



ANNUAL REPORT 2016

SEGURADORAS UNIDAS, S.A.

INDIVIDUAL ACCOUNTS



SEGURADORAS UNIDAS, S.A.

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GOVERNING BODIES

ANNUAL REPORT **2016** INDIVIDUAL ACCOUNTS



GOVERNING BODIES

GENERAL MEETING ⁽¹⁾

Sofia Leite Borges (Chair)
Diogo Mafra Martins (Secretary)

BOARD OF DIRECTORS ⁽¹⁾

Gustavo Alexandre Pontes Teixeira de Mesquita Guimarães (Chair)
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 Carvalho

BOARD OF AUDITORS ⁽¹⁾

Luís Maria Viana Palha da Silva (Chair)
Manuel Maria de Paula Reis Boto
Pedro Manuel Aleixo Dias
Sandra Maria Simões Filipe de Ávila Valério (Alternate Member)

STATUTORY AUDITOR ⁽²⁾

KPMG e Associados, SROC, S.A., represented by
Ana Cristina Soares Valente Dourado (Full Auditor)
Fernando Gustavo Duarte Antunes (Alternate Auditor)

(1) Elected at the General Meeting held on July 20, 2016, for the 2016-2018 term (minutes of meeting n° 54)

(2) Elected at the General Meeting held on December 9, 2016, for the current 2016 term (minutes of meeting n° 57)



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DIRECTORS' REPORT

ANNUAL REPORT **2016** INDIVIDUAL ACCOUNTS



DIRECTORS' REPORT

To the Members of Seguradoras Unidas, S.A.,

Under the law and the articles of association, the Board of Directors is honoured to present to you for appraisal the Management Report and Accounts of Seguradoras Unidas, S.A. (hereinafter "Seguradoras Unidas" or "Company") in respect of 2016.

2.1 MACROECONOMIC FRAMEWORK

In 2016 global economic activity was marked by acceleration of the world's industrial output to 2.6% in year-on-year terms, as a result of the improvement in the more advanced economies.

The stronger growth of the United States and Japan was offset by moderate growth of the European Union, annual inflation increased to 1.8% in the OECD as a whole and decreased in most emerging economies.

Throughout 2016 short-term interest rates continued their downward trend in the euro zone, to new historically low levels. International equity indices performed well, with emphasis on the US market (Dow Jones up 13.4%).

2.1.1 International Economic Situation

In the 4 quarter of 2016, global industrial output accelerated 2.6% year-on-year terms (1.6% in the 3rd quarter) mainly due to the improvement seen in the more advanced economies. World trade in goods was also more dynamic in this period, mainly as a result of the strengthening of the trade growth of emerging and developing countries, the Asian countries in particular.

The GDP of the OECD area increased by 1.7% year-on-year in the fourth quarter of 2016, driven by stronger growth of the United States and Japan, offset by more moderate growth of the European Union. In the 4th quarter of 2016, the GDP of the European Union (EU) and of the euro area (EA) slowed to 1.8% and 1.7% in year-on-year terms.

The EU labour market improved gradually over 2016, with emphasis on a decrease of unemployment to 8.2% in December 2016 (9.0% in December 2015).

In December 2016, the annual inflation rate in the euro area increased to 1.1%, due mainly to the recovery of energy prices throughout 2016.

The European Central Bank (ECB) decided to extend the asset purchases up to the end of 2017, but at the same time to decrease the amount of monthly purchases as from April (from 80 to 60 billion euros). The ECB also decided to drop the limit of yields lower than its deposit rate (-0.40%) and to reduce the minimum residual maturity of the eligible securities from 2 to 1 year, contributing to a broadening of the eligible assets.

In the US there was a sharper increase of short-term interest rates at the time of the Federal Reserve's decision to increase interest rates to the interval between 0.50% and 0.75% (between 0.25% and 0.50%, decided in December 2015).

In this context of divergent monetary policies between the ECB and the US Federal Reserve, the euro depreciated against the dollar and the respective exchange rate stood at 1.05 on December 30, 2016 (approaching the lowest values of the last 14 years), depreciating by 3.6% compared with the end of 2015 (1.09).

The 10-year interest rate in Germany ended 2016 at 0.21% compared to 0.63% in December 2015, and the Portuguese 10-year rate rose from 2.52% in 2015 to 3.76% at the end of 2016.

(%)

Debt Market	2 Y		
	2016	2015	Change 16/15 (p.p.)
Debt Germany	-0.77	-0.35	-0.42
Debt France	-0.66	-0.31	-0.35
Debt England	0.08	0.65	-0.57
Debt Italy	-0.18	-0.03	-0.15
Debt Spain	-0.28	0.01	-0.29
Debt Portugal	0.04	0.11	-0.07

(%)

Debt Market	10 Y		
	2016	2015	Change 16/15 (p.p.)
Debt Germany	0.21	0.63	-0.42
Debt France	0.69	0.99	-0.30
Debt England	1.24	1.96	-0.72
Debt Italy	1.82	1.60	0.22
Debt Spain	1.38	1.77	-0.39
Debt Portugal	3.76	2.52	1.24

The global equity markets generally returned a generally positive performance, with emphasis on the US market, ending the year with significant gains (Dow Jones up 13.4%), while the Eurostoxx 50 recovered by +0.7% in 2016. In Portugal the PSI 20 returned a negative performance of -11.9% in 2016.

Equity Indices	2016	2015	Change 16/15 (%)
DOW Jones	19,763	17,425	13.4%
Nasdaq	5,383	5,007	7.5%
S&P 500	2,239	2,044	9.5%
Eurostoxx 50	3,291	3,268	0.7%
PSI 20	4,679	5,313	-11.9%
FTSE MIB	7,143	6,242	14.4%
DAX 30	11,481	10,743	6.9%
CAC 40	4,862	4,637	4.9%
IBEX 35	9,352	9,544	-2.0%
BOVESPA	60,227	43,350	38.9%
NIKKEI 225	19,114	19,034	0.4%
Hang Seng 45	22,001	21,914	0.4%

2.1.2 Domestic Economic Situation

The INE (National Statistics Institute) estimate of the Quarterly National Accounts for the 4th quarter of 2016 points to a real year-on-year GDP growth of 1.9%, an acceleration compared with the previous quarter. Over the year as a whole, GDP growth, in real terms, stood at 1.4%.

In 2016, the accumulated current account surplus amounted to €1,556 million, an increase of €1,432 million year-on-year. This result largely reflects the improvement of the goods and services balance.

In the last quarter of 2016 the unemployment rate stood at 10.5%, the same as that in the third quarter, but lower by 1.7 percentage points than the previous year's figure. In annual terms the average unemployment rate was 11.1%, 1.3 percentage points less than in 2015.

In 2016, the annual variation of the CPI stood at 0.6%, 0.1 pp higher than in 2015. The HCPI recorded a growth of 0.4 pp above that of the euro area.

Preliminary results of the international trade statistics released recently show a 0.9% year-on-year growth of exports of goods from 0.9% in 2016. During the same period, imports increased by 1.2%, which led to a 2.7% increase of the trade deficit, in the sum €281 million. The rate of coverage of imports by exports was 82.4%, 0.2 pp less than in 2015.

2.1.3 Insurance Market

Overall, direct insurance production in 2016 decreased by 14.1% compared to 2015, standing at €10,872 million (-€1,792 million). The downturn in Life insurance premiums was at the origin of this decrease of production, maintaining the trend of the preceding year.

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 adoption of a new solvency mechanism that penalises the risks inherent in the financial guarantees, contributing to a new downturn of savings products.

Life insurance premiums amounted to €6,676 million, down 23.0% compared with the preceding year (-€1,993 million). Only Traditional Insurance premiums grew compared to 2015 (+1.3%). Capitalisation Products decreased 31.1% (-€1,792 million) and contributions to PPRs in the sum of €1,717 million, fell by 9.5% (-€180 million) compared with the preceding year.

The Non-Life segment continued to grow at a rate (5.0%), the highest annual growth rate of the past 10 years. The volume of Non-Life premiums amounted to €4,196 million (+€201 million), with emphasis on Workers' Compensation insurance, which grew 12.2%, 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 at the root of this increase of the volume of premiums.

The Health (+9.6%) and Motor (+3.9%) business consolidated the growth trend that had already been seen, advancing in 2016 at a rate higher than in previous years. Fire and Other Damage business (+1.6%), with emphasis on the Multi-risk business (+2.5%), also returned positive though growth rates more moderate. On the contrary, the downturn of production in Transport insurance is highlighted (-4.2%).

The weight of insurance business as a proportion of the GDP performed unfavourably, down from 7.0% in 2015 to 6.0% in 2016. The Life segment

accounts for 3.7% of the GDP, with the Non-Life segment accounting for 2.3% (4.8% and 2.2% in 2015, 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 2016 of €89 million, though substantially less than in 2015 (€344 million).

2.2 RELEVANT FACTS IN 2016

During 2016 the Portuguese economy in 2016 maintained the upward path that had been seen since the end of 2013, GDP growth in real terms standing at 1.4%.

The increase of domestic demand contributed to this variation, with a more significant growth of private consumption and a recovery of investment. Exports likewise grew compared to last time, maintaining a positive contribution to growth. The unemployment rate was 11.1%, down 1.3 pp compared to 2015.

This positive economic framework has made it possible to consolidate the growth trend already seen in the previous year of the Non-Life insurance sector, with an increase of 5.0%. In Life, on the contrary, the change was again negative (-23.0% compared with 2015), due to the sharp downturn of financial products (-25.7%), particularly in the banking channel. However, in Life Risk the market recorded a slight increase of 0.9%.

In the Non-Life market, Workers' Compensation (+12.2% compared to 2015) and Health (+ 9.6% compared to 2015) were the main growth drivers of the industry.

The production of Workers' Compensation insurance (+12.2% in 2016) increased for the third consecutive year after nearly a decade of falling premium volumes. This evolution reflects the repricing process at insurers as a whole under the aegis of the Insurance and Pension Funds Authority (ASF), aimed at restoring the balance of the branch. This process of adjustment of prices to the cost of the risk is not only imperative but must also occur faster, given that the combined ratio of the branch in 2016 still stood at 135%.

The Motor branch consolidated the growth trend seen the previous year, with a 3.9% increase of the volume of its premiums. However, this change has been underpinned by the increase of the number of insured vehicles, with continuing pressure on pricing due to greater competition between the various channels that market it. This reality limits, to some extent, a faster correction of the profitability problems of this branch (in 2016 the combined ratio stood at 106.4%).

On December 30, 2016, the merger by incorporation was registered of companies Açoreana Seguros, S.A., (Açoreana), Seguros Logo, S.A. (LOGO), and T-Vida – Companhia de Seguros, S.A. (T-Vida), through the total transfer of the assets to be incorporated to the incorporating company.

Prior to the merger operation, Tranquilidade owned all of the share capital of the companies that came to be incorporated and, with the final registration of the merger at the Registry of Companies, the incorporated companies were extinguished, all their assets, liabilities, rights and obligations being transferred to Tranquilidade, including insurance and reinsurance contracts in force, and therefore the insurance portfolios held by Açoreana (Life and Non-Life) and by T-Vida Life (Life) and LOGO (Non-life) were automatically and fully transferred to Tranquilidade.

On the same date, Companhia de Seguros Tranquilidade, S.A., changed its corporate style to Seguradoras Unidas, S.A., and altered its corporate purpose to the exercise of insurance and reinsurance business of all branches and operations, except as regards credit insurance with State guarantee.

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

- Multi-Brand and Exclusive Partners grew by 11% and 6%, 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. This growth was transverse across the various non-Life branches, with particular emphasis on the results of the investment in Multi-risk and Health production;
- Brokers grew 9% in 2016, again demonstrating a positive evolutionary dynamic in Businesses and Companies, and renewed confidence in the brand;
- The Alternative Retail Networks grew 24% compared to 2015, continuing to strengthen their important role in Tranquilidade's retail area.

In 2016 Tranquilidade's Non-Life and Life customer base numbered more than 713,000. From an aggregate standpoint, considering the companies as a whole, in December 2016, the Non-life and Life customer base exceeded 1,400,000.

During the year there was a focus on the promotion of strategic products, which resulted in increased sales of Multi-risk (+13%), Health (+ 39%) and Life (+ 57%) insurance.

In the Motor branch, in a year of strong growth (+9% compared to 2015), Tranquilidade innovated with the introduction of new commercial tools, such as the simplification of the Motor simulator and automatic collection of claims' experience via Segurnet, which aim to simplify the work of its agents. Additionally, it continued to invest in marketing activities designed to put into motion fast growth of the portfolio of its Multi-brand Partners, thus consolidating their portfolio at Tranquilidade.

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

1. Launch of new products for Individuals and also for Companies:
 - In Motor, a new product was released, the Bike, for users of bicycles, and automation was introduced in the collection of data of claims' experience via Segurnet;
 - In Health, revision of the offer, simplifying it (from 5 to 3 options), improvement of the acceptance processes and enlargement of the scope of various covers, such as physical therapy and oncology;
 - In Home MR, adjustment of the offer for customers with mortgage loans;
 - In Life Risk, launch of a solution aimed at young adults, which protects them effectively against the risk of Disability;
 - Absolute innovation with the creation of AP GO, which protects Pokemon players;
 - Partnership with Caramigo, a car-sharing company between individuals, in order to cover own damage of rented vehicles.

2. Strong entry into a digital marketing and commercial strategy, in collaboration with the Partners;

3. Introduction of improvements and new functions to the tools available at the Partners' workstations:

- Enlargement of the simulation and subscription capacity in Motor and Worker's Compensation;
- Renovation of all outputs of the Home and Health products, making them more transparent and simpler for Customers.

The continuous investment and 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:

- Customers continue to acknowledge our quality in claims management: in Motor and Workers' Compensation average satisfaction stands above 8 (on a scale of 10) and the recommendation intention is between 85% and 90%, while in Home insurance average satisfaction improved stood at 7 and recommendation rose to 76%.

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 3rd consecutive year;
- "Best Buy Award", which recognises Tranquilidade as the company having the best relation Price/ Quality ratio.
- SuperBrand 2016, elected by consumers;
- Best Large Non-Life Insurer, by Exame magazine.

The evolution of the financial markets in 2016 was similar to that of recent years, characterised by highly-volatile economic and political environments and historically low interest rates.

Financial business, considering the merger process of Tranquilidade, Açoreana, LOGO and T-Vida, performed well, with an overall average return of 3.7%, to which the maintenance of the investment strategy in fixed-rate bonds contributed.

Seguradoras Unidas' overall technical balance fell from €60.5 million in 2015 to €59.5 million, a decrease of 1.6%. The reduction in the technical balance of the Accidents and Health branch contributed to this variation, mainly Workers' Compensation, where the claims rate, net of reinsurance, increased to 103.4%. Of note is the positive contribution of the Motor branch, in which the claims rate, net of reinsurance, fell to 63.5%.

2.3 KEY VARIABLES AND BUSINESS INDICATORS

(thousand euros)

	2016	2015	Change 16/15 (%)
Balance Sheet			
Investments	1,623,915	587,107	176.6
Net assets	2,210,768	741,695	198.1
Equity	158,898	135,532	17.2
Provision for unearned premiums (DI+RA)	150,041	76,450	96.3
Mathematical reserve and investment contract liabilities	806,192	0	
Provision for claims (DI+RA)	890,894	419,278	112.5
Provision for claims, net of reinsurance	835,609	381,414	119.1
Technical provisions (DI+RA)	1,757,733	518,063	239.3
Gains & Losses			
Gross direct insurance premiums written	341,403	320,897	6.4
Premiums earned, net of reinsurance	292,386	277,535	5.4
Cost of direct insurance claims	232,051	213,032	8.9
Costs of claims, net of reinsurance	216,722	195,153	11.1
Operating costs	70,684	70,102	0.8
Revenues	12,539	14,022	-10.6
Net Income	29,851	29,364	1.7
Indicators			
Direct insurance claims rate	68.7%	66.6%	2.1 p.p.
Claims rate net of reinsurance	74.1%	70.3%	3.8 p.p.
Net income/ Gross premiums written	8.6%	9.0%	-0.4 p.p.
Combined ratio net of reinsurance	103.1%	103.3%	-0.2 p.p.

In the balance sheet variables, the changes reflect the effect of the merger of the Açoreana, LOGO and T-Vida companies into Tranquilidade on December 30, 2016. The changes of gains and losses are solely related to the business of Tranquilidade up to the date of the merger.

2.4 SEGURADORAS UNIDAS' BUSINESS IN 2016

2.4.1 Direct Insurance Premiums

Direct insurance premiums in 2016 totalled €341,403k, an increase of 6.4% compared to the preceding year. The Non-Life insurance market returned an increase of 5.0% compared to 2015.

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

The Company recorded a significant growth of the volume of direct insurance premiums of €20,506k, to which a contribution was made by the growth obtained in the Accidents and Health branches (+7.1%, or €7,158k) and the above market-average growth in Motor (+8.8%, that is, up €11,092k, compared to the 3.9% growth of the market).

In Accidents and Health, the positive change was due to the good performance of the Workers' Compensation category, which increased by €6,947k, or 11.5%, although slightly lower than the market (+12.2%). The Health branch recovered compared to the previous year, although still at levels lower than the market (+1.5% versus 9.6% of the market).

The Fire and Other Damage group returned an increase of 3.0% compared to 2015, higher than the market growth of 1.6%. The Multi-risk sector contributed to this with a 2.9% variation in relation to the previous year, above market growth (+2.5%).

(thousand euros)

Direct Insurance Premiums	2016	%	2015	%	Change 16/15 (%)
Accidents & health	107,517	31.5	100,359	31.3	7.1
Fire & other damage	65,569	19.2	63,678	19.8	3.0
Motor	136,435	40.0	125,343	39.1	8.8
Transport	4,997	1.4	6,169	1.9	-19.0
Civil liability	10,116	3.0	9,909	3.1	2.1
Sundry	16,769	4.9	15,439	4.8	8.6
Total	341,403	100.0	320,897	100.0	6.4

2.4.2 Costs of Direct Insurance Claims

Total costs of direct insurance claims in 2016 amounted to €232,051k, a change of +8.9% compared to 2015.

In Accidents and Health there was a significant increase in claims costs (+22.8%), with emphasis on the increase of costs in Workers' Compensation (+€17,400k) due to the increase of mathematical reserves owing to the change in assumptions, particularly mortality and the discount rate. On the other hand, the Health branch returned a decrease of claims costs (-€2,351k). This is due to a reduction of costs borne in the implementation of various measures in claims management and also to the discontinuation of less profitable contracts.

Cost of claims in Motor rose by €576k, an increase of +0.6% over the previous year.

The Fire and Other Damage branch recorded an increase of claims costs of 16.7% in 2016 over the previous year (€4,550k), with emphasis on the increase in Multi-risk (+€3,415k).

In the Civil Liability branch claims costs decreased significantly in relation to the previous year (-€7,553k), since in 2015 claims costs were influenced by the occurrence of major accidents, particularly in the Operational Civil Liability branch.

(thousand euros)

Direct Insurance Claims Costs	2016	2015	Change 16/15 (%)
Accidents & health	100,087	81,477	22.8
Fire & other damage	31,803	27,253	16.7
Motor	94,014	93,438	0.6
Transport	1,667	424	293.2
Civil liability	2,050	9,603	-78.7
Sundry	2,430	837	190.3
Total	232,051	213,032	8.9

The claims rate in 2016 (gross cost of claims/ gross premiums earned) stood at 68.7%, an increase of 2.1 pp over the previous year, with emphasis on:

- The increase of the rate in Accidents and Health to 93.6% (80.9% in 2015) and Fire and other Damage to 48.7% (42.6% in 2015).
- The decrease of the claims rate in Motor to 70.2% (75.6% in 2015) and Civil Liability to 20.3% (95.5% in 2015).

	(%)	
Claims Costs/ Gross Premiums Earned *	2016	2015
Accidents & health	93.6	80.9
Fire & other damage	48.7	42.6
Motor	70.2	75.6
Transport	32.4	6.5
Civil liability	20.3	95.5
Sundry	14.8	5.5
Total	68.7	66.6

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

2.4.3 Technical Provisions

Technical provisions for direct insurance and reinsurance accepted in 2016 amounted to €1,757,733k. The change compared to the previous year is primarily the result of the effect of the merger by incorporation of the T-Vida, LOGO and Açoreana insurers into Tranquilidade.

	(thousand euros)		
Direct Insurance Technical Provisions	2016	2015	Change 16/15 (%)
Provisions for unearned premiums	150,041	76,450	96.3
Life mathematical reserve	654,581	-	n.a.
Provisions for claims	890,894	419,278	112.5
Life	46,457	-	n.a.
Workers' compensation	532,660	225,194	136.5
Other branches	311,777	194,084	60.6
Other technical provisions	62,217	22,335	178.6
Total	1,757,733	518,063	239.3

2.4.4 Reinsurance Ceded

The balance of reinsurance ceded in 2016 amounted to a negative sum of €27,859k, more favourable to the reinsurers by €4,552k compared to 2015 (+19.5%). This was due to the higher volume of premiums ceded to reinsurers and to the lesser recoverability of the claims.

	(thousand euros)		
Reinsurance Ceded	2016	2015	Change 16/15 (%)
Premiums	52,374	50,105	4.5
Commissions	-8,118	-7,375	10.1
Claims and variation of technical provisions	-16,397	-19,423	-15.6
Result	27,859	23,307	19.5

2.4.5 Technical Balance Net of Reinsurance

The net technical balance of reinsurance in 2016 amounted to €59,468k, a decrease of 1.6% over the previous year (-€983k), mainly due to the increase of direct insurance claims costs (+€17,394k without imputed costs) and the worsening of the balance of reinsurance ceded (-€4,552k).

In terms of branches, the greatest decrease was recorded in Accidents and Health, with the technical balance down €15,236k (increase of claims costs), with particular emphasis on the Workers' Compensation branch, which fell by €14,804k as a result of the increase of claims costs.

The Fire and Other Damage branch also underperformed, with the technical balance decreasing by €5,718k, mainly due to the behaviour of the Multi-risk branch, the technical balance of which, net of reinsurance, decreased by €4,396k compared to 2015.

In a favourable sense, emphasis is given to the Motor technical balance, which had an increase of €19,933k in 2016 as a result of the improvement of the claims rate of the branch.

	(thousand euros)		
Technical Balance, Net of Reinsurance	2016	2015	Change 16/15 (%)
Accidents & health	-2,046	13,190	-115.5
Fire & other damage	16,127	21,845	-26.2
Motor	38,239	18,306	108.9
Transport	1,302	3,107	-58.1
Civil liability	5,777	3,960	45.9
Sundry	69	43	59.5
Total	59,468	60,451	-1.6

2.4.6 Operating Costs

Operating costs amounted to €70,684k in 2016, +0.8% over the previous year. In terms of recurring costs there was a slight increase of operating costs, €165k (+0.3% compared to 2015), as per the detail of extraordinary factors referred to hereunder for each type of cost.

Staff costs in the amount of €34,503k were down 3.3% compared to 2015, i.e. -€1,183k. This decrease is related to the existence in 2016, of income in the amount of €3,271k relating to the cut-off of the liabilities with the Pension Fund of the Directors, partially offset by an additional cost of €1,906k related to terminations by mutual agreement with employees.

Costs of Third-party Supplies & Services increased by 53.9% y-o-y, €9,952k, mainly due to the booking in 2016 of an additional, non-recurring cost of €8,903k related to the merger by incorporation into Tranquilidade of the companies Açoreana, LOGO and T- Vida and to several strategic projects. 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 increase in pro forma terms amounted to €1,984k (11.3%).

Depreciation in 2016 decreased by €8,717k (-67.5%), primarily due to the booking, in 2015, of extraordinary amortisation of intangible assets in the amount of €5,876k. Without this effect, in pro forma terms, the decrease would have been just € 2,841k (-40.4%), essentially due to the new accounting policy for IT projects started in 2016.

(thousand euros)			
Operating Costs	2016	2015	Change 16/15 (%)
Staff costs	34,503	35,686	-3.3
Third-party supplies & services	28,432	18,480	53.9
Taxes and charges	2,589	2,412	7.3
Depreciation	4,194	12,911	-67.5
Other*	966	613	57.6
Total	70,684	70,102	0.8

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

2.4.7 Personnel

During 2016, 11 new employees were taken on and 43 left, 6 of whom for pre-retirement or retirement reasons.

As a result of the merger with Tranquilidade, T-Vida, LOGO and Açoreana 635 employees came to be included in the staff of Seguradoras Unidas, and therefore, total staff as at December 31, 2016 numbered 1,270.

	2016	2015	Change 16/15 (%)
Total staff as of 1/1	667	666	0.2
Admissions	11	19	-42.1
Departures	43	18	138.9
of which pre-retirement or retirement	6	1	500.0
Inclusion of staff through the merger	635	-	n.a.
Total Staff as of 31/12	1,270	667	90.4

2.4.8 Investments

The evolution of the financial markets in 2016 was similar to that of recent years, characterised by high volatility and by historically low interest rates.

The economic environment was volatile due to the political events that marked the year, namely Brexit in the second quarter and the presidential elections in the US in the fourth quarter of the year. Following the presidential elections, there was widespread optimism about the economic-growth prospects.

In this connection, and due to uncertainty as to the evolution of the financial markets, the Company maintained a conservative investment strategy focused mainly on fixed-income assets.

The main vectors of the investment strategy adopted by the Company included management of the duration of the assets and liabilities and minimisation of the interest-rate risk of the investment portfolio, in keeping with the indications of Solvency II on regulation of the insurance business.

The investment decisions implemented in 2016 promoted investment in fixed-rate bonds of seniority and average investment-grade rating.

Implementation of these decisions combined with the downward movement in interest rates in Europe allowed widespread gains to be obtained on the investment portfolio.

With a view to dispersal of the risk to other issuers outside the euro area, although always with exchange-rate risk hedging, and in order to lend greater flexibility and speed in the execution of transactions, direct investment in financial assets was replaced by investment in Exchange Traded Funds. At the same time, there was a gradual reduction of exposure to southern European issuers, offset by the increase of exposure to issuers in "European core zone".

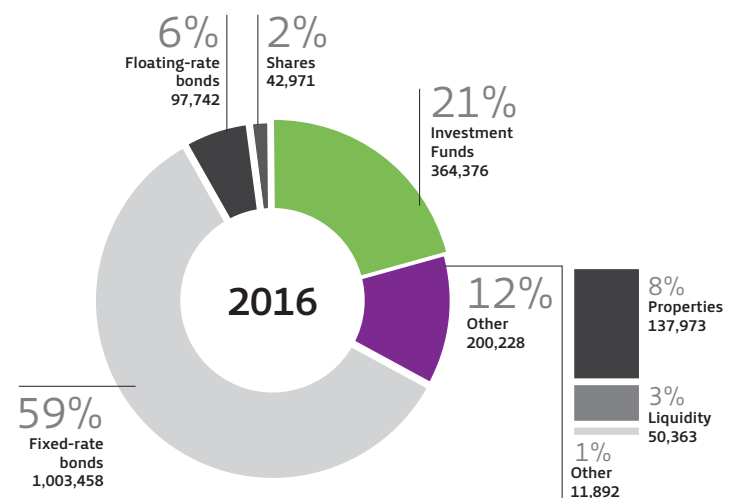
Exposure to subordinated-debt bonds, the value of which is closely related with the behaviour of the stock markets and as a class with greater capital requirements in Solvency II, was reduced during the year. In the equity component, the entities merged into Seguradoras Unidas maintained roughly the same exposure as that of the previous year.

Investment in sovereign debt, essentially through direct investment, was increased throughout the year, this class accounting for more than 50% of the bonds class at the yearend. The strategy implemented focused on exposure to sovereign-debt bonds of the core countries of Europe.

The maturity and weighted duration of the bond portfolio gradually increased over the year to 8.9 years and 7.5 years, respectively, at the end of the year.

2016 Investment Portfolio

(Amounts in thousands of euros from a management standpoint - does not include UL)

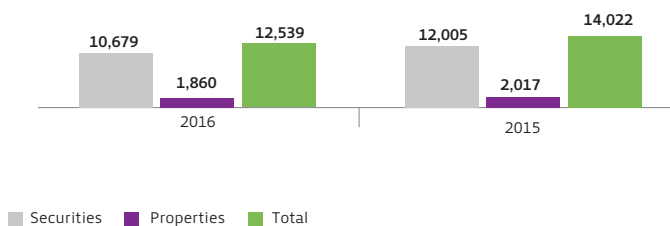


At the end of the year, the Seguradoras Unidas' investment portfolio stood at €1,708,775k. Investment in fixed-rate bonds accounted for the larger share of the investment, with 59% of the total investment portfolio. Emphasis is also given to the exposure to investment funds in the amount of €364,376k, mainly in fixed-income securities (€281,678k), real-estate assets (€62,994k) and shares (€19,704k).

The bond portfolio (direct investment) had an average investment-grade (A) rating and a sovereign debt exposure of €691,996k, of which 28% of exposure to German public debt, 22% to French public debt and 13% to Spanish public debt.

Interest and Dividends

(Amounts in thousands of euros from a management standpoint - does not include UL)



The return on the Company's average assets was +4.1% (+9.0% in 2015). If we consider the unrealised gains recorded in the fair-value reserve, profitability amounted to +5.9% (+7.9% in 2015).

Financial business, considering the effect of the merger process of Tranquilidade, Açoreana, LOGO and T-Vida, performed well, with an overall average return of 3.7%, to which the maintenance of the investment strategy in fixed-rate bonds and the process of reduction of the exposure to the real-estate sector contributed.

2.4.9 Equity and Solvency Margin

The Company's net income in 2016 amounted to €29.9 million, a change of +1.7% over the previous year. However, it should be pointed out that several extraordinary positive and negative effects of a non-recurring nature contributed to this result in 2016, including:

- Recognition of deferred tax assets arising from tax losses incurred in the amount of €24.5 million, as a result of the authorisation by the tax authorities following the alteration of the control of the Company;
- Recognition of income arising from interest pardon under the PERES (Special Plan to Reduce Debt to the State) in the amount of €2.7 million;
- Recognition of a gain of €5.3 million (net of tax) on the sale of the Rua Garrett Building;
- Lastly, recognition of a cost of €13.5 million (net of tax), arising from the change of assumptions, namely mortality and the discount rate of the mathematical reserves of Workers' compensation (decrease from 4.00% to 2.75 %).

It should therefore be pointed out that the 2016 net income adjusted for all these more relevant non-recurring effects would be €11 million.

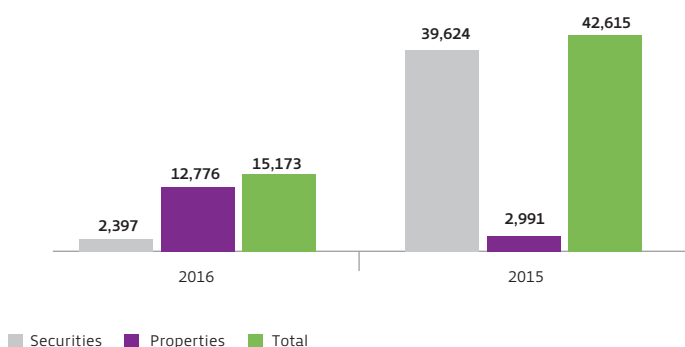
As already mentioned in this report, Equity results from the incorporation of the various companies into Tranquilidade, and the Net Income is what results from Tranquilidade's business.

Equity increased 17.2% to final amount of €158.9 million, primarily due to the following factors:

- Effect of the merger by incorporation into Tranquilidade of the companies Açoreana, LOGO and T-Vida (-€57.8 million);
- Increase of the share capital and ancillary capital contributions (€38.5 million);
- Positive fair-value adjustments of financial assets (€8.6 million, net of tax);
- Net income for the year (€29.9 million).

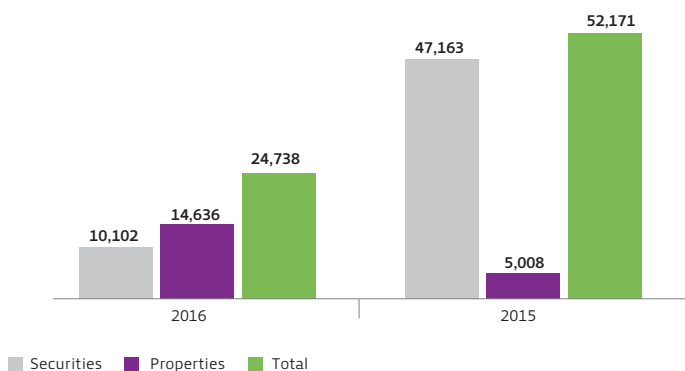
Gains Recorded in Profit and Loss

(Amounts in thousands of euros from a management standpoint - does not include UL)



Results of Financial Activity

(Amounts in thousands of euros from a management standpoint - does not include UL)



Note: Includes impairments of securities, €2,973k and €4,498 in 2016 and 2015 respectively.

In 2016, the result of the Company's financial business (reflecting the performance prior to the merger on December 30, 2016) returned a net gain in the sum of €24,738k, a decrease of €27,433k compared to the preceding year.

However, the 2015 result was influenced by non-recurring effects, particularly the sale of subsidiary AdvanceCare (which generated a gain of €36,914k). In 2016, there were only non-recurring gains of €10,444k, the result of the process of reduction of the real-estate exposure.

The fall in interest rates and the reduction of dividends received penalised the returns on securities by 11.0%.

(thousand euros)

Equity	2016	2015	Change 16/15 (%)
Share capital	84,000	12,600	566.7
Other capital instruments	27,097	60,000	-54.8
Revaluation reserves	3,917	-873	-548.7
Other reserves	39,427	34,441	14.5
Retained earnings	-25,394	-	n.a.
Net income	29,851	29,364	1.7
Total	158,898	135,532	17.2

The Company monitors solvency in accordance with the new Solvency II Regime in effect as from January 1, 2016. In keeping with legislation, the definitive solvency-margin data will be publicly disclosed during the coming month of May through the solvency and financial-situation report.

It should be noted that during 2016, within the scope of the transitional regime provided for in the new legislation, the Insurance and Pension Supervision Authority (ASF) approved the use of the transitional measures applicable to technical provisions, volatility adjustment and complementary funds.

2.4.10 Risk Management, Internal Control System And Compliance

Risk Management and Internal Control System

In the wake of publication of Law 147/2015 of September 9, which regulates the conditions of access to and exercise of insurance and reinsurance business, the new Solvency II regime came into effect as of January 1, 2016.

Several measures and projects were implemented during 2016, of which the following are highlighted:

- Preparation and submission to the ASF of quantitative and qualitative reports at individual and Group level;
- Continuation of the project for the replacement of tools/ Datawarehouse allowing response to the Pillar I and III requirements. This project, however, has been revised to take into account the merger process that includes Açoreana;
- Active involvement in the work groups of the Portuguese Insurers Association about matters relating to the evolution of the Solvency II project;
- Review 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;
- Economic-capital and risk-profile projections within the scope of the acquisition of Açoreana and of the integration of companies Tranquilidade, Açoreana, T-Vida and LOGO;
- Approval of the transitional measures of the technical provisions, volatility adjustment and supplementary funds;
- Performance of studies for the application of capital charges to the pricing of Non-Life and review of processes, information and documentation for the purposes of the respective report;
- Separate and Group ORSA Report;
- Updating of the cash-flows projection tool;
- Review of the Governance System;
- Monitoring and reporting the operating risk related with fraud.
- Updating of the Business Continuity Plan, with performance of operational exercises based on the transfer of employees to the Business Continuity Site, equipped with support infrastructures allowing the performance of the Company's critical business processes;
- Preparation of specific training and information programmes.

Also within the scope of the 2016 information report, the first Report on solvency and financial situation will be publicly disclosed in May 2017.

Compliance Programme

A compliance programme was also prepared, which demonstrates the Company's commitment to the highest ethical standards.

A new Code of Conduct was adopted, based on the values of honesty, respect, responsibility and excellence. In it the cornerstones are defined that form the basis of the relationship among employees and between the latter and the various audiences with which they interact - customers, business partners, suppliers and society in general.

New policies and procedures designed to promote respect for trade and economic sanctions, the prevention and combating of money laundering and terrorist financing, as well as the prevention of bribery and corruption were also defined and approved.

The compliance programme is also subject to regular supervision and monitoring to ensure that the appropriate measures provided for in the policies defined by the company are maintained and complied with.

In line with this ethical commitment, an Ethics Line was also created exclusively to report issues relating to the Company's management, governance system or accounting organisation.

2.5 KEY VARIABLES AND BUSINESS INDICATORS

As mentioned previously, companies Açoreana, LOGO and T-Vida were merged by incorporation with Tranquilidade on December 30, 2016, the latter having at the same time changed its corporate name to Seguradoras Unidas.

Hence, and for the purposes of evolution of the business, we are pleased to present the aggregated figures of the companies that form part of Seguradoras Unidas for 2016 and 2015.

(thousand euros)

	2016	2015	Change 16/15 (%)
Gains & losses			
Gross direct insurance premiums written	725,799	770,366	-5.8
Life	79,737	155,692	-48.8
Non-life	646,062	614,674	5.1
Earned premiums, net of reinsurance	628,760	675,307	-6.9
Life	74,700	150,717	-50.4
Non-life	554,060	524,590	5.6
Cost of direct insurance claims	690,320	602,093	14.7
Life	193,053	166,277	16.1
Non-life	497,267	435,816	14.1
Costs of claims, net of reinsurance	659,668	571,013	15.5
Life	188,660	164,467	14.7
Non-life	471,008	406,546	15.9
Operating costs	140,818	137,502	2.4
Revenues	42,554	50,077	-15.0
Net Income	-53,306	-118,825	55.1
Indicators			
Gross premiums written/ n° of employees	571,5	563,1	1.5
Direct Insurance claims rate			
Life	242.9%	106.7%	134.7 p.p.
Non-life	77.5%	71.0%	6.5 p.p.
Claims rate net of reinsurance			
Life	252.6%	109.1%	143.5 p.p.
Non-life	85.0%	77.5%	7.5 p.p.
Net income/ Gross premiums written	-7.3%	-15.4%	8.1 p.p.
Combined ratio net of reinsurance - Non-Life	111.6%	107.9%	3.7 p.p.

Aggregate gross direct-insurance premiums written fell from €770,366k in 2015 to €725,799k in 2016, a decrease of 5.8%.

With regard to the Life segment, gross premiums written fell by 48.8%, based primarily on the downturn of production of financial products. In the Non-Life segment aggregate production in 2016 amounted to €646,062k, an increase of 5.1% compared with the previous year, slightly above the insurance market (5.0%). The aggregate market share of Non-life insurance in 2016 stands at 15.4%, the Company thus ranking 2nd of Non-life insurers.

Cost of direct insurance claims total €690,320k in 2016, a 14.7% increase over the previous year. Costs of Life claims in the amount of €193,053k increased by 16.1% over the previous year, essentially the result of the increase in the value of redemptions and maturities of financial products. With regard to Non-life insurance, claims costs amounted to €497,267k, a y-o-y increase of 14.1%. It should be noted that the biggest impact of the increase of claims costs occurred in the Workers' Compensation branch as a result of the increase of the mathematical reserves due to the change of the discount rate.

The Non-Life claims rate stood at 77.5% in 2016, an increase of 6.5 pp to 2015.

Aggregate operating costs amounted to €140,818k, an increase over the previous year of 2.4%.

The 2016 aggregate net income stood at -€53,306k, representing an improvement in relation to the 2015 aggregate net income of -€118,825k.

2.6 MERGER IMPACT - GOODWILL

On August 5, 2016, Tranquilidade acquired Açoreana, which on December 30, 2016, was merged with Tranquilidade, T-Vida and LOGO in what is now called Seguradoras Unidas, S.A..

In accordance with IFRS 3 – Business Combinations, and due to the positive difference between the acquisition cost of the operation and the allocation of the fair value attributable to the assets and liabilities as of the date of acquisition, goodwill was generated in the sum of €65,981k. The amount of goodwill calculated was essentially due to the booking at fair value of the financial mathematical reserves for Workers' Compensation and Life, through the discount of the estimated cash flows of these liabilities at the curve determined by the European Insurance and Occupational Pensions (“EIOPA”) with volatility adjustment, as defined by the Solvency II requirements.

2.7 PROPOSAL FOR THE APPROPRIATION OF NET INCOME

The Board of Directors of Seguradoras Unidas, S.A., proposes, pursuant to and for the purposes of article 376 (b) of the Companies Code, that the net income for the 2016 financial year in the sum of €29,851,336.55 be appropriated as follows:

- a) 10% of the net income for the year, in the sum of €2,985,133.66 to Legal Reserve;
- b) The remainder to Retained Earnings.

2.8 GOALS FOR 2017

The economic scenario in 2017 is set to remain positive, as a result of the continuing favourable development of domestic demand, underpinned by an acceleration of Gross Fixed Capital Formation (GFCF), based on a recovery of corporate investment. As regards foreign demand there should be an acceleration of exports greater than that of imports.

The evolution of the business is set to be accompanied by a positive evolution of the labour market, and the downward trend of the unemployment rate is expected to continue. Inflation is likely to increase, remaining at levels close to the projected for the average of the euro area.

In this context, the insurance sector is set to continue its path of recovery of premiums, in particular in the Non-life segment, both for the price-correction factor and for the increased penetration in non-mandatory branches, especially in Health.

Furthermore, the context of low interest rates will continue to generate pressure for the need for technical rebalancing in branches such as Workers' Compensation, Group Health and Motor, while a more rational competitive environment, not just one based on price reductions, is to be expected.

The more demanding regulatory rules, namely the Solvency II regime and the new Distribution Directive, open up the way to consolidation of the market and bring in more demanding shareholders that make insurers increasingly professional and innovative, in order to respond to current challenges.

In 2016, as mentioned earlier, the Company finalised the merger by incorporation of the companies Açoreana, LOGO and T-Vida. This new reality will allow the Company to re-assess its position vis-à-vis the external surroundings, asserting itself as a major insurer in the Portuguese insurance market.

The coming year will therefore be a key year for the Company to consolidate its bases and to pursue growth opportunities, boosting the synergies effect, the competitive advantages and the strong points of each of the companies that form part of Seguradoras Unidas.

In this regard, the following strategic challenges for 2017 are highlighted:

1. Continuing with the project for the **Integration** of the companies;
2. Continuing the transformation of the Company, as set out in the Strategic Plan called “**Ambition 2020**”, particularly through the following initiatives:
 - Development of a more effective distribution network, in particular through the increase of the number of regular producers in all branches;
 - Focus on selective growth in those branches and segments of greater profitability, namely Health and Life Risk and on Small and Medium Enterprises;
 - Promotion of technical excellence through the application of robust pricing models and response capacity in the management of claims;
 - Simplification of the Company's operative, in particular through growing digitisation of its processes, making them more efficient and more agile;

- Ongoing focus on employee development, fostering a common culture after the merger process of the various companies.

It will be in the implementation of these two Strategic Projects, **Integration** and "**Ambition 2020**", that Seguradoras Unidas will continue on its path of growth and increased profitability towards the goals set for 2020.

2.9 Closing Remarks

On December 30, 2016, the merger by took place of the companies Açoreana, LOGO and T-Vida into Tranquilidade, as did the change of its corporate style to Seguradoras Unidas, SA, while its corporate purpose was also changed to the exercise of insurance and reinsurance business of all branches and operations, except as regards credit insurance with State guarantee.

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.

Seguradoras Unidas also recognises the collaboration 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 Seguradoras Unidas to successfully overcome yet another challenging year of its history.

Lisbon, March 31, 2017

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

ANNUAL REPORT **2016** INDIVIDUAL ACCOUNTS



FINANCIAL STATEMENTS

Balance Sheet (Assets) as at December 31, 2016 & 2015

(thousand euros)

ASSETS	Notes to the Accounts	31 December 2016			31 December 2015
		Gross Amount	Impairment, Depreciation/Amortization or Adjustments	Net Amount	
Cash and cash equivalents and sight deposits	8	37,629		37,629	14,077
Investments in subsidiaries, associates and joint ventures	7	19,561		19,561	103,747
Financial assets held for trading					
Financial assets classified on initial recognition at fair value through profit or loss	6	24,088		24,088	44,759
Hedge derivatives					
Available-for-sale assets	6	1,474,297	4,653	1,469,644	364,022
Loans & receivables		48,475	15,000	33,475	9,375
Deposits with ceding enterprises	6	2		2	2
Other deposits	6	13,003		13,003	1
Loans granted	6	26,890	15,000	11,890	8,981
Accounts receivable					
Other	6	8,580		8,580	391
Held-to-maturity investments					
Land and buildings		77,148		77,148	65,204
Land & buildings held for own use	9	33,257		33,257	24,053
Land & buildings held for income	9	43,891		43,891	41,151
Other tangible assets	10	48,296	44,851	3,445	3,292
Inventories	4 e 10	49		49	66
Goodwill	12	65,981		65,981	
Other intangible assets	12	142,450	121,413	21,037	7,283
Technical provisions for reinsurance ceded		79,198		79,198	52,643
Provisions for unearned premiums	4	22,905		22,905	14,779
Mathematical reserve of life business	4	1,004		1,004	
Provisions for claims	4	55,285		55,285	37,864
Provision for profit-sharing	4	4		4	
Provision for rate commitments					
Provision for portfolio stabilisation					
Other technical provisions					
Assets for post-employment benefits & other long-term benefits					
Other debtors for insurance & other operations		114,682	23,092	91,590	66,166
Receivables for direct insurance operations	13	63,344	8,639	54,705	37,806
Receivables from other reinsurance operations	13	24,717	1,384	23,333	17,272
Receivables from other operations	13	26,621	13,069	13,552	11,088
Tax assets		92,624		92,624	9,738
Current tax assets	24	728		728	753
Deferred tax assets	24	91,896		91,896	8,985
Accruals and deferrals	13	3,041		3,041	1,323
Other items of assets	13	131,433		131,433	
Non-current assets held for sale and discontinued operations	13	60,825		60,825	
Total Assets		2,419,777	209,009	2,210,768	741,695

THE CERTIFIED ACCOUNTANT
Paulo Jorge Pinheiro Santos

THE ACCOUNTS MANAGER
Pedro Manuel Borges Medalhas da Silva

THE FINANCIAL MANAGER
Alexandre Miguel Varela Simões Lopes

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

Balance Sheet (Liabilities & Equity) as at December 31, 2016 & 2015

(thousand euros)

LIABILITIES & EQUITY	Notes to the Accounts	31 December 2016	31 December 2015
Liabilities			
Technical provisions		1,757,733	518,063
Provisions for unearned premiums	4	150,041	76,450
Mathematical reserve of life business	4	654,581	
Provisions for claims		890,894	419,278
Life business	4	46,457	
for works accidents	4	532,660	225,195
for other businesses	4	311,777	194,083
Provision for profit-sharing	4	20,812	3
Provision for rate commitments	4	9,236	
Provision for portfolio stabilisation	4	127	
Provision for claims-rate deviations	4	14,529	8,327
Provision for unexpired risks	4	17,513	14,005
Other technical provisions			
Financial liabilities of the deposit component of insurance contracts and of insurance contracts and transactions considered investment contracts for accounting purposes	5	151,610	
Other financial liabilities		21,302	745
Hedge derivatives			
Subordinated liabilities	5	8,540	
Deposits received from reinsurers	5	11,722	650
Other	5 e 6	1,040	95
Liabilities for post-employment benefits and other long-term benefits	23	4,491	11,361
Other creditors for insurance operations and other operations		60,913	37,648
Payables for direct insurance operations	13	27,995	14,888
Payables for other reinsurance operations	13	23,004	14,427
Payables for other operations	13	9,914	8,333
Tax liabilities		16,935	15,839
Current tax liabilities	24	16,935	15,839
Deferred tax liabilities			
Accruals and deferrals	13	37,271	20,303
Other provisions	13	1,615	2,204
Other liabilities			
Liabilities of a disposal group classified as held for sale			
Total Liabilities		2,051,870	606,163
Equity			
Share capital	25	84,000	12,600
(Treasury shares)			
Other capital instruments	25	27,097	60,000
Revaluation reserves		6,054	-1,278
For adjustment of the fair value of financial assets	26	6,054	-1,278
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	-2,137	405
Other reserves	26	39,427	34,441
Retained earnings	25	-25,394	
Net income for the period		29,851	29,364
Total Equity		158,898	135,532
Total Liabilities & Equity		2,210,768	741,695

THE CERTIFIED ACCOUNTANT
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Financial Statements - Profit & Loss Account for the Years Ended December 31, 2016 & 2015

(thousand euros)

PROFIT & LOSS ACCOUNT	Notes to the Accounts	31 December 2016			31 December 2015	
		Technical Life	Technical Non-Life	Non-Technical		Total
Premiums earned net of reinsurance			292,387		292,387	277,535
Gross premiums written	14		348,729		348,729	327,584
Provisions for reinsurance ceded	14		-52,374		-52,374	-50,105
Provisions for unearned premiums (change)	4 e 14		-3,668		-3,668	971
Provisions for unearned premiums, reinsurers' share (change)	4 e 14		-300		-300	-915
Commissions of insurance contracts and operations considered for accounting purposes as investment contracts or as service contracts						
Cost of claims, net of reinsurance			216,722		216,722	195,153
Amounts paid			205,888		205,888	198,347
Gross amounts	4		219,742		219,742	222,952
Reinsurers' share	4		-13,854		-13,854	-24,605
Provisions for claims (change)			10,834		10,834	-3,194
Gross amount	4		13,677		13,677	-7,461
Reinsurers' share	4		-2,843		-2,843	4,267
Other technical provisions, net of reinsurance	4		-9,456		-9,456	-2,210
Mathematical reserve of life business net of reinsurance						
Gross amount						
Reinsurers' share						
Share of profits/ (losses), net of reinsurance	4		-3		-3	-1,044
Net operating costs & expenses	21		94,399		94,399	93,693
Acquisition costs			73,221		73,221	69,237
Deferred acquisition costs (change)	4		-592		-592	-80
Administrative costs			29,888		29,888	31,911
Reinsurance commissions & profit-sharing			-8,118		-8,118	-7,375
Revenues	16		12,512	26	12,538	14,022
On interest on financial assets not carried at fair value through profit or loss			2,361	26	2,387	4,035
On interest on financial liabilities not carried at fair value through profit or loss						
Other			10,151		10,151	9,987
Financial Costs	16		1,929	11	1,940	1,591
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			1,929	11	1,940	1,591
Net gains on financial assets & liabilities not carried at fair value through profit or loss	17 e 18		2,935	107	3,042	39,734
On available-for-sale assets			2,935	956	3,891	3,820
On loans & receivables						
On held-to-maturity investments						
On financial liabilities carried at amortised cost						
Other				-849	-849	35,914
Net gains on financial assets & liabilities carried at fair value through profit or loss	17 e 18		-522	-89	-611	-262
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			-522	-89	-611	-262
Currency translation differences	19		-36	720	684	415
Net gains on the sale of non-financial assets not classified as available-for-sale non-current assets and discontinued operating units	17 e 18		12,776		12,776	2,991
Impairment losses (net of reversal)			-2,973	1,227	-1,746	-10,814
On available-for-sale assets	6		-2,973		-2,973	-4,498
On loans and receivables carried at amortised cost						
On held-to-maturity investments						
On others	13			1,227	1,227	-6,316
Other technical income/ costs, net of reinsurance	20		-2,592		-2,592	-2,509
Other provisions (change)	13			-407	-407	
Other income/ expenses	20			-2,710	-2,710	-4,654
Negative goodwill recognised immediately in profit or loss						
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			10,896	-1,137	9,759	29,275
Corporation tax for the period - Current tax	24			-618	-618	-1,802
Corporation tax for the period - Deferred tax	24			20,710	20,710	1,891
Net Income for the Period			10,896	18,955	29,851	29,364
Earnings per share (in euros)	27				0.16	0.70

THE CERTIFIED ACCOUNTANT
Paulo Jorge Pinheiro Santos

THE ACCOUNTS MANAGER
Pedro Manuel Borges Medalhas da Silva

THE FINANCIAL MANAGER
Alexandre Miguel Varela Simões Lopes

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



04

STATEMENT OF COMPREHENSIVE INCOME

ANNUAL REPORT **2016** INDIVIDUAL ACCOUNTS



STATEMENT OF COMPREHENSIVE INCOME

Statement of Comprehensive Income for the Years Ended December 31, 2016 & 2015

	(thousand euros)	
	2016	2015
Net Income for the Period	29,851	29,364
Items that May Be Reclassified to the Income Statement	8,623	-4,808
Change in fair value of available-for-sale investments	11,014	-6,452
Change in current & deferred taxes	-2,391	1,644
Items that May Not Be Reclassified to the Income Statement	4,168	-1,811
Change of actuarial deviations recognised in reserves	4,168	-1,811
Change in current & deferred taxes	-	-
Other Comprehensive Income for the Period After Taxes	12,791	-6,619
Total Comprehensive Income for the Period	42,642	22,745



05

STATEMENT OF CHANGES IN EQUITY

ANNUAL REPORT **2016** INDIVIDUAL ACCOUNTS



STATEMENT OF CHANGES IN EQUITY

Statement of Changes in Equity for the Years Ended December 31, 2016 & 2015

(thousand euros)

	Equity Capital	Other Capital Instruments		Revaluation Reserves For Adjustments to the Fair Value of Available-for-Sale Financial Assets	Deferred and Current 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, 2015	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 and current taxes					1,644					1,644
Actuarial differences recognised in reserves							-1,811			-1,811
Appropriation of the previous year's results								-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
Capital increase	71,400	58,497								129,897
Increase of share capital reduction/ coverage of losses		-91,400								(91,400)
Net gains for adjustment to fair value of available-for sale financial assets				11,014						11,014
Adjustments for recognition of deferred and current taxes					-2,391					(2,391)
Actuarial differences recognised in reserves							4,168			4,168
Increases of reserves for appropriation of profits						2,936		-2,936		-
Merger effect				-3,682	-151		-2,118	-51,822		-57,773
Appropriation of the previous year's results								29,364	-29,364	-
Total Changes in Equity	71,400	-32,903	-	7,332	-2,542	2,936	2,050	-25,394	-29,364	-6,485
Net income for the period									29,851	29,851
Balance sheet as at December 31, 2016	84,000	27,097	-	6,054	-2,137	39,188	239	-25,394	29,851	158,898



06

STATEMENT OF CASH FLOWS

ANNUAL REPORT **2016** INDIVIDUAL ACCOUNTS



STATEMENT OF CASH FLOWS

Statement of Cash Flows for the Years Ended December 31, 2016 & 2015

(thousand euros)

	2016	2015
Cash Flow from Operating Activities	35,462	40,557
Net income for the period	29,851	29,364
Depreciation & amortisation charges for the period	4,194	12,911
Change in technical provisions for direct insurance	6,439	-13,478
Change in technical provisions for reinsurance ceded	-2,543	5,182
Change in other provisions	-1,797	209
Change in debtors for direct insurance, reinsurance & other operations	8,153	23,438
Change in other tax assets & liabilities	-25,756	-3,013
Change in other assets & liabilities	-5,803	-3,795
Change in debtors for direct insurance, reinsurance & other operations	22,724	-10,261
Cash Flow from Investing Activities	-70,280	-119,688
Variation of investments	-46,732	-132,494
Acquisition of subsidiary Açoreana Seguros, S.A. (including share capital increase)	-41,424	-
Dividends received	6,986	7,877
Interest	7,988	218
Acquisitions of tangible & intangible assets	-2,947	-3,552
Disposals of tangible & intangible assets	22	393
Acquisition of real estate	-	-
Disposal of land & buildings	5,827	7,870
Cash Flow from Financing Activities	38,497	72,600
Dividend distribution	-	-
Equity capital subscription	38,497	72,600
Net Change in Cash & Cash Equivalents & Sight Deposits	3,679	-6,531
Cash & cash equivalents at the start of the period	14,077	20,608
Merger effect	19,873	-
Cash & cash equivalents at the end of the period	37,629	14,077



07

NOTES TO THE FINANCIAL STATEMENTS

ANNUAL REPORT **2016** INDIVIDUAL ACCOUNTS



NOTES TO THE FINANCIAL STATEMENTS

Notes to the Financial Statements as at December 31, 2016 & 2015

NOTE 1 - GENERAL INFORMATION

Seguradoras Unidas, S.A. (hereinafter the Company) is an insurance company resulting from the merger by incorporation into Companhia de Seguros Tranquilidade, S.A., of the insurance companies wholly owned by it, T-Vida, Companhia de Seguros, S.A. (established in July 2006), the Seguros LOGO, S.A. (established in December 2007) and Açoreana Seguros, S.A. (acquired on August 5, 2016 - Note 33).

This merger was registered and came into effect on December 30, 2016, after approval of the management and supervisory bodies of the four entities involved and upon prior approval by the Insurance and Pension Funds Supervisory Authority (ASF), the incorporated entities having been extinguished by incorporation on that date (Note 32). On the same day, Companhia de Seguros Tranquilidade, S.A., changed its style to Seguradoras Unidas, S.A. Nevertheless, from a commercial viewpoint, the Company's board decided to keep the Tranquilidade, Açoreana and LOGO brands active.

On January 15, 2015, all of the Company's share capital was acquired by Calm Eagle Holdings, S.à.r.l, 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 Life and Non-Life business line (with the exception of credit insurance), under the supervision of the ASF, under authorisation n° 1197 and LEI: 549300CGCHTYQ1Z4V333.

Following the merger, the Company operates through its offices in Lisbon, Porto and Ponta Delgada. The distribution network is divided into commercial zones and delegations, which are supported by a total of 615 physical points of sale geographically spread throughout the whole of mainland Portugal and the autonomous regions (Azores and Madeira). By type, the physical network comprises 71 Company Shops and 544 Partners' Shops bearing the Tranquilidade or Açoreana image, of which 211 are Exclusive of one of the brands.

Through its brand LOGO aims to exploit the direct channels (telephone and internet) segment, acting in the marketplace without intermediaries of any kind.

Since the Company is the result of the merger by incorporation of entities effective as from December 30, 2016, all financial information set out in the financial statements and presented in the following Notes corresponds to the merged balance sheet of all the entities, and the gains and losses are in respect only of the acquiring entity, that is, Companhia de Seguros Tranquilidade, S.A., in accordance with accounting standards.

NOTE 2 - INFORMATION BY SEGMENTS

The amounts in this note should be interpreted taking into account the financial reporting constraints referred to in Note 1.

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

The operating segments reported are in keeping with a business-lines framework typology. The breakdown of the main headings of the profit & loss account as at December 31, 2016 & 2015, segmented by the main business lines, is as follows:

(thousand euros)

2016	Total Non-Life	Workers' Compensation	Fire & Other Damage	Motor	Other
Profit & loss headings					
Gross premiums written	348,729	67,886	66,808	137,408	76,627
Reinsurance ceded premiums	-52,374	-1,456	-26,995	-877	-23,046
Gross premiums earned	345,061	67,513	67,061	134,902	75,585
Returns on investments	22,764	10,619	2,604	7,217	2,324
Gross cost of claims	233,419	72,063	31,982	93,254	36,120
Gross operating costs	102,517	17,007	22,439	41,874	21,197
Technical result	10,896	-10,167	4,245	12,131	4,687

(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
Reinsurance ceded 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

During 2016 the Company closed its branch in Spain, and it is pointed out that the respective amounts are immaterial in terms of the separate report.

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

BASES OF PRESENTATION

The Company's financial statements now presented are in respect of the year ended December 31, 2016, and were prepared in accordance with the principles set out in the Plan of Accounts for Insurance Companies issued by the ASF.

The standards enshrined in the Plan of Accounts for Insurance Companies correspond 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.

In 2016, the Company adopted the IFRS and the mandatory-application interpretations for years as from January 1, 2016. These standards are detailed in Note 35. 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 the Company has not yet applied in the preparation of its financial statements may also be consulted in Note 35.

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 the rounded amounts presented may not add up to the unit in all cases.

The financial statements 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.

As mentioned in Note 1, and since the Company resulted from the merger by incorporation of entities effective as from December 30, 2016, the financial statement now presented correspond to the merged balance sheet of all the entities, and the profit and loss account

corresponds only to the incorporating entity, that is, Companhia de Seguros Tranquilidade, S.A..

In accordance with applicable accounting standards and the legislation in force, the Company prepares consolidated financial statements, and, in turn, they are consolidated by AP VIII Calm Eagle Holdings SCA, which has its registered office in Luxembourg, at Avenue J.F. Kennedy L-1855, 44.

The Company's financial statements as at December 31, 2016, were approved by the Board of Directors on March 31, 2017. These financial statements are pending approval by the respective General Meeting.

MAIN ACCOUNTING PRINCIPLES AND VALUATION CRITERIA ADOPTED

Investments in affiliates & associates

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 over 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 carrying amount. The impairment losses determined are recorded against the statement of income, and are subsequently reversed through profit or loss if there is a reduction of the estimated impairment loss in a subsequent period.

The recoverable amount is determined based on the greater of the value in use of the assets and the fair value less selling costs, and is calculated with recourse to valuation methodologies 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, are recognised in profit or loss, particularly where:
 - Such financial assets are managed, valued and analysed in-house on the basis of their fair value;
 - Such designation eliminates any inconsistency of recognition and measurement (accounting mismatch);
 - Such financial assets contain embedded derivatives.
- Available-for-sale financial assets, which includes:
 - Non-derivative financial assets the intention of which is to be held for an indeterminate period;
 - Financial assets that are designated as available-for-sale at the time of their initial recognition;
 - Financial assets that do not fail 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, in which are classified 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 complying with the requirements of IAS 39 ("tainting"). On this basis, and up to the end of 2016, the Company 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 the 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.

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 - Reclassification 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 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 30% devaluation of the fair value of a capital instrument 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 or loss.

Financial liabilities

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

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

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

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

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	13 to 72
Hardware	3 to 6
Furniture & materials	4 to 8
Indoor fixtures & fittings	5 to 20
Machines & tools	5 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 greater of the fair value less selling 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 reporting 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.

Non-current assets held for sale

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

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

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

The subsequent measurement of these assets is performed at the lesser of their carrying amount and the corresponding fair value, net of selling costs, and they are not subject to depreciation. Should there be unrealised losses, they are recorded as impairment losses offset against profit or loss.

Intangible assets

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

Costs incurred with the acquisition of software are capitalised, as 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.

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.

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.

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 outstanding 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 the Company 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 to its employees of benefit complements over and above the Social Security old-age and disability pensions under the terms established in the applicable Collective Bargaining Agreements (CBAs).

The collective bargaining agreement that originally applied to the labour relations in effect at the Company was the Collective Bargaining Agreement published in BTE n° 32 of August 9, 2008, which determined that employees covered by this agreement, admitted into the sector up until June 22, 1995, may access a pecuniary benefit complementing the pension granted by Social Security.

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

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

On December 23, 2011, a new Insurance Collective Bargaining Agreement

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

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

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

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

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

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

The interest income/ cost of the pension plan is calculated by the 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 under staff costs. Costs of early retirements correspond to the increase of liabilities due to retirement before the worker 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 the defined contribution plans, which cover most employees, 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, 2016, and except for employees covered by a defined-benefit plan, the Company has two defined-contribution plans, depending on the initial origin of the employer (Tranquilidade or Açoreana, prior to the merger) for employees in service taken on by June 22, 1995, as well as for all employees who meet the conditions set out in the new Collective Bargaining Agreement, making annual contributions taking into account the individual remuneration of each employee.

Length-of-service bonus

The length-of-service bonus is 50% of the salary when the employee, over and above the conditions laid down in Clause 42 of the said collective bargaining agreement, completes one or more multiples of 5 years with the 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.

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

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.

Short-term benefits

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

Corporation tax

The Company is subject to Corporation Tax (IRC) and to the Municipal Surcharge, the aggregate rate of which in 2016 and 2015 is 22.5%, plus the respective State Surcharge determined in accordance with Law 66-B/2012 of December 31, leading to the application of an additional 3% on the portion of taxable income exceeding €1,500,000 and less than €7,500,000, 5% on the portion of taxable income exceeding €7,500,000 and less than €35 million euros, and 7% on the portion of taxable income exceeding the latter amount.

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

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

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

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

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

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

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 though profit or loss are recorded under specific headings of gains & losses.

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

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

In calculating the effective interest rate future cash flows are estimated, considering all the contract terms of the financial instrument (e.g., put

options), though possible future credit losses are not considered. The calculation includes commissions constituting an integral part of the effective interest rate, transaction costs and all premiums and discounts related with the transaction.

Dividends received

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

Earnings per share

Basic earnings per share are calculated dividing the 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 reinsured, 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 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 carrying amount. The impairment losses determined are recorded against the statement of income, and are subsequently reversed through profit or loss if there is a reduction of the estimated impairment loss in a subsequent period.

The recoverable amount is determined based on the greater of the value in use of the assets and the 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 the use 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 30% devaluation of the fair value of a capital instrument 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.

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.

Impairment of goodwill

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

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

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

Impairment of long-term assets

Long-term intangible assets (ViF) are reviewed for impairment when there are facts or circumstances that indicate that their net value is not recoverable.

Considering the uncertainties regarding the determination of the net recoverable amount of the intangible assets, based as it is on the best information available at the time, changes of the assumptions may result in different impacts on the determination of the level of impairment and consequently on the Company's results.

Technical provisions and liabilities relating to investment contracts

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

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

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

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

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

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

The 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 reporting 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 (accident) and the moment when this event is reported to the Company. The provisions are regularly reviewed through an ongoing process as and when additional information is received and the liabilities come to be liquidated.

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

However, the Company 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.

NOTE 4 – NATURE AND EXTENT OF THE HEADINGS AND OF THE RISKS RESULTING FROM INSURANCE CONTRACTS AND REINSURANCE ASSETS

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

Accounting policies adopted in respect of insurance and investment contracts

The figures in this note should be interpreted taking into account the financial reporting constraints referred to in Note 1.

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

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

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

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

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

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

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

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

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

Recognition of costs & income

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

Premiums

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

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

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

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

Provisions for unearned premiums

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

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

Acquisition costs

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

Deferred acquisition costs of the Non-life branch are written down over the period during which the premiums associated with these contracts are acquired. Deferred acquisition costs for each technical business line are limited to 20% of the provision for unearned premiums.

Life mathematical reserve

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

Tranquilidade Products Portfolio	Mortality Table	Technical Rate	Açoreana Products Portfolio	Mortality Table	Technical Rate
Retirement Savings Plans and Capitalisation Products (*)			Retirement Savings Plans and Capitalisation Products (*)		
Up to December 1997	GKM 80	4%	Up to December 1998	GKM 80	4%
January 1998 to June 1999	GKM 80	3.25%	January 1999 to June 2003	GKM 80	3%
After July 1, 1999	GKM 80	3% e 2.5%	August 2003 to September 2011	GKM 80	3% e variável
After March 2003	GKM 80	2.75%	After October 3, 2011 (**)	GKM 80	1% a 3%
After January 1, 2004 (**)	GKM 80	0.058% e 1.5%			
Insurance in case of Life (*)			Insurance in case of Life (*)		
Annuities - Up to June 2002	TV 73/77	4%	Annuities - Up to December 1997	PF 6064	6%
After July 1, 2002	TV 73/77	3%	After December 1, 1997	GKF 80	3% e 4%
After January 1, 2004	GKF 95	3%	After January 1, 2007	GKF 95 e GKF 80	2% e 3%
After October 1, 2006	GKF 95 e GKF 80	3%, 2.25% e 1.15%	After October 1, 2016.	GRF 95	1.5%
Other insurance in case of Life	TV 73/77	4%			
Insurance in case of Death (*)			Insurance in case of Death (*)		
Up to December 2004	GKM 80	4%	Up to April 2013	GKM 80	3% e 4%
After January 1, 2005	GKM 80	4%	After April 1, 2013	GKM 95	3% e 4%
After January 1, 2008	GKM 80 e GKM 95	4%			
After October 1, 2013	PASEM 2010	0%			
Mixed Insurance (*)			Mixed Insurance (*)		
Up to September 1998	GKM 80	4%	Up to February 2001	PM 6064	4%
After October 1, 2008	GKM 80	3.25%	After March 29, 2001	GKM 80	3% e 4%

(*) Technical bases of the products in accordance with the year they were marketed
 (**) Rates defined annually The figures refer to the definition in respect of 2016.

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

Non-life mathematical reserve

The aim of Non-Life mathematical reserves 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 Non-redeemable Pensions (including future payments to the FAT [Workers' Compensation Fund]) 95% of the TD 88/90 mortality table applies for men (2015:100% of TD 88/90) and 95% of the TV 88/90 mortality table applies for women (2015:100% of the TV 88/90), with an interest rate of 2.75% (2015: 4.0%) and management fees of 1.5% (2015: 2.0%, in the Tranquilidade brand and 1.5% in the Açoreana brand), and for Redeemable Pensions the TD 88/90 mortality table (2015: TD 88/90) with an interest rate of 5.25% (2015: 5.25%) and management fees of 0% (2015: 0%).

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

Provisions for claims

The provision for claims corresponds to the estimated, undiscounted amount of compensation payable for existing claims, including the estimated liability for claims incurred but not reported (IBNR), and the direct and indirect costs to be incurred with the future settlement of claims that are currently in the process of management and of the IBNR claims. The provision for reported and unreported claims is estimated by the 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 Worker's Compensation, in that part in respect of pensions, and in the Motor branches, the average-cost method is applied. The provision for claims management costs is also calculated using the average cost method.

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

In Workers' Compensation a Mathematical reserve is also set aside for claims occurred up to December 31, 2016, that involve payment of pensions already approved by the Labour Court or having achieved conciliation agreement, and also the estimated liabilities for pensions claims recorded up to December 31, 2016, that are pending final agreement or sentence.

Mathematical Reserves in respect of accidents occurred, involving payment of life-long pensions in respect of Worker's Compensation are calculated using actuarial assumptions under recognised actuarial methods and current labour legislation. Additionally, there is also a Mathematical Reserve to meet pension liabilities for claims occurred relating to the potential permanent disability of the injured undergoing treatment as at December 31, 2016, or for claims occurred by not yet reported.

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

Provision for attributed profit-sharing

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

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

Provision for profit-sharing to be attributed (shadow accounting)

The provision for profit sharing of the Life branch to be attributed reflects the net value of potential gains and losses (fair-value adjustments) of financial assets allocated to the liabilities of with-profits insurance and investment contracts, of the estimated share of the policyholders or beneficiaries of the contract, provided that the balances per portfolio are not negative, based on the expectation that they will participate in such unrealised gains and losses as and when they are realised, in accordance with the contractual and regulatory conditions applicable.

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

Provision for unexpired risks

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

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 figures in this note should be interpreted taking into account the financial reporting constraints referred to in Note 1.

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	2016					2015		
	UPR Gross	DAC	Gross UPR Merger Effect	DAC Merger Effect	UPR Net	UPR Gross	DAC	UPR Net
Businesses/ Groups of Businesses								
Life	-	-	2,864	-	2,864	-	-	-
Accidents & health	14,048	2,559	8,675	1,667	18,497	12,750	2,456	10,294
Fire & other damage	24,107	4,762	15,674	3,080	31,939	24,360	4,799	19,561
Motor	50,013	10,000	48,111	8,525	79,599	47,508	9,500	38,008
Marine, air and transport	1,329	262	651	94	1,624	1,514	298	1,216
General third-party liability	3,186	635	1,379	260	3,670	3,186	632	2,554
Credit and fidelity insurance	18	4	58	4	68	22	4	18
Legal protection	5	1	88	12	80	5	1	4
Assistance	5,450	1,090	8,001	1,427	10,934	5,258	1,052	4,206
Sundry	852	169	103	20	766	737	148	589
Total	99,008	19,482	85,604	15,089	150,041	95,340	18,890	76,450

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	2016			2015		
	UPR Gross	DAC	UPR Net	UPR Gross	DAC	UPR Net
Businesses/ Groups of Businesses						
Accidents & health	1,298	103	1,195	-173	204	-377
Fire & other damage	-253	-37	-216	-175	-61	-114
Motor	2,505	500	2,005	844	-51	895
Marine, air and transport	-185	-36	-149	-308	-48	-260
General third-party liability	-	3	-3	191	-31	222
Credit and fidelity insurance	-4	-	-4	-5	-1	-4
Legal protection	-	-	-	-	-	-
Assistance	192	38	154	352	77	275
Sundry	115	21	94	-55	-9	-46
AMA portfolio acquisition	-	-	-	-1,642	-	-1,642
Total	3,668	592	3,076	-971	80	-1,051

The breakdown of the provision for unearned premiums (UPR) of reinsurance ceded reflected in assets, net of deferred acquisition costs (DAC), is as follows:

(thousand euros)

Balance Sheet	2016		2015	
	UPR Net	Net UPR Merger Effect	UPR Net	UPR Net
Businesses/ Groups of Businesses				
Life	-	7	7	-
Accidents & health	167	18	185	177
Fire & other damage	6,238	4,353	10,591	6,703
Motor	-	-	-	2
Marine, air and transport	710	253	963	737
General third-party liability	410	44	454	403
Credit and fidelity insurance	4	21	25	5
Legal protection	-	25	25	-
Assistance	6,332	3,563	9,895	6,112
Sundry	618	142	760	640
Total	14,479	8,426	22,905	14,779

The breakdown of the provision for unearned reinsurance ceded premiums reflected in assets and in the profit & loss account is as follows:

(thousand euros)

Gains & Losses		
	2016	2015
Businesses/ Groups of Businesses		
Accidents & health	-10	-622
Fire & other damage	-465	-310
Motor	-2	2
Marine, air and transport	-27	-346
General third-party liability	7	-21
Credit and fidelity insurance	-1	-
Legal protection	-	-
Assistance	220	442
Sundry	-22	-60
Total	-300	-915

The breakdown of the Life mathematical reserve reflected in liabilities is as follows:

(thousand euros)

Products	Balance Sheet Balance	
	2016	2015
Merger effect - Traditional	87,166	-
Merger effect - Capitalisation w/profit sharing	567,415	-
Total	654,581	-

The breakdown of the reinsurance mathematical reserve reflected in assets is as follows:

(thousand euros)

Products	Balance Sheet Balance	
	2016	2015
Merger effect - Traditional	1,004	-
Total	1,004	-

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

(thousand euros)

Businesses/ Groups of Businesses	Balance Sheet Balance			Change in Gains & Losses	
	2016	2016 Merger Effect	2016 Total	2015	2016
Life	-	46,457	46,457	-	-
Workers' Compensation	245,753	286,907	532,660	225,195	21,790
Personal accidents & health	7,973	6,452	14,425	8,753	-761
Fire & other damage	30,668	11,240	41,908	29,463	1,080
Motor	120,246	97,960	218,206	127,102	-6,977
Marine, air and transport	3,143	568	3,711	3,362	-420
General third-party liability	21,163	8,861	30,024	23,253	-2,038
Credit and fidelity insurance	13	223	236	22	-7
Legal protection	13	-	13	18	-6
Assistance	-	-	-	1	-1
Sundry	3,127	127	3,254	2,109	1,017
Total	432,099	458,795	890,894	419,278	13,677

The balance of the provision for Workers' Compensation claims includes the sum of €408,636k (2015: €165,062k) in respect of the mathematical reserve for Workers' Compensation. This balance of the mathematical reserve includes the result obtained through the liabilities adequacy test which, in 2016 and 2015, was zero, and a provision for the contributions to the Workers' Compensation Fund in the amount of €22,009k (2015: €10,520k).

The Company has amended the actuarial assumptions used to calculate the mathematical reserves of Workers' Compensation insurance and of the respective adequacy test as at December 31, 2016. In this connection, (i) the discount rate used in the calculation of these provisions has been changed to 2.75% (4.0%: 2015), (ii) the TD 88/90 mortality table was replaced by 95% of the TD 88/90 mortality table, for the male population, and the TV88/90 mortality table was replaced by 95% of the TV 88/90 mortality table for the female population, and (iii)

the rate of expenditure, in the Tranquilidade brand, was changed from 2.0% to 1.5%.

The effect of the alteration of the actuarial assumptions entailed an increase of liabilities for workers' compensation carried by the Company as at December 31, 2016, and a reduction of the net income for the year in the sum of €17.3 million (€13.5 million after considering the respective tax effect) in respect of the Tranquilidade portfolio. Regarding the effect of this topic on the Açoreana portfolio, the corresponding impact amounts to €25.9 million (€20 million after considering the respective tax effect), and this effect is included in the measurement of technical provisions at fair value in accordance with the requirements of IFRS 3 - Business combinations.

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

The balance of the provision for claims includes an estimated provision in the sum of €38,763k (2015: €22,574k) in respect of accidents that occurred up to December 31, 2016, and not yet reported (IBNR). It also includes an estimate in the amount of €16,618k (2015: €11,743k) for management fees relating to the settlement of outstanding claims declared.

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

(thousand euros)

Businesses/ Groups of Businesses	Provision for Claims* as at 31.12.2015 (1)	Claims* Paid in 2016 (2)	Provision for Claims* as at 31.12.2016 (3)	Readjustments (3) + (2) - (1)
Accidents & health	233,948	37,573	212,335	15,960
Fire & other damage	29,463	12,680	15,155	-1,628
Motor				
-Third-party liability	105,199	30,552	71,148	-3,499
- Other covers	21,903	9,149	9,703	-3,051
Marine, air and transport	3,362	1,134	1,603	-625
General third-party liability	23,253	3,201	19,043	-1,009
Credit and fidelity insurance	22	-33	13	-42
Legal protection	18	26	8	16
Assistance	1	-	-	-1
Sundry	2,109	1,248	427	-434
Total	419,278	95,530	329,435	5,687

* Claims incurred in 2015 and earlier.

In the Accidents and Health group of branches, the adjustments in the Workers' Compensation branch are mainly due to the increase of the mathematical reserve owing to the reduction of the interest rate and alteration of the mortality-table and discount-rate assumptions used in its calculation. It should also be mentioned that the table does not take into account the financial income allocated to the Mathematical Reserves.

In the Fire and Other Damage and Motor groups the adjustments are primarily due to greater speed in the settlement of claims that allowed a 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 provision for reinsurance ceded claims reflected in assets 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	
	2016	2016 Merger Effect	2016 Total	2015	2016
Life	-	2,963	2,963	-	-
Workers' compensation	5,470	169	5,639	5,401	69
Personal accidents & health	181	157	338	103	78
Fire & other damage	15,980	4,393	20,373	14,180	1,800
Motor	7,795	5,473	13,268	7,457	338
Marine, air and transport	986	71	1,057	1,165	-179
General third-party liability	7,377	886	8,263	7,909	-532
Credit and fidelity insurance	5	388	393	4	1
Legal protection	-	-	-	-	-
Assistance	2	-1	1	3	-1
Sundry	2,911	79	2,990	1,642	1,269
Total	40,707	14,578	55,285	37,864	2,843

The balance of the provision for reinsurance ceded claims includes an estimated provision in the sum of €1,310k (2015: €1,336k) in respect of accidents that occurred up to December 31, 2016, and not yet reported (IBNR).

The breakdown of costs of claims in 2016 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)
Accidents & health	75,736	3,396	20,955	100,087
Fire & other damage	29,312	1,542	949	31,803
Motor				
-Third-party liability	58,485	5,090	-5,988	57,587
- Other covers	33,688	2,063	676	36,427
Marine, air and transport	1,945	144	-422	1,667
General third-party liability	3,645	448	-2,043	2,050
Credit and fidelity insurance	-34	1	-7	-40
Legal protection	26	4	-5	25
Assistance	-	-	-1	-1
Sundry	1,422	7	1,017	2,446
Total	204,225	12,695	15,131	232,051
Reinsurance accepted	2,822	-	-1,454	1,368
Grand total	207,047	12,695	13,677	233,419

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)
Accidents & health	75,778	3,208	2,491	81,477
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 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	
	2016	2015	2016	2015
Merger effect - Life	20,812	-	-	-
Accidents & health	-	3	-3	-1,044
Total	20,812	3	-3	-1,044

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

(thousand euros)

Businesses/ Groups of Businesses	Balance Sheet Balance		Change in Gains & Losses	
	2016	2015	2016	2015
Merger effect - Life	4	-	-	-
Total	4	-	-	-

The breakdown of the rate commitment reflected in liabilities is as follows:

(thousand euros)

Products	Balance Sheet Balance	
	2016	2015
Merger effect - Traditional	8,870	-
Merger effect - Capitalisation w/ profit sharing	366	-
Total	9,236	-

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

(thousand euros)

Products	Balance Sheet Balance	
	2016	2015
Merger effect - Traditional	127	-
Total	127	-

The breakdown of the claims-deviation provision reflected in assets 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		
	2016	2016 Merger Effect	2016 Total	2015	2016	2015
Accidents & health	-	-	-	-	-	-
Fire & other damage	8,345	3,943	12,288	7,672	673	648
Motor	-	-	-	-	-	-
Marine, air and transport	-	-	-	-	-	-
General third-party liability	-	1,305	1,305	-	-	-
Credit and fidelity insurance	582	260	842	568	14	-1
Legal protection	-	-	-	-	-	-
Assistance	-	-	-	-	-	-
Sundry	93	1	94	87	6	6
Total	9,020	5,509	14,529	8,327	693	653

The breakdown of the provision for unexpired risks 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		
	2016	2016 Merger Effect	2016 Total	2015	2016	2015
Accidents & health	1,768	12,104	13,872	3,840	-2,072	-1,742
Fire & other damage	-	71	71	782	-782	-2,487
Motor	1,382	1,482	2,864	8,699	-7,317	1,425
Marine, air and transport	63	-	63	68	-5	-124
General third-party liability	-	-	-	-	-	-36
Credit and fidelity insurance	-	-	-	-	-	-
Legal protection	-	-	-	-	-	-
Assistance	530	-	530	510	20	86
Sundry	113	-	113	106	7	15
Total	3,856	13,657	17,513	14,005	-10,149	-2,863

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

Under this Standard, the calculation of the provision for unexpired risks was subject to an extraordinary procedure requested by the Company and duly approved by the ASF, through which the special and particular nature of business combination operations was taken into account.

It should be noted that since its acquisition by Apollo Global Management, Companhia de Seguros Tranquilidade, S.A., was involved in business-combination processes and, during 2016, it acquired 100% of the share capital of Açoreana Seguros, S.A.. The resulting cost increase was to cause an increase of the amount of the provision for risks in progress not related to pricing deficiencies.

Accordingly, the Company considered that the amount of €6,927k related to project advisory costs, costs incurred with personnel of an extraordinary nature related to indemnities or compensation granted to employees resulting from terminations by mutual agreement and the impact of the curtailment at the level of the benefit plans do not represent the recurring levels associated with a normal ongoing operation, and therefore the Company opted not to consider such amounts for the purposes of calculating this provision.

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

With the introduction of the Solvency II regime, the Company has developed its structure and procedures with a view to providing the necessary tools to meet the Risk-Management requirements.

The Company still has its Overall Risk Management Committee, the main responsibilities of which 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 system and compliance.

After the introduction of the Overall Risk Management Committee economic and financial risk work groups were set up, 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 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 risk-appetite 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.

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.

In parallel with the definition and disclosure of policies associated with various business activities (Investments, Subscription, Reinsurance, etc.), the Company prepared a Risk-Management Policy that aims to establish limits and tolerances of the Company and to define a set of priority and urgent measures to be implemented in the event of capital losses.

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 Life insurance the risk can be subdivided into biometric risks (Life Expectancy, Mortality, Disability), Expenditure Risk, Revision Risk, Lapses Risk and Catastrophic Risk.

In Non-Life insurance the risk can be subdivided into Premiums Risk, Reserves Risk, Lapses Risk and Catastrophic Risk.

In Non-Life insurance classified as "Health" in Solvency II – Personal Accidents, Health and Work Accidents – the risk is treated as follows:

- Workers' Compensation and Lifelong Assistance pensions are considered to be health risks assessed using techniques similar to those of life insurance and, as such, their risk is subdivided in a manner similar to life products;
- General Workers' Compensation and Personal Accident and Health claims are treated as Non-Life and their risks are subdivided in a similar manner.

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

(thousand euros)

Amounts Paid Net of Repayments (Cumulative Amounts)										
	Year of Occurrence									
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Years elapsed										
0	172,931	206,721	203,512	237,626	236,495	226,612	239,778	226,253	214,233	215,648
1	264,532	306,169	317,476	358,391	341,803	328,120	338,924	324,031	306,579	
2	284,455	329,944	347,970	383,391	363,125	351,666	361,143	347,438		
3	295,608	342,503	362,827	395,329	374,118	364,994	374,176			
4	299,935	348,998	369,912	403,580	379,458	370,561				
5	304,578	353,282	375,089	410,214	383,758					
6	307,798	359,158	377,835	414,548						
7	311,532	361,693	381,203							
8	313,476	363,619								
9	314,504									

(thousand euros)

Final Estimate of Cost of Claims Net of Reimbursements										
	Year of Occurrence									
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Years elapsed										
0	364,978	407,898	398,229	434,023	397,409	393,492	395,285	378,890	354,953	358,620
1	345,572	391,712	397,715	431,281	402,056	386,724	390,466	387,346	355,408	
2	343,767	396,434	404,384	438,271	403,487	388,590	398,662	395,066		
3	337,658	385,509	396,449	428,598	401,755	390,139	403,239			
4	329,963	379,282	391,028	426,586	400,511	390,167				
5	326,125	375,951	389,925	425,883	401,815					
6	323,871	373,325	389,074	428,858						
7	323,832	372,912	389,968							
8	322,896	372,875								
9	323,035									

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

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

Non-Life Insurance	Type of Reinsurance
Assistance	Proportional
Performance bonds	Proportional
(Fidelity) insurance	Proportional
Engineering	Proportional
Fire (simple risks)	Proportional
Fire (condominium)	Proportional
Fire and loss of profits (establishment and industrial risks)	Proportional
Fire and other damage (catastrophe-retention protection)	Not proportional
Fire and other damage (catastrophe-retention sub-layer protection)	Not proportional
Fire and other damage (aggregate-retention protection)	Not proportional
Health (serious illnesses)	Proportional
Health (medical expenses)	Not proportional
Health (specific medical expenses)	Not proportional
General third-party liability	Not proportional
Environmental third-party liability	Proportional
Health professionals civil liability	Proportional
Civil liability directors (article 396)	Proportional
D&o third-party liability	Proportional
Marine (cargo)	Proportional
Marines (hulls)	Proportional
Marines (hull- fleets)	Proportional
Maritime (retention protection)	Not proportional
Motor (third-party liability)	Not proportional
Motor (own damage)	Not proportional
Personal accidents	Not proportional
Personal accident (loan protection)	Proportional
Workers' compensation	Not proportional

Life Insurance	Type of Reinsurance
Life mortgage loan	Proportional
Life group	Proportional
Individual life	Proportional
Life VTCC2.0	Proportional
Health professionals life	Proportional
Life + Cool	Proportional
Catastrophe life	Not proportional
Cumulative protection life	Not proportional
Assistance	Proportional
Health	Proportional
Life premium protection	Proportional
Contributive life group	Proportional
Non-contributive life group	Proportional
Banif life treasury management	Proportional
Capitalisation/ PPR	Proportional

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

(thousand euros)

Area of Analysis	Scenarios	Impact on Pre-tax Income	
		2016	2015
Cost of claims	5% increase of the year's costs of claims, net of reinsurance	-14,530	-15,548
Expenses	10% increase of operating costs, net of reinsurance	-11,926	-13,612
Life expectancy	Decrease of 10% in mortality of current Works Accid. pensioners	-6,262	-2,548
Mortality	10% decrease of the mortality of the insured of life business	-2,883	-

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

The life-expectancy 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 life-expectancy 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 life-expectancy is greater than assumed in the mortality tables, supplementary provisions are set aside and the tables are updated.

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

NATURE AND EXTENT OF THE MARKET RISK, CREDIT RISK, LIQUIDITY RISK 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, for which the Company has implemented an ALM policy.

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

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

It should also be pointed out that Investment Policy in force at the Company is proposed 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 and the sensitivity analysis is as follows:

(thousand euros)

Area of Analysis	Scenarios	Impact on Pre-tax Income	
		2016	2015
Currency	10% appreciation of the value of all foreign currencies against the euro	-1,111	-2,062

Equities risk

The equities risk stems from the volatility of the market prices of equities, and only the systematic risk is measured, in that the non-systematic risk 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 – as are the Company's holdings in other companies. The sensitivity analysis is as follows:

(thousand euros)				
Area of Analysis	Scenarios	Impact on Net Income and Fair-value Reserves before Tax		
		2016	2015	
Equities	10% decrease of stock-market values	-36,324	-16,456	

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)				
Area of Analysis	Scenarios	Impact on Net Income and Fair-value Reserves before Tax		
		2016	2015	
Properties	10% decrease in the value of real estate and real estate funds	-20,097	-13,461	

Interest-rate risk

Interest-rate risk is inherent in all assets and liabilities whose value is sensitive to alterations of the time frame or to interest-rate volatility. In risk-exposure terms, as far as assets are concerned, this applies mainly to bonds.

Liabilities are exposed through Workers' Compensation pensions, not mandatorily redeemable, and through life insurance mathematical reserves.

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

(thousand euros)				
Area of Analysis	Scenarios	Impact on Fair-value Reserves Before Tax		
		2016	2015	
Interest rate	100 b.p.decrease of the interest-rate curve - Effect on assets	90,159	21,209	
	100 b.p.increase of the interest-rate curve - Effect on assets	-78,101	-18,020	

(thousand euros)

Area of Analysis	Scenarios	Impact on Pre-tax Income	
		2016	2015
Interest rate	100 b.p.decrease of the interest-rate curve - Effect on liabilities	-51,547	-
	100 b.p. increase of the interest-rate curve - Effect on liabilities	24,902	-

This analysis does not include the Açoreana Seguros, SA, effect, since the technical provisions were recognised at fair value at the time of acquisition (Note 33).

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	2016		2015	
	%	Value	%	Value
AAA	21%	232,351	2%	6,446
AA	21%	230,692	6%	19,270
A	9%	100,252	31%	91,683
BBB	34%	368,098	46%	135,893
BB	11%	121,996	10%	29,786
B	1%	10,220	2%	6,179
CCC	0%	527	0%	-
Unrated	3%	38,459	3%	8,211
Total	100%	1,102,595	100%	297,468

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	2016			2015		
	%	Gross Amount	Impairment	%	Gross Amount	Impairment
Basic resources	1%	15,767	-	2%	7,714	-25
Communications	2%	34,845	-	1%	5,771	-470
Consumables (cyclic)	2%	29,628	-	3%	14,403	-
Consumables (non-cyclic)	2%	36,511	-	5%	25,276	-202
Energy	3%	43,310	-	1%	7,381	-
Financial	13%	188,578	-	58%	298,346	-55,239
Funds	22%	304,733	-	3%	13,560	-
Public debt	48%	692,299	-	18%	90,633	-
Industrial	3%	40,477	-	4%	18,632	-
Medicine	0%	2,918	-	0%	1,000	-
Technology	0%	2,610	-	1%	2,776	-
Public/ collective services	5%	67,991	-	5%	26,378	-
Other	0%	6,168	-	0%	1,686	-
Total	100%	1,465,836	-	100%	513,556	-55,936

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 noted that for purposes of mitigating this risk, the Company draws up a cash plan on a monthly basis, adjusted weekly for its cash needs/ surpluses.

The breakdown of the maturity and estimated flows of the assets and liabilities subject to this type of risk, as at December 31, 2016 & 2015 is as follows:

(thousand euros)

2016	< 1 Month	1-3 Months	3-12 Months	1-5 Years	> 5 Years	Without Maturity	Total
Financial assets	53,022	92,892	49,506	331,597	859,038	401,804	1,787,859
Financial liabilities, mathematical reserve and liabilities with investment contracts	4,832	52,770	94,870	309,103	426,410	421	888,406
Net	48,190	40,122	-45,364	22,494	432,628	401,383	899,453

(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	114,410	498,399
Financial liabilities	-	27,913	8,448	2,032	-	-	38,393
Net	14,471	23,791	26,163	69,221	211,950	114,410	460,006

Credit risk

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

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

The breakdown of the balances of deposits is as follows:

(thousand euros)

Rating	2016		2015	
	%	Value	%	Value
AAA	0%	-	0%	-
AA	0%	-	0%	-
A	15%	7,390	0%	21
BBB	8%	4,095	0%	61
BB	32%	16,403	2%	256
B	8%	4,166	0%	66
CCC	34%	17,090	97%	13,589
Unrated	3%	1,390	0%	33
Total	100%	50,534	100%	14,026

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

(thousand euros)

Rating	2016		2015	
	%	Value	%	Value
AAA	0%	-	0%	-
AA	40%	5,806	34%	3,613
A	53%	7,639	61%	6,592
BBB	0%	-	0%	-
BB	0%	-	0%	-
B	0%	-	0%	-
CCC	0%	-	0%	-
Unrated	7%	950	5%	539
Total	100%	14,395	100%	10,744

Operational risk

Operational risk is the risk of major losses stemming from inadequacy or failures in processes, people or systems, or external events, within the scope of the 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.

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

- Existence of a code of conduct;
- Constant updating of internal rules and of procedures manuals;
- Implementation of internal and external fraud-prevention policies and procedures;
- Implementation of measures related with security in access to the premises;
- 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.

SOLVENCY

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

The Company monitors solvency in accordance with the new legislation in force. In keeping with the requirements of the legislation, the definitive solvency-margin data will be publicly disclosed during the month of May 2017 through the solvency and financial-situation report.

It should be noted that during 2016, within the scope of the transitional regime provided for in the new legislation, the Insurance and Pension Supervision Authority (ASF) approved the use of the transitional measure applicable to technical provisions. Additionally, the ASF also approved volatility adjustment and supplementary funds.

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.

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

BUSINESS RATIOS

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

	(%)	
	2016	2015
Claims ratio ^{a)}	65.7%	65.4%
Acquisition ratio ^{b)}	20.8%	21.1%
Administrative ratio ^{c)}	8.6%	9.7%
Combined Ratio	95.1%	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.

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)	
	2016	2015
Receivables	9,828	2,542
Adjustment of non-performing loans	-2,059	-1,644
Net Total	7,769	898

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)	
	2016	2015
Inventories	49	63

NOTE 5 - LIABILITIES FOR INVESTMENT CONTRACTS AND OTHER FINANCIAL LIABILITIES

The figures in this note should be interpreted taking into account the financial reporting constraints referred to in Note 1.

The breakdown of Financial liabilities for investment contracts is as follows:

	(thousand euros)	
	2016	2015
Financial liabilities		
Financial without profit-sharing	116,360	-
Unit Linked	7,078	-
PPR Unit Linked	27,872	-
OCA's Unit Linked	300	-
Carrying Amount	151,610	-

The 2016 amount of the financial liabilities of Unit Linked contracts, totalling €35,250k, corresponds to level 2 of the valuation method, in accordance with the levels prescribed in IFRS 13, since they are financial instruments valued in accordance with (non-adjusted) prices available on official markets and with prices quoted by entities that provide transaction prices of liquid markets.

The breakdown of Other financial liabilities is as follows:

	(thousand euros)	
	2016	2015
Other financial liabilities		
Deposits received from reinsurers	11,722	650
Derivatives	1,040	95
Subordinated liabilities	8,540	-
Carrying Amount	21,302	745

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.

The breakdown and detail of the subordinated financial liabilities is as follows:

(thousand euros)			
	2016		
	Amount	Rate	Maturity
Bond loan	8,540	1,283%	17/12/17

NOTE 6 - FINANCIAL INSTRUMENTS

The figures in this note should be interpreted taking into account the financial reporting constraints referred to in Note 1.

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)		
	2016	2015
Available-for-sale financial assets	1,469,644	364,022
Investments in affiliates & associates	19,561	103,747
Term deposits	13,003	1
Financial assets at fair value through profit or loss	24,088	44,759
Financial assets held for trading	-	-
Held-to-maturity investments	-	-
Total Holdings And Financial Instruments	1,526,296	512,529
Other financial assets	20,472	9,374
Total Financial Assets	1,546,768	521,903

In 2016 Appendix 1 takes into consideration €1,040k 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)		
	2016	2015
Bonds & other fixed-income securities		
Public issuers'	2,393	-
Other issuers'	18,345	44,759
Equities	-	-
Other floating-rate securities	3,350	-
Carrying Amount	24,088	44,759
Acquisition cost	23,576	44,978

As at December 31, 2016, this heading includes fixed income securities with embedded derivatives in the sum of €13,132k.

Additionally, this heading included only hybrid fixed-income securities linked to tier 1/2 capital financing in the sum of €7,252k. 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.

As at December 31, 2015, this heading included only hybrid fixed-income securities linked to tier 1/2 capital financing in the sum of €44,759k.

AVAILABLE-FOR-SALE FINANCIAL ASSETS

The breakdown of this type of asset is as follows:

(thousand euros)		
	2016	2015
Bonds & other fixed-income securities		
Public issuers'	690,593	90,633
Other issuers'	391,264	162,076
Equities	23,410	39,569
Other floating-rate securities	364,377	71,744
Carrying Amount	1,469,644	364,022

The breakdown of the final balance sheet figures as at December 31, 2016 & 2015, is as follows:

	(thousand euros)				
	Amortised or Acquisition Cost	Accrued Interest	Fair- Value Reserve	Impairment	Carrying Amount
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
Bonds & other fixed-income securities					
Public issuers'	682,503	8,809	-719	-	690,593
Other issuers'	382,660	7,724	880	-	391,264
Equities	22,405	-	2,534	-1,529	23,410
Other floating-rate securities	362,572	-	4,929	-3,124	364,377
Balance as at December 31, 2016	1,450,140	16,533	7,624	-4,653	1,469,644

As at December 31, 2016 & 2015, Other floating-rate securities include €62,994k and €58,184k, respectively, relating to the Company's holdings in real-estate investment funds.

Movements under impairment losses are as follows:

	(thousand euros)	
	2016	2015
Balance as at January 1	5,753	3,367
Appropriations for the period	2,973	4,498
Cancellations for the period for sale of assets	-4,073	-2,112
Written back during the period	-	-
Balance as at December 31	4,653	5,753

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

	(thousand euros)	
	2016	2015
Bonds & other fixed-income securities	-	-
Equities & other floating-rate securities	-2,973	-4,498
Total	-2,973	-4,498

FINANCIAL ASSETS/ LIABILITIES HELD FOR TRADING

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

	2016		2015	
	Fair Value	Notional Value	Fair Value	Notional Value
Derivatives				
Forward Contracts	-1,040	19,160	-95	10,580
Options	-	-	-	-
Total	-1,040	19,160	-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 for the purpose by IAS 39 have not been met.

Since, in 2016 and 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, 2016 & 2015, 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, the Company 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)	
	2016	2015
Loans	11,890	8,981
Deposits at cedent companies	2	2
Other	8,580	391
Total of Other Financial Assets	20,472	9,374

In 2016 and 2015, 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, 2016 & 2015, is as follows:

(thousand euros)			
	Acquisition Cost	Impairment	Carrying Amount
Other financial assets			
Ancillary capital contributions	24,060	-21,750	2,310
Loan capital	966	-	966
Loans	20,705	-15,000	5,705
Other	393	-	393
Balance as at December 31, 2015	46,124	-36,750	9,374
Other financial assets			
Ancillary capital contributions	2,310	-	2,310
Loan capital	-	-	-
Loans	24,580	-15,000	9,580
Other	8,582	-	8,582
Balance as at December 31, 2016	35,472	-15,000	20,472

Impairment losses under Ancillary payments in 2015 corresponded to all the ancillary capital contributions granted to Seguros LOGO, S.A., which were eliminated within the scope of the merger. Impairment losses under Loans correspond to the whole of the cash loan to Espírito Santo Financial Portugal, SGPS, S.A..

Movements under impairment losses are as follows:

(thousand euros)		
	2016	2015
Balance as at January 1	36,750	36,750
Appropriations for the period	-	-
Annulments of the period for derecognition	-	-
Written back during the period	-	-
Merger effect	-21,750	-
Balance as at December 31	15,000	36,750

The breakdown of loans granted as at December 31, 2016 & 2015, is as follows:

(thousand euros)		
	2016	2015
Ancillary capital contributions - Europ Assistance	1,410	1,410
Ancillary capital contributions - Advancecare Health International	900	900
Loans/ Loan capital - Contact centre	-	966
Loans - Advancecare	1,750	-
Loans/ Loan capital - Imocrescente	3,125	3,125
Loans/ Loan capital - Corpus Christi	2,222	1,279
Loans to employees	2,483	1,301
Total Loans Granted	11,890	8,981

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:

(thousand euros)				
	2016		2015	
	Fair Value	Carrying Amount	Fair Value	Carrying Amount
Cash & cash equivalents and sight deposits	37,629	37,629	14,077	14,077
Loans & receivables	33,475	33,475	9,375	9,375
Held-to-maturity investments	-	-	-	-
Other debtors for insurance & other operations	91,590	91,590	66,166	66,166
Financial Assets at Amortised Cost	162,694	162,694	89,618	89,618
Financial liabilities on investment contracts	145,981	151,610	-	-
Other financial liabilities	21,302	21,302	745	745
Other creditors for insurance & other operations	60,913	60,913	37,648	37,648
Financial Liabilities at Amortised Cost	228,196	233,825	38,393	38,393

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

Taking into account 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 & 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:

(thousand euros)

	2016			Total
	Level 1	Level 2	Level 3	
Available-for-sale Financial Assets	1,310,675	90,043	68,926	1,469,644
Securities & equity paper	207,892	90,043	66,442	364,377
Equities & other floating-rate securities	20,926	-	2,484	23,410
Bonds & other fixed-income securities				
Public issuers'	690,593	-	-	690,593
Other issuers'	391,264	-	-	391,264
Derivatives	-	-	-	-
Financial Assets at Fair Value through Profit or Loss	23,815	-	273	24,088
Securities & equity paper	3,077	-	273	3,350
Equities & other floating-rate securities	-	-	-	-
Bonds & other fixed-income securities				
Public issuers'	2,393	-	-	2,393
Other issuers'	18,345	-	-	18,345
Derivatives	-	-	-	-
Total Financial Assets	1,334,490	90,043	69,199	1,493,732
Derivatives	-	-1,040	-	-1,040
Total Financial Liabilities	-	-1,040	-	-1,040

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 amount in 2016 of around €90 million classified as Level 2 relates to an investment in 2 sub-funds belonging to a collective investment undertaking, known as ICAV (Irish collective asset-management vehicle), which is wholly owned by the Company.

Determination of fair value of these assets was based on their asset value, which in turn is determined on the basis of market values as defined by IFRS 13. Additionally, this fund is subject to look-through analysis by the Company as defined by the Solvency II requirements.

(thousand euros)

	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	-	-	-	-
Total Financial Assets	313,552	3,269	91,960	408,781
Derivatives	-	-95	-	-95
Total Financial Liabilities	-	-95	-	-95

The reconciliation of Level 3 assets is as follows:

(thousand euros)

	31 Dec 2015	Potential Gains	Purchases	Sales	Reimburse-ments	Impairments	Gains Realised	Merger Adjustments	31 Dec 2016
Available-for-sale Financial Assets	91,960	129	4,268	-32,840	-	-2,399	858	6,950	68,926
Securities & equity paper	65,697	214	4,268	-6,510	-	-2,399	-98	5,270	66,442
Equities & other floating-rate securities	26,263	-85	-	-26,330	-	-	956	1,680	2,484
Bonds & other fixed-income securities									
Public issuers'	-	-	-	-	-	-	-	-	-
Other issuers'	-	-	-	-	-	-	-	-	-
Financial Assets at Fair Value Through Profit or Loss	-	-	-	-	-	-	-	273	273
Securities & equity paper	-	-	-	-	-	-	-	273	273
Equities & other floating-rate securities	-	-	-	-	-	-	-	-	-
Bonds & other fixed-income securities	-	-	-	-	-	-	-	-	-
Public issuers'	-	-	-	-	-	-	-	-	-
Other issuers'	-	-	-	-	-	-	-	-	-

The Securities and units dealt with in this level include €60,155k in respect of units in closed-end investment funds and €6,183k 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 2016 and 2015, is detailed as follows:

(thousand euros)

Area of Analysis	Cenários	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
		2016	2016
Investment Fund	10% rise in the values of closed real estate investment funds	-	6,015
	10% rise in the values of private equity funds	-	618
	10% decrease in the values of closed real estate investment funds	- 1,085	-4,930
	10% decrease in the values of private equity funds	-424	-194

NOTE 7 - INVESTMENTS IN AFFILIATES AND ASSOCIATES

The figures in this note should be interpreted taking into account the financial reporting constraints referred to in Note 1.

As at December 2016 & 2015, the financial data of the Company's subsidiaries and associates can be summarised as follows:

(thousand euros)

Company Name/ Registered Office	Classification	Valuation Method	Holding (%)			Financial Data							
			Direct	Voting Right	Effective	Assets		Liabilities		Equity		Net Income	
						2016	2015	2016	2015	2016	2015	2016	2015
Advancecare Health International Av. da Liberdade, 242 1250-149 Lisbon (Portugal)	Subsidiary	Acquisition Costs net impairment	100.00	100.00	100.00	3,304	1,741	822	545	2,482	1,195	1,506	392
CRIA - Centro de Reabilitação Integrada de Acidentes, S.A. Rua de Ceuta N° 39 4050-191 Porto	Associate Company	Acquisition Costs net impairment	70.00	70.00	70.00	1,264	n.a.	421	n.a.	843	n.a.	266	n.a.
Europ Assistance, S.A. Av. Álvares Cabral, 41 - 3° e 4° 1250-015 Lisbon (Portugal)	Associate Company	Acquisition Costs net impairment	47.00	47.00	47.00	47,052	49,500	28,806	32,911	18,246	16,589	5,626	4,188
GIGA - Grupo Integrado de Gestão de Acidentes, S.A. Avenida 5 de Outubro, 293 B e C 1600-035 Lisbon	Associate Company	Acquisition Costs net impairment	60.00	60.00	60.00	1,810	n.a.	627	n.a.	1,183	n.a.	203	n.a.
GNB, Companhia de Seguros, S.A. Av. Columbano Bordalo Pinheiro, 75, 8° 1070-061 Lisbon (Portugal)	Associate Company	Acquisition Costs net impairment	25.00	25.00	25.00	114,705	108,185	80,262	78,228	34,443	29,956	9,461	5,885
Tranquilidade - Corporação Angolana de Seguros, S.A. Edifício ESCOM Rua Marechal Brós Tito, n° 35 15°D Luanda (Angola)	Associate Company	Acquisition Costs net impairment	49.00	49.00	49.00	34,632	36,093	29,180	31,898	5,452	4,195	2,134	-302
Tranquilidade Moçambique Companhia de Seguros, S.A. Av. Armando Tivane, 1212 Caixa Postal 1959, Maputo, Moçambique	Subsidiary	Acquisition Costs net impairment	99.996	100.00	100.00	3,231	2,891	2,594	2,493	637	398	382	32
Tranquilidade Moçambique Companhia de Seguros Vida, S.A. Av. Armando Tivane, 1212 Caixa Postal 1959, Maputo, Moçambique	Subsidiary	Acquisition Costs net impairment	99.997	100.00	100.00	2,034	2,005	1,313	1,564	721	441	438	-156
TRANQUILIDADE DIVERSIFIED INCOME ICAV 2 nd Floor, Block E Iveagh Court Harcourt Road Dublin D02 YT22 Ireland	Associate Company	Acquisition Costs net impairment	100.00	100.00	100.00	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.

During 2015, the Company sold its 51% holding in the share capital of AdvanceCare - Gestão de Serviços de Saúde, S.A., for the sum of €37,400k, having recorded under Net gains of financial assets and liabilities not carried at fair value through profit or loss the capital gain of €36,914k 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 the amount of €445k. As a result of this transaction, the Company recorded under Net gains of financial assets and liabilities not carried at fair value through profit or loss a capital loss of €1,000k (Note 17).

During 2016, the Company sold its 55.42% holding in the share capital of Espírito Santo Contact Center, S.A., for the sum of €1,846k, having recorded under Net gains of financial assets and liabilities not carried at fair value through profit or loss the capital loss of €849k resulting from this sale (Note 17).

Also during 2016, the Company acquired 100% of the share capital of Açoreana Seguros, S.A., for the amount of €7,124k, and also paid up capital increases of €34,300k. As mentioned in Note 32 and as a result of the merger, this holding was annulled in the merger adjustments.

In the merger process mentioned in Note 1, on December 30, 2016, adjustments were made to the incorporating entity (Companhia de Seguros Tranquilidade, S.A.) to eliminate the holdings in the three wholly-owned entities (Açoreana Seguros, S.A., T-Vida, Companhia de Seguros, S.A. and Seguros Logo, S.A.).

As a result of the said merger process, there appeared via the assets of Açoreana Seguros, S.A., two new holdings in subsidiaries and associates, CRIA - Centro de Reabilitação Integrada de Acidentes and GIGA - Grupo Integrado de Gestão de Acidentes, of 70% and 60%, respectively.

At the beginning of the fourth quarter of 2016, in order to access new asset classes, the Company set up, for an amount of €2, a collective investment undertaking called Tranquilidade Diversified Income ICAV (Irish Collective Asset-management Vehicle), which is wholly-owned by the Company. This body has no assets and is merely a legal entity in the form of a fund holding tradable sub-funds such as individual investment funds.

As at December 31, 2016 & 2015, the breakdown of Investments in subsidiaries, associates and joint ventures is as follows:

(thousand euros)

2016	Acquisition Cost	Impairment	Carrying Amount
Advancecare Health International	100	-	100
CRIA - Centro Reab Integrada Acidentes	403	-	403
Europ Assistance	4,222	-	4,222
GIGA - Grupo Integrado de Gestão de Acidentes	588	-	588
GNB Seguros	3,759	-	3,759
Tranquilidade - Corp. Angolana Seguros	7,318	-	7,318
Tranquilidade - Moçambique Seguros	1,361	-	1,361
Tranquilidade - Moçambique Seguros Vida	1,810	-	1,810
Total	19,561	-	19,561

(thousand euros)

2015	Acquisition Cost	Impairment	Carrying Amount
Advancecare Health International	100	-	100
ES Contact Center	1,846	-	1,846
Europ Assistance	4,222	-	4,222
GNB Seguros	3,759	-	3,759
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
Total	117,905	-14,158	103,747

In 2016 and 2015, the breakdown of the change of the balance of this item is as follows:

(thousand euros)

2016	Opening Book Value	Acquisitions, Share Capital Increases and Disposals	Impairment	Merger Adjustments	Closing Carrying Amount
Açoreana Seguros	-	41,424	-	-41,424	-
Advancecare Health International	100	-	-	-	100
CRIA - Centro Reab Integrada Acidentes	-	-	-	403	403
ES Contact Center	1,846	-1,846	-	-	-
Europ Assistance	4,222	-	-	-	4,222
GIGA - Grupo Integrado de Gestão de Acidentes	-	-	-	588	588
GNB Seguros	3,759	-	-	-	3,759
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
Total	103,747	39,578	-	-123,764	19,561

(thousand euros)

2015	Opening Book Value	Acquisitions, Share Capital Increases and Disposals	Impairment	Closing Carrying Amount
Advancecare	486	-486	-	-
Advancecare Health International	100	-	-	100
ES Contact Center	1,846	-	-	1,846
Esumédica	445	-445	-	-
Europ Assistance	4,222	-	-	4,222
GNB Seguros	3,759	-	-	3,759
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
Total	104,678	-931	-	103,747

In accordance with IAS 36 and the accounting policy, the Company has examined 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.

Additionally, at December 31, 2016 & 2015, the Company held the following special purpose entities, classified under Financial assets held for sale (Note 6):

	Registered Office	Activity	% Economic Interest	
			2016	2015
CORPUS CHRISTI	Portugal	Closed-end Real-estate Investment Fund	100.00%	100.00%
IMOPRIME	Portugal	Closed-end Real-estate Investment Fund	84.89%	84.89%
AAME TRQ CORP LOANS/ HIGH YIELD BONDS FUND	Ireland	Open-end Securities Investment Fund	100.00%	-
AAME TRQ GLOBAL INV GRADE CORP CREDIT	Ireland	Open-end Securities Investment Fund	100.00%	-

At the beginning of the fourth quarter of 2016, the Company, through collective investment undertaken named Tranquilidade Diversified Income ICAV (Irish Collective Asset-management Vehicle), invested €90 million in the two open-ended real-estate investment sub-funds referred to in the table, in the amount of €25 and €65 million, respectively.

NOTE 8 - CASH, CASH EQUIVALENTS & SIGHT DEPOSITS

The figures in this note should be interpreted taking into account the financial reporting constraints referred to in Note 1.

The balance of this heading is as follows:

	(thousand euros)	
	2016	2015
Cash in hand	98	52
Deposits at credit institutions	37,531	14,025
Total	37,629	14,077

NOTE 9 - LAND & BUILDINGS

The figures in this note should be interpreted taking into account the financial reporting constraints referred to in Note 1.

As mentioned in note 3 above, land and buildings held by the Company are valued using the 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 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.

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

As provided for by IFRS 13 - Fair value measurement, valuations of land and buildings maximise use 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, each part is analysed and measured separately.

The valuers responsible for the valuation of the assets are duly certified for the purpose and are registered with the CMVM.

Fair-value model

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

	(thousand euros)	
Investment Properties - Income-Generation Properties	2016	2015
Net balance as at January 1	41,151	45,612
Additions through acquisition	-	-
Additions through improvements	92	188
Transfers	-37,254	91
Written off/ Sales	-5,827	-7,870
Fair value changes	5,951	3,130
Merger effect	39,778	-
Net balance as at December 31	43,891	41,151

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 amount of Transfers referred to in 2016 is in respect of real-estate assets in respect of which, in December of that year, the Company entered into two promissory purchase and sale contracts the date of conveyance of which was scheduled for a date subsequent to December 31, 2016. Due to this fact they were transferred to Non-current Assets held for sale and discontinued operations (Note 11).

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

	(thousand euros)	
	2016	2015
Properties that generate rental income	4,113	41,050
Properties that do not generate rental income	-	101
Merger effect	39,778	-
Total	43,891	41,151

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

	(thousand euros)	
	2016	2015
Rental Income	1,860	2,018
Operating Costs	250	232
- on properties that generate rental income	123	114
- on properties that do not generate rental income	127	118

Cost model

The breakdown of Owner-occupied properties as at December 31, 2016 & 2015, is as follows:

	(thousand euros)	
	2016	2015
Gross Value	33,257	29,566
Accumulated depreciation and impairments	-	-5,513
Net Balance as at December 31	33,257	24,053

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

	(thousand euros)	
Tangible Assets - Owner - Occupied Buildings	2016	2015
Net Balance as at January 1	24,053	24,400
Additions through acquisition	-	-
Additions through improvements	21	68
Transfers	-23,571	83
Written off/ Sales	-	-
Impairments-[(Allocation)/ Use]	-	-
Depreciation charges for the period	-503	-498
Revaluations	-	-
Merger effect	33,257	-
Net Balance as at December 31	33,257	24,053

The amount of Transfers referred to in 2016 is in respect of real-estate assets for which, in December of that year, the Company entered into two promissory purchase and sale contracts the date of conveyance of which was scheduled for a date subsequent to December 31, 2016. Due to this fact they were transferred to Non-current Assets held for sale and discontinued operations (Note 11).

The final carrying amount in 2016 corresponds to the fair value of the respective assets taking into account the valuation methodology used in the process of acquisition of Açoreana Seguros, S.A..

NOTE 10 - OTHER TANGIBLE FIXED ASSETS AND INVENTORIES

The figures in this note should be interpreted taking into account the financial reporting constraints referred to in Note 1.

Besides the owner-occupied properties referred to Note 9, the Company has other tangible assets measured using the cost model, details of which, as at December 31, 2016 & 2015, are as follows:

	(thousand euros)	
	2016	2015
Equipment	48,296	46,714
Office equipment	5,111	4,892
Machines & tools	2,012	1,809
Hardware	34,533	33,955
Fixtures & fittings	2,678	2,315
Expenditure on rented buildings	3,113	2,861
Transport equipment	156	403
Other tangible fixed assets	693	479
Fixed Assets in Progress	-	-
Accumulated Depreciation	-44,851	-43,422
Impairments	-	-
	3,445	3,292

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

	(thousand euros)		
	Equipment	Fixed Assets in Progress	Total
Balance as at January 1, 2015	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 December 31, 2015	3,292	-	3,292
Additions	470	-	470
Transfers	-	-	-
Depreciation charges for the period	-1,383	-	-1,383
Written off/ Sales	-22	-	-22
Merger effect	1,088	-	1,088
Balance as at December 31, 2016	3,445	-	3,445

Mention is also made of the fact that there are other assets fundamentally related with salvage, which, in 2016, amount to €49k (2015: 66k euros)

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

The figures in this note should be interpreted taking into account the financial reporting constraints referred to in Note 1.

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

The breakdown of the balance of Non-current Assets held for sale and discontinued operations is as follows:

	(thousand euros)	
	2016	2015
Non-Current Assets Held for Sale and Discontinued Operations		
Buildings - Income	37,254	-
Buildings - Owner occupied	23,571	-
Total	60,825	-

The 2016 figures relate to real-estate assets that were transferred from Income Properties and Owner-occupied Properties, in respect of which, in December of that year, the Company entered into two promissory purchase and sale contracts, the conveyance having been scheduled for a date subsequent to December 31, 2016.

Income properties that were transferred to this heading under IFRS 5 were valued in accordance with the amounts described in the promissory purchase and sale contracts, less possible selling costs.

The fair value of the owner-occupied properties included under this heading amounts to €35,314 million.

NOTE 12 - INTANGIBLE ASSETS

The figures in this note should be interpreted taking into account the financial reporting constraints referred to in Note 1.

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

As at December 31, 2016, goodwill corresponds just to the positive difference between the acquisition cost and the fair value attributable to the respective net assets acquired, in the amount of €65,981k thousand euros, in respect of the acquisition on August 5, 2016, of Açoreana Seguros, S.A.. (Note 33).

It should be noted that the goodwill carried and originated by the purchase in 2004 from Companhia de Seguros ESIA, for the sum of €25,785k, in respect of which a total impairment had already been booked in 2014, was written off in 2016, bearing in mind that the impairment cannot be reversed and that the underlying reality is fully integrated into the Company with no possibility of desegregation.

As at December 31, 2016, the value in force (ViF) corresponds to the acquisition cost of the contractual positions resulting from acquired contracts, including all rights, obligations and guarantees emerging therefrom in the amount of:

- €50,000k in respect of the acquisition in 2006 of the policy portfolio relating to the traditional broker channel from GNB - Companhia de Seguros de Vida, S.A.. (with accumulated amortisation of €23,551k);
- €1,244k in respect of the acquisition in 2014 of the policy portfolio relating to the traditional broker channel from the branch in Portugal of A.M.A. - Agrupación Mutual Aseguradora, Mútua de Seguros a Prima Fija (with accumulated amortisation of €622k);
- €5,592k, related to the acquisition in 2016 of the life policy portfolio Açoreana Seguros, S.A. (with accumulated amortisation of €2,574k);

These assets are written down over the period of recognition of the income associated with the acquired contracts.

As stated and provided for in the accounting policies, the Company conducted a review of the recoverable amount of the ViF of the portfolio acquired in 2006 from GNB - Companhia de Seguros de Vida, having concluded that an impairment loss existed in the amount of €20,627k, an amount that was integrated through the merger process.

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

	(thousand euros)	
	2016	2015
Goodwill	65,981	25,785
Other intangibles	142,450	73,824
Software development costs	70,671	60,064
Software	12,180	11,327
Intangibles in progress	2,763	1,189
Value in force	56,836	1,244
Accumulated amortisation	-100,786	-66,541
Other Intangibles	-100,786	-66,541
Impairments	-20,627	-25,785
	87,018	7,283

Movements in both years are as follows:

	(thousand euros)						
	Goodwill	Other Intangibles	Software Development Costs	Software	Intangibles in Progress	Value in Force	Total
Balance as at January 1, 2015	1,244	14,495	7,626	1,084	5,785	-	15,739
Additions	-	2,451	409	-	2,042	-	2,451
Depreciation for the year	-	-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
Additions	-	2,477	33	303	2,141	-	2,477
Depreciation for the year	-	-2,308	-1,873	-124	-	-311	-2,308
Impairments	-	-	-	-	-	-	-
Transfers	-	-	1,214	-	-1,214	-	-
Merger effect	65,981	13,585	3,970	129	646	8,840	79,566
Balance as at December 31, 2016	65,981	21,037	8,442	370	2,763	9,462	87,018

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

	(thousand euros)					
	2017	2018	2019	2020	Subsequent	Total
Estimated amortisation	1,179	1,401	1,239	1,453	4,190	9,462

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

	(thousand euros)	
	2016	2015
Amortisation of Intangible Assets for the Year	2,308	10,907
Costs of claims, net of reinsurance		
Amounts paid - Gross amounts	494	2,487
Net Operating Costs & Expenses		
Acquisition costs	1,128	5,491
Administrative costs	685	2,871
Financial Costs		
Other	1	58

NOTE 13 – OTHER ASSETS, LIABILITIES, ADJUSTMENTS AND PROVISIONS

The figures in this note should be interpreted taking into account the financial reporting constraints referred to in Note 1.

Assets and adjustments

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

	(thousand euros)	
	2016	2015
Gross Assets	63,344	44,366
Policyholders		
- Receipts pending collection	44,992	33,432
- Reimbursement of claims	12,513	5,768
Insurance brokers	424	295
Co-insurers	5,415	4,871
Adjustments	-8,639	-6,560
Receipts pending collection	-3,439	-4,098
Non-performing loans	-5,200	-2,462
Net Assets	54,705	37,806

Reimbursements required in respect of payments made as a result of claims occurring during the guarantees suspension period and not yet received amount to €9,828k (2015: 2,542k euros)

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

	(thousand euros)	
	2016	2015
Gross Assets	24,717	17,509
Reinsurers	14,395	10,744
Reinsured	10,322	6,765
Adjustments	-1,384	-237
Non-performing loans	1,384	-237
Net Assets	23,333	17,272

As at December 31, 2016 & 2015, “Reinsured” includes €9,241k and €6,196k, respectively, related to amounts receivable from Tranquilidade – Corporação Angolana de Seguro, S.A., within the scope of the reinsurance treaties in force.

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

	(thousand euros)	
	2016	2015
Gross assets	26,621	17,420
Related entities	7,806	6,031
Advances to suppliers of goods & services	235	351
IFAP	22	1,351
FAT	1,228	971
Management on account of IDS and principals	3,209	2,579
Performance bonds	1,190	651
Rents & other amounts pending collection	5,880	779
Staff	396	663
Clients	48	150
Other receivables	6,607	3,894
Adjustments	-13,069	-6,332
Non-performing loans	-13,069	-6,332
Net Assets	13,552	11,088

As at December 31 2016 & 2015, “Related entities” includes amounts receivable from of Tranquilidade – Corporação Angolana de Seguros, S.A., in the sum of about €6.8 million (2015: €4.8 million) on which adjustments for doubtful debts are recorded in the amount of about €5.4 million (2015: €4.8 million) associated with amounts pending collection.

The breakdown of movements in respect of adjustments to Receivables, Assets for taxes explained in Note 24 and reflected in Impairment losses - Other, in the profit & loss account, is as follows:

	(thousand euros)	
	2016	2015
Adjustment of Receipts Pending Collection		
Balance as at January 1	4,098	3,956
Appropriations for the period	-	142
Written back during the period	-1,366	-
Merger effect	707	-
Balance as at December 31	3,439	4,098
Adjustment of Non-Performing Loans		
Balance as at January 1	9,031	2,857
Appropriations for the period	139	6,174
Written back during the period	-	-
Merger effect	10,483	-
Balance as at December 31	19,653	9,031

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

	(thousand euros)	
	2016	2015
Accrued Income	903	120
- Services rendered	903	120
Deferred Costs	2,138	1,203
- Insurance	37	8
- Rentals	17	4
- Acquisition costs	2,084	1,191
Total	3,041	1,323

The balance of Other items of assets in 2016 in the amount of €131,433k, an amount included for merger adjustment, has to do with investment contracts marketed by the Company, the assets of which are operationally managed by GNB – Seguros de Vida.

Liabilities and provisions

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

	(thousand euros)	
	2016	2015
Policyholders (return premiums payable)	4,663	3,795
Insurance brokers		
- Commissions payable	4,061	2,633
- Current accounts	3,277	1,781
Co-insurers	11,963	6,679
Premiums received in advance	4,031	-
Total	27,995	14,888

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

	(thousand euros)	
	2016	2015
Reinsurers	22,988	13,776
Reinsured	16	651
Total	23,004	14,427

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

	(thousand euros)	
	2016	2015
Related entities	8	539
Suppliers of leased goods	-	23
Other suppliers of goods & services	2,610	1,756
IFAP	2,569	2,009
WC pensions	2,743	1,769
Other payables	1,984	2,237
Total	9,914	8,333

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

	(thousand euros)	
	2016	2015
Deferred Income	56	-
- Rentals	56	-
Accrued Costs	37,215	20,303
- Staff costs (subsidies, charges & bonuses)	9,628	8,748
- Acquisition costs (incentives & commissions)	7,601	3,243
- Third-party supplies & services	19,878	7,827
- Taxes	109	485
Total	37,271	20,303

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

	(thousand euros)	
	2016	2015
Tax and social security contingencies	359	2,204
Legal contingencies	1,126	-
Other provisions	130	-
Balance as at December 31	1,615	2,204

	(thousand euros)	
	2016	2015
Balance as at January 1	2,204	1,995
Appropriations for the period	407	209
Use for the year	-2,204	-
Merger effect	1,208	-
Balance as at December 31	1,615	2,204

In 2016 the Company subscribed to the Special Programme for the Reduction of Debt to the State (PERES), which allowed the pardon of interest in those cases referred to above, and it therefore booked as income the interest that was recorded here for the sake of prudence at the end of 2015, in the amount of about €2.2 million.

Besides this income, there were other amounts of interest relating to the 2016 fiscal year that, together with some differences compared to the final amount pardoned, resulted in a total gross positive effect of approximately €2.7 million.

NOTE 14 - INSURANCE CONTRACT PREMIUMS

The figures in this note should be interpreted taking into account the financial reporting constraints referred to in Note 1.

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:

(thousand euros)

Businesses/ Groups of Businesses	Gross Premiums Written		UPR Change		Premiums Earned	
	2016	2015	2016	2015	2016	2015
Accidents & health	112,311	102,821	1,298	-184	111,013	103,005
Fire & other damage	66,808	65,688	-253	-272	67,061	65,960
Motor	137,408	127,166	2,505	-259	134,903	127,425
Marine, air and transport	5,121	6,379	-185	-308	5,306	6,687
General third-party liability	10,282	10,076	-	-164	10,282	10,240
Credit and fidelity insurance	27	29	-4	-6	31	35
Legal protection	11	11	-	-1	11	12
Assistance	13,766	12,834	192	277	13,574	12,557
Sundry	2,995	2,580	115	-54	2,880	2,634
Total	348,729	327,584	3,668	-971	345,061	328,555

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

(thousand euros)

Businesses/ Groups of Businesses	Reinsurance Gross Premiums Written		UPR Change		Reinsurance Premiums Earned	
	2016	2015	2016	2015	2016	2015
Accidents & health	3,749	2,308	-10	-622	3,759	2,930
Fire & other damage	26,995	26,390	-465	-309	27,460	26,699
Motor	877	1,383	-2	2	879	1,381
Marine, air and transport	2,994	3,456	-27	-346	3,021	3,802
General third-party liability	1,454	1,419	7	-21	1,447	1,440
Credit and fidelity insurance	7	11	-1	-	8	11
Legal protection	-	-	-	-	-	-
Assistance	13,660	12,770	220	441	13,440	12,329
Sundry	2,638	2,368	-22	-60	2,660	2,428
Total	52,374	50,105	-300	-915	52,674	51,020

The breakdown of some figures in respect of Non-Life insurance for 2016, 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	107,517	106,901	100,087	28,032	-1,793
Fire & other damage	65,569	65,330	31,803	22,119	-10,427
Motor					
- Third-party liability	85,397	84,386	57,587	23,703	413
- Other covers	51,038	49,538	36,427	17,272	-341
Marine, air and transport	4,997	5,155	1,667	1,486	-1,683
General third-party liability	10,116	10,112	2,050	3,750	-1,468
Credit and fidelity insurance	27	31	-40	13	-5
Legal protection	11	11	25	5	-
Assistance	13,766	13,574	-1	2,896	-12,076
Sundry	2,965	2,854	2,446	629	232
Total	341,403	337,892	232,051	99,905	-27,148
Reinsurance accepted	7,326	7,169	1,368	2,612	-711
Grand Total	348,729	345,061	233,419	102,517	-27,859

NOTE 15 - INSURANCE CONTRACT COMMISSIONS RECEIVED

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

NOTE 16 - INVESTMENT INCOME/ REVENUE AND EXPENDITURE

The figures in this note should be interpreted taking into account the financial reporting constraints referred to in Note 1.

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, taking into account the financial reporting constraints referred to in Note 1, segregated by their various types of revenue, is as follows:

(thousand euros)

	2016	2015
Interest	3,692	4,128
Available-for-sale financial assets	2,649	3,676
Financial assets at fair value through profit or loss	1,305	93
Financial assets held for trading	-	-
Held-to-maturity investments	-	-
Deposits, loans & other assets	-262	359
Rents	1,860	2,018
Land & buildings	1,860	2,018
Dividends	6,986	7,876
Investments in affiliates, associates and joint ventures	5,357	7,868
Available-for-sale financial assets	1,629	8
Total	12,538	14,022

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

(thousand euros)

	2016	2015
Bonds & other fixed-income securities		
Public issuers'	961	860
Other issuers'	2,993	2,909
Equities	5,908	7,868
Other floating-rate securities	1,078	8
Properties	1,860	2,018
Deposits	-515	21
Loans & other assets	253	338
Total	12,538	14,022

The breakdown of Financial costs is as follows:

(thousand euros)		
	2016	2015
Costs imputed to the investments function	1,690	1,359
Direct operating costs	250	232
Total	1,940	1,591

NOTE 17 - GAINS & LOSSES REALISED ON INVESTMENTS

The figures in this note should be interpreted taking into account the financial reporting constraints referred to in Note 1.

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

	2016			2015		
	Gain	Loss	Balance	Gain	Loss	Balance
Financial - Not At Fair Value Through Profit or Loss	6,932	-3,890	3,042	43,613	-3,879	39,734
Available-for-sale financial assets	6,932	-3,041	3,891	6,699	-2,879	3,820
Held-to-maturity investments	-	-	-	-	-	-
Investments in affiliates, associates and joint ventures	-	-849	-849	36,914	-1,000	35,914
Financial - At Fair Value Through Profit or Loss	-	-829	-829	3	-42	-39
Financial assets at fair value through profit or loss	-	-829	-829	3	-42	-39
Financial assets held for trading	-	-	-	-	-	-
Non-financial	7,177	-	7,177	33	-172	-139
Land & buildings - Owner occupied	-	-	-	-	-	-
Land & buildings - Held for income	7,177	-	7,177	33	-172	-139
Total	14,109	-4,719	9,390	43,649	-4,093	39,556

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 in AdvanceCare – Gestão de Serviços de Saúde, S.A. (Note 7).

Also in 2015, losses on Investments in affiliates, 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, S.A. (Note 7).

During 2016, losses on investments in subsidiaries, associates and joint ventures are in respect of the loss on sale of Espírito Santo Contact Center, S.A. (Note 7).

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

The figures in this note should be interpreted taking into account the financial reporting constraints referred to in Note 1.

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

	2016			2015		
	Gain	Loss	Balance	Gain	Loss	Balance
Financial - at Fair Value	3,500	-3,282	218	3	-226	-223
Financial assets at fair value through profit or loss						
- Debt securities	3,500	-3,282	218	3	-226	-223
Non-financial	13,686	-8,087	5,599	4,469	-1,339	3,130
Land & buildings - Held for income	13,686	-8,087	5,599	4,469	-1,339	3,130
Total	17,186	-11,369	5,817	4,472	-1,565	2,907

NOTE 19 - GAINS & LOSSES ON CURRENCY TRANSLATION DIFFERENCES

The figures in this note should be interpreted taking into account the financial reporting constraints referred to in Note 1.

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 though profit or loss.

The balance is broken down as follows:

	2016			2015		
	Gain	Loss	Balance	Gain	Loss	Balance
Available-for-sale financial assets	1,635	-1,671	-36	1,406	-1,046	360
Financial assets held for trading	-	-	-	-	-	-
Other	1,326	-606	720	607	-552	55
Total	2,961	-2,277	684	2,013	-1,598	415

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

The figures in this note should be interpreted taking into account the financial reporting constraints referred to in Note 1.

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

	(thousand euros)	
	2016	2015
Other Technical Income	6,405	857
Co-insurance management commissions	109	231
Claims management charges	9	6
Remuneration for services - IFAP	-	-
Management on account of claims	6,287	620
Other Technical Expense	8,997	3,366
Co-insurance management commissions	507	785
Management on account of claims	8,490	2,581
Amount of Gains & Losses	-2,592	-2,509

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

	(thousand euros)	
	2016	2015
Other Non-Technical Income	6,078	1,668
Reimbursement of taxes	211	17
Corrections & adjustments	3,728	708
Other gains	1,645	583
Interest & other financial gains	367	38
Services rendered	80	258
Gains on disposal of tangible assets	47	64
Other Non-Technical Expense	8,788	6,322
Donations	113	8
Sponsorship	7	11
Gifts for customers	171	251
Fines	3	18
Subscriptions	14	8
Restructuring costs	-	1,000
Corrections & adjustments	656	746
Other expenses	7,615	3,683
Banking services & default interest	209	597
Amount of Gains & Losses	-2,710	-4,654

In 2015, the Other expenses include about €2.4 million relating to the derecognition (write-off) of amounts receivable from Tranquilidade – Corporação Angolana de Seguros, S.A. (Note 13).

In 2016, Other expenses include about of €5.5 million of tax costs paid within the scope of the merger and respective inclusion of real-estate assets and other tangible assets, about which an application for exemption was delivered, which in case of acceptance by the Tax Authority will result in a revenue of like amount. It also includes the cost of social security contributions of about €0.6 million in respect of past years, settlement of which is being claimed through the courts.

Also in 2016, positive corrections and adjustments primarily include about €2,5 million of income as a result of the Company have subscribed to the Special Plan to Reduce Debt to the State (PERES), which allowed the pardon of €2.2 million of interest and €0.3 million of other associated costs. Other gains mainly include about €0.9 million in respect of excess income tax estimates in past years.

NOTE 21 - SUNDRY COSTS BY FUNCTION AND NATURE OF EXPENSE

The figures in this note should be interpreted taking into account the financial reporting constraints referred to in Note 1.

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, 2016 & 2015, is as follows:

(thousand euros) (%)										
2016	Cost of Claims		Acquisition Costs		Administrative Costs		Cost of Investments		Total	
Staff costs	7,235	21%	16,411	48%	10,555	31%	302	1%	34,503	100%
Third-party supplies & services	4,726	17%	10,002	35%	13,321	47%	383	1%	28,432	100%
Taxes	-	0%	-	0%	2,589	100%	-	0%	2,589	100%
Depreciation	734	18%	1,713	41%	1,458	35%	289	7%	4,194	100%
Provisions for contingencies & liabilities	-	0%	-	0%	-	0%	-	0%	-	0%
Other costs	-	0%	-	0%	-	0%	716	100%	716	100%
Total	12,695	18%	28,126	40%	27,923	40%	1,690	2%	70,434	100%

(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%

Staff costs are detailed in Note 22.

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

(thousand euros)		
	2016	2015
Electricity and water	510	471
Fuel	202	212
Office material, stationery, etc.	95	125
Gift articles	355	508
Office equipment & property maintenance	235	231
Hardware maintenance	2,070	1,723
Rents	1,997	1,998
Operational rental of vehicles & other rentals	940	978
Travel & entertainment costs	694	878
Telephone communications and networks	228	344
Post	1,772	1,623
Insurance	111	104
Retainers & fees	204	204
Advertising & marketing	906	1,048
Cleaning, hygiene and comfort	346	393
Surveillance and security	216	222
Outsourcing, consultancy & specialised work	14,055	4,088
Software services & development	2,248	2,048
Subscriptions to APS	240	218
Premium collection	479	480
Broker training	171	163
Temporary work	42	122
Other sundry supplies & services	316	299
Total	28,432	18,480

The breakdown of Taxes and charges is as follows:

(thousand euros)		
	2016	2015
VAT borne	5	22
ASF charge	826	775
FAT charge	886	841
Municipal property tax	31	31
Fee for the General Secretariat of the MAI (Home Affairs)	709	644
Portuguese Green Card Office charge	55	54
Other taxes, fees and licenses	77	45
Total	2,589	2,412

The breakdown of the Amortisation charges is as follows:

(thousand euros)		
	2016	2015
Software development costs	1,873	9,574
Software	124	1,022
Other intangible assets	311	311
IT Hardware	667	690
Owner-occupied properties	503	498
Office equipment & machines	207	221
Indoor facilities	53	53
Leasing	-	27
Other equipment	456	515
Total	4,194	12,911

In 2015 the Company carried out a thorough review of its policy for the capitalisation of IT costs 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 in 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)		
	2016	2015
Interest on reinsurers' deposits	-	2
Interest on financial leases	-	2
Securities' custody & management and other commissions	716	376
Total	716	380

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

(thousand euros)		
	2016	2015
Acquisition costs		
Brokerage remuneration	38,588	35,662
Costs imputed	28,126	27,321
Other acquisition costs	6,507	6,254
Deferred acquisition costs (change)	-592	-80
Administrative costs		
Brokerage remuneration	1,965	1,793
Costs imputed	27,923	30,118
Reinsurance commissions & profit-sharing	-8,118	-7,375
Total	94,399	93,693

NOTE 22 - STAFF COSTS

The figures in this note should be interpreted taking into account the financial reporting constraints referred to in Note 1.

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

	2016	2015
Senior managers	25	20
Managers	73	78
Co-ordinators	109	130
Technicians	168	170
Specialists	255	263
Ancillary staff	5	5
Total	635	666

After the merger on December 30, 2016, the number mentioned above came to be 1,270 employees.

Staff costs are detailed as follows:

	(thousand euros)	
	2016	2015
Remuneration - Corporate officers	1,838	1,364
Remuneration - Personnel	25,332	25,054
Charges on remuneration - Corporate officers	346	186
Charges on remuneration - Personnel	5,431	5,435
Post-employment benefits - Defined-benefit pension plans	-2,937	1,270
Termination of employment benefits	1,906	-
Mandatory insurance	1,368	1,169
Social welfare costs	924	837
Training	173	225
Other staff costs	122	146
Total	34,503	35,686

In 2016 Staff costs include a cost in respect of individual retirement plans amounting to €665k, of which €367k relate to the corporate bodies.

As at December 31, 2016 & 2015, 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 2016 by the outgoing Statutory Auditor within the scope of the legal audit of the 2015 accounts amounted to €275k.

The fees billed and to be billed by KPMG e Associados, SROC, S.A., statutory auditor of the Company, for 2016 amount to €300k, of which €255k relate to the statutory audit of the accounts and €45k to other reliability-guarantee services. It should be noted that these figures include fees in respect of all the merged entities.

NOTE 23 - OBLIGATIONS INVOLVING EMPLOYEE BENEFITS

The figures in this note should be interpreted taking into account the financial reporting constraints referred to in Note 1.

Retirement pensions and health benefits

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

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

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

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

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

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

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

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

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

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

Additionally, the Company curtailed the directors' defined-benefit pension plan that it had up until December 31, 2015. In the course of 2016 the renunciation of the plan in force was agreed between the Associate (Tranquilidade) and the participants and beneficiaries with vested rights. These participants agreed to the transfer the amount of the funded liabilities in the pension fund, on the date of the renunciation, to subscription to an open defined-contribution pension fund. For pensioners with pensions payable, the liability is covered through the purchase of annuities, ensuring future payments.

The actuarial valuation of the retirement pensions and health benefits is performed annually at the Company, the most recent one with reference to December 31, 2016.

The main assumptions considered in the actuarial studies as at December 31, 2016 & 2015, used to determine the updated value of the liabilities for employee pensions and health benefits are as follows:

	2016	2015
Financial Assumptions		
Wage growth rates	0.25%	0.50%
Pension growth rate	0.25%	0.50%
Early-retirement pension growth rate	0.25%	0.50%
Discount rate	0.75%	1.5% e 2.5% (*)
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.

The main assumptions considered in the actuarial studies as at December 31, 2016, used to determine the updated value of the liabilities of the Açoreana Seguros Pension Fund for employee pensions and health benefits are as follows:

	2016
Financial Assumptions	
Wage growth rates	0.25%
Pension growth rate	0.25%
Discount rate	1.75%
Demographic Assumptions and Valuation Methods	
Mortality table	
Men	GKF 95
Women	GKF 95
Disability table	Suisse Re 2001
Actuarial valuation method	Project Unit Credit Method

In accordance with the accounting policy described in Note 3, the discount rate used to estimate retirement pension and health benefit liabilities is the market rate on the reporting date associated with high-rating corporate bonds having maturities similar to those of the liabilities.

As at 31 December 2016 & 2015, the number of participants covered by the defined-benefit plan was as follows:

	2016	2015
In service	92	2
Pensioners	319	185
Total	411	187

As at December 31, 2016 & 2015, the Company's liabilities for past services, according to actuarial studies carried out, as well as the funds and provisions available for the coverage thereof amounted to:

(thousand euros)

	2016			2015		
	Retirement Pensions	Health Benefits	Total	Retirement Pensions	Health Benefits	Total
Net Assets/ (Liabilities) in the Balance Sheet						
Liabilities as at December 31	-54,003	-770	-54,773	-43,107	-706	-43,813
Balance of the fund as at December 31	51,048	-	51,048	32,452	-	32,452
Net Assets/ (Liabilities) in the Balance Sheet as at December 31	-2,955	-770	-3,725	-10,655	-706	-11,361

In 2016, besides the amount of €3,725k, Liabilities for post-employment benefits and other long-term benefits also includes length-of-service bonus liabilities in the amount of €766k, thus totalling €4,491k

Additionally, the Company transferred part of its retirement-pension liabilities through the acquisition of life insurance policies from T-Vida, Companhia de Seguros, SA, the entity merged on December 30, 2016.

The number of employees covered by these policies amounted to 303 (2015: 327), and the total amount of the liability amounts to €6,356k (2015: €9,906k).

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

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

As at December 31, 2016 & 2015, the Company's liabilities for pensions payable were fully funded.

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 (Pension Fund of the Tranquilidade Group) and 10 years (Açoreana Seguros Pension Fund).

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

(thousand euros)

	2016			2015		
	Retirement Pensions	Health Benefits	Total	Retirement Pensions	Health Benefits	Total
Liabilities as at January 1	43,106	706	43,812	41,135	767	41,902
Transfers to other pension funds	-	-	-	-232	-	-232
Cost of current service	186	27	213	383	27	410
Interest cost	557	-	557	881	-	881
Asset cost accepted in 2015	-	-	-	689	-	689
Actuarial (gains) and losses on liabilities	-962	-77	-1,039	4,090	1	4,091
Pensions paid by the fund	-3,162	-	-3,162	-3,839	-	-3,839
Benefits paid by the Company	-	-79	-79	-	-89	-89
Curtailment	-3,271	-	-3,271	-	-	-
Merger effect	17,549	193	17,742	-	-	-
Liabilities as at December 31	54,003	770	54,773	43,107	706	43,813

The evolution of the value of the pension fund in 2016 & 2015 is as follows:

(thousand euros)

	2016			2015		
	Retirement Pensions	Health Benefits	Total	Retirement Pensions	Health Benefits	Total
Balance of the Fund as at January 1	32,452	-	32,452	33,533	-	33,533
Real return of the fund						
Interest income	436	-	436	710	-	710
Actuarial gains & losses	3,129	-	3,129	2,280	-	2,280
Contributions paid by the fund's participants	-	-	-	-	-	-
Pensions paid by the fund	-3,162	-	-3,162	-3,839	-	-3,839
Transfers to other pension funds	-	-	-	-232	-	-232
Merger effect	18,193	-	18,193	-	-	-
Balance of the fund as at December 31	51,048	-	51,048	32,452	-	32,452

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

(thousand euros)

	2016			2015		
	Retirement Pensions	Health Benefits	Total	Retirement Pensions	Health Benefits	Total
Deviations Recognised in Reserves as at January 1	1,126	685	1,811	17,830	684	18,514
Actuarial (gains) & losses						
- on liabilities	-962	-77	-1,039	4,090	1	4,091
- on the plan's assets	-3,129	-	-3,129	-2,280	-	-2,280
Use of reserves for share capital reduction	-	-	-	-18,514	-	-18,514
Merger effect	2,119	-	2,119	-	-	-
Deviations Recognised in Reserves as at December 31	-846	608	-238	1,126	685	1,811

The above balance does not take into account the amount of €527k in respect of contributions to the Defined Contribution Plan, which was made by partial transfer of the surplus in the Defined Benefit Plan.

The evolution of assets receivable/ liabilities deliverable in 2016 and 2015 is as follows:

(thousand euros)

	2016			2015		
	Retirement Pensions	Health Benefits	Total	Retirement Pensions	Health Benefits	Total
(Assets)/ Liabilities Receivable or Payable as at January 1	10,655	706	11,361	7,602	767	8,369
Actuarial gains & losses on liabilities	-962	-77	-1,039	4,090	1	4,091
Actuarial gains & losses of the funds	-3,129	-	-3,129	-2,280	-	-2,280
Charges for the year:						
- Cost of current service	186	27	213	383	27	410
- Net interest costs in the balance of the cover of liabilities	121	-	121	171	-	171
- Asset cost accepted in 2015	-	-	-	689	-	689
Contributions made in the period and pensions paid by the Company	-	-79	-79	-	-89	-89
Curtailement	-3,271	-	-3,271	-	-	-
Merger effect	-644	193	-451	-232	-	-232
(Assets)/ Liabilities Receivable or Payable as at December 31	2,955	770	3,725	10,423	706	11,129

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

(thousand euros)

	2016			2015		
	Retirement Pensions	Health Benefits	Total	Retirement Pensions	Health Benefits	Total
Cost of current service		27	213	383	27	410
Net interest costs in the balance of the cover of liabilities		-	121	171	-	171
Asset cost accepted in 2015		-	-	689	-	689
Curtailement		-	-3,271	-	-	-
Costs for the Period	-2,964	27	-2,937	1,243	27	1,270

Bearing in mind that two funds coexist as at December 31, 2016, the total assets of the pension fund are reported separately, as per the two tables.

The values of assets disclosed hereunder represent the whole of the assets of the Pension Fund of the Tranquilidade Group and of GNB Seguros Vida, of which the Company holds about 58.7% (2015: 64.7%), and can be broken down as follows:

(thousand euros)

	2016	2015
Equities & other floating-rate securities	3,495	4,535
Fixed-income securities	35,674	31,451
Real estate	14,969	10,841
Liquidity	1,774	1,976
Other assets	676	1,392
	56,588	50,195

As at December 29, 2016, Açoreana Seguros cancelled collective subscription n° 2 to the Banif Open-end Companies Welfare Pension Fund, FP, and set up on December 29, 2016, the Açoreana Seguros Pension Fund, a closed-end fund, retroacting its effects to January 1, 2012.

This Fund is an Autonomous Asset allocated solely to the implementation of the three Pension Plans provided for in the Pension Fund Contract (two Defined Benefit Plans and one Defined Contribution Plan) and the breakdown of their assets is as follows:

(thousand euros)

	2016
Equities & other floating-rate securities	3,637
Fixed-income securities	13,776
Real estate	2,803
Liquidity	656
Other assets	2,393
	23,265

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

	(thousand euros)			
	2016		2015	
	+25 p.p.	-25 p.p.	+25 p.p.	-25 p.p.
Change of the discount rate of the liabilities	- 604	632	- 790	838
Change in the evolution of the pensions	562	- 539	609	- 586

NOTE 24 - CORPORATION TAX

The figures in this note should be interpreted taking into account the financial reporting constraints referred to in Note 1.

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

Calculation of the current tax for 2016 & 2015 has been made on the basis of the nominal tax rate and of the sundry rungs of the municipal surcharge, totalling 22.5% and 25.5% respectively, which correspond to the nominal rates approved on the reporting date.

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

Subsequent years are subject to inspection and possible adjustment by the Tax Authority during a period of four 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 Company's Board of Directors no significant correction to the accompanying financial statements in respect of the years referred to above is to be expected.

In the following situations of tax benefits not accepted by the tax authority, despite the company having a different interpretation and the fact that as at December 31, 2016, claims have been filed and are under judicial review, the respective tax assessments payable have been settled by the Company in the meantime:

- Tax deferral 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 entities merged into the company presented a tax loss for the fiscal years described, as follows:

(thousand euros)					
Year	Brought Forward	Used	Unrecognized	Carried Forward	Last Year for Use
2012	3,009	-	3,009	-	2017
2013	2,404	-	2,404	-	2018
2014	116,568	272	-	116,296	2026
2015	2,668	360	-	2,308	2027
2016	85,855	-	-	85,855	2028
Total	210,504	632	5,413	204,459	

For the purpose of deferred tax and determination of the base value of temporary differences, the Company performed a recoverability test of the total of the tax losses of the four merged entities vis-à-vis the business plan approved by the management bodies, now prepared for the merged company, and the resultant taxable profits expected.

This analysis resulted in non-recognition of losses in respect of 2012 and 2013, generated by the merged company LOGO Seguros, S.A., totalling about €5.4 million which, though they have not yet reached the limit-year for use, were not considered in the determination of deferred tax, bearing in mind the expectations of taxable profit of the said business plan.

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

By virtue of the merger that took place, the tax losses of the merged entities, with the exception of those relating to the incorporating entity, are subject to an annual deduction limitation corresponding to the ratio between the respective equity of each and of the last period ended before the merger and the whole of the equity of all the entities involved in the merger during the same period.

In respect of the 2015 tax losses of the merged entity Açoreana Seguros, S.A., taking into account the change of ownership of more than 50% of the share capital in 2016 and the limitation to the deduction of tax losses enshrined in paragraph 8 of the Corporation Tax (IRC) Code, the Company decided not to recognise in its accounts the deferred tax asset arising from losses carried forward in the amount of €4,816k, which could be used during the 12 fiscal years next following.

The merged entity, Açoreana Seguros, S.A., delivered in 2016, 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 2016 and 2015 is as follows:

(thousand euros)

	2016		2015	
	Current Tax Assets	Current Tax Liabilities	Current Tax Assets	Current Tax Liabilities
Corporation tax	145	285	37	8,408
Tax withheld at source	4	2,032	2	803
Value added tax	60	527	60	38
Other taxes & levies	334	12,201	270	6,047
Social security contributions	185	1,795	384	448
Local authority taxes	-	95	-	95
Total	728	16,935	753	15,839

As at December 31, 2015, current tax liabilities – Corporation tax includes the amount of €7,134k relating to a liability 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.

In 2016 the Company subscribed to the Special Plan to Reduce Debt to the State (PERES), under which the Company settled the amounts owed, the interest calculated up to the moment of payment having been pardoned.

Bearing in mind the restrictions of the accounting standards on recording assets, in 2016 the Company booked under Other non-technical expenses (Note 20) the amounts paid i) to the tax authority in the sum of €5,453k for taxes paid within the scope of the merger process and of the respective inclusion real-estate assets and other tangible assets, in respect of which an application for exemption was submitted, and ii) to Social Security in the sum of €631k in respect of contribution differences encountered in respect of past years, settlement of which is being claimed in court.

In both situations, if the orders of the entities concerned are favourable to the Company, the reimbursement of the said amounts will constitute income of a like amount.

The breakdown of the net amount of deferred tax assets and liabilities recognised in the 2016 and 2015 balance sheets is as follows:

(thousand euros)

Headings	Assets		Liabilities		Net	
	2016	2015	2016	2015	2016	2015
	Investments	22,578	5,561	-	-	22,578
Post-employment benefits	315	62	-	-	315	62
Doubtful debt provision	2,180	52	-	-	2,180	52
Tax losses	42,936	-	-	-	42,936	-
Properties	-	1,412	-969	-	-969	1,412
Value in force	4,351	-	-	-	4,351	-
Technical provisions	17,672	-	-	-	17,672	-
Other temporary differences	2,833	1,898	-	-	2,833	1,898
Total	92,865	8,985	-969	-	91,896	8,985

In 2016, caused by the merger of Açoreana Seguros, S.A., a deferred tax asset of €14,462k has been recognised, arising from the impairments (available-for-sale assets) or potential losses (financial assets classified at initial recognition at fair value through profit or loss) related to the holding in BANIF, S.A..

Recognition of the said asset stems from the fact that it can be expected that these losses will count for the purpose of determining the taxable profit when they are effectively realised, notably through the liquidation of BANIF, S.A., under the terms of article 81(1) of the IRC Code.

As at December 31, 2016, Other temporary differences include about €736k (2015: €1,326k) relating to the extraordinary amortisation of intangible assets, which will only be accepted for tax purposes in future years.

On December 31, 2016, and on the basis of i) the rates in force after January 1, 2017, and ii) the expectation of conversion into costs and income accepted for tax purposes and the perspective of tax loss or profit in each future fiscal year, the Company changed the rate (base rate and surcharges) used in the calculation of deferred taxes from 25.5% to 24.7% and 21%, depending on the specific situations associated with temporary differences (reduction of approximately €930k).

Current and deferred taxes in 2016 & 2015 were recognised as follows:

(thousand euros)

2016	Fair-Value Reserve	Gains & Losses	Merger Effect	Total
Current Tax	-	-618	-	-618
Corporation tax estimate	-	-30	-	-30
Autonomous tax	-	-588	-	-588
Deferred Tax	-2,391	20,710	64,592	82,911
Investments	-2,391	-1,159	20,567	17,017
Post-employment benefits	-	24	229	253
Doubtful debt provision	-	1,328	800	2,128
Tax losses	-	24,422	18,514	42,936
Properties held for sale	-	-2,843	462	-2,381
Value in force	-	-	4,351	4,351
Technical provisions	-	-	17,672	17,672
Other temporary differences	-	-1,062	1,997	935
Total	-2,391	20,092	64,592	82,293

(thousand euros)

2015	Fair-Value Reserve	Fair-Value Reserve	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

Reconciliation of the effective tax rate is as follows:

	(thousand euros)	
	2016	2015
Pre-tax income	9,759	29,275
Nominal tax rate	22.5%	25.5%
Tax Determined on the Basis of the Official Rate	-2,196	-7,465
Impairments and provisions not accepted for tax purposes	-290	-1,227
Tax losses generated not carried forward	24,422	-
Other income & costs excluded from taxation	-2,410	-1,271
Autonomous tax	-588	-852
Dividends excluded from taxation	1,312	2,006
Tax benefits	113	135
Differences in capital gains accepted for tax purposes	-271	8,763
Tax Recognised in Profit or Loss	20,092	89
Effective Tax Rate	-205.9%	-0.3%

In 2015, differences in 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 figures in this note should be interpreted taking into account the financial reporting constraints referred to in Note 1.

The Company's share capital as at December 31, 2014, in the amount of €160 million, was reduced in full during 2015 by the coverage of the whole of the negative retained earnings and free reserves and by part of the legal reserves.

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 had been paid up as at December 31, 2015, 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.

In 2016, the shareholder conducted several operations to increase and to repay ancillary capital contributions, the net amount of these movements reflected in a reimbursement of €32.9 million and, on December 31, 2016, ancillary capital contributions amount to €27.1 million, which do not bear interest and whose reimbursement conditions are determined by applicable law.

During 2016 there was also an increase of the share capital in the sum of €140 million, of which €71.4 million were paid up.

As at December 31, 2016, the share capital amounted to €182 million, represented by 182 million shares each of a par value of €1, of which €84 million had been paid up by its sole shareholder, Calm Eagle Holdings S.à.r.l. The share capital not paid up shall be paid up within 5 years as from December 30, 2016, and may be paid up in advance by means of a reasoned request of the Board of Directors to the effect.

The 2015 and 2016 results were appropriated in 2014 and 2015, respectively, taking into account the financial-information presentation constraints referred to in Note 1 as indicated:

	(thousand euros)	
	2016	2015
Retained earnings	26,428	-188,265
Dividend payment	-	-
Legal reserve	2,936	-
	29,364	-188,265

NOTE 26 - RESERVES

The figures in this note should be interpreted taking into account the financial reporting constraints referred to in Note 1.

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 share 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 and 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

In keeping with IAS 19 - Employee Benefits, the Company recognises actuarial gains against reserves.

The breakdown of the reserves as at December 31, 2016 & 2015, is as follows:

(thousand euros)		
	2016	2015
Fair value of financial assets reserve	6,054	-1,278
Deferred tax reserve	-2,137	405
Other reserves	39,427	34,441
- Legal reserve	39,188	36,252
- Actuarial deviations reserve	239	-1,811
- Free reserves	-	-
Reserves	43,344	33,568

The description of the movements of each reserve under equity is set out in the statement of changes in equity presented at the beginning of the notes to the accounts together 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)		
	2016	2015
Fixed-income securities	161	-6,157
Floating-rate securities	7,463	4,879
Shadow accounting	-1,570	-
Fair-value Reserves	6,054	-1,278

The breakdown of the net fair value reserve as at December 31, 2016 & 2015, is as follows:

(thousand euros)		
	2016	2015
Amortised cost of available-for-sale investments (without accrued interest)	1,450,140	366,819
Impairment	-4,653	-5,753
Amortised/ acquisition cost net of impairment	1,445,487	361,066
Fair value of available-for-sale investments (without accrued interest)	1,453,111	359,788
Gross revaluation reserve (fair value - cost)	7,624	-1,278
Deferred & current taxes	-2,137	405
Shadow accounting	-1,570	-
Revaluation Reserve Net of Taxes	3,917	-873

Movement under the net fair value reserve during 2016 and 2015 is as follows:

(thousand euros)		
	2016	2015
Balance as at January 1	-873	3,935
Changes in fair value, including variations on disposal	9,914	-4,066
Impairment recognised during the year	1,100	-2,386
Variation of deferred taxes recognised during the year	-2,391	1,644
Merger effect	-3,833	-
Balance as at December 31	3,917	-873

NOTE 27 - EARNINGS PER SHARE

The figures in this note should be interpreted taking into account the financial reporting constraints referred to in Note 1.

Earnings per share in 2016 and 2015 are as follows:

	2016	2015
Net income for the period (in thousands of euros)	29,851	29,364
Number of shares (year-end)	182,000,000	42,000,000
Earnings per Share (in euros)	0.16	0.70

NOTE 28 - DIVIDEND PER SHARE

The figures in this note should be interpreted taking into account the financial reporting constraints referred to in Note 1.

As at December 31, 2016, the Company's sole shareholder was the company Calm Eagle Holdings S.à.r.l., owned by the Apollo Group, to which no dividends were paid in 2016 and 2015, resulting in the following dividends per share:

	2016	2015
Dividend (in euro '000s)	-	-
Number of shares (beginning of the period)	42,000,000	32,000,000
Dividends per Share (in euros)	-	-

NOTE 29 - TRANSACTIONS BETWEEN RELATED PARTIES

The figures in this note should be interpreted taking into account the financial reporting constraints referred to in Note 1.

On January 15, 2015, the Apollo Group, via the firm Calm Eagle Holdings, S.à.r.l., acquired the whole of the Company's share capital, this acquisition having warranted prior approval of the ASF. Thus, as at December 31, 2016, all its subsidiaries and other entities that are part of the Apollo Group are considered to be related entities of the Company.

The relationships between related entities cover several business areas, the most relevant services and operations, stratified by type of entity, being:

- Subsidiaries (reinsurance, claims management and consultancy);
- Associates (reinsurance and consulting);
- Other related entities (management of health insurance, Life and Non-life insurance, consultancy and medical services).

As at December 31, 2016 & 2015, the overall amount of the Company's assets and liabilities that refer to transactions with associate and related companies can be summarised as follows:

(thousand euros)

	2016				2015			
	Assets	Liabilities	Costs	Income	Assets	Liabilities	Costs	Income
ADVANCECARE	2,019	538	3,231	193	402	595	3,848	52
ADV HEALTH INTERNATIONAL	900	-	-	-	900	-	-	-
APOLLO MANAGEMENT HOLDINGS LLP	-	-	317	-	-	-	-	-
APOLLO MANAGEMENT INTERNATIONAL	-	-	568	-	-	-	131	-
APOLLO MANAGEMENT VIII, LP	-	-	500	-	-	-	159	-
CALM EAGLE HOLDINGS SARL	6,326	-	-	-	-	-	-	-
CORPUS CHRISTI	2,222	-	-	-	1,250	-	-	-
E.S. CONTACT CENTER (*)	-	-	-	-	969	1	56	66
ESUMÉDICA	32	8	750	-	32	3	840	30
EUROP ASSISTANCE	1,410	158	-	1,833	1,436	-	-	2,021
GNB SEGUROS	7	-	-	1,375	13	-	-	2,122
CRIA	-	112	-	-	-	-	-	-
GIGA	-	1	-	-	-	-	-	-
IMOCRESCENTE	3,125	-	-	-	3,050	-	-	-
LOGO (**)	-	-	-	-	28	804	2,119	-703
T-VIDA (**)	-	-	-	-	223	37	-	3,800
TRQ ANGOLA	10,807	-	3,304	6,185	6,196	-	1,049	4,793
TRQ MOÇAMBIQUE NÃO VIDA	1,587	-	302	613	1,234	-	300	730
TRQ MOÇAMBIQUE VIDA	343	-	-	-	311	-	-	-
	28,778	817	8,972	10,199	16,044	1,440	8,503	12,911

* Entity sold in 2016.

** Merged entities.

During 2015 an impairment and write-off of debts of subsidiary Tranquilidade – Corporação Angolana de Seguros, S.A., were recorded (€7.2 million). During 2016 the impairment on these debts was increased by €0.6 million.

With regard to other employee benefits, see the information disclosed in note 22.

As at December 31, 2015 & 2016, a cost was recorded in respect of civil liability insurance for the duties of the Board of Directors in the amount of €200k, in both years.

NOTE 30 - STATEMENT OF CASH FLOWS

The figures in this note should be interpreted taking into account the financial reporting constraints referred to in Note 1.

The statement of cash flows drawn up from an indirect standpoint of the source and application of funds, taking into account the presentation of financial-information constraints referred to in Note 1, is presented at the beginning of the notes to the accounts, together with the other financial statements.

NOTE 31 - COMMITMENTS

The figures in this note should be interpreted taking into account the financial reporting constraints referred to in Note 1.

As previously mentioned in notes 9 and 13, in December 2016 two promissory purchase and sale agreements were concluded for the sale of most of the properties held by the Company and by the Company's Pension Fund, as well as the real-estate funds held by the Company, namely Imoprime and Imocrescente.

Under the agreement the Company entered into a commitment and guarantee of payment of compensation not exceeding 15% of the price of the real-estate portfolio sold, in the event of disagreements as to the representations and warranties provided by the Company, of which the following are underscored: (i) absence of structural or construction defects, (ii) licensing of the properties, (iii) absence of disputes, debts or commitments to third parties, and (iv) ownership of the properties sold. As at December 31, 2016, this possible contingency can amount to a maximum of €18,743k.

The Company also 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, the entire process being contingent upon prior authorisation by the competent Angolan authorities.

The company has operating lease agreements relating to transport material and, up until December 31, 2015, financial lease agreements for the acquisition of IT hardware and transport material.

The contractual commitments expressed in the balance sheet in respect of finance lease contracts are as follows:

(thousand euros)

	2016	2015
Tangible assets (gross value)	11,171	11,332
Accumulated depreciation	-11,171	-11,314
Tangible assets (Net Value)	-	18
Creditors - Suppliers of Goods	-	23

The maturity of the outstanding operational-lease instalments is as follows.

(thousand euros)

	Up to 3 Months	4 to 12 Months	>1 to 5 Years
Operating lease contracts	394	960	1,148

NOTE 32 - MERGER

Since the Company is the result of the merger by incorporation of entities effective as from December 30, 2016, all financial information set out in the financial statements and presented in the following Notes corresponds to the merged balance sheet of all the entities, and the gains and losses are in respect only of the acquiring entity, that is, Companhia de Seguros Tranquilidade, S.A., in accordance with accounting standards.

The merged balance sheet broken down by the balance sheets of the entities targeted by the operation carried out, as well as an indication of the adjustments made during the merger, effective December 30, 2016, and segmented by the most significant balance sheet items:

(thousand euros)

Headings	Tranquilidade	Merger Effect (inclusion of LOGO balances)	Merger Effect (inclusion of T-Vida balances)	Merger Effect (inclusion of Açoreana balances)	Merger Effect (Adjustments)	Merger Effect (Total)	Seguradoras Unidas
Cash, deposits, financial assets and investments	621,463	17,589	376,290	763,639	-194,584	962,934	1,584,397
Land & buildings, other tangible and intangible assets	13,977	1,167	6,815	76,702	68,999	153,683	167,660
Technical provisions for reinsurance ceded	55,187	2,088	2,540	21,472	-2,089	24,011	79,198
Other debtors and assets for post-employment benefits	58,013	2,260	2,076	36,213	-6,972	33,577	91,590
Tax assets	28,254	682	5,558	41,645	16,485	64,370	92,624
Accruals & deferrals and other assets	1,753	149	132,248	324		132,721	134,474
Non-current assets held for sale	60,825						60,825
Total Assets	839,472	23,935	525,527	939,995	-118,161	1,371,296	2,210,768
Technical provisions	524,502	18,901	316,671	831,749	65,910	1,233,231	1,757,733
Financial liabilities	1,186		151,626	20,100		171,726	172,912
Other creditors and liabilities for post-employment benefits	65,074	651	1,871	20,033	-22,225	330	65,404
Tax liabilities	8,597	408	252	8,101	-423	8,338	16,935
Accruals & deferrals, other provisions and other liabilities	23,442	534	3,447	11,463		15,444	38,886
Total Liabilities	622,801	20,494	473,867	891,446	43,262	1,429,069	2,051,870
Share capital	84,000	20,000	65,000	62,937	-147,937		84,000
Other capital instruments	27,097	21,750		51,000	-72,750		27,097
Revaluation reserves	9,736	17	3,796	29,469	-36,964	-3,682	6,054
Deferred tax reserve	-1,986	-4	-969	-7,073	7,895	-151	-2,137
Other reserves	41,545	4	3,396	4,767	-10,285	-2,118	39,427
Retained earnings	26,428	-36,691	242	-30,833	15,460	-51,822	-25,394
Net income for the period	29,851	-1,635	-19,805	-61,718	83,158		29,851
Total Equity	216,671	3,441	51,660	48,549	-161,423	-57,773	158,898
Total Liabilities & Equity	839,472	23,935	525,527	939,995	-118,161	1,371,296	2,210,768

(thousand euros)

The accounting integration procedures of the merger operation consisted of a broad range of movements essentially entailing cancellation of financial holdings, elimination of intra-group balances, reclassification of balances with a view to framing harmonisation, transfer of the results of the companies incorporated to retained earnings and determination of the goodwill of the acquired entity that was not previously controlled.

The share capital increases at Açoreana Seguros, S.A., in the amount of €61,300k (including €27,000k of share capital not paid up), as well as the ancillary capital contributions in the sum of €51,000k granted in 2016, were eliminated as part of the merger.

NOTE 33 – BUSINESS COMBINATIONS

In order to increase market share and capture synergies, on August 5, 2016, Companhia da Seguros Tranquilidade, S.A., acquired the whole of Açoreana Seguros, S.A., which, with date effect of December 30, 2016, was merged with Companhia de Seguros Tranquilidade, S.A., itself, T-Vida, Companhia de Seguros, S.A., and Seguros LOGO, S.A., into what is now Seguradoras Unidas, S.A..

In accordance with IFRS 3 – Business Combinations, and due to the positive difference between the cost of acquisition of Açoreana Seguros, S.A., and the allocation of the fair value attributable to the assets and liabilities as of the date of acquisition, goodwill was generated in the sum of €65,981k:

	Carrying Amount	Fair Value	Adjustment
Financial assets classified on initial recognition at fair value through profit or loss	12,392	12,392	-
Available-for-sale assets	689,118	689,168	50
Land & buildings - Owner occupied	33,691	33,691	-
Land & buildings held for income	40,327	40,327	-
Assets for post-employment benefits	2,478	2,478	-
Tangible assets	1,360	1,360	-
Intangible assets	3,304	8,896	5,592
Deferred tax assets	34,907	52,284	17,377
Other assets	77,025	77,025	-
Assets	894,603	917,622	23,019
Technical provisions	808,935	908,688	99,753
Subordinated liabilities	8,540	8,540	-
Other liabilities	58,641	58,569	-72
Liabilities	876,116	975,797	99,681
Equity	18,487	-58,175	-76,662
Non-controlling interests*	682	682	-
Attributable Equity	17,805	-58,857	-76,662
Acquisition cost		7,124	
Goodwill		65,981	

* Minorities of GIGA – Grupo Integrado de Gestão de Acidentes, S.A. and CRIA – Centro de Reabilitação Integrada de Acidentes, S.A., held by Açoreana.

The goodwill determined was essentially due to the booking at fair value of the financial mathematical reserves for Workers' Compensation and Life, through the discount of the estimated cash flows of these liabilities at the curve determined by the European Insurance and Occupational Pensions ("EIOPA") with volatility adjustment, as defined by the Solvency II requirements.

The accounting of this asset (goodwill) is based on capturing synergies arising from the increase of the size of the Company, as well as on the operational merger of Açoreana Seguros, S.A., with Seguradoras Unidas, S.A..

The variation of €17,377k under deferred taxes corresponds to the tax component resulting from adjustments made to the fair value. Other assets primarily includes assets at amortised cost net of impairment. For these items it was considered that the net carrying amount was the best estimate of the fair value considering their maturity and recoverability, as follows:

(thousand euros)

	Gross Amount	Impairment	Net Amount
Cash and banks	8,895	-	8,895
Receivables for direct insurance operations	39,729	-6,134	33,595
Accounts receivable for other reinsurance operations	4,943	-1,059	3,884
Receivables from other operations	18,180	-15,679	2,501
Loans & receivables	1,306	-	1,306
Technical provisions for reinsurance ceded	23,877	-	23,877
Current tax assets	992	-	992
Other	1,974	-	1,974
Total Other Assets	99,897	-22,872	77,025

It should be noted that within the scope of this transaction, €28,637k were incorporated by means of a share capital increase, in respect of the subordinated debt held by previous shareholders of Açoreana Seguros, S.A..

The said acquisition cost is primarily broken down into: (i) €3.6 million paid in cash; (ii) €3.3 million through the issue of a note maturing in July 2018 with a remuneration rate of 5%.

NOTE 34 - EVENTS AFTER THE REPORTING DATE NOT DESCRIBED IN PREVIOUS POINTS

On February 24, 2017, after the close of the 2016 accounts, the conveyance deeds were signed in respect of most of the buildings related to the two promissory purchase and sale agreements referred to in notes 9 and 11, having generated a book gain of €11,878k, which relates mainly to the impact of the sale of the owner-occupied building (head-office building).

The Income properties were valued in 2016 at the amounts described in the promissory purchase and sale agreements, less possible selling costs, wherefore the impact of the sale had already been recognised in the 2016 financial statements.

NOTE 35 – OTHER INFORMATION

RECENTLY-ISSUED STANDARDS AND INTERPRETATIONS

Recently-issued accounting standards and interpretations that have recently come into force and that the Company has applied in the preparation of its financial statements are as follows:

IAS 19 (Amendment) - Defined benefit plans: Employee contributions

On November 21, 2013, the IASB issued the above amendment with effective application (retrospective) for periods beginning on or after January 1, 2014. This amendment was adopted by European Commission Regulation n° 29/2015 of December 17, 2014 (setting the entry into force at the latest as from the start date of the first financial period on or after February 1, 2015).

The amendment clarifies guidance where what is at issue are contributions made by employees or by third parties, relating to the services, requiring the entity to make such contributions in accordance with paragraph 70 of IAS 19 (2011). Thus, such contributions are allocated using the contribution formula of the plan or on a straight-line basis.

The change reduces the complexity by introducing a simple form that allows an entity to recognise contributions made by employees or by third parties, relating to the service, that are independent of the number of years of service (such as a percentage of the salary), as a reduction of the cost of the services in the period in which the service is rendered.

The Company had no impact from the application of this amendment to its financial statements.

Improvements to the IFRS (2010-2012)

The 2010-2012 cycle of annual improvements issued by the IASB on December 12, 2013, introduced alterations, with effective date of application for periods beginning on or after July 1, 2014, to IFRS 2, IFRS 3, IFRS 8, IFRS 13, IAS 16, IAS 24 and IAS 38. These amendments were adopted by European Commission Regulation n° 28/2015 of December 17, 2014 (setting the entry into force at the latest as from the start date of the first financial period on or after February 1, 2015).

- **IFRS 2 - Definition of vesting condition**

The amendment clarifies the definition of “vesting condition” contained in Appendix A of IFRS 2 - Share-Based Payments, separating the definition of “performance condition” and “service condition” from vesting condition, providing a clearer description of each of the conditions.

- **IFRS 3 - Accounting for contingent consideration in a business combination**

The purpose of the amendment is to clarify certain aspects of the accounting for contingent consideration in a business combination, including classification of contingent consideration, taking into account whether such contingent consideration is a financial instrument or a non-financial asset or liability.

- **IFRS 8 - Operating segments aggregation and reconciliation between the total of the reportable segments' assets and the assets of the company**

The change clarifies the criteria for aggregation and requires an entity to disclose the factors used to identify the reportable segments, when the operating segment has been aggregated. To achieve internal consistency, a reconciliation of the total of the reportable segments' assets to the total assets of an entity needs to be disclosed only when the amounts are regularly provided to the chief operating decision maker.

- **IFRS 13 - Short-term receivables and payables**

The IASB amended the basis of completion in order to clarify that by eliminating AG 79 of IAS 39 the intention was not intended to eliminate the need to determine the present value of a short-term

receivable or payable, the invoice for which was issued without interest, even if the effect is immaterial. It should be noted that paragraph 8 of IAS 8 now allows an entity not to apply accounting policies set out in the IFRS if its impact is immaterial.

- **IAS 16 and IAS 38 - Revaluation model - proportional reformulation of accumulated depreciation or amortisation**

In order to clarify the calculation of accumulated depreciation or amortisation at the date of the revaluation, the IASB amended section 35 of IAS 16 and section 80 of IAS 38 in the sense that: (i) determination of the accumulated depreciation (or amortisation) is not dependent on the selection of valuation technique; and (ii) the accumulated depreciation (or amortisation) is calculated as the difference between the gross amount and the net carrying amount.

- **IAS 24 - Related party transactions - key management personnel services**

To resolve any concerns about identification of the costs of the service of key management personnel (KMP) when these services are provided by an entity (such as an investment fund management entity), the IASB clarified that disclosures of the amounts incurred for KMP services provided by a separate management entity must be disclosed, but it is not necessary to submit the breakdown called for in paragraph 17.

The Company had no impact from the application of this amendment to its financial statements.

Improvements to the IFRS (2012-2014)

The 2012-2014 cycle of annual improvements issued by the IASB on September 25, 2014, introduce alterations, with effective date of application for periods beginning on or after January 1, 2016, to IFRS 5, IFRS 7, IFRS 19 and IAS 34. These amendments were adopted by European Commission Regulation n° (EU) 2343/2015 of December 15, 2015.

- **IFRS 5 - Non-current assets held for sale and discontinued operations changes in the disposal method**

The amendments to IFRS 5 clarify that if an entity reclassifies an asset (or a group in discontinuation) directly from “held for sale” to “held for distribution to owners” (or vice versa) then the change of classification is considered a continuation of the original disposal plan. Therefore, no measurement gain or loss will be booked in the income statement or in the statement of comprehensive income.

- **IFRS 7 - Financial instruments: disclosures: servicing contracts**

The amendments to IFRS 7 clarify – by adding additional application guidance – when servicing contracts constitute continuing involvement for the purposes of the disclosure requirements in paragraph 42 C of IFRS 7.

- **IFRS 7 - Financial instruments: disclosures: applicability of the amendments to IFRS 7 in offsetting financial assets and liabilities for condensed interim financial statements**

This amendment clarifies that the additional disclosures required, which were introduced in December 2011 by the amendments to IFRS 7 - Offsetting financial assets and liabilities, are not required in interim periods after the year of its initial application, unless IAS - 34 Interim Financial Reporting requires such disclosures.

- **IAS 19 - Employee benefits: discount rate: regional market issue**

The amendments to IAS 19 clarify that high-quality corporate bonds used to estimate the discount rate shall be determined considering the same currency in which the benefits will be paid. Consequently, the depth of the high-quality corporate bond market

must be assessed at the level of the currency, rather than at the level of the country. If an active market does not exist, the market rate of government bonds denominated in that currency shall be used.

- **IAS 34 - Interim financial report: disclosure of information “elsewhere in the interim financial report”**

The amendments clarify that “other disclosures” required by paragraph 16A of IAS 34 must be presented either in the interim financial statements or incorporated by cross-reference of the interim financial statements to some other document (such as management comments or a risk report) that is available to users of the financial statements under the same terms as the interim financial statements and at the same time.

The amendments to IAS 34 also clarify that if users of the financial statements do not have access to this information, included by means of the cross-reference, under the same conditions and at the same time, the interim financial report is incomplete.

The Company had no impact from the application of this amendment to its financial statements.

IAS 27: Equity method in separate financial statements

On August 12, 2014, the IASB issued amendments to IAS 27, with effective date of application for periods beginning on or after, January 1, 2016, aiming to introduce an option for the measurement of subsidiaries, associates or joint ventures using the equity method in the separate financial statements. These amendments were adopted by European Commission Regulation n° (EU) 2441/2015 of December 15, 2015.

The Company did not adopt this option in its separate accounts.

Exception to the consolidation (amendments to IFRS 10, IFRS 12 and IAS 28)

On December 18, 2014, and applicable to periods beginning on or after January 1, 2016, the IASB issued amendments to IFRS 10, IFRS 12 and IAS 28 - Investment Entities: Application of the consolidation exception, allowing investment entities to be exempt from consolidation provided certain requirements are met.

These amendments were adopted by European Commission Regulation n° (EU) 1703/2016 of September 22, 2016.

These changes are not applicable to the Company.

Other amendments

The following amendments were also issued by the IASB in 2014, and applicable to periods beginning on or after January 1, 2016:

- Amendments to IAS 16 and IAS 41 - Bearer Plants, (issued on June 30 and adopted by European Commission Regulation n° 2113/2015, of November 23);
- Amendments to IAS 16 and IAS 38 - Clarification of the methods accepted for depreciation and amortisation, (issued on May 12 and adopted by European Commission Regulation n° 2231/2015, of December 2);
- Amendments to IFRS 11 - Accounting of acquisitions of interests in joint ventures (issued on May 6 and adopted by European Commission Regulation n° 2173/2015, of November 24);
- Amendments to IFRS 1 - Disclosure Initiative (issued on December 18 and adopted by European Commission Regulation n° 2406/2015, of December 18);

The Company had no impact from the application of this amendment to its financial statements.

The Company decided not to opt for early application of the following standards and/or interpretations adopted by the European Union

IFRS 9 - Financial instruments (issued in 2009 and amended in 2010 and 2014)

This amendment was adopted by European Commission Regulation n°2067/2016 of November 22, 2016 (setting the entry into force at the latest as from the start date of the first financial period on or after January 1, 2018).

IFRS 9 (2009) introduced new requirements for the classification and measurement of financial assets. IFRS 9 (2010) introduced additional requirements related to financial liabilities. IFRS 9 (2013) introduced the hedge method. IFRS 9 (2014) introduced amendments limited to the classification and measurement contained in IFRS 9 and new requirements for dealing with the impairment of financial assets.

The requirements of IFRS 9 constitute a significant change from the current requirements of IAS 39 in respect of financial assets. The standard contains three categories of measurement of financial assets: amortised cost, fair value with a contra-entry in other comprehensive income (OCI), and fair value with a contra-entry in profit or loss. A financial asset is measured at amortised cost if it is held within the business model whose objective is to hold the asset in order to receive the contractual cash flows and the terms of its cash flows give rise to collections, on specified dates, related only to the nominal amount and interest in force. If the debt instrument is held within a business model that both captures the contractual cash flows of the instrument and also captures them for sales, the measurement will be at fair value with a contra-entry in other comprehensive income (OCI), interest income continuing to affect results.

For an investment in equity instruments that is not held for trading, the standard allows an irrevocable designation, on initial recognition, on an instrument-by-instrument basis, of presentation of the fair-value movements through OCI. No amount recognised in OCI shall be reclassified to profit or loss on any future date. However, dividends generated by such investments are recognised as income in profit or loss rather than OCI, unless they clearly represent partial recovery of the investment cost.

The remaining situations, both in cases in which the financial assets are held within a trading business model and in other instruments whose sole purpose is to receive interest and amortisation of capital, are measured at fair value with a contra-entry in profit or loss. This situation also includes investments in equity instruments, which the entity fails to present the alterations of the fair value in OCI, which are therefore measured at fair value with the alterations recognised in profit or loss.

The standard requires that derivatives embedded in contracts whose master contract is a financial asset within the scope of application of the standard shall not be separated; on the contrary, the hybrid financial instrument is assessed in its entirety, and, if there are embedded derivatives, they will have to be measured at fair value through profit or loss. The standard eliminates the existing categories currently in IAS 39, "held to maturity", "available for sale" and "accounts receivable and payable".

IFRS 9 (2010) introduces a new requirement applicable to financial liabilities designated at fair value, by option, and enforces separation of the change in fair value component attributable to the credit risk of the entity and its presentation in OCI rather than in profit or loss. Except for

this change, IFRS 9 (2010) transposes in general the classification and measurement guidelines contained in IAS 39 for financial liabilities, with no substantial changes.

IFRS 9 (2013) introduced new requirements for hedge accounting that it aligns more closely with risk management. The requirements also establish a greater approach of principles to hedge accounting resolving some weaknesses in contained in the hedge model of IAS 39.

IFRS 9 (2014) establishes a new model for impairment based on "expected losses" that will replace the current model based on "losses incurred" laid down in IAS 39.

Thus, the loss event no longer needs to exist before an impairment is constituted. This new model is intended to accelerate recognition of losses through impairment applicable to debt instruments held, whose measurement is at amortised cost or at fair value, with a contra-entry in OCI.

In the event that the credit risk of a financial asset has not increased significantly since its initial recognition, financial assets will generate a cumulative impairment equal to the expectation of the loss that can be expected over the next 12 months.

In the event that the credit risk increases significantly, the financial asset will generate a cumulative impairment equal to the loss that can be expected up to maturity, thereby increasing the amount of impairment recognised. Once the loss event occurs (today known as "objective evidence of impairment"), the accumulated impairment is directly allocated to the instrument in question, its accounting being similar to that laid down in IAS 39, including the treatment of respective interest.

IFRS 9 will apply on or after January 1, 2018.

Amendments to IFRS 4: Application of IFRS 9 Financial Instruments with IFRS 4: Insurance Contracts (issued September 12, 2016) allows an insurer, meeting certain specified criteria, to make a temporary exception to IFRS 9 and to maintain application of IAS 39 until January 1, 2021.

The Company began a process to evaluate the impacts arising from this standard. Given the nature of the Company's business it can be expected that this standard will have a material impact on the Company's financial statements.

IFRS 15 - Revenue from contracts with customers

On May 28, 2014, the IASB issued IFRS 15 - Revenue from contracts with customers. IFRS 15 was adopted by European Commission Regulation n° 1905/2016 of September 22, 2016. With mandatory application in periods beginning on or after January 1, 2018.

Its early adoption is permitted. This standard revokes standards IAS 11 Construction contracts, IAS 18 Revenue, 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 services.

IFRS 15 determines a model based on 5 steps of analysis in order to determine when the revenue must be recognised and for what amount. The model specifies that the revenue must be recognised when an entity transfers goods or services to the customer, measured as the amount to which the entity expects to be entitled. Depending on the fulfilment of certain criteria, revenue is recognised:

- at the precise moment when control of the goods or services is transferred to the customer; or
- Throughout the period, to the extent that it portrays the performance of the entity.

The Company is still assessing the impact of adoption of this standard.

Standards, amendments and interpretations issued but not yet in effect for the Company

IFRS 14 - Deferred regulatory accounts

On January 30, 2014 the IASB issued a standard that defines provisional measures for those adopting the IFRS for the first time and have a rate-regulated activity. The European Commission decided to begin the process of adoption of this interim standard and to await the final standard.

This standard is not applicable to the Company.

IFRIC 22 - Transactions in foreign currency and consideration of advances

The IFRIC interpretation was issued on December 8, 2016, with mandatory application for periods beginning on or after January 1, 2018.

The new IFRIC 22 determines that, in the event of advance consideration in foreign currency for the purpose of acquisition of assets, support of expenses or generation of income, on applying paragraphs 21 to 22 of IAS 21 the transaction date considered for the purposes of determining the exchange rate to be used in the recognition of the inherent asset, expense or income (or part thereof) is the date when the entity initially recognises the non-monetary asset or liability resulting from payment or receipt of the prepayment in the foreign currency (or in the event of multiple prepayments, the rates in force at the time of each prepayment).

The company does not expect any significant changes upon the adoption of this interpretation.

IFRS 16 - Leases

On January 13, 2016, the IASB issued IFRS 16 - Leases, with mandatory application for periods beginning on or after January 1, 2018. Its early adoption is permitted provided that IFRS 15 is also adopted. This standard revokes IAS 17 - Leases. IFRS 16 withdraws the classification of leases as operational or financial, treating all leases as financial.

Short-term leases (less than 12 months) and leases of assets of little value (such as personal computers) are exempt from application of the requirements of the standard.

The Company expects no impact on application standard.

Other changes

The IASB also issued:

- On January 19, 2016, and applicable to periods beginning on or after January 1, 2017, amendments to IAS 12 that sought to clarify the requirements for the recognition of deferred tax assets for unrealised losses to resolve discrepancies.
- On January 29, 2016, and applicable to periods beginning on or after 1 January 2017, amendments to IAS 7 - Disclosure initiative, requiring companies to provide information about changes in their financial liabilities, providing information to assist investors in understanding the debt of the companies.
- On June 20, 2016, and applicable to periods beginning on or after January 1, 2018, amendments to IFRS 2 - Classification and measurement of share-based payment transactions.
- On December 8, 2016, and applicable to periods beginning on or after 1 January 2018, amendments to IAS 40 - Transfer of investment properties, clarifying the moment when the entity must transfer properties under construction or development, from or to, investment properties, when there is an alteration of the use of such properties that is supported by evidence (other than what is listed in paragraph 57 of IAS 40).
- The annual improvements of the 2014-2016 cycle, issued by the IASB on December 8, 2016, introduce amendments, with effective date of application for periods beginning on or after July 1, 2018, to IFRS 1 (elimination of the short-term exception for first-time applicants of the IFRS) and IAS 28 (measurement of an associate or joint venture at fair value) and effective date on or after January 1, 2017, to IFRS 12 (clarification of the scope of application of the standard).

The Company expects no impact from the application of these amendments to its financial statements.

APPENDIX 1 – INVENTORY OF HOLDINGS AND FINANCIAL INSTRUMENTS

(expressed in euros)

Identification of Securities	Quantity	Amount of Par Value	% of Par Value	Average Price Acquisition Cost	Total Amount Acquisition Cost	Carrying Amount (Includes Accrued Interest)	
						Unit	Total
Designation							
1 - AFFILIATES, ASSOCIATES, JOINT VENTURES AND OTHER RELATED COMPANIES							
1.1 - Domestic securities							
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
EUROPE ASSISTANCE	705,000			5.99	4,221,800.00	5.99	4,221,800.00
CRIA CENTRO REAB INTEGRADA ACIDENTES	44,800			9.01	403,522.56	9.01	403,522.56
GRUPO INTEGRADO DE GESTÃO DE ACIDENTES S.A.	84,000			7.00	587,647.20	7.00	587,647.20
Subtotal	1,683,800	0.00			9,071,637.76		9,071,637.76
Subtotal	1,683,800	0.00			9,071,637.76		9,071,637.76
1.2 - Foreign Securities							
1.2.2 - Holdings in associates							
TRANQUILIDADE DIVERSIFIED INCOME ICAV	2			1.00	2.00	1.00	2.00
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	119,448	0.00			10,489,491.01		10,489,491.01
Subtotal	119,448	0.00			10,489,491.01		10,489,491.01
Total	1,803,248	0.00			19,561,128.77		19,561,128.77
2 - OTHER							
2.1 - Domestic securities							
2.1.1 - Capital instruments and unit trusts							
2.1.1.1 - Equities							
COMPTA	306,960			1.64	503,699.84	0.10	30,696.00
QUINTA DOS CONEGOS	140,600			3.15	443,241.40	4.15	583,543.66
BANIF SGPS old	6,454,651,167			0.00	0.00	0.00	0.00
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
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	1.72	95,632.00
SONAGI AN	100			0.06	5.51	0.01	1.00
SPECTACOLOR PORTUGAL	7,500			14.66	109,986.38	12.65	94,845.30
B.P.G. S.A.	10,472			2.09	21,905.33	2.09	21,905.33
IMOVALORSGII	90,000			0.00	0.00	0.00	0.00
LUSITANIA GASCOMP GAS DO CENTRO	595			2.80	1,666.54	2.80	1,666.54
NORMA ACORES	4,000			35.77	143,082.80	35.77	143,082.80
NOS ACORES	13,936			24.65	343,497.32	24.65	343,497.32
NOS MADEIRA	17,314			62.39	1,080,220.46	56.16	972,354.24
Portugal Capital VenturesS.C.R. S.A.	2,525			6.06	15,300.49	6.06	15,300.49
S.N.I.SOC NAC IMOBILIARIA S.A.	7,500			0.00	0.00	0.00	0.00
SOCIEDADE PORTUGUESAEMPREENHIMENTOS	4,441			0.13	576.89	0.13	576.89
Subtotal	6,455,323,794	0.00			2,991,651.53		2,429,162.91
2.1.1.3 - Investment fund units							
ES LOGISTICA	80,000			5.00	400,000.00	3.10	247,888.00
ES TRADING FUND	20,000			104.80	2,096,000.00	123.40	2,468,000.00
ESP SANTO INFRASTRUCTURE FUND I	3,500			567.04	1,984,641.61	706.32	2,472,135.36
ESPÍRITO SANTO VENTURES III	200,000,000			0.01	1,800,000.00	0.01	1,740,000.00
EXPLORER II	113			8,758.03	987,704.65	12,749.55	1,437,856.00
FUNDO DE INVEST. IMOB. CORPUS CHRISTI	12,000			997.36	11,968,313.77	789.22	9,470,586.00
IMOCRESCENTE FD DE INV IMOB FECHADO	10,075			997.11	10,045,409.87	1,571.73	15,834,416.60
IMOPRIME FUNDO DE INV IMOB FECHADO	30,559			976.27	29,833,605.42	980.71	29,969,232.48
BANIF CAPITAL INFRASTRUCTURE FUND	2,400			0.00	0.00	0.00	0.00
BANIF IMOGEST	257,879			21.91	5,650,696.22	17.96	4,632,615.72
Dublin Real Estate Fund Class ID	2,000,000			1.44	2,872,220.00	1.42	2,838,860.00
LUSO CARBON FUND	10			10,657.95	106,579.53	10,454.30	104,542.98
SC1 Classe A Fundo Capital Risco	1,000,000			0.77	772,572.72	0.71	713,190.00
Subtotal	203,416,535	0.00			68,517,743.79		71,929,323.14
Subtotal	6,658,740,329	0.00			71,509,395.32		74,358,486.05

(expressed in euros)

Identification of Securities	Quantity	Amount of Par Value	% of Par Value	Average Price Acquisition Cost	Total Amount Acquisition Cost	Carrying Amount (Includes Accrued Interest)	
						Unit	Total
2.1.2 - Debt securities							
2.1.2.1 - Public debt							
PORT OT 4.75% 06/14/19		1,000,000.00	110.02%	110.5%	1,105,320.00	112.6%	1,126,187.40
PT OT 2.875% 10/25/25		680,000.00	94.95%	101.0%	686,949.60	95.6%	649,750.24
PT OT 4.45% 06/15/18		1,100,000.00	106.34%	107.4%	1,181,477.00	108.8%	1,196,438.81
PT OT 4.8% 06/15/20		5,000,000.00	111.55%	112.6%	5,631,300.00	114.2%	5,708,299.31
PT OT 4.95% 10/25/23		5,250,000.00	111.53%	116.0%	6,090,472.50	112.4%	5,902,870.58
PT OT 5.65% 02/15/24		1,750,000.00	114.53%	120.1%	2,101,627.50	119.5%	2,090,775.59
O.T. Fev 3.875% /15-02-2030		1,300,000.00	95.89%	106.3%	1,382,316.00	99.3%	1,290,561.71
BT 0% 09/22/17		50,000.00	100.01%	100.0%	50,007.08	100.0%	50,005.00
Subtotal	0	16,130,000.00			18,229,469.68		18,014,888.64
2.1.2.3 - Other issuers'							
Dep Prazo EUR BBVA					4,000,000.00		4,000,000.00
Dep Prazo EUR POPULAR					4,000,000.00		4,000,033.33
Dep Prazo EUR Santander					4,002,487.07		4,002,488.98
Dep Prazo EUR BBI					1,000,000.00		1,000,000.00
BCP FINANCE VAR 49-14		1,500,000.00	43.40%	52.7%	790,500.00	43.4%	651,000.00
BRISA 1.875% 04/25		3,200,000.00	97.80%	102.7%	3,287,096.00	99.1%	3,169,841.98
BRISA 3.875% 04/21		1,200,000.00	113.10%	116.0%	1,391,532.00	116.0%	1,392,082.86
BRISA 6.875% 04/18		3,100,000.00	108.21%	111.0%	3,440,380.00	113.4%	3,513,915.82
EDP FINANCE 2.625% 01/22		2,000,000.00	105.60%	108.7%	2,174,800.00	108.1%	2,161,918.03
EDP FINANCE 4.125% 01/21		500,000.00	112.00%	114.5%	572,500.00	115.9%	579,497.95
EDP FINANCE 4.875% 09/20		2,500,000.00	114.20%	116.5%	2,912,500.00	115.6%	2,891,061.65
EDP FINANCE 5.75% 09/17		600,000.00	104.20%	106.3%	637,626.00	105.8%	634,746.58
GALP ENERGIA 3% 01/14/21		5,000,000.00	104.79%	104.4%	5,220,650.00	107.7%	5,383,712.30
GALP ENERGIA 4.125% 01/19		1,100,000.00	106.62%	107.2%	1,178,802.00	110.5%	1,215,139.62
MOTA ENIGL 5.5% 04/19		1,800,000.00	96.25%	92.0%	1,656,000.00	97.3%	1,751,750.00
REN FINANCE 4.75%		2,400,000.00	115.00%	117.9%	2,829,000.00	116.0%	2,783,784.98
REN FINANCE BV 2.5% 02/25		2,450,000.00	104.20%	109.6%	2,684,570.00	106.4%	2,606,929.46
VERSE 1 SNR 4.172% 16/02/17		195,374.87	100.33%	100.0%	195,374.87	100.5%	196,336.59
BANIF 09/19 TV 30/06/2019		5,000,000.00	0.00%	0.0%	0.00	0.0%	0.00
C.G.D. TV CMS Cap-Floor/05-08-2021		1,000,000.00	80.00%	80.0%	800,000.00	82.0%	820,273.98
E.D.P. 5.375%/16-09-2075		1,500,000.00	104.31%	101.6%	1,524,150.00	108.6%	1,628,708.22
EDP FINANCE 2% 04/22/25		2,150,000.00	98.35%	104.4%	2,245,524.50	99.7%	2,144,330.48
Rentiglobo SGPS 6.00%/20-06-2016		3,511,000.00	0.00%	0.0%	0.00	0.0%	0.00
Saudaçor TV /15-07-2020		900,000.00	99.91%	99.5%	895,770.00	101.2%	911,013.03
Semapa SGPS TV /17-04-2019		5,000.00	102.25%	101.5%	5,075.00	102.9%	5,144.23
Semapa TV /30-11-2020		1,000,000.00	101.50%	101.5%	1,015,000.00	101.7%	1,017,437.81
A. GAUDENCIO TF 25/05/1995		49,900.00	0.00%	0.0%	0.00	0.0%	0.00
BCP FINANCE 05/49 TF/TV 4,239% 13/10/2049 CALL 2015		3,000,000.00	42.00%	43.0%	1,290,000.00	42.0%	1,260,000.00
FNAC INVEST 22/05/1995		24,950.00	0.00%	0.0%	0.00	0.0%	0.00
GEOFINANÇA 1E 21/05/1995		34,530.00	0.00%	0.0%	0.00	0.0%	0.00
Subtotal	0	45,720,754.87			49,749,337.44		49,721,147.88
Subtotal	0	61,850,754.87			67,978,807.12		67,736,036.52
Total	6,658,740,329	61,850,754.87			139,488,202.44		142,094,522.57
2.2 - Foreign securities							
2.2.1 - Capital instruments and unit trusts							
2.2.1.1 - Equities							
AXA	50,400			24.87	1,253,404.42	23.98	1,208,592.00
ALLIANZ AG	7,796			160.01	1,247,470.60	156.55	1,220,463.80
BANCO SANTANDER CENTRAL HISPANO	279,000			4.54	1,265,591.91	4.95	1,381,608.01
BASF SE	18,250			69.12	1,261,528.66	87.96	1,605,270.00
BAYERISCHE MOTOREN WERKE	13,000			96.59	1,255,635.81	88.73	1,153,490.00
BNP PARIBAS	23,755			53.00	1,258,905.12	60.38	1,434,326.90
CINTRA CONCESIONES INFRA TRANSP	25,760			18.11	466,578.00	17.00	437,791.20
DAIMLER CHRYSLER AG	16,500			76.13	1,256,121.70	70.59	1,164,735.00
MUENCHENER RUECKVER AG	6,940			183.13	1,270,948.39	178.95	1,241,913.00
PUBLICIS GROUP	20,500			60.37	1,237,653.50	65.55	1,343,775.00
RENAULT SA	13,590			92.13	1,252,077.75	84.51	1,148,490.90
ROYAL DUTCH PETROLEUM COMPANY	61,500			20.28	1,247,370.02	25.99	1,598,077.51
SCHNEIDER ELECTRIC SA	23,960			52.32	1,253,486.34	65.98	1,580,880.80
SIEMENS AG	14,400			87.81	1,264,442.22	116.33	1,675,080.00
SOCIETE GENERALE	29,300			42.83	1,254,975.75	46.62	1,365,966.00
UNILEVER NV-CVA	31,700			38.79	1,229,519.58	39.11	1,239,787.00
AUDATEX PORTUGAL	150			301.47	45,220.35	301.47	45,220.35
NCG BANCO NC	185,838			0.50	92,919.00	0.73	135,661.74
Subtotal	822,339	0.00			19,413,849.12		20,981,129.21

(expressed in euros)

Identification of Securities Designation	Quantity	Amount of Par Value	% of Par Value	Average Price Acquisition Cost	Total Amount Acquisition Cost	Carrying Amount (Includes Accrued Interest)	
						Unit	Total
2.2.1.3 - Investment fund units							
AAME TRQ CORP LOANS/HIGH YIELD BONDS FUND	250,000			100.00	25,000,000.00	100.53	25,132,825.00
AAME TRQ GLOBAL INV GRADE CORP CREDIT	650,000			100.00	65,000,000.00	99.86	64,909,910.00
DBX S&P 500 EUR UCITS ETF	139,490			31.80	4,435,394.80	34.97	4,877,965.30
FIDELITY TARGET 2020 SHARES	89,153			11.97	1,066,990.08	14.38	1,282,015.11
FIDELITY TARGET 2025 SHARES	56,580			9.88	559,092.25	14.40	814,753.30
FIDELITY TARGET 2030 SHARES	25,345			10.42	264,039.06	14.99	379,922.30
FIDELITY TARGET 2035 SHARES	7,471			21.23	158,585.30	31.96	238,783.71
FIDELITY TARGET 2040 SHARES	11,243			20.31	228,326.90	32.03	360,111.69
FIDELITY TARGET 2045 SHARES	39			12.77	499.95	13.43	525.78
FIDELITY TARGET 2050 SHARES	83			12.12	1,009.91	13.44	1,119.55
INCOMETRIC FUND	871,447			5.74	5,000,025.00	6.15	5,359,400.80
ISHARES EURO CORP EX-FIN 1-5	676,088			110.42	74,654,552.85	110.19	74,498,136.72
ISHARES EURO ULTRASHORT BOND	201,109			100.44	20,198,455.45	100.48	20,207,432.32
ISHARES GL CORP BD EU HEDGED	372,159			106.44	39,614,420.86	104.42	38,860,842.78
Aberdeen GlobalIMManager World Equity Fund A-2	47,275			15.80	747,002.04	16.83	795,791.73
Aris EuroDefensive HF Fund	44			174.24	7,744.45	214.13	9,517.57
ISHARES CORE EURO CORP BOND	26,390			131.68	3,474,993.99	130.03	3,431,491.70
ISHARES EURO CORP EX-FINCL	58,150			119.38	6,941,751.71	117.56	6,836,114.00
ISHARES EURO GOVT 15-30 YR	64,521			252.95	16,320,290.32	232.12	14,976,614.52
ISHARES EURO HY CORP	255,424			105.13	26,853,910.69	106.40	27,177,113.60
ISHARES JPM USD EM BND EURH	57,156			106.05	6,061,228.93	98.80	5,647,012.80
	Subtotal	3,859,168	0.00		296,588,314.54		295,797,400.28
	Subtotal	4,681,507	0.00		316,002,163.66		316,778,529.49
2.2.2 - Debt securities							
2.2.2.1 - Public debt							
B.T.P.S. ITALIA 04/24 TF 5,125% 31-07-2024	3,500,000.00		125.04%	130.3%	4,559,450.00	127.2%	4,451,590.07
B.T.P.S. ITALIA 08/19 TF 4,5% 01/03/2019	4,000,000.00		109.88%	111.7%	4,467,160.00	111.4%	4,454,540.00
B.T.P.S. ITALIA 09/20 TF 4,25% 01/03/2020	10,500,000.00		112.92%	114.9%	12,066,180.00	114.3%	12,004,005.42
B.T.P.S. ITALIA 4.50% /01-02-2018	400,000.00		105.08%	106.9%	427,472.00	106.9%	427,786.00
B.T.P.S. ITALIA 4.50% /01-02-2020	630,000.00		113.38%	115.5%	727,448.40	115.2%	726,046.65
B.T.P.S. Italia 2.00% /01-12-2025	2,000,000.00		102.75%	107.8%	2,155,741.50	102.9%	2,058,262.24
B.T.P.S. Italia 3.50%/01-03-2030	680,000.00		115.87%	125.1%	850,659.60	117.0%	795,796.82
B.T.P.S. Italia 4.50% /01-08-2018	6,400,000.00		107.40%	109.1%	6,980,224.00	109.3%	6,992,480.00
B.T.P.S. Italia 4.75% /01-09-2021	2,500,000.00		119.28%	122.4%	3,059,000.00	120.8%	3,021,203.48
B.T.P.S. Italia 5,50%/01-09-2022	1,050,000.00		125.56%	129.5%	1,359,999.90	127.4%	1,337,448.58
BONOS Y OBLIG DEL ESTADO 5.85% 01/22	8,300,000.00		127.44%	130.5%	10,835,152.00	132.8%	11,022,193.17
BTPS 3.75% 09/24	6,970,000.00		116.86%	121.8%	8,488,344.80	118.1%	8,231,750.03
BTPS 4.5% 03/01/26	600,000.00		123.48%	130.6%	783,612.00	125.0%	749,799.00
BTPS 4.5% 03/24	1,800,000.00		121.87%	126.8%	2,281,986.00	123.4%	2,220,435.00
BTPS 4.5% 05/23	3,900,000.00		120.99%	125.4%	4,888,845.00	121.7%	4,747,216.50
BTPS 5.5% 11/22	3,620,000.00		125.85%	130.2%	4,712,154.00	126.8%	4,588,545.07
Belgium Kingdom 4.00%/28-03-2022	3,200,000.00		122.97%	125.5%	4,014,400.00	126.0%	4,032,530.42
Bonos Spanish 4,6% 30/07/2019	3,700,000.00		112.10%	113.9%	4,214,152.00	114.0%	4,219,621.41
Bonos Spanish 4,85% 31/10/2020	11,650,000.00		118.01%	120.4%	14,024,852.50	118.8%	13,842,943.33
Bonos Spanish 5.15% /31-10-2028	4,231,000.00		138.92%	144.2%	6,100,128.88	139.8%	5,914,036.15
Bonos Spanish 5.50% /30-04-2021	4,350,000.00		122.76%	125.5%	5,461,207.50	126.5%	5,500,608.95
Bund Deutschland 4.75% /04-07-2028	2,900,000.00		149.82%	158.9%	4,609,231.00	152.2%	4,412,769.51
Bund Deutschland 4.75% /04-07-2034	500,000.00		168.85%	182.9%	914,630.00	171.2%	855,977.33
Finnish Gov. 3.875% /15-09-2017	500,000.00		103.26%	105.0%	525,075.00	104.4%	521,999.80
IRISH GOVT 0.8% 03/22	2,000,000.00		104.78%	103.5%	2,069,700.00	105.4%	2,108,356.16
IRISH GOVT 5% 10/18/20	1,250,000.00		120.98%	122.4%	1,530,525.00	122.0%	1,524,933.73
IRISH GOVT 5.92% 05/42	5,687,348.24		167.43%	158.6%	9,018,842.28	171.1%	9,729,990.16
Irish Treasury Gov. 4.40%/18-06-2019	1,150,000.00		112.31%	114.0%	1,311,172.50	114.7%	1,318,679.01
Irish Treasury Gov. 4.50% /18-04-2020	670,000.00		116.39%	118.1%	791,276.70	119.6%	801,068.70
Netherlands Gov. 3.75%/15-01-2023	5,000,000.00		124.61%	127.3%	6,365,100.00	128.2%	6,410,515.57
O.A.T. 3.75%/25-04-2021	4,500,000.00		117.87%	120.0%	5,398,830.00	120.4%	5,419,597.19
O.A.T. 4.00% /25-04-2055	1,000,000.00		165.78%	195.4%	1,953,510.00	168.5%	1,685,217.26
O.A.T. 5.75% /25-10-2032	2,000,000.00		168.01%	183.8%	3,675,320.00	169.1%	3,381,249.60
REPUBLIC OF ICELAND 2.5% 07/20	1,300,000.00		106.21%	99.7%	1,295,996.00	107.4%	1,395,712.95
REPUBLIKA OF SLOVENIJA 1.50% 03/35	5,550,000.00		95.85%	86.8%	4,814,745.00	97.0%	5,383,488.59
REPUBLIKA SLOVENIJA 4.625% 09/24	1,000,000.00		130.91%	131.5%	1,315,260.00	132.3%	1,323,428.49
Republic Austria 3.90% /15-07-2020	7,250,000.00		115.73%	117.6%	8,526,072.50	117.5%	8,521,559.63
Republic Austria 4.65% /15-01-2018	700,000.00		105.53%	107.6%	753,158.00	110.0%	769,932.98

(expressed in euros)

Identification of Securities Designation	Quantity	Amount of Par Value	% of Par Value	Average Price Acquisition Cost	Total Amount Acquisition Cost	Carrying Amount (Includes Accrued Interest)	
						Unit	Total
Republic Austria 6.25% /15-07-2027		1,350,000.00	160.64%	168.4%	2,273,656.50	163.5%	2,207,706.78
Republica Slovakia 4%/27-04-2020		200,000.00	114.38%	116.2%	232,480.00	117.1%	234,199.62
Republica Slovenia 4.125%/26-01-2020		3,000,000.00	112.99%	114.9%	3,446,100.00	116.8%	3,504,569.02
Republica Slovenia 4.375%/18-01-2021		1,000,000.00	117.30%	119.5%	1,195,000.00	121.5%	1,214,548.36
SPANISH GOV 4% 04/30/20		3,150,000.00	113.12%	114.9%	3,619,854.00	115.8%	3,647,949.85
SPANISH GOVT 1.95% 07/30		6,900,000.00	101.76%	104.7%	7,227,705.00	102.6%	7,078,209.06
SPANISH GOVT 2.1% 04/30/17		2,000,000.00	100.82%	102.3%	2,046,400.00	102.2%	2,044,591.78
SPANISH GOVT 2.15% 10/25		2,980,000.00	107.58%	110.3%	3,288,088.15	107.9%	3,216,680.98
SPANISH GOVT 2.75% 10/24		2,720,000.00	112.69%	115.3%	3,136,568.00	113.1%	3,077,532.84
SPANISH GOVT 5.4% 01/31/23		1,550,000.00	128.42%	131.7%	2,041,505.00	133.4%	2,067,105.16
SPGB 4.2% 01/31/37		2,200,000.00	132.20%	124.9%	2,748,680.00	136.0%	2,992,973.77
SPGB 4.4% 10/31/23		3,920,000.00	123.81%	126.9%	4,976,400.80	124.5%	4,882,216.62
SPGB 4.9% 07/30/40		4,400,000.00	144.81%	151.9%	6,681,450.00	146.9%	6,462,385.47
SPGB 5.15% 10/31/44		1,700,000.00	150.78%	144.5%	2,456,500.00	151.6%	2,577,806.64
SPGB 5.9% 07/30/26		550,000.00	140.47%	139.1%	765,215.00	143.0%	786,248.74
SPGB 6% 01/31/29		4,000,000.00	148.00%	144.5%	5,778,800.00	153.5%	6,139,472.12
SWEDEN KINGDOM 0.875% 01/18		7,000,000.00	101.37%	102.3%	7,160,500.00	102.2%	7,151,822.16
UNITED MEXICAN STATES 1.625% 03/06/24		1,300,000.00	97.63%	99.5%	1,293,318.00	99.0%	1,286,488.01
BELGIUM KINGDOM 1% 06/22/26		15,122,700.00	104.29%	103.8%	15,695,619.13	104.8%	15,850,710.93
BELGIUM KINGDOM 1% 06/22/31		7,701,400.00	100.08%	100.3%	7,724,352.40	100.6%	7,748,149.60
BELGIUM KINGDOM 4.25% 09/28/21		600,000.00	122.27%	122.1%	732,823.00	123.4%	740,187.12
BELGIUM KINGDOM 5% 03/28/35		7,610,000.00	165.16%	165.2%	12,570,394.42	169.0%	12,858,481.48
BOTS 0% 05/12/17		50,000.00	100.10%	100.1%	50,067.50	100.1%	50,052.00
BTPS 0.65% 11/01/20		50,000.00	101.59%	101.5%	50,770.00	101.7%	50,848.42
BTPS 5% 03/01/25		9,282,000.00	126.88%	132.9%	12,332,343.66	128.5%	11,930,319.60
BUNDES 0% 08/10/21		3,680,000.00	102.62%	102.1%	3,755,690.00	102.6%	3,776,416.00
BUNDES 0% 15/08/26		77,540,900.00	98.15%	97.5%	75,611,112.05	98.1%	76,103,291.71
BUNDES 4% 01/04/37		37,350,000.00	161.38%	160.5%	59,933,490.05	165.3%	61,751,608.14
BUNDES 5.5% 01/04/31		21,337,400.00	168.37%	168.4%	35,939,350.86	173.8%	37,086,724.99
FRANCE GOVT 0% 05/25/22		2,940,000.00	100.67%	100.4%	2,950,866.20	100.7%	2,959,756.80
FRANCE GOVT 0.25% 25/11/26		60,714,300.00	95.91%	95.6%	58,016,970.30	95.9%	58,243,627.21
FRANCE GOVT 1.25% 05/25/36		47,400,000.00	98.63%	98.6%	46,744,999.21	99.4%	47,106,795.30
FRANCE GOVT 1.5% 05/25/31		26,565,100.00	105.87%	106.3%	28,229,917.54	106.8%	28,363,586.39
FRENCH T BILL 0% 03/08/17		2,800,000.00	100.15%	100.2%	2,805,318.42	100.1%	2,804,144.00
GERMAN T BILL 0% 05/24/17		7,500,000.00	100.30%	100.4%	7,531,125.00	100.3%	7,522,725.00
I.C.O. 4.375%/10-05-2019		750,000.00	110.56%	112.2%	841,290.00	113.3%	849,426.88
NETHERLANDS GOVT 0% 01/15/22		820,000.00	101.88%	101.5%	831,937.80	101.9%	835,448.80
NETHERLANDS GOVT 0% 04/15/18		50,000.00	100.93%	101.0%	50,485.00	100.9%	50,464.00
NETHERLANDS GOVT 0.5% 15/07/2026		17,309,700.00	101.48%	100.9%	17,473,159.64	101.7%	17,606,649.10
NETHERLANDS GOVT 2.5% 01/15/33		6,617,900.00	127.57%	127.9%	8,466,963.60	130.0%	8,601,320.44
NETHERLANDS GOVT 4% 01/15/37		8,780,000.00	159.72%	159.0%	13,956,385.01	163.6%	14,360,222.56
REPUBLIC OF AUSTRI 2.4% 05/23/34		3,430,000.00	124.11%	124.4%	4,266,617.00	125.6%	4,307,110.20
REPUBLIC OF AUSTRI 4.15% 03/15/37		4,460,000.00	157.57%	157.0%	7,003,085.36	160.9%	7,175,008.50
REPUBLIC OF AUSTRIA 0.75% 10/20/2026		8,538,000.00	103.19%	102.5%	8,754,635.21	103.3%	8,823,079.14
REPUBLIC OF AUSTRIA 3.5% 09/15/21		350,000.00	118.37%	118.3%	413,953.50	119.4%	417,879.09
REPUBLIC OF PERU 2.75% 01/30/26		1,500,000.00	108.00%	110.6%	1,659,000.00	110.5%	1,657,868.85
REPUBLIC OF POLAND 4% 03/23/21		2,000,000.00	115.71%	118.2%	2,364,000.00	118.8%	2,376,207.40
REPUBLIC OF TURKEY 5.125% 05/18/20		750,000.00	107.75%	109.2%	818,625.00	110.9%	832,029.97
REPUBLIKA SLOVENIJA 1.75% 11/03/40		5,000,000.00	97.68%	97.7%	4,884,692.58	98.0%	4,897,754.11
Republic Austria TV CMS Floor/28-07-2025		1,000,000.00	105.13%	106.5%	1,064,600.00	105.6%	1,055,573.97
Republic Poland 4.2% /15-04-2020		1,000,000.00	113.25%	115.5%	1,155,000.00	116.2%	1,162,417.81
SPGB 0.75% 07/30/21		50,000.00	102.19%	102.6%	51,275.00	102.5%	51,250.72
Subtotal	0	567,507,748.24			662,425,748.95		667,482,958.16
2.2.2.2 - Other public issuers'							
COMMUNITY OF MADRID 4.125% 05/24		3,000,000.00	119.65%	123.3%	3,699,990.00	122.2%	3,665,445.20
GENERALITAT DE CATALUNYA 4.75% 06/18		800,000.00	104.38%	102.2%	817,760.00	107.1%	856,863.01
K.F.W. TV Ei Cap/Floor /24-07-2018		1,000,000.00	102.61%	103.3%	1,032,550.00	103.5%	1,034,796.66
Reseau Ferre France 6.00% /12-10-2020		500,000.00	123.76%	126.4%	632,100.00	125.1%	625,375.35
Ontario Province 4.75% /23-04-2019		1,000,000.00	111.54%	113.6%	1,135,750.00	114.8%	1,148,194.52
Subtotal	0	6,300,000.00			7,318,150.00		7,330,674.74

(expressed in euros)

Identification of Securities Designation	Quantity	Amount of Par Value	% of Par Value	Average Price Acquisition Cost	Total Amount Acquisition Cost	Carrying Amount (Includes Accrued Interest)	
						Unit	Total
GENERAL ELECTRIC FLOAT 05/28/20		300,000.00	100.17%	100.0%	300,000.00	100.2%	300,507.00
GENERAL MOTORS FINANCIAL 1.875% 10/15/19		500,000.00	103.86%	99.9%	499,410.00	104.3%	521,282.74
GIE PSA TRESORERIE 03/33 TF 6% 19/09/2033		1,500,000.00	118.62%	122.5%	1,837,500.00	120.3%	1,804,742.26
GOLDMAN SACHS GROUP 1.375% 07/26/22		1,050,000.00	103.22%	99.2%	1,041,967.50	103.8%	1,090,017.65
GROUPAMA SA 7.875% 10/27/39		3,500,000.00	106.86%	107.8%	3,771,250.00	108.3%	3,789,008.90
HEIDELBERGCEMENT FIN 9.5% 12/15/18		1,500,000.00	118.36%	121.6%	1,824,375.00	118.8%	1,781,292.50
HSBC 5.25% 12/29/49		1,000,000.00	98.50%	95.8%	957,500.00	100.0%	1,000,246.58
HUTCHISON 1.375% 10/21		500,000.00	103.36%	99.7%	498,740.00	103.6%	517,948.97
I.N.G. Bank 5.25% /07-06-2019		500,000.00	111.27%	114.0%	570,155.00	114.3%	571,256.99
IBERDROLA 2.5% 10/22		1,000,000.00	110.74%	99.7%	997,200.00	111.2%	1,112,077.53
IBERDROLA FIN 4.125% 03/20		2,000,000.00	112.65%	115.2%	2,303,040.00	115.9%	2,317,005.76
IBM CORP 1.25% 05/26/23		2,000,000.00	104.58%	99.8%	1,995,560.00	105.3%	2,106,540.00
INTESA SANPAOLO 1.125% 01/20		1,000,000.00	101.29%	99.4%	994,460.00	102.4%	1,023,729.67
INTESA SANPAOLO 1.125% 03/22		500,000.00	100.23%	99.6%	498,195.00	101.2%	505,784.11
INTESA SANPAOLO 2.25% 11/22/17		4,200,000.00	101.56%	103.5%	4,344,900.00	101.6%	4,265,688.00
ITALCEMENTI FINANCE 6.625% 03/20		2,500,000.00	115.58%	119.3%	2,982,225.00	120.8%	3,019,606.17
JP MORGAN CHASE 1.5% 01/27/25		1,000,000.00	103.06%	99.9%	999,450.00	104.4%	1,044,483.44
KELLOGG CO 1.25% 03/10/25		1,500,000.00	100.18%	100.0%	1,499,295.00	101.2%	1,517,965.48
LA POSTE 03/23 TF 4,375% 26/06/2023		1,500,000.00	124.68%	128.3%	1,924,305.00	126.9%	1,904,001.37
Landbk Baden-Wuerttemberg 6.00% Put /15-06-2020		1,000,000.00	116.77%	118.7%	1,187,090.00	120.0%	1,200,190.00
Landbk Sachsen Giro 6.195% /21-05-2031		1,000,000.00	140.31%	146.4%	1,464,160.00	144.1%	1,440,796.25
MACQUARIE BANK 1% 09/16/19		200,000.00	102.56%	100.0%	200,000.00	102.8%	205,694.82
MAPFRE SA 5.921% 07/24/37		2,200,000.00	101.67%	104.9%	2,307,250.00	104.3%	2,293,775.15
METRO AG 1.5% 03/25		500,000.00	98.46%	99.8%	499,170.00	99.6%	498,202.26
MOODYS CORP 1.75% 03/27-26		1,000,000.00	101.68%	99.0%	990,430.00	103.1%	1,031,019.72
MORGAN STANLEY 1.75% 01/30/25		1,000,000.00	103.37%	99.8%	998,090.00	105.0%	1,049,805.57
MUNICH RE 6.25% 05/26/42		400,000.00	121.68%	122.0%	488,000.00	125.4%	501,728.00
Merrill Lynch & Co TV Floor /28-05-2019		500,000.00	106.38%	107.3%	536,250.00	108.9%	544,508.56
NATIONAL GRID NA INC 0.75% 02/22		1,000,000.00	101.41%	99.3%	993,230.00	102.1%	1,020,709.34
NATIONWIDE BLDG SOCIETY 1.25% 03/25		1,000,000.00	101.52%	99.9%	999,160.00	102.6%	1,025,616.71
OBRASCON HUARTE LAIN 4.75% 03/15/22		200,000.00	72.75%	70.0%	140,020.00	74.1%	148,284.93
PETROBRAS 5.875% 03/22		1,500,000.00	105.85%	97.5%	1,462,500.00	110.7%	1,659,940.07
PETROLEOS MEXICANOS 5.5% 01/17		1,000,000.00	99.93%	108.5%	1,085,000.00	105.3%	1,052,937.54
PEUGEOT 6.5% 01/19		3,180,000.00	113.15%	114.8%	3,649,050.00	119.3%	3,794,704.44
PGE SWEDEN 1.625%		1,100,000.00	102.85%	99.5%	1,093,994.00	103.8%	1,141,378.38
POHJOLA BANK PLC 0.75% 03/22		500,000.00	102.17%	99.7%	498,270.00	102.8%	513,938.01
PPG INDUSTRIES 1.4% 03/13/27		1,000,000.00	100.66%	98.6%	986,280.00	101.8%	1,017,798.36
PROLOGIS LP 1.375% 10/07/20		1,000,000.00	103.52%	99.8%	998,340.00	103.8%	1,038,382.05
R.B.S. TV CMS FLOOR /10-06-2019		500,000.00	105.75%	102.5%	512,500.00	108.4%	541,884.24
RABOBANK 2.5% 05/26/26		1,000,000.00	103.74%	103.8%	1,037,980.00	105.2%	1,052,430.00
RABOBANK 6.875% 03/19/20		6,300,000.00	117.88%	119.8%	7,544,570.00	123.3%	7,767,132.78
RABOBANK FLOAT 20		400,000.00	100.37%	100.0%	400,000.00	100.4%	401,496.00
RCI BANQUE 0.625% 03/20		2,000,000.00	100.82%	99.8%	1,996,660.00	101.3%	2,026,802.46
REDEXIS GAS FINANCE 2.75% 04/21		2,000,000.00	109.10%	99.4%	1,987,460.00	111.1%	2,222,212.88
REPSOL INTL FINANCE 4.875% 02/19		1,300,000.00	110.19%	112.0%	1,456,624.00	114.4%	1,487,226.21
ROYAL BANK OF SCOTLAND 3.625% 03/25/24		2,500,000.00	99.91%	99.1%	2,477,150.00	102.7%	2,567,418.84
SANTANDER CONSUMER BANK 0.625% 04/18		1,000,000.00	100.76%	99.9%	998,940.00	101.2%	1,011,946.44
SFR GROUP SA 5.375% 05/15/22		1,400,000.00	104.75%	103.5%	1,449,000.00	106.8%	1,494,718.76
SINOPEC GRP OVERSEA 2015 0.5% 04/18		1,500,000.00	100.54%	99.7%	1,495,740.00	100.9%	1,513,195.89
SMURFIT KAPPA ACQUISITIO 3.25% 06/01/21		2,000,000.00	107.40%	108.3%	2,165,440.00	107.7%	2,153,136.11
SOCIETE GENERALE 9.375% 09/29/49		2,000,000.00	118.82%	123.3%	2,465,000.00	121.9%	2,437,056.44
SODEXO 1.75% 01/24/2022		700,000.00	106.76%	99.9%	699,629.00	108.4%	758,773.72
STATE GRID EUROPE DEV 1.5% 01/22		1,000,000.00	102.81%	99.7%	997,360.00	104.2%	1,041,984.43
STORA ENSO OYJ 5.5% 03/19		4,200,000.00	110.75%	111.9%	4,699,506.00	115.3%	4,840,730.14
SVENSKA CELLULOSA 1.125% 03/25		1,000,000.00	99.57%	99.8%	997,650.00	100.5%	1,004,927.40
TDC 1.75% 02/27		500,000.00	96.96%	99.0%	495,195.00	98.4%	492,163.39
TELECOM ITALIA 3.25% 01/23		3,150,000.00	105.53%	108.9%	3,430,854.00	108.6%	3,422,094.59
TELECOM ITALIA 5.25% 02/22		3,800,000.00	116.15%	118.3%	4,493,500.00	120.8%	4,590,851.65
TELECOM ITALIA FIN SA 03/33 TF 7,75% 24/01/2033		500,000.00	128.06%	136.6%	682,925.00	135.3%	676,524.01
TELEFONICA 3.987% 23		600,000.00	117.59%	123.1%	738,378.00	121.3%	727,934.70
TELEKOM FINANZ 4% 04/04/22		1,400,000.00	118.06%	121.2%	1,697,388.00	121.0%	1,694,390.08
TEOLLISUUDEN 2.125% 02/04/25		1,500,000.00	94.68%	99.3%	1,489,605.00	96.6%	1,448,951.85
TESCO CORP 1.375% 07/19		1,700,000.00	101.27%	99.7%	1,694,628.00	102.0%	1,733,309.52
TEVA PHARM FNC NL II 1.25% 23-22		2,000,000.00	99.52%	99.1%	1,981,180.00	100.5%	2,009,135.62

(expressed in euros)

Identification of Securities	Quantity	Amount of Par Value	% of Par Value	Average Price Acquisition Cost	Total Amount Acquisition Cost	Carrying Amount (Includes Accrued Interest)	
						Unit	Total
STANDARD CHARTERED 3.625% 11/23/22		500,000.00	106.76%	106.1%	530,460.00	107.1%	535,696.99
Sanofi-Aventis 4.125%/10-10-2019		250,000.00	111.52%	113.7%	284,212.50	112.4%	281,076.03
TELEFONICA 4.693%/11-11-2019		3,150,000.00	112.58%	115.3%	3,630,658.50	113.2%	3,566,583.61
TELENET FINANCE VI 4.875% 15/07/27		2,000,000.00	104.50%	105.8%	2,115,300.00	106.7%	2,134,687.45
TOTAL 2.625% 12/29/49		2,500,000.00	93.95%	95.3%	2,381,370.90	96.2%	2,404,154.71
TRASM. ELET. RETE NAZIONALE 04/24 TF 4,9% 28/10/2024		3,550,000.00	130.68%	137.6%	4,885,936.00	131.5%	4,669,534.32
UNICREDIT 5.75% 10/28/25		2,200,000.00	105.70%	104.5%	2,298,450.00	106.7%	2,347,580.84
UNICREDIT SPA 6.95% 10/31/22		5,500,000.00	114.88%	113.0%	6,215,910.04	116.0%	6,382,062.87
UNICREDITO ITALIANO 04/20 TF 4,375% 29/01/2020		2,500,000.00	112.02%	112.9%	2,821,876.01	116.0%	2,901,208.68
VATTENFALL 3% 03/19/77		2,000,000.00	89.95%	87.8%	1,755,000.00	92.3%	1,846,178.08
VNESHECONOMBANK 4.032% 02/21/23		750,000.00	102.17%	97.6%	732,187.50	105.6%	792,196.11
VOLKSWAGEN 5.125% 09/29/49		3,000,000.00	106.63%	106.0%	3,178,807.72	108.3%	3,248,455.47
VOLVO 4.85% 03/10/78		2,500,000.00	104.38%	103.3%	2,581,250.00	108.3%	2,707,703.76
WASHINGTON MUTUAL BANK 06/17 TF 4,5% 17/01/2017		5,000,000.00	0.00%	0.0%	0.00	0.0%	0.00
WP CAREY 2% 01/20/23		9,000,000.00	101.69%	102.6%	9,238,265.39	103.6%	9,322,083.94
	Subtotal	0	345,296,073.33		367,117,441.16		373,047,361.72
	Subtotal	0	919,103,821.57		1,036,861,340.11		1,047,860,994.62
	Total	4,681,507	919,103,821.57		1,352,863,503.77		1,364,639,524.11
2.3 - Trading derivatives							
EUR/USD Currency Forwards							-1,039,907.52
	Total	0	0.00		0.00		-1,039,907.52
	Total	6,663,421,836	980,954,576.44		1,492,351,706.21		1,505,694,139.16
3 - GRAND TOTAL		6,665,225,084	980,954,576.44		1,511,912,834.98		1,525,255,267.93



08

DISCLOSURE OF REMUNERATION POLICIES

ANNUAL REPORT **2016** INDIVIDUAL ACCOUNTS



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 2016;
- 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 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 companies, 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 insurance business, this matter is also governed by the provisions of Delegated Regulation (EU) 2015/235 of the Commission, of October 10, and 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 Management and Supervisory Bodies, as well as of the Board of the General Meeting of Seguradoras Unidas, SA, (the "Company") is drafted for 2017, which is submitted to the approval of the General Meeting.

2. Remuneration Policy Approval and Review Process

The remuneration policy of the governing bodies of the Company is, in accordance with article 13 of the articles of association, approved at the General Meeting, at the proposal of the Remuneration Committee comprising two non-executive directors elected at the General Meeting for the 2016 to 2018 term of office.

Services of external consultants are not used in the definition of the said remuneration policy.

The policy is submitted to an independent internal evaluation performed by the Risk Department, at least once a year, with a view to determining its possible impact at the level of risk management and necessary capital, as well as by the Compliance Unit, which responsible for reviewing the policy in the light of the ASF recommendations .

The Policy is reviewed at least annually, in accordance with article 64(5) of the Access to and Exercise of Insurance and Reinsurance Business Legalisation (RJAS).

3. Disclosure of the Policy

The Remuneration Policy shall be disclosed internally through publication on the Company's website, and shall also be set out in the annual financial statements, available on the institutional site during a minimum of 5 years.

4. Applicable Principles

The Remuneration Policy and its practices are established, implemented and maintained in accordance with the Company's business, as is the risk-management strategy in place in the Company, particularly with regard to the risk profile, objectives and performance of the Company in the long term.

The Remuneration Policy complies with the principle of proportionality, and is so designed as to take into account the Company's internal organisation, as well as the size and complexity of the risks inherent in its business.

The remuneration policy conforms to the limits provided for in the Company's bylaws.

5. Remuneration of the Members of the Board of Directors

5.1 Executive Members of the Board of Directors

The remuneration of each member of the Board of Directors shall be fixed by the Remuneration Committee in accordance with this Remuneration Policy.

a) Fixed Component

The executive members of the Board of Directors receive a fixed remuneration paid fourteen times a year.

The fixed component shall have the limits set by the General Meeting and, as a rule, shall not be less than 60% of the Total Annual Remuneration.

b) Variable Component

A variable remuneration may be added to the fixed component, under such terms as come to be determined by the shareholder at the General Meeting.

The variable component, 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.

For all intents and purposes, the variable component may not exceed 5% of the profits for the year as determined in article 13 of the Company's Bylaws.

The variable remuneration, if any, is in respect of the short-term performance and depends on a decision to be taken by the sole shareholder at the General Meeting in accordance with the assessment and on the basis of the above criteria.

The variable remuneration may take the form of a performance bonus, performance award or even profit sharing, as comes to be expressly determined at the General Meeting by the sole shareholder.

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 share plans or stock-option plans involving shares in the Company or in any other company of the Group.

c) Pension Fund

Executive members of the Board of Directors may also be entitled to a contribution to a pension fund under the terms and conditions set out in the decision of the sole shareholder dated July 10, 2016, as written into the book of minutes of the General Meeting as Minutes n° 53.

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.

5.2. Non-Executive Members of the Board of Directors

Non-executive members of the Board of Directors may earn a fixed annual remuneration under the terms that come to be determined by the Remuneration Committee. There shall be no payment of variable remuneration.

6. Remuneration of the Members of the Board of Auditors

Under Article 23 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.

7. Remuneration of the Statutory Auditor

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

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

Under Article 12 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, and it shall be set by the Remuneration Committee, if it is to be paid.

Table of Remuneration Paid in 2016 to the Governing Bodies of Seguradoras Unidas, S.A.

(thousand euros)

	Remuneration		Total
	Fixed	Variable	
Board of Directors			1,806.7
Gustavo Alexander P.T. Mesquita Guimarães (Chair)	100.0	-	100.0
Alexander Wallace Humphreys (Member)	-	-	-
Augusto Tomé Pires Fernandes Pedroso (Member)	240.9	289.8	530.7
Gernot Wilhelm Friedrich Lohr (Member)	-	-	-
Jan Adriaan de Pooter (Member)	400.0	100.0	500.0
Nuno Miguel Pombeiro Gomes Diniz Clemente (Member)	201.5	-	201.5
Pedro Luís Francisco Carvalho (Member)	240.9	233.6	474.5
Board of Auditors			110.0
Luís Maria Viana Palha da Silva (Chair)	50.0	-	50.0
Manuel Maria de Paula Reis Boto (Full Member)	30.0	-	30.0
Pedro Manuel Aleixo Dias (Full Member)	30.0	-	30.0
Sandra Maria Simões Filipe de Ávila Valério (Alternate Member)	-	-	-
Total Remuneration	1,293.4	623.3	1,916.7

The cost incurred in 2016 with retirement pensions of the members of the governing bodies was negative in the sum of €-3,271k, as a result of the curtailment that took place in the respective pension fund plan.

KEY EMPLOYEE REMUNERATION POLICY

1. Scope of Application of the Remuneration Policy

Under the terms of Delegate Regulation (EU) 2015/235 of the Commission of October 10, as well as of Standard n° 5/2010, of April 1, of the Insurance and Pension Funds Supervisory Authority (hereinafter also "ASF"), 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 risk management, and internal control and compliance 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,

since the understanding, is that – besides the governing bodies – the performance of these professionals has a material impact on the risk profile of Seguradoras Unidas ("Company").

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 Human Resources Department in particular. The proposal is also assessed by the Overall Risk 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 the Key Employees is entrusted to the Board of Directors within the scope of the management of its Human Resources policy with a view to meeting the Company's strategic goals.

c) Composition of the Board of Directors

Alexander Wallace Humphreys
Augusto Tomé Pires Fernandes Pedroso
Gernot Wilhelm Friedrich Lohr
Gustavo Alexandre Pontes Teixeira de Mesquita Guimarães
Jan Adriaan de Pooter
Nuno Miguel Pombeiro Gomes Dinis Clemente
Pedro Luís Francisco Carvalho

d) External Consultants

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

3. Disclosure of the Policy

The Remuneration Policy shall be disclosed to the Company's employees through publication on its In-house Portal, and shall also be set out in the annual financial statements, available on the institutional site during a minimum of 5 years.

4. 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 force in the insurance sector;
- Performance evaluation, both at corporate level and also at departmental and individual level.

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

The variable remuneration may comprise performance bonuses, in accordance with the factors detailed above or such others as may be specifically provided for by the Board of Directors, or even the distribution of bonuses on account of profits at the proposal of the Board of Directors and in keeping with a resolution passed by the Company's General Meeting.

b) Limits and Balances of the Remuneration

The fixed part shall be defined within 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, as a rule, exceed 40% of the total amount of the annual remuneration.

This situation is in keeping with the recommendations of Insurance and Pension Fund Supervisory Authority Circular n° 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 Variable Annual Remuneration (VAR) will lie within the limits set by the Board of Directors. The VAR is in respect of the short-term performance, and its exact amount, each year, is determined in the light of the criteria laid down in subparagraph a), and in any case it is stipulated that the VAR does not constitute a right of employees, and the criteria for its grant may be altered and/or revoked at any time by the Board of Directors, and it is subject to annual approval by the Board of Directors on the basis of the annual performance and evaluation of the employees.

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 Company, in particular:

- Competence Assessment;
- Evaluation of Corporate Objectives;
- Evaluation of Departmental Objectives;
- Evaluation of Individual Objectives;

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 granted, it will be paid, as a rule, on a single occasion, in cash, save decision to the contrary by the Board of Directors.

Without prejudice to the foregoing, the Board of Directors, in keeping with the guidelines established by the shareholder in this matter, may determine that the variable component of the remuneration, or a portion thereof, be assigned through stock-option plans involving shares in the Company or any other company of the Group, under such terms it may come to define.

5. Other Benefits Attributed to “Key Employees”

In addition to the fixed and variable remuneration described in this remuneration policy, “Key Employees” may also receive, if applicable, the following benefits as defined in the collective bargaining agreement (CBA) 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 disability pension.

6. Broadening the Scope of this Remuneration Policy

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

STATEMENT OF COMPLIANCE (ARTICLE 4(1) OF ASF 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.	Complies	
III.2 The members of the RC shall be independent with regard to the management body and shall meet the requirements of competence and professional qualifications appropriate to the performance of their duties.	Complies Partially	The RC comprises two unremunerated non-executive members of the Board of Directors so as to ensure independence.
III.3 Should the RC make use of external services (consultants), it should not hire a natural or corporate person who provides or has provided services, during the previous three years, to any structure dependent on the management body or to the management body itself or has a present relationship with a consultant of the institution. This recommendation is also applicable to any natural or corporate person related with them by an employment or provision of services contract.	Not Applicable	
III.4 The RC shall inform the equityholders, each year, as to the performance of its duties and shall be present at the AGM at which the Remuneration Policy is on the agenda.	Complies	
III.5 The RC shall meet at least once a year and shall write up minutes of every meeting held.	Complies	
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 evaluation criteria are based on management indicators, taking into account at all times the adequacy of the equity to its level of risk and the representation of the technical provisions.

Recommendation	Degree of Compliance	Comments
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 2017.
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 2017.
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	No compensation has been established for any form of unfair dismissal of a member of the management body.
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 2017.
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 2017.

Recommendation	Degree of Compliance	Comments
V. Key Employee Remuneration – Deferral of Variable Remuneration (continuation)		
V.7	Not Applicable	Not applicable in view of the reply to the preceding point.
V. Employees' Remuneration – Key Employees		
V.8	Complies	
V.9	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	Complies	
VI.2	Complies	
VI.3	Complies	
VII. Financial Groups		
VII.1	Complies	
VII.2	Complies	
VII.3	Complies Partially	The amounts and remuneration paid by subsidiaries, taking into account the respective structures, have not so far been considered materially relevant.
VII.4	Complies Partially	

LEGAL CERTIFICATION OF THE ACCOUNTS

ANNUAL REPORT **2016** INDIVIDUAL ACCOUNTS



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LEGAL CERTIFICATION OF THE ACCOUNTS

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

We have audited the attached financial statements of **Seguradoras Unidas, S.A.** (the Entity), which include the balance sheet as at December 31, 2016 (which shows a total of €2,210,768k and total equity of €158,898k, including net income of €29,851k), the profit & loss account, the statement of comprehensive income, the statement of changes in equity and the cash-flow statement for the year then ended, and also the notes to the financial statements, which include a summary of the significant accounting policies.

In our opinion the said financial statements truly and fairly present, in all materially relevant aspects, the financial position of **Seguradoras Unidas, S.A.**, as at December 31, 2016, its financial performance and its cash flows for the year then ended, in accordance with accounting principles generally accepted in Portugal for the insurance industry established by the Insurance and Pension Funds Supervision Authority (ASF).

Bases for the opinion

Our audit was performed in accordance with the International Standards on Auditing (ISA) and other technical and ethical standards and guidelines of the Order of Chartered Accountants. Our responsibilities under those standards are described in the section "Auditor's responsibilities for the audit of the financial statements" hereunder. We are independent of the Entity in accordance with the law and fulfil the other ethical requirements in accordance with the code of ethics of the Statutory Auditors Association.

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

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Relevant audit matters

Relevant audit matters are those that, in our professional judgement, were of greater importance in the audit of the financial statements for the current year. These matters were considered within the context of the audit of the financial statements as a whole and in the formation of opinion, and we have not issued a separate opinion on such matters.

Measurement of the financial instruments (including recognition of impairment)

On December 31, 2016, the portfolios of available-for-sale financial assets and financial assets classified on initial recognition at fair value through profit or loss total €1,469,644k and €24,088k, respectively, as described in note 6 to the financial statements, accounting for approximately 66% and 1% of the assets, respectively.

The risk

These assets are measured at fair value in accordance with the accounting policy described in note 3 - Financial assets to the financial statements. With regard to the available-for-sale assets, the Entity determines that there is impairment when there is an ongoing devaluation or one of significant value in their fair value.

The fair value for most of the assets referred to above that make up its portfolio of assets is determined directly by reference to an official active market or through price providers. As mentioned in note 3 - Main estimates and judgements used in the preparation of the financial statements, the valuations are based on market prices or measurement methodologies that require use of certain assumptions or judgements in order to establish the fair-value estimates.

Our response to the risk identified

Within the scope of our audit we conducted, among others, the following procedures:

- Evaluation of the design and implementation of the main controls performed by the Entity in the measurement of its asset portfolio;
- Test of the valuation of the asset portfolio, in order to assess the reasonableness of the fair value recognised by the Entity;
- Tests to assess possible impairment losses; and
- Evaluation of the disclosures made by the Entity in accordance with the applicable accounting standards.



Mathematical reserves of the life branch and financial liabilities associated with investment contracts

As at December 31, 2016, the mathematical reserves of the life branch (including the provision for rate commitments) and the financial liabilities associated with investment contracts amount to €663,817k and €151,610k, respectively, and represent about 32% and 7%, respectively, of the liabilities as of that date.

The risk	Our response to the risk identified
<p>On each reporting date the Entity performs an assessment of the adequacy of its liabilities associated with insurance contracts and investment contracts, which are reflected in the mathematical reserves and in the financial liabilities on the basis of actuarial methods recognised under the applicable laws in force, as stated in the accounting policies in note 4 regarding insurance and investment contracts.</p> <p>This is an area that involves a significant degree of judgement on the part of the Board of Directors of the Entity as to future results, namely (i) the total estimated value of long-term liabilities towards policy holders (which depends on a broad set of economic, demographic and business assumptions used as inputs to estimate these long-term liabilities) and (ii) the future income expected of the asset portfolios used to cover such liabilities, as mentioned in note 3 - Main estimates and judgements used in the preparation of the financial statements. Alternative methodologies and the use of different assumptions and estimates could lead to a different level mathematical reserves and of liabilities associated with investment contracts.</p>	<p>Our audit procedures included, among others, an assessment of the design and implementation of the key controls of the Entity at the level of its technical provisioning policy.</p> <p>Additionally, we conducted tests that included, among others: (i) assessment of the adequacy of the assumptions used in determining the liabilities associated with insurance contracts of the life branch and of the investment contracts and (ii) review of the adequacy of the mathematical reserves and liabilities associated with investment contracts, taking into account the contractual conditions of each product including guarantees.</p>



Provisions for claims

As at December 31, 2016, the provision for claims in the sum of €890,894k represents 43% of the liabilities as of that date, of which €408,636k refer to the mathematical reserve for workers' compensation, in keeping with note 4 of the notes to the financial statements of the Entity.

- (i) **Provision for claims (except Mathematical Reserves for Workers' Compensation - Pensions) in the amount of €482,258k**

The risk	Our response to the risk identified
<p>The provision for claims corresponds to the cost of claims incurred pending settlement, the estimated liability for claims incurred but not yet reported (IBNR) and the direct and indirect costs associated with their settlement, at the year-end. Provisions for claims, other than mathematical reserves for Workers' Compensation, are not discounted, as mentioned in the accounting policies in note 4 relating to insurance and investment contracts.</p> <p>Claim liabilities are inherently uncertain, their estimate involving a significant degree of judgement on the part of the Entity's Board of Directors.</p> <p>Based on past experience of liquidation/settlement of claims and other explicit or implicit assumptions and by applying statistical methods, the Entity makes its best estimate of the amount of the provision for claims.</p>	<p>Our audit procedures included, among others, an assessment of the design and implementation of the main key controls of the Entity at the level of its claims provisioning policy.</p> <p>Additionally, we performed tests to verify the adequacy of the estimated amount of the provision for claims, which included, among others, application of recognised actuarial techniques (run-off analyses).</p> <p>We assessed the methodology and assumptions used by the Entity in estimating the value of the respective provision for claims.</p> <p>Also in this area, we assessed the work produced and the conclusions reached by the Entity's actuaries and we evaluated the disclosures made by the Entity, in accordance with the applicable accounting standards.</p>



(ii) **Provision for claims - Mathematical Reserves for Workers' Compensation in the amount of €408,636k**

The risk	Our response to the risk identified
<p>The estimate of the workers' compensation mathematical reserves, as referred to in accounting policies in note 4 relating to insurance and investment contracts, is an area that involves a significant degree of judgement on the part of the Entity's Board of Directors regarding uncertain future results, namely (i) the total estimated value of long-term liabilities to the victims (which, in addition to the legal and regulatory requirements to be observed, depends on a broad set of economic, demographic and business assumptions used as inputs to estimate these long-term liabilities) and, (ii) the expected future income of the portfolio of assets assigned to cover these liabilities.</p>	<p>Our audit procedures included an assessment of the design and implementation of the main key controls of the Entity at the level of its claims provisioning policy.</p> <p>Additionally, we carried out tests, which included assessing the adequacy of the economic and non-economic methodologies and assumptions used by the Entity in the projection and discount of its liabilities arising from works accidents, and evaluated the disclosures made by the Entity in accordance with the applicable accounting standards.</p>

Business combinations

On August 5, 2016, the Entity acquired the entire share capital of Açoreana Seguros, S.A., an entity that has since been merged into Seguradoras Unidas, S.A., with reference to December 30, 2016. As a result of this operation, the Entity recognised in the financial statements now presented, goodwill in the amount of €65,981k.

The risk	Our response to the risk identified
<p>In accordance with the accounting policies set out in note 3, business combinations are recorded using the purchase method. Goodwill is defined as the difference between the acquisition cost and the fair value of the assets and liabilities and contingent liabilities of the acquired company.</p> <p>The fair value is determined based on the use of valuation methodologies, considering market conditions, the effect of time, the yield curve, among others. Consequently, the use of other methods or different assumptions or judgements in applying a given model could give rise to an alteration of the amount of goodwill determined.</p>	<p>Our audit procedures included, among others:</p> <ul style="list-style-type: none"> ■ Review of (i) the transaction-support documentation and (ii) the authorisations of the Regulators; ■ Review of the key assumptions used in determining the goodwill; ■ Review as to whether the fair value of the assets and liabilities recognised by the Entity is consistent with the information obtained regarding the rationale of the said combination; ■ Verification of the cost of the combination as well as the fair value of the assets, liabilities and contingent liabilities acquired.

**Other matters**

The financial statements for the year ended December 31, 2015, presented for comparative purposes, were audited by another firm of auditors that issued a Legal Certification of Accounts dated April 8, 2016, without reservations and with emphases. Our appointment as auditors took place on December 9, 2016, to conduct the statutory audit of the accounts for the year ended December 31, 2016.

Responsibilities of the management body and supervisory body for the financial statements

The management body is responsible for:

- the preparation of financial statements that present a true and fair view of the financial position, financial performance and cash flows of the Entity in accordance with accounting principles generally accepted in Portugal for the Insurance sector, established by the ASF;
- drafting the Management Report under the applicable legal and regulatory terms;
- the creation and maintenance of an appropriate internal-control system to enable the preparation of financial statements free of material misstatement due to fraud or error;
- the adoption of accounting policies and criteria adequate in the circumstances; and
- the evaluation of the Entity's ability to remain in continuity, disclosing, as and where applicable, matters that may give rise to significant doubts as to the continuity of the business.

The supervisory body is responsible for overseeing the process of preparation and disclosure of the Entity's financial information.

The auditor's responsibilities for the audit of the financial statements

Our responsibility is to obtain reasonable assurance as to whether the financial statements as a whole are free from material misstatement due to fraud or error, and to issue a report stating our opinion. Reasonable assurance is a high level of certainty but is not a guarantee that an audit performed in accordance with the ISA will always detect a material distortion when one exists. Distortions can be caused by fraud or error and are considered to be material, alone or in combination, if they can reasonably be expected to influence the economic decisions of users taken on the basis of such financial statements.

As part of an audit in accordance with the ISA, we make professional judgements and maintain professional scepticism during the audit and also:

- we identify and assess the risks of material distortion of the financial statements, due to fraud or error, we conceive and implement audit procedures that respond to these risks, and we obtain audit evidence sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material distortion due to fraud is greater than the risk of not detecting a material distortion due to error, since fraud may entail collusion, falsification, intentional omissions, false statements or overlap of internal control;



- we obtain an understanding of the internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not to express an opinion on the effectiveness of the Entity's internal control;
- we assess the adequacy of the accounting policies used and the reasonableness of the accounting estimates and related disclosures made by the management body;
- we come to a conclusion as to the appropriateness of the use, by the management body, of the assumption of continuity and, based on the audit evidence obtained, as to whether there is any material uncertainty relating to events or conditions that may give rise to significant doubts about the ability of the Entity to lend continuity to its business. If we find that there is a material uncertainty, we must draw attention in our report to the related disclosures contained in the financial statements or, if such disclosures are not adequate, modify our opinion. Our findings are based on the audit evidence obtained up to the date of our report. However, future events or conditions may lead the Entity to discontinue its business;
- we assess the presentation, structure and overall content of the financial statements, including the disclosures, and whether these financial statements represent the underlying transactions and events in order to achieve a fair presentation;
- we communicate to the persons in charge of governance, including the supervisory body, among other matters, the planned scope and calendar of the audit, and significant findings of the audit, including any significant deficiency in internal control determined during the audit.
- of the matters we communicate to those in charge of governance, including the supervisory body, we determine which were the most important in the audit of the financial statements of the current year and which are the relevant matters of the audit. We describe these matters in our report, except when the law or regulation prohibits their public disclosure; and
- we declare to the supervisory body that we comply with the relevant ethical requirements regarding independence and communicate all relationships and other matters that may be perceived as threats to our independence and, where applicable, the respective safeguards.

Our responsibility also includes verification of the consistency of the information contained in the management report with the financial statements.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

On the management report


In compliance with article 451.3(e) of the Companies Code, we are of the opinion that the management report was prepared in accordance with the applicable legal and regulatory requirements in force, the information in it is consistent with the audited financial statements and, taking into account the knowledge and appraisal of the Entity, we have not found any material misstatements.

**On the additional elements provided for in article 10 of Regulation (EU) n° 537/2014**

In compliance with article 10 of Regulation (EU) n° 537/2014 of the European Parliament and of the Council of April 16, 2014, and in addition to the relevant audit matters mentioned above, we also report the following:

- We were appointed auditors of the Entity for the first time at the general meeting of shareholders held on December 9, 2016, to complete the current calendar year.
- The management body has confirmed to us that it is not aware of the occurrence of any fraud or suspicion of fraud having a material effect on the financial statements. In the planning and execution of our audit in accordance with the ISA, we have maintained our professional scepticism and designed audit procedures to respond to the possibility of material misstatement of the financial statements due to fraud. As a result of our work, we have not identified any material misstatement in the financial statements due to fraud.
- We confirm that the audit opinion that we express is consistent with the additional report we prepared and delivered to the Entity's supervisory body on April 24, 2017.
- We declare that we have not provided any services prohibited under article 77 (8) of the Bylaws of the Statutory Auditors Association and that we have maintained our independence vis-à-vis the Entity during the conduct of the audit.

April 24, 2017


KPMG & Associados
Sociedade de Revisores Oficiais de Contas, S.A. (n.º 189)
represented by
Ana Cristina Soares Valente Dourado (ROC n.º 1011)

BOARD OF AUDITORS' REPORT AND OPINION

ANNUAL REPORT **2016** INDIVIDUAL ACCOUNTS

BOARD OF AUDITORS' REPORT AND OPINION

To the Members of Seguradoras Unidas, S.A.

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 Seguradoras Unidas, S.A. ("Seguradoras Unidas"), for the year ended December 31, 2016, which are the responsibility of the Board of Directors.

During 2016, this Board of Auditors monitored the business of Seguradoras Unidas 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 Seguradoras Unidas, including the subsidiaries that were merged on December 30, 2016, in particular in the accounting and financial, Internal Audit, Global Risk Management Compliance and Internal Control areas, 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 KPMG & Associados, SROC, which, in the performance of its duties, examined these 2016 financial statements, issuing the Legal Certification of Accounts on April 24, 2017, without reservations or 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, 2016, the Profit & Loss Account, the statements of comprehensive 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.

For the relevance of the document, this Board of Auditors received from KPMG a document entitled Audit Report for the Supervisory Body, which included a very detailed analysis of the areas considered to be most relevant for the audit as well as the conclusions of the audit performed. In particular, this Board of Auditors believes that it is important to mention that in respect of Solvency II, in force since January 2016, there is a monthly report on the solvency ratios, and the final data are to be released only in May 2016, duly certified, as permitted by law.

During the current year, which shows a net profit of €29.851 million, and in respect of the review of these financial statements, the following are worthy of note:

- On August 5, 2016, Companhia de Seguros Tranquilidade, acquired the whole of the share capital of Açoreana Seguros; in this acquisition and as stated in note 33 of the Notes to the Accounts, goodwill was recognised in the sum of €66 million.
- On December 30, 2016, there occurred the merger by incorporation into Companhia de Seguros Tranquilidade, S.A., of the companies Açoreana Seguros S.A., Seguros Logo, S.A., and T-Vida Companhia de Seguros, S.A., all wholly owned by Companhia de Seguros Tranquilidade, which, at the same time as the merger, changed its name to Seguradoras Unidas, S.A.. This Board of Auditors monitored this matter and was not asked to issue any opinion thereon, in keeping with the legal opinions and understanding validated by the ASF, which were passed on to us by the Board of Directors; for its relevance, this Board of Auditors declares that the accounting of the merger is detailed in Note 32 of the Notes to the Accounts;
- Operationally, there was a significant strengthening of the non-life market business, in particular in the fields of Workers' Compensation and Health, which were the main drivers of growth in the sector, while emphasis is also given to the growth of the Motor branch and, in the Life branch, to the growth of Life-Risk; there was a significant downturn of financial products as a result of the strategic option and of the decrease of the financial channel;
- Financial business was characterised by a strategy of a conservative nature focused on fixed-income assets of average rating, primarily subordinated debt bonds of the core countries of Europe;
- For their relevance in results the income arising from the recognition of deferred tax assets in the sum of €24.5 million and a real-estate gain of €5.3 million warrant a word, partially offset though they were by

the assumptions both as to mortality and also as to the discount rates of the mathematical reserves for Workers' Compensation (cost of €13.5 million).

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

- The sufficiency of provisions for claims of the motor and workers' compensation branches, as well as of the provision for settlement of claims;
- Analysis of the risks of recoverability of the investments and of the receivables from subsidiaries having their registered office in other foreign countries.
- Fulfilment of the Compliance programme, underpinned by a duly-approved Code of Conduct, dealing also with the matter of combating money laundering and terrorist financing and prevention of bribery and corruption; in this connection, an Ethical line was implemented in accordance with best international practice; it should be noted that in this analysis we take into account the annual report of the Compliance activities recently sent to us;
- Whenever deemed relevant, this Board of Auditors met with the Internal Audit Department and monitored its activities;
- As mentioned in Note 34 of the Notes to the Accounts, on February 24, 2017, several real-estate conveyance deeds were signed, generating a book gain of about €11.9 million, primarily due to the impact of the sale of the head-office building, given that the other buildings were already carried at their fair value as at December 31, 2016.

In view of the foregoing, we are of the opinion that, taking into consideration the Legal Certification of Accounts issued by KPMG referred to above, the financial statements and the Management Report, as well as the proposal for the appropriation of results set out therein, are in accordance with the applicable accounting requirements and with the bylaws, and may therefore be approved by the General Meeting of Seguradoras Unidas, S.A..

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


Lisbon, April 26, 2017



Luis Palha da Silva



Pedro Aleixo Dias



Manuel Maria Reis Boto



ANNUAL REPORT 2016

SEGURADORAS UNIDAS, S.A.

INDIVIDUAL ACCOUNTS

