

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

Société en Commandite par Actions

**Consolidated annual financial  
statements**

**for the period from November 14, 2014  
to December 31, 2015**

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RCS Luxembourg: B 193011  
Subscribed capital: EUR 102,000,006.00

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## **AP VIII CALM EAGLE HOLDINGS S.C.A.**

### **CONSOLIDATED MANAGEMENT REPORT**

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

Under the law and the articles of association, the Board of Directors is honoured to present to you for appraisal the Management Report and Consolidated Annual Accounts of AP VIII Calm Eagle Holdings S.C.A (hereinafter as the "Company" or jointly with its subsidiaries as the "Group"), in respect of the financial year 2015.

### **REVIEW OF THE DEVELOPMENT OF THE GROUP BUSINESS**

The business activity of the Group focuses on the performance of insurance services on the Portuguese market. The insurance products offered are divided into two main segments:

- Life insurance,
- Non-Life insurance that are mainly: Motor, Transport, Accidents and Health, Worker's Compensation, Fire and Other Damages, Multi-risk, Civil Liability, Crops.

The Group was formed on January 15, 2015 by the way of acquisition of 32,000,000 shares representing 100% of the share capital of Companhia de Seguros Tranquilidade S.A. (hereinafter as "Tranquilidade"). The core business activity of the Group is carried out through this subsidiary.

During the year 2015 the Group has also acquired and disposed the shares in the Portuguese companies:

- Calm Eagle Portugal (hereinafter as "Calm Eagle Portugal") – has been incorporated in June 2015. The 100% of the participation has been disposed to the sole shareholder of the Group in December 2015 in exchange for a decrease of equity without issuance of shares;
- AdvanceCare – Gestão de Serviços de Saúde, S.A. (hereinafter as "Advance Care") – 458,997 shares (50.9% of the share capital) purchased on January 15, 2015. The shares have been contributed in kind to Calm Eagle Portugal on June 30, 2015 and the transfer of the right to acquire the remaining 50.1% to Calm Eagle Portugal has been approved.

### **MACROECONOMIC FRAMEWORK**

In 2015 global economic activity was again marked by uncertainty, interrupting the gradual growth trend observed in 2014.

In the more developed economies, economic growth remained weak though, however with a positive trend. Inflation remained at levels close to zero and central banks maintained fiscal policies so as to reach a favourable growth. The emerging economies continued to have an adverse effect on global economic activity, the China's slowdown having been the major influencing factor.

### **INTERNATIONAL ECONOMIC SITUATION**

In the **US**, the latest economic data point to a favourable evolution of the labour and housing markets. The industrial sector still shows signs of weakening.

It is estimated that economic growth has been hovering around 2.5%, slightly higher than the previous year (2.4%). The economy was more robust than in the recent past, as confirmed by the decision of the Federal Reserve (Fed) in late 2015 that has decided to change the course of its monetary policy and to increase the fed fund rate for the first time in about a decade, to 0.5%.

The growth of household consumption is set to have exceeded by 3.0% for the first time since 2006, reflecting the improvement of the labour market, with an unemployment rate of around 5.3%. By contrast, the fall of oil prices was reflected negatively in investment, while exports slowed significantly as a result of appreciation of the dollar.

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Economic activity in the **Eurozone** maintained its trend of recovery in 2015, however at a slower pace than expected. Low oil prices, the depreciation of the euro and the ECB's monetary stimulus boosted private consumption and exports. However, economic growth in the Eurozone was no greater than 1.5%.

The high level of private sector indebtedness, weak investment and economic slowdown in emerging countries were the main factors that prevented a more robust growth in the Eurozone.

The inflation rate remained very low (0.1%) and the job market showed modest improvements in line with economic growth that was not enough to encourage the creation of more jobs. Thus, the unemployment rate remained high, at 11.0%, and continued to reveal large disparities between the Member States of the Eurozone.

In 2015 the Euribor rates fell at every maturity, with the 3-month Euribor standing at -0.13% (2014: 0.08%) and the 12-month Euribor at 0.06% (2014: 0.33%).

The year under review was marked by the sharp appreciation of the dollar against most of the currencies, despite having fallen to a minimum of 1.5 against the euro. At the year-end, the exchange rate stood at 1.09 USD per EUR (1.21 in December 2014).

The European equity markets outperformed the American markets which, with the exception of the Nasdaq (+5.9%), ended the year with contained losses, while the *Eurostoxx 50* appreciated by 3.8% in 2015. Concern about the slowdown of the Chinese economy and its impact on the world economy affected negatively the performance of global stock markets, especially on the second half of 2015, triggering strong turbulence in the markets.

### **DOMESTIC ECONOMIC SITUATION**

According to the latest figures released, in 2015 Portuguese economy grew by 1.5%, 0.6 pp more than the preceding year.

Domestic demand performed well, reflecting the growth of private consumption of 2.6% (2.2% in 2014) and 0.8% of public consumption (-0.5% in 2014). There was a recovery of household disposable income throughout the year and a decline in the savings rate (4.0% in the third quarter of 2015, the lowest level since at least 1995). On the other hand, investment growth slowed down from 5.5% in 2014 to 3.6% in 2015.

Net foreign demand performed better as a result of the acceleration of exports, which grew by 5.1% (3.9% in 2014). However, imports also maintained a high growth rate of 7.3% (7.2% in 2014).

The unemployment rate fell back from 13.9% to 12.4% in 2015 and the inflation rate returned to positive figure, 0.5% (2014: -0.3%). However, the inflation rate is still historically low, partially reflecting the significant drop of oil prices on the international market.

The balance of the public administrations improved compared with the previous year due to the combined effect of the decrease of expenditure (in particular, lower personnel costs, unemployment benefits and interest) and increase of revenue (mainly tax).

Nevertheless, the government estimates that the 2015 budget balance exceeds the level of -4.0% of GDP. It is reflecting the sales transaction within the context of the resolution of BANIF decided at the end of the year, the impact on the State's accounts of which is said to amount to EUR 2,255 million (1.3% of the GDP estimated for 2015) – about EUR 1,766 million injected directly by Portuguese Treasury and EUR 489 million by the Resolution Fund.

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### **INSURANCE MARKET**

Overall, the direct insurance production in 2015 decreased by 11.4% compared to 2014, standing at EUR 12,662 million (decrease of EUR 1,627 million). The downturn in life insurance premiums was at the root of this decrease of production, once again interrupting the cycle of growth of the insurance business since 2013.

The life insurance segment was affected by a situation that allied persistence of low long-term interest rates, a sharp reduction in the rate of private savings and the approach of a new solvency mechanism that penalises the risks inherent in the financial guarantees.

Life insurance premiums, amounting to EUR 8,669 million, downed 17.0% compared with the preceding year (decrease of EUR 1,770 million). Only traditional insurance premiums grew compared to 2014 (by 4.6%). Capitalisation products' sales decreased by 17.8% (by EUR 1,258 million) and contributions to PPRs in the sum of EUR 1,897 million, fell by 22.6% (decrease by EUR 555 million) compared with the previous year.

The non-life insurance segment returned a remarkable growth of 3.7%, the highest annual growth rate of the past 10 years. The volume of non-life insurance premiums amounted to EUR 3,993 million (+EUR 144 million comparing with 2014), with emphasis on Workmen's Compensation insurance, which grew by 7.8%, lending new impetus to the recovery that began in 2014. The increase of payrolls expected together with the relaunch of economic activity, as well as the tariff adjustments to address the imbalance of the branch, were probably at the root of aforementioned increase in the volume of premiums.

Personal Accident/Passenger (+5.2% in 2015) and Health (+7.5% in 2015) insurance, which had grown also in 2014, advanced in 2015 at a rate higher than in previous years. Fire and Other Damage business (+2.0% in 2015), with emphasis on the Multi-risk business (+2.1% in 2015), has also shown again positive growth rates, however more moderate. Motor insurance, which interrupted the downward cycle of recent years, presented a 1.5% increase of the volume of premiums. On the contrary, the downturn of production in Transport insurance is stressed out by the decrease of 5.8% in 2015.

The weight of insurance business as a proportion of the GDP fell from 8.3% in 2014 to 7.2% in 2015. The Life segment accounts for 4.9% of the GDP, with the Non-Life segment accounting for 2.3% (6.1% and 2.2% in 2014, respectively).

According to the latest data released by the Insurance and Pension Fund Supervisory Authority (ASF), insurance companies (under the supervision of the ASF) reported a net profit in 2015 of EUR 378 million (EUR 77 million in 2014), contributing to the strengthening of capitalisation of the sector.

The rate of coverage of the solvency margin (of companies under the supervision of the ASF) stood at 238% the end of 2015. An increase of 32 pp compared with 2014 highlights the strength of the insurance sector as well as its preparedness to respond to the capital requirements resulting from the new solvency legislation (Solvency II) entered into force on January 1, 2016.

### **RELEVANT FACTS IN 2015**

In 2015 the Portuguese economy continued the path of growth that had already been seen the previous year, that was the first full year after Portugal's exit from the fiscal consolidation programme agreed with the Troika.

The creation of the Group allowed a page to be turned for Tranquilidade, due to recapitalisation through the injection of capital from the Company that was needed to restore the solvency ratios to

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adequate levels. As a result, Tranquilidade will benefit anew from conditions that will allow it to focus even more on creating value and generating profits.

In 2015, Tranquilidade demonstrated its strength and regenerative capacity, mainly due to the capital injections from the Company. It therefore proved possible to recover the losses caused by the breakup of the Espírito Santo Group (previous shareholder), through greater retention capacity and a high commercial dynamic in attracting new business, in particular in the retail area. Tranquilidade ended 2015 with a Portuguese market share of 8.0%, ranking third in Non-Life business, with a slight increase of the volume of premiums (0.3%).

At the commercial level, the year was marked by a growing momentum and confirmation of the reliability and robustness of commercial partnerships between Tranquilidade and its professional distribution channels:

- Multi-Brand and Exclusive Partners grew by 6% and 4% respectively, outperforming the market, particularly in Multi-Brand. It contributed to the increased recognition of the overall value proposition of the Tranquilidade brand and of its service provided by Multi-Brand channel;
- Brokers decreased by 1% in 2015, but the commercial dynamic continues to improve over the year, with the volume of premiums in the 4th quarter increasing by 10%;
- The Alternative Retail Networks grew by 31% compared to 2014 and strengthened their important role for Tranquilidade retail area, particularly in Motor, contributing 12% of the new revenue.

In 2015 Tranquilidade's Non-Life and Life customer base numbered 811,000 (up by 4.2% or 33,000 more than in 2014). This very good performance, unprecedented in recent years, was achieved mainly due to the success of retention mechanisms, which is decrease of the cancellation rate upon renovation in Motor insurance to approximately 15% at the year-end.

Tranquilidade achieved a performance greater than that of the market in Motor insurance due to high retention and very positive new-customer dynamics, leading to a record year in terms of new insurance policies. In Workmen's Compensation and Health, Tranquilidade underperformed the market, due to both loss of business related to the disintegration of the Espírito Santo Group and to the process of technical rebalancing of the portfolio based on price increases with a view to match the cost with the risk.

In Life, the strategic focus on Life Risk products returned again good results, allowing T-Vida to grow by 7.5% in this product in 2015, with T-Vida's main partners growing by around 23% in Life Risk.

At operating level, so as to provide continuously better response to the demand and the quality of service provided to Customers and Partners, the Group launched a number of new initiatives:

1. Launch of new products, especially for Individuals, but also for business:
  - For individuals:
    - In Motor, improvement of the offer through the relaunch of Special Driver Protection cover and of the QIV (isolated glass breakage), extension of the Total Loss compensation complement and launch of the Equivalent Vehicle Replacement for Light Goods Vehicles;
    - In Health, overhaul of the offer for Senior Citizens and increase the number of basic consultations of the Essential option;
    - In Multi-risks Housing, launch of the Moving Home coverage;
    - Improvement of the advantages associated with the Customer with Car and House equipment, through the offer of fuel.
  - For companies:
    - New Transportation prices;



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- Revisiting strategic sectors and identification of super-strategic sectors for Medium Enterprises.
2. Introduction of improvements and new features to the Partner work-station (SIA-net):
    - Enlargement of the simulation and subscription capacity in Motor and Workmen's Compensation;
    - Possibility of reuse of all simulations undertaken;
    - Renovation of all outputs of the Home and Health products, making them more transparent and simpler for Customers;
    - New Motor retention cockpit;
    - Access to detailed information incentives and contests.
  3. Introduction of simpler, faster claim-settlement processes:
    - Video inspections in Motor;
    - Improved communication with Customers and Partners in the Home processes;
    - Review and improvement of information available in the Claims Tracking tool.

The continuous investment and the transverse focus across the entire organisation on improving the quality of service to customers and partners, allowed a continuation of high service and satisfaction levels:

- The average response time for complex quotations improved by 26% compared to 2014;
- The average opening time for Motor claims in 2015 was 0.5 days;
- Customers continue to acknowledge the quality in claims management: in Motor and Workmen's Compensation average satisfaction stands around 8 (on a scale of 10) and the recommendation intention is over 85%, while in Home insurance average satisfaction improved to 7.2 (7.0 in 2014) and recommendation to 75% (up by 5pp).

The strategy of ongoing, consistent improvement of the Group's partners' and customers' service levels and a close relationship with the market has allowed, once again, to be distinguished by independent institutions, having received the following awards:

- "Professionals' Choice" of the insurance industry, renewed for the 2nd consecutive year;
- "Best Buy Award", which recognises Tranquilidade as the company having the best relation Price/Quality ratio.

Continuation of the Efficiency Programme allowed a reduction of operating costs of a recurring nature in the sum of EUR 2.2 million (downed by 3.4% compared to 2014). This good performance is mainly the result of the reduction of the third-party supplies and services costs (downed by 9.4% or EUR 1.8 million).

With the global financial crisis began in 2007, the world's leading economies have shown modest economic growth rates, affecting the normal evolution of the financial markets. In 2015, the financial markets were still highly volatile.

What is more, the Group's investment strategy in the 1st quarter called for investment in fixed-rate bonds allowing the Group to benefit from the ECB's quantitative easing programme. Starting from May 2015, the operations were primarily directed at the implementation of an ALM management strategy due to the entry into force of Solvency II as from January 2016.

Tranquilidade's overall technical balance increased from EUR 55.8 million to EUR 60.5 million, reporting a growth of 8.4%. Despite the decrease of the technical balance of Motor insurance, whose claims rate, net of reinsurance, rose to 73.1%, attention is drawn to the positive contribution of Accidents and Health, especially Workmen's Compensation, where the claims rate fell to 82.4%, a positive performance, though not as good as might be desired.

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### KEY VARIABLES AND BUSINESS INDICATORS

#### THE GROUP'S BUSINESS IN 2015

##### DIRECT INSURANCE PREMIUMS

Direct insurance premiums in 2015 totalled EUR 408,919k, a decrease of 3.3% compared to the preceding year. Life insurance sector, with its production of EUR 44,472k, presented a negative variation of 50.0% compared to 2014. This variation is directly linked to the growing difficulties faced by the Portuguese economy as well as the availability of customer, as already identified in 2014. The Non-Life insurance market returned an increase of 9.1% compared to 2014.

In Accidents and Health, Tranquilidade's sales was above the previous year by EUR 11,109k (10.6%) due to the upturn of sales in Workmen's Compensation (EUR 4,683k, or 7.8%).

The Fire and Other Damage grew by 4.0% compared to 2014 while the Multi-risk insurance recorded an increase in sale of 12.8% (EUR 16,781k)

<b>DIRECT INSURANCE PREMIUMS</b>		(thousand euros)
		<b>2015</b>
Life business		
Insurance contracts		36,772
Investment contracts		7,678
Non-Life business		
Accidents & health		116,066
Fire & other damage		66,472
Motor		147,481
Transport		6,078
Third-party liability		10,152
Sundry		18,220
<b>TOTAL</b>		<b>408,919</b>

##### COSTS OF DIRECT INSURANCE CLAIMS

Total costs of direct claims in 2015 amounted to EUR 478,810k, a significant increase of EUR 157,130k (+50.3%) compared to 2014. This was mostly due to an increase in Life sector (EUR 143,525k, +151.3%). However, if Capitalisation operations are excluded, the costs of direct insurance claims linked to the Life sector presented a decrease of 21.7% compared to 2014.

Costs of Motor claims were up EUR 28,017k as a result of the readjustments in 2014 that were mainly due to greater efficiency in the settlement of claims, that allowed, that year, a sustained reduction of the cost of claims and the revaluation of the provisions required for previous years.

On the other hand, in Accidents and Health there was a downturn of claims costs (8.9%). In Fire and Other Damage, too, claims costs were lower (-29.6%) as a result of the lower number of serious accidents and catastrophic events.



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<b>DIRECT INSURANCE CLAIMS COSTS</b>	(thousand euros)
	<b>2015</b>
Life business	
Insurance contracts	41,787
Investment contracts	196,629
Non-Life business	
Accidents & health	98,139
Fire & other damage	27,805
Motor	103,624
Transport	400
Third-party liability	9,591
Sundry	835
<b>TOTAL</b>	<b>478,810</b>

The claims rate in 2015 (gross cost of claims / gross premiums earned) stood at 63.4%, a decrease of just 0.4 pp over the previous year. Highlights:

- The increase of the claims rate in Motor to 71.3%. Civil liability to 92.6%,
- The declines of the claims rate in Accidents and Health to 84.6% and in Fire and other damage to 41.6%.

<b>CLAIMS COSTS / GROSS PREMIUMS EARNED *</b>	(%)
	<b>2015</b>
Accidents & health	84.6
Fire & other damage	41.6
Motor	70.3
Transport	6.0
Third-party liability	92.6
Sundry	4.7
<b>TOTAL</b>	<b>63.4</b>

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

### DIRECT INSURANCE TECHNICAL PROVISIONS

Direct insurance technical provisions amounted to EUR 43,586k in 2015, a reduction of EUR 11,912k compared to the previous year (down 1.4%). The Provision for Claims fell by EUR 3,140k, split between the EUR 5,744 increase under Life and the decrease of the provision allocated to other business lines in the sum of EUR 10,338k.

<b>DIRECT INSURANCE TECHNICAL PROVISIONS</b>	(thousand euros)
	<b>2015</b>
Mathematical provision	271,628
Provisions for unearned premiums	91,169
Provisions for Claims	
Life	15,717
Workers' compensation	239,392
Other business	205,396
Other technical provisions	20,284
<b>TOTAL</b>	<b>843,586</b>

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### REINSURANCE CEDED

The balance of reinsurance ceded in 2015 amounted to EUR 21,332k, more favourable in the sum of EUR 9,002k compared to 2014 (down 29.7%). This was due to a lower volume of premiums ceded to reinsurers.

<b>REINSURANCE CEDED</b>	(thousands euros)
	<b>2015</b>
Premiums	56,747
Commissions	-9,892
Claims and variation of technical provisions	-25,523
<b>RESULT</b>	<b>21,332</b>

### TECHNICAL BALANCE NET OF REINSURANCE

The net technical balance of reinsurance in 2015 amounted to EUR 130,531, a growth of 91.5% over the previous year (EUR 62,381k).

In a favourable sense, the emphasis is on the technical balance of Accidents and Health where the change was from negative in 2014 to EUR 16,972k positive in 2015, and on Fire and other damage, the technical balance of which increased EUR 13,561k compared to 2014, due mainly to the good performance of Multi-risk insurance.

<b>TECHNICAL BALANCE, NET OF REINSURANCE</b>	(thousand euros)
	<b>2015</b>
Life	57,205
Accidents & health	16,972
Fire & other damage	22,358
Motor	26,113
Transport	3,101
Third-party liability	4,043
Sundry	739
<b>TOTAL</b>	<b>130,531</b>

### INVESTMENTS

The global financial crisis that began in 2007 soon forced the implementation of singular measures to mitigate its systemic effect. Despite the policies adopted, the major economies showed modest economic growth rates, constrained by high debt levels and the economic slowdown of the emerging countries, which conditioned the evolution of financial markets.

In 2015, the financial markets were highly volatile. The year under review can be broken down into three distinct periods: the first, one of growth until April May, the result of the expansionist policy of the major central banks; the second marked by a decrease until September, when the financial markets reached the turning point, and a resumption of the growth cycle until the end of the year.

Against this background the Group's investment strategy in the 1st quarter called for investment in fixed-rate bonds allowing the Company to benefit from the ECB's quantitative easing programme.

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From May, the operations were primarily directed at the implementation of an ALM management strategy due to the entry into force of Solvency II as from 2016.

In the 1st quarter, the Company maintained a selective strategy, complying with its investment policy, involved primarily in taking part in benchmark issues having attractive subscription premiums, with a maturity limit of 10 years, by investment grade issuers with a higher level of seniority essentially European of core and peripheral exposure.

During the first half, the main equity indices hit successive record highs. Nevertheless, the Company decided to maintain its zero exposure to this class as the bond market provided regular guaranteed yields greater than those of the equity market. It should be recalled that the action of the ECB allowed interest rates to fall to levels never before seen.

Several events were to mark this period and condition the following ones, namely, German sovereign debt with maturity of 10 years came to be transacted at 0.04%; the 3-month Euribor rate fell to negative values for the first time; and for the first time in history, Portugal issued public debt with negative interest rates. The risk premiums of sovereign debt of the peripheral countries fell to levels not seen 2010.

As from May, the high instability associated with the situation in Greece had repercussions on the financial markets, the fixed-rate markets in particular. In the second half, China's economic situation caused an earthquake in the global equity markets. Following the devaluation of the yuan by 1.9%, the Shanghai stock market fell more than 8%, driven by the European and North American indices, and also raw-material prices.

At this stage, the Company's main objective was to strengthen the ALM management and to prepare adequately entry into the Solvency II mechanism. At the end of the year, with the improvement of market sentiment, investments were made in other asset classes, namely equities and subordinated debt.

With the implementation in 2016 of the Solvency II mechanism, it was decided to optimise the Group's exposure to the real-estate sector.

<b>ASSETS UNDER MANAGEMENT <sup>(1)</sup></b>	<b>(thousand euros)</b>
	<b>2015</b>
Bonds	
Fixed-rate	604,477
Floating-rate	47,295
Equities & investment funds	
Strategic	49,185
Equities	19,080
Investment Funds	34,973
Properties	
Owner-occupied	36,058
Income	76,706
Liquidity	39,524
Other	4,373
<b>TOTAL</b>	<b>911,671</b>
Unit Linked	4,308
<b>TOTAL</b>	<b>915,979</b>

<sup>(1)</sup> Amounts determined from a management standpoint

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The bond portfolio amounted to EUR 651,772k (71.5% of assets under management), had an average investment grade (BBB) rating and an exposure to sovereign debt of EUR 188,395k (28.9% of the total bond portfolio), including EUR 11,002k in short-term public debt (maturity under 1 year, which is considered an alternative to liquidity).

The floating-rate bonds portfolio accounted on average for 7.5% of assets under management.

Throughout the year a level of liquidity security was maintained, on average 5.5% of assets under management. Exposure to the real-estate sector through investment funds and direct holdings in the balance sheet decreased by EUR 7,455k (6.2%) compared to the previous year.

In compliance with the limits defined in the investment policy, no transaction was carried out involving hedge funds or products of similar characteristics, and investments in derivatives instruments were used solely for currency hedging.

### **EQUITY AND SOLVENCY MARGIN**

Tranquilidade's net income in 2015 amounts to EUR 29.4 million compared with a loss of EUR 147.5 million in 2014. However, it should be pointed out that several extraordinary positive and negative effects of a non-recurring nature contributed to this result in 2015, including:

- A capital gain of EUR 33.8 million on the sale of the subsidiary Advancecare - Gestão e Serviços de Saúde, SA, stemming from the company's recapitalisation process resulting from the losses in 2014 in its exposure to GES and in accordance with the recapitalisation plan approved by the ASF.
- A revenue of EUR 10.5 million (net of tax) resulting from the changes of the actuarial assumptions used to calculate the mathematical provisions of Workmen's Compensation;
- It was decided to carry out an extraordinary depreciation of EUR 4.8 million (net of tax) arising from a review of the capitalisation policy of IT projects, particularly through the redefinition of their useful life;
- Lastly, an impairment of EUR 3.2 million (net of tax) was recognised in the 10% holding in GNB - Gestão de Ativos, SGPS, SA, which reflects the valuation performed by the Company with a view to the sale of this holding.

It should therefore be pointed out that the 2015 net income adjusted for all these more relevant non-recurring effects was still marginally negative in the sum of EUR 6.9 million.

This result reflects the modest economic recovery still in the embryonic period, and above all, the great difficulties experienced by Tranquilidade after the breakup of GES of which it was a part.

In 2015, the solvency margin stands at 137.0% and Equity increased 133.6% to final amount of about EUR 138.6 million, mainly due to the following factors:

- Increase of the share capital and ancillary capital contributions (EUR 72.6 million)
- Negative fair-value adjustments of financial assets (EUR 20.4 million, net of taxes)
- Net income for the year (EUR 29.4 million)

As at December 31, 2014, Tranquilidade did not comply, as determined by ASF, with the minimum solvency margin requirements or with the level of financial guarantees to cover technical provisions through its allocated assets, or with the minimum requirements imposed by Article 35 of the Companies Code. Nevertheless, it should be noted that the technical provisions remained solid and there were no policy changes.

As of that date the solvency margin stood at 9% (and had a financial guarantee shortfall of EUR 85 million).

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However, early in 2015, Tranquilidade implemented a recapitalisation plan, approved by the ASF, which allowed it to comply with the individual prudential and legal ratios by implementing among others, the following measures:

1. Sale of assets and investments, including:
  - a. Sale of the interest in Advancecare – Gestão e Serviços de Saúde, SA, providing Tranquilidade with a financial inflow of EUR 37.4 million (transaction finalised)
  - b. Sale of the holdings in ES Contact Center, SA and GNB – Gestão de Ativos, SGPS, SA (transactions still to be finalised)
2. Increase of the Company's equity the putting up ancillary capital contributions in the sum of EUR 60 million (operation finalised)
3. Reduction of the share capital to cover losses and subsequent capital increase in the amount of EUR 42 million, of which EUR 12.6 million have already been paid up (operation finalised)

This plan proposed by the Company and approved by the ASF, has allowed the Company to present, in March 2015, an adequate solvency margin and a level of financial guarantees to cover the technical provisions through its allocated assets, greater than that required by the ASF.

### **RISK MANAGEMENT, INTERNAL CONTROL SYSTEM AND COMPLIANCE**

Within the scope of Directive 2009/138/EC of the European Parliament and the Council of November 25 concerning insurance and reinsurance business (Solvency II), Tranquilidade continued, during 2015, the work of adapting to the new Solvency II mechanism.

During 2015, Directive 2009/138/EC was transposed to Portuguese legislation by means of Law 147/2015, of September 9, which determined the date of entry into force of the new Solvency II legislation as from January 1, 2016.

Following the publication of Law 147/2015, the Commission's Delegate Regulation 2015/35 of October 10, 2014, and of the Technical Guidelines, Tranquilidade adjusted its programme of action to enable compliance with the new legislation.

During 2015 year and within the integrated scope of the Tranquilidade Group, several activities and projects were implemented, of which the following are highlighted:

- active involvement in the work groups of the Portuguese Insurers Association about matters relating to the evolution of the Solvency II project;
- Reply to Circular nº 1/2015 of 16 July;
- Definition and formalisation of sundry policies within the scope of monitoring the Solvency II Programme in force;
- Systematisation of all legislation relating to the Solvency II on the Group's Intranet;
- Preparation and submission to the ASF of quantitative and qualitative reports of the preparatory phase, at individual and Group level;
- ORSA Report;
- Updating of the cash-flows projection tool (T-Vida);
- Review of processes, information and respective documentation for reporting and calculation of capital-costs;
- Review of the Governance System;
- Development of the Money Laundering and Financing of Terrorism Prevention Policy (T-Vida), creation of a Sanctions and Anti-corruption policy and implementation of Know Your Customer and document-conservation procedures;
- Monitoring and reporting the operating risk related with fraud.
- Implementation of the Business Continuity review cycle, as planned (including performance of Business Continuity operational exercises);

## **AP VIII CALM EAGLE HOLDINGS S.C.A.**

- Preparation of specific training and information programmes;
- Start to the project for the replacement of tools / Datawarehouse allowing response to the Pillar I and III requirements;
- Start to the ORSA process review project.

In the matter of Solvency II, the measures/projects called for in the previously-defined Solvency II Programme (Roadmap) were also monitored.

### **GOALS FOR 2016**

The economic environment in 2016 is set to be positive, though there is still volatility in the international markets and uncertainty as to Portugal's real recovery capacity, which might call into question the process of adjustment and rebalancing of public accounts, entailing risks and impacts for Portuguese households and companies.

The insurance industry therefore continues to be in a challenging environment in which several changes are on the horizon that are set to bring about new opportunities for Tranquilidade. Limited economic growth impacts on market growth potential in the medium term, though some business lines, particularly Health, have considerable potential.

Furthermore, the context of low interest rates creates even greater pressure for the need for technical rebalancing in Workmen's Compensation and Group Health, but also in Motor, and a more rational competitive environment, not just one based on price reductions, is to be expected.

The entry into force of new legislation, Solvency II and increasingly demanding regulatory rules, in particular, open up the way to market consolidation and bring in more demanding shareholders that render the insurers that remain in business increasingly professional and innovative, in order to respond to market challenges.

The coming year will be a key year for the Group to lay the foundations to pursue growth opportunities in the coming years, combining them with the necessary margin-improvement efforts.

The strategic challenges of 2016 are clear:

1. To continue to develop benchmark partnerships, investing in their professional distribution channels;
2. To continue to improve the margin, through greater technical capacity and control of operating costs;
3. To strengthen the focus on the Individuals sector;
  - To increase the number of regular producers and sales of products with higher margins: Multi-risk Home, Health and Life Risk;
  - To maintain high retention in Motor, while also looking to improve it outside the renewal period;
4. To manage the development of the Company segments in a balanced manner:
  - In Medium and Large Enterprises, to ensure profitable renovation of the business, and improve the attractiveness and the attraction of new customers, as well as of the equipment of current ones through distribution partners having a special vocation for businesses;
  - In the Business segment, to maintain price discipline in Motor and Workmen's Compensation.

The coming year will be decisive in terms of transformation of the business. Two structural projects are in progress at the Company: the CST and the Vision 2020 projects.

The CST project focuses on shorter-term initiatives, which are being already implemented by multidisciplinary teams. They have a significant impact on the business and aim to transform



## **AP VIII CALM EAGLE HOLDINGS S.C.A.**

Tranquilidade quickly into a "Swift, Simple and Triumphant" organisation, focused on catalysing profitable growth.

The Vision 2020 project is setting out the Group's strategic plan for the next 5 years. The ultimate goal is to ensure a shared, common and cohesive vision of the Company's priorities that will have an inspiring and consequently transforming and mobilising power over the team in the coming years.

### **RESEARCH AND DEVELOPMENT**

During the year, there was no activities in the sector of R&D.

### **OWN SHARES**

The Company does not hold any own shares.

### **EVENTS OCCURRED AFTER THE CLOSING**

On March 25, the agreement for the purchase and recapitalisation of Açoreana Seguros, SA, was signed between Apollo Global Management, shareholder of the Tranquilidade Group, and the shareholders of Açoreana Seguros, SA.

The transaction has been closed in August 2016.


On January 22, 2016, the share capital of the Company increased by an amount of EUR 9,435,670.00 in order to bring it to an amount of EUR 102,000,006 by way of issuance of new shares, fully paid.

*November 2,*

Luxembourg, ... 2016

The General Partner

AP VIII Euro U.P.



To the Partners of  
AP VIII Calm Eagle Holdings S.C.A.  
44, avenue John F. Kennedy  
L-1855 Luxembourg

## REPORT OF THE REVISEUR D'ENTREPRISES AGREE

### Report on the consolidated financial statements

We have audited the accompanying consolidated financial statements of AP VIII Calm Eagle Holdings S.C.A., which comprise the consolidated statement of financial position as at December 31, 2015, and the consolidated statement of comprehensive income, statement of changes in equity and consolidated statement of cash flow for the period from August 27, 2014 to December 31, 2015, and a summary of significant accounting policies and other explanatory information.

#### *Responsibility of the Board of Managers of the General Partner for the consolidated financial statements*

The Board of Managers of the General Partner is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control the Board of Managers of the General Partner determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

#### *Responsibility of the réviseur d'entreprises agréé*

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing as adopted for Luxembourg by the *Commission de Surveillance du Secteur Financier*. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the *réviseur d'entreprises agréé*'s judgement including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the *réviseur d'entreprises agréé* considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Board of Managers of the General Partner, as well as evaluating the overall presentation of the consolidated financial statements.

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

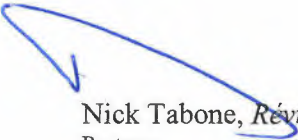
## *Opinion*

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of AP VIII Calm Eagle Holdings S.C.A. as at December 31, 2015, and its financial performance and its consolidated cash flows for the period from August 27, 2014 to December 31, 2015 in accordance with International Financial Reporting Standards.

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

The consolidated management report, which is the responsibility of the Board of Managers of the General Partner, is consistent with the consolidated financial statements and has been prepared in accordance with the applicable legal requirements.

For Deloitte Audit, *Cabinet de révision agréé*



Nick Tabone, *Réviseur d'entreprises Agréé*  
Partner

November 2, 2016

## AP VIII CALM EAGLE HOLDINGS S.C.A.

### CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT DECEMBER 31, 2015 (IN THOUSANDS OF EURO)

	Notes to the Accounts	December 31, 2015		
		Gross value	Impairment, depreciation/ amortisation or adjustment	Net value
Cash & cash equivalents and sight deposits	10	61,419	-	61,419
Investments in affiliates, associates and joint venture	2	60,919	-	60,919
Financial assets classified in the initial recognition at fair value through profit or loss	9	77,721	-	77,721
Available-for-sale assets	9	644,200	5,753	638,447
<b>Loans &amp; Receivables</b>	9	<b>39,672</b>	<b>15,000</b>	<b>24,672</b>
Deposits at cedent companies		2	-	2
Other deposits		18,665	-	18,665
Loans granted		20,553	15,000	5,553
Other		452	-	452
<b>Land &amp; Buildings</b>	11	<b>122,785</b>	<b>10,021</b>	<b>112,764</b>
Property, plant and equipment		46,079	10,021	36,058
Investment property		76,706	-	76,706
Other tangible assets	12	56,515	51,080	5,435
Goodwill	14	26,437	25,785	652
Other intangible assets	14	132,673	94,901	37,772
Inventories	7	66	-	66
<b>Technical provisions for reinsurance ceded</b>	2	<b>56,818</b>	-	<b>56,818</b>
Provisions for unearned premiums		16,347	-	16,347
Mathematical provision for life business		666	-	666
Provision for claims		39,258	-	39,258
Provision for profit-sharing		547	-	547
<b>Other debtors for insurance &amp; other operations</b>	15	<b>91,024</b>	<b>10,755</b>	<b>80,269</b>
Receivables for direct insurance operations		53,253	8,997	44,256
Accounts receivable for other reinsurance operations		13,244	237	13,007
Accounts receivable for other operations		24,527	1,521	23,006
<b>Tax assets</b>		<b>15,103</b>	-	<b>15,103</b>
Current tax assets	26	5,143	-	5,143
Deferred tax assets	26	9,960	-	9,960
Accruals & deferrals	15	3,059	-	3,059
Other items of assets	15	146,352	-	146,352
<b>TOTAL ASSETS</b>		<b>1,534,763</b>	<b>213,295</b>	<b>1,321,468</b>

## AP VIII CALM EAGLE HOLDINGS S.C.A.

### CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT DECEMBER 31, 2015 (CONTINUED) (IN THOUSANDS OF EURO)

	Notes to the Accounts	December 31, 2015
<b>LIABILITIES</b>		
<b>Technical provisions</b>	2	<b>843,587</b>
Provisions for unearned premiums		91,170
Mathematical provision for life business		271,628
<b>Provisions for claims</b>	2	<b>460,505</b>
For life insurance		15,717
Workers' compensation		239,392
Other business lines		205,396
Provision for profit-sharing		4,252
Provision for rate commitments		1,133
Provision for unexpired risks		14,899
Financial liabilities of the deposit component of insurance contracts and of insurance contracts and transactions considered investment contracts for accounting purposes		177,647
<b>Other financial liabilities</b>	8	<b>31,632</b>
Deposits received from reinsurers		650
Other	23	30,982
Liabilities for post-employment benefits & other long-term benefits	25	11,343
<b>Other creditors for insurance &amp; other operations</b>	15	<b>60,397</b>
Payables for direct insurance operations		17,421
Payables for other reinsurance operations		17,764
Payables for other operations		25,212
<b>Tax liabilities</b>		<b>17,495</b>
Current tax liabilities	26	17,495
Accruals & deferrals	15	26,529
Other Provisions	15	5,980
<b>TOTAL LIABILITIES</b>		<b>1,174,610</b>
Equity capital	27	23,164
<b>Revaluation reserves</b>	28	<b>(18,359)</b>
For adjustment of the fair value of financial assets		(14,970)
For currency translation differences		(3,389)
Deferred tax reserve		3,335
Other reserves		(240)
Retained earnings		-
Share premium		71,486
Net result for the year		52,539
<b>TOTAL EQUITY ATTRIBUTABLE TO THE GROUP</b>		<b>131,925</b>
Non-controlling interests		14,933
<b>TOTAL EQUITY</b>		<b>146,858</b>
<b>TOTAL LIABILITIES &amp; EQUITY</b>		<b>1,321,468</b>

# AP VIII CALM EAGLE HOLDINGS S.C.A.

## CONSOLIDATED STATEMENT OF PROFIT OR LOSS FOR THE YEAR ENDED DECEMBER 31, 2015 (IN THOUSANDS OF EURO)

	Notes to the Accounts	2015			
		Technical Life	Technical Non-Life	Non-Technical	Total
<b>Premiums earned, net of reinsurance</b>		<b>33,850</b>	<b>306,586</b>	<b>0</b>	<b>340,436</b>
Gross premiums written	16	36,772	365,703	-	402,475
Ceded reinsurance premiums	16	(2,576)	(54,172)	-	(56,748)
Provisions for unearned premiums (change)	2 & 16	(504)	(1,425)	-	(1,929)
Provisions for unearned premiums, reinsurers' part (change)	2 & 16	158	(3,520)	-	(3,362)
Commissions on insurance contracts and transactions considered investment contracts or provision of services contracts for accounting purposes	17	443	-	-	443
<b>Costs of claims, net of reinsurance</b>	2	<b>40,689</b>	<b>221,516</b>	<b>-</b>	<b>262,205</b>
Amounts paid		<b>35,466</b>	<b>208,956</b>	<b>-</b>	<b>244,422</b>
Gross amounts		36,124	234,663	-	270,787
Reinsurers' part		(658)	(25,707)	-	(26,365)
Provision for claims (change)		<b>5,223</b>	<b>12,560</b>	<b>-</b>	<b>17,783</b>
Gross value		5,663	7,897	-	13,560
Reinsurers' part		(440)	4,663	-	4,223
Other technical provisions, net of reinsurance		(961)	(2,945)	-	(3,906)
<b>Mathematical Provision of Life Business, Net of Reinsurance</b>		<b>(11,642)</b>	<b>-</b>	<b>-</b>	<b>(11,642)</b>
Gross amount		(11,622)	-	-	(11,622)
Reinsurers' part	2	(20)	-	-	(20)
Profit sharing, net of reinsurance	2	2,152	(1,044)	-	1,108
<b>Net operating costs &amp; expenses</b>	23	<b>9,541</b>	<b>102,147</b>	<b>4,777</b>	<b>116,465</b>
Acquisition costs		6,695	76,137	-	82,832
Deferred acquisition costs (change)	2	6	(128)	-	(122)
Administrative costs	23	3,732	35,139	4,777	43,648
Reinsurance commissions and profit sharing		(892)	(9,001)	-	(9,893)
<b>Income</b>	18	<b>4,568</b>	<b>6,646</b>	<b>3,840</b>	<b>15,054</b>
On interest on financial assets not carried at fair value through profit or loss		4,389	5,094	1,484	10,967
Other		179	1,552	2,356	4,087
<b>Financial Costs</b>	18	<b>432</b>	<b>1,592</b>	<b>303</b>	<b>2,327</b>
Other		432	1,592	303	2,327
<b>Net gains on financial assets &amp; liabilities not carried at fair value through profit or loss</b>	6, 19 & 20	<b>5,164</b>	<b>4,330</b>	<b>1,301</b>	<b>10,795</b>
On available-for-sale assets		6,184	4,330	468	10,982
On financial liabilities carried at amortised cost		(1,020)	-	-	(1,020)
On others		-	-	833	833
<b>Net gains on financial assets &amp; liabilities carried at fair value through profit or loss</b>	6, 19 & 20	<b>280</b>	<b>(220)</b>	<b>(42)</b>	<b>18</b>
Net gains on financial assets & liabilities classified in the initial recognition at fair value through profit or loss		280	(220)	(42)	18
Currency translation differences	21	69	148	(4,868)	(4,651)
Net gains on the sale of non-financial assets not classified as available-for-sale non-current assets and discontinued operating units	6, 19 & 20	-	2,991	(2,412)	579
<b>Impairment losses (net of reversal)</b>		<b>-</b>	<b>(170)</b>	<b>(7,810)</b>	<b>(7,980)</b>
On available-for-sale assets	9	-	(170)	(4,328)	(4,498)
On loans and receivables carried at amortised cost		-	-	(200)	(200)
On others	9, 14 & 15	-	-	(3,282)	(3,282)
Other technical income/costs, net of reinsurance	22	3	(2,833)	-	(2,830)
Other provisions (change)	22	-	-	(3,701)	(3,701)
Other income/expenses	22	-	-	(4,082)	(4,082)
Negative goodwill recognised immediately in profit or loss	33	-	-	72,541	72,541
Gains & losses on associates and joint ventures carried using the equity method	18	-	-	5,527	5,527
<b>Net result before tax</b>		<b>4,166</b>	<b>(3,788)</b>	<b>55,214</b>	<b>55,592</b>
Corporation tax for the period - Current tax	26	-	-	(2,668)	(2,668)
Corporation tax for the period - Deferred tax	26	-	-	1,119	1,119
<b>Net result from continuing operations</b>		<b>4,166</b>	<b>(3,788)</b>	<b>53,665</b>	<b>54,043</b>
<b>DISCONTINUED OPERATIONS</b>					
Net result from discontinued operations	35	-	-	(2,550)	(2,550)
<b>Net result for the year</b>		<b>4,166</b>	<b>(3,788)</b>	<b>51,115</b>	<b>51,493</b>
<b>Attributable to:</b>					
<b>- Owners of the parent</b>					
Net result from continuing operations					55,560
Net result from discontinued operations					(3,021)
<b>Net result for the year</b>					<b>52,539</b>
<b>- Non-controlling interests</b>					
Net result from continuing operations					(1,516)
Net result from discontinued operations					471
<b>Net result for the year</b>					<b>(1,045)</b>
					<b>51,493</b>



## AP VIII CALM EAGLE HOLDINGS S.C.A.

### CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED DECEMBER 31, 2015 (IN THOUSANDS OF EURO)

	December 31, 2015
<b>Net result for the year</b>	<b>51,493</b>
<b>Items that may be reclassified to the consolidated statement of profit or loss</b>	<b>(16,692)</b>
Change in fair value of available-for-sale investments	(20,398)
Change in current & deferred taxes	3,705
<b>Items that will not be reclassified to the consolidated statement of profit or loss</b>	<b>(1,593)</b>
Change of actuarial deviations recognised in reserves	(1,593)
Change in current & deferred taxes	-
<b>Total comprehensive income for the year</b>	<b>33,207</b>
Attributable to:	
- Owners of the parent	36,081
- Non-controlling interests	(2,874)
	<b>33,207</b>

AP VIII CALM EAGLE HOLDINGS S.C.A.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED DECEMBER 31, 2015 (IN THOUSANDS OF EURO)

Revaluation reserves

	Share capital	For adjustment of the fair value of financial assets	For currency translation differences	Deferred tax reserve	Other reserves	Retained earnings	Share premium	Net income for the period	Total Equity attributable to the Group	Non-controlling interests	TOTAL EQUITY
	31	-	-	-	-	-	-	-	31	-	31
<b>Incorporation of the Company</b>	23,133	-	-	-	-	-	71,486	-	94,619	-	94,619
Increase/ (reduction) of the capital	-	(14,970)	(3,389)	3,335	-	-	-	-	(15,024)	(1,668)	(16,692)
Changes in fair value, net of taxes	-	-	-	-	(1,434)	-	-	-	(1,434)	(159)	(1,593)
Actuarial differences recognised in reserves	-	-	-	-	1,194	-	-	-	1,194	408	1,602
Other reserves	-	-	-	-	-	-	-	-	-	17,399	17,399
Change in the consolidation scope	-	-	-	-	-	-	-	-	-	-	-
<b>Total changes in equity</b>	<b>23,164</b>	<b>(14,970)</b>	<b>(3,389)</b>	<b>3,335</b>	<b>(240)</b>	<b>-</b>	<b>71,486</b>	<b>-</b>	<b>79,386</b>	<b>15,980</b>	<b>95,366</b>
Net result for the year	-	-	-	-	-	-	-	52,539	52,539	(1,047)	51,492
<b>Balance as at December 31, 2015</b>	<b>23,164</b>	<b>(14,970)</b>	<b>(3,389)</b>	<b>3,335</b>	<b>(240)</b>	<b>-</b>	<b>71,486</b>	<b>52,539</b>	<b>131,925</b>	<b>14,933</b>	<b>146,858</b>

## AP VIII CALM EAGLE HOLDINGS S.C.A.

### CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED DECEMBER 31, 2015 (IN THOUSANDS OF EURO)

	Notes to the Accounts	<b>2015</b>
<b>Cash flow from operating activities</b>		<b>(196,988)</b>
Profit for the year		51,493
Depreciation and amortisation		17,480
Negative goodwill arising on acquisition		(72,541)
Increase/(decrease) in provisions for direct technical insurance		(11,911)
Increase/(decrease) in provisions for ceded technical reinsurance		10,347
Increase/(decrease) in other provisions		3,983
Variation of receivables from operation of direct insurance, reinsurance and other		28,370
Variation of other assets and liabilities for taxes		(8,185)
Variation of other assets and liabilities		23,339
Income and capital gains from financial assets		(21,741)
Impairment of assets, net of reversals and recoveries		7,981
Post-employment benefits		1,052
Change in other elements of assets		(227,489)
Variation of payables from operation of direct insurance, reinsurance and other		(546)
Net cash inflow / (outflow) from discontinued operating activities		1,380
<b>Cash flow from Investing Activities</b>		<b>139,364</b>
Variation of investments		75,612
Rents		4,374
Payments to acquire financial assets		(1,110)
Net cash inflow on disposal of shares		8,362
Net cash inflow on acquisition of shares		46,460
Dividend received		8
Interest		3,508
Acquisition of tangible and intangible assets		(6,863)
Disposal of tangible and intangible assets		1,374
Acquisition of properties		(298)
Disposal of land and buildings		11,408
Net cash inflow / (outflow) from discontinued investing activities		(3,471)
<b>Cash flow from Financing Activities</b>		<b>119,043</b>
Proceeds from issue of equity instruments		19,406
Proceeds from payment of share capital without issuance of shares		74,977
Proceeds from borrowings		25,000
Net cash inflow / (outflow) from discontinued financing activities		(340)
<b>Net change in cash &amp; cash equivalents &amp; sight deposits</b>		<b>61,419</b>
Cash & cash equivalents at the start of the period		-
Cash & cash equivalents at the end of the period	10	61,419

## **AP VIII CALM EAGLE HOLDINGS S.C.A.**

### **NOTE 1 - GENERAL INFORMATION**

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

The Company was initially incorporated under the laws of Luxembourg as a Société à Responsabilité Limitée for an unlimited period. On December 30, 2015, an extraordinary general meeting decided to change the legal form of the Company into a corporate partnership limited by shares (Société en Commandite par Actions).

The registered office of the Company is established at 44 avenue John F. Kennedy, L-1855 Luxembourg. The Company's financial year starts on January 1 and ends on December 31 of each year. Exceptionally, the first Company's financial period starts on November 14, 2014 (date of incorporation) and ends on December 31, 2014. The first consolidated accounts have been prepared for the year ended December 31, 2015.

The main activity of the Company is acquisition of participations, in Luxembourg or abroad, in any companies or enterprises in any form whatsoever, and the management of those participations. The Company may in particular acquire, by subscription, purchase and exchange or in any other manner, any stock, shares and other participation securities, bonds, debentures, certificates of deposit and other debt instruments and, more generally, any securities and financial instruments issued by any public or private entity. It may participate in the creation, development, management and control of any company or enterprise. Further, it may invest in the acquisition and management of a portfolio of patents or other intellectual property rights of any nature or origin. The Company may borrow in any form, except by way of public offer. It may issue, by way of private placement only, notes, bonds and any kind of debt and equity securities. It may lend funds, including, without limitation, the proceeds of any borrowings, to its subsidiaries, affiliated companies and any other companies. It may also give guarantees and pledge, transfer, encumber or otherwise create and grant security over some or all of its assets to guarantee its own obligations and those of any other company, and, generally, for its own benefit and that of any other company or person. For the avoidance of doubt, the Company may not carry out any regulated financial sector activities without having obtained the requisite authorisation.

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

As at December 31, 2015 the Company owns direct and indirect subsidiaries (jointly referred to as the "Group").

The core business activity of the Group is carried out through its subsidiary in Portugal (90.01% of ownership) – Companhia de Seguros Tranquilidade, SA, (hereinafter "Tranquilidade"). Tranquilidade is the result of the transformation of the former state-owned company Tranquilidade Seguros into a mainly state-owned *sociedade anónima*, EP, which had been formed by the merger of Companhia de Seguros Tranquilidade, Companhia de Seguros A Nacional and Companhia de Seguros Garantia Funchalense. Following the two stages of privatisation at the end of 1989 and of 1990, Tranquilidade was then mainly owned by the Espírito Santo Group. As from December 30, 2004, Tranquilidade merged ESIA – Inter-Atlântico Companhia de Seguros.

## AP VIII CALM EAGLE HOLDINGS S.C.A.

The Group was formed on January 15, 2015 by the way of acquisition of 32,000,000 shares representing 100% of the share capital of Tranquilidade, the acquisition having received the prior approval of the Insurance and Pension Fund Supervisory Authority (ASF).

Tranquilidade has its registered office and principal place of business at Av. da Liberdade, 242, Lisbon. It is registered at the Lisbon Registry of Companies. It currently operates through its Lisbon and Porto offices and through a branch in Spain. The distribution network is divided operationally into 21 commercial zones supported by a total of 359 physical points of sale geographically spread across the whole mainland of Portugal and the autonomous regions (Azores and Madeira). By type, the physical network comprises 34 Company Shops, 325 Partners' Shops bearing the Tranquilidade image, of which 176 are Exclusive and 35 are points of sale shared with Novo Banco branches.

During the year 2015, the Group has also acquired and disposed the shares in the Portuguese companies (see note 3.1):

- Calm Eagle Portugal (hereinafter as "Calm Eagle Portugal") – has been incorporated early June 2015 and acquired 49% of the share capital of AdvanceCare – Gestão de Serviços de Saúde, S.A. (hereinafter as "Advance Care") end of June 2015.
- On June 30, 2015, 51% of the share capital of Advance Care acquired in January 2015 by the Group were contributed in kind to Calm Eagle Portugal.
- On December 23, 2015, the Group transferred 100% the shares in Calm Eagle Portugal to its sole shareholder in exchange of a decrease of equity without cancellation of shares.

The Group does business in every Non-Life segment for which it has been authorised by the ASF. Its policies and subscription rules are designed to obtain maximum benefit through segmentation of the price lists of the various products, both for individuals or companies, using every available source of information to assess the quality of the physical, financial and moral risks.

The operating segments in which the Group offers products and solutions of greater relevance to its customers are as follows:

<b>Operating segments - business</b>		
<b>Non Life business</b>		
Workmen's compensation	Fire and other damage	Motor
AT Empregados Domésticos AT Conta Própria AT Conta de Outrem	Tranquilidade Casa Tranquilidade Casa Prestígio MR Estabelecimento MR Condomínio	Automóvel Ligeiros Automóvel Clássicos Automóvel 2 Rodas
MR - Multirisk		
<b>Life business</b>		
Traditional	With-profits capitalization	

## **AP VIII CALM EAGLE HOLDINGS S.C.A.**

### **NOTE 2 - BASIS OF PREPARATION OF THE CONSOLIDATED FINANCIAL STATEMENTS AND ACCOUNTING POLICIES**

#### **2.1. STATEMENT OF COMPLIANCE**

The consolidated financial statements of the Group have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union ("IFRS").

For the purposes of these consolidated financial statements, the term IFRS will be used to encompass both IFRS and the International Accounting Standards (IAS) still in force, as well as all relevant interpretations ('IFRIC') issued by the International Accounting Standards Board (IASB) and endorsed by the European Union.

#### **2.2. BASIS OF PREPARATION**

The Group's consolidated financial statements have been presented for the year ended December 31, 2015.

The Group adopted the IFRS and the mandatory-application interpretations as from the incorporation date as detailed in Note 37.

Recently issued accounting standards and interpretations that have not yet come into force and that the Group has not yet applied in the preparation of its financial statements may also be consulted in Note 37.

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

The consolidated financial statements are expressed in thousands of euros, rounded to the nearest thousand, and they have been prepared in accordance with the historic cost principle, with the exception of assets and liabilities carried at fair value, particularly available-for-sale financial assets, financial assets at fair value through profit or loss and investment properties. Other financial assets and liabilities as well as non-financial assets and liabilities are carried at amortised cost or historic cost less any impairment losses.

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

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



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### **2.3. BASIS OF CONSOLIDATION**

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

#### *Subsidiaries*

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

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

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

#### *Associates*

All companies over which the Group has powers to exert significant influence over their financial and operational policies, though it does not exercise control over them, are classified as associates. The Group is normally presumed to exert significant influence when it is empowered to exercise more than 20% of the associate's voting rights.

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

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

#### *Goodwill*

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs are generally recognised in profit or loss as incurred.

Positive goodwill resulting from acquisitions is recognised as an asset and recorded at acquisition cost and is not subject to amortisation. Goodwill resulting from the acquisition of interest in subsidiaries is defined as the difference between the acquisition cost and the fair value of proportionate to the equity situation acquired.

Goodwill resulting from the acquisition of interest in subsidiaries and associates is defined as the difference between the acquisition cost and the fair value of proportionate to the equity situation acquired, depending on the option taken.

## **AP VIII CALM EAGLE HOLDINGS S.C.A.**

If the goodwill determined is negative, it is recorded directly in profit or loss for the period in which the business combinations occur.

The recoverable amount of the goodwill of the subsidiaries is assessed annually, regardless of the existence of impairment indicators. Any impairment losses are recognised in profit or loss for the period. The recoverable amount is determined based on the value in use of the assets and is calculated with recourse to valuation methodologies supported by discounted cash-flow techniques, considering market conditions, time value and business risks.

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

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

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

### *Loss of control*

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

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

### *Transcript of financial statements of subsidiaries and associates in foreign currency*

The financial statements of each of the Group's subsidiaries and associate companies are prepared in their functional currency, defined as the currency of the economy where these subsidiaries and associates operate. The Group's consolidated financial statements are prepared in euros (EUR), which is the functional currency of the Company, subsidiaries and associates.

With regard to holdings expressed in foreign currencies in which the full consolidation method and the equity method apply, currency-translation differences found between the euro conversion value of assets and liabilities at the beginning of the year and their value converted at the exchange rate in force on the reporting date to which the consolidated accounts refer, are recorded under reserves - currency-translation differences.

The results of these subsidiaries are transposed at their equivalent in euros at an exchange approximating the rates in force on the date on which the transactions are undertaken. Currency-translation differences resulting from the conversion into Euros of the results for the period, between the exchange rates used in the income statement and the exchange rates in force on the reporting date, are recorded in reserves - currency-translation differences.

On the disposal of financial holdings in subsidiaries resident abroad for which there is loss of control, the currency-translation differences associated with financial holding and the with the cover previously recorded under reserves are transferred to profit or loss, as part of the gain or loss resulting from the sale.

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

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

### Consolidation scope

As at December 31, 2015, the consolidated accounts include the Company and the following directly and indirectly owned subsidiaries and participating interest:

Company	Location	Consolidation method	Percentage of control	Percentage of interest
T-Vida, Companhia de Seguros, S.A.	Lisbon, Portugal	Full	100.00%	90.01%
Seguros Logo, S.A.	Porto, Portugal	Full	100.00%	90.01%
Tranquilidade Mocambique Companhia de Seguros, S.A.	Maputo, Mozambique	Full	100.00%	90.01%
Tranquilidade Mocambique Companhia de Seguros Vida, S.A.	Maputo, Mozambique	Full	100.00%	90.01%
Espirito Santo Contact Center, S.A.	Lisbon, Portugal	Full	56.30%	50.68%
Advancecare Health International, S.A.	Lisbon, Portugal	Full	100.00%	90.01%
GNB, Companhia de Seguros, S.A.	Lisbon, Portugal	Equity	25.00%	22.50%
Tranquilidade - Corporacao Angolana de Seguros, S.A.	Luanda, Angola	Full	49.00%	44.10%
Europ Assistance, S.A.	Lisbon, Portugal	Equity	47.00%	42.30%
Companhia de Seguros Tranquilidade, S.A.	Lisbon, Portugal	Full	100.00%	90.01%
Calm Eagle Holdings S.à r.l.	Luxembourg, Luxembourg	Full	100.00%	90.01%
Calm Eagle Intermediate Holdings S.à r.l.	Luxembourg, Luxembourg	Full	100.00%	90.01%
Calm Eagle Parent Holdings S.C.A.	Luxembourg, Luxembourg	Full	90.01%	90.01%
AP VIII Calm Eagle Holdings S.C.A.	Luxembourg, Luxembourg	Parent	-	-

During 2015, the Group converted into share capital the loan granted to Esumédica – Prestação de Cuidados Médicos, S.A., in the amount of EUR 1,000k, having later sold its holding for EUR 445k. As a result of this transaction, the Group recorded under the "Net gains of financial assets and liabilities not carried at fair value through profit or loss" a capital gain of EUR 833k.

Within the consolidation perimeter the Group changed the framework in respect of the holding in Tranquilidade - Corporação Angolana de Seguros, SA, and started using the same full consolidation method, taking into account the level of management control extent.

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Additionally, and within the scope of the introduction of IFRS 10, the Group's consolidation perimeter includes the following special purpose vehicles:

	Country	Activity	Economic interest
Corpus Christi - Fundo de Investimento Imobiliario Fechado	Portugal	Investment Fund	100.00%
Imoprime - Fundo de Investimento Imobiliario Fechado	Portugal	Investment Fund	84.89%

### Investments in associates

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

In TEUR	2015
Tranquilidade - Corporacao Angolana de Seguros, S.A.	-
GNB, Companhia de Seguros, S.A.	11,714
Europ Assitance S.A.	49,205
<b>Balance as at December 31, 2015</b>	<b>60,919</b>

In TEUR	2015			
	Assets	Liabilities	Equity	Net income
Tranquilidade - Corporacao Angolana de Seguros, S.A.	34,200	29,804	4,396	717
GNB, Companhia de Seguros, S.A.	108,185	78,229	29,956	5,885
Europ Assitance S.A.	72,244	39,409	32,834	8,630

The movement of the period is as follows:

In TEUR	2015
<b>Balance as at the acquisition date of subsidiary</b>	<b>64,364</b>
Gains & losses on associates and joint ventures carried using the equity method	5,527
Other changes in equity attributable to the Group	(4,903)
Dividends	(4,069)
<b>Balance as at December 31, 2015</b>	<b>60,919</b>

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### Non-controlling interests

The breakdown of non-controlling interests and the financial information as at December 31, 2015 is as follows:

In TEUR	% Group	% Minority	Minority interest (Balance)	Minority interest (Gains & Losses)
	2015	2015	2015	2015
Espírito Santo Contact Center, S.A.	56.30%	43.70%	1,244	141
Imoprime-Fundo de Investimento Imobiliário Fechado	84.89%	15.11%	5,333	98
Tranquilidade - Corporação Angolana de Seguros,	49.00%	51.00%	1,796	367
River Birch Master Fund, L.P.	97.50%	2.50%	1,642	(413)
CCSP II Acquisition Luxco S.à r.l.	98.23%	1.77%	1,162	(293)
CCP Credit Acquisition Holdings Luxco S.à r.l.	94.28%	5.72%	3,756	(945)
<b>Total</b>			<b>14,933</b>	<b>(1,045)</b>

The movement of the period is as follows:

In TEUR	2015
<b>Balance as at the acquisition date of subsidiary</b>	<b>12,829</b>
Consolidation perimeter change and other variations	1,498
Net income	606
<b>Balance as at December 31, 2015</b>	<b>14,933</b>

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

#### **2.4.1. Financial assets**

##### *Classification*

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

- Financial assets at fair value through profit or loss, which include:
  - financial assets held for trading, which essentially correspond to securities acquired for the purpose of realising gains as a result of short-term fluctuations in market prices. Also derivative and financial instruments, excluding those that meet hedge-accounting requirements, are included in this category;
  - financial assets designated at the time of their initial recognition at fair value, with variations recognised in profit or loss, particularly where:
    - such financial assets are managed, valued and analysed in-house on the basis of their fair value;
    - such designation eliminates any inconsistency of recognition and measurement (accounting mismatch);
    - such financial assets contain embedded derivatives.
- Available-for-sale financial assets, which includes:
  - non-derivative financial assets the intention of which is to be held for an indeterminate period;
  - financial assets that are designated as available-for-sale at the time of their initial recognition;
  - financial assets that do not fall within the other categories.
- Loans and receivables, in which financial assets with fixed or determinable payments, not listed on an active market, are classified, which includes sums receivable related with direct insurance operations, reinsurance ceded and transactions related with insurance contracts and other transactions.
- Financial assets held to maturity, which includes non-derivative financial assets with fixed or determinable payments and fixed maturity for which the Group has the intent and ability to hold to maturity and were not assigned to any other category of financial assets. Any reclassification or sale of financial assets recognised in this category that is not undertaken close to maturity requires the Group to reclassify this entire portfolio as available-for-sale financial assets and the Group will, during two years, be unable to classify any financial asset in this category. During 2014, assets of this category have been sold without complying with the requirements of IAS 39 ("tainting"). On this basis, and up to the end of 2016, the Group cannot have assets classified in this category.



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### *Recognition, initial measurement and derecognition*

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

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

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

Financial assets held to maturity are recognised at their fair value on their initial recognition and are subsequently measured at amortised cost. Interest is calculated using the effective interest rate method.

### *Subsequent measurement*

Following initial recognition, financial assets at fair value through profit or loss are carried at their fair value, and variations are recognised in consolidated statement of profit or loss.

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

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

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

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

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

### *Transfers between categories*

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

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

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

### *Impairment*

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

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

In accordance with the Group's policy, a devaluation of the fair value of a capital instrument of 30% is considered a significant devaluation and the period of 1 year is presumed an ongoing devaluation of the fair value below the acquisition cost.

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

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

### **2.4.2. Derivative financial instruments**

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

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

### **2.4.3. Embedded Derivatives**

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

### **2.4.4. Hedge accounting**

#### *Classification criteria*

Derivative financial instruments used for hedging purposes may be classified for accounting purposes as hedges provided that they cumulatively meet the following conditions:

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- on the start date of the transaction the hedge relationship is identified and formally documented, including identification of the hedged item and of the hedge instrument, and assessment of the effectiveness of the hedge;
- there are expectations that the hedge relationship will be highly effective as of the transaction start-date and over the life of the operation;
- the effectiveness of the hedge can be reliably measured as of the operation start-date and over the life of the operation;
- for hedging of cash flows it must be highly probable that they will occur.

### *Fair-value hedge*

In a fair-value hedge of an asset or liability, the book value of the asset or liability, determined on the basis of the respective accounting policy, is adjusted to reflect the variation of its fair value attributable to the hedged risk. Variations of the fair value of hedges are recognised in profit or loss together with the variations of the fair value of the hedged asset or liability, attributable to the hedged risk.

Should the hedge no longer meet the criteria required to account for the hedge, the derivative financial instrument is transferred to the trading portfolio and the hedge accounting is discontinued prospectively. Should the hedged asset or liability be a fixed-income instrument, the revaluation adjustment is written down up to its maturity using the effective-rate method.

During the period covered by these financial statements, the Group held no hedges classified as fair-value hedges.

### *Cash-flow hedge*

In an operation to hedge exposure to highly probable cash-flow variability (cash-flow hedge), the effective part of the fair-value variations of the hedge is recognised in reserves and is transferred to profit or loss during the period when the hedged item affects profit or loss. The non-effective part of the hedge is recorded in profit or loss.

When a hedge expires or is sold, or when the hedge no longer meets the criteria required for hedge accounting, the fair-value variations of the derivative accumulated under reserves are recognised in profit or loss when the hedged transaction also affects profit or loss. If it can be expected that the hedged transaction will not be undertaken, the amounts still carried in equity are immediately recognised in profit or loss and the hedge is transferred to the trading portfolio.

### **2.4.5. Financial liabilities**

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

Non-derivative financial liabilities include borrowings, creditors for direct insurance and reinsurance operations and other liabilities. Financial liabilities are recorded (i) initially at their fair value less transaction costs incurred, and (ii) subsequently at amortised cost, based on the effective interest rate method.

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

### **2.4.6. Transactions in foreign currency**

Transactions in foreign currency are translated at the exchange rate ruling on the transaction date. Monetary assets and liabilities expressed in foreign currency are translated into euros at the exchange rate ruling on the reporting date. The resultant currency translation differences are

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recognised in consolidated statement of profit or loss except where classified as cash-flow hedges or net investment hedges, in which case the currency translation differences are recognised under reserves.

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

### 2.4.7. Tangible assets

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

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

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

<b>Asset Type</b>	<b>Number of years</b>
Owner-occupied properties	40
IT hardware	3 to 6
Furniture & materials	6 to 10
Indoor facilities	5 to 10
Machines and tools	4 to 8
Transport material	4
Other equipment	3 to 10

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

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

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

### 2.4.8. Investment properties

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

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

Subsequent related expenditure is capitalised where it is probable that the Group will incur future economic benefits over and above the performance level initially estimated.

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### **2.4.9. Intangible assets**

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

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

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

During the period, the Group carried out a thorough review of its IT-cost capitalisation policy carried under intangible assets, and concluded, through the individual analysis of each project, that it was imperative to perform an extraordinary amortisation of these assets, either by resetting their useful lives on the light of their contribution to future income or by reassessment of their materiality.

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

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

Impairment losses are recognised in the consolidated statement of profit or loss.

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### **2.4.10. Goodwill**

Goodwill arising on the acquisition of a business is defined as the difference between the acquisition cost and the total or proportional fair value of the assets and liabilities and contingent liabilities of that business, depending on the option taken.

If the goodwill determined is negative it is recorded directly in profit or loss for the period in which the concentration of the businesses occurs.

The recoverable amount of the goodwill is assessed annually, regardless of the existence of impairment indicators. Any impairment losses are recognised in profit or loss for the period. The recoverable amount is determined based on the greater of the value in use of the assets and the market value less selling costs, and is calculated with recourse to valuation methodologies supported by discounted cash-flow techniques, considering market conditions, time value and business risks.

### **2.4.11. Leasing**

The Group classifies lease transactions as finance leases or operating leases in the light of their substance and not of their legal form, complying with the criteria established in IAS 17 – Leases Transactions in which the risks and benefits inherent in the ownership of an asset are transferred to the lessee are classified as finance leases. All other lease transactions are classified as operating leases.

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

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

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

### **2.4.12. Cash & cash equivalents**

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

### **2.4.13. Reinsurance**

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

In the course of its business, the Group accepts and cedes business. Receivables or payables related to reinsurance business, including balances receivable from or payable to insurance and reinsurance companies, are recorded in accordance with the respective reinsurance treaties.

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



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### **2.4.14. Employee benefits**

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

#### *Post Retirement Benefit Plan*

The Group assumes liability for the payment of old-age and disability pensions to its employees under the terms established in the applicable Collective Bargaining Agreements.

In accordance with the Portuguese Collective Bargaining Agreement published in BTE nº 32 of August 9, 2008, employees covered by this agreement, admitted into the sector up until June 22, 1995, are entitled to access to a pecuniary benefit complementing the pension granted by Social Security.

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

On December 23, 2011, a new insurance Collective Bargaining Agreement was approved, which changed a set of previously defined benefits. The changes that have been made to the Collective Bargaining Agreements were published in BTE nº 4 of January 29, 2015.

From the changes resulting from the new Insurance Collective Bargaining Agreement, the following are highlighted:

- with respect to post-employment benefits, workers in service taken on by June 22, 1995; are no longer covered by a defined-benefit plan and come to be covered by a defined-contribution plan;
- compensation of 55% of base monthly salary payable in 2012; and
- length-of-service bonus equal to 50% of the salary when the employee completes one or more multiples of 5 years with the Group.

With regard to the amendment of the plan and taking into account that the value of the fully-funded liabilities for past services in respect of old-age pensions payable to current employees will be converted into individual accounts of these employees, forming part of their individual retirement plan, according to IAS 19, the Group settled the liability.

The Group's net liability for the defined-benefit pension plan and other benefits is calculated separately for each plan, through an estimate of the value of future benefits that each employee is to receive in exchange for his service during the current and past periods. The benefit is discounted to determine its current value, and the discount rate corresponding to the rate of high-quality corporate bonds of companies with a high rating with a maturity similar to that of the liabilities of the plan. The net liability is determined after deducting the fair value of the Pension Fund's assets.

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

The remeasurement gains and losses, namely (i) the actuarial gains and losses resulting from differences between actuarial assumptions used and the amounts actually incurred (gains and losses of experience) and from the changes in actuarial assumptions and (ii) gains and losses arising from



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the difference between the estimated returns on the fund's assets and the amounts obtained, are recognised in equity under other comprehensive income (Other reserves).

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

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

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

### *Defined-contribution plan*

For defined contribution plans, the liabilities relating to the benefit attributable to the Group's employees are recognised as cost for the year when they fall due.

As at December 31, 2015, the Group has a defined-contribution plan for employees in service taken on by June 22, 1995, as well as for all employees who meet the conditions set out in the new Collective Bargaining Agreement, making annual contributions taking into account the individual remuneration of each employee.

### *Length-of-service bonus*

The length-of-service bonus is 50% of the salary when the employee completes one or more multiples of 5 years with the Group. The length-of-service bonus is determined using the same methodology and assumptions as those of post-employment benefits.

Any actuarial deviations are recorded and taken to profit or loss when incurred.

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### *Health benefits*

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

### *Bonuses*

Employees' variable remunerations, if any, are recorded as a cost for the period to which they refer.

### *Liability for holiday pay and holiday bonus*

This provision is included under accruals and deferrals under liabilities. It corresponds to about 2 months of remuneration and respective charges, based on the figures for the year in question, and it is intended to recognise legal liabilities towards employees at the end of each year for services provided till then, to be settled at a later date.

### **2.4.15. Corporate tax**

The Group is subject to Corporate Income Tax (CIT) and to the Municipal Surcharge in Portugal. It is also subject to CIT and Net Wealth Tax (NWT) in Luxembourg. In Luxembourg, the Group is incurring the minimum CIT and NWT.

In Portugal, the aggregated rate of both taxes in 2015 is 22.5%, plus the respective State Surcharge determined in accordance with Law 66-B/2012 of December 31. According to this law, there is an application of an additional 3% on the portion of taxable income exceeding EUR 1,500,000 and less than EUR 7,500,000, 5% on the portion of taxable income exceeding EUR 7,500,000 and less than EUR 35 million euros, and 7% on the portion of taxable income exceeding the latter amount.

Income taxes include current taxes and deferred taxes. Income taxes are recognised in profit or loss except where they are directly related with items recognised in equity, in which case they are also recorded with a contra-entry under equity.

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

Current tax (the part related to non-Luxembourgish entity of the Group) is calculated on the basis of the taxable profit for the year. Taxable profit differs from the book profit owing to adjustments to the taxable income. It results from existence of the costs and income not relevant for tax purposes, or that will only be considered in other accounting periods, as well as adjustments of value for the purpose of calculation of the taxable capital gains.

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

Deferred tax liabilities are generally recorded for all taxable temporary differences, while deferred tax assets are only recognised up to the amount where it is probable that future taxable profits will allow the use of the corresponding deductible tax or tax-loss differences. Additionally, deferred tax assets are not recorded where their recoverability may be questioned due to other situations, including questions of interpretation of tax legislation in force.

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

### **2.4.16. Provisions and contingent liabilities**

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

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

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

### **2.4.17. Recognition of interest**

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

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

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

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

### **2.4.18. Dividends received**

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

### **2.4.19. Earnings per share**

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

### **2.4.20. Offsetting financial instruments**

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

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

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

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

### **2.4.22. Report by operating segments**

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

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

The Group controls its business through the major operating segments referred to in Note 1.

### **2.4.23. Accounting policies adopted in respect of insurance contracts**

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

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

A contract issued by the Group in which the transferred insurance risk is not significant, but the financial risk transferred is significant, with discretionary profit-sharing, is considered an investment contract and is recognised and measured in accordance with the accounting policies applicable to insurance contracts. A contract issued by the Group that transfers just the financial risk, with no discretionary profit-sharing, is classified as a financial instrument.

Life contracts, in which the investment risk is borne by the policyholder (unit-linked) issued by the Group that merely transfer the financial risk, without discretionary profit-sharing, were classified as investment contracts and are carried as financial instruments. Liabilities correspond to the value of the unit, less management commissions, redemption commissions and any penalties.

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

The fair value of the financial liability is determined through the units, which reflect the fair value of the assets that make up the investment fund, multiplied by the number of units attributable to each policyholder on the reporting date. Liabilities for unit-linked contracts represent the capitalised value of the premiums received as of the balance-sheet date, including the fair value of any guarantees or embedded derivatives.

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

#### Recognition of costs & income

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

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### Premiums

Gross direct insurance, accepted reinsurance and ceded reinsurance premiums written are recorded respectively as income and costs during the year to which they refer, regardless of the moment of their receipt or payment.

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

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

### Provisions for Unearned Premiums

The provision for Unearned Premiums is based on the determination of premiums written before the end of the year but are in force after that date.

This provision has been calculated separately for each contract through the application of the pro-rata temporis method based on gross premiums written.

### Acquisition costs

Acquisition costs that are directly or indirectly related to sales contracts, including brokerage commissions and other expenses charged to the acquisition, are capitalised and deferred over the life of the respective contracts and are recognised as a deduction from the amount of the technical provisions of insurance contract and reflected under Provisions for unearned premiums. Deferred acquisition costs are subject to recoverability tests at the time of issue of the contracts and are subject to impairment tests on the balance-sheet date.

Deferred acquisition costs are written down over the period during which the premiums associated with these contracts are acquired. In accordance with ASF Standards 19/94-R and 3/96-R, deferred acquisition costs for each technical business line are limited to 20% of the provision for unearned premiums.

### Provisions for claims

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

To determine this provision an analysis is performed of claims costs at the end of each year, with a consequent estimate of the liabilities existing as of that date. In the Workmen's Compensation, in that part not related to annuities and the motor lines, the average cost method is applied. The provision for claims management costs is also calculated using the average cost method.

With the exception of the Motor, Health and Liability lines, for IBNR a generic rate of 6% is applied to the amount of claims for the year in respect of reported claims, so as to cover liability for claims reported after the close of the year. For the Health, Liability and Motor lines actuarial estimates have been made, based on triangulations of amounts paid, taking into account the specific characteristics of each line.

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In Workmen's Compensation a Mathematical Provisions is also set aside for claims occurred up to December 31, 2015, that involve payment of pensions already approved by the Labour Court or having reached conciliation agreement, and also the estimated liabilities for pensions claims recorded up to December 31, 2015, that are pending final agreement or sentence.

Mathematical Provisions relating to claims occurred, involving payment of lifetime annuities in respect of Workmen's Compensation are calculated using actuarial assumptions under recognised actuarial methods and current labour legislation.

Additionally, there is also a Mathematical Provision to meet pension liabilities for claims occurred relating to the potential permanent disability of the injured undergoing treatment as at December 31, 2015, or for claims occurred by not yet reported.

The provision for claims is not discounted, except for lifetime annuities in respect of Workmen's Compensation. The Group therefore assesses the adequacy of the liabilities on the basis of the projection of future cash flows discounted at the risk-free market interest rate. Any shortfall is recorded in the Group's profit or loss when determined.

### Mathematical provision of Life business

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

Mathematical provisions are zillmerised and the respective effect is deducted from them.

As of the balance-sheet date, the Group performs an assessment of the adequacy of the liabilities stemming from the discretionary with-profits insurance contracts and investment contracts. The assessment of the adequacy of the liabilities is performed on the basis of the projection of the future cash flows associated with each contract, discounted at the rate or return of the assets to be covered by technical provisions. In the event of a shortfall, it is recorded in profit or loss through the provision for rate commitments.

This assessment is performed product by product or aggregated where the product risks are similar or a managed jointly. Any shortfall is recorded in the Group's consolidated statement of profit or loss when determined.

### Mathematical provision of Non-Life business

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

For Non-Redeemable Pensions (including future payments to the FAT [Workers' Accidents Fund]) TD 73/77 for men and TV 73/77 for women mortality table applies, with an interest rate of 3.2% and management charges of 1.5%. For Redeemable Pensions, the TD 88/90 mortality table with an interest rate of 5.25% and management charges of 0% applies.

### Provision for unexpired risks

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

As stipulated by the ASF, the amount of the provision for unexpired risks to be set aside must be equal to the product of the sum of gross premiums written imputable to a future period or periods

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(unearned premiums) and of premiums enforceable not yet processed in respect of contracts in force, by a ratio based on the sum of the claims ratios, expenses and ceding less the investments ratio.

### Provision for attributed profit-sharing

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

This provision is calculated on the basis of the income from the allocated asset portfolios, including capital gains and losses realised and unrealised recognized profit or loss for the year and impairment losses recorded in the period, less the negative balances of previous years, where this deduction is contractually laid down.

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

According to the provisions of the New Plan of Accounts for Insurance Companies ("PCES 07"), the provision for profit sharing to be attributed reflects the net value of potential gains and losses (fair-value adjustments) of financial assets allocated to the liabilities of with-profits insurance and investment contracts, of the estimated share of the policyholders or beneficiaries of the contract, provided that the balances per portfolio do come to be negative, based on the expectation that they will participate in such unrealised gains and losses as and where they occur, in accordance with the contractual and regulatory conditions applicable.

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



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### Provisions for reinsurance ceded

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

#### 2.4.24. Changes in Direct Insurance and Reinsurance Technical Provisions

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

<b>BALANCE SHEET</b>	<b>2015</b>			
	<b>Businesses/ Groups of Businesses</b>	<b>UPR gross</b>	<b>DAC</b>	<b>UPR Net</b>
<b>In TEUR</b>				
<b>Life</b>				
Traditional	2,577	-		2,577
<b>Non - Life</b>				
Accidents & health	17,338	2,728		14,610
Fire & other damage	25,175	4,940		20,234
Motor	55,067	10,916		44,150
Marine, air and transport	1,556	292		1,264
General third-party liability	3,289	650		2,639
Credit and fidelity insurance	22	4		18
Legal protection	5	1		4
Assistance	6,339	1,259		5,080
Sundry	742	149		593
<b>Total</b>	<b>112,110</b>	<b>20,939</b>		<b>91,170</b>

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

GAINS & LOSSES	2015			
	Businesses/ Groups of Businesses	UPR gross	DAC	UPR Net
In TEUR				
<b>Life</b>				
Traditional	504	(6)	510	
<b>Non - Life</b>				
Accidents & health	2,075	256	1,819	
Fire & other damage	(107)	(65)	(42)	
Motor	1,150	(25)	1,175	
Marine, air and transport	(565)	(77)	(488)	
General third-party liability	138	(41)	179	
Credit and fidelity insurance	(5)	(1)	(4)	
Legal protection	-	-	-	
Assistance	454	94	360	
Sundry	(73)	(13)	(60)	
AMA portfolio acquisition	(1,642)	-	(1,642)	
<b>Total</b>	<b>1,929</b>	<b>122</b>	<b>1,807</b>	

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

<b>Businesses/ Groups of Businesses In TEUR</b>	<b>Balance sheet balance 2015</b>	<b>Change in gains &amp; losses 2015</b>
<b>Life</b>		
Traditional	111	158
<b>Non - Life</b>		
Accidents & health	804	(819)
Fire & other damage	7,392	(303)
Motor	25	(1,631)
Marine, air and transport	743	(318)
General third-party liability	466	(2)
Credit and fidelity insurance	5	-
Legal protection	-	-
Assistance	6,158	(308)
Sundry	643	(139)
<b>Total</b>	<b>16,347</b>	<b>(3,362)</b>

The breakdown of the mathematical provision of Life business reflected under liabilities and the respective annual change in consolidated profit or loss is as follows:

<b>In TEUR</b>	<b>2015</b>
<b>Balance as at the acquisition date of subsidiary</b>	<b>278,831</b>
Variation of the period	(11,622)
Incorporation of profit sharing	91
Other movements	4,328
<b>Balance as at December 31, 2015</b>	<b>271,628</b>

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The breakdown of the mathematical provision for life business for reinsurance ceded reflected under assets and the annual change in the consolidated profit or loss account is as follows:

Products (in TEUR)	Balance sheet balance	Change in gains & losses
	2015	2015
Traditional	666	20
<b>Total</b>	<b>666</b>	<b>20</b>

The breakdown of provisions for claims reflected in the balance sheet and the respective annual variation in consolidated profit or loss is as follows:

Businesses/ Groups of Businesses In TEUR	Balance sheet balance	Change in gains & losses
	2015	2015
<b>Life</b>		
Traditional	6,197	2,254
With-profits capitalisation	9,520	3,409
<b>Non - Life</b>		
Workmen's compensation	239,392	16,821
Personal accidents & health	10,526	36
Fire & other damage	29,944	(9,215)
Motor	136,102	(371)
Marine, air and transport	3,394	(2,550)
General third-party liability	23,269	4,239
Credit and fidelity insurance	22	-
Legal protection	18	9
Assistance	10	(4)
Sundry	2,111	(1,068)
<b>Total</b>	<b>460,505</b>	<b>13,560</b>

The balance of the provision for Workmen's Compensation claims includes the amount of EUR 150,646k in respect of the Workmen's Compensation mathematical provision. This balance of the mathematical provision includes the result obtained through the liabilities adequacy test which was zero, and an update of the contributions to the Works Accidents Fund (FAT) in the sum of EUR 10,520k.

The balance of the provision for claims includes an estimated provision in the sum of EUR 27,185k in respect of claims incurred up to December 31, 2015, and not yet reported (IBNR). It also includes an estimate in the amount of EUR 12,069k for management fees relating to the settlement of outstanding claims declared.

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

Businesses/ Groups of Businesses In TEUR	Balance sheet balance	Change in gains & losses
	2015	2015
<b>Life</b>		
Traditional	568	440
<b>Non - Life</b>		
Workmen's compensation	5,428	(195)
Personal accidents & health	515	343
Fire & other damage	14,486	(5,774)
Motor	7,515	(1,909)
Marine, air and transport	1,174	(861)
General third-party liability	7,917	4,370
Credit and fidelity insurance	4	-
Assistance	8	(3)
Sundry	1,643	(634)
<b>Total</b>	<b>39,258</b>	<b>(4,223)</b>

The balance of the provision for reinsurance ceded includes an estimated provision in the sum of EUR 2,120k in respect of claims incurred up to December 31, 2015, and not yet reported (IBNR).

The breakdown of costs of Non - Life claims is as follows:

Businesses/ Groups of Businesses In TEUR	Amounts paid - Instalments (1)	Amounts paid- Claims- management costs imputed (2)	Change of provision for claims: (3)	Cost of claims (4) = (1) + (2) + (3)
<b>Non - Life</b>				
Accidents & health	95,374	3,290	3,242	101,906
Fire & other damage	35,513	1,467	(9,175)	27,805
Motor				
-Third-party liability,	57,971	4,427	(1,050)	61,348
- Other covers	34,666	1,845	1,998	38,509
Marine, air and transport	2,900	143	(2,643)	400
General third-party liability	4,814	411	4,366	9,591
Credit and fidelity insurance	133	1	-	134
Legal protection	14	4	9	27
Assistance	-	-	(4)	(4)
Sundry	1,738	7	(1,067)	678
<b>Total</b>	<b>233,123</b>	<b>11,595</b>	<b>(4,324)</b>	<b>240,394</b>
Reinsurance accepted	3,445	-	(1,279)	2,166
<b>Grand total</b>	<b>236,568</b>	<b>11,595</b>	<b>(5,603)</b>	<b>242,560</b>

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

Businesses/ Groups of Businesses In TEUR	Balance sheet balance	Change in gains & losses
	2015	2015
<b>Life</b>	4,249	2,152
<b>Non - Life</b>		
Accidents & health	3	(1,044)
<b>Total</b>	<b>4,252</b>	<b>1,108</b>

During the period, there was a significant reduction of the provision for Non-Life profit-sharing due to the elimination of the liability in respect of an old contract in the Accidents and Health business, taking into account the expiry of the associated liability.

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

In TEUR	2015
<b>Balance as at acquisition date of the subsidiary</b>	<b>8,205</b>
Allocation for the year	1,108
Payments	(1,481)
Mathematical provision in the merger	(91)
Variation of participation to assign (shadow accounting)	(3,491)
<b>Balance as at December 31, 2015</b>	<b>4,252</b>

Calculation of the provision for profit-sharing is undertaken policy by policy.

With regard to financial products, its value is checked in the light of the technical interest of each product. In the case of the risk products of group policies, their value was verified in the light of the technical interest for each policy.

The evolution of the provision for profit-sharing on reinsurance ceded carried under assets was as follows:

In TEUR	2015
<b>Balance as at acquisition date of the subsidiary</b>	<b>801</b>
Allocation for the year	775
Receipts	(1,029)
<b>Balance as at December 31, 2015</b>	<b>547</b>

The provision for rate deviations carried under liabilities and the respective annual change in the consolidated profit or loss account is as follows:

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Products (in TEUR)	Balance sheet balance	Change in gains & losses
	2015	2015
Traditional	998	(701)
With-profits capitalisation	135	(191)
<b>Total</b>	<b>1,133</b>	<b>(892)</b>

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

Businesses/ Groups of Businesses In TEUR	Balance sheet balance	Change in gains & losses
	2015	2015
Accidents & health	3,909	(1,751)
Fire & other damage	818	(2,522)
Motor	9,377	1,317
Marine, air and transport	106	33
General third-party liability	-	(38)
Assistance	584	7
Sundry	105	9
<b>Total</b>	<b>14,899</b>	<b>(2,945)</b>

The amounts of Other technical provisions net of reinsurance set out in consolidated profit or loss corresponds to the sum of the change set out hereabove in the provision for portfolio stabilisation (rate deviations) and in the provision for unexpired direct insurance risks tables.

### 2.4.25. Nature and extent of specific insurances risks

The specific insurance risk is the risk inherent in marketing insurance contracts, in product design and respective pricing, in the subscription process, in the provisions set aside for liabilities and in the management of claims and reinsurance. In Non-Life insurance the risk can be divided into Premiums Risk, Reserves Risk and Catastrophic Risk.

In Life insurance the risk can be sub-divided into:

- Mortality Risk: risk of losses caused by an increase of the real mortality compared with the expected mortality;
- Longevity Risk: risk of losses caused by a reduction of the real mortality compared with the expected mortality;
- Discontinuity Risk: risk of losses caused by the more onerous of an increase or a reduction of surrenders compared to the expected level;
- Expense Risk: risk of losses through an increase of costs compared to the expected level;
- Disability Risk: risk of losses through an increase of the disability rate compared to the expected level;
- Catastrophic Risk: risk of losses through occurrence of a catastrophic event affecting Life insurance contracts.



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The processes of subscription, setting aside provisions and reinsurance are duly documented in the report on risk policy insofar as the main activities, risks and controls are concerned.

Succinctly, the more relevant control mechanisms are:

- delegation of competences formally defined for the various processes;
- segregation of functions between the areas that undertake risk analysis, that draw up price lists, that issue technical opinions and that issue policies;
- limited access to the various applications in keeping with the user's profile;
- document scanning in the issue processes and in claims management;
- procedures involving case-by-case checks, exceptions reports and audits;
- recruiting and training policy suited to the responsibilities and technical complexity of the various functions.

The level of provisions is monitored monthly, with a prime focus on the provisions for claims, which are subject to regular analysis as to their sufficiency. Valuation models involving stochastic models have also been implemented.

Any adjustments resulting from alterations to the provisions estimates are reflected under current operating profit or loss. However, owing to the fact that setting aside provisions for claims is of necessity an uncertain process, there can be no guarantee that the actual losses will not be greater than estimated, this risk being covered by the supplementary solvency capital.

The Group has a reinsurance ceded policy based on proportional and non-proportional treaties, the aim being to reduce the impact of major risks, catastrophes and concentration.

The reinsurance programme comprised proportional treaties (Quota-share and Excess) and non-proportional treaties (Excess of Claim, Catastrophe Cover and Stop Loss). In Life, it consists of proportional and non-proportional treaties.

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The summary is presented in the following table:

Business Line	Type of reinsurance
Workmen's compensation	Excess Losses (XL)
Personal accidents	Excess Losses (XL)
Personal Accident (Loan Protection)	Quota-share
Assistance	Quota-share
Motor (own damage)	Excess Losses (XL)
Motor (third-party and occupants liability)	Excess Losses (XL)
Motor (third-party liability)	Excess Losses (XL)
Motor (third-party liability, own damage and occupants)	Excess Losses (XL)
Performance bonds (sub-contractors)	Quota-share
(Fidelity) insurance	Quota-share
Engineering	Proportional
Fire (condominium)	Proportional
Fire (simple risks)	Proportional
Fire & other damage (aggregate)	Excess Losses (XL)
Fire and other damage (natural disasters - sub-layer)	Excess Losses (XL)
Fire and other damage (natural disasters)	Excess Losses (XL)
Fire and loss of profits (establishment and industrial risks)	Proportional
Marine (cargo & hulls)	Excess Losses (XL)
Marine (cargo)	Proportional
Marines (hull- fleets)	Proportional
Marines (hulls)	Proportional
Multi-risks	Excess Losses (XL)
Multi-risks (aggregate)	Excess Losses (XL)
Multi-risks (natural disasters - sub-layer)	Excess Losses (XL)
Multi-risks (natural disasters)	Excess Losses (XL)
Civil liability directors (article 396)	Quota-share
Environmental third-party liability	Quota-share
D&o third-party liability	Quota-share (Optional)
General third-party liability	Excess Losses (XL)
Health professionals civil liability	Quota-share
Health (assistance)	Quota-share
Health (specific medical expenses)	Excess Losses (XL)
Health (medical expenses)	Excess Losses (XL)
Health (serious illnesses)	Quota-share
Life (Financial protection)	Quota-share
Life + Cool	Quota-share
Life Disasters	Excess Losses (XL)
Life Mortgage	Surplus
Life Group	Surplus
Life Individual	Surplus
Life Health Professionals	Surplus
Life Global protection	Excess Losses (XL)
Life VTCC2.0	Surplus

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

Area of analysis	Scenarios	Impact on pre-tax income
		2015
Cost of claims	5% increase of the year's costs of claims, net of reinsurance	(17,099)
Expenses	10% increase of operating costs, net of reinsurance	(15,425)
Mortality	10% decrease of the mortality of the insured of life business	(2,371)
Life expectancy	Decrease of 10% in mortality of current Works Accid. pensioners	(2,548)

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

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

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

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

### 2.4. CRITICAL ESTIMATES AND JUDGEMENTS USED IN THE PREPARATION OF THE FINANCIAL STATEMENTS

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

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

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

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

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

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### **2.4.1 Entities included in the consolidation scope**

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

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

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

### **2.4.2. Impairment of available-for-sale financial assets**

The Group determines that there is an impairment of its available-for-sale assets where there is an ongoing or significant devaluation of their fair value. Determination of an ongoing or significant devaluation requires judgement.

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

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

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

### **2.4.3. Fair value of derivative financial instruments**

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

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

### **2.4.4. Corporation tax**

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

In keeping with tax legislation in force, the tax authorities are entitled to review the calculation of the taxable income made by Group's entities, during a period of four or five years (depending on the tax jurisdiction). It can also be a longer period if deduction of tax losses is involved, in which case a period identical to the time limit for their deduction applies.

There may therefore be corrections to the taxable income as a result of differences in the interpretation of tax legislation. Nevertheless, the Board of Directors is convinced that there will be no significant corrections to the corporate tax recorded in the financial statements.

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### **2.4.5. Pensions & other employee benefits**

Determination of pension liabilities requires the use of assumptions and estimates, including the use of actuarial projections, discount rates and other factors that can impact on the costs and liabilities of the pension plan. Alterations to these assumptions could have a significant impact on the figures determined.

### **2.4.6. Technical provisions**

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

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

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

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

The technical provisions arising from discretionary with-profits insurance and investment contracts include (i) mathematical provision for Life contracts; (ii) mathematical provision for profit-sharing attributed and to be attributed; (iii) provisions for reported and not-reported claims including the respective settlement expenses, (iv) portfolio stabilisation provision, (v) provision for unearned premiums, and (vi) unexpired risk provision.

The mathematical provision includes the valuation resulting from the liabilities adequacy test. The provision for profit-sharing includes the liability determined through shadow accounting. The provision for claims includes the estimate of liabilities for claims occurred as of the balance-sheet date.

Where there are claims indemnifiable under insurance contracts, any sum paid or that is expected to be paid by the Group is recognised as a loss in profit or loss.

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

The Group establishes provisions for payment of claims arising from the insurance contracts. In determining technical provisions arising from insurance contracts, the Group periodically evaluates its liabilities using actuarial methodologies.

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

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

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

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

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

It is considered that the insurance contract liabilities carried in the consolidated financial statements properly reflect the best estimate of amounts payable by the Group as of the reporting date, with the prudence principle being permanently applied.

### **NOTE 3 – NATURE AND EXTENT OF THE MARKET RISK, CREDIT RISK, LIQUIDITY RISK AND OPERATING RISK**

#### **3.1. Market Risk**

Market risk is normally associated with the risk of loss or occurrence of adverse alterations to the Group's financial situation. It is the result of the level or volatility of the market prices of financial instruments and is also closely related to the mismatching-risk between assets and liabilities.

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

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

The introduction of the Overall Risk Management Committee led to the creation of economic and financial risk work groups, the main duties of which are:

- to orient the introduction of integrated risk-management models, as well as economic capital models, approved by the Board of Directors;
- to validate, from a technical standpoint, the modelling of the technical and financial risks to be drawn up by the Overall Risk and Department and approved by the Board of Directors;
- to draw up tolerance indicators based on the models and to monitor variations of the indicators;
- to draw up risk-control mechanisms considering the appetite for risk and the respective tolerances defined by the Board of Directors;

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- to define integrated risk-mitigation strategies, from a standpoint of adequacy of assets and liabilities for analysis by the Overall Risk Management Committee.

The main responsibilities of the Overall Risk Management Committee are to analyse and check the conformity of the decisions taken by the Group with the strategy and policy established for risk management, internal control and compliance. In this connection the management of the sundry risks to which the Group is subject is also monitored, and plans of action are proposed to the Board of Directors as and where warranted.

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

### *Exchange Rate Risk*

The exchange rate risk stems from the volatility of exchange rates of different currencies against the euro. Exposure to this risk is residual, in view of the small amounts of assets expressed in foreign currency and of the existence of a hedge mechanism to mitigate a large part of the amounts in question.

The sensitivity analysis is as follows:

Area of analysis	Scenarios	Impact on pre-tax income in TEUR
		2015
Currency	10% depreciation of the value of all foreign currencies against EUR	(2,888)

### *Equities Risk*

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

Stock market securities held by the Group are exposed to this risk, as are the investment funds consisting wholly or partly of such securities.

The sensitivity analysis is as follows:

Area of analysis	Scenarios	Impact on fair-value reserves before tax in TEUR
		2015
Equities	10% decrease of stock-market values	(8,267)



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### Real Estate Risk

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

Area of analysis	Scenarios	Impact on pre-tax income in TEUR
		2015
Properties	10% decrease in the value of real estate and real estate funds	(13,461)

### Interest rate Risk

Interest rate risk exists for all assets and liabilities whose value is sensitive to alterations of the time frame or to interest rate volatility. In risk exposure terms, as far as assets are concerned, this applies mainly to bonds. Liabilities are exposed to this risk in all Life products, with special emphasis on capitalisation products, and in Non-Life through Works Accidents pensions not mandatorily redeemable, by virtue of carrying out liability adequacy tests.

The figures for the sensitivity analysis performed for interest rate risk are as follows:

Area of analysis	Scenarios	Impact on fair-value reserves before tax in TEUR
		2015
Interest rate	100 b.p. decrease of the interest-rate curve - Effect on Assets	41,550
	100 b.p. increase of the interest-rate curve - Effect on Assets	(35,576)

Area of analysis	Scenarios	Impact on pre-tax income in TEUR
		2015
Interest rate	10 b.p. decrease of the interest-rate curve - Effect on Liabilities	(1,017)
	10 b.p. increase of the interest-rate curve - Effect on Liabilities	794

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### Spread Risk

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

in TEUR	2015		
	Rating	%	value
AAA		4%	25,181
AA		5%	35,609
A		28%	182,870
BBB		42%	272,667
BB		13%	81,676
B		2%	11,328
Unrated		7%	22,386
<b>Total</b>		<b>100%</b>	<b>631,717</b>

The figures above do not include deposits and assets of the Unit-Linked portfolios because they are understood to lie outside the scope of analysis for the risk involved.

### Concentration Risk

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

Sector of activity	2015 (in TEUR)		
	%	Gross Amount	Impairment
Basic resources	2%	16,203	(25)
Communications	2%	15,031	(470)
Consumables (cyclic)	4%	31,107	-
Consumables (non-cyclic)	6%	47,153	(202)
Energy	3%	20,349	-
Financial	45%	336,920	(19,331)
Funds	2%	19,607	-
Public debt	24%	188,395	-
Industrial	4%	31,189	-
Medicine	0%	1,000	-
Technology	1%	11,394	-
Public / collective services	7%	55,793	-
Other	0%	2,971	-
	<b>100%</b>	<b>777,112</b>	<b>(20,028)</b>

The figures above include Investments in associates and joint ventures, Financial assets held for trading, Financial assets classified in the initial recognition at fair value through profit or loss, Hedge derivatives, Available-for-sale assets and Investments held to maturity.

### On held-to-maturity investments

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The Available-for-sale assets heading does not include real-estate investment funds for reasons of consistency with the non-inclusion in this breakdown of investments in Land & buildings.

These figures do not include deposits and assets of the Unit-Linked portfolios because they are understood to lie outside the scope of analysis for the risk involved.

### 3.2. Liquidity Risk

The liquidity risk stems from the possibility that the Group may not hold assets of sufficient liquidity to meet cash-flow requirements to fulfil its obligations to policyholders and other creditors as they fall due.

It should be pointed out that to mitigate this risk the Group prepares a cash-flow plan on a monthly basis, adjusted weekly to its cash requirements/surpluses.

The breakdown of the maturities of financial assets and liabilities as at December 31, 2015 is as follows:

in TEUR	< 1 month	1-3 months	3-12 months	1-5 years	> 5 years	Without maturity	2015
Financial assets	46,377	55,524	42,067	263,445	468,457	211,345	1,087,215
Financial liabilities and mathematical provision	5,161	35,016	33,614	200,897	242,795	23,821	541,304
<b>Net</b>	<b>41,216</b>	<b>20,508</b>	<b>8,453</b>	<b>62,548</b>	<b>225,662</b>	<b>187,524</b>	<b>545,911</b>

Besides the above tables, the liquidity risk is also covered by the investment in land and buildings.

### 3.3. Credit risk

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

One of the control procedures involves systematic monitoring of the amounts and age of overdue premiums.

In the selection of reinsurers and of securities issuers their ratings are taken into account and their evolution is periodically monitored throughout the year.

### 3.4. Operational Risk and Reputational Risk

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

- intentional professional malpractice (internal fraud);
- illicit activities carried on by third parties (external fraud);
- practices related with human resources and safety at work;
- customers, products and commercial practices;

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- external events causing damage to physical assets;
- interruption of the business and systems failures;
- risks related with business processes.

Amongst the main mitigation measures already existing in the Group, we highlight the following, in the light of the risks identified above:

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

Additionally, the legal risk also forms part of the operational risk. The legal risk concept includes, among others, exposure to fines or other penalties resulting from supervisory activities, as well as other types of compensation.

As the main measures implemented by the Group to mitigate the legal risk, besides those already mentioned, we would highlight the following:

- existence/ formalisation of several policies transverse to the entire Group in the matters of fraud prevention, human resources, outsourcing, subscription or claims management, in which the legal risk is specifically addressed;
- existence of formal procedures to monitor compliance with the various legal deadlines to which the Group is subject.

Regarding the more specific scope, we would also emphasise the existence of formal procedures within the scope of the claims management process, particularly in claims settlement, so as to ensure that the law is complied with.

The reputational risk is defined as the risk that the Group companies may incur losses as a result of deterioration of its reputation or position in the marketplace owing to a negative perception of its image among its customers, counterparts, shareholders or supervisory authorities, as well as among the general public.

As a rule, the reputational risk can arise from situations such as:

- possible failures by service-provider entities;
- failures or difficulties occurring during the claims-management process, giving rise to deterioration of the relations between Group companies and policyholders, beneficiaries or injured third parties;
- failures associated with the subscription process, impacting on relations with the customers throughout the entire existing business cycle.

In this connection, of the Group's main measures in dealing with the reputational risk the following are underscored:

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- existence of a Code of Conduct that has been implemented and disclosed;
- existence of formal procedures in the field of claims management;
- existence of a database of contracts of greater value closed with external entities.

### Internal Control System

The Control System may be defined as a set of control activities directed at compliance with the policies and procedures defined for the Group. As such, Internal Control consists of implementation of control activities for the risks of failure to comply with established policies and procedures, particularly with regard to operations and compliance.

In this connection, the risks presented in the Internal Control System fall within the operational risks presented under the Risk Management System, though the granularity is greater.

The approach to the Internal Control System adopted involves the following stages:

- identification of the relevant business units and processes, considering the associated risk;
- documentation of significant processes, including objectives, main activities, risks and associated controls;
- appraisal of the design of the controls and determination of the associated opportunities for improvement. These improvements may involve a strengthening of existing controls or implementation of new controls;
- performance of effectiveness tests on the controls that are identified, confirmation of existing deficiencies and preparation of a correction plan;
- preparation of the Risk Policy Plan.

The organisational structure, or governance model, underpinning the implementation of the Group's risk-management and internal-control system is based on model of three lines of defence:

- a first level represented by the various departments of the company Tranquilidade (Operational Units), which are areas responsible for risk management operationalisation and for the respective controls;
- a second level represented by the Global Risk Department, which performs a supervisory role, with primary responsibility for monitoring the risk-management and internal control system, and by the is charged with Compliance;
- a third level, consisting of the Internal Audit Department and by External Audit, is charged with independent auditing within the scope of the internal-control system, its main goal being to ensure that the controls are effective.

Within the context of the Internal Control System process managers were appointed. Their main duties are to ensure that the system is sufficiently robust to minimise the occurrence of direct or indirect financial losses.

The Internal Control System at the Group is duly formalised in the Risk Policy Report defined within the scope of ASF Standard 14/2005-R of November 29, which has, among others, the following headings:

- Processes;
- Process managers and interlocutors;
- Main activities;

Additionally, the Group keeps a record of operating losses, centred on the Overall Risk Department, in which records are kept of the more relevant losses detected. It provides yet another form of

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monitoring of the operational risk and the possibility of taking corrective measures or defining new controls to prevent or reduce the likelihood of occurrence of similar new incidents in the future.

### NOTE 4 - SOLVENCY

The Group monitors solvency in accordance with ASF Regulatory Standard 6/2007-R of April 27, and the calculation of the respective margin involves the following components:

<b>in TEUR</b>	<b>2015</b>
<u>Constituent elements of the guarantee fund</u>	<u>126,722</u>
Participating undertaking	-
Affiliate undertakings	-
Consolidated of the participating undertaking	128,132
Elimination of the items constituting the Solvency Margin	1,410
<u>Adjusted solvency requirements</u>	<u>92,480</u>
Participating undertaking	49,927
Affiliate undertakings	-
Carrying amount at the participating undertaking	-
Solvency requirement	42,553
<u>Excess / insufficiency of the adjusted solvency margin</u>	<u>34,242</u>
<b>Solvency margin cover rate</b>	<b>137%</b>

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

Following the publication of Law 147/2015, the Commission's Delegate Regulation 2015/35 of October 10, 2014, and of the Technical Guidelines, the Group adjusted its programme of action to enable compliance with the new legislation.

Provisional results were produced for the solvency capital requirement with reference to December 31, 2015. The results obtained indicate the sufficiency of the Group's equity in keeping with the new legislation.

### NOTE 5 - ADEQUACY OF PREMIUMS AND PROVISIONS

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

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

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### NOTE 6 - BUSINESS RATIOS

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

	<u>2015</u>
a) Claims ratio	63.8%
b) Acquisition ratio	20.8%
c) Administrative ratio	9.6%
<b>Combined ratio</b>	<b><u>94.2%</u></b>

a) (Costs of claims + imputed costs + variation of technical provisions + Other costs - technical income) / premiums earned.  
b) (Acquisition brokerage remuneration + imputed costs + variation of deferred acquisition costs ) / gross premiums written  
c) (Administrative brokerage remuneration + imputed costs ) / gross premiums written

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

	<u>2015</u>
Claims / Premiums (IFRS 4)	114.6%
Benefits Paid / Deposits Received (IAS 39)	423.1%
Acquisition Costs / (Premiums + Deposits Received)	15.5%
Administrative Costs / (Premiums + Deposits Received)	8.5%

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### NOTE 7 - AMOUNTS RECOVERABLE ON CLAIMS

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

In TEUR	2015
Receivables	2,662
Adjustment of doubtful loans	(1,659)
<b>Net total</b>	<b>1,003</b>

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

In TEUR	2015
Salvage	63
Other stocks	3
<b>Inventories</b>	<b>66</b>

### NOTE 8 - LIABILITIES FOR INVESTMENT CONTRACTS AND OTHER FINANCIAL LIABILITIES

Movements under liabilities for investment contracts are as follows

In TEUR	Financial without profit- sharing	Unit Links	PPR Unit Linked	Capitalisation Operations Unit Link	Total
<b>Balances as at acquisition date of the subsidiary</b>	156,843	9,459	36,458	211,585	<b>414,345</b>
Changes in consolidation scope	-	-	-	3	3
Additional liabilities of the period, net of commissions	7,192	731	241	-	8,164
Amounts paid	(26,427)	(1,967)	(4,077)	(164,158)	(196,629)
Technical interest	5,041	205	(1,724)	(47,430)	(43,908)
Other movements	(4,328)	-	-	-	(4,328)
<b>Balances as at December 31, 2015</b>	<b>138,321</b>	<b>8,428</b>	<b>30,898</b>	-	<b>177,647</b>

The figures for Other movements relate to reclassifications of products that now have provision for discretionary profit sharing.

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

The amounts carried in the financial statements also include the amounts of Note 19, so the analysis should be performed in conjunction with this note.



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The breakdown of the amount of the financial instruments stratified by the valuation method used, in accordance with the levels laid down IFRS 7, is as follows:

In TEUR	2015		
	Gain	Loss	Balance
<u>Carried at fair value through profit or loss</u>	<b>56,110</b>	<b>(6,923)</b>	<b>49,187</b>
Capitalisation	52,489	(5,034)	47,455
PPR	3,621	(1,889)	1,732
<u>Carried at amortised cost</u>	<b>9</b>	<b>(5,288)</b>	<b>(5,279)</b>
Capitalisation	9	(2,996)	(2,987)
PPR	-	(2,292)	(2,292)
<b>Total</b>	<b>56,119</b>	<b>(12,211)</b>	<b>43,908</b>

In TEUR	2015			Total
	Level 1	Level 2	Level 3	
Unit-Linked product liabilities	-	39,326	-	39,326
Derivatives	-	-	-	-
<b>Total Financial Liabilities</b>	<b>-</b>	<b>39,326</b>	<b>-</b>	<b>39,326</b>

The description of the levels is as follows:

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

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The breakdown of Other financial liabilities is as follows:

<b>In TEUR</b>	<b>2015</b>
Other financial liabilities	
Deposits received from reinsurers	650
Debts towards funds	242
Bank loans	2,107
Trade creditors	(5)
Other	28,638
<b>Book value</b>	<b>31,632</b>

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

The amount of Other financial liabilities is mainly composed of a provision in the amount of EUR 25,374k to be paid to the seller of Tranquilidade by Calm Eagle Holdings S.à r.l. for the sale of GNB Activos (whenever it occurs) and a provision in the amount of EUR 1,846k to be paid to the seller of Tranquilidade by Calm Eagle Holdings S.à r.l. for the sale the shares of ES Contact (whenever it occurs).

The amount of Other financial liabilities is also comprised of creditor bank balances that arose as a result of optimised financial management, taking into account the amount of payment means issued but not yet cashed, and also financial transactions in the settlement stage, taking their value dates into account.

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### NOTE 9 - FINANCIAL INSTRUMENTS

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

<b>In TEUR</b>	<b>2015</b>
Available-for-sale financial assets	638,447
Investments in associates and joint ventures	60,919
Term deposits	18,665
Financial assets at fair value through profit or loss	77,721
<b>Total holdings and financial instruments</b>	<b>795,752</b>
Other financial assets	6,007
<b>Total financial assets</b>	<b>801,759</b>

Investments in associates are detailed in Note 2.3., while information on the remaining financial instruments is provided throughout this Note 9.6.

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

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

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

<b>In TEUR</b>	<b>2015</b>
Bonds & other fixed-income securities	
Public issuers'	223
Other issuers'	74,265
Other floating-rate securities	3,233
<b>Book value</b>	<b>77,721</b>
<i>Acquisition cost</i>	<i>77,261</i>

These securities are valued at their fair value determined on the basis of the prices indicated by the sources used by the Group for the entire instrument, in accordance with the market conditions prevailing on the reporting date.

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### 9.2. AVAILABLE-FOR-SALE FINANCIAL ASSETS

The breakdown of this type of asset is as follows:

<b>In TEUR</b>	<b>2015</b>
Bonds & other fixed-income securities	
Public issuers'	188,396
Other issuers'	369,623
Equities	45,455
Other floating-rate securities	34,973
<b>Book value</b>	<b>638,447</b>

The breakdown of the final balance sheet figures as at December 31, 2015, is as follows:

<b>In TEUR</b>	Amortised or acquisition cost	Accrued interest	Fair-value reserve	Impairment	<b>Book value</b>
Bonds & other fixed-income securities					
Public issuers'	186,262	3,140	(1,005)	-	188,397
Other issuers'	373,604	5,176	(9,158)	-	369,622
Equities	49,896	-	587	(5,028)	45,455
Other floating-rate securities	32,605	-	3,093	(725)	34,973
<b>Balance as at December 31, 2015</b>	<b>642,367</b>	<b>8,316</b>	<b>(6,483)</b>	<b>(5,753)</b>	<b>638,447</b>

During the period, a valuation of the 10% holding in GNB-Gestão de Ativos SGPS, SA (acquired for EUR 29.7 million) was performed by an independent external entity.

Under this agreement, the holding owned by the Group will be sold in 2016 to Novo Banco, SA, or to an entity designated by the latter, for a consideration of EUR 25.4 million, an amount determined on the basis of that valuation. Therefore, an impairment loss of EUR 4.3 million was recorded in the period to reduce the book value of this holding to its realisable value.

As at December 31, 2015 Other floating-rate securities include EUR 15,366k relating to the Group's holdings in real-estate investment funds.

Movements under impairment losses are as follows:

<b>In TEUR</b>	<b>2015</b>
<b>Balance as at acquisition date of subsidiary</b>	<b>1,936</b>
Appropriations for the period	4,498
Cancellations for the period for sale of assets	(2,650)
Written back during the period	-
Changes to the consolidation perimeter	1,969
<b>Balance as at December 31</b>	<b>5,753</b>

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

<b>In TEUR</b>	<b>2015</b>
Bonds & other fixed-income securities	-
Equities & other floating-rate securities	(4,498)
	<b>(4,498)</b>

### 9.3. FINANCIAL ASSETS HELD FOR TRADING

The breakdown of this type of assets is as follows:

<b>In TEUR</b>	<b>2015</b>	
	Fair value	Notional value
Derivatives - forward and swap contracts	(228)	722,870
<b>Book value</b>	<b>(228)</b>	<b>722,870</b>

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

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

Since these contracts have a negative fair value, they are carried under Liabilities, under Other financial liabilities - Other.

### 9.4. HELD-TO-MATURITY INVESTMENTS

As at December 31 2015, no assets are classified in this category. Nevertheless, it should be pointed out that during 2014, the Group sold assets of this category without complying with the requirements of IAS 39 ("tainting"). On this basis, and up to the end of 2016, the Group cannot have assets classified in this category.

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### 9.5. OTHER FINANCIAL ASSETS

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

<b>In TEUR</b>	<b>2015</b>
Loans granted	5,553
Deposits at cedent companies	2
Other	452
<b>Total of other financial assets</b>	<b>6,007</b>

The figures for Others are in respect of financial transactions pending settlement, taking their value dates into account.

The breakdown of the amount of loans is as follows:

<b>In TEUR</b>	<b>2015</b>
Loan capital	3,125
Loans to employees	1,301
Shareholder's loan	1,127
<b>Total loans granted</b>	<b>5,553</b>

The breakdown of the final balance sheet figures as at December 31, 2015, is as follows:

<b>In TEUR</b>	<b>Acquisition cost</b>	<b>Impairment</b>	<b>Book value</b>
Other financial assets			
Ancillary capital contributions	3,125	-	3,125
Loans	16,301	(15,000)	1,301
Shareholder loan principal and interest	1,127	-	1,127
<b>Balance as at December 31, 2015</b>	<b>20,553</b>	<b>(15,000)</b>	<b>5,553</b>

Impairment losses under Loans correspond to the whole of the cash loan to Espírito Santo Financial Portugal, SGPS, SA.

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Movements under impairment losses are as follows:

<b>In TEUR</b>	<b>2015</b>
<b>Balance as at acquisition date of subsidiary</b>	<b>15,000</b>
Appropriations for the period	-
Annulments of the period for derecognition	-
Written back during the period	-
<b>Balance as at December 31</b>	<b>15,000</b>

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

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

<b>In TEUR</b>	<b>2015</b>	
	<b>Fair value</b>	<b>Book value</b>
Cash & cash equivalents and sight deposits	61,419	61,419
Loans & receivables	24,672	24,672
Other debtors for insurance & other operations	80,269	80,269
<b>FINANCIAL ASSETS AT AMORTISED COST</b>	<b>166,360</b>	<b>166,360</b>
Financial liabilities on investment contracts	132,051	138,321
Other financial liabilities	3,945	3,945
Other creditors for insurance & other operations	60,397	60,397
<b>FINANCIAL LIABILITIES AT AMORTISED COST</b>	<b>196,393</b>	<b>202,663</b>

Additionally it should be noted that the fair value of the Mathematical provision set out in the financial statements (EUR 271,628k) is EUR 290,477k.

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

Taking into account that they are short-term items, the balance of all other assets and liabilities as of the reporting date is considered a reasonable estimate of their fair value.

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

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### 9.7. VALUATION METHODS

The breakdown of the financial assets stratified by the valuation method used, in accordance with the levels laid down IFRS 7, is as follows:

In TEUR	2015			Total
	Level 1	Level 2	Level 3	
<b>Available-for-sale financial assets</b>	<b>581,732</b>	<b>7,573</b>	<b>49,142</b>	<b>638,447</b>
Securities & equity paper	12,094	-	22,879	34,973
Equities & other floating-rate securities	19,192	-	26,263	45,455
Bonds & other fixed-income securities				
Public issuers'	188,396	-	-	188,396
Other issuers'	362,050	7,573	-	369,623
<b>Financial assets at fair value through profit or loss</b>	<b>77,721</b>	<b>-</b>	<b>-</b>	<b>77,721</b>
Securities & equity paper	3,233	-	-	3,233
Bonds & other fixed-income securities				
Public issuers'	223	-	-	223
Other issuers'	74,265	-	-	74,265
<b>Total Financial Assets</b>	<b>659,453</b>	<b>7,573</b>	<b>49,142</b>	<b>716,168</b>
Derivatives	-	(228)	-	(228)
<b>Total Financial Liabilities</b>	<b>-</b>	<b>(228)</b>	<b>-</b>	<b>(228)</b>

The description of the levels is as follows:

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

The reconciliation of Level 3 assets is as follows:

In TEUR	Acquisition of subsidiary	Potential gains	Purchases	Sales	Readjustments	Reimbursements	Impairments	Gains realised	31 December 2015
<b>Available-for-sale financial assets</b>	<b>50,209</b>	<b>2,576</b>	<b>15,364</b>	<b>(21,814)</b>	<b>5,356</b>	<b>-</b>	<b>(4,498)</b>	<b>1,949</b>	<b>49,142</b>
Securities & equity paper	19,327	2,582	15,364	(21,552)	5,356	-	(147)	1,949	22,879
Equities & other floating-rate securities	30,620	(6)	-	-	-	-	(4,351)	-	26,263
Bonds & other fixed-income securities									
Other issuers'	262	-	-	(262)	-	-	-	-	-
<b>Financial assets at fair value through profit or loss</b>	<b>8,398</b>	<b>-</b>	<b>-</b>	<b>(8,397)</b>	<b>-</b>	<b>(4)</b>	<b>-</b>	<b>3</b>	<b>-</b>
Securities & equity paper	8,292	-	-	(8,292)	-	-	-	-	-
Bonds & other fixed-income securities									
Other issuers'	106	-	-	(105)	-	(4)	-	3	-

As at December 31, 2015 Other floating-rate securities include EUR 25,374k relating to the Company's holding in GNB - Gestão de Ativos, SGPS, SA.

The Securities and units dealt with in this level include, EUR 15,367k in respect of units in closed-end investment funds and EUR 7,512k in respect of private equity funds, whose fair value resulted



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from the publication of the Total Net Value of the Fund (TNVF) determined by the management companies.

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

In TEUR		Impact on profit or loss for the period	Impact on the fair-value reserve
Area of analysis	Scenarios	2015	2015
Investment fund	10% rise in the values of closed real estate investment funds	-	1,183
	10% decrease in the values of closed real estate investment funds	-	(1,183)
	10% rise in the values of private equity funds	-	751
	10% decrease in the values of private equity funds	-	(751)

On March 31, 2015, within the context of the recovery plan of the Tranquilidade and its subgroup, it subscribed, through private subscription, a bond loan in the sum of EUR 20 million, issued by Calm Eagle Holdings, S.à r.l.

This bond loan, which earns interest at the 3-month Euribor rate plus 150 bp, was fully subscribed using the free reserves of T-Vida not allocated to products subscribed by its customers, and with the knowledge and approval of the ASF. The inflow of this loan was fully reinvested in the Group. The coupons of this bond were capitalised on the date of its maturity and yield interest at the rate set for the security. This bond loan had an initial duration of 1 year, having been extended for another year, under the same conditions as the original contract.

No valuation of impacts is included for cases of autonomous funds representing liabilities of investment contracts in which the risk lies with the policyholder.

## NOTE 10 - CASH, CASH EQUIVALENTS & SIGHT DEPOSITS

The balance of this heading is as follows:

In TEUR	2015
Cash in hand	98
Deposits at credit institutions	61,321
	<b>61,419</b>

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### **NOTE 11 -LAND & BUILDINGS**

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

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

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

The "Market Comparison" method is always used. It is based on market evidence, which involves market research on properties comparable to the one subject to valuation, the values being based on an analysis of transactions involving similar properties.

The "Income" method consists of determining the value of the land or building on the basis of the ratio between the effective annual rent and an appropriate capitalisation rate.

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

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

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

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*Fair-value model*

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

<b>Investment properties - Income-generating Buildings (in TEUR)</b>	<b>2015</b>
<b>Net Balance as at acquisition date of subsidiary</b>	<b>258,272</b>
Changes to the consolidation perimeter	(162,474)
Increases thru acquisition	-
Increases thru improvements	188
Transfers	(10,824)
Written off/Sales	(10,137)
Variations of fair value	1,681
<b>Net Balance as at December 31</b>	<b>76,706</b>

All income properties held directly by the Group are intended to generate rents, even if for some reason rent is not charged; there are therefore no properties for the sole purpose of appreciation. The breakdown of the investment properties in keeping with their ability to generate rent is as follows:

<b>In TEUR</b>	<b>2015</b>
Properties that generate rental income	76,605
Properties that generate no rental income	101
<b>Total</b>	<b>76,706</b>

Amounts recognised in profit or loss in respect of the income and costs of investment properties are as follows:

<b>In TEUR</b>	<b>2015</b>
<b>Rental income</b>	<b>4,374</b>
<b>Operating costs</b>	<b>232</b>
- on properties that generate rental income	114
- on properties that do not generate rental income	118

Included in the rental income referred to above is a rental of about EUR 258k per annum, for a defined period (i.e. 2019), in respect of commercial premises and subject to renegotiation with the tenant after this period.

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### Cost model

The breakdown of Owner-occupied properties as at December 31, 2015, is as follows:

In TEUR	2015
<b>Gross value</b>	<b>46,079</b>
Accumulated depreciation and impairments	(10,021)
<b>Net Balance as at December 31</b>	<b>36,058</b>

Movements under Owner-occupied properties is as follows:

Tangible assets - Own Service Buildings (in TEUR)	2015
<b>Net Balance as at acquisition date of subsidiary</b>	<b>24,423</b>
Changes to the consolidation perimeter	2,452
Additions through acquisition	186
Transfers	10,824
Written off/Sales	(1,271)
Impairments - [(Allocation)/Use]	-
Depreciation charges for the period	(556)
<b>Net Balance as at December 31</b>	<b>36,058</b>

## NOTE 12 - OTHER TANGIBLE FIXED ASSETS AND INVENTORIES

Besides the owner-occupied properties referred to in the preceding Note 9, the Group has other tangible assets measured using the cost model, details of which, as at December 31, 2015, are as follows:

In TEUR	2015
<b>Equipment</b>	<b>56,502</b>
Office equipment	6,256
Machines and tools	1,849
IT Hardware	39,818
Indoor fixtures & fittings	2,326
Leased buildings expenditure	2,962
Transport material	836
Other tangible assets	2,455
<b>Fixed assets in progress</b>	<b>13</b>
<b>Accumulated depreciation</b>	<b>(51,080)</b>
<b>Impairments</b>	<b>-</b>
<b>Total</b>	<b>5,435</b>

Movements under this heading are as follows:

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In TEUR	Equipment	Fixed assets in progress	Total
<b>Net Balance as at acquisition date of subsidiary</b>	<b>6,151</b>	<b>265</b>	<b>6,416</b>
Additions	2,583	94	2,677
Transfers	-	(176)	(176)
Depreciation charges for the period	(2,331)	-	(2,331)
Written off/Sales	(858)	(170)	(1,028)
Changes to the consolidation perimeter	(123)	-	(123)
<b>Balance as at December 31, 2015</b>	<b>5,422</b>	<b>13</b>	<b>5,435</b>

Also mentioned is the existence of other assets amounting to EUR 66k, of which EUR 63k refer to salvage.

### NOTE 13 - ALLOCATION OF INVESTMENTS AND OTHER ASSETS

In accordance with current legal provisions, the Group is obliged to allocate investments and other assets for the total of the technical provisions, in keeping with the limits established by the ASF.

Part of the non-compliance was due to the fact that the Group held a number of assets that were not eligible as technical provisions but which the new shareholder undertook, before the ASF, to sell, the revenue generated by their sale to be used for the recapitalisation of Group.

The sale of these assets began in 2015 and is currently being implemented in full.

The indication of which assets are and are not allocated to the insurance portfolios managed by the Group as at December 31, 2015, is as follows:

In TEUR	2015					
	Life insurance with participation in results	Life insurance without participation in results	Life insurance and operations classified as investment contracts	Non-Life Insurance	Not allocated	Total
Cash & cash equivalents	2,427	74	290	16,762	41,866	61,419
Land & buildings	-	-	-	110,212	2,552	112,764
Investments in affiliates, associates and joint ventures	-	-	-	22,809	38,110	60,919
Financial assets classified in the initial recognition at fair value through profit & loss	28,939	-	4,023	44,759	-	77,721
Available-for-sale financial assets	267,699	8,898	-	350,600	11,250	638,447
Loans and receivables	-	-	16	5,635	19,021	24,672
Other tangible assets	-	-	-	-	5,435	5,435
	<b>299,065</b>	<b>8,972</b>	<b>4,329</b>	<b>550,777</b>	<b>118,234</b>	<b>981,377</b>

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### NOTE 14 - INTANGIBLE ASSETS

All intangible assets are measured using the cost method. The estimated useful lives are finite, standing at 5 years for software development costs and 3 years for software, amortisation being calculated on a straight-line basis.

During the period, the Group carried out a thorough review of its IT-cost capitalisation policy carried under intangible assets, and concluded, through the individual analysis of each project, that it was imperative to perform an extraordinary amortisation of these assets, either by resetting their useful lives on the light of their contribution to future income or by reassessment of their materiality.

This review resulted in the determination of an amount of EUR 6,140k of extraordinary non-recurring amortisation.

During 2015, the Group transferred to the Other intangibles the amount corresponding to the positive difference between the cost of acquisition of the business of the branch in Portugal of AMA - Agrupacion Mutual Aseguradora, Insurance Mutual the Press Fija ("AMA") and the fair value attributable to the respective net assets associated with the insurance portfolio acquired in the amount of EUR 1,244k. The estimated useful life of the acquired insurance portfolio is 4 years.

Value in Force(ViF) corresponds to the acquisition cost of the contractual positions resulting from acquired contracts, including all rights, obligations and guarantees emerging therefrom. This asset is written down over the period of recognition of the income associated with the acquired contracts.

As stated in the accounting policies, the Group conducted a review of the recoverable value of the ViF, concluding that no impairment loss had to be recognised. The test was conducted on the basis of an assessment made by the Group considering market conditions and a discount rate of 10%.

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

<b>In TEUR</b>	<b>2015</b>
<b>Goodwill</b>	<b>26,436</b>
<b>Other intangibles</b>	<b>132,674</b>
Software development costs	64,663
Software	13,915
Intangibles in progress	1,565
Value in force	50,000
Other	2,531
<b>Accumulated amortisation</b>	<b>(94,901)</b>
<b>Impairments</b>	<b>(25,785)</b>
	<b>38,424</b>

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Movements were as follows:

In TEUR	Goodwill	Other intangibles	Software development costs	Software	Intangibles in progress	Value in force	Other	Total
<b>Net Balance as at acquisition date of subsidiary</b>	<b>2,096</b>	<b>49,312</b>	<b>8,482</b>	<b>3,325</b>	<b>6,278</b>	<b>30,738</b>	<b>486</b>	<b>51,408</b>
Additions	-	4,185	1,082	73	2,700	-	330	4,185
Amortisation charges for the period	-	(14,593)	(10,912)	(1,040)	-	(2,218)	(423)	(14,593)
Impairments	(200)	-	-	-	-	-	-	(200)
Transfers	(1,244)	1,244	7,062	466	(7,062)	-	778	-
Written off/Sales	-	(817)	(49)	(601)	-	-	(167)	(817)
Changes to the consolidation perimeter	-	(1,559)	(18)	(1,191)	(350)	-	-	(1,559)
<b>Balance as at December 31, 2015</b>	<b>652</b>	<b>37,772</b>	<b>5,647</b>	<b>1,032</b>	<b>1,566</b>	<b>28,520</b>	<b>1,004</b>	<b>38,424</b>

The remaining balance of the Value in Force will be amortised as follows:

In TEUR	2016	2017	2018	2019	Subsequent
Estimated amortisation	2,074	2,129	2,022	1,791	20,505

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

In TEUR	2015
<b>Amortisation of intangible assets for the period:</b>	<b>14,593</b>
Costs of claims, net of reinsurance	
Amounts paid - Gross amounts	1,983
Net operating costs & expenses	
Acquisition costs	6,852
Administrative costs	5,700
Financial Costs	
Other	58

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### NOTE 15 – OTHER ASSETS, LIABILITIES, ADJUSTMENTS AND PROVISIONS

#### *Assets and adjustments*

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

<b>In TEUR</b>	<b>2015</b>
<b>Gross assets</b>	<b>53,253</b>
Policyholders	
Receipts pending collection	41,689
- reimbursement of claims	6,254
Insurance brokers	353
Co-insurers	4,957
<b>Adjustments</b>	<b>(8,997)</b>
Receipts pending collection	(6,520)
Doubtful debt	(2,477)
<b>Net Assets</b>	<b>44,256</b>

Reimbursements required in respect of payments made as a result of claims occurring during the guarantees suspension period and not yet received amount to EUR 2,542k.

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

<b>In TEUR</b>	<b>2015</b>
<b>Gross assets</b>	<b>13,244</b>
Reinsurers	12,312
Reinsured	932
<b>Adjustments</b>	<b>(237)</b>
Doubtful debt	(237)
<b>Net Assets</b>	<b>13,007</b>



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

<b>In TEUR</b>	<b>2015</b>
<b>Gross assets</b>	<b>24,527</b>
Related entities	457
IFAP	1,351
FAT	971
Management on account of IDS and Principals	3,001
Performance bonds	651
Rents & other amounts pending collection	779
Staff	679
Advances to suppliers	351
Clients	11,895
Other receivables	4,392
<b>Adjustments</b>	<b>(1,521)</b>
Doubtful debt	(1,521)
<b>Net Assets</b>	<b>23,006</b>

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

<b>Adjustment of receipts pending collection (in TEUR)</b>	<b>2015</b>
<b>Balance as at acquisition date of subsidiary</b>	<b>4,402</b>
Appropriations for the period	2,121
Use for the year	(3)
<b>Balance as at December 31</b>	<b>6,520</b>
<b>Adjustment of doubtful loans (in TEUR)</b>	<b>2015</b>
<b>Balance as at acquisition date of subsidiary</b>	<b>2,936</b>
Appropriations for the period	1,366
Use for the year	-
Changes to the consolidation perimeter	(67)
<b>Balance as at December 31</b>	<b>4,235</b>

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

<b>In TEUR</b>	<b>2015</b>
<b>Accrued income</b>	<b>454</b>
- Services rendered	120
- Financial Income on Reinsurance Ceded	334
- Other accruals	-
<b>Deferred costs</b>	<b>2,605</b>
- Insurance	45
- Rentals	55
- Acquisition costs	1,321
- Other deferred costs	1,047
- Outsourcing	137
<b>Total</b>	<b>3,059</b>

The balance of Other elements of assets has to do with investment contracts marketed by the Group but whose assets are operationally managed by GNB – Seguros Vida, their breakdown being as follows:

<b>In TEUR</b>	<b>2015</b>
<b>Balance as at acquisition date of subsidiary</b>	<b>170,588</b>
Deposits received	7,447
Benefits paid	(34,295)
Technical interest for the period	2,612
<b>Balance as at December 31</b>	<b>146,352</b>

### *Liabilities and provisions*

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

<b>In TEUR</b>	<b>2015</b>
Policyholders (return premiums payable)	4,527
Insurance brokers	
- Commissions payable	2,726
- Current accounts	3,438
Co-insurers	6,730
<b>Total</b>	<b>17,421</b>

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

<b>In TEUR</b>	<b>2015</b>
Reinsurers	17,113
Reinsured	651
<b>Total</b>	<b>17,764</b>

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

<b>In TEUR</b>	<b>2015</b>
Related entities	5,842
Suppliers of leased goods	23
Other suppliers of goods & services	2,533
IFAP	2,009
WA Pensions	1,769
Other payables	13,036
<b>Total</b>	<b>25,212</b>

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

<b>In TEUR</b>	<b>2015</b>
<b>Deferred income</b>	<b>1</b>
- Rentals	1
<b>Accrued costs</b>	<b>26,528</b>
- Staff costs (subsidies, charges & bonuses)	9,508
- Acquisition costs (incentives & commissions)	4,865
- Third-party supplies & services	9,497
- Services rendered to related companies	21
- Other	2,637
<b>Total</b>	<b>26,529</b>

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

<b>In TEUR</b>	<b>2015</b>
Taxes	2,204
Other adjustments	3,701
Other risks	75
<b>Total</b>	<b>5,980</b>

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In TEUR	2015
<b>Balance as at acquisition date of subsidiary</b>	<b>1,997</b>
Appropriations for the period	3,985
Use for the year	(2)
<b>Balance as at December 31</b>	<b>5,980</b>

The positive change of Other provisions is the result of the component in respect of compensatory interest payable in the event of an unfavourable decision as to the use of tax deduction in determining Corporation tax (IRC) from 2006 to 2009, in respect of tax losses on a corporate merger. It is also explained by the setting aside of a provision to safeguard protect differences of reconciliations of debtor and creditor accounts. These changes are included in Other non-technical expenses in the statement of profit and loss.

### NOTE 16 - INSURANCE CONTRACT PREMIUMS

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

In TEUR	2015		
Businesses/ Groups of Businesses	Gross premiums written	UPR change	Premiums earned
<b>Life</b>			
Traditional	27,809	504	27,305
With-profits capitalisation	8,964	-	8,964
<b>Non-life</b>			
Accidents & Health	116,129	2,065	114,064
Fire & other damage	66,596	(204)	66,800
Motor	148,440	47	148,393
Marine, air and transport	6,149	(565)	6,714
General third-party liability	10,170	(217)	10,387
Credit and fidelity insurance	29	(6)	35
Legal protection	11	(1)	12
Assistance	15,596	379	15,217
Sundry	2,582	(73)	2,655
<b>Total</b>	<b>402,475</b>	<b>1,929</b>	<b>400,546</b>

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

In TEUR	Businesses/ Groups of Businesses	2015		
		Premiums written	UPR change	Premiums earned
<b>Life</b>				
	Traditional	2,576	158	2,418
<b>Non-life</b>				
	Accidents & Health	4,791	(661)	5,452
	Fire & other damage	26,756	(178)	26,934
	Motor	1,516	(1,628)	3,144
	Marine, air and transport	3,191	(620)	3,811
	General third-party liability	1,436	(17)	1,453
	Credit and fidelity insurance	11	-	11
	Assistance	14,100	(280)	14,380
	Sundry	2,371	(136)	2,507
	<b>Total</b>	<b>56,748</b>	<b>(3,362)</b>	<b>60,110</b>

The breakdown of some figures in respect of Non-Life insurance and reinsurance accepted for 2015 is as follows:

Businesses/ Groups of Businesses (in TEUR)	Gross premiums written	Gross premiums earned	Gross cost of claims	Gross operating costs	Balance of reinsurance
Accidents & Health	116,066	114,217	98,139	29,612	(3,106)
Fire & other damage	66,473	66,760	27,805	23,948	(10,945)
Motor					
- Third-party liability,	93,196	92,822	65,115	28,327	(2,350)
- Other covers	54,285	52,557	38,509	19,056	(1,408)
Marine, air and transport	6,078	6,645	400	1,919	(2,546)
General third-party liability	10,152	10,356	9,591	3,942	4,114
Credit and fidelity insurance	29	35	134	13	(11)
Legal protection	11	11	27	6	-
Assistance	15,596	15,217	(4)	3,215	(13,114)
Sundry	2,583	2,633	678	639	(1,349)
<b>Total</b>	<b>364,469</b>	<b>361,253</b>	<b>240,394</b>	<b>110,677</b>	<b>(30,715)</b>
Reinsurance accepted	1,234	3,025	2,166	471	3,068
<b>Grand total</b>	<b>365,703</b>	<b>364,278</b>	<b>242,560</b>	<b>111,148</b>	<b>(27,647)</b>

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Some amounts of the Life business line are as follows:

<b>In TEUR</b>	<b>2015</b>
<b>Gross direct insurance written and reinsurance accepted premiums</b>	<b>36,794</b>
In respect of personal contracts	26,880
In respect of group contracts	9,914
	<b>36,794</b>
Periodic	29,270
Non-periodic	7,524
	<b>36,794</b>
On without-profits contracts	22,403
On with-profits contracts	14,391
	<b>36,794</b>
<b>Balance of reinsurance</b>	<b>(409)</b>

### NOTE 17 - INSURANCE CONTRACT COMMISSIONS RECEIVED

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

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### NOTE 18 – INVESTMENT INCOME/REVENUE AND EXPENDITURE

The accounting policies adopted for the recognition of income and costs in respect of investments are addressed in Note 2.

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

<b>In TEUR</b>	<b>2015</b>
<b>Interest</b>	<b>11,239</b>
Available-for-sale financial assets	8,242
Financial assets at fair value through profit or loss	272
Held-to-maturity investments	-
Deposits, loans & other assets	2,725
<b>Rents</b>	<b>3,807</b>
Land & buildings	3,807
<b>Dividends</b>	<b>8</b>
Available-for-sale financial assets	8
<b>Net income of associates</b>	<b>5,527</b>
<b>Total</b>	<b>20,581</b>

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

<b>In TEUR</b>	<b>2015</b>
Bonds & other fixed-income securities	
Public issuers'	1,727
Other issuers'	6,809
Equities	5,527
Other floating-rate securities	8
Properties	3,807
Deposits	2,365
Loans & other assets	338
<b>Total</b>	<b>20,581</b>

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The breakdown of the financial costs heading mainly consists as follows:

In TEUR	2015
Costs imputed to the investments function	1,809
Direct operating costs	420
<b>Total</b>	<b>2,229</b>

### NOTE 19 - GAINS & LOSSES REALISED ON INVESTMENTS

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

In TEUR	2015		
	Gain	Loss	Balance
<b>Financial - Not at fair value</b>	<b>21,160</b>	<b>(5,087)</b>	<b>16,073</b>
Available-for-sale financial assets	16,069	(5,087)	10,982
Financial liabilities carried at amortised cost	4,258	-	4,258
Investments in associates and joint ventures	833	-	833
<b>Financial - At fair value</b>	<b>197</b>	<b>(143,263)</b>	<b>(143,066)</b>
Financial assets at fair value through profit or loss	197	(143,263)	(143,066)
<b>Non-financial</b>	<b>33</b>	<b>(172)</b>	<b>(139)</b>
Land & buildings - Held for income	33	(172)	(139)
<b>Total</b>	<b>21,390</b>	<b>(148,522)</b>	<b>(127,132)</b>

Gains on investments in subsidiaries, associates and joint ventures correspond to the capital gain generated by the sale to Calm Eagle Portugal Sociedade Unipessoal Lda, of the Group's holding AdvanceCare – Gestão de Serviços de Saúde, SA ( AdvanceCare). Additionally, losses on Investments in associates and joint ventures correspond to the capital loss on the sale to AdvanceCare of the Group's holding in Esumédica – Prestação de Cuidados Médicos, SA. (Note 7).

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

In addition to the amounts of gains and losses realised on investments, the amounts carried in the financial statements include the technical interest of financial liabilities carried at amortised cost.



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### NOTE - 20 GAINS & LOSSES STEMMING FROM ADJUSTMENTS TO THE FAIR VALUE OF INVESTMENTS

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

In TEUR	2015		
	Gain	Loss	Balance
<b>Financial - At fair value</b>	<b>95,868</b>	<b>(1,972)</b>	<b>93,896</b>
Financial assets at fair value through profit or loss	95,868	(327)	95,541
Financial assets managed by third parties	-	(1,645)	(1,645)
<b>Non-financial</b>	<b>4,469</b>	<b>(3,750)</b>	<b>719</b>
Land & buildings - Held for income	4,469	(3,750)	719
<b>Total</b>	<b>100,337</b>	<b>(5,722)</b>	<b>94,615</b>

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

In addition to the amounts of fair-value adjustments of gains and losses realised on investments, the amounts carried in the financial statements include the technical interest of financial liabilities carried at fair value for gains and losses.

### NOTE 21 - GAINS & LOSSES ON CURRENCY TRANSLATION DIFFERENCES

This heading includes the results of the exchange-rate revaluation of monetary assets and liabilities expressed in foreign currency in accordance with the accounting policy described in Note 2, except those that stem from financial instruments measured at fair value through profit or loss.

The balance is broken down as follows:

In TEUR	2015		
	Gain	Loss	Balance
Available-for-sale financial assets	2,549	(1,945)	604
Financial assets held for trading	264	(439)	(175)
Other	607	(5,687)	(5,080)
<b>Total</b>	<b>3,420</b>	<b>(8,071)</b>	<b>(4,651)</b>

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### NOTE 22 – OTHER INCOME, EXPENSES AND VARIATION OF OTHER PROVISIONS

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

<b>In TEUR</b>	<b>2015</b>
<b>Other technical income</b>	<b>1,611</b>
Co-insurance management commissions	234
Claims management charges	6
Management on account of claims	1,371
<b>Other technical expense</b>	<b>4,441</b>
Co-insurance management commissions	785
Management on account of claims	3,656
<b>Value of gains &amp; losses</b>	<b>(2,830)</b>

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

<b>In TEUR</b>	<b>2015</b>
<b>Other non-technical income</b>	<b>52,646</b>
Reimbursement of taxes	17
Corrections & adjustments	1,408
Other gains	2,784
Interest & other financial gains	60
Services provided	48,313
Gains on disposal of tangible assets	64
<b>Other non-technical expense</b>	<b>56,728</b>
Donations	19
Sponsorship	78
Gifts for customers	251
Fines	19
Subscriptions	11
Contractual terminations	1,000
Services provided	46,764
Corrections & adjustments	1,030
Other expenses	6,893
Banking services & default interest	663
<b>Value of gains &amp; losses</b>	<b>(4,082)</b>

Income for services rendered refer mostly to the operating income of subsidiaries Advance Care, Esumédica and Espíritu Santo Contact Center, while the expenses for services rendered refer mostly to staff costs and third-party supplies and services of these subsidiaries.

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The breakdown of the balance of Other provisions (change) is as follows:

In TEUR	2015
Other adjustments	(3,701)
<b>Value of gains &amp; losses</b>	<b>(3,701)</b>

The amount of Other provisions is explained by the setting aside of a provision to safeguard protect differences of reconciliations of debtor and creditor accounts.

### NOTE 23 - SUNDRY COSTS BY FUNCTION AND NATURE OF EXPENSE

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

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

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

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

The breakdown of these expenses and their distribution using the classification based on their function as at December 31, 2015, is as follows:

In TEUR	Cost of claims		Acquisition costs		Administrative costs		Cost of investments		Other costs not allocated		Total 2015	
Staff costs	6,537	13%	16,378	33%	16,588	33%	315	1%	10,130	20%	49,947	100%
Third-party supplies & services	2,510	6%	12,262	31%	16,178	29%	391	1%	13,109	33%	44,450	100%
Taxes	-	0%	13	0%	2,720	99%	8	0%	-	0%	2,741	100%
Depreciation	2,932	17%	7,149	41%	6,232	36%	361	2%	806	4%	17,480	100%
Provisions for contingencies & liabilities	-	0%	-	0%	-	0%	-	0%	-	0%	-	0%
Other costs	-	0%	1	0%	-	0%	733	100%	-	0%	734	100%
<b>Total</b>	<b>11,979</b>	<b>11%</b>	<b>35,803</b>	<b>32%</b>	<b>41,718</b>	<b>33%</b>	<b>1,808</b>	<b>2%</b>	<b>24,045</b>	<b>22%</b>	<b>115,352</b>	<b>100%</b>

Staff costs are detailed in Note 24.

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

<b>In TEUR</b>	<b>2015</b>
Electricity and water	702
Fuel	285
Office material, stationery, etc.	237
Gift articles	518
Office equipment & property maintenance	883
Hardware maintenance	2,086
Rents	3,353
Operational rental of vehicles & other rentals	1,066
Travel & entertainment costs	1,351
Telephone communications and networks	1,162
Post	1,717
Insurance	168
Retainers & fees	222
Advertising & marketing	5,702
Cleaning, hygiene and comfort	485
Surveillance and security	308
Outsourcing, consultancy & specialised work	19,376
Software services & development	2,444
Subscriptions	237
Premium collection	703
Broker training	163
Temporary work	122
Provision of operational services	118
Other sundry supplies & services	1,042
<b>Total</b>	<b>44,450</b>

The breakdown of Taxes and charges is as follows:

<b>In TEUR</b>	<b>2015</b>
VAT borne	22
Insurance Authorities levy	926
FAT levy	841
Municipal property tax	50
Fee for the General Secretariat of the MAI (Home Affairs)	787
Portuguese Green Card Office levy	63
Other taxes, fees and licenses	52
<b>Total</b>	<b>2,741</b>

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The breakdown of Depreciation charges is as follows:

<b>In TEUR</b>	<b>2015</b>
Software development costs	10,912
Software	1,040
Other intangible assets	311
IT Hardware	764
Owner-occupied properties	556
Office equipment & machines	806
Indoor facilities	138
Leasing	33
Other equipment	590
Intangible - Value in force	2,218
Other intangibles	112
<b>Total</b>	<b>17,480</b>

The Group carried out a thorough review of its IT-cost capitalisation policy carried under intangible assets, and concluded, through the individual analysis of each project, that it was imperative to perform an extraordinary amortisation of these assets, either by resetting their useful lives on the light of their contribution to future income or by reassessment of their materiality.

This review resulted in the determination of an amount of EUR 6,140k of extraordinary non-recurring amortisation, which justifies the significant increase of the amortisation of IT applications and software development costs.

The breakdown of the Provision for contingencies & liabilities and for Other costs is as follows:

<b>In TEUR</b>	<b>2015</b>
Interest on reinsurers' deposits	2
Interest on financial leases	2
Securities' custody & management and other commissions	730
<b>Total</b>	<b>734</b>

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

<b>In TEUR</b>	<b>2015</b>
Acquisition costs	
Brokerage remuneration	38,325
Imputed costs insurance companies	35,803
Other acquisition costs	8,704
Deferred acquisition costs (change)	(122)
Administrative costs	
Brokerage remuneration	1,930
Imputed costs insurance companies	36,941
Other administrative costs	4,777
Reinsurance commissions & profit-sharing	(9,893)
<b>Total</b>	<b>116,465</b>

### NOTE 24 - STAFF COSTS

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

	<b>2015</b>
Senior managers	31
Managers	92
Co-ordinators	169
Technicians	2,919
Specialists	311
Operational specialists	22
Ancillary staff	19
Operational co-ordinator	2
<b>Total</b>	<b>3,565</b>

Staff costs are detailed as follows:

<b>In TEUR</b>	<b>2015</b>
Remuneration - Corporate officers	1,801
Remuneration - Personnel	45,782
Charges on remuneration - Corporate officers	232
Charges on remuneration - Personnel	8,112
Post-employment benefits - Defined-benefit pension plans	1,320
Mandatory insurance	2,106
Social welfare costs	939
Training	232
Other staff costs	500
<b>Total</b>	<b>61,024</b>

As at December 31, 2015, the Group had no loans or advances extended to corporate officers.

The remuneration policies in respect of the corporate officers and of key employees are presented under Disclosure of the Remuneration Policies at the end of this Report and Accounts.

The fees billed during 2015 by the outgoing Statutory Auditor within the scope of the legal audit of the 2014 accounts amounted to EUR 45k.

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The fees billed and to be billed by Deloitte & Associados, SROC, SA, statutory auditor of the Company, for 2015 amount to EUR 156k, of which EUR 130k relate to the statutory audit of the accounts and EUR 26k to other reliability-guarantee services.

### **NOTE 25 - OBLIGATIONS INVOLVING EMPLOYEE BENEFITS**

#### *Retirement pensions and health benefits*

As stated in Note 2, the Group assumes liability for the payment of old age and disability pensions to its employees under the terms established in the applicable Collective Bargaining Agreements (CBAs) – the act of Portuguese law.

In accordance with the Collective Bargaining Agreement published in BTE nº 32 of August 9, 2008, Employees covered by this agreement, admitted into the sector up until June 22, 1995, are entitled to access to a pecuniary benefit complementing the pension granted by Social Security.

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

On December 23, 2011, a new collective Insurance Collective Bargaining Agreement was approved, which changed a set of previously defined benefits, changes that have remained in the Collective Bargaining Agreements published in BTE nº 4 of January 29, 2015.

Of the changes resulting from the new collective bargaining agreement, the following are underscored: (i) with respect to post-employment benefits, workers in service taken on by June 22, 1995, are no longer covered by a defined-benefit plan and come to be covered by a defined-contribution plan, (ii) compensation of 55% of base monthly salary payable in 2012 and (iii) length-of-service bonus equal to 50% of the salary when the employee completes one or more multiples of 5 years with the Group.

With regard to the amendment of the plan and taking into account that the value of the fully-funded liabilities for past services in respect of old-age pensions payable to current employees will be converted into individual accounts of these employees, forming part of their individual retirement plan, according to IAS 19, the Group settled the liability.

Since actuarial deviations are recognised in reserves, the Group had no additional impact on profit or loss and in reserves as a result of the actual settlement of the plan.

Additionally, the Group also granted its directors the right old-age, disability and decease pensions or pension supplements, having set up a specific pension fund to fund these liabilities. However, on December 15, 2015, the Group's General Meeting considered void the regulation governing the directors' right to the pension or pension complement. The Group carries in its financial statements as at December 31, 2015, the amount of the liabilities that it has estimated to that date, net of the value of the assets of the Pension Fund.

The actuarial valuation of the retirement pensions and health benefits is performed annually at the Group, the most recent one with reference to December 31, 2015.

The main assumptions considered in the actuarial studies as at December 31, 2015, used to determine the updated value of the liabilities for employee pensions and health benefits are as follows:

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2015

<b>Financial assumptions</b>	
Wage growth rates	0.50%
Pension growth rate	0.50%
Rates of return of the fund	0.50%
Early-retirement pension growth rate	1.5% - 2.5% (*)

<b>Demographic assumptions and valuation methods</b>	
Mortality Table	GKF 95
Disability Table	Suisse Re 2001

Actuarial valuation method *Project Unit Credit Method*  
 (\*) In respect of liabilities towards directors

In accordance with the Accounting Policy described in Note 2, the discount rate used to estimate retirement pension and health benefit liabilities is the market rate on the balance-sheet date associated with high-rating corporate bonds having maturities similar to those of the liabilities.

As at 31 December 2015, the number of participants covered by the benefits plan was as follows:

	2015
In service	2
Pensioners	185
<b>Total</b>	<b>187</b>

In addition to the above participants, there are liabilities for beneficiaries who have ceased their functions for the Group.

As at December 31, 2015, the Group's liabilities for past services, according to actuarial studies carried out, as well as the funds and provisions available to cover such liabilities amounted to:

<b>In TEUR</b>	<b>2015</b>		
	<b>Retirement pensions</b>	<b>Health benefits</b>	<b>Total</b>
<b>Net assets/ (liabilities) recognised in the balance sheet</b>			
Liabilities as at December 31	(43,359)	(706)	(44,065)
Balance of the fund on December 31	32,722	-	32,722
<b>Net assets/ (liabilities) in the balance sheet as at December 31</b>	<b>(10,637)</b>	<b>(706)</b>	<b>(11,343)</b>

Additionally, the Group transferred part of its retirement pension liabilities through the acquisition of life insurance policies from T-Vida, Companhia de Seguros, SA. The number of employees covered by these policies amounted to 327, and the total amount of the liability amounts to EUR 9,606k.



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In accordance with ASF Regulatory Standard n° 5/2007-R, of April 27, insurance companies in Portugal shall ensure at the end of each year:

- a) full funding of the current value of pension liabilities payable, including pre-retirement and early retirement benefits up to the normal retirement age and thereafter; and
- b) funding of a minimum of 95% of the current value of the liability for past services of personnel in service, excluding pre-retirees early retirees.

As at December 31, 2015, the Group's liabilities for pensions payable were fully financed.

The pension plan in question is non-contributory, is independent of social security and is financed by the Group's pension fund. Given the current level of financing of the fund, no contributions are expected to be required next year. The Group's pension fund has an average duration of about 5 years in the case of employees, and of about 17.4 years, in the case of the directors.

The breakdown of liabilities for retirement pensions and health benefits is as follows:

In TEUR	2015		
	Retirement pensions	Health benefits	Total
<b>Liabilities as at acquisition date of subsidiary</b>	<b>41,876</b>	<b>778</b>	<b>42,654</b>
Transfers to other pension funds	(338)	-	(338)
Cost of current service	383	27	410
Interest cost	939	-	939
Asset cost accepted in 2015	689	-	689
Actuarial (gains) and losses on liabilities	3,879	1	3,880
Pensions paid by the fund	(3,839)	-	(3,839)
Benefits paid by the Group	-	(89)	(89)
Perimeter exit	(230)	(11)	(241)
<b>Liabilities as at December 31</b>	<b>43,359</b>	<b>706</b>	<b>44,065</b>

During the period, transfers to other pension funds relate to the transfer of liabilities for with post-employment benefits of a former director of the Group to another company. The transfer of the liability was accompanied by the transfer of assets of the pension fund of the same amount.

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The evolution of the value of the pension fund is as follows:

In TEUR	2015		
	Retirement pensions	Health benefits	Total
<b>Balance as at acquisition date of subsidiary</b>	<b>34,110</b>	-	<b>34,110</b>
Real return of the fund			
Expected return of the fund	718	-	718
Actuarial gains & losses	2,287	-	2,287
Contributions paid by the fund's participants	179	-	179
Pensions paid by the fund	(3,839)	-	(3,839)
Transfers to other pension funds	(338)	-	(338)
Perimeter exit	(395)	-	(395)
<b>Balance of the fund on December 31</b>	<b>32,722</b>	-	<b>32,722</b>

The evolution of actuarial deviations recognised in the reserve is as follows:

In TEUR	2015		
	Retirement pensions	Health benefits	Total
<b>Deviations recognised in reserves as at as at acquisition date of subsidiary</b>	<b>17,467</b>	<b>673</b>	<b>18,140</b>
Actuarial (gains) & losses			
- on liabilities	3,879	1	3,880
- on the plan's assets	(2,287)	-	(2,287)
Perimeter exit	733	11	744
Use of reserves for share capital reduction	(18,514)	-	(18,514)
<b>Deviations recognised in reserves as at 31 December</b>	<b>1,278</b>	<b>685</b>	<b>1,963</b>

The evolution of assets receivable/ liabilities deliverable is as follows:

In TEUR	2015		
	Retirement pensions	Health benefits	Total
<b>(Assets)/ liabilities receivable or payable as at as at acquisition date of subsidiary</b>	<b>7,766</b>	<b>778</b>	<b>8,544</b>
Actuarial gains & losses on liabilities	3,879	1	3,880
Actuarial gains & losses of the funds	(2,287)	-	(2,287)
Charges for the year:			
- Cost of current service	383	27	410
- Net interest costs in the balance of the cover of liabilities	221	-	221
- Asset cost accepted in 2015	689	-	689
Contributions made in the period and pensions paid by the Group	(179)	(89)	(268)
Perimeter exit	165	(11)	154
<b>(Assets)/ liabilities receivable or payable as at December 31</b>	<b>10,637</b>	<b>706</b>	<b>11,343</b>

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The breakdown of the costs for the period incurred with retirement pensions and health benefits is as follows:

In TEUR	2015		
	Retirement pensions	Health benefits	Total
Cost of current service	383	27	410
Net interest costs in the balance of the cover of liabilities	221	-	221
Asset cost accepted in 2015	689	-	689
<b>Costs for the period</b>	<b>1,293</b>	<b>27</b>	<b>1,320</b>

The breakdown of the assets of the pension fund is as follows:

In TEUR	2015
Equities & other floating-rate securities	4,535
Fixed-income securities	31,451
Real estate	10,841
Liquidity	1,976
Other assets	1,392
<b>Total</b>	<b>50,195</b>

The values of assets disclosed above are wholly in respect Pension Fund of the Tranquilidade Group and of GNB Seguros Vida, of which associates Tranquilidade and T-Vida jointly account for about 65% of the total of the fund.

The sensitivity analysis and its impacts on the accumulated post-employment benefits liability, taking its main conditioning factors into account, is as follows:

In TEUR	2015	
	+25 p.p.	-25 p.p.
Change of the discount rate of the liabilities	( 805)	855
Change in the evolution of the pensions	609	( 586)

### NOTE 26 – CORPORATE TAX

The Group is subject to Corporate Income Tax (CIT) and to the Municipal Surcharge in Portugal. It is also subject to CIT and Net Wealth Tax (NWT) in Luxembourg. In Luxembourg, the Group is incurring the minimum CIT and NWT.

Additionally, the concept of deferred taxes resulting from temporary differences between book results and results accepted by the authorities for corporate tax purposes is applicable whenever there is a reasonable probability that such taxes will come to be paid or recouped in the future.

The Group companies have been subject to annual inspections by the tax authority, whose latest report refers to 2013. Generally speaking, there have been no significant adjustments to the tax returns delivered and inspected.

Subsequent years are subject to inspection and possible adjustment by the Tax Authority during a period of four or five years (depending on the tax jurisdiction) or longer if deduction of tax losses is involved, in which case a period identical to the time limit for their deduction applies. Given the nature of any corrections that might be made, it is not possible to quantify them at this time.

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However, in the opinion of the Board of Directors no significant correction to the accompanying financial statements in respect of the years referred to above is to be expected.

Since they are subject to acceptance by the tax authorities, the following tax benefits in respect of Tranquilidade have not yet been considered for accounting purposes in the estimate of tax payable:

- Tax reporting of a merger occurred 2004, in the sum of EUR 40,780k;
- Reinvestment of gains on the sale of a financial holding in 2006, in the sum of EUR 28,754k.

Tranquilidade submitted tax losses in 2011 and 2014, as follows:

<u>Period</u>	<u>Brought forward</u>	<u>Used</u>	<u>Carried forward</u>	<u>Last year for use</u>
2011	24,431	6,987	17,444	2015
2014	116,568	-	116,568	2026
<b>Total</b>	<b>140,999</b>	<b>6,987</b>	<b>134,012</b>	

Any tax losses carried forward still recoverable to be undertaken in each taxation period may not exceed 70% of the respective taxable income, though without prejudice to the deduction of that part of these losses that has not been deducted, under the same conditions, by the end of the respective deduction period.

However, the Group's parent company made no deduction in the matter of current tax nor determined deferred tax assets on the amounts of tax losses carried forward and still to be used, as referred to above, bearing in mind that they may no longer be automatically deducted and need to be authorised by the tax authority, in accordance with the legal provision to the effect when there is a change of shareholders involving more than 50%, which occurred on January 15, 2015.

The Group's parent company delivered, within the statutory deadlines, the respective applications for maintenance of these tax losses, and is awaiting approval thereof by the Tax Authority.

Subsidiary LOGO returned a tax loss for the periods from 2008 to 2013, and for the first time since its inception, in 2014, it returned a tax profit, albeit residual. Tax therefore calculated that year based on the current nominal tax rate plus the surcharge, totalling 24.50%, the nominal rate approved as of the 2014 reporting date.

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As a matter of prudence, no deferred tax asset has been determined in respect of the tax loss carried forward and still to be used (about EUR 5.95 million), taking into consideration the estimates for recoverability within the period allowed for tax purposes in respect of each year, as follows:

Period	Brought forward	Used	Carried forward	Carry forward lost	Last year for use
2008	10,905	54	-	10,851	2014
2009	7,548	-	-	7,548	2015
2010	8,004	-	-	8,004	2014
2011	3,885	-	-	3,885	2015
2012	3,009	-	3,009	-	2017
2013	2,404	-	2,404	-	2018
2015	540	-	540	-	2027
<b>Total</b>	<b>36,295</b>	<b>54</b>	<b>5,953</b>	<b>30,288</b>	

Subsidiary T-Vida had negative taxable income amounting to EUR 2,534k. As the limit to use this negative taxable income is 2027, a corresponding deferred tax was calculated.

The breakdown of current tax assets and liabilities reported is as follows:

In TEUR	2015	
	Current tax assets	Current tax liabilities
Corporation tax	4,283	8,543
Tax withheld at source	20	1,091
Value added tax	154	577
Other taxes & levies	268	6,479
Social security contributions	418	710
Local authority taxes	-	95
<b>Total</b>	<b>5,143</b>	<b>17,495</b>

As at December 31, 2015, current tax liabilities – Corporation tax includes the amount of EUR 7,134k relating to a provision set aside to cover liabilities resulting from corrections made by the Tax Authority to the tax estimates of Tranquilidade relating to 2006 and 2009, due to the use of tax losses carried forward by ESIA - Inter-Atlântico Companhia de Seguros.

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The breakdown of deferred tax assets and liabilities recognised in the 2015 balance sheets is as follows:

In TEUR	2015		
	Assets	Liabilities	Net
Investments	5,753	-	5,753
Post-employment benefits	62	-	62
Technical provisions	-	-	-
Doubtful debt provision	52	-	52
Tax losses	521	-	521
Properties	1,412	-	1,412
Other temporary differences	2,160	-	2,160
<b>Total</b>	<b>9,960</b>	<b>-</b>	<b>9,960</b>

As at December 31, 2015, Other temporary differences include about EUR 1,326k relating to the extraordinary amortisation of intangible assets, which will only be accepted for tax purposes in future years.

Current and deferred taxes were recognised as follows:

In EUR	Fair-value reserve	Gains & losses	Total 2015
<b>Current Tax</b>	<b>73</b>	<b>(2,668)</b>	<b>(2,595)</b>
Corporation tax estimate	73	(1,726)	(1,653)
Autonomous tax	-	(942)	(942)
<b>Deferred tax</b>	<b>3,632</b>	<b>1,119</b>	<b>4,751</b>
Investments	2,090	565	2,655
Doubtful debt provision	-	11	11
Tax losses	1,542	(1,033)	509
Properties	-	(145)	(145)
Other temporary differences	-	1,721	1,721
<b>Total</b>	<b>3,705</b>	<b>(1,549)</b>	<b>2,156</b>

The amounts shown in the above table do not consider the effect of non-controlling interests.

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Reconciliation of the effective tax rate is as follows:

In EUR	2015
Pre-tax income	55,592
Income tax calculated at 29.22%	(16,244)
Autonomous Tax	(943)
Tax losses generated during the year not carried forward	(113)
Untaxed impairments	(1,227)
Recognition of Negative goodwill	11,327
Tax losses for which no DTA has been recognized	(1,456)
Dividends excluded from taxation	2,006
Tax benefits	150
Other income & costs excluded from taxation	(4,985)
Effect of different tax rates of subsidiaries operating in other jurisdictions	1,173
Differences in capital gains accepted for tax purposes	8,763
<b>Current + Deferred Tax</b>	<b>(1,549)</b>
<b>Effective tax rate</b>	<b>2.8%</b>

The differences in the gains accepted for tax purposes include about EUR 9,158k in respect of the tax effect of gains realised on the sale of the shares held by the Group in AdvanceCare and Esumédica.

### NOTE 27 - SHARE CAPITAL

As at December 31, 2015, the subscribed capital is EUR 92,564,336.00 and is represented as shown in the table below, paid up to EUR 23,164,334.00. The remaining EUR 69,400,002.00 capital unpaid is uncalled at year end.

Class	Number of shares 31/12/2014	Reclassification of shares 30/12/2015	Issuance of new shares 30/12/2015	Numbers of shares 31/12/2015	Value of shares 31/12/2015 (EUR)	Unpaid capital 31/12/2015 (EUR)
Class A shares	3,100	(3,100)	92,533,336	92,533,336	92,533,336.00	69,400,002.00
Class B shares	3,100	344	-	3,444	3,444.00	-
Class C shares	3,100	344	-	3,444	3,444.00	-
Class D shares	3,100	344	-	3,444	3,444.00	-
Class E shares	3,100	344	-	3,444	3,444.00	-
Class E shares	3,100	344	-	3,444	3,444.00	-
Class G shares	3,100	344	-	3,444	3,444.00	-
Class H shares	3,100	344	-	3,444	3,444.00	-
Class I shares	3,100	344	-	3,444	3,444.00	-
Class J shares	3,100	344	-	3,444	3,444.00	-
UP shares	-	4	-	4	4.00	-
<b>Total</b>	<b>31,000</b>	<b>-</b>	<b>92,533,336</b>	<b>92,564,336</b>	<b>92,564,336</b>	<b>69,400,002</b>

The initial share capital of the Company was composed of 3,100 class A to class J shares with nominal value of EUR 1.00 each. Pursuant to the extraordinary meeting held on December 30, 2015, the 3,100 class A shares were reclassified as follows:

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- Allocation of 344 class A shares to class B, C, D, E, F, G, H, I, J shares.
- Issuance of the new UP share class and allocation of 4 class A shares to 4 UP shares.

Following the reclassification, a new issuance of 92,533,336 class A shares was done and paid up to 25 %, i.e. EUR 23,133,334.00.

### NOTE 28 – RESERVES

#### *Legal reserve*

In accordance with Luxembourg company law, the Partnership is required to transfer a minimum of 5% of its net profit for each financial year to a legal reserve. This requirement ceases to be necessary once the balance on the legal reserve reaches 10% of the issued share capital. The legal reserve is not available for distribution to the shareholders.

#### *Fair-value reserves*

Fair-value reserves represent the potential gains and losses in respect of the available-for-sale investments, net of the impairment recognised in profit or loss during the year and/or previous years.

<b>In TEUR</b>	<b>2015</b>
Investments in associates and joint ventures	(8,488)
Floating-rate securities	3,680
Fixed-income securities	(10,163)
Currency translation differences reserve	(3,389)
<b>Fair-value reserves</b>	<b>(18,360)</b>

#### Deferred and current tax reserves

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

Deferred taxes are calculated, in accordance with the liabilities method based on the balance sheet, on the temporary differences between the book values of the assets and liabilities and their tax basis, using the tax rates approved or substantially approved on the reporting date in each jurisdiction that are expected to be applied when the temporary differences are reversed.

#### *Actuarial Deviations Reserve*

In keeping with IAS 19 - Employee Benefits, the Group recognises actuarial gains against reserves.



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### Share premium

As at December 31, 2015 the outstanding share capital without issuance of shares amounts to EUR 71,485,514.37. The movements are as follows:

- On January 13, 2015, the shareholder of the Company contributed EUR 66,400,000.00 to the share capital without issuance of shares;
- On February 12, 2015, the shareholder of the Company contributed EUR 20,000.00 to the share capital without issuance of shares;
- On February 26, 2015, the shareholder of the Company contributed EUR 40,000,200.00 to the share capital without issuance of shares;
- On March 6, 2015, the shareholder of the Company contributed EUR 30,000.00 to the share capital without issuance of shares;
- On March 27, 2015, the shareholder of the Company contributed EUR 2,030,635.40 to the share capital without issuance of shares;
- On December 23, 2015 the Company distributed the shares it held in Calm Eagle Portugal against a decrease of equity without issuance of shares of EUR 33,861,987;
- On December 28, 2015 the shareholder of the Company contributed EUR 20,000,000.00 to the share capital without issuance of shares; and
- On December 30, 2015, the extraordinary general meeting decided to contribute EUR 23,133,334.00 of the share without issuance of shares into share capital.

### NOTE 29 – EARNINGS PER SHARE

Earnings per share attributable to the parent company's shareholders as at December 31, 2015 was as follows:

	<b>2015</b>
Net income for the period (in TEUR)	52,539
Number of shares (year-end)	31,000
<b>Earnings per share (in TEUR)</b>	<b>1.69</b>

### NOTE 30 - TRANSACTIONS BETWEEN RELATED PARTIES

On January 15, 2015, the Apollo Group, via the company Calm Eagle Holdings, S.à r.l. acquired the whole share capital of the Tranquilidade, this acquisition having warranted prior approval of the ASF. Until then, the Tranquilidade and its subsidiaries were wholly owned by Partran, Sociedade Gestora de Participações Sociais, SGPS, SA, which drew up the consolidated accounts. The accounts of both entities were included within the consolidation perimeter of ESFG - Espírito Santo Financial Group.

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As at December 31, 2015, the overall amount of the Group's assets and liabilities that refer to transactions with related companies can be summarised as follows:

In TEUR	2015			
	Assets	Liabilities	Costs	Income
Apollo Management International	-	-	131	-
Apollo Management VIII, L.P.	-	-	159	-
AIF VIII Euro Leverage, L.P.	1,126	35	-	16
Apollo Management Holdings LP	-	12	-	-
Apollo Investment Fund VIII, L.P.	-	196	-	-
<b>Total</b>	<b>1,126</b>	<b>242</b>	<b>290</b>	<b>16</b>

### NOTE 31 - STATEMENT OF CASH FLOWS

The Statement of cash flows drawn up from an indirect standpoint of the source and application of funds, is presented at the beginning of the report and accounts, together with the other financial statements.

### NOTE 32 - COMMITMENTS

With the acquisition of Tranquilidade and its subsidiaries by the Company, it assumed a commitment to start a process aimed at the sale of Tranquilidade's holding in ES Contact, SA.

A commitment was also assumed by Apollo (at the request of Novo Banco, SA) to sell the holding in GNB – Gestão de Ativos, SGPS, SA, to Novo Banco, SA, or to a third party that comes to be designated by Novo Banco, SA. The value of the sale of the Group's holding in GNB – Gestão de Ativos, SGPS, SA will be determined by a third party designated by common agreement of Apollo and Novo Banco, independently from both parties and the repute in valuations.

As stated in Note 9.2, the said valuation of this subsidiary was performed by an independent entity, on the basis of which a selling price of EUR 25.4 million was determined. Therefore, an impairment loss of EUR 4.3 million was recorded to reduce the book value of this holding to its realisable value.

In the event that neither of the transactions, of ES Contact, SA and of GNB – Gestão de Ativos, SGPS, SA, is completed within 5 years after the date of acquisition of the Tranquilidade and its subsidiaries by Apollo or if the sale of the holding in GNB – Gestão de Ativos, SGPS, SA, is not requested by Novo Banco by that deadline, the commitments referred to above shall be extinguished and will be assumed by Apollo before Novo Banco.

The Group has an option for the purchase of 2% of the share capital of Tranquilidade – Corporação Angolana de Seguros, SA, which, could change the holding to 51% of the share capital and voting rights in this entity. The entire process is contingent upon prior authorisation by the competent Angolan authorities.

The Group has also entered into finance lease contracts for the acquisition of IT equipment and transport material, as well as operating lease contracts in respect of transport material. The amounts of the contractual commitments expressed in the balance sheet in respect of finance lease contracts are as follows:

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In TEUR	2015
Tangible assets (gross value)	11,341
Accumulated depreciation	(11,323)
<b>Tangible assets (net value)</b>	<b>18</b>
<b>Creditors - Suppliers of goods</b>	<b>23</b>

The breakdown of the maturities of outstanding finance lease contract rents is as follows:

In TEUR	Up to 3 months	4 to 12 months	>1 to 5 years
Finance lease contracts	23	-	-
Operating lease contracts	204	518	1,034

### NOTE 33 – BUSINESS COMBINATIONS

#### ACQUISITION OF ADVANCE CARE

Advance Care has been acquired during the year 2015, as detailed below (in EUR):

Name and principal activity	Date of acquisition	Proportion of voting equity interests acquired	Consideration transferred
<i>AdvanceCare - Gestão de Serviços de Saúde, S.A.</i> B2B Healthcare management services	14/01/2015	51.0%	37,400,000
<i>AdvanceCare - Gestão de Serviços de Saúde, S.A.</i> B2B Healthcare management services	30/06/2015	49.0%	25,000,000

#### Assets acquired and liabilities recognised at the date of acquisition

a) The assets and liabilities acquired that were recognised on January 14, 2015 are summarized as follows:

In TEUR	Book value	Adjustments	Fair value
<b>Current assets</b>			
Cash & cash equivalents and sight deposits	4,241	-	4,241
Other items of assets	4,153	-	4,153
<b>Non-current assets</b>			
Software and other intangible assets	1,524	-	1,524
Other tangible assets	548	-	548
<b>Current liabilities</b>			
Accruals & deferrals	3,363	-	3,363
<b>Non-current liabilities</b>			
Technical provisions	1	-	1
	<b>7,102</b>	<b>-</b>	<b>7,102</b>

b) On June 30, 2015 the Group acquired the non-controlling interest (49% of Advance Care) for an amount of EUR 25,000k. The assets and liabilities of Advance Care at this date were as follows:

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In TEUR	Book value	Adjustments	Fair value
<b>Current assets</b>			
Cash & cash equivalents and sight deposits	2,320	-	2,320
Other items of assets	6,966	-	6,966
<b>Non-current assets</b>			
Software and other intangible assets	3,860	-	3,860
Other tangible assets	660	-	660
<b>Current liabilities</b>			
Accruals & deferrals	4,466	-	4,466
<b>Non-current liabilities</b>			
Technical provisions	1	-	1
	<b>9,339</b>	<b>-</b>	<b>9,339</b>

### Non-controlling interest

The non-controlling interest (49% interest in Advance Care), recognised at the first acquisition date, was measured by applying the ownership percentage to the net asset of the acquired company.

### Goodwill arising on acquisition

The goodwill arising on the acquisitions is presented in the below table:

In TEUR	1st acquisition	2nd acquisition	Total
Consideration transferred	37,400	25,000	62,400
Less: fair value of identifiable net assets acquired (51%)	(3,622)	-	(3,622)
Less: fair value of non-controlling interests acquired (49%)	-	(4,576)	(4,576)
Goodwill arising on acquisition	<b>33,778</b>	<b>20,424</b>	<b>54,202</b>

### Net cash outflow on acquisition of subsidiary

The net cash outflow regarding the acquisition can be summarized as follows:

In TEUR	1st acquisition	2nd acquisition	Total
Consideration paid in cash	37,400	25,000	62,400
Less cash and cash equivalent balances acquired	(4,241)	-	(4,241)
	<b>33,159</b>	<b>25,000</b>	<b>58,159</b>

### Impact of acquisition on the results of the Group

As the volume of operations between January 1 and January 14 (date of the first acquisition) is not significant, no split was performed between operations before and after acquisition. The Group disposed the Advance Care on December 23, 2015, therefore the operations for the full year 2015 were included under discontinued operations (refer to Note 35).

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### ACQUISITION OF TRANQUILIDADE

Tranquilidade has been acquired during the year 2015, as specified below:

Name and principal activity	Date of acquisition	Proportion of voting equity interests acquired	Consideration transferred
<i>Companhia de Seguros Tranquilidade S.A.</i> Insurance and reinsurance business in Portugal	15/01/2015	100%	25,000,000

### Assets acquired and liabilities recognised at the date of acquisition

The assets and liabilities acquired that were recognised at the date of acquisition are summarized as follows:

In TEUR	Book value	Adjustments	Fair value
<b>Current assets</b>			
Cash & cash equivalents and sight deposits	87,978	-	87,978
Investments in affiliates, associates and joint ventures	26,254	38,110	64,364
Financial assets held for trading	38	-	38
Financial assets classified in the initial recognition at fair value through profit or loss	15,476	-	15,476
Assets available for sale	608,570	-	608,570
Loans granted	39,315	-	39,315
Other items of assets	170,139	-	170,139
Inventories	52	-	52
<b>Non-current assets</b>			
Software and other intangible assets	47,788	-	47,788
Goodwill	2,096	-	2,096
Land & buildings held for own use	24,423	-	24,423
Land & buildings held for income	258,272	-	258,272
Other tangible assets	5,868	-	5,868
Technical provisions for Reinsurance Ceded	67,165	-	67,165
Other debtors for Insurance and Other Operations	112,053	-	112,053
Current tax assets	7,697	-	7,697
Deferred tax assets	5,463	-	5,463
<b>Current liabilities</b>			
Other	72,810	-	72,810
Accruals & deferrals	24,295	27,220	51,515
<b>Non-current liabilities</b>			
Technical provisions	392,521	-	392,521
Provisions for claims	450,145	-	450,145
Subordinated debt	419,139	-	419,139
Current tax liabilities	23,482	-	23,482
Deferred tax liabilities	254	-	254
	<b>96,001</b>	<b>10,889</b>	<b>106,890</b>

### Non-controlling interest

Non-controlling interest corresponds to interest calculated at the different stages of Tranquilidade sub-consolidation.

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### Negative Goodwill arising on acquisition

The negative goodwill arising on the acquisition is presented in the below table:

<u>In TEUR</u>	<u>Tranquilidade</u>
Consideration transferred	25,000
Plus: non-controlling interests (at level of Tranquilidade)	9,349
Less: fair value of identifiable net assets acquired	(106,890)
Negative goodwill arising on acquisition	<b><u>(72,541)</u></b>

### Net cash outflow on acquisition of subsidiaries

The net cash outflow regarding the acquisition can be summarized as follows:

<u>In TEUR</u>	<u>Tranquilidade</u>
Consideration paid in cash	25,000
Less cash and cash equivalent balances acquired	(87,978)
	<b><u>(62,978)</u></b>

### Impact of acquisitions on the results of the Group

As the volume of operations between January 1 and January 15 (date of acquisition) is not significant, no split was performed between operations before and after acquisition. Operations for the full year 2015 were included under continuing operations.

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### NOTE 34 - DISPOSALS OF SUBSIDIARIES

The following business units have been disposed by the Group during the year 2015:

Name and principal activity	Date of disposal	Proportion of voting equity interests acquired	Consideration transferred
<i>Calm Eagle Portugal</i> Holding in Portugal	23/12/2015	100%	37,620,250

The assets and liabilities that were disposed are summarized as follows:

In TEUR	Total
<b>Current assets</b>	
Cash & cash equivalents and sight deposits	2,288
Other items of assets	6,069
<b>Non-current assets</b>	
Software and other intangible assets	5,831
Goodwill	54,202
Other tangible assets	605
Other financial assets	458
<b>Current liabilities</b>	
Trade and other payables	6,807
Other	25,000
<b>Non-current liabilities</b>	
Technical provisions	1
	<b>37,645</b>
<b>Loss on disposal</b>	
In TEUR	Total
Consideration transferred	37,620
Less: net assets at disposal date	(37,645)
Loss on disposal	<b>(25)</b>
<b>Net cash inflow on disposal of subsidiaries</b>	
In TEUR	Total
Consideration received in cash	-
Less cash and cash equivalent balances disposed	(2,288)
	<b>(2,288)</b>

The entity has been disposed to a Company, which is owned by the same ultimate beneficial owner as the Group.

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### NOTE 35 – DISCONTINUED OPERATIONS

On December 23, 2015, the Group transferred its investment in Calm Eagle Portugal, an owner of Advance Care in exchange of a decrease of equity reserves of EUR 37,620k.

Details of the assets and liabilities disposed of are disclosed in Note 34.

The details of the loss for the year from discontinued operations are in the following table:

In TEUR	2015
<b><i>Profit for the year from discontinued operations</i></b>	
Loss realised on disposal	(25)
Services rendered	13,326
Other gains	121
Operating costs and expenses	(4,693)
Impairment losses	(1,362)
Personnel expenses	(8,769)
Other expenses	(45)
Financial income /(expenses)	(541)
Profit before tax	(1,988)
Attributable income tax expense	(562)
<b>Loss for the year from discontinued operations</b>	<b>(2,550)</b>
Attributable to:	
- Owners of the parent	(3,021)
- Non-controlling interests	471
	<b>(2,550)</b>

### NOTE 36 -EVENTS AFTER THE REPORTING DATE NOT DESCRIBED IN PREVIOUS POINTS

On March 25, 2016, the agreement for the purchase and recapitalisation of Açoreana Seguros, SA, was signed between Apollo Global Management, shareholder of the Tranquilidade Group, and the shareholders of Açoreana Seguros, SA.

The transaction was closed in August 2016.

On January 22, 2016, the share capital of the Company increased by an amount of EUR 9,435,670.00 in order to bring the subscribed capital to an amount of EUR 102,000,006 by way of issuance of new shares, fully paid.



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### NOTE 37 – OTHER INFORMATION

#### RECENTLY-ISSUED STANDARDS AND INTERPRETATIONS

##### 1 - Standards, interpretations, amendments and revisions that came into force in 2015

The following standards, interpretations and amendments and revisions endorsed by the European Union (EU) had mandatory application for the first time in the year ended December 31, 2015:

Standard / Interpretation	Applicable in the EU in the years started on or after	
IFRIC 21 - Payments to the State	17-Jun-14	Lays down the conditions as to the timing of recognition of a liability related to the payment to the State of a contribution by an entity as a result of certain event (for example, participation in a given market), without the payment offsetting specified goods or services.
Amendment to IFRS 3 – Business combinations (included in the improvements of international financial reporting standards – 2011-2013 cycle)	1-Jan-15	Clarifies that IFRS 3 excludes from its scope of application the formation of a joint venture in the financial statements of the joint venture itself.
Amendment to IFRS 13 – Fair value measurement (included in the improvements of international financial reporting standards – 2011-2013 cycle)	1-Jan-15	Clarifies that the exception of application of the standard to financial assets and liabilities with offset positions extends to all contracts within the scope of IAS 39, regardless of whether they meet the IAS 32 definition of financial active or liability.
Amendment to IAS 40 – Investment property (included in the improvements of international financial reporting standards – 2011-2013 cycle)	1-Jan-15	Clarifies that it value judgement must be applied to determine whether the acquisition of an investment property is an acquisition of an asset or a business combination covered by IFRS 3.

Adoption of the standards, interpretations, amendments and revisions referred to above did not significantly affect the Group's financial statements as at December 31, 2015.

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### 2 - Standards, interpretations, amendments and revisions that will enter into force in future periods

The following standards, interpretations, amendments and revisions, with mandatory application in future financial years, were, up until the date of approval of these financial statements, endorsed by the EU:

Standard / Interpretation	Applicable in the EU in the years started on or after	
Amendment to IAS 19 - employee benefits - employee Contributions	1-Feb-15	Clarifies the circumstances in which employees' contributions to post-employment benefit plans constitute a reduction of the cost of short-term benefits.
Improvements of international financial reporting standards (2010-2012 cycle)	1-Feb-15	These improvements involve clarification of several aspects related to: IFRS 2 – Share-based payments: definition of vesting condition; IFRS 3 – Business combinations: accounting for contingent payments; IFRS 8 – Operating segments: disclosures related to the judgement applied in relation to the aggregation of segments and clarification of the need for reconciliation of total assets by segment with the value of assets in the financial statements; IAS 16 – Property, plant and equipment and IAS 38 – Intangible assets: need for proportional reassessment of accumulated depreciation in the event of revaluation of fixed assets; IAS 24 – Related party disclosures: defines that an entity that provides management services to the company or its parent company is considered a related party; and IFRS 13 – Fair value: clarifications concerning the measurement of short-term receivables or payables.
Improvements of international financial reporting standards (2012-2014 cycle)	1-Jan-16	These improvements involve clarification of several aspects related to: IFRS 5 – Non-current assets held for sale and discontinued operations: introduces guidelines on how to act in case of alterations as to the expected method of realisation (sale or distribution to shareholders); IFRS 7 – Financial instruments: disclosures: clarifies the impact of asset tracking contracts within the scope of disclosures associated with ongoing involvement of derecognised assets and exempts interim financial statements from the disclosures required in respect of offsetting financial assets and liabilities; IAS 19 - Employee benefits: determines that the rate to be used for the purposes of

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		<p>discounting defined benefits shall be determined with reference to high-quality bonds of companies issued in the currency in which the benefits will be settled; and IAS 34 – Interim Financial Reporting: clarification of the procedures to be adopted when the information is available in other documents issued in conjunction with the interim financial statements.</p>
Amendment to IFRS 11 – Joint arrangements – Accounting for acquisitions of interests in joint arrangements	1-Jan-16	<p>This amendment is related to the acquisition of interests in joint arrangements. It determines the mandatory application of IFRS 3 when the joint arrangement acquired constitutes a business activity in accordance with IFRS 3. When the joint arrangement in question does not constitute a business activity, the transaction must be recorded as an asset acquisition. This amendment is if prospective application for new acquisitions of interests.</p>
Amendment to IAS 1 – Presentation of financial statements – "Disclosure Initiative"	1-Jan-16	<p>This amendment clarifies several aspects related to the disclosures initiative, in particular: (i) the entity shall not hinder the readability of financial statements through the aggregation of tangible items with intangible items or the aggregation of materials items of different natures; (ii) disclosures specifically required by the IFRS have to be provided only if the information in question is material; (iii) the lines of the financial statements specified by IAS 1 may be aggregated or disaggregated, as more relevant to the objectives of the financial report; (iv) the part of the other comprehensive income resulting from the application of the equity method in associates and joint arrangements must be presented separately from other elements of other comprehensive income, likewise segregating items that may come to be reclassified to results that will not be reclassified; (v) the structure of the notes must be flexible, and shall respect the following order:</p> <ul style="list-style-type: none"><li>• a statement of compliance with the IFRS in the first section of the notes;</li><li>• a description of the relevant accounting policies in the second section;</li></ul>

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- Supporting information on the items of the financial statements in the third section; and
- other information un the fourth section

Amendment to IAS 16 – Property, plant and equipment and IAS 38 – Intangible assets – acceptable depreciation methods	1-Jan-16	This amendment establishes the presumption (which may be refuted) that revenue is not a suitable base to amortize intangible assets and prohibits the use of revenue as the basis for the depreciation of tangible fixed assets. The presumption established for the amortisation of intangible assets may be refuted only in respect of intangible assets is expressed in terms of revenue generated or when the use of the economic benefits is closely correlated with revenue generated.
Amendment to IAS 27 – Application of the equity method in separate financial statements	1-Jan-16	This amendment introduces the possibility of measuring the interests in subsidiaries, joint arrangements and associates in separate financial statements under the equity method, in addition to the current measurement methods. This amendment applies retrospectively.

The Board of Directors does not expect that the adoption of these standards will have a significant impact on the Group's financial statements.

### 3 - Standards, interpretations, amendments and revisions not yet endorsed by the European Union

The following standards, interpretations, amendments and revisions, of mandatory application in future financial years, had not yet been endorsed by the EU by the date of approval of these financial statements:

#### Standard / Interpretation

IFRS 9 – Financial instruments (2009) and subsequent amendments	This standard is part of the project of revision of IAS 39 and sets out the new requirements for the classification and measurement of financial assets and liabilities, for the impairment-calculation methodology and for the application of hedge accounting rules. This standard is of mandatory application for years starting on or after January 1, 2018;
IFRS 14 - Regulated Deferral Accounts	This standard determines the reporting requirements by entities adopt for the first time the IFRS applicable to regulated deferral accounts;
IFRS 15 - Revenue from contracts with customers	This standard introduces a structure for recognition of revenue based on principles and on a template to be applies to all contracts concluded with customers, replacing standards IAS 18 - Revenue, IAS 11 - Construction contracts; IFRIC 13

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- Customer loyalty programmes; IFRIC 15 - Agreements for the construction of real estate; IFRIC 18 - Transfers of assets from Customers and SIC 31 - revenue - Barter transactions involving advertising. This standard is of mandatory application for years starting on or after January 1, 2018;

### IFRS 16 - Leases

This standard introduces the principles of recognition and measurement of leases, replacing IAS 17 - Leases. The standard defines a single model of accounting for leases that results in the recognition by the lessee of assets and liabilities for all lease contracts, except for leases of a duration of less than 12 months or for leases of low-value assets. Lessors will continue to classify leases as operational or financial, and IFRS 16 will not imply substantial changes for these entities vis-à-vis the definitions of IAS 17.

### Amendment to IFRS 10 - Consolidated financial statements, IFRS - 12- Disclosures of interests in other entities and IAS 28 - Investments in associates and joint ventures

These amendments involve clarification of several aspects related to the application of the exception of consolidation by investment entities.

### Amendments to IFRS 10 - Consolidated financial statements, and IAS 28 - Investments in associates and joint ventures

These amendments eliminate a conflict between the said standards, related to the sale or to the contribution of assets between the investor and the associate or between the investor and the joint venture.

These standards have not yet been endorsed by the European Union and, as such, were not applied by the Group in the year ended December 31, 2015.

Given the nature of the Group's business, it can be expected that the application of IFRS 9, IFRS 15 and IFRS 16 will have relevant impacts on the financial statements, which are still under assessment by the Company.

The Board of Directors does not expect that the first-time adoption of the other standards referred to above will have a significant impact on the Group's financial statements.

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## NOTE 38 – INVENTORY OF HOLDINGS AND FINANCIAL INSTRUMENTS

INVENTORY OF SECURITIES AND FINANCIAL HOLDINGS								
Year:	2015							Expressed in euros:
Company:	COMPANHIA DE SEGUROS TRANQUILIDADE, SA							Schedule 1
CODE	IDENTIFICATION OF THE SECURITIES DESIGNATION	Quantity	Amount of par value	% of par value	Average price acquisition cost	Total Value acquisition cost	Book value (Includes accrued interest) Total	
	1 - AFFILIATES, ASSOCIATES, JOINT VENTURES AND OTHER RELATED COMPANIES							
	1.1 - Domestic securities							
	1.1.1 - Holdings in affiliates							
	1.1.2 - Holdings in associates							
PTESGOAM0006 921910002301	BES SEGUROS EUROPE ASSISTANCE	750,000 705,000			5.01 5.99	3,758,668.00 4,221,800.00	9.99 21.73 7,489,110.28 15,320,768.14	
	1.1.3 - Holdings in joint ventures							
	1.1.4 - Holdings in related companies							
PTCOMOAE0007 921910026101	COMPTA QUINTA DOS CONEGOS	306,960 140,600			1.64 3.15	503,699.84 443,241.40	0.13 4.77 39,904.80 670,895.93	
	sub-total	1,902,560	0.00			8,927,409.24	23,520,629.15	
	1.1.5 - Debt securities of affiliates							
	1.1.6 - Debt securities of associates							
	1.1.7 - Debt securities of joint ventures							
	1.1.8 - Debt securities of related companies							
	sub-total	0	0.00			0.00	0.00	
	1.1.9 - Other securities in affiliates							
	1.1.10 - Other securities in associates							
	1.1.11 - Other securities in joint ventures							
	1.1.12 - Other securities of related companies							
	sub-total	0	0.00			0.00	0.00	
	sub-total	1,902,560	0.00			8,927,409.24	23,520,629.15	
	1.2 - Foreign securities							
	1.2.1 - Holdings in affiliates							
	1.2.2 - Holdings in associates							
	1.2.3 - Holdings in joint ventures							
	1.2.4 - Holdings in related companies							
	sub-total	0	0.00			0.00	0.00	
	1.2.5 - Debt securities of affiliates							
	1.2.6 - Titulos de dívida de associadas							
	1.2.7 - Debt securities of joint ventures							
	1.2.8 - Debt securities of related companies							
	sub-total	0	0.00			0.00	0.00	
	1.2.9 - Other securities in affiliates							
	01/02/2010 - Other securities in associates							
	01/02/2011 - Other securities in joint ventures							
	01/02/2012 - Other securities of related companies							

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	sub-total	0	0,00		0,00		0,00		0,00
	sub-total	0	0,00		0,00		0,00		0,00
	<b>Total</b>	<b>1,902,560</b>	<b>0,00</b>		<b>8,927,409,24</b>		<b>23,520,679,35</b>		
<b>2 - OTHER</b>									
<b>2.1 - Domestic securities</b>									
<b>2.1.1 - Capital Instruments and unit trusts</b>									
<b>2.1.1.1 - Equities</b>									
921910006101	CASSEL	200			0.00		0.00		0.00
921910025201	COMP. PREVIDENTE	6			532.54		3,195.23		0.00
921910025202	COMP. PREVIDENTE SCPF	198			109.86		21,752.48		247.87
921910006201	COMUNDO	2,008			0.00		0.00		0.00
921910002701	ESAF - ATIVOS FINANCEIROS	235,100			126.34		29,702,293.30		107.93
921910025501	ESTELA GOLF	40			5,540.45		221,618.00		1,924.60
PTFETA0P0003	FETAL	2,760			20.84		57,528.12		0.00
921910006301	HOTEL TURISMO ABRANTES	125			0.00		0.00		0.00
921910006401	ILIDIO MONTEIRO CONSTRUÇÕES	41,675			0.00		0.00		0.00
921910026001	MADIBEL	7,955			0.01		80.88		0.00
921910000401	PORTO CAVALAIROS, SGPS	2,483			0.00		0.00		0.00
PT5NG0AE0007	SONAGI	55,600			0.44		24,293.86		1.30
921012887901	SONAGI AN	100			0.06		5.51		0.01
921910002801	SPECTACOLOR PORTUGAL	7,500			14.66		109,986.38		12.32
921910006501	TELLUS	1,200			0.00		0.00		0.00
921012890301	VILATÊXTIL SOC IND TÊXTIL	16			0.00		0.00		0.00
	sub-total	356,966		0.00			30,440,753.76		25,664,743.94
<b>2.1.1.2 - Equity paper</b>									
	sub-total	0		0,00			0,00		0,00
<b>2.1.1.3 - Investment fund units</b>									
PTNOFMIN0003	CIMOVEL	561,147			5.35		3,000,004.09		5.85
PTYEVHMM0002	ES LIQUIDEZ - FEI ABERTO FVO	3,583			5.44		19,507.56		5.59
PTYEIXHM0008	ES LOGISTICA	80,000			5.00		400,000.00		3.15
LU0443031918	ES TRADING FUND	20,000			104.80		2,096,000.00		125.27
PTSCGEN00005	ESP SANTO INFRASTRUCTURE FUND I	3,500			681.86		2,386,505.45		756.93
PTESVDEN00006	ESPIRITO SANTO VENTURES III	200,000,000			0.01		1,740,000.00		0.01
PTXICEM00007	EXPLORER II	111			8,264.21		916,616.36		8,994.35
PTXIEEM00005	EXPLORER III	80			25,468.98		2,037,518.43		27,320.56
935930013501	IMOCRESCENTE FD DE INV IMOB FECHADO	10,075			997.11		10,045,409.87		1,174.25
	sub-total	200,678,495		0.00			22,641,561.76		25,403,835.29
<b>2.1.1.4 - Other</b>									
	sub-total	0		0,00			0,00		0,00
	sub-total	<b>201,035,461</b>		<b>0,00</b>			<b>31,782,215,52</b>		<b>51,068,579,23</b>
<b>2.1.2 - Debt securities</b>									
<b>2.1.2.1 - Public debt</b>									
PTPTLIGE0029	BT 0% 03/18/16		1,000,000.00	100.00%	100.0%		999,750.00	100.0%	999,950.00
PTOTEAEO0021	PT OT 4.95% 10/25/23		12,300,000.00	119.81%	119.7%		14,725,560.00	120.7%	14,848,086.15
PTOTEPOE0016	PT OT 6.4% 02/15/16 FVO		210,000.00	100.77%	83.7%		175,770.00	106.4%	223,352.69
	sub-total	0	13,510,000.00				15,901,080.00		16,071,388.84
<b>2.1.2.2 - Other public issuers'</b>									
PTPETUOM0018	PARPUBLICA 3.75% 07/21		2,500,000.00	104.88%	1.07		2,679,851.87	1.07	2,667,875.41
	sub-total	0	2,500,000.00				2,679,851.87		2,667,875.41
<b>2.1.2.3 - Other issuers'</b>									
PTBSS10M0015	BRISA 1.875% 04/25		2,200,000.00	91.79%	99.1%		2,179,826.00	93.0%	2,046,882.71
PTBINDOE0009	CELULOSE BEIRA FLOAT 03/19		3,000,000.00	101.00%	99.5%		2,986,341.00	102.0%	3,061,023.84
PTCGH10E0014	CXGD 1% 01/22/22		1,000,000.00	99.76%	99.3%		993,360.00	100.7%	1,006,840.27
X50586598350	EDP FINANCE 5.875% 02/16 FVO		100,000.00	100.11%	98.9%		98,900.00	105.5%	105,467.93
X50435879605	EDP FINANCE BV 4.75% 09/16 FVO		50,000.00	102.79%	104.9%		52,425.00	104.0%	52,019.95
913910005701	EMASA		5,000.00	0.00%	0.0%		0.00	0.0%	0.00
PTGALICE0009	GALP ENERGIA 4.125% 01/19		800,000.00	104.98%	105.6%		853,040.00	106.8%	870,611.73
PTGALFOE0002	GALP ENERGIA SGPS FLOAT 18		6,000,000.00	103.19%	100.8%		6,047,450.00	103.4%	6,206,215.84
913910000402	P.CAVALAIROS		17,500.00	0.00%	0.0%		0.00	0.0%	0.00
PTPTIHOT0014	PORTUCEL SA 5.375% 20-19		1,285,714.29	104.75%	101.9%		1,310,528.58	105.4%	1,355,411.25
X50587805457	PORTUGAL TELECOM 5.625% 02/16 FVO		100,000.00	92.50%	97.2%		97,200.00	97.5%	97,523.97
PTRELYOE00002	REN 6.25% 09/16		500,000.00	103.69%	105.8%		526,900.00	105.4%	527,043.75
PTRELYOE00002	REN 6.25% 09/16 FVO		100,000.00	103.69%	105.8%		105,780.00	105.4%	105,408.75
X51189286286	REN FINANCE BV 2.5% 02/25		1,250,000.00	98.01%	99.7%		1,245,850.00	100.2%	1,252,693.49
913910005801	V.AGROS		4,000.00	0.00%	0.0%		0.00	0.0%	0.00
913910005901	V.TÊXTIL		7,500.00	0.00%	0.0%		0.00	0.0%	0.00
PTTGUNOM0018	VERASE 1 SNR 4.172% 16/02/17 Dep Prazo EUR BES		1,339,569.56	101.75%	100.0%		1,339,569.56	101.9%	1,365,185.40
	sub-total	0	17,759,281.85				17,840,341.50		18,053,500.24
	sub-total	0	33,769,283.85				36,421,273.37		36,792,764.49
	<b>Total</b>	<b>201,035,461</b>	<b>33,769,283.85</b>				<b>89,203,588.89</b>		<b>87,861,342.72</b>
<b>2.2 - Foreign securities</b>									
<b>2.2.1 - Capital Instruments and unit trusts</b>									
<b>2.2.1.1 - Equities</b>									
FR0000120628	AXA		50,400		24.87		1,253,404.42	25.23	1,271,592.00
DE0008404005	ALLIANZ AG		7,796		160.01		1,247,470.60	164.00	1,278,544.00
ES0113900337	BANCO SANTANDER CENTRAL HISPANO		279,000		4.54		1,265,591.91	4.55	1,271,681.99
DE000845F111	BASF SE		18,250		69.12		1,261,528.66	70.74	1,291,005.00
DE0005190003	BAYERISCHE MOTOREN WERKE		13,000		96.59		1,255,635.81	97.79	1,271,270.00
FR0000131104	BNP PARIBAS		23,755		53.00		1,258,905.12	52.23	1,240,723.65
921810000701	C BUZI		2,000		0.00		0.00	0.00	0.00
921810000101	C IND MATOLA		2,200		0.00		0.00	0.00	0.00

# AP VIII CALM EAGLE HOLDINGS S.C.A.

921810000801	C MOCAMBIQUE	3,000			0.00	0.00	0.00	0.00	0.00
921810000201	C RESEGURO MOCAMBIQUE	250			0.00	0.00	0.00	0.00	0.00
921810000301	C SEG NAUTICUS	500			0.00	0.00	0.00	0.00	0.00
921810000401	C SEG TRANQUILIDADE DE MOCAMBIQUE	9,750			0.00	0.00	0.00	0.00	0.00
921810000501	CADA (AGRICULTURA)	2,100			0.00	0.00	0.00	0.00	0.00
921810000601	COMP ALGODONES MOCAMBIQUE	1,900			0.00	0.00	0.00	0.00	0.00
921810001001	COMP SEG A NACIONAL	15,986			0.00	0.00	0.00	0.00	0.00
921810001101	CONTINENTAL MORTGAGE INVESTORS	600			0.00	0.00	0.00	0.00	0.00
DE0007100000	DAIMLER CHRYSLER AG	16,500			76.13	1,256,121.70	77.89	1,285,185.00	0.00
921810001201	FOMENTO FUNDIA MOCAMBIQUE	50			0.00	0.00	0.00	0.00	0.00
921810001401	HIDRO ELECT CATUMBELA	200			0.00	0.00	0.00	0.00	0.00
DE0008430026	MUENCHENER RUECKVER AG	6,940			183.13	1,270,948.39	185.20	1,285,288.00	0.00
921810001501	NAVANG	448			0.00	0.00	0.00	0.00	0.00
921810001601	MOCAL (CERVEJAS)	2,508			0.00	0.00	0.00	0.00	0.00
921810001701	PETROANG	200			0.00	0.00	0.00	0.00	0.00
FR0000130577	PUBLICIS GROUP	20,500			60.37	1,237,653.50	61.38	1,258,290.00	0.00
FR0000131906	RENAULT SA	13,590			92.13	1,252,077.75	92.63	1,258,841.70	0.00
GB00030MLX29	ROYAL DUTCH PETROLEUM COMPANY	61,500			20.28	1,247,370.02	21.09	1,297,035.00	0.00
FR0000121972	SCHNEIDER ELECTRIC SA	23,960			52.32	1,253,486.34	52.56	1,259,337.60	0.00
921810001801	SENA SUGAR ESTATES LTD	77,375			0.00	0.00	0.00	0.00	0.00
DE0007236101	SIEMENS AG	14,400			87.81	1,264,442.22	89.87	1,294,128.00	0.00
921810001901	SOC TURISMO MOCAMBIQUE	100			0.00	0.00	0.00	0.00	0.00
FR0000130809	SOCIETE GENERALE	29,300			42.83	1,254,975.75	42.56	1,246,861.50	0.00
921810002001	SONEFE	573			0.00	0.00	0.00	0.00	0.00
921810002101	SOTUL (ULTRAMAR)	8,000			0.00	0.00	0.00	0.00	0.00
NL0000009355	UNILEVER NV-CVA	31,700			38.79	1,229,519.58	40.09	1,270,694.52	0.00
	sub-total	738,331	0.00			18,809,131.77		19,080,877.96	
	2.2.1.2 - Equity paper								
	sub-total	0	0.00			0.00		0.00	0.00
	2.2.1.3 - Investment fund units								
IE00B67HW99	DBX S&P 500 EUR UCITS ETF	139,490			31.80	4,435,394.80	32.13	4,481,813.70	
LU0251131446	FIDELITY TARGET 2015 SHARES	43,319			10.55	456,904.19	13.40	580,479.29	
LU0251131289	FIDELITY TARGET 2020 SHARES	55,501			10.54	607,422.86	13.74	762,588.00	
LU0251131792	FIDELITY TARGET 2025 SHARES	64,871			9.84	638,395.32	13.70	888,729.00	
LU0251131262	FIDELITY TARGET 2030 SHARES	26,165			10.14	265,405.56	14.18	371,026.51	
LU025119078	FIDELITY TARGET 2035 SHARES	8,615			20.81	179,297.01	30.11	259,411.20	
LU0251120084	FIDELITY TARGET 2040 SHARES	11,616			20.10	233,446.03	30.10	349,638.89	
LU1025014389	FIDELITY TARGET 2045 SHARES	39			12.85	499.99	12.62	491.00	
LU1025014629	FIDELITY TARGET 2050 SHARES	39			12.86	500.00	12.63	491.05	
LU0701293705	INCOMETRIC FUND	871,447			5.74	5,000,025.00	5.86	5,106,881.08	
KYG5574E3704	L&C UK REAL ESTATE	0			1,190.69	210.99	413.26	73.23	
	sub-total	1,221,103	0.00			11,817,501.75		12,601,922.98	
	2.2.1.4 - Other								
	sub-total	0	0.00			0.00		0.00	0.00
	sub-total	1,959,434	0.00			30,626,633.52		31,881,900.98	
	2.2.2 - Debt securities								
	2.2.2.1 - Public debt								
IT0005023459	BTPS 1.15% 05/17	5,750,000.00	101.60%	101.3%		5,822,450.00	101.7%	5,850,265.63	
IT0005094088	BTPS 1.65% 03/32	2,500,000.00	95.14%	95.5%		2,487,525.00	95.7%	2,392,137.30	
IT0005083057	BTPS 3.25% 09/01/46	6,100,000.00	111.98%	112.5%		6,860,060.00	113.1%	6,896,321.66	
DE0001141695	BUNDES OBLG 0.5% 04/12/19	1,500,000.00	102.48%	101.8%		1,526,250.00	102.8%	1,542,589.34	
IT0005127383	BUCINI 0% 03/31/16	8,000,000.00	100.02%	100.0%		8,003,477.07	100.0%	8,001,680.00	
IT0005044976	CERT DI CREDITO DEL TESORO 0% 09/16	2,000,000.00	100.02%	99.9%		1,997,880.00	100.0%	2,000,300.00	
IE00B38CQ36	IRISH GOVT 0.8% 03/22	2,500,000.00	102.13%	99.5%		2,488,425.00	102.8%	2,569,151.64	
IE00B8JYSW68	IRISH GOVT 5.92% 05/42	6,000,000.00	158.00%	153.4%		9,203,366.20	161.6%	9,698,360.64	
PTOTES06020	PT OT 4.1% 02/15/45	3,800,000.00	106.97%	106.9%		4,062,300.00	110.8%	4,212,123.00	
XS1086879167	REPUBLIC OF ICELAND 2.5% 07/20	1,300,000.00	104.14%	99.7%		1,295,996.00	105.3%	1,368,839.83	
S10002103487	REPUBLIKA OF SLOVENIJA 1.50% 03/35	18,650,000.00	86.78%	86.6%		16,154,505.00	87.9%	16,399,623.73	
ES0000012742	SPANISH GOVT 1.95% 07/30	5,400,000.00	95.63%	99.6%		5,378,184.00	96.4%	5,208,056.57	
ES0000012412	SPANISH GOVT 2.1% 04/30/17	2,000,000.00	102.76%	103.5%		2,078,600.00	104.2%	2,083,214.75	
ES0000012932	SPGB 4% 01/31/37	7,800,000.00	123.16%	124.9%		9,745,320.00	127.0%	9,905,866.44	
ES00000120N0	SPGB 4.9% 07/30/40	5,900,000.00	135.60%	138.3%		8,159,700.00	137.7%	8,121,748.17	
ES00000124H4	SPGB 5.15% 10/31/44	6,500,000.00	141.96%	144.5%		9,392,500.00	142.8%	9,282,866.66	
ES00000123C7	SPGB 5.9% 07/30/26	12,750,000.00	138.55%	139.1%		17,739,075.00	141.0%	17,981,645.48	
ES0000011866	SPGB 6% 01/31/29	11,500,000.00	143.88%	144.5%		16,614,050.00	148.8%	17,120,097.26	
XS0882814386	SWEDEN KINGDOM 0.875% 01/18	7,000,000.00	102.19%	102.3%		7,160,500.00	103.0%	7,209,557.95	
XS117109857	SWEDEN KINGDOM 0.875% 01/23/18	9,000,000.00	91.39%	89.1%		8,016,494.02	91.7%	8,257,064.77	
XS1198102052	UNITED MEXICAN STATES 1.625% 03/06/24	2,800,000.00	95.67%	99.5%		2,785,608.00	97.0%	2,716,055.08	
	sub-total	0	128,750,000.00			146,972,163.28		148,817,565.90	
	2.2.2.2 - Other public issuers'								
ES0000101651	COMMUNITY OF MADRID 1.826% 25	6,000,000.00	98.72%	100.0%		5,999,820.00	100.2%	6,014,858.69	
ES0000101677	COMMUNITY OF MADRID 2.08% 03/30	5,500,000.00	93.37%	100.0%		5,500,000.00	95.0%	5,227,355.09	
ES0000107401	COMUNIDAD ARAGON 8.25% 01/27	6,000,000.00	155.79%	156.8%		9,405,000.00	163.7%	9,819,225.21	
	sub-total	0	17,500,000.00			20,904,820.00		21,061,838.98	
	2.2.2.3 - Other issuers'								
XS1234366448	3M FLOAT 05/20	400,000.00	99.45%	100.0%		400,000.00	99.5%	397,903.24	
XS1166160173	ABBIEY NATL TREASURY 1.125% 01/22	1,000,000.00	98.78%	99.9%		998,730.00	99.9%	998,578.49	
XS1199439222	ABBIEY NATL TREASURY 1.125% 03/25	2,000,000.00	94.13%	99.1%		1,982,580.00	95.0%	1,900,756.72	
XS1218821566	ABN AMRO BANK 1% 04/16/25	3,000,000.00	95.34%	99.1%		2,972,010.00	96.1%	2,881,549.50	
XS1114155283	ADIDAS AG 1.25% 10/21	750,000.00	100.45%	99.1%		743,587.50	100.7%	755,504.14	
FR0011965177	AIR FRANCE - KLM 3.875% 06/21	1,500,000.00	99.43%	99.3%		1,488,750.00	101.5%	1,522,502.04	
XS1117299484	AIR PRODUCTS & CHEMICALS 1% 02/12/25-14	1,750,000.00	95.36%	99.4%		1,740,095.00	96.2%	1,684,203.36	
FR0011531631	ALSTOM 3% 07/08/19	6,000,000.00	106.24%	107.4%		6,442,500.00	107.7%	6,451,077.38	
XS1074479384	AMERICA MOVIL 1% 06/04/18	2,000,000.00	100.76%	99.7%		1,993,540.00	101.3%	2,026,575.40	
BE6276038419	ANHEUSER-BUSCH FLOAT 10/18	250,000.00	99.34%	100.0%		250,000.00	99.4%	248,472.10	
XS1135334800	APPLE INC 1% 11/10/22	1,000,000.00	100.40%	99.6%		996,000.00	100.5%	1,005,372.44	
XS1205616698	APT PIPELINES LTD 2% 03/22/27	3,300,000.00	89.24%	99.6%		3,286,404.00	90.8%	2,996,460.77	
XS1167308128	ARCELORMITTAL 3.125% 01/22	5,000,000.00	76.54%	92.7%		5,485,570.00	79.5%	4,375,037.53	
US00206RC668	AT&T FLOAT 06/30/20	500,000.00	92.55%	92.8%		464,166.36	92.6%	462,780.20	
XS1196373507	AT&T INC 1.3% 09/05/23	1,500,000.00	96.50%	99.6%		1,494,285.00	96.9%	1,453,673.61	
XS1121229402	AUSTRALIA PACIFIC AIRPORTS 1.75% 10/24	1,000,000.00	98.68%	99.0%		989,870.00	99.0%	990,471.70	
FR0012300812	AUTOROUTES PARIS 1.875% 01/25	500,000.00	101.69%	99.5%		497,495.00	99.5%	517,114.73	
XS1051696398	BANCA MONTE DEI PASCHI 3.625% 04/01/19	11,000,000.00	100.27%	100.9%		11,095,700.00	103.0%	11,328,107.76	
XS1293577208	BANCO POPOLARE 2.625% 09/21/18	11,400,000.00	100.84%	101.1%		11,529,960.00	101.6%	11,578,795.91	
ES0413790355	BANCO POPULAR 2.125% 10/19	1,000,000.00	105.56%	99.5%		995,190.00	106.1%	1,060,517.05	
ES0313806613	BANCO SABADELL 2.5% 12/16	700,000.00	101.81%	99.8%		698,425.00	102.0%	713,899.17	
XS0862044798	BANK OF IRELAND 10% 07/30/16	10,700,000.00	104.00%	104.3%		11,154,750.00	108.2%	11,580,928.07	
XS0525912449	BARCLAYS BANK 6% 01/14/21	6,300,000.00	119.80%	120.3%		7,575,750.00	125.6%	7,910,712.37	
XS1016720853	BBVA SENIOR FINANCE 2.375% 01/19	500,000.00	105.56%	99.7%		498,745.00	107.8%	538,979.25	
XS1200679071	BERKSHIRE H								



# AP VIII CALM EAGLE HOLDINGS S.C.A.

XS1168962063	BMW FINANCE 1% 01/21/25	1,000,000.00	95.26%	99.2%	992,080.00	96.2%	961,974.66
DE000A122002	BMW US CAPITAL FLOAT 04/18	500,000.00	99.32%	100.0%	500,000.00	99.4%	496,756.00
XS0933994807	CAP GEMINI FLOAT 07/11	50,000.00	103.50%	100.0%	51,425.00	103.1%	51,532.64
XS10114477133	BP CAPITAL 1.526% 09/22	3,000,000.00	100.80%	100.0%	3,000,000.00	101.2%	3,036,067.86
XS1017790178	BPE FINANCIACIONES 2.5% 02/17	12,700,000.00	101.67%	101.6%	12,902,535.00	104.0%	13,202,622.29
XS1169791529	BPE FINANCIACIONES SA 2% 02/30/20	2,000,000.00	99.39%	99.5%	1,989,580.00	101.3%	2,025,668.22
XS10175430741	BRITISH TELECOM 1.125% 06/19	1,000,000.00	103.50%	99.5%	995,060.00	102.7%	1,027,160.48
913810000601	C.ÁGUAS DA BEIRA	110.00	0.00%	0.0%	0.00	0.0%	0.00
913810000801	C.MOÇAMBIQUE	120.00	0.00%	0.0%	0.00	0.0%	0.00
913910063401	CALM EAGLE HOLDINGS FLOAT 31/03/16	20,229,615.37	100.00%	100.0%	20,229,615.37	100.0%	20,229,615.37
FR0012821924	CAP GEMINI FLOAT 07/11	1,500,000.00	100.67%	101.0%	1,509,900.00	100.9%	1,006,787.50
XS1179916017	CARREFOUR 1.25% 06/25	1,500,000.00	96.83%	99.5%	1,492,020.00	98.0%	1,469,331.96
XS1086835979	CARREFOUR 1.75% 07/22	500,000.00	103.39%	99.3%	496,460.00	104.2%	520,985.30
XS0917462714	CARREFOUR BANQUE FLOAT 04/16	800,000.00	100.19%	100.4%	803,350.00	100.4%	802,826.35
FR0011301480	CASINO GUI PERRACHO 3.157% 08/05/19	6,200,000.00	103.85%	107.3%	6,652,600.00	105.1%	6,517,128.46
FR0012369122	CASINO GUICHARD PERRACHO 2.33% 25-24	4,000,000.00	87.11%	100.0%	4,000,000.00	89.2%	3,567,776.99
XS1173792059	CITIGROUP 1.75% 01/28/25	400,000.00	98.36%	99.3%	397,352.00	100.0%	399,887.01
XS0802738434	CLOVERIE PLC SWISS REINS 6.625% 09/01/42	7,600,000.00	124.94%	126.1%	9,579,800.00	127.1%	9,661,745.65
XS1046851025	CNH INDUSTRIAL 2.75% 03/18/19	4,500,000.00	99.40%	99.5%	4,476,195.00	101.6%	4,570,152.06
XS1114520680	CNH INDUSTRIAL FIN 2.875% 05/27/21	500,000.00	98.69%	99.2%	496,100.00	99.4%	497,181.22
FR0010409789	CNP ASSURANCES 4.75% 12/29/49	4,700,000.00	101.51%	102.0%	4,794,000.00	101.6%	4,776,318.76
XS1197833053	COCA-COLA 1.125% 03/09/27	4,000,000.00	93.29%	99.0%	3,960,920.00	94.2%	3,768,116.40
DE000A11Q588	DAIMLER AG 1.875% 07/24	4,000,000.00	104.59%	107.7%	4,308,000.00	105.5%	4,219,745.56
US0233928U19	DAIMLER FINANCE FLOAT 05/18	2,500,000.00	90.66%	89.8%	2,243,762.25	90.7%	2,268,586.99
XS1071388117	DANSKE BANK 1.25% 06/21	3,000,000.00	104.01%	104.3%	3,127,500.00	104.7%	3,141,219.18
XS119775692	DELPHI AUTOMOTIVE 1.5% 03/25	1,700,000.00	92.31%	99.5%	1,692,180.00	93.5%	1,589,807.91
DE000A12LUN1	DEUTSCHE ANN FIN 2.125% 07/22	1,000,000.00	100.70%	99.4%	994,120.00	101.7%	1,017,150.52
XS1050846507	DEUTSCHE ANN FIN 2.075% 04/24	1,000,000.00	107.84%	107.8%	1,060,600.00	97.6%	1,463,469.56
XS1198059686	EASTER CREATION II INV 1% 03/19/18	1,950,000.00	98.79%	99.8%	1,945,476.00	99.6%	1,941,754.48
FR0012599892	EDEXREN 1.375% 03/25	2,400,000.00	87.18%	96.9%	2,374,536.00	88.3%	2,118,936.52
XS0162990229	ELECTRICITE DE FRANCE 5.625% 02/21/33	5,000,000.00	139.22%	140.0%	7,000,000.00	144.0%	7,202,131.50
XS1203859415	ENAGAS FIN 1% 03/25/23	3,500,000.00	97.00%	99.7%	3,488,520.00	97.8%	3,421,801.60
XS1171459531	ENAGAS FINANCIACIONES 1.25% 02/25	1,700,000.00	96.30%	99.1%	1,684,360.00	97.6%	1,659,629.89
XS0438844093	ENBW 6.125% 07/39	4,000,000.00	145.65%	148.4%	5,936,000.00	148.6%	5,944,323.60
XS0840062979	ERSTE GROUP BANK 7.125% 10/19/00	3,200,000.00	118.41%	119.0%	3,808,000.00	120.0%	3,840,297.96
XS1170787797	EVONIK INDUSTRIES 1% 01/23/23	500,000.00	98.16%	99.3%	496,685.00	99.1%	495,499.93
XS1162117117	FCE BANK PLC 1.34% 02/10/22	1,500,000.00	96.56%	100.0%	1,500,000.00	97.8%	1,493,807.76
ES0205032008	FERROVIAL SA 2.5% 07/24	2,000,000.00	102.65%	108.2%	2,163,400.00	103.8%	2,076,167.44
XS1196536731	FLOWER BROS CORPORATION 1.25% 03/17/22	3,500,000.00	93.69%	99.3%	3,476,760.00	94.7%	3,313,695.77
XS1170307414	GAS NATURAL PENOSA 1.375% 01/25	2,000,000.00	95.81%	98.9%	1,978,960.00	97.1%	1,942,017.80
XS1041934800	GAS NATURAL PENOSA 2.875% 03/24	2,000,000.00	100.48%	99.1%	1,996,010.00	101.2%	1,661,614.22
FR0012602761	GDF SUEZ 1% 03/13/26	5,400,000.00	94.02%	99.2%	5,358,744.00	94.8%	5,120,525.50
XS1238900515	GENERAL ELECTRIC FLOAT 05/28/20	4,100,000.00	99.17%	100.0%	4,100,000.00	99.2%	4,066,891.49
XS1121198094	GENERAL MOTORS CORPORATION 1.875% 10/15/19	1,100,000.00	101.63%	99.9%	1,098,702.00	102.0%	1,122,302.14
XS0283629948	GENERALE FINANCE 5.40% 07/19/49	11,500,000.00	107.80%	106.6%	11,502,375.00	107.8%	11,964,569.56
XS1116263325	GOLDMAN SACHS 2.125% 09/30/24	500,000.00	101.31%	99.8%	499,020.00	101.8%	509,205.77
XS1240146891	GOLDMAN SACHS FLOAT 20	400,000.00	99.46%	100.0%	400,000.00	99.5%	398,093.16
XS1173845436	GOLDMAN SACHS GROUP 1.375% 07/26/22	1,750,000.00	99.46%	99.2%	1,736,612.50	100.1%	1,750,972.63
FR0010815464	GROUPAMA SA 7.875% 10/27/39	4,400,000.00	106.81%	107.9%	4,745,410.00	108.2%	4,761,088.89
913910001301	HIDRO E REVUE	24.00	0.00%	0.0%	24.00	0.0%	0.00
XS1132402709	HUTCHISON 1.375% 10/21	1,500,000.00	100.08%	99.7%	1,496,220.00	100.3%	1,504,667.49
XS1057055060	IBERDROLA 2.5% 10/22	2,800,000.00	107.48%	103.1%	2,885,460.00	107.9%	3,022,389.47
XS1143163183	IBM CORP 1.25% 05/26/23	2,000,000.00	99.92%	99.8%	1,995,560.00	100.7%	2,013,339.02
FR0012236677	INFRA CH SAS 1.25% 10/20	1,000,000.00	97.51%	99.8%	1,197,516.00	101.0%	2,014,765.20
XS1168003900	INTESA SANPAOLO 1.125% 01/20	1,000,000.00	100.32%	99.4%	994,460.00	101.4%	1,013,998.99
XS1197351577	INTESA SANPAOLO 1.125% 03/22	2,500,000.00	97.30%	99.6%	2,490,975.00	98.2%	2,455,656.97
XS0788138906	INTESA SANPAOLO 2.25% 11/22/17	4,800,000.00	102.63%	103.5%	4,965,600.00	102.6%	4,926,295.09
XS1315969411	ISLANDSBANKI 2.875% 07/21/18	2,000,000.00	99.51%	100.2%	2,004,260.00	100.7%	2,014,665.20
XS1074469137	JP MORGAN CHASE 1.5% 01/27/25	3,000,000.00	98.27%	99.9%	2,998,350.00	99.7%	2,989,651.23
XS1199356954	KELCOG CO 1.25% 03/10/25	3,000,000.00	95.30%	100.0%	2,998,590.00	96.3%	2,889,520.32
FR0012199008	KERING 1.375% 10/21	700,000.00	100.60%	99.7%	697,774.00	100.9%	706,572.10
XS1196817586	KINDER MORGAN INC 2.25% 03/16/27	4,000,000.00	97.83%	99.5%	3,993,360.00	97.6%	3,969,831.48
XS1167024699	LOYDS BANK 1.25% 01/25	1,000,000.00	97.72%	99.5%	989,478.00	98.9%	982,927.48
XS1219428957	LOYDS BANK PLC 0.625%	1,600,000.00	99.59%	99.9%	1,599,056.00	100.0%	1,600,327.21
XS0459090931	LOYDS FLOAT 20 03/12/2020	2,500,000.00	100.13%	102.7%	2,567,696.46	100.3%	2,507,290.14
XS1109743960	MACQUARIE BANK 1% 09/16/19	200,000.00	100.40%	100.0%	200,000.00	100.7%	201,379.23
XS0222440053	MARFAC SA 5.21% 07/24/37	5,000,000.00	95.75%	99.8%	5,588,375.00	101.6%	5,066,691.02
DE000A13R8M3	METRO AG 1.375% 10/21	4,500,000.00	100.04%	99.2%	4,466,115.00	99.6%	4,512,664.67
XS1203941775	METRO AG 1.5% 03/25	500,000.00	94.54%	99.8%	499,170.00	95.3%	478,151.15
US994918A0V3	MICROSOFT CORP 1.85% 02/20	5,000,000.00	91.87%	88.3%	4,413,400.41	92.5%	4,626,464.09
XS1117298153	MOODY'S CORP 1.5% 03/27-26	3,000,000.00	95.70%	99.0%	2,990,890.00	97.2%	2,989,938.82
XS1180256528	MORGAN STANLEY 1.75% 01/30/25	5,000,000.00	98.17%	99.8%	2,994,270.00	99.8%	2,993,284.93
XS0764278528	MUNICH RE 6.25% 05/26/42	7,300,000.00	121.48%	122.0%	8,906,000.00	125.2%	9,140,750.05
XS1167352613	NATIONAL AUSTRALIA BANK 0.875% 01/20/22	500,000.00	98.61%	99.6%	498,165.91	99.4%	497,160.27
XS1286327715	NATIONAL BANK OF CANADA FLOAT 09/17	4,000,000.00	99.91%	100.0%	4,000,250.00	100.0%	4,000,938.33
XS1188094673	NATIONAL GRID NA INC 0.75% 02/22	4,000,000.00	96.93%	99.3%	3,972,920.00	97.6%	3,903,787.95
XS1196797614	NATIONWIDE BLDG SOCIETY 1.25% 03/25	5,000,000.00	96.50%	99.9%	4,995,800.00	97.5%	4,876,541.80
XS1132789949	NESTLE FIN INTL 0.75% 11/21	1,000,000.00	101.00%	99.7%	996,750.00	101.1%	1,011,036.07
XS1204254715	NET GROUP 1% 03/19/22	2,400,000.00	97.51%	99.8%	2,399,192.00	98.3%	2,359,149.24
XS1029950290	NN GROUP NV 4.5% 07/15/49	9,900,000.00	98.17%	97.8%	4,789,750.00	100.2%	4,911,398.58
XS1134758116	NOVARTIS 0.75% 11/21	1,000,000.00	100.76%	99.1%	991,340.00	100.9%	1,008,615.97
XS0982711631	PETROBRAS FINANCE 2.75% 01/2018	500,000.00	81.50%	93.1%	465,700.00	84.1%	420,666.93
XS0456477578	PETROLEOS MEXICANOS 3.5% 01/17	1,000,000.00	102.76%	108.5%	1,085,000.00	108.1%	1,081,273.84
XS1075312626	POHJOLA BANK 0.75% 03/22	2,100,000.00	97.51%	99.9%	2,088,534.00	98.8%	2,117,022.73
XS1196759010	POHJOLA BANK PLC 0.75% 03/22	500,000.00	97.67%	99.7%	498,270.00	98.3%	491,444.51
XS1022213291	PPG INDUSTRIES 1.4% 03/13/27	3,000,000.00	91.76%	98.6%	2,858,840.00	92.9%	2,786,482.95
XS1117452778	PROLOGIS LP 1.375% 10/07/20	1,000,000.00	99.23%	99.8%	998,340.00	99.5%	995,453.31
XS046281618	RABOBANK 1.875% 03/19/20	8,100,000.00	120.00%	120.0%	9,959,170.00	124.1%	10,994,818.31
XS1239520494	RABOBANK FLOAT 20	400,000.00	99.31%	100.0%	400,000.00	99.4%	397,410.93
FR0012596179	RCI BANQUE 0.625% 03/20	2,000,000.00	97.83%	99.8%	1,996,660.00	98.3%	1,966,474.20
XS1219462543	RED ELECTRICA FIN 1.25% 04/25	100,000.00	95.87%	99.5%	99,521.00	96.6%	96,641.52
XS1050547931	REDEXIS GAS FINANCE 2.75% 04/21	5,000,000.00	105.54%	102.2%	5,107,590.00	107.5%	5,377,207.38
FR0012199065	RTE RESEAU DE TRANSPORT 1.625% 10/08/24	700,000.00	100.70%	99.0%	692,860.00	101.1%	707,496.66
XS1218217377	SANTANDER CONSUMER BANK 0.625% 04/18	1,000,000.00	99.94%	99.9			

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US961214CN14	WESTPAC BANKING FLOAT 05/18	2,000,000.00	91.49%	87.8%	1,756,080.42	91.6%	1,831,182.48
XS1200845003	WHIRLPOOL CORP 0.625% 03/12/20	500,000.00	97.97%	99.6%	497,870.00	98.5%	492,335.25
	Obrigações Moza Banco 15/05/16	4,999,875.00	100.00%	100.0%	94,681.97	100.0%	95,160.50
	Dep Prazo Angola				15,534,083.71		15,534,083.71
	Dep Prazo MOÇAMBIQUE				3,129,359.95		3,129,359.95
	sub-total	0	437,319,744.37		466,877,477.92		464,728,158.59
	sub-total	0	583,569,744.37		634,754,463.21		634,607,163.48
	Total	1,959,434	583,569,744.37		665,381,096.73		666,489,064.43
	2.3 - Trading derivatives						
	Currency Forwards EUR						-172,607.76
	Swaps Cambiais USD / MZN						-55,281
	Total	0	0.00		0.00		-227,888.38
	2.4 - Hedging derivatives						
	Total	0	0.00		0.00		0.00
	Total	202,994,896	617,339,028.22		754,584,685.62		754,122,519.77
	3 - GRAND TOTAL	204,897,456	617,339,028.22		763,512,094.86		777,643,198.93

### NOTE 39 – DISCLOSURE OF REMUNERATION POLICIES

#### Remuneration of the members of the Board of Directors

The remuneration of each member of the Board of Directors shall be fixed directly by the sole shareholder at the General Meeting.

Members of the Board of Directors with executive functions who earn remuneration shall receive a fixed remuneration paid 14 times a year, to which may be added a variable remuneration, under such terms as come to be fixed by the shareholder at the General Meeting.

The fixed part shall have the limits set by the General Meeting and, as a rule, shall not be less than 60% of the Total Annual Remuneration.

The variable part, if any, shall account for an average of about 40% of the remuneration, though its actual amount may vary each year, depending on the assessment of the individual and overall performance of the members of the Board Directors having executive duties, as well as the degree of achievement of the main goals of the Company, particularly, the net profit of the preceding year, the return on equity and the combined ratio, taking into consideration at all times in the evaluation process both the adequacy of the Company's equity and its risk level, and also the technical provisions.

The variable remuneration, if any, is in respect of the short-term performance and depends on a decision to be taken by the single shareholder at the General Meeting in accordance with the assessment and on the basis of the above criteria.

Besides the fixed and variable remuneration described in this remuneration policy, no other forms of remuneration of the members of the Board of Directors are considered, nor are they granted any pecuniary or non-pecuniary benefits of import.

Considering the current remuneration structure, the maximum amounts considered and risk-tolerance levels defined, it has not yet been considered necessary to defer a part of the variable component of the remuneration. Therefore, if one is assigned, it is paid in full in cash in the month following the approval of the accounts of the period to which it relates.

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Without prejudice to the foregoing, the shareholder may, at the General Meeting, establish that the variable component of the remuneration, or a portion thereof, be assigned through stock-option plans involving shares in Tranquilidade or any other company of the Group, under such terms as may come to be defined in due course.

Members of the Board of Directors having executive duties may also be entitled to a contribution to a defined-contribution pension fund, the terms and conditions of the respective plan being currently in the process of definition and approval.

Members of the Board of Directors without executive duties earn no fixed or variable remuneration.

Table of remuneration paid to members of Tranquilidade's governing bodies during the period:

In TEUR	Remuneration		Total
	Fixed	Variable (2)	
<b>Executive Committee</b>			<b>1,100</b>
Pedro Guilherme Beauvillain de Brito e Cunha (Chair) (1)	41	-	41
Augusto Tomé Pires Fernandes Pedroso (Vogal)	237	160	397
António Miguel Natário Rio-Tinto (1)	-	-	-
Miguel Maria Pitté Reis da Silveira Moreno (1)	35	-	35
Gustavo Alexandre P.T. Mesquita Guimarães (Presidente)	103	-	103
Alexandre Wallace Humphreys (Vogal)	-	-	-
Gernot Wilhelm Friedrich Lohr (Vogal)	-	-	-
Jan Adriaan de Pooter (Vogal)	93	-	93
Pedro Luís Francisco Carvalho (Vogal)	102	-	102
Rui Manuel Leão Martinho (1)	55	-	55
Miguel Luís Kolback da Veiga (1)	9	-	9
António José Baptista do Souto (1)	-	-	-
Manrico Iachia (1)	9	-	9
António Manuel Rodrigues Marques (1)	20	-	20
Bernardo Leite Faria Espírito Santo (1)	9	-	9
Nuno Miguel Pombeiro Gomes Diniz Clemente (Vogal)	66	160	226
<b>Board of Auditors</b>			<b>117</b>
Alexandre Paixão Coelho (Chair) (1)	27	-	27
Rui Manuel Duarte Sousa da Silveira (1)	-	-	-
Luís Maria Viana Palha da Silva (Presidente)	39	-	39
Manuel Maria de Paula Reis Boto (Vogal Efetivo)	24	-	24
Pedro Manuel Aleixo Dias (Vogal Efetivo)	24	-	24
Sandra Maria Simões Filipe de Ávila Valério (Vogal Suplente)	-	-	-
Horácio Lisboa Afonso (1)	4	-	4
<b>Total Remuneration</b>	<b>897</b>	<b>320</b>	<b>1,217</b>

(1) Meanwhile, the members of the corporate bodies listed above no longer hold the positions in question.

(2) Variable remuneration relating to 2015

The cost for the year with retirement pensions of the members of the governing bodies amounted to EUR 1,029k in the period.