



ANNUAL REPORT AND ACCOUNTS



TRANQUILIDADE

2015



TRANQUILIDADE

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01

GOVERNING BODIES

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TRANQUILIDADE

01

GOVERNING BODIES

GENERAL MEETING

The appointment of the members of the Board of the General Meeting is pending.

BOARD OF DIRECTORS

CHAIR

Gustavo Alexandre Pontes Teixeira de Mesquita Guimarães

MEMBERS

Alexander Wallace Humphreys

Augusto Tomé Pires Fernandes Pedroso

Gernot Wilhelm Friedrich Lohr

Jan Adriaan de Pooter

Nuno Miguel Pombeiro Gomes Diniz Clemente

Pedro Luís Francisco de Carvalho

BOARD OF AUDITORS

CHAIR

Luís Maria Viana Palha da Silva

FULL MEMBERS

Manuel Maria de Paula Reis Boto

Pedro Manuel Aleixo Dias

ALTERNATE MEMBER

Sandra Maria Simões Filipe de Ávila Valério

OFFICIAL AUDITOR

Maria Augusta Cardador Francisco representing
Deloitte & Associados, SROC S.A.

ALTERNATE

Carlos Luís Oliveira de Melo Loureiro

02

DIRECTORS' REPORT

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TRANQUILIDADE

DIRECTORS' REPORT

To the Members of Companhia de Seguros Tranquilidade, S.A.

Under the law and the articles of association, the Board of Directors is honoured to present to you for appraisal the 2015 Management Report and Accounts of Companhia de Seguros Tranquilidade, SA, (hereinafter Tranquilidade or Company).

2.1 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 with a but positive trend, inflation remained at levels close to zero, and central banks maintained fiscal policies for favourable to growth. The emerging economies continued to have an adverse effect on global economic activity, the China's slowdown having been the major influencing factor.

2.1.1 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 to change the course of its monetary policy and to increase the fed fund rate for the first time in about a decade, to 0,50%.

The growth of household consumption is set to have exceeded 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.

Economic activity in the eurozone maintained its kept of recovery in 2015, albeit at a pace slower 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 also marked by the sharp appreciation of the dollar against most 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 3.8% in 2015. Concern as to a slowdown of the Chinese economy and its impact on the world economy negatively affected the performance of global stock markets, especially from the second half of 2015, triggering strong turbulence in the markets.

2.1.2 Domestic Economic Situation

According to the latest figures released, in 2015 the 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% and of public consumption of 0.8% (-0.5% in 2014). There was a recovery of household disposable income throughout the year and also 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% compared with 2014 (3.9% in 2014). However, imports also maintained a high growth rate (7.3% in 2015 compared with 7.2% in 2014).

The unemployment rate fell back from 13.9% to 12.4% in 2015 and the inflation rate returned to positive figures, 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).

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

2.1.3 Insurance Market

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

The Life 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 amounted to €8,669 million, down 17.0% compared with the preceding year (-€1,770 million). Only traditional insurance premiums grew compared to 2014 (4.6%). Capitalisation products decreased 17.8% (-€1,258 million) and contributions to PPRs in the sum of €1,897 million, fell by 22.6% (-€555 million) compared with the preceding year.

The Non-Life segment returned a remarkable growth of 3.7%, the highest annual growth rate of the past 10 years. The volume of Non-Life premiums amounted to €3,993 million (+€144 million), with emphasis on Workers' Compensation insurance, which grew 7.8%, lending new impetus to the recovery begun in 2014. The increase of payrolls, expected 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 this increase of the volume of premiums.

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

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) returned a net profit in 2015 of €378 million (€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, highlighting the strength of the insurance sector as well as its preparedness to respond to the capital requirements resulting from the entry into force on January 1, 2016, of the new solvency legislation (Solvency II).

2.2 RELEVANT FACTS IN 2015

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

For Tranquilidade 2015 was an important year. The entry of the new shareholder on January 15, 2015, a company controlled by the affiliate investment funds of Apollo Global Management, LLC, Calm Eagle Holdings, Sàrl ("Apollo"), allowed a page to be turned, recapitalising the Company through the injection of capital needed to restore the solvency ratios to adequate levels, meaning that Tranquilidade will benefit anew from conditions that will allow it to focus even more on creating value and generating profits.

In 2015, Tranquilidade again demonstrated its strength and regenerative capacity, within this context of a new shareholder. It therefore proved possible to remedy the losses caused by the breakup of the Espírito

Santo Group, through greater retention capacity and a high commercial dynamic in attracting new business, in the retail area in particular. Tranquilidade ended 2015 with a market share of 8.0%, ranking third in Non-Life business, with a slight increase of the volume of premiums (0.3%).

At 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, increasing recognition of the overall value proposition of the Tranquilidade brand and of its service provided by this important channel;
- Brokers decreased by 1% in 2015, but the commercial dynamic continues to improve over the year, the volume of premiums in the 4th quarter increasing by 10%;
- The Alternative Retail Networks grew 31% compared to 2014 and strengthened their important role Tranquilidade's retail area, particularly in Motor, contributing 12% of new revenue.

In 2015 Tranquilidade's Non-Life and Life customer base numbered 686,000 (up 3.8% or 25,000 more than in 2014). This very good performance, unprecedented in recent years, was achieved mainly due to the success of retention mechanisms that a 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 a very positive new-customer dynamic leading to a record year of new policies. In Workers' Compensation and Health, Tranquilidade underperformed the market, due both due to loss of business (still) 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 suiting the cost to the risk.

In Life, the strategic focus on Life Risk products again returned 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 offer and to the quality of service provided to Customers and Partners, the Company launched a number of new initiatives:

1. Launch of new products, especially for Individuals, but also for Companies:
 - 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;
 - 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 Workers' 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 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 out quality in claims management: in Motor and Workers' 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 5pp).

The strategy of ongoing, consistent improvement of the Company's Partners and Customers service levels and a close relationship with the market has allowed us, 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 €2.2 million (down 3.4% compared to 2014). This good performance is mainly the result of the reduction of the third-party supplies and services costs (down 9.4% or €1.8 million).

With the global financial crisis that 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 highly volatile.

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

Tranquilidade's overall technical balance increased from €55.8 million to €60.5 million, a growth of 8.4%. Despite the decrease of the technical balance of Motor insurance, the claims rate of which, net of reinsurance, rose to 73.1%, attention is drawn to the positive contribution Accidents and Health, especially Workers' Compensation, where the claims rate

fell to 82.4%, a positive performance, though not as good as might be desired.

With regard to Tranquilidade's strategic investments, one must underscore the fact that in 2015 direct insurer LOGO significantly consolidated its business, as seen in the 29.3% growth of Premiums earned net of reinsurance.

LOGO maintained a market share in direct insurers of about 20%, with a share of about 30% in Home and of about 50% in Health, business lines in which it was a pioneer. To these business results must be added an improvement of the claims rate by more than 30pp between 2010 and 2015, and a reduction of more than €2 million (almost 25%) of pro forma operating cost over the past 2 years.

At T-Vida the technical balance net of reinsurance rose from €6.1 million to €9.1 million. Despite the good performance of the technical balance, net income worsened by 25.4% to €3.2 million, due to the decrease of the results of the financial activity, while the solvency ratio stood at 202% (up 6 pp vs. 2014).

2.3 KEY VARIABLES AND BUSINESS INDICATORS

(thousand euros)

	2015	2014	Change 15/14 %
Balance Sheet			
Investments	587,107	472,325	24.3
Net assets	741,695	667,563	11.1
Equity	135,532	40,187	237.3
Provision for unearned premiums (DI+RA)	76,450	77,501	-1.4
Provision for claims (DI+RA)	419,278	428,452	-2.1
Provision for claims, net of reinsurance	381,414	386,321	-1.3
Technical Provisions (DI+RA)	518,063	531,542	-2.5
Gains & Losses			
Gross direct insurance premiums written	320,897	319,811	0.3
Premiums earned, net of reinsurance	277,535	277,844	-0.1
Cost of Direct Insurance Claims	213,032	213,329	-0.1
Costs of claims, net of reinsurance	195,153	197,818	-1.3
Operating Costs	70,102	69,225	1.3
Revenues	14,022	17,158	-18.3
Net Income	29,364	-188,265	115.6
Indicators			
Gross premiums written/ n° of employees	481.1	480.2	0.2
Direct insurance claims rate of	66.6%	65.8%	0.8 p.p.
Claims rate net of reinsurance	70.3%	71.2%	-0.9 p.p.
Net Income/ Gross premiums written	9.0%	-56.9%	65.9 p.p.
Combined ratio net of reinsurance	103.3%	104.3%	-1.0 p.p.
Solvency ratio	308.8%	52.5%	256.3 p.p.

2.4 TRANQUILIDADE'S BUSINESS IN 2015

2.4.1 Direct Insurance Premiums

Direct insurance premiums in 2015 totalled €320,897k, an increase of 0.3% compared to the preceding year. The Non-Life insurance market returned an increase of 3.7% compared to 2014.

The largest Non-Life insurers operating in the Portuguese market, with the exception of AXA, recovered their portfolios and had a positive premium-growth rate, many of them above the market average.

Despite the modest growth of €1,086k over the previous year, Tranquilidade achieved an above average result in Motor (up 3.9%, or €4,757k, compared to the 1.5% of the market).

In Accidents and Health, Tranquilidade's production was lower than the previous year by €4,095k (-3.9%) due to the downturn of production in Health (€-4,048k, or -10.6%). Workers' Compensation performed well, though lower than the market (up 1.2% compared to the 7.8% growth of the market).

The Fire and Other Damage group grew by 1.1% compared to 2014 despite the €1,159k reduction of Multi-risk insurance compared to the previous year (down 2.2% compared to a market growth of 2.2%).

(thousand euros)

Direct Insurance Premiums	2015	%	2014	%	Change 15/14 (%)
Accidents & health	100,359	31.3	104,454	32.7	-3.9
Fire & other damage	63,678	19.8	62,985	19.7	1.1
Motor	125,343	39.1	120,586	37.7	3.9
Transport	6,169	1.9	7,155	2.2	-13.8
Third-party liability	9,909	3.1	10,090	3.2	-1.8
Sundry	15,439	4.8	14,541	4.5	6.2
Total	320,897	100.0	319,811	100.0	0.3

Tranquilidade's market share fell by 8.3% in 2014 to 8.0% in 2015, ranking 3rd in the Non-Life segment.

2.4.2 Cost of Direct Insurance Claims

Total costs of direct claims in 2015 amounted to €213,032k, a reduction of €297k (-0.1%) compared to 2014.

Costs of Motor claims were up €25,380k 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.

In Civil Liability insurance, too, the cost of claims increased over the previous year (€7,257k), Operating Liability being primarily responsible for this increase (€7,444k) due to the occurrence of serious accidents.

On the other hand, in Accidents and Health there was a downturn of claims costs (-19.5%), with emphasis on the decrease of Workers' Compensation costs (€-14,794k) for reduction of the mathematical provisions due to the increases of the interest rate and changes in assumptions used in its calculation, and of Health (€-3,703k) due to the slowdown of the amounts paid in the latest year of occurrence. This is due to a reduction of costs borne in the implementation of various measures in claims management and also to the reduction of less profitable contracts.

In Fire and other damage, too, claims costs in 2015 are lower than the previous year by 30.3% (€-11,827k), with emphasis in the decline in Multi-risk (€-4,770k) and in Crops (€-1,345), the result of the lower number serious accidents and catastrophic events.

(thousand euros)

Direct Insurance Claims Costs	2015	2014	Change 15/14 %
Accidents & health	81,477	101,251	-19.5
Fire & other damage	27,253	39,080	-30.3
Motor	93,438	68,058	37.3
Transport	424	1,423	-70.2
Third-party liability	9,603	2,346	309.3
Sundry	837	1,171	-28.5
Total	213,032	213,329	-0.1

The claims rate in 2015 (gross cost of claims/ gross premiums earned) stood at 66.6%, an increase of just 0.8 pp over the previous year. Highlights:

- The increase of the claims rate in Motor to 75.6% (55.3% in 2014). Civil liability to 95.5% (23.0% in 2014);
- The declines of the claims rate in Accidents and Health to 80.9% (96.7% in 2014) and Fire and other damage to 42.6% (60.3% in 2014).

(%)		
Claims Costs/Gross Premiums Earned *	2015	2014
Accidents & health	80.9	96.7
Fire & other damage	42.6	60.3
Motor	75.6	55.3
Transport	6.5	19.4
Third-party liability	95.5	23.0
Sundry	5.5	8.4
Total	66.6	65.8

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

2.4.3 Direct Insurance Technical Provisions

Direct insurance technical provisions amounted to €511,747k in 2015, a reduction of €10,566k compared to the previous year (down 2.0%). The Provision for Claims fell by €7,884k, split between the €2,454k increase under WC and the decrease of the provision allocated to other business lines in the sum of €10,338k.

(thousand euros)			
Direct Insurance Technical Provision	2015	2014	Change 15/14 %
Provisions for unearned premiums	74,337	73,800	0.7
Provisions for Claims	415,075	422,959	-1.9
Workers' compensation	225,190	222,736	1.1
Other business	189,885	200,223	-5.2
Other technical provisions	22,335	25,554	-12.6
Total	511,747	522,313	-2.0

2.4.4 Reinsurance Ceded

The balance of reinsurance ceded in 2015 amounted to €23,307k, more favourable in the sum of €3,650k compared to 2014 (down 13.5%). This was due to a lower volume of premiums ceded to reinsurers.

(thousand euros)			
Reinsurance Ceded	2015	2014	Change 15/14 %
Premiums	50,105	56,131	-10.7
Commissions	-7,375	-9,405	-21.6
Claims and variation of technical provisions	-19,423	-19,769	-1.8
Result	23,307	26,957	-13.5

2.4.5 Technical Balance Net Of Reinsurance

The net technical balance of reinsurance in 2015 amounted to €60,451k, a growth of 8.4% over the previous year (€4,682k), mainly due to the decrease of direct insurance claims costs (€-1,691k) and the improvement of the balance of reinsurance accepted and ceded (€4,642k).

By segment, the biggest drop was seen in Motor, with the technical balance down €26,964k (increase of the cost of claims).

In a favourable sense, the emphasis is on the technical balance of Accidents and Health. Here the change was from negative in 2014 to €13,190k positive in 2015 (up €18,163k, of which €15,469k in WC), and on Fire and other damage, the technical balance of which increased €13,318k compared to 2014, due mainly to the good performance of Multi-risk insurance, in which the technical balance of reinsurance showed a net increase of €11,129k over 2014 (improvement of claims costs and recovery of the reinsurance balance).

(thousand euros)			
Technical Balance, Net of Reinsurance	2015	2014	Change 15/14 %
Accidents & health	13,190	-4,973	365.2
Fire & other damage	21,845	8,527	156.2
Motor	18,306	45,270	-59.6
Transport	3,107	1,658	87.4
Third-party liability	3,960	4,694	-15.6
Sundry	43	593	-92.7
Total	60,451	55,769	8.4

2.4.6 Operating Costs

Operating costs amounted to €70,102k in 2015, up 1.3% over the previous year. In terms of recurring costs, and through continuation of the Efficiency Programme, there was a reduction of operating costs of €2.2 million (down 3.4% compared to 2014), as per the detail of extraordinary factors referred to hereunder in each type of cost.

Staff costs in the amount of €35,686k were down 12.1% compared to 2014, or €-4,907k. This significant decrease is mainly related to the existence in 2014 of an additional non-recurring cost of €4,726k justified primarily by the recognition of benefits with the Directors' Pension Fund related with participants leaving before normal retirement age.

Costs of Third-party Supplies and Services decreased 4.6%, or €-885k, reflecting the Company's continuing commitment to achieving efficiency gains. If we take into consideration that in 2015 there were €935k of non-recurring costs primarily related to consultancy costs involving strategic projects, projects related with Solvency II and compliance, the decrease in pro forma terms amounts to €1,820k (-9.4%).

Depreciation increased €6,649k (106.2%) in 2015, mainly due to the accounting of extraordinary amortisation of intangible assets amounting to €5,876k and the start to the amortisation in the amount of €311k of an insurance portfolio acquired in 2014. Without these effects, in pro forma terms, the increase would have been just €462k (7.4%).

(thousand euros)

Operating Costs	2015	2014	Change 15/14 %
Staff costs	35,686	40,593	-12.1
Third-party supplies & services	18,480	19,365	-4.6
Taxes and charges	2,412	2,351	2.6
Depreciation	12,911	6,262	106.2
Other*	613	654	-6.3
Total	70,102	69,225	1.3

* Includes provisions for contingencies & liabilities, interest expense, commissions and other costs with Investments

2.4.7 Personnel

During 2015, 19 new employees were taken on and 18 left, 1 of whom for pre-retirement or retirement reasons.

As a result of these movements, effective staff increased by 0.2% compared to 2014, to 667 employees. Compared to the previous year, productivity was practically unchanged, with the ratio of direct insurance premiums per employee of the permanent staff standing at €481k (€480k in 2014).

	2015	2014	Change 15/14 %
Admissions	19	33	-42.4
Departures	18	32	-43.8
of which pre-retirement or retirement	1	8	-87.5
Total Staff	667	666	0.2
DI Premiums/ N° of Staff (thousand euros)	481	480	0.2

2.4.8 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, and a resumption of the growth cycle until the end of the year.

Against this background the Company'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. From May, the operations were primarily directed at the to 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 Company's exposure to the real-estate sector.

(thousand euros)

Assets Under Management ⁽¹⁾	2015	2014	Change 15/14 %
Bonds	297,373	165,429	79.8%
Fixed-rate	287,833	151,476	90.0%
Floating-rate	9,540	13,953	-31.6%
Equities & investment funds	218,336	224,315	-2.7%
Strategic	133,398	139,128	-4.1%
Equities	13,194	-	-
Investment Funds	71,744	85,187	-15.8%
Properties	65,204	70,012	-6.9%
Owner-occupied	24,053	24,400	-1.4%
Income	41,151	45,612	-9.8%
Liquidity	12,943	25,560	-49.4%
Other	5,706	6,967	-18.1%
Total	599,562	492,283	21.8%

(1) Amounts determined from a management standpoint.

At the end of the year, Tranquilidade's investment portfolio stood at €599,562k, a growth of €107,279k (21.8%) compared to 2014. The investment in fixed-rate bonds grew by 90.0% (€136,357k) compared to 2014, mainly explained the result of the reinvestment of the cash inflow obtained through the recapitalisation by the shareholder.

The fall of Strategic Investments in the sum of €-5,730k is justified by the sale of holdings in Advancecare - Gestão e Serviços de Saúde, S.A., and Esumédica - Prestação de Cuidados Médicos, S.A., and by the impairment recorded in the holding in GNB - Gestão de Ativos SGPS, S.A..

The bond portfolio amounted to €297,373k (49.6% of assets under management), had an average investment grade (BBB) rating and an exposure to sovereign debt of €90,632k (30.5% of the total bond portfolio), including €6,001k 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 4.0% of assets under management.

Throughout the year a level of liquidity security was maintained, on average 4.9% of assets under management. Exposure to the real-estate sector through investment funds and direct holdings in the balance sheet decreased by €19,627k (-8.5%) 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.

(thousand euros)

Financial Results ⁽¹⁾	2015	2014	Change 15/14 %
Revenues	14,022	17,158	-18.3
Securities	12,004	15,609	-23.1
Properties	2,018	1,549	30.3
Gains & Losses	42,647	-108,905	139.2
Securities	39,656	-107,518	136.9
Properties	2,991	-1,387	315.6
Impairments/ Written Back	-4,498	-52,682	91.5
Securities	-4,498	-52,682	91.5
Properties	-	-	-
Total	52,171	-144,429	136.1

(1) Amounts determined from a management standpoint.

In 2015, financial activity returned a net profit in the sum of €52,171k, a year-on-year increase of €196,600k compared to the preceding year. The normalised result of the financial activity, i.e., excluding non-recurring effects of the sale of subsidiaries and the impairment recognised in the holding GNB - Gestão de Ativos, SGPS, SA, was €20,595k in 2015, which compares with €27,158k in 2014, resulting in a negative y-o-y deviation of €6,563k (-24.2%).

The fall in interest rates and the reduction of dividends received penalised the returns on securities by -18.3%. In the real-estate component, revenue grew 30.2% compared to 2014.

The return on average assets was 9.0% (2014: -21.6%). Considering the change recorded in the fair value reserve, the return was 7.9% (2014: -19.8%). Excluding non-recurring items, the rates would be 3.6% (2014: +4.8%) and 2.5% (2014: +6.6%), respectively.

2.4.9 Equity And Solvency Margin

Tranquilidade's net income in 2015 amounts to €29.4 million compared with a loss of €188.3 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 €36.9 million on the sale of the subsidiary Advancecare - Gestão e Serviços de Saúde, S.A., 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 €10.5 million (net of tax) resulting from the changes of the actuarial assumptions used to calculate the mathematical provisions of Workers' Compensation;
- Conversely, impairments and bad debts were recognised in the amount of €7.2 million in respect of Tranquilidade - Corporação Angolana de Seguros, S.A.;

- It was decided to carry out an extraordinary depreciation of €4.6 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 €3.2 million (net of tax) was recognised in the 10% holding in GNB - Gestão de Ativos, SGPS, S.A., 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 2016 net income adjusted for all these more relevant non-recurring effects was still marginally negative in the sum of €3.1 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.

Since it is materially relevant, it should be noted and recalled that the 2014 net loss of about €188.3 million was mainly due to the following factors:

- Losses and impairment of the GES debt (€140.3 million);
- Impairment at subsidiary Seguros LOGO, SA, (€35.9 million);
- Impairment of intangible assets - Goodwill of ESIA (€25.8 million);
- Additional non-recurring cost of the Directors' Pension Fund liabilities (€4.7 million).

In 2015, the solvency margin stands at 309% and Equity increased 237.3% to final amount of about €135.5 million, mainly due to the following factors:

- Increase of the share capital and ancillary capital contributions (€72.6 million);
- Negative fair-value adjustments of financial assets (€4.8 million, net of taxes);
- Net income for the year (€29.4 million).

(thousand euros)

Equity	2015	2014	Change 15/14 %
Share capital	12,600	160,000	-92.1
Other capital instruments	60,000	0	-
Revaluation reserves	-873	3,935	-122.2
Other reserves	34,441	31,759	8.4
Retained earnings	0	32,758	-100.0
Net Income	29,364	-188,265	115.6
Total	135,532	40,187	237.3

Thus, 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 53% (and had a financial guarantee shortfall of €144 million).

However, early in 2015, Tranquilidade implemented a recapitalisation plan, approved by the ASF, which allowed the Company 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, S.A., providing Tranquilidade with a financial inflow of €37.4 million (transaction finalised);
 - b. Sale of the holdings in ES Contact Center, SA and GNB – Gestão de Ativos, S.G.P.S., S.A. (transactions still to be finalised).
2. Increase of the Company's equity the putting up ancillary capital contributions in the sum of €60 million (operation finalised)
3. Reduction of the share capital to cover losses and subsequent capital increase in the amount of €42 million, of which €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.

2.4.10 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 n° 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);
- 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.

2.5 Proposal For the Appropriation of Profit

The Board of Directors of Companhia de Seguros Tranquilidade, SA, proposes, pursuant to and for the purposes of Article 376 (b) of the Companies Code, that the net profit for the 2015 financial year in the sum of €29,363,895.06 be appropriated as follows:

- a) 10% of the Net profit for the year, in the sum of €2,936,389.51 to Legal Reserve;
- b) The remainder to Retained Earnings.

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

The Vision 2020 project is setting out Tranquilidade'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.

So, with the support of Apollo, its new shareholder, with a decided and committed management team and talented, focused and aligned employees, Tranquilidade will continue to direct its action at continuing to be a market benchmark in terms of profitability, growth and service.

2.7 Closing Remarks

At the start of 2015, the shareholder structure of Companhia de Seguros Tranquilidade, S.A. was altered, and there was therefore an election of new governing bodies, leading to the appointment of new members of the Board of Directors, a new Board of Auditors and a new Statutory Auditor.

In this extremely challenging year, the Board of Directors wishes to express its appreciation to its Customers, Brokers, Employees and other Partners, for their contribution to the mitigation of negative impacts on the Company and to its development.

Tranquilidade also recognises the contribution that the Portuguese Insurers Association has provided to the Company in various areas within its field of competence and in ensuring the defence of the sector's interests.

A last word of thanks for the support of the Insurance and Pension Funds Supervisory Authority, which also made a decisive contribution in enabling Tranquilidade to successfully overcome yet another challenging year of its history.

Lisbon, March 30, 2016

BOARD OF DIRECTORS

Gustavo Alexandre Pontes Teixeira de Mesquita Guimarães
(Chair of the Board of Directors)

Alexander Wallace Humphreys
(Member)

Augusto Tomé Pires Fernandes Pedroso
(Member)

Gernot Wilhelm Friedrich Lohr
(Member)

Jan Adriaan de Pooter
(Member)

Nuno Miguel Pombeiro Gomes Diniz Clemente
(Member)

Pedro Luís Francisco de Carvalho
(Member)

03

FINANCIAL STATEMENTS

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TRANQUILIDADE

03

FINANCIAL STATEMENTS

Financial Statements - Balance Sheet (Assets) as at December 31, 2015 & 2014

(thousand euros)

ASSETS	Notes to the Accounts	December 31, 2015			December 31, 2014
		Gross Value	Impairment, Depreciation/ Amortisation or Adjustments	Net Value	
Cash & cash equivalents and sight deposits	8	14,077		14,077	20,608
Investments in affiliates, associates and joint ventures	7	117,905	14,158	103,747	104,678
Financial assets held for trading					
Financial assets classified in the initial recognition at fair value through profit or loss	6	44,759		44,759	106
Hedge derivatives					
Available-for-sale assets	6	369,775	5,753	364,022	281,240
Loans & Receivables		46,125	36,750	9,375	16,289
Deposits at cedent companies	6	2		2	1
Other deposits	6	1		1	4,952
Loans granted	6	45,731	36,750	8,981	10,687
Receivables					
Other	6	391		391	649
Held-to-maturity investments					
Land & Buildings		70,717	5,513	65,204	70,012
Land & buildings held for own use	9	29,566	5,513	24,053	24,400
Land & buildings held for income	9	41,151		41,151	45,612
Other tangible assets	10	46,714	43,422	3,292	4,090
Inventories	4 & 10	66		66	52
Goodwill	12	25,785	25,785		1,244
Other intangible assets	12	73,824	66,541	7,283	14,495
Technical Provisions for Reinsurance Ceded		52,643		52,643	57,825
Provisions for unearned premiums	4	14,779		14,779	15,694
Provisions for claims	4	37,864		37,864	42,131
Provision for profit-sharing					
Provision for rate commitments					
Portfolio stabilisation provision					
Other technical provisions					
Assets for post-employment benefits & other long-term benefits					
Other Debtors for Insurance & Other Operations		79,295	13,129	66,166	89,605
Receivables for direct insurance operations	13	44,366	6,560	37,806	54,028
Accounts receivable for other reinsurance operations	13	17,509	237	17,272	14,598
Accounts receivable for other operations	13	17,420	6,332	11,088	20,979
Tax Assets		9,738		9,738	6,037
Current tax assets	24	753		753	587
Deferred tax assets	24	8,985		8,985	5,450
Accruals & deferrals	13	1,323		1,323	1,282
Other items of assets					
Available-for-sale non-current assets and discontinued operating units					
Total Assets		952,746	211,051	741,695	667,563

THE ACCOUNTANT
Paulo Jorge Pinheiro Santos

THE ACCOUNTS MANAGER
Pedro Manuel Borges Medalhas da Silva

THE FINANCIAL AND ADMINISTRATIVE MANAGER
Alexandre Miguel Varela Simões Lopes

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Jan Adriaan de Pooter
Nuno Miguel Pombeiro Gomes Diniz Clemente
Pedro Luís Francisco de Carvalho

Financial Statements - Balance Sheet (Liabilities & Equity) as at December 31, 2015 & 2014

(thousand euros)

LIABILITIES & EQUITY	Notes to the Accounts	December 31, 2015	December 31, 2014
Liabilities			
Technical Provisions		518,063	531,542
Provisions for unearned premiums	4	76,450	77,501
Provisions for Claims	4	419,278	428,452
for life insurance			
Workers' compensation	4	225,195	222,740
Other business lines	4	194,083	205,712
Provision for profit-sharing	4	3	1,047
Provision for rate commitments			
Portfolio stabilisation provision			
Provision for claims-rate deviations	4	8,327	7,674
Provision for unexpired risks	4	14,005	16,868
Other technical provisions			
Other Financial Liabilities		745	559
Hedge derivatives			
Subordinated debt			
Deposits received from reinsurers	5	650	559
Other	5 e 6	95	
Liabilities for post-employment benefits & other long-term benefits	23	11,361	8,369
Other Creditors for Insurance & Other Operations		37,648	47,909
Payables for direct insurance operations	13	14,888	21,742
Payables for other reinsurance operations	13	14,427	16,962
Payables for other operations	13	8,333	9,205
Tax Liabilities		15,839	15,150
Current tax liabilities	24	15,839	15,150
Deferred tax liabilities			
Accruals & deferrals	13	20,303	21,852
Other provisions	13	2,204	1,995
Other liabilities			
Liabilities of a group for sale classified as available-for-sale			
Total Liabilities		606,163	627,376
Equity			
Capital	25	12,600	160,000
(Treasury shares)			
Other capital instruments	25	60,000	
Revaluation Reserves		-1,278	5,174
For adjustment of the fair value of financial assets	26	-1,278	5,174
For revaluation of land & owner-occupied buildings			
For revaluation of intangible assets			
For revaluation of other tangible assets			
For adjustments to the fair value of cash-flow hedge instruments			
For adjustments to the fair value of net investment hedges in foreign currency			
For currency translation differences			
Deferred tax reserve	26	405	-1,239
Other reserves	26	34,441	31,759
Retained earnings	35		32,758
Net income for the period		29,364	-188,265
Total Equity		135,532	40,187
Total Liabilities & Equity		741,695	667,563

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Financial Statements - Profit & Loss Account for the Years Ended December 31, 2015 & 2014

(thousand euros)

PROFIT & LOSS ACCOUNT	Notes to the Accounts	December 31, 2015			December 31, 2014
		Technical Non-Life	Non-Technical	Total	
Premiums Earned Net of Reinsurance		277,535		277,535	277,844
Gross premiums written	14	327,584		327,584	331,013
Ceded reinsurance premiums	14	-50,105		-50,105	-56,131
Provisions for unearned premiums (change)	4 & 14	971		971	3,279
Provisions for unearned premiums, reinsurers' part (change)	4 & 14	-915		-915	-317
Costs of Claims, Net of Reinsurance	4	195,153		195,153	197,818
Amounts paid	4	198,347		198,347	210,033
Gross amounts	4	222,952		222,952	229,824
Reinsurers' part	4	-24,605		-24,605	-19,791
Provision for claims (change)	4	-3,194		-3,194	-12,215
Gross amount	4	-7,461		-7,461	-11,920
Reinsurers' part	4	4,267		4,267	-295
Other technical provisions, net of reinsurance	4	-2,210		-2,210	-2,590
Share of profits/(losses), net of reinsurance	4	-1,044		-1,044	2
Net Operating Costs & Expenses	21	93,693		93,693	94,450
Acquisition costs		69,237		69,237	68,619
Deferred acquisition costs (change)	4	-80		-80	539
Administrative costs		31,911		31,911	34,697
Reinsurance commissions & profit-sharing		-7,375		-7,375	-9,405
Income	16	13,942	80	14,022	17,158
On interest on financial assets not carried at fair value through profit or loss		3,955	80	4,035	7,514
On interest on financial liabilities not carried at fair value through profit or loss					
Other		9,987		9,987	9,644
Financial Costs	16	1,575	16	1,591	1,618
On interest on financial assets not carried at fair value through profit or loss					
On interest on financial liabilities not carried at fair value through profit or loss					
Other		1,575	16	1,591	1,618
Net Gains on Financial Assets & Liabilities not Carried at Fair Value through Profit or Loss	17 & 18	40,734	-1,000	39,734	-107,374
On available-for-sale assets		3,820		3,820	-107,901
On loans & accounts receivable					
On investments held to maturity					527
On financial liabilities carried at amortised cost					
On others		36,914	-1,000	35,914	
Net Gains on Financial Assets & Liabilities Carried at Fair Value through Profit or Loss	17 & 18	-220	-42	-262	-157
Net gains of financial assets & liabilities held for trading					
Net gains on financial assets & liabilities classified in the initial recognition at fair value through profit or loss		-220	-42	-262	-157
Currency translation differences	19	151	264	415	397
Net gains on the sale of non-financial assets not classified as available-for-sale non-current assets and discontinued operating units	17 & 18	2,991		2,991	-1,387
Impairment Losses (Net of Reversal)		-170	-10,644	-10,814	-78,429
On available-for-sale assets	6	-170	-4,328	-4,498	-1,774
On loans and receivables carried at amortised cost					-36,750
On investments held to maturity					
On others	7, 12 & 13		-6,316	-6,316	-39,905
Other technical income/costs, net of reinsurance	20	-2,509		-2,509	-1,383
Other provisions (change)					
Other income/expenses	20		-4,654	-4,654	-3,144
<i>Negative goodwill recognised immediately in profit or loss</i>					
Gains & losses on associates and joint ventures carried using the equity method					
Gains & losses on non-current assets (or disposal groups) classified as held for sale					
Net Income Before Tax		45,287	-16,012	29,275	-187,773
Corporation tax for the period - Current tax	24		-1,802	-1,802	-1,204
Corporation tax for the period - Deferred tax	24		1,891	1,891	712
Net Income For The Period		45,287	-15,923	29,364	-188,265
Earnings per share (in euros)	27			0.70	-5.88

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04

STATEMENT OF COMPREHENSIVE INCOME

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STATEMENT OF COMPREHENSIVE INCOME

Statement of Comprehensive Income for the Years Ended December 31, 2015 & 2014

(thousand euros)

	2015	2014
Net Income for the Period	29,364	-188,265
Items that May Be Reclassified to the Income Statement	-4,808	2,994
Change in fair value of available-for-sale investments	-6,452	4,649
Change in current & deferred taxes	1,644	-1,655
Items that Will Not Be Reclassified to the Income Statement	-1,811	-327
Change of actuarial deviations recognised in reserves	-1,811	-327
Change in current & deferred taxes	-	-
Other Comprehensive Income for the Period After Taxes	-6,619	2,667
Total Comprehensive Income for the Period	22,745	-185,598

05

STATEMENT OF CHANGES IN EQUITY

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STATEMENT OF CHANGES IN EQUITY

Statement of Changes In Equity for the Years Ended December 31, 2015 & 2014

(thousand euros)

	Share Capital	Other Capital Instruments		Revaluation Reserves	Deferred Tax Reserve	Other Reserves		Retained Earnings	Net Income for the Period	Total
		Supplementary Capital Contributions	Other			Legal Reserve	Other Reserves			
Balance as at January 1, 2014	160,000	-	-	525	416	47,444	-17,259	30,639	19,020	240,785
Net gains for adjustment to fair value of available-for sale financial assets				4,649						4,649
Adjustments for recognition of deferred taxes					-1,655					-1,655
Actuarial differences recognised in reserves							-327			-327
Increases of reserves for appropriation of profits						1,901		-1,901		-
Appropriation of profits/losses								-15,000		-15,000
Transfers between equity headings not included in other lines								19,020	-19,020	-
Total Changes in Equity	-	-	-	4,649	-1,655	1,901	-327	2,119	-19,020	-12,333
Net income for the period									-188,265	-188,265
Balance Sheet as at December 31, 2014	160,000	-	-	5,174	-1,239	49,345	-17,586	32,758	-188,265	40,187
Capital Increase	12,600	60,000								72,600
Increase of share capital reduction/coverage of losses	-160,000					-13,093	17,586	155,507		-
Net gains for adjustment to fair value of available-for sale financial assets				-6,452						-6,452
Adjustments for recognition of deferred taxes					1,644					1,644
Actuarial differences recognised in reserves							-1,811			-1,811
Transfers between equity headings not included in other lines								-188,265	188,265	-
Total Changes in Equity	-147,400	60,000	-	-6,452	1,644	-13,093	15,775	-32,758	188,265	65,981
Net income for the period									29,364	29,364
Balance Sheet as at December 31, 2015	12,600	60,000	-	-1,278	405	36,252	-1,811	-	29,364	135,532

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STATEMENT OF CASH FLOWS

ANNUAL
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TRANQUILIDADE

06

STATEMENT OF CASH FLOWS

Statement of Cash Flows for the Years Ended December 31, 2015 & 2014

(thousand euros)

	2015	2014
Cash Flow from Operating Activities	40,557	-167,789
Net income for the period	29,364	-188,265
Depreciation & amortisation charges for the period	12,911	6,262
Change in technical provisions for direct insurance	-13,478	-13,622
Change in technical provisions for reinsurance ceded	5,182	-2,655
Change in other provisions	209	211
Change in debtors for direct insurance, reinsurance & other operations	23,438	4,425
Change in other tax assets & liabilities	-3,013	-2,480
Change in other assets & liabilities	-3,795	33,256
Change in debtors for direct insurance, reinsurance & other operations	-10,261	-4,921
Cash Flow from Investing Activities	-119,688	197,519
Variation of investments	-132,494	186,090
Dividends received	7,877	8,083
Interest	218	9,607
Acquisitions of tangible & intangible assets	-3,552	-10,047
Disposals of tangible & intangible assets	393	299
Acquisition of real estate	-	-
Disposals of land & buildings	7,870	3,487
Cash Flow from Financing Activities	72,600	-15,000
Dividend distribution	-	-15,000
Equity capital subscription	72,600	-
Net Change in Cash & Cash Equivalents & Sight Deposits	-6,531	14,730
Cash & cash equivalents at the start of the period	20,608	5,878
Cash & cash equivalents at the end of the period	14,077	20,608

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NOTES TO THE FINANCIAL STATEMENTS

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TRANQUILIDADE

NOTES TO THE FINANCIAL STATEMENTS

Notes to the Financial Statements as at December 31, 2015 & 2014

NOTE 1 - GENERAL INFORMATION

Companhia de Seguros Tranquilidade, S.A., (hereinafter 'Tranquilidade' or 'Company') is the result of the transformation into a mainly state-owned sociedade anónima of the former state-owned company Tranquilidade Seguros, 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, the Company is now mainly owned by the Espírito Santo Group. It should be mentioned that the Company also merged ESIA – Inter-Atlântico Companhia de Seguros, as from December 30, 2004.

On January 15, 2015, all of the Company's share capital was acquired by Calm Eagle Holdings, Sàrl., a company controlled by the affiliate investment funds of Apollo Global Management, LLC, this acquisition having received the prior approval of the Insurance and Pension Fund Supervisory Authority (ASF).

The Company has its registered office and principal place of business at Av. da Liberdade, 242, Lisbon, its VAT number is 500 940 231 and it is registered at the Lisbon Registry of Companies. It carries on insurance and reinsurance business in Portugal in every Non-Life business line (with the exception of credit insurance), under the supervision of the ASF, under authorisation n° 1037 and LEI: 549300CGCHTYQ1Z4V333.

By volume of direct premiums, the technical lines of greater significance are Motor and Accidents & Health.

The Company 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 of mainland 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.

These present notes have due regard for the order established by the Insurance Companies Accounting Plan, and it must be mentioned that numbers not shown are either not applicable for lack of figures or matters to be reported or are not relevant.

NOTE 2 - INFORMATION BY SEGMENTS

Tranquilidade 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, be they 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 Company offers products and solutions of greater relevance to its customers are as follows:

(Reporting Segment - Business)

Workers' Compensation	Fire & Other Damage	Motor
Household Employee WC	Tranquilidade Home	Cars
Self Employed WC	Tranquilidade Prestige Home	Classic Cars
Employee WC	Establishment MR	2 - Wheel Motor
	Condominium MR	

The breakdown of the main headings of the financial statements as at December 31, 2015 & 2014, segmented by the main business lines, is as follows:

(thousand euros)

2015	Total Non-Life	Workers' Compensation	Fire & Other Damage	Motor	Other
Profit & Loss Headings					
Gross premiums written	327,584	60,977	65,688	127,166	73,753
Ceded reinsurance premiums	-50,105	-496	-26,390	-1,383	-21,836
Gross premiums earned	328,555	61,017	65,960	127,425	74,153
Returns on investments	55,853	5,340	10,137	30,637	9,739
Gross cost of claims	215,491	51,315	27,451	95,503	41,222
Gross operating costs	101,068	15,857	23,677	40,418	21,116
Technical result	45,287	-1,024	16,310	18,565	11,436
Balance Sheet Headings					
Assets allocated to representation of technical provisions	552,614	246,920	61,312	185,399	58,983
Technical provisions	518,063	231,482	57,478	173,809	55,294

(thousand euros)

2014	Total Non-Life	Workers' Compensation	Fire & Other Damage	Motor	Other
Profit & Loss Headings					
Gross premiums written	331,013	60,056	64,727	127,164	79,066
Ceded reinsurance premiums	-56,131	-1,736	-30,513	-1,387	-22,495
Gross premiums earned	334,292	60,042	66,190	129,992	78,068
Returns on investments	-5,976	10,459	-3,713	-9,584	-3,138
Gross cost of claims	217,904	66,108	39,392	71,819	40,585
Gross operating costs	103,855	15,556	24,334	41,988	21,977
Technical result	-19,195	-9,832	-11,494	6,849	-4,718
Balance Sheet Headings					
Assets allocated to representation of technical provisions	406,330	175,917	52,590	133,594	44,229
Technical provisions	531,542	230,127	68,698	174,761	57,858

Additionally, the Company has operations in Portugal and Spain, the breakdown of the main items in the financial statements as at December 31, 2015 & 2014, being as follows:

(thousand euros)

2015	Total	Portugal	Spain
Profit & Loss Headings			
Gross premiums written	327,584	326,978	606
Ceded reinsurance premiums	-50,105	-50,053	-52
Gross premiums earned	328,555	327,926	629
Returns on investments	55,853	55,870	-17
Gross cost of claims	215,491	215,237	254
Gross operating costs	101,068	100,227	841
Technical result	45,287	45,770	-483
Balance Sheet Headings			
Assets allocated to representation of technical provisions	552,614	552,043	571
Technical provisions	518,063	517,528	535

(thousand euros)

2014	Total	Portugal	Spain
Profit & Loss Headings			
Gross premiums written	331,013	330,341	672
Ceded reinsurance premiums	-56,131	-56,072	-59
Gross premiums earned	334,292	333,605	687
Returns on investments	-5,976	-5,964	-12
Gross cost of claims	217,904	217,586	318
Gross operating costs	103,855	102,968	887
Technical result	-19,195	-18,578	-616
Balance Sheet Headings			
Assets allocated to representation of technical provisions	406,330	405,861	469
Technical provisions	531,542	530,929	613

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

Bases of Presentation

Tranquilidade's financial statements now presented refer to the year ended December 31, 2015, and have been prepared in accordance with the Insurance Companies Accounting Plan ("PCES 07") issued by the ASF and approved by Regulatory Standard 4/2007-R of April 27, as subsequently amended by Standards 20/2007-R of December 31 and n° 22/2010-R of December 16, , and also in accordance with the rules governing the accounting of the operations of insurance companies, as established by the ASF.

The standards enshrined in the Plan of Accounts for Insurance Companies generally corresponds to the International Financial Reporting Standards (IAS/IFRS) as adopted by the European Union in accordance with Regulation (EC) n° 1606/2002 of the European Parliament and of the Council of July 19, transposed to Portuguese legislation by Decree-Law 35/2005 of February 17, except as regards application of IFRS 4 - Insurance contracts, for which only the principles of classification of the type of insurance contract were adopted. The IFRS include accounting standards issued by the International Accounting Standards Board ("IASB") and the interpretations issued by the International Financial Reporting Interpretation Committee ("IFRIC"), and by their antecedent entities IFRS.

In 2015, Tranquilidade adopted the IFRS and the mandatory-application interpretations for years as from January 1, 2015. These standards are detailed in Note 37. In accordance with the transitory provisions of these standards and interpretations, comparative figures are presented in respect of the new disclosures required.

Recently issued accounting standards and interpretations that have not yet come into force and that Tranquilidade 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 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 financial statements in accordance with the Plan of Accounts for Insurance Companies requires that the Company 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.

In accordance with the applicable accounting standards and legislation, Tranquilidade was exempt by the ASF from submitting consolidated financial statements, since it is a subsidiary of AP VIII Calm Eagle Holdings SCA, established in Luxembourg, Avenue JF Kennedy L-1855, 44, which will present consolidated financial statements

The financial statements of Tranquilidade as at December 31, 2015 were approved by the Board of Directors on March 30, 2016. These financial statements are pending approval by the respective General Meeting.

Main Accounting Principles and Valuation Criteria Adopted

Investments in affiliates & associatess

Subsidiaries

Entities (including investment funds and securitisation vehicles) controlled by the Company are classified as subsidiaries. The Company 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).

Investments in subsidiaries are carried at cost less any impairment losses.

Associates

All entities over which the Company has significant influence, but does not control its financial and operating policies are classified as associates.

The Company is normally presumed to exert significant influence when it is empowered to exercise more than 20% of the associate's voting rights. Should the Company hold, directly or indirectly, less than 20% of the voting rights, it is presumed that the Company has no significant influence, unless such influence can be clearly demonstrated.

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

Impairment

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

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

Where the value of the liabilities of a subsidiary exceeds that of its assets, besides constituting an impairment to cancel the investment, the Company records a provision where there is responsibility for the liabilities of the subsidiary.

Financial assets

Classification

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

- Financial assets at fair value through profit or loss, which include:
 - Financial assets held for trading, which essentially correspond to securities acquired for the purpose of realising gains as a result of short-term fluctuations in market prices. Also included in this category are derivative financial instruments, excluding those that meet hedge-accounting requirements;
 - Financial assets designated at the time of their initial recognition at fair value, with variations 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 Company 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 Company to reclassify this entire portfolio as available-for-sale financial assets and the Company will, during two years, be unable to classify any financial asset in this category. During 2014, the Company sold assets of this category without not complying with the requirements of IAS 39 ("tainting"). On this basis, and up to the end of 2016, Tranquilidade cannot have assets classified in this category.

Recognition, initial measurement and derecognition

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

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

These assets are derecognised where (i) the Company's contractual rights to receive their cash flows expire or (ii) the Company 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 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 Company 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.

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 Company 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 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 Company'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.

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.

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 & loss. These embedded derivatives are recorded at fair value and variations are recognised in profit & loss.

Financial liabilities

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

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

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

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 recognised in profit & 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.

Tangible assets

The Company'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 Company. 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:

Asset Type	Number of Years
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 income statement.

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.

Investment properties

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

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

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

Intangible assets

Costs incurred with the acquisition of software are capitalised, as are the additional expenses borne by the Company 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 Company, 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.

In 2015 the Company 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. The impact of this revision is expressed in Note 12.

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 be estimated, and an impairment loss recognised in the event that the net value of an asset exceeds its recoverable value.

Impairment losses are recognised in the income statement.

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.

Leasing

The Company 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 Company in the light of operating lease contracts are recorded as costs during the periods to which they refer.

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

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

Cash & cash equivalents

For the purpose of preparing the statement of cash flows, the Company 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 of the reporting date, and includes cash and balances at credit institutions.

Reinsurance

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

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

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

Employee benefits

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

Post retirement benefit plan

The Company 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 Collective Bargaining Agreement published in BTE n° 32 of August 9, 2008, Employees covered by this agreement, admitted to the sector up until June 22, 1995, are entitled to access to a pecuniary benefit complementing the pension granted by Social Security.

The Company'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 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 n° 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 Company.

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 Company settled the liability.

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

In its profit and loss account the Company 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 Company'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 Company 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 Company's employees are recognised as cost for the year when they fall due.

As at December 31, 2015, the Company 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 Company. 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.

Health benefits

Additionally, the Company granted a medical-assistance benefit to its employees in service and to pre-retirees up to retirement age. The calculation and recording of the Company'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.

Corporation tax

The Company is subject to Corporation Tax (IRC) and to the Municipal Surcharge, the aggregate rate of which in 2015 and 2014 is 22.5% and 24.5%, respectively, plus the respective State Surcharge determined in accordance with Law 66-B/2012 of December 31, leading to the application of an additional 3% on the portion of taxable income exceeding €1,500,000 and less than €7,500,000, 5% on the portion of taxable income exceeding €7,500,000 and less than €35,000,000, and 7% on the portion of taxable income exceeding the latter amount.

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 directly 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 & loss at the time the gains & losses that gave rise to them.

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

Deferred tax corresponds to the impact on tax recoverable/ payable in future periods resulting from temporary deductible or taxable differences between the 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.

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

Provisions and contingent liabilities

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

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

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

Recognition of interest

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

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

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

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

Dividends received

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

Earnings per share

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

Offsetting financial instruments

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

Adjustments of receipts pending collection and of doubtful debt

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

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

Report by operating segments

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

A business operating segment is an identifiable component of the Company 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 Company controls its business through the major operating segments referred to in Note 2.

Main 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 Company in the application of the accounting principles are detailed as follows, with a view to improving the understanding of how their application affects the Company'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 Company could be different had a different treatment been chosen.

The Board of Directors considers that the choices made are appropriate and that the financial statements adequately present the Company'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.

Impairment of investments in subsidiaries and associates

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

The recoverable amount is determined based on the greater of the value in use of the assets and the 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, which require the use of certain assumptions or judgement in establishing fair-value estimates.

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

Impairment of available-for-sale financial assets

The Company determines that there is 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 Company'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 Company's results.

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.

Corporation tax

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

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

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

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.

Technical provisions

Determination of the Company's liabilities for insurance contracts is performed based on the methodologies and assumptions described in Note 4. These liabilities reflect a quantified estimate of the impact of future events on the Company'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 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.

Technical provisions arising from insurance contracts include (i) provision for profit sharing, (ii) provision for unearned premiums, (iii) provision for unexpired risks, (iv) liabilities adequacy test and (v) provisions for reported and unreported claims, including their settlement costs.

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

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

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

The provisions for claims do not represent an exact calculation of the amount of the liabilities, rather an estimate resulting from application of actuarial valuation techniques. These estimated provisions correspond to the Company'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 Company. The provisions are regularly reviewed through an ongoing process as an when additional information is received and the liabilities come to be liquidated.

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

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

NOTA 4 - NATURE AND EXTENT OF THE HEADINGS AND OF THE RISKS RESULTING FROM INSURANCE CONTRACTS AND REINSURANCE ASSETS

Provision of Information Allowing an Identification and Explanation of the Amounts Indicated in the Financial Statements Resulting from Insurance Contracts

Accounting policies adopted in respect of insurance contracts

The Company issues contracts that include insurance risk. There is an insurance contract when one of the parties accepts significant risk from the other (policyholder) and agrees to compensate it if a specific, uncertain future event affects it adversely.

Measurement of insurance contracts is undertaken in accordance with the following principles

Recognition of costs & income

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

Premiums

Gross direct reinsurance written and reinsurance ceded premiums are recorded respectively as income and costs under Premiums earned net of reinsurance in the profit & loss account during the year to which they refer, regardless of the moment of their receipt or payment.

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

Provisions for unearned premiums

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

In accordance with ASF Standards 19/94-R and 3/96-R, this provision has been calculated receipt by receipt, through application of the pro-*ŕ*ata temporis method based on gross premiums written in respect of contracts in force.

Acquisition costs

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

Deferred acquisition costs 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 Company on the basis of past experience, on available information and application of actuarial methods.

To determine this provision an analysis is performed of claims in progress at the end of each year, with a consequent estimate of the liabilities existing as of that date. In the Workers' Compensation, in that part in respect of pensions, 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 Motor, Health, Liability lines actuarial estimates have been made, based on triangulations of amounts paid, taking into account the specific characteristics of each line.

In Workers' 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 life-long pensions in respect of Workers' Compensation are calculated using actuarial assumptions under recognised actuarial methods and current labour legislation.

Additionally, there is also a Mathematical 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 but not yet reported.

The provision for claims is not discounted, except for life-long pensions in respect of Workers' Compensation. The Company therefore assesses the adequacy of the liabilities on the basis of the projection of future cash flows discounted at risk-free market interest rates. Any shortfall is recorded in the Company's profit or loss when determined.

Mathematical provision

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

For pensions Not Redeemable (including future payments to the FAT [Works' Accidents Fund]) mortality TD 88/90 for men and TV 88/90 for women apply (2014: TV 73/77 for men and women), with an interest rate of 4.0% (2014: 3.4%) and management charges of 2.0% (2014: 1.5%), and for Redeemable Pensions the TD 88/90 mortality table with an interest rate of 5.25% (2014: 5.25%) and management charges of 0% (2014: 0%).

Provision for unexpired risks

The provision for unexpired risks corresponds to the estimated amount to cover probable indemnities and other costs to be borne following the

year-end in excess of the amount of premiums imputable to subsequent years in respect of contracts in force as of the reporting date.

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

Provision for claims-rate deviations

The provision for claims deviations is intended to meet a possible exceptionally high claims rate in those insurance lines that, for their nature, are expected to involve greater oscillations over time. It is set aside for Fidelity Insurance, Atomic Risk and Seismic Phenomena Risk.

For Fidelity Insurance and Atomic Risk this provision is set aside when the technical result of these lines is positive. This provision is calculated on the basis of specific rates established by the ASF applied to the technical result.

For the Seismic Phenomena Risk it is calculated through application of a risk factor defined by the ASF for each seismic zone to the capital retained by the Company.

Provision for profit-sharing

The provision for profit sharing corresponds to the amounts attributed to the insured of the beneficiaries of the contracts, in the form of profit-sharing not yet distributed.

Provisions for reinsurance ceded

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

Changes in direct insurance and reinsurance technical provisions

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

(thousand euros)

Balance Sheet	2015			2014		
	UPR gross	DAC	UPR Net	UPR gross	DAC	UPR Net
Businesses/ Groups of Businesses						
Accidents & health	12,750	2,456	10,294	12,923	2,252	10,671
Fire & other damage	24,360	4,799	19,561	24,535	4,860	19,675
Motor	47,508	9,500	38,008	46,664	9,551	37,113
Marine, air and transport	1,514	298	1,216	1,822	346	1,476
General third-party liability	3,186	632	2,554	2,995	663	2,332
Credit and fidelity insurance	22	4	18	27	5	22
Legal protection	5	1	4	5	1	4
Assistance	5,258	1,052	4,206	4,906	975	3,931
Sundry	737	148	589	792	157	635
AMA portfolio acquisition	-	-	-	1,642	-	1,642
Total	95,340	18,890	76,450	96,311	18,810	77,501

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:

(thousand euros)

Gains & Losses Businesses/ Groups of Businesses	2015			2014		
	UPR gross	DAC	UPR Net	UPR gross	DAC	UPR Net
Accidents & health	-173	204	-377	742	-62	804
Fire & other damage	-175	-61	-114	-1,463	-247	-1,216
Motor	844	-51	895	-2,828	-346	-2,482
Marine, air and transport	-308	-48	-260	-161	-40	-121
General third-party liability	191	-31	222	-132	49	-181
Credit and fidelity insurance	-5	-1	-4	-10	-2	-8
Legal protection	-	-	-	-1	-	-1
Assistance	352	77	275	641	122	519
Sundry	-55	-9	-46	-67	-13	-54
AMA portfolio acquisition	-1,642	-	-1,642	-	-	-
Total	-971	80	-1,051	-3,279	-539	-2,740

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

(thousand euros)

Businesses/Groups of Businesses	Balance Sheet Balance		Change in Gains & Losses	
	2015	2014	2015	2014
Accidents & health	177	799	-622	65
Fire & other damage	6,703	7,013	-310	-973
Motor	2	-	2	-9
Marine, air and transport	737	1,083	-346	-86
General third-party liability	403	424	-21	129
Credit and fidelity insurance	5	5	-	-3
Legal protection	-	-	-	-
Assistance	6,112	5,670	442	616
Sundry	640	700	-60	-56
Total	14,779	15,694	-915	-317

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

(thousand euros)

Businesses/Groups of Businesses	Balance Sheet Balance		Change in Gains & Losses	
	2015	2014	2015	2014
Workers' compensation	225,195	222,740	3,143	20,676
Personal accidents & health	8,753	9,746	-665	-354
Fire & other damage	29,463	38,730	-9,278	3,722
Motor	127,102	129,272	-1,461	-32,898
Marine, air and transport	3,362	5,892	-2,518	-775
General third-party liability	23,253	18,937	4,379	-2,420
Credit and fidelity insurance	22	15	-	3
Legal protection	18	9	9	-19
Assistance	1	4	-3	-
Sundry	2,109	3,107	-1,067	145
Total	419,278	428,452	-7,461	-11,920

The balance of the provision for Workers' Compensation claims includes the amount of €165,062k (2014: €162,586k) in respect of the Workers' Compensation mathematical provision. This balance of the mathematical provision includes the result obtained through the liabilities adequacy test which, in 2015 and 2014, was zero, and a provision for the contributions to the Works Accidents Fund (FAT) in the sum of €10,520k (2014: €10,100).

The Company has amended the actuarial assumptions used to calculate the mathematical provisions of Workers' Compensation insurance and of the respective adequacy test as at December 31, 2015. In this connection, (i) the discount rate used in the calculation of these provisions was altered from 3.2% to 4% (3.44% on December 31, 2014), (ii) the TV 73/77 mortality table was replaced by the TD88/90 mortality table for the male population, and the TV88/90 mortality table for the female population, and (iii) the expense rate was altered from 1.5% to 2%. The effect of these changes entailed a reduction of the Workers' Compensation mathematical provisions carried by the Company as at December 31, 2015, and an increase of the profit for the year in the sum of €13,500k (€10,535k after considering the respective tax effect).

The balance of the provision for claims includes an estimated provision in the sum of €22,574k (2014: €20,072k) in respect of claims incurred up to December 31, 2015, and not yet reported (IBNR). It also includes an estimate in the amount of €11,743k (2014: €21,121k) for management fees relating to the settlement of outstanding claims declared.

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

(thousand euros)

Businesses/ Groups of Businesses	Provision for Claims* as at 31.12.2014 (1)	Claims* Paid in 2015 (2)	Provision for Claims* as at 31.12.2015 (3)	Readjustments (3) + (2) - (1)
Accidents & health	232,486	34,124	195,058	-3,304
Fire & other damage	38,730	15,257	17,000	-6,473
Motor				
- Third-party liability,	109,603	29,969	75,685	-3,949
- Other covers	19,669	8,956	7,233	-3,480
Marine, air and transport	5,892	2,095	1,542	-2,255
General third-party liability	18,937	4,319	20,385	5,767
Credit and fidelity insurance	15	134	16	135
Legal protection	9	10	6	7
Assistance	4	1	1	-2
Sundry	3,107	1,416	560	-1,131
Total	428,452	96,281	317,486	-14,685

* Claims incurred in 2014 and earlier.

In the Accidents and Health groups, the adjustments in Workers' Compensation are due mainly to the reduction of the mathematical provisions resulting from changes of assumptions used in the said calculations. It should also be mentioned that the adjustments do not consider the financial income allocated to the mathematical reserves.

In the Fire and Other Damage and Motor groups the adjustments are primarily due to greater efficiency in the settlement of claims, that allowed a sustained reduction of the cost of claims and a revaluation of the provisions required for previous years.

The other readjustments stem from routine claims management and are not significant in the light of the overall amount of the provision set aside for claims.

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

(thousand euros)

Businesses/Groups of Businesses	Balance Sheet Balance		Change in Gains & Losses	
	2015	2014	2015	2014
Workers' compensation	5,401	5,586	-185	1,845
Personal accidents & health	103	85	18	-83
Fire & other damage	14,180	20,003	-5,823	3,785
Motor	7,457	8,642	-1,185	-2,434
Marine, air and transport	1,165	1,997	-832	-1,072
General third-party liability	7,909	3,534	4,375	-1,392
Credit and fidelity insurance	4	4	-	-8
Legal protection	-	-	-	-
Assistance	3	6	-3	6
Sundry	1,642	2,274	-632	-352
Total	37,864	42,131	-4,267	295

The balance of the provision for reinsurance ceded claims includes an estimated provision in the sum of €1,336k (2014: €2,732k) in respect of claims incurred up to December 31, 2015, and not yet reported (IBNR).

The breakdown of costs of claims in 2015 is as follows:

(thousand euros)

Businesses/Groups of Businesses	Amounts Paid - Instalments (1)	Amounts Paid- Claims- Management Costs Imputed (2)	Change of Provision for Claims (3)	Cost of Claims (4) = (1) + (2) + (3)
Fire & other damage	35,024	1,449	-9,220	27,253
Motor	-	-	-	-
-Third-party liability,	55,882	4,104	-1,548	58,438
- Other covers	31,857	1,745	1,398	35,000
Marine, air and transport	2,893	143	-2,612	424
General third-party liability	4,815	410	4,378	9,603
Credit and fidelity insurance	133	1	-	134
Legal protection	14	4	9	27
Assistance	-	-	-3	-3
Sundry	1,738	7	-1,066	679
Total	208,134	11,071	-6,173	213,032
Reinsurance accepted	3,747	-	-1,288	2,459
Grand Total	211,881	11,071	-7,461	215,491

The breakdown of costs of claims in 2014 is as follows:

(thousand euros)

Businesses/Groups of Businesses	Amounts Paid - Instalments (1)	Amounts Paid- Claims- Management Costs Imputed (2)	Change of Provision for Claims (3)	Cost of Claims (4) = (1) + (2) + (3)
Fire & other damage	33,823	1,704	3,553	39,080
Motor	-	-	-	-
-Third-party liability,	64,193	3,372	-26,240	41,325
- Other covers	31,349	1,544	-6,160	26,733
Marine, air and transport	2,069	124	-770	1,423
General third-party liability	4,365	386	-2,405	2,346
Credit and fidelity insurance	1	1	3	5
Legal protection	17	5	-20	2
Assistance	-	-	-	-
Sundry	1,009	10	145	1,164
Total	215,238	9,676	-11,585	213,329
Reinsurance accepted	4,910	-	-335	4,575
Grand Total	220,148	9,676	-11,920	217,904

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

(thousand euros)

Businesses/Groups of Businesses	Balance Sheet Balance		Change in Gains & Losses	
	2015	2014	2015	2014
Accidents & health	3	1,047	-1,044	2
Fire & other damage	-	-	-	-
Motor	-	-	-	-
Marine, air and transport	-	-	-	-
General third-party liability	-	-	-	-
Credit and fidelity insurance	-	-	-	-
Legal protection	-	-	-	-
Assistance	-	-	-	-
Sundry	-	-	-	-
Total	3	1,047	-1,044	2

During 2015 there was a significant reduction of the provision for 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 provision for claims-rate deviations carried under liabilities and the respective annual change in the profit & loss account is as follows:

(thousand euros)

Businesses/Groups of Businesses	Balance Sheet Balance		Change in Gains & Losses	
	2015	2014	2015	2014
Accidents & health	-	-	-	-
Fire & other damage	7,672	7,024	648	635
Motor	-	-	-	-
Marine, air and transport	-	-	-	-
General third-party liability	-	-	-	-
Credit and fidelity insurance	568	569	(1)	9
Legal protection	-	-	-	-
Assistance	-	-	-	-
Sundry	87	81	6	8
Total	8,327	7,674	653	652

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

(thousand euros)

Businesses/Groups of Businesses	Balance Sheet Balance		Change in Gains & Losses	
	2015	2014	2015	2014
Accidents & health	3,840	5,582	-1,742	-346
Fire & other damage	782	3,269	-2,487	-1,092
Motor	8,699	7,274	1,425	-1,512
Marine, air and transport	68	192	-124	79
General third-party liability	-	36	-36	36
Credit and fidelity insurance	-	-	-	-
Legal protection	-	-	-	-1
Assistance	510	424	86	-307
Sundry	106	91	15	-99
Total	14,005	16,868	-2,863	-3,242

The amounts of other technical provisions net of reinsurance set out in the profit & loss account corresponds to the sum of the change set out hereabove in the provision for direct insurance claims rate deviations and the provision for unexpired direct insurance risks tables.

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.

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 evolution of the provision for direct insurance claims with management costs, gross of reinsurance but net of gross reimbursements of doubtful-debt provisions, excluding the mathematical provisions of the Workers' Compensation segment, comparing actual costs with previous estimates (amounts without the Spain branch), is as follows:

(thousand euros)

Workers' Compensation	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Provision for claims with management costs, gross of reinsurance and net of reimbursements gross doubtful-debt provisions	43,393	44,434	47,413	45,758	43,301	50,907	52,647	56,169	61,590	55,977	56,644
Accumulated payments											
One year later	10,570	9,351	13,630	12,372	9,080	12,675	12,721	12,640	12,329	12,617	
Two years later	14,539	12,331	16,930	14,150	12,504	16,592	17,169	16,872	16,273		
Three years later	16,044	13,722	17,593	16,490	14,901	19,402	19,824	19,510			
Four years later	16,962	14,012	19,413	18,479	16,887	21,505	21,963				
Five years later	17,200	15,461	20,924	20,170	18,864	23,288					
Six years later	18,493	16,691	22,212	21,971	20,362						
Seven years later	19,649	17,840	23,812	23,295							
Eight years later	20,704	19,083	24,987								
Nine years later	21,866	20,212									
Ten years later	22,932										
Final estimate of cost of claims											
One year later	39,259	39,667	43,942	43,097	38,979	53,835	52,806	56,171	51,355	56,848	
Two years later	37,996	33,952	41,446	39,898	46,916	52,245	52,324	52,446	54,837		
Three years later	34,017	32,220	39,418	48,761	45,908	51,349	52,673	54,982			
Four years later	32,710	30,646	48,827	48,139	45,358	51,687	54,804				
Five years later	31,367	40,226	48,361	47,363	46,460	53,474					
Six years later	41,021	39,811	46,609	47,474	48,482						
Seven years later	40,687	36,093	47,272	49,586							
Eight years later	38,303	40,778	49,742								
Nine years later	42,091	43,518									
Ten years later	44,642										
Accumulated surplus / (shortfall)	-1,248	916	-2,329	-3,828	-5,181	-2,567	-2,158	1,187	6,753	-871	

(thousand euros)

Motor	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Provision for claims with management costs, gross of reinsurance and net of reimbursements gross doubtful-debt provisions	254,748	264,973	279,975	278,105	269,066	238,560	219,666	190,217	153,348	121,634	121,491
Accumulated payments											
One year later	68,630	67,736	61,140	53,349	53,751	50,422	42,308	44,398	44,820	36,983	
Two years later	110,269	101,565	88,715	79,405	75,362	68,067	63,427	67,703	60,036		
Three years later	138,113	124,105	109,817	96,379	88,887	85,067	82,932	79,507			
Four years later	157,116	142,199	123,332	107,636	102,791	102,157	91,147				
Five years later	172,228	154,172	132,420	119,104	116,772	108,589					
Six years later	184,044	161,706	142,251	131,106	122,079						
Seven years later	190,589	169,939	151,482	135,593							
Eight years later	197,389	178,560	154,625								
Nine years later	205,221	181,248									
Ten years later	207,438										
Final estimate of cost of claims											
One year later	254,759	265,797	262,539	259,034	232,613	214,562	182,566	153,378	123,970	117,001	
Two years later	256,700	257,010	248,407	223,808	204,873	177,780	148,040	130,470	119,682		
Three years later	259,497	249,613	218,134	201,994	176,071	153,258	133,529	127,219			
Four years later	259,349	224,819	206,466	180,609	160,023	142,965	130,668				
Five years later	241,306	219,120	189,726	167,939	150,909	140,459					
Six years later	236,466	205,920	180,774	159,658	148,947						
Seven years later	225,291	202,275	175,489	157,877							
Eight years later	224,848	197,192	173,973								
Nine years later	220,095	195,992									
Ten years later	218,915										
Accumulated surplus / (shortfall)	35,833	68,981	106,002	120,227	120,118	98,101	88,998	62,999	33,667	4,633	

(thousand euros)

Other Insurance	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Provision for claims with management costs, gross of reinsurance and net of reimbursements gross doubtful-debt provisions	65,658	65,607	67,009	72,410	78,500	82,529	77,416	87,757	79,047	75,071	65,929
Accumulated payments											
One year later	26,304	23,009	24,008	28,986	32,217	32,516	29,167	29,502	26,637	29,740	
Two years later	32,819	31,413	30,280	34,710	38,676	38,945	33,589	35,095	33,682		
Three years later	37,842	33,678	33,545	37,198	42,363	41,102	36,674	38,924			
Four years later	39,501	35,897	35,011	38,929	43,763	43,304	38,679				
Five years later	41,425	36,938	36,220	39,714	44,877	44,756					
Six years later	42,225	37,857	36,834	40,656	46,015						
Seven years later	42,990	38,352	37,515	41,680							
Eight years later	43,398	39,012	38,483								
Nine years later	44,007	39,696									
Ten years later	44,639										
Final estimate of cost of claims											
One year later	60,388	60,985	60,079	67,440	76,136	73,507	71,077	69,453	68,628	72,143	
Two years later	61,451	57,176	59,523	66,105	70,670	72,137	63,878	63,270	58,341		
Three years later	60,704	56,598	58,503	63,591	67,372	66,021	57,822	56,869			
Four years later	60,012	56,067	56,349	59,701	62,243	59,153	51,891				
Five years later	59,124	53,781	52,177	55,013	56,469	54,480					
Six years later	56,897	49,872	47,929	49,714	53,338						
Seven years later	53,358	45,704	43,311	47,589							
Eight years later	49,741	41,590	42,101								
Nine years later	46,018	42,659									
Ten years later	47,199										
Accumulated surplus / (shortfall)	18,460	22,947	24,908	24,822	25,162	28,050	25,525	30,888	20,706	2,927	

Tranquilidade 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 in 2015 comprised proportional treaties (Quota-share and Excess) and non-proportional treaties (Excess of Claim, Catastrophe Cover and Stop Loss), as per the following table:

Business Line	Type of Reinsurance
Workers' compensation	Excess Losses (XL)
Personal accidents	Excess Losses (XL)
Personal Accident (Loan Protection)	Share
Assistance	Share
Motor (own damage)	Excess Losses (XL)
Motor (third-party liability)	Excess Losses (XL)
Performance bonds	Share
(Fidelity) insurance	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
Civil liability directors (article 396)	Share
Environmental third-party liability	Share
D&o third-party liability	Share (Optional)
General third-party liability	Excess Losses (XL)
Health professionals civil liability	Share
Health (specific medical expenses)	Excess Losses (XL)
Health (medical expenses)	Excess Losses (XL)
Health (serious illnesses)	Share

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 Profit	
		2015	2014
Cost of claims	5% increase of the year's costs of claims, net of reinsurance	-15,548	-16,286
Expenses	10% increase of operating costs, net of reinsurance	-13,612	-12,807
Life expectancy	Decrease of 10% in mortality of current Works Accid. pensioners	-2,548	-2,710

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.

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

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

Nature and Extent of the Market Risk, Credit Risk, Liquidity Risk and Operating Risk

Market risk

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

It also includes the risks associated with the use of derivative financial instruments, as well as the exchange-rate risk, the equities risk, the real-estate risk, the interest-rate risk, with 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 Tranquilidade, duly formalised in a special document, are governed by prudent risk-acceptance levels and portfolio diversification, taking the evolution of the financial markets into account

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;
- 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 Company 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 Company 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 Company 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 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:

(thousand euros)

Scenarios	Impact on Pre-Tax Profit	
	2015	2014
10% depreciation of the value of all foreign currencies against the euro	-2,062	-1,053

Equities risk

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

Stock market securities held by the Company are exposed to this risk – as are investment funds consisting wholly or partly of such securities – and also the Company's holdings in other companies. The sensitivity analysis is as follows:

(thousand euros)

Scenarios	Impact on Net Income and Fair-Value Reserves Before Tax	
	2015	2014
10% decrease of stock-market values	-16,456	-15,657

Real-estate risk

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

(thousand euros)

Scenarios	Impact on Net Income and Fair-Value Reserves Before Tax	
	2015	2014
10% decrease in the value of real estate and real estate funds	-13,461	-14,510

Interest-rate risk

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

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

(thousand euros)

Scenarios	Impact on Fair-Value Reserves Before Tax	
	2015	2014
100 b.p. decrease of the interest-rate curve - Effect on Assets	21,209	9,114
100 b.p. increase of the interest-rate curve - Effect on Assets	-18,020	-8,459

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.

(thousand euros)

Rating	2015		2014	
	%	Value	%	Value
AAA	2%	6,446	6%	10,324
AA	6%	19,270	13%	20,785
A	31%	91,683	28%	46,505
BBB	46%	135,893	28%	46,335
BB	10%	29,786	21%	34,685
B	2%	6,179	0%	717
CC	0%	-	0%	146
Unrated	3%	8,211	4%	5,932
Total	100%	297,468	100%	165,429

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

Concentration risk

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

(thousand euros)

Sector of Activity	2015			2014		
	%	Gross Amount	Impairment	%	Gross Amount	Impairment
Basic resources	2%	7,714	-25	2%	8,504	-25
Communications	1%	5,771	-470	1%	4,308	-470
Consumables (cyclic)	3%	14,403	-	6%	23,468	-
Consumables (non-cyclic)	5%	25,276	-202	9%	31,871	-180
Energy	1%	7,381	-	1%	4,221	-
Financial	58%	298,346	-55,239	58%	216,251	-50,911
Securities funds	3%	13,560	-	4%	13,628	-1,443
Public debt	18%	90,633	-	10%	37,682	-
Industrial	4%	18,632	-	2%	8,682	-
Medicine	0%	1,000	-	1%	2,031	-
Technology	1%	2,776	-	1%	4,471	-
Public/ collective services	5%	26,378	-	3%	11,641	-
Other	0%	1,686	-	1%	3,013	-
Total	100%	513,556	-55,936	100%	369,771	-53,029

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

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

Liquidity risk

The liquidity risk stems from the possibility that the Company 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 to mitigate this risk the Company 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 & 2014, is as follows:

(thousand euros)

2015	< 1 Month	1-3 Months	3-12 Months	1-5 Years	> 5 Years	Without Maturity	Total
Financial assets	14,471	51,704	34,611	71,253	211,950	218,157	602,146
Financial liabilities	-	27,913	8,448	2,032	-	-	38,393
Net	14,471	23,791	26,163	69,221	211,950	218,157	563,753

(thousand euros)

2014	< 1 Month	1-3 Months	3-12 Months	1-5 Years	> 5 Years	Without Maturity	Total
Financial assets	27,921	76,524	14,571	62,257	108,248	223,005	512,526
Financial liabilities	-	30,548	15,982	1,938	-	-	48,468
Net	27,921	45,976	-1,411	60,319	108,248	223,005	464,058

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.

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 Company's day-to-day business, and it can be subdivided into the following categories:

- Intentional professional malpractice (internal fraud);
- Illicit activities carried on by third parties (external fraud);
- Practices related with human resources and safety at work;
- Customers, products and commercial practices;
- External events causing damage to physical assets;
- Interruption of the business and systems failures;
- Risks related with business processes.

Of the main mitigation measures already in existence at Tranquilidade in the light of the risks identified above, we highlight the following:

- 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 at Tranquilidade to mitigate the legal risk, besides those already mentioned, we would underscore the following:

- Existence/ formalisation of several policies transverse to the entire Company 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 Tranquilidade is subject.

Of 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 insurance company 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, equityholders 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 the insurance company and the 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 Tranquilidade's main measures in dealing with the reputational risk the following are underscored:

- 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 Internal Control System can be defined as a set of control activities directed at compliance with the policies and procedures defined for the Company. 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 development of the Company's risk-management and internal-control system is based on model of three lines of defence:

- A first level represented by the various Tranquilidade departments (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 Tranquilidade 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, Tranquilidade keeps a record of operating losses, centred on the Overall Risk Department, in which records are kept of the more relevant losses detected, providing yet another form of monitoring 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.

Solvency

Tranquilidade 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:

	(thousand euros)	
	2015	2014
Constituent Elements of the Guarantee Fund	154,175	26,536
Solvency Margin to be Set Aside	49,927	50,569
Results from the premiums standpoint	49,175	50,569
Results from the claims standpoint	46,179	47,065
Limit result of Article 97(8)	49,927	49,414
Legal minimum Guarantee Funds	3,700	3,700
Excess/Insufficiency of the Solvency Margin	104,248	-24,033
Solvency Margin Cover Rate	308.8%	52.5%

As mentioned in the Board of Directors' Report, non-compliance as at December 31, 2014, with the minimum solvency margin requirements will be overcome by the operations finalised in 2015, which included, among others, the share capital increase and the sale of Advancecare – Gestão e Serviços de Saúde, SA, all set out in the recapitalisation programme approved by the ASF.

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

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.

Under the Transitional Regime defined for Portugal, provided for in ASF Circular n° 5/2014, provisional results were produced in 2015 for the solvency capital requirement with reference to September 30, 2015. The results obtained indicate the sufficiency of the Company's equity in keeping with the new legislation.

Adequacy of Premiums and Provisions

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

Business Ratios

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

	(%)	
	2015	2014
Claims ratio ^{a)}	65.4%	64.8%
Acquisition ratio ^{b)}	21.1%	20.9%
Administrative ratio ^{c)}	9.7%	10.5%
Combined Ratio	96.2%	96.2%

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 emittedos.

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:

	(thousand euros)	
	2015	2014
Receivables	2,542	3,049
Adjustment of doubtful loans	-1,644	-1,546
Net Total	898	1,503

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:

	(thousand euros)	
	2015	2014
Inventories	63	49

NOTE 5 – OTHER FINANCIAL LIABILITIES

The breakdown of this heading is as follows:

(thousand euros)		
	2015	2014
Other financial liabilities		
Deposits received from reinsurers	650	559
Derivatives	95	-
Book Value	745	559

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 breakdown of the Derivatives figures is provided in Note 6.

NOTE 6 - FINANCIAL INSTRUMENTS

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

(thousand euros)		
	2015	2014
Available-for-sale financial assets	364,022	281,240
Investments in affiliates & associates	103,747	104,678
Term deposits	1	4,952
Financial assets at fair value through profit or loss	44,759	106
Financial assets held for trading	-	-
Held-to-maturity investments	-	-
Total Holdings and Financial Instruments	512,529	390,976
Other financial assets	9,374	11,337
Total Financial Assets	521,903	402,313

In 2015 Appendix 1 takes into consideration €95k in respect of derivative financial instruments having a negative value that are carried in the balance sheet under Other financial liabilities under Liabilities.

Investments in affiliates and associates are detailed in Note 7, while information on the remaining financial instruments is provided throughout this Note 6.

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 Company 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:

(thousand euros)		
	2015	2014
Bonds & other fixed-income securities		
Public issuers'	-	-
Other issuers'	44,759	106
Equities	-	-
Other floating-rate securities	-	-
Book Value	44,759	106
Acquisition cost	44,978	102

As at December 31, 2014, this heading includes fixed income securities with embedded derivatives in the sum of €106k. These securities are valued at their fair value determined on the basis of the prices indicated by the sources used by the Company for the entire instrument, in accordance with the market conditions prevailing on the reporting date.

Available-For-Sale Financial Assets

The breakdown of this type of asset is as follows:

(thousand euros)		
	2015	2014
Bonds & other fixed-income securities		
Public issuers'	90,633	37,682
Other issuers'	162,076	127,641
Equities	39,569	30,730
Other floating-rate securities	71,744	85,187
Book Value	364,022	281,240

The breakdown of the final balance sheet figures as at December 31, 2015 & 2014, is as follows:

(thousand euros)					
	Amortised or Acquisition Cost	Accrued Interest	Fair-Value Reserve	Impairment	Book Value
Bonds & other fixed-income securities					
Public issuers'	36,390	803	489	-	37,682
Other issuers'	124,289	740	2,612	-	127,641
Equities	31,088	-	320	-678	30,730
Other floating-rate securities	86,123	-	1,753	-2,689	85,187
Balance as at December 31, 2014	277,890	1,543	5,174	-3,367	281,240
Bonds & other fixed-income securities					
Public issuers'	89,705	1,718	-790	-	90,633
Other issuers'	164,927	2,516	-5,367	-	162,076
Equities	44,093	-	504	-5,028	39,569
Other floating-rate securities	68,094	-	4,375	-725	71,744
Balance as at December 31, 2015	366,819	4,234	-1,278	-5,753	364,022

Given its importance, emphasis is given to the 10% holding in GNB-Gestão de Ativos S.G.P.S., S.A., which was acquired in 2014 for €29.7 million. In 2015 a valuation of this subsidiary was performed by an independent external entity, as provided for within the scope of the contract for the acquisition of the Company's share capital by Apollo.

Under this agreement, the holding owned by the Company will be sold in 2016 to Novo Banco, S.A., or to an entity designated by the latter, for a consideration of €25.4 million, an amount determined on the basis of that valuation. Therefore, an impairment loss of €4.3 million was recorded in 2015 to reduce the book value of this holding to its realisable value.

As at December 31, 2015 & 2014, Other floating-rate securities include €58,184k and €73,002k, respectively, relating to the Company's holdings in shares real-estate investment funds.

(thousand euros)		
	2015	2014
Balance as at January 1	3,367	3,734
Appropriations for the period	4,498	1,774
Cancellations for the period for sale of assets	-2,112	-2,141
Written back during the period	-	-
Balance as at December 31	5,753	3,367

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

As imparidades registadas em ganhos e perdas por via de ajustamento de justo valor em investimentos, segregado pelas respetivas categorias, são como segue:

(thousand euros)		
	2015	2014
Bonds & other fixed-income securities	-	-
Equities & other floating-rate securities	-4,498	-1,774
Total	-4,498	-1,774

Financial Assets/ Liabilities Held for Trading

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

	2015		2014	
	Fair value	Notional value	Fair value	Notional value
Derivatives				
Forward contracts	-95	10,580	-	-
Options	-	-	-	-
Total	-95	10,580	-	-

Investments made by the Company 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 Company 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 Company does not use hedge accounting in that the requirements set out met for that purpose by Standard IAS 39 have not been met.

Since, in 2015 these contracts have a negative fair value, they are carried under Liabilities, under Other financial liabilities – Other

Held-To-Maturity Investments

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

Other Financial Assets

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

(thousand euros)		
	2015	2014
Loans granted	8,981	10,687
Deposits at cedent companies	2	1
Other	391	649
Total of Other Financial Assets	9,374	11,337

In 2015 & 2014, the figures for Others are in respect of financial transactions pending settlement, taking their value dates into account.

The breakdown of Other financial assets as at December 31, 2015 & 2014, is as follows:

	2015		2014	
	Acquisition Cost	Impairment	Book value	Book value
Other financial assets				
Ancillary capital contributions	23,160	-21,750	1,410	1,410
Loan capital	2,310	-	2,310	2,310
Loans	21,967	-15,000	6,967	6,967
Other	650	-	650	650
Balance as at December 31, 2014	48,087	-36,750	11,337	11,337
Other financial assets				
Ancillary capital contributions	24,060	-21,750	2,310	2,310
Loan capital	966	-	966	966
Loans	20,705	-15,000	5,705	5,705
Other	393	-	393	393
Balance as at December 31, 2015	46,124	-36,750	9,374	9,374

Impairment losses under Ancillary capital contributions correspond to the wholes of the ancillary capital contributions granted to Seguros LOGO, S.A., and the impairment losses under Loans correspond to the entire treasury loan granted to Espírito Santo Financial Portugal, S.G.P.S., S.A..

Movements under impairment losses are as follows:

(thousand euros)		
	2015	2014
Balance as at January 1	36,750	-
Appropriations for the period	-	36,750
Annulments of the period for derecognition	-	-
Written back during the period	-	-
Balance as at December 31	36,750	36,750

The breakdown of loans granted as at December 31, 2015 & 2014, is as follows:

(thousand euros)		
	2015	2014
Ancillary capital contributions - Europ Assistance	1,410	1,410
Ancillary capital contributions - Advancecare Health International	900	-
Loans/Loan capital - Contact centre	966	1,310
Loans/Loan capital - Esumédica	-	1,000
Loans/ Loan capital - Imocrescente	3,125	4,201
Loans/Loan capital - Corpus Christi	1,279	1,053
Loans to employees	1,301	1,713
Total Loans Granted	8,981	10,687

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:

	2015		2014	
	Fair Value	Book Value	Fair Value	Book Value
Cash & cash equivalents and sight deposits	14,077	14,077	20,608	20,608
Loans & receivables	9,375	9,375	16,289	16,289
Held-to-maturity investments	-	-	-	-
Other debtors for insurance & other operations	66,166	66,166	89,605	89,605
Financial Assets at Amortised Cost	89,618	89,618	126,502	126,502
Other financial liabilities	745	745	559	559
Other creditors for insurance & other operations	37,648	37,648	47,909	47,909
Financial Liabilities at Amortised Cost	38,393	38,393	48,468	48,468

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

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

Valuation Methods

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

	2015			Total
	Level 1	Level 2	Level 3	
Available-for-Sale Financial Assets	268,793	3,269	91,960	364,022
Securities & equity paper	6,047	-	65,697	71,744
Equities & other floating-rate securities	13,306	-	26,263	39,569
Bonds & other fixed-income securities				
Public issuers'	90,633	-	-	90,633
Other issuers'	158,807	3,269	-	162,076
Derivatives	-	-	-	-
Financial Assets at Fair Value through Profit or Loss	44,759	-	-	44,759
Securities & equity paper	-	-	-	-
Equities & other floating-rate securities	-	-	-	-
Bonds & other fixed-income securities				
Public issuers'	-	-	-	-
Other issuers'	44,759	-	-	44,759
Derivatives	-	-	-	-
Held-to-Maturity Investments (at Market Prices)	-	-	-	-
Bonds & other fixed-income securities				
Public issuers'	-	-	-	-
Other issuers'	-	-	-	-
Total Financial Assets	313,552	3,269	91,960	408,781
Derivatives	-	-95	-	-95
Total Financial Liabilities	-	-95	-	-95

(thousand euros)

	2014			Total
	Level 1	Level 2	Level 3	
Available-for-Sale Financial Assets	183,119	-	98,121	281,240
Securities & equity paper	17,686	-	67,501	85,187
Equities & other floating-rate securities	110	-	30,620	30,730
Bonds & other fixed-income securities				
Public issuers'	37,682	-	-	37,682
Other issuers'	127,641	-	-	127,641
Derivatives	-	-	-	-
Financial Assets at Fair Value through Profit or Loss	-	-	106	106
Securities & equity paper	-	-	-	-
Equities & other floating-rate securities	-	-	-	-
Bonds & other fixed-income securities				
Public issuers'	-	-	-	-
Other issuers'	-	-	106	106
Derivatives	-	-	-	-
Held-to-Maturity Investments (at Market Prices)	-	-	-	-
Bonds & other fixed-income securities				
Public issuers'	-	-	-	-
Other issuers'	-	-	-	-
Total	183,119	-	98,227	281,346

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:

(thousand euros)

	31 Dec. 2014	Potential Gains	Purchases	Sales	Reimbursements	Impairments	Gains Realised	31 Dec. 2015
Available-for-Sale Financial Assets	98,121	2,576	15,364	-21,552	-	-4,498	1,949	91,960
Securities & equity paper	67,501	2,582	15,364	-21,552	-	-147	1,949	65,697
Equities & other floating-rate securities	30,620	-6	-	-	-	-4,351	-	26,263
Bonds & other fixed-income securities								
Public issuers'	-	-	-	-	-	-	-	-
Other issuers'	-	-	-	-	-	-	-	-
Financial Assets at Fair Value through Profit or Loss	106	-	-	-105	-4	-	3	-
Bonds & other fixed-income securities								
Public issuers'	-	-	-	-	-	-	-	-
Other issuers'	106	-	-	-105	-4	-	3	-

As at December 31, 2015 & 2014, Other floating-rate securities include €25,374k and €29,702k, respectively, relating to the Company's holding in GNB - Gestão de Ativos, S.G.P.S., S.A..

The Securities and units dealt with in this level include, €58,184k in respect of units in closed-end investment funds and €7,512k in respect of private equity funds, whose fair value resulted 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, in 2015 and 2014, is detailed as follows:

(thousand euros)

Area of Analysis	Scenarios	Impact on Profit or Loss for the Period	Impact on the Fair-Value Reserve
		2015	2015
Investment fund	10% rise in the values of closed real estate investment funds	-	5 818
	10% rise in the values of private equity funds	-	751
	10% decrease in the values of closed real estate investment funds	- 2,743	-3,075
	10% decrease in the values of private equity funds	-	-751

(thousand euros)

Area of analysis	Scenarios	Impact on Profit or Loss for the Period	Impact on the Fair-Value Reserve
		2014	2014
Investment fund	10% rise in the values of closed real estate investment funds	-	6,167
	10% rise in the values of private equity funds	-	583
	10% decrease in the values of closed real estate investment funds	- 2,320	-3,847
	10% decrease in the values of private equity funds	-583	-

NOTE 7 - INVESTMENTS IN AFFILIATES AND ASSOCIATES

As at December 2014 & 2015, the financial data of the Company's subsidiaries and associates can be summarised as follows:

(thousand euros)

Name of Company/Registered Office	Classification	Valuation Method	Holding (%)			Financial Data							
			Direct	Voting Right	Effective	Assets		Liabilities		Equity		Net income	
						2015	2014	2015	2014	2015	2014	2015	2014
T-Vida, Companhia de Seguros, S.A. Av. da Liberdade, 242 1250-149 Lisboa (Portugal)	Subsidiary	C. Here net impairment	100.00	100.00	100.00	546,445	800,619	477,816	724,961	68,629	75,658	3,203	4,294
Seguros LOGO, S.A. R. D. Manuel II, 290 4050-344 Porto (Portugal)	Subsidiary	C. Here net impairment	100.00	100.00	100.00	23,497	25,081	18,580	19,239	4,917	5,842	-544	32
AdvanceCare Health International Av. da Liberdade, 242 1250-149 Lisboa (Portugal)	Subsidiary	C. Here net impairment	100.00	100.00	100.00	1,717	99	570	-	1,147	99	154	-1
Tranquilidade Moçambique Companhia de Seguros, S.A. Rua da Sé, n.º 114, 1.º andar, Porta 111 Distrito Urbano 1 Maputo (Moçambique)	Subsidiary	C. Here net impairment	99.996	100.00	100.00	2,913	3,113	2,476	2,612	437	501	298	-31
Tranquilidade Moçambique Companhia de Seguros Vida, S.A. Rua da Sé, n.º 114, 1.º andar, Porta 111 Distrito Urbano 1 Maputo (Moçambique)	Subsidiary	C. Here net impairment	99.997	100.00	100.00	2,036	2,063	1,370	1,287	666	776	138	-134
Espírito Santo Contact Center, S.A. Av. Infante D. Henrique, 343 - C 1800-218 Lisboa (Portugal)	Subsidiary	C. Here net impairment	55.42	55.42	55.42	10,285	12,150	7,272	9,288	3,013	2,862	509	1,163
Tranquilidade - Corporação Angolana de Seguros, S.A. Edifício ESCOM, Rua Marechal Brós Tito, n.º 35 15.ºD Luanda (Angola)	Associate company	C. Here net impairment	49.00	49.00	49.00	35,427	29,043	29,804	25,572	5,623	3,471	5,222	2,191
Europ Assistance, S.A. Av. Álvares Cabral, 41 - 3.º e 4.º 1250-015 Lisboa (Portugal)	Associate company	C. Here net impairment	47.00	47.00	47.00	49,500	51,831	32,911	34,595	16,589	17,236	4,188	3,667
GNB, Companhia de Seguros, S.A. Av. Columbano Bordalo Pinheiro, 75, 8.º 1070-061 Lisboa (Portugal)	Associate company	C. Here net impairment	25.00	25.00	25.00	108,185	115,526	78,229	82,429	29,956	33,097	5,885	7,733

During 2015, the Company sold its 51% holding in the share capital of AdvanceCare – Gestão de Serviços de Saúde, SA, for the sum of €37,400, having recorded under Net gains of financial assets and liabilities not valued at fair value through profit or loss the capital gain of €36,914 resulting from this sale (Note 17).

Also during 2015, the Company converted into share capital the loan capital granted to Esumédica – Prestação de Cuidados Médicos, S.A., in the sum of €1,000k, having later sold its holding for €445k. As a result of this transaction, the Company recorded under Net gains of financial assets and liabilities not valued at fair value through profit or loss a capital loss of €1,000 (Note 17).

As at December 31, 2015 & 2014, the breakdown of Investments in subsidiaries, associates and joint ventures is as follows:

(thousand euros)

2015	Acquisition Cost	Impairment	Book Value
GNB Seguros	3,759	-	3,759
ES Contact Center	1,846	-	1,846
Europ Assistance	4,222	-	4,222
LOGO	20,000	-14,158	5,842
Tranquilidade Corp. Angolana Seguros	7,318	-	7,318
Tranquilidade Moçambique Seguros	1,361	-	1,361
Tranquilidade Moçambique Seguros Vida	1,810	-	1,810
T-Vida	77,489	-	77,489
ADV Health International	100	-	100
Total	117,905	-14,158	103,747

(thousand euros)

2014	Acquisition Cost	Impairment	Book Value
AdvanceCare	486	-	486
GNB Seguros	3,759	-	3,759
ES Contact Center	1,846	-	1,846
Esumédica	445	-	445
Europ Assistance	4,222	-	4,222
LOGO	20,000	-14,158	5,842
Tranquilidade Corp. Angolana Seguros	7,318	-	7,318
Tranquilidade Moçambique Seguros	1,361	-	1,361
Tranquilidade Moçambique Seguros Vida	1,810	-	1,810
T-Vida	77,489	-	77,489
ADV Health International	100	-	100
Total	118,836	-14,158	104,678

In 2015 and 2014, the breakdown of the change of the balance of this item is as follows:

(thousand euros)

2015	Opening Book Value	Acquisitions, Capital Increases and Disposals	Impairment	Closing Book Value
AdvanceCare	486	-486	-	-
GNB Seguros	3,759	-	-	3,759
ES Contact Center	1,846	-	-	1,846
Esumédica	445	-445	-	-
Europ Assistance	4,222	-	-	4,222
LOGO	5,842	-	-	5,842
Tranquilidade Corp. Angolana Seguros	7,318	-	-	7,318
Tranquilidade Moçambique Seguros	1,361	-	-	1,361
Tranquilidade Moçambique Seguros Vida	1,810	-	-	1,810
T-Vida	77,489	-	-	77,489
ADV Health International	100	-	-	100
Total	104,678	-931	-	103,747

(thousand euros)

2014	Opening Book Value	Acquisitions, Capital Increases and Disposals	Impairment	Closing Book Value
AdvanceCare	486	-	-	486
GNB Seguros	3,759	-	-	3,759
ES Contact Center	1,846	-	-	1,846
Esumédica	445	-	-	445
Europ Assistance	4,222	-	-	4,222
LOGO	20,000	-	-14,158	5,842
Tranquilidade Corp. Angolana Seguros	7,318	-	-	7,318
Tranquilidade Moçambique Seguros	1,361	-	-	1,361
Tranquilidade Moçambique Seguros Vida	1,810	-	-	1,810
T-Vida	77,489	-	-	77,489
ADV Health International	-	100	-	100
Total	118,736	100	-14,158	104,678

In accordance with IAS 27 and IAS 28 and the accounting policy, Tranquilidade reviewed the impairment of the subsidiaries and associates based on the value-in-use determined on the basis of the business plans approved by the Board of Directors of each entity

NOTE 8 - CASH, CASH EQUIVALENTS & SIGHT DEPOSITS

The balance of this heading is as follows:

(thousand euros)

	2015	2014
Cash	52	529
Deposits at credit institutions	14,025	20,079
Total	14,077	20,608

NOTE 9 - LAND & BUILDINGS

As mentioned in note 3 above, land and buildings held by the Company are valued using the at cost model in the case of 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 made with a view to obtaining the presumed transaction value, usually the market value (fair value), that is, the price at which the land or building could be sold, on the valuation date, by private agreement between an independent, interested seller and buyer, it being understood that the property is subject to a public offer on the market, that the conditions thereof allow a regular and orderly sale, and that there is a normal period of time to negotiate the sale, taking the nature of the property into account.

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

The "Market Comparison" method is 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 Company's land and buildings is classified at level 3 of the fair-value hierarchy defined by IFRS 13.

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

Fair-value model

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

(thousand euros)		
Investment Properties - Income-Generating Buildings	2015	2014
Net Balance as at January 1	45,612	44,396
Increases thru acquisition	-	-
Increases thru improvements	188	359
Transfers	91	5,783
Written off/Sales	-7,870	-3,487
Variations of fair value	3,130	-1,439
Net Balance as at December 31	41,151	45,612

All income properties held directly by the Company 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:

(thousand euros)		
	2015	2014
Properties that generate rental income	41,050	44,209
Properties that generate no rental income	101	1,403
Total	41,151	45,612

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

(thousand euros)		
	2015	2014
Rental Income	2,018	1,549
Operating Costs	232	267
- on properties that generate rental income	114	138
- on properties that do not generate rental income	118	129

The rental income referred to above includes a rent of about €258k per annum, for a defined period (i.e., 2019) in respect of commercial premises, subject to renegotiation with the tenant thereafter.

Cost model

The breakdown of Owner-occupied properties as at December 31, 2015 & 2014, is as follows:

(thousand euros)		
	2015	2014
Gross Value	29,566	29,415
Accumulated depreciation and impairments	-5,513	-5,015
Net Balance as at December 31	24,053	24,400

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

(thousand euros)		
Tangible Assets - Own Service Buildings	2015	2014
Net Balance as at January 1	24,400	24,829
Increases thru acquisition	-	-
Increases thru improvements	68	68
Transfers	83	-
Written off/Sales	-	-
Impairments-[(Allocation)/Use]	-	-
Depreciation charges for the period	-498	-497
Net Balance as at December 31	24,053	24,400

NOTE 10 - OTHER TANGIBLE FIXED ASSETS AND INVENTORIES

Besides the owner-occupied properties referred to in the preceding Note 9, the Company has other tangible assets measured using the cost model, details of which, as at December 31, 2015 & 2014, are as follows:

	(thousand euros)	
	2015	2014
Equipment	46,714	46,335
Office equipment	4,892	4,879
Machines and tools	1,809	1,787
IT Hardware	33,955	33,347
Indoor facilities	2,315	2,290
Leased buildings expenditure	2,861	2,855
Transport material	403	711
Other tangible assets	479	466
Fixed Assets in Progress	-	80
Accumulated Depreciation	-43,422	-42,325
Impairments	-	-
Total	3,292	4,090

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

	(thousand euros)		
	Equipment	Fixed Assets in Progress	Total
Balance as at January 1, 2014	2,698	3,140	5,838
Additions	2,782	2,723	5,505
AMA portfolio acquisitions	292	-	292
Transfers	-	-5,783	-5,783
Depreciation charges for the period	-1,463	-	-1,463
Written off/Sales	-299	-	-299
Balance as at December 31, 2014	4,010	80	4,090
Additions	1,007	94	1,101
Transfers	-	-	-
Depreciation charges for the period	-1,506	-	-1,506
Written off/Sales	-219	-174	-393
Balance as at January 1, 2015	3,292	-	3,292

In 2014, the amount of transfers of fixed assets in progress corresponds to expenses borne with works carried out in a Company building, which were completed in 2014 and transferred to Land & buildings (Note 9).

Mention is also made of the fact that there are other assets fundamentally related with salvage, which, in 2015, amount to €66k (2014: €52k).

NOTE 11 - ALLOCATION OF INVESTMENTS AND OTHER ASSETS

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

As mentioned in the 2014 Board of Directors' Report, as at 31 December 31, 2014 Tranquilidade did not comply with the level of financial guarantees to cover technical provisions through its allocated assets.

Part of the non-compliance was due to the fact that the Company 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 Tranquilidade.

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 Company as at December 31, 2015 & 2014, is as follows:

	(thousand euros)		
	2015		Total
	Non-Life Insurance	Not allocated	
Cash & cash equivalents	11,942	2,135	14,077
Land & buildings	65,204	-	65,204
Investments in affiliates, associates and joint ventures	101,901	1,846	103,747
Financial assets held for trading	-	-	-
Financial assets classified in the initial recognition at fair value through profit & loss	44,759	-	44,759
Hedge derivatives	-	-	-
Available-for-sale financial assets	337,835	26,187	364,022
Loans and receivables	7,044	2,331	9,375
Held-to-maturity investments	-	-	-
Other tangible assets	-	3,292	3,292
Total	568,685	35,791	604,476

	(thousand euros)		
	2014		Total
	Non-Life Insurance	Not allocated	
Cash & cash equivalents	19,997	611	20,608
Land & buildings	70,012	-	70,012
Investments in affiliates, associates and joint ventures	102,386	2,292	104,678
Financial assets held for trading	-	-	-
Financial assets classified in the initial recognition at fair value through profit & loss	106	-	106
Hedge derivatives	-	-	-
Available-for-sale financial assets	280,415	825	281,240
Loans and receivables	12,591	3,698	16,289
Held-to-maturity investments	-	-	-
Other tangible assets	-	4,090	4,090
Total	485,507	11,516	497,023

NOTE 12 - 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.

In 2015 the Company 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 €5,876k of extraordinary non-recurring amortisation.

As at December 31, 2015, the goodwill carried corresponds to the positive difference between the acquisition cost, in 2004, of Companhia de Seguros ESIA and the fair value assigned to the net assets acquired and not amortised up until 2014, in accordance with IFRS 3 – Business Combinations. In 2014 the review of its recoverable amount revealed total impairment of these assets, and therefore, in 2014, impairment losses were recorded in the amount of €25,785k under Impairment Losses - Other.

During 2015, the Company 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 2014, which amounted to €1,244k and was carried under goodwill as at December 31, 2014. The estimated useful life of the acquired insurance portfolio is 4 years, and therefore its amortisation began in 2015 in keeping with that period.

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

	(thousand euros)	
	2015	2014
Goodwill	25,785	27,029
Other Intangibles	73,824	70,129
Software development costs	60,064	53,019
Software	11,327	11,327
Intangibles in progress	1,189	5,783
Other intangible assets	1,244	-
Accumulated Depreciation	-66,541	-55,634
Impairments	-25,785	-25,785
Total	7,283	15,739

Movements in both years are as follows:

	(thousand euros)						
	Goodwill	Other Intangibles	Software Development Costs	Software	Intangibles in Progress	Other Intangibles Assets	Total
Balance as at January 1, 2014	25,785	15,499	8,160	1,615	5,724	-	41,284
Additions	1,244	3,298	35	120	3,143	-	4,542
Depreciation charges for the period	-	-4,302	-3,651	-651	-	-	-4,302
Impairments	-25,785	-	-	-	-	-	-25,785
Transfers	-	-	3,082	-	-3,082	-	-
Balance as at December 31, 2014	1,244	14,495	7,626	1,084	5,785	-	15,739
Additions	-	2,451	409	-	2,042	-	2,451
Depreciation charges for the period	-	-10,907	-9,574	-1,022	-	-311	-10,907
Impairments	-	-	-	-	-	-	-
Transfers	-	-	6,637	-	-6,637	-	-
Reclassifications	-1,244	1,244	-	-	-	1,244	-
Balance as at December 31, 2015	-	7,283	5,098	62	1,190	933	7,283

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

	(thousand euros)	
	2015	2014
Depreciation of Intangible Assets for the Period:	10,907	4,302
Costs of claims, net of reinsurance	-	-
Amounts paid - Gross amounts	2,487	1,065
Net operating costs & expenses	-	-
Acquisition costs	5,491	2,202
Administrative costs	2,871	1,027
Financial Costs	-	-
Other	58	8

NOTE 13 – OTHER ASSETS, LIABILITIES, ADJUSTMENTS AND PROVISIONS

Assets and adjustments

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

	(thousand euros)	
	2015	2014
Gross Assets	44,366	59,836
Policyholders	-	-
- Receipts pending collection	33,432	49,455
- Reimbursement of claims	5,768	7,499
Insurance brokers	295	265
Co-insurers	4,871	2,617
Adjustments	-6,560	-5,808
Receipts pending collection	-4,098	-3,956
Doubtful debt	-2,462	-1,852
Net Assets	37,806	54,028

Reimbursements required in respect of payments made as a result of claims occurring during the guarantees suspension period and not yet received amount to €2,542k (2014: €3,049k).

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

	(thousand euros)	
	2015	2014
Gross Assets	17,509	14,805
Reinsurers	10,744	9,839
Reinsured	6,765	4,966
Adjustments	-237	-207
Doubtful debt	-237	-207
Net Assets	17,272	14,598

As at December 31, 2015 & 2014, "Reinsured" includes €6,196k and €4,053k, respectively, related to amounts receivable from Tranquilidade – Corporação Angolana de Seguro, SA, within the scope of the reinsurance treaties in force.

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

	(thousand euros)	
	2015	2014
Gross assets	17,420	21,777
Related entities	6,031	8,346
Advances to suppliers of goods & services	351	179
IFAP	1,351	4,906
FAT	971	982
Management on account of IDS and Principals	2,579	1,952
Performance bonds	651	651
Rents & other amounts pending collection	779	613
Staff	663	499
Clients	150	151
Other receivables	3,894	3,498
Adjustments		
Doubtful debt	-6,332	-798
Net Assets	11,088	20,979

As at December 31, 2015 & 2014, the "Related parties" includes about €4.8 million and €6.6 million, respectively, receivable from Tranquilidade – Corporação Angolana de Seguro, S.A., in respect of which adjustments for doubtful debt were recorded in 2015 in the amount of about €4.8 million associated with the amounts receivable.

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

	(thousand euros)	
	2015	2014
Adjustment of Receipts Pending Collection		
Balance as at January 1	3,956	3,686
Appropriations for the period	142	270
Use for the year	-	-
Balance as at December 31	4,098	3,956
Adjustment of Doubtful Loans		
Balance as at January 1	2,857	3,165
Appropriations for the period	6,174	-
Use for the year	-	-308
Balance as at December 31	9,031	2,857

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

	(thousand euros)	
	2015	2014
Accrued Income	120	239
- Services rendered	120	239
Deferred Costs	1,203	1,043
- Insurance	8	15
- Rentals	4	5
- Acquisition costs	1,191	1,023
Total	1,323	1,282

Liabilities and provisions

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

	(thousand euros)	
	2015	2014
Policyholders (return premiums payable)	3,795	3,115
Insurance brokers		
- Commissions payable	2,633	4,088
- Current accounts	1,781	230
Co-insurers	6,679	14,309
Total	14,888	21,742

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

	(thousand euros)	
	2015	2014
Reinsurers	13,776	16,541
Reinsured	651	421
Total	14,427	16,962

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

	(thousand euros)	
	2015	2014
Related entities	539	466
Suppliers of leased goods	23	118
Other suppliers of goods & services	1,756	568
Management on account of IDS and Principals	0	67
IFAP	2,009	1,820
WA Pensions	1,769	1,606
Other payables	2,237	4,560
Total	8,333	9,205

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

	(thousand euros)	
	2015	2014
Deferred Income	0	0
- Rentals	0	0
Accrued Costs	20,303	21,852
- Staff costs (subsidies, charges & bonuses)	8,748	8,376
- Acquisition costs (incentives & commissions)	3,243	3,299
- Third-party supplies & services	7,827	10,065
- Taxes	485	112
Total	20,303	21,852

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

	(thousand euros)	
	2015	2014
Taxes	2,204	1,995
Total	2,204	1,995

	(thousand euros)	
	2015	2014
Balance as at January 1	1,995	1,784
Appropriations for the period	209	211
Use for the year	-	-
Balance as at December 31	2,204	1,995

The positive change of Other provisions in 2014 and 2015 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. This change is included in Other non-technical expenses in the statement of profit and loss.

NOTE 14 - INSURANCE CONTRACT PREMIUMS

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

Businesses/ Groups of Businesses	Gross Premiums Written		UPR Variation		Premiums Earned	
	2015	2014	2015	2014	2015	2014
Accidents & Health	102,821	106,752	-184	742	103,005	106,010
Fire & other damage	65,688	64,727	-272	-1,463	65,960	66,190
Motor	127,166	127,164	-259	-2,828	127,425	129,992
Marine, air and transport	6,379	7,484	-308	-161	6,687	7,645
General third-party liability	10,076	10,257	-164	-132	10,240	10,389
Credit and fidelity insurance	29	32	-6	-10	35	42
Legal protection	11	13	-1	-1	12	14
Assistance	12,834	11,787	277	641	12,557	11,146
Sundry	2,580	2,797	-54	-67	2,634	2,864
Total	327,584	331,013	-971	-3,279	328,555	334,292

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

Businesses/ Groups of Businesses	Reinsurance Premiums Written		UPR Variation		Reinsurance Premiums Earned	
	2015	2014	2015	2014	2015	2014
Accidents & Health	2,308	3,900	-622	65	2,930	3,835
Fire & other damage	26,390	30,513	-309	-972	26,699	31,485
Motor	1,383	1,387	2	-9	1,381	1,396
Marine, air and transport	3,456	4,441	-346	-86	3,802	4,527
General third-party liability	1,419	1,663	-21	129	1,440	1,534
Credit and fidelity insurance	11	9	-	-3	11	12
Legal protection	-	-	-	-	-	-
Assistance	12,770	11,639	441	616	12,329	11,023
Sundry	2,368	2,579	-60	-57	2,428	2,636
Total	50,105	56,131	-915	-317	51,020	56,448

The breakdown of some figures in respect of Non-Life insurance for 2015, in the format required by the ASF is as follows:

(thousand euros)

Businesses/ Groups of Businesses	Gross Premiums Written	Gross Premiums Earned	Gross Cost of Claims	Gross Operating Costs	Balance of Reinsurance
Accidents & health	100,359	100,759	81,477	27,581	-992
Fire & other damage	63,678	64,034	27,253	23,284	-9,462
Motor					
-Third-party liability,	80,159	79,745	58,438	23,800	-744
- Other covers	45,185	43,803	35,000	15,969	-549
Marine, air and transport	6,169	6,479	424	1,854	-2,411
General third-party liability	9,909	10,060	9,603	3,873	4,271
Credit and fidelity insurance	29	35	134	13	-11
Legal protection	11	11	27	6	-
Assistance	12,834	12,557	-3	2,529	-11,055
Sundry	2,565	2,596	679	631	-1,320
Total	320,898	320,079	213,032	99,540	-22,273
Reinsurance accepted	6,686	8,476	2,459	1,528	-1,034
Total Grand	327,584	328,555	215,491	101,068	-23,307

NOTE 16 – INVESTMENT INCOME/ REVENUE AND EXPENDITURE

The accounting policies adopted for the recognition of income and costs in respect of investments are addressed in Note 3. The balance of the Income heading, segregated by the various types of income, is as follows:

(thousand euros)

	2015	2014
Interest	4,128	7,525
Available-for-sale financial assets	3,676	4,607
Financial assets at fair value through profit or loss	93	11
Financial assets held for trading	-	-
Held-to-maturity investments	-	1,665
Deposits, loans & other assets	359	1,242
Rents	2,018	1,549
Land & buildings	2,018	1,549
Dividends	7,876	8,084
Investments in affiliates, associates and joint ventures	7,868	8,063
Available-for-sale financial assets	8	21
Total	14,022	17,158

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

(thousand euros)

	2015	2014
Bonds & other fixed-income securities		
Public issuers'	860	2,483
Other issuers'	2,909	3,800
Equities	7,868	8,063
Other floating-rate securities	8	21
Properties	2,018	1,549
Deposits	21	845
Loans & other assets	338	397
Total	14,022	17,158

The breakdown of Financial costs is as follows:

(thousand euros)

	2015	2014
Costs imputed to the investments function	1,359	1,351
Direct operating costs	232	267
Total	1,591	1,618

NOTE 17 - GAINS & LOSSES REALISED ON INVESTMENTS

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

(thousand euros)

	2015			2014		
	Gain	Loss	Balance	Gain	Loss	Balance
Financial - Not at Fair Value through Profit or Loss	43,613	-3,879	39,734	26,712	-134,086	-107,374
Available-for-sale financial assets	6,699	-2,879	3,820	26,185	-134,086	-107,901
Held-to-maturity investments	-	-	-	527	-	527
Investments in affiliates, associates and joint ventures	36,914	-1,000	35,914	-	-	-
Financial - At Fair Value through Profit or Loss	3	-42	-39	-	59	59
Financial assets at fair value through profit or loss	3	-42	-39	-	59	59
Financial assets held for trading	-	-	-	-	-	-
Non-Financial	33	-172	-139	52	-	52
Land & buildings - Own use	-	-	-	-	-	-
Land & buildings - Held for income	33	-172	-139	52	-	52
Total	43,649	-4,093	39,556	26,764	-134,027	-107,263

In 2015, 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 Company's holding AdvanceCare – Gestão de Serviços de Saúde, SA (AdvanceCare).

Additionally, losses on Investments in subsidiaries, associates and joint ventures correspond to the capital loss on the sale to Advancecare of the company's holding in Esumédica – Prestação de Cuidados Médicos, SA. (Note 7).

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

The breakdown of gains and losses stemming from adjustments to the fair value of investments is as follows: investimentos podem ser analisados como segue:

(thousand euros)

	2015			2014		
	Gain	Loss	Balance	Gain	Loss	Balance
Financial - At Fair Value	3	-226	-223	-	-216	-216
Financial assets at fair value through profit or loss						
- Debt securities	3	-226	-223	-	-216	-216
Non-Financial	4,469	-1,339	3,130	2,285	-3,724	-1,439
Land & buildings - Held for income	4,469	-1,339	3,130	2,285	-3,724	-1,439
Total	4,472	-1,565	2,907	2,285	-3,940	-1,655

NOTE 19 - GAINS & LOSSES ON CURRENCY TRANSLATION DIFFERENCES

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

The balance is broken down as follows:

(thousand euros)

	2015			2014		
	Gain	Loss	Balance	Gain	Loss	Balance
Available-for-sale financial assets	1,406	-1,046	360	18	-5	13
Financial assets held for trading	-	-	-	-	-	-
Other	607	-552	55	634	-250	384
Total	2,013	-1,598	415	652	-255	397

NOTE 20 - OTHER INCOME, EXPENSES AND VARIATION OF OTHER PROVISIONS

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

(thousand euros)

	2015	2014
Other Technical Income	857	1,002
Co-insurance management commissions	231	166
Claims management charges	6	5
Remuneration for services - IFAP	-	1
Management on account of claims	620	830
Other Technical Expense	3,366	2,385
Co-insurance management commissions	785	208
Management on account of claims	2,581	2,177
Value of Gains & Losses	-2,509	-1,383

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

(thousand euros)

	2015	2014
Other Non-Technical Income	1,668	3,367
Reimbursement of taxes	17	148
Corrections & adjustments	708	1,439
Other gains	583	1,516
Interest & other financial gains	38	31
Services provided	258	229
Gains on disposal of tangible assets	64	4
Other Non-Technical Expense	6,322	6,511
Donations	8	6
Sponsorship	11	119
Gifts for customers	251	384
Fines	18	29
Subscriptions	8	8
Restructuring costs	1,000	-
Corrections & adjustments	746	575
Other expenses	3,683	4,854
Banking services & default interest	597	537
Value of Gains & Losses	-4,654	-3,144

In 2015, the Other costs include about €2,4 million relating to the derecognition (write-off) of amounts receivable from Tranquilidade - Corporação Angolana de Seguros, S.A. (Note 13).

NOTE 21 - SUNDRY COSTS BY FUNCTION AND NATURE OF EXPENSE

Costs carried under Costs by nature of expense to be imputed are not shown directly in the profit & loss account, in that they are distributed to the Company'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 & 2014, is as follows:

(thousand euros) (%)

2015	Cost of Claims		Acquisition Costs		Administrative Costs		Cost of Investments		Total	
Staff costs	6,163	17%	14,423	40%	14,835	42%	265	1%	35,686	100%
Third-party supplies & services	2,162	12%	6,758	37%	9,206	50%	354	2%	18,480	100%
Taxes	-	0%	-	0%	2,412	100%	-	0%	2,412	100%
Depreciation	2,746	21%	6,139	48%	3,665	28%	361	3%	12,911	100%
Provisions for contingencies & liabilities	-	0%	-	0%	-	0%	-	0%	-	0%
Other costs	-	0%	1	0%	-	0%	379	100%	380	100%
Total	11,071	16%	27,321	39%	30,118	43%	1,359	2%	69,869	100%

(thousand euros) (%)

2014	Cost of Claims		Acquisition Costs		Administrative Costs		Cost of Investments		Total	
Staff costs	6,301	16%	14,861	37%	19,043	47%	388	1%	40,593	100%
Third-party supplies & services	2,078	11%	7,385	38%	9,666	50%	236	1%	19,365	100%
Taxes	-	0%	-	0%	2,351	100%	-	0%	2,351	100%
Depreciation	1,294	21%	2,814	45%	1,805	29%	349	6%	6,262	100%
Provisions for contingencies & liabilities	-	0%	-	0%	-	0%	-	0%	-	0%
Other costs	3	1%	4	1%	2	1%	378	98%	387	100%
Total	9,676	14%	25,064	36%	32,867	48%	1,351	2%	68,958	100%

Staff costs are detailed in Note 22.

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

(thousand euros)

	2015	2014
Electricity and water	471	473
Fuel	212	321
Office material, stationery, etc.	125	132
Gift articles	508	1,044
Office equipment & property maintenance	231	276
Hardware maintenance	1,723	1,752
Rents	1,998	2,045
Operational rental of vehicles & other rentals	978	1,104
Travel & entertainment costs	878	1,220
Telephone communications and networks	344	493
Post	1,623	1,394
Insurance	104	103
Retainers & fees	204	312
Advertising & marketing	1,048	1,184
Cleaning, hygiene and comfort	393	377
Surveillance and security	222	281
<i>Outsourcing, consultancy & specialised work</i>	4,088	3,400
Software services & development	2,048	1,724
Subscriptions to APS	218	220
Premium collection	480	662
Broker training	163	268
Temporary work	122	158
Other sundry supplies & services	299	422
Total	18,480	19,365

The breakdown of Taxes and charges is as follows:

(thousand euros)

	2015	2014
VAT borne	22	78
ASF charge	775	772
FAT charge	841	800
Municipal property tax	31	35
Fee for the General Secretariat of the MAI (Home Affairs)	644	558
Portuguese Green Card Office charge	54	53
Other taxes, fees and licenses	45	55
Total	2,412	2,351

The breakdown of the Amortisation charges is as follows:

(thousand euros)

	2015	2014
Software development costs	9,574	3,651
Software	1,022	651
Other intangible assets	311	-
IT Hardware	690	505
Owner-occupied properties	498	497
Office equipment & machines	221	254
Indoor facilities	53	50
Leasing	27	63
Other equipment	515	591
Total	12,911	6,262

In 2015 the Company 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 €5,876k of extraordinary non-recurring amortisation, which justifies the significant increase of the amortisation of IT applications and software development costs.

The breakdown of the Other costs is as follows:

(thousand euros)		
	2015	2014
Interest on reinsurers' deposits	2	13
Interest on financial leases	2	10
Securities' custody & management and other commissions	376	364
Total	380	387

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

(thousand euros)		
	2015	2014
Acquisition costs		
Brokerage remuneration	35,662	36,672
Costs imputed	27,321	25,064
Other acquisition costs	6,254	6,883
Deferred acquisition costs (change)	-80	539
Administrative costs		
Brokerage remuneration	1,793	1,830
Costs imputed	30,118	32,867
Reinsurance commissions & profit-sharing	-7,375	-9,405
Total	93,693	94,450

NOTE 22 - STAFF COSTS

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

	2015	2014
Senior managers	20	20
Managers	78	77
Co-ordinators	130	132
Technicians	170	178
Specialists	263	252
Ancillary staff	5	5
Total	666	664

These numbers must be increased by 10 employees assigned to the Spain branch.

Staff costs are detailed as follows:

(thousand euros)		
	2015	2014
Remuneration - Corporate officers	1,364	1,971
Remuneration - Personnel	25,054	25,070
Charges on remuneration - Corporate officers	186	315
Charges on remuneration - Personnel	5,435	5,555
Post-employment benefits - Defined-benefit pension plans	1,270	5,396
Mandatory insurance	1,169	1,113
Social welfare costs	837	917
Training	225	235
Other staff costs	146	21
Total	35,686	40,593

As at December 31, 2015 & 2014, the Company had no loans or advances extended to corporate officers.

The remuneration policies in respect of members of the Governing Bodies and of the Board of the General Meeting and of Key employees are set out in the Disclosure of 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 €42k.

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

NOTE 23 - OBLIGATIONS INVOLVING EMPLOYEE BENEFITS

Retirement pensions and health benefits

As stated in Note 3, the Company 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).

In accordance with the Collective Bargaining Agreement published in BTE n° 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 n° 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 Company.

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 Company settled the liability.

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

Additionally, the Company had 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 General Meeting considered void the regulation governing the directors' right to the pension or pension complement. The Company 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 Tranquilidade, the most recent one with reference to December 31, 2015.

The main assumptions considered in the actuarial studies as at December 31, 2015 & 2014, used to determine the updated value of the liabilities for employee pensions and health benefits are as follows:

	2015	2014
Financial Assumptions		
Wage growth rates	0.50%	0.5% & 1% (*)
Pension growth rate	0.50%	0.5% & 1% (*)
Early-retirement pension growth rate	0.50%	0.5% & 1% (*)
Discount rate	1.5% & 2.5% (*)	2.25%
Demographic Assumptions and Valuation Methods		
Mortality Table	GKF 95	GKF 95
Disability Table	Suisse Re 2001	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 3, 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 & 2014, the number of participants covered by the benefits plan was as follows:

	2015	2014
In service	2	6
Pensioners	185	207
Total	187	213

As at December 31, 2015 & 2014, Tranquilidade's liabilities for past services, according to actuarial studies carried out, as well as the funds and provisions available for their coverage thereof amounted to:

(thousand euros)

	2015			2014		
	Retirement Pensions	Health Benefits	Total	Retirement Pensions	Health Benefits	Total
Net Assets/ (Liabilities) Recognised in the Balance Sheet						
Liabilities as at december 31	-43,107	-706	-43,813	-41,135	-767	-41,902
Balance of the fund as at december 31	32,452	-	32,452	33,533	-	33,533
Net Assets/ (Liabilities) in the Balance Sheet as at December 31	-10,655	-706	-11,361	-7,602	-767	-8,369

Additionally, Tranquilidade 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 (2014: 343), and the total amount of the liability amounts to €9,606k (2014: (€10,492).

In accordance with ASF Regulatory Standard nº 5/2007-R, of April 27, insurance companies shall ensure at the end of each year:

- a) 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 & 2014, Tranquilidade'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 Company's pension fund. Given the current level of financing of the fund, no contributions are expected to be required next year. The company'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:

(thousand euros)

	2015			2014		
	Retirement Pensions	Health Benefits	Total	Retirement Pensions	Health Benefits	Total
Liabilities as at January 1	41,135	767	41,902	36,848	649	37,497
Transfers to other pension funds	-232	-	-232	-	-	-
Alteration of the plan	-	-	-	-	-	-
Cost of current service	383	27	410	1,861	25	1,886
Interest cost	881	-	881	-	-	-
Asset cost accepted in 2015	689	-	689	-	-	-
Actuarial (gains) and losses on liabilities	4,090	1	4,091	1,686	192	1,878
Pensions paid by the fund	-3,839	-	-3,839	-3,961	-	-3,961
Benefits paid by the Company	-	-89	-89	-	-99	-99
Curtailment	-	-	-	4,701	-	4,701
Liabilities as at December 31	43,107	706	43,813	41,135	767	41,902

During 2015, transfers to other pension funds relate to the transfer of liabilities for with post-employment benefits of a former director of the Company to another company. The transfer of the liability was accompanied by the transfer of assets of the pension fund of the same amount.

In 2014, Curtailment relates to an increase of the liabilities recognised by the Company resulting from the possibility of directors requesting access to early retirement and to the payment of their pension from the age of 55, provided that they have provided service in that capacity during 16 years.

The evolution of the value of the pension fund in 2015 & 2014 is as follows:

(thousand euros)

	2015			2014		
	Retirement Pensions	Health Benefits	Total	Retirement Pensions	Health Benefits	Total
Balance of the Fund as at January 1	33,533	-	33,533	33,594	-	33,594
Alteration of the plan	-	-	-	-	-	-
Real return of the fund	-	-	-	-	-	-
Interest income	710	-	710	1,191	-	1,191
Actuarial gains & losses	2,280	-	2,280	1,551	-	1,551
Contributions paid by the fund's participants	-	-	-	1,258	-	1,258
Pensions paid by the fund	-3,839	-	-3,839	-3,961	-	-3,961
Transfers to other pension funds	-232	-	-232	-100	-	-100
Balance of the Fund as at December 31	32,452	-	32,452	33,533	-	33,533

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

(thousand euros)

	2015			2014		
	Retirement Pensions	Health Benefits	Total	Retirement Pensions	Health Benefits	Total
Deviations Recognised in Reserves as at January 1	17,830	684	18,514	17,695	492	18,187
Actuarial (gains) & losses						
- on liabilities	4,090	1	4,091	1,686	192	1,878
- on the plan's assets	-2,280	-	-2,280	-1,551	-	-1,551
Use of reserves for share capital reduction	-18,514	-	-18,514	-	-	-
Deviations Recognised in Reserves as at December 31	1,126	685	1,811	17,830	684	18,514

The evolution of assets receivable/ liabilities deliverable in 2015 and 2014 is as follows:

(thousand euros)

	2015			2014		
	Retirement Pensions	Health Benefits	Total	Retirement Pensions	Health Benefits	Total
(Assets)/ Liabilities Receivable or Payable as at January 1	7,602	767	8,369	3,254	649	3,903
Alteration of the plan	-	-	-	-	-	-
Actuarial gains & losses on liabilities	4,090	1	4,091	1,686	192	1,878
Actuarial gains & losses of the funds	-2,280	-	-2,280	-1,551	-	-1,551
Charges for the year:						
- Cost of current service	383	27	410	1,861	25	1,886
- Net interest costs in the balance of the cover of liabilities	171	-	171	-1,191	-	-1,191
- Asset cost accepted in 2015	689	-	689	-	-	-
Contributions made in the period and pensions paid by the Company	-	-89	-89	-1,258	-99	-1,357
<i>Curtailment</i>	-	-	-	4,701	-	4,701
Transfers from other funds	-	-	-	100	-	100
(Assets)/ Liabilities Receivable or Payable as at December 31	10,655	706	11,361	7,602	767	8,369

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

(thousand euros)

	2015			2014		
	Retirement Pensions	Health Benefits	Total	Retirement Pensions	Health Benefits	Total
Cost of current service	383	27	410	1,861	25	1,886
Net interest costs in the balance of the cover of liabilities	171	-	171	-1,191	-	-1,191
Asset cost accepted in 2015	689	-	689	-	-	-
<i>Curtailment</i>	-	-	-	4,701	-	4,701
Alteration of the plan	-	-	-	-	-	-
Costs for the Period	1,243	27	1,270	5,371	25	5,396

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

(thousand euros)

	2015	2014
Equities & other floating-rate securities	4,535	4,876
Fixed-income securities	31,451	34,457
Real estate	10,841	8,276
Liquidity	1,976	2,968
Other assets	1,392	1,516
	50,195	52,094

The values of assets disclosed above represent the whole of the assets of the Pension Fund of the Tranquilidade Group and of GNB Seguros Vida, of which associate Tranquilidade holds about 64.7% (2014: 64.4%).

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

(thousand euros)

	2015		2014	
	+25 p.p.	-25 p.p.	+25 p.p.	-25 p.p.
Change of the discount rate of the liabilities	- 790	838	-803	853
Change in the evolution of the pensions	609	-586	730	-705

NOTE 24 - CORPORATION TAX

As stated in Note 3, the Company is subject to the tax legislation enacted by the IRC Code (Corporation Tax Code).

In 2014, given that there was a tax loss, no current tax has been determined, just the autonomous taxation. Calculation of the current tax for 2015 was performed on the basis of the nominal tax rate and of the various rungs of the municipal surcharge, totalling about 25.5%, the nominal rate approved as of the reporting date.

The Company has 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 years or longer period if deduction of tax losses is involved, in which case a period identical to the time limit for their deduction applies. Given the nature of any corrections that might be made, it is not possible to quantify them at this time. However, in the opinion of the Tranquilidade 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 pending acceptance by the tax authorities, the following tax benefits have not yet been considered for accounting purposes in the estimate of tax payable:

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

The Company submitted tax losses in 2011 and 2014, as follows:

(thousand euros)

Period	Brought Forward	Used	Carried Forward	Last Year for Use
2011	24,431	6,987	17,444	2015
2014	116,371	-	116,568	2026
Total	140,999	6,987	134,012	

Any tax losses carried forward still recoverable to be undertaken in each taxation period may not exceed 75% 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, in 2015 the 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 company delivered, within the statutory deadlines, the respective applications for maintenance of these tax losses, and is awaiting approval thereof by the Tax Authority.

The breakdown of current tax assets and liabilities reported in 2015 and 2014 is as follows:

(thousand euros)

	2015		2014	
	Current Tax Assets	Current Tax Liabilities	Current Tax Assets	Current Tax Liabilities
Corporation tax	37	8,408	93	7,134
Tax withheld at source	2	803	3	790
Value added tax	60	38	61	144
Other taxes & levies	270	6,047	80	6,518
Social security contributions	384	448	350	445
Local authority taxes	-	95	-	119
Total	753	15,839	587	15,150

As at December 31, 2015 & 2014, current tax liabilities – Corporation tax includes the amount of €7,134k relating to a provision set aside to cover liabilities resulting from corrections made by the Tax Authority to the Company's tax estimates relating to 2006 and 2009, due to the use of tax losses carried forward by ESIA - Inter-Atlântico Companhia de Seguros.

The breakdown of the net amount of deferred tax assets and liabilities recognised in the 2015 and 2014 balance sheets is as follows:

(thousand euros)

Headings	Assets		Liabilities		Net	
	2015	2014	2015	2014	2015	2014
Investments	5,561	3,351	-	-	5,561	3,351
Post-employment benefits	62	62	-	-	62	62
Doubtful debt provision	52	41	-	-	52	41
Tax losses	-	-	-	-	-	-
Properties	1,412	1,557	-	-	1,412	1,557
Other temporary differences	1,898	1,097	-	-658	1,898	439
Total	8,985	6,108	-	-658	8,985	5,450

As at December 31, 2015, Other temporary differences include about €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 in 2015 & 2014 were recognised as follows:

(thousand euros)

2015	Fair-Value Reserve	Gains & Losses	Total
Current Tax	-	-1,802	-1,802
Corporation tax estimate	-	-950	-950
Autonomous tax	-	-852	-852
Deferred Tax	1,644	1,891	3,535
Investments	1,644	566	2,210
Doubtful debt provision	-	11	11
Properties held for sale	-	-145	-145
Other temporary differences	-	1,459	1,459
Total	1,644	89	1,733

(thousand euros)

2014	Fair-Value Reserve	Gains & Losses	Total
Current Tax	-	-1,204	-1,204
Estimativa de IRC	-	-	-
Imposto autónomo	-	-1,204	-1,204
Deferred Tax	-1,655	712	-944
Investments	-1,655	3,663	2,007
Post-employment benefits	-	-3	-3
Doubtful debt provision	-	-3	-3
Tax losses	-	-2,810	-2,810
Properties held for sale	-	262	262
Other temporary differences	-	-397	-397
Total	-1.655	-492	-2,148

The of 2014 and 2013 results were appropriated in 2015 and 2014, respectively, as stated:

(thousand euros)

	2015	2014
Retained earnings	-188,265	2,118
Dividend payment	-	15,000
Legal reserve	-	1,902
	-188,265	19,020

Reconciliation of the effective tax rate is as follows:

(thousand euros)

	2015	2014
Pre-tax income	29,275	-187,773
Nominal tax rate	25.5%	25.5%
Tax Determined On The Basis Of The Official Rate	-7,465	47,882
Untaxed Impairments	-1,227	-13,434
Derecognition of Goodwill	-	-6,575
Tax losses generated not carried forward	-	-27,004
Other income & costs excluded from taxation	-1,271	-2,843
Autonomous Tax	-852	-1,204
Dividends excluded from taxation	2,006	2,028
Tax benefits	135	133
Differences in capital gains accepted for tax purposes	8,763	525
Tax Recognised in Profit or Loss	89	-492
Effective Tax Rate	-0.3%	-0.3%

In 2015, the differences in of the gains accepted for tax purposes include about €9,158k in respect of the tax effect of gains realised on the sale of the shares held by the Company in AdvanceCare and Esumédica.

NOTE 25 - SHARE CAPITAL

The share capital of Tranquilidade as at December 31, 2014, amounting to €160 million, was reduced, in 2015 in full by the coverage of the whole of the negative retained earnings and free reserves and by part of the legal reserves, as can be seen from the Statement of Changes in changes in Equity.

Following the foregoing, a share-capital increase was carried out in the sum of €42 million, represented by 42 million shares each of a par value of €1, of which €12,6 million have been paid up by its sole shareholder, Calm Eagle Holdings, S.à r.l..

In 2015, the shareholder further increase the equity, through ancillary capital contributions in the sum of €60 million, which do not bear interest and are subject to reimbursement conditions determined by applicable law.

NOTA 26 - RESERVES

Under equity there are sundry types of reserves, the nature and purpose of which are as follows:

Legal reserve

The legal reserve may be used only to cover accumulated losses or to increase equity capital. In accordance with Portuguese legislation, the legal reserve has to be credited each year with at least 10% of the year's net profit until it equals the share capital.

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.

Deferred 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.

Free reserves

Free reserves stem from the decision adopted by the General Meeting to appropriate profits generated during the year or brought forward.

Actuarial deviations reserve

According to IAS 19 - Employee Benefits, Tranquilidade recognises actuarial gains against reserves.

The breakdown of the reserves as at December 31, 2015 & 2014, is as follows:

	(thousand euros)	
	2015	2014
Fair value of financial assets reserve	-1,278	5,174
Deferred tax reserve	405	-1,239
Other reserves	34,441	31,759
- Legal reserve	36,252	49,345
- Actuarial deviations reserve	-1,811	-18,514
- Free reserves	-	928
Reserves	33,568	35,694

The description of the movements of each reserve under equity is stated in the statement of changes in equity, presented at the beginning of the report and accounts in conjunction with the other financial statements.

The breakdown of the gross fair value reserve, in keeping with the type of assets, is as follows:

	(thousand euros)	
	2015	2014
Fixed-income securities	-6,157	3,101
Floating-rate securities	4,879	2,073
Fair-Value Reserves	-1,278	5,174

The breakdown of the net fair value reserve as at December 31, 2015 & 2014, is as follows:

	(thousand euros)	
	2015	2014
Amortised cost of available-for-sale investments (without accrued interest)	366,819	277,890
Impairment	-5,753	-3,367
Amortised/acquisition cost net of impairment	361,066	274,523
Fair value of available-for-sale investments (without accrued interest)	359,788	279,697
Gross revaluation reserve (Fair value - cost)	-1,278	5,174
Deferred & current taxes	405	1,239
Revaluation Reserve Net of Taxes	-873	3,935

Movement under the net fair value reserve during 2015 and 2014 is as follows:

	(thousand euros)	
	2015	2014
Balance as at January 1	3,935	941
Changes in fair value, including variations on disposal	-4,066	4,282
Impairment recognised during the year	-2,386	367
Variation of deferred taxes recognised during the year	1,644	-1,655
Balance as at December 31	-873	3,935

NOTE 27 – EARNINGS PER SHARE

Earnings per share in 2015 and 2014, are as follows:

	2015	2014
Net income for the period (in thousands of euros)	29,364	-188,265
Number of shares (year-end)	42,000,000	32,000,000
Earnings Per Share (in euros)	0,70	-5,88

NOTE 28 – DIVIDEND PER SHARE

As at December 31, 2015, the Company sole shareholder was the firm society Calm Eagle Holdings S.à r.l., owned by the Apollo Group, to which no dividends were paid. The Company's sole shareholder, up to the end of 2014, was Partran – Sociedade Gestora de Participações Sociais, S.A., to which, during 2014, the undernoted dividends were assigned and paid, resulting in the following dividends per share:

	2015	2014
Dividend (in euro '000s)	-	15,000
Number of shares (beginning of the period)	32,000,000	32,000,000
Dividend Per Share (in euros)	-	0,47

NOTE 29 - TRANSACTIONS BETWEEN RELATED PARTIES

On January 15, 2015, the Apollo Group, via the firm Calm Eagle Holdings, Sàrl. acquired the whole of the share capital of Companhia de Seguros Tranquilidade, S.A., this acquisition having warranted prior approval of the ASF. Thus, as at December 31, 2015, all its subsidiaries and other entities that are part of the Apollo Group are considered to be related entities of the Company.

Until that date, Companhia de Seguros Tranquilidade, S.A., belonged to ESFG - Espírito Santo Financial Group, wherefore as at December 31, 2014, all entities of the ESFG Group were considered related entities.

Relations between related entities cover several business areas. The more relevant operations and services are rentals, IT services, Life and Non-Life insurance, insurance marketing, reinsurance, insurance management in the health business line, medical services, consultancy and call-centre services.

As at December 31, 2015 & 2014, the overall amount of Tranquilidade's assets and liabilities that refer to transactions with associate and related companies can be summarised as follows:

(thousand euros)

	2015				2014			
	Assets	Liabilities	Costs	Income	Assets	Liabilities	Costs	Income
ADVANCECARE	402	595	3,848	52	-	342	4,386	1,287
APOLLO MANAGEMENT INTERNATIONAL	-	-	131	-	-	-	-	-
APOLLO MANAGEMENT VIII, LP	-	-	159	-	-	-	-	-
CORPUS CHRISTI	1,250	-	-	-	1,000	-	-	-
E.S. CONTACT CENTER	969	1	56	66	1,312	67	89	181
ESUMÉDICA	32	3	840	30	1,018	3	840	30
EUROP ASSISTANCE	1,436	-	-	2,021	1,422	4	-	1,269
GNB SEGUROS	13	-	-	2,122	3	-	-	1,868
IMOCRESCENTE	3,050	-	-	-	4,150	-	-	-
IMOPRIME	-	-	-	-	-	-	-	-
LOGO	28	804	2,119	(703)	84	12	6,055	6,140
T-VIDA	223	37	-	3,800	633	16	-	3,800
TRQ ANGOLA	6,196	-	1,049	4,793	8,835	-	372	3,072
TRQ MOÇAMBIQUE NÃO VIDA	1,234	-	300	730	1,374	-	106	572
TRQ MOÇAMBIQUE VIDA	311	-	-	-	322	-	-	-
BES AZORES (*)	-	-	-	-	213	-	-	-
BESI (*)	-	-	-	-	183	-	-	-
BESLEASING (*)	-	-	-	-	-	63	9	-
BEST (*)	-	-	-	-	27	-	-	-
E.S. FINANCIAL PRT (*)	-	-	-	-	-	-	-	16
E.S. INFORMÁTICA (*)	-	-	-	-	-	-	150	-
E.S. INVESTMENT (*)	-	-	-	-	2	-	430	15
E.S. RECUPERAÇÃO CRÉDITO, ACE (*)	-	-	-	-	2	-	-	15
E.S. SERVIÇOS 2, ACE (*)	-	-	-	-	-	9	534	-
ESAF (*)	-	-	-	-	2	-	-	22
ESEGUR (*)	-	-	-	-	126	39	250	1,158
ESFG (*)	-	-	-	-	-	-	319	-
GESFIMO (*)	-	-	-	-	2	-	-	34
GNB SEGUROS VIDA (*)	-	-	-	-	85	-	-	115
HERDADE DA COMPORTA (*)	-	-	-	-	1	-	-	5
HOTÉIS TIVOLI (*)	-	-	-	-	-	-	30	-
MULTIPESSOAL-SERVIÇOS (*)	-	-	-	-	54	4	153	462
NOVO BANCO (*)	-	-	-	-	28,622	2,130	1,597	2,389
SGL - SOCIEDADE GERAL LIMPEZAS (*)	-	-	-	-	-	15	375	-
TOP ATLÂNTICO (*)	-	-	-	-	-	2	867	-
	15,144	1,440	8,503	12,911	49,470	2,705	16,562	22,450

(*) Entities longer considered related parties in 2015.

There were also the following significant facts with related parties:

- (2015) derecognition and derecognition (“write-off”) of debts of subsidiary Tranquilidade – Corporação Angolana de Seguros, S.A. (€7.2 million)
- (2014) Losses and impairment of the GES debt (€140.3 million)
- (2014) Impairment at subsidiary Seguros LOGO, SA. (€35.9 million)

NOTE 30 - 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 31 - COMMITMENTS

With the acquisition of Tranquilidade by the new shareholder Calm Eagle Holdings, S.à r.l., (Apollo), the latter assumed a commitment to make a start to a process aimed at the sale of Tranquilidade’s holding in ES Contact, S.A..

A commitment was also assumed by Apollo, to sell at the request of Novo Banco, S.A., the Tranquilidade holding in GNB – Gestão de Ativos, SGPS, S.A., to Novo Banco, S.A., or a to a third party that comes to be designated by the latter. The value of the sale of Tranquilidade’s holding in GNB – Gestão de Ativos, SGPS, S.A., will be determined by a third party designated by common agreement by Apollo and Novo Banco, independent of both parties and of repute in company valuations.

As stated in Note 6, in 2015 the said valuation of this subsidiary was performed by an independent entity, on the basis of which a selling price of €25.4 million was determined. Therefore, an impairment loss of €4.3 million was recorded in 2015 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, S.A., is completed within 5 years after the date of acquisition of Tranquilidade by Apollo or, if the swale of the holding in GNB – Gestão de Ativos, SGPS, S.A., 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.

It should also be mentioned that the Company has an option for the purchase of 2% of the share capital of Tranquilidade – Corporação Angolana de Seguros, S.A., which, if it comes about, will change the holding to 51% of the share capital and voting rights of this entity, and the entire process being continent upon prior authorisation by the competent Angolan authorities.

The Company 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:

	(thousand euros)	
	2015	2014
Tangible assets (gross value)	11,332	11,481
Accumulated depreciation	-11,314	-11,436
Tangible Assets (Net Value)	18	45
Creditors - Suppliers of Goods	23	118

The breakdown of the maturities of outstanding finance lease contract rents is as follows:

	(thousand euros)		
	Up to 3 Months	4 to 12 Months	+1 to 5 Years
Finance lease contracts	23	-	-
Operating lease contracts	187	488	985

NOTE 33 – BUSINESS COMBINATIONS

On June 30, 2014, the Company acquired the business of the branch in Portugal of AMA - Agrupación Mutual Aseguradora, Mútua de Seguros a Prima Fija (“AMA”).

Within the context of acquisition, the insurance portfolio of the Non-Life branch of AMA was transferred to Tranquilidade, including all assets and liabilities of that portfolio, And Tranquilidade therefore came to assume, as from that date, all the rights and obligations arising from the insurance contracts in force.

The process in question was duly prepared, supervised and authorised by the competent authorities, in particular the Dirección General de Seguros y Fondos de Pensiones (“DGSFP”) and by the Insurance and Pension Fund Supervisory Authority (ASF).

The total investment amounted to €1,250k and the estimated value of the goodwill of the business acquired, recognised in 2014 as a result of this acquisition, can be demonstrated as follows:

	(thousand euros)
Assets	
Tangible tangible assets	12
Third-party technical provisions	2,706
Other debtors	105
	2,823
Liabilities	
Direct insurance technical provisions	2,706
Accruals & deferrals	111
	2,817
Fair value of assets acquired	6
Acquisition cost	1,250
Goodwill	1,244

The estimated value of the deal was initially recorded under Goodwill, the Company having transferred to Other intangible assets during 2015.

NOTE 36 – AEVENTS AFTER THE REPORTING DATE NOT DESCRIBED IN PREVIOUS POINTS

On March 25, 2016, the agreement for the purchase and recapitalisation of Açoreana Seguros, S.A., was signed between Apollo Global Management, shareholder of Tranquilidade, and the shareholders of Açoreana Seguros, S.A. .

The transaction is still subject to approval by national and international authorities and it can be expected, however, that its conclusion may be possible in the short term.

After approval, Tranquilidade will be part of the Açoreana Seguros, S.A., recapitalisation effort under such terms as may come to be approved by the ASF.

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 Company's financial statements as at December 31, 2015.

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 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.
Amendment to IFRS 11 – Joint arrangements – Accounting for acquisitions of interests in joint arrangements	1-Jan-16	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.
Amendment to IAS 1 – Presentation of financial statements – “Disclosure Initiative”	1-Jan-16	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: <ul style="list-style-type: none"> • a statement of compliance with the IFRS in the first section of the notes; • a description of the relevant accounting policies in the second section; • Supporting information on the items of the financial statements in the third section; and • other information in 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 Company'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 – 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 Company in the year ended December 31, 2015.

Given the nature of the Company'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 e standards referred to above will have a significant impact on the Company's financial statements.

APPENDIX 1 – INVENTORY OF HOLDINGS AND FINANCIAL INSTRUMENTS

(expressed in euros)

Identification of Securities Designation	Quantity	Amount of par Value	% of par Value	Average Acquisition Cost	Total Acquisition Cost	Book Value (Includes Accrued Interest)	
						Unit	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							
ADV HEALTH INTERNATIONAL	100,000			1.00	100,000.00	1.00	100,000.00
GNB SEGUROS	750,000			5.01	3,758,668.00	5.01	3,758,668.00
ES CONTACT	831,251			2.22	1,846,077.58	2.22	1,846,077.58
EUROPE ASSISTANCE	705,000			5.99	4,221,800.00	5.99	4,221,800.00
SEGUROS LOGO SA	4,000,000			5.00	20,000,000.00	1.46	5,842,387.31
T-VIDA COMPANHIA DE SEGUROS, SA	65,000,000			1.19	77,488,591.00	1.19	77,488,591.00
1.1.4 - Holdings in related companies							
COMPTA	306,960			1.64	503,699.84	0.13	39,904.80
QUINTA DOS CONEGOS	140,600			3.15	443,241.40	4.77	670,895.93
Subtotal	71,833,811	0.00			108,362,077.82		93,968,324.62
1.2 - Foreign securities							
1.2.1 - Holdings in affiliates							
1.2.2 - Holdings in associates							
TRQ ANGOLA	2,450			2,986.90	7,317,897.10	2,986.90	7,317,897.10
TRQ MOÇAMBIQUE CS	49,998			27.23	1,361,259.95	27.23	1,361,259.95
TRQ MOÇAMBIQUE VIDA	66,998			27.02	1,810,331.96	27.02	1,810,331.96
Subtotal	119,446	0.00			10,489,489.01		10,489,489.01
Total	71,953,257	0.00			118,851,566.83		104,457,813.63
2 - OTHER							
2.1 - Domestic securities							
2.1.1 - Capital instruments and unit trusts							
2.1.1.1 - Equities							
COMP. PREVIDENTE	6			532.54	3,195.23	0.00	0.00
COMP. PREVIDENTE SCPF	198			109.86	21,752.48	247.87	49,077.37
GNB - GESTÃO DE ACTIVOS	235,100			126.34	29,702,293.30	107.93	25,374,000.00
ESTELA GOLF	40			5,540.45	221,618.00	1,924.60	76,983.97
FETAL	2,760			20.84	57,528.12	0.00	0.00
HOTEL TURISMO ABRANTES	125			0.00	0.00	0.00	0.00
MADIBEL	7,955			0.01	80.88	0.00	0.00
SONAGI	55,600			0.44	24,293.86	1.30	72,280.00
SONAGI AN	100			0.06	5.51	0.01	1.00
SPECTACOLOR PORTUGAL	7,500			14.66	109,986.38	12.32	92,401.60
CASSEL	200			0.00	0.00	0.00	0.00
COMUNDO	2,008			0.00	0.00	0.00	0.00
ILIDIO MONTEIRO CONSTRUÇÕES	41,675			0.00	0.00	0.00	0.00
PORTO CAVALEIROS, SGPS	2,483			0.00	0.00	0.00	0.00
TELLUS	1,200			0.00	0.00	0.00	0.00
VILATÊXTEL SOC IND TÊXTEL	16			0.00	0.00	0.00	0.00
Subtotal	356,966	0.00			30,140,753.76		25,664,743.94
2.1.1.3 - Investment fund units							
CIMOVEL	561,147			5.35	3,000,004.09	5.85	3,283,607.79
ES LOGISTICA	80,000			5.00	400,000.00	3.15	252,312.00
ES TRADING FUND	10,000			104.80	1,048,000.00	125.27	1,252,700.00
ESP SANTO INFRASTRUCTURE FUND I	3,500			681.86	2,386,505.45	756.93	2,649,250.45
ESPÍRITO SANTO VENTURES III	200,000,000			0.01	1,740,000.00	0.01	1,680,000.00
EXPLORER II	111			8,264.21	916,616.36	8,994.35	997,599.34
EXPLORER III	80			25,468.98	2,037,518.43	27,320.56	2,185,644.80
FUNDO DE INVEST. IMOB. CORPUS CHRISTI	12,000			997.36	11,968,313.77	1,071.30	12,855,636.00
IMOCRESCENTE FD DE INV IMOB FECHADO	10,075			997.11	10,045,409.87	1,174.25	11,830,007.78
IMOPRIME FUNDO DE INV IMOB FECHADO	30,559			976.27	29,833,605.42	980.48	29,962,338.44
Subtotal	200,707,471	0.00			63,375,973.39		66,949,096.60
Subtotal	201,064,437	0.00			93,516,727.15		92,613,840.54

(expressed in euros)

Identification of Securities	Quantity	Amount of par Value	% of par Value	Average Acquisition Cost	Total Acquisition Cost	Book Value (Includes Accrued Interest)	
						Unit	Total
2.1.2 - Debt securities							
2.1.2.1 - Public debt							
PT OT 4.95% 10/25/23		400,000.00	119.81%	119.7%	478,880.00	120.7%	482,864.59
Subtotal	0	400,000.00			478,880.00		482,864.59
2.1.2.2 - Other public issuers'							
PARPUBLICA 3.75% 07/21		2,500,000.00	104.88%	107.2%	2,679,851.87	106.7%	2,667,875.41
Subtotal	0	2,500,000.00			2,679,851.87		2,667,875.41
2.1.2.3 - Other issuers'							
BRISA 1.875% 04/25		1,000,000.00	91.79%	99.1%	990,830.00	93.0%	930,401.23
CELULOSE BEIRA FLOAT 03/19		1,000,000.00	101.00%	99.5%	995,447.00	102.0%	1,020,341.28
GALP ENERGIA SGPS FLOAT 18		2,500,000.00	103.19%	101.9%	2,546,750.00	103.4%	2,585,923.27
PORTUCEL SA 5.375% 20-19		428,571.43	104.75%	101.9%	436,842.86	105.4%	451,803.75
REN FINANCE BV 2.5% 02/25		1,000,000.00	98.01%	99.7%	996,680.00	100.2%	1,002,154.79
VERSE 1 SNR 4.172% 16/02/17		669,784.78	101.75%	100.0%	669,784.78	101.9%	682,592.70
EMASA		5,000.00	0.00%	0.0%	0.00	0.0%	0.00
P.CAVALEIROS		17,500.00	0.00%	0.0%	0.00	0.0%	0.00
V.AGROS		4,000.00	0.00%	0.0%	0.00	0.0%	0.00
V.TÊXTEL		7,500.00	0.00%	0.0%	0.00	0.0%	0.00
Dep Prazo EUR NB					1,171.36		1,171.36
Subtotal	0	6,632,356.21			6,637,506.00		6,674,388.38
Subtotal	0	9,532,356.21			9,796,237.87		9,825,128.38
Total	201,064,437	9,532,356.21			103,312,965.02		102,438,968.92
2.2 - Foreign securities							
2.2.1 - Capital instruments and unit trusts							
2.2.1.1 - Equities							
AXA	34,851			24.87	866,707.72	25.23	879,290.73
ALLIANZ AG	5,391			160.01	862,636.04	164.00	884,124.00
BANCO SANTANDER CENTRAL HISPANO	192,926			4.54	875,142.93	4.56	879,356.70
BASF SE	12,620			69.12	872,355.71	70.74	892,738.80
BAYERISCHE MOTOREN WERKE	8,989			96.59	868,223.11	97.79	879,034.31
BNP PARIBAS	16,426			53.00	870,497.68	52.23	857,929.98
DAIMLER CHRYSLER AG	11,410			76.13	868,624.01	77.89	888,724.90
MUENCHENER RUECKVER AG	4,799			183.13	878,858.98	185.20	888,774.80
PUBLICIS GROUP	14,176			60.37	855,840.12	61.38	870,122.88
RENAULT SA	9,397			92.13	865,752.89	92.63	870,444.11
ROYAL DUTCH PETROLEUM COMPANY	42,526			20.28	862,515.85	21.09	896,873.34
SCHNEIDER ELECTRIC SA	16,568			52.32	866,755.91	52.56	870,814.08
SIEMENS AG	9,957			87.81	874,307.70	89.87	894,835.59
SOCIETE GENERALE	20,260			42.83	867,770.90	42.56	862,164.30
UNILEVER NV-CVA	21,920			38.79	850,176.56	40.09	878,663.21
C BUZI	2,000			0.00	0.00	0.00	0.00
C IND MATOLA	2,200			0.00	0.00	0.00	0.00
C MOÇAMBIQUE	3,000			0.00	0.00	0.00	0.00
C RESSEGURO MOÇAMBIQUE	250			0.00	0.00	0.00	0.00
C SEG NAUTICUS	500			0.00	0.00	0.00	0.00
C SEG TRANQUILIDADE DE MOÇAMBIQUE	9,750			0.00	0.00	0.00	0.00
CADA (AGRICULTURA)	2,100			0.00	0.00	0.00	0.00
COMP ALGODÕES MOÇAMBIQUE	1,900			0.00	0.00	0.00	0.00
COMP SEG A NACIONAL	15,986			0.00	0.00	0.00	0.00
CONTINENTAL MORTGAGE INVESTORS	600			0.00	0.00	0.00	0.00
FOMENTO PREDIAL MOÇAMBIQUE	50			0.00	0.00	0.00	0.00
HIDRO ELECT CATUMBELA	200			0.00	0.00	0.00	0.00
NAVANG	448			0.00	0.00	0.00	0.00
NOCAL (CERVEJAS)	2,508			0.00	0.00	0.00	0.00
PETRANGOL	200			0.00	0.00	0.00	0.00
SENA SUGAR ESTATES LTD	77,375			0.00	0.00	0.00	0.00
SOC TURISMO MOÇAMBIQUE	100			0.00	0.00	0.00	0.00
SONEFE	573			0.00	0.00	0.00	0.00
SOTUL (ULTRAMAR)	8,000			0.00	0.00	0.00	0.00
Subtotal	549,956	0.00			13,006,166.11		13,193,891.73

(expressed in euros)

Identification of Securities Designation	Quantity	Amount of par Value	% of par Value	Average Acquisition Cost	Total Acquisition Cost	Book Value (Includes Accrued Interest)	
						Unit	Total
2.2.1.3 - Investment fund units							
DBX S&P 500 EUR UCITS ETF	69 746			31.80	2,217,697.34	32.13	2,240,938.98
INCOMETRIC FUND	435 724			5.74	2,500,012.50	5.86	2,553,340.54
L&C UK REAL ESTATE	0			1,190.69	210.99	413.26	73.23
Subtotal	505,470	0.00			4,717,920.83		4,794,352.75
Subtotal	1,055,426	0.00			17,724,086.94		17,988,244.48
2.2.2 - Debt securities							
2.2.2.1 - Public debt							
BTPS 1.65% 03/32		1,000,000.00	95.14%	99.5%	995,010.00	95.7%	956,854.92
BTPS 3.25% 09/01/46		3,700,000.00	111.98%	112.5%	4,161,020.00	113.1%	4,183,014.78
BUONI 0% 03/31/16		6,000,000.00	100.02%	100.0%	6,002,607.80	100.0%	6,001,260.00
IRISH GOVT 5.92% 05/42		3,000,000.00	158.00%	153.4%	4,601,683.10	161.6%	4,849,180.32
PT OT 4.1% 02/15/45		2,200,000.00	106.97%	106.9%	2,351,800.00	110.8%	2,438,597.53
REPUBLIKA OF SLOVENIJA 1.50% 03/35		9,400,000.00	86.78%	86.6%	8,142,840.00	87.9%	8,265,762.09
SPANISH GOVT 1.95% 07/30		3,000,000.00	95.63%	99.6%	2,987,880.00	96.4%	2,893,364.76
SPGB 4.2% 01/31/37		4,200,000.00	123.16%	124.9%	5,247,480.00	127.0%	5,333,928.08
SPGB 4.9% 07/30/40		2,800,000.00	135.60%	138.3%	3,872,400.00	137.7%	3,854,388.96
SPGB 5.15% 10/31/44		3,800,000.00	141.96%	144.5%	5,491,000.00	142.8%	5,426,906.67
SPGB 5.9% 07/30/26		12,200,000.00	138.55%	139.1%	16,973,860.00	141.0%	17,205,966.66
SPGB 6% 01/31/29		5,100,000.00	143.38%	144.5%	7,367,970.00	148.9%	7,592,390.96
SWEDEN KINGDOM 0.875% 01/23/18		4,000,000.00	91.39%	89.1%	3,562,886.23	91.7%	3,669,806.56
UNITED MEXICAN STATES 1.625% 03/06/24		1,500,000.00	95.67%	99.5%	1,492,290.00	97.0%	1,455,029.51
Subtotal	0	61,900,000.00			73,250,727.13		74,126,451.80
2.2.2.2 - Other public issuers'							
COMMUNITY OF MADRID 1.826% 25		3,000,000.00	98.72%	100.0%	2,999,910.00	100.2%	3,007,429.35
COMMUNITY OF MADRID 2.08% 03/30		4,000,000.00	93.37%	100.0%	4,000,000.00	95.0%	3,801,712.79
COMUNIDAD ARAGON 8.25% 01/27		4,000,000.00	155.79%	156.8%	6,270,000.00	163.7%	6,546,150.14
Subtotal	0	11,000,000.00			13,269,910.00		13,355,292.28
2.2.2.3 - Other issuers'							
ABBEY NATL TREASURY 1.125% 03/25		1,000,000.00	94.13%	99.1%	991,290.00	95.0%	950,378.36
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
AIR FRANCE - KLM 3.875% 06/21		500,000.00	99.43%	99.3%	496,250.00	101.5%	507,500.68
AIR PRODUCTS & CHEMICALS 1% 02/12/25-14		1,000,000.00	95.36%	99.4%	994,340.00	96.2%	962,401.92
ALSTOM 3% 07/08/19		6,000,000.00	106.24%	107.4%	6,442,500.00	107.7%	6,461,077.38
APT PIPELINES LTD 2% 03/22/27		1,000,000.00	89.24%	99.6%	995,880.00	90.8%	908,018.42
ARCELORMITTAL 3.125% 01/22		2,500,000.00	76.54%	99.7%	2,493,350.00	79.5%	1,988,653.42
AT&T INC 1.3% 09/05/23		1,000,000.00	96.50%	99.6%	996,190.00	96.9%	969,115.74
AUSTRALIA PACIFIC AIRPORTS 1.75% 10/24		500,000.00	98.68%	99.0%	494,935.00	99.0%	495,235.85
BANCA MONTE DEI PASCHI 3.625% 04/01/19		6,000,000.00	100.27%	100.9%	6,052,200.00	103.0%	6,178,967.87
BANCO POPOLARE 2.625% 09/21/18		6,200,000.00	100.84%	101.1%	6,270,680.00	101.6%	6,297,239.88
BANK OF IRELAND 10% 07/30/16		5,800,000.00	104.00%	104.3%	6,046,500.00	108.2%	6,277,512.41
BARCLAYS BANK 6% 01/14/21		4,200,000.00	119.80%	120.3%	5,050,500.00	125.6%	5,273,808.25
BERKSHIRE HATHAWAY 1.125% 03/16/27		3,000,000.00	90.05%	98.7%	2,961,750.00	90.9%	2,728,271.80
BLACKROCK 1.25% 05/06/25		1,000,000.00	95.50%	99.7%	996,640.00	96.3%	963,152.57
BP CAPITAL 1.526% 09/22		1,500,000.00	100.80%	100.0%	1,500,000.00	101.2%	1,518,033.93
BPE FINANCIACIONES 2.5% 02/17		6,100,000.00	101.67%	101.9%	6,212,850.00	104.0%	6,341,244.14
BPE FINANCIACIONES SA 2% 02/30/20		1,000,000.00	99.39%	99.5%	994,790.00	101.3%	1,012,834.11
CARREFOUR 1.25% 06/25		1,000,000.00	96.83%	99.5%	994,680.00	98.0%	979,594.64
CASINO GUI PERRACHO 3.157% 08/06/19		6,200,000.00	103.85%	107.3%	6,652,600.00	105.1%	6,517,128.48
CASINO GUICHARD PERRACHO 2.33% 25-24		1,000,000.00	87.11%	100.0%	1,000,000.00	89.2%	891,944.25
CLOVERIE PLC SWISS REINS 6.625% 09/01/42		4,200,000.00	124.94%	126.1%	5,294,100.00	127.1%	5,339,385.75
CNH INDUSTRIAL 2.75% 03/18/19		1,500,000.00	99.40%	99.5%	1,492,065.00	101.6%	1,523,384.02
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
COCA-COLA 1.125% 03/09/27		3,000,000.00	93.29%	99.0%	2,970,690.00	94.2%	2,826,087.30
DAIMLER AG 1.875% 07/24		2,000,000.00	104.59%	107.7%	2,154,000.00	105.5%	2,109,872.78
DAIMLER FINANCE FLOAT 05/18		1,000,000.00	90.66%	89.8%	897,504.94	90.7%	907,434.80
DELPHI AUTOMOTIVE 1.5% 03/25		1,000,000.00	92.31%	99.5%	995,400.00	93.5%	935,181.15
DEUTSCHE ANN FIN 2.125% 07/22		500,000.00	100.70%	99.4%	497,060.00	101.7%	508,575.26
EADS FINANCE 2.375% 04/24		3,000,000.00	107.84%	111.5%	3,346,200.00	109.6%	3,288,375.49
EDENRED 1.375% 03/25		1,200,000.00	87.18%	98.9%	1,187,268.00	88.3%	1,059,468.26
ELECTRICITE DE FRANCE 5.625% 02/21/33		3,000,000.00	139.22%	140.0%	4,200,000.00	144.0%	4,321,278.90
ENAGAS FIN 1% 03/25/23		1,000,000.00	97.00%	99.7%	996,720.00	97.8%	977,657.60
ENAGAS FINANCIACIONES 1.25% 02/25		800,000.00	96.50%	99.1%	792,640.00	97.6%	781,002.30
ENBW 6.125% 07/39		3,000,000.00	145.65%	148.5%	4,455,000.00	148.6%	4,458,242.70

(expressed in euros)

Identification of Securities	Quantity	Amount of par Value	% of par Value	Average Acquisition Cost	Total Acquisition Cost	Book Value (Includes Accrued Interest)	
						Unit	Total
FCE BANK PLC 1.134% 02/10/22		1,000,000.00	96.56%	100.0%	1,000,000.00	97.6%	975,646.19
FERROVIAL SA 2.5% 07/24		1,000,000.00	102.65%	108.2%	1,081,700.00	103.8%	1,038,083.72
FLOWERVE CORPORATION 1.25% 03/17/22		1,000,000.00	93.69%	99.3%	993,360.00	94.7%	946,770.22
GAS NATURAL FENOSA 1.375% 01/25		2,000,000.00	95.81%	98.9%	1,978,960.00	97.1%	1,942,017.80
GDF SUEZ 1% 03/13/26		3,000,000.00	94.02%	99.2%	2,977,080.00	94.8%	2,844,736.39
GENERAL ELECTRIC FLOAT 05/28/20		2,300,000.00	99.17%	100.0%	2,300,000.00	99.2%	2,281,426.93
GENERAL MOTORS FINANCIAL 1.875% 10/15/19		600,000.00	101.63%	99.9%	599,292.00	102.0%	612,164.80
GENERALI FINANCE 5.479% 12/29/49		6,100,000.00	102.90%	103.6%	6,321,125.00	107.8%	6,575,285.93
GOLDMAN SACHS GROUP 1.375% 07/26/22		700,000.00	99.46%	99.2%	694,645.00	100.1%	700,389.05
HUTCHISON 1.375% 10/21		1,000,000.00	100.08%	99.7%	997,480.00	100.3%	1,003,111.66
IBERDROLA 2.5% 10/22		1,000,000.00	107.48%	109.1%	1,090,500.00	107.9%	1,079,424.81
INFRA FOCH SAS 1.25% 10/20		600,000.00	100.73%	99.8%	598,758.00	101.0%	605,919.38
INTESA SANPAOLO 1.125% 03/22		2,000,000.00	97.30%	99.6%	1,992,780.00	98.2%	1,964,525.58
INTESA SANPAOLO 2.25% 11/22/17		600,000.00	102.63%	103.5%	620,700.00	102.6%	615,786.89
ISLANDSBANKI 2.875% 07/27/18		1,000,000.00	99.51%	100.2%	1,002,130.00	100.7%	1,007,382.65
JP MORGAN CHASE 1.5% 01/27/25		2,000,000.00	98.27%	99.9%	1,998,900.00	99.7%	1,993,100.82
KELLOGG CO 1.25% 03/10/25		1,500,000.00	95.30%	100.0%	1,499,295.00	96.3%	1,444,760.16
KERING 1.375% 10/21		700,000.00	100.60%	99.7%	697,774.00	100.9%	706,572.10
KINDER MORGAN INC 2.25% 03/16/27		2,000,000.00	71.83%	99.8%	1,996,680.00	73.6%	1,472,315.74
MAPFRE SA 5.921% 07/24/37		700,000.00	104.04%	104.9%	734,125.00	106.6%	746,412.91
METRO AG 1.375% 10/21		2,000,000.00	100.04%	99.2%	1,984,940.00	100.3%	2,005,628.74
MICROSOFT CORP 1.85% 02/20		3,000,000.00	91.87%	88.3%	2,648,040.25	92.5%	2,775,878.45
MORGAN STANLEY 1.75% 01/30/25		1,500,000.00	98.17%	99.8%	1,497,135.00	99.8%	1,496,642.47
MUNICH RE 6.25% 05/26/42		6,900,000.00	121.48%	122.0%	8,418,000.00	125.2%	8,639,887.03
NATIONWIDE BLDG SOCIETY 1.25% 03/25		4,000,000.00	96.50%	99.9%	3,996,640.00	97.5%	3,901,233.44
NN GROUP 1% 03/18/22		2,000,000.00	97.51%	99.8%	1,995,160.00	98.3%	1,965,957.70
NN GROUP NV 4.5% 07/15/49		1,900,000.00	98.17%	97.8%	1,857,250.00	100.2%	1,904,652.51
PPG INDUSTRIES 1.4% 03/13/27		2,000,000.00	91.76%	98.6%	1,972,560.00	92.9%	1,857,655.30
RABOBANK 6.875% 03/19/20		4,000,000.00	118.67%	120.0%	4,799,600.00	124.1%	4,962,322.08
REDEXIS GAS FINANCE 2.75% 04/21		2,000,000.00	105.54%	106.3%	2,126,400.00	107.5%	2,150,882.95
SOCIETE GENERALE 9.375% 09/29/49		4,000,000.00	122.38%	123.3%	4,930,000.00	125.4%	5,016,221.64
STANDARD CHARTERED FLOAT 18		1,000,000.00	91.22%	92.5%	924,727.21	91.4%	914,028.65
STATE GRID EUROPE DEV 1.5% 01/22		1,300,000.00	97.35%	99.7%	1,296,568.00	98.7%	1,283,621.96
SVENSKA CELLULOSA 1.125% 03/25		1,000,000.00	93.75%	99.8%	997,650.00	94.7%	946,722.05
TDC 1.75% 02/27		2,000,000.00	86.63%	99.0%	1,980,780.00	88.1%	1,762,058.36
TELECOM ITALIA 3.25% 01/23		1,500,000.00	101.40%	99.4%	1,491,690.00	104.5%	1,567,658.01
TEOLLISUUDEN 2.125% 02/04/25		2,000,000.00	87.33%	99.3%	1,986,140.00	89.3%	1,785,004.66
TERNA SPA 0.875% 02/22		2,300,000.00	98.12%	99.4%	2,286,660.00	98.9%	2,275,157.48
TESCO CORP 1.375% 07/19		1,500,000.00	96.10%	99.7%	1,495,260.00	96.8%	1,451,737.50
TEVA PHARM FNC NL II 1.25% 23-22		2,000,000.00	94.39%	99.1%	1,981,180.00	95.3%	1,906,664.16
TYCO INT FINANCE 1.375% 02/25/25		1,500,000.00	93.86%	99.8%	1,497,495.00	95.0%	1,425,390.62
UNIBAIL-RODAMCO 1% 03/14/25		2,000,000.00	94.00%	99.7%	1,993,440.00	94.7%	1,894,267.66
UNIBAIL-RODAMCO 1.375% 10/22		700,000.00	100.70%	99.8%	698,474.00	101.0%	706,872.34
UNIONE DI BANCHE ITALIAN 2.875% 02/18/19		6,100,000.00	104.94%	105.3%	6,423,300.00	107.4%	6,552,927.51
UT2 FUNDING PLC 5.321% 06/30/16		6,000,000.00	101.16%	101.6%	6,096,000.00	103.8%	6,230,222.30
VERBUND AG 1.5% 11/24		1,500,000.00	98.31%	98.4%	1,476,555.00	98.5%	1,477,230.49
VOESTALPINE AG 2.25% 10/21		500,000.00	102.68%	99.9%	499,585.00	103.2%	515,807.54
VOLKSWAGEN INTL FIN 1.625% 01/16/30		4,000,000.00	85.62%	99.0%	3,959,520.00	87.2%	3,486,990.68
WESTPAC BANKING FLOAT 05/18		2,000,000.00	91.49%	87.8%	1,756,080.42	91.6%	1,831,182.48
C.ÁGUAS DA BEIRA		110.00	0.00%	0.0%	0.00	0.0%	0.00
C.MOZAMBIQUE		120.00	0.00%	0.0%	0.00	0.0%	0.00
HIDRO E REVUE		24.00	0.00%	0.0%	0.00	0.0%	0.00
Subtotal	0	192,400,254.00			201,924,696.82		200,162,269.16
Subtotal	0	265,300,254.00			288,445,333.95		287,644,013.24
Total	1,055,426	265,300,254.00			306,169,420.89		305,632,257.72
2.3 - Trading derivatives							
Currency Forwards EUR							-95,015.10
Total	0	0.00			0.00		-95,015.10
Total	202,119,863	274,832,610.21			409,482,385.91		407,976,211.54
3 - GRAND TOTAL	274,073,120	274,832,610.21			528,333,952.74		512,434,025.17

08

DISCLOSURE
OF REMUNERATION
POLICIES

ANNUAL
REPORT &
ACCOUNTS
2015



TRANQUILIDADE

DISCLOSURE OF REMUNERATION POLICIES

This disclosure involves the following 3 components:

- Remuneration policy of members of the governing bodies and board of the general meeting, including the table detailing the remuneration paid during 2015;
- Policy governing the remuneration of 'key employees'.
- Statement of Compliance, under Article 4(1) of ASF Regulatory Standard 5/2010-R, of April 1.

REMUNERATION POLICY FOR THE MEMBERS OF THE GOVERNING BODIES AND BOARD OF THE GENERAL MEETING

1. Introduction

In keeping with the definition of Law 28/2009 of June 19, public interest entities, as is the case of insurance and reinsurance, which includes Companhia de Seguros Tranquilidade, SA ("CST") shall annually submit to approval by the General Meeting a statement on the remuneration policy of the members of the management and supervisory bodies.

As regards the insurance business, this matter is still governed by the provisions of Regulatory Standard n° 5/2010-R and Circular n° 6/2010 of the Insurance and Pension Fund Supervisory Authority (ASF), both of April 1.

It is therefore on the basis of this legal and regulatory framework that this policy of remuneration of the members of the governing bodies of Companhia de Seguros Tranquilidade, SA, for 2016 is drafted.

Considering the current remuneration structure of Companhia de Seguros Tranquilidade, S.A., it was concluded that there were no reasons to change significantly the remuneration policy in force, in which the principles considered essential at this level are clearly enshrined, such as:

- Consistency of remuneration practices in respect of the Company's strategies, results and financial capabilities;
- Alignment of the remuneration practices with the protection of the interests of the shareholder, customers and employees of the company;
- Alignment of remuneration practices with those of the domestic market.

Accordingly, the following Remuneration Policy for the Members of the Management and Supervisory Bodies and of the Board of the General Meeting of Companhia de Seguros Tranquilidade, SA, for 2016 is submitted for approval.

2. Remuneration Policy Approval Process

The remuneration policy for Tranquilidade's corporate officers is, under the terms of Article 25 of the articles of association approved by the General Meeting. Services of external consultants are not used in the definition of the said remuneration policy.

3. 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.

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.

The 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.

4. Remuneration of the Members of the Board of Auditors

Under Article 27 of the articles of association, the Board of Auditors comprises three members, of whom one performs the duties of chairman.

Its members are remunerated through payment of a fixed monthly sum, fixed at the General Meeting. paid 12 times a year.

5. Remuneration of the Official Auditor

The Official Auditor shall be remunerated in accordance with the conditions laid down in the applicable legislation. The respective fees are proposed by the Official Auditor and are approved by the Board of Directors, following the opinion of the Board of Auditors.

6. Remuneration of the Members of the Board of the General Meeting

Under Article 13 of the Articles of Association, the Board of the General Meeting comprises a chair and a secretary.

The respective members may have a remuneration fixed by the General Meeting on the date it is held, if it is to be paid.

Table of Remuneration Paid to Members of Tranquilidade's Governing Bodies During 2015

(thousand euros)

	Remuneration		Total
	Fixed	Variable ⁽²⁾	
Board of Directors			1,100.0
Gustavo Alexander P.T. Mesquita Guimaraes (Chair)	103.3	-	103.3
Alexander Wallace Humphreys (Member)	-	-	0.0
Augusto Tomé Pires Fernandes Pedroso (Member)	237.2	160.0	397.2
Gernot Wilhelm Friedrich Lohr (Member)	-	-	0.0
Jan Adriaan de Pooter (Member)	92.9	-	92.9
Nuno Miguel Pombeiro Gomes Diniz Clemente (Member)	66.1	160.0	226.1
Pedro Luís Francisco Carvalho (Member)	101.5	-	101.5
Pedro Guilherme Beauvillain de Brito e Cunha ⁽¹⁾	41.2	-	41.2
António Miguel Natário Rio-Tinto ⁽¹⁾	-	-	0.0
Miguel Maria Pitté Reis da Silveira Moreno ⁽¹⁾	35.3	-	35.3
Rui Manuel Leão Martinho ⁽²⁾	55.1	-	55.1
Miguel Luís Kolback da Veiga ⁽¹⁾	9.2	-	9.2
António José Baptista do Souto ⁽¹⁾	-	-	0.0
Manrico Iachia ⁽¹⁾	9.2	-	9.2
António Manuel Rodrigues Marques ⁽¹⁾	19.8	-	19.8
Bernardo Leite Faria Espírito Santo ⁽¹⁾	9.2	-	9.2
Board of Auditors			117.2
Luís Maria Viana Palha da Silva (Chair)	39.2	-	39.2
Manuel Maria de Paula Reis Boto (Full Member)	23.5	-	23.5
Pedro Manuel Aleixo Dias (Full Member)	23.5	-	23.5
Sandra Maria Simões Filipe de Ávila Valério (Alternate Member)	-	-	0.0
Alexandre Paixão Coelho (Chair) ⁽¹⁾	26.9	-	26.9
Horácio Lisboa Afonso ⁽¹⁾	4.1	-	4.1
Rui Manuel Duarte Sousa da Silveira ⁽¹⁾	-	-	0.0
Total Remuneration	897.3	320.0	1,217.3

(1) The members of the corporate bodies listed above no longer hold the positions in question.

(2) Variable remuneration relating to 2014.

The cost for the year with retirement pensions of the members of the governing bodies amounted in 2015 to €1,029k.

KEY EMPLOYEE REMUNERATION POLICY

1. Scope of Application of the Remuneration Policy

Under ASF Standard 5/2010, this Remuneration Policy applies not only:

- a) To those employees who play key roles, understood as being those who perform managerial positions within the scope of the risk management and internal control systems, but also;
- b) To those employees who perform management duties in the actuarial field, as well as to the Chief Actuary, as stated in the recommendation of point V.9 of ASF Circular n° 6/2010, of April 1;
- c) To all employees occupying 1st level management posts (Top Managers) and Board of Directors' Advisers, regardless of the area in which they work,

because it is understood that - besides the members of the governing bodies - these professionals, in the specific case of Tranquilidade, are employees whose performance has a material impact on the Company's risk profile.

For the purpose of this remuneration policy, the set of employees considered above will be known generically as Key Employees.

2. Remuneration Policy Approval Process

a) Approval

The Key Employees' remuneration policy is assessed and approved by the Board of Directors at the proposal of the director responsible for human resources.

In drawing up the proposal for the remuneration policy an active role is played by sundry senior staff of the Company's major departments, the Personnel Division in particular. The proposal is also assessed by the Overall Risk and Department with a view to determining its possible impact on risk management and capital required.

b) Mandate of the Board of Directors

Under the law and the articles of association, fixing the remuneration of Tranquilidade's Key Employees is entrusted to the Board of Directors within the scope of the management of its personnel policy and of the incentives policy, with a view to meeting the Company's strategic goals.

c) Composition of the Board of Directors

Gustavo Alexandre Pontes Teixeira de Mesquita Guimarães (Chair)
Alexander Wallace Humphreys (Member)
Augusto Tomé Pires Fernandes Pedrosa (Member)
Gernot Wilhelm Friedrich Lohr (Member)
Jan Adriaan de Pooter (Member)
Nuno Miguel Pombeiro Gomes Diniz Clemente (Member)
Pedro Luís Francisco de Carvalho (Member)

d) External Consultants

No services by external consultants are used in defining the remuneration policy applicable to Tranquilidade's Key Employees.

3. Remuneration

a) Composition of the remuneration

The remuneration comprises a fixed and a variable part. In the determination of these two components, the Board of Directors considers several factors, of which the following are underscored:

- The economic situation and the results obtained by the Company;
- The interests of the Company from a medium- and long-term perspective;
- The specifics of the duties performed;
- Salary practice in the insurance sector;
- Performance evaluation, both at individual and collective level.

The fixed part comprises the basic salary and other regular, periodic payments that are attributed to all Company employees.

b) Limits and balances of the remuneration

The fixed part shall have the limits fixed by the Board of Directors and, on average, will approximately amount at the Company to between 80% and 85% of the Total Annual Remuneration.

The variable part, should one be granted, shall not exceed, on average,

20% of the total annual remuneration for all employees of the Company, and the maximum individual value shall not exceed 40% of the total amount of annual remuneration.

This situation is in keeping with the recommendations of ASF Circular 6/2010, which encourage a high percentage for the fixed component compared to the variable component of the remuneration.

c) Variable component definition criteria and its time of payment

If granted, the amount of the Annual Variable Remuneration (VAR) has the limits set by the Board of Directors. The VAR is in respect of short-term performance, and its exact value, each year, is defined in the light of the criteria laid down in subparagraph a).

With regard to the appraisal of the employees covered by this remuneration policy, it is based on the performance evaluation model in force in the various areas of the Tranquilidade Group, in particular:

- Evaluation of objectives;
- Evaluation of Corporate Competencies;
- Evaluation of Functional Competencies.

Given the characteristics inherent in the remuneration structure in force, 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. Thus, if it is granted it will be paid in full in cash.

Without prejudice to the foregoing, the Board of Directors may, in keeping with the guidelines established by the shareholder in this matter, determine 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, as may come to be defined in due course.

4. Other Benefits Attributed to "Key Employees"

In addition to the fixed and variable remuneration described in this remuneration policy, "Key Employees" receive the following benefits as defined in the collective bargaining agreement (CAB) applicable to the insurance sector or in the Company's own rules for employees as a whole:

- a) Health insurance;
- b) Life insurance;
- c) Individual retirement plans, in the case of old-age or invalidity pension.

5. Broadening the Scope of this Remuneration Policy

Save decision to the contrary taken by the Board of Directors, this Remuneration Policy shall also apply to the other Companhia de Seguros Tranquilidade employees not considered under the criteria defined in point 1 hereunder (Scope of application of the Remuneration Policy).

Likewise, and for the purposes of Chapter VII - Financial Groups, of ASF Circular 6/2010, of April 1, this Remuneration Policy shall also apply in relation to employees of other insurance companies of the Tranquilidade Group and respective affiliates abroad, subject in the latter case to possible adjustments to local laws as seen to be necessary.

STATEMENT OF COMPLIANCE, UNDER ARTICLE 4(1) OF ASF REGULATORY STANDARD 5/2010-R, OF APRIL 1

Detailed description of the recommendations set out in ASF Circular 6/2010 of April 1, adopted and not adopted.

Recommendation	Degree of Compliance	Comments
I. General Principles		
I.1 Adoption of a remuneration policy (RP) consistent with effective risk management and control that will prevent excessive exposure to risk, will prevent potential conflicts of interests and will be coherent with the long-term objectives, values and interests of the Institution, and particularly with the growth and profitability prospects and with customer protection;	Complies	
I.2 Appropriateness of the RP in the light of the size, nature and complexity of the business, especially with regard to the risks assumed or to be assumed;	Complies	
I.3 Adoption of a clear, transparent and adequate structure in respect of the definition, implementation and monitoring of the RP that will objectively identify the employees involved in the process as well as their responsibilities and competences.	Complies	
II. Approval of the Remuneration Policy (RP)		
II.1 Approval of the RP by a Remuneration Committee or, if its existence is not viable or is not warranted (size, nature or complexity of the Institution), by the General Meeting;	Complies	
II.2 Approval by the Board of Directors of the RP applicable to the employees;	Complies	
II.3 Involvement in the definition of the RP of persons of functional independence and adequate technical capabilities, in order to avoid conflicts of interest and to allow an independent value judgement to be made;	Complies	
II.4 The RP shall be transparent and accessible to all the Institution's employees; The RP shall also be formalised in a separate document, duly updated, stating the changes made and the reasons therefor, and the previous versions shall be kept on file;	Complies	
II.5 Disclosure of the assessment process to the employees prior to the period of time covered by its application;	Complies	
III. Remuneration Committee (RC)		
III.1 Should one exist, the RC shall review the RP and its implementation each year, so as to allow a reasoned, independent value judgement to be made about the RP in the light of the recommendations (Circular 6/2010), particularly as to its effect on the management of the Institution's risks and capital;	Not Applicable	
III.2 The members of the RC shall be independent with regard to the management body and shall meet the requirements of competence and professional qualifications appropriate to the performance of their duties;	Not Applicable	
III.3 Should the RC make use of external services (consultants), it shall not hire a natural or corporate person who provides or has provided services, during the previous three years, to any structure dependent on the management body or to the management body itself or has a present relationship with a consultant of the institution. This recommendation is also applicable to any natural or corporate person related with them by an employment or provision of services contract;	Not Applicable	
III.4 The RC shall inform the equityholders, each year, as to the performance of its duties and shall be present at the AGM at which the Remuneration Policy is on the agenda;	Not Applicable	
III.5 The RC shall meet at least once a year and shall write up minutes of every meeting held.	Not Applicable	
IV. Management Body – Executive Members		
IV.1 The remuneration shall include a variable component, its determination dependent on an assessment of performance in keeping with predetermined, measurable criteria, including non-financial criteria, that take into account: individual performance, real growth of the institution, wealth actually created, protection of the customers interests, long-term sustainability, risks assumed and compliance with the rules applicable to the business;	Complies	The assessment criteria are based on the following management indicators: - Net income for the period; - Return on Equity; - Combined ratio, taking also into account at all times the adequacy of the equity to the level of risk and the technical provisions set aside.

Recommendation	Degree of Compliance	Comments
IV. Management Body – Executive Members (continuation)		
IV.2 Adequacy of the fixed and variable components, the fixed component to account for a sufficiently high proportion of total remuneration. The variable component shall be subject to a maximum limit.	Complies	
IV.3 Payment of a substantial part of the variable component in financial instruments issued by the institution, appreciation of which is dependent on medium- and long-term performance.	Does Not Comply	This measure will be subject to revaluation during 2016.
IV.4 Deferral of a substantial part of the variable component during a minimum of 3 years, its payment dependent of the institution's good performance;	Does Not Comply	This measure will be subject to revaluation during 2016.
IV.5 The variable component subject to deferral shall be determined in the increasing proportion of its weight relative to the fixed component;	Not Applicable	Not applicable in view of the response to point IV.4.
IV.6 Absence of contracts concluded by members of the management body the effect of which is to mitigate the variability of the established remuneration;	Complies	
IV.7 Retaining, up to the end of the tenure, the value of the shares attributed under the variable component, up to the limit of twice the total annual remuneration, unless required to pay taxes on the benefit generated by the shares in question;	Not Applicable	Not applicable in view of the response to point IV.3.
IV.8 Where the variable remuneration includes allocation of options, the start of the exercise period shall be deferred during no less than 3 years;	Not Applicable	Not applicable in view of the response to point IV.3.
IV.9 Following the exercise referred to in the preceding point (IV.8), the executive members of the management body shall retain a certain number of shares up to the end of their tenure, the number to be fixed.	Not Applicable	Not applicable in view of the response to point IV.3.
IV. Management Body – Non-Executive Members		
IV.10 The remuneration of the non-executive members of the management body shall not include any component whose value depends on the performance or value of the institution.	Complies	
IV. Management Body - Indemnities in the Event of Dismissal		
IV.11 Definition of adequate legal instruments to ensure that the compensation established for any unfair dismissal of a member of the management body will not be paid if the dismissal or termination by mutual agreement is the result of inadequate performance by the member in question.	Complies Partially	In relation to some members of the Board of Directors, there is a possibility of payment of compensation in the initial period of 3 years from the date of their first appointment.
V. Employee Remuneration - Relationship Between Fixed And Variable Remuneration		
V.1 If the employees' remuneration includes a variable component it must be adequately in balance with the fixed component, taking into account, in particular, the performance, the responsibilities and the duties of each individual; The fixed remuneration shall account for a sufficiently important part of the total remuneration. The variable component shall be subject to a maximum limit.	Complies	
V.2 Substantial payment of a variable part in financial instruments issued by the institution, the appreciation of which depends on the medium- and long-term performance of the institution, subject to a retention policy aligned with the long-term interests of the Institution.	Does Not Comply	This measure will be subject to revaluation during 2016.
V. Employee Remuneration – Variable Remuneration Allocation Criteria		
V.3 Performance assessment must take into account not only individual performance but also the collective performance of the unit of the structure in which the employee is involved and of the institution itself. It must include relevant non-financial criteria, such as regard for the rules and procedures applicable to the business carried on, especially the internal-control rules and those relating to relations with customers.	Complies	
V.4 The criteria governing the award of the variable remuneration in the light of performance must be predetermined and measurable, based on a multi-year framework of three to five years, in order to ensure that the assessment process is based on long-term performance.	Complies Partially	The criteria used are predetermined and measurable. They are not related to a multi-year framework since the understanding is that this component has little weight in the overall amount and concerns the meeting or otherwise of annual goals.
V.5 The variable remuneration, including the deferred part of this remuneration, shall be paid or shall constitute a vested right if it is sustainable in the light of the financial situation of the institution as a whole and is warranted in the light of the performance of the employee in question and of the structure unit of which he is a part. The whole of the variable remuneration shall, generally speaking, be severely reduced in the event of decrease of the performance or negative performance of the institution.	Complies	
V. Key Employee Remuneration – Deferral of Variable Remuneration		
V.6 A significant part of the variable remuneration shall be deferred for a period not less than three years and its payment shall be dependent on future performance criteria, measured on the basis of criteria suited to the risk, which take into account the risks associated with the activity on the basis of which it is awarded.	Does Not Comply	It was considered to date that the little weight of this component in Total Annual Remuneration does not justify its deferral. This measure will be subject to revaluation in 2016.

Recommendation	Degree of Compliance	Comments	
V. Key Employee Remuneration – Deferral of Variable Remuneration (continuation)			
V.7	The part of the variable remuneration subject to deferral under the terms of the preceding number shall be determined in growing proportion to its relative weight compared to the fixed component of the remuneration. The percentage deferred shall increase significantly in proportion to the seniority or responsibilities of the employee.	Not Applicable	Not applicable in view of the reply to the preceding point.
V. Employees' Remuneration – Key Employees			
V.8	Employees performing tasks associated with key functions shall be remunerated in the light of the achievement of the objectives associated with their duties, regardless of the performance of the areas under their control, the remuneration to provide a reward adequate to the importance of the exercise of the duties.	Complies	
V.9	In particular, actuarial duties and the actuary in charge shall be remunerated in a manner in keeping with their role at the institution and not in respect of its performance.	Complies Partially	Since the remuneration is appropriate to the function, it is not entirely foreign to its performance
VI. Assessment of the Remuneration Policy			
VI.1	The remuneration policy shall be submitted to independent internal review at least annually, performed by key departments of the institution in articulation with each other.	Complies	
VI.2	The assessment called for in the preceding number shall include, in particular, an analysis of the institution's remuneration policy and of its implementation in the light of the recommendations of this Circular, especially in respect of its effect on the management of the risks and of the capital of the institution.	Complies	
VI.3	The key departments shall present to the management body and the AGM or, if any, the remuneration committee, a report on the results of the assessment to which number VI.1 refers, detailing in particular the measures required to correct any insufficiencies in the light of these recommendations.	Complies	
VII. Financial Groups			
VII.1	The parent company of an insurance group or financial conglomerate subject to supervision by the ASF on the basis of its consolidated situation shall ensure that all its affiliates, including those abroad, implement mutually consistent remuneration policies, based on these recommendations.	Complies	
VII.2	Adoption of these recommendations shall be ensured in respect of all remuneration paid to each employee by the those institutions that are a part of the same insurance group or financial conglomerate.	Complies	
VII.3	The key functions of the parent company shall perform at least once a year, in articulation with each other, an assessment of the remuneration practices of the affiliates abroad, in the light of the recommendations of this Circular, especially in respect of their effect on the management of the institution's risk and capital.	Complies Partially	
VII.4	The key functions shall submit to the management body of the parent company and to its general meeting or, should one exist, to the remuneration committee, a report on the results of the assessment to which the preceding number refers, detailing in particular the measures required to correct any insufficiencies in the light of these recommendations.	Complies Partially	The amounts and remuneration paid by subsidiaries, taking into account the respective structures, have not so far been considered materially relevant.

09

LEGAL CERTIFICATION
OF THE ACCOUNTS
AND BOARD
OF AUDITORS'
REPORT AND
OPINION

ANNUAL
REPORT &
ACCOUNTS
2015



TRANQUILIDADE

LEGAL CERTIFICATION OF THE ACCOUNTS AND BOARD OF AUDITORS' REPORT AND OPINION

Deloitte

Deloitte & Associados, SROC, SA.
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Registo na CMVM n.º 231

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LEGAL CERTIFICATION OF THE ACCOUNTS

(Amounts in thousands of euros - €k)

Introduction

1. We have audited the financial statements of Companhia de Seguros Tranquilidade, SA ("Company"), which comprise the Balance Sheet as at December 31, 2015, (which shows a total of €741,695k and total equity in the sum of €135,532k, including a net profit of €29,364k), the Profit & loss account, the Statement of comprehensive income, the Statement of cash-flows and the Statement of changes in equity for the year then ended, and the Notes to the Accounts.

Responsibilities

2. The Board of Directors is responsible for the preparation of financial statements that truly and fairly present the financial position of the Company, the result and comprehensive income of its operations, the changes of its equity and its cash flows, as well as for the adoption of adequate accounting policies and criteria and for maintaining an appropriate system of internal control. Our responsibility is to express a professional, independent opinion based on our audit of the said financial statements.

Scope

3. Our audit was performed in accordance with the Technical Rules and with the Auditing Directives of the Association of Official Auditors, which require that it be so planned and performed as to obtain an acceptable degree of certainty as to whether the financial statements contain any materially relevant distortions. This audit includes verification, on a test basis, of the documents underlying the figures and information disclosed in the financial statements and an evaluation of the estimates, based on judgements and criteria established by the Board of Directors, used in their preparation; This audit likewise includes an appraisal of the adequacy of the accounting policies adopted and their disclosure, taking the circumstances into account, verification of the applicability of the going concern principle and an assessment as to whether, in overall terms, the presentation of the financial statements is adequate. Our audit also included verification of the consistency of the financial information contained in the management report with the financial statements. We believe that our audit provides an acceptable basis for the expression of our opinion.

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Opinion

4. In our opinion, the financial referred to in paragraph 1 above statements truly and fairly present, in all materially relevant aspects the financial position of Companhia de Seguros Tranquilidade, SA, as at December 31, 2015, as well as the results and the comprehensive income of its operations, the changes in its equity and its cash flows during the year then ended, in accordance with accounting practices generally accepted for the insurance industry in Portugal (Note 3).

Emphases

5. As part of the process for the acquisition of Açoreana Seguros, SA (Açoreana) by the insurance group controlled by AP VIII Calm Eagle Holdings SCA, of which the Company forms part, and with a view to standardisation of the assumptions it uses compared to those used by Açoreana, the Insurance and Pension Funds Supervisory Authority ("ASF") expressed its non-opposition to the alteration, for accounting, solvency and actuarial purposes, of the assumptions used by the Company for determination of the mathematical provisions in Workers' Compensation insurance and respective adequacy test with reference to December 31, 2015. In this connection, (i) the discount rate used in the calculation of these provisions was altered from 3.2% to 4% (3.44% on December 31, 2014), (ii) the TV 73/77 mortality table was replaced by the TD88/90 mortality table for the male population, and the TV88/90 mortality table for the female population, and (iii) the expense rate was altered from 1.5% to 2%. The effect of these changes resulted in a reduction of the mathematical provisions of the Workers' Compensation business recorded by the Company as at December 31, 2015, and an increase in the income statement in the sum of €13,500k (€10,535k after considering the respective tax effect).
6. The financial statements mentioned in paragraph 1 above refer to the Company's business on an individual basis and were prepared for approval and publication in accordance with current legislation. As stated in Note 3, investments in subsidiaries and associates are carried at cost, less impairment losses. Thus, the accompanying financial statements include neither the effect of application of the equity method nor the full consolidation of assets, liabilities, expenses and income. The Company is not required to prepare consolidated financial statements by virtue of being a subsidiary and its accounts are included in the parent company's consolidation perimeter - AP VIII Calm Eagle Holdings SCA, which is subject to the law of a Member State the European Union (Luxembourg) and produces consolidated financial statements subject to legal review under the law of that member State, which are available for public use. Note 7 of the Notes to the Accounts provides additional information on the subsidiaries and associated companies.
7. The Company's financial statements for the year ended December 31, 2014, are presented in order to comply with the accounts publication requirements. These financial statements were audited by another firm of chartered accountants, whose Legal Certification of Accounts, dated March 31, 2015, contained no reservations and included two emphases. One of the emphases was on non-compliance as of that date of the minimum solvency requirements and representation of technical provisions required by the ASF regulations and because the Company's equity is less than half of the share capital, the requirements of Article 35 of the Companies Code being applicable. In 2015 the Company implemented a recapitalisation plan that included an increase of the share capital, the putting up of ancillary capital contributions and also the sale of the holding in Advancecare - Gestão e Serviços de Saúde, SA. The other emphasis was in respect of the fact that the 2013 financial statements had been audited by another firm of chartered accountants.

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Report on other legal requirements

8. We are also of the opinion that the information contained in the management report is consistent with the financial statements for the period.

Lisbon, April 8, 2016



Deloitte & Associados, SROC S.A.
Representada por Maria Augusta Cardador Francisco

BOARD OF AUDITORS' REPORT AND OPINION

To the Members of Companhia de Seguros Tranquilidade SA

In accordance with legislation in force and with the mandate that was entrusted to us, we are pleased to submit our report and opinion covering our activity and the accounting documents of Companhia de Seguros Tranquilidade SA (“Tranquilidade”) for the year ended December 31, 2015, which are the responsibility of the Board of Directors.

During 2015, this Board of Auditors monitored the business of Tranquilidade with such frequency and to the extent considered adequate, as per the minutes written up in the respective book, as well as the regularity of its accounting records and its compliance with legal and statutory rules in force.

Bearing in mind our legal and statutory obligations, we held periodic meetings both with the Board of Directors and with the various services of Tranquilidade, including the accounting and financial areas, Internal Audit, Global Risk and Internal Control (including Compliance), from which we obtained such the information and clarifications as were requested. Additionally and in compliance with article 452(1) of the Companies Code, we held meetings with the firm of chartered accountants Deloitte & Associados, SROC, which, in the performance of its duties, examined these 2015 financial statements, issuing the Legal Certification of Accounts on April 8, 2016, without reservations but with 3 (three) emphases, with which we agree and are deemed to be fully reproduced here.

Within the scope of our duties, we examined the balance sheet as at December 31, 2015, the statements of income, changes in equity and cash flows for the year then ended and the notes to the financial statements. In this analysis, we determined the adequacy of the accounting policies adopted and of the valuation criteria in force. Additionally, we performed an analysis of the Management Report prepared by the Board of Directors and the proposal for the appropriation of results included therein.

Of the current year, which shows a net profit of €29.36 million, and of the review of these financial statements, the following are worthy of note:

- A capital gain of €36.9 million euros on the sale of the subsidiary Advancecare - Gestão e Serviços de Saúde, SA, as a result of the due to the company's recapitalisation process as per the plan agreed with the ASF;
- An exceptional income of €10.53 million euros (net of tax), due to the change of actuarial assumptions used in the calculation of the mathematical provisions for workers' compensation following the acquisition of Açoreana Seguros, SA, by Tranquilidade's shareholder group as stated in an emphasis of the Legal Certification of Accounts, with a view to standardisation of the actuarial assumptions that Tranquilidade uses compared with those used by Açoreana to determine the mathematical provisions for “workers' compensation”; Accordingly, the ASF (Insurance and Pension Funds Supervisory Authority) was consulted, which expressed its non-opposition to the alteration of the assumptions previously used at Tranquilidade for accounting and solvency purposes;
- Impairments and bad debts were recognised in the sum of €7.2 million;

- It was decided to carry out an extraordinary depreciation of €4.6 million (net of tax) arising from a review of the IT costs capitalisation policy with projects, particularly through the redefinition of their life
- An impairment of €3.2 million (net of tax) was recognised in the 10% holding in GNB - Gestão de Ativos, SGPS, SA.

In addition to these topics, the following deserved particular attention of this Board of Auditors:

- The appreciation of the shareholding in GNB - Gestão de Ativos, SGPS, SA;
- The sufficiency of provisions for claims and workers' compensation insurance, as well as of the provision for settlement of claims;
- The recoverability of investments and receivables from subsidiaries having their registered office in other foreign countries.

As at December 31, 2015, the solvency margin stands at 309% and equity presents a final amount of about €135.5 million, mainly due to the following factors:

- Increase of the share capital and ancillary capital contributions (€72.6 million)
- Net income for the year (€29.4 million)

Given the relevance of the matter, we consider it to be important to state that during 2015, Directive 2009/138/EC of the European Parliament and of the Council of November 25, 2009, on access to insurance and reinsurance business and their pursuit (Solvency II), 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. Thus, during 2015 and as described in detail in the Management Report, Tranquilidade (within the integrated scope of the Tranquilidade Group) so adjusted its plan of action as to allow compliance with the new legislation.

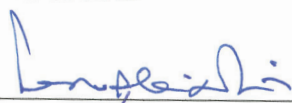
In view of the foregoing, we are of the opinion that, taking into consideration the matters referred to in paragraphs 5 to 7 of the Legal Certification of Accounts mentioned above, the financial statements referred to above and the Management Report and proposal for the appropriation of results set out therein, are in accordance with the applicable accounting and statutory requirements, and may therefore be approved by the General Meeting of Companhia de Seguros Tranquilidade, SA.

We also wish also to express to the Board of Directors and services of Tranquilidade our appreciation for the co-operation provided.

Lisbon, April 15, 2016



Luis Palha da Silva



Pedro Aleixo Dias



Manuel Maria Reis Boto



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