND 2011

	Notes	Paid-in Capital	Revaluation reserve	Deferred tax reserve	Other reserves	Retained Profits	Total	Non- controlling interests	Total
At 1 January 2011		545,500,000	(224,158,436)	67,150,068	389,937,759	278,981,580	1,057,410,971	17,628,724	1,075,039,695
Profit for the year		—	—	—	—	35,722,294	35,722,294	1,401,689	37,123,983
Net income on fair value adjustments to financial assets		—	(208,570,232)	58,715,158	—	—	(149,855,074)	—	(149,855,074)
Actuarial deviations		—	—	3,046,143	(10,320,661)	—	(7,274,518)	—	(7,274,518)
Total Comprehensive Income for the period		—	(208,570,232)	61,761,301	(10,320,661)	35,722,294	(121,407,298)	1,401,689	(120,005,609)
Appropriation of net income		—	—	—	104,050,020	(104,050,020)	—	—	—
Dividend distribution	39	—	—	—	(44,000,000)	(4,450,000)	(48,450,000)	(196,000)	(48,646,000)
Changes in non-controlling interests	41	—	—	—	—	—	—	1,703,299	1,703,299
At 31 December 2011		545,500,000	(432,728,668)	128,911,369	439,667,118	206,203,854	887,553,673	20,537,712	908,091,385
Profit for the year		—	—	—	—	109,392,781	109,392,781	(694,260)	108,698,521
Net income on fair value adjustments to financial assets		—	475,413,139	(139,951,269)	—	—	335,461,870	—	335,461,870
Actuarial deviations		—	—	5,846,591	(18,584,765)	—	(12,738,174)	—	(12,738,174)
Total Comprehensive Income for the period		—	475,413,139	(134,104,678)	(18,584,765)	109,392,781	432,116,477	(694,260)	431,422,217
Appropriation of net income		—	—	—	48,283,077	(48,283,077)	—	—	—
Dividend distribution	39	—	—	—	—	(6,000,000)	(6,000,000)	(760,595)	(6,760,595)
Capital increase of Fidelidade	39	85,000,000	—	—	—	—	85,000,000	—	85,000,000
Other		—	—	—	(150,878)	39,267	(111,611)	—	(111,611)
At 31 December 2012		630,500,000	42,684,471	(5,193,309)	469,214,552	261,352,825	1,398,558,539	19,082,857	1,417,641,396
Profit for the year		—	—	—	—	113,503,710	113,503,710	309,502	113,813,212
Net income on fair value adjustments to financial assets		—	62,226,694	(17,904,163)	—	—	44,322,531	—	44,322,531
Actuarial deviations		—	—	2,763,899	(4,969,989)	—	(2,206,090)	—	(2,206,090)
Total Comprehensive Income for the period		—	62,226,694	(15,140,264)	(4,969,989)	113,503,710	155,620,151	309,502	155,929,653
Appropriation of net income		—	—	—	39,340,298	(39,340,298)	—	—	—
Dividend distribution	39	—	—	—	—	(91,000,000)	(91,000,000)	(753,407)	(91,753,407)
Capital increase of Multicare	39	9,000,000	—	—	5,994,000	—	14,994,000	—	14,994,000
Capital decrease of Fidelidade	39	(223,850,000)	—	—	—	—	(223,850,000)	—	(223,850,000)
At 31 December 2013		415,650,000	104,911,165	(20,333,573)	509,578,861	244,516,237	1,254,322,690	18,638,952	1,272,961,642

APPENDIX II ACCOUNTANTS' REPORT OF INSURANCE COMPANIES

(Amounts expressed in Euros, except when otherwise expressly indicated)

COMBINED STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED 31 DECEMBER 2013, 2012 AND 2011

	2013	2012	2011
CASH FLOWS GENERATED BY OPERATING ACTIVITIES:			
Operating flows prior to changes in assets and liabilities:			
Net premiums written	1,154,413,200	1,195,390,056	1,232,360,988
Net claims and benefits incurred	(938,367,701)	(1,171,911,169)	(1,915,777,564)
Commissions on insurance, investment and services contracts, net	(104,874,797)	(114,087,177)	(113,005,747)
Profit sharing payments, net of reinsurance	2,015,044	15,250,373	6,249,188
Payments to suppliers	(141,086,096)	(146,572,647)	(151,666,036)
Payments to employees	(141,741,349)	(135,824,746)	(152,623,873)
Contributions to pension funds	(11,650,000)	(27,000,000)	(12,430,000)
Other	(22,571,179)	(9,056,717)	(11,194,426)
	<u>(203,862,878)</u>	<u>(393,812,027)</u>	<u>(1,118,087,470)</u>
(Increases) / decreases in operating assets			
Debtors for direct insurance and reinsurance operations	22,832,292	71,776,809	2,608,264
Debtors for other operations	10,351,663	(789,697)	18,181,061
Other assets	(3,647,223)	(19,768)	(91,110)
	<u>29,536,732</u>	<u>70,967,344</u>	<u>20,698,215</u>
Increases / (decreases) in operating liabilities			
Financial liabilities on investment contracts	106,595,114	(421,717,879)	(1,145,061,450)
Insurance and reinsurance creditors	(19,792,306)	(38,187,772)	(4,439,014)
Other creditors	10,262,007	(8,840,332)	(43,658,296)
Other liabilities	(84,138,220)	6,514,688	(232,717)
	<u>12,926,595</u>	<u>(462,231,295)</u>	<u>(1,193,391,477)</u>
Net cash from operating activities before tax	<u>(161,399,551)</u>	<u>(785,075,978)</u>	<u>(2,290,780,732)</u>
Payments of income tax	<u>(93,624,948)</u>	<u>(24,269,742)</u>	<u>(29,306,062)</u>
Net cash from operating activities	<u>(255,024,499)</u>	<u>(809,345,720)</u>	<u>(2,320,086,794)</u>

APPENDIX II ACCOUNTANTS' REPORT OF INSURANCE COMPANIES

(Amounts expressed in Euros, except when otherwise expressly indicated)

	2013	2012	2011
CASH FLOW GENERATED BY INVESTING			
ACTIVITIES:			
Receipts resulting from the sale or redemption of:			
Financial assets recognised at fair value through profit or loss	299,381,736	165,873,371	104,806,967
Available for sale financial assets	1,967,868,100	2,498,516,826	3,757,306,001
Financial assets to be held to maturity	263,732,950	925,103,351	316,803,844
Loans and accounts receivables	5,125,327,549	437,677,762	21,232,707
Investment properties	1,071,185	5,979,819	1,111,068
Tangible and intangible assets	3,186,545	2,177,118	2,637,660
Net income from financial assets	447,336,804	197,414,968	792,174,072
Other receipts	11,684,833	3,220,764	2,720,526
	<u>8,119,589,702</u>	<u>4,235,963,979</u>	<u>4,998,792,845</u>
Payments resulting from the acquisition or creation of:			
Financial assets recognised at fair value through profit or loss	(127,572,232)	(469,560,944)	(37,802,578)
Available for sale financial assets	(1,884,569,936)	(1,750,445,030)	(1,479,795,047)
Financial assets to be held to maturity	—	(272,910,368)	(857,370,771)
Loans and accounts receivables	(5,874,582,033)	(674,401,828)	(525,081,199)
Investment properties	(7,905,066)	(3,649,803)	(8,037,112)
Tangible and intangible assets	(14,529,537)	(9,630,922)	(18,791,166)
Others	(4,236,247)	(8,246,061)	(8,734,275)
	<u>(7,913,395,051)</u>	<u>(3,188,844,956)</u>	<u>(2,935,612,148)</u>
Net cash from investing activities	<u>206,194,651</u>	<u>1,047,119,023</u>	<u>2,063,180,697</u>
CASH FLOW GENERATED BY FINANCING			
ACTIVITIES:			
Interest on subordinated debt	(104,039)	(1,403,804)	(2,633,704)
Issue of subordinated liabilities net of redemptions	(91,600,000)	(85,000,000)	—
Other loans received	(9,500,000)	(12,000,005)	(3,700,000)
Other interest paid	—	(2,774)	(17,433)
Capital Increase / (Decrease)	(208,856,000)	85,000,000	—
Dividend distribution	(91,753,408)	(6,760,596)	(48,646,000)
	<u>(401,813,447)</u>	<u>(20,167,179)</u>	<u>(54,997,137)</u>
Net cash from financing activities	<u>(401,813,447)</u>	<u>(20,167,179)</u>	<u>(54,997,137)</u>
Increase (decrease) net of cash and equivalents	(450,643,295)	217,606,124	(311,903,234)
Cash and equivalents at start of period	653,061,572	435,455,448	747,358,682
Cash and equivalents at end of period	<u>202,418,277</u>	<u>653,061,572</u>	<u>435,455,448</u>
	<u>(450,643,295)</u>	<u>217,606,124</u>	<u>(311,903,234)</u>

APPENDIX II ACCOUNTANTS' REPORT OF INSURANCE COMPANIES

(Amounts expressed in Euros, except when otherwise expressly indicated)

(A) FINANCIAL INFORMATION

NOTES TO THE FINANCIAL INFORMATION

1. GENERAL INFORMATION AND BASIS OF PREPARATION

Pursuant to the Direct Reference Sale Agreement between Millennium Gain Limited, indirectly wholly owned subsidiary of Fosun, as purchaser, and CGD and CSS, as vendor, Fosun will acquire an equity interest of 80% in Cares and Multicare and an equity interest to be determined between 80% and 85% of Fidelidade from CGD and CSS.

The Financial Information, including the combined statements of profit and loss, combined statements of profit and loss and other comprehensive income, combined statements of financial position, combined statements of changes in equity and combined statements of cash flows of Fidelidade, Cares and Multicare and their subsidiaries and associates, now comprising the Target Insurance Companies, has been prepared under IFRS as if the Target Insurance Companies were regarded as a single reporting entity in existence throughout the Relevant Periods. The basis of this combination is set out in note 3.1.

The Financial Information has been prepared from the underlying combined financial statements of the Target Insurance Companies prepared under IFRS as endorsed by the European Union, and adjusted to restate the property for own use held by the Target Insurance Companies at cost instead of at revaluation, in order to keep consistency with Fosun's accounting policy on property for own use.

The above mentioned underlying combined financial statements have been prepared from the statutory financial statements of the Target Insurance Companies, through an exercise that comprised the aggregation of such financial statements, corrected by the impact of consolidating Fidelidade's and Cares's subsidiary companies and eliminating transactions, balances, income and expenses between the Target Insurance Companies and adjusted for the differences between Portuguese GAAP and IFRS/IAS Standards, as endorsed by the European Union.

Fidelidade, Multicare and Cares are registered under the Portuguese insurance regulator ("Instituto de Seguros de Portugal" or "ISP") as insurers allowed to underwrite all non-life insurance business. Fidelidade is also allowed to underwrite life insurance business contracts. The registered offices of Fidelidade, Multicare and Cares are located in Lisbon, Portugal.

The Financial Information is presented in Euros, which is also the functional currency of the Target Insurance Companies.

2. ADOPTION OF STANDARDS (NEW AND REVISED) ISSUED BY THE "INTERNATIONAL ACCOUNTING STANDARDS BOARD" (IASB) AND INTERPRETATIONS ISSUED BY THE "INTERNATIONAL FINANCIAL REPORTING INTERPRETATION COMMITTEE" (IFRIC)

For the purpose of preparing and presenting the Financial Information for the Relevant Periods, the Insurance Group has consistently applied the IFRS, amendments and interpretations, which are effective for the accounting period beginning on 1 January 2013 throughout the Relevant Periods.

APPENDIX II ACCOUNTANTS' REPORT OF INSURANCE COMPANIES

(Amounts expressed in Euros, except when otherwise expressly indicated)

At the date of this report, the IASB has issued the following new and revised IFRS, amendments and interpretations that have been issued but are not yet effective. The Insurance Group has not early applied these new and revised IFRS, amendments and interpretations in the preparation of the Financial Information for the Relevant Periods.

- IFRS 9 “Financial Instruments” — this Standard is part of the revision project of IAS 39 “Financial Instruments: Recognition and Measurement” and sets the requirements for classification and measurement of financial assets.
- IAS 19 “Employee Benefits” (amendment) — this amendment intends to simplify the accounting treatment of employee contribution to post-employment benefit plans.

The Target Insurance Companies' directors anticipate that the adoption of IFRS 9 in the future may have significant impact on amounts reported in respect of the Target Insurance Companies' financial assets and financial liabilities. It is not practicable to provide a reasonable estimate of that effect until a detailed review has been completed.

3. SIGNIFICANT ACCOUNTING POLICIES

The Financial Information has been prepared under the historical cost basis, except for certain investment properties, properties for own use and financial instruments, which are measured at fair values, and in accordance with the following accounting policies which conform with IFRS. In addition, the Financial Information includes the applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and Companies Ordinance.

3.1 Basis of combination

The combined financial statements of the Insurance Group, as at 31 December 2013, 2012 and 2011 have been prepared in accordance with IFRS/IAS.

As previously mentioned, the Financial Information has been prepared as if the Target Insurance Companies were regarded as a single reporting entity in existence throughout the Relevant Periods. This Financial Information has been prepared from the underlying combined financial statements of the Target Insurance Companies prepared under IFRS as endorsed by the European Union, adjusted to restate the property for own use held by the Target Insurance Companies at cost instead of at revaluation, in order to keep consistency with Fosun's accounting policy on property for own use.

The above mentioned underlying combined financial statements have been prepared from the statutory financial statements of the Target Insurance Companies, through an exercise that comprised the aggregation of such financial statements, corrected by the impact of consolidating Fidelidade's and Cares's subsidiary companies and eliminating transactions, balances, income and expenses between the Target Insurance Companies and adjusted for the differences between Portuguese GAAP and IFRS/IAS Standards, as endorsed by the European Union.

APPENDIX II ACCOUNTANTS' REPORT OF INSURANCE COMPANIES

(Amounts expressed in Euros, except when otherwise expressly indicated)

The financial statements of each Insurance Company, at 31 December 2013, 2012 and 2011 have been prepared in accordance with the principles set out in the Chart of Accounts for the Insurance Sector, approved by Portuguese Insurance Institute (ISP) according to regulations 4/2007-R of 27 April, with the changes brought in according to regulations 20/2007-R of 31 December and 22/2010-R of 16 December and the remaining regulatory standards issued by the said body.

The standards set out in the Chart of Accounts for the Insurance Sector generally conform to the International Financial Reporting Standards (IAS/IFRS) as endorsed by the European Union, under European Parliament and Council Regulation (EC) 1606/2002 of 19 July, transposed into Portuguese legislation under decree law 35/2005 of 17 February, except for the application of IFRS 4 — “Insurance contracts”, in respect of which only the classification principles relating to the type of insurance contract were adopted.

“Subsidiaries” are defined as companies over whose current management the Insurance Group has effective control, with the aim of obtaining economic benefits, from their operations. Control is normally considered to exist when more than 50% of the share capital or voting rights are held.

Insurance Group’s companies’ accounts were consolidated by the full consolidation method. Transactions and significant balances between the consolidated companies were eliminated. Consolidation adjustments are also made, when applicable, to ensure the consistency of the application of the Insurance Group’s accounting principles.

Third party equity investments in subsidiary companies have been recognised in “Non-controlling interests” in shareholders’ equity.

Combined profit is the result of aggregating Fidelidade, Cares and Multicare and their subsidiary companies’ net income after harmonising the respective accounting policies, in proportion to the respective effective investment after consolidation adjustments, i.e. the elimination of dividends received, reinsurance operations and capital gains and losses on transactions between companies included in the consolidation perimeter.

3.2 Combinations of business activities and goodwill

Acquisitions of subsidiaries by the Target Insurance Companies are recognised according to the purchase method. The cost comprises the aggregate fair value of assets delivered and liabilities incurred or assumed in exchange for achieving control over the acquired entity. On the date of acquisition, which is the date upon which the Insurance Group achieves control over the subsidiary, identifiable assets, liabilities and contingent liabilities which meet the recognition requirements of IFRS 3 — “Business Combinations” are recognised at their respective fair value.

Goodwill is the positive difference between the acquisition cost of a subsidiary and the effective percentage of the fair value of the respective identifiable assets, liabilities and contingent liabilities acquired by the Insurance Group, on the acquisition date. Goodwill is recognised as an asset, is not amortised and is subject to impairment tests.

APPENDIX II ACCOUNTANTS' REPORT OF INSURANCE COMPANIES

(Amounts expressed in Euros, except when otherwise expressly indicated)

If the part corresponding to the Insurance Group's percentage investment in the acquired entity's identifiable assets, liabilities and contingent liabilities exceeds the acquisition cost, the excess is recognised as income in the profit and loss statement for the year.

The Insurance Group performs impairment tests on goodwill net value, at least once per year, under IAS 36 — "Impairment of Assets". Goodwill is, accordingly, allocated to cash flow generating units and its respective recoverable value is assessed on the basis of future cash flow projections, revalued by discount rates the Insurance Group considers appropriate. Impairment losses on goodwill are recognised in income for the year and cannot be reversed.

3.3 Investments in associated companies

Associated Companies are entities over which the Insurance Group wields significant influence but whose management it does not effectively control. A significant interest is presumed to exist whenever the Insurance Group has a direct or indirect investment of between 20% and 50% of the share capital or voting rights.

Investments in associated companies are recognised by the equity accounting method. Under this method, investments are initially valued at their respective acquisition cost, which is subsequently adjusted on the basis of the Insurance Group's effective percentage of changes in its associated companies' shareholders' equity (including income).

If there are any materially relevant divergences, adjustments are made to the associated companies' shareholders' equity, used for the purpose of the application of the equity accounting method, to reflect the application of the Insurance Group's accounting principles.

Goodwill, comprising the positive difference between an associated company's acquisition cost and the Insurance Group's acquisition of the effective percentage of the fair value of the respective assets, liabilities and contingent liabilities, continues to be reflected in the value of the investment, with annual impairment tests being performed on its total financial statements value.

Unrealised income on transactions with associated companies is eliminated in proportion to the Insurance Group's effective percentage investment in the said entities.

3.4 Translation of balances and transactions in foreign currency

Foreign currency transactions are recognised on the basis of the reference rates in force at the transaction date. At each reference date, monetary assets and liabilities denominated in foreign currency are translated into the operating currency on the basis of the foreign exchange rate in force. Non-monetary assets, recognised at fair value, are translated on the basis of the exchange rate in force on the last valuation date. Non-monetary assets, recognised at historical cost, including tangible and intangible assets, continue to be recognised at the original exchange rate.

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(Amounts expressed in Euros, except when otherwise expressly indicated)

Exchange rate differences, assessed on translation, are recognised in income for the year, except for differences deriving from non-monetary financial instruments recognised at fair value, such as shares classified as available for sale financial assets which are recognised in a specific shareholders' equity account until disposal.

The separate accounts of each Insurance Group entity included in the combination are prepared in accordance with the currency used in the economic area in which it operates or the "operating currency". Each entity's income and financial position is expressed in Euros, in the combined accounts, as Insurance Group's operating currency, as follows:

- Assets and liabilities in each financial statement presented are translated at the closing exchange rate;
- Income and expenditure in each financial statement are translated at the average exchange rate for the period;
- All resulting exchange differences are recognised in the exchange differences revaluation reserve.

3.5 Financial instruments

a) *Financial assets*

Financial assets are recognised at the trade date at their respective fair value. The costs directly attributable to transactions relating to financial assets, recognised at fair value through profit or loss, are recognised in profit or loss. Such costs, in other situations, are added to the asset's value. The assets are initially recognised in one of the following IAS 39 categories:

i) *Financial assets at fair value through profit or loss*

This category includes:

- Financial assets held for trading, essentially comprising securities purchased with the objective of making a profit on short term fluctuations in market prices. This category also includes derivative financial instruments, excluding those meeting hedge accounting requirements; and
- Financial assets whose initial recognition is irrevocably classified at fair value through profit or loss ("fair value option"). This designation is limited to situations in which their adoption results in the production of more relevant financial information, i.e.:
 - If the application eliminates or significantly reduces an accounting mismatch that would otherwise occur as a result of the inconsistent measurement of assets and liabilities or recognition of profit and losses;

APPENDIX II ACCOUNTANTS' REPORT OF INSURANCE COMPANIES

(Amounts expressed in Euros, except when otherwise expressly indicated)

- Groups of financial assets, financial liabilities, or both, when they are managed and their performance is assessed on a fair value basis, in accordance with formally documented risk management and investment strategies and when information thereon is distributed internally to management bodies.

It is also possible to classify financial instruments containing one or more embedded derivatives in this category, unless:

- The embedded derivatives do not significantly modify the cash flows which would otherwise have been generated under the agreement;
- It is evident, with little or no analysis that the implicit derivatives should not be separated out.

Financial assets classified in this category are recognised at fair value, with profit and losses generated on their subsequent valuation recognised as income for the year in “Net realised gains and losses and change in fair value of assets and liabilities at fair value through profit and loss”.

ii) *Investments to be held to maturity*

Securities with fixed or determinable payments and a defined maturity date which the Insurance Group intends and has the capacity to hold to maturity are recognised in this category.

Such financial assets are recognised at amortised cost less impairment losses. In accordance with this method, a financial instrument's value, at each reference date, comprises its initial cost, less capital repayments made and impairment losses realised and adjusted for amortisation, based on the effective interest rate method of any difference between the initial cost and repayment value.

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

iii) *Loans and accounts receivable*

These are financial assets with fixed or determinable payments, not listed on an active market. This category includes deposits in ceding companies, loans made, deposits in credit institutions and amounts receivable from the provision of services or disposal of assets, recognised in “Insurance and reinsurance debtors and other receivables and accruals”.

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

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(Amounts expressed in Euros, except when otherwise expressly indicated)

iv) *Available for sale financial assets*

Investments in securities which do not fall into any of the other categories are classified as available-for-sale securities. This category includes the following financial instruments, registered herein at their time of initial recognition:

- Variable-income securities not classified as financial assets at fair value through profit or loss, including stable equity investments;
- Bonds and other debt instruments registered herein at their time of initial recognition;
- Investment units in unit trust investment funds.

Available for sale financial assets are measured at fair value, except for equity instruments not listed on an active market whose fair value cannot be accurately measured, which continue to be recognised at cost. Revaluation gains or losses are recognised directly in shareholders' equity in the adjustments in fair value of financial assets revaluation reserve. At the time of sale or if impairment is assessed, accumulated fair value changes are transferred to income or costs for the year and recognised in "Net realised gains and losses relating to investments at fair value through shareholders' equity and other investments" or "Investments impairment loss", respectively.

Interest on the debt instruments classified in this category is assessed on the basis of the effective interest rate method and recognised in "Net investment income" in the Statement of profit or loss.

Dividends on equity instruments classified in this category are recognised as income in the "Net investment income" heading, when the Insurance Group's right to receive them has been established.

Fair value

As referred to above, financial assets recognised in financial assets at fair value through profit or loss and available for sale financial assets are recognised at fair value.

The fair value of a financial instrument comprises the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

The fair value of financial assets is assessed by an Insurance Group division which is independent from the trading function, based on:

- Closing price at the financial statements date, for instruments traded on active markets;

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- The following valuation methods and techniques are, inter alia, used for debt instruments not traded on active markets (including unlisted securities or securities with low liquidity levels):
 - Bid prices published by financial information services such as Bloomberg and Reuters, including market prices available on recent transactions;
 - Reference bid prices obtained from financial institutions operating as market-makers;
 - Internal valuation models based on market data used to define a price for the financial instrument, reflecting market interest rates and volatility, in addition to liquidity and the credit risk associated with the instrument.
 - Other unlisted equity instruments whose fair value cannot be accurately measured (e.g. no recent transactions) continue to be recognised at cost, less any impairment losses.

b) *Financial liabilities*

Financial liabilities are recognised at their respective fair value at the trade date, less the costs directly attributable to the transaction.

Financial liabilities are classified in the following categories:

i) *Financial liabilities at fair value through profit or loss*

Financial liabilities at fair value through profit or loss include the negative revaluation of derivative financial instruments. These liabilities are recognised at fair value, with the profit or losses made on their subsequent valuation being recorded in “Net realised gains and losses and change in fair value of assets and liabilities at fair value through profit and loss”.

ii) *Other financial liabilities*

This category includes subordinated debt, deposits received from reinsurers and liabilities incurred on the payment of services or purchase of assets, recognised in “Subordinated Debt, insurance and reinsurance creditors and other payables and accruals”.

These financial liabilities are recognised at amortised cost, upon which any applicable interest is recognised in accordance with the effective interest rate method.

c) *Derivatives and hedge accounting*

The Insurance Group performs operations on derivatives as part of its activity, to reduce its exposure to foreign exchange, interest rate and price fluctuations.

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(Amounts expressed in Euros, except when otherwise expressly indicated)

Derivative financial instruments are recognised at their fair value at the trade date. They are also recognised in off-financial statements accounts at their respective notional value.

Derivatives are subsequently measured by their respective fair value. Fair value is assessed:

- On the basis of prices obtained in active markets (e.g. futures trading in organised markets);
- On the basis of models incorporating valuation techniques accepted in the market, including discounted cash flows and options valuation models.

The resulting gain or loss is recognised in profit or loss immediately.

Embedded derivatives

Derivatives embedded in other financial instruments are separated from the base agreement and processed autonomously under IAS 39, whenever:

- The embedded derivative's economic characteristics and risks are not closely related with the base agreement's economic characteristics and risk, as defined in IAS 39; and
- The full amount of the combined financial instrument is not recognised at fair value, with the respective changes being recognised in the statement of profit or loss.

Hedge derivatives

These derivatives are designed to protect the Insurance Group from exposure to specific risks attached to its activity. Classification as hedge derivatives and use of hedge accounting rules, as described below, are subject to compliance with IAS 39 requirements.

The Insurance Group prepares formal documentation, for all hedge operations, at the start of the operation, to include the following minimum aspects:

- Risk management and strategy objectives associated with the hedge operation, in accordance with defined hedge policies;
- Description of hedged risk(s);
- Identification and description of hedged and hedge financial instruments;
- Hedge operation effectiveness appraisal method and respective periodicity.

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Hedge effectiveness tests are periodically performed and documented, using a comparison between the change in fair value of the hedge instrument and hedged item (part attributable to hedged risk). With the aim of enabling the use of hedge accounting under IAS 39, the ratio should be between a range of 80% and 125%. Prospective effectiveness tests are also performed to demonstrate a hedge's expected future effectiveness.

Hedge derivatives are recognised at fair value, with the results being assessed daily and recognised in income and costs for the year. If the hedge is seen to be effective, on the basis of the assessment of an effectiveness rate of between 80% and 125%, the Insurance Group also recognises the change in the fair value of the hedged item attributable to the hedged risk in net income for the year.

If the hedge ratio ceases to be effective, the accumulated change in fair value reflected in the hedged item is recognised in the statement of profit or loss up until its respective maturity.

Positive and negative revaluations of hedge derivatives are recognised in specific assets and liabilities account headings.

Valuations of hedged items are recognised in the financial statements headings in which the respective instruments have been recognised.

The Insurance Group did not have any hedge accounting operations in 2013, 2012 and 2011.

Trading derivatives

These include all derivatives not associated with effective hedge ratios, under IAS 39, namely:

- Derivatives taken out to hedge risks in assets or liabilities recognised at fair value through profit or loss, thus rendering hedge accounting unnecessary;
- Derivatives taken out to hedge risk which do not meet the hedge accounting requirements of IAS 39, notably on account of the difficulty in specifically identifying the hedged items, in cases other than micro hedges or if the results of effectiveness tests fall outside the interval permitted under IAS 39;
- Derivatives taken out for trading purposes.

Trading derivatives are recognised at fair value and the revalued income is assessed daily, and recognised in income and costs for the year in "Net realised gains and losses and change in fair value of assets and liabilities at fair value through profit and loss" except for the part relating to accrued and liquidated interest, which is recognised in "Net investment income". Positive and negative revaluations are recognised in "Financial assets held for trading" and "Other financial liabilities", respectively.

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d) *Impairment of financial assets*

The Insurance Group periodically analyses impairment on its financial assets, including financial assets at amortised cost and available for sale financial assets.

Under the terms of IAS 39, the following events are considered to be signs of impairment:

- Debtor or debt issuing entity's significant financial difficulties;
- Failure to comply with contractual clauses, i.e. arrears of interest and principal;
- Restructuring of operations owing to a debtor's or debt issuing entity's financial difficulties;
- The probability of a debtor's bankruptcy or financial difficulties;
- The disappearance of an active market for the financial asset as a result of the issuer's financial difficulties.

Financial assets at amortised cost

Objective evidence of impairment is assessed individually regarding financial assets with significant exposure amounts, and collectively in the case of homogeneous assets, whose balances are not individually significant.

Whenever signs of impairment on separately analysed assets are identified, the eventual impairment loss comprises the difference between the present value of the expected future cash flows receivable (recoverable value), discounted on the basis of the asset's effective original interest rate and its book value at the time of the analysis.

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

Assets valued separately and on which no objective signs of impairment have been identified are also subject to a collective impairment analysis, as described in the preceding paragraph.

Impairment losses calculated in the collective analysis incorporate the time effect of estimated discounted cash flows receivable on each operation, at each reference date.

The amount of the assessment of impairment is recognised in costs, in the "Investments impairment loss" account heading and recognised in the financial statements as a deduction from the value of the respective asset.

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Available for sale financial assets

As referred to in Note 3.5.a) available for sale financial assets are recognised at their fair value, with changes thereto reflected in "Revaluation reserve — Adjustments in fair value of financial assets".

Whenever there is any objective evidence of impairment, accumulated capital losses recognised in reserves are transferred to costs for the year in the form of impairment losses and recognised in "Investments impairment loss".

In addition to the above referred to signs of impairment, the following are considered to be specific signs of impairment on equity instruments:

- i) Significant changes adversely impacting the technological, market, economic or legal environment in which the issuing entity operates, indicating that the investment cost may not be fully recovered;
- ii) A prolonged or significant decline in market value at below cost.

On each of the financial statement's reference dates an analysis of the existence of any impairment losses on available for sale financial assets is performed, considering, for the said purpose the nature and specific, individual characteristics of the assets being valued.

In addition to the results of the analysis, the following events were considered to comprise objective evidence of impairment on equity instruments:

- Existence of potential capital losses of more than 50% of the respective acquisition cost;
- Situations in which the fair value of the financial instrument remains below its respective acquisition cost for a period of more than 24 months.

Another objective sign of impairment was considered to be the existence of potential capital losses of more than 30% in force for a period of more than nine months.

Impairment losses on equity instruments cannot be reversed and any potential capital gains originated after the recognition of impairment losses are, therefore, recognised in the "Revaluation reserve — Adjustments in fair value of financial assets". Impairment is always considered to exist if additional capital losses are assessed at a later stage and recognised in income for the year.

The Insurance Group also periodically performs impairment analyses on financial assets recognised at cost, notably unlisted equity instruments whose fair value cannot be accurately measured. The recoverable value, in this case, comprises the best estimate of future flows receivable from the asset, discounted at a rate which adequately reflects the risk associated with holding the asset.

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The amount of the impairment loss is directly recognised in income for the year. Impairment losses on such assets cannot be reversed.

3.6 Non-current assets held for sale and groups of assets and liabilities for disposal

IFRS 5 — “Non-current assets held for sale and discontinued operations” applies to single and groups of assets for disposal either by sale or other means, in aggregate form, in a single transaction, in addition to all liabilities directly associated with such assets, which may be transferred as part of the transaction (referred to as “groups of assets and liabilities for disposal”).

Non-current assets or groups of assets and liabilities for disposal are classified as being held for sale whenever their financial statements value is expected to be recovered by sale and not through their continued use, and are transferred at their net book value at the reclassification date. For an asset (or group of assets and liabilities) to be classified in this account heading, the following requirements must be met:

- There should be a strong probability of the sale;
- The asset should be available for immediate sale in its present condition;
- The sale is expected to occur within a year from the asset's classification in the said heading.

Assets recognised in this account heading are not amortised and are valued at cost or fair value less the costs to be incurred on the sale, whichever the lower. The fair value of such assets is determined on the basis of experts' assessments.

If the amount recognised in the financial statements is higher than the fair value less the costs to sell, impairment losses are recognised in the “Other losses” account heading.

3.7 Investment properties

This heading comprises investment properties held by the Insurance Group with the objective of obtaining income from rentals and/or capital gains.

Investment properties are not depreciated and are recognised at fair value, assessed on the basis of experts' appraisals. Changes in fair value and capital gains and losses are recognised in the statement of profit or loss in the “Other losses” account headings.

3.8 Property for own use

Properties for own use are recognised at cost, less depreciation and accumulated impairment losses. The costs of repair, maintenance and other expenses associated with their use are recognised as expenses for the year, except when incurred on items suitable for capitalisation, which are recognised separately in “Tangible fixed assets” and depreciated over their respective useful lives.

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The revalued amount of the properties for own use acquired before 1 January 2004, date when the Target Insurance Companies' parent company, CGD, first time adopted IFRS, was broadly comparable to its fair value, and therefore was considered as its deemed cost as at that date, as allowed by IFRS 1 — First time adoption of international financial reporting standards.

Depreciation is calculated by the straight line method, at rates corresponding to the useful lives of the respective properties for own use. Land is not depreciated.

An impairment loss is recognised in "Other losses" in the annual statement of profit or loss, whenever the book value of property for own use, exceeds fair value. Impairment losses may be reversed and also have an impact on income for the period if an asset's recoverable value subsequently increases.

3.9 Tangible fixed assets

Tangible fixed assets are recognised at cost, less depreciation and accumulated impairment losses. The costs of repair, maintenance and other expenses associated with their use are recognised as a cost for the year.

Depreciation is systematically calculated along an asset's estimated useful life, comprising the period of its expected availability for use, i.e.

	Years of useful life
Furniture and materials	2 - 12
Machinery and tools	4 - 12
IT equipment	4
Interior installations	8 - 10
Transport material	4
Security equipment	4 - 10

Expenditure incurred on works or improvements to property occupied by the Insurance Group as a lessee under operating leases is capitalised in this heading and depreciated over an average period of 10 years.

Depreciation is recognised as a cost for the year. The Insurance Group periodically assesses the adequacy of its tangible assets' estimated useful lives.

Analyses are periodically performed to identify signs of impairment on other tangible assets. An impairment loss is recognised in "Other losses" in the annual statement of profit or loss whenever the net book value of tangible assets exceeds their recoverable value (the highest between the value in use and the fair value). Impairment losses may be reversed and also have an impact on income for the period if an asset's recoverable value subsequently increases.

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3.10 Financial leases

Assets leased to the Group under financial leases are recognised at fair value in “Tangible fixed assets” and in liabilities, and the respective instalments are processed.

Instalments relating to financial lease agreements are split up in accordance with the respective financial schedule, whose liabilities are reduced by the part corresponding to the payment of capital. Interest paid is recognised as an expense for the year.

3.11 Intangible assets

This account heading includes the costs incurred with the acquisition, development or preparation for use of software used to develop the Insurance Group's activities. All intangible assets held by the Group were separately acquired.

Intangible assets are registered at acquisition cost, net of depreciation and accumulated impairment losses.

Amortisations are systematically recognised over the asset's estimated useful lives, normally for a period of 3 to 6 years.

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

3.12 Income tax

Group companies with headquarters in Portugal are taxed under IRC (“Portuguese Corporate Income Tax Code”). CSS starting from and including 2004, opted for the special taxation regime on corporate groups provided for in article 69 and following articles of the respective code.

Until and including 2011, CSS was the dominant company of the group for taxation purposes. In 2012, the dominant company became CGD.

The taxable profit of the group controlled by CGD is calculated on the basis of the algebraic sum of the separate taxable incomes and tax losses individually determined by the entities in the perimeter, adjusted for the profits distributed among the group companies.

Target Insurance Companies foreign branches' accounts are integrated with headquarters' accounts for fiscal purposes. In addition to IRC under the referred to terms, income generated by subsidiaries must also pay local tax in the countries/territories in which they are domiciled. Local tax is deductible from IRC under the terms of article 91 of the respective tax code and double taxation agreements entered into by Portugal.

Total income tax recognised in the statement of profit or loss includes current and deferred taxes.

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Current tax is calculated on the basis of taxable profit for the year which is different from accounting income owing to adjustments to taxable income resulting from costs or income, which are not relevant for fiscal purposes or only for consideration in other accounting periods, in addition to value adjustments on the assessment of taxable gains.

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

Deferred tax liabilities are normally recognised for all temporary taxable differences, whereas deferred tax assets are only recognised to the extent that it is probable that sufficient future taxable income will be generated, allowing the use of the corresponding deductible tax differences or tax losses carried forward. In addition, deferred tax assets are not recognised where their recoverability may be questioned due to other situations, including issues regarding the interpretation of the tax legislation in force.

The principal situations originating temporary differences in Insurance Group terms comprise impairment and provisions temporarily not accepted for fiscal purposes and potential capital gains and losses on financial assets available for sale and on investment and own use properties.

Deferred taxes are calculated at the tax rate expected to be in force upon the temporary differences' reversal date, based on the tax rules that have been enacted or substantially enacted, at the financial statements date.

Income tax (current or deferred) is recognised in the statement of profit or loss for the year, except for cases in which the originating transactions have been recognised in other shareholders' equity account headings such as in the case of revaluations of available for sale financial assets. The corresponding tax, in such cases, is also recognised as a charge to shareholders' equity and does not affect the annual statement of profit or loss.

Following the adoption of the new Chart of Accounts for the Insurance Sector, applicable from 2008, a transitional fiscal regime was published in decree law 237/2008 of 15 December, ruling that the financially relevant effects on shareholders' equity deriving from the application of the adoption of the new Chart of Accounts for the Insurance Sector are included, in equal parts, in the formation of gross taxable income for the year starting 2008 and subsequent four years.

3.13 Provisions and contingent liabilities

Provisions are set up whenever there is a current (legal or constructive) obligation resulting from past events involving the probable future expenditure of resources and when such expenditure may be reliably assessed. The amount of the provision comprises the best estimate of the amount to be paid to settle the liability at the date of the financial statements.

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(Amounts expressed in Euros, except when otherwise expressly indicated)

When not probable, the future expenditure of resources is considered to be a contingent liability. Contingent liabilities require no more than a disclosure procedure, unless the possibility of their payment is remote.

“Other provisions” are for legal, fiscal and other contingencies resulting from the Insurance Group’s activity.

3.14 Employee benefits

Liabilities for employee benefits are recognised under the principles of IAS 19 — Employee Benefits. The principal benefits granted by the Insurance Group comprise retirement and survivors’ pensions and healthcare benefits.

Liabilities for pensions and healthcare

As per the collective labour agreement in force at the time for the insurance activity, the Insurance Group undertook the commitment to make cash payments to complement the retirement pensions paid by the social security services to the employees hired prior to 22 June 1995, the date when the labour agreement became effective. These payments corresponded to a percentage, which grew with the number of years of employment, applied to the table of salaries in force at the date of retirement.

Following the new labour agreement for the insurance activity, signed at 23 December 2011, the previous defined benefit pension plan was replaced, regarding workers actively employed, effective 1 January 2012, with a plan of defined contributions, with the current value of liabilities for services rendered at 31 December 2011 being transferred to the individual account of each participant. This change has not been applied to pensions due to workers who were retired or pre-retired at 31 December 2011.

The former Império Bonança also undertook to grant retirees and pre-retirees that changed to such status between June 1998 and July 2005, with whole-life medical assistance.

Liabilities with defined benefit plans comprise the difference between the current value of liabilities and the fair value of pension funds’ assets. The total amount of liabilities is assessed annually by specialised actuaries using the projected unit credit method and actuarial assumptions considered adequate (Note 36). The discount rate used to revalue liabilities reflects market interest rates on prime corporate bonds, denominated in the currency in which the liabilities are paid and with periods to maturity similar to the liabilities’ average liquidation periods.

The amounts resulting from the differences between the actuarial and financial assumptions used and the effective amounts as regards liabilities and income expected from the pension fund, as well as the results of the changes to actuarial assumptions are recognised directly in a shareholders’ equity heading.

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The annual cost of retirement and survivors' pensions, including current services, past services, termination costs and net interest on the net defined benefit liability (asset), is recorded in the "Employee costs" heading.

The impact of employees' retirement prior to the standard retirement age, defined in the actuarial study is directly recognised in "Employee costs".

Contributions by the Insurance Group to the defined contribution plan are made in accordance with the rules set forth in the collective labour agreement, and recorded as an expense in the period they are due as a charge to the "Employee costs" heading.

Short term benefits

Short-term benefits, including productivity bonuses paid to employees, are recognised in "Employee costs" for the respective period, on an accrual basis.

3.15 Insurance and investment contracts

a) Classification of contracts

Transactions associated with insurance contracts written and reinsurance contracts held by the Insurance Group are recognised in accordance with Portuguese Insurance Institute regulations. Under the transition to the new Chart of Accounts for the Insurance Sector, the classification principles for contracts referred to in IFRS 4 - "Insurance Contracts", were incorporated into these regulations pursuant to which contracts without a significant insurance risk are considered to be investment contracts and recognised under IAS 39 requirements.

As provided for in IFRS 4, investment contracts with a discretionary profit sharing component also continue to be classified as insurance contracts and valued under ISP standards.

An insurance or investment contract is considered to include profit sharing with a discretionary component when the respective contractual conditions provide for the allocation of additional benefits to the insured, as a complement to the contract's guaranteed component part, such as:

- The probability of comprising a significant part of the total benefits accrued under the contract; and
- When the amount or time of distribution are contractually contingent upon the issuer's discretion; and
- When they are dependent upon the performance of a specific group of contracts, realised or unrealised income on certain assets held by the issuer of the contract or the profit made by the entity responsible for issuing the contract.

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Potential capital gains, net of capital losses, resulting from the revaluation of assets allocated to life insurance contracts with profit sharing and which are expected to be paid to policyholders are recognised in the profit sharing provision.

b) *Recognition of income and costs*

Non-life insurance contract premiums, life insurance and investment contracts with a discretionary profit sharing component are recognised as income when written in "Net premiums written" in the statement of profit or loss.

Premiums written on non-life insurance contracts and their associated acquisition costs are recognised as income and cost over the corresponding risk periods, through the use of the unearned premiums provision.

The liabilities related to life insurance contracts and investment contracts with discretionary profit sharing component are recorded in the "Other life insurance contract liabilities" account heading. This provision and the respective cost are recognised simultaneously with the income associated with premiums.

c) *Provision for unearned premiums and deferred acquisition costs*

The provision for unearned premiums comprises the value of insurance contract premiums written and allocated to following years, i.e. the part comprising the period between financial statements close and end of the period to which the premium refers. It is calculated, for each contract in force, by the application of the pro rata temporis method on the respective gross premiums written.

Expenditure incurred on the acquisition of non-life insurance contracts, including underwriting commissions and other expenses allocated to the acquisition function, is deferred over the course of the respective period and recognised as a deduction from the value of the technical provisions on insurance contracts in provisions for unearned premiums.

Under ISP standards, the deferred acquisition costs for each technical line of business may not exceed 20% of the respective deferred premiums.

d) *Claims provision*

This provision recognises the estimated amount of indemnities payable on accidents which have already occurred, including claims incurred but not reported (IBNR) and administrative costs on future claims settlements whose management procedure is currently being processed together with IBNR claims. Except for mathematical provisions and whole-life assistance for workman's compensation, the claims provisions set up by the Insurance Group are not discounted.

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Provision for workman's compensation claims

The provision for workman's compensation claims includes the mathematical provision, provision for temporary assistance expenses and provision for whole-life assistance expenses.

The aim of the mathematical provision for workman's compensation is to recognise liability for:

- Pensions payable on claims whose amounts have already been ratified by the labour court;
- Estimated pension liabilities relating to claims already incurred but which await a final agreement or ruling, referred to as defined pensions;
- Estimated pension liabilities on claims already incurred but whose respective medical processes have not been completed at the date of the financial statements, or pensions for claims already incurred but still not reported and referred to as presumed pensions.

Information on the hypotheses and technical bases used to calculate ratified and defined mathematical provisions on workman's compensation as at 31 December 2013, is given below:

	Mandatory Redeemable	Not Redeemable
Mortality table	TD 88/90	TD 88/90 (Men) (-1) TV 88/90 (Women) (-1)
Discount rate	5.25%	4%
Management costs	2.40%	4%

In 2013, the Insurance Group used the same mortality table used to calculate the mathematical provisions of the workman's compensation line of business in 2012, which reflect the reduction in one year of the values of the mortality table in use until 2011 for not redeemable pensions, in order to align that table to the evolution of the pensioners' average life expectancy.

The mathematical provision for presumed pensions relating to claims for workmen's compensation incurred during the year is based on the estimated number of claims with permanent disabilities and death and the average mathematical provision, considered as the expected cost of each of these pensions.

In accordance with current legislation, the liability resulting from the annual increase in pensions is covered by FAT ("Fundo de Acidentes de Trabalho" - Workman's Compensation Fund). Target Insurance Companies pay the pensions in full and are subsequently reimbursed for the share corresponding to FAT's liability. FAT is managed by the Portuguese Insurance Institute, the income of the fund consisting of contributions made by the insurance companies and workman's compensation insurance policyholders. A liability is recorded for future contributions to FAT in respect of pension liabilities existing at the financial statements date.

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The objective of the provision for temporary assistance expenses is to recognise the liability for non-lifelong expenses related to workman's compensation claims. Using monthly development matrices, the quantity of claims occurring during the year is multiplied by the average estimated cost of the temporary assistance expenses on claims occurring in 2011 and 2012, in order to obtain the cost of this type of expense for the year. For claims from previous years the change in the provision corresponds to the amounts paid on expenses with temporary assistance recognised in the accounts.

The provision for lifelong assistance expenses refers to expenses of a lifelong type and comprises:

Reported provision for lifelong assistance — refers to lifelong expenses, for claimants with pensions, whose service date occurs 730 days after the start of the pension;

Presumed provision for lifelong assistance — lifetime expenses relative to claims which have already occurred but in which no expenses have, as yet, been submitted.

The provision for lifelong expenses recognises liabilities associated with lifelong assistance and is calculated using the following technical bases:

Mortality table	35%*TV 88/90 + 65%*TD 88/90
Discount rate	4%
Inflation rate	2%
Management costs	2%

Internal databases are used to calculate workman's compensation provisions.

Provision for motor insurance claims

The opening of a motor insurance claim automatically generates the recording of an initial average provision for each sub-claim, which affects the unit at risk and the insurance element in question. The automatic provision also varies in accordance with the seriousness of any bodily injury. This provision may be revised, when the claims manager verifies its inadequacy, with adjustments being made in accordance with the information collected (specialised technical reports) during the life of the claim, i.e. a specific analysis of the available provision is made.

Provision for claims relating to other types of insurance

The provision for claims relating to other types of insurance is calculated on a case by case basis by the claims manager and revised whenever updated information is obtained from specialised technical reports.

The analysis of provisions sufficiency for the diverse types of insurance is assessed/validated, during the course of the year, by the responsible actuary, who produces a specific year-end report.

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This analysis is performed for the main insurance/insurance group areas, representing more than 90% of the claims provisions, notably for motor, workman's compensation, personal accidents and healthcare claims.

These analyses include direct liabilities to the insured (whether or not the claims have been reported) as well as future payments, notably contributions to FAT.

The estimates are based on payment triangles using deterministic and stochastic models.

e) ***Mathematical provision for life insurance***

This corresponds to the estimated actuarial value of the insurance company's commitments, including profit sharing payments already distributed and following the deduction of the actuarial value of future premiums, calculated for each policy in accordance with actuarial methods and their respective technical bases.

In the case of life insurance contracts in which the investment risk is borne by the policyholder, this account heading only includes any additional technical provisions which may be set up to cover mortality risks, administrative or other expenditure (e.g. guaranteed payments on maturity or guaranteed redemption values).

f) ***Profit sharing provision***

The profit sharing provision includes amounts payable to policyholders or contract beneficiaries, in the form of a profit sharing scheme, to be or already attributed, provided that such amounts have not been distributed.

Profit sharing provision to be attributed

This provision includes the balances originated by the net capital gains attributable to the insured that transited from the former accounting standards applicable to insurance companies until 2007, in which they were registered in the so-called "fund for future appropriations". It also reflects the net amount of the subsequent potential capital gains and losses (fair value adjustments) relating to investments allocated to life insurance contracts with a profit sharing component, for the estimated part of the policy holder or contract beneficiary, as long as the balances by portfolio are not negative.

This provision is set up as a charge to profit sharing to be attributed, in the statement of profit or loss, or as a direct charge to the revaluation reserves for adjustments to the fair value of available for sale financial assets allocated to life insurance with a profit sharing component, depending on the assets' classification.

During the course of the period of the contracts for each modality or collection of modalities, the balance of the provision for the corresponding profit sharing allocation is fully used.

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The use of the profit sharing provision to be attributed is done by portfolio, according to the following priorities:

- i) The balances of the net realised gains attributable to the insured that transited from the former “fund for future appropriations”, are used in the first place to cover the losses originated each year in the technical accounts for life insurance products with a profit sharing component, which were reflected as losses for the Insurance Group companies, being recognised in its income up to the limit of the losses they are meant to cover. The Insurance Group has been using this procedure since 2011;
- ii) The amounts corresponding to the insured profit sharing in the potential losses of the allocated portfolios are reflected in this provision up to the amount of the corresponding positive balance. Therefore, the amounts originated in the former “fund for future appropriations” which are still available after the use referred to above in i) are used to offset potential capital losses of the respective portfolios;
- iii) If the balance for the profit sharing provision to be attributed after the preceding movement is positive and there are losses to be recovered, calculated in previous years in the technical accounts of the respective products and which have been recognised in the Insurance Group companies' statement of profit or loss by the fact that the income from the allocated portfolios was not enough to cover the costs derived from the guaranteed technical rates, that positive balance is recognised in the Insurance Group companies' statement of profit or loss until the referred losses are recovered. This movement can be reversed and has also an impact in the statement of profit or loss when the balance originated by the potential gains/losses movement ceases to be positive.

Profit sharing provision attributed

This provision includes the amounts payable to policyholders or contract beneficiaries, in the form of profit sharing, which have still not been distributed but which have been attributed to them.

For most products the provision is calculated on the basis of income generated by the allocated assets, including realised capital gains and losses and the recognition of impairment losses for the period, less the negative balances of past years, in cases in which the said deduction is contractually provided for.

g) *Provision for interest rate commitments*

The provision for interest rate commitments is set up for all life insurance and life insurance operations with a guaranteed interest rate, whenever the effective yield on investments representing mathematical provisions on certain insurance contracts, is less than the average weighted technical interest rate used to assess the mathematical provisions for such contracts.

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h) ***Portfolio stabilisation provision***

The portfolio stabilisation provision is set up for annually renewable group insurance contracts, guaranteeing death risk as their principal cover, and it is designed to provide for the heightened risk inherent to the progression of the average age of the insured group, whenever the tariff is based on a single rate, which, owing to contractual commitments is to be maintained over a certain period.

i) ***Provision for unexpired risks***

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

j) ***Technical provisions for outwards reinsurance***

These provisions are assessed by applying the above described criteria for direct insurance, based on ceding percentages, in addition to other clauses existing in the treaties in force.

k) ***Liabilities to subscribers of unit linked products***

Liabilities associated with unit linked investment contracts issued by the Insurance Group in which the risk is borne by the policyholder, are recognised at fair value, assessed on the basis of the fair value of investment portfolio assets allocated to each of the products, less the corresponding management costs and recognised in the "Financial liabilities for Unit-Linked contracts".

Investment portfolios allocated to unit linked products comprise financial assets, including fixed-income securities, variable-income securities, derivative instruments and deposits in credit institutions, which are recognised at fair value and whose corresponding unrealised capital gains and losses are recognised in the statement of profit or loss for the year.

l) ***Liabilities to subscribers of other investment contracts***

Liabilities to subscribers of other regulated products, classified as investment contracts under IFRS 4, which do not include a discretionary profit sharing component, are valued in accordance with the requirements of IAS 39 and recognised in "Investment contract liabilities".

m) ***Impairment of debtor balances related with insurance and reinsurance contracts***

At each financial statement date, the Insurance Group assesses the existence of evidence of impairment on assets originated by insurance or reinsurance contracts, namely accounts receivable from policyholders, agents, inwards and outwards reinsurers, and technical provisions for outwards reinsurance.

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If impairment losses are identified, the financial statements value of the respective assets is reduced as a charge to the statement of profit or loss for the year and the cost recognised in the other losses account heading.

n) *Liability adequacy test*

In accordance with IFRS 4, at the financial statements date the Insurance Group performs liability adequacy tests relating to contracts in force. These tests include estimates of the present value of future cash flows under its insurance contracts, including claims handling costs and cash flows resulting from embedded options and guarantees.

If that assessment shows that the carrying amount of the insurance liabilities recognised in the financial statements, net of the deferred acquisition costs and related intangible assets is inadequate in the light of the estimated future cash flows, the entire insufficiency shall be recognised in profit or loss.

The methodology and main assumptions used in the liability adequacy tests are described below:

- *Life insurance*

The liability adequacy test is performed by calculating the present value of the future cash flows from claims, redemptions, maturities, commissions and management expenses, net of premium's future cash flows, at the Portuguese Public Debt interest rate. These future cash flows are projected policy by policy, meeting companies' second-order technical bases, which are calculated based on historical analysis as follows:

- Mortality:

Based on computer software extracted files, the number of policyholders is obtained, by age at the beginning and at the end of the period, plus the claimants for the year. Based on these data, the number of risk exposed people in each age is estimated. By multiplying this value by the death probability retrieved from a mortality table the expected claim's value is obtained, and then compared with the actual amount, to reach the real yearly claim cost in percentage of the table. By analysing the values of the last five years the mortality assumption is determined.

- Redemption:

From computer software extracted files, the mathematical provisions are obtained, by product at the beginning and at the end of the year and the redeemed amounts. This data is used to calibrate a general linear model as explanatory variables, based on the elapsed time since the start of the contract, on the type of product and on the differential between the market interest rate and technical rate. From this implementation it is obtained the model used to estimate future redemptions.

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— Expenses:

The costs are divided into investment, administrative and claims costs. In order to obtain unit costs, the investment costs are divided by the average value of mathematical provisions, the administrative costs by the average number of policyholders and the claims expenses by the total number of claims of the year.

— Rates of income:

The computation of the future rate of return of each product is based on the Portuguese Public Debt interest rate with the same maturity of the duration of the liabilities, plus the potential capital gains and losses and the net capital gains included in the provision for profit sharing to be attributed. Based on these rates of returns, the profit sharing of future results is projected, and subsequently incorporated in the mathematical provisions, and therefore in the projection of maturities, claims and future redemptions.

- *Non-life insurance*

The actuary in charge regularly assesses the adequacy of reserves, based on analyses of the responsibilities of the companies taking into consideration such variables as uncertainty, contract duration, nature of claims and claim settlement expenses. A number of micro and macro-economic scenarios to verify their adequacy are also run.

Provisions are recorded for unexpired risks arising from insurance contracts where the expected value of claims and expenses attributable to the unexpired periods of policies in force at the end of the reporting period exceeds the unearned premium provisions in relation to such policies. The unexpired risk provision is calculated by reference to classes of business which are managed together.

3.16 Commissions

As referred to in Note 3.5. commissions related with financial instruments, notably commissions charged or paid on the origination of such operations, are included in amortised cost and recognised in the statement of profit or loss during the course of the operation, using the effective interest rate method.

Commissions on services performed are usually recognised as income during the period of performance of the service or as a lump sum if resulting from single acts.

3.17 Cash and cash equivalents

For the purposes of the preparation of cash flow statements, the Insurance Group considers “cash and cash equivalents” to be the total amount of “Cash, cheques and balances with banks payable on demand”.

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3.18 Critical accounting estimates and most relevant judgmental aspects in the applications of accounting policies

The board of directors of each of the Insurance Group's companies must produce estimates on the application of the above referred to accounting policies. The estimates with the greatest impact in the Insurance Group's combined financial statements include those set out below.

Assessment of impairment losses on financial assets

Impairment losses on financial assets are assessed in accordance with the methodology defined in Note 3.5.d). The assessment of impairment accordingly, takes into account the conclusions resulting from the Insurance Group's specific assessment based on its knowledge of the status of the issuers of the financial instruments in question.

The Insurance Group considers that the assessment of impairment using this methodology adequately reflects the risk on its financial assets portfolio, under IAS 39 rules.

Valuation of financial instruments not traded in active markets

Under IAS 39, the Insurance Group calculates the fair value of all financial instruments, unless they are recognised at amortised cost. Valuation models and techniques as described in Note 3.5, are used to value financial instruments not traded on liquid markets. The valuations obtained comprise the best estimate of the fair value of the referred to instruments, at the date of the financial statements. As referred to in Note 3.5. to guarantee adequate separation between functions, such financial instruments are valued by a division that is independent from the trading function.

Fair value of investment and own properties

The fair value of investment and own properties held by the Insurance Group were determined based on valuations conducted by independent professional valuers, using generally accepted property valuation techniques which involve certain assumptions. Favourable or unfavourable change to these assumptions would result in changes in the fair value of the Insurance Group's investment properties and corresponding adjustment to the amount of gain or loss reported in profit or loss or in revaluation reserves.

Employee benefits

As referred to in Note 3.14, the Insurance Group's liabilities for post-employment and other long term benefits granted to its employees are assessed actuarially. These actuarial assessments incorporate, inter alia, financial and actuarial assumptions on mortality, disability, wage and pensions growth, asset yields and discount rates. The assumptions adopted comprise the Insurance Group's and its actuaries' best estimate of the future performance of the respective variables.

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Impairment of goodwill

As referred to in Note 3.2, the Insurance Group performs an impairment analysis on goodwill value, at least once a year. These analyses are performed on the basis of cash flow projections for each of the units under analysis, discounted at appropriate rates.

The projections incorporate a broad range of assumptions on the evolution of the future activity of the units in question, which may or not occur in the future. Such assumptions, however, reflect the Insurance Group's best estimate at the date of the financial statements.

Assessment of insurance and reinsurance contracts liabilities

The Insurance Group's insurance and reinsurance contracts liabilities are assessed on the basis of the methodologies and assumptions described in Note 3.15. These liabilities reflect a quantified estimate of the impact of future events on the accounts of the Insurance Group's insurance companies, based on actuarial assumptions, claims history and other methods accepted in the sector.

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

The Insurance Group considers, however, that the insurance and reinsurance contracts liabilities recognised in the combined accounts provide an adequate estimate of the amounts to be disbursed by the Insurance Group, at the date of the financial statements.

Income Tax

Income tax (current and deferred) is assessed by Insurance Group companies on the basis of the rules defined by the current fiscal framework. In several cases, however, fiscal legislation is not sufficiently clear and objective and may give rise to different interpretations. Although the amounts recorded in such cases represent the Insurance Group and its group companies' best understanding of the correctness of the operations, they may be queried by the fiscal authorities.

The fiscal authorities normally have the option of reviewing the fiscal situation for a defined period of time, which, in Portugal, is four years (six years for years in which losses have been declared). Different interpretations of the legislation could lead to eventual adjustments to the taxable profit of past years. Given the nature of any corrections which may be made, they cannot be quantified at the present time. The boards of directors of the Insurance Group companies consider, however, that it is unlikely any significant correction is made to the financial statements for the above referred to years.

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4. INVESTMENTS IN SUBSIDIARIES AND INTERESTS IN ASSOCIATES

The main entities included in the Insurance Group's structure, their operating sectors and respective financial data taken from their separate statutory accounts, at 31 December 2013, 2012 and 2011, except when expressly indicated, are summarised below:

Operating sector/entity	Headquarters	% Equity interest	2013				
			Assets	Liabilities	Shareholders' equity (a)	Net income	Total income
Insurance							
Fidelidade - Companhia de Seguros, S.A.	Portugal	100.00	12,625,942,088	11,470,485,028	1,155,457,060	103,810,433	1,951,905,245
Multicare - Seguros de Saúde, S.A.	Portugal	100.00	122,892,564	73,028,638	49,863,926	3,686,538	189,093,515
Cares - Companhia de Seguros, S.A.	Portugal	100.00	65,398,244	39,618,253	25,779,991	6,186,783	43,809,425
Via Directa - Companhia de Seguros, S.A.	Portugal	100.00	76,959,213	46,386,572	30,572,641	420,775	39,414,036
Companhia Portuguesa de Resseguros, S.A.	Portugal	100.00	15,957,718	5,373,021	10,584,697	528,973	761,454
Universal Seguros, S.A. (b)	Angola	70.00	21,838,409	19,008,761	2,829,648	(106,011)	11,400,514
Real Estate							
Fidelidade - Investimentos Imobiliários, S.A.	Portugal	100.00	70,198,873	26,492,977	43,705,896	(1,883,004)	6,698,816
Fundo de Investimento Imobiliário Fechado Saudeinvest	Portugal	82.18	127,393,322	34,322,281	93,071,041	(2,980,114)	8,211,838
Fundo de Investimento Imobiliário Fechado Bonança 1	Portugal	100.00	14,804,223	187,167	14,617,056	(27,121)	509,309
Other Sectors							
E.A.P.S. - Empresa de Análise, Prevenção e Segurança, S.A.	Portugal	100.00	749,588	585,420	164,168	17,918	2,079,003
Cetra - Centro Técnico de Reparação Automóvel, S.A.	Portugal	100.00	5,266,970	902,855	4,364,115	143,081	2,992,258
GEP - Gestão de Peritagens Automóveis, S.A.	Portugal	100.00	3,142,568	2,815,244	327,324	70,875	20,616,293
Cares RH - Companhia de Assistência e Representação de Seguros, S. A.	Portugal	100.00	4,131,760	597,538	3,534,222	775,312	1,866,613
Cares Multiassistance, S.A.	Portugal	51.00	4,323,592	1,594,483	2,729,109	1,780,398	10,948,818

(a) Shareholders' equity includes net income for the period

(b) Amount in Euros, considering exchange rate at 31 December 2013 of 134.592 Euro/Kwanza for the balance sheet headings and a monthly average exchange rate of 133.368 Euro/Kwanza for income statement headings

APPENDIX II ACCOUNTANTS' REPORT OF INSURANCE COMPANIES

(Amounts expressed in Euros, except when otherwise expressly indicated)

Operating sector/entity	Headquarters	% Equity interest	Assets	2012			
				Liabilities	Shareholders' equity (a)	Net income	Total income
Insurance							
Fidelidade - Companhia de Seguros, S.A.	Portugal	100.00	12,838,177,696	11,515,581,497	1,322,596,199	98,537,873	1,809,540,144
Multicare - Seguros de Saúde, S.A.	Portugal	100.00	119,456,890	85,862,177	33,594,713	5,335,405	184,964,527
Cares - Companhia de Seguros, S.A.	Portugal	100.00	65,225,627	41,834,290	23,391,337	7,086,709	42,760,729
Via Directa - Companhia de Seguros, S.A.	Portugal	100.00	92,089,664	62,755,472	29,334,192	1,012,246	41,199,698
Companhia Portuguesa de Resseguros, S.A.	Portugal	100.00	14,845,392	4,789,542	10,055,850	301,774	610,192
Universal Seguros, S.A. (b)	Angola	70.00	9,595,263	6,547,165	3,048,098	(2,488,920)	4,518,302
Healthcare							
EPS - Gestão de Sistemas de Saúde, S.A.	Portugal	100.00	696,139	172,574	523,565	(72,728)	184,219
Real Estate							
Fidelidade - Investimentos Imobiliários, S.A.	Portugal	100.00	69,732,810	24,143,911	45,588,899	897,080	4,242,191
Fundo de Investimento Imobiliário Fechado Saudeinvest	Portugal	82.18	127,836,854	31,785,699	96,051,155	3,366,152	10,268,794
Fundo de Investimento Imobiliário Fechado Bonança 1	Portugal	100.00	14,815,127	170,950	14,644,177	534,676	665,560
Other Sectors							
E.A.P.S. - Empresa de Análise, Prevenção e Segurança, S.A.	Portugal	100.00	853,565	672,316	181,249	75,065	2,032,572
Cetra - Centro Técnico de Reparação Automóvel, S.A.	Portugal	100.00	5,184,249	602,336	4,581,913	139,079	2,183,191
GEP - Gestão de Peritagens Automóveis, S.A.	Portugal	100.00	4,760,095	4,517,724	242,371	78,156	18,770,382
Cares RH - Companhia de Assistência e Representação de Seguros, S. A.	Portugal	100.00	3,191,095	282,184	2,908,911	936,870	1,871,064
Cares Multiassistance, S.A.	Portugal	51.00	3,562,359	1,076,082	2,486,277	1,537,567	9,771,340

(a) Shareholders' equity includes net income for the period

(b) Amount in Euros, considering exchange rate at 31 December 2012 of 126.97 Euro/Kwanza for the balance sheet headings and a monthly average exchange rate of 125.692 Euro/Kwanza for income statement headings

APPENDIX II ACCOUNTANTS' REPORT OF INSURANCE COMPANIES

(Amounts expressed in Euros, except when otherwise expressly indicated)

Operating sector/entity	Headquarters	% Equity interest	2011				
			Assets	Liabilities	Shareholders' equity (a)	Net income	Total income
Insurance							
Fidelidade - Companhia de Seguros, S.A.	Portugal	100.00	12,898,660,843	12,068,842,512	829,818,331	28,379,246	1,782,311,653
Multicare - Seguros de Saúde, S.A.	Portugal	100.00	113,135,389	86,628,111	26,507,278	584,234	179,136,382
Cares - Companhia de Seguros, S.A.	Portugal	100.00	59,232,209	42,061,339	17,170,870	4,509,321	37,477,426
Via Directa - Companhia de Seguros, S.A.	Portugal	100.00	84,508,553	59,516,937	24,991,616	232,951	39,129,648
Companhia Portuguesa de Resseguros, S.A.	Portugal	100.00	14,294,678	4,428,980	9,865,698	264,833	714,511
Universal Seguros, S.A. (b)	Angola	70.00	7,733,732	1,772,353	5,961,379	(361,069)	651,980
Healthcare							
EPS - Gestão de Sistemas de Saúde, S.A.	Portugal	100.00	1,024,313	428,020	596,293	(24,804)	349,685
Real Estate							
Fidelidade - Investimentos Imobiliários, S.A.	Portugal	100.00	76,378,866	32,237,047	44,141,819	2,387,582	5,342,760
Fundo de Investimento Imobiliário Fechado Saudeinvest	Portugal	82.18	136,338,674	36,921,367	99,417,307	4,205,202	10,281,186
Fundo de Investimento Imobiliário Fechado Bonança 1	Portugal	100.00	15,429,759	250,906	15,178,853	64,578	1,316,366
Other Sectors							
E.A.P.S. - Empresa de Análise, Prevenção e Segurança, S.A.	Portugal	100.00	863,459	722,274	141,185	71,282	2,163,471
Cetra - Centro Técnico de Reparação Automóvel, S.A.	Portugal	100.00	5,066,930	624,096	4,442,834	188,151	2,475,496
GEP - Gestão de Peritagens Automóveis, S.A.	Portugal	100.00	5,061,501	4,857,285	204,216	86,097	20,384,158
Cares RH - Companhia de Assistência e Representação de Seguros, S. A.	Portugal	100.00	2,183,858	211,817	1,972,041	774,947	1,420,090
Cares Multiassistance, S.A.	Portugal	51.00	4,487,619	1,986,672	2,500,947	1,552,236	7,658,375

(a) Shareholders' equity includes net income for the period

(b) Amount in Euros, considering exchange rate at 31 December 2011 of 122.92 Euro/Kwanza for the balance sheet headings and a monthly average exchange rate of 124.758 Euro/Kwanza for income statement headings

APPENDIX II ACCOUNTANTS' REPORT OF INSURANCE COMPANIES

(Amounts expressed in Euros, except when otherwise expressly indicated)

Information on subsidiary and associated companies, grouped by their main type of business is set out below:

INSURANCE

Fidelidade - Companhia de Seguros, S.A. is a company formed from the merger of Império Bonança — Companhia de Seguros, S.A. (“Império Bonança”) into Companhia de Seguros Fidelidade-Mundial, S.A. (“Fidelidade Mundial”), by a public deed of 31 May 2012, which came into effect, in accounting terms, on 1 January 2012. The operation was authorised by Portuguese Insurance Institute through a resolution of its board of directors dated 23 February 2012.

The company’s corporate object is to perform non-life and life insurance operations under the terms of the respective statute governing its activity.

On 31 December 2013 the share capital of Fidelidade - Companhia de Seguros, S.A. is represented by 121 million shares with a nominal value of Euro 3.15 and is fully paid.

Via Directa - Companhia de Seguros, S.A., with headquarters in Avenida José Malhoa, 13 - 2º, Lisbon, was formed on 28 November 1997, with the corporate object of performing insurance and reinsurance operations, in all non-life insurance lines of business and operations permitted by law in addition to activities related with insurance and reinsurance operations.

On 31 December 2013 the share capital of Via Directa - Companhia de Seguros, S.A. is represented by 4.6 million shares with a nominal value of Euro 5 and is fully paid.

Multicare - Seguros de Saúde, S.A., with headquarters in Rua Alexandre Herculano 53, Lisbon, was formed on 13 March 2007, with the corporate object of performing insurance and reinsurance operations, in all non-life insurance lines of business and operations permitted by law in addition to activities related with insurance and reinsurance operations. The company is geared to healthcare insurance management.

On 31 December 2013 the share capital of Multicare - Seguros de Saúde, S.A. is represented by 5.4 million shares with a nominal value of Euro 5 and is fully paid.

Cares - Companhia de Seguros, S.A., with headquarters in Avenida José Malhoa 13 - 7º, Lisbon, was formed on 16 March 1995, as Companhia de Seguros Tágus, S.A., with the corporate object of performing insurance and reinsurance activities, for all non-life insurance lines of business and operations permitted by law in addition to activities related with insurance and reinsurance operations.

On 31 December 2013 the share capital of Cares - Companhia de Seguros, S.A. is represented by 1.5 million shares with a nominal value of Euro 5 and is fully paid.

APPENDIX II ACCOUNTANTS' REPORT OF INSURANCE COMPANIES

(Amounts expressed in Euros, except when otherwise expressly indicated)

Companhia Portuguesa de Resseguros, S.A., with headquarters in Largo do Calhariz 30, Lisbon, was formed on 13 January 1983 with the corporate object of performing any operations related with non-life reinsurance, either in Portugal or abroad, in addition to participating in the market redistribution of certain risks of a specific type or dimension.

On 31 December 2013 the share capital of Companhia Portuguesa de Resseguros, S.A. is represented by 1.5 million shares with a nominal value of Euro 5 and is fully paid.

Universal Seguros, S.A., with headquarters in Luanda, at Rua 1º Congresso MPLA, 11, 1º A, Ingombota, was formed on 2 June 2009 with the corporate object of performing life and non-life insurance activities in the territory of the People's Republic of Angola.

On 31 December 2013 the share capital of Universal Seguros, S.A. is represented by 100 shares with a nominal value of AKZ 7.84 million and is fully paid.

HEALTHCARE

EPS - Gestão de Sistemas de Saúde S.A., with headquarters in Rua Alexandre Herculano 53, was formed on 29 May 2001 with the corporate object of providing management, consultancy and intermediation services in the healthcare and related, instrumental or complementary activities area, in addition to providing healthcare services.

On 31 December 2012 the share capital of EPS - Gestão de Sistemas de Saúde S.A. was represented by 100,000 shares with a nominal value of Euro 5 and was fully paid.

PROPERTY

Fidelidade — Investimentos Imobiliários, S.A. (formerly Fidelidade — Mundial, Sociedade de Gestão e Investimento Imobiliário, S.A.), with headquarters in Avenida 5 de Outubro, 175, Lisbon, was formed on 19 November 1991 with the main corporate object of renting property, either acquired or built by the company, and providing associated services.

On 31 December 2013 the share capital of Fidelidade — Investimentos Imobiliários, S.A. is represented by 3.64 million shares with a nominal value of Euro 5 and is fully paid.

Fundo de Investimento Imobiliário Fechado Bonança I, was formed on 22 December 1993. Its investment policy is to achieve medium and long term capital appreciation by forming and managing a predominantly property portfolio.

Fundo de Investimento Imobiliário Fechado Saúdeinveste, was formed on 10 December 2002. Its investment policy is to achieve medium and long term capital appreciation by forming and managing a predominantly property portfolio.

APPENDIX II ACCOUNTANTS' REPORT OF INSURANCE COMPANIES

(Amounts expressed in Euros, except when otherwise expressly indicated)

OTHER SECTORS

E.A.P.S. - Empresa de Análise, Prevenção e Segurança, S.A., with headquarters in Rua Nova da Trindade, 15, Lisbon, was formed on 11 November 1996, with the corporate object of providing risk analysis and prevention services, in addition to technical consultancy and training to improve hygiene, safety and health conditions in the workplace, laboratory support, environmental recovery planning and monitoring interventions and the management of industrial installations for processing, recovery or recycling operations.

On 31 December 2013 the share capital of E.A.P.S. - Empresa de Análise, Prevenção e Segurança, S.A. is represented by 10,000 shares with a nominal value of Euro 5 and is fully paid.

Cetra, Centro Técnico de Reparação Automóvel, S.A., with headquarters in Rua Cidade de Bolama, 1 - B, Lisbon, was formed in 1973, with the corporate object of performing all and any type of activity related with motor vehicles, notably repairs, loss-adjustments, assessments and recovery of wrecked vehicles in addition to vehicle leasing operations. The company is also authorised to perform related or complementary operations as an accessory activity.

On 31 December 2013 the share capital of Cetra, Centro Técnico de Reparação Automóvel, S.A. is represented by 150,000 shares with a nominal value of Euro 5 and is fully paid.

GEP - Gestão de Peritagens Automóveis, S.A., with headquarters in Avenida 5 de Outubro 35-8º, Lisbon, was formed on 11 November 1996 with the corporate object of providing services for the assessment of damages to light and heavy motor vehicles, motorbikes and bicycles, including trailers and tow-trucks.

On 31 December 2013 the share capital of GEP - Gestão de Peritagens Automóveis, S.A. is represented by 20,000 shares with a nominal value of Euro 5 and is fully paid.

Cares RH - Companhia de Assistência e Representação de Seguros, S.A., with headquarters in Avenida José Malhoa, 13-7º, Lisbon was formed on 29 January 1991 with the corporate object of representing and assisting foreign insurance companies in addition to providing support services to the claims management of national and foreign insurance companies.

On 31 December 2013 the share capital of Cares RH - Companhia de Assistência e Representação de Seguros, S.A. is represented by 5,000 shares with a nominal value of Euro 10 and is fully paid.

APPENDIX II ACCOUNTANTS' REPORT OF INSURANCE COMPANIES

(Amounts expressed in Euros, except when otherwise expressly indicated)

Cares Multiassistance, S.A., with headquarters in Travessa do Pereira à Graça, 16 A, atelier D, Lisbon, was formed on 8 November 2002 with the corporate object of providing services for the organisation, valuation and management of any repair and restoration works.

On 31 December 2013 the share capital of Cares Multiassistance, S.A. is represented by 100,000 shares with a nominal value of Euro 1 and is fully paid.

Audatex Portugal - Peritagens Informatizadas Derivadas de Acidentes, S.A., with headquarters in Torre Zen — Av. D. João II. Lote 1.17.01 11º, Lisbon was formed in 1994, with the corporate object of operating a computerised system for the direct and indirect calculation of damages deriving from accidents. The company is also authorised to provide complementary support services to the above referred to system, for insurance companies, loss adjusters, repair workshops or other interested parties.

On 31 December 2013 the share capital of Audatex Portugal - Peritagens Informatizadas Derivadas de Acidentes, S.A. is represented by 9,000 shares with a nominal value of Euro 250 and is fully paid.

Highgrove — Investimentos e Participações SGPS, S.A., with headquarters in Lugar de Meladas 380, Mozelos was formed on 21 September 1999 with the sole corporate object of acting as a holding company, as an indirect means of performing economic activities.

On 31 December 2013 the share capital of Highgrove — Investimentos e Participações SGPS, S.A is represented by 261,846 shares with a nominal value of Euro 5 and is fully paid.

Information on the main developments affecting the Insurance Group member firms in 2013, 2012 and 2011 is set out below:

2013

a) *EPS Liquidation*

In 31 May 2013, Fidelidade proceeded with the dissolution and liquidation of its wholly-owned subsidiary EPS - Gestão de Sistemas de Saúde, S.A.. This operation resulted in the transfer of all EPS - Gestão de Sistemas de Saúde, S.A. assets and liabilities to Fidelidade.

b) *Fidelidade shareholders' equity reduction*

In July 2013, Fidelidade's General shareholders Meeting approved a shareholders' equity reduction in the amount of Euro 223,850,000, materialised through the reduction in the nominal value of each share from Euro 5 to Euro 3.15, while maintaining the total number of shares.

(Amounts expressed in Euros, except when otherwise expressly indicated)

c) *Multicare shareholders' equity increase*

In September 2013, Multicare's General Shareholders Meeting approved a shareholders' equity increase in the amount of Euro 9,000,000, fully subscribed by the sole shareholder CSS through the issuance of 1,800,000 new shares with a nominal value of Euro 5 each, and a premium of Euro 3.3 per share, amounting to a total premium of Euro 5,994,000.

2012

a) *Conversion of subordinated loans into share capital*

In June 2012, the two subordinated loans given by CGD to the former Fidelidade -Mundial, in the total amount of Euro 85,000,000, were converted into share capital of Fidelidade — Companhia de Seguros, S.A. (after the merger of the two companies Fidelidade - Mundial and Império Bonança) through the issuance of 17,000,000 shares, with a nominal value of Euro 5, corresponding to 14.05% of its share capital.

b) *Equity investment in Fidelidade - Companhia de Seguros, S.A.*

In September 2012, CSS purchased from CGD 17,000,000 shares in Fidelidade — Companhia de Seguros, S.A., for their nominal value of Euro 5 each, comprising 14.05% of this company's share capital. With this acquisition, Caixa Seguros e Saúde, SGPS, S.A. became once again the sole owner of Fidelidade's share capital.

2011

a) *Equity investment in Universal Seguros, S.A.*

In April 2011, Fidelidade, Multicare, Cares and EAPS purchased a total number of 70 shares in Universal Seguros, S.A., comprising 70% of its share capital for the amount of 861,348,320 Kwanzas, equivalent to Euro 6,237,812.

APPENDIX II ACCOUNTANTS' REPORT OF INSURANCE COMPANIES

(Amounts expressed in Euros, except when otherwise expressly indicated)

5. EARNED PREMIUMS, NET OF REINSURANCE

The following is a breakdown of this heading, in 2013, 2012 and 2011:

	2013			2012			2011		
	Direct insurance and inwards reinsurance	Outwards reinsurance	Net	Direct insurance and inwards reinsurance	Outwards reinsurance	Net	Direct insurance and inwards reinsurance	Outwards reinsurance	Net
Gross premiums written:									
Life insurance	240,395,597	(20,302,818)	220,092,779	261,238,532	(23,948,595)	237,289,937	267,726,383	(22,884,443)	244,841,940
Non-life insurance:									
Workman's compensation	126,485,051	(1,126,278)	125,358,773	137,679,035	(886,769)	136,792,266	149,082,910	(1,105,630)	147,977,280
Personal accidents and passengers	25,421,429	(6,051,758)	19,369,671	25,142,968	(7,920,514)	17,222,454	27,462,994	(4,386,841)	23,076,153
Health	190,992,009	(1,035,708)	189,956,301	184,952,020	(455,362)	184,496,658	178,881,116	(14,324)	178,866,792
Fire and other damage	239,077,966	(98,047,874)	141,030,092	244,419,777	(99,610,747)	144,809,030	243,218,146	(98,118,124)	145,100,022
Motor	387,222,788	(6,414,406)	380,808,382	401,684,689	(2,837,465)	398,847,224	420,783,434	(1,889,596)	418,893,838
Marine, aviation and transport	19,024,857	(15,395,129)	3,629,728	20,646,590	(16,272,250)	4,374,340	24,711,453	(18,406,616)	6,304,837
Third party liability	30,555,544	(9,732,909)	20,822,635	33,496,669	(11,008,863)	22,487,806	35,225,765	(11,560,442)	23,665,323
Credit and suretyship	1,181,193	(736,588)	444,605	1,081,934	(760,138)	321,796	1,025,434	(625,579)	399,855
Legal expenses	6,000,691	(483)	6,000,208	6,240,284	(23,992)	6,216,292	6,582,302	(58,334)	6,523,968
Assistance	27,938,088	4,648,515	32,586,603	31,739,169	(46,657)	31,692,512	26,815,495	(4,000)	26,811,495
Other	21,496,098	(7,182,675)	14,313,423	17,988,768	(7,149,028)	10,839,740	19,354,319	(9,454,834)	9,899,485
	1,075,395,714	(141,075,293)	934,320,421	1,105,071,903	(146,971,785)	958,100,118	1,133,143,368	(145,624,320)	987,519,048
	1,315,791,311	(161,378,111)	1,154,413,200	1,366,310,435	(170,920,380)	1,195,390,055	1,400,869,751	(168,508,763)	1,232,360,988
Change in provision for unearned premiums									
Life insurance	118,321	—	118,321	35,056	—	35,056	(14,185)	—	(14,185)
Non-life insurance:									
Workman's compensation	665,851	(7,064)	658,787	164,611	(194,438)	(29,827)	628,331	201,603	829,934
Personal accidents and passengers	2,519,741	(1,854,342)	665,399	3,654,344	(2,875,272)	779,072	3,829,999	(3,138,267)	691,732
Health	(1,174,039)	34,805	(1,139,234)	1,825,948	(477,608)	1,348,340	869,043	(1,264,395)	(395,352)
Fire and other damage	1,113,149	(130,644)	982,505	(881,453)	(6,341,385)	(7,222,838)	(3,957,904)	1,847,717	(2,110,187)
Motor	5,647,393	709,094	6,356,487	6,376,833	616,329	6,993,162	7,179,079	160,993	7,340,072
Marine, aviation and transport	214,108	(252,739)	(38,631)	273,200	181,172	454,372	1,297,208	(1,310,132)	(12,924)
Third party liability	1,409,547	(406,554)	1,002,993	1,217,263	(496,228)	721,035	348,447	111,050	459,497
Credit and suretyship	3,094	(9,428)	(6,334)	(63,615)	73,808	10,193	(38,396)	(28,648)	(67,044)
Legal expenses	94,351	(10)	94,341	150,009	(51,615)	98,394	(85,940)	58	(85,882)
Assistance	118,350	2,900	121,250	(196,123)	10,387	(185,736)	344,087	(3)	344,084
Other	867,667	(734,125)	133,542	1,672,981	(1,756,017)	(83,036)	96,818	(442,462)	(345,644)
	11,479,212	(2,648,107)	8,831,105	14,193,998	(11,310,867)	2,883,131	10,510,772	(3,862,486)	6,648,286
	11,597,533	(2,648,107)	8,949,426	14,229,054	(11,310,867)	2,918,187	10,496,587	(3,862,486)	6,634,101

APPENDIX II ACCOUNTANTS' REPORT OF INSURANCE COMPANIES

(Amounts expressed in Euros, except when otherwise expressly indicated)

	2013			2012			2011		
	Direct insurance and inwards reinsurance	Outwards reinsurance	Net	Direct insurance and inwards reinsurance	Outwards reinsurance	Net	Direct insurance and inwards reinsurance	Outwards reinsurance	Net
Earned premiums:									
Life insurance	240,513,918	(20,302,818)	220,211,100	261,273,588	(23,948,595)	237,324,993	267,712,198	(22,884,443)	244,827,755
Non-life insurance:									
Workman's compensation	127,150,902	(1,133,342)	126,017,560	137,843,646	(1,081,207)	136,762,439	149,711,241	(904,027)	148,807,214
Personal accidents and passengers	27,941,170	(7,906,100)	20,035,070	28,797,312	(10,795,786)	18,001,526	31,292,993	(7,525,108)	23,767,885
Health	189,817,970	(1,000,903)	188,817,067	186,777,968	(932,970)	185,844,998	179,750,159	(1,278,719)	178,471,440
Fire and other damage	240,191,115	(98,178,518)	142,012,597	243,538,324	(105,952,132)	137,586,192	239,260,242	(96,270,407)	142,989,835
Motor	392,870,181	(5,705,312)	387,164,869	408,061,522	(2,221,136)	405,840,386	427,962,513	(1,728,603)	426,233,910
Marine, aviation and transport	19,238,965	(15,647,868)	3,591,097	20,919,790	(16,091,078)	4,828,712	26,008,661	(19,716,748)	6,291,913
Third party liability	31,965,091	(10,139,463)	21,825,628	34,713,932	(11,505,091)	23,208,841	35,574,212	(11,449,392)	24,124,820
Credit and suretyship	1,184,287	(746,016)	438,271	1,018,319	(686,330)	331,989	987,038	(654,227)	332,811
Legal expenses	6,095,042	(493)	6,094,549	6,390,293	(75,607)	6,314,686	6,496,362	(58,276)	6,438,086
Assistance	28,056,438	4,651,415	32,707,853	31,543,046	(36,270)	31,506,776	27,159,582	(4,003)	27,155,579
Other	22,363,765	(7,916,800)	14,446,965	19,661,749	(8,905,045)	10,756,704	19,451,137	(9,897,296)	9,553,841
	<u>1,086,874,926</u>	<u>(143,723,400)</u>	<u>943,151,526</u>	<u>1,119,265,901</u>	<u>(158,282,652)</u>	<u>960,983,249</u>	<u>1,143,654,140</u>	<u>(149,486,806)</u>	<u>994,167,334</u>
	<u>1,327,388,844</u>	<u>(164,026,218)</u>	<u>1,163,362,626</u>	<u>1,380,539,489</u>	<u>(182,231,247)</u>	<u>1,198,308,242</u>	<u>1,411,366,338</u>	<u>(172,371,249)</u>	<u>1,238,995,089</u>

The following is a breakdown of premiums on life insurance contracts, in 2013, 2012 and 2011:

	2013	2012	2011
Gross direct insurance premiums written	<u>240,362,868</u>	<u>261,237,862</u>	<u>267,725,200</u>
on individual contracts	55,867,883	63,798,608	66,726,219
on group contracts	<u>184,494,985</u>	<u>197,439,254</u>	<u>200,998,981</u>
	<u>240,362,868</u>	<u>261,237,862</u>	<u>267,725,200</u>
Periodic	223,076,335	232,341,403	246,647,197
Non-periodic	<u>17,286,533</u>	<u>28,896,459</u>	<u>21,078,003</u>
	<u>240,362,868</u>	<u>261,237,862</u>	<u>267,725,200</u>
Contracts without profit sharing	153,814,742	156,377,867	155,494,139
Contracts with profit sharing	<u>86,548,126</u>	<u>104,859,995</u>	<u>112,231,061</u>
	<u>240,362,868</u>	<u>261,237,862</u>	<u>267,725,200</u>
Gross premiums written for inwards reinsurance	<u>32,729</u>	<u>670</u>	<u>1,183</u>
Gross premiums written for direct insurance and inwards reinsurance	<u>240,395,597</u>	<u>261,238,532</u>	<u>267,726,383</u>
Reinsurance balance	<u>8,773,664</u>	<u>(4,744,536)</u>	<u>(8,041,277)</u>

APPENDIX II ACCOUNTANTS' REPORT OF INSURANCE COMPANIES

(Amounts expressed in Euros, except when otherwise expressly indicated)

6. NET INVESTMENT INCOME

The following is a breakdown of investment income account headings in 2013, 2012 and 2011:

	2013				
	Interest	Dividends	Rents	Other	Total
Investment income					
Investments allocated to technical provisions for life insurance:					
Financial assets designated at fair value through profit or loss	19,879	—	—	—	19,879
Available for sale assets	56,910,856	12,238,041	—	—	69,148,897
Loans and accounts receivable	4,192,559	—	—	—	4,192,559
Investments to be held to maturity	1,811,108	—	—	—	1,811,108
Sight deposits in credit institutions	(94)	—	—	—	(94)
	62,934,308	12,238,041	—	—	75,172,349
Investments related to contracts considered for accounting purposes as investment contracts:					
Financial assets held for trading	1,430,989	—	—	—	1,430,989
Financial assets designated at fair value through profit or loss	37,254,639	240,818	—	—	37,495,457
Available for sale assets	122,080,843	1,797,255	—	—	123,878,098
Loans and accounts receivable	13,369,889	—	—	—	13,369,889
Investments to be held to maturity	115,213,272	—	—	—	115,213,272
Sight deposits in credit institutions	196,469	—	—	—	196,469
	289,546,101	2,038,073	—	—	291,584,174
	352,480,409	14,276,114	—	—	366,756,523

APPENDIX II ACCOUNTANTS' REPORT OF INSURANCE COMPANIES

(Amounts expressed in Euros, except when otherwise expressly indicated)

	2013				
	Interest	Dividends	Rents	Other	Total
Investments allocated to technical provisions for non-life insurance areas:					
Property	—	—	9,488,637	—	9,488,637
Financial assets designated at fair value through profit or loss	23,804	—	—	—	23,804
Available for sale assets	21,971,182	6,132,993	—	—	28,104,175
Loans and accounts receivable	3,523,773	—	—	—	3,523,773
Investments to be held to maturity	19,119,872	—	—	—	19,119,872
Sight deposits in credit institutions	2,261	—	—	—	2,261
	<u>44,640,892</u>	<u>6,132,993</u>	<u>9,488,637</u>	<u>—</u>	<u>60,262,522</u>
Not allocated:					
Property	—	—	12,624,707	—	12,624,707
Financial assets designated at fair value through profit or loss	66,076	—	—	—	66,076
Available for sale assets	3,214,365	1,452,608	—	—	4,666,973
Loans and accounts receivable	1,800,889	—	—	—	1,800,889
Investments to be held to maturity	5,989,778	—	—	—	5,989,778
Sight deposits in credit institutions	618	—	—	—	618
	<u>11,071,726</u>	<u>1,452,608</u>	<u>12,624,707</u>	<u>—</u>	<u>25,149,041</u>
Investment expenses					
Investment allocated to technical provisions for life insurance:					
Interest expense from Repo transactions	—	—	—	(282,157)	(282,157)
	<u>408,193,027</u>	<u>21,861,715</u>	<u>22,113,344</u>	<u>(282,157)</u>	<u>451,885,929</u>

APPENDIX II ACCOUNTANTS' REPORT OF INSURANCE COMPANIES

(Amounts expressed in Euros, except when otherwise expressly indicated)

			2012		
	Interest	Dividends	Rents	Other	Total
Investment income					
Investments allocated to technical provisions for life insurance:					
Financial assets designated at fair value through profit or loss	199,821	—	—	—	199,821
Available for sale assets	64,714,867	10,299,296	—	—	75,014,163
Loans and accounts receivable	4,937,566	—	—	—	4,937,566
Investments to be held to maturity	1,688,648	—	—	—	1,688,648
Sight deposits in credit institutions	322,279	—	—	—	322,279
	<u>71,863,181</u>	<u>10,299,296</u>	<u>—</u>	<u>—</u>	<u>82,162,477</u>
Investments related to contracts considered for accounting purposes as investment contracts:					
Financial assets held for trading	4,689,227	—	—	—	4,689,227
Financial assets designated at fair value through profit or loss	23,978,178	238,439	—	—	24,216,617
Available for sale assets	98,702,580	1,001,192	—	—	99,703,772
Loans and accounts receivable	11,432,180	—	—	—	11,432,180
Investments to be held to maturity	135,196,866	—	—	—	135,196,866
Sight deposits in credit institutions	494,291	—	—	—	494,291
	<u>274,493,322</u>	<u>1,239,631</u>	<u>—</u>	<u>—</u>	<u>275,732,953</u>
	<u>346,356,503</u>	<u>11,538,927</u>	<u>—</u>	<u>—</u>	<u>357,895,430</u>
Investments allocated to technical provisions for non-life insurance areas:					
Property	—	—	9,505,182	—	9,505,182
Financial assets designated at fair value through profit or loss	93,392	—	—	—	93,392
Available for sale assets	25,881,501	5,629,429	—	—	31,510,930
Loans and accounts receivable	3,864,534	—	—	—	3,864,534
Investments to be held to maturity	18,388,014	—	—	—	18,388,014
Sight deposits in credit institutions	90,295	—	—	—	90,295
	<u>48,317,736</u>	<u>5,629,429</u>	<u>9,505,182</u>	<u>—</u>	<u>63,452,347</u>

APPENDIX II ACCOUNTANTS' REPORT OF INSURANCE COMPANIES

(Amounts expressed in Euros, except when otherwise expressly indicated)

	2012				
	Interest	Dividends	Rents	Other	Total
Not allocated:					
Property	—	—	12,751,959	—	12,751,959
Financial assets designated at fair value through profit or loss	68,677	—	—	—	68,677
Available for sale assets	4,538,133	513,331	—	—	5,051,464
Loans and accounts receivable	1,443,346	—	—	—	1,443,346
Investments to be held to maturity	3,071,395	—	—	—	3,071,395
Sight deposits in credit institutions	50,820	—	—	—	50,820
	<u>9,172,371</u>	<u>513,331</u>	<u>12,751,959</u>	<u>—</u>	<u>22,437,661</u>
Investment expenses					
Investment allocated to technical provisions for life insurance:					
Interest expense from Repo transactions	—	—	—	(4,312,565)	(4,312,565)
Not allocated:					
Interest expense from Repo transactions	<u>—</u>	<u>—</u>	<u>—</u>	<u>(437,958)</u>	<u>(437,958)</u>
	<u>403,846,610</u>	<u>17,681,687</u>	<u>22,257,141</u>	<u>(4,750,523)</u>	<u>439,034,915</u>

	2011				
	Interest	Dividends	Rents	Other	Total
Investment income					
Investments allocated to technical provisions for life insurance:					
Property	—	—	(6,648)	—	(6,648)
Financial assets designated at fair value through profit or loss	403,869	—	—	—	403,869
Available for sale assets	87,118,784	14,505,744	—	—	101,624,528
Loans and accounts receivable	4,548,963	—	—	—	4,548,963
Investments to be held to maturity	2,328,536	—	—	—	2,328,536
Sight deposits in credit institutions	<u>1,117,225</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>1,117,225</u>
	<u>95,517,377</u>	<u>14,505,744</u>	<u>(6,648)</u>	<u>—</u>	<u>110,016,473</u>

APPENDIX II ACCOUNTANTS' REPORT OF INSURANCE COMPANIES

(Amounts expressed in Euros, except when otherwise expressly indicated)

			2011		
	Interest	Dividends	Rents	Other	Total
Investments related to contracts considered for accounting purposes as investment contracts:					
Financial assets held for trading	2,545,903	—	—	—	2,545,903
Financial assets designated at fair value through profit or loss	23,993,413	247,020	—	—	24,240,433
Available for sale assets	111,299,735	1,276,771	—	—	112,576,506
Loans and accounts receivable	11,286,113	—	—	—	11,286,113
Investments to be held to maturity	150,592,825	—	—	—	150,592,825
Sight deposits in credit institutions	1,562,830	—	—	—	1,562,830
	<u>301,280,819</u>	<u>1,523,791</u>	<u>—</u>	<u>—</u>	<u>302,804,610</u>
	<u>396,798,196</u>	<u>16,029,535</u>	<u>(6,648)</u>	<u>—</u>	<u>412,821,083</u>
Investments allocated to technical provisions for non-life insurance areas:					
Property	—	—	9,222,731	—	9,222,731
Financial assets designated at fair value through profit or loss	175,408	—	—	—	175,408
Available for sale assets	30,790,096	6,263,729	—	—	37,053,825
Loans and accounts receivable	1,924,830	—	—	—	1,924,830
Investments to be held to maturity	18,379,245	—	—	—	18,379,245
Sight deposits in credit institutions	335,672	—	—	—	335,672
	<u>51,605,251</u>	<u>6,263,729</u>	<u>9,222,731</u>	<u>—</u>	<u>67,091,711</u>
Not allocated:					
Property	—	—	12,556,270	—	12,556,270
Financial assets designated at fair value through profit or loss	71,354	—	—	—	71,354
Available for sale assets	2,421,787	853,105	—	—	3,274,892
Loans and accounts receivable	2,719,297	—	—	—	2,719,297
Investments to be held to maturity	2,627,484	—	—	—	2,627,484
Sight deposits in credit institutions	230,742	—	—	—	230,742
	<u>8,070,664</u>	<u>853,105</u>	<u>12,556,270</u>	<u>—</u>	<u>21,480,039</u>

APPENDIX II ACCOUNTANTS' REPORT OF INSURANCE COMPANIES

(Amounts expressed in Euros, except when otherwise expressly indicated)

			2011		
	Interest	Dividends	Rents	Other	Total
Investment expenses					
Investment allocated to technical provisions for life insurance:					
Interest expense from Repo transactions	—	—	—	(11,885,721)	(11,885,721)
Investments allocated to technical provisions for non-life insurance areas:					
Interest expense from Repo transactions	—	—	—	(1,185,278)	(1,185,278)
Not allocated:					
Interest expense from Repo transactions	—	—	—	(66,716)	(66,716)
	<u>456,474,111</u>	<u>23,146,369</u>	<u>21,772,353</u>	<u>(13,137,715)</u>	<u>488,255,118</u>

The breakdown of the headings “Interest” and “Dividends”, between listed and unlisted securities, in 2013, 2012 and 2011, is set out below:

	2013	2012	2011
Dividend income from equity securities			
Listed	9,790,014	10,544,667	13,486,783
Unlisted	58,711	1,067,738	576,884
Dividend income from investment funds			
Listed	431,791	372,475	708,285
Unlisted	<u>11,581,199</u>	<u>5,696,807</u>	<u>8,374,417</u>
	<u>21,861,715</u>	<u>17,681,687</u>	<u>23,146,369</u>
Interest income from debt securities			
Listed	329,872,957	294,753,747	339,105,004
Unlisted	<u>55,233,706</u>	<u>86,457,552</u>	<u>93,643,435</u>
	<u>385,106,663</u>	<u>381,211,299</u>	<u>432,748,439</u>

For the preparation of the above information securities have been classified as listed whenever they are registered with a stock exchange.

APPENDIX II ACCOUNTANTS' REPORT OF INSURANCE COMPANIES

(Amounts expressed in Euros, except when otherwise expressly indicated)

7. NET REALISED GAINS AND LOSSES RELATING TO INVESTMENTS AT FAIR VALUE THROUGH SHAREHOLDERS' EQUITY AND OTHER INVESTMENTS

The following is a breakdown of these headings, in 2013, 2012 and 2011:

	2013			2012			2011		
	Gains	Losses	Net	Gains	Losses	Net	Gains	Losses	Net
Available for sale assets:									
Allocated to technical provisions for life insurance	15,640,652	(3,546,034)	12,094,618	65,753,727	(44,844,484)	20,909,243	16,621,176	(29,595,234)	(12,974,058)
Related to contracts considered for accounting purpose as Investment contracts	3,502,648	(263,689)	3,238,959	6,259,744	(3,547,642)	2,712,102	7,827,449	(19,067,049)	(11,239,600)
Allocated to technical provisions for non-life insurance areas	9,667,936	(1,226,009)	8,441,927	26,562,240	(15,850,954)	10,711,286	4,229,828	(3,373,739)	856,089
Not allocated	718,864	(86,738)	632,126	2,747,076	(3,632,520)	(885,444)	1,047,027	(481,126)	565,901
	<u>29,530,100</u>	<u>(5,122,470)</u>	<u>24,407,630</u>	<u>101,322,787</u>	<u>(67,875,600)</u>	<u>33,447,187</u>	<u>29,725,480</u>	<u>(52,517,148)</u>	<u>(22,791,668)</u>
Investments to be held to maturity:									
Allocated to technical provisions for life insurance	—	—	—	362	(40)	322	5	(183)	(178)
Related to contracts Considered for accounting purpose as Investment contracts	89	—	89	24,256	(2,417,115)	(2,392,859)	1,185,467	(283,288)	902,179
Allocated to technical provisions for non-life insurance areas	—	—	—	3,884	(10,399)	(6,515)	6,744	(11,378)	(4,634)
Not allocated	—	—	—	32,174	(132)	32,042	23	(25,601)	(25,578)
	<u>89</u>	<u>—</u>	<u>89</u>	<u>60,676</u>	<u>(2,427,686)</u>	<u>(2,367,010)</u>	<u>1,192,239</u>	<u>(320,450)</u>	<u>871,789</u>
Loans made and accounts receivable:	—	—	—	9,880	—	9,880	—	—	—
Equity investments in associated companies and jointly owned enterprises:									
Not allocated	—	(40,563)	(40,563)	2,506	—	2,506	—	—	—
	<u>29,530,189</u>	<u>(5,163,033)</u>	<u>24,367,156</u>	<u>101,395,849</u>	<u>(70,303,286)</u>	<u>31,092,563</u>	<u>30,917,719</u>	<u>(52,837,598)</u>	<u>(21,919,879)</u>

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(Amounts expressed in Euros, except when otherwise expressly indicated)

Losses on equity investments in subsidiaries, associated companies and jointly controlled enterprises, in 2013, include capital losses in the amount of Euro 17,185 made on the liquidation of the equity stake in EPS — Gestão de Sistemas de Saúde, S.A. (Note 4).

Gains on equity investments in subsidiaries, associated companies and jointly controlled enterprises, in 2012, correspond to the capital gains on the sale of the investment in Imocaixa-Gestão Imobiliária, S.A. (Note 4).

The breakdown of this heading between listed and unlisted securities, in 2013, 2012 and 2011, is set out below:

	2013			2012			2011		
	Gains	Losses	Net	Gains	Losses	Net	Gains	Losses	Net
Net realised gains (losses) on debt securities									
Listed securities	12,966,752	(2,331,151)	10,635,601	17,042,187	(23,215,797)	(6,173,610)	20,773,000	(44,763,719)	(23,990,719)
Unlisted securities	<u>32,467</u>	<u>(280,833)</u>	<u>(248,366)</u>	<u>1,954,434</u>	<u>(1,600,772)</u>	<u>353,662</u>	<u>9,203</u>	<u>(401,825)</u>	<u>(392,622)</u>
	<u>12,999,219</u>	<u>(2,611,984)</u>	<u>10,387,235</u>	<u>18,996,621</u>	<u>(24,816,569)</u>	<u>(5,819,948)</u>	<u>20,782,203</u>	<u>(45,165,544)</u>	<u>(24,383,341)</u>
Net realised gains (losses) on equity securities									
Listed securities	13,349,392	(1,718,744)	11,630,648	74,093,226	(40,955,557)	33,137,669	7,494,883	(6,746,513)	748,370
Unlisted securities	<u>—</u>	<u>(40,563)</u>	<u>(40,563)</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>1,843</u>	<u>(858)</u>	<u>985</u>
	<u>13,349,392</u>	<u>(1,759,307)</u>	<u>11,590,085</u>	<u>74,093,226</u>	<u>(40,955,557)</u>	<u>33,137,669</u>	<u>7,496,726</u>	<u>(6,747,371)</u>	<u>749,355</u>
Net realised gains (losses) on investment funds									
Listed securities	37,365	—	37,365	4,956,302	(3,192,686)	1,763,616	126,553	(95,949)	30,604
Unlisted securities	<u>3,144,213</u>	<u>(791,742)</u>	<u>2,352,471</u>	<u>3,349,700</u>	<u>(1,338,474)</u>	<u>2,011,226</u>	<u>2,512,237</u>	<u>(828,734)</u>	<u>1,683,503</u>
	<u>3,181,578</u>	<u>(791,742)</u>	<u>2,389,836</u>	<u>8,306,002</u>	<u>(4,531,160)</u>	<u>3,774,842</u>	<u>2,638,790</u>	<u>(924,683)</u>	<u>1,714,107</u>
	<u>29,530,189</u>	<u>(5,163,033)</u>	<u>24,367,156</u>	<u>101,395,849</u>	<u>(70,303,286)</u>	<u>31,092,563</u>	<u>30,917,719</u>	<u>(52,837,598)</u>	<u>(21,919,879)</u>

For the preparation of the above information securities have been classified as listed whenever they are registered with a stock exchange.

APPENDIX II ACCOUNTANTS' REPORT OF INSURANCE COMPANIES

(Amounts expressed in Euros, except when otherwise expressly indicated)

8. NET REALISED GAINS AND LOSSES AND CHANGE IN FAIR VALUE OF ASSETS AND LIABILITIES AT FAIR VALUE THROUGH PROFIT AND LOSS

The following is a breakdown of these headings, in 2013, 2012 and 2011:

Realised gains and losses	2013			2012			2011		
	Gains	Losses	Net	Gains	Losses	Net	Gains	Losses	Net
Allocated to technical provisions for life insurance:									
Financial assets designated at fair value through profit or loss	311,088	—	311,088	1,771,345	(2,168,229)	(396,884)	609,731	—	609,731
	<u>311,088</u>	<u>—</u>	<u>311,088</u>	<u>1,771,345</u>	<u>(2,168,229)</u>	<u>(396,884)</u>	<u>609,731</u>	<u>—</u>	<u>609,731</u>
Relative to contracts considered for accounting purposes as investment contracts:									
Financial assets held for trading	444,791,771	(445,178,618)	(386,847)	82,283,752	(82,791,899)	(508,147)	80,438,355	(77,934,391)	2,503,964
Financial assets designated at fair value through profit or loss	6,981,696	(3,113,128)	3,868,568	7,676,408	(924,865)	6,751,543	1,186,404	(5,846,209)	(4,659,805)
	<u>451,773,467</u>	<u>(448,291,746)</u>	<u>3,481,721</u>	<u>89,960,160</u>	<u>(83,716,764)</u>	<u>6,243,396</u>	<u>81,624,759</u>	<u>(83,780,600)</u>	<u>(2,155,841)</u>
	<u>452,084,555</u>	<u>(448,291,746)</u>	<u>3,792,809</u>	<u>91,731,505</u>	<u>(85,884,993)</u>	<u>5,846,512</u>	<u>82,234,490</u>	<u>(83,780,600)</u>	<u>(1,546,110)</u>
Allocated to technical provisions for non-life insurance areas:									
Financial assets designated at fair value through profit or loss	207,835	(318,273)	(110,438)	1,325,816	(1,957,576)	(631,760)	261,921	—	261,921
	<u>207,835</u>	<u>(318,273)</u>	<u>(110,438)</u>	<u>1,325,816</u>	<u>(1,957,576)</u>	<u>(631,760)</u>	<u>261,921</u>	<u>—</u>	<u>261,921</u>
Not allocated:									
Financial assets designated at fair value through profit or loss	123,443	—	123,443	249,132	(195,439)	53,693	8,804	—	8,804
	<u>123,443</u>	<u>—</u>	<u>123,443</u>	<u>249,132</u>	<u>(195,439)</u>	<u>53,693</u>	<u>8,804</u>	<u>—</u>	<u>8,804</u>
	<u>452,415,833</u>	<u>(448,610,019)</u>	<u>3,805,814</u>	<u>93,306,453</u>	<u>(88,038,008)</u>	<u>5,268,445</u>	<u>82,505,215</u>	<u>(83,780,600)</u>	<u>(1,275,385)</u>

APPENDIX II ACCOUNTANTS' REPORT OF INSURANCE COMPANIES

(Amounts expressed in Euros, except when otherwise expressly indicated)

Unrealised gains and losses	2013			2012			2011		
	Gains	Losses	Net	Gains	Losses	Net	Gains	Losses	Net
Allocated to technical provisions for life insurance:									
Financial assets designated at fair value through profit or loss	2,308,373	(2,150)	2,306,223	6,665,351	—	6,665,351	2,620,175	(4,904,373)	(2,284,198)
	<u>2,308,373</u>	<u>(2,150)</u>	<u>2,306,223</u>	<u>6,665,351</u>	<u>—</u>	<u>6,665,351</u>	<u>2,620,175</u>	<u>(4,904,373)</u>	<u>(2,284,198)</u>
Relative to contracts considered for accounting purposes as investment contracts:									
Financial assets held for trading	2,970,862	(3,267,064)	(296,202)	14,089,856	(17,539,801)	(3,449,945)	46,832,659	(47,210,276)	(377,617)
Financial assets designated at fair value through profit or loss	22,193,259	(3,392,858)	18,800,401	129,516,380	(1,168,738)	128,347,642	6,158,387	(46,618,275)	(40,459,888)
Financial liabilities designated at fair value through profit or loss	1,916,003	(56,005,244)	(54,089,241)	1,459,454	(151,063,707)	(149,604,253)	36,808,928	(13,238,302)	23,570,626
	<u>27,080,124</u>	<u>(62,665,166)</u>	<u>(35,585,042)</u>	<u>145,065,690</u>	<u>(169,772,246)</u>	<u>(24,706,556)</u>	<u>89,799,974</u>	<u>(107,066,853)</u>	<u>(17,266,879)</u>
	<u>29,388,497</u>	<u>(62,667,316)</u>	<u>(33,278,819)</u>	<u>151,731,041</u>	<u>(169,772,246)</u>	<u>(18,041,205)</u>	<u>92,420,149</u>	<u>(111,971,226)</u>	<u>(19,551,077)</u>
Allocated to technical provisions for non-life insurance areas:									
Financial assets designated at fair value through profit or loss	3,005,618	(16,089)	2,989,529	6,060,458	(247,748)	5,812,710	1,323,561	(2,568,440)	(1,244,879)
	<u>3,005,618</u>	<u>(16,089)</u>	<u>2,989,529</u>	<u>6,060,458</u>	<u>(247,748)</u>	<u>5,812,710</u>	<u>1,323,561</u>	<u>(2,568,440)</u>	<u>(1,244,879)</u>
Not allocated:									
Financial assets designated at fair value through profit or loss	148,847	(123,355)	25,492	682,608	(121,104)	561,504	83,893	(493,700)	(409,807)
	<u>148,847</u>	<u>(123,355)</u>	<u>25,492</u>	<u>682,608</u>	<u>(121,104)</u>	<u>561,504</u>	<u>83,893</u>	<u>(493,700)</u>	<u>(409,807)</u>
	<u>32,542,962</u>	<u>(62,806,760)</u>	<u>(30,263,798)</u>	<u>158,474,107</u>	<u>(170,141,098)</u>	<u>(11,666,991)</u>	<u>93,827,603</u>	<u>(115,033,366)</u>	<u>(21,205,763)</u>

APPENDIX II ACCOUNTANTS' REPORT OF INSURANCE COMPANIES

(Amounts expressed in Euros, except when otherwise expressly indicated)

Total	2013			2012			2011		
	Gains	Losses	Net	Gains	Losses	Net	Gains	Losses	Net
Allocated to technical provisions for life insurance:									
Financial assets designated at fair value through profit or loss	2,619,461	(2,150)	2,617,311	8,436,696	(2,168,229)	6,268,467	3,229,906	(4,904,373)	(1,674,467)
	<u>2,619,461</u>	<u>(2,150)</u>	<u>2,617,311</u>	<u>8,436,696</u>	<u>(2,168,229)</u>	<u>6,268,467</u>	<u>3,229,906</u>	<u>(4,904,373)</u>	<u>(1,674,467)</u>
Relative to contracts considered for accounting purposes as investment contracts:									
Financial assets held for trading	447,762,633	(448,445,682)	(683,049)	96,373,608	(100,331,700)	(3,958,092)	127,271,014	(125,144,667)	2,126,347
Financial assets designated at fair value through profit or loss	29,174,955	(6,505,986)	22,668,969	137,192,788	(2,093,603)	135,099,185	7,344,791	(52,464,484)	(45,119,693)
Financial liabilities designated at fair value through profit or loss	1,916,003	(56,005,244)	(54,089,241)	1,459,454	(151,063,707)	(149,604,253)	36,808,928	(13,238,302)	23,570,626
	<u>478,853,591</u>	<u>(510,956,912)</u>	<u>(32,103,321)</u>	<u>235,025,850</u>	<u>(253,489,010)</u>	<u>(18,463,160)</u>	<u>171,424,733</u>	<u>(190,847,453)</u>	<u>(19,422,720)</u>
	<u>481,473,052</u>	<u>(510,959,062)</u>	<u>(29,486,010)</u>	<u>243,462,546</u>	<u>(255,657,239)</u>	<u>(12,194,693)</u>	<u>174,654,639</u>	<u>(195,751,826)</u>	<u>(21,097,187)</u>
Allocated to technical provisions for non-life insurance areas:									
Financial assets designated at fair value through profit or loss	3,213,453	(334,362)	2,879,091	7,386,274	(2,205,324)	5,180,950	1,585,482	(2,568,440)	(982,958)
	<u>3,213,453</u>	<u>(334,362)</u>	<u>2,879,091</u>	<u>7,386,274</u>	<u>(2,205,324)</u>	<u>5,180,950</u>	<u>1,585,482</u>	<u>(2,568,440)</u>	<u>(982,958)</u>
Not allocated:									
Financial assets designated at fair value through profit or loss	272,290	(123,355)	148,935	931,740	(316,543)	615,197	92,697	(493,700)	(401,003)
	<u>272,290</u>	<u>(123,355)</u>	<u>148,935</u>	<u>931,740</u>	<u>(316,543)</u>	<u>615,197</u>	<u>92,697</u>	<u>(493,700)</u>	<u>(401,003)</u>
	<u>484,958,795</u>	<u>(511,416,779)</u>	<u>(26,457,984)</u>	<u>251,780,560</u>	<u>(258,179,106)</u>	<u>(6,398,546)</u>	<u>176,332,818</u>	<u>(198,813,966)</u>	<u>(22,481,148)</u>

APPENDIX II ACCOUNTANTS' REPORT OF INSURANCE COMPANIES

(Amounts expressed in Euros, except when otherwise expressly indicated)

The breakdown of this heading between listed and unlisted securities, in 2013, 2012 and 2011, is set out below:

Net realised gains (losses)	2013			2012			2011		
	Gains	Losses	Net	Gains	Losses	Net	Gains	Losses	Net
Debt securities									
- Listed	512,128	(592,797)	(80,669)	4,047,710	(291,940)	3,755,770	339,075	(688,035)	(348,960)
- Unlisted	<u>6,555,521</u>	<u>(2,706,373)</u>	<u>3,849,148</u>	<u>6,620,409</u>	<u>(4,781,550)</u>	<u>1,838,859</u>	<u>1,499,479</u>	<u>(4,575,994)</u>	<u>(3,076,515)</u>
	<u>7,067,649</u>	<u>(3,299,170)</u>	<u>3,768,479</u>	<u>10,668,119</u>	<u>(5,073,490)</u>	<u>5,594,629</u>	<u>1,838,554</u>	<u>(5,264,029)</u>	<u>(3,425,475)</u>
Equity securities									
- Listed	<u>508,078</u>	<u>(129,935)</u>	<u>378,143</u>	<u>189,999</u>	<u>(164,497)</u>	<u>25,502</u>	<u>122,928</u>	<u>(452,517)</u>	<u>(329,589)</u>
	<u>508,078</u>	<u>(129,935)</u>	<u>378,143</u>	<u>189,999</u>	<u>(164,497)</u>	<u>25,502</u>	<u>122,928</u>	<u>(452,517)</u>	<u>(329,589)</u>
Investment funds									
- Listed	5,090	(3)	5,087	75,605	(224)	75,381	84,281	(59,461)	24,820
- Unlisted	<u>43,245</u>	<u>(2,293)</u>	<u>40,952</u>	<u>88,978</u>	<u>(7,898)</u>	<u>81,080</u>	<u>21,096</u>	<u>(70,201)</u>	<u>(49,105)</u>
	<u>48,335</u>	<u>(2,296)</u>	<u>46,039</u>	<u>164,583</u>	<u>(8,122)</u>	<u>156,461</u>	<u>105,377</u>	<u>(129,662)</u>	<u>(24,285)</u>
Swaps									
- Unlisted	<u>444,791,771</u>	<u>(445,178,618)</u>	<u>(386,847)</u>	<u>82,283,752</u>	<u>(82,791,899)</u>	<u>(508,147)</u>	<u>80,438,355</u>	<u>(77,934,391)</u>	<u>2,503,964</u>
	<u>444,791,771</u>	<u>(445,178,618)</u>	<u>(386,847)</u>	<u>82,283,752</u>	<u>(82,791,899)</u>	<u>(508,147)</u>	<u>80,438,355</u>	<u>(77,934,391)</u>	<u>2,503,964</u>
	<u><u>452,415,833</u></u>	<u><u>(448,610,019)</u></u>	<u><u>3,805,814</u></u>	<u><u>93,306,453</u></u>	<u><u>(88,038,008)</u></u>	<u><u>5,268,445</u></u>	<u><u>82,505,214</u></u>	<u><u>(83,780,599)</u></u>	<u><u>(1,275,385)</u></u>

APPENDIX II ACCOUNTANTS' REPORT OF INSURANCE COMPANIES

(Amounts expressed in Euros, except when otherwise expressly indicated)

Net unrealised gains (losses)	2013			2012			2011		
	Gains	Losses	Net	Gains	Losses	Net	Gains	Losses	Net
Debt securities									
- Listed	12,975,808	(748,684)	12,227,124	33,799,488	(687,481)	33,112,007	416,912	(3,608,398)	(3,191,486)
- Unlisted	<u>13,418,556</u>	<u>(2,732,321)</u>	<u>10,686,235</u>	<u>106,342,757</u>	<u>(655,583)</u>	<u>105,687,174</u>	<u>9,557,924</u>	<u>(49,732,982)</u>	<u>(40,175,058)</u>
	<u>26,394,364</u>	<u>(3,481,005)</u>	<u>22,913,359</u>	<u>140,142,245</u>	<u>(1,343,064)</u>	<u>138,799,181</u>	<u>9,974,836</u>	<u>(53,341,380)</u>	<u>(43,366,544)</u>
Equity securities									
- Listed	<u>532,804</u>	<u>(14,112)</u>	<u>518,692</u>	<u>564,278</u>	<u>(60,942)</u>	<u>503,336</u>	<u>94,662</u>	<u>(504,945)</u>	<u>(410,283)</u>
	<u>532,804</u>	<u>(14,112)</u>	<u>518,692</u>	<u>564,278</u>	<u>(60,942)</u>	<u>503,336</u>	<u>94,662</u>	<u>(504,945)</u>	<u>(410,283)</u>
Investment funds									
- Listed	34,064	(3,551)	30,513	61,808	(1,020)	60,788	51,781	(44,371)	7,410
- Unlisted	<u>694,865</u>	<u>(35,784)</u>	<u>659,081</u>	<u>2,156,466</u>	<u>(132,564)</u>	<u>2,023,902</u>	<u>64,738</u>	<u>(694,093)</u>	<u>(629,355)</u>
	<u>728,929</u>	<u>(39,335)</u>	<u>689,594</u>	<u>2,218,274</u>	<u>(133,584)</u>	<u>2,084,690</u>	<u>116,519</u>	<u>(738,464)</u>	<u>(621,945)</u>
Swaps									
- Unlisted	<u>2,970,862</u>	<u>(3,267,064)</u>	<u>(296,202)</u>	<u>14,089,856</u>	<u>(17,539,801)</u>	<u>(3,449,945)</u>	<u>46,832,659</u>	<u>(47,210,276)</u>	<u>(377,617)</u>
	<u>2,970,862</u>	<u>(3,267,064)</u>	<u>(296,202)</u>	<u>14,089,856</u>	<u>(17,539,801)</u>	<u>(3,449,945)</u>	<u>46,832,659</u>	<u>(47,210,276)</u>	<u>(377,617)</u>
	<u>30,626,959</u>	<u>(6,801,516)</u>	<u>23,825,443</u>	<u>157,014,653</u>	<u>(19,077,391)</u>	<u>137,937,262</u>	<u>57,018,676</u>	<u>(101,795,065)</u>	<u>(44,776,389)</u>

APPENDIX II ACCOUNTANTS' REPORT OF INSURANCE COMPANIES

(Amounts expressed in Euros, except when otherwise expressly indicated)

Total	2013			2012			2011		
	Gains	Losses	Net	Gains	Losses	Net	Gains	Losses	Net
Debt securities									
- Listed	13,487,936	(1,341,481)	12,146,455	37,847,198	(979,421)	36,867,777	755,987	(4,296,433)	(3,540,446)
- Unlisted	<u>19,974,077</u>	<u>(5,438,694)</u>	<u>14,535,383</u>	<u>112,963,166</u>	<u>(5,437,133)</u>	<u>107,526,033</u>	<u>11,057,403</u>	<u>(54,308,976)</u>	<u>(43,251,573)</u>
	<u>33,462,013</u>	<u>(6,780,175)</u>	<u>26,681,838</u>	<u>150,810,364</u>	<u>(6,416,554)</u>	<u>144,393,810</u>	<u>11,813,390</u>	<u>(58,605,409)</u>	<u>(46,792,019)</u>
Equity securities									
- Listed	<u>1,040,882</u>	<u>(144,047)</u>	<u>896,835</u>	<u>754,277</u>	<u>(225,439)</u>	<u>528,838</u>	<u>217,590</u>	<u>(957,462)</u>	<u>(739,872)</u>
	<u>1,040,882</u>	<u>(144,047)</u>	<u>896,835</u>	<u>754,277</u>	<u>(225,439)</u>	<u>528,838</u>	<u>217,590</u>	<u>(957,462)</u>	<u>(739,872)</u>
Investment funds									
- Listed	39,154	(3,554)	35,600	137,413	(1,244)	136,169	136,062	(103,832)	32,230
- Unlisted	<u>738,110</u>	<u>(38,077)</u>	<u>700,033</u>	<u>2,245,444</u>	<u>(140,462)</u>	<u>2,104,982</u>	<u>85,834</u>	<u>(764,294)</u>	<u>(678,460)</u>
	<u>777,264</u>	<u>(41,631)</u>	<u>735,633</u>	<u>2,382,857</u>	<u>(141,706)</u>	<u>2,241,151</u>	<u>221,896</u>	<u>(868,126)</u>	<u>(646,230)</u>
Swaps									
- Unlisted	<u>447,762,633</u>	<u>(448,445,682)</u>	<u>(683,049)</u>	<u>96,373,608</u>	<u>(100,331,700)</u>	<u>(3,958,092)</u>	<u>127,271,014</u>	<u>(125,144,667)</u>	<u>2,126,347</u>
	<u>447,762,633</u>	<u>(448,445,682)</u>	<u>(683,049)</u>	<u>96,373,608</u>	<u>(100,331,700)</u>	<u>(3,958,092)</u>	<u>127,271,014</u>	<u>(125,144,667)</u>	<u>2,126,347</u>
	<u>483,042,792</u>	<u>(455,411,535)</u>	<u>27,631,257</u>	<u>250,321,106</u>	<u>(107,115,399)</u>	<u>143,205,707</u>	<u>139,523,890</u>	<u>(185,575,664)</u>	<u>(46,051,774)</u>

For the preparation of the above information securities have been classified as listed whenever they are registered with a stock exchange.

APPENDIX II ACCOUNTANTS' REPORT OF INSURANCE COMPANIES

(Amounts expressed in Euros, except when otherwise expressly indicated)

9. IMPAIRMENT LOSS ON INVESTMENT

Information on impairment loss movements in 2013, 2012 and 2011, is set out below:

	Opening balances	2013			Closing balances
		Increases	Recoveries and cancellations	Write-off	
Impairment on equity investments in associated companies (Note 23)	238,836	—	—	—	238,836
Impairment on available for sale assets (Note 21)					
Debt instruments	2,999,930	—	(1,187)	—	2,998,743
Equity instruments	61,665,065	15,618,666	—	(6,118,682)	71,165,049
Other instruments	<u>58,153,087</u>	<u>20,904,174</u>	<u>—</u>	<u>1,462,301</u>	<u>80,519,562</u>
	<u>123,056,918</u>	<u>36,522,840</u>	<u>(1,187)</u>	<u>(4,656,381)</u>	<u>154,922,190</u>
	Opening balances	2012			Closing balances
		Increases	Recoveries and cancellations	Write-off	
Impairment on equity investments in associated companies (Note 23)	238,836	—	—	—	238,836
Impairment on available for sale assets (Note 21)					
Debt instruments	2,998,297	1,633	—	—	2,999,930
Equity instruments	78,545,589	34,762,866	—	(51,643,390)	61,665,065
Other instruments	<u>65,550,572</u>	<u>4,251,203</u>	<u>—</u>	<u>(11,648,688)</u>	<u>58,153,087</u>
Impairment on investments to be held to maturity (Note 22)	<u>161,821,666</u>	<u>9,863,292</u>	<u>(2,094,833)</u>	<u>(169,590,125)</u>	<u>—</u>
	<u>309,154,960</u>	<u>48,878,994</u>	<u>(2,094,833)</u>	<u>(232,882,203)</u>	<u>123,056,918</u>

APPENDIX II ACCOUNTANTS' REPORT OF INSURANCE COMPANIES

(Amounts expressed in Euros, except when otherwise expressly indicated)

	Opening balances	2011 Recoveries and Increases cancellations	Write-off	Closing balances
Impairment on equity investments in associated companies (Note 23)	160,793	78,043	—	238,836
Impairment on available for sale assets (Note 21)				
Debt instruments	12,770,424	307,169	(120,851)	2,998,297
Equity instruments	57,714,510	47,213,551	—	78,545,589
Other instruments	62,750,185	14,540,654	—	65,550,572
Impairment on investments to be held to maturity (Note 22)	—	162,149,702	—	161,821,666
	<u>133,395,912</u>	<u>224,289,119</u>	<u>(120,851)</u>	<u>309,154,960</u>

10. OTHER INCOME

The following is a breakdown of these headings, in 2013, 2012 and 2011:

	Life technical account	2013 Non-Life technical account	Total
Commissions received on insurance contracts and operations considered for accounting purposes, as investment contracts	2,045,747	—	2,045,747
Commissions and reinsurance profit sharing	<u>15,971,420</u>	<u>21,042,543</u>	<u>37,013,963</u>
	<u>18,017,167</u>	<u>21,042,543</u>	<u>39,059,710</u>

APPENDIX II ACCOUNTANTS' REPORT OF INSURANCE COMPANIES

(Amounts expressed in Euros, except when otherwise expressly indicated)

	Life technical account	2012 Non-Life technical account	Total
Commissions received on insurance contracts and operations considered for accounting purposes, as investment contracts	2,531,733	—	2,531,733
Commissions and reinsurance profit sharing	<u>9,080,167</u>	<u>24,114,559</u>	<u>33,194,726</u>
	<u>11,611,900</u>	<u>24,114,559</u>	<u>35,726,459</u>
	Life technical account	2011 Non-Life technical account	Total
Commissions received on insurance contracts and operations considered for accounting purposes, as investment contracts	4,480,955	—	4,480,955
Commissions and reinsurance profit sharing	<u>5,520,161</u>	<u>24,385,999</u>	<u>29,906,160</u>
	<u>10,001,116</u>	<u>24,385,999</u>	<u>34,387,115</u>

APPENDIX II ACCOUNTANTS' REPORT OF INSURANCE COMPANIES

(Amounts expressed in Euros, except when otherwise expressly indicated)

11. OTHER GAINS

The following is a breakdown of this heading, in 2013, 2012 and 2011:

	2013	2012	2011
Other non-technical income and gains:			
Exchange gains	7,766,632	6,673,866	4,436,141
Interest earned	1,180,458	560,039	676,433
Provisions of services	5,354,455	8,440,330	6,977,123
Other	<u>1,944,017</u>	<u>2,123,839</u>	<u>3,510,186</u>
	<u>16,245,562</u>	<u>17,798,074</u>	<u>15,599,883</u>
Other technical income and gains:			
Co-insurance management fees/commissions	1,033,209	840,365	914,783
Pension fund management fees/commissions	347,213	331,512	224,921
Other	<u>2,658,699</u>	<u>1,874,426</u>	<u>585,070</u>
	<u>4,039,121</u>	<u>3,046,303</u>	<u>1,724,774</u>
	<u>20,284,683</u>	<u>20,844,377</u>	<u>17,324,657</u>

APPENDIX II ACCOUNTANTS' REPORT OF INSURANCE COMPANIES

(Amounts expressed in Euros, except when otherwise expressly indicated)

12. OTHER LOSSES

The following is a breakdown of this headings, in 2013, 2012 and 2011:

	2013	2012	2011
Net realised losses on properties:			
Investment properties	59,054	(5,000)	7,382,648
Own use properties	<u>18,964</u>	<u>1,036</u>	<u>21,982</u>
	<u>78,018</u>	<u>(3,964)</u>	<u>7,404,630</u>
Net unrealised losses on properties:			
Investment properties (Note 27)	<u>(12,078,729)</u>	<u>(11,754,410)</u>	<u>(9,816,932)</u>
	<u>(12,078,729)</u>	<u>(11,754,410)</u>	<u>(9,816,932)</u>
	<u>(12,000,711)</u>	<u>(11,758,374)</u>	<u>(2,412,302)</u>
Other non-technical expenses and losses:			
Exchange differences	(8,308,178)	(6,764,517)	(3,513,415)
Bad debts	(2,585,490)	(2,022,353)	(1,737,190)
Other	<u>(5,871,341)</u>	<u>(5,498,192)</u>	<u>(5,613,175)</u>
	<u>(16,765,009)</u>	<u>(14,285,062)</u>	<u>(10,863,780)</u>
Other technical expenses and losses:			
Co-insurance management fees/commissions	(269,235)	(392,173)	(266,105)
Exchange differences	(926,585)	312,217	451,201
Other	<u>(55,153)</u>	<u>(4,604)</u>	<u>(2,609)</u>
	<u>(1,250,973)</u>	<u>(84,560)</u>	<u>182,487</u>
Impairment losses (Net of reversal):			
Property for own use (Note 27)	(2,423,427)	(814,605)	(461,125)
Other tangible assets (Note 28)	(6,686,778)	(2,066,810)	(1,958,936)
Inventories (Note 28)	(3,507)	—	—
Adjustment to premiums pending collection (Note 24)	4,256,288	202,360	1,046,853
Adjustments to bad and doubtful debts (Notes 24 and 26)	286,316	(7,215,775)	7,786,490
Other provisions	<u>(20,272,532)</u>	<u>(17,482,688)</u>	<u>(115,195)</u>
	<u>(24,843,640)</u>	<u>(27,377,518)</u>	<u>6,298,087</u>
	<u>(54,860,333)</u>	<u>(53,505,514)</u>	<u>(6,795,508)</u>

APPENDIX II ACCOUNTANTS' REPORT OF INSURANCE COMPANIES

(Amounts expressed in Euros, except when otherwise expressly indicated)

The following is a movement of “Impairment Losses (Net of reversal)”, in 2013, 2012 and 2011:

	2013				
	Opening balances	Increases	Recoveries and cancellations	Write-off	Closing balances
Impairment on property for own use (Note 27)	7,616,350	2,795,846	(372,419)	(42,939)	9,996,838
Impairment on other tangible assets (Note 28)	4,025,746	6,686,778	—	(3,607,315)	7,105,209
Impairment on inventories (Note 28)	—	3,507	—	—	3,507
Impairment on goodwill (Note 29)	957,001	—	—	—	957,001
Adjustment to premiums pending collection (Note 24)	16,583,824	—	(4,256,288)	(48,652)	12,278,884
Adjustments to bad and doubtful debts (Note 26)	<u>55,683,544</u>	<u>1,118,495</u>	<u>(1,404,811)</u>	<u>(101,228)</u>	<u>55,296,000</u>
	<u>84,866,465</u>	<u>10,604,626</u>	<u>(6,033,518)</u>	<u>(3,800,134)</u>	<u>85,637,439</u>

	2012				
	Opening balances	Increases	Recoveries and cancellations	Write-off	Closing balances
Impairment on property for own use (Note 27)	6,896,539	842,728	(28,123)	(94,794)	7,616,350
Impairment on other tangible assets (Note 28)	1,958,936	2,179,295	(112,485)	—	4,025,746
Impairment on inventories (Note 28)	—	—	—	—	—
Impairment on goodwill (Note 29)	957,001	—	—	—	957,001
Adjustment to premiums pending collection (Note 24)	16,788,060	—	(202,360)	(1,876)	16,583,824
Adjustments to bad and doubtful debts (Note 26)	<u>48,467,769</u>	<u>7,215,775</u>	<u>—</u>	<u>—</u>	<u>55,683,544</u>
	<u>75,068,305</u>	<u>10,237,798</u>	<u>(342,968)</u>	<u>(96,670)</u>	<u>84,866,465</u>

APPENDIX II ACCOUNTANTS' REPORT OF INSURANCE COMPANIES

(Amounts expressed in Euros, except when otherwise expressly indicated)

	Opening balances	2011 Increases	Recoveries and cancellations	Write-off	Closing balances
Impairment on property for own use (Note 27)	6,699,661	888,841	(427,716)	(264,247)	6,896,539
Impairment on other tangible assets (Note 28)	—	1,958,936	—	—	1,958,936
Impairment on inventories (Note 28)	—	—	—	—	—
Impairment on goodwill (Note 29)	957,001	—	—	—	957,001
Adjustment to premiums pending collection (Note 24)	17,834,913	—	(1,046,853)	—	16,788,060
Adjustments to bad and doubtful debts (Note 26)	56,317,543	—	(7,786,490)	(63,284)	48,467,769
	<u>81,809,118</u>	<u>2,847,777</u>	<u>(9,261,059)</u>	<u>(327,531)</u>	<u>75,068,305</u>

13. CLAIMS AND INSURANCE BENEFITS

The following is a breakdown of paid claims, in 2013, 2012 and 2011:

	2013			2012			2011		
	Direct insurance and inwards reinsurance	Outwards reinsurance	Total	Direct insurance and inwards reinsurance	Outwards reinsurance	Total	Direct insurance and inwards reinsurance	Outwards reinsurance	Total
Life insurance	<u>332,295,333</u>	<u>(10,882,953)</u>	<u>321,412,380</u>	<u>571,581,426</u>	<u>(10,510,492)</u>	<u>561,070,934</u>	<u>1,182,985,380</u>	<u>(8,726,259)</u>	<u>1,174,259,121</u>
	<u>332,295,333</u>	<u>(10,882,953)</u>	<u>321,412,380</u>	<u>571,581,426</u>	<u>(10,510,492)</u>	<u>561,070,934</u>	<u>1,182,985,380</u>	<u>(8,726,259)</u>	<u>1,174,259,121</u>
Non-life insurance:									
Workman's compensation	122,016,844	46,494	122,063,338	123,611,511	(2,116,300)	121,495,211	130,636,875	(83,361)	130,553,514
Personal accidents	9,462,377	(540,985)	8,921,392	6,791,194	(904,660)	5,886,534	7,937,384	(485,587)	7,451,797
Health	148,960,696	(563,711)	148,396,985	146,004,291	(394,574)	145,609,717	160,954,241	(144,854)	160,809,387
Fire and other damage	126,860,430	(54,812,353)	72,048,077	95,733,061	(33,492,933)	62,240,128	137,797,124	(62,269,811)	75,527,313
Motor	249,421,292	(3,130,507)	246,290,785	285,188,894	(1,976,227)	283,212,667	296,975,250	(1,939,903)	295,035,347
Marine, aviation and transport	12,050,016	(9,517,933)	2,532,083	4,932,078	(2,594,348)	2,337,730	8,352,238	(5,934,760)	2,417,478
Third party liability	14,057,129	(4,950,249)	9,106,880	13,171,470	(4,800,380)	8,371,090	11,114,446	(1,063,019)	10,051,427
Credit and suretyship	729,575	(138,463)	591,112	386,738	(414,807)	(28,069)	180,139	17	180,156
Legal expenses	1,833,151	—	1,833,151	1,878,783	—	1,878,783	1,099,868	—	1,099,868
Assistance	27,275,270	—	27,275,270	24,422,602	—	24,422,602	27,216,616	—	27,216,616
Other	12,015,566	(9,109,856)	2,905,710	11,205,916	(6,088,899)	5,117,017	12,733,950	(5,541,904)	7,192,046
	<u>724,682,346</u>	<u>(82,717,563)</u>	<u>641,964,783</u>	<u>713,326,538</u>	<u>(52,783,128)</u>	<u>660,543,410</u>	<u>794,998,131</u>	<u>(77,463,182)</u>	<u>717,534,949</u>
	<u>1,056,977,679</u>	<u>(93,600,516)</u>	<u>963,377,163</u>	<u>1,284,907,964</u>	<u>(63,293,620)</u>	<u>1,221,614,344</u>	<u>1,977,983,511</u>	<u>(86,189,441)</u>	<u>1,891,794,070</u>

APPENDIX II ACCOUNTANTS' REPORT OF INSURANCE COMPANIES

(Amounts expressed in Euros, except when otherwise expressly indicated)

The account heading "Change in insurance contracts liabilities, net of reinsurance" balances at 2013, 2012 and 2011, can be detailed as follows:

	2013		2012		2011	
	Life insurance	Non-life insurance	Life insurance	Non-life insurance	Life insurance	Non-life insurance
Claims provision (change)	6,730,705	32,083,949	19,093,117	(1,412,583)	27,820,957	55,622,557
Other technical provisions for life insurance, net of reinsurance	3,253,772	(24,242,724)	(3,758,461)	12,157,015	(5,067,809)	15,158,571
Mathematical provision for life insurance, net of reinsurance	148,226,410	—	368,477,434	—	960,890,373	—
Profit sharing, net of reinsurance	<u>7,546,210</u>	<u>(98,300)</u>	<u>19,423,560</u>	<u>(35,875)</u>	<u>10,261,782</u>	<u>210,290</u>
	<u>165,757,097</u>	<u>7,742,925</u>	<u>403,235,650</u>	<u>10,708,557</u>	<u>993,905,303</u>	<u>70,991,418</u>

The following is a breakdown of claims provision (change), in 2013, 2012 and 2011:

	2013			2012			2011		
	Direct insurance and inwards reinsurance	Outwards reinsurance	Total	Direct insurance and inwards reinsurance	Outwards reinsurance	Total	Direct insurance and inwards reinsurance	Outwards reinsurance	Total
Life insurance	(8,001,859)	1,271,154	(6,730,705)	(21,488,407)	2,395,290	(19,093,117)	(29,606,611)	1,785,654	(27,820,957)
	<u>(8,001,859)</u>	<u>1,271,154</u>	<u>(6,730,705)</u>	<u>(21,488,407)</u>	<u>2,395,290</u>	<u>(19,093,117)</u>	<u>(29,606,611)</u>	<u>1,785,654</u>	<u>(27,820,957)</u>
Non-life insurance:									
Workman's compensation	7,124,013	312,782	7,436,795	52,260,443	1,129,910	53,390,353	2,998,831	(1,024)	2,997,807
Personal accidents	(1,061,637)	26,314	(1,035,323)	1,581,647	(726,336)	855,311	601,695	(3,409,070)	(2,807,375)
Health	2,060,168	(109,765)	1,950,403	2,094,250	(47,947)	2,046,303	(11,353,258)	(110,177)	(11,463,435)
Fire and other damage	15,350,037	(5,228,533)	10,121,504	(31,795,175)	26,326,492	(5,468,683)	(14,198,666)	14,218,074	19,408
Motor	(47,830,837)	1,298,039	(46,532,798)	(45,417,975)	1,131,841	(44,286,134)	(32,029,814)	2,364,771	(29,665,043)
Marine, aviation and transport	(3,346,955)	2,360,599	(986,356)	2,101,224	(2,991,012)	(889,788)	(26,805,669)	24,449,461	(2,356,208)
Third party liability	(9,873,677)	7,736,020	(2,137,657)	4,635,557	(5,768,676)	(1,133,119)	(11,419,917)	1,727,284	(9,692,633)
Credit and suretyship	(45,680)	(4,936)	(50,616)	(452,494)	(11,295)	(463,789)	20,092	25,529	45,621
Legal expenses	91,215	—	91,215	24,992	—	24,992	556,153	—	556,153
Assistance	(398,944)	—	(398,944)	(1,697,460)	—	(1,697,460)	(4,004,137)	—	(4,004,137)
Other	<u>(6,380,569)</u>	<u>5,838,397</u>	<u>(542,172)</u>	<u>(95,041)</u>	<u>(870,362)</u>	<u>(965,403)</u>	<u>917,621</u>	<u>(170,336)</u>	<u>747,285</u>
	<u>(44,312,866)</u>	<u>12,228,917</u>	<u>(32,083,949)</u>	<u>(16,760,032)</u>	<u>18,172,615</u>	<u>1,412,583</u>	<u>(94,717,069)</u>	<u>39,094,512</u>	<u>(55,622,557)</u>
	<u>(52,314,725)</u>	<u>13,500,071</u>	<u>(38,814,654)</u>	<u>(38,248,439)</u>	<u>20,567,905</u>	<u>(17,680,534)</u>	<u>(124,323,680)</u>	<u>40,880,166</u>	<u>(83,443,514)</u>

APPENDIX II ACCOUNTANTS' REPORT OF INSURANCE COMPANIES

(Amounts expressed in Euros, except when otherwise expressly indicated)

Claims costs — changes in claims provisions for workman's compensation insurance, for 2012, were influenced by the effect of the change of the mortality assumption used to calculate the mathematical provision for workman's compensation insurance claims, in the approximate amount of Euro 9,550,000 and by the change in the provision to reinforce the technical bases used in the calculation of this provision, in the amount of Euro 23,000,000 (Note 31).

Information on cost of development on claims recorded by Fidelidade, for insurance lines of business involving significant uncertainties on amounts and times of payment and when this uncertainty is not normally eliminated within a year, is set out in the following tables:

Accumulated amounts Accounting year	Workman's compensation								
	Year of occurrence								
	2006	2007	2008	2009	2010	2011	2012	2013	Total
2006	176,190,491	—	—	—	—	—	—	—	176,190,491
2007	191,213,483	177,349,291	—	—	—	—	—	—	368,562,774
2008	193,905,355	178,954,783	186,689,308	—	—	—	—	—	559,549,446
2009	195,042,890	173,906,090	172,994,681	149,704,562	—	—	—	—	691,648,223
2010	199,172,358	178,315,507	173,814,297	140,844,323	137,556,544	—	—	—	829,703,029
2011	202,217,697	179,368,039	176,182,831	141,388,182	130,524,735	116,138,424	—	—	945,819,908
2012	207,162,252	183,344,130	180,690,311	148,623,231	134,729,234	118,157,742	107,133,256	—	1,079,840,156
2013	204,296,231	183,791,831	181,190,222	151,024,431	136,644,123	121,778,064	113,442,448	104,269,909	1,196,437,259

Costs of claims recognised in 2013:

- Claims for years between 2006 and 2013	116,597,103
- Claims for years prior to 2006	9,061,779
- Costs of inwards reinsurance Claims	361,848
	<u>126,020,730</u>

APPENDIX II ACCOUNTANTS' REPORT OF INSURANCE COMPANIES

(Amounts expressed in Euros, except when otherwise expressly indicated)

Liabilities recognised in the Balance Sheet (Provision for Direct Insurance Claims)

2013	<u>35,391,484</u>	<u>39,891,732</u>	<u>39,507,814</u>	<u>44,283,832</u>	<u>42,047,057</u>	<u>37,854,547</u>	<u>48,836,278</u>	<u>69,551,791</u>	<u>357,364,535</u>
Provision for claims prior to 2006									<u>420,440,119</u>
Total direct insurance									<u>777,804,654</u>
Provision for inwards reinsurance claims									<u>584,232</u>
Total insurance area									<u>778,388,886</u>

Fire and Other Damage to Property

Accumulated amounts	Year of occurrence								
Accounting year	2006	2007	2008	2009	2010	2011	2012	2013	Total
2006	105,012,503	—	—	—	—	—	—	—	105,012,503
2007	109,469,320	85,026,447	—	—	—	—	—	—	194,495,767
2008	103,821,107	86,438,921	131,357,405	—	—	—	—	—	321,617,433
2009	102,400,770	85,154,875	130,743,392	154,665,094	—	—	—	—	472,964,131
2010	103,206,904	85,658,531	128,060,709	159,206,978	126,078,379	—	—	—	602,211,501
2011	104,679,493	85,697,958	127,616,286	166,069,986	126,952,108	122,605,880	—	—	733,621,711
2012	101,029,054	84,220,578	125,492,545	168,567,606	125,464,375	112,432,664	91,597,848	—	808,804,670
2013	101,162,185	84,459,630	123,350,086	170,952,560	126,215,051	112,154,715	107,991,708	133,438,302	959,724,237

Costs of claims recognised in 2013:

- Claims for years between 2006 and 2013	150,919,567
- Claims for years prior to 2006	(1,672,304)
- Costs of inwards reinsurance Claims	<u>(273,511)</u>
	<u>148,973,752</u>

APPENDIX II ACCOUNTANTS' REPORT OF INSURANCE COMPANIES

(Amounts expressed in Euros, except when otherwise expressly indicated)

Liabilities recognised in the Balance Sheet (Provision for Direct Insurance Claims)

2013	<u>2,412,592</u>	<u>2,403,586</u>	<u>1,774,592</u>	<u>12,855,141</u>	<u>9,540,611</u>	<u>18,883,355</u>	<u>15,074,941</u>	<u>56,171,011</u>	<u>119,115,829</u>
Provision for claims prior to 2006									<u>12,029,481</u>
Total direct insurance									<u>131,145,310</u>
Provision for inwards reinsurance claims									<u>5,896,043</u>
Total insurance area									<u>137,041,353</u>

Accumulated amounts	Motor Insurance								
	Year of occurrence								
Accounting year	2006	2007	2008	2009	2010	2011	2012	2013	Total
2006	437,107,503	—	—	—	—	—	—	—	437,107,503
2007	430,397,467	400,099,059	—	—	—	—	—	—	830,496,526
2008	424,124,583	396,008,332	372,257,010	—	—	—	—	—	1,192,389,925
2009	437,320,594	412,637,283	372,969,725	347,599,847	—	—	—	—	1,570,527,449
2010	425,659,251	408,752,742	373,166,802	346,790,372	319,684,516	—	—	—	1,874,053,683
2011	428,242,183	405,151,091	370,794,584	348,491,358	319,177,270	295,207,592	—	—	2,167,064,078
2012	419,049,657	397,981,248	364,668,581	347,994,159	321,518,277	284,668,767	269,165,328	—	2,405,046,017
2013	416,379,462	392,313,307	357,273,671	334,085,131	319,726,721	283,035,836	265,061,668	250,231,412	2,618,107,208

Costs of claims recognised in 2013:

- Claims for years between 2006 and 2013	213,061,191
- Claims for years prior to 2006	(17,217,513)
- Costs of inwards reinsurance Claims	<u>1,784,879</u>
	<u>197,628,557</u>

Liabilities recognised in the Balance Sheet (Provision for Direct Insurance Claims)

2013	<u>23,411,790</u>	<u>36,674,923</u>	<u>45,773,572</u>	<u>48,852,617</u>	<u>60,419,084</u>	<u>60,926,092</u>	<u>65,134,757</u>	<u>116,989,452</u>	<u>458,182,287</u>
Provision for claims prior to 2006									<u>78,458,934</u>
Total direct insurance									<u>536,641,221</u>
Provision for inwards reinsurance claims									<u>2,564,719</u>
Total insurance area									<u>539,205,940</u>

APPENDIX II ACCOUNTANTS' REPORT OF INSURANCE COMPANIES

(Amounts expressed in Euros, except when otherwise expressly indicated)

Accumulated amounts Accounting year	Marine and Transport								
	Year of occurrence								
	2006	2007	2008	2009	2010	2011	2012	2013	Total
2006	2,328,537	—	—	—	—	—	—	—	2,328,537
2007	2,658,182	3,654,145	—	—	—	—	—	—	6,312,327
2008	2,488,621	3,821,319	2,113,473	—	—	—	—	—	8,423,413
2009	2,489,662	3,765,057	2,050,533	1,630,390	—	—	—	—	9,935,642
2010	2,567,545	3,555,700	1,911,216	1,941,901	861,683	—	—	—	10,838,045
2011	2,547,333	3,519,096	2,195,191	2,857,755	906,490	879,290	—	—	12,905,155
2012	2,529,122	3,417,402	2,266,465	2,746,185	887,111	1,002,179	1,140,753	—	13,989,217
2013	2,529,122	3,396,421	2,260,936	2,730,548	977,249	1,047,049	1,264,639	894,586	15,100,550

Costs of claims recognised in 2013:

- Claims for years between 2006 and 2013	1,111,333
- Claims for years prior to 2006	(342,156)
- Costs of inwards reinsurance Claims	<u>81,592</u>
	<u>850,769</u>

Liabilities recognised in the Balance Sheet (Provision for Direct Insurance Claims)

2013	<u>288,210</u>	<u>52,029</u>	<u>500,291</u>	<u>1,805</u>	<u>119,279</u>	<u>50,878</u>	<u>543,940</u>	<u>663,137</u>	<u>2,219,569</u>
Provision for claims prior to 2006									<u>248,633</u>
Total direct insurance									<u>2,468,202</u>
Provision for inwards reinsurance claims									<u>699,101</u>
Total insurance area									<u>3,167,303</u>

APPENDIX II ACCOUNTANTS' REPORT OF INSURANCE COMPANIES

(Amounts expressed in Euros, except when otherwise expressly indicated)

Accumulated amounts Accounting year	Aviation								Total
	Year of occurrence								
	2006	2007	2008	2009	2010	2011	2012	2013	
2006	882,655	—	—	—	—	—	—	—	882,655
2007	985,448	454,388	—	—	—	—	—	—	1,439,836
2008	1,031,668	435,546	450,216	—	—	—	—	—	1,917,430
2009	1,031,668	463,218	556,875	893,950	—	—	—	—	2,945,711
2010	555,387	788,359	941,773	2,005,149	305,359	—	—	—	4,596,027
2011	1,111,355	1,231,107	1,293,226	1,963,193	791,827	536,094	—	—	6,926,802
2012	1,066,421	1,202,191	1,267,524	1,746,750	800,426	531,251	774,653	—	7,389,216
2013	984,552	1,154,411	1,342,535	1,721,109	865,553	435,224	649,744	460,228	7,613,356

Costs of claims recognised in 2013:

- Claims for years between 2006 and 2013	224,140
- Claims for years prior to 2006	3,786,201
- Costs of inwards reinsurance Claims	<u>(181,920)</u>
	<u>3,828,421</u>

Liabilities recognised in the Balance Sheet (Provision for Direct Insurance Claims)

2013	<u>803</u>	<u>26,937</u>	<u>160,743</u>	<u>62,629</u>	<u>271,424</u>	<u>116,999</u>	<u>61,332</u>	<u>284,658</u>	<u>985,525</u>
Provision for claims prior to 2006									<u>1,735,749</u>
Total direct insurance									<u>2,721,274</u>
Provision for inwards reinsurance claims									<u>823,969</u>
Total insurance area									<u>3,545,243</u>

APPENDIX II ACCOUNTANTS' REPORT OF INSURANCE COMPANIES

(Amounts expressed in Euros, except when otherwise expressly indicated)

Accumulated amounts Accounting year	Carriage of Goods								
	Year of occurrence								
	2006	2007	2008	2009	2010	2011	2012	2013	Total
2006	3,978,852	—	—	—	—	—	—	—	3,978,852
2007	4,597,435	5,643,430	—	—	—	—	—	—	10,240,865
2008	4,869,425	5,410,429	4,484,057	—	—	—	—	—	14,763,911
2009	5,175,426	5,730,097	5,045,922	5,994,434	—	—	—	—	21,945,879
2010	4,852,720	5,682,974	4,576,686	5,065,317	2,393,325	—	—	—	22,571,022
2011	4,435,304	5,460,795	4,388,359	4,772,240	3,355,315	2,813,404	—	—	25,225,417
2012	4,543,168	5,543,967	4,356,639	4,859,026	3,052,294	2,877,977	2,490,636	—	27,723,707
2013	4,442,155	5,491,727	4,315,346	4,823,292	2,907,092	2,811,244	2,993,045	4,252,218	32,036,119

Costs of claims recognised in 2013:

- Claims for years between 2006 and 2013	4,312,412
- Claims for years prior to 2006	(275,129)
- Costs of inwards reinsurance Claims	784
	<u>4,038,067</u>

Liabilities recognised in the Balance Sheet (Provision for Direct Insurance Claims)

2013	<u>77,457</u>	<u>361,863</u>	<u>158,432</u>	<u>172,898</u>	<u>388,660</u>	<u>251,126</u>	<u>1,019,852</u>	<u>3,078,557</u>	<u>5,508,845</u>
Provision for claims prior to 2006									<u>330,168</u>
Total direct insurance									<u>5,839,013</u>
Provision for inwards reinsurance claims									<u>118,507</u>
Total insurance area									<u>5,957,520</u>

APPENDIX II ACCOUNTANTS' REPORT OF INSURANCE COMPANIES

(Amounts expressed in Euros, except when otherwise expressly indicated)

Accumulated amounts Accounting year	Third Party Liability								
	Year of occurrence								
	2006	2007	2008	2009	2010	2011	2012	2013	Total
2006	13,612,641	—	—	—	—	—	—	—	13,612,641
2007	16,350,386	9,614,994	—	—	—	—	—	—	25,965,380
2008	17,728,178	13,961,733	10,602,481	—	—	—	—	—	42,292,392
2009	18,791,935	15,570,337	13,360,133	14,793,409	—	—	—	—	62,515,814
2010	24,659,115	15,917,190	13,480,977	19,846,931	16,987,985	—	—	—	90,892,198
2011	21,635,916	19,376,684	14,398,011	19,462,989	17,849,924	14,746,708	—	—	107,470,232
2012	22,008,138	20,156,760	14,775,272	21,483,344	20,360,755	14,845,672	10,092,897	—	123,722,838
2013	22,162,341	19,815,178	14,250,803	20,360,547	18,866,589	14,382,154	10,544,747	8,482,500	128,864,859
Costs of claims recognised in 2013:									
- Claims for years between 2006 and 2013									5,142,021
- Claims for years prior to 2006									(1,371,917)
- Costs of inwards reinsurance Claims									<u>383,416</u>
									<u><u>4,153,520</u></u>

Liabilities recognised in the Balance Sheet (Provision for Direct Insurance Claims)

2013	<u>3,451,021</u>	<u>8,653,635</u>	<u>4,822,880</u>	<u>10,337,071</u>	<u>9,878,181</u>	<u>7,641,906</u>	<u>6,357,958</u>	<u>6,873,069</u>	<u>58,015,721</u>
Provision for claims prior to 2006									<u>29,689,324</u>
Total direct insurance									<u>87,705,045</u>
Provision for inwards reinsurance claims									<u>24,249,196</u>
Total insurance area									<u>111,954,241</u>

APPENDIX II ACCOUNTANTS' REPORT OF INSURANCE COMPANIES

(Amounts expressed in Euros, except when otherwise expressly indicated)

Accumulated amounts Accounting year	Miscellaneous Pecuniary Losses								
	Year of occurrence								
	2006	2007	2008	2009	2010	2011	2012	2013	Total
2006	5,078,842	—	—	—	—	—	—	—	5,078,842
2007	6,005,263	8,953,107	—	—	—	—	—	—	14,958,370
2008	6,191,498	9,743,578	32,347,667	—	—	—	—	—	48,282,743
2009	5,485,318	9,801,845	34,003,134	7,501,694	—	—	—	—	56,791,991
2010	5,443,536	9,686,169	34,435,437	14,970,401	13,514,655	—	—	—	78,050,198
2011	5,467,115	9,682,571	34,382,207	14,611,746	16,118,820	11,118,721	—	—	91,381,180
2012	5,407,414	9,574,989	33,774,638	14,804,098	18,631,421	13,867,586	7,696,802	—	103,756,948
2013	5,435,410	9,559,107	32,706,720	14,514,538	15,441,306	14,196,065	8,442,097	10,766,237	111,061,480

Costs of claims recognised in 2013:

- Claims for years between 2006 and 2013	7,304,532
- Claims for years prior to 2006	(134)
- Costs of inwards reinsurance Claims	(196,309)
	<u>7,108,089</u>

Liabilities recognised in the Balance Sheet (Provision for Direct Insurance Claims)

2013	<u>1,255</u>	<u>29,305</u>	<u>795,473</u>	<u>8,556</u>	<u>624,165</u>	<u>981,002</u>	<u>1,351,948</u>	<u>6,181,988</u>	<u>9,973,692</u>
Provision for claims prior to 2006									<u>31,855</u>
Total direct insurance									<u>10,005,547</u>
Provision for inwards reinsurance claims									<u>47,092</u>
Total insurance area									<u>10,052,639</u>

The change in the claims provision, in the claims costs net of reinsurance account heading in the statement of profit or loss is mainly offset by the claims provision, in the technical provisions account heading on the liabilities side. Several operations have, however, been recognised in other financial statements elements, notably reimbursements for claims recognised in respect of other debtors - direct insurance operations, for which the changes in the claims provisions in the financial statements and statement of profit or loss are not coincident.

APPENDIX II ACCOUNTANTS' REPORT OF INSURANCE COMPANIES

(Amounts expressed in Euros, except when otherwise expressly indicated)

The following is a breakdown of claims costs and changes in other life insurance technical provisions in 2013, 2012 and 2011:

				2013			
	Claims paid	Changes in claim provision	Sub-total	Changes in other technical provisions	Changes in mathematical provision	Profit sharing	Total
Direct insurance and inwards reinsurance:							
- Insurance contracts							
without profit sharing	70,943,061	(2,208,211)	68,734,850	1,254,854	4,830,962	—	74,820,666
with profit sharing	20,861,017	(3,121,197)	17,739,820	5,603	(6,828,562)	2,719,248	13,636,109
- Investment contracts with a discretionary profit sharing component	<u>240,491,255</u>	<u>(2,672,451)</u>	<u>237,818,804</u>	<u>(4,514,229)</u>	<u>(142,735,547)</u>	<u>(10,228,850)</u>	<u>80,340,178</u>
	<u>332,295,333</u>	<u>(8,001,859)</u>	<u>324,293,474</u>	<u>(3,253,772)</u>	<u>(144,733,147)</u>	<u>(7,509,602)</u>	<u>168,796,953</u>
Outwards reinsurance:							
- Insurance contracts							
without profit sharing	(10,040,457)	942,842	(9,097,615)	—	(3,363,994)	—	(12,461,609)
with profit sharing	(842,496)	328,312	(514,184)	—	(129,269)	(36,608)	(680,061)
- Investment contracts with a discretionary profit sharing component	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
	<u>(10,882,953)</u>	<u>1,271,154</u>	<u>(9,611,799)</u>	<u>—</u>	<u>(3,493,263)</u>	<u>(36,608)</u>	<u>(13,141,670)</u>
Net:							
- Insurance contracts							
without profit sharing	60,902,604	(1,265,369)	59,637,235	1,254,854	1,466,968	—	62,359,057
with profit sharing	20,018,521	(2,792,885)	17,225,636	5,603	(6,957,831)	2,682,640	12,956,048
- Investment contracts with a discretionary profit sharing component	<u>240,491,255</u>	<u>(2,672,451)</u>	<u>237,818,804</u>	<u>(4,514,229)</u>	<u>(142,735,547)</u>	<u>(10,228,850)</u>	<u>80,340,178</u>
	<u>321,412,380</u>	<u>(6,730,705)</u>	<u>314,681,675</u>	<u>(3,253,772)</u>	<u>(148,226,410)</u>	<u>(7,546,210)</u>	<u>155,655,283</u>

APPENDIX II ACCOUNTANTS' REPORT OF INSURANCE COMPANIES

(Amounts expressed in Euros, except when otherwise expressly indicated)

				2012			
	Claims paid	Changes in claim provision	Sub-total	Changes in other technical provisions	Changes in mathematical provision	Profit sharing	Total
Direct insurance and inwards reinsurance:							
- Insurance contracts							
without profit sharing	78,077,437	(14,615,691)	63,461,746	1,604,136	875,959	—	65,941,841
with profit sharing	20,199,620	(1,483,457)	18,716,163	—	(12,002,953)	(573,156)	6,140,054
- Investment contracts with a discretionary profit sharing component	<u>473,304,369</u>	<u>(5,389,259)</u>	<u>467,915,110</u>	<u>2,154,325</u>	<u>(355,341,750)</u>	<u>(18,805,901)</u>	<u>95,921,784</u>
	<u>571,581,426</u>	<u>(21,488,407)</u>	<u>550,093,019</u>	<u>3,758,461</u>	<u>(366,468,744)</u>	<u>(19,379,057)</u>	<u>168,003,679</u>
Outwards reinsurance:							
- Insurance contracts							
without profit sharing	(9,572,082)	2,492,517	(7,079,565)	—	(1,981,761)	—	(9,061,326)
with profit sharing	(938,410)	(97,227)	(1,035,637)	—	(26,929)	(44,503)	(1,107,069)
- Investment contracts with a discretionary profit sharing component	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
	<u>(10,510,492)</u>	<u>2,395,290</u>	<u>(8,115,202)</u>	<u>—</u>	<u>(2,008,690)</u>	<u>(44,503)</u>	<u>(10,168,395)</u>
Net:							
- Insurance contracts							
without profit sharing	68,505,355	(12,123,174)	56,382,181	1,604,136	(1,105,802)	—	56,880,515
with profit sharing	19,261,210	(1,580,684)	17,680,526	—	(12,029,882)	(617,659)	5,032,985
- Investment contracts with a discretionary profit sharing component	<u>473,304,369</u>	<u>(5,389,259)</u>	<u>467,915,110</u>	<u>2,154,325</u>	<u>(355,341,750)</u>	<u>(18,805,901)</u>	<u>95,921,784</u>
	<u>561,070,934</u>	<u>(19,093,117)</u>	<u>541,977,817</u>	<u>3,758,461</u>	<u>(368,477,434)</u>	<u>(19,423,560)</u>	<u>157,835,284</u>

APPENDIX II ACCOUNTANTS' REPORT OF INSURANCE COMPANIES

(Amounts expressed in Euros, except when otherwise expressly indicated)

				2011			
	Claims paid	Changes in claim provision	Sub-total	Changes in other technical provisions	Changes in mathematical provision	Profit sharing	Total
Direct insurance and inwards reinsurance:							
- Insurance contracts							
without profit sharing	68,696,733	6,121,419	74,818,152	2,601,060	476,142	—	77,895,354
with profit sharing	26,381,650	(5,358,067)	21,023,583	—	(9,930,633)	6,718,428	17,811,378
- Investment contracts with a discretionary profit sharing component	<u>1,087,906,997</u>	<u>(30,369,963)</u>	<u>1,057,537,034</u>	<u>2,466,749</u>	<u>(949,053,482)</u>	<u>(16,983,787)</u>	<u>93,966,514</u>
	<u>1,182,985,380</u>	<u>(29,606,611)</u>	<u>1,153,378,769</u>	<u>5,067,809</u>	<u>(958,507,973)</u>	<u>(10,265,359)</u>	<u>189,673,246</u>
Outwards reinsurance:							
- Insurance contracts							
without profit sharing	(7,117,276)	1,024,140	(6,093,136)	—	(2,454,722)	—	(8,547,858)
with profit sharing	(1,608,983)	761,514	(847,469)	—	72,322	3,577	(771,570)
- Investment contracts with a discretionary profit sharing component	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
	<u>(8,726,259)</u>	<u>1,785,654</u>	<u>(6,940,605)</u>	<u>—</u>	<u>(2,382,400)</u>	<u>3,577</u>	<u>(9,319,428)</u>
Net:							
- Insurance contracts							
without profit sharing	61,579,457	7,145,559	68,725,016	2,601,060	(1,978,580)	—	69,347,496
with profit sharing	24,772,667	(4,596,553)	20,176,114	—	(9,858,311)	6,722,005	17,039,808
- Investment contracts with a discretionary profit sharing component	<u>1,087,906,997</u>	<u>(30,369,963)</u>	<u>1,057,537,034</u>	<u>2,466,749</u>	<u>(949,053,482)</u>	<u>(16,983,787)</u>	<u>93,966,514</u>
	<u>1,174,259,121</u>	<u>(27,820,957)</u>	<u>1,146,438,164</u>	<u>5,067,809</u>	<u>(960,890,373)</u>	<u>(10,261,782)</u>	<u>180,353,818</u>

In 2013, 2012 and 2011, the change in other technical provisions includes the costs of the appropriation of the portfolio stabilisation provision for the amounts of Euro 1,254,854, Euro 1,604,136 and Euro 2,601,060, respectively. In 2013, 2012 and 2011, this account heading also included the cancelation of Euro 4,508,626 and the charge of Euro 2,154,325 and Euro 2,466,749, respectively, for the change in the provision for interest rate commitments.

APPENDIX II ACCOUNTANTS' REPORT OF INSURANCE COMPANIES

(Amounts expressed in Euros, except when otherwise expressly indicated)

In 2011, the change in the claims provision includes the impact of the revision of the methodology used to estimate the costs of claims with receipts issued more than three years for the life insurance products classified as insurance contracts for the amount of Euro 19,080,000 (Note 31).

In accordance with the procedures established for the accounting treatment of the provision for profit sharing not yet attributed, Fidelidade recorded in 2013 and 2012 gains in the amount of Euro 13,548,257 and Euro 21,070,968, respectively, by using the provision generated during those years as a result of the net potential gains attributable to the insured persons, arising from the appreciation of the investment portfolios linked to life insurance products with profit sharing clauses. The use of this provision was intended to compensate losses generated in previous years in the technical results of the respective products which were recognised in Fidelidade's statement of profit and loss, as the income from the respective investment portfolios was not enough to cover the expenses correspondent to the technical interest rates guaranteed to the insured persons (Note 3.15.f)).

In 2013, 2012 and 2011 the profit recorded in the "Profit sharing" account heading includes incomes of Euro 268,171, Euro 410,612 and Euro 26,298,967, respectively, on the use of the net realised gains balances attributable to the insured and transiting from the former accounting standard and recognised in the profit sharing to be attributed account heading, which is now used to cover the losses originated each year on the technical accounts of the respective products (Note 31).

14. COMMISSION EXPENSES

The following is a breakdown of the Insurance Group's commission expenses for the years 2013, 2012 and 2011:

	Life technical account	2013 Non-Life technical account	Total
Acquisition costs:			
Insurance agent's commissions	31,571,106	105,082,969	136,654,075
Other	<u>506,359</u>	<u>824,147</u>	<u>1,330,506</u>
	<u>32,077,465</u>	<u>105,907,116</u>	<u>137,984,581</u>
Deferred acquisition costs (change)	<u>27,962</u>	<u>1,276,886</u>	<u>1,304,848</u>
	<u><u>32,105,427</u></u>	<u><u>107,184,002</u></u>	<u><u>139,289,429</u></u>

APPENDIX II ACCOUNTANTS' REPORT OF INSURANCE COMPANIES

(Amounts expressed in Euros, except when otherwise expressly indicated)

	Life technical account	2012 Non-Life technical account	Total
Acquisition costs:			
Insurance agent's commissions	34,637,051	104,479,831	139,116,882
Other	<u>12,626</u>	<u>695,708</u>	<u>708,334</u>
	<u>34,649,677</u>	<u>105,175,539</u>	<u>139,825,216</u>
Deferred acquisition costs (change)	<u>38,860</u>	<u>341,058</u>	<u>379,918</u>
	<u><u>34,688,537</u></u>	<u><u>105,516,597</u></u>	<u><u>140,205,134</u></u>
	Life technical account	2011 Non-Life technical account	Total
Acquisition costs:			
Insurance agent's commissions	28,232,744	108,382,864	136,615,608
Other	<u>27,923</u>	<u>564,846</u>	<u>592,769</u>
	<u>28,260,667</u>	<u>108,947,710</u>	<u>137,208,377</u>
Deferred acquisition costs (change)	<u>37,182</u>	<u>2,981,011</u>	<u>3,018,193</u>
	<u><u>28,297,849</u></u>	<u><u>111,928,721</u></u>	<u><u>140,226,570</u></u>

APPENDIX II ACCOUNTANTS' REPORT OF INSURANCE COMPANIES

(Amounts expressed in Euros, except when otherwise expressly indicated)

15. ADMINISTRATIVE AND OTHER EXPENSES

The following is a breakdown of the Insurance Group's operating costs for the years 2013, 2012 and 2011, by type:

	2013	2012	2011
Employee costs	<u>153,448,486</u>	<u>151,614,892</u>	<u>152,402,857</u>
External supplies and services	<u>135,985,523</u>	<u>135,396,964</u>	<u>134,070,545</u>
Taxes and charges	15,953,367	12,919,978	13,469,777
Depreciation for the year (Notes 27 and 28)	6,314,991	6,555,810	8,506,371
Amortisation for the year (Note 30)	6,301,785	5,128,617	3,973,484
Other provisions	(604,417)	18,910,451	(304,771)
Commissions charges	6,692,689	4,710,405	5,512,564
Interest on loans	1,468,072	4,601,506	5,632,817
Underwriting commissions	7,223,075	7,200,764	7,385,113
Other	<u>1,453</u>	<u>1,352</u>	<u>2,079</u>
	<u><u>332,785,024</u></u>	<u><u>347,040,739</u></u>	<u><u>330,650,836</u></u>

The following is a breakdown of the heading "Employee costs", in 2013, 2012 and 2011:

	2013	2012	2011
Fees			
Other emoluments			
Salaries and other benefits:	106,407,405	100,499,037	101,082,918
Social costs / charges	25,098,159	23,225,861	25,412,283
Contribution to (retirement benefits/pension) schemes:			
Defined benefit	8,166,332	13,804,192	6,933,347
Defined contribution	614,488	198,229	57,895
Benefits on termination of employment	1,611,664	3,440,302	7,311,038
Mandatory insurance	1,534,730	2,111,013	1,848,640
Health insurance costs	9,066,277	7,301,986	6,550,362
Other employee costs	<u>949,431</u>	<u>1,034,272</u>	<u>3,206,374</u>
	<u><u>153,448,486</u></u>	<u><u>151,614,892</u></u>	<u><u>152,402,857</u></u>

APPENDIX II ACCOUNTANTS' REPORT OF INSURANCE COMPANIES

(Amounts expressed in Euros, except when otherwise expressly indicated)

Information on Board of Directors' remuneration, on a named basis, for 2013, 2012 and 2011 is set out below for Fidelidade - Companhia de Seguros, S.A., Multicare - Seguros de Saúde, S.A., and Cares - Companhia de Seguros, S.A.:

	2013				2012				2011			
	Contribution to			Total	Contribution to			Total	Contribution to			Total
	Salaries and other benefits	(retirement benefits /pension) schemes	Other emoluments		Salaries and other benefits	(retirement benefits /pension) schemes	Salaries and other benefits		(retirement benefits /pension) schemes			
Fidelidade - Companhia de Seguros, S.A.												
Jorge Magalhães Correia	235,331	—	—	235,331	216,183	—	216,183	268,955	—	—	268,955	
Eugénio Manuel Ramos	322,374	—	—	322,374	313,649	—	313,649	342,851	—	—	342,851	
Francisco Xavier Cordeiro	216,682	—	—	216,682	190,928	—	190,928	228,550	—	—	228,550	
António Manuel Noronha	216,702	—	—	216,702	190,928	—	190,928	228,563	—	—	228,563	
José Alvarez Quintero	216,727	—	—	216,727	190,926	—	190,926	228,544	—	—	228,544	
Vasco Maria Orey	338,178	—	—	338,178	316,001	—	316,001	344,342	—	—	344,342	
Rogério Miguel Henriques	196,173	—	5,073	201,246	123,684	—	123,684	—	—	—	—	
José Nunes Coelho	—	—	—	—	86,318	—	86,318	332,764	—	—	332,764	
Multicare - Seguros de Saúde, S.A.												
Carlos Coutinho	129,983	32,127	—	162,110	111,058	27,424	138,482	128,855	31,712	—	160,567	
Maria João Sales Luís	116,734	29,055	—	145,789	100,130	24,628	124,758	116,468	28,528	—	144,996	
José Nunes Coelho	173,565	24,977	—	198,542	208,777	17,931	226,708	—	—	—	—	
Armando Pires	—	—	—	—	26,822	2,143	28,965	183,081	15,001	—	198,082	
Cares - Companhia de Seguros, S.A.												
Luis Filipe Mateus Alves*	113,839	—	—	113,839	96,723	—	96,723	93,327	—	—	93,327	
Total	2,276,288	86,159	5,073	2,367,520	2,172,127	72,126	2,244,253	2,496,300	75,241	—	2,571,541	

* The remuneration of Luis Filipe Mateus Alves respects to Cares - Companhia de Seguros, S.A., Cares RH - Companhia de Assistência e Representação de Seguros, S.A. and Cares Multiassistance, S.A.

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Information on the costs of post-employment benefits, for 2013, 2012 and 2011, is set out below:

	2013	2012	2011
Post-employment benefits			
Defined benefit plan (Note 36)	7,551,669	12,586,122	6,918,697
Individual retirement plan	623,315	198,229	57,895
Employee transfer	10,656	(24,159)	(38,059)
Other costs/charges	<u>595,180</u>	<u>1,242,229</u>	<u>52,709</u>
	<u>8,780,820</u>	<u>14,002,421</u>	<u>6,991,242</u>

In 2013, 2012 and 2011, the heading “Post-employment benefits — Employee transfer” corresponds to the expenses with post-employment benefits for employees of Insurance Group companies who are allocated to other Caixa Geral de Depósitos Group’s entities.

A new collective wage bargaining agreement for insurance activity was entered into on 23 December 2011 and published in the Labor Bulletin no. 2 of 15 January 2012.

Following this collective agreement the Insurance Group companies recognised, in 2011, in the “Other employee costs” account heading an estimate of the already incurred expenses with permanence premium payable to the employees of the Insurance Group’s insurance companies and the estimate for the extraordinary cash payments to workers, by way of the remission of rights in the former collective agreement, in the amounts of Euro 419,093 and Euro 2,224,255 respectively.

In 2013 and 2012, the Insurance Group registered a reinforcement of the estimate for permanence premium in the amount of Euro 905,109 and Euro 85,083, respectively.

According to the new collective agreement, all current workers will benefit from an Individual Retirement Plan (“IRP”), which will replace the pensions system contemplated by the previous collective agreement (Note 36).

The breakdown of the heading “Interest expense”, for 2013, 2012 and 2011 is set out below:

	2013	2012	2011
Interest expense			
Bank loans (Note 33)	1,404,415	1,638,952	1,640,682
Subordinated loans	104,039	1,403,804	2,633,704
Finance leases (Note 33)	5,607	29,079	63,516
Other	<u>(45,989)</u>	<u>1,529,671</u>	<u>1,294,915</u>
	<u>1,468,072</u>	<u>4,601,506</u>	<u>5,632,817</u>

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The auditor's remuneration for the years 2013, 2012 and 2011, amounted to Euro 580,207, Euro 564,305 and Euro 646,823, respectively.

16. SHARE OF RESULTS OF ASSOCIATES

The following is a breakdown of this heading, in 2013, 2012 and 2011:

	2013	2012	2011
Audatex Portugal - Peritagens Informat.			
Derivadas de Accidentes, S.A.	613,722	642,602	572,776
HIGHGROVE - Invest. Part. SGPS, S.A.	(134,109)	(94,400)	(88,494)
Proalameda, S.A.	<u>(5,822)</u>	<u>—</u>	<u>—</u>
	<u>473,791</u>	<u>548,202</u>	<u>484,282</u>

17. INCOME TAXES

Tax assets and liabilities balances, at 31 December 2013, 2012 and 2011, were:

	2013	2012	2011
Current tax assets			
Income tax recoverable	<u>2,960,817</u>	<u>—</u>	<u>—</u>
Current tax liabilities			
Income tax payable	<u>—</u>	<u>(90,174,716)</u>	<u>(6,547,008)</u>
Deferred tax assets	157,813,134	139,619,893	216,725,501
Deferred tax liabilities	<u>(47,211,665)</u>	<u>(37,759,685)</u>	<u>(13,349,981)</u>
	<u>110,601,469</u>	<u>101,860,208</u>	<u>203,375,520</u>
Total	<u>113,562,286</u>	<u>11,685,492</u>	<u>196,828,512</u>

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The following is a breakdown of the balances on current tax assets and liabilities for income tax at 31 December 2013, 2012 and 2011:

	2013	2012	2011
Estimated tax bill recognised as a charge to the statement of profit or loss	(63,739,785)	(41,400,394)	(46,505,020)
Estimated tax bill recognised as a charge to reserves	(2,240,854)	(54,251,669)	37,227,192
Deductions at source	5,326,472	2,244,259	3,914,850
Payments on account	62,163,718	519,508	246,907
Other	<u>1,451,266</u>	<u>2,713,580</u>	<u>(1,430,937)</u>
	<u>2,960,817</u>	<u>(90,174,716)</u>	<u>(6,547,008)</u>

The “Estimated tax bill recognised as a charge to the statement of profit or loss” account heading for 2013, 2012 and 2011 comprises an estimate of corporate tax (IRC) plus a municipal surcharge, the amount of separately taxed items, and the amount of the state surcharge assessed under law 66-B/2012 of 31 December, law 64-B/2011 of 30 December and law 12-A/2010 of 30 June, respectively.

The income tax recognised as a charge to reserves results from the change in the fair value reserve of the financial assets classified as available for sale allocated to life insurance products with a profit sharing component and from the change in the actuarial deviations regarding the post-employment benefits given to employees.

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Information on deferred tax account headings movements for 2013, 2012 and 2011 is set out below:

	2013				Closing balance
	Opening balances	Shareholder's equity	Income statement	Other	
Valuation of available for sale financial assets	(8,521,067)	(14,092,296)	—	—	(22,613,363)
Land and buildings:					
- For own use	11,989,810	—	127,094	—	12,116,904
- Investment properties	35,121,920	—	4,916,359	—	40,038,279
Provisions and impairment temporarily not allowed for fiscal purposes	55,970,500	—	18,272,281	—	74,242,781
Employee benefits	5,791,776	1,192,886	(1,266,654)	—	5,718,008
Carry-back of tax losses	1,493,596	—	(555,723)	119,568	1,057,441
Other	13,673	—	38,688	(10,942)	41,419
	<u>101,860,208</u>	<u>(12,899,410)</u>	<u>21,532,045</u>	<u>108,626</u>	<u>110,601,469</u>
	2012				Closing balance
	Opening balances	Shareholder's equity	Income statement	Other	
Valuation of available for sale financial assets	71,413,085	(79,850,019)	(84,133)	—	(8,521,067)
Land and buildings:					
- For own use	12,091,612	—	(101,802)	—	11,989,810
- Investment properties	29,601,172	—	5,520,748	—	35,121,920
Provisions and impairment temporarily not allowed for fiscal purposes	82,091,218	—	(26,120,718)	—	55,970,500
Employee benefits	819,308	5,846,591	(874,123)	—	5,791,776
Carry-back of tax losses	7,861,348	—	(6,257,479)	(110,273)	1,493,596
Other	(502,223)	—	515,896	—	13,673
	<u>203,375,520</u>	<u>(74,003,428)</u>	<u>(27,401,611)</u>	<u>(110,273)</u>	<u>101,860,208</u>

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	2011 Change in				Closing balance
	Opening balances	Shareholder's equity	Income statement	Other	
Valuation of available for sale financial assets	56,532,139	14,965,373	(84,427)	—	71,413,085
Land and buildings:					
- For own use	11,992,726	—	98,886	—	12,091,612
- Investment properties	28,295,635	—	1,305,537	—	29,601,172
Provisions and impairment temporarily not allowed for fiscal purposes	44,553,145	—	37,538,073	—	82,091,218
Employee benefits	(1,267,229)	3,046,143	(953,841)	(5,765)	819,308
Carry-back of tax losses	919,413	6,522,593	800,839	(381,497)	7,861,348
Other	(887,668)	—	407,223	(21,778)	(502,223)
	<u>140,138,161</u>	<u>24,534,109</u>	<u>39,112,290</u>	<u>(409,040)</u>	<u>203,375,520</u>

The Group companies are subject to taxation under Corporate Income Tax (IRC) and a Municipal Surcharge, whose aggregate tax for the years 2013, 2012 and 2011 stands at 26.5%, increased by the state surcharge. In 2013, the state surcharge was determined in accordance with law 66-B/2012, of 31 December, and corresponds to the application of an additional charge of 3% on the part of the taxable income higher than Euro 1,500,000 and below Euro 7,500,000, and of 5% on the part of the taxable income higher than Euro 7,500,000. In 2012, the state surcharge corresponded to the application of an additional charge of 3% on the part of the taxable income higher than Euro 1,500,000 and below Euro 10,000,000, and of 5% on the part of the taxable income higher than Euro 10,000,000. In 2011, the state surcharge was determined in accordance with law 12-A/2010, of 30 June, and corresponded to the application of an additional charge of 2.5% on the part of the taxable income higher than Euro 2,000,000.

Law 64-B/2011, which approved the state budget for 2012 was published on 30 December 2011. According to article 183 of the law, losses made in the 2011 tax year, deriving from changes to the accounting policy for the recognition of actuarial gains and loss on retirement pensions and other defined post-employment benefits, related to contributions made in the said period or previous tax years, are not included in the limits of the deductions established in article 43 of the IRC code, but contribute, in equal parts, to the formation of taxable profit for 2012 and the following nine taxation periods.

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Information on income tax costs recognised in the combined statements of profit or loss, in addition to the tax burden measured by the ratio between the appropriation for income tax and profit for the year before taxation is set out below:

	2013	2012	2011
Current tax			
Estimated tax bill for the year	53,230,674	20,456,940	44,930,658
State surcharge	9,682,260	14,228,989	427,887
Separately taxed items	<u>826,851</u>	<u>864,884</u>	<u>1,146,475</u>
	<u>63,739,785</u>	<u>35,550,813</u>	<u>46,505,020</u>
Other	<u>(6,928,603)</u>	<u>(6,334,142)</u>	<u>(2,927,975)</u>
	<u>56,811,182</u>	<u>29,216,671</u>	<u>43,577,045</u>
Deferred tax	<u>(21,532,045)</u>	<u>27,401,611</u>	<u>(39,112,290)</u>
Total tax in statement of profit or loss	<u>35,279,137</u>	<u>56,618,282</u>	<u>4,464,755</u>
Combined statements of profit or loss before taxation	149,092,349	165,316,803	41,588,738
Tax burden	23.66%	33.25%	10.74%

The caption "Other" comprises essentially the Insurance Group's surplus tax estimates. In 2013, this caption also includes approximately Euro 2,300,000 originated by tax incentives related to prior years, whose decisions by the relevant authorities were obtained in 2013.

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The following is an analysis of the reconciliation between nominal tax rate and effective tax rate for the years 2013, 2012 and 2011:

	2013		2012		2011	
	Rate	Tax	Rate	Tax	Rate	Tax
Profit before tax	31.50%	<u>149,092,349</u>	31.50%	<u>165,316,803</u>	29.00%	<u>41,588,738</u>
Income tax computed at nominal rate	31.50%	46,964,090	31.50%	52,074,793	29.00%	12,060,734
Definitive differences to be deduced:						
Dividends from equity instruments	(1.65%)	(2,563,963)	(1.54%)	(2,586,489)	(3.68%)	(1,523,384)
Net capital losses, non-deductible provisions and impairment	(1.82%)	(3,051,610)	0.00%	—	(7.90%)	(1,193,371)
Surplus tax estimate	(1.29%)	(4,347,558)	(0.01%)	(729,568)	(7.33%)	(3,041,807)
Others	0.09%	(2,173,352)	(0.00%)	(17,875)	(6.95%)	(2,880,848)
Definitive differences to be added:						
Non-deductible social utility actions	(0.69%)	(1,078,838)	1.23%	2,055,448	0.32%	133,771
Provisions not relevant for fiscal purposes	0.24%	371,879	1.16%	1,934,815	10.99%	2,471,046
Net capital losses, non-deductible provisions and impairment	0.00%	—	1.64%	2,743,773	0.35%	146,908
Corrections from prior years	0.00%	1,215	1.24%	2,073,100	0.09%	37,619
Others	0.93%	1,554,350	(0.62%)	(1,040,530)	0.54%	225,350
Fiscal benefits:						
Net job creation	(0.17%)	(265,815)	(0.19%)	(314,023)	(0.72%)	(298,415)
Other	(0.19%)	(295,286)	(0.11%)	(190,046)	(0.57%)	(235,630)
Separately taxed items (Autonomous taxation)	0.53%	826,851	0.52%	864,884	2.77%	1,146,475
Increase in deferred tax assets - change in tax rate	(0.27%)	(417,826)	0.00%	—	(5.99%)	(2,483,693)
Taxable profit below state surcharge threshold	<u>(0.16%)</u>	<u>(245,000)</u>	<u>(0.15%)</u>	<u>(250,000)</u>	<u>(0.24%)</u>	<u>(100,000)</u>
	<u>23.66%</u>	<u>35,279,137</u>	<u>34.25%</u>	<u>56,618,282</u>	<u>10.74%</u>	<u>4,464,755</u>

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Under the terms of current legislation, losses for the years 2013 and 2012 may be carried back for a period of five years from their occurrence (four years in the case of fiscal losses originated in 2011 and 2010 and six years for preceding years) and may be deducted from profit generated during the said period. The deduction to be made in each taxation period cannot exceed the amount corresponding to 75% of the respective taxable profit, however without prejudice to the deduction of part of those losses that have not been deducted, in the same conditions until the end of the respective deduction period. Under the special taxation regime for corporate groupings, losses made by individual companies prior to the regime's application may only be deducted from the taxable profit made by the companies on which they have been assessed.

18. CASH AND CASH EQUIVALENTS

This heading was made up as follows, at 31 December 2013, 2012 and 2011:

	2013	2012	2011
Cash and cheques:			
Headquarters	2,199,243	4,049,693	2,719,235
Branch offices	<u>1,765,946</u>	<u>2,348,971</u>	<u>4,288,995</u>
	<u>3,965,189</u>	<u>6,398,664</u>	<u>7,008,230</u>
Balances with banks payable on demand:			
Domestic currency	163,275,981	616,535,662	396,932,135
Foreign currency	<u>35,177,107</u>	<u>30,127,246</u>	<u>31,515,083</u>
	<u>198,453,088</u>	<u>646,662,908</u>	<u>428,447,218</u>
	<u>202,418,277</u>	<u>653,061,572</u>	<u>435,455,448</u>

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19. TERM DEPOSITS

This account heading balance at 31 December 2013, 2012 and 2011, by period to maturity, was as follows:

	2013	2012	2011
Up to one month	692,103,536	1,414,293	18,409,371
Between 1 and 3 months	515,609,240	427,591,963	419,955,724
Between 3 and 6 months	48,348,839	87,221,253	14,915,635
Between 6 and 12 months	25,476,125	11,257,189	94,749,002
Superior to 12 months	<u>78,807,322</u>	<u>78,091,906</u>	<u>485,512</u>
Total	<u>1,360,345,062</u>	<u>605,576,604</u>	<u>548,515,244</u>

As of 31 December 2013, 2012 and 2011, this account heading includes deposits made with related entities in the amount of Euro 751,992,822, Euro 598,500,482 and Euro 545,973,768, respectively.

Average annual interest rate of 2.90%, 3.03% and 3.04%, respectively, is paid on the deposits in force.

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20. FINANCIAL ASSETS HELD FOR TRADING AND FINANCIAL ASSETS DESIGNATED AT FAIR VALUE THROUGH PROFIT OR LOSS

This heading was made up as follows, at 31 December 2013, 2012 and 2011:

	2013			2012			2011		
	At fair value through profit or loss	Total	Held for trading	At fair value through profit or loss	Total	Held for trading	At fair value through profit or loss	Total	
Derivatives instruments with positive fair value									
- Interest rate swaps	—	—	75,047,138	—	75,047,138	63,592,168	—	63,592,168	
Debt instruments									
- Other entities:									
Bonds and other securities									
Domestic issuers	1,382,138	1,382,138	—	1,315,338	1,315,338	—	877,342	877,342	
Foreign issuers	42,963,653	42,963,653	—	54,845,765	54,845,765	—	86,510,465	86,510,465	
	44,345,791	44,345,791	—	56,161,103	56,161,103	—	87,387,807	87,387,807	
Other financial instruments									
- Investment units									
Domestic issuers	3,559,702	3,559,702	—	3,537,673	3,537,673	—	3,610,812	3,610,812	
	47,905,493	47,905,493	—	59,698,776	59,698,776	—	90,998,619	90,998,619	
Investments related to unit-linked contracts	865,832,411	865,832,411	458,733	1,051,624,649	1,052,083,382	5,765,218	529,843,534	535,608,752	
	913,737,904	913,737,904	75,505,871	1,111,323,425	1,186,829,296	69,357,386	620,842,153	690,199,539	

Investments in unit linked contracts are assets managed by the Insurance Group's insurance companies in which the investment risk is borne by the policyholder. Assets are recognised at fair value, with the liability to the insured being recognised in "Financial liabilities on the deposit component of insurance contracts and insurance contracts and operations considered for accounting purposes as investment contracts" accounting heading.

In 2012, Fidelidade issued unit linked contracts with guaranteed capital and income on maturity, for which the investment risk is born by the policyholder only for the period of the contract, in the approximate amount of Euro 437,000,000. Most of the assets allocated to these contracts correspond to Portuguese Public Debt securities, acquired with higher effective yield rates than those given to the insured, and with a maturity equivalent to that of their respective policies (Note 32). In 2013, the balance sheet value of the assets allocated to these contracts is approximately Euro 480,000,000.

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The breakdown of the investments allocated to unit linked contracts at 31 December 2013, 2012 and 2011 is as follows:

	2013	2012	2011
Financial assets designated at fair value through profit or loss:			
Debt instruments			
Group companies	331,176,097	354,043,762	280,360,126
Public debt			
Domestic issuers	456,253,367	478,840,929	4,058,928
Foreign issuers			
Germany	964,666	1,402,169	2,071,908
Austria	276,897	329,617	107,024
Belgium	1,749,824	1,893,605	1,660,207
Spain	1,960,680	2,415,830	1,604,925
France	1,898,467	1,970,512	1,486,742
Greece	—	—	844,186
The Netherlands	1,459,914	1,828,526	1,716,677
Ireland	—	—	138,990
Italy	2,438,245	2,492,084	2,108,373
Other issuers			
Domestic entities	4,092,673	4,171,246	2,419,507
Foreign entities	44,613,182	184,068,575	210,633,139
Equity instruments			
Domestic issuers	15,399,653	16,071,397	14,980,819
Foreign issuers	5,968,905	5,896,782	7,000,925
Accounts receivable	8,304	13,515	17,770
Transactions pending settlement	(2,428,463)	(3,813,900)	(1,366,712)
	<u>865,832,411</u>	<u>1,051,624,649</u>	<u>529,843,534</u>
Financial assets held for trading:			
Derivative instruments	—	458,733	5,765,218
Other assets			
Sight deposits	<u>122,321,693</u>	<u>96,141,498</u>	<u>50,114,407</u>
Total (Note 32)	<u>988,154,104</u>	<u>1,148,224,880</u>	<u>585,723,159</u>

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The "Financial assets designated at fair value through profit or loss" account heading at 31 December 2013, 2012 and 2011 includes fixed-income securities with embedded derivatives of Euro 44,345,791, Euro 56,161,103 and Euro 87,387,807, respectively. These securities are recognised at fair value which is assessed on the basis of the prices indicated by the respective issuing entities for the total amount of the instrument, in accordance with market conditions at the reference date of the financial statements.

In 2013 and 2012, the Insurance Group recognised net gains with the valuation of these financial instruments in the amount of Euro 5,696,316 and Euro 13,017,987, having recognised in 2011 a net loss of Euro 3,304,583 (Note 8).

Derivatives

Insurance Group companies perform derivative operations as part of their activity, essentially to reduce their exposure to interest rate and market price fluctuations.

Insurance Group companies control the risks associated with their derivatives trading through the approval procedures for operations, definition of exposure limits by product and counterparty and monitoring of the respective results.

These operations were valued in conformity with the criteria set out in Note 3.5.c), at 31 December 2013, 2012 and 2011. Information on the respective notional and book value, at the said dates, is set out below:

	Notional amount		Book value		
	Trading derivates	Total	Assets held for trading	Liabilities held for trading (Note 33)	Total
Swaps					
Interest rate swaps					
Balances at 31 December 2011	<u>622,673,348</u>	<u>622,673,348</u>	<u>69,357,386</u>	<u>(3,166,301)</u>	<u>66,191,085</u>
Balances at 31 December 2012	<u>539,300,000</u>	<u>539,300,000</u>	<u>75,505,871</u>	<u>(14,083,378)</u>	<u>61,422,493</u>
Balances at 31 December 2013	<u>40,000,000</u>	<u>40,000,000</u>	<u>—</u>	<u>(4,406,403)</u>	<u>(4,406,403)</u>

The interest rate swaps taken out by the Insurance Group are to hedge liabilities on life insurance investment contracts. Except for unit-linked contracts, these investment contracts are valued at amortised cost (Note 32).

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Information on the Insurance Group's distribution of derivative financial operations notional amounts, by period to maturity, at 31 December 2013, 2012 and 2011 is set out below:

		> 3 months ≤ 3 months	> 6 months ≤ 6 months	> 1 year ≤ 5 years	> 5 year	Total
Swaps						
Interest rate swaps						
Balances at 31 December 2011	—	—	83,373,348	499,300,000	40,000,000	622,673,348
Balances at 31 December 2012	23,000,000	276,000,000	200,300,000	—	40,000,000	539,300,000
Balances at 31 December 2013	—	—	—	—	40,000,000	40,000,000

Information on the Insurance Group's distribution of derivative financial operations, by counterparty type, at 31 December 2013, 2012 and 2011, is set out below:

	2013		2012		2011	
	Notional amount	Fair Value	Notional amount	Fair Value	Notional amount	Fair Value
Swaps						
Interest rate swaps						
Financial institutions						
Caixa Geral Depósitos						
Group	40,000,000	(4,406,403)	530,000,000	60,963,760	599,000,000	60,425,867
Other institutions	—	—	9,300,000	458,733	23,673,348	5,765,218
	40,000,000	(4,406,403)	539,300,000	61,422,493	622,673,348	66,191,085

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(Amounts expressed in Euros, except when otherwise expressly indicated)

The breakdown of financial assets held for trading and financial assets designated at fair value through profit and loss, between listed and unlisted securities, at 31 December 2013, 2012 and 2011, is set out below:

	2013			2012			2011		
	At fair value through profit or loss	Total	Held for trading	At fair value through profit or loss	Total	Held for trading	At fair value through profit or loss	Total	
Derivatives instruments with positive fair value									
- Interest rate swaps									
. Unlisted	—	—	75,047,138	—	75,047,138	63,592,168	—	63,592,168	
Debt instruments									
- Other entities:									
. Bonds and other securities									
- Listed	1,382,138	1,382,138	—	1,315,338	1,315,338	—	877,342	877,342	
- Unlisted	42,963,653	42,963,653	—	54,845,765	54,845,765	—	86,510,465	86,510,465	
	44,345,791	44,345,791	—	56,161,103	56,161,103	—	87,387,807	87,387,807	
Other financial instruments									
- Investment units									
. Unlisted	3,559,702	3,559,702	—	3,537,673	3,537,673	—	3,610,812	3,610,812	
	47,905,493	47,905,493	—	59,698,776	59,698,776	—	90,998,619	90,998,619	
Investments related to unit linked contracts									
Derivatives instruments with positive fair value									
- Interest rate swaps									
. Unlisted	—	—	458,733	—	458,733	5,765,218	—	5,765,218	
Debt instruments									
- Group companies									
. Listed	2,732,053	2,732,053	—	2,268,628	2,268,628	—	447,355	447,355	
. Unlisted	328,444,044	328,444,044	—	351,775,134	351,775,134	—	279,912,771	279,912,771	
- Public debt									
. Listed	467,002,060	467,002,060	—	491,173,272	491,173,272	—	15,797,960	15,797,960	
- Other issuers									
. Listed	30,959,408	30,959,408	—	54,594,070	54,594,070	—	57,085,437	57,085,437	
. Unlisted	17,746,447	17,746,447	—	133,645,751	133,645,751	—	155,967,210	155,967,210	
- Equity instruments									
. Listed	5,476,621	5,476,621	—	5,493,756	5,493,756	—	6,531,842	6,531,842	
. Unlisted	15,891,937	15,891,937	—	16,474,423	16,474,423	—	15,449,901	15,449,901	
- Accounts receivable									
. Unlisted	8,304	8,304	—	13,515	13,515	—	17,770	17,770	
- Transactions pending settlement									
. Unlisted	(2,428,463)	(2,428,463)	—	(3,813,900)	(3,813,900)	—	(1,366,712)	(1,366,712)	
	865,832,411	865,832,411	—	1,051,624,649	1,051,624,649	—	529,843,534	529,843,534	
	865,832,411	865,832,411	458,733	1,051,624,649	1,052,083,382	5,765,218	529,843,534	535,608,752	
	913,737,904	913,737,904	75,505,871	1,111,323,425	1,186,829,296	69,357,386	620,842,153	690,199,539	

For the preparation of the above information securities have been classified as listed whenever they are registered with a stock exchange.

APPENDIX II ACCOUNTANTS' REPORT OF INSURANCE COMPANIES

(Amounts expressed in Euros, except when otherwise expressly indicated)

21. AVAILABLE FOR SALE ASSETS

This heading was made up as follows, at 31 December 2013, 2012 and 2011:

	2013						
	Acquisition amortised cost	Interest receivables	Amount before impairment	Accumulated impairment (Note 9)	Net amount	Fair value reserve	Financial position value
Debt instruments							
Public debt							
Domestic entities	1,381,117,263	46,259,158	1,427,376,421	—	1,427,376,421	25,657,629	1,453,034,050
Foreign entities							
Italy	339,716,523	6,713,905	346,430,428	—	346,430,428	4,362,268	350,792,696
Spain	118,857,019	4,034,013	122,891,032	—	122,891,032	1,232,485	124,123,517
Germany	48,171,919	739,635	48,911,554	—	48,911,554	1,203,685	50,115,239
France	84,473,656	9,591,906	94,065,562	—	94,065,562	3,030,356	97,095,918
The Netherlands	6,228,464	83,273	6,311,737	—	6,311,737	415,776	6,727,513
Austria	842,115	7,682	849,797	—	849,797	66,861	916,658
Belgium	85,884,840	38,499,163	124,384,003	—	124,384,003	4,001,402	128,385,405
Other public entities							
Foreign entities	3,394,133	24,741	3,418,874	—	3,418,874	125,479	3,544,353
Foreign financial organisations	20,698,271	312,158	21,010,429	—	21,010,429	2,127,299	23,137,728
Other entities							
Domestic entities	403,147,730	9,098,752	412,246,482	(2,949,545)	409,296,937	4,672,008	413,968,945
Foreign entities	2,144,899,204	43,783,867	2,188,683,071	(49,198)	2,188,633,873	62,978,094	2,251,611,967
Group companies	481,129,080	7,828,915	488,957,995	—	488,957,995	10,872,115	499,830,110
	<u>5,118,560,217</u>	<u>166,977,168</u>	<u>5,285,537,385</u>	<u>(2,998,743)</u>	<u>5,282,538,642</u>	<u>120,745,457</u>	<u>5,403,284,099</u>
Equity instruments							
Recognised at fair value							
Domestic entities	45,598,514	—	45,598,514	(27,015,074)	18,583,440	4,621,366	23,204,806
Foreign entities	308,805,116	—	308,805,116	(44,149,975)	264,655,141	48,734,083	313,389,224
	<u>354,403,630</u>	<u>—</u>	<u>354,403,630</u>	<u>(71,165,049)</u>	<u>283,238,581</u>	<u>53,355,449</u>	<u>336,594,030</u>
Other instruments							
Participation bonds							
Domestic	27,434	36	27,470	—	27,470	—	27,470
Investment units							
Domestic	485,624,172	—	485,624,172	(64,065,749)	421,558,423	41,542,532	463,100,955
Non-domestic	94,648,071	—	94,648,071	(16,453,813)	78,194,258	6,714,941	84,909,199
	<u>580,299,677</u>	<u>36</u>	<u>580,299,713</u>	<u>(80,519,562)</u>	<u>499,780,151</u>	<u>48,257,473</u>	<u>548,037,624</u>
	<u>6,053,263,524</u>	<u>166,977,204</u>	<u>6,220,240,728</u>	<u>(154,683,354)</u>	<u>6,065,557,374</u>	<u>222,358,379</u>	<u>6,287,915,753</u>

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(Amounts expressed in Euros, except when otherwise expressly indicated)

	2012						
	Acquisition amortised cost	Interest receivables	Amount before impairment	Accumulated impairment (Note 9)	Net amount	Fair value reserve	Financial position value
Debt instruments							
Public debt							
Domestic entities	705,914,725	28,860,061	734,774,786	—	734,774,786	22,404,500	757,179,286
Foreign entities							
Italy	145,762,039	4,090,253	149,852,292	—	149,852,292	2,258,924	152,111,216
Spain	41,123,265	8,128,659	49,251,924	—	49,251,924	(883,460)	48,368,464
Ireland	100,220	3,521	103,741	—	103,741	790	104,531
Germany	31,326,578	830,499	32,157,077	—	32,157,077	3,936,668	36,093,745
France	88,137,850	13,907,421	102,045,271	—	102,045,271	13,841,747	115,887,018
The Netherlands	6,935,531	98,834	7,034,365	—	7,034,365	627,143	7,661,508
Austria	3,956,825	30,544	3,987,369	—	3,987,369	121,118	4,108,487
Belgium	71,940,665	34,082,770	106,023,435	—	106,023,435	7,043,091	113,066,526
Other public entities							
Foreign entities	3,393,388	24,741	3,418,129	—	3,418,129	(602,872)	2,815,257
Foreign financial organisations	20,792,326	312,164	21,104,490	—	21,104,490	3,398,718	24,503,208
Other entities							
Domestic entities	162,194,096	1,048,596	163,242,692	(2,949,545)	160,293,147	(959,136)	159,334,011
Foreign entities	3,149,826,161	48,248,951	3,198,075,112	(50,385)	3,198,024,727	61,831,883	3,259,856,610
Group companies	656,283,671	53,092,977	709,376,648	—	709,376,648	(4,935,284)	704,441,364
	<u>5,087,687,340</u>	<u>192,759,991</u>	<u>5,280,447,331</u>	<u>(2,999,930)</u>	<u>5,277,447,401</u>	<u>108,083,830</u>	<u>5,385,531,231</u>
Equity instruments							
Recognised at fair value							
Domestic entities	45,484,456	—	45,484,456	(25,933,954)	19,550,502	260,545	19,811,047
Foreign entities	301,617,080	—	301,617,080	(35,731,111)	265,885,969	1,749,780	267,635,749
	<u>347,101,536</u>	<u>—</u>	<u>347,101,536</u>	<u>(61,665,065)</u>	<u>285,436,471</u>	<u>2,010,325</u>	<u>287,446,796</u>
Other instruments							
Participation bonds							
Domestic entities	27,434	72	27,506	—	27,506	—	27,506
Investment units							
Domestic	510,151,050	—	510,151,050	(45,141,624)	465,009,426	36,270,761	501,280,187
Non-domestic	91,863,700	—	91,863,700	(13,011,463)	78,852,237	4,024,329	82,876,566
Other	—	187,479	187,479	—	187,479	—	187,479
	<u>602,042,184</u>	<u>187,551</u>	<u>602,229,735</u>	<u>(58,153,087)</u>	<u>544,076,648</u>	<u>40,295,090</u>	<u>584,371,738</u>
	<u>6,036,831,060</u>	<u>192,947,542</u>	<u>6,229,778,602</u>	<u>(122,818,082)</u>	<u>6,106,960,520</u>	<u>150,389,245</u>	<u>6,257,349,765</u>

APPENDIX II ACCOUNTANTS' REPORT OF INSURANCE COMPANIES

(Amounts expressed in Euros, except when otherwise expressly indicated)

	2011						
	Acquisition amortised cost	Interest receivables	Amount before impairment	Accumulated impairment	Net amount	Fair value reserve	Financial position value
Debt instruments							
Public debt							
Domestic entities	495,902,866	24,128,971	520,031,837	—	520,031,837	(145,119,706)	374,912,131
Foreign entities							
Italy	154,698,910	6,525,990	161,224,900	—	161,224,900	(18,289,349)	142,935,551
Spain	57,914,468	13,829,635	71,744,103	—	71,744,103	(571,459)	71,172,644
Ireland	101,012	3,511	104,523	—	104,523	(4,582)	99,941
Germany	41,888,101	1,106,640	42,994,741	—	42,994,741	3,725,935	46,720,676
France	107,417,220	14,663,967	122,081,187	—	122,081,187	8,977,095	131,058,282
The Netherlands	17,541,571	3,661,197	21,202,768	—	21,202,768	819,939	22,022,707
Austria	7,050,963	51,507	7,102,470	—	7,102,470	110,152	7,212,622
Belgium	86,385,595	33,734,778	120,120,373	—	120,120,373	2,932,101	123,052,474
Other public entities							
Foreign entities	3,691,666	26,850	3,718,516	—	3,718,516	(410,580)	3,307,936
Foreign financial organisations	22,125,950	331,204	22,457,154	—	22,457,154	1,338,670	23,795,824
Other entities							
Domestic entities	200,730,901	1,556,840	202,287,741	(2,949,545)	199,338,196	(25,545,733)	173,792,463
Foreign entities	3,640,828,716	53,978,401	3,694,807,117	(48,752)	3,694,758,365	(113,077,407)	3,581,680,958
Group companies	609,376,852	40,712,041	650,088,893	—	650,088,893	(76,446,776)	573,642,117
	<u>5,445,654,791</u>	<u>194,311,532</u>	<u>5,639,966,323</u>	<u>(2,998,297)</u>	<u>5,636,968,026</u>	<u>(361,561,700)</u>	<u>5,275,406,326</u>
Equity instruments							
Recognised at fair value							
Domestic entities	56,963,715	—	56,963,715	(29,391,913)	27,571,802	(3,507,643)	24,064,159
Foreign entities	332,079,996	—	332,079,996	(49,153,676)	282,926,320	(27,452,356)	255,473,964
	<u>389,043,711</u>	<u>—</u>	<u>389,043,711</u>	<u>(78,545,589)</u>	<u>310,498,122</u>	<u>(30,959,999)</u>	<u>279,538,123</u>
Other instruments							
Investment units							
Domestic entities	535,761,164	—	535,761,164	(49,394,342)	486,366,822	18,282,001	504,648,823
Foreign entities	101,793,769	—	101,793,769	(16,156,230)	85,637,539	919,368	86,556,907
Other	—	213,378	213,378	—	213,378	—	213,378
	<u>637,554,933</u>	<u>213,378</u>	<u>637,768,311</u>	<u>(65,550,572)</u>	<u>572,217,739</u>	<u>19,201,369</u>	<u>591,419,108</u>
	<u>6,472,253,435</u>	<u>194,524,910</u>	<u>6,666,778,345</u>	<u>(147,094,458)</u>	<u>6,519,683,887</u>	<u>(373,320,330)</u>	<u>6,146,363,557</u>

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(Amounts expressed in Euros, except when otherwise expressly indicated)

Information on the Insurance Group's distribution of available for sale assets, in listed and unlisted securities, at 31 December 2013, 2012 and 2011, is set out below:

	2013	2012	2011
Debt instruments			
Public debt			
. Listed	2,211,190,996	1,234,580,781	919,187,028
. Unlisted	—	—	—
Other public entities			
. Listed	26,682,081	27,318,465	27,103,760
. Unlisted	—	—	—
Other entities			
. Listed	2,614,144,804	3,340,362,128	3,629,912,723
. Unlisted	51,436,108	78,828,493	125,560,698
Group companies			
. Listed	238,643,253	77,568,781	25,437,973
. Unlisted	<u>261,186,857</u>	<u>626,872,583</u>	<u>548,204,144</u>
	<u>5,403,284,099</u>	<u>5,385,531,231</u>	<u>5,275,406,326</u>
Equity instruments			
. Listed	326,381,686	278,274,404	271,793,785
. Unlisted	<u>10,212,344</u>	<u>9,172,392</u>	<u>7,744,338</u>
	<u>336,594,030</u>	<u>287,446,796</u>	<u>279,538,123</u>
Other instruments			
Participation bonds			
. Listed	27,470	27,506	—
. Unlisted	—	—	—
Investment units			
. Listed	17,878,598	16,489,176	21,822,479
. Unlisted	<u>530,131,556</u>	<u>567,855,056</u>	<u>569,596,629</u>
	<u>548,037,624</u>	<u>584,371,738</u>	<u>591,419,108</u>
	<u>6,287,915,753</u>	<u>6,257,349,765</u>	<u>6,146,363,557</u>

For the preparation of the above information securities have been classified as listed whenever they are registered with a stock exchange.

APPENDIX II ACCOUNTANTS' REPORT OF INSURANCE COMPANIES

(Amounts expressed in Euros, except when otherwise expressly indicated)

Information on the Insurance Group's exposure to public debt instruments, by their respective periods to maturity, is given in Note 44.

In 2011 the Insurance Group reclassified a collection of debt instruments formerly recognised in the available for sale assets portfolio to the "Investments to be held to maturity" account heading. These reclassifications were made on such assets' fair value at 1 January and 1 October 2011, which, at the said dates totalled Euro 3,236,375,908 and Euro 26,187,539, respectively (Note 22). Negative fair value reserves relative to the reclassified securities, corresponding to the generation of potential capital losses prior to the reclassifications, continue to be recognised in shareholders' equity and in the statement of profit or loss up to the bonds' date of maturity in conformity with the effective interest rate method. The Insurance Group latterly recorded impairment losses on Greek public debt securities which had been reclassified to this account heading with the corresponding fair value reserve having been fully recognised in the statement of profit or loss (Note 22).

The "Other instruments" account heading, at 31 December 2013, 2012 and 2011, includes Euro 457,026,969, Euro 473,951,604 and Euro 489,250,314, respectively, in investment units in unit trust investment funds managed by Caixa Geral de Depósitos Group entities broken down into the following types of funds:

	2013	2012	2011
Securities investment funds			
Share funds	5,495,553	6,256,765	10,783,021
Bond funds	111,394,699	123,750,083	109,251,884
Treasury funds	54,690,535	54,082,863	76,023,036
Funds of funds	64,490,171	62,746,224	60,164,530
Others	<u>10,013,436</u>	<u>10,609,427</u>	<u>11,386,300</u>
	<u>246,084,394</u>	<u>257,445,362</u>	<u>267,608,771</u>
Real Estate Funds	<u>210,942,575</u>	<u>216,506,242</u>	<u>221,641,543</u>
	<u><u>457,026,969</u></u>	<u><u>473,951,604</u></u>	<u><u>489,250,314</u></u>

Fidelidade Mundial and Império Bonança entered into repos contracts with Caixa Geral de Depósitos, S.A. in 2010, under which they performed simultaneous operations, for the same amount, for the sale of debt instruments with a repurchase agreement and the purchase of other financial instruments with a resale agreement.

The instruments sold essentially corresponded to debt securities issued by financial institutions and other rated entities. The financial instruments acquired include investment units in securities and real estate investment funds as well as bonds issued by national entities.

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The financial statements value of these operations and respective accrued interest at 31 December 2012 and 2011 were recognised in the "Other instruments - other", account heading, as follows:

	Initial amount	2012 Accrued interest	Sale/resale amount
Sales operation with repurchase agreement	(750,086,365)	(68,633)	(750,437,155)
Sales operation with purchase agreement	<u>750,086,365</u>	<u>256,112</u>	<u>751,395,599</u>
	<u>—</u>	<u>187,479</u>	<u>958,444</u>
	Initial amount	2011 Accrued interest	Sale/resale amount
Sales operation with repurchase agreement	(999,997,992)	(426,757)	(1,002,480,300)
Sales operation with purchase agreement	<u>999,997,992</u>	<u>640,135</u>	<u>1,003,721,454</u>
	<u>—</u>	<u>213,378</u>	<u>1,241,154</u>

Interest at an average rate of 0.18% and 0.68%, was paid at 31 December 2012, on sales operations with repurchase agreement and purchase operations with resale agreement, respectively. Interest was paid on these operations at an average annual rate of 1.00% and 1.50%, respectively, at 31 December 2011. This agreement expired on 15 March 2013.

The Insurance Group sets out these operations in its financial statements at their respective net amounts owing to the fact that the framework contract entitles the Insurance Group and respective counterparty to offset all obligations therefrom deriving as well as the fact that financial settlements are made at the net amount receivable or payable by each of the counterparties.

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(Amounts expressed in Euros, except when otherwise expressly indicated)

22. INVESTMENTS TO BE HELD TO MATURITY

This account heading comprises the following at 31 December 2013, 2012 and 2011:

2013								
	Nominal value	Amortised cost	Interest receivables	Impairment losses	position value	Fair value reserve (Note 40)	Market value ⁽¹⁾	Unrecognised potential gains/(losses)
Debt instruments								
Public debt								
Domestic entities	2,066,390,225	1,990,641,116	42,137,318	—	2,032,778,434	(41,506,318)	2,120,858,164	88,079,730
Foreign entities								
Italy	48,050,000	31,270,093	15,504,289	—	46,774,382	75,316	47,579,520	805,138
Other entities								
Domestic entities	86,149,750	84,863,449	1,228,020	—	86,091,469	(1,144,868)	83,270,675	(2,820,794)
Foreign entities	221,986,000	220,099,073	7,017,193	—	227,116,266	(695,048)	229,476,063	2,359,797
Group companies	481,639,772	474,107,713	10,707,887	—	484,815,600	(7,912,391)	503,265,120	18,449,520
	<u>2,904,215,747</u>	<u>2,800,981,444</u>	<u>76,594,707</u>	<u>—</u>	<u>2,877,576,151</u>	<u>(51,183,309)</u>	<u>2,984,449,542</u>	<u>106,873,391</u>

(1) Corresponds to market value in conformity with the methodology described in Note 3.6.

2012								
	Nominal value	Amortised cost	Interest receivables	Impairment losses	position value	Fair value reserve (Note 40)	Market value ⁽¹⁾	Unrecognised potential gains/(losses)
Debt instruments								
Public debt								
Domestic entities	2,066,608,466	1,961,485,192	42,148,129	—	2,003,633,321	(56,764,446)	2,067,764,589	64,131,268
Foreign entities								
Italy	48,050,000	31,603,979	13,555,381	—	45,159,360	632,082	46,339,035	1,179,675
Ireland	500,000	503,324	17,603	—	520,927	2,295	522,653	1,726
Other entities								
Domestic entities	253,999,750	249,918,067	2,443,024	—	252,361,091	(4,216,333)	244,562,505	(7,798,586)
Foreign entities	310,680,183	309,333,750	8,498,004	—	317,831,754	226,940	323,715,454	5,883,700
Group companies	488,323,472	474,400,844	22,805,298	—	497,206,142	(11,770,795)	506,211,489	9,005,347
	<u>3,168,161,871</u>	<u>3,027,245,156</u>	<u>89,467,439</u>	<u>—</u>	<u>3,116,712,595</u>	<u>(71,890,257)</u>	<u>3,189,115,725</u>	<u>72,403,130</u>

(1) Corresponds to market value in conformity with the methodology described in Note 3.6.

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(Amounts expressed in Euros, except when otherwise expressly indicated)

2011										
	Nominal value	Amortised cost	Interest receivables	Impairment losses	position value	Fair value reserve (Note 40)	Market value ⁽¹⁾	Unrecognised potential gains/(losses)	Unrecognised potential gains before reclassification ⁽²⁾	Total impairment losses (Note 9)
Debt instruments										
Public debt										
Domestic entities	2,084,259,365	1,969,790,011	44,422,920	—	2,014,212,931	(73,517,478)	1,476,726,711	(537,486,220)	—	—
Foreign entities										
Grécia	224,582,594	102,353,073	4,189,665	(43,882,308)	62,660,430	—	56,784,731	(5,875,699)	(117,939,358)	(161,821,666)
Italy	121,850,000	78,977,259	37,903,026	—	116,880,285	1,338,173	114,448,133	(2,432,152)	—	—
Ireland	500,000	491,165	17,555	—	508,720	(13,091)	499,705	(9,015)	—	—
Other entities										
Domestic entities	375,899,750	365,352,014	6,413,143	—	371,765,157	(10,836,267)	313,059,803	(58,705,354)	—	—
Foreign entities	426,170,891	410,615,875	22,661,515	—	433,277,390	4,688	413,863,663	(19,413,727)	—	—
Group companies	792,388,472	733,807,813	48,796,294	—	782,604,107	(16,945,389)	670,408,166	(112,195,941)	—	—
	<u>4,025,651,072</u>	<u>3,661,387,210</u>	<u>164,404,118</u>	<u>(43,882,308)</u>	<u>3,781,909,020</u>	<u>(99,969,364)</u>	<u>3,045,790,912</u>	<u>(736,118,108)</u>	<u>(117,939,358)</u>	<u>(161,821,666)</u>

(1) Corresponds to market value in conformity with the methodology described in Note 3.6.

(2) Corresponds to potential gains generated prior to the reclassification of financial assets from available for sale categories on which the group recognised impairment losses.

The breakdown of investments to be held to maturity between listed and unlisted securities, at 31 December 2013, 2012 and 2011, is set out below:

	2013	2012	2011
Debt instruments			
Public debt			
- Listed	2,079,552,816	2,049,313,608	2,194,262,366
- Unlisted	—	—	—
Other entities			
- Listed	258,178,793	472,062,363	681,891,603
- Unlisted	55,028,942	98,130,482	123,150,944
Group companies			
- Listed	22,485,047	21,972,372	30,094,585
- Unlisted	<u>462,330,553</u>	<u>475,233,770</u>	<u>752,509,522</u>
	<u>2,877,576,151</u>	<u>3,116,712,595</u>	<u>3,781,909,020</u>

For the preparation of the above information securities have been classified as listed whenever they are registered with a stock exchange.

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In 2011, the Insurance Group reclassified to the heading “Investments to be held to maturity”, a set of debt instruments previously reflected in the assets available for sale portfolio. These reclassifications were made based on the fair value of said assets at 1 January and 1 October 2011, which, at the said dates, was Euro 3,236,375,908 and Euro 26,187,539, respectively (Note 21).

The criteria on which the reclassification was made determined the selection of a collection of assets in accordance with criteria of the highest depreciation potential and also taking the future cash flow requirements of the portfolios involved and the capacity to hold such assets to maturity into account.

At 31 December 2013, 2012 and 2011, the financial statements value of the assets totalled Euro 2,877,576,151, Euro 3,116,712,595 and Euro 3,823,696,495, respectively. If the assets had not been reclassified, their financial statements value would have totalled Euro 2,984,449,542, Euro 3,189,115,725 and Euro 3,045,790,912, respectively, with a positive impact on the Insurance Company's shareholders' equity of Euro 106,873,391, Euro 72,403,130 in 2013 and 2012 and a negative impact of Euro 736,118,108 in 2011.

The evolution of the Greek Republic's sovereign debt market issues was affected by the evolution of its domestic economy, the extended negotiations for the second assistance programme and the high levels of uncertainty associated with the result of the negotiations on the associated contribution of the private sector. During the course of 2011 and strictly pursuant to the scope of the Greek public debt market, these events were associated with growing levels of uncertainty over the Greek Republic's capacity to fully meet its commitments.

In such a context permanent loss indices were considered:

- The implementation of the second European Union and IMF assistance programme with the start of PSI negotiations;
- The market transaction price levels, close to the levels noted on bonds with credit difficulties;
- Successive downgrades on the Greek Republic's sovereign debt to S&P ratings of “CC” and a Moody's rating of “Ca”.

The Insurance Group, in this context, recognised impairment losses of Euro 161,821,666 on its investments in Greek public debt securities, which amount was estimated on the basis of the exchange offer disclosed by the Greek Republic on 21 February 2012, considered an “adjusting event” under the terms of IAS 10 and using a discount rate of 12% for assessing the fair value of the new bonds to be issued under the operation (Note 9). The financial statements value of investments in Greek public debt securities net of impairment and provisions registered by the Insurance Group at 31 December 2011 totalled Euro 62,660,430 and reflected an implicit provisioning level of around 72.1% of the respective nominal value.

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At 21 February 2012, the Greek Republic made public the terms of exchange offer of its public debt and the Insurance Group decided to accept those terms and voluntarily participate in the operation. The memorandum published by the Greek Republic ("Invitation Memorandum"), defined as a minimum participation threshold ("Minimum Participation Threshold") that the Greek Republic would only complete the exchange operation if at least 90% of the nominal value of the Greek public debt securities eligible were submitted by the holders for voluntary exchange, and that, in case less than 75% of the said titles nominal value were submitted, the Greek Republic had the right to refuse that condition. Since these conditions were met, the securities exchange operation came to effect, and was completed at 12 March 2012.

According to the conditions predicted by this exchange offer, the Insurance Group received by each Euro 1,000 of nominal value of Greek public debt securities held, new securities in the following proportion:

- (i) new securities of Greek Public Debt, with a nominal value of Euro 315, with a fixed annual income ("New Bonds"), divided in twenty series of new securities with maturity at the anniversary starting on 24 February 2023;
- (ii) new securities of Greek Public Debt, with a nominal value of Euro 315, with an income indexed to the Greek Republic GDP ("GDP-linked Securities"); and
- (iii) debt securities issued by the European Financial Stabilisation Fund, with a nominal value of Euro 150 ("PSI Payment Note").

The acquisition value attributed to the securities received in the scope of this operation, amounting to Euro 57,223,776, was defined based on the price made public by Bloomberg on the first day these securities were available for trading in the market. The securities received were registered in the available for sale assets portfolio.

This asset exchange affected essentially assets classified as Investments to be held to maturity, involving also available for sale assets in the amount of Euro 863,816.

The difference between the acquisition cost of the received securities and the value of financial statement net on interest of the securities given, in the amount of Euro 7,768,457, was recognised as an impairment loss in the heading "Change in investments impairments", (Note 9). The securities received in this exchange operation were disposed by the Insurance Group in November 2012.

APPENDIX II ACCOUNTANTS' REPORT OF INSURANCE COMPANIES

(Amounts expressed in Euros, except when otherwise expressly indicated)

23. INTEREST IN ASSOCIATES

This heading was made up as follows, at 31 December 2013, 2012 and 2011:

2013				Financial position value
	% Owned	Gross Amount	Impairment (Note 9)	
Associated companies - Valued by the equity accounting method:				
Audatex Portugal - Peritagens Informat. Derivadas de Acidentes, S.A.	33.67%	1,507,632	—	1,507,632
HIGHGROVE - Invest. Part. SGPS, S.A.	25.00%	160,793	(160,793)	—
Other Caixa Geral de Depósitos Group subsidiaries - Valued at acquisition cost:				
Proalameda, S.A.	15.61%	<u>78,043</u>	<u>(78,043)</u>	<u>—</u>
		<u>1,746,468</u>	<u>(238,836)</u>	<u>1,507,632</u>
2012				
	% Owned	Gross Amount	Impairment (Note 9)	Financial position value
Associated companies - Valued by the equity accounting method:				
Audatex Portugal - Peritagens Informat. Derivadas de Acidentes, S.A.	33.67%	1,536,512	—	1,536,512
HIGHGROVE - Invest. Part. SGPS, S.A.	25.00%	160,793	(160,793)	—
Other Caixa Geral de Depósitos Group subsidiaries - Valued at acquisition cost:				
Banco Nacional Ultramarino, S.A. (Macau)	1.88%	896,594	—	896,594
Proalameda, S.A.	15.61%	<u>78,043</u>	<u>(78,043)</u>	<u>—</u>
		<u>2,671,942</u>	<u>(238,836)</u>	<u>2,433,106</u>

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(Amounts expressed in Euros, except when otherwise expressly indicated)

2011				Financial position value
	% Owned	Gross Amount	Impairment (Note 9)	
Associated companies - Valued by the equity accounting method:				
Audatex Portugal - Peritagens Informat. Derivadas de Acidentes, S.A.	33.67%	1,466,683	—	1,466,683
HIGHGROVE - Invest. Part. SGPS, S.A.	25.00%	160,793	(160,793)	—
Other Caixa Geral de Depósitos Group subsidiaries - Valued at acquisition cost:				
Banco Nacional Ultramarino, S.A. (Macau)	1.88%	724,463	—	724,463
Imocaixa - Gestão Imobiliária, S.A.	10.00%	2,494	—	2,494
Proalameda, S.A.	15.61%	<u>78,043</u>	<u>(78,043)</u>	<u>—</u>
		2,432,476	(238,836)	2,193,640

On 5 December 2013, the Insurance Group companies transferred a block of 7,500 ordinary shares with a nominal value of MOP1,000 comprising 0.357% of the share capital of Banco Nacional Ultramarino, S.A., to Parbanca, S.G.P.S., S.A. This disposal, for the amount of MOP19,636,800, comprising MOP2,618 per share, represented capital gains of Euro 912,483.

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The financial data of the associated companies valued by the equity accounting method at 31 December 2013, 2012 and 2011 was as follows:

Operating sector/entity	Headquarters	% Owned	2013		Shareholders' equity (a)	Net income	Total income
			Assets	Liabilities			
Other sectors							
Audatex Portugal - Peritagens Informat.							
Derivadas de Acidentes, S.A. (b)	Lisboa	33.67%	6,435,811	1,899,656	4,536,155	1,822,934	7,587,381
HIGHGROVE - Invest. Part. SGPS, S.A.	Meladas; Mozelos	25.00%	3,587,884	7,561,150	(3,973,266)	(144,294)	53,457

Operating sector/entity	Headquarters	% Owned	2012		Shareholders' equity (a)	Net income	Total income
			Assets	Liabilities			
Other sectors							
Audatex Portugal - Peritagens Informat.							
Derivadas de Acidentes, S.A. (b)	Lisboa	33.67%	5,956,410	1,334,470	4,621,940	1,908,719	8,159,285
HIGHGROVE - Invest. Part. SGPS, S.A.	Meladas; Mozelos	25.00%	4,258,057	7,694,888	(3,436,831)	(166,487)	75,047

Operating sector/entity	Headquarters	% Owned	2011		Shareholders' equity (a)	Net income	Total income
			Assets	Liabilities			
Other sectors							
Audatex Portugal - Peritagens Informat.							
Derivadas de Acidentes, S.A. (b)	Lisboa	33.67%	6,146,354	1,731,829	4,414,525	1,701,304	7,628,336
HIGHGROVE - Invest. Part. SGPS, S.A.	Meladas; Mozelos	25.00%	5,210,492	8,691,949	(3,481,457)	(197,361)	182,214

(a) Shareholders' equity includes net income for the period

(b) Values relating to June 2013, 2012 and 2011, respectively (June 2012 to June 2013, June 2011 to June 2012 and June 2010 to June 2011 accounting periods, respectively).

APPENDIX II ACCOUNTANTS' REPORT OF INSURANCE COMPANIES

(Amounts expressed in Euros, except when otherwise expressly indicated)

The following is a breakdown of the movement in interests in associates in 2013, 2012 and 2011:

	Audatex
Financial Position at 31 December 2010	1,495,568
Share results	<u>572,776</u>
	572,776
Dividend distribution	(601,661)
Other adjustments	—
Financial Position at 31 December 2011	<u>1,466,683</u>
Share results	640,702
Other movements through profit or loss	<u>1,900</u>
	642,602
Dividend distribution	(572,773)
Other adjustments	<u>—</u>
Financial Position at 31 December 2012	<u>1,536,512</u>
Share results	<u>613,722</u>
	613,722
Dividend distribution	(642,602)
Other adjustments	<u>—</u>
Financial Position at 31 December 2013	<u><u>1,507,632</u></u>

APPENDIX II ACCOUNTANTS' REPORT OF INSURANCE COMPANIES

(Amounts expressed in Euros, except when otherwise expressly indicated)

24. INSURANCE AND REINSURANCE DEBTORS

The following is a breakdown of this account heading, at 31 December 2013, 2012 and 2011:

	2013	2012	2011
Accounts receivable for direct insurance operations:			
Premims pending collection:			
Motor insurance	22,960,895	27,004,246	24,332,032
Workman's compensation insurance	6,704,460	9,986,520	6,568,198
Other insurance areas	<u>41,253,833</u>	<u>50,968,546</u>	<u>48,750,480</u>
	70,919,188	87,959,312	79,650,710
Reimbursements of claims:			
Motor insurance - reimbursements of IDS convention	3,180,331	2,659,136	3,701,436
Motor insurance - other reimbursements	5,636,499	7,704,650	8,805,947
Reimbursements of workman's compensation pensions	6,702,903	5,779,564	6,503,922
Reimbursements - other insurance areas	<u>5,764,423</u>	<u>3,033,879</u>	<u>7,668,538</u>
	21,284,156	19,177,229	26,679,843
Agents:			
Current accounts	37,977,070	50,570,096	84,006,550
Other balances	1,337,750	741,174	729,974
Co-insurers:			
Current accounts	21,885,524	7,618,700	40,949,973
Other balances	5,102,663	4,928,914	6,492,414
Other:			
Instituto de Financiamento da Agricultura e Pescas (IFAP)	20,193,140	30,679,138	32,321,846
Workman's compensation fund	3,294,973	670,386	1,870,417
Returned cheques	1,635,035	1,723,370	2,028,999
Deferred cheques	528,219	1,340,154	1,784,045
Penalties on payment defaults	<u>5,199</u>	<u>—</u>	<u>32</u>
	184,162,917	205,408,473	276,514,803
(Adjustments to premiums pending collection - Note 12)	(12,278,884)	(16,583,824)	(16,788,060)
(Adjustments to bad and doubtful debts - Note 12)	<u>(25,097,742)</u>	<u>(27,264,568)</u>	<u>(21,806,917)</u>
	<u>146,786,291</u>	<u>161,560,081</u>	<u>237,919,826</u>

APPENDIX II ACCOUNTANTS' REPORT OF INSURANCE COMPANIES

(Amounts expressed in Euros, except when otherwise expressly indicated)

	2013	2012	2011
Accounts receivable for other reinsurance operations:			
Current accounts of reinsurers	22,783,001	23,459,584	24,470,126
Current accounts of reinsured	<u>833,253</u>	<u>1,743,406</u>	<u>1,403,343</u>
	23,616,254	25,202,990	25,873,469
(Adjustments for bad and doubtful debts - Note 12)	<u>(7,947,871)</u>	<u>(8,175,606)</u>	<u>(9,564,921)</u>
	<u>15,668,383</u>	<u>17,027,384</u>	<u>16,308,548</u>
	<u>162,454,674</u>	<u>178,587,465</u>	<u>254,228,374</u>

In accordance with Portuguese legislation and except for some particular cases, insurance premiums are due, in general, at the corresponding risk inception dates, and accordingly the related contracts can be cancelled from such dates onwards. However, cancellation dates may be extended in certain cases, due to the period of eight days allowed by the insurance law for the confirmation of collections made by brokers, due to special conditions agreed with some clients, and by operational reasons, given that the Insurance Group allows a reasonable time for the confirmation of the collection of insurance premiums before proceeding with contract cancellation.

The following is a risk analysis of premiums pending collection, at 31 December 2013, 2012 and 2011, ranked by seniority:

	2013	2012	2011
Up to 30 days	45,386,156	52,465,974	53,408,927
Between 30 and 90 days	13,169,336	13,270,426	11,151,716
Between 91 and 180 days	4,372,686	8,200,564	3,842,315
Between 181 and 365 days	2,965,457	7,401,446	4,506,773
More than 365 days	<u>5,025,553</u>	<u>6,620,902</u>	<u>6,740,979</u>
	<u>70,919,188</u>	<u>87,959,312</u>	<u>79,650,710</u>

The balances to be received from IFAP essentially comprise crop insurance subsidies for the years 2007 to 2013.

APPENDIX II ACCOUNTANTS' REPORT OF INSURANCE COMPANIES

(Amounts expressed in Euros, except when otherwise expressly indicated)

25. REINSURERS' SHARE OF INSURANCE CONTRACT PROVISIONS

The following table provides information on technical provisions for outwards reinsurance, at 31 December 2013, 2012 and 2011:

	2013		
	Life	Non-life	Total
Provision for unearned premiums	—	31,911,233	31,911,233
Mathematical provision	12,903,424	—	12,903,424
Provision for claims			
Reported claims	9,018,956	117,953,655	126,972,611
Claims not reported (IBNR)	<u>2,689,530</u>	<u>6,145,203</u>	<u>8,834,733</u>
	11,708,486	124,098,858	135,807,344
Provision for profit sharing	<u>36,245</u>	<u>—</u>	<u>36,245</u>
	<u>24,648,155</u>	<u>156,010,091</u>	<u>180,658,246</u>
	2012		
	Life	Non-life	Total
Provision for unearned premiums	—	33,612,149	33,612,149
Mathematical provision	9,411,541	—	9,411,541
Provision for claims			
Reported claims	10,447,419	126,855,297	137,302,716
Claims not reported (IBNR)	<u>2,532,221</u>	<u>9,524,260</u>	<u>12,056,481</u>
	12,979,640	136,379,557	149,359,197
Provision for profit sharing	<u>15,168</u>	<u>—</u>	<u>15,168</u>
	<u>22,406,349</u>	<u>169,991,706</u>	<u>192,398,055</u>

APPENDIX II ACCOUNTANTS' REPORT OF INSURANCE COMPANIES

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	Life	2011 Non-life	Total
Provision for unearned premiums	—	42,411,312	42,411,312
Mathematical provision	7,402,851	—	7,402,851
Provision for claims			
Reported claims	12,754,627	145,242,747	157,997,374
Claims not reported (IBNR)	<u>2,645,732</u>	<u>9,566,797</u>	<u>12,212,529</u>
	<u>15,400,359</u>	<u>154,809,544</u>	<u>170,209,903</u>
	<u>22,803,210</u>	<u>197,220,856</u>	<u>220,024,066</u>

Information on the provision for unearned premiums on outwards reinsurance, at 31 December 2013, 2012 and 2011 is set out in the following table:

	Deferred premiums	2013 Deferred costs	Net
Non-life insurance			
Workman's compensation	—	—	—
Personal accidents	3,344,504	(1,563,083)	1,781,421
Health	90,753	(6,486)	84,267
Fire and other damage	26,231,190	(4,101,881)	22,129,309
Motor	1,394,065	(224,148)	1,169,917
Marine, aviation and transport	1,893,271	(246,280)	1,646,991
Third party liability	2,595,336	(184,627)	2,410,709
Credit and suretyship	218,118	(7,086)	211,032
Legal expenses	208	(43)	165
Assistance	13,510	(1,327)	12,183
Other	<u>3,245,521</u>	<u>(780,282)</u>	<u>2,465,239</u>
	<u>39,026,476</u>	<u>(7,115,243)</u>	<u>31,911,233</u>

APPENDIX II ACCOUNTANTS' REPORT OF INSURANCE COMPANIES

(Amounts expressed in Euros, except when otherwise expressly indicated)

		2012	
	Deferred	Deferred	Net
	premiums	costs	
Non-life insurance			
Workman's compensation	7,064	(1,589)	5,475
Personal accidents	5,203,233	(2,535,081)	2,668,152
Health	113,873	(32,411)	81,462
Fire and other damage	26,502,128	(4,055,487)	22,446,641
Motor	778,404	(129,604)	648,800
Marine, aviation and transport	2,147,830	(253,170)	1,894,660
Third party liability	3,006,732	(190,467)	2,816,265
Credit and suretyship	227,546	(7,392)	220,154
Legal expenses	218	(48)	170
Assistance	10,610	(672)	9,938
Other	<u>3,979,646</u>	<u>(1,159,214)</u>	<u>2,820,432</u>
	<u>41,977,284</u>	<u>(8,365,135)</u>	<u>33,612,149</u>
		2011	
	Deferred	Deferred	Net
	premiums	costs	
Non-life insurance			
Workman's compensation	201,636	(5,537)	196,099
Personal accidents	8,081,519	(3,953,967)	4,127,552
Health	591,481	(310,098)	281,383
Fire and other damage	32,815,179	(4,479,477)	28,335,702
Motor	186,675	—	186,675
Marine, aviation and transport	1,967,373	(249,602)	1,717,771
Third party liability	3,501,705	(214,288)	3,287,417
Credit and suretyship	153,738	(3,278)	150,460
Legal expenses	51,833	—	51,833
Assistance	223	—	223
Other	<u>5,735,663</u>	<u>(1,659,466)</u>	<u>4,076,197</u>
	<u>53,287,025</u>	<u>(10,875,713)</u>	<u>42,411,312</u>

APPENDIX II ACCOUNTANTS' REPORT OF INSURANCE COMPANIES

(Amounts expressed in Euros, except when otherwise expressly indicated)

The following tables provide information on the movement in the provisions for unearned premiums on outwards reinsurance in 2013, 2012 and 2011:

	2013			
	Opening balances	Liabilities originated in period	Exchange differences	Closing balance
Non-life insurance				
Provision for unearned premiums				
Workman's compensation	7,064	(7,064)	—	—
Personal accidents	5,203,233	(1,854,342)	(4,387)	3,344,504
Health	113,873	34,805	(57,925)	90,753
Fire and other damage	26,502,128	(130,644)	(140,294)	26,231,190
Motor	778,404	709,094	(93,433)	1,394,065
Marine, aviation and transport	2,147,830	(252,739)	(1,820)	1,893,271
Third party liability	3,006,732	(406,552)	(4,844)	2,595,336
Credit and suretyship	227,546	(9,428)	—	218,118
Legal expenses	218	(10)	—	208
Assistance	10,610	2,900	—	13,510
Other	3,979,646	(734,125)	—	3,245,521
	<u>41,977,284</u>	<u>(2,648,105)</u>	<u>(302,703)</u>	<u>39,026,476</u>
Deferred acquisition costs				
Workman's compensation	(1,589)	1,589	—	—
Personal accidents	(2,535,081)	971,998	—	(1,563,083)
Health	(32,411)	25,925	—	(6,486)
Fire and other damage	(4,055,487)	(46,394)	—	(4,101,881)
Motor	(129,604)	(94,544)	—	(224,148)
Marine, aviation and transport	(253,170)	6,890	—	(246,280)
Third party liability	(190,467)	5,840	—	(184,627)
Credit and suretyship	(7,392)	306	—	(7,086)
Legal expenses	(48)	5	—	(43)
Assistance	(672)	(655)	—	(1,327)
Other	<u>(1,159,214)</u>	<u>378,932</u>	<u>—</u>	<u>(780,282)</u>
	<u>(8,365,135)</u>	<u>1,249,892</u>	<u>—</u>	<u>(7,115,243)</u>
	<u>33,612,149</u>	<u>(1,398,213)</u>	<u>(302,703)</u>	<u>31,911,233</u>

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	2012			
	Opening balances	Liabilities originated in period	Exchange differences	Closing balance
Non-life insurance				
Provision for unearned premiums				
Workman's compensation	201,636	(194,438)	(134)	7,064
Personal accidents	8,081,519	(2,875,272)	(3,014)	5,203,233
Health	591,481	(477,608)	—	113,873
Fire and other damage	32,815,179	(6,341,385)	28,334	26,502,128
Motor	186,675	616,329	(24,600)	778,404
Marine, aviation and transport	1,967,373	181,172	(715)	2,147,830
Third party liability	3,501,705	(496,228)	1,255	3,006,732
Credit and suretyship	153,738	73,808	—	227,546
Legal expenses	51,833	(51,615)	—	218
Assistance	223	10,387	—	10,610
Other	5,735,663	(1,756,017)	—	3,979,646
	<u>53,287,025</u>	<u>(11,310,867)</u>	<u>1,126</u>	<u>41,977,284</u>
Deferred acquisition costs				
Workman's compensation	(5,537)	3,948	—	(1,589)
Personal accidents	(3,953,967)	1,418,886	—	(2,535,081)
Health	(310,098)	277,687	—	(32,411)
Fire and other damage	(4,479,477)	423,990	—	(4,055,487)
Motor	—	(129,604)	—	(129,604)
Marine, aviation and transport	(249,602)	(3,568)	—	(253,170)
Third party liability	(214,288)	23,821	—	(190,467)
Credit and suretyship	(3,278)	(4,114)	—	(7,392)
Legal expenses	—	(48)	—	(48)
Assistance	—	(672)	—	(672)
Other	(1,659,466)	500,252	—	(1,159,214)
	<u>(10,875,713)</u>	<u>2,510,578</u>	<u>—</u>	<u>(8,365,135)</u>
	<u>42,411,312</u>	<u>(8,800,289)</u>	<u>1,126</u>	<u>33,612,149</u>

APPENDIX II ACCOUNTANTS' REPORT OF INSURANCE COMPANIES

(Amounts expressed in Euros, except when otherwise expressly indicated)

	2011			
	Opening balances	Liabilities originated in period	Exchange differences	Closing balance
Non-life insurance				
Provision for unearned premiums				
Workman's compensation	—	201,603	33	201,636
Personal accidents	11,219,652	(3,138,267)	134	8,081,519
Health	1,855,876	(1,264,395)	—	591,481
Fire and other damage	30,955,804	1,847,717	11,658	32,815,179
Motor	24,611	160,993	1,071	186,675
Marine, aviation and transport	3,275,386	(1,310,132)	2,119	1,967,373
Third party liability	3,388,596	111,050	2,059	3,501,705
Credit and suretyship	182,386	(28,648)	—	153,738
Legal expenses	51,775	58	—	51,833
Assistance	226	(3)	—	223
Other	6,178,125	(442,462)	—	5,735,663
	<u>57,132,437</u>	<u>(3,862,486)</u>	<u>17,074</u>	<u>53,287,025</u>
Deferred acquisition costs				
Workman's compensation	—	(5,537)	—	(5,537)
Personal accidents	(5,552,507)	1,598,540	—	(3,953,967)
Health	(1,152,095)	841,997	—	(310,098)
Fire and other damage	(4,334,195)	(145,282)	—	(4,479,477)
Motor	—	—	—	—
Marine, aviation and transport	(353,932)	104,330	—	(249,602)
Third party liability	(191,621)	(22,667)	—	(214,288)
Credit and suretyship	(3,556)	278	—	(3,278)
Legal expenses	—	—	—	—
Assistance	—	—	—	—
Other	(1,857,699)	198,233	—	(1,659,466)
	<u>(13,445,605)</u>	<u>2,569,892</u>	<u>—</u>	<u>(10,875,713)</u>
	<u>43,686,832</u>	<u>(1,292,594)</u>	<u>17,074</u>	<u>42,411,312</u>

APPENDIX II ACCOUNTANTS' REPORT OF INSURANCE COMPANIES

(Amounts expressed in Euros, except when otherwise expressly indicated)

Information on the provision for outwards reinsurance claims, at 31 December 2013, 2012 and 2011, is set out below:

	2013		
	Reported	Not reported	Total
Life Insurance	<u>9,018,956</u>	<u>2,689,530</u>	<u>11,708,486</u>
Non-life insurance			
Workman's compensation	11,550	538	12,088
Personal accidents	7,291,879	41,877	7,333,756
Health	467,028	20,361	487,389
Fire and other damage	60,798,335	4,702,482	65,500,817
Motor	13,107,936	34,189	13,142,125
Marine, aviation and transport	7,592,651	274,741	7,867,392
Third party liability	22,305,153	67,478	22,372,631
Credit and suretyship	2,822	19,716	22,538
Other	<u>6,376,301</u>	<u>983,821</u>	<u>7,360,122</u>
	<u>117,953,655</u>	<u>6,145,203</u>	<u>124,098,858</u>
	<u>126,972,611</u>	<u>8,834,733</u>	<u>135,807,344</u>
	2012		
	Reported	Not reported	Total
Life Insurance	<u>10,447,419</u>	<u>2,532,221</u>	<u>12,979,640</u>
Non-life insurance			
Workman's compensation	323,874	1,019	324,893
Personal accidents	7,235,354	124,718	7,360,072
Health	413,491	391	413,882
Fire and other damage	53,562,589	6,720,590	60,283,179
Motor	14,415,656	67,101	14,482,757
Marine, aviation and transport	10,016,840	216,772	10,233,612
Third party liability	29,851,162	245,829	30,096,991
Credit and suretyship	395	17,832	18,227
Other	<u>11,035,936</u>	<u>2,130,008</u>	<u>13,165,944</u>
	<u>126,855,297</u>	<u>9,524,260</u>	<u>136,379,557</u>
	<u>137,302,716</u>	<u>12,056,481</u>	<u>149,359,197</u>

APPENDIX II ACCOUNTANTS' REPORT OF INSURANCE COMPANIES

(Amounts expressed in Euros, except when otherwise expressly indicated)

	2011		
	Reported	Not reported	Total
Life Insurance	<u>12,754,627</u>	<u>2,645,732</u>	<u>15,400,359</u>
Non-life insurance			
Workman's compensation	1,454,755	58	1,454,813
Personal accidents	6,496,941	136,797	6,633,738
Health	365,935	—	365,935
Fire and other damage	79,863,197	6,953,590	86,816,787
Motor	15,578,598	51,045	15,629,643
Marine, aviation and transport	7,023,266	238,844	7,262,110
Third party liability	24,183,813	160,817	24,344,630
Credit and suretyship	6,306	—	6,306
Other	<u>10,269,936</u>	<u>2,025,646</u>	<u>12,295,582</u>
	<u>145,242,747</u>	<u>9,566,797</u>	<u>154,809,544</u>
	<u>157,997,374</u>	<u>12,212,529</u>	<u>170,209,903</u>

The following tables provide information on the movements in the provisions for outwards reinsurance claims in 2013, 2012 and 2011:

	2013				
	Opening balance	Liabilities originated in period	Claims paid	Exchange differences	Closing balance
Life insurance	<u>12,979,640</u>	<u>9,760,604</u>	<u>(11,031,758)</u>	<u>—</u>	<u>11,708,486</u>
Non-life insurance					
Workman's compensation	324,893	(308,276)	(4,507)	(22)	12,088
Personal accidents	7,360,072	745,328	(771,643)	(1)	7,333,756
Health	413,882	691,715	(582,556)	(35,652)	487,389
Fire and other damage	60,283,179	63,237,003	(58,017,867)	(1,498)	65,500,817
Motor	14,482,757	1,856,604	(3,148,734)	(48,502)	13,142,125
Marine,aviation and transport	10,233,612	7,958,857	(10,325,077)	—	7,867,392
Third party liability	30,096,991	(1,614,385)	(6,109,870)	(105)	22,372,631
Credit and suretyship	18,227	143,994	(139,683)	—	22,538
Other	<u>13,165,944</u>	<u>4,152,808</u>	<u>(9,958,630)</u>	<u>—</u>	<u>7,360,122</u>
	<u>136,379,557</u>	<u>76,863,648</u>	<u>(89,058,567)</u>	<u>(85,780)</u>	<u>124,098,858</u>
	<u>149,359,197</u>	<u>86,624,252</u>	<u>(100,090,325)</u>	<u>(85,780)</u>	<u>135,807,344</u>

APPENDIX II ACCOUNTANTS' REPORT OF INSURANCE COMPANIES

(Amounts expressed in Euros, except when otherwise expressly indicated)

	2012				
	Opening balance	Liabilities originated in period	Claims paid	Exchange differences	Closing balance
Life insurance	<u>15,400,359</u>	<u>8,409,187</u>	<u>(10,829,906)</u>	—	<u>12,979,640</u>
Non-life insurance					
Workman's compensation	1,454,813	986,380	(2,116,300)	—	324,893
Personal accidents	6,633,738	2,092,597	(1,366,263)	—	7,360,072
Health	365,935	442,521	(394,574)	—	413,882
Fire and other damage	86,816,787	11,882,158	(38,415,766)	—	60,283,179
Motor	15,629,643	1,034,961	(2,181,847)	—	14,482,757
Marine,aviation and transport	7,262,110	5,685,783	(2,714,281)	—	10,233,612
Third party liability	24,344,630	10,879,642	(5,127,281)	—	30,096,991
Credit and suretyship	6,306	426,821	(414,900)	—	18,227
Other	<u>12,295,582</u>	<u>8,724,918</u>	<u>(7,854,556)</u>	—	<u>13,165,944</u>
	<u>154,809,544</u>	<u>42,155,781</u>	<u>(60,585,768)</u>	—	<u>136,379,557</u>
	<u>170,209,903</u>	<u>50,564,968</u>	<u>(71,415,674)</u>	—	<u>149,359,197</u>
	2011				
	Opening balance	Liabilities originated in period	Claims paid	Exchange differences	Closing balance
Life insurance	<u>17,186,013</u>	<u>7,111,932</u>	<u>(8,897,586)</u>	—	<u>15,400,359</u>
Non-life insurance					
Workman's compensation	1,453,789	84,385	(83,361)	—	1,454,813
Personal accidents	3,224,668	3,924,711	(515,641)	—	6,633,738
Health	255,835	256,558	(146,458)	—	365,935
Fire and other damage	101,069,242	63,213,606	(77,466,061)	—	86,816,787
Motor	17,994,415	(214,407)	(2,150,365)	—	15,629,643
Marine,aviation and transport	31,781,017	(18,183,603)	(6,335,304)	—	7,262,110
Third party liability	26,298,877	(292,401)	(1,661,846)	—	24,344,630
Credit and suretyship	34,056	(19,894)	(7,856)	—	6,306
Other	<u>12,125,244</u>	<u>7,029,521</u>	<u>(6,859,183)</u>	—	<u>12,295,582</u>
Non-life insurance	<u>194,237,143</u>	<u>55,798,476</u>	<u>(95,226,075)</u>	—	<u>154,809,544</u>
	<u>211,423,156</u>	<u>62,910,408</u>	<u>(104,123,661)</u>	—	<u>170,209,903</u>

Liabilities originated and amounts paid in the period have not been deducted from the reinsurers' share of processed reimbursements.

APPENDIX II ACCOUNTANTS' REPORT OF INSURANCE COMPANIES

(Amounts expressed in Euros, except when otherwise expressly indicated)

26. OTHER RECEIVABLES AND ACCRUALS

This heading was made up as follows, at 31 December 2013, 2012 and 2011:

	2013	2012	2011
Loans and accounts receivable			
Deposits in ceding companies	955,485	1,108,751	1,226,421
Loans made:			
Mortgage loans	708,456	1,689,957	1,874,936
Loans over policies	1,612,526	1,491,333	1,882,271
Other	333,994	326,973	316,768
	<u>2,654,976</u>	<u>3,508,263</u>	<u>4,073,975</u>
Other	<u>406,084</u>	<u>466,986</u>	<u>456,390</u>
	<u>4,016,545</u>	<u>5,084,000</u>	<u>5,756,786</u>
Accounts receivable for other operations:			
Group companies	1,044,483	4,641,898	9,913,716
Associated companies	1,955,164	1,947,214	1,842,736
Other shareholders	1,747,504	1,852,391	1,913,440
Employee loans	2,716,113	2,651,788	1,871,339
Pension fund	21,965	67,699	9,586
Customers, current accounts	4,534,172	4,773,523	2,958,287
Instituto de Financiamento da Agricultura e Pescas (IFAP)	15,563,057	14,011,331	12,312,214
Debtors and creditors - items held under custody	187,341	172,693	151,243
Internal regularisation accounts	348,355	7,706,241	3,972,071
Property rentals	3,215,422	4,508,920	8,840,985
Operating lease - suppliers of tangible assets	3,277	3,277	3,277
Other suppliers and services provided	835,047	828,519	577,625
Trade unions	—	705	651
Other	<u>16,697,929</u>	<u>16,205,236</u>	<u>14,213,089</u>
	48,869,829	59,371,435	58,580,259
(Adjustments to bad and doubtful debts - Note 12)	<u>(22,250,387)</u>	<u>(20,243,370)</u>	<u>(17,095,931)</u>
	<u>26,619,442</u>	<u>39,128,065</u>	<u>41,484,328</u>

APPENDIX II ACCOUNTANTS' REPORT OF INSURANCE COMPANIES

(Amounts expressed in Euros, except when otherwise expressly indicated)

	2013	2012	2011
Accruals and deferrals			
Accrued income	<u>11,594,954</u>	<u>6,440,468</u>	<u>6,394,151</u>
Deferred expenses:			
Insurance	3,976,520	3,946,569	3,630,414
Rents and leases	891,672	747,012	605,402
Assistance for IT equipment	1,265,979	784,491	440,980
Advertising	424	363,892	367,302
Software licences	815,274	1,178,590	1,470,804
APS subscriptions	349,451	350,172	394,715
Fees/Commissions	4,013	197	1,138
Other	<u>2,125,484</u>	<u>2,046,247</u>	<u>1,657,664</u>
	<u>9,428,817</u>	<u>9,417,170</u>	<u>8,568,419</u>
	<u>21,023,771</u>	<u>15,857,638</u>	<u>14,962,570</u>
	<u>51,659,758</u>	<u>60,069,703</u>	<u>62,203,684</u>

The “Accounts receivable for other operations — Group companies” account heading at 31 December 2013 and 2012 included Euro 1,081,773 and at 31 December 2011 included Euro 1,075,729 respectively in non-interest bearing partners’ loans from Fidelidade - Investimentos Imobiliários, S.A. to Proalameda, S.A..

The “Accounts receivable for other operations — Internal regularisation accounts” account heading recognises various transactions occurring in the last few days of December, whose financial settlement occurred in the first working days of the following month.

At 31 December 2013, 2012 and 2011, the “Accruals and deferral — Accrued income” account heading includes an estimate of profit commissions to be received from life insurance business reinsurers in the amounts of Euro 10,452,125, Euro 5,215,000 and Euro 4,963,000, for 2013, 2012 and 2011, respectively.

The “Accruals and deferral — Deferred expenses - Insurance” account heading, at 31 December 2013, 2012 and 2011, essentially comprises deferred costs relating to the healthcare insurance of Fidelidade - Companhia de Seguros, S.A. personnel for the periods between November 2013/October 2014, November 2012/October 2013 and November 2011/October 2012, respectively.

The “Accounts receivable for other operations - Other” account heading includes several balances fully provided for.

APPENDIX II ACCOUNTANTS' REPORT OF INSURANCE COMPANIES

(Amounts expressed in Euros, except when otherwise expressly indicated)

27. PROPERTY

Information on movements in these headings account headings for 2013, 2012 and 2011 is set out below:

	Properties for own use	Investment properties	Total
Balances in 1 January 2011:			
Gross amount	129,751,883	438,268,594	568,020,477
Accumulated depreciation and impairment	<u>(21,176,849)</u>	<u>—</u>	<u>(21,176,849)</u>
	<u>108,575,034</u>	<u>438,268,594</u>	<u>546,843,628</u>
Additions:			
Acquisitions made in the period	—	4,750,530	4,750,530
Subsequent expenditure	—	3,286,582	3,286,582
Revaluations			
As a charge to the income statement (Note 12)	—	(9,816,932)	(9,816,932)
Reinforcements/ reversals of impairment in year (Note 12)	(461,125)	—	(461,125)
Depreciation for the year	(2,097,358)	—	(2,097,358)
Transfers	(137,917)	137,917	—
Disposals and write-offs (net)	(199,644)	(1,111,068)	(1,310,712)
Balances at 31 December 2011:			
Gross amount	129,082,219	435,515,623	564,597,842
Accumulated depreciation and impairment	<u>(23,403,229)</u>	<u>—</u>	<u>(23,403,229)</u>
	<u>105,678,990</u>	<u>435,515,623</u>	<u>541,194,613</u>

APPENDIX II ACCOUNTANTS' REPORT OF INSURANCE COMPANIES

(Amounts expressed in Euros, except when otherwise expressly indicated)

	Properties for own use	Investment properties	Total
Additions:			
Acquisitions made in the period	—	—	—
Subsequent expenditure	188,274	3,649,803	3,838,077
Revaluations			
As a charge to the income statement (Note 12)	—	(11,754,410)	(11,754,410)
Reinforcements/ reversals of impairment' in year (Note 12)	(814,605)	—	(814,605)
Depreciation for the year	(2,041,190)	—	(2,041,190)
Disposals and write-offs (net)	(195,222)	(5,979,819)	(6,175,041)
Balances at 31 December 2012:			
Gross amount	128,957,103	421,431,197	550,388,300
Accumulated depreciation and impairment	<u>(26,140,856)</u>	<u>—</u>	<u>(26,140,856)</u>
	<u>102,816,247</u>	<u>421,431,197</u>	<u>524,247,444</u>
Additions:			
Acquisitions made in the period	714,054	4,420,932	5,134,986
Subsequent expenditure	—	3,484,134	3,484,134
Revaluations			
As a charge to the income statement (Note 12)	—	(12,078,729)	(12,078,729)
Reinforcements/ reversals of impairment in year (Note 12)	(2,423,427)	—	(2,423,427)
Depreciation for the year	(1,997,439)	—	(1,997,439)
Transfers	—	16,471,482	16,471,482
Disposals and write-offs (net)	(79,792)	(1,071,185)	(1,150,977)
Balances at 31 December 2013:			
Gross amount	129,530,219	432,657,831	562,188,050
Accumulated depreciation and impairment	<u>(30,500,576)</u>	<u>—</u>	<u>(30,500,576)</u>
	<u>99,029,643</u>	<u>432,657,831</u>	<u>531,687,474</u>

APPENDIX II ACCOUNTANTS' REPORT OF INSURANCE COMPANIES

(Amounts expressed in Euros, except when otherwise expressly indicated)

Land and buildings are valued whenever considered adequate or at least every two years by expert appraisers who are qualified for the said purpose. The Insurance Group companies considers that the highest and best possible use is made of its land and buildings, and therefore the valuations performed for the assessment of their respective fair value are prepared, taking their current use into consideration, as provided for in IFRS 13 — Fair Value.

Changes in fair value on the revaluation of land and buildings for investment income are recognised as a charge to profit and loss for the year.

Land and buildings owned by the Insurance Group companies are freehold. At 31 December 2013, 2012 and 2011, there was no property held under lease contracts.

Valuation methods

Land or buildings are valued with the aim of obtaining their presumable transaction price, which is normally their market value (fair value) i.e., the price at which the land or building could be sold, at the valuation date, in a private agreement between independent interested vendors and purchasers, in which the property is put up for sale on the market, that the respective conditions permit a standard, orderly sale and that the period for negotiating the sale is normal, taking the type of property into account. If there are any rental agreements, the assessment of the Presumable Transaction Price takes the rental value into consideration.

The usual valuation techniques are:

- a) Market method: consisting of the valuation of the land or building based on comparisons, i.e. transactions and/or effective acquisition proposals on land or buildings with identical physical and functional characteristics located in the same property market area.
- b) Cost method: consisting of the assessment of the value of the building based on the sum of the market value of the land and all costs necessary for the construction of a building with the same physical and functional characteristics, depreciated on the basis of its age, state of repair and estimated useful life, plus the required profit margins. Alternatively this method may be based on the fair value of the building in its current state, subtracting all associated costs and margins from its referred to value after the completion of the works which have still not been performed.
- c) Income method: consisting of the assessment of the value of the land or building based on the quotient between the annual effective rent and an adequate capitalisation rate.

APPENDIX II ACCOUNTANTS' REPORT OF INSURANCE COMPANIES

(Amounts expressed in Euros, except when otherwise expressly indicated)

Fair value hierarchy

As provided for in IFRS 13 — Fair Value, valuations of land and buildings maximise the use of observable market data. However, as most valuations also consider non-observable data, the fair value of the Insurance Group companies' land and buildings is classified at level 3 of the fair value chain defined by IFRS 13.

The key unobservable inputs used in the valuation of properties include the following:

- Estimated rental value: the estimated rental value (per square metre, per annum) is based on contractual rent and other local market transactions net of reimbursable operating expenses. An increase (decrease) in the estimated rental value would result in a higher (lower) fair value. The estimated rental value varies depending on the property types, which include retail, office and industrial properties.
- Discount rate: the discount rate is derived from market activity across various property types and geographic regions and is a reflection of the expected rate of return to be realised on the investment. An increase (decrease) in the discount rate would result in a lower (higher) fair value.

Due to the unobservable nature of this inputs used by the expert appraisers, we do not assess whether applying reasonably possible alternative assumptions would have an impact on the fair value of the Level 3 properties.

Land and buildings for own use

Buildings for own use are depreciated over the course of their useful lives.

The breakdown of the fair value of land and buildings for own use, based on their respective valuation date at 31 December 2013, 2012 and 2011, is set out below:

	2013	2012	2011
2013	95,247,197	—	—
2012	23,737,039	24,166,812	—
2011		98,101,106	99,775,870
2010	—	—	27,548,413
2009	—	3,373,795	3,454,409
	<u>118,984,236</u>	<u>125,641,713</u>	<u>130,778,692</u>

APPENDIX II ACCOUNTANTS' REPORT OF INSURANCE COMPANIES

(Amounts expressed in Euros, except when otherwise expressly indicated)

Investment properties

The following is a breakdown of income and operating expenses recognised in the statement of profit or loss for investment properties in 2013, 2012 and 2011:

	2013	2012	2011
Rents charged	22,437,734	21,378,137	21,283,850
Costs of maintenance and repair:			
Rented properties	(1,738,533)	(1,988,838)	(2,357,977)
Vacant properties	<u>(41,580)</u>	<u>(133,892)</u>	<u>(488,102)</u>
	<u>20,657,621</u>	<u>19,255,407</u>	<u>18,437,771</u>

Fidelidade and Fidelidade - Investimentos Imobiliários, S.A. own a significant group of real estate assets rented to external parties, comprising 1,921 and 307 renting contracts, respectively, as at 31 December 2013.

The portfolio of renting contracts may be considered old, comprising contracts established since 1929 until the present date. Under Portuguese legislation in force until the year 2012, the majority of the renting contracts had no expiration dates and the rents charged were updated annually in accordance with indexes published by official entities, which usually didn't guarantee increases in accordance with the inflation rate. In addition, contracts' unilateral termination by the landlords was not allowed.

The context above described was significantly affected by the New Renting Law, published in 2012, which allows, under transition rules created for this purpose, the progressive approximation of old rents to market values, and the possibility to change the contract term from undefined to fixed term, although specific protections have been created for old age and low income tenants.

Regarding new contracts, the definition of contract term is freely established by the contract parties and the cancelation by either party is now easier.

28. TANGIBLE FIXED ASSETS

This heading was made up as follows, at 31 December 2013, 2012 and 2011:

	2013	2012	2011
Other tangible assets	23,954,974	38,805,425	42,704,270
Inventories	<u>733,164</u>	<u>262,894</u>	<u>408,218</u>
	<u>24,688,138</u>	<u>39,068,319</u>	<u>43,112,488</u>

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Information on movements in other tangible assets for 2013, 2012 and 2011 is set out below:

2013													
	Gross amount		Impairment (Note12)					Disposals and writ-offs (net)			Closing balances		
	Accumulated depreciation and		Transfers and		Depreciation for year	Increases	Use	Exchange differences	Depreciation and		Accumulated depreciation and		Net amount
	Gross amount	impairment	Additions	adjustments					Gross amount	impairment	Gross amount	impairment	
Equipment													
Administrative	19,748,131	(19,101,092)	345,201	380	(426,593)	—	—	(7,114)	(33,837)	33,172	20,078,272	(19,520,024)	558,248
Machinery and tools	16,870,412	(14,986,538)	152,536	—	(708,325)	—	—	(952)	(2,895,330)	2,894,361	14,125,462	(12,799,298)	1,326,164
IT equipment	11,965,655	(11,206,096)	3,082,919	(380)	(1,511,546)	—	—	744	(234,771)	229,825	14,895,701	(12,569,351)	2,326,350
Interior installations	29,152,422	(24,129,212)	368,399	15,630	(895,979)	—	—	(4,947)	(6,510,663)	6,488,222	23,004,276	(18,520,404)	4,483,872
Transport material	292,048	(153,930)	200,118	—	(102,047)	—	—	(3,480)	—	—	480,414	(247,705)	232,709
Hospital equipment	6,560	(5,260)	—	—	(578)	—	—	—	(18)	18	6,542	(5,820)	722
Other equipment	4,182,508	(3,342,785)	1,803,469	—	(417,254)	—	—	1,315	(1,254,916)	1,248,596	4,730,822	(2,509,889)	2,220,933
Works of art	1,565,523	—	—	—	—	—	—	—	—	—	1,565,523	—	1,565,523
Leased equipment	9,602,676	(9,407,950)	—	—	(178,210)	—	—	—	—	—	9,602,676	(9,586,160)	16,516
Other tangible assets	28,291	(10,359)	263	(15,630)	(77,020)	—	—	(1,742)	(50)	50	24,844	(101,041)	(76,197)
Tangible assets in progress	31,760,167	(4,025,746)	3,116,658	(16,471,482)	—	(6,686,778)	3,607,315	—	—	—	18,405,343	(7,105,209)	11,300,134
	<u>125,174,393</u>	<u>(86,368,968)</u>	<u>9,069,563</u>	<u>(16,471,482)</u>	<u>(4,317,552)</u>	<u>(6,686,778)</u>	<u>3,607,315</u>	<u>(16,176)</u>	<u>(10,929,585)</u>	<u>10,894,244</u>	<u>106,919,875</u>	<u>(82,964,901)</u>	<u>23,954,974</u>

2012													
	Gross amount		Impairment (Note12)					Disposals and writ-offs (net)			Closing balances		
	Accumulated depreciation and		Transfers and		Depreciation for year	Increases	Use	Exchange differences	Depreciation and		Accumulated depreciation and		Net amount
	Gross amount	impairment	Additions	adjustments					Gross amount	impairment	Gross amount	impairment	
Equipment													
Administrative	19,611,804	(18,799,145)	264,290	—	(414,791)	—	—	(15,119)	(90,822)	90,822	19,748,131	(19,101,092)	647,039
Machinery and tools	16,690,738	(14,129,842)	201,134	—	(877,959)	—	—	(197)	(21,280)	21,280	16,870,412	(14,986,538)	1,883,874
IT equipment	11,573,721	(10,769,577)	753,437	(57)	(798,663)	—	—	698	(361,328)	361,328	11,965,655	(11,206,096)	759,559
Interior installations	29,168,552	(23,131,614)	145,885	(16,108)	(1,077,694)	—	—	5,750	(167,765)	96,204	29,152,422	(24,129,212)	5,023,210
Transport material	233,970	(75,806)	64,288	—	(80,518)	—	—	(3,816)	—	—	292,048	(153,930)	138,118
Hospital equipment	4,828	(4,660)	1,732	—	(600)	—	—	—	—	—	6,560	(5,260)	1,300
Other equipment	4,113,379	(3,028,580)	71,271	—	(317,143)	—	—	1,361	(2,142)	1,577	4,182,508	(3,342,785)	839,723
Works of art	1,551,396	—	16,000	—	—	—	—	—	(1,873)	—	1,565,523	—	1,565,523
Leased equipment	9,602,676	(8,477,544)	—	—	(930,406)	—	—	—	—	—	9,602,676	(9,407,950)	194,726
Other tangible assets	24,535	(9,012)	97	3,659	(16,846)	—	—	15,499	—	—	28,291	(10,359)	17,932
Tangible assets in progress	30,513,387	(1,958,936)	1,246,780	—	—	(2,179,295)	112,485	—	—	—	31,760,167	(4,025,746)	27,734,421
	<u>123,088,986</u>	<u>(80,384,716)</u>	<u>2,764,914</u>	<u>(12,506)</u>	<u>(4,514,620)</u>	<u>(2,179,295)</u>	<u>112,485</u>	<u>4,176</u>	<u>(645,210)</u>	<u>571,211</u>	<u>125,174,393</u>	<u>(86,368,968)</u>	<u>38,805,425</u>

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2011													
	Gross amount		Impairment (Note12)				Disposals and writ-offs (net)				Closing balances		
	Accumulated depreciation and		Transfers and		Depreciation for year	Increases	Use	Exchange differences	Depreciation and		Accumulated depreciation and		Net amount
	Gross amount	impairment	Additions	adjustments					Gross amount	impairment	Gross amount	impairment	
Equipment													
Administrative	19,337,827	(18,407,615)	419,392	5,292	(541,240)	—	—	(512)	(150,707)	150,222	19,611,804	(18,799,145)	812,659
Machinery and tools	16,385,152	(13,120,858)	324,594	48,756	(1,076,184)	—	—	(114)	(63,486)	63,036	16,690,738	(14,129,842)	2,560,896
IT equipment	12,800,254	(11,714,148)	787,537	(5,292)	(1,064,217)	—	—	(8)	(2,008,778)	2,008,796	11,573,721	(10,769,577)	804,144
Interior instalations	28,582,505	(21,995,370)	586,047	(324)	(1,135,782)	—	—	(138)	—	—	29,168,552	(23,131,614)	6,036,938
Transport material	153,317	(110,506)	149,469	—	(24,504)	—	—	(584)	(68,816)	59,788	233,970	(75,806)	158,164
Hospital equipment	114,321	(113,907)	—	—	(249)	—	—	—	(109,493)	109,496	4,828	(4,660)	168
Other equipment	3,992,772	(2,732,685)	176,692	—	(341,973)	—	—	—	(56,085)	46,078	4,113,379	(3,028,580)	1,084,799
Works of art	1,542,396	—	9,000	—	—	—	—	—	—	—	1,551,396	—	1,551,396
Leased equipment	9,476,698	(6,437,047)	359,984	—	(2,223,316)	—	—	—	(234,006)	182,819	9,602,676	(8,477,544)	1,125,132
Other tangible assets	24,535	(3,510)	—	(3,954)	(1,548)	—	—	—	—	—	24,535	(9,012)	15,523
Tangible assets in progress	27,691,738	—	2,866,127	(44,478)	—	(1,958,936)	—	—	—	—	30,513,387	(1,958,936)	28,554,451
	<u>120,101,515</u>	<u>(74,635,646)</u>	<u>5,678,842</u>	<u>—</u>	<u>(6,409,013)</u>	<u>(1,958,936)</u>	<u>—</u>	<u>(1,356)</u>	<u>(2,691,371)</u>	<u>2,620,235</u>	<u>123,088,986</u>	<u>(80,384,716)</u>	<u>42,704,270</u>

The “Tangible assets in progress” account heading essentially comprises property under construction.

The following is a breakdown of the account heading “Inventories” at 31 December 2013, 2012 and 2011:

	2013	2012	2011
Property	539,648	—	—
Goods	10,265	8,046	9,503
Products and works in progress	26,264	9,554	15,116
Salvage	—	—	28,210
Other inventories	<u>160,494</u>	<u>245,294</u>	<u>355,389</u>
	<u>736,671</u>	<u>262,894</u>	<u>408,218</u>
Impairment in goods (Note 12)	<u>(3,507)</u>	<u>—</u>	<u>—</u>
	<u>733,164</u>	<u>262,894</u>	<u>408,218</u>

The caption “Property” refers to a property held by Fidelidade - Investimentos Imobiliários, S.A. (Note 4), which is intended to be sold.

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29. GOODWILL

Information on movements in the other intangible account headings, in 2013, 2012 and 2011, is set out below:

Insurance Group's recognition of goodwill at 31 December 2013, 2012 and 2011 was as follows:

	2013			2012			2011		
	Gross amount	Impairment Loss (Note 12)	Net amount	Gross amount	Impairment Loss (Note 12)	Net amount	Gross amount	Impairment Loss (Note 12)	Net amount
Cetra - Centro Técnico de Reparação Automóvel, S.A.	8,664	—	8,664	8,664	—	8,664	8,664	—	8,664
Highgrove - Invest. Part. SGPS, S.A.	957,001	(957,001)	—	957,001	(957,001)	—	957,001	(957,001)	—
Universal Seguros, S.A.	<u>2,263,449</u>	<u>—</u>	<u>2,263,449</u>	<u>2,263,449</u>	<u>—</u>	<u>2,263,449</u>	<u>2,263,449</u>	<u>—</u>	<u>2,263,449</u>
	<u>3,229,114</u>	<u>(957,001)</u>	<u>2,272,113</u>	<u>3,229,114</u>	<u>(957,001)</u>	<u>2,272,113</u>	<u>3,229,114</u>	<u>(957,001)</u>	<u>2,272,113</u>

The following movements occurred in this heading in 2011:

Goodwill (net) at 31 December 2010	8,664
Acquisition of 70% of Universal Seguros, S.A.	<u>2,263,449</u>
Goodwill (net) at 31 December 2011, 2012 and 2013	<u>2,272,113</u>

A 70% equity investment in Universal Seguros, S.A. was made in 2011, giving rise to the recognition of Euro 2,263,449 in goodwill, assessed as follows:

Acquisition of 70% of Universal Seguros, S.A.	6,237,813
Shareholders' equity of corporate acquisition (70%)	<u>(3,974,364)</u>
Goodwill at 31 December 2011, 2012 and 2013	<u>2,263,449</u>

At the date of its acquisition, Universal Seguros, S.A. had no activity and no liabilities.

The corresponding impairment tests on goodwill on Universal Seguros, S.A. were carried out at 31 December 2013, 2012 and 2011 based on independent assessments.

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The assessments incorporated the information available at the date of the production thereof, i.e. macroeconomic conditions and financial market and other situations. The asset's recoverable value exceeded the respective book value, with, accordingly, no need for any recognition of impairment losses.

The methodology and main assumptions used to perform these assessments are described below:

Assessment methodologies

The method usually applied for the valuation of companies in the sector, resulting in the following values, was used to produce the insurance company's useful value:

- Net equity value - consisting of the total value of the company's equity, comprising the net value of its shareholdings. This amount takes into account: equity capital and retained earnings, share premiums; revaluation reserves; any appreciation at market prices not reflected in the accounts; other reserves;
- Intrinsic value of portfolio business - considered to be the updated value of future cash flows resulting from the company's current portfolio business;
- Embedded value = net equity value + intrinsic value of portfolio business;
- Goodwill on future business - updated value of cash flows generated by future business;
- Total appraisal value = embedded value + goodwill on future business.

The life insurance portfolio is generally valued on the basis of actuarial studies, with the valuation of the non- life insurance portfolio being based on income based appraisals.

Yield-based valuation

This methodology is based on the assumption that the economic-financial valuation of a company should be based on discounted cash flows. In accordance with this valuation methodology a company's worth is estimated on its revalued expected future income i.e. cash flows - generated by its operations, using an adequate revaluation rate for the risk associated with the company.

In the case of the economic-financial valuation of an insurance company and taking into consideration the specific nature of the activity in question, in which insurance companies must comply with regulatory own funds ratios, it is usual for valuations to be based on yield using the cash flows available to shareholders.

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Residual Value

The residual value was calculated by the formula $VR = CF_t / (K_{cpt} - g)$, in which:

VR = Residual value

CF_t = Cash flow in year t (steady state year)

g = nominal grow rate in perpetuity

K_{cpt} = required return on equity

Shareholders' equity value

Based on the production of the economic-financial projections, the respective expected future income (cash flow), for the next few years, has been calculated and revalued to the assessment reference date.

Gross premiums

There is a strong historical correlation between the evolution of the non-life insurance market and economic evolution. The evolution of gross premiums written has, accordingly, been indexed to nominal GDP growth for the projection period, although the said growth has been discounted.

As regards provisions for unearned premiums, the percentage values of gross premiums issued in line with the average of the last few years, were used.

Claims costs

The projections used assumed claims rates in each of the insurance areas would be in line with the average of the last few years.

Acquisition and administrative costs

A percentage value of gross premiums earned, in line with the last few years, was used for acquisition costs related with premium sales (e.g. commissions). For the remaining acquisition costs it was assumed a growth rate indexed to the inflation rate.

As regards administrative costs, the indexing of such costs directly related with premium sales (e.g. fees paid to mediators) with the projected growth of gross premiums earned, was considered. Growth indexed to the inflation rate was used to project the other administrative costs.

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Projection period

Universal Seguros, S.A. was created in 2009 and acquired by Fidelidade at 7 April 2011. Universal Seguros, S.A. currently develops its activity in non-life and life insurance (risk) (activity started in 2013).

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Macroeconomic assumptions

The main macroeconomic assumptions used in the projections were the following:

Macroeconomic assumptions	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Inflation rate	8.00%	7.50%	7.00%	7.00%	7.00%	5.50%	4.00%	4.00%	4.00%	4.00%
Real GDP growth	6.27%	6.38%	6.47%	3.61%	6.70%	6.20%	6.20%	5.70%	5.20%	4.00%
IRC Tax Rate	35.00%	35.00%	35.00%	35.00%	35.00%	35.00%	35.00%	35.00%	35.00%	35.00%

Discount rate

The cash flow discount rate corresponds to the shareholders' capital cost using the capital asset pricing model ("CAPM"), in which the following discount rates were used:

	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Cost of shareholder's equity	13.60%	13.60%	13.60%	13.60%	13.60%	13.60%	13.60%	13.60%	13.60%	13.60%

Assumptions:

- Risk free interest rate: The risk free interest rate considered (7.6%) reflects the country risk estimate associated with Angola.
- Market risk premium: A rate of 5.5% was assumed.
- Beta: The approximation to the beta value was made through an assessment of publicly traded companies considering the activity of Universal Seguros, S.A.. Therefore, a beta of 1.08 was considered.
- Perpetuity: A nominal growth rate for the perpetuity of 2.50% was used.

Impairment Test

The goodwill acquired in the concentration of corporate activities represents a payment by an acquiring party in anticipation of future economic benefits which cannot be individually identified and separately recognised.

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With a minimum annual periodicity, the Insurance Group performs impairment tests to goodwill registered in the financial statements, according to the requirements of IAS 36 — “Asset impairment”. For this purpose, the goodwill is allocated to cash flow generating units, and the respective recoverable amount based on estimates of future cash flows is calculated, updated based on discount rates that the Insurance Group considers appropriate. The impairment losses associated with goodwill are registered in financial statements and cannot be reversed.

The recoverable amount of the assets corresponds to the highest value between fair value less costs of selling, and its use value.

Referring to 31 December 2013, 2012 and 2011, the corresponding impairment tests to goodwill of Universal Seguros, S.A. were performed and the conclusion that there is no impairment was reached.

30. INTANGIBLE ASSETS

Information on movements in the other intangible account headings, in 2013, 2012 and 2011, is set out below:

	2013										
	Opening balances					Disposals and write-offs (net)			Closing balances		
	Accumulated depreciation		Transfers			Depreciation			Accumulated depreciation		
	Gross amount	and impairment	Acquisitions	and adjustments	and Depreciation for the year	Gross balance	and impairment	Exchange differences	Gross and amount	and impairment	Net amount
Automatic data											
processing systems											
(software)	138,708,263	(124,578,419)	969,576	4,678,893	(6,285,946)	(303,779)	303,779	(17,224)	144,027,443	(130,552,300)	13,475,143
Other intangible assets	314,020	(309,476)	8,440	—	(15,839)	(81,877)	81,878	8,118	240,583	(235,319)	5,264
Intangible assets in											
progress	8,553,076	—	4,481,957	(4,678,893)	—	—	—	—	8,356,140	—	8,356,140
	<u>147,575,359</u>	<u>(124,887,895)</u>	<u>5,459,973</u>	<u>—</u>	<u>(6,301,785)</u>	<u>(385,656)</u>	<u>385,657</u>	<u>(9,106)</u>	<u>152,624,166</u>	<u>(130,787,619)</u>	<u>21,836,547</u>

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2012											
Opening balances				Disposals and write-offs (net)				Closing balances			
Accumulated depreciation		Acquisitions	Transfers and adjustments	Depreciation for the year	Depreciation and impairment	Exchange differences	Gross and amount	Accumulated depreciation		Net amount	Depreciation and impairment
Gross amount	and impairment							and impairment	and impairment		
Automatic data processing systems (software)	131,544,452	(120,069,971)	2,593,063	5,174,371	(5,116,932)	(603,623)	603,623	4,861	138,708,263	(124,578,419)	14,129,844
Other intangible assets	314,020	(298,629)	—	—	(11,685)	—	—	838	314,020	(309,476)	4,544
Intangible assets in progress	9,454,502	—	4,272,945	(5,174,371)	—	—	—	—	8,553,076	—	8,553,076
	141,312,974	(120,368,600)	6,866,008	—	(5,128,617)	(603,623)	603,623	5,699	147,575,359	(124,887,895)	22,687,464
2011											
Opening balances				Disposals and write-offs (net)				Closing balances			
Accumulated depreciation		Acquisitions	Transfers and adjustments	Depreciation for the year	Depreciation and impairment	Exchange differences	Gross and amount	Accumulated depreciation		Net amount	Depreciation and impairment
Gross amount	and impairment							and impairment	and impairment		
Automatic data processing systems (software)	123,573,757	(119,259,994)	9,088,921	2,121,794	(3,947,206)	(2,016,048)	1,913,257	—	131,544,452	(120,069,971)	11,474,481
Other intangible assets	264,744	(264,744)	49,277	(7,608)	(26,278)	—	—	—	314,020	(298,629)	15,391
Intangible assets in progress	8,011,811	—	3,974,126	(2,531,435)	—	—	—	—	9,454,502	—	9,454,502
	131,850,312	(119,524,738)	13,112,324	(417,249)	(3,973,484)	(2,016,048)	1,913,257	—	141,312,974	(120,368,600)	20,944,374

The “Intangible assets in progress” account heading, at 31 December 2013, 2012 and 2011 refers to the development costs of new software.

Acquisitions of software, in 2013 and 2012 include the cost of software licenses in the amount of Euro 867,580 and Euro 1,068,911 respectively. In 2011, this heading includes the cost of a software license from Microsoft for the amount of Euro 2,767,003, plus the costs of acquisition of software update rights, in the amount of Euro 4,835,397.

The Insurance Group recognised external expenses of Euro 22,200,025, Euro 21,959,383 and Euro 23,613,541 related with research, development and maintenance of automatic data processing equipment directly in the statement of profit or loss for 2013, 2012 and 2011, respectively.

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31. TECHNICAL PROVISIONS

The following is a breakdown of technical provisions for direct insurance and inwards reinsurance at 31 December 2013, 2012 and 2011:

	2013		
	Life	Non-life	Total
Provision for unearned premiums	<u>1,501,766</u>	<u>264,012,120</u>	<u>265,513,886</u>
Claims provision:			
Reported claims	92,451,557	1,658,037,054	1,750,488,611
Claims not reported (IBNR)	<u>16,008,396</u>	<u>79,631,059</u>	<u>95,639,455</u>
	108,459,953	1,737,668,113	1,846,128,066
Provision for unexpired risks	<u>—</u>	<u>41,011,366</u>	<u>41,011,366</u>
Mathematical provision for life insurance	1,757,064,352	—	1,757,064,352
Provision for profit sharing	102,173,345	93,871	102,267,216
Provision for interest rate commitments	6,505,548	—	6,505,548
Provision for portfolio stabilisation	<u>23,545,774</u>	<u>—</u>	<u>23,545,774</u>
	<u>1,889,289,019</u>	<u>93,871</u>	<u>1,889,382,890</u>
	<u>1,999,250,738</u>	<u>2,042,785,470</u>	<u>4,042,036,208</u>

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	2012		
	Life	Non-life	Total
Provision for unearned premiums	1,620,087	274,780,840	276,400,927
Claims provision:			
Reported claims	101,171,216	1,675,911,942	1,777,083,158
Claims not reported (IBNR)	15,354,450	103,980,774	119,335,224
	116,525,666	1,779,892,716	1,896,418,382
Provision for unexpired risks	—	16,768,642	16,768,642
Mathematical provision for life insurance	1,900,870,833	—	1,900,870,833
Provision for profit sharing	83,448,826	34,984	83,483,810
Provision for interest rate commitments	11,014,174	—	11,014,174
Provision for portfolio stabilisation	22,290,920	—	22,290,920
	2,017,624,753	34,984	2,017,659,737
	<u>2,135,770,506</u>	<u>2,071,477,182</u>	<u>4,207,247,688</u>
	2011		
	Life	Non-life	Total
Provision for unearned premiums	1,655,143	288,697,316	290,352,459
Claims provision:			
Reported claims	121,696,564	1,693,434,582	1,815,131,146
Claims not reported (IBNR)	16,241,621	111,008,738	127,250,359
	137,938,185	1,804,443,320	1,942,381,505
Provision for unexpired risks	—	28,925,657	28,925,657
Mathematical provision for life insurance	2,267,901,553	—	2,267,901,553
Provision for profit sharing	31,574,428	70,526	31,644,954
Provision for interest rate commitments	8,859,848	—	8,859,848
Provision for portfolio stabilisation	20,686,784	—	20,686,784
	2,329,022,613	70,526	2,329,093,139
	<u>2,468,615,941</u>	<u>2,122,136,819</u>	<u>4,590,752,760</u>

APPENDIX II ACCOUNTANTS' REPORT OF INSURANCE COMPANIES

(Amounts expressed in Euros, except when otherwise expressly indicated)

	Deferred premiums	2013 Deferred costs	Net
Life insurance:	<u>1,501,766</u>	<u>—</u>	<u>1,501,766</u>
Non-life insurance:			
Workman's compensation	13,937,093	(2,327,295)	11,609,798
Personal accidents and passengers	8,824,034	(1,746,592)	7,077,442
Health	26,078,793	(5,208,659)	20,870,134
Fire and other damage	91,836,151	(15,782,875)	76,053,276
Motor	149,484,120	(29,548,355)	119,935,765
Marine, aviation and transport	2,998,009	(344,603)	2,653,406
Third party liability	9,214,657	(1,534,179)	7,680,478
Credit and suretyship	416,330	(57,367)	358,963
Legal expenses	2,542,647	(368,171)	2,174,476
Assistance	11,545,240	(1,719,106)	9,826,134
Other	<u>6,902,054</u>	<u>(1,129,806)</u>	<u>5,772,248</u>
	<u>323,779,128</u>	<u>(59,767,008)</u>	<u>264,012,120</u>
	<u>325,280,894</u>	<u>(59,767,008)</u>	<u>265,513,886</u>
	Deferred premiums	2012 Deferred costs	Net
Life insurance:	<u>1,620,087</u>	<u>—</u>	<u>1,620,087</u>
Non-life insurance:			
Workman's compensation	14,602,950	(2,343,615)	12,259,335
Personal accidents and passengers	11,352,424	(2,258,832)	9,093,592
Health	24,983,488	(4,984,565)	19,998,923
Fire and other damage	93,100,425	(15,886,855)	77,213,570
Motor	155,404,555	(30,390,426)	125,014,129
Marine, aviation and transport	3,214,147	(315,058)	2,899,089
Third party liability	10,635,639	(1,481,244)	9,154,395
Credit and suretyship	419,424	(54,689)	364,735
Legal expenses	2,636,998	(370,860)	2,266,138
Assistance	11,663,590	(1,615,472)	10,048,118
Other	<u>7,769,721</u>	<u>(1,300,905)</u>	<u>6,468,816</u>
	<u>335,783,361</u>	<u>(61,002,521)</u>	<u>274,780,840</u>
	<u>337,403,448</u>	<u>(61,002,521)</u>	<u>276,400,927</u>

APPENDIX II ACCOUNTANTS' REPORT OF INSURANCE COMPANIES

(Amounts expressed in Euros, except when otherwise expressly indicated)

	Deferred premiums	2011 Deferred costs	Net
Life insurance:	<u>1,655,143</u>	<u>—</u>	<u>1,655,143</u>
Non-life insurance:			
Workman's compensation	14,787,989	(2,622,784)	12,165,205
Personal accidents and passengers	15,009,154	(2,943,166)	12,065,988
Health	26,810,503	(4,802,070)	22,008,433
Fire and other damage	92,205,419	(16,228,564)	75,976,855
Motor	161,840,154	(29,076,909)	132,763,245
Marine, aviation and transport	3,486,484	(403,484)	3,083,000
Third party liability	11,856,287	(1,597,687)	10,258,600
Credit and suretyship	355,809	(36,556)	319,253
Legal expenses	2,787,007	(387,781)	2,399,226
Assistance	11,467,467	(1,652,378)	9,815,089
Other	<u>9,442,702</u>	<u>(1,600,280)</u>	<u>7,842,422</u>
	<u>350,048,975</u>	<u>(61,351,659)</u>	<u>288,697,316</u>
	<u><u>351,704,118</u></u>	<u><u>(61,351,659)</u></u>	<u><u>290,352,459</u></u>

APPENDIX II ACCOUNTANTS' REPORT OF INSURANCE COMPANIES

(Amounts expressed in Euros, except when otherwise expressly indicated)

Information on movements in provisions for unearned premiums and deferred acquisition costs on direct insurance and inwards reinsurance, in 2013, 2012 and 2011, is set out below:

	2013			Closing Balance
	Opening Balance	Liabilities originated in period	Exchange Differences	
Provision for unearned premiums				
Life insurance:	1,620,087	(118,321)	—	1,501,766
Provision for unearned premiums:				
Non-life insurance:				
Workman's compensation	14,602,950	(665,851)	(6)	13,937,093
Personal accidents and passengers	11,352,424	(2,519,741)	(8,649)	8,824,034
Health	24,983,488	1,174,039	(78,734)	26,078,793
Fire and other damage	93,100,425	(1,113,149)	(151,125)	91,836,151
Motor	155,404,555	(5,647,393)	(273,042)	149,484,120
Marine, aviation and transport	3,214,147	(214,108)	(2,030)	2,998,009
Third party liability	10,635,639	(1,409,547)	(11,435)	9,214,657
Credit and suretyship	419,424	(3,094)	—	416,330
Legal expenses	2,636,998	(94,351)	—	2,542,647
Assistance	11,663,590	(118,350)	—	11,545,240
Other	7,769,721	(867,667)	—	6,902,054
	<u>335,783,361</u>	<u>(11,479,212)</u>	<u>(525,021)</u>	<u>323,779,128</u>
Deferred acquisition costs:				
Non-life insurance:				
Workman's compensation	(2,343,615)	16,080	240	(2,327,295)
Personal accidents and passengers	(2,258,832)	511,546	694	(1,746,592)
Health	(4,984,565)	(235,614)	11,520	(5,208,659)
Fire and other damage	(15,886,855)	104,226	(246)	(15,782,875)
Motor	(30,390,426)	896,248	(54,177)	(29,548,355)
Marine, aviation and transport	(315,058)	(29,588)	43	(344,603)
Third party liability	(1,481,244)	(53,488)	553	(1,534,179)
Credit and suretyship	(54,689)	(2,678)	—	(57,367)
Legal expenses	(370,860)	2,689	—	(368,171)
Assistance	(1,615,472)	(103,634)	—	(1,719,106)
Other	(1,300,905)	171,099	—	(1,129,806)
	<u>(61,002,521)</u>	<u>1,276,886</u>	<u>(41,373)</u>	<u>(59,767,008)</u>
	<u>274,780,840</u>	<u>(10,202,326)</u>	<u>(566,394)</u>	<u>264,012,120</u>

APPENDIX II ACCOUNTANTS' REPORT OF INSURANCE COMPANIES

(Amounts expressed in Euros, except when otherwise expressly indicated)

	2012			
	Opening	Liabilities originated	Exchange	Closing
	Balance	in period	Differences	Balance
Provision for unearned premiums				
Life insurance:	1,655,143	(35,056)	—	1,620,087
Provision for unearned premiums:				
Non-life insurance:				
Workman's compensation	14,787,989	(164,611)	(20,428)	14,602,950
Personal accidents and passengers	15,009,154	(3,654,344)	(2,386)	11,352,424
Health	26,810,503	(1,825,948)	(1,067)	24,983,488
Fire and other damage	92,205,419	881,453	13,553	93,100,425
Motor	161,840,154	(6,376,833)	(58,766)	155,404,555
Marine, aviation and transport	3,486,484	(273,200)	863	3,214,147
Third party liability	11,856,287	(1,217,263)	(3,385)	10,635,639
Credit and suretyship	355,809	63,615	—	419,424
Legal expenses	2,787,007	(150,009)	—	2,636,998
Assistance	11,467,467	196,123	—	11,663,590
Other	9,442,702	(1,672,981)	—	7,769,721
	<u>350,048,975</u>	<u>(14,193,998)</u>	<u>(71,616)</u>	<u>335,783,361</u>
Deferred acquisition costs:				
Non-life insurance:				
Workman's compensation	(2,622,784)	277,329	1,840	(2,343,615)
Personal accidents and passengers	(2,943,166)	684,163	171	(2,258,832)
Health	(4,802,070)	(182,495)	—	(4,984,565)
Fire and other damage	(16,228,564)	340,309	1,400	(15,886,855)
Motor	(29,076,909)	(1,317,891)	4,374	(30,390,426)
Marine, aviation and transport	(403,484)	88,287	139	(315,058)
Third party liability	(1,597,687)	116,287	156	(1,481,244)
Credit and suretyship	(36,556)	(18,133)	—	(54,689)
Legal expenses	(387,781)	16,921	—	(370,860)
Assistance	(1,652,378)	36,906	—	(1,615,472)
Other	(1,600,280)	299,375	—	(1,300,905)
	<u>(61,351,659)</u>	<u>341,058</u>	<u>8,080</u>	<u>(61,002,521)</u>
	<u>288,697,316</u>	<u>(13,852,940)</u>	<u>(63,536)</u>	<u>274,780,840</u>

APPENDIX II ACCOUNTANTS' REPORT OF INSURANCE COMPANIES

(Amounts expressed in Euros, except when otherwise expressly indicated)

	2011			
	Opening	Liabilities originated	Exchange	Closing
	Balance	in period	Differences	Balance
Provision for unearned premiums				
Life insurance:	1,640,958	14,185	—	1,655,143
Provision for unearned premiums:				
Non-life insurance:				
Workman's compensation	15,416,145	(628,331)	175	14,787,989
Personal accidents and passengers	18,839,010	(3,829,999)	143	15,009,154
Health	27,679,546	(869,043)	—	26,810,503
Fire and other damage	88,224,034	3,957,904	23,481	92,205,419
Motor	169,017,511	(7,179,079)	1,722	161,840,154
Marine, aviation and transport	4,781,366	(1,297,208)	2,326	3,486,484
Third party liability	12,202,349	(348,447)	2,385	11,856,287
Credit and suretyship	317,413	38,396	—	355,809
Legal expenses	2,701,067	85,940	—	2,787,007
Assistance	11,811,554	(344,087)	—	11,467,467
Other	9,539,520	(96,818)	—	9,442,702
	<u>360,529,515</u>	<u>(10,510,772)</u>	<u>30,232</u>	<u>350,048,975</u>
Deferred acquisition costs:				
Non-life insurance:				
Workman's compensation	(2,670,937)	48,153	—	(2,622,784)
Personal accidents and passengers	(3,695,738)	752,572	—	(2,943,166)
Health	(5,435,539)	633,469	—	(4,802,070)
Fire and other damage	(15,455,736)	(772,828)	—	(16,228,564)
Motor	(31,626,843)	2,549,934	—	(29,076,909)
Marine, aviation and transport	(372,275)	(31,209)	—	(403,484)
Third party liability	(1,627,667)	29,980	—	(1,597,687)
Credit and suretyship	(24,677)	(11,879)	—	(36,556)
Legal expenses	(340,904)	(46,877)	—	(387,781)
Assistance	(1,467,135)	(185,243)	—	(1,652,378)
Other	(1,615,219)	14,939	—	(1,600,280)
	<u>(64,332,670)</u>	<u>2,981,011</u>	<u>—</u>	<u>(61,351,659)</u>
	<u>296,196,845</u>	<u>(7,529,761)</u>	<u>30,232</u>	<u>288,697,316</u>

APPENDIX II ACCOUNTANTS' REPORT OF INSURANCE COMPANIES

(Amounts expressed in Euros, except when otherwise expressly indicated)

The following is a breakdown of claims provisions relating to direct insurance and inwards reinsurance at 31 December 2013, 2012 and 2011:

	2013		
	Reported	Not reported	Total
Life insurance:	<u>92,451,557</u>	<u>16,008,396</u>	<u>108,459,953</u>
Non-life insurance:			
Workman's compensation:			
Mathematical provision	529,321,476	1,021,477	530,342,953
Provision for lifelong assistance	159,524,398	221,457	159,745,855
Provision for temporary assistance	<u>130,604,382</u>	<u>3,267,328</u>	<u>133,871,710</u>
	<u>819,450,256</u>	<u>4,510,262</u>	<u>823,960,518</u>
Other:			
Personal accidents and passengers	14,963,661	444,510	15,408,171
Health	39,488,629	3,347,075	42,835,704
Fire and other damage	123,755,245	14,961,530	138,716,775
Motor	515,828,120	47,217,055	563,045,175
Marine, aviation and transport	11,686,759	983,307	12,670,066
Third party liability	106,673,261	4,897,428	111,570,689
Credit and suretyship	385,489	69,518	455,007
Legal expenses	6,395,533	1,166,251	7,561,784
Assistance	11,364,187	24,960	11,389,147
Other	<u>8,045,914</u>	<u>2,009,163</u>	<u>10,055,077</u>
	<u>838,586,798</u>	<u>75,120,797</u>	<u>913,707,595</u>
	<u>1,658,037,054</u>	<u>79,631,059</u>	<u>1,737,668,113</u>
	<u>1,750,488,611</u>	<u>95,639,455</u>	<u>1,846,128,066</u>

APPENDIX II ACCOUNTANTS' REPORT OF INSURANCE COMPANIES

(Amounts expressed in Euros, except when otherwise expressly indicated)

	2012		
	Reported	Not reported	Total
Life insurance:	<u>101,171,216</u>	<u>15,354,450</u>	<u>116,525,666</u>
Non-life insurance:			
Workman's compensation:			
Mathematical provision	527,330,225	3,475,610	530,805,835
Provision for lifelong assistance	137,150,698	18,462,159	155,612,857
Provision for temporary assistance	<u>125,232,433</u>	<u>4,344,534</u>	<u>129,576,967</u>
	<u>789,713,356</u>	<u>26,282,303</u>	<u>815,995,659</u>
Other:			
Personal accidents and passengers	15,766,899	709,646	16,476,545
Health	37,540,161	1,809,405	39,349,566
Fire and other damage	107,381,750	14,764,274	122,146,024
Motor	562,009,446	50,466,989	612,476,435
Marine, aviation and transport	15,094,528	930,388	16,024,916
Third party liability	116,142,964	5,160,240	121,303,204
Credit and suretyship	448,724	55,979	504,703
Legal expenses	6,830,996	639,767	7,470,763
Assistance	11,683,352	57,490	11,740,842
Other	<u>13,299,766</u>	<u>3,104,293</u>	<u>16,404,059</u>
	<u>886,198,586</u>	<u>77,698,471</u>	<u>963,897,057</u>
	<u>1,675,911,942</u>	<u>103,980,774</u>	<u>1,779,892,716</u>
	<u><u>1,777,083,158</u></u>	<u><u>119,335,224</u></u>	<u><u>1,896,418,382</u></u>

APPENDIX II ACCOUNTANTS' REPORT OF INSURANCE COMPANIES

(Amounts expressed in Euros, except when otherwise expressly indicated)

	2011		
	Reported	Not reported	Total
Life insurance:	<u>121,696,564</u>	<u>16,241,621</u>	<u>137,938,185</u>
Non-life insurance:			
Workman's compensation:			
Mathematical provision	513,580,298	2,642,611	516,222,909
Provision for lifelong assistance	130,285,341	16,053,128	146,338,469
Provision for temporary assistance	<u>96,811,892</u>	<u>5,249,317</u>	<u>102,061,209</u>
	<u>740,677,531</u>	<u>23,945,056</u>	<u>764,622,587</u>
Other:			
Personal accidents and passengers	14,132,671	772,858	14,905,529
Health	31,112,691	9,050,974	40,163,665
Fire and other damage	138,037,669	16,773,623	154,811,292
Motor	610,462,127	49,641,351	660,103,478
Marine, aviation and transport	12,736,564	1,214,038	13,950,602
Third party liability	111,858,341	5,268,726	117,127,067
Credit and suretyship	934,274	23,722	957,996
Legal expenses	6,716,169	729,763	7,445,932
Assistance	13,760,447	91,145	13,851,592
Other	<u>13,006,098</u>	<u>3,497,482</u>	<u>16,503,580</u>
	<u>952,757,051</u>	<u>87,063,682</u>	<u>1,039,820,733</u>
	<u>1,693,434,582</u>	<u>111,008,738</u>	<u>1,804,443,320</u>
	<u>1,815,131,146</u>	<u>127,250,359</u>	<u>1,942,381,505</u>

In 2012, the Insurance Group updated the mortality table used to calculate the mathematical provisions of the workman's compensation line of business, by reducing in one year the values of the mortality table previously used to calculate the provisions for not redeemable pensions, in order to adjust it to the retirees' life expectancy evolution. This review of the estimate originated a reinforcement of the registered provisions in the approximate amount of Euro 9,550,000.

Additionally, at 31 December 2013 and 2012, the provisions for workman's compensation claims include a provision in the amount of Euro 33,000,000 destined to reinforce the technical bases of workman's compensation mathematical provisions.

APPENDIX II ACCOUNTANTS' REPORT OF INSURANCE COMPANIES

(Amounts expressed in Euros, except when otherwise expressly indicated)

At 31 December 2013, the account heading “provision for lifelong assistance - reported” includes Euro 27,226,548 that correspond to provisions for presumed lifelong assistance. Until 31 December 2012, this provisions were recorded in the account heading “provision for lifelong assistance - not reported”.

In 2011, the Insurance Group revised the methodology used to estimate claims costs for life insurance products classified as insurance contracts, having registered claims liabilities with indemnity receipts issued more than three years ago, including amounts deriving from redemptions and maturities, based on the expected amount of the payments to be made, assessed by an external consultant on the basis of the Insurance Group's historical data for similar claims payments. The previously used methodology comprised the registration of the nominal amount of the liability. The provisions registered by the Insurance Group, in 2011, were accordingly reduced by a net amount of Euro 19,080,000.

Information on movements to provisions for direct insurance and inwards reinsurance claims, in 2013, 2012 and 2011, is set out below:

	2013				
	Opening Balance	Liabilities originated in period	Claims paid	Exchange Differences	Closing Balance
Life insurance:	116,525,666	326,409,854	(334,475,567)	—	108,459,953
Non-life insurance:					
Workman's compensation	815,995,659	140,482,022	(132,593,187)	76,024	823,960,518
Personal accidents and passengers	16,476,545	8,859,796	(9,928,340)	170	15,408,171
Health	39,349,566	155,971,104	(152,528,187)	43,221	42,835,704
Fire and other damage	122,146,024	146,915,720	(130,345,569)	600	138,716,775
Motor	612,476,435	253,189,246	(302,659,962)	39,456	563,045,175
Marine, aviation and transport	16,024,916	8,916,318	(12,271,180)	12	12,670,066
Third party liability	121,303,204	12,392,341	(22,124,942)	86	111,570,689
Credit and suretyship	504,703	770,664	(820,360)	—	455,007
Legal expenses	7,470,763	457,874	(366,853)	—	7,561,784
Assistance	11,740,842	28,493,928	(28,845,623)	—	11,389,147
Other	16,404,059	7,751,302	(14,100,284)	—	10,055,077
	<u>1,779,892,716</u>	<u>764,200,315</u>	<u>(806,584,487)</u>	<u>159,569</u>	<u>1,737,668,113</u>
	<u>1,896,418,382</u>	<u>1,090,610,169</u>	<u>(1,141,060,054)</u>	<u>159,569</u>	<u>1,846,128,066</u>

APPENDIX II ACCOUNTANTS' REPORT OF INSURANCE COMPANIES

(Amounts expressed in Euros, except when otherwise expressly indicated)

	2012				
	Opening Balance	Liabilities originated in period	Claims paid	Exchange Differences	Closing Balance
Life insurance:	137,938,185	557,122,416	(578,534,935)	—	116,525,666
Non-life insurance:					
Workman's compensation	764,622,587	184,150,220	(132,796,729)	19,581	815,995,659
Personal accidents and passengers	14,905,529	8,582,151	(7,011,650)	515	16,476,545
Health	40,163,665	152,616,702	(153,430,824)	23	39,349,566
Fire and other damage	154,811,292	66,644,842	(99,312,577)	2,467	122,146,024
Motor	660,103,478	294,633,890	(342,279,185)	18,252	612,476,435
Marine, aviation and transport	13,950,602	7,154,002	(5,079,727)	39	16,024,916
Third party liability	117,127,067	23,434,891	(19,258,867)	113	121,303,204
Credit and suretyship	957,996	3,934	(457,227)	—	504,703
Legal expenses	7,445,932	509,388	(484,557)	—	7,470,763
Assistance	13,851,592	24,458,732	(26,569,482)	—	11,740,842
Other	16,503,580	12,686,405	(12,785,926)	—	16,404,059
	<u>1,804,443,320</u>	<u>774,875,157</u>	<u>(799,466,751)</u>	<u>40,990</u>	<u>1,779,892,716</u>
	<u>1,942,381,505</u>	<u>1,331,997,573</u>	<u>(1,378,001,686)</u>	<u>40,990</u>	<u>1,896,418,382</u>

APPENDIX II ACCOUNTANTS' REPORT OF INSURANCE COMPANIES

(Amounts expressed in Euros, except when otherwise expressly indicated)

	2011				
	Opening Balance	Liabilities originated in period	Claims paid	Exchange Differences	Closing Balance
Life insurance:	<u>167,674,983</u>	<u>1,158,192,369</u>	<u>(1,187,929,167)</u>	<u>—</u>	<u>137,938,185</u>
Non-life insurance:					
Workman's compensation	763,105,045	142,498,414	(140,980,872)	—	764,622,587
Personal accidents and passengers	14,288,586	8,905,028	(8,288,085)	—	14,905,529
Health	49,445,881	159,387,488	(168,669,704)	—	40,163,665
Fire and other damage	170,583,458	126,783,012	(142,555,178)	—	154,811,292
Motor	702,095,692	325,333,617	(367,325,831)	—	660,103,478
Marine, aviation and transport	40,825,285	(17,895,236)	(8,979,447)	—	13,950,602
Third party liability	128,455,335	6,574,704	(17,902,972)	—	117,127,067
Credit and suretyship	945,786	346,129	(333,919)	—	957,996
Legal expenses	6,895,060	795,608	(244,736)	—	7,445,932
Assistance	17,247,255	25,177,453	(28,573,116)	—	13,851,592
Other	<u>15,626,380</u>	<u>14,682,365</u>	<u>(13,805,165)</u>	<u>—</u>	<u>16,503,580</u>
	<u>1,909,513,763</u>	<u>792,588,582</u>	<u>(897,659,025)</u>	<u>—</u>	<u>1,804,443,320</u>
	<u>2,077,188,746</u>	<u>1,950,780,951</u>	<u>(2,085,588,192)</u>	<u>—</u>	<u>1,942,381,505</u>

Liabilities originated and amounts paid during the period do not include the costs allocated to the claims management function and have not been deducted from the reimbursements processed by the Insurance Group.

APPENDIX II ACCOUNTANTS' REPORT OF INSURANCE COMPANIES

(Amounts expressed in Euros, except when otherwise expressly indicated)

The following is a breakdown of provisions for unexpired risks on direct insurance and inwards reinsurance at 31 December 2013, 2012 and 2011:

	2013	2012	2011
Non-life insurance:			
Workman's compensation	14,164,542	2,283,539	3,469,109
Personal accidents and passengers	32,741	82,135	8,171
Health	2,812,837	909,199	5,195,998
Fire and other damage	8,781,827	1,847,127	5,055,727
Motor	14,404,460	10,359,295	13,601,067
Marine, aviation and transport	48,067	—	201
Third party liability	490,190	726,305	821,796
Credit and suretyship	174,721	25,837	24,798
Legal expenses	—	—	620
Assistance	101,981	535,205	748,170
	<u>41,011,366</u>	<u>16,768,642</u>	<u>28,925,657</u>

Information on provisions for unexpired risks on direct insurance and inwards reinsurance movements, in 2013, 2012 and 2011, is set out below:

	2013		
	Opening balance	Appropriations for period	Closing balance
Non-life insurance			
Workman's compensation	2,283,539	11,881,003	14,164,542
Personal accidents and passengers	82,135	(49,394)	32,741
Health	909,199	1,903,638	2,812,837
Fire and other damage	1,847,127	6,934,700	8,781,827
Motor	10,359,295	4,045,165	14,404,460
Marine, aviation and transport	—	48,067	48,067
Third party liability	726,305	(236,115)	490,190
Credit and suretyship	25,837	148,884	174,721
Assistance	535,205	(433,224)	101,981
	<u>16,768,642</u>	<u>24,242,724</u>	<u>41,011,366</u>

APPENDIX II ACCOUNTANTS' REPORT OF INSURANCE COMPANIES

(Amounts expressed in Euros, except when otherwise expressly indicated)

	2012		
	Opening balance	Appropriations for period	Closing balance
Non-life insurance			
Workman's compensation	3,469,109	(1,185,570)	2,283,539
Personal accidents and passengers	8,171	73,964	82,135
Health	5,195,998	(4,286,799)	909,199
Fire and other damage	5,055,727	(3,208,600)	1,847,127
Motor	13,601,067	(3,241,772)	10,359,295
Marine, aviation and transport	201	(201)	—
Third party liability	821,796	(95,491)	726,305
Credit and suretyship	24,798	1,039	25,837
Legal expenses	620	(620)	—
Assistance	748,170	(212,965)	535,205
	<u>28,925,657</u>	<u>(12,157,015)</u>	<u>16,768,642</u>
	2011		
	Opening balance	Appropriations for period	Closing balance
Non-life insurance			
Workman's compensation	4,995,298	(1,526,189)	3,469,109
Personal accidents and passengers	168,833	(160,662)	8,171
Health	1,001,980	4,194,018	5,195,998
Fire and other damage	7,008,993	(1,953,266)	5,055,727
Motor	26,224,395	(12,623,328)	13,601,067
Marine, aviation and transport	16,438	(16,237)	201
Third party liability	2,757,153	(1,935,357)	821,796
Credit and suretyship	3,981	20,817	24,798
Legal expenses	—	620	620
Assistance	736,982	11,188	748,170
Other	1,170,175	(1,170,175)	—
	<u>44,084,228</u>	<u>(15,158,571)</u>	<u>28,925,657</u>

APPENDIX II ACCOUNTANTS' REPORT OF INSURANCE COMPANIES

(Amounts expressed in Euros, except when otherwise expressly indicated)

Information on the mathematical provision and provisions for profit sharing, direct insurance and inwards reinsurance profit sharing movements, in 2013, 2012 and 2011, is set out below:

	Opening Balance	Liabilities originated in period and interest attributed	Amount attributable to insured from shareholders' equity	2013		Other	Income distributed	Closing Balance
				Change in deferred acquisition costs				
Direct insurance and inwards reinsurance:								
Mathematical provision:								
. Insurance contracts	231,790,610	(1,997,602)	—	6,999	(28,649)	265,859	230,037,217	
. Investment contracts with a discretionary profit sharing component	1,669,080,223	(142,735,546)	—	20,963	(353,393)	1,014,888	1,527,027,135	
	<u>1,900,870,833</u>	<u>(144,733,148)</u>	<u>—</u>	<u>27,962</u>	<u>(382,042)</u>	<u>1,280,747</u>	<u>1,757,064,352</u>	
Provision for profit sharing								
. Insurance contracts	28,114,184	2,719,248	1,975,346	—	—	(3,193,161)	29,615,617	
. Investment contracts with a discretionary profit sharing component	55,334,642	(10,228,850)	28,466,828	—	—	(1,014,892)	72,557,728	
	<u>83,448,826</u>	<u>(7,509,602)</u>	<u>30,442,174</u>	<u>—</u>	<u>—</u>	<u>(4,208,053)</u>	<u>102,173,345</u>	
	<u>1,984,319,659</u>	<u>(152,242,750)</u>	<u>30,442,174</u>	<u>27,962</u>	<u>(382,042)</u>	<u>(2,927,306)</u>	<u>1,859,237,697</u>	
	Opening Balance	Liabilities originated in period and interest attributed	Amount attributable to insured from shareholders' equity	2012		Other	Income distributed	Closing Balance
				Change in deferred acquisition costs				
Direct insurance and inwards reinsurance:								
Mathematical provision:								
. Insurance contracts	242,714,302	(11,126,994)	—	6,682	—	196,620	231,790,610	
. Investment contracts with a discretionary profit sharing component	2,025,187,251	(355,341,750)	—	32,178	(1,520,934)	723,478	1,669,080,223	
	<u>2,267,901,553</u>	<u>(366,468,744)</u>	<u>—</u>	<u>38,860</u>	<u>(1,520,934)</u>	<u>920,098</u>	<u>1,900,870,833</u>	
Provision for profit sharing								
. Insurance contracts	26,478,430	(573,156)	6,808,695	—	—	(4,599,785)	28,114,184	
. Investment contracts with a discretionary profit sharing component	5,095,998	(18,805,901)	69,768,019	—	—	(723,474)	55,334,642	
	<u>31,574,428</u>	<u>(19,379,057)</u>	<u>76,576,714</u>	<u>—</u>	<u>—</u>	<u>(5,323,259)</u>	<u>83,448,826</u>	
	<u>2,299,475,981</u>	<u>(385,847,801)</u>	<u>76,576,714</u>	<u>38,860</u>	<u>(1,520,934)</u>	<u>(4,403,161)</u>	<u>1,984,319,659</u>	

APPENDIX II ACCOUNTANTS' REPORT OF INSURANCE COMPANIES

(Amounts expressed in Euros, except when otherwise expressly indicated)

			2011				
	Opening Balance	Liabilities originated in period and interest attributed	Amount attributable to insured from shareholders' equity	Change in deferred acquisition costs	Other	Income distributed	Closing Balance
Direct insurance and inwards reinsurance:							
Mathematical provision:							
. Insurance contracts	251,069,457	(9,454,491)	—	76	—	1,099,260	242,714,302
. Investment contracts with a discretionary profit sharing component	2,970,246,511	(949,053,482)	—	37,106	104,014	3,853,102	2,025,187,251
	<u>3,221,315,968</u>	<u>(958,507,973)</u>	<u>—</u>	<u>37,182</u>	<u>104,014</u>	<u>4,952,362</u>	<u>2,267,901,553</u>
Provision for profit sharing							
. Insurance contracts	27,107,114	6,718,428	(1,617,130)	—	(148,983)	(5,580,999)	26,478,430
. Investment contracts with a discretionary profit sharing component	27,452,720	(16,983,787)	(1,519,833)	—	—	(3,853,102)	5,095,998
	<u>54,559,834</u>	<u>(10,265,359)</u>	<u>(3,136,963)</u>	<u>—</u>	<u>(148,983)</u>	<u>(9,434,101)</u>	<u>31,574,428</u>
	<u>3,275,875,802</u>	<u>(968,773,332)</u>	<u>(3,136,963)</u>	<u>37,182</u>	<u>(44,969)</u>	<u>(4,481,739)</u>	<u>2,299,475,981</u>

The movements in the provision for profit sharing attributed and to attribute are done according to the policy described in note 3.15.f.

Fidelidade, in 2011, started to use the balances transiting from the fund for future appropriations to cover the losses made each year in the technical accounts of the respective life insurance products with profit sharing. The impact of using this procedure in the income for 2013, 2012 and 2011, not considering the corresponding fiscal effect, amounted to an income of Euro 268,171, Euro 410,612 and Euro 26,298,967, respectively.

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(Amounts expressed in Euros, except when otherwise expressly indicated)

32. INVESTMENT CONTRACT LIABILITIES, INCLUDING FINANCIAL LIABILITIES FOR UNIT-LINKED CONTRACTS

The following is a breakdown of this heading at 31 December 2013, 2012 and 2011:

	2013	2012	2011
Financial liabilities for Unit-linked contracts	<u>988,154,104</u>	<u>1,148,224,880</u>	<u>585,723,159</u>
Investment contract liabilities	6,038,457,464	5,600,888,199	6,275,348,886
Commissions on the issue of financial products	<u>(5,992,189)</u>	<u>(6,131,085)</u>	<u>(8,390,197)</u>
	<u>6,032,465,275</u>	<u>5,594,757,114</u>	<u>6,266,958,689</u>
	<u><u>7,020,619,379</u></u>	<u><u>6,742,981,994</u></u>	<u><u>6,852,681,848</u></u>

Information on movements in this account heading for 2013, 2012 and 2011 is set out below:

	2013					
	Opening Balance	Issues	Redemptions	Profit or loss	Other	Closing Balance
Measured at fair value						
Unit-linked contracts	1,148,224,880	(1,885,339)	(212,194,553)	54,089,245	(80,129)	988,154,104
Measured at amortised cost						
Other Investment contracts	<u>5,600,888,199</u>	<u>2,307,392,521</u>	<u>(2,040,806,760)</u>	<u>170,549,982</u>	<u>433,522</u>	<u>6,038,457,464</u>
	<u><u>6,749,113,079</u></u>	<u><u>2,305,507,182</u></u>	<u><u>(2,253,001,313)</u></u>	<u><u>224,639,227</u></u>	<u><u>353,393</u></u>	<u><u>7,026,611,568</u></u>

	2012					
	Opening Balance	Issues	Redemptions	Profit or loss	Other	Closing Balance
Measured at fair value						
Unit-linked contracts	585,723,159	498,127,140	(85,150,658)	149,604,252	(79,013)	1,148,224,880
Measured at amortised cost						
Other Investment contracts	<u>6,275,348,886</u>	<u>1,411,577,856</u>	<u>(2,246,272,214)</u>	<u>158,633,724</u>	<u>1,599,947</u>	<u>5,600,888,199</u>
	<u><u>6,861,072,045</u></u>	<u><u>1,909,704,996</u></u>	<u><u>(2,331,422,872)</u></u>	<u><u>308,237,976</u></u>	<u><u>1,520,934</u></u>	<u><u>6,749,113,079</u></u>

APPENDIX II ACCOUNTANTS' REPORT OF INSURANCE COMPANIES

(Amounts expressed in Euros, except when otherwise expressly indicated)

	2011					
	Opening Balance	Issues	Redemptions	Profit or loss	Other	Closing Balance
Measured at fair value						
Unit-linked contracts	731,275,606	4,742,283	(126,513,362)	(23,570,627)	(210,741)	585,723,159
Measured at amortised cost						
Other Investment contracts	<u>7,110,243,939</u>	<u>2,562,963,921</u>	<u>(3,562,683,666)</u>	<u>164,717,965</u>	<u>106,727</u>	<u>6,275,348,886</u>
	<u>7,841,519,545</u>	<u>2,567,706,204</u>	<u>(3,689,197,028)</u>	<u>141,147,338</u>	<u>(104,014)</u>	<u>6,861,072,045</u>

Most of the “Other investment contracts” comprise liabilities for contracts which provide the insured with a fixed yield over the whole of the contract, registered at amortised cost. A significant part of such liabilities is hedged by investments in Portuguese public debt securities, which are recognised as available for sale assets (Note 21) and as investments to be held to maturity (Note 22), which were acquired with effective yields higher than those guaranteed to the insured. The potential capital gains and losses on available for sale assets are recognised in the revaluation reserves and the potential capital gains and losses on investments to be held to maturity not being recognised.

The “Comissions on the issue of financial products” account heading comprises the deferral of commissions charges made by CGD on the commercialisation of capitalisation products recognised as financial liabilities, which are deferred during the contract’s lifetime.

33. LOANS OBTAINED FROM CREDIT AND FINANCIAL INSTITUTIONS AND OTHER FINANCIAL LIABILITIES

The following is a breakdown of this account heading, at 31 December 2013, 2012 and 2011:

	2013	2012	2011
Loans obtained from credit and financial institutions			
- Loans obtained			
. Fundo de Investimento Imobiliário			
Fechado SaúdeInveste	30,500,000	28,000,000	34,000,000
. Fidelidade — Investimentos			
Imobiliários, S.A.	—	—	6,000,000
- Financial leases	<u>335,054</u>	<u>1,166,099</u>	<u>2,902,549</u>
	<u>30,835,054</u>	<u>29,166,099</u>	<u>42,902,549</u>
Other financial liabilities			
- Derivatives trading instruments (Note 20):	<u>4,406,403</u>	<u>14,083,378</u>	<u>3,166,301</u>

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(Amounts expressed in Euros, except when otherwise expressly indicated)

The “Loans obtained from credit and financial institutions — Loans obtained” account heading at 31 December 2013, 2012 and 2011 comprises loans obtained from CGD by the Insurance Group's companies in the property area.

The loan obtained by Fundo de Investimento Imobiliário Fechado Saúdeinveste, respects to a current account for treasury support and is fully repayable within one year. The maximum amount that can be used at 31 December 2013 and 2012 is Euro 40,000,000 and at 31 December 2011 is Euro 46,000,000. Interest rates underlying all obligations are indexed to the Euribor 3M rate, plus a spread. At 31 December 2013, 2012 and 2011 the average annual rate paid was 4.70%, 4.80% and 3.93%, respectively.

The loan obtained by Fidelidade - Investimentos Imobiliários, S.A., respects to a current account for treasury support and was fully repayable within one year. The maximum amount was Euro 6,000,000 and the interest rate paid was 4.286%. This credit facility ended at February 2012.

The interest expense with loans during the years 2013, 2012 and 2011 was Euro 1,404,415, Euro 1,638,952 and Euro 1,640,682, respectively.

Obligations under finance leases

The Target Companies hold equipment acquired under finance leases. The following is a breakdown of future minimum payments, included in the heading “Loans obtained from credit and financial institutions - Financial leases”, as at 31 December 2013, 2012 and 2011:

	2013	2012	2011
Amounts payable under finance leases			
Within one year	239,407	831,045	1,736,450
In more than one year but no more than two years	57,621	239,407	831,045
In more than two years but no more than five years	38,026	92,612	320,028
In more than five years	—	3,035	15,026
	<u>335,054</u>	<u>1,166,099</u>	<u>2,902,549</u>

Interest rates underlying all obligations under financial lease contracts are indexed to the Euribor rate, plus a spread.

The leases have no terms of renewal or escalation clauses. The Insurance Group companies have the option to purchase the leased equipment at maturity date, against payment of the residual value due for settlement. The Target Companies' obligations under finance leases are secured by promissory notes and by the lessor's charge over the leased assets.

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The interest expense with financial leases during the years 2013, 2012 and 2011 was Euro 5,607, Euro 29,079 and Euro 63,516, respectively.

34. INSURANCE AND REINSURANCE CREDITORS

The following is a breakdown of this account heading, at 31 December 2013, 2012 and 2011:

	2013	2012	2011
Accounts payable for direct insurance operations:			
Agents and mediators			
Current account	27,498,686	30,502,287	53,864,606
Commissions payable	5,098,713	6,010,880	4,798,730
Policyholders			
Returns payable	7,983,091	9,192,704	8,486,841
Premiums received in advance	13,081,884	13,957,220	16,193,182
Penalties for lack of payment	—	150	—
Co-insurers			
Current account	7,189,359	6,135,212	19,261,061
Premiums payable	738,084	1,145,047	1,787,745
Claims payable	4,823,862	4,623,472	5,846,914
Other	<u>190,916</u>	<u>226,944</u>	<u>342,147</u>
	<u>66,604,595</u>	<u>71,793,916</u>	<u>110,581,226</u>
Accounts payable for other reinsurance operations:			
Current accounts of reinsurers	26,759,183	40,498,082	31,618,651
Current accounts of reinsured	2,432,274	2,409,461	2,259,478
Deposits received from reinsurers			
Life	5,890,300	5,431,456	6,966,562
Non-life	<u>38,541,918</u>	<u>39,933,655</u>	<u>45,298,764</u>
	<u>73,623,675</u>	<u>88,272,654</u>	<u>86,143,455</u>
	<u>140,228,270</u>	<u>160,066,570</u>	<u>196,724,681</u>

All the amounts due to insurance and reinsurance creditors are current and expected to be settled within one year.

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35. OTHER PAYABLES AND ACCRUALS

The following is a breakdown of this account heading, at 31 December 2013, 2012 and 2011:

	2013	2012	2011
Accounts payable for other operations	<u>33,088,819</u>	<u>21,996,985</u>	<u>29,102,065</u>
Taxes and contributions payable			
Stamp duty	8,807,127	9,978,708	10,784,960
Retentions	5,390,535	5,413,578	8,143,527
Workman's compensation fund	4,200,928	4,672,415	4,412,655
Motor insurance guarantee fund	2,176,236	2,331,564	2,378,634
Social Security	2,137,131	1,807,113	1,790,297
National Medical Emergency Institute Tax	2,108,585	3,827,913	3,914,958
Portuguese Insurance Institute Tax	1,792,203	1,848,743	2,039,070
National Civil Protection Authority Tax	1,780,652	1,985,723	2,270,156
Other	1,350,347	1,312,379	764,044
Crop insurance guarantee fund	<u>—</u>	<u>6,288</u>	<u>7,416</u>
	<u>29,743,744</u>	<u>33,184,424</u>	<u>36,505,717</u>
Accruals and deferrals			
Deferred income	1,778,378	1,794,054	1,785,281
Accrued expenses:	<u>59,797,316</u>	<u>56,921,000</u>	<u>52,578,788</u>
	<u>61,575,694</u>	<u>58,715,054</u>	<u>54,364,069</u>
	<u>124,408,257</u>	<u>113,896,463</u>	<u>119,971,851</u>

All the other payables and accruals are expected to be settled within one year.

36. POST-EMPLOYMENT AND OTHER LONG TERM BENEFITS

Pension liabilities

In conformity with the collective labour agreement previously in force for the insurance sector, Fidelidade undertook to make cash payments to workers engaged in the insurance activity prior to June 1995, to complement the retirement pensions paid by the social security services. In short, the amount of such payments varies on the basis of employees' wages, contributory career, record of social security payments and, in the case of disability, seniority in terms of insurance activity.

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Império Bonança also attributed the following benefits:

- Between 1999 and 2005, it undertook, in the case of early retirements, to pay a lifetime pension comprising the difference between 80% of the last wage and the amount paid by the social security services.
- It also undertook to expand the benefits set out in the collective labour agreement to employees engaged up to June 2005 and provides pension fund beneficiaries with the additional benefits guaranteed by the complementary plan in force in Millenniumbcp Group, of which the company was a member up to 31 January 2005. The liabilities associated with the complementary plan are funded by the respective pension fund.

Under the new labour agreement for insurance activities, entered into on 23 December 2011, all current workers with indefinite duration work contracts benefit from an Individual Retirement Plan (“IRP”), a defined contribution plan which replaced the retirement pensions system contemplated by the previous collective agreement.

In conformity with the rules of the new collective agreement, the capitalised value of the payments to IRP can be redeemed by the employee, in the legal terms, on the date of retirement for disability or old age given by the social security services, with a capital guarantee on the amounts of the initial transfer and the contributions paid by the Insurance Group companies and the beneficiaries.

The wholly financed amounts of liabilities for past services, calculated at 31 December 2011, with reference to the retirement pensions for old age due to current workers engaged prior to 22 June 1995, who were covered by the Clause 51, No. 4, of the previous collective agreement, in the amount of Euro 18,446,284 were converted in individual accounts for those employees and integrated as initial contributions in the respective individual retirement plans. This change does not apply to the liabilities with pensions being paid for employees who at 31 December 2011 were retired or pre-retired, or to the current employees affiliated to the SINAPSA union, which did not adhere to the new collective agreement.

The companies' contributions to the individual retirement plan are made according to the terms of Annex V of the new collective agreement, and correspond to the amount resulting from the application to the employee's base yearly salary of the percentages in the following table:

Calendar year	Contribution IRP
2012	1.00%
2013	2.25%
2014	2.50%
2015	2.75%
2016	3.00%
2017 and following	3.25%

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Additionally, according to the terms of Clause 49, No. 1, of the new collective agreement, the first annual contribution to the IRP from the companies will be made:

- In 2015, for current employees, engaged in the insurance activity prior to 22 June 1995;
- In 2012, for current employees, engaged in the insurance activity between 22 June 1995 and 31 December 2009;
- The year following the one in which they complete two years of effective service in the companies, for the employees engaged after 1 January 2010.

At 31 December 2013, 2012 and 2011, the heading “Asset for employee benefits (long term)” has the following composition:

	2013	2012	2011
Assets for post-employment and other long term benefits			
Defined benefit plan	<u>5,434,293</u>	<u>6,327,959</u>	<u>1,681,750</u>
Liabilities for post-employment and other long term benefits			
Defined contribution plan	(407,107)	(17,416)	—
Liabilities for past services — Health benefits	(22,993,574)	(23,374,874)	(11,634,726)
Other	<u>(2,273,949)</u>	<u>(11,861)</u>	<u>(44,123)</u>
	<u>(25,674,630)</u>	<u>(23,404,151)</u>	<u>(11,678,849)</u>

At 31 December 2013 the balance of “Defined contribution plan” includes Euro 383,493 for an extraordinary contribution paid by the Insurance Group in January 2014, in order to assign participants to the income chargeable to the period between the date of entry into force of the new labour agreement and the effective date of constitution of the Individual Retirement Plan, which occurred in December 2013 following its approval by the ISP. Also includes Euro 23,614 relating to the contribution to the IRP for the month of December 2013, which was settled by the Insurance Group in January 2014.

The heading “Liabilities for past services — Health benefits”, is set up to cover the liabilities assumed by the Insurance Group companies regarding health benefits given to the employees.

At 31 December 2013, the heading “Other” refers to liabilities undertaken by Insurance Group companies as a retirement supplement attributed to some workers, which are not covered by the pension fund created by the Insurance Group companies to cover liabilities with post-employment benefits of the defined benefits pension plan.

APPENDIX II ACCOUNTANTS' REPORT OF INSURANCE COMPANIES

(Amounts expressed in Euros, except when otherwise expressly indicated)

Assessment of liabilities

Liabilities for current payments of retirement pensions and the past services of current employees, at 31 December 2013, 2012 and 2011, were assessed by the Insurance Group's life insurance actuarial department.

Information of the hypotheses and technical bases used by Fidelidade to calculate the liabilities is set below:

	2013	2012	2011
	Projected	Projected	Projected
Actuarial method	Unit Credit	Unit Credit	Unit Credit
Mortality table			
. Men	TV 73/77 (-2)	TV 73/77 (-2)	TV 73/77 (-2)
. Women	TV 88/90 (-2)	TV 88/90 (-2)	TV 88/90 (-2)
Disability table	EKV 80	EKV 80	EKV 80
Discount rate	3.50%	3.50%	5.50%
Wages growth rate	2.00%	2.00%	2.00%
Pensions growth rate	0.75%	0.75%	0.75%
Pre-retirement growth rates	1.25%	1.25%	1.25%
Exclusions table	N/A	N/A	N/A

A comparison between the actuarial and financial assumptions used to assess the Insurance Group's pensions costs, for 2013, 2012 and 2011 and the actual amounts, is set out in the following table:

	2013		2012		2011	
	Premises	Real	Premises	Real	Premises	Real
Wages growth rate	2.00%	0.69%	2.00%	0.13%	2.00%	0.14%
Pensions growth rate	0.75%	0.00%	0.75%	0.86%	0.75%	0.10%

APPENDIX II ACCOUNTANTS' REPORT OF INSURANCE COMPANIES

(Amounts expressed in Euros, except when otherwise expressly indicated)

Insurance Group's liabilities for past services, in accordance with the actuarial studies and the funds and provisions available for their cover, at 31 December 2013, 2012 and 2011, totalled:

	2013		
	Fidelidade	Other	Total
Liabilities for past services:			
Active employees	8,653,553	28,063	8,681,616
Retired and pre-retirees	<u>192,999,248</u>	<u>308,973</u>	<u>193,308,221</u>
	<u>201,652,801</u>	<u>337,036</u>	<u>201,989,837</u>
Autonomous pensions funds	149,443,044	656,297	150,099,341
Mathematical provisions	<u>57,324,789</u>	<u>—</u>	<u>57,324,789</u>
	<u>206,767,833</u>	<u>656,297</u>	<u>207,424,130</u>
Difference	<u>5,115,032</u>	<u>319,261</u>	<u>5,434,293</u>
Funding level	<u>102.54%</u>	<u>194.73%</u>	<u>102.69%</u>
	2012		
	Fidelidade	Other	Total
Liabilities for past services:			
Active employees	6,503,807	63,976	6,567,783
Retired and pre-retirees	<u>194,491,396</u>	<u>383,568</u>	<u>194,874,964</u>
	<u>200,995,203</u>	<u>447,544</u>	<u>201,442,747</u>
Autonomous pensions funds	146,880,288	667,172	147,547,460
Mathematical provisions	<u>60,223,246</u>	<u>—</u>	<u>60,223,246</u>
	<u>207,103,534</u>	<u>667,172</u>	<u>207,770,706</u>
Difference	<u>6,108,331</u>	<u>219,628</u>	<u>6,327,959</u>
Funding level	<u>103.04%</u>	<u>149.07%</u>	<u>103.14%</u>

APPENDIX II ACCOUNTANTS' REPORT OF INSURANCE COMPANIES

(Amounts expressed in Euros, except when otherwise expressly indicated)

		2011	
	Fidelidade	Other	Total
Liabilities for past services:			
Active employees	23,642,720	67,149	23,709,869
Retired and pre-retirees	<u>177,970,632</u>	<u>357,960</u>	<u>178,328,592</u>
	<u>201,613,352</u>	<u>425,109</u>	<u>202,038,461</u>
Autonomous pensions funds	139,262,401	673,995	139,936,396
Mathematical provisions	<u>63,783,815</u>	<u>—</u>	<u>63,783,815</u>
	<u>203,046,216</u>	<u>673,995</u>	<u>203,720,211</u>
Difference	<u>1,432,864</u>	<u>248,886</u>	<u>1,681,750</u>
Funding level	<u>100.71%</u>	<u>158.55%</u>	<u>100.83%</u>

Under the terms of Portuguese Insurance Institute statutory regulation 5/2007-R of 27 April, insurance companies should ensure the following at the end of each year:

- a) the full funding of the present value of liabilities for current pension payments, including pre and early retirement payments up to and after the standard retirement age; and
- b) the funding of a minimum level of 95% of the present value of the liabilities for the past services of active employees, excluding pre or early retirees.

Insurance Group's liabilities at 31 December 2013, 2012 and 2011 were fully funded.

Pension plans in question are non-contributory and independent of social security, financed by the Companies' pension fund.

Given the current funding level of the funds it is not expected contributions to be necessary in the next year.

The pension fund of Fidelidade has an average duration of approximately 8.9 years.

APPENDIX II ACCOUNTANTS' REPORT OF INSURANCE COMPANIES

(Amounts expressed in Euros, except when otherwise expressly indicated)

Information on the number of beneficiaries, at 31 December 2013, 2012 and 2011, is set out below:

	2013	2012	2011
Active employees			
Retired and pre-retirees	1,409	1,185	2,305
Annuity holders	2,092	2,068	2,008
	<u>613</u>	<u>722</u>	<u>773</u>
	<u>4,114</u>	<u>3,975</u>	<u>5,086</u>

In the year 2013, the increase in the number of active employees reflects the entry into force of Decree No. 134/2013, of 28 March, which came to define the exclusion of employees affiliated in the union SINAPSA from the terms provided for in the new labour agreement, since this union has not adhered to it, whereby the Insurance Group companies returned these employees, retroactively, to the defined benefit plan, from which they had been removed and transferred to the defined contribution plan following the entry into force of new labour agreement in 2012.

APPENDIX II ACCOUNTANTS' REPORT OF INSURANCE COMPANIES

(Amounts expressed in Euros, except when otherwise expressly indicated)

Information on pension funds and mathematical provisions movements for 2013, 2012 and 2011 is set out below:

	Fidelidade	Other	Total
Balances at 31 December 2010	<u>211,131,205</u>	<u>742,946</u>	<u>211,874,151</u>
Contributions	12,430,000	—	12,430,000
Change in mathematical provisions	(3,342,222)	—	(3,342,222)
Pensions paid	(14,944,302)	(57,642)	(15,001,944)
(Payments)/ Receipts in respect of other benefits	(734,293)	—	(734,293)
Net income of pension funds	(2,714,358)	(11,309)	(2,725,667)
Other	<u>1,220,186</u>	<u>—</u>	<u>1,220,186</u>
Balances at 31 December 2011	<u>203,046,216</u>	<u>673,995</u>	<u>203,720,211</u>
Contributions	27,000,000	—	27,000,000
Change in mathematical provisions	(3,560,567)	—	(3,560,567)
Pensions paid	(14,029,465)	(50,098)	(14,079,563)
(Payments)/ Receipts in respect of other benefits	(150,059)	—	(150,059)
Net income of pension funds	13,222,082	64,886	13,286,968
Transfer to Individual Retirement Plan (IRP)	<u>(18,424,673)</u>	<u>(21,611)</u>	<u>(18,446,284)</u>
Balances at 31 December 2012	<u>207,103,534</u>	<u>667,172</u>	<u>207,770,706</u>
Liability transfer —SINAPSA affiliated employees	2,360,154	—	2,360,154
Contributions	11,650,000	—	11,650,000
Change in mathematical provisions	(2,898,460)	—	(2,898,460)
Pensions paid	(16,943,009)	(48,554)	(16,991,563)
(Payments)/ Receipts in respect of other benefits	(681,435)	—	(681,435)
Net income of pension funds	<u>6,177,049</u>	<u>37,679</u>	<u>6,214,728</u>
Balances at 31 December 2013	<u>206,767,833</u>	<u>656,297</u>	<u>207,424,130</u>

APPENDIX II ACCOUNTANTS' REPORT OF INSURANCE COMPANIES

(Amounts expressed in Euros, except when otherwise expressly indicated)

In 2013, the heading “Liability transfer — SINAPSA affiliated employees” reflects the entry into force of Decree No. 134/2013, of 28 March, which came to define the exclusion of employees affiliated in the union SINAPSA from the terms provided in the new labour agreement. Thus, the assets of the pension fund that had been transferred to the IRP following the entry into force of the new labour agreement in 1 January 2012 were returned to the pension fund in 2013.

Insurance Group companies' pension funds, at 31 December 2013, 2012 and 2011, were managed by CGD Pensões — Sociedade Gestora de Fundos de Pensões, S.A..

At 31 December 2013, 2012 and 2011, the assets of the pension fund had the following composition according to the respective valuation sources:

	Market value			2013 Other			Portfolio Value		
	Fidelidade	Other	Total	Fidelidade	Other	Total	Fidelidade	Other	Total
Cash and cash equivalents	23,625,846	121,967	23,747,813	—	—	—	23,625,846	121,967	23,747,813
Equity instruments	6,183,766	—	6,183,766	—	—	—	6,183,766	—	6,183,766
Debt instruments									
Public debt	18,470,216	—	18,470,216	—	—	—	18,470,216	—	18,470,216
Other entities	57,605,262	—	57,605,262	—	—	—	57,605,262	—	57,605,262
	<u>76,075,478</u>	<u>—</u>	<u>76,075,478</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>76,075,478</u>	<u>—</u>	<u>76,075,478</u>
Structured debt	1,248,121	—	1,248,121	—	—	—	1,248,121	—	1,248,121
Real Estate	—	—	—	11,734,103	—	11,734,103	11,734,103	—	11,734,103
Investment funds									
European Equity	8,261,856	50,389	8,312,245	—	—	—	8,261,856	50,389	8,312,245
Real Estate	1,777,703	29,910	1,807,613	2,082,715	13,899	2,096,614	3,860,418	43,809	3,904,227
Debt instruments									
Public debt	13,705,214	106,328	13,811,542	—	—	—	13,705,214	106,328	13,811,542
Other entities	3,157,888	174,706	3,332,594	—	—	—	3,157,888	174,706	3,332,594
Treasury	602,965	12,944	615,909	—	—	—	602,965	12,944	615,909
	<u>27,505,626</u>	<u>374,277</u>	<u>27,879,903</u>	<u>2,082,715</u>	<u>13,899</u>	<u>2,096,614</u>	<u>29,588,341</u>	<u>388,176</u>	<u>29,976,517</u>
Other	987,389	146,154	1,133,543	—	—	—	987,389	146,154	1,133,543
	<u>135,626,226</u>	<u>642,398</u>	<u>136,268,624</u>	<u>13,816,818</u>	<u>13,899</u>	<u>13,830,717</u>	<u>149,443,044</u>	<u>656,297</u>	<u>150,099,341</u>

APPENDIX II ACCOUNTANTS' REPORT OF INSURANCE COMPANIES

(Amounts expressed in Euros, except when otherwise expressly indicated)

	Market value			2012 Other			Portfolio Value		
	Fidelidade	Other	Total	Fidelidade	Other	Total	Fidelidade	Other	Total
Cash and cash equivalents	31,579,683	105,492	31,685,175	—	—	—	31,579,683	105,492	31,685,175
Equity instruments	6,208,370	2,564	6,210,934	—	—	—	6,208,370	2,564	6,210,934
Debt instruments									
Public debt	25,965,799	4,960	25,970,759	—	—	—	25,965,799	4,960	25,970,759
Other entities	42,802,780	—	42,802,780	—	—	—	42,802,780	—	42,802,780
	<u>68,768,579</u>	<u>4,960</u>	<u>68,773,539</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>68,768,579</u>	<u>4,960</u>	<u>68,773,539</u>
Structured debt	1,262,370	—	1,262,370	—	—	—	1,262,370	—	1,262,370
Real Estate	—	—	—	14,073,000	—	14,073,000	14,073,000	—	14,073,000
Investment funds									
European Equity	6,744,055	35,846	6,779,901	—	—	—	6,744,055	35,846	6,779,901
Real Estate	2,147,343	33,222	2,180,565	2,066,546	13,791	2,080,337	4,213,889	47,013	4,260,902
Debt instruments									
Public debt	7,425,056	111,436	7,536,492	—	—	—	7,425,056	111,436	7,536,492
Other entities	3,928,071	220,334	4,148,405	—	—	—	3,928,071	220,334	4,148,405
Treasury	2,782,290	—	2,782,290	—	—	—	2,782,290	—	2,782,290
	<u>23,026,815</u>	<u>400,838</u>	<u>23,427,653</u>	<u>2,066,546</u>	<u>13,791</u>	<u>2,080,337</u>	<u>25,093,361</u>	<u>414,629</u>	<u>25,507,990</u>
Other	<u>(105,075)</u>	<u>139,527</u>	<u>34,452</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>(105,075)</u>	<u>139,527</u>	<u>34,452</u>
	<u>130,740,742</u>	<u>653,381</u>	<u>131,394,123</u>	<u>16,139,546</u>	<u>13,791</u>	<u>16,153,337</u>	<u>146,880,288</u>	<u>667,172</u>	<u>147,547,460</u>

APPENDIX II ACCOUNTANTS' REPORT OF INSURANCE COMPANIES

(Amounts expressed in Euros, except when otherwise expressly indicated)

	Market value			2011 Other			Portfolio Value		
	Fidelidade	Other	Total	Fidelidade	Other	Total	Fidelidade	Other	Total
Cash and cash equivalents	18,635,083	31,598	18,666,681	—	—	—	18,635,083	31,598	18,666,681
Equity instruments	7,802,923	33,243	7,836,166	—	—	—	7,802,923	33,243	7,836,166
Debt instruments									
Public debt	28,678,850	—	28,678,850	—	—	—	28,678,850	—	28,678,850
Other entities	44,857,613	139,343	44,996,956	—	—	—	44,857,613	139,343	44,996,956
	<u>73,536,463</u>	<u>139,343</u>	<u>73,675,806</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>73,536,463</u>	<u>139,343</u>	<u>73,675,806</u>
Structured debt	1,221,279	—	1,221,279	—	—	—	1,221,279	—	1,221,279
Real Estate	—	—	—	14,073,000	—	14,073,000	14,073,000	—	14,073,000
Investment funds									
European Equity	4,715,383	9,184	4,724,567	—	—	—	4,715,383	9,184	4,724,567
American Equity	—	8,917	8,917	—	—	—	—	8,917	8,917
Hedge Funds	27,731	—	27,731	—	—	—	27,731	—	27,731
Real Estate	2,851,740	48,468	2,900,208	2,062,125	13,762	2,075,887	4,913,865	62,230	4,976,095
Debt instruments									
Public debt	4,868,017	91,240	4,959,257	—	—	—	4,868,017	91,240	4,959,257
Other entities	9,468,657	168,700	9,637,357	—	—	—	9,468,657	168,700	9,637,357
Treasury	—	—	—	—	—	—	—	—	—
	<u>21,931,528</u>	<u>326,509</u>	<u>22,258,037</u>	<u>2,062,125</u>	<u>13,762</u>	<u>2,075,887</u>	<u>23,993,653</u>	<u>340,271</u>	<u>24,333,924</u>
Other	—	129,540	129,540	—	—	—	—	129,540	129,540
	<u>123,127,276</u>	<u>660,233</u>	<u>123,787,509</u>	<u>16,135,125</u>	<u>13,762</u>	<u>16,148,887</u>	<u>139,262,401</u>	<u>673,995</u>	<u>139,936,396</u>

APPENDIX II ACCOUNTANTS' REPORT OF INSURANCE COMPANIES

(Amounts expressed in Euros, except when otherwise expressly indicated)

The pension fund portfolios contained the following assets issued or managed by CGD Group entities, at the said dates:

	2013			2012			2011		
	Market value			Other			Portfolio Value		
	Fidelidade	Other	Total	Fidelidade	Other	Total	Fidelidade	Other	Total
Cash and cash equivalents	23,625,846	121,967	23,747,813	31,579,683	105,422	31,685,105	18,635,083	31,598	18,666,681
Debt instruments	7,662,806	—	7,662,806	8,688,288	—	8,688,288	6,529,434	—	6,529,434
Investment funds									
Real Estate	2,082,715	13,899	2,096,614	2,066,546	13,791	2,080,337	2,062,125	13,762	2,075,887
Debt instruments									
Other entities	—	174,706	174,706	—	191,648	191,648	1,491,066	67,241	1,558,307
Treasury	602,965	12,944	615,909	2,782,290	—	2,782,290	—	—	—
	<u>2,685,680</u>	<u>201,549</u>	<u>2,887,229</u>	<u>4,848,836</u>	<u>205,439</u>	<u>5,054,275</u>	<u>3,553,191</u>	<u>81,003</u>	<u>3,634,194</u>
	<u>33,974,332</u>	<u>323,516</u>	<u>34,297,848</u>	<u>45,116,807</u>	<u>310,861</u>	<u>45,427,668</u>	<u>28,717,708</u>	<u>112,601</u>	<u>28,830,309</u>

Information on changes in the difference between the Insurance Group's liabilities for past services and respective covers and corresponding impact in the financial statements, at 31 December 2013, 2012 and 2011 is given below:

	Liabilities			Cover			Difference		
	Fidelidade	Other	Total	Fidelidade	Other	Total	Fidelidade	Other	Total
Position at 31 December 2010	<u>204,886,975</u>	<u>496,073</u>	<u>205,383,048</u>	<u>211,131,206</u>	<u>742,950</u>	<u>211,874,156</u>	<u>6,244,231</u>	<u>246,877</u>	<u>6,491,108</u>
Current services expenses	846,573	3,950	850,523	—	—	—	(846,573)	(3,950)	(850,523)
Net defined benefit interest	<u>6,840,161</u>	<u>24,531</u>	<u>6,864,692</u>	<u>4,708,940</u>	<u>27,852</u>	<u>4,736,792</u>	<u>(2,131,221)</u>	<u>3,321</u>	<u>(2,127,900)</u>
Normal cost for the year	7,686,734	28,481	7,715,215	4,708,940	27,852	4,736,792	(2,977,794)	(629)	(2,978,423)
Increased liabilities for early retirements	5,542,547	—	5,542,547	—	—	—	(5,542,547)	—	(5,542,547)
Other changes in the income statement	<u>(1,116,380)</u>	<u>—</u>	<u>(1,116,380)</u>	<u>485,893</u>	<u>—</u>	<u>485,893</u>	<u>1,602,273</u>	<u>—</u>	<u>1,602,273</u>
Changes having an impact in the income statement (Note 34)	<u>12,112,901</u>	<u>28,481</u>	<u>12,141,382</u>	<u>5,194,833</u>	<u>27,852</u>	<u>5,222,685</u>	<u>(6,918,068)</u>	<u>(629)</u>	<u>(6,918,697)</u>

APPENDIX II ACCOUNTANTS' REPORT OF INSURANCE COMPANIES

(Amounts expressed in Euros, except when otherwise expressly indicated)

	Liabilities			Cover			Difference		
	Fidelidade	Other	Total	Fidelidade	Other	Total	Fidelidade	Other	Total
Return on plan assets, not included in interest income	—	—	—	(7,423,298)	(39,165)	(7,462,463)	(7,423,298)	(39,165)	(7,462,463)
Actuarial gains and losses:									
resulting from changes in demographic assumptions	3,535,636	18,306	3,553,942	—	—	—	(3,535,636)	(18,306)	(3,553,942)
resulting from changes in financial assumptions	(3,124,238)	(8,546)	(3,132,784)	—	—	—	3,124,238	8,546	3,132,784
resulting from differences between assumptions and actual amounts	2,488,603	(51,563)	2,437,040	—	—	—	(2,488,603)	51,563	(2,437,040)
Changes with an impact on shareholders' equity	<u>2,900,001</u>	<u>(41,803)</u>	<u>2,858,198</u>	<u>(7,423,298)</u>	<u>(39,165)</u>	<u>(7,462,463)</u>	<u>(10,323,299)</u>	<u>2,638</u>	<u>(10,320,661)</u>
Contributions to the plan:									
paid by entity	—	—	—	12,430,000	—	12,430,000	12,430,000	—	12,430,000
paid by participants	—	—	—	—	—	—	—	—	—
Change in mathematical provisions	(3,342,222)	—	(3,342,222)	(3,342,222)	—	(3,342,222)	—	—	—
Payments made by the plan:									
pensions paid	(14,944,303)	(57,642)	(15,001,945)	(14,944,303)	(57,642)	(15,001,945)	—	—	—
Position at 31 December 2011	<u>201,613,352</u>	<u>425,109</u>	<u>202,038,461</u>	<u>203,046,216</u>	<u>673,995</u>	<u>203,720,211</u>	<u>1,432,864</u>	<u>248,886</u>	<u>1,681,750</u>
Current services expenses	—	1,932	1,932	—	—	—	—	(1,932)	(1,932)
Net defined benefit									
Interest	<u>5,083,274</u>	<u>17,433</u>	<u>5,100,707</u>	<u>3,892,105</u>	<u>25,255</u>	<u>3,917,360</u>	<u>(1,191,169)</u>	<u>7,822</u>	<u>(1,183,347)</u>
Normal cost for the year	5,083,274	19,365	5,102,639	3,892,105	25,255	3,917,360	(1,191,169)	5,890	(1,185,279)
Increased liabilities for early retirements	11,250,784	—	11,250,784	—	—	—	(11,250,784)	—	(11,250,784)
Other changes in the income statement	<u>—</u>	<u>—</u>	<u>—</u>	<u>(150,059)</u>	<u>—</u>	<u>(150,059)</u>	<u>(150,059)</u>	<u>—</u>	<u>(150,059)</u>
Changes having an impact in the income statement (Note 34)	<u>16,334,058</u>	<u>19,365</u>	<u>16,353,423</u>	<u>3,742,046</u>	<u>25,255</u>	<u>3,767,301</u>	<u>(12,592,012)</u>	<u>5,890</u>	<u>(12,586,122)</u>

APPENDIX II ACCOUNTANTS' REPORT OF INSURANCE COMPANIES

(Amounts expressed in Euros, except when otherwise expressly indicated)

	Liabilities			Cover			Difference		
	Fidelidade	Other	Total	Fidelidade	Other	Total	Fidelidade	Other	Total
Return on plan assets, not included in interest income	—	—	—	9,329,977	39,632	9,369,609	9,329,977	39,632	9,369,609
Actuarial gains and losses:									
resulting from changes in demographic assumptions	—	—	—	—	—	—	—	—	—
resulting from changes in financial assumptions	21,523,158	40,619	21,563,777	—	—	—	(21,523,158)	(40,619)	(21,563,777)
resulting from differences between assumptions and actual amounts	(2,460,660)	34,161	(2,426,499)	—	—	—	2,460,660	(34,161)	2,426,499
Changes with an impact on shareholders' equity	<u>19,062,498</u>	<u>74,780</u>	<u>19,137,278</u>	<u>9,329,977</u>	<u>39,632</u>	<u>9,369,609</u>	<u>(9,732,521)</u>	<u>(35,148)</u>	<u>(9,767,669)</u>
Contributions to the plan:									
paid by entity	—	—	—	27,000,000	—	27,000,000	27,000,000	—	27,000,000
paid by participants	—	—	—	—	—	—	—	—	—
Change in mathematical revisions	(3,560,567)	—	(3,560,567)	(3,560,567)	—	(3,560,567)	—	—	—
Payments made by the plan:									
pensions paid	(14,029,465)	(50,099)	(14,079,564)	(14,029,465)	(50,099)	(14,079,564)	—	—	—
transfer to Individual Retirement Plan (IRP)	(18,424,673)	(21,611)	(18,446,284)	(18,424,673)	(21,611)	(18,446,284)	—	—	—
Position at 31 December 2012	<u>200,995,203</u>	<u>447,544</u>	<u>201,442,747</u>	<u>207,103,534</u>	<u>667,172</u>	<u>207,770,706</u>	<u>6,108,331</u>	<u>219,628</u>	<u>6,327,959</u>
Liability transfer — SINAPSA affiliated employees	2,360,154	—	2,360,154	2,360,154	—	2,360,154	—	—	—
Current services expenses	232,656	2,619	235,275	—	—	—	(232,656)	(2,619)	(235,275)
Net defined benefit interest	<u>4,847,654</u>	<u>15,290</u>	<u>4,862,944</u>	<u>4,924,221</u>	<u>26,054</u>	<u>4,950,275</u>	<u>76,567</u>	<u>10,764</u>	<u>87,331</u>
Normal cost for the year	5,080,310	17,909	5,098,219	4,924,221	26,054	4,950,275	(156,089)	8,145	(147,944)
Increased liabilities for early retirements	7,314,900	—	7,314,900	—	—	—	(7,314,900)	—	(7,314,900)
Other changes in the income statement	<u>(592,610)</u>	<u>—</u>	<u>(592,610)</u>	<u>(681,435)</u>	<u>—</u>	<u>(681,435)</u>	<u>(88,825)</u>	<u>—</u>	<u>(88,825)</u>
Changes having an impact in the income statement (Note 34)	<u>11,802,600</u>	<u>17,909</u>	<u>11,820,509</u>	<u>4,242,786</u>	<u>26,054</u>	<u>4,268,840</u>	<u>(7,559,814)</u>	<u>8,145</u>	<u>(7,551,669)</u>

APPENDIX II ACCOUNTANTS' REPORT OF INSURANCE COMPANIES

(Amounts expressed in Euros, except when otherwise expressly indicated)

	Liabilities			Cover			Difference		
	Fidelidade	Other	Total	Fidelidade	Other	Total	Fidelidade	Other	Total
Return on plan assets, not included in interest income	—	—	—	1,252,828	11,625	1,264,453	1,252,828	11,625	1,264,453
Actuarial gains and losses:									
resulting from changes in demographic assumptions	7,830,545	—	7,830,545	—	—	—	(7,830,545)	—	(7,830,545)
resulting from changes in financial assumptions	1,011,647	—	1,011,647	—	—	—	(1,011,647)	—	(1,011,647)
resulting from differences between assumptions and actual amounts	(2,505,879)	(79,863)	(2,585,742)	—	—	—	2,505,879	79,863	2,585,742
Changes with an impact on shareholders' equity	6,336,313	(79,863)	6,256,450	1,252,828	11,625	1,264,453	(5,083,485)	91,488	(4,991,997)
Contributions to the plan:									
paid by entity	—	—	—	11,650,000	—	11,650,000	11,650,000	—	11,650,000
paid by participants	—	—	—	—	—	—	—	—	—
Change in mathematical provisions	(2,898,460)	—	(2,898,460)	(2,898,460)	—	(2,898,460)	—	—	—
Payments made by the plan:									
pensions paid	(16,943,009)	(48,554)	(16,991,563)	(16,943,009)	(48,554)	(16,991,563)	—	—	—
Position at 31 December 2013	201,652,801	337,036	201,989,837	206,767,833	656,297	207,424,130	5,115,032	319,261	5,434,293

Medical Services

Fidelidade supports part of the health insurance costs attributed to its retired and pre-retired employees. The former Império Bonança also undertook to grant retirees and pre-retirees transiting to this situation, after May 1998 with whole-life medical assistance. At 31 December 2013, 2012 and 2011, these liabilities totalled Euro 22,993,574, Euro 23,374,874 and Euro 11,634,726, respectively and were covered by provisions (Note 37).

Liabilities for past services were assessed on the basis of actuarial studies performed by Fidelidade's life insurance actuarial department, using actuarial assumptions identical to those for the above referred to pensions liabilities.

APPENDIX II ACCOUNTANTS' REPORT OF INSURANCE COMPANIES

(Amounts expressed in Euros, except when otherwise expressly indicated)

Sensitivity analysis — Fidelidade

At 31 December 2013, the sensitivity of the defined benefit liabilities assumed by the Insurance Group companies, to variations of the significant assumptions, excluding liabilities covered by annuities, corresponds to:

Scenarios		2013	A	B	C	D	E	F
Financial assumptions								
Discount rate		3.50%	3.50%	3.00%	2.50%	4.00%	4.50%	3.50%
Wages growth rate		2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%
Wages early retirees growth rate		1.25%	1.25%	1.25%	1.25%	1.25%	1.25%	1.25%
Pensions growth rate		0.75%	0.75%	0.75%	0.75%	0.75%	0.75%	0.25%
Demographic assumptions								
Mortality table								
> Women		TV 88/90 (-2)	TV 88/90 (-2)	TV 88/90 (-2)	TV 88/90 (-2)	TV 88/90 (-2)	TV 88/90 (-2)	TV 88/90 (-2)
> Men		TV 73/77 (-2)	TV 88/90 (-2)	TV 73/77 (-2)	TV 73/77 (-2)	TV 73/77 (-2)	TV 73/77 (-2)	TV 73/77 (-2)
Age of Reform		66	66	66	66	66	66	66
Liabilities at 31 December 2013								
Scenarios		2013	A	B	C	D	E	F
Retired	Old age	56,196,339	61,264,254	58,452,694	60,873,420	54,089,698	52,119,938	54,162,652
	Anticipation	16,266,314	17,396,889	17,048,065	17,893,137	15,541,987	14,869,815	15,559,724
	Invalidity	15,972,048	16,638,953	16,956,060	18,041,925	15,078,071	14,263,943	15,089,852
Pensioners	Widowhood	3,967,602	3,979,158	4,140,420	4,327,598	3,807,690	3,659,402	3,812,469
	Orphanhood	133,615	134,288	144,185	156,285	124,339	116,162	124,385
Pre-Retired	Pension up to normal retirement age	34,548,351	34,649,290	35,017,400	35,498,756	34,091,195	33,645,527	34,166,653
	Charges up to normal retirement age	4,695,494	4,710,276	4,765,124	4,836,391	4,628,263	4,562,538	4,695,493
	Pension after normal retirement age							
	> Pension plan	3,314,783	3,480,301	3,562,066	3,799,023	3,152,024	2,909,901	3,159,732
	> Complementary plan	579,917	609,593	623,458	671,586	540,442	504,582	551,627
Active employees	Pension plan	2,511,322	2,689,795	2,788,043	3,103,819	2,268,082	2,053,676	2,398,790
	Complementary plan	6,142,227	6,458,234	7,011,895	8,029,936	5,396,980	4,756,440	5,852,092
Total		<u>144,328,012</u>	<u>152,011,031</u>	<u>150,509,410</u>	<u>157,231,876</u>	<u>138,718,771</u>	<u>133,461,924</u>	<u>139,573,469</u>

The preparation of the information contained in the above table was based on the calculation method used for the assessment of liabilities used for accounting purposes.

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(Amounts expressed in Euros, except when otherwise expressly indicated)

37. OTHER PROVISIONS AND CONTINGENT LIABILITIES

Information on the above account heading movements for 2013, 2012 and 2011 is set out below:

	2013	2012	2011
Other provisions			
Provisions for tax	10,992,181	11,904,786	22,691,674
Other provisions	<u>65,592,284</u>	<u>47,314,427</u>	<u>21,864,524</u>
	<u>76,584,465</u>	<u>59,219,213</u>	<u>44,556,198</u>

At 31 December 2013, the account heading "Other provisions" includes an amount of Euro 31,893,000 meant for a restructuring programme which will lead to the negotiated early departure of a group of workers before the normal age of retirement, applicable to those considered dispensable by the Insurance Group. This programme will be executed in 2014 and 2015, covering the workers in the below mentioned circumstances, provided their departure does not imply the need for replacement at the respective function or, alternatively, only when such workers can be replaced without external recruitment.

This programme will include the following:

- in 2014: 153 departures, 100 of which by workers with ages between 56 and 60, and 53 with over 60 years old;
- in 2015: 110 departures, 75 of which by workers with ages between 56 and 60, and 35 with over 60 years old;

The provision was estimated based on the effective early departure costs incurred recently by the Insurance Group, increased by a factor that reflects the increase of the legal retirement age to 66 years.

"Other provisions" are set up to cover expenditures with law suits against the Insurance Group and also legal, fiscal and other contingencies arising from the Insurance Group's activities.

No contingent liabilities were known as of 31 December 2013, 2012 and 2011, other than those incurred in the normal course of the Insurance Group's businesses.

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38. SUBORDINATED DEBT

The balance on the "Subordinated debt - Loans" account heading at 31 December 2012 comprised loans made to Fidelidade and Multicare by Caixa Seguros e Saúde, SGPS, S.A. for the amounts of Euro 76,600,000 and Euro 15,000,000, respectively, both with no defined repayment plan, accruing interests every three months at the Euribor rate, which comply with subordination conditions for inclusion as elements of the solvency margin defined by article 96 of decree law 94 - B/98 of 17 April. These loans were repaid, in full, during July 2013.

At 31 December 2011 this account heading also included two CGD loans to Fidelidade for the amounts of Euro 45,000,000 and Euro 40,000,000. In 2011, interest at an average annual rate of 1.66% was paid.

In June 2012, the two subordinated loans made by CGD, in the amount of Euro 85,000,000, were converted in to share capital of Fidelidade. In September 2012, Caixa Seguros e Saúde, SGPS, S.A. acquired from CGD, at the nominal value, the share capital it held in Fidelidade, and therefore became the sole owner of the respective share capital.

39. PAID IN CAPITAL AND DIVIDENDS

At 31 December 2013, 2012 and 2011, the Insurance Group companies Fidelidade, Multicare and Cares were fully-owned subsidiaries of CSS. During the relevant periods, movements in paid-in capital are set out below:

	Fidelidade	Multicare	Cares	Total
At 1 January 2011	<u>520,000,000</u>	<u>18,000,000</u>	<u>7,500,000</u>	<u>545,500,000</u>
At 31 December 2011	<u>520,000,000</u>	<u>18,000,000</u>	<u>7,500,000</u>	<u>545,500,000</u>
Capital increase	<u>85,000,000</u>	<u>—</u>	<u>—</u>	<u>85,000,000</u>
At 31 December 2012	<u>605,000,000</u>	<u>18,000,000</u>	<u>7,500,000</u>	<u>630,500,000</u>
Capital increase	<u>—</u>	<u>9,000,000</u>	<u>—</u>	<u>9,000,000</u>
Capital decrease	<u>(223,850,000)</u>	<u>—</u>	<u>—</u>	<u>(223,850,000)</u>
At 31 December 2013	<u><u>381,150,000</u></u>	<u><u>27,000,000</u></u>	<u><u>7,500,000</u></u>	<u><u>415,650,000</u></u>

Fidelidade

At 31 December 2013, 2012 and 2011, Fidelidade's capital was represented by 121,000,000 shares, 121,000,000 shares and 80,000,000 shares, respectively, fully issued with a nominal value of Euro 3.15, Euro 5 and Euro 5, respectively. At 31 December 2011, Império Bonança - Companhia de Seguros, S.A. was also a fully-owned subsidiary of CSS, with fully realised capital represented by 40,401,080 shares, with a nominal value of Euro 5.

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During 2012, in the context of the merger between Fidelidade-Mundial and Império Bonança, a capital increase in the amount of Euro 85,000,000 was performed. During 2013, the shareholders' general meeting approved a capital reduction of Euro 223,850,000, through the reduction of the shares' nominal value to Euro 3.15 (Note 38).

Multicare

At 31 December 2013, Multicare's capital was fully issued and represented by 5,400,000 shares with nominal value of Euro 5. At 31 December 2012 and 2011, Multicare's capital was fully realised and represented by 3,600,000 shares with nominal value of Euro 5.

During 2013, the shareholders' general meeting approved a capital increase of Euro 9,000,000, through the issuance of 1,800,000 new shares with nominal value of Euro 5, and a nominal issuance premium of Euro 3.3, in a total of Euro 5,994,999.

Cares

At 31 December 2013, 2012 and 2011, Cares's capital was fully issued and represented by 1,500,000 shares with nominal value of Euro 5.

DIVIDENDS PAID AND PROPOSED

In 2013, 2012 and 2011, Fidelidade, Multicare and Cares, distributed dividends related to the respective previous year, in the amounts of:

	2013	2012	2011
Fidelidade	85,000,000	3,000,000	44,000,000
Multicare	2,500,000	—	4,200,000
Cares	3,500,000	3,000,000	250,000
	<u>91,000,000</u>	<u>6,000,000</u>	<u>48,450,000</u>

Additionally, in 2013, 2012 and 2011, Cares Multiassistance, S.A. paid dividends in the amounts of Euro 753,408, Euro 760,596 and Euro 196,000, respectively, to Multimags, Lda., owner of 49% of its share capital.

Subsequent to the end of the reporting period, final dividends in respect of the year ended in 31 December 2013 were approved by the general shareholders' meetings of Fidelidade, Multicare and Cares in the amounts of Euro 309,943,941, Euro 4,445,000 and Euro 13,033,375, respectively.

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40. RESERVES, RETAINED EARNINGS, NET INCOME FOR THE PERIOD AND EARNINGS PER SHARE

The composition of the reserves and retained earnings account headings at 31 December 2013, 2012 and 2011, was as follows:

	2013	2012	2011
Revaluation reserves			
Fair value adjustments:			
Available for sale financial assets			
Gross gains (Note 21)	222,358,379	150,389,245	(373,320,330)
Amount attributable to insured	(68,874,923)	(38,432,749)	38,143,964
	<u>153,483,456</u>	<u>111,956,496</u>	<u>(335,176,366)</u>
Assets to be held to maturity (Note 22)	(51,183,309)	(71,890,257)	(99,969,364)
Other financial assets	<u>2,166,015</u>	<u>2,060,789</u>	<u>1,896,561</u>
	<u>104,466,162</u>	<u>42,127,028</u>	<u>(433,249,169)</u>
Exchange rate differences	<u>445,003</u>	<u>557,443</u>	<u>520,501</u>
	<u>104,911,165</u>	<u>42,684,471</u>	<u>(432,728,668)</u>
Deferred tax reserve:			
Available for sale financial assets	(22,613,362)	(8,521,066)	71,328,953
Actuarial deviations			
Post-employment benefits	12,607,863	11,036,850	7,872,273
Health benefits	2,468,169	1,275,283	(1,406,731)
Tax already (liquidated)/deduced from potential capital losses assets allocated to life insurance with profit sharing	<u>(12,796,243)</u>	<u>(8,984,376)</u>	<u>51,116,874</u>
	<u>(20,333,573)</u>	<u>(5,193,309)</u>	<u>128,911,369</u>
Other reserves:			
Legal reserve	101,472,917	88,309,538	81,736,430
Share premiums	128,297,280	122,303,280	122,303,280
Actuarial deviations:			
Post-employment benefits	(41,435,567)	(36,443,570)	(26,675,901)
Health benefits	(4,026,510)	(4,048,518)	4,768,578
Other reserves	<u>325,270,741</u>	<u>299,093,822</u>	<u>257,534,731</u>
	<u>509,578,861</u>	<u>469,214,552</u>	<u>439,667,118</u>
Retained earnings	131,012,527	151,960,044	170,481,560
Profit for year	<u>113,503,710</u>	<u>109,392,781</u>	<u>35,722,294</u>
	<u>244,516,237</u>	<u>261,352,825</u>	<u>206,203,854</u>
	<u>838,672,690</u>	<u>768,058,539</u>	<u>342,053,673</u>

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Under current legislation, a percentage of not less than 10% or 5% of each year's net profit, depending on whether a company is an insurance or other company, must be transferred to the legal reserve, until it totals the amount of share capital or up to 20% of the capital, respectively. The legal reserve may not be distributed, but only used to increase share capital or offset accumulated losses.

No earnings per share information is presented as combined results are presented in this report.

41. NON-CONTROLLING INTERESTS

The distribution of the value of third party investments in subsidiaries by entity is set out below:

	2013	2012	2011
Fundo SaudeInveste	16,586,295	17,117,384	17,717,270
Cares Multiassistance	1,337,264	1,218,276	1,225,464
Universal Seguros, S.A.	<u>715,393</u>	<u>747,197</u>	<u>1,594,978</u>
	<u>18,638,952</u>	<u>19,082,857</u>	<u>20,537,712</u>

The following is a breakdown of the profit and loss attributable to non-controlling interests in 2013, 2012 and 2011:

	2013	2012	2011
Fundo SaudeInveste	531,089	599,886	(749,414)
Cares Multiassistance	(872,394)	(753,408)	(760,596)
Universal Seguros, S.A.	<u>31,803</u>	<u>847,781</u>	<u>108,321</u>
	<u>(309,502)</u>	<u>694,259</u>	<u>(1,401,689)</u>

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The following is a breakdown of the movement in non-controlling interests in 2013, 2012 and 2011:

	Saudeinveste	Cares Multiassistance	Universal Seguros, S.A.	Total
Financial Position 01-01-2011	<u>16,967,856</u>	<u>660,868</u>	<u>—</u>	<u>17,628,724</u>
Share of profit/(loss) for the year	749,414	760,596	(108,321)	1,401,689
Dividends distributed to non-controlling interests	—	(196,000)	—	(196,000)
Acquisition of Universal Seguros, S.A.	<u>—</u>	<u>—</u>	<u>1,703,299</u>	<u>1,703,299</u>
Financial Position 31-12-2011	<u>17,717,270</u>	<u>1,225,464</u>	<u>1,594,978</u>	<u>20,537,712</u>
Share of profit/(loss) for the year	(599,886)	753,408	(847,782)	(694,260)
Dividends distributed to non-controlling interests	<u>—</u>	<u>(760,595)</u>	<u>—</u>	<u>(760,595)</u>
Financial Position 31-12-2012	<u>17,117,384</u>	<u>1,218,277</u>	<u>747,196</u>	<u>19,082,857</u>
Share of profit/(loss) for the year	(531,089)	872,394	(31,803)	309,502
Dividends distributed to non-controlling interests	<u>—</u>	<u>(753,407)</u>	<u>—</u>	<u>(753,407)</u>
Financial Position 31-12-2013	<u>16,586,295</u>	<u>1,337,264</u>	<u>715,393</u>	<u>18,638,952</u>

42. SEGMENT REPORTING

According to the Group's internal organisational structure, management requirements, and internal reporting system, the Group defined as operating segments its main lines of business, comprising life risk business, life capitalisation with profit sharing products, life investment contracts and non-life businesses. Management reviews the operating results of the segments periodically to determine their allocation of resources and evaluate their performance.

Segment revenue representing gross premiums written, net investment income and other income, and segment profit or loss before taxation earned by each segment are reported to management for the purpose of resource allocation and assessment of segment performance.

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Segment information is as follows:

2013

	Life	Non-life	Not allocated	Total
Gross premiums - direct insurance	240,542,260	1,072,416,753	—	1,312,959,013
Earned premiums - direct insurance	240,475,400	1,084,839,541	—	1,325,314,941
Claims rate - direct insurance	(324,293,474)	(679,892,823)	—	(1,004,186,297)
Commissions and remuneration on acquisition — direct insurance	(30,031,284)	(105,438,229)	—	(135,469,513)
Technical provisions for profit sharing and technical income - direct insurance	<u>155,724,983</u>	<u>(30,025,090)</u>	<u>—</u>	<u>125,699,893</u>
Reinsurance income	8,845,069	(50,092,297)	—	(41,247,228)
Income, expenses and realised gains	385,572,124	77,580,184	26,973,393	490,125,701
Unrealised gains and impairment	6,189,699	(25,370,188)	(30,199,118)	(49,379,607)
Gains and losses on financial liabilities	<u>(224,639,223)</u>	<u>—</u>	<u>—</u>	<u>(224,639,223)</u>
Costs by type	(59,306,697)	(268,098,974)	(7,529,975)	(334,935,646)
Other non-technical costs and income	63,761	3,600,433	621,026	4,285,220
Income tax	<u>(17,288,804)</u>	<u>(21,853,158)</u>	<u>(2,922,569)</u>	<u>(42,064,531)</u>
	<u>141,311,554</u>	<u>(14,750,601)</u>	<u>(13,057,243)</u>	<u>113,503,710</u>
Assets				
Investments allocated to technical provisions and non-allocated investments	2,058,509,112	2,018,396,955	682,360,742	4,759,266,809
Financial assets allocated to unit linked contracts	956,117,841	—	—	956,117,841
Financial assets allocated to other investment contracts	6,261,401,871	—	—	6,261,401,871
Technical provisions for outwards reinsurance	24,648,156	156,010,089	—	180,658,245
Policyholders, mediators and co-insurers	81,357,209	123,879,964	—	205,237,173

APPENDIX II ACCOUNTANTS' REPORT OF INSURANCE COMPANIES

(Amounts expressed in Euros, except when otherwise expressly indicated)

	Life	Non-life	Not allocated	Total
Reinsured and reinsurers	186,375	18,067,933	—	18,254,308
Other debtors and creditors	88,682,525	28,793,226	45,710,310	163,186,061
Current tax	3,335,229	2,529,932	1,558,333	7,423,494
Deferred tax	77,305,973	73,505,142	7,002,019	157,813,134
Tangible and intangible assets and inventories (net)	7,433,963	27,011,108	12,079,613	46,524,684
Goodwill	—	—	2,272,113	2,272,113
Accrued and deferred income	7,448,342	6,039,295	12,724,085	26,211,722
Cash balances	105,300,392	92,954,155	4,163,730	202,418,277
	<u>9,671,726,988</u>	<u>2,547,187,799</u>	<u>767,870,945</u>	<u>12,986,785,732</u>
Liabilities				
Provisions for unearned premiums	1,501,766	264,012,120	—	265,513,886
Mathematical provision	1,757,064,352	—	—	1,757,064,352
Provision for profit sharing	102,173,345	93,871	—	102,267,216
Provision for claims	108,459,953	1,737,668,113	—	1,846,128,066
Other technical provisions	30,051,322	41,011,366	—	71,062,688
Financial liabilities on unit linked contracts	988,154,104	—	—	988,154,104
Financial liabilities on other investment contracts	6,038,457,464	—	—	6,038,457,464
Policyholders, mediators and co-insurers	86,164,884	38,890,592	—	125,055,476
Other debtors and creditors	54,601	31,722,782	—	31,777,383
Reinsured and reinsurers	11,866,427	21,777,040	131,319,027	164,962,494
Current tax	3,479,431	22,939,891	6,982,858	33,402,180
Deferred tax	20,526,989	24,004,270	2,680,406	47,211,665
Other financial liabilities	10,296,703	37,819,764	31,222,966	79,339,433
Other provisions	—	2,393,109	99,458,880	101,851,989
Accrued and deferred income	15,249,030	40,311,129	6,015,535	61,575,694
	<u>9,173,500,371</u>	<u>2,262,644,047</u>	<u>277,679,672</u>	<u>11,713,824,090</u>
Total Segments				1,159,457,932
Shareholders' equity, reserves and retained earnings				1,159,457,932

APPENDIX II ACCOUNTANTS' REPORT OF INSURANCE COMPANIES

(Amounts expressed in Euros, except when otherwise expressly indicated)

	Life Risk	Life Capitalisation with profit sharing	Life Financial liabilities	Total
Gross premiums - direct insurance	194,019,522	46,522,738	—	240,542,260
Earned premiums - direct insurance	193,949,107	46,526,293	—	240,475,400
Claims rate - direct insurance	(86,339,462)	(237,954,012)	—	(324,293,474)
Commissions and remuneration on acquisition — direct insurance	(13,627,712)	(2,108,236)	(14,295,336)	(30,031,284)
Technical provisions for profit sharing and technical income - direct insurance	(1,486,683)	157,211,666	—	155,724,983
Reinsurance income	8,845,980	(911)	—	8,845,069
Income, expenses and realised gains	13,423,091	74,137,048	298,011,985	385,572,124
Unrealised gains and impairment	2,109,309	(12,393,061)	16,473,451	6,189,699
Gains and losses on financial liabilities	—	—	(224,639,223)	(224,639,223)
Costs by type	(24,118,146)	(10,683,537)	(24,505,014)	(59,306,697)
Other non-technical costs and income	7,633	56,122	6	63,761
Income tax	(9,074,522)	(1,925,719)	(6,288,563)	(17,288,804)
	<u>83,688,595</u>	<u>12,865,653</u>	<u>44,757,306</u>	<u>141,311,554</u>
Assets				
Investments allocated to technical provisions and non-allocated investments	368,305,958	1,690,203,154	—	2,058,509,112
Financial assets allocated to unit linked contracts	—	—	956,117,841	956,117,841
Financial assets allocated to other investment contracts	—	—	6,261,401,871	6,261,401,871
Technical provisions for outwards reinsurance	24,648,156	—	—	24,648,156
Policyholders, mediators and co-insurers	5,605,440	1,813,039	73,938,730	81,357,209
Reinsured and reinsurers	186,375	—	—	186,375
Other debtors and creditors	4,637,472	15,208,275	68,836,778	88,682,525
Current tax	642,067	2,015,048	678,114	3,335,229
Deferred tax	40,394,260	9,291,649	27,620,064	77,305,973
Tangible and intangible assets and inventories (net)	3,274,931	1,471,261	2,687,771	7,433,963
Goodwill	—	—	—	—
Accrued and deferred income	520,024	345,521	6,582,797	7,448,342
Cash balances	9,151,690	49,109,746	47,038,956	105,300,392
	<u>457,366,373</u>	<u>1,769,457,693</u>	<u>7,444,902,922</u>	<u>9,671,726,988</u>

APPENDIX II ACCOUNTANTS' REPORT OF INSURANCE COMPANIES

(Amounts expressed in Euros, except when otherwise expressly indicated)

	Life Risk	Life Capitalisation with profit sharing	Life Financial liabilities	Total
Liabilities				
Provisions for unearned premiums	1,444,954	56,812	—	1,501,766
Mathematical provision	230,037,217	1,527,027,135	—	1,757,064,352
Provision for profit sharing	29,615,617	72,557,728	—	102,173,345
Provision for claims	87,124,019	21,335,934	—	108,459,953
Other technical provisions	23,545,774	6,505,548	—	30,051,322
Financial liabilities on unit linked contracts	—	—	988,154,104	988,154,104
Financial liabilities on other investment contracts	—	—	6,038,457,464	6,038,457,464
Policyholders, mediators and co-insurers	2,837,441	69,354,755	13,972,688	86,164,884
Other debtors and creditors	54,530	71	—	54,601
Reinsured and reinsurers	2,235	6,143,149	5,721,043	11,866,427
Current tax	446,194	2,441,696	591,541	3,479,431
Deferred tax	10,672,514	3,057,229	6,797,246	20,526,989
Other financial liabilities	5,890,300	—	4,406,403	10,296,703
Other provisions	—	—	—	—
Accrued and deferred income	3,858,535	2,193,451	9,197,044	15,249,030
	<u>395,529,330</u>	<u>1,710,673,508</u>	<u>7,067,297,533</u>	<u>9,173,500,371</u>

APPENDIX II ACCOUNTANTS' REPORT OF INSURANCE COMPANIES

(Amounts expressed in Euros, except when otherwise expressly indicated)

	Workman's Compensation	Health	Property	Non-life Motor	Carriage of goods	Third party liability	Other	Total
Gross premiums - direct insurance	126,255,220	190,768,527	254,433,399	426,547,404	18,900,348	30,241,521	25,270,334	1,072,416,753
Earned premiums - direct insurance	126,770,560	189,576,583	257,383,112	432,623,546	19,125,174	31,661,151	27,699,415	1,084,839,541
Claims rate - direct insurance	(128,549,187)	(151,003,849)	(147,661,598)	(204,396,068)	(8,812,782)	(3,770,059)	(35,699,280)	(679,892,823)
Commissions and remuneration on acquisition - direct insurance	(12,599,746)	(13,619,733)	(27,380,319)	(44,552,388)	(1,108,279)	(2,887,437)	(3,290,327)	(105,438,229)
Technical provisions for profit sharing and technical income - direct insurance	(13,046,209)	(2,513,775)	(5,893,944)	(7,554,610)	(118,042)	(252,702)	(645,808)	(30,025,090)
Reinsurance income	(1,384,299)	54,907	(26,195,715)	12,583,599	(6,302,656)	(12,146,941)	(16,701,192)	(50,092,297)
Income, expenses and realised gains	25,325,783	3,843,026	9,607,325	32,015,510	870,177	5,199,890	718,473	77,580,184
Unrealised gains and impairment	(5,212,736)	(925,557)	(4,295,552)	(12,022,148)	(386,520)	(2,204,843)	(322,832)	(25,370,188)
Gains and losses on financial liabilities	—	—	—	—	—	—	—	—
Costs by type	(31,160,017)	(26,916,555)	(70,947,217)	(116,556,916)	(2,141,635)	(9,966,940)	(10,409,694)	(268,098,974)
Other non-technical costs and income	(90,615)	181,422	2,857,271	66,667	(13,078)	(6,888)	605,654	3,600,433
Income tax	(10,005)	(1,958,960)	(3,759,927)	(13,872,858)	(261,244)	(1,234,593)	(755,571)	(21,853,158)
	<u>(39,956,471)</u>	<u>(3,282,491)</u>	<u>(16,286,564)</u>	<u>78,334,334</u>	<u>851,115</u>	<u>4,390,638</u>	<u>(38,801,162)</u>	<u>(14,750,601)</u>
Assets								
Investments allocated to technical provisions and non-allocated investments	714,639,395	96,712,071	253,873,499	815,763,814	14,605,270	101,399,861	21,403,045	2,018,396,955
Financial assets allocated to unit linked contracts	—	—	—	—	—	—	—	—
Financial assets allocated to other investment contracts	—	—	—	—	—	—	—	—
Technical provisions for outwards reinsurance	12,088	2,147,377	96,113,336	14,309,610	9,517,265	24,783,340	9,127,073	156,010,089
Policyholders, mediators and co-insurers	18,186,871	13,516,026	49,569,909	29,248,868	3,170,618	7,935,872	2,251,800	123,879,964
Reinsured and reinsurers	1,311,961	1,827,622	3,525,889	9,063,732	978,486	848,515	511,728	18,067,933
Other debtors and creditors	8,202,025	1,507,995	5,223,064	11,681,281	325,686	1,724,239	128,936	28,793,226
Current tax	452,549	519,175	392,690	887,464	14,924	97,839	165,291	2,529,932
Deferred tax	183,122	2,584,011	13,764,555	47,061,916	1,125,029	5,381,053	3,405,456	73,505,142
Tangible and intangible assets and inventories (net)	3,040,205	2,908,607	6,855,993	11,153,922	155,467	1,111,718	1,785,196	27,011,108
Goodwill	—	—	—	—	—	—	—	—
Accrued and deferred income	788,433	468,514	1,767,093	2,473,009	54,484	245,571	242,191	6,039,295
Cash balances	<u>20,821,381</u>	<u>20,650,338</u>	<u>9,034,902</u>	<u>38,895,850</u>	<u>358,163</u>	<u>2,438,859</u>	<u>754,662</u>	<u>92,954,155</u>
	<u>767,638,030</u>	<u>142,841,736</u>	<u>440,120,930</u>	<u>980,539,466</u>	<u>30,305,392</u>	<u>145,966,867</u>	<u>39,775,378</u>	<u>2,547,187,799</u>

APPENDIX II ACCOUNTANTS' REPORT OF INSURANCE COMPANIES

(Amounts expressed in Euros, except when otherwise expressly indicated)

	Workman's Compensation	Health	Property	Non-life Motor	Carriage of goods	Third party liability	Other	Total
Liabilities								
Provisions for unearned premiums	11,609,797	20,859,630	79,962,039	152,400,252	2,657,364	7,680,478	(11,157,440)	264,012,120
Mathematical provision	—	—	—	—	—	—	—	—
Provision for profit sharing	13,145	4,598	10,008	3,074	—	4,208	58,838	93,871
Provision for claims	823,960,520	42,837,012	147,589,318	584,016,527	12,671,750	111,570,689	15,022,297	1,737,668,113
Other technical provisions	14,164,542	2,774,732	8,698,469	14,791,283	79,811	490,190	12,339	41,011,366
Financial liabilities on unit linked contracts	—	—	—	—	—	—	—	—
Financial liabilities on other investment contracts	—	—	—	—	—	—	—	—
Policyholders, mediators and co-insurers	5,742,800	4,875,620	13,562,540	9,339,376	1,044,793	3,438,763	886,700	38,890,592
Other debtors and creditors	1,238,167	6,403,733	3,877,161	7,219,379	962,236	1,218,971	10,803,135	31,722,782
Reinsured and reinsurers	19,540,479	1,229,264	528,729	426,255	11,602	40,206	505	21,777,040
Current tax	4,987,622	1,727,462	4,824,885	10,599,689	238,863	285,164	276,206	22,939,891
Deferred tax	212,960	747,825	4,004,805	16,310,554	277,990	1,489,892	960,244	24,004,270
Other financial liabilities	—	1,691,928	21,198,445	3,221,680	2,774,493	1,427,289	7,505,929	37,819,764
Other provisions	—	1,529,604	—	855,784	—	—	7,721	2,393,109
Accrued and deferred income	5,483,744	4,351,710	10,663,018	16,400,014	470,920	1,632,805	1,308,918	40,311,129
	<u>886,953,776</u>	<u>89,033,118</u>	<u>294,919,417</u>	<u>815,583,867</u>	<u>21,189,822</u>	<u>129,278,655</u>	<u>25,685,392</u>	<u>2,262,644,047</u>

APPENDIX II ACCOUNTANTS' REPORT OF INSURANCE COMPANIES

(Amounts expressed in Euros, except when otherwise expressly indicated)

The Insurance Group selected the following areas for geographical segment purposes:

Portugal

Rest of European Union

Rest of world

2013

	Portugal	Rest of European Union	Rest of World	Total
Gross premiums - direct insurance	1,218,305,026	63,887,076	30,766,911	1,312,959,013
Earned premiums - direct insurance	1,235,855,776	62,426,235	27,032,930	1,325,314,941
Claims rate - direct insurance	(953,750,064)	(40,566,335)	(9,869,898)	(1,004,186,297)
Commissions and remuneration on acquisition — direct insurance	(123,381,188)	(10,320,721)	(1,767,604)	(135,469,513)
Technical provisions for profit sharing and technical income - direct insurance	130,550,375	(3,406,516)	(1,443,966)	125,699,893
Reinsurance income	(29,303,930)	(6,284,664)	(5,658,634)	(41,247,228)
Income, expenses and realised gains	475,999,309	13,610,434	515,958	490,125,701
Unrealised gains and impairment	(47,043,079)	(1,478,487)	(858,041)	(49,379,607)
Gains and losses on financial liabilities	(224,337,489)	(301,734)	—	(224,639,223)
Costs by type	(311,444,312)	(15,909,611)	(7,581,723)	(334,935,646)
Other non-technical costs and income	4,002,646	337,621	(55,047)	4,285,220
Income tax	(42,118,019)	125,925	(72,437)	(42,064,531)
	<u>115,030,025</u>	<u>(1,767,853)</u>	<u>241,538</u>	<u>113,503,710</u>

Assets

Investments allocated to technical provisions and non-allocated investments	4,379,923,993	357,793,815	21,549,001	4,759,266,809
Financial assets allocated to unit linked contracts	954,088,164	2,029,677	—	956,117,841
Financial assets allocated to other investment contracts	6,254,657,193	6,744,678	—	6,261,401,871
Technical provisions for outwards reinsurance	134,250,362	35,173,967	11,233,916	180,658,245
Policyholders, mediators and co-insurers	193,191,209	7,202,706	4,843,258	205,237,173
Reinsured and reinsurers	16,623,267	1,473,499	157,542	18,254,308
Other debtors and creditors	160,135,971	734,213	2,315,877	163,186,061
Current tax	6,353,348	1,069,918	228	7,423,494

APPENDIX II ACCOUNTANTS' REPORT OF INSURANCE COMPANIES

(Amounts expressed in Euros, except when otherwise expressly indicated)

	Portugal	Rest of European Union	Rest of World	Total
Deferred tax	157,154,182	658,952	—	157,813,134
Tangible and intangible assets and inventories (net)	42,665,995	2,646,335	1,212,354	46,524,684
Goodwill	2,272,113	—	—	2,272,113
Accrued and deferred income	24,498,438	878,613	834,671	26,211,722
Cash balances	187,745,752	9,335,392	5,337,133	202,418,277
	<u>12,513,559,987</u>	<u>425,741,765</u>	<u>47,483,980</u>	<u>12,986,785,732</u>
Liabilities				
Provisions for unearned premiums	244,346,038	9,748,863	11,418,985	265,513,886
Mathematical provision	1,449,678,666	298,026,365	9,359,321	1,757,064,352
Provision for profit sharing	99,931,709	2,294,253	41,254	102,267,216
Provision for claims	1,798,102,022	37,358,766	10,667,278	1,846,128,066
Other technical provisions	69,177,267	1,833,264	52,157	71,062,688
Financial liabilities on unit linked contracts	986,022,441	2,131,663	—	988,154,104
Financial liabilities on other investment contracts	6,031,566,942	6,890,522	—	6,038,457,464
Policyholders, mediators and co-insurers	122,182,846	2,355,665	516,965	125,055,476
Other debtors and creditors	24,723,188	5,844,513	1,209,682	31,777,383
Reinsured and reinsurers	160,070,871	3,244,404	1,647,219	164,962,494
Current tax	32,104,765	1,121,104	176,311	33,402,180
Deferred tax	45,382,317	1,797,252	32,096	47,211,665
Other financial liabilities	66,367,382	9,726,054	3,245,997	79,339,433
Other provisions	101,397,651	359,357	94,981	101,851,989
Accrued and deferred income	59,649,307	1,365,494	560,893	61,575,694
	<u>11,290,703,412</u>	<u>384,097,539</u>	<u>39,023,139</u>	<u>11,713,824,090</u>
Total Segments				1,159,457,932
Shareholders' equity, reserves and retained earnings				1,159,457,932

APPENDIX II ACCOUNTANTS' REPORT OF INSURANCE COMPANIES

(Amounts expressed in Euros, except when otherwise expressly indicated)

2012

	Life	Non-life	Not allocated	Total
Gross premiums - direct insurance	261,237,863	1,098,697,898	—	1,359,935,761
Earned premiums - direct insurance	261,272,917	1,113,650,757	—	1,374,923,674
Claims rate - direct insurance	(550,093,019)	(696,618,179)	—	(1,246,711,198)
Commissions and remuneration on acquisition - direct insurance	(32,117,877)	(104,517,985)	—	(136,635,862)
Technical provisions for profit sharing and technical income - direct insurance	<u>382,257,096</u>	<u>4,716,981</u>	<u>—</u>	<u>386,974,077</u>
Reinsurance income	(4,699,430)	(92,400,442)	—	(97,099,872)
Income, expenses and realised gains	381,050,130	83,012,262	21,262,935	485,325,327
Unrealised gains and impairment	62,612,749	(14,870,315)	(13,082,677)	34,659,757
Gains and losses on financial liabilities	<u>(308,237,976)</u>	<u>—</u>	<u>—</u>	<u>(308,237,976)</u>
Costs by type	<u>(42,390,213)</u>	<u>(259,771,440)</u>	<u>(5,292,472)</u>	<u>(307,454,125)</u>
Other non-technical costs and income	1,118,116	1,520,288	(19,798,148)	(17,159,744)
Income tax	<u>(35,242,102)</u>	<u>(22,039,999)</u>	<u>(1,909,176)</u>	<u>(59,191,277)</u>
	<u>115,530,391</u>	<u>12,681,928</u>	<u>(18,819,538)</u>	<u>109,392,781</u>
Assets				
Investments allocated to technical provisions and non-allocated investments	2,213,309,436	1,964,947,751	472,504,496	4,650,761,683
Financial assets allocated to unit linked contracts	1,098,930,004	—	—	1,098,930,004
Financial assets allocated to other investment contracts	5,948,541,124	—	—	5,948,541,124
Technical provisions for outwards reinsurance	22,406,349	169,991,706	—	192,398,055
Policyholders, mediators and co-insurers	22,561,448	129,998,683	—	152,560,131
Reinsured and reinsurers	1,093,119	15,934,265	—	17,027,384
Other debtors and creditors	43,113,914	13,355,632	5,749,909	62,219,455
Tax	92,364,798	46,264,761	1,739,118	140,368,677

APPENDIX II ACCOUNTANTS' REPORT OF INSURANCE COMPANIES

(Amounts expressed in Euros, except when otherwise expressly indicated)

	Life	Non-life	Not allocated	Total
Tangible and intangible assets and				
inventories (net)	5,683,369	28,006,317	28,066,097	61,755,783
Goodwill	—	—	2,272,113	2,272,113
Accrued and deferred income	13,271,694	6,317,634	2,277,746	21,867,074
Cash balances	<u>375,120,461</u>	<u>159,712,964</u>	<u>118,228,147</u>	<u>653,061,572</u>
	<u>9,836,395,716</u>	<u>2,534,529,713</u>	<u>630,837,626</u>	<u>13,001,763,055</u>
Liabilities				
Provisions for unearned premiums	1,620,087	274,780,840	—	276,400,927
Mathematical provision	1,900,870,833	—	—	1,900,870,833
Provision for profit sharing	83,448,826	34,984	—	83,483,810
Provision for claims	116,525,666	1,779,892,716	—	1,896,418,382
Other technical provisions	33,305,094	16,768,642	—	50,073,736
Financial liabilities on unit linked				
contracts	1,148,224,880	—	—	1,148,224,880
Financial liabilities on other				
investment contracts	5,600,888,199	—	—	5,600,888,199
Policyholders, mediators and				
co-insurers	58,248,899	4,545,067	—	62,793,966
Other debtors and creditors	17,385,984	3,503,592	19,064,191	39,953,767
Reinsured and reinsurers	2,923,912	39,983,631	—	42,907,543
Tax	13,013,415	32,777,300	115,955,246	161,745,961
Other financial liabilities	19,514,834	54,212,715	105,322,965	179,050,514
Other provisions	—	9,886,960	72,707,127	82,594,087
Accrued and deferred income	<u>14,206,158</u>	<u>39,329,298</u>	<u>5,179,598</u>	<u>58,715,054</u>
	<u>9,010,176,787</u>	<u>2,255,715,745</u>	<u>318,229,127</u>	<u>11,584,121,659</u>
Total Segments				1,308,248,615
Shareholders' equity, reserves				
and retained earnings				1,308,248,615

APPENDIX II ACCOUNTANTS' REPORT OF INSURANCE COMPANIES

(Amounts expressed in Euros, except when otherwise expressly indicated)

		Life Life Capitalisation with profit sharing	Life Financial liabilities	Total
	Life Risk			
Gross premiums - direct insurance	201,384,175	59,853,688	—	261,237,863
Earned premiums - direct insurance	201,400,332	59,872,585	—	261,272,917
Claims rate - direct insurance	(81,935,061)	(468,157,958)	—	(550,093,019)
Commissions and remuneration on acquisition - direct insurance	(13,300,267)	(2,345,887)	(16,471,723)	(32,117,877)
Technical provisions for profit sharing and technical income - direct insurance	13,147,079	369,109,639	378	382,257,096
Reinsurance income	(4,698,835)	(595)	—	(4,699,430)
Income, expenses and realised gains	13,340,782	89,681,823	278,027,525	381,050,130
Unrealised gains and impairment	(2,658,790)	(24,236,884)	89,508,423	62,612,749
Gains and losses on financial liabilities	—	—	(308,237,976)	(308,237,976)
Costs by type	(17,939,824)	(8,817,933)	(15,632,456)	(42,390,213)
Other non-technical costs and income	1,119,973	(197)	(1,660)	1,118,116
Income tax	(24,868,333)	(4,093,360)	(6,280,409)	(35,242,102)
	<u>83,607,056</u>	<u>11,011,233</u>	<u>20,912,102</u>	<u>115,530,391</u>
Assets				
Investments allocated to technical provisions and non-allocated investments	340,665,692	1,872,643,744	—	2,213,309,436
Financial assets allocated to unit linked contracts	—	—	1,098,930,004	1,098,930,004
Financial assets allocated to other investment contracts	—	—	5,948,541,124	5,948,541,124
Technical provisions for outwards reinsurance	22,406,349	—	—	22,406,349
Policyholders, mediators and co-insurers	—	—	22,561,448	22,561,448
Reinsured and reinsurers	1,093,119	—	—	1,093,119
Other debtors and creditors	1,751,429	41,362,485	—	43,113,914
Tax	72,224,520	765,995	19,374,283	92,364,798
Tangible and intangible assets and inventories (net)	2,707,612	1,463,974	1,511,783	5,683,369
Accrued and deferred income	6,363,620	376,385	6,531,689	13,271,694
Cash balances	<u>42,449,464</u>	<u>64,589,121</u>	<u>268,081,876</u>	<u>375,120,461</u>
	<u>489,661,805</u>	<u>1,981,201,704</u>	<u>7,365,532,207</u>	<u>9,836,395,716</u>

APPENDIX II ACCOUNTANTS' REPORT OF INSURANCE COMPANIES

(Amounts expressed in Euros, except when otherwise expressly indicated)

	Life Risk	Life Capitalisation with profit sharing	Life Financial liabilities	Total
Liabilities				
Provisions for unearned premiums	1,559,720	60,367	—	1,620,087
Mathematical provision	231,790,610	1,669,080,223	—	1,900,870,833
Provision for profit sharing	28,114,184	55,334,642	—	83,448,826
Provision for claims	92,502,037	24,023,629	—	116,525,666
Other technical provisions	22,290,920	11,014,174	—	33,305,094
Financial liabilities on unit linked contracts	—	—	1,148,224,880	1,148,224,880
Financial liabilities on other investment contracts	—	—	5,600,888,199	5,600,888,199
Policyholders, mediators and co-insurers	641,180	57,607,719	—	58,248,899
Other debtors and creditors	—	—	17,385,984	17,385,984
Reinsured and reinsurers	2,923,879	33	—	2,923,912
Tax	1,378,615	10,886,386	748,414	13,013,415
Other financial liabilities	5,431,456	—	14,083,378	19,514,834
Accrued and deferred income	3,075,683	2,504,848	8,625,627	14,206,158
	<u>389,708,284</u>	<u>1,830,512,021</u>	<u>6,789,956,482</u>	<u>9,010,176,787</u>

	Workman's Compensation	Health	Property	Non-life Motor	Non-life Carriage of goods	Third party liability	Other	Total
Gross premiums - direct insurance	135,597,293	184,450,588	258,622,089	441,808,641	20,456,779	33,046,990	24,715,518	1,098,697,898
Earned premiums - direct insurance	136,401,529	186,449,574	257,722,097	450,026,176	20,664,141	34,372,541	28,014,699	1,113,650,757
Claims rate - direct insurance	(174,859,233)	(147,630,951)	(74,018,414)	(269,292,550)	(6,989,191)	(15,968,287)	(7,859,553)	(696,618,179)
Commissions and remuneration on acquisition - direct insurance	(15,364,133)	(12,423,145)	(25,440,158)	(44,525,337)	(1,039,516)	(2,872,544)	(2,853,152)	(104,517,985)
Technical provisions for profit sharing and technical income — direct insurance	(354,953)	1,532,628	3,061,621	1,454,091	(214,134)	15,718	(777,990)	4,716,981
Reinsurance income	300,656	1,913,721	(83,250,583)	3,456,032	(8,253,913)	(2,524,599)	(4,041,756)	(92,400,442)
Income, expenses and realised gains	25,391,182	3,524,664	9,704,255	36,664,371	849,237	5,767,855	1,110,698	83,012,262
Unrealised gains and impairment	(4,537,193)	(530,547)	(1,778,169)	(6,643,889)	(155,280)	(1,063,332)	(161,905)	(14,870,315)
Costs by type	(14,743,174)	(24,847,910)	(71,866,586)	(126,299,233)	(2,775,949)	(8,851,199)	(10,387,389)	(259,771,440)
Other non-technical costs and income	(1,031,686)	61,785	2,034,975	(206,426)	33,351	64,745	563,544	1,520,288
Income tax	(77,155)	(2,139,575)	(4,272,195)	(12,231,667)	(495,690)	(2,106,093)	(717,624)	(22,039,999)
	<u>(48,874,160)</u>	<u>5,910,244</u>	<u>11,896,843</u>	<u>32,401,568</u>	<u>1,623,056</u>	<u>6,834,805</u>	<u>2,889,572</u>	<u>12,681,928</u>

APPENDIX II ACCOUNTANTS' REPORT OF INSURANCE COMPANIES

(Amounts expressed in Euros, except when otherwise expressly indicated)

	Workman's Compensation	Health	Property	Non-life Motor	Carriage of goods	Third party liability	Other	Total
Assets								
Investments allocated to technical provisions and non-allocated investments	619,000,794	88,571,841	238,966,015	848,537,506	18,877,360	131,846,289	19,147,946	1,964,947,751
Technical provisions for outwards reinsurance	330,607	495,345	99,700,991	14,462,704	12,124,514	32,857,052	10,020,493	169,991,706
Policyholders, mediators and co-insurers	10,314,919	2,748,688	29,199,169	64,816,289	5,382,411	10,168,478	7,368,729	129,998,683
Reinsured and reinsurers	88,169	5,429,751	4,477,034	3,612,835	899,201	975,765	451,510	15,934,265
Other debtors and creditors	—	126,697	12,074,296	637,527	—	—	517,112	13,355,632
Tax	1,556,631	—	10,139,557	25,467,494	1,319,621	6,314,544	1,466,914	46,264,761
Tangible and intangible assets and inventories (net)	2,487,056	2,253,672	6,517,457	13,883,159	384,577	767,558	1,712,838	28,006,317
Accrued and deferred income	749,483	344,353	1,949,984	2,760,435	70,249	218,974	224,156	6,317,634
Cash balances	76,589,751	21,268,359	13,648,958	36,555,025	522,036	4,497,310	6,631,525	159,712,964
	<u>711,117,410</u>	<u>121,238,706</u>	<u>416,673,461</u>	<u>1,010,732,974</u>	<u>39,579,969</u>	<u>187,645,970</u>	<u>47,541,223</u>	<u>2,534,529,713</u>
Liabilities								
Provisions for unearned premiums	12,044,680	19,973,885	83,644,162	138,386,851	2,893,136	9,071,825	8,766,301	274,780,840
Provision for profit sharing	—	—	3,387	—	—	—	31,597	34,984
Provision for claims	815,354,131	39,348,205	138,065,856	633,747,977	16,029,746	121,295,158	16,051,643	1,779,892,716
Other technical provisions	2,283,539	909,199	1,727,601	11,059,043	35,883	726,306	27,071	16,768,642
Policyholders, mediators and co-insurers	—	4,545,067	—	—	—	—	—	4,545,067
Other debtors and creditors	403,221	1,080,292	—	1,794,364	31,367	156,888	37,460	3,503,592
Reinsured and reinsurers	238,013	11,744,469	14,320,194	5,752,439	2,405,267	2,621,698	2,901,551	39,983,631
Tax	5,930,500	6,881,882	4,947,085	14,149,161	105,629	279,836	483,207	32,777,300
Other financial liabilities	—	15,904,416	23,577,441	2,046,941	2,694,473	2,532,883	7,456,561	54,212,715
Other provisions	7,945,520	1,133,864	—	799,856	—	—	7,720	9,886,960
Accrued and deferred income	5,369,849	3,916,568	10,208,869	16,848,608	397,072	1,340,648	1,247,684	39,329,298
	<u>849,569,453</u>	<u>105,437,847</u>	<u>276,494,595</u>	<u>824,585,240</u>	<u>24,592,573</u>	<u>138,025,242</u>	<u>37,010,795</u>	<u>2,255,715,745</u>

APPENDIX II ACCOUNTANTS' REPORT OF INSURANCE COMPANIES

(Amounts expressed in Euros, except when otherwise expressly indicated)

	Portugal	Rest of European Union	Rest of World	Total
Gross premiums - direct insurance	1,286,216,175	52,920,258	20,799,328	1,359,935,761
Earned premiums - direct insurance	1,306,147,197	53,089,803	15,686,674	1,374,923,674
Claims rate - direct insurance	(1,191,100,643)	(50,921,637)	(4,688,918)	(1,246,711,198)
Commissions and remuneration on acquisition - direct insurance	(128,620,017)	(6,818,447)	(1,197,398)	(136,635,862)
Technical provisions for profit sharing and technical income - direct insurance	<u>377,518,438</u>	<u>9,697,840</u>	<u>(242,201)</u>	<u>386,974,077</u>
Reinsurance income	(89,758,997)	(2,211,058)	(5,129,817)	(97,099,872)
Income, expenses and realised gains	469,021,969	15,902,153	401,205	485,325,327
Unrealised gains and impairment	38,956,984	(4,066,593)	(230,634)	34,659,757
Gains and losses on financial liabilities	<u>(308,113,016)</u>	<u>(124,960)</u>	<u>—</u>	<u>(308,237,976)</u>
Costs by type	(287,368,418)	(14,553,029)	(5,532,678)	(307,454,125)
Other non-technical costs and income	(16,918,886)	93,658	(334,516)	(17,159,744)
Income tax	<u>(58,732,323)</u>	<u>(237,571)</u>	<u>(221,383)</u>	<u>(59,191,277)</u>
	<u>111,032,288</u>	<u>(149,841)</u>	<u>(1,489,666)</u>	<u>109,392,781</u>
Assets				
Investments allocated to technical provisions and non-allocated investments	4,279,735,440	355,721,481	15,304,762	4,650,761,683
Financial assets allocated to unit linked contracts	1,097,576,151	1,353,853	—	1,098,930,004
Financial assets allocated to other investment contracts	5,948,541,124	—	—	5,948,541,124
Technical provisions for outwards reinsurance	150,722,580	34,226,473	7,449,002	192,398,055
Policyholders, mediators and co-insurers	148,816,349	1,058,489	2,685,293	152,560,131
Reinsured and reinsurers	17,027,384	—	—	17,027,384
Other debtors and creditors	60,177,156	—	2,042,299	62,219,455
Tax	140,368,677	—	—	140,368,677
Tangible and intangible assets and inventories (net)	58,614,323	3,073,834	67,626	61,755,783
Goodwill	1,345,796	—	926,317	2,272,113
Accrued and deferred income	20,285,113	1,175,189	406,772	21,867,074
Cash balances	<u>644,288,265</u>	<u>4,247,459</u>	<u>4,525,848</u>	<u>653,061,572</u>
	<u>12,567,498,358</u>	<u>400,856,778</u>	<u>33,407,919</u>	<u>13,001,763,055</u>

APPENDIX II ACCOUNTANTS' REPORT OF INSURANCE COMPANIES

(Amounts expressed in Euros, except when otherwise expressly indicated)

	Portugal	Rest of European Union	Rest of World	Total
Liabilities				
Provisions for unearned premiums	258,600,515	8,520,800	9,279,612	276,400,927
Mathematical provision	1,599,836,565	292,803,886	8,230,382	1,900,870,833
Provision for profit sharing	82,580,894	891,968	10,948	83,483,810
Provision for claims	1,852,478,374	39,476,821	4,463,187	1,896,418,382
Other technical provisions	49,341,565	727,392	4,779	50,073,736
Financial liabilities on unit linked contracts	1,146,871,027	1,353,853	—	1,148,224,880
Financial liabilities on other investment contracts	5,600,888,199	—	—	5,600,888,199
Policyholders, mediators and co-insurers	62,793,966	—	—	62,793,966
Other debtors and creditors	39,212,832	740,935	—	39,953,767
Reinsured and reinsurers	35,994,384	4,368,452	2,544,707	42,907,543
Tax	160,205,405	1,250,390	290,166	161,745,961
Other financial liabilities	169,733,434	9,317,080	—	179,050,514
Other provisions	82,573,587	20,500	—	82,594,087
Accrued and deferred income	57,707,893	635,558	371,603	58,715,054
	<u>11,198,818,640</u>	<u>360,107,635</u>	<u>25,195,384</u>	<u>11,584,121,659</u>
Total Segments				1,308,248,615
Shareholders' equity, reserves and retained earnings				1,308,248,615

APPENDIX II ACCOUNTANTS' REPORT OF INSURANCE COMPANIES

(Amounts expressed in Euros, except when otherwise expressly indicated)

2011

	Life	Non-life	Not allocated	Total
Gross premiums - direct insurance	267,725,200	1,128,261,323	—	1,395,986,523
Earned premiums - direct insurance	267,711,014	1,136,676,619	—	1,404,387,633
Claims rate - direct insurance	(1,153,378,770)	(711,062,995)	—	(1,864,441,765)
Commissions and remuneration on acquisition - direct insurance	(23,779,594)	(107,883,560)	—	(131,663,154)
Technical provisions for profit sharing and technical income - direct insurance	963,773,723	9,331,679	—	973,105,402
Reinsurance income	(8,043,791)	(73,017,165)	—	(81,060,956)
Income, expenses and realised gains	376,021,547	76,907,726	21,666,826	474,596,099
Unrealised gains and impairment	(190,938,279)	(46,753,080)	6,082,399	(231,608,960)
Gains and losses on financial liabilities	(141,147,338)	—	—	(141,147,338)
Costs by type	(90,467,112)	(278,755,759)	(5,221,907)	(374,444,778)
Other non-technical costs and income	(1,596,395)	2,570,114	11,498,683	12,472,402
Income tax	(601,480)	(3,687,542)	(183,269)	(4,472,291)
	<u>(2,446,475)</u>	<u>4,326,037</u>	<u>33,842,732</u>	<u>35,722,294</u>
Assets				
Investments allocated to technical provisions and non-allocated investments	2,416,596,661	2,074,347,456	341,671,371	4,832,615,488
Financial assets allocated to unit linked contracts	535,608,752	—	—	535,608,752
Financial assets allocated to other investment contracts	6,387,736,699	—	1,958,935	6,389,695,634
Technical provisions for outwards reinsurance	22,803,210	197,220,856	—	220,024,066
Policyholders, mediators and co-insurers	3,847,042	140,373,082	—	144,220,124
Reinsured and reinsurers	31,365	4,236,213	—	4,267,578
Other debtors and creditors	17,239,687	25,705,754	53,227,255	96,172,696
Tax	161,327,378	49,483,500	5,317,301	216,128,179
Tangible and intangible assets and inventories (net)	6,155,279	28,798,371	29,103,212	64,056,862
Goodwill	—	—	2,272,113	2,272,113
Accrued and deferred income	9,659,587	6,134,299	7,457,941	23,251,827
Cash balances	314,917,373	99,819,281	20,718,794	435,455,448
	<u>9,875,923,033</u>	<u>2,626,118,812</u>	<u>461,726,922</u>	<u>12,963,768,767</u>

APPENDIX II ACCOUNTANTS' REPORT OF INSURANCE COMPANIES

(Amounts expressed in Euros, except when otherwise expressly indicated)

	Life	Non-life	Not allocated	Total
Liabilities				
Provisions for unearned premiums	1,655,143	288,697,316	—	290,352,459
Mathematical provision	2,267,901,553	—	—	2,267,901,553
Provision for profit sharing	31,574,428	70,526	—	31,644,954
Provision for claims	137,938,185	1,804,443,320	—	1,942,381,505
Other technical provisions	29,546,632	28,925,657	—	58,472,289
Financial liabilities on unit linked contracts	585,723,158	—	—	585,723,158
Financial liabilities on other investment contracts	6,275,348,887	—	—	6,275,348,887
Policyholders, mediators and co-insurers	16,881,525	—	—	16,881,525
Other debtors and creditors	46,208,924	1,736,844	37,106,362	85,052,130
Reinsured and reinsurers	1,818,328	20,018,831	—	21,837,159
Tax	18,268,140	33,925,542	3,510,761	55,704,443
Other financial liabilities	10,132,863	60,301,989	201,600,000	272,034,852
Other provisions	—	2,000,755	95,977,644	97,978,399
Accrued and deferred income	13,912,501	35,827,259	4,624,309	54,364,069
	<u>9,436,910,267</u>	<u>2,275,948,039</u>	<u>342,819,076</u>	<u>12,055,677,382</u>
Total Segments				872,369,091
Shareholders' equity, reserves and retained earnings				872,369,091

APPENDIX II ACCOUNTANTS' REPORT OF INSURANCE COMPANIES

(Amounts expressed in Euros, except when otherwise expressly indicated)

	Life Risk	Life Capitalisation with profit sharing	Life Financial liabilities	Total
Gross premiums - direct insurance	201,939,463	65,785,737	—	267,725,200
Earned premiums - direct insurance	201,913,242	65,797,772	—	267,711,014
Claims rate - direct insurance	(95,714,975)	(1,057,663,795)	—	(1,153,378,770)
Commissions and remuneration on acquisition - direct insurance	(13,672,066)	(1,753,694)	(8,353,834)	(23,779,594)
Technical provisions for profit sharing and technical income - direct insurance	5,522,037	959,103,481	(851,795)	963,773,723
Reinsurance income	(8,043,272)	(519)	—	(8,043,791)
Income, expenses and realised gains	13,656,021	83,437,507	278,928,019	376,021,547
Unrealised gains and impairment	(7,933,730)	(75,369,454)	(107,635,095)	(190,938,279)
Gains and losses on financial liabilities	—	—	(141,147,338)	(141,147,338)
Costs by type	(17,602,056)	(30,527,604)	(42,337,452)	(90,467,112)
Other non-technical costs and income	(1,598,579)	2,566	(382)	(1,596,395)
Income tax	(140,469)	298	(461,309)	(601,480)
	<u>76,386,153</u>	<u>(56,973,442)</u>	<u>(21,859,186)</u>	<u>(2,446,475)</u>
Assets				
Investments allocated to technical provisions and non-allocated investments	360,287,801	2,056,308,860	—	2,416,596,661
Financial assets allocated to unit linked contracts	—	—	535,608,752	535,608,752
Financial assets allocated to other investment contracts	—	—	6,387,736,699	6,387,736,699
Technical provisions for outwards reinsurance	22,803,210	—	—	22,803,210
Policyholders, mediators and co-insurers	787,575	203,119	2,856,348	3,847,042
Reinsured and reinsurers	31,365	—	—	31,365
Other debtors and creditors	—	7,289,206	9,950,481	17,239,687
Tax	54,358,135	4,624,258	102,344,985	161,327,378
Tangible and intangible assets and inventories (net)	2,272,228	2,109,117	1,773,934	6,155,279
Accrued and deferred income	300,892	568,284	8,790,411	9,659,587
Cash balances	16,350,054	100,128,751	198,438,568	314,917,373
	<u>457,191,260</u>	<u>2,171,231,595</u>	<u>7,247,500,178</u>	<u>9,875,923,033</u>

APPENDIX II ACCOUNTANTS' REPORT OF INSURANCE COMPANIES

(Amounts expressed in Euros, except when otherwise expressly indicated)

	Life			
	Life		Life	
	Capitalisation		Financial	
	with profit		liabilities	
	Life Risk	sharing		Total
Liabilities				
Provisions for unearned premiums	1,575,876	79,267	—	1,655,143
Mathematical provision	242,714,302	2,025,187,251	—	2,267,901,553
Provision for profit sharing	26,478,430	5,095,998	—	31,574,428
Provision for claims	108,541,654	29,396,531	—	137,938,185
Other technical provisions	20,686,784	8,859,848	—	29,546,632
Financial liabilities on unit linked contracts	—	—	585,723,158	585,723,158
Financial liabilities on other investment contracts	—	—	6,275,348,887	6,275,348,887
Policyholders, mediators and co-insurers	7,702,669	7,669,828	1,509,028	16,881,525
Other debtors and creditors	3,144,181	26,747,299	16,317,444	46,208,924
Reinsured and reinsurers	1,818,322	6	—	1,818,328
Tax	6,442,498	(1,531,860)	13,357,502	18,268,140
Other financial liabilities	6,966,562	—	3,166,301	10,132,863
Accrued and deferred income	2,560,140	3,448,198	7,904,163	13,912,501
	<u>428,631,418</u>	<u>2,104,952,366</u>	<u>6,903,326,483</u>	<u>9,436,910,267</u>

APPENDIX II ACCOUNTANTS' REPORT OF INSURANCE COMPANIES

(Amounts expressed in Euros, except when otherwise expressly indicated)

	Workman's Compensation	Health	Property	Motor	Non-life Carriage of goods	Third party liability	Other	Total
Gross premiums - direct insurance	148,619,241	178,433,934	254,440,130	461,240,383	24,444,124	34,918,718	26,164,793	1,128,261,323
Earned premiums - direct insurance	149,635,965	179,302,994	250,300,720	466,496,320	25,817,297	35,304,825	29,818,498	1,136,676,619
Claims rate - direct insurance	(133,341,134)	(150,660,914)	(129,194,788)	(296,173,317)	18,511,287	(11,338,524)	(8,865,605)	(711,062,995)
Commissions and remuneration on acquisition - direct insurance	(16,909,458)	(11,979,060)	(25,771,355)	(46,355,154)	(1,301,640)	(2,971,532)	(2,595,361)	(107,883,560)
Technical provisions for profit sharing and technical income - direct insurance	185,716	(2,175,851)	2,455,474	8,248,660	(83,951)	1,575,352	(873,721)	9,331,679
Reinsurance income	(1,061,493)	(1,757,140)	(37,478,773)	3,101,891	(35,926,303)	422,848	(318,195)	(73,017,165)
Income, expenses and realised gains	22,135,724	3,807,675	9,636,970	33,253,831	1,487,052	5,627,811	958,663	76,907,726
Unrealised gains and impairment	(8,543,596)	(2,920,228)	(6,668,354)	(22,797,605)	(527,377)	(4,554,528)	(741,392)	(46,753,080)
Costs by type	(35,822,066)	(20,674,999)	(75,209,811)	(126,600,849)	(2,666,812)	(7,473,582)	(10,307,640)	(278,755,759)
Other non-technical costs and income	1,579,872	596,003	965,842	(1,438,113)	142,252	202,569	521,689	2,570,114
Income tax	(20,794)	(270,133)	(573,435)	(2,935,101)	36,528	54,356	21,037	(3,687,542)
	<u>(22,161,264)</u>	<u>(6,731,653)</u>	<u>(11,537,510)</u>	<u>14,800,563</u>	<u>5,488,333</u>	<u>16,849,595</u>	<u>7,617,973</u>	<u>4,326,037</u>
Assets								
Investments allocated to technical provisions and non-allocated investments	637,945,818	90,801,769	289,912,465	901,590,013	17,100,653	128,840,252	8,156,486	2,074,347,456
Technical provisions for outwards reinsurance	1,473,887	647,319	132,169,213	15,723,468	8,913,304	27,563,805	10,729,860	197,220,856
Policyholders, mediators and co-insurers	15,581,042	16,378,407	58,245,035	31,696,922	3,533,994	10,564,749	4,372,933	140,373,082
Reinsured and reinsurers	25,842	3,067,128	—	771,045	321,031	48,466	2,701	4,236,213
Other debtors and creditors	13,712,367	265,431	2,301,104	8,192,011	244,681	694,775	295,385	25,705,754
Tax	829,938	202,142	496,274	23,576,007	5,297,615	13,382,688	5,698,836	49,483,500
Tangible and intangible assets and inventories (net)	3,601,235	2,075,252	7,308,860	13,221,034	155,543	773,249	1,663,198	28,798,371
Accrued and deferred income	789,178	446,513	1,964,274	2,495,027	66,907	152,854	219,546	6,134,299
Cash balances	35,120,502	13,300,115	11,562,147	32,522,048	549,508	3,745,270	3,019,691	99,819,281
	<u>709,079,809</u>	<u>127,184,076</u>	<u>503,959,372</u>	<u>1,029,787,575</u>	<u>36,183,236</u>	<u>185,766,108</u>	<u>34,158,636</u>	<u>2,626,118,812</u>
Liabilities								
Provisions for unearned premiums	11,781,642	22,008,433	82,654,967	147,661,820	3,012,938	10,178,678	11,398,838	288,697,316
Provision for profit sharing	—	—	—	—	—	—	70,526	70,526
Provision for claims	724,825,746	40,163,665	210,109,604	683,704,125	13,956,793	117,126,960	14,556,427	1,804,443,320
Other technical provisions	3,469,110	5,195,998	5,080,525	14,348,028	2,577	821,796	7,623	28,925,657
Other debtors and creditors	—	520,209	—	861,381	21,247	270,388	63,619	1,736,844
Reinsured and reinsurers	333,406	11,499,731	5,377,022	569,585	97	1,530,090	708,900	20,018,831
Tax	5,857,864	1,646,108	5,623,930	16,600,335	848,208	2,017,150	1,331,947	33,925,542
Other financial liabilities	—	17,599,788	29,773,101	2,000,223	2,881,574	1,761,381	6,285,922	60,301,989
Other provisions	—	359,686	—	1,634,318	—	—	6,751	2,000,755
Accrued and deferred income	5,132,297	2,891,277	9,801,986	15,647,995	443,869	1,023,588	886,247	35,827,259
	<u>751,400,065</u>	<u>101,884,895</u>	<u>348,421,135</u>	<u>883,027,810</u>	<u>21,167,303</u>	<u>134,730,031</u>	<u>35,316,800</u>	<u>2,275,948,039</u>

APPENDIX II ACCOUNTANTS' REPORT OF INSURANCE COMPANIES

(Amounts expressed in Euros, except when otherwise expressly indicated)

	Portugal	Rest of European Union	Rest of World	Total
Gross premiums - direct insurance	1,327,461,740	54,616,312	13,908,471	1,395,986,523
Earned premiums - direct insurance	1,338,574,394	54,462,061	11,351,178	1,404,387,633
Claims rate - direct insurance	(1,815,517,545)	(47,442,551)	(1,481,669)	(1,864,441,765)
Commissions and remuneration on acquisition - direct insurance	(124,012,537)	(6,924,954)	(725,663)	(131,663,154)
Technical provisions for profit sharing and technical income - direct insurance	968,575,170	9,257,455	(4,727,223)	973,105,402
Reinsurance income	(74,441,125)	(3,961,166)	(2,658,665)	(81,060,956)
Income, expenses and realised gains	460,479,023	13,962,839	154,237	474,596,099
Unrealised gains and impairment	(222,673,444)	(9,588,826)	653,310	(231,608,960)
Gains and losses on financial liabilities	(141,123,637)	(23,701)	—	(141,147,338)
Costs by type	(360,105,392)	(12,272,659)	(2,066,727)	(374,444,778)
Other non-technical costs and income	12,352,692	176,984	(57,274)	12,472,402
Income tax	(4,671,482)	133,671	65,520	(4,472,291)
	<u>37,436,117</u>	<u>(2,220,847)</u>	<u>507,024</u>	<u>35,722,294</u>
Assets				
Investments allocated to technical provisions and non-allocated investments	4,457,010,173	362,866,288	12,739,027	4,832,615,488
Financial assets allocated to unit linked contracts	533,672,254	1,936,498	—	535,608,752
Financial assets allocated to other investment contracts	6,381,614,359	8,081,275	—	6,389,695,634
Technical provisions for outwards reinsurance	185,716,225	30,398,615	3,909,226	220,024,066
Policyholders, mediators and co-insurers	141,993,462	327,526	1,899,136	144,220,124
Reinsured and reinsurers	4,240,678	—	26,900	4,267,578
Other debtors and creditors	90,936,871	747,941	4,487,884	96,172,696
Tax	215,672,364	455,815	—	216,128,179
Tangible and intangible assets and inventories (net)	60,957,870	2,870,627	228,365	64,056,862
Goodwill	1,936,949	—	335,164	2,272,113
Accrued and deferred income	22,508,781	523,186	219,860	23,251,827
Cash balances	427,022,397	7,016,625	1,416,426	435,455,448
	<u>12,523,282,383</u>	<u>415,224,396</u>	<u>25,261,988</u>	<u>12,963,768,767</u>

APPENDIX II ACCOUNTANTS' REPORT OF INSURANCE COMPANIES

(Amounts expressed in Euros, except when otherwise expressly indicated)

	Portugal	Rest of European Union	Rest of World	Total
Liabilities				
Provisions for unearned premiums	277,419,585	8,714,212	4,218,662	290,352,459
Mathematical provision	1,948,199,284	311,907,914	7,794,355	2,267,901,553
Provision for profit sharing	31,250,372	394,582	—	31,644,954
Provision for claims	1,904,323,129	36,247,150	1,811,226	1,942,381,505
Other technical provisions	58,089,240	359,562	23,487	58,472,289
Financial liabilities on unit linked contracts	583,786,660	1,936,498	—	585,723,158
Financial liabilities on other investment contracts	6,268,862,640	6,486,247	—	6,275,348,887
Policyholders, mediators and co-insurers	16,875,726	5,799	—	16,881,525
Other debtors and creditors	84,564,093	431,988	56,049	85,052,130
Reinsured and reinsurers	19,386,687	1,390,141	1,060,331	21,837,159
Tax	55,498,987	89,809	115,647	55,704,443
Other financial liabilities	263,456,672	8,578,180	—	272,034,852
Other provisions	97,978,399	—	—	97,978,399
Accrued and deferred income	53,265,824	886,445	211,800	54,364,069
	<u>11,662,957,298</u>	<u>377,428,527</u>	<u>15,291,557</u>	<u>12,055,677,382</u>
Total Segments				872,369,091
Shareholders' equity, reserves and retained earnings				872,369,091

The “Policyholders, Agents and Co-insurers”, “Reinsured and reinsurers”, “Other debtors and creditors” and “Current tax” account headings are split up differently between Assets and Liabilities, in comparison to the Financial Statements, owing to the fact that the segment distribution process originates a different balances split.

APPENDIX II ACCOUNTANTS' REPORT OF INSURANCE COMPANIES

(Amounts expressed in Euros, except when otherwise expressly indicated)

43. MATERIAL RELATED PARTY TRANSACTIONS

CGD's subsidiaries and associated companies and their respective management bodies are considered to be Insurance Group's related entities.

Insurance Group's financial statements, at 31 December 2013, 2012 and 2011, include the following significant transactions with related entities, excluding management bodies:

	<i>Note</i>	2013	2012	2011
Insurance business				
Inwards reinsurance premiums	(i)	1,145,022	1,432,586	1,738,566
Inwards reinsurance claims	(i)	(110,022)	325,563	(1,104,008)
Inwards reinsurance commissions	(i)	(246,736)	(347,004)	(398,020)
Insurance underwriting commissions	(ii)	(28,858,488)	(30,199,936)	(24,412,245)
Employee costs	(iii)	2,316,783	2,652,702	4,544,230
External supplies and services	(iv)	(10,789,427)	(13,173,923)	(14,544,009)
Commissions	(iv)	(5,932,236)	(3,986,391)	(4,853,927)
Interest paid	(v)	(1,528,635)	(3,073,866)	(4,343,785)
Financial costs - banking services	(vi)	(164,086)	(302,388)	(695,856)
Investment income	(vii)	44,588,987	44,137,330	57,112,220
Gains and losses from investments	(vii)	39,475,446	139,078,503	11,307,714

- i) A fellow subsidiary ceded business from and received commissions and claims from the Insurance Group;
- ii) The Insurance Group pays underwriting commissions to related entities, for the distribution of its insurance policies;
- iii) The Insurance Group ceases employees to related entities and is reimbursed of the corresponding costs;
- iv) Certain related entities provide back office services, property management services, asset management services and other services to the Insurance Group and receive service fees from the Group;
- v) The Insurance Group pays interest on loans received from some related financial institutions;
- vi) Certain related entities provide banking services to the Insurance Group and receive commission fees from the Insurance Group;
- vii) The Insurance Group holds significant investments in financial assets issued or managed by related entities, including term deposits, debt instruments and participating units in investment funds, and receives income from these investments.

APPENDIX II ACCOUNTANTS' REPORT OF INSURANCE COMPANIES

(Amounts expressed in Euros, except when otherwise expressly indicated)

During the Relevant Periods, the Insurance Group entered into transactions with enterprises controlled, jointly controlled or strongly influenced by the Portuguese State ("State-Related Entities"), including but not limited to the sales of insurance policies. These transactions are conducted in the ordinary course of the Insurance Group's insurance business on terms similar to those that would have been entered into with non-State-Related Entities. The Group has also established its pricing strategy and approval processes for its major insurance products. Such pricing strategy and approval processes do not depend on whether the customers are State-Related Entities or not. Having due regard to the substance of the relationships, the directors believe that none of these transactions are related party transactions that require separate disclosure.

Compensation of key management personnel

The remuneration committee is responsible for approving the remuneration paid to members of statutory bodies, in accordance with criteria defined by the shareholder.

The remuneration paid to executive board members is based on their fixed annual salaries and reflects the reductions provided for in law 12-A/2010 of 30 June and law 55-A/2010 of 31 December.

Information on the remuneration and benefits paid to the members of the Board of Directors of Fidelidade, Cares and Multicare in 2013, 2012 and 2011 is set out below:

	2013	2012	2011
Salaries and benefits	<u>2,276,287</u>	<u>2,172,126</u>	<u>2,496,330</u>

APPENDIX II ACCOUNTANTS' REPORT OF INSURANCE COMPANIES

(Amounts expressed in Euros, except when otherwise expressly indicated)

44. DISCLOSURES RELATING TO FINANCIAL INSTRUMENTS

STATEMENT OF FINANCIAL POSITION

The carrying amount of financial assets and financial liabilities as at 31 December 2013, 2012 and 2011 is set out below:

		2013	
	Recognised at fair value	Not recognised at fair value	Balance sheet value
Assets			
Cash and cash equivalents and sight deposits	—	202,418,277	202,418,277
Investments in associated companies and jointly owned enterprises	—	1,507,632	1,507,632
Financial assets initially recognised at fair value through profit or loss	913,737,904	—	913,737,904
Available for sale assets	6,286,649,901	1,265,852	6,287,915,753
Loans and accounts receivable	—	1,364,361,607	1,364,361,607
Investments to be held to maturity	—	2,877,576,151	2,877,576,151
Other debtors	—	372,616,175	372,616,175
	<u>7,200,387,805</u>	<u>4,819,745,694</u>	<u>12,020,133,499</u>
Liabilities			
Mathematical provision for life insurance	—	1,527,027,135	1,527,027,135
Financial liabilities on the deposit component of insurance and investment contracts	988,154,104	6,038,457,464	7,026,611,568
Deposits received from reinsurers	—	44,432,218	44,432,218
Other financial liabilities	4,406,403	30,500,812	34,907,215
Other creditors	—	95,796,052	95,796,052
	<u>992,560,507</u>	<u>7,736,213,681</u>	<u>8,728,774,188</u>

APPENDIX II ACCOUNTANTS' REPORT OF INSURANCE COMPANIES

(Amounts expressed in Euros, except when otherwise expressly indicated)

		2012	
	Recognised at fair value	Not recognised at fair value	Balance sheet value
Assets			
Cash and cash equivalents and sight deposits	—	653,061,572	653,061,572
Investments in associated companies and jointly owned enterprises	—	2,433,106	2,433,106
Financial assets held for trading	75,505,871	—	75,505,871
Financial assets initially recognised at fair value through profit or loss	1,111,323,425	—	1,111,323,425
Available for sale assets	6,255,909,913	1,439,852	6,257,349,765
Loans and accounts receivable	—	610,660,604	610,660,604
Investments to be held to maturity	—	3,116,712,595	3,116,712,595
Other debtors	—	147,237,941	147,237,941
	<u>7,442,739,209</u>	<u>4,531,545,670</u>	<u>11,974,284,879</u>
Liabilities			
Mathematical provision for life insurance	—	1,669,080,223	1,669,080,223
Financial liabilities on the deposit component of insurance and investment contracts	1,148,224,880	5,600,888,199	6,749,113,079
Subordinated debt	—	91,600,000	91,600,000
Deposits received from reinsurers	—	45,365,111	45,365,111
Other financial liabilities	14,083,378	28,002,025	42,085,403
Other creditors	—	114,701,459	114,701,459
	<u>1,162,308,258</u>	<u>7,549,637,017</u>	<u>8,711,945,275</u>

APPENDIX II ACCOUNTANTS' REPORT OF INSURANCE COMPANIES

(Amounts expressed in Euros, except when otherwise expressly indicated)

		2011	
	Recognised at fair value	Not recognised at fair value	Balance sheet value
Assets			
Cash and cash equivalents and sight deposits	—	435,455,448	435,455,448
Investments in associated companies and jointly owned enterprises	—	2,193,640	2,193,640
Financial assets held for trading	69,357,386	—	69,357,386
Financial assets initially recognised at fair value through profit or loss	620,842,153	—	620,842,153
Available for sale assets	6,144,851,188	1,512,369	6,146,363,557
Loans and accounts receivable	—	554,272,030	554,272,030
Investments to be held to maturity	—	3,823,696,495	3,823,696,495
Other debtors	—	220,036,111	220,036,111
	<u>6,835,050,727</u>	<u>5,037,166,093</u>	<u>11,872,216,820</u>
Liabilities			
Mathematical provision for life insurance	—	2,025,187,251	2,025,187,251
Financial liabilities on the deposit component of insurance and investment contracts	585,723,158	6,275,348,887	6,861,072,045
Subordinated debt	—	176,600,000	176,600,000
Deposits received from reinsurers	—	52,265,326	52,265,326
Other financial liabilities	3,166,301	40,003,225	43,169,526
Other creditors	—	144,459,355	144,459,355
	<u>588,889,459</u>	<u>8,713,864,044</u>	<u>9,302,753,503</u>

The caption “Financial assets initially designated at fair value through profit and loss” include the Statement of Financial Position headings “Financial assets designated at fair value through profit and loss” and “Policyholder accounts in respect of unit-linked contracts”.

The amount relating to financial instruments recognised in the “Mathematical provision for life insurance” comprises the value of the mathematical provisions of life insurance capitalisation products with profit sharing.

APPENDIX II ACCOUNTANTS' REPORT OF INSURANCE COMPANIES

(Amounts expressed in Euros, except when otherwise expressly indicated)

The amount considered in “Other debtors” and “Other creditors” essentially comprises the balances receivable from and payable to the insured, reinsurers, reinsured, mediators, agents and other external entities.

PROFIT AND LOSS

The following is a breakdown of interest income and expenses on financial assets and liabilities not recognised at fair value through profit and loss, assessed by the effective rate method, for the years ended 31 December 2013, 2012 and 2011:

	2013	2012	2011
Assets			
Available for sale assets	204,177,246	193,837,082	231,630,404
Loans and accounts receivable	22,887,110	21,677,626	20,479,204
Investments to be held to maturity	142,134,030	158,344,923	173,928,090
Sight deposits with credit institutions	<u>199,254</u>	<u>957,687</u>	<u>3,246,470</u>
	<u>369,397,640</u>	<u>374,817,318</u>	<u>429,284,168</u>
Liabilities			
Mathematical provision for life insurance	(41,563,749)	(45,565,497)	(66,201,285)
Financial liabilities on the deposit component of insurance and investment contracts	(170,549,982)	(158,633,724)	(164,717,965)
Subordinated debt	(104,039)	(1,403,804)	(2,633,704)
Deposits received from reinsurers	<u>45,994</u>	<u>(1,529,661)</u>	<u>(1,294,678)</u>
	<u>(212,171,776)</u>	<u>(207,132,686)</u>	<u>(234,847,632)</u>

APPENDIX II ACCOUNTANTS' REPORT OF INSURANCE COMPANIES

(Amounts expressed in Euros, except when otherwise expressly indicated)

Other Disclosures

Fair value of financial instruments

The form of assessing the fair value of the Insurance Group's financial instruments, recognised in its financial statements at 31 December 2013, 2012 and 2011, is summarised below:

	2013			Not recognised at fair value	Total
	Fair value assessment methodology				
	Level 1	Level 2	Level 3		
Assets					
Cash and cash equivalents and sight deposits	—	—	—	202,418,277	202,418,277
Financial assets initially recognised at fair value through profit or loss	21,315,542	827,524,226	64,898,136	—	913,737,904
Available for sale assets	588,985,205	5,049,701,104	647,963,592	1,265,852	6,287,915,753
Loans and accounts receivable	—	—	—	1,364,361,607	1,364,361,607
Investments to be held to maturity	—	—	—	2,877,576,151	2,877,576,151
Other debtors	—	—	—	138,966,561	138,966,561
	<u>610,300,747</u>	<u>5,877,225,330</u>	<u>712,861,728</u>	<u>4,584,588,448</u>	<u>11,784,976,253</u>
Liabilities					
Mathematical provision for life insurance	—	—	—	1,527,027,135	1,527,027,135
Financial liabilities on the deposit component of insurance and investment contracts	—	988,154,104	—	6,038,457,464	7,026,611,568
Deposits received from reinsurers	—	—	—	44,432,218	44,432,218
Other financial liabilities	—	4,406,403	—	30,500,812	34,907,215
Other creditors	—	—	—	95,796,052	95,796,052
	<u>—</u>	<u>992,560,507</u>	<u>—</u>	<u>7,736,213,681</u>	<u>8,728,774,188</u>
	610,300,747	4,884,664,823	712,861,728	(3,151,625,233)	3,056,202,065

APPENDIX II ACCOUNTANTS' REPORT OF INSURANCE COMPANIES

(Amounts expressed in Euros, except when otherwise expressly indicated)

	2012				
	Fair value assessment methodology			Not recognised	
	Level 1	Level 2	Level 3	at fair value	Total
Assets					
Cash and cash equivalents and sight deposits	—	—	—	653,061,572	653,061,572
Financial assets held for trading	—	74,941,956	563,915	—	75,505,871
Financial assets initially recognised at fair value through profit or loss	21,913,615	1,015,491,869	73,917,941	—	1,111,323,425
Available for sale assets	550,727,080	5,149,488,809	555,694,024	1,439,852	6,257,349,765
Loans and accounts receivable	—	—	—	610,660,604	610,660,604
Investments to be held to maturity	—	—	—	3,116,712,595	3,116,712,595
Other debtors	—	—	—	147,237,941	147,237,941
	<u>572,640,695</u>	<u>6,239,922,634</u>	<u>630,175,880</u>	<u>4,529,112,564</u>	<u>11,971,851,773</u>
Liabilities					
Mathematical provision for life insurance	—	—	—	1,669,080,223	1,669,080,223
Financial liabilities on the deposit component of insurance and investment contracts	—	1,148,224,880	—	5,600,888,199	6,749,113,079
Subordinated debt	—	—	—	91,600,000	91,600,000
Deposits received from reinsurers	—	—	—	45,365,111	45,365,111
Other financial liabilities	—	13,978,197	105,181	28,002,025	42,085,403
Other creditors	—	—	—	114,701,459	114,701,459
	<u>—</u>	<u>1,162,203,077</u>	<u>105,181</u>	<u>7,549,637,017</u>	<u>8,711,945,275</u>
	<u>572,640,695</u>	<u>5,077,719,557</u>	<u>630,070,699</u>	<u>(3,020,524,453)</u>	<u>3,259,906,498</u>

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	2011				
	Fair value assessment methodology			Not recognised	
	Level 1	Level 2	Level 3	at fair value	Total
Assets					
Cash and cash equivalents and sight deposits	—	—	—	435,455,448	435,455,448
Financial assets held for trading	—	63,316,383	6,041,003	—	69,357,386
Financial assets initially recognised at fair value through profit or loss	21,927,140	526,397,579	72,517,434	—	620,842,153
Available for sale assets	559,599,911	5,086,870,324	498,380,953	1,512,369	6,146,363,557
Loans and accounts receivable	—	—	—	554,272,030	554,272,030
Investments to be held to maturity	—	—	—	3,823,696,495	3,823,696,495
Other debtors	—	—	—	220,036,111	220,036,111
	<u>581,527,051</u>	<u>5,676,584,286</u>	<u>576,939,390</u>	<u>5,034,972,453</u>	<u>11,870,023,180</u>
Liabilities					
Mathematical provision for life insurance	—	—	—	2,025,187,251	2,025,187,251
Financial liabilities on the deposit component of insurance and investment contracts	—	585,723,158	—	6,275,348,887	6,861,072,045
Subordinated debt	—	—	—	176,600,000	176,600,000
Deposits received from reinsurers	—	—	—	52,265,326	52,265,326
Other financial liabilities	—	2,890,517	275,784	40,003,225	43,169,526
Other creditors	—	—	—	144,459,355	144,459,355
	<u>—</u>	<u>588,613,675</u>	<u>275,784</u>	<u>8,713,864,044</u>	<u>9,302,753,503</u>
	581,527,051	5,087,970,611	576,663,606	(3,678,891,591)	2,567,269,677

The caption “Financial assets initially designated at fair value through profit and loss” include the Statement of Financial Position headings “Financial assets initially designated at fair value through profit and loss” and “Policyholder accounts in respect of unit-linked contracts”.

The above tables present the classification in accordance with a fair value range, as provided for in IFRS 13 — Fair Value, of the financial instruments held by the Insurance Group companies at 31 December 2013, 2012 and 2011 which are valued at their fair value, in accordance with the following assumptions:

- Level 1 - Financial Instruments valued on the basis of active market prices to which the Insurance Group companies has access. This category includes securities valued at executable prices (with immediate liquidity) published by external sources.

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- Level 2 - Financial Instruments whose valuation is based on directly or indirectly observable data, in active markets. This category includes securities valued on the basis of bids submitted by external counterparties and internal valuation techniques exclusively using observable market data.
- Level 3 - All Financial Instruments valued at fair value which are not classifiable in levels 1 and 2.

The changes in 2012 and 2013 on financial instruments classified in Level 3 of the fair value hierarchy can be detailed as follows:

	Available for sale assets	Financial assets initially recognised at fair value through profit or loss	Financial assets held for trading	Other financial liabilities	Total
Balances in 31 December 2011	<u>498,380,953</u>	<u>72,517,434</u>	<u>6,041,003</u>	<u>(275,784)</u>	<u>576,663,606</u>
Acquisitions	21,007,070	—	—	—	21,007,070
Revaluations					
- as a charge to the income statement	4,603,158	8,072,942	(11,449)	(78,914)	12,585,737
- as a charge to shareholders' equity	34,877,539	—	—	—	34,877,539
Reinforcements/ reversals of impairment in the year	(2,587,051)	—	—	—	(2,587,051)
Disposals	<u>(587,645)</u>	<u>(6,672,435)</u>	<u>(5,465,639)</u>	<u>249,517</u>	<u>(12,476,202)</u>
Balances in 31 December 2012	<u>555,694,024</u>	<u>73,917,941</u>	<u>563,915</u>	<u>(105,181)</u>	<u>630,070,699</u>
Acquisitions	119,385,219	174,492	—	—	119,559,711
Revaluations					
- as a charge to the income statement	(3,566,752)	1,126,250	—	—	(2,440,502)
- as a charge to shareholders' equity	9,274,564	—	—	—	9,274,564
Reinforcements/ reversals of impairment in year	(21,931,896)	—	—	—	(21,931,896)
Disposals	<u>(10,891,567)</u>	<u>(10,320,547)</u>	<u>(563,915)</u>	<u>105,181</u>	<u>(21,670,848)</u>
Balances in 31 December 2013	<u>647,963,592</u>	<u>64,898,136</u>	<u>—</u>	<u>—</u>	<u>712,861,728</u>

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During 2013 and 2012 no transfers of financial assets or liabilities have occurred between levels of the fair value hierarchy.

Unobservable inputs and sensitivity analysis for Level 3 assets

The Insurance Group's financial assets classified in Level 3 primarily correspond to debt securities and investment funds not quoted in an active market.

The fair value of debt securities, which consist of public and corporate bonds, is determined using broker quotes that cannot be corroborated with observable market transactions. Significant unobservable inputs for these bonds would include proprietary cash flow models and issuer spreads, which are comprised of credit, liquidity, and other security-specific features of the bonds. An increase (decrease) in these issuer spreads would result in a lower (higher) fair value. Due to the unobservable nature of these quotes, we do not assess whether applying reasonably possible alternative assumptions would have an impact on the fair value of the Level 3 bonds.

The fair value of investment funds classified in Level 3 are based on net asset value (NAV) reports provided by the management of such funds. Based on the unobservable nature of these NAV's, we do not assess whether applying reasonably possible alternative assumptions would have an impact on the fair value of the Level 3 investment funds.

Information on the financial statements and fair value of the financial instruments at amortised or historical cost at 31 December 2013, 2012 and 2011 is set out below:

	2013		
	Balance sheet value	Fair value	Difference
Assets			
Cash and cash equivalents and sight deposits	202,418,277	202,418,277	—
Available for sale assets	1,265,852	1,265,852	—
Loans and accounts receivable	1,364,361,607	1,364,361,607	—
Investments to be held to maturity	2,877,576,151	2,984,449,542	106,873,391
Other debtors	138,966,561	138,966,561	—
	<u>4,584,588,448</u>	<u>4,691,461,839</u>	<u>106,873,391</u>

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2012			
	Balance sheet value	Fair value	Difference
Assets			
Cash and cash equivalents and sight deposits	653,061,572	653,061,572	—
Available for sale assets	1,439,852	1,439,852	—
Loans and accounts receivable	610,660,604	610,660,604	—
Investments to be held to maturity	3,116,712,595	3,189,115,725	72,403,130
Other debtors	147,237,941	147,237,941	—
	<u>4,529,112,564</u>	<u>4,601,515,694</u>	<u>72,403,130</u>
2011			
	Balance sheet value	Fair value	Difference
Assets			
Cash and cash equivalents and sight deposits	435,455,448	435,455,448	—
Available for sale assets	1,512,369	1,512,369	—
Loans and accounts receivable	554,272,030	554,272,030	—
Investments to be held to maturity	3,823,696,495	3,045,790,912	(777,905,583)
Other debtors	220,036,111	220,036,111	—
	<u>5,034,972,453</u>	<u>4,257,066,870</u>	<u>(777,905,583)</u>

The following were the main assumptions used to calculate the fair value of these financial instruments:

- The fair value of the financial investments recognised in “Cash and cash equivalents and sight deposits” is considered approximated to their financial statements value, as they essentially comprise short term deposits.
- The “Loans and accounts receivable” account heading includes:
 - Term deposits — fair value is considered approximated to their financial statements value, as they essentially comprise short term deposits;
 - Mortgage loans — fair value has not been calculated due to the low materiality presented, and taking in consideration that these are essentially loans to employees, covered by real guarantees.

(Amounts expressed in Euros, except when otherwise expressly indicated)

The market value of investments to be held to maturity is assessed in accordance with the methodology described in Note 3.5, and it falls completely within level 2 of the fair value hierarchy as defined by IFRS 13.

MANAGEMENT POLICIES ON FINANCIAL RISKS INHERENT TO THE GROUP'S ACTIVITY

The Insurance Group companies' market risk management objectives, rules and procedures are governed by Board of Directors' Investments Policy Guidelines which are regularly updated and obligatorily revised every three years.

The Investments Policy defines the guideline principles on investment management on the whole of the Insurance Group companies' investment process, ranging from the assets and liabilities management (ALM), strategic assets allocations (SAA), tactical assets allocations (TAA), dynamic investment portfolio management and investment control and reporting activities. The Investments Policy has been designed to ensure alignment with objectives and the respective investment strategy, in addition to promoting an effective oversight and supervision process on its activity.

The Insurance Group companies' investment process is based on best governance practice to promote rational, sustained decisions in terms of asset selection and an adequate risk/return ratio.

The Insurance Group companies' investment activity should follow a structured process comprising 5 fundamental steps:

- Identification of opportunity: identification of investment opportunities by the team or entity responsible for asset management, suitable for inclusion in the Investment Policy, pursuant to the guidelines approved by the ALM Committee and with an adequate risk/return ratio for the Insurance Group companies;
- Assessment of opportunity: the opportunity should also be assessed by the team or entity responsible for asset management, taking into account both qualitative (e.g. the expected trend on a certain asset category, industry or geography) and quantitative (e.g. expected return, credit risk) aspects;
- Investment proposal: the proposal drawn up by the team or asset management entity should be submitted for the consideration of the director responsible for making the respective decision (in accordance with the delegating of competencies) in conformity with the following guidelines:
 - a. For investments in financial assets and up to the limit of the autonomy of the Director of DIV (in accordance with the current delegating of competencies), the operations must be documented and validated by the director responsible for approving the

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operation, in a simple format (making reference to the operation, amount, date and signature of the director responsible for the approval). As far as possible and in order not to add to the complexity of the investment process, the process should be computerised;

- b. An investment proposal should be prepared for investments in financial assets in excess of the DIV Director's autonomy limit, in accordance with the current delegating of competencies;
 - c. An investment proposal should be completed on all investments or disinvestments in real estate assets.
- Executing of transaction: if the investment proposal is approved, the structural body with oversight responsibility should authorise and verify that the operation proceeds, including its execution and settlement by the entities responsible for the process;
 - Control: the effective control of the investment should be ensured by the Risk Division, which should ensure that the current regulations are being complied with and are in line with the risk and return levels defined by the Insurance Group companies.

The following are also determinants in the framework of the development of the Insurance Group companies' investment activity:

1. Definition of portfolio objective

The primary objective of the investments portfolio is to generate income for the Insurance Group companies, subject to the risks and other constraints defined by Liabilities Management Strategic and Tactical Assets Committees.

From an operational viewpoint, the main objective of the activity translates into value creation based on the selection of assets with the best risk/return profile. The Insurance Group companies' asset management activity specifically aims:

- To back the Insurance Group companies' generation of financial income;
- To guarantee the competitiveness of the Insurance Group companies' insurance offer;
- To ensure the risk mitigation of insurance activity;
- To comply with the regulations in force on activity in the Insurance Group companies and ISP.

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2. Definition of asset categories and respective investment universe

Asset categories eligible for investment by Fidelidade, as their respective investment universes:

- Treasury: instruments essentially geared to short term liquidity management;
- Fixed-income: medium or long term debt instruments;
- Variable yield: instruments providing variable income and which should be listed in a stock exchange, subject to regulation and supervision;
- Real estate: an investment category associated with the real estate market;
- Alternative investments

Private Equity: a private venture capital funds investment category;

Infrastructures: an investment category exclusively geared to funds focusing on investment in infrastructures;

Hedge Funds: an investment category in funds for coverage purposes;

Commodities: investment in assets associated with the evolution of the value of common commodities such as precious metals or cereals.

Funds which cannot be allocated to a single asset category: this category includes funds of funds and funds which include various asset categories and for which there is no monthly fund look through.

Other equivalent instruments approved by the Board of Directors.

3. Definition of exposure limits within the asset risk management framework.

The financial assets and real estate investment portfolio should establish the balanced exposure of different asset categories, always considering the risk/return binomial. To ensure adequate risk management and a balanced portfolio, it is essential to define maximum portfolio exposure limits, as well as mechanisms permitting the adequate control and management of risk levels and potential losses. Compliance with the applicable legal standards of ISP, should, herein, be mentioned.

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Maximum exposure limits for Fidelidade's portfolio, at any point of time, based on 5 specific criteria, were therefore defined.

- Asset category;
- Rating;
- Sector of activity;
- Geography;
- Concentration per position.

4. Definition of risk process control and management.

Asset risk management

Limits have been defined on exposures to different asset categories, considering the risk/return binomial for the purpose of permitting adequate risk management and a balanced portfolio. Mechanisms permitting control and management of risk levels and potential losses have also been established.

Risk control and management process

Oversight of exposure limits to the different asset categories is the responsibility of the Risk Management Division, based on the production of reports monitoring the activity. Situations of effective or potential default are herein identified. Whereas the former derive from a breach of the fixed limit, the latter result from the approximation of the relevant observation of the assets portfolio to the maximum defined limit. A process for the identification, approval and application of corrective measures has been established for any of the types of default.

Stop-loss mechanisms

Stop-loss mechanisms on the Insurance Group companies' investment activity resulting from changes in market conditions have been set up with the aim of initiating the actions designed to limit them. Accordingly when the loss limit is reached, procedures similar to those for non-compliance with exposure limits are triggered. Stop-loss limits restricting the impact of investment activity on the solvency ratio, measured under Solvency II, have also been determined. Stop-loss limits are regularly controlled by the Risk Management Division in order to permit a preventative reaction to fluctuations.

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Report and monitoring of investment activity

A regular report process for the various levels of the Insurance Group companies involved in asset management activity has been established to permit adequate oversight of investment activity in addition to the auctioning of risk mitigation management mechanisms. The information to be produced, considering the recipient, type of report, content, frequency of publication and the body responsible for its production has accordingly been defined.

Credit risk

Information on the Insurance Group's exposure to credit risk at 31 December 2013, 2012 and 2011, is set out below:

	2013			2012			2011		
	Gross book value	Impairment	Net book value	Gross book value	Impairment	Net book value	Gross book value	Impairment	Net book value
Sight deposits	198,453,088	—	198,453,088	646,662,908	—	646,662,908	428,447,218	—	428,447,218
Financial assets held for trading	—	—	—	75,505,871	—	75,505,871	69,357,386	—	69,357,386
Financial assets initially recognised at fair value through profit or loss	891,229,803	—	891,229,803	1,089,617,957	—	1,089,617,957	596,598,539	—	596,598,539
Available for sale assets	5,406,310,312	(2,998,743)	5,403,311,569	5,388,558,667	(2,999,930)	5,385,558,737	5,278,404,623	(2,998,297)	5,275,406,326
Loans and accounts receivable	1,364,361,607	—	1,364,361,607	610,660,604	—	610,660,604	554,272,030	—	554,272,030
Investments to be held to maturity	2,877,576,151	—	2,877,576,151	3,116,712,595	—	3,116,712,595	3,943,730,686	(120,034,191)	3,823,696,495
Other debtors	181,644,916	190,971,259	372,616,175	199,261,939	(52,023,998)	147,237,941	268,196,009	(48,159,898)	220,036,111
	<u>10,919,575,877</u>	<u>187,972,516</u>	<u>11,107,548,393</u>	<u>11,126,980,541</u>	<u>(55,023,928)</u>	<u>11,071,956,613</u>	<u>11,139,006,491</u>	<u>(171,192,386)</u>	<u>10,967,814,105</u>
Exposure to credit risk	<u>10,919,575,877</u>	<u>187,972,516</u>	<u>11,107,548,393</u>	<u>11,126,980,541</u>	<u>(55,023,928)</u>	<u>11,071,956,613</u>	<u>11,139,006,491</u>	<u>(171,192,386)</u>	<u>10,967,814,105</u>

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Credit quality

A breakdown of the financial statements value of financial investments at 31 December 2013, 2012 and 2011, by Standard & Poor's or equivalent rating and by the counterparty's country of origin, is set out in the following table:

Asset class	Portugal	2013 Country of origin		Total
		Rest of European Union	Other	
Deposits in credit institutions				
A- up to A+	—	1,328,895	—	1,328,895
BBB- up to BBB+	292,367	—	—	292,367
BB- up to BB+	1,299,232,870	16,084,613	—	1,315,317,483
B- up to B+	227,067,662	—	—	227,067,662
Not rated	<u>1,815,999</u>	<u>2,722,673</u>	<u>10,253,071</u>	<u>14,791,743</u>
	<u>1,528,408,898</u>	<u>20,136,181</u>	<u>10,253,071</u>	<u>1,558,798,150</u>
Deposits in ceding companies				
Not rated	<u>917,732</u>	<u>37,753</u>	<u>—</u>	<u>955,485</u>
	<u>917,732</u>	<u>37,753</u>	<u>—</u>	<u>955,485</u>
Total	<u><u>1,529,326,630</u></u>	<u><u>20,173,934</u></u>	<u><u>10,253,071</u></u>	<u><u>1,559,753,635</u></u>

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Asset class	Portugal	2012 Country of origin		Total
		Rest of European Union	Other	
Deposits in credit institutions				
A- up to A+	100,600	772,825	—	873,425
BBB- up to BBB+	166,103	100,000	—	266,103
BB- up to BB+	628,693,697	576,299,032	—	1,204,992,729
B- up to B+	6,257,864	6,405,364	—	12,663,228
Not rated	4,049,755	18,742,580	10,651,692	33,444,027
	<u>639,268,019</u>	<u>602,319,801</u>	<u>10,651,692</u>	<u>1,252,239,512</u>
Deposits in ceding companies				
Not rated	1,068,363	40,388	—	1,108,751
	<u>1,068,363</u>	<u>40,388</u>	<u>—</u>	<u>1,108,751</u>
Total	<u>640,336,382</u>	<u>602,360,189</u>	<u>10,651,692</u>	<u>1,253,348,263</u>

Asset class	Portugal	2011 Country of origin		Total
		Rest of European Union	Other	
Deposits in credit institutions				
A- up to A+	110,221	2,393,039	—	2,503,260
BBB- up to BBB+	2,812,731	113,000	—	2,925,731
BB- up to BB+	934,462,763	19,358,674	—	953,821,437
Not rated	6,738,126	185,296	10,788,612	17,712,034
	<u>944,123,841</u>	<u>22,050,009</u>	<u>10,788,612</u>	<u>976,962,462</u>
Deposits in ceding companies				
Not rated	776,072	450,349	—	1,226,421
	<u>776,072</u>	<u>450,349</u>	<u>—</u>	<u>1,226,421</u>
Total	<u>944,899,913</u>	<u>22,500,358</u>	<u>10,788,612</u>	<u>978,188,883</u>

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The “Deposits in credit institutions” account heading includes other deposits set out in the “Loans and accounts receivable” account headings for the amount of Euro 1,360,345,062, Euro 605,576,604 and Euro 548,515,244 in 2013, 2012 and 2011, respectively.

The following is a breakdown of the financial statements value of debt instruments, net of impairment, at 31 December 2013, 2012 and 2011, as rated by Standard & Poor's, or equivalent, by type of issuer and country of origin of the counterparty:

Asset class	2013 Country of origin				Total
	Portugal	Rest of European Union	North America	Other	
Financial assets at fair value through profit or loss					
<i>Corporate</i>					
AA- up to AA+	—	2,802,330	809,926	—	3,612,256
A- up to A+	—	4,803,836	—	—	4,803,836
BBB- up to BBB+	—	2,292,620	—	—	2,292,620
BB- up to BB+	2,016,764	2,188,633	—	—	4,205,397
	<u>2,016,764</u>	<u>12,087,419</u>	<u>809,926</u>	<u>—</u>	<u>14,914,109</u>
<i>Governments and other local authorities</i>					
AAA	—	2,424,579	—	—	2,424,579
AA- up to AA+	—	3,925,187	—	—	3,925,187
BBB- up to BBB+	—	4,398,926	—	—	4,398,926
BB- up to BB+	456,253,368	—	—	—	456,253,368
	<u>456,253,368</u>	<u>10,748,692</u>	<u>—</u>	<u>—</u>	<u>467,002,060</u>
<i>Financial institutions</i>					
AAA	—	199,246	—	—	199,246
AA- up to AA+	—	1,372,462	257,685	509,981	2,140,128
A- up to A+	—	32,087,698	442,953	114,557	32,645,208
BBB- up to BBB+	2,836,587	5,056,036	608,053	—	8,500,676
BB- up to BB+	286,663,190	43,733,640	—	—	330,396,830
	<u>289,499,777</u>	<u>82,449,082</u>	<u>1,308,691</u>	<u>624,538</u>	<u>373,882,088</u>

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Asset class	2013 Country of origin				Total
	Portugal	Rest of European Union	North America	Other	
<i>Other issuers</i>					
A- up to A+	—	33,870,861	—	—	33,870,861
BBB- up to BBB+	174,897	—	—	—	174,897
B- up to B+	1,382,138	—	—	—	1,382,138
Not rated	—	3,650	—	—	3,650
	<u>1,557,035</u>	<u>33,874,511</u>	<u>—</u>	<u>—</u>	<u>35,431,546</u>
Total financial assets at fair value through profit or loss	<u>749,326,944</u>	<u>139,159,704</u>	<u>2,118,617</u>	<u>624,538</u>	<u>891,229,803</u>

Asset class	2013 Country of origin				Total
	Portugal	Rest of European Union	North America	Other	
Available for sale assets (net of impairment)					
<i>Corporate</i>					
AAA	—	—	59,289	—	59,289
AA- up to AA+	—	25,292,161	11,689,006	—	36,981,167
A- up to A+	—	236,203,038	35,454,096	5,156,804	276,813,938
BBB- up to BBB+	—	205,403,795	—	—	205,403,795
BB- up to BB+	66,096,000	173,591,943	—	—	239,687,943
B- up to B+	205,702	2,677,655	—	—	2,883,357
Not rated	99,001,432	—	—	—	99,001,432
	<u>165,303,134</u>	<u>643,168,592</u>	<u>47,202,391</u>	<u>5,156,804</u>	<u>860,830,921</u>
<i>Governments and other local authorities</i>					
AAA	—	56,842,753	—	—	56,842,753
AA- up to AA+	—	226,397,981	—	—	226,397,981
A- up to A+	—	519,070	—	—	519,070
BBB- up to BBB+	—	477,941,496	—	—	477,941,496
BB- up to BB+	1,453,034,049	—	—	—	1,453,034,049
	<u>1,453,034,049</u>	<u>761,701,300</u>	<u>—</u>	<u>—</u>	<u>2,214,735,349</u>

APPENDIX II ACCOUNTANTS' REPORT OF INSURANCE COMPANIES

(Amounts expressed in Euros, except when otherwise expressly indicated)

Asset class	2013 Country of origin				Total
	Portugal	Rest of	North	Other	
		European Union	America		
<i>Financial institutions</i>					
AAA	—	78,915,225	—	27,006,157	105,921,382
AA- up to AA+	—	157,398,864	—	99,961,097	257,359,961
A- up to A+	—	547,176,781	67,068,909	15,814,733	630,060,423
BBB- up to BBB+	160,606,700	407,235,804	73,707,021	—	641,549,525
BB- up to BB+	529,684,546	44,615,436	—	—	574,299,982
B- up to B+	7,668,802	30,941,542	—	—	38,610,344
Less than B-	5,242,655	—	—	79,337	5,321,992
Not rated	—	16,722,383	—	2,250	16,724,633
	<u>703,202,703</u>	<u>1,283,006,035</u>	<u>140,775,930</u>	<u>142,863,574</u>	<u>2,269,848,242</u>
<i>Other issuers</i>					
AAA	—	—	—	23,137,728	23,137,728
AA- up to AA+	—	101,233	—	—	101,233
A- up to A+	—	354,008	—	—	354,008
BBB- up to BBB+	26,059,692	—	—	—	26,059,692
BB- up to BB+	—	8,174,149	—	—	8,174,149
B- até B+	—	70,247	—	—	70,247
	<u>26,059,692</u>	<u>8,699,637</u>	<u>—</u>	<u>23,137,728</u>	<u>57,897,057</u>
Total available for sale assets (net of impairment)	2,347,599,578	2,696,575,564	187,978,321	171,158,106	5,403,311,569

APPENDIX II ACCOUNTANTS' REPORT OF INSURANCE COMPANIES

(Amounts expressed in Euros, except when otherwise expressly indicated)

Asset class	2013				Total
	Country of origin				
	Portugal	Rest of European Union	North America	Other	
Investments to be held to maturity					
Corporate					
A- up to A+	—	24,794,089	—	—	24,794,089
BB- up to BB+	—	112,627,423	—	—	112,627,423
	—	137,421,512	—	—	137,421,512
Governments and other local authorities					
BBB- up to BBB+	—	46,774,382	—	—	46,774,382
BB- up to BB+	2,032,778,434	—	—	—	2,032,778,434
	2,032,778,434	46,774,382	—	—	2,079,552,816
Financial institutions					
A- up to A+	—	53,061,435	—	—	53,061,435
BBB- up to BBB+	43,970,141	—	31,612,935	—	75,583,076
BB- up to BB+	412,989,754	51,837,606	—	—	464,827,360
B- up to B+	59,107,352	—	—	—	59,107,352
Less than B-	3,002,216	—	—	—	3,002,216
Not rated	—	—	—	5,020,384	5,020,384
	519,069,463	104,899,041	31,612,935	5,020,384	660,601,823
Total investments to be held to maturity	2,551,847,897	289,094,935	31,612,935	5,020,384	2,877,576,151

APPENDIX II ACCOUNTANTS' REPORT OF INSURANCE COMPANIES

(Amounts expressed in Euros, except when otherwise expressly indicated)

Asset class	2012 Country of origin				Total
	Portugal	Rest of European Union	North America	Other	
Financial assets at fair value through profit or loss					
<i>Corporate</i>					
AA- up to AA+	—	2,930,799	963,518	—	3,894,317
A- up to A+	—	5,133,862	—	—	5,133,862
BBB- up to BBB+	—	1,945,125	—	—	1,945,125
BB- up to BB+	2,173,070	2,201,678	—	—	4,374,748
	<u>2,173,070</u>	<u>12,211,464</u>	<u>963,518</u>	<u>—</u>	<u>15,348,052</u>
<i>Governments and other local authorities</i>					
AAA	—	3,230,696	—	—	3,230,696
AA- up to AA+	—	4,193,734	—	—	4,193,734
BBB- up to BBB+	—	4,907,913	—	—	4,907,913
BB- up to BB+	478,840,929	—	—	—	478,840,929
	<u>478,840,929</u>	<u>12,332,343</u>	<u>—</u>	<u>—</u>	<u>491,173,272</u>
<i>Financial institutions</i>					
AAA	—	212,475	—	—	212,475
AA- up to AA+	—	1,394,963	—	419,020	1,813,983
A- up to A+	—	119,494,931	199,745	212,652	119,907,328
BBB- up to BBB+	3,217,634	37,168,684	1,741,109	—	42,127,427
BB- up to BB+	308,240,718	44,782,368	—	—	353,023,086
B- up to B+	49,789	—	—	—	49,789
	<u>311,508,141</u>	<u>203,053,421</u>	<u>1,940,854</u>	<u>631,672</u>	<u>517,134,088</u>
<i>Other issuers</i>					
A- up to A+	—	58,303,687	—	—	58,303,687
B- up to B+	1,315,338	—	—	—	1,315,338
Not rated	—	4,876	—	6,338,644	6,343,520
	<u>1,315,338</u>	<u>58,308,563</u>	<u>—</u>	<u>6,338,644</u>	<u>65,962,545</u>
Total financial assets at fair value through profit or loss	<u>793,837,478</u>	<u>285,905,791</u>	<u>2,904,372</u>	<u>6,970,316</u>	<u>1,089,617,957</u>

APPENDIX II ACCOUNTANTS' REPORT OF INSURANCE COMPANIES

(Amounts expressed in Euros, except when otherwise expressly indicated)

Asset class	2012 Country of origin				Total
	Portugal	Rest of	North	Other	
		European Union	America		
Available for sale assets (net of impairment)					
Corporate					
AAA	—	—	61,706	—	61,706
AA- up to AA+	—	26,237,324	12,038,252	—	38,275,576
A- up to A+	—	288,710,500	37,181,841	5,177,729	331,070,070
BBB- up to BBB+	—	205,095,932	—	11,154,061	216,249,993
BB- up to BB+	8,687,617	96,516,317	—	—	105,203,934
	8,687,617	616,560,073	49,281,799	16,331,790	690,861,279
Governments and other local authorities					
AAA	—	43,755,252	—	—	43,755,252
AA- up to AA+	—	233,062,031	—	—	233,062,031
A- up to A+	—	2,601,867	—	—	2,601,867
BBB- up to BBB+	—	200,797,602	—	—	200,797,602
BB- up to BB+	757,179,286	—	—	—	757,179,286
	757,179,286	480,216,752	—	—	1,237,396,038
Financial institutions					
AAA	—	171,577,674	—	35,541,157	207,118,831
AA- up to AA+	—	210,846,018	—	169,945,061	380,791,079
A- up to A+	—	937,136,917	86,555,933	61,691,875	1,085,384,725
BBB- up to BBB+	58,186,064	611,948,856	140,390,285	47,933,558	858,458,763
BB- up to BB+	667,696,307	151,046,707	—	—	818,743,014
B- up to B+	26,621,198	22,987,446	—	—	49,608,644
Less than B-	5,056,407	—	—	74,527	5,130,934
Not rated	—	15,157,883	—	1,063	15,158,946
	757,559,976	2,120,701,501	226,946,218	315,187,241	3,420,394,936
Other issuers					
AAA	—	214,814	—	24,503,208	24,718,022
AA- up to AA+	—	96,662	1,324,333	—	1,420,995
A- up to A+	—	349,887	—	—	349,887
BBB- up to BBB+	—	77,021	—	—	77,021
BB- up to BB+	—	6,868,121	—	—	6,868,121
Not rated	—	—	—	3,472,438	3,472,438
	—	7,606,505	1,324,333	27,975,646	36,906,484
Total available for sale assets (net of impairment)	1,523,426,879	3,225,084,831	277,552,350	359,494,677	5,385,558,737

APPENDIX II ACCOUNTANTS' REPORT OF INSURANCE COMPANIES

(Amounts expressed in Euros, except when otherwise expressly indicated)

Asset class	2012				Total
	Country of origin				
	Portugal	Rest of European Union	North America	Other	
Investments to be held to maturity					
<i>Corporate</i>					
A- up to A+	—	25,562,612	—	—	25,562,612
BBB- up to BBB+	—	16,230,208	—	—	16,230,208
B- up to B+	81,497,530	110,788,438	—	—	192,285,968
	81,497,530	152,581,258	—	—	234,078,788
<i>Governments and other local authorities</i>					
BBB- up to BBB+	—	45,159,360	—	—	45,159,360
BB- up to BB+	2,003,633,321	520,927	—	—	2,004,154,248
	2,003,633,321	45,680,287	—	—	2,049,313,608
<i>Financial institutions</i>					
A- up to A+	—	103,647,444	18,479,122	—	122,126,566
BBB- up to BBB+	42,656,231	25,021,319	13,082,511	—	80,760,061
BB- up to BB+	511,819,685	51,692,441	—	—	563,512,126
B- up to B+	58,742,018	—	—	—	58,742,018
Less than B-	2,987,373	—	—	—	2,987,373
Not rated	—	—	—	5,020,100	5,020,100
	616,205,307	180,361,204	31,561,633	5,020,100	833,148,244
<i>Other issuers</i>					
BB- up to BB+	171,955	—	—	—	171,955
	171,955	—	—	—	171,955
Total investments to be held to maturity	2,701,508,113	378,622,749	31,561,633	5,020,100	3,116,712,595

APPENDIX II ACCOUNTANTS' REPORT OF INSURANCE COMPANIES

(Amounts expressed in Euros, except when otherwise expressly indicated)

Asset class	2011 Country of origin				Total
	Portugal	Rest of European Union	North America	Other	
Financial assets at fair value through profit or loss					
<i>Corporate</i>					
AA- up to AA+	—	2,915,691	1,191,836	—	4,107,527
A- up to A+	—	8,066,954	—	968,714	9,035,668
BBB- up to BBB+	133,904	3,984,310	—	—	4,118,214
	<u>133,904</u>	<u>14,966,955</u>	<u>1,191,836</u>	<u>968,714</u>	<u>17,261,409</u>
<i>Governments and other local authorities</i>					
AAA	—	5,382,350	—	—	5,382,350
AA- up to AA+	—	3,265,131	—	—	3,265,131
A- up to A+	—	2,108,375	—	—	2,108,375
BBB- up to BBB+	4,058,928	138,990	—	—	4,197,918
Less than B-	—	844,186	—	—	844,186
	<u>4,058,928</u>	<u>11,739,032</u>	<u>—</u>	<u>—</u>	<u>15,797,960</u>
<i>Financial institutions</i>					
AAA	—	252,767	—	—	252,767
AA- up to AA+	—	21,559,009	—	151,838	21,710,847
A- up to A+	1,207,325	155,116,042	1,660,419	247,389	158,231,175
BBB- up to BBB+	1,098,426	31,392,642	220,541	—	32,711,609
BB- up to BB+	238,103,567	42,236,412	—	94,773	280,434,752
	<u>240,409,318</u>	<u>250,556,872</u>	<u>1,880,960</u>	<u>494,000</u>	<u>493,341,150</u>
<i>Other issuers</i>					
AA- up to AA+	—	10,995	—	—	10,995
A- up to A+	—	63,369,942	—	5,933,396	69,303,338
BB- up to BB+	877,342	—	—	—	877,342
Not rated	—	6,345	—	—	6,345
	<u>877,342</u>	<u>63,387,282</u>	<u>—</u>	<u>5,933,396</u>	<u>70,198,020</u>
Total financial assets at fair value through profit or loss	<u>245,479,492</u>	<u>340,650,141</u>	<u>3,072,796</u>	<u>7,396,110</u>	<u>596,598,539</u>

APPENDIX II ACCOUNTANTS' REPORT OF INSURANCE COMPANIES

(Amounts expressed in Euros, except when otherwise expressly indicated)

Asset class	2011 Country of origin				Total
	Portugal	Rest of European Union	North America	Other	
Available for sale assets (net of impairment)					
<i>Corporate</i>					
AAA	—	—	58,492	—	58,492
AA- up to AA+	—	59,885,672	57,839,674	—	117,725,346
A- up to A+	—	403,532,510	—	11,776,737	415,309,247
BBB- up to BBB+	6,753,799	132,547,837	2,197,208	—	141,498,844
BB- up to BB+	—	1,885,071	—	—	1,885,071
	<u>6,753,799</u>	<u>597,851,090</u>	<u>60,095,374</u>	<u>11,776,737</u>	<u>676,477,000</u>
<i>Governments and other local authorities</i>					
AAA	—	207,012,450	—	—	207,012,450
AA- up to AA+	—	197,534,893	—	—	197,534,893
A- up to A+	—	142,935,549	—	—	142,935,549
BBB- up to BBB+	374,912,131	99,941	—	—	375,012,072
	<u>374,912,131</u>	<u>547,582,833</u>	<u>—</u>	<u>—</u>	<u>922,494,964</u>
<i>Financial institutions</i>					
AAA	—	259,220,346	—	20,697,867	279,918,213
AA- up to AA+	—	547,990,828	13,564,299	167,330,856	728,885,983
A- up to A+	36,256,804	1,193,802,617	216,556,457	67,758,933	1,514,374,811
BBB- up to BBB+	31,201,457	305,969,364	13,182,251	44,279,225	394,632,297
BB- up to BB+	563,108,579	121,621,721	—	2,747,725	687,478,025
B- up to B+	—	—	—	52,187	52,187
Less than B-	—	23,776,777	—	—	23,776,777
Not rated	—	—	—	2,750	2,750
	<u>630,566,840</u>	<u>2,452,381,653</u>	<u>243,303,007</u>	<u>302,869,543</u>	<u>3,629,121,043</u>
<i>Other issuers</i>					
AAA	—	228,679	—	23,996,024	24,224,703
AA- up to AA+	—	1,487,742	1,577,069	—	3,064,811
A- up to A+	—	364,012	—	2,738,599	3,102,611
BBB- up to BBB+	—	6,308,742	—	—	6,308,742
BB- up to BB+	10,572,762	—	—	—	10,572,762
B- up to B+	—	39,690	—	—	39,690
	<u>10,572,762</u>	<u>8,428,865</u>	<u>1,577,069</u>	<u>26,734,623</u>	<u>47,313,319</u>
Total available for sale assets (net of impairment)	<u>1,022,805,532</u>	<u>3,606,244,441</u>	<u>304,975,450</u>	<u>341,380,903</u>	<u>5,275,406,326</u>

APPENDIX II ACCOUNTANTS' REPORT OF INSURANCE COMPANIES

(Amounts expressed in Euros, except when otherwise expressly indicated)

Asset class	2011 Country of origin				Total
	Portugal	Rest of European Union	North America	Other	
Investments to be held to maturity					
<i>Corporate</i>					
A- up to A+	—	43,251,031	—	—	43,251,031
BBB- up to BBB+	82,512,356	114,862,502	—	—	197,374,858
	<u>82,512,356</u>	<u>158,113,533</u>	<u>—</u>	<u>—</u>	<u>240,625,889</u>
<i>Governments and other local authorities</i>					
A- up to A+	—	116,880,285	—	—	116,880,285
BBB- up to BBB+	2,014,212,930	508,720	—	—	2,014,721,650
Less than B-	—	104,447,906	—	—	104,447,906
	<u>2,014,212,930</u>	<u>221,836,911</u>	<u>—</u>	<u>—</u>	<u>2,236,049,841</u>
<i>Financial institutions</i>					
AAA	—	15,172,792	—	—	15,172,792
AA- up to AA+	—	18,239,772	—	24,707,393	42,947,165
A- up to A+	26,845,514	86,613,503	18,446,221	—	131,905,238
BBB- up to BBB+	149,199,773	49,760,616	13,118,417	—	212,078,806
BB- up to BB+	775,295,215	70,123,337	—	9,473,443	854,891,995
B- up to B+	50,221,024	—	—	—	50,221,024
Less than B-	—	34,600,617	—	—	34,600,617
Not rated	—	—	—	5,031,082	5,031,082
	<u>1,001,561,526</u>	<u>274,510,637</u>	<u>31,564,638</u>	<u>39,211,918</u>	<u>1,346,848,719</u>
<i>Other issuers</i>					
BB- up to BB+	172,046	—	—	—	172,046
	<u>172,046</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>172,046</u>
Total investments to be held to maturity	<u>3,098,458,858</u>	<u>654,461,081</u>	<u>31,564,638</u>	<u>39,211,918</u>	<u>3,823,696,495</u>

APPENDIX II ACCOUNTANTS' REPORT OF INSURANCE COMPANIES

(Amounts expressed in Euros, except when otherwise expressly indicated)

Information on the Insurance Group's exposure to sovereign debt at 31 December 2013, 2012 and 2011, is broken down in the following table:

Sovereign debt	Amortised cost	2013		
		Available for sale financial assets		
		Fair value reserve	Interest receivable	Balance sheet value
Portugal				
— Maturing between 2015 and 2017	527,473,674	23,021,616	23,378,633	573,873,923
— Maturing between 2018 and 2021	847,293,725	530,662	22,612,762	870,437,149
— Maturing after 2021	<u>6,349,864</u>	<u>2,105,351</u>	<u>267,763</u>	<u>8,722,978</u>
	<u>1,381,117,263</u>	<u>25,657,629</u>	<u>46,259,158</u>	<u>1,453,034,050</u>
Spain				
— Maturing by 2014	7,078,044	174,663	3,414,886	10,667,593
— Maturing between 2015 and 2017	20,341,856	770,024	467,376	21,579,256
— Maturing between 2018 and 2021	85,036,628	682,907	28,266	85,747,801
— Maturing after 2021	<u>6,400,491</u>	<u>(395,109)</u>	<u>123,485</u>	<u>6,128,867</u>
	<u>118,857,019</u>	<u>1,232,485</u>	<u>4,034,013</u>	<u>124,123,517</u>
Italy				
— Maturing by 2014	16,496,478	(2,166,537)	3,189,365	17,519,306
— Maturing between 2015 and 2017	61,260,223	595,378	363,048	62,218,649
— Maturing between 2018 and 2021	241,201,581	5,043,445	2,810,173	249,055,199
— Maturing after 2021	<u>20,758,241</u>	<u>889,982</u>	<u>351,319</u>	<u>21,999,542</u>
	<u>339,716,523</u>	<u>4,362,268</u>	<u>6,713,905</u>	<u>350,792,696</u>

APPENDIX II ACCOUNTANTS' REPORT OF INSURANCE COMPANIES

(Amounts expressed in Euros, except when otherwise expressly indicated)

2013				
Available for sale financial assets				
Sovereign debt	Amortised cost	Fair value reserve	Interest receivable	Balance sheet value
Germany				
— Maturing by 2014	1,334,370	(370)	56,074	1,390,074
— Maturing between 2015 and 2017	25,411,297	272,301	404,215	26,087,813
— Maturing between 2018 and 2021	2,641,409	271,091	90,747	3,003,247
— Maturing after 2021	<u>18,784,843</u>	<u>660,663</u>	<u>188,599</u>	<u>19,634,105</u>
	<u>48,171,919</u>	<u>1,203,685</u>	<u>739,635</u>	<u>50,115,239</u>
France				
— Maturing by 2014	8,516,356	592,239	3,962,383	13,070,978
— Maturing between 2015 and 2017	42,240,492	422,286	2,304,071	44,966,849
— Maturing between 2018 and 2021	9,084,826	588,218	833,077	10,506,121
— Maturing after 2021	<u>24,631,982</u>	<u>1,427,613</u>	<u>2,492,375</u>	<u>28,551,970</u>
	<u>84,473,656</u>	<u>3,030,356</u>	<u>9,591,906</u>	<u>97,095,918</u>
Belgium				
— Maturing by 2014	39,889,519	2,160,449	20,499,654	62,549,622
— Maturing between 2015 and 2017	29,494,143	1,565,638	17,881,746	48,941,527
— Maturing between 2018 and 2021	15,543,358	34,353	82,521	15,660,232
— Maturing after 2021	<u>957,820</u>	<u>240,962</u>	<u>35,242</u>	<u>1,234,024</u>
	<u>85,884,840</u>	<u>4,001,402</u>	<u>38,499,163</u>	<u>128,385,405</u>
Other	<u>7,070,579</u>	<u>482,637</u>	<u>90,955</u>	<u>7,644,171</u>
Total	<u><u>2,065,291,799</u></u>	<u><u>39,970,462</u></u>	<u><u>105,928,735</u></u>	<u><u>2,211,190,996</u></u>

APPENDIX II ACCOUNTANTS' REPORT OF INSURANCE COMPANIES

(Amounts expressed in Euros, except when otherwise expressly indicated)

2013						
Investments to be held to maturity						Unrecognised potential gains
Sovereign debt	Amortised cost	Interest receivable	Balance sheet value	Fair value reserve	Market value	
Portugal						
- Maturing by 2014	202,364,342	2,478,296	204,842,638	(1,672,928)	209,101,200	4,258,562
- Maturing between 2015 and 2017	1,418,685,474	29,852,989	1,448,538,463	(20,032,815)	1,512,825,683	64,287,220
- Maturing between 2018 and 2021	366,554,742	9,774,231	376,328,973	(19,649,004)	395,698,029	19,369,056
- Maturing after 2021	<u>3,036,558</u>	<u>31,802</u>	<u>3,068,360</u>	<u>(151,571)</u>	<u>3,233,252</u>	<u>164,892</u>
	<u>1,990,641,116</u>	<u>42,137,318</u>	<u>2,032,778,434</u>	<u>(41,506,318)</u>	<u>2,120,858,164</u>	<u>88,079,730</u>
Italy						
- Maturing by 2014	15,513,513	8,087,362	23,600,875	52,584	23,861,987	261,112
- Maturing between 2015 and 2017	<u>15,756,580</u>	<u>7,416,927</u>	<u>23,173,507</u>	<u>22,732</u>	<u>23,717,533</u>	<u>544,026</u>
	<u>31,270,093</u>	<u>15,504,289</u>	<u>46,774,382</u>	<u>75,316</u>	<u>47,579,520</u>	<u>805,138</u>
Total	<u>2,021,911,209</u>	<u>57,641,607</u>	<u>2,079,552,816</u>	<u>(41,431,002)</u>	<u>2,168,437,684</u>	<u>88,884,868</u>

APPENDIX II ACCOUNTANTS' REPORT OF INSURANCE COMPANIES

(Amounts expressed in Euros, except when otherwise expressly indicated)

	2013	
	Financial assets at fair value through profit or loss	Interest value Balance sheet
Sovereign debt receivable		
Portugal		
- Maturing between 2015 and 2017	4,236,681	390,499,202
- Maturing between 2018 and 2021	<u>1,593,453</u>	<u>65,754,165</u>
	<u>5,830,134</u>	<u>456,253,367</u>
Spain		
- Maturing by 2014	542	100,306
- Maturing between 2015 and 2017	36,910	1,180,756
- Maturing between 2018 and 2021	17,344	610,733
- Maturing after 2021	<u>2,768</u>	<u>68,885</u>
	<u>57,564</u>	<u>1,960,680</u>
Italy		
- Maturing by 2014	325	45,178
- Maturing between 2015 and 2017	13,358	1,528,558
- Maturing between 2018 and 2021	2,861	217,657
- Maturing after 2021	<u>10,369</u>	<u>646,852</u>
	<u>26,913</u>	<u>2,438,245</u>
Germany		
- Maturing between 2015 and 2017	11,644	369,593
- Maturing between 2018 and 2021	64	2,303
- Maturing after 2021	<u>7,383</u>	<u>592,770</u>
	<u>19,091</u>	<u>964,666</u>
France		
- Maturing between 2015 and 2017	18,271	1,488,269
- Maturing between 2018 and 2021	<u>5,629</u>	<u>410,198</u>
	<u>23,900</u>	<u>1,898,467</u>
Belgium		
- Maturing by 2014	30	1,039
- Maturing between 2015 and 2017	<u>42,494</u>	<u>1,748,785</u>
	<u>42,524</u>	<u>1,749,824</u>
Others	<u>30,789</u>	<u>1,736,811</u>
Total	<u><u>6,030,915</u></u>	<u><u>467,002,060</u></u>

APPENDIX II ACCOUNTANTS' REPORT OF INSURANCE COMPANIES

(Amounts expressed in Euros, except when otherwise expressly indicated)

2012				
Available for sale financial assets				
Sovereign debt	Amortised cost	Fair value reserve	Interest receivable	Balance sheet value
Portugal				
- Maturing by 2013	6,286,191	48,378	16,691	6,351,260
- Maturing between 2014 and 2016	495,229,552	19,708,956	23,506,754	538,445,262
- Maturing between 2017 and 2020	198,435,035	1,083,841	5,076,726	204,595,602
- Maturing after 2020	<u>5,963,947</u>	<u>1,563,325</u>	<u>259,890</u>	<u>7,787,162</u>
	<u>705,914,725</u>	<u>22,404,500</u>	<u>28,860,061</u>	<u>757,179,286</u>
Ireland				
- Maturing by 2013	<u>100,220</u>	<u>790</u>	<u>3,521</u>	<u>104,531</u>
	<u>100,220</u>	<u>790</u>	<u>3,521</u>	<u>104,531</u>
Spain				
- Maturing by 2013	12,210,908	48,570	4,548,481	16,807,959
- Maturing between 2014 and 2016	11,004,390	161,425	3,091,861	14,257,676
- Maturing between 2017 and 2020	11,756,821	(44,016)	364,832	12,077,637
- Maturing after 2020	<u>6,151,146</u>	<u>(1,049,439)</u>	<u>123,485</u>	<u>5,225,192</u>
	<u>41,123,265</u>	<u>(883,460)</u>	<u>8,128,659</u>	<u>48,368,464</u>
Italy				
- Maturing by 2013	11,236,094	317,573	2,790,781	14,344,448
- Maturing between 2014 and 2016	63,075,241	(507,189)	148,764	62,716,816
- Maturing between 2017 and 2020	13,887,840	212,544	232,964	14,333,348
- Maturing after 2020	<u>57,562,864</u>	<u>2,235,996</u>	<u>917,744</u>	<u>60,716,604</u>
	145,762,039	2,258,924	4,090,253	152,111,216

APPENDIX II ACCOUNTANTS' REPORT OF INSURANCE COMPANIES

(Amounts expressed in Euros, except when otherwise expressly indicated)

2012				
Available for sale financial assets				
Sovereign debt	Amortised cost	Fair value reserve	Interest receivable	Balance sheet value
Germany				
- Maturing by 2013	7,317,991	46,702	149,825	7,514,518
- Maturing between 2014 and 2016	15,727,626	1,919,343	381,843	18,028,812
- Maturing between 2017 and 2020	5,393,482	629,458	187,333	6,210,273
- Maturing after 2020	<u>2,887,479</u>	<u>1,341,165</u>	<u>111,498</u>	<u>4,340,142</u>
	<u>31,326,578</u>	<u>3,936,668</u>	<u>830,499</u>	<u>36,093,745</u>
France				
- Maturing by 2013	22,398,922	941,723	7,875,768	31,216,413
- Maturing between 2014 and 2016	35,238,011	4,005,701	3,688,684	42,932,396
- Maturing between 2017 and 2020	12,234,991	2,726,786	726,457	15,688,234
- Maturing after 2020	<u>18,265,926</u>	<u>6,167,537</u>	<u>1,616,512</u>	<u>26,049,975</u>
	<u>88,137,850</u>	<u>13,841,747</u>	<u>13,907,421</u>	<u>115,887,018</u>
Belgium				
- Maturing by 2013	611,825	6,115	6,567	624,507
- Maturing between 2014 and 2016	69,484,709	6,574,368	34,012,433	110,071,510
- Maturing between 2017 and 2020	932,566	134,306	28,528	1,095,400
- Maturing after 2020	<u>911,565</u>	<u>328,302</u>	<u>35,242</u>	<u>1,275,109</u>
	<u>71,940,665</u>	<u>7,043,091</u>	<u>34,082,770</u>	<u>113,066,526</u>
Others	<u>10,892,356</u>	<u>748,261</u>	<u>129,378</u>	<u>11,769,995</u>
Total	<u>1,095,197,698</u>	<u>49,350,521</u>	<u>90,032,562</u>	<u>1,234,580,781</u>

APPENDIX II ACCOUNTANTS' REPORT OF INSURANCE COMPANIES

(Amounts expressed in Euros, except when otherwise expressly indicated)

2012						
Sovereign debt	Amortised cost	Interest receivable	Investments to be held to maturity		Fair value reserve	Unrecognised potential gains
			Balance sheet value	Market value		
Portugal						
- Maturing by 2013	5,001	74	5,075	27	5,062	(13)
- Maturing between 2014 and 2016	1,594,934,468	32,319,378	1,627,253,846	(33,410,042)	1,687,883,518	60,629,672
- Maturing between 2017 and 2020	363,541,429	9,796,875	373,338,304	(23,193,070)	376,879,357	3,541,053
- Maturing after 2020	<u>3,004,294</u>	<u>31,802</u>	<u>3,036,096</u>	<u>(161,361)</u>	<u>2,996,652</u>	<u>(39,444)</u>
	<u>1,961,485,192</u>	<u>42,148,129</u>	<u>2,003,633,321</u>	<u>(56,764,446)</u>	<u>2,067,764,589</u>	<u>64,131,268</u>
Ireland						
- Maturing by 2013	<u>503,324</u>	<u>17,603</u>	<u>520,927</u>	<u>2,295</u>	<u>522,653</u>	<u>1,726</u>
	<u>503,324</u>	<u>17,603</u>	<u>520,927</u>	<u>2,295</u>	<u>522,653</u>	<u>1,726</u>
Italy						
- Maturing between 2014 and 2016	<u>31,603,979</u>	<u>13,555,381</u>	<u>45,159,360</u>	<u>632,082</u>	<u>46,339,035</u>	<u>1,179,675</u>
	<u>31,603,979</u>	<u>13,555,381</u>	<u>45,159,360</u>	<u>632,082</u>	<u>46,339,035</u>	<u>1,179,675</u>
Total	<u><u>1,993,592,495</u></u>	<u><u>55,721,113</u></u>	<u><u>2,049,313,608</u></u>	<u><u>(56,130,069)</u></u>	<u><u>2,114,626,277</u></u>	<u><u>65,312,669</u></u>

APPENDIX II ACCOUNTANTS' REPORT OF INSURANCE COMPANIES

(Amounts expressed in Euros, except when otherwise expressly indicated)

	2012	
	Financial assets	
	at fair value	
	through profit or loss	
Sovereign debt receivable	Interest value	Balance sheet
Portugal		
- Maturing by 2013	25,762	1,772,042
- Maturing between 2014 and 2016	3,122,584	200,721,454
- Maturing between 2017 and 2020	3,542,804	276,347,433
	<u>6,691,150</u>	<u>478,840,929</u>
Spain		
- Maturing by 2013	—	700,908
- Maturing between 2014 and 2016	20,755	733,249
- Maturing between 2017 and 2020	32,175	951,001
- Maturing after 2020	1,072	30,672
	<u>54,002</u>	<u>2,415,830</u>
Italy		
- Maturing by 2013	1,011	896,169
- Maturing between 2014 and 2016	6,895	967,553
- Maturing between 2017 and 2020	45	3,183
- Maturing after 2020	10,369	625,179
	<u>18,320</u>	<u>2,492,084</u>
Germany		
- Maturing by 2013	1,792	208,882
- Maturing between 2014 and 2016	11,645	382,723
- Maturing between 2017 and 2020	64	2,403
- Maturing after 2020	10,888	808,161
	<u>24,389</u>	<u>1,402,169</u>

APPENDIX II ACCOUNTANTS' REPORT OF INSURANCE COMPANIES

(Amounts expressed in Euros, except when otherwise expressly indicated)

	2012	
	Financial assets	
	at fair value	
	through profit or loss	
Sovereign debt receivable	Interest value	Balance sheet
France		
- Maturing by 2013	42	2,088
- Maturing between 2014 and 2016	14,047	697,198
- Maturing between 2017 and 2020	6,878	1,031,521
- Maturing after 2020	4,441	239,705
	<u>25,408</u>	<u>1,970,512</u>
Belgium		
- Maturing between 2014 and 2016	30	1,078
- Maturing between 2017 and 2020	44,000	1,892,527
	<u>44,030</u>	<u>1,893,605</u>
Others	<u>38,972</u>	<u>2,158,143</u>
Total	<u><u>6,896,271</u></u>	<u><u>491,173,272</u></u>

APPENDIX II ACCOUNTANTS' REPORT OF INSURANCE COMPANIES

(Amounts expressed in Euros, except when otherwise expressly indicated)

Sovereign debt	Amortised cost	2011		
		Available for sale financial assets		
		Fair value reserve	Interest receivable	Balance sheet value
Portugal				
- Maturing by 2013	49,404,505	(7,441,416)	727,909	42,690,998
- Maturing between 2014 and 2016	407,218,721	(118,393,206)	22,408,948	311,234,463
- Maturing between 2017 and 2020	39,137,482	(19,201,962)	991,367	20,926,887
- Maturing after 2020	<u>142,158</u>	<u>(83,122)</u>	<u>747</u>	<u>59,783</u>
	<u>495,902,866</u>	<u>(145,119,706)</u>	<u>24,128,971</u>	<u>374,912,131</u>
Ireland				
- Maturing by 2013	<u>101,012</u>	<u>(4,582)</u>	<u>3,511</u>	<u>99,941</u>
	<u>101,012</u>	<u>(4,582)</u>	<u>3,511</u>	<u>99,941</u>
Spain				
- Maturing by 2013	29,555,898	775,590	10,651,665	40,983,153
- Maturing between 2014 and 2016	10,046,893	84,796	2,684,401	12,816,090
- Maturing between 2017 and 2020	11,722,447	(172,743)	362,268	11,911,972
- Maturing after 2020	<u>6,589,230</u>	<u>(1,259,102)</u>	<u>131,301</u>	<u>5,461,429</u>
	<u>57,914,468</u>	<u>(571,459)</u>	<u>13,829,635</u>	<u>71,172,644</u>
Italy				
- Maturing by 2013	18,788,047	(221,921)	5,183,820	23,749,946
- Maturing between 2014 and 2016	63,078,172	(8,051,585)	175,946	55,202,533
- Maturing between 2017 and 2020	14,502,862	(1,808,720)	235,751	12,929,893
- Maturing after 2020	<u>58,329,829</u>	<u>(8,207,123)</u>	<u>930,473</u>	<u>51,053,179</u>
	<u>154,698,910</u>	<u>(18,289,349)</u>	<u>6,525,990</u>	<u>142,935,551</u>

APPENDIX II ACCOUNTANTS' REPORT OF INSURANCE COMPANIES

(Amounts expressed in Euros, except when otherwise expressly indicated)

Sovereign debt	Amortised cost	2011		
		Available for sale financial assets		
		Fair value reserve	Interest receivable	Balance sheet value
Germany				
- Maturing by 2013	17,820,177	272,287	429,516	18,521,980
- Maturing between 2014 and 2016	15,871,683	1,816,717	381,458	18,069,858
- Maturing between 2017 and 2020	5,311,198	503,272	184,238	5,998,708
- Maturing after 2020	<u>2,885,043</u>	<u>1,133,659</u>	<u>111,428</u>	<u>4,130,130</u>
	<u>41,888,101</u>	<u>3,725,935</u>	<u>1,106,640</u>	<u>46,720,676</u>
France				
- Maturing by 2013	40,304,277	2,427,052	8,843,077	51,574,406
- Maturing between 2014 and 2016	34,733,737	2,817,451	3,196,325	40,747,513
- Maturing between 2017 and 2020	15,134,480	1,633,458	1,179,623	17,947,561
- Maturing after 2020	<u>17,244,726</u>	<u>2,099,134</u>	<u>1,444,942</u>	<u>20,788,802</u>
	<u>107,417,220</u>	<u>8,977,095</u>	<u>14,663,967</u>	<u>131,058,282</u>
Belgium				
- Maturing by 2013	13,860,641	161,031	3,723,213	17,744,885
- Maturing between 2014 and 2016	70,383,194	2,525,122	29,929,964	102,838,280
- Maturing between 2017 and 2020	813,724	34,121	25,107	872,952
- Maturing after 2020	<u>1,328,036</u>	<u>211,827</u>	<u>56,494</u>	<u>1,596,357</u>
	<u>86,385,595</u>	<u>2,932,101</u>	<u>33,734,778</u>	<u>123,052,474</u>
Others	<u>24,592,534</u>	<u>930,091</u>	<u>3,712,704</u>	<u>29,235,329</u>
Total	<u>968,900,706</u>	<u>(147,419,874)</u>	<u>97,706,196</u>	<u>919,187,028</u>

APPENDIX II ACCOUNTANTS' REPORT OF INSURANCE COMPANIES

(Amounts expressed in Euros, except when otherwise expressly indicated)

2011						
	Investments to be held to maturity					Unrecognised
Sovereign debt	Amortised cost	Interest receivable	Balance sheet value	Fair value reserve	Market value	potential gains
Portugal						
- Maturing by 2013	258,601,118	4,040,389	262,641,507	(2,212,952)	226,517,244	(36,124,263)
- Maturing between 2014 and 2016	1,349,731,968	30,580,709	1,380,312,677	(44,735,562)	1,020,660,501	(359,652,176)
- Maturing between 2017 and 2020	358,483,288	9,770,107	368,253,395	(26,398,548)	227,798,051	(140,455,344)
- Maturing after 2020	<u>2,973,637</u>	<u>31,715</u>	<u>3,005,352</u>	<u>(170,416)</u>	<u>1,750,915</u>	<u>(1,254,437)</u>
	<u>1,969,790,011</u>	<u>44,422,920</u>	<u>2,014,212,931</u>	<u>(73,517,478)</u>	<u>1,476,726,711</u>	<u>(537,486,220)</u>
Greece						
- Maturing by 2013	37,189,000	900,490	38,089,490	—	23,808,302	(14,281,188)
- Maturing between 2014 and 2016	26,944,042	582,702	27,526,744	—	12,994,690	(14,532,054)
- Maturing between 2017 and 2020	7,897,868	124,472	8,022,340	—	3,216,622	(4,805,718)
- Maturing after 2020	<u>30,322,163</u>	<u>487,168</u>	<u>30,809,331</u>	<u>—</u>	<u>16,765,117</u>	<u>(14,044,214)</u>
	<u>102,353,073</u>	<u>2,094,832</u>	<u>104,447,905</u>	<u>—</u>	<u>56,784,731</u>	<u>(47,663,174)</u>
Ireland						
- Maturing by 2013	<u>491,165</u>	<u>17,555</u>	<u>508,720</u>	<u>(13,091)</u>	<u>499,705</u>	<u>(9,015)</u>
	<u>491,165</u>	<u>17,555</u>	<u>508,720</u>	<u>(13,091)</u>	<u>499,705</u>	<u>(9,015)</u>
Italy						
- Maturing by 2013	47,066,524	26,219,886	73,286,410	252,247	73,093,228	(193,182)
- Maturing between 2014 and 2016	<u>31,910,735</u>	<u>11,683,140</u>	<u>43,593,875</u>	<u>1,085,926</u>	<u>41,354,905</u>	<u>(2,238,970)</u>
	<u>78,977,259</u>	<u>37,903,026</u>	<u>116,880,285</u>	<u>1,338,173</u>	<u>114,448,133</u>	<u>(2,432,152)</u>
Total	2,151,611,508	84,438,333	2,236,049,841	(72,192,396)	1,648,459,280	(587,590,561)

APPENDIX II ACCOUNTANTS' REPORT OF INSURANCE COMPANIES

(Amounts expressed in Euros, except when otherwise expressly indicated)

	2011	
	Financial assets at fair value through profit or loss	Interest value Balance sheet
Sovereign debt receivable		
Portugal		
- Maturing by 2013	<u>110,657</u>	<u>4,058,928</u>
	<u>110,657</u>	<u>4,058,928</u>
Greece		
- Maturing between 2014 and 2016	68,042	837,097
- Maturing after 2020	<u>401</u>	<u>7,089</u>
	<u>68,443</u>	<u>844,186</u>
Ireland		
- Maturing between 2017 and 2020	<u>5,443</u>	<u>138,990</u>
	<u>5,443</u>	<u>138,990</u>
Spain		
- Maturing between 2014 and 2016	17,316	602,514
- Maturing between 2017 and 2020	<u>34,288</u>	<u>1,002,411</u>
	<u>51,604</u>	<u>1,604,925</u>
Italy		
- Maturing by 2013	2,325	492,898
- Maturing between 2014 and 2016	8,969	912,619
- Maturing between 2017 and 2020	10,943	681,500
- Maturing after 2020	<u>403</u>	<u>21,356</u>
	<u>22,640</u>	<u>2,108,373</u>

APPENDIX II ACCOUNTANTS' REPORT OF INSURANCE COMPANIES

(Amounts expressed in Euros, except when otherwise expressly indicated)

	2011	
	Financial assets at fair value through profit or loss	Balance sheet
Sovereign debt receivable	Interest value	
Germany		
- Maturing by 2013	6,494	786,463
- Maturing between 2014 and 2016	24,450	798,327
- Maturing between 2017 and 2020	6,945	256,848
- Maturing after 2020	4,665	230,270
	<u>42,554</u>	<u>2,071,908</u>
France		
- Maturing by 2013	1,981	63,214
- Maturing between 2014 and 2016	23,019	1,056,451
- Maturing between 2017 and 2020	2,262	321,204
- Maturing after 2020	505	45,873
	<u>27,767</u>	<u>1,486,742</u>
Belgium		
- Maturing by 2013	382	36,549
- Maturing between 2017 and 2020	43,731	1,623,658
	<u>44,113</u>	<u>1,660,207</u>
Others	<u>28,036</u>	<u>1,823,701</u>
Total	<u>401,257</u>	<u>15,797,960</u>

APPENDIX II ACCOUNTANTS' REPORT OF INSURANCE COMPANIES

(Amounts expressed in Euros, except when otherwise expressly indicated)

The Insurance Group periodically performs a collective analysis on the debt recovery risk on premiums pending collection recognised in the financial statements in order to identify and quantify the impairment losses recognised as “Adjustments to premiums pending collection” (Note 12). The following is a breakdown of the financial statements value of such receipts pending collection, at 31 December 2013, 2012 and 2011:

				2013 Premiums overdue between 180 days and 1 year	Premiums overdue for more than 1 year	Impairment losses	Net balance sheet value
	Premiums overdue less than 30 days	Premiums overdue between 30 and 90 days	Premiums overdue between 90 and 180 days				
Life insurance:							
Capitalisation products	1,165,992	167,300	65,824	124,469	348,160	(5,803)	1,865,942
Life risk products	2,330,682	535,729	251,685	425,237	1,267,359	(1,159,912)	3,650,780
Non-life insurance:							
Motor	17,171,935	3,504,042	1,074,616	612,977	597,325	(4,372,084)	18,588,811
Workman's compensation	3,638,201	1,807,705	663,411	81,148	513,995	(2,175,994)	4,528,466
Health	5,309,919	1,699,123	325,912	472,735	641,548	(1,408,573)	7,040,664
Fire and other damage	7,317,074	3,181,242	923,397	713,507	580,854	(1,613,490)	11,102,584
Transport	1,670,194	267,831	279,071	135,454	317,313	(266,864)	2,402,999
Civil liability	1,347,653	345,882	44,791	54,462	140,258	(332,957)	1,600,089
Other (including personal accidents)	5,434,506	1,660,482	743,979	345,468	618,741	(943,207)	7,859,969
	<u>45,386,156</u>	<u>13,169,336</u>	<u>4,372,686</u>	<u>2,965,457</u>	<u>5,025,553</u>	<u>(12,278,884)</u>	<u>58,640,304</u>
				2012 Premiums overdue between 180 days and 1 year	Premiums overdue for more than 1 year	Impairment losses	Net balance sheet value
	Premiums overdue less than 30 days	Premiums overdue between 30 and 90 days	Premiums overdue between 90 and 180 days				
Life insurance:							
Capitalisation products	3,575,570	1,775,772	112,201	61,475	279,603	—	5,804,621
Life risk products	4,987,438	460,325	588,901	847,385	3,134,975	(4,532,265)	5,486,759
Non-life insurance:							
Motor	19,438,880	4,375,882	2,203,499	440,846	545,138	(4,479,119)	22,525,126
Workman's compensation	4,430,185	875,841	1,294,528	2,950,583	435,383	(2,821,982)	7,164,538
Health	2,323,962	905,743	1,666,519	1,320,820	675,061	(1,649,319)	5,242,786
Fire and other damage	8,252,299	3,358,434	1,378,810	1,120,756	684,190	(1,563,124)	13,231,365
Transport	1,727,750	237,792	163,231	163,977	219,788	(256,509)	2,256,029
Civil liability	2,133,719	273,843	134,903	105,775	177,023	(331,338)	2,493,925
Other (including personal accidents)	5,596,171	1,006,793	657,972	389,829	469,742	(950,168)	7,170,339
	<u>52,465,974</u>	<u>13,270,425</u>	<u>8,200,564</u>	<u>7,401,446</u>	<u>6,620,903</u>	<u>(16,583,824)</u>	<u>71,375,488</u>

APPENDIX II ACCOUNTANTS' REPORT OF INSURANCE COMPANIES

(Amounts expressed in Euros, except when otherwise expressly indicated)

	2011						Net balance sheet value
	Premiums overdue less than 30 days	Premiums overdue between 30 and 90 days	Premiums overdue between 90 and 180 days	Premiums overdue between 180 days and 1 year	Premiums overdue for more than 1 year	Impairment losses	
Life insurance:							
Capitalisation products	952,669	64,964	52,134	54,747	214,050	—	1,338,564
Life risk products	2,729,945	475,151	767,894	1,565,370	3,377,209	(5,654,244)	3,261,325
Non-life insurance:							
Motor	18,836,613	4,014,385	464,680	548,762	467,592	(4,198,563)	20,133,469
Workman's compensation	4,850,840	688,457	250,056	249,727	529,118	(1,750,328)	4,817,870
Health	8,396,446	1,075,515	697,371	699,541	840,394	(1,699,090)	10,010,177
Fire and other damage	10,346,670	2,931,688	1,154,988	901,464	377,389	(2,113,083)	13,599,116
Transport	913,938	980,710	49,146	80,326	329,174	(273,188)	2,080,106
Civil liability	2,061,137	341,939	64,991	80,318	165,624	(400,581)	2,313,428
Other (including personal accidents)	4,351,191	550,594	338,846	326,518	440,429	(698,983)	5,308,595
	<u>53,439,449</u>	<u>11,123,403</u>	<u>3,840,106</u>	<u>4,506,773</u>	<u>6,740,979</u>	<u>(16,788,060)</u>	<u>62,862,650</u>

Liquidity risk

The following is a breakdown of non-discounted cash flow projections on financial instruments, in accordance with their respective period to maturity at 31 December 2013, 2012 and 2011:

	2013								Unspecified	Total
	Up to 1 month	From 1 month to 3 months	From 3 month to 6 months	From 6 month to 1 year	Between 1 and 3 years	Between 3 and 5 years	Between 5 and 10 years	More than 10 years		
Assets										
Cash and cash equivalents and sight deposits	202,418,277	—	—	—	—	—	—	—	—	202,418,277
Investments in associated companies and jointly owned enterprises	—	—	—	—	—	—	—	—	1,507,632	1,507,632
Financial assets initially recognised at fair value through profit or loss	559,687	1,722,241	33,330,097	237,478,947	266,394,934	404,922,038	5,107,368	302,795	24,928,260	974,746,367
Available for sale assets	185,790,036	300,455,383	389,104,457	465,309,264	2,026,596,617	1,671,200,367	851,848,224	73,980,353	884,606,432	6,848,891,133
Loans and accounts receivable	692,039,293	515,267,363	50,577,048	93,213,490	30,384,690	90,545,396	4,166,253	203,951	406,084	1,476,803,568
Investments to be held to maturity	56,908,234	176,321,624	128,606,910	317,919,865	2,069,032,852	377,912,477	92,536,494	—	—	3,219,238,456
Other debtors	138,966,561	—	—	—	—	—	—	—	—	138,966,561
	<u>1,276,682,088</u>	<u>993,766,611</u>	<u>601,618,512</u>	<u>1,113,921,566</u>	<u>4,392,409,093</u>	<u>2,544,580,278</u>	<u>953,658,339</u>	<u>74,487,099</u>	<u>911,448,408</u>	<u>12,862,571,994</u>

APPENDIX II ACCOUNTANTS' REPORT OF INSURANCE COMPANIES

(Amounts expressed in Euros, except when otherwise expressly indicated)

	2013									Total
	Up to 1 month	From 1 month to 3 months	From 3 month to 6 months	From 6 month to 1 year	Between 1 and 3 years	Between 3 and 5 years	Between 5 and 10 years	More than 10 years	Unspecified	
Liabilities										
Mathematical provision for life insurance	24,220,362	21,723,308	38,543,771	129,527,445	359,977,564	310,925,258	424,380,105	366,549,665	23,428,630	1,699,276,108
Financial liabilities on the deposit component of insurance and investment contracts	1,111,923,765	280,241,020	503,047,006	594,275,340	2,473,645,293	1,578,618,857	817,564,630	390,891,671	1,422,167	7,751,629,749
Deposits received from reinsurers	50,446	100,892	151,339	44,734,895	—	—	—	—	—	45,037,572
Other financial liabilities	—	431,200	—	431,200	1,724,800	1,724,800	2,587,200	—	—	6,899,200
Other creditors	95,796,052	—	—	—	—	—	—	—	—	95,796,052
	<u>1,231,990,625</u>	<u>302,496,420</u>	<u>541,742,116</u>	<u>768,968,880</u>	<u>2,835,347,657</u>	<u>1,891,268,915</u>	<u>1,244,531,935</u>	<u>757,441,336</u>	<u>24,850,797</u>	<u>9,598,638,681</u>
	2012									Total
	Up to 1 month	From 1 month to 3 months	From 3 month to 6 months	From 6 month to 1 year	Between 1 and 3 years	Between 3 and 5 years	Between 5 and 10 years	More than 10 years	Unspecified	
Assets										
Cash and cash equivalents and sight deposits	653,061,572	—	—	—	—	—	—	—	—	653,061,572
Investments in associated companies and jointly owned enterprises	—	—	—	—	—	—	—	—	2,433,106	2,433,106
Financial assets held for trading	(111,250)	4,342,518	48,906,555	26,126,691	(2,120,274)	(2,120,274)	(4,240,548)	—	—	70,783,418
Financial assets initially recognised at fair value through profit or loss	369,278	2,315,674	38,779,959	84,654,080	595,867,330	410,916,407	71,121,958	308,444	25,505,852	1,229,838,982
Available for sale assets	237,761,281	394,498,989	535,523,597	576,992,679	2,077,438,598	1,381,730,386	466,867,630	85,645,820	871,612,701	6,628,071,681
Loans and accounts receivable	880,784	418,262,513	92,113,317	94,945,783	31,759,442	72,591,966	34,016,499	223,441	466,986	745,260,731
Investments to be held to maturity	20,852,396	57,995,643	166,520,564	147,691,105	1,942,482,992	826,072,223	438,920,545	3,673,250	—	3,604,208,718
Other debtors	147,237,941	—	—	—	—	—	—	—	—	147,237,941
	<u>1,060,052,002</u>	<u>877,415,337</u>	<u>881,843,992</u>	<u>930,410,338</u>	<u>4,645,428,088</u>	<u>2,689,190,708</u>	<u>1,006,686,084</u>	<u>89,850,955</u>	<u>900,018,645</u>	<u>13,080,896,149</u>
Liabilities										
Mathematical provision for life insurance	32,412,849	29,301,354	42,057,894	142,156,061	400,097,293	342,311,438	482,731,570	397,830,801	20,805,332	1,889,704,592
Financial liabilities on the deposit component of insurance and investment contracts	1,242,314,278	238,154,501	377,730,546	657,296,659	2,598,579,543	1,372,755,978	564,513,829	499,194,691	1,350,122	7,551,890,147
Subordinated debt	—	—	—	—	—	—	—	—	91,600,000	91,600,000
Deposits received from reinsurers	49,022	98,043	147,065	45,659,241	—	—	—	—	—	45,953,371
Other financial liabilities	(20,750)	809,968	9,122,066	32,873,158	(395,474)	(395,474)	(790,948)	—	—	41,202,546
Other creditors	114,701,459	—	—	—	—	—	—	—	—	114,701,459
	<u>1,389,456,858</u>	<u>268,363,866</u>	<u>429,057,571</u>	<u>877,985,119</u>	<u>2,998,281,362</u>	<u>1,714,671,942</u>	<u>1,046,454,451</u>	<u>897,025,492</u>	<u>113,755,454</u>	<u>9,735,052,115</u>

APPENDIX II ACCOUNTANTS' REPORT OF INSURANCE COMPANIES

(Amounts expressed in Euros, except when otherwise expressly indicated)

	2011									
	Up to 1 month	From 1 month to 3 months	From 3 month to 6 months	From 6 month to 1 year	Between 1 and 3 years	Between 3 and 5 years	Between 5 and 10 years	More than 10 years	Unspecified	Total
Assets										
Cash and cash equivalents and sight deposits	435,455,448	—	—	—	—	—	—	—	—	435,455,448
Investments in associated companies and jointly owned enterprises	—	—	—	—	—	—	—	—	2,193,640	2,193,640
Financial assets held for trading	(519,163)	(2,555,041)	(3,068,890)	7,727,631	72,001,848	(1,687,921)	(4,219,802)	—	—	67,678,662
Financial assets initially recognised at fair value through profit or loss	507,050	1,384,364	11,443,588	57,805,527	396,750,066	202,001,488	71,960,537	393,568	25,592,555	767,838,743
Available for sale assets	167,241,385	251,130,428	274,441,751	387,047,514	3,068,058,452	1,480,304,645	496,020,554	76,586,490	870,744,912	7,071,576,131
Loans and accounts receivable	2,089,460	21,355,177	3,064,027	11,233,262	521,053,891	1,545,362	2,300,382	125,185	456,390	563,223,136
Investments to be held to maturity	152,897,036	106,531,870	117,671,308	433,766,947	1,277,327,243	1,889,375,993	483,969,287	69,943,876	—	4,531,483,560
Other debtors	220,036,111	—	—	—	—	—	—	—	—	220,036,111
	977,707,327	377,846,798	403,551,784	897,580,881	5,335,191,500	3,571,539,567	1,050,030,958	147,049,119	898,987,497	13,659,485,431
Liabilities										
Mathematical provision for life insurance	65,086,572	124,450,863	59,260,609	167,505,497	490,913,374	412,629,961	807,001,910	1,004,434,103	—	3,131,282,889
Financial liabilities on the deposit component of insurance and investment contracts	905,244,754	164,456,955	184,397,097	605,578,471	2,605,005,069	2,110,260,961	909,800,131	1,706,313,362	—	9,191,056,800
Subordinated debt	—	—	—	—	—	—	—	—	176,600,000	176,600,000
Deposits received from reinsurers	186,640	373,280	559,919	53,385,165	—	—	—	—	—	54,505,004
Other financial liabilities	—	—	—	35,203,500	17,492,500	—	47,200,000	—	—	99,896,000
Other creditors	144,459,355	—	—	—	—	—	—	—	—	144,459,355
	1,114,977,321	289,281,098	244,217,625	861,672,633	3,113,410,943	2,522,890,922	1,764,002,041	2,710,747,465	176,600,000	12,797,800,048

The above balances are not comparable with the accounting balances as they include non-discounted cash flow projections.

The assessment of cash flow projections on financial instruments was based on the principles and assumptions used by the Insurance Group for liquidity management and control in terms of its activity, with the adjustments necessary to comply with the applicable disclosure requirements. The main assumptions used to assess cash flow projections are set out below:

Cash assets and sight deposits were classified as payable on demand and included in the “Up to 1 month” category;

APPENDIX II ACCOUNTANTS' REPORT OF INSURANCE COMPANIES

(Amounts expressed in Euros, except when otherwise expressly indicated)

The “Loans and accounts receivable” account heading essentially comprises the amount of deposits classified in accordance with their maturity. The amount classified with an “Indeterminate” maturity refers to operations with Insurance Group companies, without any defined repayment period, in addition to deposits of precious materials;

The amounts of the “Other debtors” and “Other creditors” account headings are payable on demand and classified as “Up to 1 month”;

The maturity on equity instruments is classified as “Indeterminate”;

Contractual maturity was considered as the nearest of the following dates: call, put or maturity;

The maturity of subordinated debt, which do not have any defined repayment periods, was classified as “Indeterminate”;

Amounts recognised in the “Deposits received from reinsurers” account headings comprise provisions retained from reinsurers, under the terms of the reinsurance treaties in force and are renewable for annual periods. Projected flows have been calculated in consideration of their next maturity date;

The following assumptions were considered for the assessment of cash flow projections on the life insurance mathematical provision and financial liabilities for the deposit component of insurance and investment contracts:

- the maturity of the financial statements values of unit linked contracts was considered “Payable on demand”;
- early redemptions were not taken into account on the calculation of cash flows.

At 31 December 2011, the cash flow projection on Greek public debt was calculated on an assumption of the recovery of 50% of the nominal amount and respective interest.

The table below summarises the expected utilisation or settlement of all assets and liabilities:

	2013			2012			2011		
	Current*	Non-current	Total	Current*	Non-current	Total	Current*	Non-current	Total
Assets									
Cash and cash equivalents	202,418,277	—	202,418,277	653,061,572	—	653,061,572	435,455,448	—	435,455,448
Term deposits	1,281,537,740	78,807,322	1,360,345,062	527,484,698	78,091,906	605,576,604	548,029,732	485,512	548,515,244
Investments:									
- Financial assets held for trading	—	—	—	75,047,138	—	75,047,138	63,592,168	—	63,592,168
- Financial assets designated at fair value through profit or loss	47,905,493	—	47,905,493	59,698,776	—	59,698,776	90,998,619	—	90,998,619

APPENDIX II ACCOUNTANTS' REPORT OF INSURANCE COMPANIES

(Amounts expressed in Euros, except when otherwise expressly indicated)

	2013			2012			2011		
	Current*	Non-current	Total	Current*	Non-current	Total	Current*	Non-current	Total
- Available for sale assets	5,931,195,799	356,719,954	6,287,915,753	5,944,446,818	312,902,947	6,257,349,765	5,587,721,145	558,642,412	6,146,363,557
- Investments to be held to maturity	569,190,018	2,308,386,133	2,877,576,151	273,621,418	2,843,091,177	3,116,712,595	630,024,117	3,151,884,903	3,781,909,020
Policyholder account assets in respect of unit-linked contracts	796,919,102	68,913,309	865,832,411	698,039,620	354,043,762	1,052,083,382	260,610,342	274,998,410	535,608,752
Interest in associates	—	1,507,632	1,507,632	—	2,433,106	2,433,106	—	2,193,640	2,193,640
Insurance and reinsurance debtors	146,578,137	15,876,537	162,454,674	158,619,688	19,967,777	178,587,465	220,982,553	33,245,821	254,228,374
Reinsurers' share of insurance contract provisions	84,171,655	96,486,591	180,658,246	86,793,489	105,604,566	192,398,055	107,953,171	112,070,895	220,024,066
Other receivables and accruals	34,920,277	16,739,481	51,659,758	43,792,561	16,277,142	60,069,703	42,684,153	19,519,531	62,203,684
Tax recoverable	2,960,817	—	2,960,817	—	—	—	—	—	—
Deferred tax assets	62,129,903	95,683,231	157,813,134	51,130,845	88,489,048	139,619,893	115,104,465	101,621,036	216,725,501
Assets for post-employment and other long term benefits	—	5,434,293	5,434,293	—	6,327,959	6,327,959	—	1,681,750	1,681,750
Investment properties	—	432,657,831	432,657,831	—	421,431,197	421,431,197	—	435,515,623	435,515,623
Property for own use	—	99,029,643	99,029,643	—	102,816,247	102,816,247	—	105,678,990	105,678,990
Tangible fixed assets	733,164	23,954,974	24,688,138	262,894	38,805,425	39,068,319	408,218	42,704,270	43,112,488
Goodwill	—	2,272,113	2,272,113	—	2,272,113	2,272,113	—	2,272,113	2,272,113
Intangible assets	—	21,836,547	21,836,547	—	22,687,464	22,687,464	—	20,944,374	20,944,374
Total assets	9,160,660,382	3,624,305,591	12,784,965,973	8,571,999,517	4,415,241,836	12,987,241,353	8,103,564,131	4,863,459,280	12,967,023,411
Liabilities									
Unearned premium provisions	265,513,886	—	265,513,886	276,400,927	—	276,400,927	290,352,459	—	290,352,459
Provision for outstanding claims	680,084,665	1,166,043,401	1,846,128,066	717,979,405	1,178,438,977	1,896,418,382	727,091,786	1,215,289,719	1,942,381,505
Provision for unexpired risks	41,011,366	—	41,011,366	16,768,642	—	16,768,642	28,925,657	—	28,925,657
Other life insurance contract liabilities	270,130,844	1,619,252,046	1,889,382,890	228,639,075	1,789,020,662	2,017,659,737	398,105,102	1,930,988,037	2,329,093,139
Financial liabilities for Unit-Linked contracts	328,410,282	659,743,822	988,154,104	199,535,851	948,689,029	1,148,224,880	73,842,950	511,880,209	585,723,159
Investment contract liabilities	1,075,597,558	4,956,867,717	6,032,465,275	2,012,138,471	3,582,618,643	5,594,757,114	2,210,330,824	4,056,627,865	6,266,958,689
Loans obtained from credit and financial institutions	239,407	30,595,647	30,835,054	832,484	28,333,615	29,166,099	1,746,340	41,156,209	42,902,549
Other financial liabilities	4,406,403	—	4,406,403	14,083,378	—	14,083,378	3,166,301	—	3,166,301
Insurance and reinsurance creditors	140,228,270	—	140,228,270	160,066,570	—	160,066,570	196,724,681	—	196,724,681
Other payables and accruals	123,128,905	1,279,352	124,408,257	111,337,758	2,558,705	113,896,463	116,133,794	3,838,057	119,971,851
Tax payable	—	—	—	90,174,716	—	90,174,716	6,547,008	—	6,547,008
Deferred tax liabilities	39,703,850	7,507,815	47,211,665	35,705,609	2,054,076	37,759,685	10,289,376	3,060,605	13,349,981
Liabilities for post-employment and other long term benefits	25,267,523	407,107	25,674,630	23,374,874	29,277	23,404,151	11,634,726	44,123	11,678,849
Other provisions	26,470,903	50,113,562	76,584,465	14,337,255	44,881,958	59,219,213	5,974,870	38,581,328	44,556,198
Subordinated Debt	—	—	—	91,600,000	—	91,600,000	85,000,000	91,600,000	176,600,000
Total liabilities	3,020,193,862	8,491,810,469	11,512,004,331	3,992,975,015	7,576,624,942	11,569,599,957	4,165,865,874	7,893,066,152	12,058,932,026
Net assets	6,140,466,520	(4,867,504,878)	1,272,961,642	4,579,024,502	(3,161,383,106)	1,417,641,396	3,937,698,257	(3,029,606,872)	908,091,385

* Expected recovery or settlement within 12 months from the end of each reporting period.

APPENDIX II ACCOUNTANTS' REPORT OF INSURANCE COMPANIES

(Amounts expressed in Euros, except when otherwise expressly indicated)

Market risk

A breakdown of financial instruments at 31 December 2013, 2012 and 2011, by type of exposure to interest rate risk is set out below:

	2013			
	Exposure to Fixed rate	Variable rate	Not subject to interest risk	Total
Assets				
Cash and cash equivalents and sight deposits	—	198,453,088	3,965,189	202,418,277
Investments in associated companies and jointly owned enterprises	—	—	1,507,632	1,507,632
Financial assets initially recognised at fair value through profit or loss	725,496,265	163,313,379	24,928,260	913,737,904
Available for sale assets	4,552,688,715	850,620,606	884,606,432	6,287,915,753
Loans and accounts receivable	—	1,363,955,523	406,084	1,364,361,607
Investments to be held to maturity	2,700,079,642	177,496,509	—	2,877,576,151
Other debtors	—	—	138,966,561	138,966,561
	<u>7,978,264,622</u>	<u>2,753,839,105</u>	<u>1,054,380,158</u>	<u>11,786,483,885</u>
Liabilities				
Mathematical provision for life insurance	—	1,527,027,135	—	1,527,027,135
Financial liabilities on the deposit component of insurance and investment contracts	6,038,457,464	988,154,104	—	7,026,611,568
Deposits received from reinsurers	—	44,432,218	—	44,432,218
Other financial liabilities	12,564,312	22,342,903	—	34,907,215
Other creditors	—	—	95,796,052	95,796,052
	<u>6,051,021,776</u>	<u>2,581,956,360</u>	<u>95,796,052</u>	<u>8,728,774,188</u>

APPENDIX II ACCOUNTANTS' REPORT OF INSURANCE COMPANIES

(Amounts expressed in Euros, except when otherwise expressly indicated)

	2012			
	Exposure to Fixed rate	Variable rate	Not subject to interest risk	Total
Assets				
Cash and cash equivalents and sight deposits	—	646,662,908	6,398,664	653,061,572
Investments in associated companies and jointly owned enterprises	—	—	2,433,106	2,433,106
Financial assets held for trading	11,236,120	64,269,751	—	75,505,871
Financial assets initially recognised at fair value through profit or loss	773,541,729	312,275,844	25,505,852	1,111,323,425
Available for sale assets	3,390,592,587	1,995,144,477	871,612,701	6,257,349,765
Loans and accounts receivable	—	610,193,618	466,986	610,660,604
Investments to be held to maturity	2,763,689,855	353,022,740	—	3,116,712,595
Other debtors	—	—	147,237,941	147,237,941
	<u>6,939,060,291</u>	<u>3,981,569,338</u>	<u>1,053,655,250</u>	<u>11,974,284,879</u>
Liabilities				
Mathematical provision for life insurance	—	1,669,080,223	—	1,669,080,223
Financial liabilities on the deposit component of insurance and investment contracts	5,600,888,199	1,148,224,880	—	6,749,113,079
Subordinated debt	—	91,600,000	—	91,600,000
Deposits received from reinsurers	—	45,365,111	—	45,365,111
Other financial liabilities	2,095,765	39,989,638	—	42,085,403
Other creditors	—	—	114,701,459	114,701,459
	<u>5,602,983,964</u>	<u>2,994,259,852</u>	<u>114,701,459</u>	<u>8,711,945,275</u>

APPENDIX II ACCOUNTANTS' REPORT OF INSURANCE COMPANIES

(Amounts expressed in Euros, except when otherwise expressly indicated)

	2011			
	Exposure to Fixed rate	Variable rate	Not subject to interest risk	Total
Assets				
Cash and cash equivalents and sight deposits	—	428,447,218	7,008,230	435,455,448
Investments in associated companies and jointly owned enterprises	—	—	2,193,640	2,193,640
Financial assets held for trading	10,531,313	58,826,073	—	69,357,386
Financial assets initially recognised at fair value through profit or loss	241,803,576	353,446,022	25,592,555	620,842,153
Available for sale assets	2,839,479,336	2,436,139,309	870,744,912	6,146,363,557
Loans and accounts receivable	—	553,815,640	456,390	554,272,030
Investments to be held to maturity	3,346,383,741	477,312,754	—	3,823,696,495
Other debtors	—	—	220,036,111	220,036,111
	<u>6,438,197,966</u>	<u>4,307,987,016</u>	<u>1,126,031,838</u>	<u>11,872,216,820</u>
Liabilities				
Mathematical provision for life insurance	—	2,025,187,251	—	2,025,187,251
Financial liabilities on the deposit component of insurance and investment contracts	6,275,348,887	585,723,158	—	6,861,072,045
Subordinated debt	—	176,600,000	—	176,600,000
Deposits received from reinsurers	—	52,265,326	—	52,265,326
Other financial liabilities	83,140	43,086,386	—	43,169,526
Other creditors	—	—	144,459,355	144,459,355
	<u>6,275,432,027</u>	<u>2,882,862,121</u>	<u>144,459,355</u>	<u>9,302,753,503</u>

APPENDIX II ACCOUNTANTS' REPORT OF INSURANCE COMPANIES

(Amounts expressed in Euros, except when otherwise expressly indicated)

The sensitivity of the fair value of financial instruments with exposure to interest rate risk, to positive or negative changes of 50, 100 and 200 basis points (bp's), respectively, at 31 December 2013, 2012 and 2011, was:

	2013					
	Change +200 bp's	Change +100 bp's	Change +50 bp's	Change -50 bp's	Change -100 bp's	Change -200 bp's
Assets						
Financial assets initially recognised at fair value through profit or loss	(760,495)	(386,040)	(194,500)	197,529	398,153	761,183
Available for sale assets	(245,522,489)	(126,003,308)	(63,844,376)	65,599,071	133,026,382	272,472,771
Loans and accounts receivable	(4,442,884)	(2,257,987)	(1,138,387)	1,157,711	2,335,305	4,305,467
Investments to be held to maturity	<u>(103,198,765)</u>	<u>(52,500,255)</u>	<u>(26,480,978)</u>	<u>26,954,402</u>	<u>54,394,335</u>	<u>110,253,515</u>
	<u>(353,924,633)</u>	<u>(181,147,590)</u>	<u>(91,658,241)</u>	<u>93,908,713</u>	<u>190,154,175</u>	<u>387,792,936</u>
Liabilities						
Mathematical provision for life insurance	(41,245,847)	(23,391,735)	(12,070,932)	12,727,828	26,329,776	56,128,748
Financial liabilities on the deposit component of insurance and investment contracts	(289,700,468)	(149,633,956)	(75,607,396)	75,912,027	150,580,969	297,508,990
Other financial liabilities	<u>(3,170,966)</u>	<u>(1,659,211)</u>	<u>(848,895)</u>	<u>889,300</u>	<u>1,820,925</u>	<u>3,819,331</u>
	<u>(334,117,281)</u>	<u>(174,684,902)</u>	<u>(88,527,223)</u>	<u>89,529,155</u>	<u>178,731,670</u>	<u>357,457,069</u>

APPENDIX II ACCOUNTANTS' REPORT OF INSURANCE COMPANIES

(Amounts expressed in Euros, except when otherwise expressly indicated)

	2012					
	Change +200 bp's	Change +100 bp's	Change +50 bp's	Change -50 bp's	Change -100 bp's	Change -200 bp's
Assets						
Financial assets held for trading	1,075,864	606,610	321,439	(359,773)	(760,066)	(1,691,593)
Financial assets initially recognised at fair value through profit or loss	(981,229)	(499,425)	(251,973)	256,615	517,997	1,055,584
Available for sale assets	(169,652,200)	(86,876,271)	(43,971,275)	45,082,130	91,322,715	187,486,614
Loans and accounts receivable	(4,316,578)	(2,200,161)	(1,110,888)	1,133,220	2,289,514	4,674,465
Investments to be held to maturity	<u>(143,939,089)</u>	<u>(73,438,902)</u>	<u>(37,096,905)</u>	<u>37,872,920</u>	<u>76,543,702</u>	<u>156,370,110</u>
	<u>(317,813,232)</u>	<u>(162,408,149)</u>	<u>(82,109,602)</u>	<u>83,985,112</u>	<u>169,913,862</u>	<u>347,895,180</u>
Liabilities						
Mathematical provision for life insurance	(41,501,876)	(22,704,509)	(12,874,442)	13,981,391	27,695,421	59,680,401
Financial liabilities on the deposit component of insurance and investment contracts	<u>(172,910,592)</u>	<u>(88,388,822)</u>	<u>(44,695,278)</u>	<u>45,236,432</u>	<u>91,186,021</u>	<u>185,205,373</u>
	<u>(214,412,468)</u>	<u>(111,093,331)</u>	<u>(57,569,720)</u>	<u>59,217,823</u>	<u>118,881,442</u>	<u>244,885,774</u>

APPENDIX II ACCOUNTANTS' REPORT OF INSURANCE COMPANIES

(Amounts expressed in Euros, except when otherwise expressly indicated)

	2011					
	Change +200 bp's	Change +100 bp's	Change +50 bp's	Change -50 bp's	Change -100 bp's	Change -200 bp's
Assets						
Financial assets held for trading	(1,028,398)	(486,233)	(235,620)	219,537	421,836	769,721
Financial assets initially recognised at fair value through profit or loss	(1,471,269)	(745,460)	(375,242)	380,380	766,016	1,553,551
Available for sale assets	(107,096,246)	(54,667,820)	(27,623,317)	28,222,382	57,065,226	116,704,118
Loans and accounts receivable	(1,915,981)	(964,852)	(484,162)	487,681	978,919	1,972,251
Investments to be held to maturity	<u>(124,738,280)</u>	<u>(63,806,767)</u>	<u>(32,277,417)</u>	<u>33,057,506</u>	<u>66,929,623</u>	<u>137,270,072</u>
	<u>(236,250,174)</u>	<u>(120,671,132)</u>	<u>(60,995,758)</u>	<u>62,367,486</u>	<u>126,161,620</u>	<u>258,269,713</u>
Liabilities						
Mathematical provision for life insurance	(20,335,564)	(10,474,888)	(5,335,295)	5,528,102	11,562,773	24,838,133
Financial liabilities on the deposit component of insurance and investment contracts	<u>(149,253,143)</u>	<u>(76,114,888)</u>	<u>(38,443,706)</u>	<u>39,243,174</u>	<u>79,290,899</u>	<u>160,782,368</u>
	<u>(169,588,707)</u>	<u>(86,589,776)</u>	<u>(43,779,001)</u>	<u>44,771,276</u>	<u>90,853,672</u>	<u>185,620,501</u>

The analysis of the sensitivity of the fair value of technical assets and liabilities was assessed on the basis of discounted cash flow projections on the Portuguese public debt yield curve, with positive and negative changes of 50, 100 and 200 bps, in the respective interest rate curves.

APPENDIX II ACCOUNTANTS' REPORT OF INSURANCE COMPANIES

(Amounts expressed in Euros, except when otherwise expressly indicated)

Financial instruments were broken down into the following currencies at 31 December 2013, 2012 and 2011:

	Euros	2013 Other currency	Total
Assets			
Cash and cash equivalents and sight deposits	2,200,326	200,217,951	202,418,277
Investments in associated companies and jointly owned enterprises	1,507,632	—	1,507,632
Financial assets initially recognised at fair value through profit or loss	913,318,126	419,778	913,737,904
Available for sale assets	6,276,422,748	11,493,005	6,287,915,753
Loans and accounts receivable	1,364,361,607	—	1,364,361,607
Investments to be held to maturity	2,873,151,609	4,424,542	2,877,576,151
Other debtors	<u>137,100,175</u>	<u>1,866,386</u>	<u>138,966,561</u>
	<u>11,568,062,223</u>	<u>218,421,662</u>	<u>11,786,483,885</u>
Liabilities			
Mathematical provision for life insurance	1,517,689,693	9,337,442	1,527,027,135
Financial liabilities on the deposit component of insurance and investment contracts	7,026,611,568	—	7,026,611,568
Deposits received from reinsurers	44,432,218	—	44,432,218
Other financial liabilities	34,907,215	—	34,907,215
Other creditors	<u>94,519,019</u>	<u>1,277,033</u>	<u>95,796,052</u>
	<u>8,718,159,713</u>	<u>10,614,475</u>	<u>8,728,774,188</u>

APPENDIX II ACCOUNTANTS' REPORT OF INSURANCE COMPANIES

(Amounts expressed in Euros, except when otherwise expressly indicated)

	Euros	2012 Other currency	Total
Assets			
Cash and cash equivalents and sight deposits	622,934,326	30,127,246	653,061,572
Investments in associated companies and jointly owned enterprises	1,536,513	896,593	2,433,106
Financial assets held for trading	75,505,871	—	75,505,871
Financial assets initially recognised at fair value through profit or loss	1,110,863,319	460,106	1,111,323,425
Available for sale assets	6,250,808,037	6,541,728	6,257,349,765
Loans and accounts receivable	610,660,604	—	610,660,604
Investments to be held to maturity	3,112,342,103	4,370,492	3,116,712,595
Other debtors	<u>145,796,012</u>	<u>1,441,929</u>	<u>147,237,941</u>
	<u>11,930,446,785</u>	<u>43,838,094</u>	<u>11,974,284,879</u>
Liabilities			
Mathematical provision for life insurance	1,660,849,841	8,230,382	1,669,080,223
Financial liabilities on the deposit component of insurance and investment contracts	6,749,113,079	—	6,749,113,079
Subordinated debt	91,600,000	—	91,600,000
Deposits received from reinsurers	45,365,111	—	45,365,111
Other financial liabilities	42,085,403	—	42,085,403
Other creditors	<u>112,743,680</u>	<u>1,957,779</u>	<u>114,701,459</u>
	<u>8,701,757,114</u>	<u>10,188,161</u>	<u>8,711,945,275</u>

APPENDIX II ACCOUNTANTS' REPORT OF INSURANCE COMPANIES

(Amounts expressed in Euros, except when otherwise expressly indicated)

	Euros	2011 Other currency	Total
Assets			
Cash and cash equivalents and sight deposits	403,361,720	32,093,728	435,455,448
Investments in associated companies and jointly owned enterprises	1,469,177	724,463	2,193,640
Financial assets held for trading	69,357,386	—	69,357,386
Financial assets initially recognised at fair value through profit or loss	620,539,628	302,525	620,842,153
Available for sale assets	6,129,939,472	16,424,085	6,146,363,557
Loans and accounts receivable	554,272,030	—	554,272,030
Investments to be held to maturity	3,819,476,740	4,219,755	3,823,696,495
Other debtors	216,638,244	3,397,867	220,036,111
	<u>11,815,054,397</u>	<u>57,162,423</u>	<u>11,872,216,820</u>
Liabilities			
Mathematical provision for life insurance	2,017,392,896	7,794,355	2,025,187,251
Financial liabilities on the deposit component of insurance and investment contracts	6,861,072,045	—	6,861,072,045
Subordinated debt	176,600,000	—	176,600,000
Deposits received from reinsurers	52,265,326	—	52,265,326
Other financial liabilities	43,169,526	—	43,169,526
Other creditors	142,501,576	1,957,779	144,459,355
	<u>9,293,001,369</u>	<u>9,752,134</u>	<u>9,302,753,503</u>

45. DISCLOSURES RELATED TO INSURANCE CONTRACT RISKS

The following summarises Insurance Group's main insurance companies' acceptance and risk management policy for the insurance area.

Risk Acceptance

Risk acceptance and management is structured on two major levels, based on a model for delegating competencies.

Each level has specific methodologies and procedures, in accordance with its competencies, thus permitting interconnection and harmonisation between them.

APPENDIX II ACCOUNTANTS' REPORT OF INSURANCE COMPANIES

(Amounts expressed in Euros, except when otherwise expressly indicated)

The second level, specific to branch offices, includes the authority to delegate standard risk acceptance competencies, pursuant to the scope of standards and procedures set out in writing, and particularly based on the following criteria:

- Products with standard clauses;
- Risks or activities with a track record of a low or very low number of incidents;
- A homogenous, easy to identify risk area;
- Small amounts of capital permitting high risk dilution;
- Risks in respect of cover and/or geographical spread upon which knowledge has been accumulated and which are controllable;
- Premiums in accordance with the product tariff, adjustable on the basis of minor discounts.

The following instruments are available: tariffs, simulators, acceptance manuals and rules governing the authority to delegate, product handbooks, general conditions and pre-contractual information, insurance proposals, standardised declarations, technical questionnaires and circuits and procedural standards.

The first level comprises the technical divisions which have additional risk analysis instruments.

Technical divisions have been provided with a multidisciplinary technical team which is highly specialised in terms of insurance areas and assisted by specialised actuaries. When justified by the risk characteristics, it uses risk analyses performed by specialised companies.

Risk acceptance is based on stringent technical standards, designed to identify risks with high loss potential (seriousness and frequency), the application of adjusted contractual conditions and definition of premiums tailored to the specific risk to achieve sustained portfolio growth and a balanced technical result. All risks which cannot be accommodated by the reinsurance treaties are analysed by technical divisions, with the possibility of using facultative reinsurance when risk acceptance conditions are considered to have been met.

Risks which cannot be accommodated by the contents of reinsurance tariff handbooks or the acceptance conditions defined by the Insurance Group companies are sent to reinsurers' underwriting offices for the submission of proposals governing the said risks' acceptance conditions.

The technical divisions are also provided with technical and actuarial reports and analyses giving them knowledge of the evolution of the technical exploitation of the insurance area and risk behaviour by cover and the main characteristics of insurable objects.

APPENDIX II ACCOUNTANTS' REPORT OF INSURANCE COMPANIES

(Amounts expressed in Euros, except when otherwise expressly indicated)

There are several situations involving a particularly high risk and/or a level of uncertainty, identified in the Risk Acceptance Policy, which have not been delegated to technical divisions, being the competence for the acceptance of which is reserved to the risk acceptance policy committee which meets whenever necessary to assess such risks.

Technical Management

Branch technical management involves product design, definition of clauses and prices, definition and control of the acceptance policy and the control and monitoring of technical results, namely monitoring of the evolution of processed income, number of insurance contracts, portfolio distribution by risk segments and guarantees, average premiums, risk characteristics, claims rates and technical margin.

Periodic reports containing portfolio profile elements, with the aim of supporting reinsurance treaties negotiations containing management indicators and recurrent information are prepared for the reinsurance division.

Risk Control Management Instruments

Organisation's internal risks

In order to control and minimise the organisation's internal risk, acceptance standards and procedures and product handbooks have been published. They are easily available and their contents are well-known and their application process duly monitored by the competent areas.

Portfolio profile studies

Portfolio risk profiles studies by classes of capital/liabilities assumed, activities and type of objects insured and cover are regularly carried out.

Studies of the behaviour of claim rates of the products by most determinant characteristics for risk definition are also regularly carried out.

This type of study enables a qualitative and quantitative analysis of portfolio claims rates (insured capital scales, types of insured objects, activities, covers, etc...) in order to assess the existing delegations of authority and correct any distortions, in addition to correlating the principal price shaping factors and changes in products being commercialised or creating new ones.

Periodic analysis of portfolio evolution

The evolution of the portfolio under management is periodically monitored, through a specific analysis of policy movement performance developments, both in terms of the number of policies (new and cancelled), changes of premiums/average rates and changes in the distribution of contracts over the various business segments.

APPENDIX II ACCOUNTANTS' REPORT OF INSURANCE COMPANIES

(Amounts expressed in Euros, except when otherwise expressly indicated)

These studies also include an analysis of claims behaviour, monitoring their respective frequency and rate. Such analyses are not only produced on a level of insurance area groupings but principally on products under management level.

Particularly extensive and detailed analyses are performed on the portfolio evolution of motor vehicle insurance, in an endeavour to identify problems and causes related with operations in this insurance area, based on both a commercial and technical approach. Proposals are formulated on the result of such analyses.

Portfolio selection and restructuring

This function aims to improve returns on portfolio management, both by restructuring risk deficits (frequency and/or high claims rate) or by changing contractual terms (cover, excesses, premiums) as well as providing customer advisory services (recommendation of prevention and security measures for risk quality improvement purposes).

This function also assesses contracts or claims irregularities, leading to the possible implementation of measures which, depending on the seriousness of the irregularity, could lead to the cancellation of the contract or the insured's portfolio.

Insurance risk concentrations

Regular studies on portfolio risk profiles, by classes of capital/liabilities assumed, activities, insured objects and cover, provide indicators enabling the impact of eventual changes in cover to be estimated, assessing the impact of any changes to reinsurance treaties and the Insurance Group's retention policy. Specific studies are performed to assess such impacts in several cases.

Such studies also focus on specific cover, a geographical area, type of liabilities assumed or insured object, permitting the assessment and quantification of maximum risk limits per class, in addition to an assessment of the impact of scenarios of catastrophic portfolio claims.

Premium sufficiency and constitution of provision for unexpired risks

Direct insurance

Direct non-life insurance premiums for the Accidents and Fire and Other Damage areas in Fidelidade were insufficient to provide for the liabilities associated with the claims, operating costs and investments. Reductions of 25.7% and 0.9%, respectively, in costs would be required to eliminate the premium insufficiency registered in these areas. In the Accidents area, the insufficiency derived from Workman's Compensation insurance.

Earned premiums on direct insurance were sufficient to meet the liabilities assumed in other insurance areas.

APPENDIX II ACCOUNTANTS' REPORT OF INSURANCE COMPANIES

(Amounts expressed in Euros, except when otherwise expressly indicated)

Globally, in the case of non-life insurance, in 2013, direct insurance operating income was sufficient to meet operating liabilities.

Net of reinsurance

Except for Marine and Aviation insurance, the insurance company's premiums, net of reinsurance, in 2013, were insufficient to meet the costs associated with operations in most areas.

A provision for unexpired risks was, consequently set up, in accordance with the standards in force, with a 65% increase over the provision set up in 2012.

Provision for unearned premiums

The provision is calculated in accordance with the current standards with tests being performed on the adequacy of current provisioning levels.

Claims provision

Claims provisions are calculated in accordance with the description presented in the accounting policies. Actuaries monitor provisioning levels during the course of the year, using adequate statistical methodologies for the respective risks, i.e. stochastic estimates of cash flow projections associated with liabilities.

Risk concentration and mitigation

In Fidelidade, the Accidents, Health, Fire and Other Damage and Motor Insurance areas represent around 91.4% of gross premiums earned and 97.9% of claims costs.

In order to control the risks assumed, insurance companies have acceptance risk policies which endeavour to select and control the level of risk to which they are exposed.

In the case of non-life insurance risk, mitigation mainly involves the use of specific reinsurance programmes on each type of risk, with a high level of quality required of the respective reinsurers.

Reinsurer's distribution by rating (Fidelidade)

Rating	% of Reinsurance	
	2013	2012
A-	13.5%	26.3%
A	21.6%	18.4%
A+	37.8%	28.9%
AA-	18.9%	15.8%
AA	5.4%	2.6%
AA+	—	5.3%
Not rated	2.7%	2.6%

APPENDIX II ACCOUNTANTS' REPORT OF INSURANCE COMPANIES

(Amounts expressed in Euros, except when otherwise expressly indicated)

There is a specific “Excess of loss” treaty to provide for catastrophic risks, with retention of Euro 80,000,000 and a capacity of Euro 750,000,000.

In Fidelidade, 60.5% of the insured capital retained for earthquake cover is located in Zone I, which is the most dangerous in terms of seismic risk.

Sensitivity analysis

The insurance companies perform sensitivity analysis in the sphere of regular actuarial works, to gauge the adequacy of premium and provisioning levels and their respective impacts in terms of solvency.

At 31 December 2013, 2012 and 2011 combined solvency rate was 180.58%, 219.57% and 161.28% respectively. In the case of a 20% increase in claims costs, the coverage rate would be reduced to 158.39%, 196.29% and 134.46%, respectively.

The Insurance Group companies' economic capital for the diverse non-life insurance acceptance risks is calculated annually following the criteria defined on the “Quantitative Impact Study”.

Reinsurance Policies

Determinants factors for limiting or transferring insured risk lie in the nature of the business and insured risk amounts, differentiating between mass insurance (motor, workman's compensation, personal accidents and multirisk housing) and the remaining property, machinery and engineering, marine risks, carriage of goods, third party liability and miscellaneous risks areas.

Compliance with acceptance regulations is associated with the available reinsurance cover in force which is a determining factor for the acceptance or rejection of risk types.

Risks involving high amounts of insured capital or serious situations are previously analysed and their acceptance is strictly interdependent with and supported by reinsurance.

The Insurance Group has based its reinsurance policy on the existence of proportional and non-proportional and facultative reinsurance treaties and other types of reinsurance in order to guarantee adequate reinsurance protection on accepted risks.

In the fire and annexes, engineering, marine hull, carriage of goods and aviation areas, the Insurance Group operates with proportional treaties.

Reinsurance cover in the principal property insurance areas, in addition to the respective retention, is based on the ratio between portfolio structure in terms of insured capital and respective premium volume for each insurance area as well as the statistical monitoring of profitability and the retention/premiums ratio at the end of a year or cycle and the sufficiency of the Insurance Group companies' financial capacity to absorb frequent claims.

APPENDIX II ACCOUNTANTS' REPORT OF INSURANCE COMPANIES

(Amounts expressed in Euros, except when otherwise expressly indicated)

Motor, workman's compensation, accidents and civil liability areas risks are covered by an excess of loss treaty, which is more adequate to the type of risks and portfolio and the Insurance Group's financial capacity. To establish the priority, the statistical behaviour of claims and the listings found for their different levels, are taken into account.

"Maximum risk" on retentions is protected by adequate excess of loss treaties for each situation. Accumulations resulting from "Cover of seismic phenomena and natural risks", classified as "Catastrophic" in terms of retentions, are reinsured by excess of loss insurance whose retention is assessed in line with the Insurance Group's financial capacity.

In assessing retention per event, the fact that catastrophes do not occur frequently in Portugal is taken into account and retention reflects what is technically predictable from the viewpoint of the same catastrophe's impact on the Insurance Group's capital and absorption thereof over a defined period, working pursuant to a conservative scenario of a return period of 500 years, which is unusual in terms of markets subject to catastrophic risks.

The selection criteria for reinsurers take into account their reliability and financial solvency, services providing capacity and constant observation and monitoring thereof.

Information obtained in the international market, namely that disclosed by the rating agencies, is a fundamental reference to the monitoring of the reinsurers' financial health.

Therefore, the Insurance Group uses as a selection factor for reinsurers the analysis of the rating given to each reinsurer by the agency S&P or equivalent (A.M. Best, Fitch or Moody's). The minimum rating required for the inclusion of a reinsurer on our panel of reinsurers is "A-".

Life Insurance

There are three major life insurance contract families covered by IFRS 4, with the following risk cover:

Risk products

The highest risk factor on these products is mortality, although a large number of contracts are also associated with a disability risk, a significant part of which has been transferred to reinsurance companies.

Profit-sharing is usually based on the following type of technical/financial account:

(Premiums + income - claims — management expenses - change in mathematical provision - any existing negative balances from the preceding year) x profit sharing coefficient.

APPENDIX II ACCOUNTANTS' REPORT OF INSURANCE COMPANIES

(Amounts expressed in Euros, except when otherwise expressly indicated)

The discretionary nature of such profit sharing is associated with its use in assessing income and the profit-sharing coefficient, as only minimums for the latter value are defined in profit-sharing schemes.

Annuity products

The greatest risk on such products is longevity.

Profit-sharing is usually based on the following type of technical/financial account:

(Premiums + income - claims — management expenses - change in mathematical provision - any existing negative balances from the preceding year) x profit sharing coefficient.

The discretionary nature of such profit sharing is associated with its use in assessing income and the profit-sharing coefficient, as only minimums for the latter value are defined in profit-sharing schemes.

Capitalisation products

Interest rate risk is the principal risk factor on these products.

Only profit-sharing contracts are covered by IFRS 4, for which the income allocated to the insured has a fixed and variable component contingent upon the return from a specific portfolio of assets, partially dependent on the Insurance Group's discretion.

Profit-sharing is usually based on the following type of technical/financial account:

(Percentage income - technical income — management expenses - any existing negative balances from the preceding year) x profit sharing coefficient.

The discretionary nature of such profit sharing is associated with its use in assessing income, profit-sharing coefficient, income percentage and management expenses as only minimums for these amounts are defined in profit-sharing schemes.

Cash inflow and outflow projections for the next three years are given for each of these product families (PS — profit sharing).

Year	Risk		Annuities		Capitalisation with profit sharing	
	Inflow	OutFlow	Inflow	OutFlow	Inflow	OutFlow
2014	146,941,968	91,519,091	0	15,356,512	24,169,522	217,487,319
2015	128,065,029	79,808,750	0	14,609,750	20,943,451	191,079,216
2016	119,594,389	74,506,944	0	13,894,486	18,042,945	186,769,902

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(Amounts expressed in Euros, except when otherwise expressly indicated)

The following tables provide information on the changes of these cash inflows and outflows, considering a 5% increase in expected redemptions.

Year	Risk		Annuities		Capitalisation with profit sharing	
	Inflow	OutFlow	Inflow	OutFlow	Inflow	OutFlow
2014	143,446,150	89,468,292	0	15,356,512	23,541,835	273,177,139
2015	118,239,546	73,786,428	0	14,609,750	19,342,392	228,967,448
2016	104,504,790	65,154,331	0	13,894,486	15,795,187	207,967,718

46. CAPITAL MANAGEMENT

The Insurance Group's capital management objectives are in line with the following general principles:

To comply with the legal requirements imposed upon the Insurance Group by the supervisory authorities, notably the Portuguese Insurance Institute;

To generate an adequate level of return for the Insurance Group, creating value for its shareholder and return on capital employed;

To sustain the development of operations that the Insurance Group is lawfully authorised to perform, maintaining a solid capital structure, capable of providing for the growth in activity and respective risks.

To achieve the above referred to objectives, the Insurance Group plans its short and medium term capital requirements to finance its activity, particularly using its own resources and taking-in other resources from the insured.

The statutory requirements in force derive from decree law 94-B/98 of 17 April, pursuant to the wording of decree law 251/2003 of 14 October and Portuguese Insurance Institute regulatory standard 6/2007-R of 27 April, with the changes brought in by regulatory standard 12/2009-R of 30 October and regulatory standard 21/2010-R of 16 December and 4/2011-R of 2 June, particularly:

The obligation to permanently maintain a sufficiently large solvency margin to provide for all Insurance Group activities. The available solvency margin is assessed under the dispositions of the above referred to legislation to which the prudential adjustments set out in the Portuguese Insurance Institute's regulatory standards are applicable.

The obligation to maintain a guarantee fund as an integral part of the solvency margin, which, comprising one third of the required solvency margin, must not be less than the minimum lawfully defined limits.

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(Amounts expressed in Euros, except when otherwise expressly indicated)

If the Portuguese Insurance Institute notes any insufficiency of an insurance company's solvency margin, even if circumstantial or predictably temporary, the said insurance company should, within the period defined by the Institute, submit a recovery plan to restore its financial situation.

The obligation for technical provisions, at any time, to be fully represented by equivalent assets, subject to a collection of prudential diversification and dispersion rules, compliance with which is monitored by the Portuguese Insurance Institute. Assets representing technical provisions represent a particular guarantee of insurance contracts-related credit and may not be pledged or attached, except for the payment of the sale credit. In the event of liquidation, such credit enjoys special securities privileges on moveable or immoveable assets representing technical provisions and is the first to be secured.

Insurance companies must, for the purpose in question, within a maximum period of 15 days from the end of each quarter, have the respective assessment of its solvency margin situation available for consultation and reporting to the Portuguese Insurance Institute.

The Portuguese Insurance Institute must be informed of the technical provisions representation plan within 20 days from the end of each quarter.

In addition to these requirements, there are other prudential rules to which the Insurance Group is subject and which, in conjunction with those already referred to, should be interpreted as an important complement to prudent management by institutions and essentially be based on internal assessment and control dispositions established by them, taking into account their responsibilities to shareholders, the insured and other creditors.

APPENDIX II ACCOUNTANTS' REPORT OF INSURANCE COMPANIES

(Amounts expressed in Euros, except when otherwise expressly indicated)

47. ALLOCATION OF INVESTMENTS AND OTHER ASSETS

The following is a summary of the allocation of investments and other assets to insurance contracts or insurance contracts and other operations classified for accounting purposes as investment contracts at 31 December 2013, 2012 and 2011:

	2013					
	Life insurance with profit sharing	Life insurance without profit sharing	Life insurance and operations classified as investment contracts	Non-life insurance	Not allocated	Total
Cash and cash equivalents and sight deposits	23,682,516	2,137,374	47,038,956	32,354,629	97,204,802	202,418,277
Investments in associated companies and jointly owned enterprises	—	—	—	—	1,507,632	1,507,632
Financial assets designated at fair value through profit or loss	10,681,292	492,503	725,368	30,456,345	5,549,985	47,905,493
Policyholders account assets in respect of unit-linked contracts	—	—	865,832,411	—	—	865,832,411
Available for sale financial assets	1,632,384,845	113,875,304	3,436,438,763	959,811,900	145,404,941	6,287,915,753
Loans made and accounts receivable	223,660,830	38,100,889	695,599,064	271,560,289	135,440,535	1,364,361,607
Investments held to maturity	—	39,313,448	2,218,924,107	383,184,156	236,154,440	2,877,576,151
Land and buildings	—	—	—	329,975,250	221,666,817	551,642,067
Other tangible assets	—	—	—	—	23,954,974	23,954,974
	<u>1,890,409,483</u>	<u>193,919,518</u>	<u>7,264,558,669</u>	<u>2,007,342,569</u>	<u>866,884,126</u>	<u>12,223,114,365</u>

APPENDIX II ACCOUNTANTS' REPORT OF INSURANCE COMPANIES

(Amounts expressed in Euros, except when otherwise expressly indicated)

	2012					
	Life insurance with profit sharing	Life insurance without profit sharing	Life insurance and operations classified as investment contracts	Non-life insurance	Not allocated	Total
Cash and cash equivalents and sight deposits	71,896,207	23,181,844	268,081,759	84,905,464	204,996,298	653,061,572
Investments in associated companies and jointly owned enterprises	—	—	—	—	2,433,106	2,433,106
Financial assets held for trading	—	—	75,047,138	—	—	75,047,138
Financial assets designated at fair value through profit or loss	25,552,061	521,409	769,746	25,763,602	7,091,958	59,698,776
Policyholders account assets in respect of unit-linked contracts	—	—	1,052,083,382	—	—	1,052,083,382
Available for sale financial assets	1,926,043,583	127,390,358	2,914,330,108	1,141,694,393	147,891,323	6,257,349,765
Loans made and accounts receivable	97,291,845	13,695,627	324,575,699	69,577,265	105,520,168	610,660,604
Investments held to maturity	—	22,814,552	2,680,665,056	342,662,423	70,570,564	3,116,712,595
Land and buildings	—	—	—	338,790,656	208,282,254	547,072,910
Other tangible assets	—	—	—	—	38,805,425	38,805,425
	<u>2,120,783,696</u>	<u>187,603,790</u>	<u>7,315,552,888</u>	<u>2,003,393,803</u>	<u>785,591,096</u>	<u>12,412,925,273</u>

APPENDIX II ACCOUNTANTS' REPORT OF INSURANCE COMPANIES

(Amounts expressed in Euros, except when otherwise expressly indicated)

	2011					
	Life insurance with profit sharing	Life insurance without profit sharing	Life insurance and operations classified as investment contracts	Non-life insurance	Not allocated	Total
Cash and cash equivalents and sight deposits	89,434,198	4,788,523	198,424,383	37,915,161	104,893,183	435,455,448
Investments in associated companies and jointly owned enterprises	—	—	—	—	2,193,640	2,193,640
Financial assets held for trading	—	—	63,592,168	—	—	63,592,168
Financial assets designated at fair value through profit or loss	43,815,872	898,603	3,454,393	36,390,967	6,438,784	90,998,619
Policyholders account assets in respect of unit-linked contracts	—	—	535,608,752	—	—	535,608,752
Available for sale financial assets	2,096,320,937	117,336,434	2,694,400,522	1,162,525,304	75,780,360	6,146,363,557
Loans made and accounts receivable	82,299,673	22,253,726	306,649,175	76,281,334	66,788,122	554,272,030
Investments held to maturity	16,618,199	27,041,275	3,290,984,384	395,231,544	52,033,618	3,781,909,020
Land and buildings	—	6,539	—	342,863,903	223,423,873	566,294,315
Other tangible assets	—	—	—	—	42,704,270	42,704,270
	<u>2,328,488,879</u>	<u>172,325,100</u>	<u>7,093,113,777</u>	<u>2,051,208,213</u>	<u>574,255,850</u>	<u>12,219,391,819</u>

The heading “Loans made and accounts receivable” includes term deposits, deposits in ceding companies, and other loans and accounts receivable.

The conditions applicable to assets representing technical provisions are described under Note 46.

APPENDIX II ACCOUNTANTS' REPORT OF INSURANCE COMPANIES

(Amounts expressed in Euros, except when otherwise expressly indicated)

48. CAPITAL COMMITMENTS

Capital commitments

Capital commitments for the acquisition of financial assets, related mainly with the subscription of participating units in investment funds, as at 31 December 2013, 2012 and 2011 were as follows:

	2013	2012	2011
Capital call contracted but not executed	<u>12,916,597</u>	<u>20,518,440</u>	<u>24,041,649</u>

Obligations under operating leases

The total future minimum lease payments under non-cancellable operating leases as at 31 December 2013, 2012 and 2011 are made up as follows:

	2013	2012	2011
Amounts payable under operating leases			
Within one year	947,879	1,016,291	1,405,159
Between one year and two years	610,178	456,043	905,329
In more than two years but no more than five years	<u>769,692</u>	<u>181,704</u>	<u>397,794</u>
	<u>2,327,749</u>	<u>1,654,038</u>	<u>2,708,282</u>

The Target Insurance Companies leases transport equipment under operating leases. The contracts typically run for a period of 48 months.

APPENDIX II ACCOUNTANTS' REPORT OF INSURANCE COMPANIES

(Amounts expressed in Euros, except when otherwise expressly indicated)

49. PENSION FUNDS UNDER MANAGEMENT

Fidelidade - Companhia de Seguros, S.A.' Macau branch had the following seven pension funds under effective management at 31 December 2013, 2012 and 2011. The pension fund's portfolio contained the following assets in the said period:

2013							
	Pensions Fund BNU	Pensions Fund "Golden-Age Retirement"	Pensions Fund Guaranteed Capital	Pensions Fund International Stable	Pensions Fund International Opportunities	Pensions Fund Greater China Opportunities	Pensions Fund Emerging Markets Opportunities
Amounts in Euros							
Cash and Deposits	2,660,170	1,682,739	1,031,930	8,523	8,918	12,096	11,986
Debt instruments	10,381,206	22,870,735	—	145,545	110,383	227,937	166,025
Equity instruments	1,297,265	10,887,374	—	50,710	172,644	347,626	310,574
Derivatives	(14,484)	—	—	—	—	—	—
Other	(4,163)	(63,614)	(7,100)	(2,000)	(2,783)	(5,538)	(4,784)
	<u>14,319,994</u>	<u>35,377,234</u>	<u>1,024,830</u>	<u>202,778</u>	<u>289,162</u>	<u>582,121</u>	<u>483,801</u>
Amounts in MOP							
Cash and Deposits	30,135,626	18,870,426	11,155,350	92,033	97,066	131,893	130,765
Debt instruments	117,603,052	256,475,054	—	1,571,655	1,201,372	2,485,297	1,811,368
Equity instruments	14,696,014	122,092,264	—	547,588	1,879,012	3,790,321	3,388,435
Derivatives	(164,077)	—	—	—	—	—	—
Other	(47,162)	(713,377)	(76,752)	(21,599)	(30,292)	(60,384)	(52,199)
	<u>162,223,453</u>	<u>396,724,367</u>	<u>11,078,598</u>	<u>2,189,677</u>	<u>3,147,158</u>	<u>6,347,127</u>	<u>5,278,369</u>

APPENDIX II ACCOUNTANTS' REPORT OF INSURANCE COMPANIES

(Amounts expressed in Euros, except when otherwise expressly indicated)

2012							
	Pensions Fund BNU	Pensions Fund "Golden-Age Retirement"	Pensions Fund Guaranteed Capital	Pensions Fund International Stable	Pensions Fund International Opportunities	Pensions Fund Greater China Opportunities	Pensions Fund Emerging Markets Opportunities
Amounts in Euros							
Cash and Deposits	2,040,087	1,401,978	662,185	3,855	6,204	10,889	8,616
Debt instruments	10,330,545	20,209,964	—	94,304	77,567	158,444	129,164
Equity instruments	1,191,053	9,223,236	—	31,421	116,127	242,767	242,557
Derivatives	(2,103)	—	—	—	—	—	—
Other	(8,777)	(23,186)	(2,675)	(664)	(1,051)	(1,865)	(1,893)
	<u>13,550,805</u>	<u>30,811,992</u>	<u>659,510</u>	<u>128,916</u>	<u>198,847</u>	<u>410,235</u>	<u>378,444</u>
Amounts in MOP							
Cash and Deposits	23,179,748	15,826,716	7,203,038	41,973	68,081	119,445	94,327
Debt instruments	117,377,084	228,147,208	—	1,026,837	851,136	1,738,061	1,413,986
Equity instruments	13,532,905	104,119,712	—	342,131	1,274,258	2,663,050	2,655,325
Derivatives	(23,900)	—	—	—	—	—	—
Other	(99,720)	(261,745)	(29,095)	(7,225)	(11,533)	(20,453)	(20,721)
	<u>153,966,117</u>	<u>347,831,891</u>	<u>7,173,943</u>	<u>1,403,716</u>	<u>2,181,942</u>	<u>4,500,103</u>	<u>4,142,917</u>
2011							
	Pensions Fund BNU	Pensions Fund "Golden-Age Retirement"	Pensions Fund Guaranteed Capital	Pensions Fund International Stable	Pensions Fund International Opportunities	Pensions Fund Greater China Opportunities	Pensions Fund Emerging Markets Opportunities
Amounts in Euros							
Cash and Deposits	10,551,607	1,036,453	474,137	2,465	3,374	5,976	5,794
Debt instruments	2,332,667	17,660,625	—	55,672	46,867	104,290	81,388
Equity instruments	—	8,130,524	—	18,777	73,037	148,397	149,408
Other	(20,691)	(18,031)	(2,450)	(576)	(784)	(1,793)	(1,642)
	<u>12,863,583</u>	<u>26,809,571</u>	<u>471,687</u>	<u>76,338</u>	<u>122,494</u>	<u>256,870</u>	<u>234,948</u>
Amounts in MOP							
Cash and Deposits	120,409,945	11,824,325	5,265,028	27,811	38,331	67,500	65,269
Debt instruments	26,619,294	201,480,444	—	628,003	532,491	1,178,026	916,827
Equity instruments	—	92,756,715	—	211,809	829,829	1,676,253	1,683,057
Other	(236,117)	(205,700)	(27,208)	(6,495)	(8,908)	(20,253)	(18,498)
	<u>146,793,122</u>	<u>305,855,784</u>	<u>5,237,820</u>	<u>861,128</u>	<u>1,391,743</u>	<u>2,901,526</u>	<u>2,646,655</u>

APPENDIX II ACCOUNTANTS' REPORT OF INSURANCE COMPANIES

(Amounts expressed in Euros, except when otherwise expressly indicated)

50. SUBSEQUENT EVENTS

The contracts for the acquisition by Fidelidade of a majority investment comprising 55.89% of the share capital of Garantia - Companhia de Seguros de Cabo Verde, S.A. were signed on 30 April 2014. This acquisition, for the amount of Euro 6,280,184, equivalent to Euro 56 per share, resulted in the recognition of goodwill in the amount of Euro 349,772.

(B) SUBSEQUENT FINANCIAL STATEMENTS

No audited combined financial statements of the Insurance Companies have been prepared in respect of any period subsequent to 31 December 2013.

Yours faithfully,

Deloitte & Associados, SROC S.A.

Represented by Paulo Alexandre Rosa Pereira Antunes

APPENDIX III UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE ENLARGED GROUP

(A) UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE ENLARGED GROUP

(i) Basis of preparation of the unaudited pro forma financial information of the Enlarged Group

To provide additional financial information, the unaudited pro forma statement of assets and liabilities (the “**Unaudited Pro Forma Financial Information**”) of the Enlarged Group (being the Group together with the Insurance Companies and their subsidiaries (hereinafter collectively referred to the “**Insurance Group**”)) as at 31 December 2013 has been prepared based on:

- (a) the historical audited consolidated statement of financial position of the Group as at 31 December 2013 which has been extracted from the annual report for the year ended 31 December 2013 of the Company;
- (b) the combined statement of financial position of the Insurance Group as at 31 December 2013 which has been extracted from Appendix II to this circular; and
- (c) after taking into account the unaudited pro forma adjustments as described in the notes thereto to demonstrate how the acquisition of 80% equity interests of the Insurance Companies (“**Acquisition Transaction**”) might have affected the historical financial information in respect of the Group as if the Acquisition Transaction had been completed on 31 December 2013.

The Unaudited Pro Forma Financial Information of the Enlarged Group should be read in conjunction with the financial information contained in this circular and the accountants’ report on the Insurance Group as set out in Appendix II to this circular.

The Unaudited Pro Forma Financial Information of the Enlarged Group is for illustrative purposes only, and because of its hypothetical nature, it may not give a true picture of the financial position of the Enlarged Group as at 31 December 2013 or at any future date.

**APPENDIX III UNAUDITED PRO FORMA FINANCIAL INFORMATION
OF THE ENLARGED GROUP**

(ii) Unaudited Pro Forma Financial Information of the Enlarged Group

	The Group as at 31 December 2013 <i>RMB'000</i> <i>note 1</i>	The Insurance Group as at 31 December 2013 <i>RMB'000</i> <i>note 2</i>	Unaudited Pro Forma Adjustments				Unaudited Pro Forma Enlarged Group as at 31 December 2013 <i>RMB'000</i>
			<i>RMB'000</i> <i>note 3</i>	<i>RMB'000</i> <i>note 4</i>	<i>RMB'000</i> <i>note 5</i>	<i>RMB'000</i> <i>note 6</i>	
NON-CURRENT ASSETS							
Property, plant and equipment	30,215,747	—	1,041,567				31,257,314
Investment properties	9,896,252	3,642,503					13,538,755
Prepaid land lease payments	1,993,975	—					1,993,975
Exploration and evaluation assets	5,189	—					5,189
Mining rights	794,636	—					794,636
Intangible assets	1,871,056	183,840					2,054,896
Goodwill	3,050,328	19,129				286,979	3,356,436
Investments in joint ventures	6,470,034	—					6,470,034
Investments in associates	20,369,716	12,693					20,382,409
Investments in subsidiaries	—	—		8,738,818		(8,738,818)	—
Available-for-sale investments	10,050,291	3,003,190					13,053,481
Held-to-maturity investments	—	19,434,072					19,434,072
Properties under development	10,528,713	—					10,528,713
Loans receivable	3,161,103	—					3,161,103
Prepayments	853,654	—					853,654
Deferred tax assets	2,645,312	1,328,612					3,973,924
Inventories	207,541	—					207,541
Term deposits	—	663,471					663,471
Policyholder account assets in respect							
of unit-linked contracts	—	580,174					580,174
Insurance and reinsurance debtors	—	133,663					133,663
Reinsurers' share of insurance							
contract provisions	—	812,311					812,311
Other receivables and accruals	—	140,928	45,751				186,679
Assets for post-employment and other							
long term benefits	—	45,751	(45,751)				—
Property for own use	—	833,720	(833,720)				—
Tangible fixed assets	—	207,847	(207,847)				—
	<u>102,113,547</u>	<u>31,041,904</u>					<u>133,442,430</u>
CURRENT ASSETS							
Cash and bank balances	16,387,191	1,704,139	10,789,138	(4,108,423)	(29,460)		24,742,585
Term deposits	—	10,789,138	(10,789,138)				—
Equity investments at fair value							
through profit or loss	13,465,979	403,312					13,869,291
Trade and notes receivables	4,684,199	—					4,684,199
Prepayments, deposits and other							
receivables	7,390,945	293,990	24,927				7,709,862
Inventories	6,313,952	—					6,313,952
Completed properties for sale	8,949,037	—					8,949,037

**APPENDIX III UNAUDITED PRO FORMA FINANCIAL INFORMATION
OF THE ENLARGED GROUP**

	The Group as at 31 December 2013 RMB'000 note 1	The Insurance Group as at 31 December 2013 RMB'000 note 2	Unaudited Pro Forma Adjustments 2013 RMB'000				Unaudited Pro Forma Enlarged Group as at 31 December 2013 RMB'000
			RMB'000 note 3	RMB'000 note 4	RMB'000 note 5	RMB'000 note 6	
Properties under development	20,331,229	—					20,331,229
Loans receivable	100,000	—					100,000
Due from related companies	3,175,550	—					3,175,550
Held-to-maturity investments	—	4,791,954					4,791,954
Available-for-sale investments	—	49,934,144					49,934,144
Policyholder account assets in respect of unit-linked contracts	—	6,709,182					6,709,182
Insurance and reinsurance debtors	—	1,234,027					1,234,027
Reinsurers' share of insurance contract provisions	—	708,633					708,633
Tax recoverable	—	24,927	(24,927)				—
	<u>80,798,082</u>	<u>76,593,446</u>					<u>153,253,645</u>
Non-current assets held for sale	<u>212,293</u>	<u>—</u>					<u>212,293</u>
Total current assets	<u>81,010,375</u>	<u>76,593,446</u>					<u>153,465,938</u>
CURRENT LIABILITIES							
Interest-bearing bank and other borrowings	31,539,941	—	2,016	231,520			31,773,477
Loans from related companies	196,477	—					196,477
Trade and notes payables	14,928,283	—					14,928,283
Accrued liabilities and other payables	20,039,726	1,036,610	435,581				21,511,917
Tax payable	2,834,905	—					2,834,905
Finance lease payables	46,587	—					46,587
Deposit from customers	1,636,739	—					1,636,739
Due to the holding company	3,144,864	—					3,144,864
Due to related companies	2,392,109	—					2,392,109
Unearned premium provisions	—	2,235,335					2,235,335
Provision for outstanding claims	—	5,725,565					5,725,565
Provision for unexpired risks	—	345,271					345,271
Other life insurance contract liabilities	—	2,274,205					2,274,205
Financial liabilities for Unit-Linked contracts	—	2,764,854					2,764,854
Investment contract liabilities	—	9,055,348					9,055,348
Other financial liabilities	—	37,097					37,097
Insurance and reinsurance creditors	—	1,180,568					1,180,568
Liabilities for post-employment and other long term benefits	—	212,725	(212,725)				—
Other provisions	—	222,856	(222,856)				—
Loans obtained from credit and financial institutions	—	2,016	(2,016)				—
Total current liabilities	<u>76,759,631</u>	<u>25,092,450</u>					<u>102,083,601</u>

**APPENDIX III UNAUDITED PRO FORMA FINANCIAL INFORMATION
OF THE ENLARGED GROUP**

	The Group as at 31 December 2013 <i>RMB'000</i> <i>note 1</i>	The Insurance Group as at 31 December 2013 <i>RMB'000</i> <i>note 2</i>	Unaudited Pro Forma Adjustments				Unaudited Pro Forma Enlarged Group as at 31 December 2013 <i>RMB'000</i>
			<i>RMB'000</i> <i>note 3</i>	<i>RMB'000</i> <i>note 4</i>	<i>RMB'000</i> <i>note 5</i>	<i>RMB'000</i> <i>note 6</i>	
NON-CURRENT LIABILITIES							
Interest-bearing bank and other borrowings	35,028,323	—	257,581	4,398,875			39,684,779
Convertible bonds	2,319,675	—					2,319,675
Finance lease payables	43,085	—					43,085
Deferred income	526,864	—					526,864
Due to related companies	157,851	—					157,851
Other long term payables	3,220,349	10,771	425,328				3,656,448
Provision for outstanding claims	—	9,816,803					9,816,803
Other life insurance contract liabilities	—	13,632,321					13,632,321
Financial liabilities for Unit-Linked contracts	—	5,554,317					5,554,317
Investment contract liabilities	—	41,731,374					41,731,374
Deferred tax liabilities	3,768,315	397,470					4,165,785
Liabilities for post-employment and other long term benefits	—	3,427	(3,427)				—
Other provisions	—	421,901	(421,901)				—
Loans obtained from credit and financial institutions	—	257,581	(257,581)				—
Total non-current liabilities	<u>45,064,462</u>	<u>71,825,965</u>					<u>121,289,302</u>
Net assets	<u>61,299,829</u>	<u>10,716,935</u>					<u>63,535,465</u>
EQUITY							
Equity attributable to owners of the parent							
Issued capital	621,497	3,499,316			(3,499,316)		621,497
Reserves	38,249,408	6,105,125	955,575		(29,460)	(7,060,700)	38,219,948
Net income for the period	—	955,575	(955,575)				—
Proposed final dividend	757,328	—					757,328
	<u>39,628,233</u>	<u>10,560,016</u>					<u>39,598,773</u>
Non-controlling interests	<u>21,671,596</u>	<u>156,919</u>			2,108,177		<u>23,936,692</u>
Total equity	<u>61,299,829</u>	<u>10,716,935</u>					<u>63,535,465</u>

APPENDIX III UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE ENLARGED GROUP

(iii) Notes to the Unaudited Pro Forma Financial Information of the Enlarged Group

- (1) The balances were extracted from the annual report for the year ended 31 December 2013 of the Company.
- (2) The balances were extracted from Appendix II to this circular. The functional currency and the presentation currency of the Insurance Group are Euros. For illustrative purposes, the assets, liabilities and equity of the Insurance Group as at 31 December 2013 are translated into RMB, the presentation currency of the Group, at the exchange rate of Euro 1.00 to RMB8.4189 as published by the People's Bank of China prevailing as at 31 December 2013. Such translation does not constitute a representation that any amount has been, could have been, or may otherwise be exchanged or converted at the above rate.
- (3) The pro forma adjustment represents the reclassification of the Insurance Group account balances to conform to the presentation of the Group.
- (4) The pro forma adjustment represents the aggregate cash consideration amounted to Euro 1,038 million for the Acquisition Transaction. All conditions precedent set out in the Direct Reference Sale Agreement have been satisfied, and the Acquisition Transaction has been completed on 15 May 2014 (the "**Closing Date**"). The consideration amounted to Euro 1,038 million will be further adjusted based on the closing audit to be completed within 45 Business Days from the Closing Date, pursuant to the Direct Reference Sale Agreement. The consideration will be satisfied by a combination of the internal resources of the Group and external banking facility obtained by the Group.

According to the facility agreement entered into by the Group and certain financial institutions on 30 April 2014, the Group obtained Euro 550 million loan facilities to finance the Acquisition Transaction and the Group shall repay all the loans in seven instalments, of which 5% of the loan facilities should be repaid on the date falling on 12 months after the first utilization date.

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The Unaudited Pro Forma Financial Information has been prepared based on the assumption that the loan facilities amounted to Euro 550 million are all utilized by the Group to satisfy the consideration of the Acquisition Transaction and the rest of the consideration will be satisfied by the internal resources of the Group. For the purpose to illustrate the Unaudited Pro Forma Financial Information, the exchange rate of Euro 1.00 to RMB8.4189 as published by the People's Bank of China prevailing as at 31 December 2013 was used to convert the cash consideration from Euro to RMB, and the details are set out as follows:

	Euro'000	RMB'000
Cash and bank balances	488,000	4,108,423
Non-current portion of interest-bearing bank and other borrowings	522,500	4,398,875
Current portion of interest-bearing bank and other borrowings	<u>27,500</u>	<u>231,520</u>
Total consideration	<u>1,038,000</u>	<u>8,738,818</u>

- (5) For the purpose of the preparation of the Unaudited Pro Forma Financial Information of the Enlarged Group, the total transaction costs of legal, accountancy and other professional services related to the Acquisition Transaction are estimated to be approximately RMB29,460 million.
- (6) The pro forma adjustment reflects the allocation of the cost of the Acquisition Transaction to the identifiable assets and liabilities of the Insurance Group acquired by the Company which represent:
- (a) fair value adjustments of the identifiable assets and liabilities of the Insurance Group.

Upon completion of the Acquisition Transaction, the identifiable assets and liabilities of the Insurance Group will be accounted for in the consolidated financial statements of the Enlarged Group at fair value under the purchase method of accounting in accordance with HKFRS 3 (Revised) "Business Combinations" ("**HKFRS 3**").

For the purpose of this Unaudited Pro Forma Financial Information, the Directors of the Company had assumed that the carrying amounts of the identifiable assets and liabilities of the Insurance Group approximated to their fair values. The reassessment of the fair value adjustment of the identifiable assets and liabilities acquired and related deferred tax impact as at the Closing Date is still under-going and the information of the fair values of the identifiable assets and liabilities acquired is not available at the date of this circular.

**APPENDIX III UNAUDITED PRO FORMA FINANCIAL INFORMATION
OF THE ENLARGED GROUP**

- (b) recognition of goodwill in relation to the Acquisition Transaction.

Goodwill of the Enlarged Group represents the excess of the cost of the Acquisition Transaction over the estimated fair value of the identifiable net assets of the Insurance Group. For the purpose of the Unaudited Pro Forma Financial Information, the Directors of the Company had assumed that: (1) the consideration of the Acquisition Transaction was Euro 1,038 million as set out in note 4 above; and (2) the estimated fair value of the identifiable net assets of the Insurance Group as at 31 December 2013 is determined based on the carrying value of the net assets attributable to the equity holders of the Insurance Companies as set out in note 6(a) above.

Goodwill of the Enlarged Group is calculated as below:

	As at 31 December 2013 RMB'000
The consideration of the Acquisition Transaction	8,738,818
Carrying amount of the net assets	10,716,935
Less: Goodwill currently carried in the Insurance Group's books	(19,129)
Carrying amount of non-controlling interests	<u>(156,919)</u>
	10,540,887
Non-controlling interests of 20% in the Insurance Group	<u>(2,108,177)</u>
Identifiable net assets acquired	<u>8,432,710</u>
Goodwill arising from the Acquisition Transaction (Note)	<u><u>306,108</u></u>

Note: The goodwill is recognised for the reason that the consideration amounted to Euro 1,038 million is adjusted to reflect the carrying value of the net assets attributable to the Insurance Companies as at 30 April 2014 while the identifiable net assets acquired are based on the carrying value of the net assets attributable to the Insurance Companies as at 31 December 2013 for the purpose of the illustration of this Unaudited Pro Forma Financial Information.

The Group prepared this Unaudited Pro Forma Financial Information in accordance with HKFRS 3 and assumed that the carrying amounts of the identifiable assets and liabilities of the Insurance Group as at 31 December 2013 approximated the fair values of the Insurance Group. The Group has elected to measure the non-controlling interests in the Insurance Group at the non-controlling interests' proportionate share

APPENDIX III UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE ENLARGED GROUP

of the Insurance Group's identifiable net assets. According to HKFRS 3, it suggests that, at the acquisition date, the acquirer shall classify or designate the identifiable assets acquired and liabilities assumed as necessary to apply other HKFRSs subsequently.

HKAS 38 "Intangible Assets" requires an intangible asset to be identifiable to distinguish it from goodwill. Goodwill recognised in a business combination is an asset representing the future economic benefits arising from other assets acquired in a business combination that are not individually identified and separately recognised. Any intangible item acquired in a business combination was recognised as an asset separately from goodwill when it was identifiable and could be measured reliably. If the amount cannot be recognized as an intangible asset, it forms part of the amount recognised as goodwill at the acquisition date. Based on currently available information, the management has not identified any intangible assets to be separate from goodwill.

The Acquisition Transaction giving rise to goodwill of RMB306 million is measured at cost at initial recognition and would be subsequently tested for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired.

The Group's accounting policies for goodwill is in accordance with the applicable accounting standards. Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interests over the identifiable net assets acquired and liabilities assumed. After initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is tested for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units.

The Directors confirm that the basis used in the preparation of the Unaudited Pro Forma Financial Information is consistent with the accounting policies of the Group. The Group will adopt consistent accounting policies for goodwill as disclosed in its annual report for the year ended 31 December 2013, save for compliance with any new or revised HKFRS that would be issued by the HKICPA, to perform impairment assessment of the Enlarged Group's goodwill during the future annual audit of the Enlarged Group. The Directors consider that the Group's accounting treatment and principal assumptions used to assess the impairment of such goodwill will be the same as other acquisitions of similar nature. To the best knowledge of the Directors, the

**APPENDIX III UNAUDITED PRO FORMA FINANCIAL INFORMATION
OF THE ENLARGED GROUP**

Group's independent auditors will conduct the audit in accordance with the Hong Kong Standards on Auditing issued by the HKICPA to perform the impairment assessment of the Enlarged Group's goodwill during the future annual audit of the Enlarged Group.

Even though the impairment assessment will be carried out in the accounting periods in the future, in view of the date of the circular, the Directors consider that the amount of goodwill as a result of the difference between the consideration and the fair value of the assets and liabilities of the Insurance Group is a reflection of the expected future economic benefits, i.e. the net cash flows and earnings of the Insurance Group.

The fair value of the identifiable assets and liabilities of the Insurance Group as at the Closing Date are still under reassessment which may be substantially different from the respective value used in the unaudited pro forma statement of assets and liabilities of the Enlarged Group. Once the information of the fair value of the identifiable net assets of the Insurance Group is available, the goodwill recognized for identifiable assets and liabilities acquired at the Closing Date may be different from the amount presented above.

APPENDIX III UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE ENLARGED GROUP

(B) ACCOUNTANTS' REPORT ON UNAUDITED PRO FORMA CONSOLIDATED STATEMENT OF ASSETS AND LIABILITIES OF THE ENLARGED GROUP AS AT 31 DECEMBER 2013

The following is the text of a report received from the Company's reporting accountants, Ernst & Young, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this circular.

INDEPENDENT REPORTING ACCOUNTANTS' ASSURANCE REPORT ON THE COMPILATION OF PRO FORMA FINANCIAL INFORMATION



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25 June 2014

To the Directors of Fosun International Limited

We have completed our assurance engagement to report on compilation of the pro forma financial information of Fosun International Limited (the “Company”) and its subsidiaries (hereinafter collectively referred to the “Group”), Fidelidade — Companhia de Seguros, S.A., Multicare - Seguros de Saúde, S.A. and Cares - Companhia de Seguros, S.A. (the “Insurance Companies”) and their subsidiaries (hereinafter collectively referred to as the “Insurance Group”) (the Group together with the Insurance Group are collectively referred to as the “Enlarged Group”), by the directors of the Company (the “Directors”) for illustrative purposes only. The pro forma financial information consists of the pro forma consolidated statement of assets and liabilities as at 31 December 2013, and related notes as set out in Appendix III to the circular dated 25 June 2014 (the “Circular”) issued by the Company (the “Pro Forma Financial Information”) in connection with the acquisition (the “Acquisition Transaction”) of 80% equity interests of the Insurance Companies by Millennium Gain Limited (an indirect wholly owned subsidiary of the Company). The applicable criteria on the basis of which the Directors have compiled the Pro Forma Financial Information are set out in Section A of Appendix III to the Circular.

The Pro Forma Financial Information has been compiled by the Directors to illustrate the impact of the Acquisition Transaction on the Group's financial position as at 31 December 2013 as if the Acquisition Transaction had taken place at 31 December 2013. As part of this process, information about the Group's financial position has been extracted by the Directors from the Company's published annual report for the year ended 31 December 2013, and the information about the Insurance Group's financial position has been extracted by the Directors from the Insurance Group's combined financial statements for the three years ended 31 December 2013, 2012 and 2011 on which an accountant's report was issued by Deloitte & Associados, SROC S.A., the reporting accountants.

APPENDIX III UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE ENLARGED GROUP

Directors' responsibility for the Pro Forma Financial Information

The Directors are responsible for compiling the Pro Forma Financial Information in accordance with paragraph 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and with reference to Accounting Guideline 7 ("AG7") Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

Reporting Accountant's responsibilities

Our responsibility is to express an opinion, as required by paragraph 4.29(7) of the Listing Rules, on the Pro Forma Financial Information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the Pro Forma Financial Information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements 3420, Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus issued by the HKICPA. This standard requires that the reporting accountants comply with ethical requirements and plan and perform procedures to obtain reasonable assurance about whether the Directors have compiled the Pro Forma Financial Information, in accordance with paragraph 4.29 of the Listing Rules and with reference to AG7 Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars issued by HKICPA.

For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the Pro Forma Financial Information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the Pro Forma Financial Information.

The purpose of Pro Forma Financial Information included in the Circular is solely to illustrate the impact of a significant event or transaction on unadjusted financial information of the Group as if the event had occurred or the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the transaction would have been as presented.

A reasonable assurance engagement to report on whether the Pro Forma Financial Information has been properly compiled on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the Directors in the compilation of the Pro Forma Financial Information provide a reasonable basis for presenting the significant effects directly attributable to the transaction and to obtain sufficient appropriate evidence about whether:

- The related pro forma adjustments give appropriate effect to those criteria; and
- The Pro Forma Financial Information reflects the proper application of those adjustments to the unadjusted financial information.

APPENDIX III UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE ENLARGED GROUP

The procedures selected depend on the reporting accountants' judgment, having regard to the reporting accountants' understanding of the Group, the nature of the transaction in respect of which the Pro Forma Financial Information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the Pro Forma Financial Information.

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

Opinion

In our opinion:

- (a) the Unaudited Pro Forma Financial Information has been properly compiled by the Directors of the Company on the basis stated;
- (b) such basis is consistent with the accounting policies of the Group; and
- (c) the adjustments are appropriate for the purpose of the Unaudited Pro Forma Financial Information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

Yours faithfully,

Ernst & Young

Certified Public Accountants

Hong Kong

Set out below is the management discussion and analysis of the Insurance Companies for the three financial years ended 31 December 2011, 2012 and 2013. The discussion and analysis relate to the consolidated results and financial position of the Insurance Companies.

MANAGEMENT DISCUSSION AND ANALYSIS OF OPERATING RESULTS AND FINANCIAL CONDITIONS

OVERVIEW

In the period 2011-2013, through initiatives aimed at coping with potential negative factors such as an adverse economic situation, a highly competitive market environment and natural disasters, the Insurance Group managed to keep a market leading position and a sustainable level of net income. The Insurance Group also achieved a consolidation in its assets scale.

- **Keeping a sustained market leading position:** In the three years 2011, 2012 and 2013, the consolidated turnover of the Insurance Group reached, respectively, Euro 3,621 million, Euro 3,276 million and Euro 3,968 million. The turnover of the Insurance Group corresponds to gross written premiums of insurance contracts and receivables from investment contracts (classified according to IFRS4). Gross written premiums in 2013 were Euro 1,316 million, a negative variation of 3.7% comparing to Euro 1,366 million in 2012, which was mainly driven by an adverse economic environment. Compared to 2011, the amount recorded in 2012 had a negative variation of 2.5%, also in consequence of an adverse economic environment. Receivables from investment contracts in 2013 were Euro 2,306 million, representing an increase of 20.7% compared to 2012, while in 2012 the amount of Euro 1,909 million had a decrease of 25.6% compared to 2011. This evolution was driven by changes in funding policies of the largest domestic financial groups together with a more cautious attitude from individuals towards medium and long term savings. Its market share, which accounted for 26.9% in the Portuguese insurance market, was therefore basically kept on a long term stable level.
- **Maintenance of relatively strong profitability:** In 2013, the Insurance Group achieved a net Non-life combined ratio of 105.1% (including variation of Other Technical provisions), outperforming the market. Due to adverse environmental conditions Non-Life Technical income before taxes for 2013 was Euro 7 million, representing a year-on-year decrease of Euro 27 million, while Life Technical income before taxes recorded an amount of Euro 159 million, representing a year-on-year increase of Euro 8 million, benefiting from investment result. The Insurance Group achieved a net profit of Euro 114 million, which accounts for a return on equity of 8.3%, thus maintaining its industry leading position. The figures of 2012 had a significant increase compared to 2011, since this year was negatively impacted by impairments.
- **Consolidation in assets scale:** By the end of 2013, the total assets of the Insurance Group reached Euro 12,785 million, representing a slight decrease compared to 2012 (Euro 12,987 million) and 2011 (Euro 12,967 million).

- **Strong solvency margin:** The shareholders' equity totalled Euro 1,273 million, a decrease of 10% compared to the end of 2012, while the solvency margin ratio was 181%, representing a decrease of 39 percentage points compared to the end of 2012, which is a consequence of a capital reduction made during 2013. On the other hand, in 2012 the shareholders' equity totalled Euro 1,418 million, an increase of 56% compared to the end of 2011. The solvency margin ratio was 220%, representing an increase of 78 percentage points compared to the end of 2011, which benefited from the revaluation reserve that reflects the value recovery of some financial assets, like Portuguese Government Bonds.

The Insurance Group is a global operator in the Portuguese insurance market, selling products from all insurance lines of business, as part of a multibrand strategy using the largest and most diversified insurance products sales network in the domestic market, from Fidelidade branches, associated agents, agents and brokers, to CGD branch offices, post office outlets, internet and telephone channels.

The Insurance Group companies adopted a strategy based primarily on the offer of solutions which, apart from being relevant to the business development, enable it to also respond to important domestic issues. Real examples concerning the implementation of this strategy are the development of products to ease the access to savings and match rising awareness on the issues of retirement and savings; a more integrated offer on the health area, calling for the importance of prevention; and the analysis of viability of a lifelong insurance enabling further progress in consumer protection.

By taking the customers' demand as guidance, improving its network of sales channels, and strengthening its sales channels interaction and synergies, the Insurance Group's companies thus keep focusing on the establishment of a comprehensive and broad coverage sales and marketing system. Such measures include implementation of differentiated operations and an active development of remote sales.

Through such measures, the competitive advantages of the Insurance Group's sales channels development were gradually accomplished and the production capacity of channels was gradually released. By enhancing the strategic synergies between products and channels and developing tailored products specific to different sales channels, the Insurance Group had a remarkable achievement on integrated sales and obtained steady increases on penetration rates of the Insurance Group's products and customers.

The Insurance Group sales network comprehended multibrand agents, tied agents, brokers and large clients, own client branches and agents support centers, CGD branches, CGD corporate offices, post office outlets, internet and telephone, as well as the branches/subsidiaries abroad and their own sales networks.

The Insurance Group continuously strengthened its leading position in the Portuguese market, establishing a management system for insurance business, and proactively promoting the change from insurance policy management to customer lifecycle management.

As for business outside Portugal, the Insurance Companies have been focusing on operations where CGD has an autonomous presence or through subsidiaries, but have also been working in more autonomous operations and diversified sales channels, such as in Angola and Spain.

TECHNICAL RESULTS

The following table sets the selected financial indicators of the Insurance Group, concerning the relevant periods:

Technical results (before taxes)

	<i>Unit: Euro million</i>		
	2013	2012	2011
Life	158	151	(2)
Non Life	<u>7</u>	<u>34</u>	<u>9</u>
Total	<u><u>165</u></u>	<u><u>185</u></u>	<u><u>7</u></u>

TURNOVER (including Life Financial products classified as investment contracts)

	<i>Unit: Euro million</i>		
	2013	2012	2011
Life	2,546	2,171	2,835
Risk and annuities	194	201	202
Capitalisation with profit sharing	47	60	66
Investment contracts	2,305	1,910	2,567
Non Life	1,075	1,105	1,133
Workers compensation	126	136	149
Personal accidents	25	25	27
Health	191	185	178
Home insurance	119	117	113
Business insurance	119	124	127
Motor	387	402	422
Carriage of goods	19	20	24
Third party liability	30	33	35
Others	56	57	53
Inwards reinsurance	<u>3</u>	<u>6</u>	<u>5</u>
Total	<u><u>3,621</u></u>	<u><u>3,276</u></u>	<u><u>3,968</u></u>

The turnover of the Insurance Group was Euro 3,621 million in 2013, representing an increase of Euro 345 million from Euro 3,276 million in 2012 and a decrease of Euro 347 million from Euro 3,968 million in 2011. The overall steady business evolution was largely driven by Life Financial products, while Non-Life business reflected the adverse economic environment and the high level of competition in the market. Amongst these segments:

- Turnover of the Life insurance (including investment contracts) was Euro 2,546 million, representing an increase of Euro 375 million from Euro 2,171 million in 2012 and a decrease of Euro 289 million from Euro 2,835 million in 2011. Concerning the Life insurance market in Portugal, the Insurance Group benefits from the implementation of progressive marketing strategies;
- Turnover of the Workers compensation insurance segment was Euro 126 million, representing a decrease of Euro 10 million from Euro 136 million in 2012 and a decrease of Euro 23 million from Euro 149 million in 2011, mainly reflecting the reduction of employment, which affected all the market and a high level of competition;
- Turnover of the Personal accidents insurance segment was Euro 25 million, maintaining the same amount recorded in 2012 and a decrease of Euro 2 million from 2011, benefiting from international activity which offset the decrease registered in Portuguese market;
- Turnover of the Health insurance segment was Euro 191 million, representing an increase of Euro 6 million from Euro 185 million in 2012 and an increase of Euro 13 million from Euro 178 million in 2011, benefiting from growing concerns over national health service budget restrictions;
- Turnover of the Home insurance segment was Euro 119 million, representing an increase of Euro 2 million from Euro 117 million in 2012 and an increase of Euro 6 million from Euro 113 million in 2011, mainly reflecting the update of building construction cost;
- Turnover of the Business insurance segment was Euro 119 million, representing a decrease of Euro 5 million from Euro 124 million in 2012 and a decrease of Euro 8 million from Euro 127 million in 2011, reflecting the adverse macroeconomic context that had a negative effect on the investment level;
- Turnover of the Motor insurance segment was Euro 387 million, representing a decrease of Euro 15 million from Euro 402 million in 2012 and a decrease of Euro 35 million from Euro 422 million in 2011, reflecting the focus on profitability;
- Turnover of the Carriage of goods insurance segment was Euro 19 million, representing a decrease of Euro 1 million from Euro 20 million in 2012 and a decrease of Euro 5 million from Euro 24 million in 2011, mainly related to the reduction in some major contracts;

- Turnover of the Third party liability insurance segment was Euro 30 million, representing a decrease of Euro 3 million from Euro 33 million in 2012 and a decrease of Euro 5 million from Euro 35 million in 2011, similar to the market evolution;
- Turnover of the Others insurance segment was Euro 56 million, representing a decrease of Euro 1 million from Euro 57 million in 2012 and an increase of Euro 3 million from Euro 53 million in 2011, benefiting from international activity which offset the decrease registered in Portuguese market;
- Turnover of the Inwards reinsurance segment was Euro 3 million, representing a decrease of Euro 3 million from Euro 6 million in 2012 and a decrease of Euro 2 million from Euro 5 million in 2011.

The following table sets a breakdown of direct insurance premiums underwritten by the Insurance Group distribution channels, for the relevant periods:

Direct insurance premiums — Distribution channels

		<i>Unit: Euro million</i>	
	2013	2012	2011
Life	2,546	2,171	2,835
Banks and Post office	2,241	1,858	2,439
Traditional	276	285	363
Foreign branches	29	28	33
Non Life	1,072	1,099	1,128
Banks and Post office	88	86	83
Remote	42	43	42
Traditional	875	923	968
Foreign branches	67	47	35
Total	<u>3,618</u>	<u>3,270</u>	<u>3,963</u>

The amount of direct insurance premiums (including investment contracts) recorded by the Insurance Group was Euro 3,618 million in 2013, representing an increase of Euro 348 million from Euro 3,270 million in 2012 and a decrease of Euro 345 million from Euro 3,963 million in 2011. The overall steady business evolution was largely driven by banks and post office, while the traditional channels continued to reduce their share. Amongst these channels:

- The banks and post office channels increased their contribution to the Insurance Group's premiums, achieving Euro 2,329 million, which represented an increase of Euro 385 million from Euro 1,944 million in 2012 and a decrease of Euro 193 million from Euro 2,522 million in 2011, mainly reflecting the evolution of Life financial insurance;

- The remote channel achieved an amount of Euro 42 million, maintaining a stable level compared to 2012 and 2011, mainly reflecting the intense competition in the Motor segment;
- The traditional channels recorded Euro 1,151 million, representing a decrease of Euro 57 million from Euro 1,208 million in 2012 and a decrease of Euro 180 million from Euro 1,331 million in 2011, reflecting the Non-Life segment evolution in the market;
- International activity recorded an amount of Euro 96 million, representing an increase of Euro 21 million from Euro 75 million in 2012 and an increase of Euro 28 million from Euro 68 million in 2011, reflecting the growth of some units, particularly Universal (Angola).

NET EARNED PREMIUMS

The following table sets forth the Insurance Group's Net Earned Premiums for the relevant periods:

		<i>Unit: Euro million</i>	
	2013	2012	2011
Life	2,546	2,171	2,835
Risk and annuities	194	201	202
Capitalisation with profit sharing	47	60	66
Investment contracts	2,305	1,910	2,567
Non Life	943	961	994
Workers compensation	125	136	149
Personal accidents	20	18	24
Health	189	186	178
Home insurance	100	96	95
Business insurance	44	41	48
Motor	387	405	426
Carriage of goods	3	5	6
Third party liability	22	23	24
Others	53	48	41
Inwards reinsurance	0	3	3
Total	<u>3,489</u>	<u>3,132</u>	<u>3,829</u>

Net Earned Premiums (including investment contracts) of the Insurance Group were Euro 3,489 million in 2013, an increase of Euro 357 million from Euro 3,132 million in 2012 and a decrease of Euro 340 million from Euro 3,829 million in 2011.

In the Non-Life segment, Net Earned Premiums were Euro 943 million, representing a decrease of Euro 18 million from Euro 961 million in 2012 and a decrease of Euro 51 million from Euro 994 million in 2011, aligned with underwritten premiums' evolution.

NON-LIFE — DIRECT INSURANCE CLAIMS RATE

The following table sets forth the Insurance Group's Non-Life direct insurance claims rate (net of reinsurance) for the relevant periods:

Net claims rate — Non-Life

	2013	2012	<i>Unit: %</i> 2011
Non Life	74	78	75
Workers compensation	113	134	99
Personal accidents	46	41	25
Health	82	82	87
Home insurance	62	48	51
Business insurance	86	57	81
Motor	63	71	73
Carriage of goods	62	40	7
Third party liability	39	33	45
Others	71	75	96

The Non-Life direct claims rate (net of reinsurance) of the Insurance Group in 2013 was 74%, representing a decrease of 4 percentage points from 78% in 2012, mainly due to the Motor and Workers compensation segments' evolution. This fact offset the increase in Home insurance and Business Insurance claims rate, due to adverse climacteric conditions in 2013.

Compared to 2011, there was a decrease of 1 percentage point in accordance with the favourable evolution in Health and Motor insurance segments, which offset the increase in the remaining lines of business.

TOTAL EXPENSES

The following table sets forth the Net Expense ratio of the Insurance Group for the relevant periods:

Net Expense rate — Non-Life

	<i>Unit: %</i>		
	2013	2012	2011
Non Life	28	29	27
Workers compensation	25	24	24
Personal accidents	54	47	41
Health	19	17	15
Home insurance	44	49	52
Business insurance	37	49	37
Motor	27	28	26
Carriage of goods	39	28	20
Third party liability	43	43	34
Others	24	25	15

In 2013 the Insurance Group continued to implement its cost reduction plan, which led to a stable figure in overall Net Expense ratio, despite the Non-Life market contraction.

It should be mentioned that some variations amongst lines of business are mainly due to premiums evolution and/or cost allocation criteria.

INVESTMENT ACTIVITY

Composition of Investment Assets

The following table sets forth the selected financial indicators of the Insurance Group for the relevant periods:

	<i>Unit: Euro million</i>		
INVESTMENTS	2013	2012	2011
Land and buildings	532	524	541
Investments to be held to maturity	2,878	3,117	3,782
Available for sale assets	6,288	6,257	6,146
Term deposits	1,360	606	549
Bank deposits and cash	202	653	435
Unit link contracts	866	1,052	536
Other financial assets	49	137	157
Total	<u>12,175</u>	<u>12,346</u>	<u>12,146</u>

In 2013, the Insurance Group achieved a consolidation of its investment assets, which at the end of the reporting period, amounted to Euro 12,175 million, a decrease by Euro 171 million from Euro 12,346 million in 2012 and an increase of Euro 29 million from Euro 12,146 million in 2011.

Among the investment assets, the Insurance Group held Euro 6,288 million, Euro 6,257 million and Euro 6,146 million as available for sales assets which represented 52%, 51% and 51% of the investment assets portfolio in 2013, 2012 and 2011, respectively. For each of the three years ended 31 December 2013, the available for sale assets consisted of approximately 86%, 5% and 9% of debt instruments, equity instruments and other instruments.

The Insurance Group timely adjusted the investment product mix based on the operational rules of the money market and the capital market and its own risk preference, improved the quality of the investment portfolio and achieved a balance between profit earning and risk taking.

In recent years, the Insurance Group increased its investments in negotiated term deposits and reduced investment in bank deposits and cash, thereby bringing a stable income to the Insurance Group on the basis of risk control.

INVESTMENT RESULTS

	<i>Unit: Euro million</i>		
	2013	2012	2011
Net investment income	452	439	488
Net realised gains	(2)	25	(44)
Impairment loss	(37)	(47)	(224)
Total	413	417	220

The result of asset investment in 2013 reached an amount of Euro 413 million, a decrease of Euro 4 million from Euro 417 million in 2012 and an increase of Euro 193 million from Euro 220 million in 2011, both evolutions in consequence of lower impairments.

The interest income generated by the available for sale assets amounted to Euro 204 million, Euro 194 million and Euro 232 million for each of the years ended 31 December 2013, 2012 and 2011. It is expected that the available for sale assets will provide a stable interest income for the Insurance Group in the future.

OVERALL RESULTS

	<i>Unit: Euro million</i>		
	2013	2012	2011
Profit before tax	149	165	42
Income tax expense	(35)	(57)	(4)
Minority interests	0	1	(1)
Profit attributable to the shareholder	114	109	37

As a result of the foregoing, Insurance Group's profit before taxes was Euro 149 million in 2013, representing a decrease of Euro 16 million from Euro 165 million in 2012 and a sharp increase of Euro 107 million from Euro 42 million in 2011.

Insurance Group's income tax expense was Euro 35 million in 2013, representing a decrease of Euro 22 million from Euro 57 million in 2012, due to a lower effective tax rate from deferred income tax.

CASH FLOWS

		<i>Unit: Euro million</i>	
	2013	2012	2011
Net cash flows from/(used in) operating activities	(255)	(809)	(2,320)
Net cash flows from/(used in) investing activities	206	1,047	2,063
Net cash flows from/(used in) financing activities	(402)	(20)	(55)
Net increase/(decrease) in cash and cash equivalents	(451)	218	(312)

In 2013, the net cash flows used in operating activities of the Insurance Group amounted to Euro -255 million, representing a positive evolution of Euro 554 million from Euro -809 million in 2012 and of Euro 2,065 million from Euro -2,320 million in 2011, reflecting the evolution of financial liabilities in investment contracts.

The net cash flows from investing activities of the Insurance Group were Euro 206 million in 2013, a decrease of Euro 841 million compared to 2012 and of Euro 1,857 million compared to 2011, which is also linked to the evolution of financial liabilities in investment contracts.

The net cash flows used in financing activities of the Insurance Group were Euro -402 million, representing negative evolutions of Euro -382 million compared to 2012 and of Euro -347 million compared to 2011. The decline in 2013 net cash flows from financing activities was primarily due to the Capital reduction and payment of subordinated debt.

LIQUIDITY

The cash flow of the Insurance Group is primarily derived from cash generated from operating activities, which are mainly insurance premiums received. Additional liquidity sources include interest and dividend incomes, proceeds from matured investments, disposal of assets and financing activities.

The liquidity requirements of the Insurance Group consist mainly of claims' payment and performance of other obligations under outstanding insurance policies, operating expenses, tax payments, dividend payments and investment needs.

The Insurance Group did not obtain working capital by borrowing and expects to meet its future working capital needs from cash generated on operating activities. The Insurance Group has sufficient working capital.

SOLVENCY MARGIN REQUIREMENT

The Insurance Group is subject to a number of laws and regulations regarding financial operations, including the regulatory requirements for maintaining a stipulated solvency margin and providing for certain funds and reserves.

In accordance with the Portuguese insurance laws and regulations, the Insurance Group was required to maintain a minimum solvency margin of Euro 644 million on 31 December 2013. The Insurance Group's actual solvency margin calculated pursuant to the regulations was Euro 1,163 million and the solvency margin ratio was 181%.

GEARING RATIO

In 2013, the gearing ratio (*Note*) of the Insurance Group was 90%, representing changes of 1 percentage point from 89% in 2012 and 3 percentage points from 93% in 2011.

Note: Gearing ratio is represented by total liabilities (excluding subordinated term debts) divided by total assets.

CHARGES ON GROUP ASSETS

There was no charge created on the assets of the Insurance Group's companies during the financial year ended 31 December 2011, 2012 and 2013, respectively.

MATERIAL ACQUISITION AND DISPOSALS

There was no material acquisition or disposal of subsidiaries and associated companies of the Insurance Group's companies during the financial year ended 31 December 2011, 2012 and 2013, respectively.

CONTINGENT EVENTS

Owing to the nature of the insurance business, the Insurance Group's companies are involved in legal proceedings in the ordinary course of its activity, including being the plaintiff or the defendant in litigation and arbitration proceedings.

Most of such legal proceedings involve claims concerning insurance policies, which are already provisioned, and some additional losses arising therefrom will be indemnified either by reinsurers or by other recoveries, like salvages.

Although the outcomes of such contingencies, lawsuits or other proceedings cannot be determined at present, the Insurance Group believes that any resulting liabilities will not have a material adverse effect on its financial position or operating results.

EVENTS AFTER THE REPORTING PERIOD

In 2014, there are some relevant events that should be mentioned:

- Increase in market value of investment assets occurred since the end of 2013, which generated an increase in Capital through the revaluation reserve;
- The decision of a dividend distribution in the amount of Euro 327 million, above the estimated (Euro 92 million).

The above mentioned additional dividend distribution occurs under full compliance of Conduct of Business rules applying to the period.

CREDIT RISK

Credit risk is the risk of economic loss incurred by the Insurance Group resulting from the inability of debtors to make any principal or interest payment when due. The accounts receivable for insurance assets, reinsurance assets, debt securities and deposits with commercial banks of the Insurance Group's companies are subject to credit risk.

The ability to collect premiums in a timely manner remains one of the key performance indicators of the Insurance Group's companies. Once the premiums receivable involve a large number of diversified customers, there are no major credit concentration risks in relation to insurance business accounts receivable.

The Insurance Group purchases reinsurance primarily from reinsurance companies with Standard & Poor's ratings of A- (or equivalent ratings given by other international rating agencies such as A.M. Best, Fitch and Moody's) or above. The management reviews the creditworthiness of reinsurance companies in order to update the reinsurance strategies and determine reasonable impairment provision for reinsurance assets on a regular basis.

The Insurance Group diligently manages credit risk in debt securities mainly by analysing the creditworthiness of investee companies prior to making investments. The majority of corporate bonds held by the Insurance Group have credit ratings of BB- or above, being affected by the exposure to Portuguese debt (government and institutions), which was downgraded in 2011 but has already been showing some recovery.

The Insurance Group manages and lowers credit risk affecting their bank deposits mainly by placing most of them in CGD (state-owned bank) or highly rated banks.

EXCHANGE RATE RISK

The Insurance Group conducts its business primarily in Euro, which is also its functional and financial reporting currency. A portion of the business is conducted in foreign currencies, namely in USD, AOA and MOP.

The Insurance Group is also exposed to exchange rate risks in respect to certain assets such as bank deposits, debt securities and certain insurance liabilities, which are denominated in foreign currencies, primarily in USD.

INTEREST RATE RISK

Interest rate risk is the risk that the value of a financial instrument will fluctuate because of changes in market interest rates. The Insurance Group's interest rate risk policy requires managing interest rate risk by maintaining an appropriate match of fixed and floating interest rate instruments. The policy also requires the Insurance Group to manage the maturity of financial assets and financial liabilities and manage floating interest rate risk through such means as interest rate swap instruments.

EMPLOYEES

As at the end of 2013, the Insurance Group had 3,487 employees, a decrease of 34 employees compared to 2012 and a decrease of 77 employees compared to 2011.

Insurance Group's personnel costs in 2013 were Euro 153 million, which mainly included basic salaries, performance-related bonus, and various insurance related and other benefits granted in accordance with the relevant Portuguese laws and regulations. Personnel costs also included the effect from the salary cuts imposed by the State Budget, which will be removed after the Insurance Group's privatization.

The Insurance Group enhanced the performance and work efficiency of employees through strengthening personnel training, implementation of performance appraisal and other measures.

LOOKING FORWARD

Complying with the Portuguese state's agreement under the Economic and Financial Assistance Program, it was decided, at the start of 2014, to sell off 80% of the Target Insurance Companies to the Fosun Group.

This change of shareholder's control, which has been completed during the course of the year, will not exclude a strategic reflection on the repositioning of the companies.

Insurance Group's activity on the Portuguese market will be conditioned by the persistence of a difficult economic environment, notwithstanding the appearance of signs of an upturn, in a context of adjustments to accumulated economic imbalances (especially the deficits on the external trade account and state budget).

Insurance Group companies will, however, continue to pursue their objective of achieving profitable growth, based on specific measures enabling them to strengthen technical returns, competitiveness, improved brand recognition, product innovation and revitalization of sales channels.

Greater professionalism of branch office networks will also be considered a priority, particularly based on the intensified use of internet-based business platforms, developing and capitalizing upon respective transactional and commercial potential with the aim of improving the level of service to partners and customers and reduce operating costs.

1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Group. The Directors having made all reasonable inquiries, confirm that to the best of their knowledge and belief, the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

2. DISCLOSURE OF INTERESTS OF DIRECTORS

As at the Latest Practicable Date, the interests or short positions of the Directors or chief executive of the Company in the shares, underlying shares or debentures of the Company or any associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept under section 352 of the SFO or as otherwise notified to the Company and the Hong Kong Stock Exchange pursuant to the Model Code were as follows:

(1) Long positions in the Shares, underlying shares and debentures of the Company

Name of Director/chief executive	Class of Shares	Number of Shares	Type of interests	Approximate percentage of Shares in issue
Guo Guangchang	Ordinary	5,510,793,609 ⁽¹⁾	Corporate	79.60%
Ding Guoqi	Ordinary	13,949,320	Individual	0.20%
Qin Xuetao	Ordinary	4,182,640	Individual	0.06%
Wu Ping	Ordinary	8,365,280	Individual	0.12%

(2) Long positions in the shares, underlying shares and debentures of the associated corporations (within the meaning of Part XV of the SFO) of the Company

Name of Director/chief executive	Name of associated corporation	Class of shares	Number of shares	Type of interests	Approximate percentage of shares in issue
Guo Guangchang	Fosun	Ordinary	1	Corporate	100.00%
	Holdings				
	Fosun	Ordinary	29,000	Individual	58.00%
	International Holdings				
Liang Xinjun	Fosun Pharma	A Shares ⁽²⁾	114,075	Individual	0.01%
			920,641,314	Corporate	48.34% ⁽³⁾
	Fosun	Ordinary	11,000	Individual	22.00%
	International Holdings				
Wang Qunbin	Fosun	Ordinary	5,000	Individual	10.00%
	International Holdings				
Fan Wei	Fosun Pharma	A Shares ⁽²⁾	114,075	Individual	0.01%
	Fosun	Ordinary	5,000	Individual	10.00%
Qin Xuetao	Fosun				
	International Holdings				
Qin Xuetao	Fosun Pharma	A Shares ⁽²⁾	114,075	Individual	0.01%

Note:

- (1) Pursuant to Division 7 of Part XV of the SFO, 5,510,793,609 Shares held by Mr. Guo Guangchang are deemed corporate interests held through Fosun Holdings and Fosun International Holdings.
- (2) A Shares mean the equity securities listed on the Shanghai Stock Exchange.
- (3) Pursuant to the Restricted A share Incentive Scheme adopted by Fosun Pharma on 20 December 2013, a total of 3,935,000 new A shares have been issued to relevant participants on 20 January 2014 upon the completion of new A shares issuance. The number of A shares of Fosun Pharma has been increased from 1,904,392,364 shares to 1,908,327,364 shares.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors or chief executive of the Company and their respective associates had interests or short positions in the shares, underlying shares and/or debentures (as the case may be) of the Company or its associated corporations (within the meaning of Part XV of the SFO) which were notified to the Company and the Hong Kong Stock Exchange pursuant to Divisions 7 and 8 of Part XV of SFO (including interests or short positions which are taken or deemed to have under such provisions of the SFO), or recorded in the register maintained by the Company pursuant to Section 352 of the SFO or which were notified to the Company and the Hong Kong Stock Exchange pursuant to the Model Code in Appendix 10 of the Listing Rules.

3. DIRECTORS' INTERESTS

- (a) None of the Directors has any direct or indirect interest in any assets which have been, since 31 December 2013, being the date to which the latest published audited financial statements of the Company were made up, acquired or disposed of by or leased to, or which are proposed to be acquired or disposed of by or leased to any member of the Group.
- (b) None of the Directors was materially interested in any contract or arrangement subsisting at the Latest Practicable Date and which was significant in relation to the business of the Group.
- (c) None of the Directors or chief executive of the Company and their respective associates (as defined in the Listing Rules) has any competing interests which would be required to be disclosed under Rule 8.10 of the Listing Rules if each of them was a controlling Shareholder of the Company.

4. SERVICE CONTRACTS

None of the Directors has any existing or proposed service contract with any member of the Group which is not determinable by the Group within one year without payment of compensation (other than statutory compensation).

5. DISCLOSURE OF INTERESTS OF SUBSTANTIAL SHAREHOLDERS

As at the Latest Practicable Date, so far as was known to the Directors, the persons or entities, other than a Director or chief executive of the Company, who had an interest or a short position in the Shares or the underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or which were recorded in the register required to be kept by the Company under Section 336 of the SFO were as follows:

Name of substantial Shareholder	Number of Shares directly or indirectly held	Approximate percentage of Shares in issue
Fosun Holdings	5,510,793,609 ⁽²⁾	79.60%
Fosun International Holdings ⁽¹⁾	5,510,793,609 ⁽²⁾	79.60%

Notes:

- (1) Fosun International Holdings is owned as to 58%, 22%, 10% and 10% by Messrs. Guo Guangchang, Liang Xinjun, Wang Qunbin and Fan Wei, respectively.
- (2) Fosun International Holdings is the beneficial owner of all the issued shares in Fosun Holdings and, therefore Fosun International Holdings is deemed, or taken to be interested in the Shares owned by Fosun Holdings for the purpose of the SFO.

- (3) Mr. Guo Guangchang is the sole director of Fosun Holdings and Fosun International Holdings. Mr. Guo, by virtue of his ownership of shares in Fosun International Holdings as to 58%, is deemed or taken to be interested in the Shares owned by Fosun Holdings for the purpose of the SFO.

Save as disclosed above, as at the Latest Practicable Date, so far as was known to the Directors, the Company has not been notified by any persons (other than a Director or chief executive of the Company) who had an interest or a short position in the Shares or the underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or which were recorded in the register required to be kept by the Company under Section 336 of the SFO.

6. MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, the Directors confirmed that there were not any material adverse changes in the financial or trading position of the Group since 31 December 2013, the date to which the latest published audited consolidated accounts of the Group were made up.

7. MATERIAL LITIGATION

No member of the Enlarged Group was engaged in any litigation or claims of material importance, and no such litigation or claim of material importance was known to the Directors to be pending or threatened by or against any members of the Enlarged Group, as at the Latest Practicable Date.

8. QUALIFICATION AND CONSENT OF EXPERTS

The following is the qualification of the experts who have given opinion or advice, which are contained or referred to in this circular:

Name	Qualification
Ernst & Young	Certified Public Accountants
Deloitte & Associados, SROC S.A. (“Deloitte”)	Certified Public Accountants

As at the Latest Practicable Date, Ernst & Young and Deloitte had no shareholding interest in any member of the Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities of any member of the Group.

As at the Latest Practicable Date, Ernst & Young and Deloitte were not interested, directly or indirectly, in any assets which had since 31 December 2013 (being the date to which the latest published audited accounts of the Company were made up) been acquired or disposed of by or leased to any member of the Group or which are proposed to be acquired or disposed of by or leased to any member of the Group.

Each of Ernst & Young and Deloitte has given and has not withdrawn its written consent to the issue of this circular with the inclusion herein of its letter and references to its name in the form and context in which it appears.

9. MATERIAL CONTRACT

The following contract has been entered into by the Group (not being a contract entered into in the ordinary course of business) within the two years immediately preceding the date of this circular:

- (a) The underwriting agreement dated 9 April 2014 entered into between the Company and Fosun Holdings in relation to the underwriting and certain other arrangements in respect of the rights issue. Further details are set out in the prospectus of the Company dated 25 April 2014.

Save as disclosed above, no other material contract had been entered into by the Group within the two years immediately preceding the date of this circular.

10. MISCELLANEOUS

- (a) The company secretary of the Company is Ms. Sze Mei Ming. Ms. Sze is a fellow member of the Institute of Chartered Secretaries and Administrators and The Hong Kong Institute of Chartered Secretaries.
- (b) The registered address of the Company is at Room 808, ICBC Tower, 3 Garden Road, Central, Hong Kong.
- (c) The share registrar and transfer office of the Company is Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong.

11. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection during normal business hours at the registered office address of the Company in Hong Kong at Room 808, ICBC Tower, 3 Garden Road, Central, Hong Kong from the date of this circular up to and including 9 July 2014:

- (a) the Articles of Association of the Company;
- (b) the material contract referred to in the paragraph headed "Material Contract" in this appendix;
- (c) the Direct Reference Sale Agreement;
- (d) the Accountants' Report on the financial information of the Insurance Companies prepared by Deloitte, the full text of which is set out in Appendix II;
- (e) the report from Ernst & Young on the unaudited pro forma financial information of the Enlarged Group, the full text of which is set out in Appendix III;

- (f) the statement of adjustments put through by Deloitte in the Accountants' Report on the financial information of the Insurance Companies for the differences between the underlying combined financial statements of the Insurance Companies prepared under International Financial Reporting Standards as endorsed by the European Union and the Financial Information included in the Accountants' Report;
- (g) the annual reports of the Company for each of the two financial years ended 31 December 2012 and 2013; and
- (h) the written consents from the experts referred to under the section headed "Qualification and Consent of Experts" in this appendix.