

MANAGEMENT REPORT 2017



COSEC - Companhia de Seguro de Créditos, S.A.

Sociedade anónima de seguros, com sede em Av. da Liberdade, 249, 6º piso 1250-143 Lisboa, autorizada pela Autoridade de Supervisão de Seguros e Fundos de Pensões a exercer atividade nos Ramos Não Vida - Crédito e Caução. Matriculada na Conservatória do Registo Comercial de Lisboa sob o número único da matrícula e de identificação fiscal n.º 500 726 000, com o capital social de €7 500 000,00.

Governing Bodies

Chairman, Deputy Chairman and Secretary of the Annual General Meeting

Francisco Nunes de Matos de Sá Carneiro (Chairman)

Duarte Vieira Pestana de Vasconcelos (Deputy-Chairman)

Augusto de Jesus Sousa (Secretary)

Remuneration Committee

Banco BPI S.A.

(Represented by Pedro Simões de Almeida Bissaia Barreto)

Euler Hermes, S.A.

(Represented by Paolo Cioni)

Board of Directors

Maria Celeste Hagatong (Chairman)

Paolo Cioni

Pedro da Silva Fernandes

Thierry Etheve

Berta Maria Nogueira Dias da Cunha

José Vairinhos Gonçalves

Executive Committee

Thierry Etheve (Chairman)

Berta Maria Nogueira Dias da Cunha

José Vairinhos Gonçalves

Supervisory Board

José Miguel Gomes da Costa (Chairman)

Benjamim Adelino Costa de Pinho

Tito Arantes Fontes

Alternate Member

Pedro Manuel Salvador Marques

ROC

Pricewaterhouse Coopers & Associados, SROC, SA.

(Represented by Carlos Manuel Sim-Sim Maia)

Alternate Member

Carlos José Figueiredo Rodrigues

Heads of Department and Responsible for Key Functions

4 HEADS OF DEPARTMENT AND THOSE RESPONSIBLE FOR KEY FUNCTIONS

Commercial Credit and Bond

Maria Emília Lopes

Risk Underwriting

Paulo Vilela

International

Maria José Melo

Information Systems

Carlos Vinagre

Litigation

Rui Saraiva da Silva

Human Resources

Ana Paula Contreiras

Internal Auditor

Carlos Adanjo

Finance and Administrative

Bruno Rodrigues

Information and Rating

Ricardo Beatriz

Legal and Compliance

Filomena Palma Coelho

Marketing

André Granado

Claims

Carla Castro

Risk Management & Actuarial

Pedro Rocha

MAIN INDICATORS

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000 Euro

	2017	2016
Gross Premiums from Direct Insurance, Net of Participation in Results	34 121	34 164
Rate of growth	-0,1%	-4,0%
Other Earnings from Direct Insurance	8 808	8 346
Rate of growth	5,5%	2,1%
Turnover Direct Insurance	42 929	42 510
Rate of growth	1,0%	-2,9%
Profits from Investments*	3 829	1 238
*net of impairment		
Rate of growth	209,2%	-47,2%
Net Result	7 948	5 560
Rate of growth	43,0%	-30,8%
Equity	50 303	46 808
Technical Reserves	50 714	46 898
Investments and Other Tangible Asstes	88 484	88 616
Rate of cover of Technical Reserves	174,5%	189,0%
Solvency Margin Rate of Cover Required (SCR)*	284%	239%
*2017 amount relates to the third quarter, 'n' and (n-1)		
Non Audited		

WORLD ECONOMY

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In 2017, the global economy strengthened, in line with a cyclical increase which has been in motion since mid-2016, and which demonstrates a more far-reaching synchronised global economic growth since 2010.

Economic growth in the second semester of 2017 was higher than predicted for the more developed economies, particularly Japan and the United States. As to the economies of the Euro Zone, growth was positive, reflecting a robust period in terms of domestic and external demand.

In accordance therefore with the latest projections from the International Monetary Fund, developed economies overall are likely to show a growth of 2.3% in 2017, higher than the 1.6% reached in 2016, particularly so in Spain (+3.1%) and Germany (+2.5%).

The performance of emerging and developing economies has once more become very diverse. GDP growth in China is likely to dip but India may well see an increase. In the case of Turkey and emerging countries in Europe, the expectation is for a positive development, mainly due to a more favourable external environment with easier terms for financing and a strong demand for exports to the Euro Zone. In general terms, Latin America will see a strong economic recovery, more so in the favourable outlook for Mexico, and a stronger performance from Brazil. In contrast, however, the economies of both South Africa and Venezuela are significantly affected by political uncertainty.

It is thus fair to say that emerging economies remain the powerhouse

of global economic growth, growing 4.7% in 2017, slightly higher than recorded in 2016.

The global economy seems likely to have grown, therefore, by about 3.7%, which confirms the increase in overall growth patterns observed since 2014 (3.2% in 2015 and 2016, 3.4% in 2014). This provides the prospect for more solid growth in the coming years.

World trade in goods and services grew by about 4.7% in volume terms; this is substantially higher than the 2.5% recorded in 2016.

In the raw materials markets, a considerable recovery was seen in the price of oil, in line with the agreement reached by OPEC and the main oil producers to cut production. With the rise in the price of oil, the annual core inflation rate year on year rose slightly after a fall in the early part of the year. In emerging and developing economies core inflation rates grew slightly towards the end of the year after a fall in the early months.

The financial markets were also buoyant, particularly in terms of high risk assets, benefitting from a favourable macro-economic framework, with accelerating growth, low inflation and interest rates at record low levels. The year was characterised by a pattern in the Euro Zone where the 10-year yield remained tied to the ECB's programme of asset acquisition. In the United States, the absence of inflation pressures and an impasse with regards to a fiscal package limited the growth of north-American yields. In the United Kingdom, for the first time in a decade, the decision was taken to raise the main interest rate by 25 bp.

In 2017, the Portuguese economy continued to recover, benefitting from a favourable external environment and with sovereign debt returning to investment status. Portugal's return to the club of countries considered to be investment economies resulted in a sharp drop in the risk premium on the country's sovereign debt.

The contribution of domestic demand to growth seen in 2017 is approximately double the figure for 2016, although it remained below that of exports. The rise in the contribution of domestic demand is reflected in the strong growth in gross fixed capital formation and a slight slowing down in private consumption levels.

In terms of external demand, we witnessed robust growth in exports of goods and services. This development suggests that the significant gains in market share seen in 2017 have remained steady, in line with what has been observed on average since 2010. In 2017, a positive export performance took place against a backdrop of the euro appreciation. Furthermore, a downturn in the performance of traditional indicators of price-competitiveness confirms that

Portuguese firms are competitive in international markets.

GDP would seem to have grown by 2.6% in 2017, following a 1.4% rise in 2016 and 1.6% in 2015.

The labour market experienced another significant fall in the unemployment rate, with job increases in the private sector and stabilization in public sector jobs.

The average inflation rate is likely to come in at 1.4% in 2017, above the 0.6% recorded in 2016. This figure is influenced by the annual rise in fuel prices.

In 2017, the budget deficit will represent 1.4% of GDP, in line with Government of Portugal estimates reflecting a sharp drop in overall expenditure in relation to total revenue. The drop in overall expenditure was a result primarily of lower public debt interest repayment costs and lower public investment.

In 2017, the company's direct insurance operations reached a volume in premiums of 35.8 million euros, which represents a growth of 2% in relation to the previous year. The business branch of credit insurance accounted for the premiums volume of 33 million euros, which represents a slight increase in relation to 2016; however, the business branch of bond insurance recorded a very substantial 27% growth.

000 Euro

DIRECT INSURANCE PREMIUMS	2017	2016	Var 17/16
Credit business	32 963	32 861	0,3%
Bonding business	2 808	2 217	26,7%
TOTAL	35 772	35 078	2,0%

This development is very positive when we take into consideration, on the one hand, that the credit insurance market did not grow in 2017 and, on the other hand, that there was a context of low default levels and a highly competitive sector, with a negative impact on net premium contract rates. COSEC works very closely with its customers and is committed to improving the quality of services provided. This has allowed the company once more to hold its portfolio steady (92%) and this contributed decisively to securing its leadership position in the market, with a market share of 51%.

The commercial strategy developed in 2017 focused again on creating and launching new offers in credit insurance with a view to reinforcing penetration of the product in the marketplace, with the standout launch of the Garantia Dinâmica. This product, which reflects COSEC's strategy of innovation and performance in the development of digital services that strengthen and simplify product management, allows for quick and effective decisions to carry out business safely. This contributes to increasing the competitiveness of our clients and to speed up decisions linked to new business opportunities, both in Portugal and in external markets.

This new product was promoted, as was the special offer for SME's Leaders and Excellence, a segment where COSEC is leading the way, as well as the products 'Secure Business SME', 'BIS Secure Exports' and 'BIS Secure Sale' and the solutions 'Guarantee +' and 'Guarantee ++' which contributed overall to around 12% of premium volume.

COSEC continued to expand its portfolio of clients in the various segments of companies and sectors. The offer of differentiated solutions for large firms and the simplifying of products on offer to SMEs allowed for a sustained growth in the portfolio of clients,

boosting the support given its internationalisation and business development.

In 2017, COSEC proceeded to review its General and Special Conditions of Credit Insurance policies, with a view to strengthening transparency and the scope of contracts through the addition of new concepts and a better explanation of these policies. COSEC also updated and improved clauses in light of new requirements set out by regulations and applicable legislation. COSECnet now offers and accepts digital contract documentation, in line with COSEC's ongoing policy to digitize documentation and communicate more often with our clients online. This enable us to continually improve our customer service and to make our communications more secure, efficient and environment-friendly.

The strategic priority to be client-centred has shaped our initiatives in 2017 and boosted the quality of services offered. Our client management team has strengthened its proactive support for clients, with more attention given to technical areas, and the sharing of our knowledge with our clients.

To this end, we highlight the ongoing campaign 'COSEC closer to you' rolled out countrywide. In this initiative, more than 230 policy holders were invited to meet with risk specialists to assess the criteria we set to make credit decisions and to reassess in person a group of previously selected clients.

COSEC's commercial results benefited, once again, from the good performance of the BPI bank's commercial network, in terms of securing new business. This resulted in a 39% rise in premium volume and, moreover, contributed to the rise in portfolio retention at the

10 Bank. This allowed COSEC to bolster its position once more as the main broker for the company.

The important contribution made by other brokers also boosted operations. Of particular note is the very positive development in the rates of portfolio retention, as well as the direct sales operation of COSEC, which, though not as significant in relative terms, did once more record a growth of 5% in the number of clients in its portfolio.

In terms of sharing strategies and enhancing a closer relationship with our clients during this year, COSEC has developed several initiatives in mediation and banking channels. In this regard, several training initiatives took place and an annual event to take stock of progress.

Furthermore, there was a jump in the credit insurance client base, with a growth of 10% in the number of clients in the past two years, given that in 2017, around 77% of new clients were not yet working with any credit insurance product, contributing thus to market expansion.

When it comes to bond insurance, COSEC has been buoyed up by an increased interest in new business, and is seeing a significant rise in the volume of premiums (+27%). This has allowed the company to strengthen its position as leader in the market throughout the year, posting a share of 48%.

The boost to this branch of insurance is a result of the launch of new products – Community Regulations, Fiscal Bond, Circulation Bond, and Union Transport Bond – and these have led to a diversification of the range of solutions in Bond Insurance offered by the company to galvanise our partnership links to the mediation channel.

UNDERWRITING RISK

In the sector of Credit Insurance underwriting risk, the aim was to improve the levels of satisfaction registered by borrowers with a level of coverage matching the guarantee requests. In this way, COSEC sustained its proactive policy to grant guarantees, specifically to strengthen guarantees seen to be a priority and in the issue of positive monitoring reports.

COSEC nonetheless kept to its policy of prudent underwriting, but it also took into account the low default levels to be maintained, particularly in the domestic market and in light of the highly competitive environment, it was possible to increase the domestic market coverage rate from 58% to 62% and to increase the external market coverage rate from 62% to 63%.

As a result, the Company's overall risk exposure grew 4.4% in 2017 to 12.35 thousand million euros, with growth seen in both the domestic market (+4.5%) and the external market (+4.2%). This growth was fundamentally seen in EU countries, in particular Ireland, France, Italy and Greece. There were also substantial increases in geographical areas such as USA, Brazil and Colombia. On the other hand, there was a very slight contraction seen in Spain and more so in Holland, the Scandinavian nations, and Angola.

In external markets, we continued to improve the quality of our risk assessment, keeping to the terms of reply and requests of guarantees, as well as expanding the number of countries served by COSEC, through an ever greater integration in terms of risk assessment and monitoring with the shareholder Euler Hermes, the world leader in credit insurance.

In this regard, it is also important to highlight the ongoing importance of COSEC when it comes to knowledge shared with Euler Hermes Group, allowing credit to be extended to foreign suppliers, and therefore guaranteeing purchase from national importers, with total guarantees of 6.1 thousand million euros by the end of the year.

CLAIMS MANAGEMENT

The level of claims in 2017 reflected the sustained effort to put in place risk control measures over the past few years. There was thus a reduction in accident claims estimated in December 2016 against the underwriting of 2014 and 2015. This marks a growing level of accidents, which is significant for 2016 underwriting in the External Market.

FINANCIAL OPERATIONS

The net income from investments rose to 3.8 million euros, which represents a 209% jump when compared to the 1.5 million euros recorded in 2016. This variation is mainly due to the revaluation of the Lisbon headquarters. The sale value agreed with the promissory buyer was confirmed with the signing of a promissory sale contract in August 2017. On the other hand, current income remained virtually the same, penalized by an on-going climate of a drop in yields and short-term interest rates.

The array of factors mentioned above led to a net result of 7.9 million euros, 43% above the 5.6 million euros recorded in the previous year.

At the end of the period, net assets stood at **114.3 million euros and the investment portfolio** totalled **87.6 million euros**, with 79.9 million euros in financial investments, and 7.7 million euros in property investments. During 2017, 8.3 million euros from property investments were reclassified as non-current assets retained for sale due to the signing of promissory sale contracts with promissory buyers in line with IFRS 5 regulations.

Equity capital stood at **50.3 million euros**, 3.5 million euros above values recorded in the previous year. This increment is justified by the increase in net assets over the period of 2.4 million euros and also by the appreciation of financial assets of 0.6 million euros.

By 30 September 2017, the solvency margin, calculated as the ratio between available solvency capital and the value of required solvency capital (RSC) reached 284%, a clear indication of the company's high degree of financial robustness.

12 1. Risk Management System and Internal Control

The Risk Management System (RMS) implemented by COSEC is set out in a manual, in accordance with the requirements of Regulatory Norm Number 14/2005-R of the Regulatory Authority of Insurance and Pension Funds (ASF). This is reviewed annually in order to update methodology, concepts, organisational structure to support the systems and the processes outlined therein. Since the close of 2015, a Risk Management Policy has also been included. This Policy was reviewed in 2016, as a new list of risks was approved, and which encompass the new legal and regulatory requirements. This was then implemented, in 2017, and applied furthermore to the association and risk assessment of the activity COSEC is exposed to.

Alongside the manual and the policy mentioned above, there is a set of policies that govern and frame the scope and reach of the company when it comes to risk management, formalising the pursuant risk profile and linking this back to the Company's strategic objectives.

Several policies have been formalised. These include, among others, Risk Management, Fit & Proper, Business Continuity, Risk Appetite, Management of Capital, Investments, Internal Audit, Compliance, Remunerations and Risk and Solvency Self-Assessment. These guide the process of self-assessment of risk and ensure a monitoring of risk appetite, in line with each respective policy.

The Executive Committee, in an effort to ensure an effective monitoring and development of the Risk Management System and its integration with business processes, meets periodically with those responsible for the key functions in the company. The head of the risk management team meets periodically with all the primary team leaders tasked with front line responsibilities and other key team members.

In 2017, COSEC initiated a process working in collaboration with external consultants, to implement a project designed to inventory how personal data is currently handled and to establish a plan in order to ensure COSEC complies with the General Data Protection Regulation (GDPR) (Regulation (EU) 2016/679 of the European Parliament and of the Council of 27 April 2016). This plan would also include measures to ensure conformity with national legislation, still in the process of approval. The first phase was concluded, and the project is now looking at identifying measures to adopt and setting out the respective implementation plan, to be rolled out over the course of 2018.

2. Solvency

Over the course of 2017, COSEC calculated its required solvency capital on a three-monthly basis, and came in with the results obtained in previous years. This indicates the company's robustness, with a Solvency Ratio of 284% as of 30 September 2017 (Non Audited). The Solvency and Financial Situation Report (SFSR) was formulated and later certified, and the Periodical Supervision Report (PSR) was also formulated in line with the legal regime of public access, for the period of activity in Insurance and Reinsurance, approved by Law number 147/2015 of 9 September and Regulatory Norm number 8/2016-R.

Comprehensive qualitative and quantitative information that insurance companies are required to disclose is laid out in Chapter XII of Title I of the Commission Delegated Regulation (EU) 2015/35 of 10 October 2014, in articles 4 and 5 of Commission Implementing Regulation (EU) 2015/2452 of 2 December 2015 and Regulatory Norm number 8/2016-R.

In 2017, the annual process of risk and solvency self-assessment was carried out in accordance with the approved Risk and Solvency Self-Assessment Policy (ORSA) and submitted to ASF. An important tool was developed and implemented designed to automate the necessary data required in the information report related to Pillar I and Pillar III of the Solvency II regime. COSEC continued to take part in meetings led by the Portuguese Association of Insurers to discuss matters regarding the development of the Solvency II regime and it encouraged the participation of partners for training and sharing the framework of Solvency II.

3. Anti-Fraud Policies and the Prevention of and Combat against Money Laundering

At the end of 2017, the Executive Committee approved the review of the Anti-fraud Policy, and the new version is to include the principals and rules consistently applied through policies in place since 2009, with complementary measures to prevent and detect fraud. The reviewed Anti-fraud Policy is now part of IS 15/2017 and became effective as of 2 January 2018.

The Anti-fraud Policy outlines the principles that govern COSEC operations in the prevention and detection of fraud against insurance. These include the adoption of specific measures which are reviewed periodically, among them the recording of occurrences, the analysis and classification of fraud risk, integrated in COSEC's risk management system and training. New rules have been established to govern the

reporting and handling of situations detected. Fraud prevention and detection measures were reviewed at the end of 2017 and are now included in the Policy.

The Anti-fraud Policy will be reviewed every two years based on a previously established policy in place since 2009.

In 2017 the Anti-fraud group met twice. The nature of the fraud encountered in almost all of the situations analysed can be best termed as 'identity theft', and this fraud directly affected the insured. These did not as a rule lead to damages suffered by the insurer as the conditions required to pay out claims did not come to apply in these situations. For the cases analysed, it was not seen as necessary to adopt any additional measures to increase or support those measures already put in place by the departments involved. During the Anti-fraud meetings, the implementation of fraud prevention and detection measures were assessed, and the group contributes to the preparation of the proposal to review the Anti-fraud Policy.

With regards to combating money laundering, COSEC has had in place since March 2011, a policy to prevent and combat money laundering. In this context, measures considered to be adequate for the prevention and combat against money laundering were identified, bearing in mind that COSEC, as an Insurer with non-life insurance operations is not considered as an 'entity obliged' to have such a policy. In substantive terms, money laundering prevention is undertaken by identifying the clients and beneficiaries, establishing procedures to govern the handling of funds, in defining the relationship with mediators, and in providing training. The current policy includes measures to report suspicious cases, outlining the tasks expected to be carried out by the Compliance and Legal Directors. This department is tasked with receiving and handling specific information relating to money laundering, and reports directly to the president of the Executive Committee.

Although COSEC – Companhia de Seguro de Créditos is not classified in the category of an 'entity obliged' to comply with national legislation to combat money laundering and the fight against terrorism, new legislation in this regard has been introduced in 2017, and COSEC intends to review its internal policies over the course of 2018.

Over the course of 2017, there were no occurrences recorded that fell within the remit covered by the Anti Money Laundering Policy, approved by Operation Instruction in 2011. COSEC internally distributed information relating to money laundering received from the Insurance Supervisor and Pension Fund Authority. In 2017, anti-money laundering was covered in training activities provided to new employees as part of their induction and was also part of raising awareness of the Code of Conduct.

The topic of Anti-fraud policies and combatting money laundering was the subject of a stand-alone report produced in line with the requirements established in articles 19 and 20 of Regulatory Norm number 14/2005-R and Circular number 1/2017.

HUMAN RESOURCES

14 In 2017, the human resources policies used in previous years were applied, with a view to consolidating the increase in productivity and the increase in the Company's degree of competitiveness. In this regard, several processes were set in motion to rotate staff internally, and this resulted in improved management of human resources potential as well as bringing into focus training and development for employees.

By the end of the year, there were 135 active personnel, and 78% of these employees hold a higher level academic qualification. The structure of the Company remained the same, due to the stabilization in personnel, employees are 45 years old on average with a length of service averaging 16 years.

With the intent of promoting the personal and professional development of employees, as well as needing to roll out new practices to be implemented in Company processes, several internal and external training courses were developed. In e-learning format several technical and behavioural competencies were covered, and overall, 4,518 hours of training took place, with every employee involved.

With the objective of ensuring high levels of commitment and satisfaction and to give visibility to the value added of the company, the employee 'Social Report' was developed and distributed to each employee. Two events were organised to share strategic information and these included the participation of the Executive Committee and all employees with a view to creating a greater involvement of all with the actions for change currently underway in the company.

In 2017, COSEC's activities were mainly concerned with rolling out a group of initiatives designed to increase the awareness of the export community of the importance of export credit insurance, financial insurance, bond insurance, and investment insurance with State support.

In this context, COSEC took part in several conferences and seminars. Several partnerships with business associations, banks and universities were brokered, with a view to sharing more widely information on insurance products designed to insure exports and Portuguese investments, with State support.

The responsibilities shouldered by the State in relation to the support given to export activities, witnessed a sharp increase in 2017 when compared to the previous year. This increase (21%) is mainly due to the coverage of financing export operations, but also the coverage dynamic of numerous short-term exports, of relatively small value, to higher risk markets. In addition, there was interest in coverage of bond insurance for new markets.

With respect to financial credits insurance – where there is a greater volume of coverage – the increment took place because of the issue of two policies under the umbrella of the Portugal Angola Convention, after a long period of no framework of new operations, and its guaranteed value has now risen to 128.5 million euros. In 2017, a total of 9 new proposals were submitted valued overall at around 460 million euros. It is hoped that these will be incorporated into policy during 2018. It should be mentioned that at the end of 2017, 13 policies were active, amounting to 250 million euros.

When it comes to export credit insurance, a ninth consecutive policy period of the Line of Insurance Credit for Short-Term Exports was renewed, with a total annual allocation of 250 million euros. These funds support short-term exports, particularly for small and medium size export enterprises exporting to non-negotiable risk markets, that is, markets outside the European Union and to high GDP OECD countries. Most applicants are found in this line of credit (1672) with the highest number of policies issued (970) and the assumed value rose to 176 million euros, leveraging a volume of exports valued at 814 million euros. When compared to the previous year, there was a slight drop of 9% in relation to the assumed value, mas there was an increase in the number of firms supported. This figure rose to 456 firms (as opposed to 378 in the previous year), or in other words, a jump of 21% above figures for 2016. This shows that there is still interest in this Line which is seen as attractive to support coverage for higher risk markets. The largest exposure is found in Angola, Morocco and Brazil.

In order to complement political risk associated with global short-term policies, further responsibilities were assumed amounting to 11.8 million euros, particularly to support the sector of ship repair.

As to bond insurance, responsibilities were assumed in 5 operations, valued at a total of 18 million euros. The vast majority of the coverage this year is tied to extensive works in Honduras.

When it comes to the Mozambique Credit Line (300 million euros) the consolidation of 10 current polices into one singles policy was concluded, bringing uniformity to the reimbursement plan to pay for the responsibilities left open in the value of 240 million euros.

The total assumed responsibilities for the group of insurances with State Guarantee, grew in 2017 to 334 million euros.

The sectors that most benefitted from support given though insurance with State Guarantee were: the construction industry, public works, manufacturing industry, food products and drinks industry.

The processed net premiums resulting from this State associated activity is valued at 11.8 million euros and this reverted directly to the Treasury. This represents a sharp increase of 362% in comparison to 2016. This was influenced by the issue of the abovementioned financial credit insurance.

The prevailing default is seen essentially in the short-term coverage falling within the scope of the line of insurance of export credits, with most cases occurring in the markets of Venezuela and Angola, given the difficulties faced in making payments overseas, given the nature of both political and economic risks. Claims paid out rose to 32.5 million euros (+158% on 2016).

In the recovery of claims, COSEC recorded a total amount of 1.7 million euros (+99% more than in 2016) as a direct result of the company's diligence. In addition, claims recovery linked to bilateral rescheduling agreements, amounted to 23.7 million euros.

In terms of managing the portfolio, as at 31 December 2017, 952.8 million euros were active, distributed over 939 policies across every type of insurance with State Guarantee, with a slight rise of 1% when compared to the portfolio of the previous year. Portuguese-speaking African countries accounted for, as at 31 December 2017, 62% of all of these responsibilities.

- 16 In the context of international relations protocols of cooperation were established with counterparts in Iran and India. The existing partnership with Bancomext of Mexico was strengthened.

COSEC also took part in official trips overseas, in particular travelling to Mexico and Macau.

COSEC returned to international meetings held by the European Union Council Export Credit Groups, and OECD, and the Participants Groups of the OECD 'Consensus', including taking part in working groups developed by the technical subgroups, primarily in expert technical meetings on Country-Risk, Premiums, Environment. COSEC along with the Treasury and Finance Directorate General (TFDG) formed part of a Portuguese delegation to ensure Portugal's representation at the abovementioned meetings.

In the area of work developed as part of the European Union Working Group, Greece continued to draw benefits from the possibility of concessions with regards to commercial and political risk coverage with a maximum term of under 2 years, directed at public and private buyers. This scheme is through programmes of official support extended by the Member States.

With relation to works developed in the scope of the disciplines established by the OECD Consensus, on 1 February 2017, a change took effect in the system of premiums concerning the fixing of rules with reference to the market (non-classified countries). The new version of the Consensus will be incorporated in the Union's legislative archive awaiting a delegation act and with binding effects for the Member States. The debate continued on reform of the reference rate system for commercial operations (the CIRR rate) and on the possibility of enlarging the application of the rail accord for the sector.

In 2017, the activities that fall under the International Working Group continued. This International Working Group was set up in 2012, and is designed to establish fundamental concepts necessary to allow for agreements on horizontal aid, namely in the ship building industry. The ultimate aim is to establish international aid on export credits that are likely to be accepted and applicable to a wider group of countries beyond the OECD. These countries would include the major exporting nations, including China, Brazil, India, Russian Federation and South Africa.

In 2007 picked up pace across the world with a gross estimate of 3.7%. Projections for 2018 and 2019 have since been increased by 0.2 p.p. to stand at 3.9%. This revision reflects the intensification of the impact anticipated from the changes in tax policy recently approved in the United States.

According to the International Monetary Fund, growth in advanced economies will slow to 2% in 2018. This is on the back of expectations that growth in both Japan and the Euro Zone will be slacker than in 2017. These prospects factor in very gradual move away from monetary incentives on the part of the central banks of advanced economies. They also assume continuation of positive dynamics in the labour market. In tandem, the main raw materials, specifically crude oil, are likely to trend upwards pretty gradually. This will play a part in damping inflation rises. The emerging economies in 2018 look likely to grow by 4.9%, 0.3 p.p. that in 2017.

Among the uncertainties there are a considerable cluster of risks that could undermine global growth. Among these are geopolitical factors such as the increase in tension with North Korean; commercial tension between china and the USA or changes in the NAFTA agreement, along with the Brexit negotiations or the Catalan issue or elections in Italy.

In the Euro Zone, prospects for growth in 2018 continue positive. The zone is still underpinned by the support of monetary policy and robust external demand. The end of the long-term debt purchase programme could well cause increased financing costs to the economy though this seems a relatively manageable risk, to the extent that the support of the central bank will continue through the policy of re-investment of maturing debt and low interest rates.

For Portugal, the latest projections from the Bank of Portugal pint to economic expansion across the two nest years with the 2.6% increase in 2017, economic activity will continue with a pattern of growth for two more years although the rhythm will slow (2.3% in 2018, 1.9% in 2019 and 1,7% in 2020). GDP growth will be very close to the average for the Euro Zone in the near future.

Exports of goods and services look likely to grow robustly in the near future although not to the point of the 7.7% expected for 2017. This path reflects a slight slowing of growth in external demand during 2019-2020 along with a steady fall in market share.

Private consumption will remain relatively stable and below the variation in GDP in the near future. In average terms it is expected that growth in private consumption between 2017 and 2020 will be in line with real disposable income, functioning in tandem with an overall stable savings rate.

The labour market is likely to continue recovery, with an expected steady fall in the unemployment rate.

Inflation went up substantially in 2017 coming in with a projected annual rate of 1.6%. For 2018 this should fall to around 1.5 %.

The aim of COSEC is to be ever closer to its clients and ever more responsive to their expectations, providing innovative solutions leading to a kore agile response to their needs. To ensure this closeness to clients, the company has a digital transformation plan which was started in 2017 and will be concluded in 2020. This will include very department and will buttress the levels of service for clients.

The favourable economic prospects for 2018 allow for a view that the company will continue to operate in a context of low claims and high competitiveness, similar to 2017.

In terms of commercial strategy and the policy of underwriting risk, the company intends to continue with sustainable growth to its client portfolio and risk exposure, both in the domestic and the external market, working hand in hand with its clients in developing their operations.

18 Framed by the Policy of Remuneration, approved in February 2016 and confirmed by the AGM on 31 of March 2016, the structure of remuneration of the members of the Governing Bodies and the criteria of attribution of a variable component to the Executive Members of the Board of Directors in force are the following:

1. Remuneration structure

Board of Directors

Chairman

Fixed remuneration consisting of monthly gross salary (14 months to be paid), such an amount being approved by the Remuneration Committee.

Non-Executive Members

No remuneration is paid.

Chief Executive Officer and Executive Board Members

Fixed remuneration consisting of monthly gross salary (14 months to be paid), such an amount being approved by the Remuneration Committee.

Variable remuneration, of amount and criteria fixed annually by the Remuneration Committee.

A contribution of up to 15% of the annual fixed gross remuneration, may be included, to be paid into a Supplementary Retirement Plan for Disability, Old Age and of Survivor (Article 19 of the Company Statutes; Regulation approved in the AGM of 21 March 1994), as decided by the Remuneration Committee.

Chairman and Members

Fixed remuneration consisting of monthly gross salary (12 months to be paid), such an amount being approved by the Remuneration Committee.

The Board of the AGM

Chairman, Deputy-Chairman and Secretary

Attendance voucher, such an amount being approved by the Remuneration Committee.

Statutory Auditor

Remuneration according to the contract covering services of legal certification of the accounts.

2. Criteria for attribution of the variable part of the remuneration of the Chief Executive Officer and Executive Members of the Board

The variable part of the remuneration of the Chief Executive Officer and other Executive Members of the Board is set each year by the Remuneration Committee, in line with the criteria fixed by this Committee.

3. Other points

All expenses and costs related to members of the Governing Bodies (Board of Directors, Supervisory Board and General Assembly) will be either directly supported by the Society or charged to it.

No compensation is liable in the case of removal from office.

Given the size and complexity of the company and the structure of the remunerations, alignment of the interests of Members of the Governing Bodies with the interests of the Company is considered to be sufficiently endured.

STATEMENT ON THE POLICY FOR REMUNERATION OF 1st LINE DIRECTORS AND THOSE RESPONSIBLE FOR KEY FUNCTIONS

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Framed by the Remuneration Policy, approved in 2016, the remuneration structure in force in 2016 for 1st Line Directors and those responsible for the Key Functions of Internal Audit, Risk Management and Actuarial and Compliance of COSEC - Companhia de Seguro de Créditos, S.A. was the following:

1. Employees covered

Employees with Departmental Posts, occupying the 1st line of reporting to the Executive Committee;

Those responsible for the key functions of Internal Audit, Risk Management and Actuarial and Compliance, hereinafter referred to as responsible for key functions.

2. Structure of remuneration

The remuneration of 1st Line Directors and those responsible for key functions is composed by one fixed part – fixed remuneration – and, when so decided by the Executive Committee, by a bonus, hereinafter called variable remuneration.

The annual fixed remuneration to be paid to each First Line Director and those responsible for key functions is what derives from the application of the labour contract for each of these employees and the applicable terms of the Collective Labour Agreement (CCT) in force for the insurance sector.

The variable remuneration is paid in cash, without deferral, at a date up to the end of the first half year following the fiscal year to which it relates, with the attribution and the amount subject to a decision of the Executive Committee.

2.1 Variable component

The Executive Committee defines annually the overall value of this variable component for all COSEC employees, taking into account a number of factors, particularly the Company's pre-tax results.

Also fixed annually by the Executive Committee is that part of the overall figure which will be attributed to 1st Line Directors and those responsible for key functions.

The decision over the variable remuneration to be paid to each 1st Line Director and to those responsible for key functions, which is also within the Executive Committee remit, is based on the following

criteria among others:

- Level of responsibility of each Director and those responsible for key functions;
- Performance of COSEC;
- Collective Performance of their own Department, when applicable;
- Individual Performance;
- Compliance with the norms, regulations and external and internal procedures applicable to the activity of COSEC and its Code of Conduct.

3. Other benefits

First Line Directors and those responsible for key functions benefit from an individual retirement plan, of defined contribution, under the terms set out in the Collective Labour Agreement (CCT) in force for the insurance sector.

4. Disclosure and updating

The current information concerning First Line Directors and those responsible for key functions is set out in the Remuneration Policy approved by the Company in February 2016, and reviewed in October 2017 in the Management Report of COSEC, is published on the COSEC website and accessible for consultation by all.

The Remuneration Policy is reviewed annually by the Executive Committee of the Board of Directors of COSEC.

FINAL REMARKS

20 The Board of Directors would like to express its gratitude to all those who collaborated with it in the year under review, with special reference to:

The Employees, for their continued commitment and demonstrated dedication as well as for results achieved by the Company;

The Clients, for their choosing the Company's services;

The Insurance Brokers and Agents for their support and aftersales service to clients;

The Supervisory Authority for Insurance and Pension Funds (Autoridade de Supervisão de Seguros e Fundos de Pensões) and the Portuguese Insurance Association (Associação Portuguesa de Seguradores) for the cooperation received within their remits;

The members of the Supervisory Board and the organisation of the AGM for their contribution and monitoring of Company activity;

The Board of Directors would also like to thank the shareholders, Euler Hermes and BPI, for their unwavering support to the development of COSEC activities;

The Board of Directors expresses on behalf of the Company his gratitude to Mr. José Miguel Gomes da Costa for his valuable collaboration over the 24 years as Chairman of the Board of Directors, leading the development of COSEC, either for its technical capacity as well as its solvency and to Dr. Gerd Uwe Baden for his important contribution to the management of COSEC as non-executive member of the Board of Directors, who ceased their functions on the 8th May 2017.

PROPOSAL FOR THE ALLOCATION OF PROFIT RESULTS

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Taking into account:

- That the Legal Reserve has already reached the value of COSE equity, in accordance with Article 62 of Law no. 147/2015, of 9 September;
- The stipulations in the Capital Management Policy of COSEC.

The Board of Directors proposes the net result of the year 2017, in the amount of **7.948.449,05 Euros**, to be entirely distributed to the Shareholders.

Lisbon, 23 February 2018

The Board of Directors



Maria Celeste Hagatong
(Chairman)



Thierry Etheve



Berta Maria Nogueira Dias da Cunha



José Vairinhos Gonçalves



Paolo Cioni



Pedro da Silva Fernandes

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