

LOGO[®]



2014

**ANNUAL REPORT
AND ACCOUNTS**

LOGO®



CAR



HOME



HEALTH

Seguros LOGO, S.A.

Rua D. Manuel II, nº 290

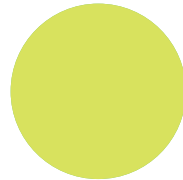
4001 – 809 Porto / Portugal

Registered at the Porto Registry of Companies - VAT: 508 278 600

logo.pt

INDEX

ANNUAL REPORT AND ACCOUNTS 2014



04

GOVERNING BODIES

06

DIRECTORS' REPORT

13

FINANCIAL STATEMENTS

17

STATEMENT OF COMPREHENSIVE INCOME

19

STATEMENT OF CHANGES IN EQUITY

21

STATEMENT OF CASH FLOWS

23

NOTES TO THE FINANCIAL STATEMENTS

58

DISCLOSURE OF REMUNERATION POLICIES

65

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

01

**GOVERNING
BODIES**

LOGO®

GOVERNING BODIES

General Meeting

Chair

Gustavo Alexandre Pontes Teixeira de Mesquita Guimarães

Secretary

Nuno Miguel Pombeiro Gomes Diniz Clemente

Board of Directors

Chair

Augusto Tomé Pires Fernandes Pedroso

Members

Filipe Antero Rogenes Barreto Infante

João Carlos Dores Candeias Barata

José Manuel Mendes Esteves Serra Vera

José Pedro de Barros Inácio

Board of Auditors

Chair

Luís Maria Viana Palha da Silva

Full Members

Manuel Maria de Paula Reis Boto

Pedro Manuel Aleixo Dias

Alternate Member

Sandra Maria Simões Filipe de Ávila Valério

Official Auditor

Ana Cristina Soares Valente Dourado

on behalf of KPMG e Associados

Alternate

Fernando Gustavo Duarte Antunes

02

**DIRECTORS'
REPORT**

LOGO®

02. DIRECTORS' REPORT

To the Members of Seguros LOGO, SA,

Under the law and the articles of association, the Board of Directors is honoured to present to you for appraisal the 2014 Management Report and Accounts of Seguros LOGO, SA. (hereinafter LOGO or Company).

2.1 - Macroeconomic Framework

Despite the consolidation of the economic recovery in the US, 2014 is marked by considerable uncertainty as to global economic growth, the slowdown of the Chinese economy, the concern about deflationary pressures in the Euro zone, the potential impacts of the fall of oil price in some economies (Venezuela, Russia) and by the reappearance of concerns about political stability in Greece.

2.1.1 - International Economic Situation

In the US, after the weak economic growth seen in early 2014, the data revealed in the last quarter suggest an acceleration of GDP growth and moderate economic expansion supported by domestic demand, especially private consumption, which increased by 2.5%, and by the GFCF which recorded a growth of 5.5%. It is estimated that the North American economy grew by more than 2.0% in 2014.

The levels of indebtedness of households and of the private sector continued to fall and the savings rate remained above historic lows. Several indicators suggest a normalisation of the property and credit markets, in particular a reduction in the rate of mortgage foreclosures, reduction of the rate of non-performing loans and, above all, the reduction of the jobless rate.

The Federal Reserve (Fed) kept interest rates unchanged in the range of 0-0.25%. The attention of the markets and investors is now focused on anticipation of the increase of interest rates, which could begin during 2015.

In the Euro area, 2014 was marked by weak economic growth, less than 1% despite the favourable expectations for 2015. The improvements in the labour market were modest, in line with the economic growth, insufficiently robust to enable job creation.

In 2014, the main economic indicators in the Euro area improved compared with the previous year, particularly:

- The unemployment rate stood at 11.6% in 2014 (11.9% in 2013);
- Year-on-year inflation stood at 0.4%, below the goal of 2.0%;
- Private consumption is set to have grown by 0.7% (-0.6% in 2013); and
- Investment is set to have grown by 0.6% (-2.4% in 2013).

The ECB kept the refi rates unchanged, close to 0%, and is expected to present additional measures to combat the likelihood of deflation scenarios.

Low inflation and geopolitical concerns appear as the main risk factors for growth of the Euro zone in 2015. Emphasis is given to the conflict between Ukraine and Russia, the political situation in Greece, the effects of US monetary policy and the possible effectiveness of the ECB quantitative easing programme.

In 2014 the Euribor rates dropped at every term, with the 3-month Euribor standing at 0.08% (2013: 0.29%) and the 12-month Euribor at 0.33% (2013: 0.56%).

The euro depreciated against the dollar, from EUR/USD 1.37 in December 2013 to 1.21 in December 2014 (down 12.0%) reflecting the perspectives of low economic growth in the Euro zone, the risks of deflation and the political instability in Greece.

The performance of the major equity differed in 2014. In the USA the S&P 500 and NASDAQ indices recorded gains of 11.4% and 13.4%, respectively. In Europe, the EuroStoxx50 appreciated just 1.2% in 2014. The markets were again marked, especially at the end of the year, by a climate of risk aversion associated with the sharp drop in oil prices, the factors of political uncertainty and lack of confidence in economic growth.

Greece, Italy, Spain and Portugal were the European markets most affected, with emphasis on the financial and energy sectors. Emerging markets depreciated following the impact of the fall of the oil prices in exporting countries.

2.1.2 - Domestic Economic Situation

According to the latest figures released, the Portuguese economy is expected to grow by 0.9% in 2014, following the 1.4% downturn the previous year. This was underpinned by the recovery of private consumption and public investment. Imports grew at a rate higher than exports, causing a deterioration of the trade balance.

After 3 consecutive years of decline, domestic demand increased again in 2014 while still below the levels seen before the international financial crisis. Private consumption grew 2.1% in 2014 (compared to a 1.4% reduction in 2013) and gross fixed capital formation increased by 5.2% (compared to 6.3% decrease in 2013).

In 2014, exports posted a growth of 3.4%, lower than in 2013 (6.4%) and lower than the 6.2% growth of imports (compared to 3.6% in 2013).

The unemployment rate fell from 16.2% to 13.9% in 2014. At the root base of this improvement were methodological changes associated with the inclusion of the data of the "2011 Census", the migratory flow and the implementation of several of labour-recruitment stimulus programmes.

The average inflation rate fell by 0.3% (2013: up 0.3%) largely reflecting the decline of energy prices.

Under the regular monitoring by the Troika and after the end of the Adjustment Programme, the stock of foreign liabilities still exceeds 110% of GDP, one of the highest figures of developed economies.

The need to reduce the debt and the public-administration deficit continues to be essential to ensuring the sustainability of the public finances.

Yields continued to their downward trend throughout 2014, the yield of the 10-year treasury bonds having dropped from 6.0% in December 2013 to 2.7% in December 2014. The backdrop of low interest rates continues to reflect investors demand for this class of assets.

2.1.3 - Insurance Market

In 2014 the production volume of direct insurance in Portugal amount to €14,292 million, a growth of 9.1% compared to 2013 (+€1,187 million), boosted again by Life insurance premiums, and allowing, for the second straight year, a recovery of part of the production lost in previous years.

Thus, Life insurance was once again responsible for the good performance of the market. Premiums amounted to €10,439 million, an growth of 12.9% over the previous year. In an environment greater savings by savers and of instability and uncertainty in the financial markets, the increase in demand for insurers' savings products was decisive to the good performance of the Life segment.

Emphasis is give to the performance of PPRs (Retirement Saving Plans), up 58.5% (+€905 million euros), raising the volume of contributions to €2,454 million. Capitalisation products posted a more modest increase of 4.3%, while risk products declined by 0.5% in 2013.

However, the Non-Life segment fell once more in 2014, though less so that in the past 2 years, which seems to announce a reversal of the downward trend of production. The volume of Non-Life premiums amounted to €3,852 million (down 0.2% from the previous year), with emphasis on the recovery of workers' compensation (up 0.9%), premiums of which had not risen for 9 years. Health insurance kept the growth pattern of the past few years (up 3.3%), confirming the growing option for this product.

Contrary to this, the focus is on the downturn of production in Motor insurance (-2.0%), with a further deterioration of the average premium per vehicle, and on the decline of Multi-risk (-0.3%) and Transportation (-9.0%).

The weight of insurance business as a proportion of the GDP rose from 7.7% in 2013 to 8.3% in 2014. The Life segment accounts for 6.1% of the GDP, with Non-Life segment accounting for 2.2% (5.4% and 2.3% in 2013, respectively).

The direct market segment primarily comprises Motor business, and is determined by its evolution. The total volume of premiums for all insurance companies that operate in this segment decreased 0.7% compared to the previous year. Motor insurance production fell by 1.6%, a performance slightly above the market as a whole.

In 2014, LOGO continues to rank third of the direct channel insurers, with a market share of over 20.0% (20.1%, in 2014 and 20.6% in 2013).

2.2 - Relevant Facts in 2014

In a still adverse macroeconomic and competitive context, 2014 was decidedly marked by the achievement of the break-even point of the operation, as originally planned.

In fact, as a result of a clear, consistent and coherent strategy LOGO has improved its performance at various levels and, for the first time, it returned a consolidated net profit at the end of the 1st half of 2014, further consolidated during the 2nd half of the year.

This performance is based on different factors, the first of which is the strength of the LOGO brand. In 2014, LOGO continued to strengthen its second place as a direct insurer in terms of "Top of Mind" and "Spontaneous Awareness", and also this year in "Total Awareness" (BASEF insurance data), as well as of leadership as the "Most Innovative" brand (BASEF insurance data on the direct insurance segment, per point of share).

The consolidation of the triple-play offer (Motor, Home and Health insurance), in which he LOGO is the pioneer in direct insurance in Portugal, certainly contributed to this performance. This successful

offer achieved penetration rates of more than 20% in new business and provided Home and Health a penetration of nearly 10% of the portfolio at the end of 2014, while maintaining premium growths of more than 25% in both products.

The year under review was also marked by the launch of new partnerships based on all the know-how acquired and demonstrated by LOGO and leveraged by the company's technological platform, including, for example, the partnership with Sport Lisboa e Benfica.

On the other hand, LOGO once again deepened its differentiation compared to the competition through the launch of the MyLOGO app. It allows insurance management from the "palm of your hand", including, for example, consultation of policies and respective documents, payment of premiums, submission of claims and their monitoring, or scheduling appointments and showing the route to the doctor. The application ranked among the Top 3 of the Apple Store downloads (financial services).

In 2014 LOGO's new website was also launched, based on state-of-the-art technology and fully Responsive Web Design (RWD), responding to the increasing demand of customers via mobile devices – smartphones or tablets (the site is already more than 15% of total hits).

At the same time, he LOGO also consolidated its operation optimisation effort. Thus, despite the significant reductions of the claims rate in recent years (change of almost 30 p.p. from 2010 to 2013), LOGO achieve and additional reduction in 2014 (3.6 p.p.) based on frequency reduction and, above all, on the reduction of the average costs of claims. This reduction effort has been mainly achieved through intensive use of the preferred-partner workshop network that, in keeping with the available benchmarks, presents values that constitute best practices in the national and even international market, while increasing customer satisfaction for the quality and speed of the service provided.

Despite these good results in terms of the claims rate, it was mostly on operating costs that the optimisation efforts were focused during 2014, taking advantage of the scale obtained and the brand value achieved. The optimisation programme allowed a significant reduction of Operating costs of nearly 19.0% (approximately €1.7 million).

Lastly, in 2014 the commitment to quality and service level was further enhanced, a key part in customer loyalty and in generating new leads.

A part of the Tranquilidade Group (it is wholly owned by Companhia de Seguros Tranquilidade, SA), LOGO forms part of the multi-specialist, multichannel approach to the market that the Group has employed in recent years.

LOGO close 2014 with a share capital of €20 million.

2.3 – Key Variables and Business Indicators

(thousand euros)

	2014	2013	Change 14/13 %
Balance Sheet			
Investments	13,066	14,270	-8.4
Net assets	25,081	26,532	-5.5
Equity	5,843	5,603	4.3
Direct insurance technical provisions	17,692	18,596	-4.9
Gains & Losses			
Gross premiums written	19,200	19,842	-3.2
Premiums earned, net of reinsurance	10,755	11,179	-3.8
Gross cost of claims	11,944	13,291	-10.1
Costs of claims, net of reinsurance	8,189	8,372	-2.2
Operating costs	7,321	9,000	-18.7
Income from financial activity	1,081	892	21.1
Net income	32	-2,481	101.3
Indicators (%)			
Claims rate *	62.1	65.7	-3.6 p.p.
Operatin costs/ Gross premiums written	38.1	45.4	-7.3 p.p.
Net income/ Gross premiums written	0.2	-12.5	12.7 p.p.
Combined ratio gross of reinsurance	95.0	108.4	-13.4 p.p.
Combined ratio net of reinsurance	109.2	119.0	-9.8 p.p.
Solvency ratio	131.4	112.9	18.5 p.p.

*Claims ratio = (cost of claims with costs allocated/ premiums earned).

2.4 – Logo's Business in 2014

2.4.1 – Direct Insurance Premiums

The volume of direct insurance premiums amounted to €19,200k in 2014, which means a decrease of 3.2% compared to 2013 (down €642k), in a direct-channel market that fell 0.7% in 2014.

The volume of Motor insurance (with assistance) decreased 4.2% (-€812k) while Multi-risk insurance maintained its growth trend, with an increase of 25.2%, and health insurance, the Company most recent line, grew 26.1% compared to the previous year.

(thousand euros)

Gross Premiums Written	2014	2013	Change 14/13 %
Accidents & Health	445	353	26.1
Health	445	353	26.1
Fire & Other Damage	388	310	25.2
Multi-risk	388	310	25.2
Motor	15,809	16,581	-4.7
Motor - own damage	3,570	3,637	-1.8
Motor - third party	11,196	11,889	-5.8
Motor - occupants	1,043	1,055	-1.1
Sundry	2,558	2,598	-1.5
Travel assistance - Motor	2,558	2,598	-1.5
Total	19,200	19,842	-3.2

2.4.2 – Cost of Direct Insurance Claims

Claims costs fell by €1,347k y-o-y (down 10.1%), the result of alterations to the subscription policy and of pricing adjustments, the ageing of the portfolio (including application of the principle of non-renewal for excessive claims), the reduction of average costs and the reduction of frequency.

The claims rate, calculated through the gross cost-of-claims / gross premiums-earned ratio, fell from 65.7% in 2013 to 62.1% in 2014. The improvement in the claims rate can be seen in every one of the Company's branches.

(thousand euros)

Cost of Claims	2014	2013	Change 14/13 %
Accidents & Health	170	120	41.7
Health	170	120	41.7
Fire & Other Damage	251	192	30.7
Multi-risk	251	192	30.7
Motor	11,523	12,979	-11.2
Motor - own damage	2,554	2,866	-10.9
Motor - third party	8,869	10,005	-11.4
Motor - occupants	100	108	-7.4
Total	11,944	13,291	-10.1

2.4.3 – Direct Insurance Technical Provisions

Direct insurance technical provisions amounted to €17,692k, a reduction of €904k compared to the previous year (down 4.9%). Emphasis is given to the decrease of the provision for unexpired risks amounting to €737k, due to improved technical performance and the reduction of operating costs.

(thousand euros)

Technical Provisions	2014	2013	Change 14/13 %
Provision for unearned premiums	5,359	5,398	-0.7
Provisions for claims	11,324	11,465	-1.2
Provision for unexpired risks	988	1,725	-42.7
Claims-rate deviations provision	21	8	162.5
Total	17,692	18,596	-4.9

2.4.4 – Reinsurance Ceded

In 2014, the balance of reinsurance ceded was negative in the sum of €2,730k, a y-o-y decrease of €575k, primarily the result of a lesser volume of costs of claims borne by the reinsurers.

(thousand euros)

Reinsurance Ceded	2014	2013	Change 14/13 %
Accidents & Health	-32	-16	-100.0
Health	-32	-16	-100.0
Fire & Other Damage	-38	-28	-35.7
Multi-risk	-38	-28	-35.7
Motor	-579	108	-636.1
Motor - own damage	-180	17	-1,158.8
Motor - third party	-141	366	-138.5
Motor - occupants	-258	-275	6.2
Sundry	-2,081	-2,219	6.2
Travel assistance - motor	-2,081	-2,219	6.2
Total	-2,730	-2,155	-26.7

2.4.5 – Technical Balance Net of Reinsurance

The net technical reinsurance balance was positive in the sum of €5,627k, up €221k over the 2013 figure. Despite the reduction of premiums, the downturn of claims costs was greater, contributing to the improvement achieved in the technical balance.

2.4.6 – Operating Costs

Total operating costs amounted to €7,321k, a reduction of €1.679k (down 18.7%) compared to 2013.

Third-party supplies & services accounted for this decrease (down €1,603k), due mainly to the decrease in advertising, outsourcing and specialised work (down €1,521k).

(thousand euros)

Operating Costs	2014	2013	Change 14/13 %
Staff costs	785	773	1.6
Third-party supplies & services	5,631	7,234	-22.2
Taxes and charges	207	214	-3.3
Depreciation	691	772	-10.5
Other*	7	7	0.0
Total	7,321	9,000	-18.7

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

2.4.7 – Investments

In 2014, the world economy showed signs of recovery with rising levels investor confidence in the US and in most emerging markets with the exception of the Mercosur economies.

Europe continued to evolve below its potential and at a slower pace than initially set out, due to the debt accumulated in the period before the crisis and to the regularisation of the macroeconomic imbalances that ensued.

Despite the volatility seen at the year-end, the financial markets appreciated sustainably in most asset classes, supported by expectations of economic recovery and by the liquidity levels generated by the monetary policy implemented by the various central banks.

In May 2014, Portugal completed the Economic and Financial Adjustment Programme agreed with the international institutions, regaining the confidence of national and international investors. Throughout the year, Portugal continued access to financial markets, with several medium- and long-term debt issues that had strong demand and progressively lower interest rates.

The atmosphere of confidence in the Portuguese economy was temporarily penalised by the turmoil that affected the Portuguese financial system caused by the failure of some companies of the Espírito Santo Group, which culminated in the bankruptcy of Portugal's largest private financial group. LOGO was entirely immune to the process that affected its shareholder at the top of the ESFG financial group, and felt the direct consequences of its collapse through the losses generated by the bonds of this entity.

The beginning of the year was marked by strong growth in bond markets with narrowing spreads in most issuer markets, particularly by issuers peripheral to the European core.

As in the previous year, LOGO kept its activity focused on the credit market, fixed-rate bonds in particular. This stance, allied to the good market conditions, generated a return close to double digits. Overall, and throughout the year, LOGO did not focus its investment policy on the sovereign debt of the peripheral countries, unlike most of its counterparts.

Investments were channelled to issuers of fixed rate corporate debt, primary and secondary markets, on issuers of the peripheral European countries. LOGO opted primarily on issuers with solid fundamentals and higher seniority, while maintaining an adequate spread of the risk per issuer, sector and country.

At the end of the first half, it was decided to reclassify all the positions in bonds "held to maturity" to "available for sale", a decision that allowed the appropriation of the potential gains in these assets to be recorded in the accounts.

The start of the second half of 2014 was marked by increased risk aversion induced by the release of less favourable economic indicators in Europe and, in Portugal, with the risk of contagion to the real economy of the dismemberment of the GES group.

This scenario led investors to search for assets of greater "quality", entailing a reduction of exposure to equity markets and yields correcting from the highs observed since the beginning of the year. In a corrective manner, the ECB cut the key benchmark interest rates and announced a comprehensive set of measures to revive economic growth.

In the second half of 2014, LOGO continued its strategy implemented during the first half, taking actively taking part in primary market issues. LOGO has never implemented a buy and hold policy. On the contrary, it has actively taken advantage of market opportunities and has rotated its investment portfolio.

In terms of results, and in keeping with our policy, we would underscore the net gains of €744k (69% of the gains on financial activity), obtained through net gains on the debt market, also the result of the narrowing spreads and reduction of the yields.

At the year-end, LOGO's bond portfolio amounted to €13,066k, with an average rating of investment grade, with exposure to Portuguese public debt (€1,760k) or 13.5% of the total bond portfolio. As a means of continuously adding value, the average duration of the bonds increased from 3.1 years at the beginning of the year to 5.8 years at the year-end.

On the equity market, the major equity indices performed differently during 2014, the US heading the positive performances, followed by Asia and Latin America. European markets also returned positive though more modest performances. To preserve its financial funds and maintain a sustainable yield, LOGO maintained a zero exposure to equities.

Euribor rates recorded historic lows across all maturities, reflecting expectations of falling interest rates. The floating-rate bond portfolio was never significant, with an average exposure of 8.3% of the total portfolio over the year. At all times, liquidity levels were maintained (2.0% of the total portfolio), through term deposits, supplemented by readily realisable investments such as treasury investment funds.

In compliance with the limits laid down in the investment policy, no transactions were carried out involving hedge funds or products of similar characteristics.

(thousand euros)

Assets under Management ⁽¹⁾	2014	2013	Change 14/13 %
Bonds	13,066	11,770	11.0
Fixed-rate	12,050	11,057	9.0
Floating-rate	1,016	713	42.5
Liquidity	474	3,228	-85.3
Total	13,540	14,998	-9.7
Held-to-maturity assets	0	1,552	-100.0

(1) Amounts determined from a management standpoint.

The investment portfolio decreased €1,458k (down 9.7%) compared to 2013, due to the release of funds for operating activities, despite the amount generated *per se*.

Of import also is the reclassification of all "held to maturity" positions to "available for sale", measured at €1,552k at the end of 2013, with implied gains of €125k.

(thousand euros)

Income from Financial Activity ⁽¹⁾	2014	2013	Change 14/13 %
Income	337	476	-29.2
Securities	337	476	-29.2
Gains & Losses	744	416	78.8
Securities	744	416	78.8
Total	1,081	892	21.2

(1) Amounts determined from a management standpoint.

In 2014, financial activity returned a net profit in the sum of €1,081k, a year-on-year increase of €189k (21.2%).

This resulted from active management in the bond market, which generated a 78.8% growth of gains. On the other hand, yields decreased 29.2%, following the reduction of interest rates.

Return on average assets was 7.8% (2013: 6.0%) and, considering the change of the Fair Value Reserve, the return was 9.7% (2013: 6.4%).

2.4.8 - Equity and Solvency Margin

Compared to the previous year, equity increased by €240k to total €5,843k in 2014.

Noteworthy is the increase of the Revaluation reserves, net of taxes, in the sum of €208k and the fact that for the first time since the start of business LOGO returned a net profit in 2014, in the sum of €32k.

The solvency margin as at December 31, 2014, stood at 131.4% (112.9% in 2013).

(thousand euros)

Equity	2014	2013	Change 14/13 %
Share capital	20,000	20,000	0.0
Other capital instruments	21,750	21,750	0.0
Revaluation reserves	299	37	708.1
Deferred tax reserve	-63	-9	-600.0
Retained earnings	-36,175	-33,694	-7.4
Net income	32	-2,481	101.3
Total	5,843	5,603	4.3

It should be mentioned that the Company's present share capital does not meet the minimum requirements of article 35 of the Companies Code, notwithstanding the fact that the amount of capital required to carry on insurance business is duly assured and even exceeded taking into account the said solvency levels, about the regularisation of which the shareholders are to pass a resolution at the forthcoming General Meeting.

2.4.9 - Risk Management, Internal Control System and Compliance

Within the scope of Directive 2009/138/EC of the European Parliament and the Council of November 25 concerning insurance and reinsurance business (Solvency II), LOGO continued, during 2014, the work of adapting to the new Solvency II mechanism, which will require substantial changes in the insurance business.

The new Solvency II regime will come into force as from January 2016 and the transposition of Directives amending the initial Directive 2009/138/EC is scheduled for 2014 and 2015. Meanwhile, Delegated Regulation 2015/35 of the Commission of October 10, 2014, which completes Directive 2009/138/EC, has been published. After reviewing this regulation, LOGO will update its plan of action to allow compliance and a more gradual transition to the new mechanism.

Several measures were implemented during 2014, of which the following are highlighted:

- Active involvement in the work groups of the Portuguese Insurers Association about matters relating to the evolution of the Solvency II project;
- Release of the 2nd gap analysis within the scope of the EIOPA guidelines on the governance system;
- Implementation and documentation of the ORSA in progress;
- Publication of the second version of the QRTs by the Global Risk Management Committee and meetings with the various areas of the Company;
- Definition and formalisation of sundry policies within the scope of monitoring the Solvency II Programme;
- Participation in the QIS-2014 study;
- Definition of risk appetite;
- Monitoring and development of additional procedures for the control of the operating risk related with fraud.

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

2.5 – Proposal for the Appropriation of Profit

The Board of Directors of Seguros LOGO, SA proposes, pursuant to and for the purposes of article 376 (b) of the Companies Code, that the net profit for the 2014 financial year in the sum of €31,906.13 be appropriated as follows:

- 10% of the net profit for the year in the sum of €3,190.61 to Legal Reserve;
- The remainder to Retained Earnings.

2.6 – Goals For 2015

The macroeconomic context will continue to mark (and condition) the goals for 2015, whose main focus will continue to be return a profit on the operation, with a view to consolidation the break-even during the year.

In this connection, in commercial terms, the goals will be focused on strengthening and consolidating recognition of LOGO's diversified offer with a view to increasing the cross-selling levels achieved in the past two years in new sales and in the portfolio, further increasing the penetration of products other than Motor, consolidating position as the first triple-play offer in direct insurance.

At the same time, it will further the use of digital channels, taking advantage of the new offers and forms they provided and allowing enhanced differentiation of LOGO. In parallel, the retention programme will be consolidated, the priority and essential axis leading to the profitability of the operation. And lastly continuity will be given to entering into partnerships creating value for the stakeholders.

On the other hand, 2015 will see the finalisation of the programme to increase efficiency, in terms both of operating costs and of the cost of claims, in that some of the measures taken in 2014 will only have a full impact in 2015 and taking into account that this is an ongoing goal and challenge.

In 2015, another of LOGO's goals will be to continue and strengthen its leadership and differentiation at technological and innovation level, responding to existing and latent needs of its customers, and also to improve the quality of the service provided.

These goals are directed at fulfilment of LOGO's mission, that is, (i) to continue to provide a service of excellence to its customers, with an offer based on simplicity and facility, with savings, and (ii) providing shareholders with an adequate return on capital.

2.7 – Closing Remarks

At the start of 2015, after a challenging year in 2014, the shareholder structure of Companhia de Seguros Tranquilidade, SA, has changed, leading to the election of new governing bodies for the 2015-18 term for LOGO too. In this connection, the current Board of Directors expresses its thanks for the performance of the outgoing members of the governing bodies.

On the other hand, in this year in which achieved its break-even point, the Board of Directors wishes to express its gratitude to all LOGO employees for their commitment, dedication and continuous effort.

We are also pleased to note the appointment of the new Board of Auditors and Chartered Accountant, who have already contributed to the process of preparation of the 2014 financial information.

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

A last word of thanks for the support of the Insurance and Pension Funds Supervisory Authority, which also made a decisive contribution in enabling the Tranquilidade Group, of which LOGO forma part, to successfully overcome one of the most challenging years of its history.

Lisbon, 31 March 2015

Board of Directors

Augusto Tomé Pires Fernandes Pedroso
(Chair)

Filipe Antero Rogenes Barreto Infante
(Member)

João Carlos Soares Candeias Barata
(Member)

José Manuel Mendes Esteves Serra Vera
(Member)

José Pedro de Barros Inácio
(Member)

03

**FINANCIAL
STATEMENTS**

LOGO®

03. FINANCIAL STATEMENTS

Balance Sheet (Assets) as at December 31, 2014 and 2013

(thousand euros)

ASSETS	Notes to the Accounts	31 December 2014			31 December 2013
		Gross Value	Impairment, Depreciation/ Amortisation or Adjustments	Net Value	
Cash & cash equivalents and sight deposits	8	598		598	961
Investments in affiliates, associates and joint ventures					
Financial assets held for trading					
Financial assets classified in the initial recognition at fair value through profit or loss					
Hedge derivatives					
Available-for-sale assets	6	13,066		13,066	10,218
Loans & Receivables					2,500
Deposits at cedent companies					
Other deposits	6				2,500
Loans granted					
Receivables					
Other					
Investments held to maturity	6				1,552
Land & Buildings					
Land & buildings held for own use					
Land & buildings held for income					
Other tangible assets	10	335	266	69	109
Inventories					
Goodwill					
Other intangible assets	12	4,008	3,028	980	1,424
Technical Provisions for Reinsurance Ceded		7,546		7,546	8,101
Provisions for unearned premiums	4	2,399		2,399	2,462
Provisions for claims	4	5,147		5,147	5,639
Provision for profit-sharing					
Provision for rate commitments					
Portfolio stabilisation provision					
Other technical provisions					
Assets for post-employment benefits & other long-term benefits					
Other Debtors for Insurance & Other Operations		2,665	112	2,553	1,425
Receivables for direct insurance operations	13	757	112	645	517
Accounts receivable for other reinsurance operations	13	438		438	186
Accounts receivable for other operations	13	1,470		1,470	722
Tax Assets		134		134	127
Current tax assets	24	134		134	127
Deferred tax assets	24				
Accruals & deferrals	13	135		135	115
Other items of assets					
Available-for-sale non-current assets and discontinued operating units					
Total Assets		28,487	3,406	25,081	26,532

THE ACCOUNTANT
Rui Manuel Paulo Dias

THE ACCOUNTS MANAGER
Pedro Manuel Borges Medalhas da Silva

THE FINANCIAL AND ADMINISTRATIVE MANAGER
Alexandre Miguel Varela Simões Lopes

THE BOARD OF DIRECTORS
Augusto Tomé Pires Fernandes Pedroso
Filipe Antero Rógenes Barreto Infante
João Carlos Soares Candeias Barata
José Manuel Mendes Esteves Serra Vera
José Pedro de Barros Inácio

Balance Sheet (Liabilities and Equity) as at December 31, 2014 and 2013

(thousand euros)

LIABILITIES & EQUITY	Notes to the Accounts	31 December 2014	31 de December 2013
Liabilities			
Technical Provisions		17,692	18,596
Provisions for unearned premiums	4	5,359	5,398
Provisions for Claims		11,324	11,465
for life insurance			
Workers' compensation			
Other business lines	4	11,324	11,465
Provision for profit-sharing			
Provision for rate commitments			
Portfolio stabilisation provision			
Provision for claims-rate deviations	4	21	8
Provision for risks in progress	4	988	1,725
Other technical provisions			
Other Financial Liabilities			
Hedge derivatives			
Subordinated debt			
Deposits received from reinsurers			
Other			
Liabilities for post-employment benefits & other long-term benefits			
Other Creditors for Insurance & Other Operations		731	830
Payables for direct insurance operations	13	28	23
Payables for other reinsurance operations	13	315	386
Payables for other operations	13	388	421
Tax Liabilities		410	375
Current tax liabilities	24	347	366
Deferred tax liabilities	24	63	9
Accruals & deferrals	13	405	1,128
Other provisions			
Other liabilities			
Liabilities of a group for sale classified as available-for-sale			
Total Liabilities		19,238	20,929
Equity			
Equity capital	25	20,000	20,000
(Treasury shares)			
Other capital instruments	25	21,750	21,750
Revaluation Reserves		299	37
For adjustment of the fair value of financial assets	26	299	37
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	-63	-9
Other reserves			
Retained earnings		-36,175	-33,694
Net income for the period		32	-2,481
Total Equity		5,843	5,603
Total Liabilities & Equity		25,081	26,532

THE ACCOUNTANT
Rui Manuel Paulo Dias

THE ACCOUNTS MANAGER
Pedro Manuel Borges Medalhas da Silva

THE FINANCIAL AND ADMINISTRATIVE MANAGER
Alexandre Miguel Varela Simões Lopes

THE BOARD OF DIRECTORS
Augusto Tomé Pires Fernandes Pedroso
Filipe Antero Rogenes Barreto Infante
João Carlos Dóres Candeias Barata
José Manuel Mendes Esteves Serra Vera
José Pedro de Barros Inácio

Gains and Losses as at December 31, 2014 and 2013

(thousand euros)

PROFIT & LOSS ACCOUNT	Notes to the Accounts	31 December 2014			31 December 2013
		Technical Non-Life	Non-Technical	Total	
Premiums Earned Net of Reinsurance		10,755		10,755	11,179
Gross premiums written	14	19,200		19,200	19,842
Ceded reinsurance premiums	14	-8,406		-8,406	-8,995
Provisions for unearned premiums (change)	4 and 14	24		24	391
Provisions for unearned premiums, reinsurers' part (change)	4 and 14	-63		-63	-59
Costs of Claims, Net of Reinsurance	4	8,189		8,189	8,372
Amounts paid		8,048		8,048	8,357
Gross amounts		12,295		12,295	13,052
Reinsurers' part		-4,247		-4,247	-4,695
Provision for claims (change)		141		141	15
Gross amount		-351		-351	239
Reinsurers' part		492		492	-224
Other technical provisions, net of reinsurance	4	-724		-724	-151
Mathematical Provision of the Life Line, Net of Reinsurance					
Gross value					
Reinsurers' part					
Share of profits/ (losses), net of reinsurance					
Net Operating Costs & Expenses	21	4,973		4,973	6,538
Acquisition costs		5,455		5,455	6,752
Deferred acquisition costs (change)	4	-15		-15	98
Administrative costs		1,517		1,517	1,668
Reinsurance commissions and profit sharing		-1,984		-1,984	-1,980
Income	16	337		337	496
On interest on financial assets not carried at fair value through profit or loss		337		337	496
On interest on financial liabilities not carried at fair value through profit or loss					
Other					
Financial Costs	16	10		10	33
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		10		10	33
Net Gains on Financial Assets & Liabilities not Carried at Fair Value Through Profit or Loss	17	744		744	416
On available-for-sale assets		744		744	416
On loans & accounts receivable					
On investments held to maturity					
On financial liabilities carried at amortised cost					
On others					
Net Gains on Financial Assets & Liabilities Carried at Fair Value Through Profit or Loss					
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 & loss					
Currency translation differences					
Net gains on the sale of non-financial assets not classified as available-for-sale non-current assets and discontinued operating units					
Impairment Losses (Net of Reversal)			13	13	23
On available-for-sale assets					
On loans and receivables carried at amortised cost					
On investments held to maturity					
On others	13		13	13	23
Other technical income/ costs, net of reinsurance	20	-69		-69	-97
Other provisions (change)					
Other income/ expenses	20		714	714	304
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		-681	727	46	-2,471
Corporation tax for the period - Current tax	24		-14	-14	-10
Corporation tax for the period - Deferred tax					
Net Income For The Period		-681	713	32	-2,481
Earnings per share (in euros)	27			0,01	-0,62

THE ACCOUNTANT
Rui Manuel Paulo Dias

THE ACCOUNTS MANAGER
Pedro Manuel Borges Medalhas da Silva

THE FINANCIAL AND ADMINISTRATIVE MANAGER
Alexandre Miguel Varela Simões Lopes

THE BOARD OF DIRECTORS
Augusto Tomé Pires Fernandes Pedroso
Filipe Antero Rogenes Barreto Infante
João Carlos Soares Candeias Barata
José Manuel Mendes Esteves Serra Vera
José Pedro de Barros Inácio

04

**STATEMENT
OF COMPREHENSIVE INCOME**

LOGO[®]

04. STATEMENT OF COMPREHENSIVE INCOME

Statement of Comprehensive Income as at December 31, 2014 and 2013

(thousand euros)

	2014	2013
Items that May be Reclassified to the Income Statement	208	45
Change in fair value of available-for-sale investments	262	60
Change in current & deferred taxes	-54	-15
Items that Will Not be Reclassified to the Income Statement	-	-
Other Comprehensive Income for the Period After Taxes	208	45
Net Income for the Period	32	-2,481
Total Comprehensive Income for the Period	240	-2,436

05

**STATEMENT OF CHANGES
IN EQUITY**

LOGO[®]

05. STATEMENT OF CHANGES IN EQUITY

Statement of Changes In Equity as at December 31, 2014 and 2013

(thousand euros)

	Share Capital	Other Equity Instruments	Revaluations Reserves	Deferred Tax Reserve	Other Reserves		Retained Earnings	Net Income for the Period	Total
					Supplementary Capital Contributions	For Adjustments to the Fair Value of Available-for-sale Financial Assets			
Balance Sheet as at December 31, 2012	20,000	19,500	-23	6	0	0	-30 695	-2 999	5 789
Increases/reductions of equity capital		2 250							2,250
Net gains for adjustment to fair value of available-for sale financial assets			60						60
Adjustments for recognition of deferred taxes				-15					-15
Transfers between equity headings not included in other lines							-2,999	2,999	0
Total Changes in Equity	0	2,250	60	-15	0	0	-2,999	2,999	2,295
Net income for the period								-2,481	-2,481
Balance Sheet as at 31 December 2013	20,000	21,750	37	-9	0	0	-33,694	-2,481	5,603
Net gains for adjustment to fair value of available-for sale financial assets			262						262
Adjustments for recognition of deferred taxes				-54					-54
Transfers between equity headings not included in other lines							-2,481	2,481	0
Total Changes in Equity	0	0	262	-54	0	0	-2,481	2,481	208
Net income for the period								32	32
Balance Sheet as at 31 December 2014	20,000	21,750	299	-63	0	0	-36,175	32	5,843

06

**STATEMENT
OF CASH FLOWS**

LOGO®

06. STATEMENT OF CASH FLOWS

Statement of Cash Flows as at December 31, 2014 and 2013

(thousand euros)

	2014	2013
Cash Flow from Operating Activities	-1 360	-3 665
Net income for the period	32	-2 481
Depreciation & amortisation charges for the period	691	772
Change in technical provisions for direct insurance	-904	-157
Change in technical provisions for reinsurance ceded	555	-165
Variation of loans & receivables	-	964
Change in debtors for direct insurance, reinsurance & other operations	-1,128	-48
Change in other tax assets & liabilities	28	-80
Change in other assets & liabilities	-535	-2,624
Change in debtors for direct insurance, reinsurance & other operations	-99	154
Cash Flow from Investing Activities	997	1 773
Change in available-for-sale financial assets	-3,146	29
Interest	298	588
Change in held-to-maturity assets	1,552	467
Change in other deposits	2,500	881
Acquisitions of tangible & intangible assets	-207	-192
Cash Flow from Financing Activities	-	2 250
Dividend distribution	-	-
Subscription of share capital/Ancillary capital contributions	-	2 250
Net Change in Cash & Cash Equivalents & Sight Deposits	-363	358
Cash & cash equivalents at the start of the period	961	603
Cash & cash equivalents at the end of the period	598	961

07

**NOTES TO THE FINANCIAL
STATEMENTS**

LOGO®

07. NOTES TO THE FINANCIAL STATEMENTS

Notes to the Financial Statements as at December 31, 2014 and 2013

Note 1 - General Information

Seguros LOGO, SA (hereinafter LOGO or Company) was incorporated towards the end of 2007, is wholly owned by Companhia de Seguros Tranquilidade, SA, and started business on January 1, 2008. The commercial launch of the operation took place on January 14 that year.

The Company has its registered office at Rua D. Manuel II, 290, Porto, its VAT n° is 508 278 600 and it is registered at the Porto Registry of Companies under the same number.

It carries on insurance business in Portugal under the supervision of the Insurance and Pension Funds Supervisory Authority (ASF) under authorisation n° 1175, of November 2007.

Since its launch in January 2008 LOGO has marketed the Motor business line and, in December 2009, it started to market Multi-risk insurance. In April 2012 it also came to market Health insurance.

LOGO's objective is to exploit the direct-channels segment (telephone and Internet), operating in the marketplace with no intermediaries of any type, providing a service of excellence based on simplicity, speed and innovation.

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

Note 2 - Information by Segments

To date LOGO does business in the Motor, Multi-risk and Health segments, for which it has been authorised by the ASF. Its policies and subscription rules are designed to obtain maximum benefit through segmentation of the price lists of the various products, for individuals, using every available source of information to assess the quality of the physical, financial and moral risks.

The operational segments covered by the report are those business lines in respect of which the Company offers products and solutions for its customers, naturally related with the Motor, Multi-risks and Health segments.

LOGO opted for pre-defined products in line with the needs of the target groups that had been identified, very considerably simplifying the selection process. At this time, the Company provides four Motor products (LOGO Light, LOGO Topping, LOGO Safe and LOGO Max), one for Motorcycles (LOGO Moto), one Multi-risk product, with the possibility of protection of the property and/or the contents (LOGO Home), and also a Health product, which includes 7 fully independent modules (LOGO Health).

The breakdown of the main headings of the financial statements as at December 31, 2014 & 2013, segmented by the main business lines, is as follows:

(thousand euros)

2014	Total Non-Life	Sickness	FOD	Motor	Sundry
Profit & Loss Headings					
Gross premiums written	19,200	445	388	15,809	2,558
Ceded reinsurance premiums	-8,406	-32	-38	-6,290	-2,046
Gross premiums earned	19,224	424	355	15,901	2,544
Returns on investments	1,071	16	25	977	53
Gross cost of claims	11,944	170	251	11,523	-
Gross operating costs	6,957	241	161	5,838	717
Technical result	-681	-37	-49	-483	-112
Balance Sheet Headings					
Assets allocated to representation of technical provisions	22,572	341	532	20,581	1,118
Technical provisions	17,692	267	417	16,132	876

(thousand euros)

2013	Total Non-Life	Sickness	FOD	Motor	Sundry
Profit & Loss Headings					
Gross premiums written	19,842	353	310	16,581	2,598
Ceded reinsurance premiums	-8,995	-16	-28	-6,743	-2,208
Gross premiums earned	20,233	300	268	17,054	2,611
Returns on investments	879	9	19	806	45
Gross cost of claims	13,291	120	192	12,979	-
Gross operating costs	8,518	11	134	7,493	880
Technical result	-2,798	166	-77	-2,400	-487
Balance Sheet Headings					
Assets allocated to representation of technical provisions	24,490	252	526	22,450	1,262
Technical provisions	18,596	191	399	17,047	959

Note 3 - Basis of Preparation of the Financial Statements and Accounting Policies

Bases of Presentation

LOGO's financial statements now presented refer to the year ended December 31, 2014, and have been prepared in accordance with the Insurance Companies Accounting Plan ("PCES 07") issued by the ASF and approved by Regulatory Standard 4/2007-R of April 27, as subsequently amended by Standard 20/2007-R of December 31, and also in accordance with the rules governing the accounting of the operations of insurance companies, as established by the ASF.

This new Accounting Plan introduced the International Financial Reporting Standards (IFRS) in force as adopted within the European

Union, with the exception of the measurement of liabilities resulting from insurance contracts, defined in IFRS 4 - Insurance Contracts. The IFRS include accounting standards issued by the International Accounting Standards Board ("IASB") and the interpretations issued by the International Financial Reporting Interpretation Committee ("IFRIC"), and by their antecedent entities IFRS.

In 2014, LOGO adopted the IFRS and the mandatory-application interpretations for years as from January 1, 2014. These standards are detailed in Note 37. In accordance with the transitory provisions of these standards and interpretations, comparative figures are presented in respect of the new disclosures required.

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

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

The financial statements are expressed in thousands of euros (€k), rounded to the nearest thousand, and 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. Other financial assets and liabilities as well as non-financial assets and liabilities are carried at amortised cost or historic cost.

Preparation of the financial statements in accordance with the New 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.

The financial statements now presented are consolidated in the consolidated financial statements of Companhia de Seguros Tranquilidade, SA, sole shareholder of LOGO.

These financial statements were approved at a meeting of the Board of Directors held on March 27, 2015.

Main Accounting Principles And Valuation Criteria Adopted

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:

- Available-for-sale financial assets, which includes:
 - Non-derivative financial assets the intention of which is to be held for an indeterminate period;
 - Financial assets that are designated as available-for-sale at the time of their initial recognition;
 - Financial assets that do not fall within the other categories.

- Loans and receivables, which includes sums receivable related with direct insurance operations, reinsurance ceded and transactions related with insurance contracts and other transactions.

- Financial assets held to maturity, which includes non-derivative financial assets with fixed or determinable payments and fixed maturity for which the Company has the intent and ability to hold to maturity and were not assigned to any other category of financial assets. Any reclassification or sale of financial assets recognised in this category that is not undertaken close to maturity requires the Company to reclassify this entire portfolio as available-for-sale financial assets and the Company will, during two years, be unable to classify any financial asset in this category. During 2014, the Company sold assets of this category without not complying with the requirements of IAS 39 ("tainting"). On this basis, and up to the end of 2016, LOGO cannot have assets classified in this category.

Recognition, initial measurement and derecognition

Acquisitions and disposals of available-for-sale financial assets are recognised on the trade date, that is, on the date the Company undertakes to acquire or dispose of the asset.

Financial assets are initially recognised at fair value plus transaction costs.

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

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

Subsequent measurement

Available-for-sale financial investments are carried at fair value, and any variations are recognised under reserves until such time as the investments are derecognised, that is, an impairment loss is recognised, when the accumulated amount of the potential gains and losses is recorded under reserves and transferred to profit & 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.

Transfers between categories

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

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

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

The Company adopted this possibility for a set of financial assets, as described in Note 6.

Impairment

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

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

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

When there is evidence of impairment of available-for-sale financial assets, the potential loss accumulated under reserves, corresponding to the difference between acquisition cost and present fair value, less any impairment loss of the asset previously recognised in profit & 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 and loss for the year until the acquisition cost is re-established, provided the increase 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 reversal of the impairment is recognised in reserves.

Financial liabilities

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

Non-derivative financial liabilities include borrowings, creditors for direct insurance and reinsurance operations and other liabilities.

Financial liabilities are recorded (i) initially at their fair value less transaction costs incurred, and (ii) subsequently at amortised cost, based on the effective rate method.

The Company derecognises financial liabilities when they are 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 balance sheet date. The resultant currency translation differences are recognised in profit & loss except where classified as cash-flow hedges or net investment hedges, in which case the currency translation differences are recognised under reserves.

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

Tangible assets

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

Subsequent costs incurred with the tangible assets are recognised 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. 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
IT hardware	3
Furniture & materials	8
Fixtures & fittings	5 to 10
Machines and tools	5 to 8
Other equipment	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 statement of income.

The realisable value is determined as the higher of the fair value less cost to sell 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.

Intangible assets

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

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

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

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

Impairment losses are recognised in the statement of income.

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.

Cash & cash equivalents

Cash & cash equivalents includes amounts recorded in the balance sheet maturing at less than three months of the balance sheet 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 LOGO 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.

Employee benefits

Bonuses

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

Liability for holiday pay and holiday bonus

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

Other benefits

On December 23, 2011, a new Insurance Collective Bargaining Agreement was approved, altering a previously-defined set of benefits.

Of the changes resulting from the new collective bargaining agreement, the following are underscored: (i) in respect of post-retirement benefits, the provision of a defined-contribution plan for all employees who meet the requirements laid down in the Collective Bargaining Agreement and (ii) payment of a length-of-service bonus equivalent to 50% of the salary whenever the employee completes one or more multiples of 5 years with the company.

Defined-contribution plan

As at December 31, 2014, the Company has a defined-contribution plan 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.

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

Length-of-service bonus

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

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

Corporation tax

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

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

Current taxes are those that are expected to be paid on the basis of the taxable income determined in accordance with tax rules in force, using the tax rate approved or substantially approved in each jurisdiction.

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 balance sheet date in each jurisdiction that are expected to be applied when the temporary differences are reversed.

Deferred tax liabilities are recognised for all temporary differences. Deferred tax assets are recognised only to the extent that it can be expected that there will be taxable profits in the future able to absorb these deductible temporary differences (including tax losses brought forward).

Provisions

Provisions are recognised where (i) the Company has a present obligation, legal or constructive, (ii) it is probable that its payment will come to be demanded and (iii) a reliable estimate can be made of the value of that obligation.

Recognition of interest

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

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

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

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

Dividends received

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

Earnings per share

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

Offsetting financial instruments

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

Adjustments of receipts pending collection and of doubtful debt

The amounts of these adjustments are calculated on the basis of the value of premiums pending collection and of doubtful debt, in keeping with the criteria established by the ASF.

Report by operating segments

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

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

The Company controls its business through the major operating segments referred to in Note 2.

Main Estimates and Judgements Used in the Preparation of the Financial Statements

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

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

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

The Board of Directors considers that the choices made are appropriate and that the financial statements adequately present the Company's financial situation 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 available-for-sale financial assets

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

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

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

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

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.

Technical provisions

Technical provisions including provisions for claims correspond to future liabilities stemming from the contracts

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

Technical provisions stemming from insurance contracts include (i) provision for unearned premiums, (ii) provision for unexpired risks, and (iii) provisions for claims reported and not reported, including the respective settlement costs.

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

The Company establishes provisions for payment of claims arising from the insurance contracts. In determining technical provisions arising from insurance contracts, the Company periodically evaluates its liabilities using actuarial methods and taking into account the respective reinsurance cover.

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

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

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

Additionally, there may be a significant time difference between the moment of occurrence of the insured event (claim) and the moment when this event is reported to the company. The provisions are regularly reviewed through an ongoing process as an when additional information is received and the liabilities come to be liquidated.

Note 4 – Nature and Extent of the Headings and of the Risks Resulting from Insurance Contracts and Reinsurance Assets

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

Accounting policies adopted in respect of insurance contracts

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

Recognition of costs & income

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

Premiums

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

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

Provisions for unearned premiums

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

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

Acquisition costs

Acquisition costs directly or indirectly related with the sale of contracts are capitalised and deferred over the life of the contracts. Deferred acquisition costs are subject to recoverability tests at the time of issue of the contracts and are subject to impairment tests on the balance-sheet date.

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

Provisions for claims

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. The provision for reported and unreported claims is estimated by the Company on the basis of past experience, available information and application of actuarial methods.

Provision for unexpired risks

The provision for unexpired risks corresponds to the estimated amount to cover probable indemnities and other costs to be borne following the year-end in excess of the amount of unearned premiums, of enforceable premiums in respect of contracts in force.

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 claims-rate deviation provision is intended to cover exceptionally high claims rates in those insurance lines which, for their nature, are expected have greater variability over time. It is set aside for the Earthquake Phenomena Risk, through application of a risk factor defined by the ASF for each seismic zone to the capital withheld by the Company.

Provisions for reinsurance ceded

Provisions for reinsurance ceded are determined by application of the criteria described above for direct insurance. Depending on whether the reinsurance stems from direct insurance or reinsurance accepted, the Provision for Claims is calculated in accordance with the rules in force.

Changes in direct insurance and reinsurance technical provisions

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

(thousand euros)

Balance Sheet	2014			2013		
	UPR Gross	DAC	UPR Net	UPR Gross	DAC	UPR Net
Businesses/ Groups of Businesses						
Accidents & health	125	25	100	103	-	103
Fire & other damage	207	41	166	174	35	139
Motor	5,432	1,086	4,346	5,525	1,106	4,419
Marine, air and transport	-	-	-	-	-	-
General third-party liability	-	-	-	-	-	-
Credit and fidelity insurance	-	-	-	-	-	-
Legal protection	-	-	-	-	-	-
Assistance	935	188	747	921	184	737
Sundry	-	-	-	-	-	-
Total	6,699	1,340	5,359	6,723	1,325	5,398

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	2014			2013		
	UPR Gross	DAC	UPR Net	UPR Gross	DAC	UPR Net
Businesses/ Groups of Businesses						
Accidents & health	22	25	-3	53	-10	63
Fire & other damage	33	6	27	42	9	33
Motor	-93	-20	-73	-473	-94	-379
Marine, air and transport	-	-	-	-	-	-
General third-party liability	-	-	-	-	-	-
Credit and fidelity insurance	-	-	-	-	-	-
Legal protection	-	-	-	-	-	-
Assistance	14	4	10	-13	-3	-10
Sundry	-	-	-	-	-	-
Total	-24	15	-39	-391	-98	-293

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

(thousand euros)

Businesses/ Groups of Businesses	Balance Sheet Balance		Change in Gains & Losses	
	2014	2013	2014	2013
Accidents & health	-	-	-	-
Fire & other damage	-	-	-	-
Motor	1,651	1,679	-28	-48
Marine, air and transport	-	-	-	-
General third-party liability	-	-	-	-
Credit and fidelity insurance	-	-	-	-
Legal protection	-	-	-	-
Assistance	748	783	-35	-11
Sundry	-	-	-	-
Total	2,399	2,462	-63	-59

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

(thousand euros)

Businesses/ Groups of Businesses	Balance Sheet Balance		Change in Gains & Losses	
	2014	2013	2014	2013
Workers' compensation				
Personal accidents & health	134	88	46	61
Fire & other damage	159	146	13	2
Motor	11,031	11,231	-410	176
Marine, air and transport	-	-	-	-
General third-party liability	-	-	-	-
Credit and fidelity insurance	-	-	-	-
Legal protection	-	-	-	-
Assistance	-	-	-	-
Sundry	-	-	-	-
Total	11,324	11,465	-351	239

The balance of the provision for claims includes an estimated provision in the sum of €951k (2013: €1,080k) in respect of claims incurred before December 31, 2014, but not then reported (IBNR) and also an estimate in the sum of €508k (2013: €379k) for management costs in respect of the settlement of pending claims reported.

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

(thousand euros)

Businesses/ Groups of Businesses	Provision for Claims* as at 31.12.2013 (1)	Claims* Paid in 2014 (2)	Provision for Claims* as at 31.12.2014 (3)	Readjustments (3) + (2) - (1)
Accidents & health	88	40	12	-36
Fire & other damage	146	82	50	-14
Motor				
- Third-party liability	9,518	3,780	5,401	-337
- Other covers	1,713	643	874	-196
Marine, air and transport	-	-	-	-
General third-party liability	-	-	-	-
Credit and fidelity insurance	-	-	-	-
Legal protection	-	-	-	-
Assistance	-	-	-	-
Sundry	-	-	-	-
Total	11,465	4,545	6,337	-583

* Claims incurred in 2013 and earlier.

In Motor insurance, the readjustments are mainly due to a more efficient settlement of claims allowing a sustained reduction of the cost of claims and the revaluation of the provisions required for previous years.

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

(thousand euros)

Businesses/ Groups of Businesses	Balance Sheet Balance		Change in Gains & Losses	
	2014	2013	2014	2013
Workers' compensation	-	-	-	-
Personal accidents & health	-	-	-	-
Fire & other damage	-	-	-	-
Motor	5,147	5,639	-492	224
Marine, air and transport	-	-	-	-
General third-party liability	-	-	-	-
Credit and fidelity insurance	-	-	-	-
Legal protection	-	-	-	-
Assistance	-	-	-	-
Sundry	-	-	-	-
Total	5,147	5,639	-492	224

The balance of the provision for reinsurance ceded claims includes an estimated provision in the sum of €850k (2013: €1,166k) in respect of claims prior to December 31, 2014, not yet reported (IBNR).

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

(thousand euros)

Businesses/ Groups of Businesses	Amounts Paid - Instalments (1)	Amounts Paid - Claims - Management Costs Imputed (2)	Change of Provision for Claims: (3)	Cost of Claims (4) = (1) + (2) + (3)
Accidents & health	124	-	46	170
Fire & other damage	219	19	13	251
Motor				
- Third-party liability	8,993	315	-439	8,869
- Other covers	2,530	95	29	2,654
Marine, air and transport	-	-	-	-
General third-party liability	-	-	-	-
Credit and fidelity insurance	-	-	-	-
Legal protection	-	-	-	-
Assistance	-	-	-	-
Sundry	-	-	-	-
Total	11,866	429	-351	11,944
Reinsurance accepted	-	-	-	-
Grand Total	11,866	429	-351	11,944

The breakdown of costs of claims in 2013 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	59	-	61	120
Fire & other damage	169	21	2	192
Motor				
- Third-party liability	9,275	424	306	10,005
- Other covers	2,982	122	-130	2,974
Marine, air and transport	-	-	-	-
General third-party liability	-	-	-	-
Credit and fidelity insurance	-	-	-	-
Legal protection	-	-	-	-
Assistance	-	-	-	-
Sundry	-	-	-	-
Total	12,485	567	239	13,291
Reinsurance accepted	-	-	-	-
Grand Total	12,485	567	239	13,291

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

(thousand euros)

Businesses/ Groups of Businesses	Balance Sheet Balance		Change in Gains & Losses	
	2014	2013	2014	2013
Accidents & health	-	-	-	-
Fire & other damage	21	8	13	8
Motor	-	-	-	-
Marine, air and transport	-	-	-	-
General third-party liability	-	-	-	-
Credit and fidelity insurance	-	-	-	-
Legal protection	-	-	-	-
Assistance	-	-	-	-
Sundry	-	-	-	-
Total	21	8	13	8

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

(thousand euros)

Businesses/ Groups of Businesses	Balance Sheet Balance		Change in Gains & Losses	
	2014	2013	2014	2013
Accidents & health	33	-	33	-6
Fire & other damage	71	106	-35	-1
Motor	755	1,397	-642	-190
Marine, air and transport	-	-	-	-
General third-party liability	-	-	-	-
Credit and fidelity insurance	-	-	-	-
Legal protection	-	-	-	-
Assistance	129	222	-93	38
Sundry	-	-	-	-
Total	988	1 725	-737	-159

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

Nature and Extent of Specific Insurances Risks

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

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

Succinctly, the more relevant control mechanisms are:

- Delegation of competences formally defined for the various processes;
- Segregation of functions between the areas that undertake risk analysis, that draw up price lists, that issue technical opinions and that issue policies;
- Limited access to the various applications in keeping with the user's profile;
- Document scanning in the policy-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.

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

The evolution of the provision for direct insurance claims with management costs, gross of reinsurance but net of reimbursements, comparing actual costs with previous estimates, is as follows:

(thousand euros)

	2008	2009	2010	2011	2012	2013	2014
Provision for claims with management costs, gross of reinsurance and net of reimbursements	1,723	4,172	8,246	11,135	11,013	11,253	10,902
Accumulated payments							
One year later	1,004	3,192	5,025	6,585	4,926	4,545	
Two years later	1,074	3,500	6,117	7,822	5,970		
Three years later	1,084	3,852	6,669	8,355			
Four years later	1,098	4,106	6,865				
Five years later	1,275	4,138					
Six years later	1,276						
Final estimate of cost of claims							
One year later	1,629	4,963	9,901	10,657	10,714	10,882	
Two years later	1,842	5,295	9,042	10,755	10,557		
Three years later	2,001	4,970	8,842	10,629			
Four years later	1,856	5,021	8,811				
Five years later	1,910	5,014					
Six years later	1,919						
Accumulated surplus/ (shortfall)	-196	-842	-565	506	456	371	

LOGO implements a reinsurance-ceded policy based on proportional and non-proportional treaties. The reinsurance programme in 2014 was set up for the Motor segment and comprises one Quota Share treaty and three Excess Losses treaties, for the Assistance & Health segment line one Quota Share treaty, and for the Multi-risks segment four Excess Losses treaties, as per the following table:

Business Line	Type of Reinsurance
Motor (third-party liability & occupants)	Excess losses (XL)
Motor (own damage)	Excess losses (XL)
Motor (third-party liability, own damage & occupants)	Excess losses (XL)
Motor (third-party liability, own damage & occupants)	Share
Assistance	Share
Health (assistance)	Share
Multi-risk (natural disasters)	Excess losses (XL)
Multi-risk (natural disasters - sub-layer)	Excess losses (XL)
Multi-risk (aggregate)	Excess losses (XL)
Multi-risk	Excess losses (XL)

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 Profit	
		2014	2013
Cost of claims	10% increase of the year's costs of claims, net of reinsurance	-1,208	-1,222
Expenses	10% increase of operating costs, net of reinsurance	-778	-978

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

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

Market risk

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

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

Market-risk management lies within the scope of the Financial 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 LOGO, duly formalised in a special document, are governed by prudent risk-acceptance levels and portfolio diversification, taking the evolution of the financial markets into account

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

- To orient the introduction of integrated risk-management models, as well as economic capital models, approved by the Board of Directors;

- To validate, from a technical standpoint, the modelling of the technical and financial risks to be drawn up by the Overall Risk and Internal Control Division and approved by the Board of Directors;
- To draw up tolerance indicators based on the models and to monitor variations of the indicators;
- To draw up risk-control mechanisms considering the appetite for risk and the respective tolerances defined by the Board of Directors;
- To define integrated risk-mitigation strategies, from a standpoint of adequacy of assets and liabilities for analysis by the Overall Risk Management Committee.

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

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

Exchange-rate risk

The exchange-rate risk is caused by the volatility of the exchange rates against the euro. Given the characteristics of the LOGO portfolio there is no exposure to this risk.

Equities risk

The equity risk stems from the volatility of the market prices of equities, and only the systematic risk is measured, in that the non-systematic is taken into account in the concentration risk. Given the characteristics of the LOGO portfolio there is no exposure to this risk.

Real-estate risk

The real-estate risk is caused by the volatility of property market prices, though since LOGO owns no real estate there is no exposure to this risk

Interest-rate risk

Interest-rate risk is inherent in all assets whose value is sensitive to alterations of the time frame or to interest-rate volatility. Exposure to this risk ins mainly incurred by the fixed-income securities.

A scenario of rising interest rates is the one that implies loss of value for the Company, there being no effects on liabilities.

(thousand euros)

Area of Analysis	Scenarios	Impact on Fair-Value Reserves Before Tax	
		2014	2013
Interest rate	100 b.p.decrease of the interest-rate curve - Effect on Assets	683	314
	100 b.p.increase of the interest-rate curve - Effect on Assets	-630	-299

Spread risk

The spread risk reflects the volatility of credit spreads across the risk-free interest-rate curve.

(thousand euros)

Rating	2014		2013	
	%	Value	%	Value
AAA	0%	-	4%	500
AA	3%	408	0%	-
A	39%	5,142	2%	203
BBB	21%	2,750	31%	3,654
BB	31%	4,047	54%	6,393
B	0%	-	0%	-
CCC	0%	-	0%	-
Unrated	6%	719	9%	1,020
Total	100%	13,066	100%	11,770

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 permanent losses through issuer default. The breakdown of their distribution by sectors of activity is as follows:

(thousand euros)

Sector of Activity	2014			2013		
	%	Gross Amount	Impairment	%	Gross Amount	Impairment
Basic resources	2%	302	-	0%	-	-
Communications	5%	612	-	0%	-	-
Consumables (cyclic)	7%	917	-	4%	519	-
Consumables (non-cyclic)	16%	2,153	-	6%	703	-
Energy	4%	515	-	12%	1,423	-
Financial	37%	4,840	-	33%	3,923	-
Funds	0%	-	-	0%	-	-
Public debt	13%	1,761	-	35%	4,092	-
Industrial	0%	-	-	0%	-	-
Medicine	0%	-	-	0%	-	-
Technology	2%	308	-	0%	-	-
Public/ collective services	12%	1,554	-	3%	409	-
Other	1%	104	-	6%	701	-
Total	100%	13,066		100%	11,770	

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

Liquidity risk

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

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

The breakdown of the maturities of financial assets and liabilities as at December 31, 2014 & 2013, is as follows:

(thousand euros)

2014	< 1 Month	1-3 Months	3-12 Months	1-5 Years	> 5 Years	Total
Financial assets	1,350	876	1,441	5,046	7,504	16,217
Financial liabilities	28	703	-	-	-	731
Net	1,322	173	1,441	5,046	7,504	15,486

(thousand euros)

2013	< 1 Month	1-3 Months	3-12 Months	1-5 Years	> 5 Years	Total
Financial assets	3,777	475	2,657	7,412	2,335	16,656
Financial liabilities	23	807	-	-	-	830
Net	3,754	-332	2,657	7,412	2,335	15,826

Credit risk

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

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

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

Operational risk and reputational risk

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

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

Of the main mitigation measures already in existence or to be developed at LOGO in the light of the risks identified above, we highlight the following:

- Existence of a code of conduct;
- Existence of rules and procedures manuals;
- Implementation of internal and external fraud prevention policies and procedures;
- Implementation of measures related with security in access to the owner-occupied properties;
- Implementation of measures related with security in accessing databases and information systems;

- Definition and implementation of the human resources management policy;
- Existence of training programmes covering knowledge recycling;
- Training of employees who interact directly with customers;
- Implementation and documentation of a disaster recovery plan and performance of periodic tests and simulation in respect of the plan;
- Implementation and documentation of a business continuity plan, as well as procedures allowing the recuperation of critical business activities and functions, including those performed by subcontracted entities.

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

As the main measures implemented at LOGO to mitigate the legal risk, besides those already mentioned, we would underscore the following:

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

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

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

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

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

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

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

Internal Control System

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

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

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

- Identification of the relevant business units and processes, considering the associated risk;
- Documentation of significant processes, including objectives, main activities, risks and associated controls;
- Appraisal of the design of the controls and determination of the associated opportunities for improvement. These improvements may involve a strengthening of existing controls or implementation of new controls;
- Performance of effectiveness tests on the controls that are identified, confirmation of existing deficiencies and preparation of a correction plan;
- Preparation of the risk policy plan.

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

- A first level consisting of the various logo divisions (operational units), which are areas responsible for risk-management operationalisation and for the respective controls;
- A second level, consisting of the overall risk and internal control division, plays a supervisory role, its main responsibilities being systematisation of the rules, policies and monitoring of the risk-management, internal-control and compliance system;
- A third level, consisting of the internal audit division and the external audit, is charged with independent auditing in the field of risk management, its main goal being to ensure that the controls are effective.

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

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

- Processes;
- Process managers and interlocutors;
- Main activities;
- Risks: probability of occurrence, estimated impact and risk-exposure level;
- Controls;
- Control assessment;
- Recommendations.

Additionally, LOGO keeps a record of operating losses, centred on the Overall Risk & Internal Control Division, in which records are kept of the more relevant losses detected, providing yet another form of monitoring the operational risk and the possibility of taking corrective measures or defining new controls to prevent or reduce the likelihood of occurrence of similar new incidents in the future.

Solvency

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

(thousand euros)

	2014	2013
Elements Constituting the Guarantee Fund	4,862	4,179
Solvency Margin to Be Set Aside	3,700	3,700
Results from the premiums standpoint	2,151	2,147
Results from the claims standpoint	2,251	2,544
Limit result of Article 97(8)	3,700	3,700
Legal minimum Guarantee Funds	3,700	3,700
Excess/ Insufficiency of the Solvency Margin	1,162	479
Solvency Margin Cover Rate	131.4%	112.9%

Adequacy of Premiums and Provisions

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

Business Ratios

The figures for the main activity ratios, gross of reinsurance, although reflecting the constraints and natural effects inherent to the fifth year of the company's business, show improvement compared with last time, showing a general positive development, particularly in the claims ratio.

(%)

	2014	2013
Claims ratio ^(a)	58.7%	65.4%
Acquisition ratio ^(b)	28.4%	34.5%
Administrative ratio ^(c)	7.9%	8.4%
Combined Ratio	95.0%	108.3%

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)	
	2014	2013
Receivables	95	88
Adjustment of doubtful loans	-13	-12
Net Total	82	76

Note 6 - Financial Instruments

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

	(thousand euros)	
	2014	2013
Available-for-sale financial assets	13,066	10,218
Investments in affiliates & associates	-	-
Term deposits	-	2,500
Financial assets at fair value through profit or loss	-	-
Financial assets held for trading	-	-
Held-to-maturity investments	-	1,552
Total Holdings and Financial Instruments	13,066	14,270

Available-For-Sale Financial Assets

The breakdown of this type of asset is as follows:

	(thousand euros)	
	2014	2013
Bonds & other fixed-income securities		
Public issuers'	1,761	3,037
Other issuers'	11,305	7,181
Equities	-	-
Other floating-rate securities	-	-
Book Value	13,066	10,218

The breakdown of the final balance sheet figures as at December 31, 2014 & 2013, is as follows:

	(thousand euros)				
	Amortised or Acquisition Cost	Accrued Interest	Fair- -Value Reserve	Impairment	Book Value
Bonds & other fixed-income securities					
Public issuers'	2,989	14	34	-	3,037
Other issuers'	7,036	69	76	-	7,181
Equities	-	-	-	-	-
Other floating-rate securities	-	-	-	-	-
Balance as at December 31, 2013	10,025	83	110	-	10,218
Bonds & other fixed-income securities					
Public issuers'	1,652	60	49	-	1,761
Other issuers'	10,967	88	250	-	11,305
Equities	-	-	-	-	-
Other floating-rate securities	-	-	-	-	-
Balance as at December 31, 2014	12,619	148	299	-	13,066

There were no appropriations, reversals or cancellations relating to impairment losses of available-for-sale assets, as at December 31, 2014 & 2013.

Held-to-Maturity Investments

The breakdown of this type of asset is as follows:

	(thousand euros)	
	2014	2013
Bonds & other fixed-income securities		
Public issuers'	-	1,055
Other issuers'	-	497
Book Value	-	1,552
Book value (without accrued interest)	-	1,528
Acquisition cost	-	1,490
Market value	-	1,624

The breakdown of the final balance sheet figures as at December 31, 2014 & 2013, is as follows:

	(thousand euros)		
	Amortises Acquisition Cost	Impairment	Book Value
Bonds & other fixed-income securities			
Public issuers'	1,055	-	1,055
Other issuers'	497	-	497
Balance as at December 31, 2013	1,552	-	1,552
Bonds & other fixed-income securities			
Public issuers'	-	-	-
Other issuers'	-	-	-
Balance as at December 31, 2014	-	-	-

During 2014, the Company sold assets of this category without not complying with the requirements of IAS 39 ("tainting"). On this basis, and up to the end of 2016, LOGO cannot have assets classified in this category.

During 2011 the Company transferred securities in the sum of €2,407k to Held-to-maturity investments, as shown in the following table:

(thousand euros)

	On Transfer Date									
	Acquisition Cost	Book Value	Fair-Value Reserve		Value of Future Cash Flows ^(a)	Effective Rate ^(b)	Market Value (Year-end)		Accumulated Amortised Fair Value Reserve (Year-end)	
			Positive	Negative			2013	2014	2013	2014
			Of available-for-sale financial assets	2,588			2,407	-	-213	2,987

a) Total amounts of capital and interest, not discounted; future interest rates calculated on the basis of the forward rate stemming from the yield curve as of the transfer date.

b) The effective rate was calculated based on the forward rates stemming from the yield curve as of the transfer date; the maturity considered is the minimum between the call date, where applicable, and the asset's maturity date.

Should the securities not have been reclassified, the impact on the Company's financial statements as at December 31, 2014 & 2013, would have been as follows:

(thousand euros)

	2014	2013
Available-for-sale Financial Assets		
Impact on equity		
- For adjustment of the fair value of financial assets	-	48
- Deferred tax reserve	-	-11
Net Total	-	37

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)

	2014		2013	
	Fair Value	Book Value	Fair Value	Book Value
Cash & cash equivalents and sight deposits	598	598	961	961
Loans & receivables	-	-	2,500	2,500
Held-to-maturity investments	-	-	1,624	1,552
Other debtors for insurance & other operations	2,553	2,553	1,425	1,425
Financial Assets at Amortised Cost	3,151	3,151	6,510	6,438
Other financial liabilities	-	-	-	-
Other creditors for insurance & other operations	731	731	830	830
Financial Liabilities at Amortised Cost	731	731	830	830

Given that they are short-term assets and liabilities, a reasonable estimate of their fair value is considered to be the balance as of the reporting date, except for investments held-to-maturity for which the fair value was determined based on market prices.

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

	2014			Total
	Level 1	Level 2	Level 3	
Available-for-Sale Financial Assets	13,066	-	-	13,066
Securities & equity paper	-	-	-	-
Equities & other floating-rate securities	-	-	-	-
Bonds & other fixed-income securities				
Public issuers'	1,761	-	-	1,761
Other issuers'	11,305	-	-	11,305
Total	13,066	-	-	13,066

(thousand euros)

	2013			Total
	Level 1	Level 2	Level 3	
Available-for-Sale Financial Assets	10,218	-	-	10,218
Securities & equity paper	-	-	-	-
Equities & other floating-rate securities	-	-	-	-
Bonds & other fixed-income securities				
Public issuers'	3,037	-	-	3,037
Other issuers'	7,181	-	-	7,181
Held-to-Maturity Investments (Market Values)	1,624	-	-	1,624
Bonds & other fixed-income securities				
Public issuers'	1,103	-	-	1,103
Other issuers'	521	-	-	521
Total	11,842	-	-	11,842

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.

Exposure to Sovereign Debt

As at December 31, 2013, the Company's exposure to the sovereign debt of countries of the European Union subject to bail-out is as follows:

(thousand euros)

Issuer/ Portfolio	31 December 2013					
	Book Value	Fair Value	Fair-Value Reserve	Average Interest Rate %	Average Maturity Years	Valuation Level
Portugal						
Available-for-sale financial assets	992	992	1	0.0%	1	1
Held-to-maturity investments	1,055	1,103	-57	3.8%	3	1
Total	2,047	2,095	-56			

As at December 31, 2014, the Company holds Portuguese sovereign debt securities, but they no longer fall within the scope of this analysis because the country exited the programme in question in 2014.

Note 8 - Cash, Cash Equivalents and Sight Deposits

The balance of this heading is as follows:

	(thousand euros)	
	2014	2013
Cash	-	-
Deposits at credit institutions	598	961
Total	598	961

Note 10 - Other Tangible Fixed Assets and Inventories

The Company holds tangible assets carried using the cost model, as follows:

	(thousand euros)	
	2014	2013
Equipment	335	334
Office equipment	203	203
Machines and tools	9	8
IT Hardware	51	51
Indoor facilities	1	1
Leased buildings expenditure	68	68
Other tangible fixed assets	3	3
Fixed Assets in Progress	-	-
Accumulated Depreciation	-266	-225
Impairments	-	-
Net Total	69	109

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

	(thousand euros)		
	Equipment	Fixed Assets in Progress	Total
Balance as at January 1, 2013	153	-	153
Additions	1	-	1
Transfers	-	-	-
Depreciation charges for the period	-45	-	-45
Written off/ sales	-	-	-
Balance as at December 31, 2013	109	-	109
Additions	1	-	1
Transfers	-	-	-
Depreciation charges for the period	-41	-	-41
Written off/ sales	-	-	-
Balance as at December 31, 2014	69	-	69

Note 11 - Allocation of Investments and other Assets

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

The indication of which assets are and are not allocated to the insurance portfolios managed by the Company as at December 31, 2014 & 2013, is as follows:

	(thousand euros)		
	2014		
	Non-Life Insurance	Not Allocated	Total
Cash & cash equivalents	475	123	598
Land & buildings	-	-	-
Investments in affiliates, associates and joint ventures	-	-	-
Financial assets held for trading	-	-	-
Financial assets classified in the initial recognition at fair value through profit & loss	-	-	-
Hedge derivatives	-	-	-
Available-for-sale financial assets	13,066	-	13,066
Loans and receivables	-	-	-
Held-to-maturity investments	-	-	-
Other tangible assets	-	69	69
Other assets	-	11,348	11,348
Total	13,541	11,540	25,081

	(thousand euros)		
	2013		
	Non-Life Insurance	Not Allocated	Total
Cash & cash equivalents	724	237	961
Land & buildings	-	-	-
Investments in affiliates, associates and joint ventures	-	-	-
Financial assets held for trading	-	-	-
Financial assets classified in the initial recognition at fair value through profit & loss	-	-	-
Hedge derivatives	-	-	-
Available-for-sale financial assets	10,218	-	10,218
Loans and receivables	2,500	-	2,500
Held-to-maturity investments	1,552	-	1,552
Other tangible assets	-	109	109
Other assets	-	11,192	11,192
Total	14,994	11,538	26,532

Note 12 - Intangible Assets

All intangible assets are measured using the cost method, and there are no cases of assets generated internally. The estimated useful lives are finite, standing at 5 years for software development costs and 3 years for software, amortisation being calculated on a straight-line basis.

The breakdown of the headings of Other intangibles headings is as follows:

	(thousand euros)	
	2014	2013
Other Intangibles	4,008	3,802
Software development costs	3,499	3,245
Software	367	367
Intangibles in progress	142	190
Accumulated Depreciation	-3,028	-2,378
Impairments	-	-
Net Total	980	1,424

Movements in both years is as follows:

	(thousand euros)			
	Software Development Costs	Software	Intangibles in Progress	Total
Balance as at January 1, 2013	1,857	69	34	1,960
Additions	13	-	178	191
Depreciation charges for the period	-658	-69	-	-727
Impairments	-	-	-	-
Transfers	22	-	-22	-
Write-offs	-	-	-	-
Balance as at December 31, 2013	1,234	-	190	1,424
Additions	-	-	206	206
Depreciation charges for the period	-650	-	-	-650
Impairments	-	-	-	-
Transfers	254	-	-254	-
Write-offs	-	-	-	-
Balance as at December 31, 2014	838	-	142	980

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

	(thousand euros)	
	2014	2013
Depreciation of Intangible Assets for the Period:	650	727
Costs of claims, net of reinsurance		
Amounts paid - Gross amounts	32	36
Net operating costs & expenses		
Acquisition costs	451	480
Administrative costs	166	211
Financial Costs		
Other	1	-

Note 13 - Other Assets, Liabilities, Adjustments and Provisions

Assets and adjustments

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

	(thousand euros)	
	2014	2013
Gross Assets	757	642
Policyholders		
- Receipts pending collection	335	429
- Reimbursement of claims	422	213
Adjustments	-112	-125
Receipts pending collection	-99	-113
Doubtful debt	-13	-12
Net Assets	645	517

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

	(thousand euros)	
	2014	2013
Adjustment of Receipts Pending Collection		
Balance as at January 1	113	140
Allocations for the period	-	-
Use for the year	-14	-27
Balance as at December 31	99	113
Adjustment of Doubtful Loans		
Balance as at January 1	12	8
Allocations for the period	1	4
Use for the year	-	-
Balance as at December 31	13	12

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

	(thousand euros)	
	2014	2013
Reinsurers	438	186
Reinsured	-	-
Total	438	186

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

	(thousand euros)	
	2014	2013
Gross Assets	1,470	722
Related entities	1,252	404
Management on account of IDS and principals	189	230
Other receivables	29	88
Adjustments	-	-
Doubtful debt	-	-
Net Assets	1,470	722

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

	(thousand euros)	
	2014	2013
Deferred Costs	135	115
- Rentals	8	-
- Outsourcing	127	115
Total	135	115

Liabilities and provisions

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

	(thousand euros)	
	2014	2013
Policyholders (return premiums payable)	17	23
Insurance brokers		
- Commissions payable	-	-
- Current accounts	11	-
Co-insurers	-	-
Total	28	23

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

	(thousand euros)	
	2014	2013
Reinsurers	315	386
Reinsured	-	-
Total	315	386

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

	(thousand euros)	
	2014	2013
Related entities	67	6
Other suppliers of goods & services	297	410
Other payables	24	5
Total	388	421

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

	(thousand euros)	
	2014	2013
Accrued Costs	405	1,128
- Staff costs (subsidies, charges & bonuses)	77	169
- Third-party supplies & services	328	959
Total	405	1,128

Note 14 - Insurance Contract Premiums

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

	(thousand euros)					
Businesses/ Groups of Businesses	Gross Premiums Written		UPR Variation		Premiums Earned	
	2014	2013	2014	2013	2014	2013
Accidents & health	445	353	21	53	424	300
Fire & other damage	388	310	33	42	355	268
Motor	15,809	16,581	-92	-473	15,901	17,054
Marine, air and transport	-	-	-	-	-	-
General third-party liability	-	-	-	-	-	-
Credit and fidelity insurance	-	-	-	-	-	-
Legal protection	-	-	-	-	-	-
Assistance	2,558	2,598	14	-13	2,544	2,611
Sundry	-	-	-	-	-	-
Total	19,200	19,842	-24	-391	19,224	20,233

The breakdown of 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	Gross Premiums Written		UPR Variation		Premiums Earned	
	2014	2013	2014	2013	2014	2013
Accidents & health	32	16	-	-	32	16
Fire & other damage	38	28	-	-	38	28
Motor	6,290	6,743	-28	-48	6,318	6,791
Marine, air and transport	-	-	-	-	-	-
General third-party liability	-	-	-	-	-	-
Credit and fidelity insurance	-	-	-	-	-	-
Legal protection	-	-	-	-	-	-
Assistance	2,046	2,208	-35	-11	2,081	2,219
Sundry	-	-	-	-	-	-
Total	8,406	8,995	-63	-59	8,469	9,054

The breakdown of some figures in respect of non-life insurance for 2014, 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	445	424	170	241	-32
Fire & other damage	388	355	251	161	-38
Motor					
- Third-party liability	11,196	11,330	8,869	3,857	-141
- Other covers	4,613	4,571	2,654	1,981	-438
Marine, air and transport	-	-	-	-	-
General third-party liability	-	-	-	-	-
Credit and fidelity insurance	-	-	-	-	-
Legal protection	-	-	-	-	-
Assistance	2,558	2,544	-	717	-2,081
Sundry	-	-	-	-	-
Total	19,200	19,224	11,944	6,957	-2,730
Reinsurance accepted	-	-	-	-	-
Grand Total	19,200	19,224	11,944	6,957	-2,730

Note 16 - Investment Income/ Revenue and Expenditure

The accounting policies adopted for the recognition of income and costs in respect of investments are addressed in Note 3.

The balance of the Income heading, segregated by the various types of income, is as follows:

(thousand euros)

	2014	2013
Interest	337	496
Available-for-sale financial assets	298	338
Financial assets at fair value through profit or loss	-	-
Financial assets held for trading	-	-
Held-to-maturity investments	39	109
Deposits, loans & other assets	-	49
Total	337	496

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

(thousand euros)

	2014	2013
Bonds & other fixed-income securities		
Public issuers'	66	126
Other issuers'	271	321
Equities	-	-
Other floating-rate securities	-	-
Deposits	-	44
Loans & other assets	-	5
Total	337	496

The breakdown of Financial costs is as follows:

(thousand euros)

	2014	2013
Costs imputed to the investments function	10	13
Interest on repurchase agreements	-	20
Total	10	33

Note 17- Gains and Losses Realised on Investments

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

(thousand euros)

	2014			2013		
	Gain	Loss	Balance	Gain	Loss	Balance
Financial - Not at Fair Value Through Profit or Loss	955	-211	744	460	-44	416
Available-for-sale financial assets	955	-211	744	460	-44	416
Investments held to maturity	-	-	-	-	-	-
Total	955	-211	744	460	-44	416

Note 20 - Other Income and Expense

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

(thousand euros)

	2014	2013
Other Technical Income	884	859
Management on account of claims	884	859
Other Technical Expense	953	956
Management on account of claims	953	956
Value of Gains & Losses	-69	-97

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

(thousand euros)

	2014	2013
Other Non-Technical Income	864	439
Corrections & adjustments	12	10
Other gains	852	429
Other Non-Technical Expense	150	135
Donations	5	1
Corrections & adjustments	105	63
Other expenses	27	60
Banking services & default interest	13	11
Value of Gains & Losses	714	304

Note 21 - Sundry Costs by Function and Nature of Expense

Costs carried under Costs by nature of expense to be imputed are not shown directly in the profit & loss account, in that they are distributed to the insurer'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, 2014 & 2013, is as follows:

(thousand euros) (%)

2014	Cost of Claims		Acquisition Costs		Administrative Costs		Cost of Investments		Total	
Staff costs	122	16%	508	65%	155	20%	-	0%	785	100%
Third-party supplies & services	275	5%	4,405	78%	948	17%	3	0%	5,631	100%
Taxes	-	0%	-	0%	207	100%	-	0%	207	100%
Depreciation	32	5%	452	65%	207	30%	-	0%	691	100%
Provisions for contingencies & liabilities	-	0%	-	0%	-	0%	-	0%	-	0%
Other costs	-	0%	-	0%	-	0%	7	100%	7	100%
Total	429	6%	5,365	73%	1,517	121%	10	0%	7,321	100%

(thousand euros) (%)

2013	Cost of Claims		Acquisition Costs		Administrative Costs		Cost of Investments		Total	
Staff costs	111	14%	510	66%	152	20%	-	0%	773	100%
Third-party supplies & services	416	6%	5,732	79%	1,081	15%	5	0%	7,234	100%
Taxes	-	0%	-	0%	214	100%	-	0%	214	100%
Depreciation	40	5%	510	66%	221	29%	1	0%	772	100%
Provisions for contingencies & liabilities	-	0%	-	0%	-	0%	-	0%	-	0%
Other costs	-	0%	-	0%	-	0%	7	100%	7	100%
Total	567	6%	6,752	75%	1,668	19%	13	0%	9,000	100%

The breakdown of Staff costs is as shown in Note 22.

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

(thousand euros)		
	2014	2013
Electricity, water & communications	98	116
Travel & entertainment costs	21	27
Leases & rentals	123	124
Equipment maintenance	272	242
Premium collection	187	202
Advertising, outsourcing, consultancy & specialised work	4,604	6,125
Other sundry supplies & services	326	398
Total	5,631	7,234

The breakdown of Taxes and charges is as follows:

(thousand euros)		
	2014	2013
VAT borne	1	-
Stamp duty	46	48
ASF charge	150	156
Fee for the General Secretariat of the MAI (Home Affairs)	10	10
Portuguese Green Card Office charge	-	-
Other Taxes, Fees and Licenses	207	214

The breakdown of Depreciation is as follows:

(thousand euros)		
	2014	2013
Software development costs	650	658
Software	-	69
IT hardware	-	5
Office equipment & machines	41	40
Total	691	772

The amount of Other costs in 2014 & 2013 refers to investment portfolio management commissions.

The breakdown of Net operating gains & charges in the profit & loss account is as follows:

(thousand euros)		
	2014	2013
Acquisition costs		
Brokerage remuneration	90	-
Costs imputed	5,365	6,752
Other acquisition costs	-	-
Deferred acquisition costs (change)	-15	98
Administrative costs		
Brokerage remuneration	-	-
Costs imputed	1,517	1,668
Reinsurance commissions & profit-sharing	-1,984	-1,980
Total	4,973	6,538

Note 22 - Staff Costs

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

	2014	2013
Manager	1	1
Superintendent	2	2
Technician	5	7
Specialist	3	3
Operational co-ordinator	-	1
Total	11	14

Staff costs are detailed as follows:

(thousand euros)		
	2014	2013
Remuneration - Corporate officers	37	36
Remuneration - Personnel	579	575
Charges on remuneration - Corporate officers	5	3
Charges on remuneration - Personnel	121	118
Termination of employment benefits	-	7
Mandatory insurance	15	16
Social welfare costs	9	8
Training	18	9
Other staff costs	1	1
Total	785	773

As at December 31, 2014 & 2013, the Company had no loans or advances extended to corporate officers.

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

Fees billed during 2014 by the outgoing Statutory Auditor within the scope of the legal audit of the accounts amounted to €12k.

The fees billed during 2014 by KPMG, the new statutory auditor for 2014, within the scope of audit services, amount to €19k.

Note 24 - Corporation Tax

The Company is subject to the tax legislation enacted by the IRC Code (Corporation Tax Code). Additionally, the concept of deferred taxes resulting from temporary differences between book results and results accepted by the authorities for corporation tax purposes is applicable whenever there is a reasonable probability that such taxes will come to be paid or recouped in the future.

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

Nevertheless, and for reasons of prudence, no deferred tax asset has been determined in respect of the tax loss carried forward and still to be used (about €16.8 million), taking into consideration the estimates for recoverability within the period allowed for tax purposes in respect of each year, as follows:

(thousand euros)

Period	Brought Forward	Used	Carried Forward	Carry Forward Lost	Last Year for Use
2008	10,905	54	0	10,851	2014
2009	7,548	-	7,548	0	2015
2010	8,004	-	0	8,004	2014
2011	3,885	-	3,885	0	2015
2012	3,009	-	3,009	0	2017
2013	2,404	-	2,404	0	2018
Total	35,755	54	16,846	18,855	

The Company has not yet been subject to inspection by the Tax Authority. It is subject to inspection and possible adjustment 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.

The breakdown of current tax assets and liabilities reported in 2014 and 2013 is as follows:

(thousand euros)

	2014		2013	
	Current Tax Assets	Current Tax Liabilities	Current Tax Assets	Current Tax Liabilities
Corporation tax	134	-	127	-
Tax withheld at source	-	13	-	14
Value added tax	-	-	-	-
Other taxes & levies	-	322	-	338
Social security contributions	-	12	-	14
Local authority taxes	-	-	-	-
Total	134	347	127	366

The breakdown of deferred tax assets and liabilities recognised in the 2014 and 2013 balance sheets is as follows:

(thousand euros)

Headings	Assets		Liabilities		Net	
	2014	2013	2014	2013	2014	2013
Securities	-	-	-63	-9	-63	-9
Total	-	-	-63	-9	-63	-9

As at December 31, 2014, and in the light of legislative changes enacted at the year-end in the matter the corporation tax rates in force after January 1, 2015, the Company changed the rate used in the calculation of deferred taxes, from 23.00% to 21.00%, associated with temporary differences (reduction of approximately €6k).

Current and deferred taxes in 2014 & 2013 were recognised as follows:

(thousand euros)

2014	Fair-Value Reserve	Other Reserves	Gains & Losses	Total
Current Tax	-	-	-14	-14
Corporation tax estimate	-	-	-7	-7
Autonomous tax	-	-	-7	-7
Deferred Tax	-54	-	-	-54
Securities	-54	-	-	-54
Total	-54	-	-14	-68

(thousand euros)

2013	Fair-Value Reserve	Other Reserves	Gains & Losses	Total
Current Tax	-	-	-10	-10
Corporation tax estimate	-	-	-	-
Autonomous tax	-	-	-10	-10
Deferred Tax	-15	-	-	-15
Securities	-15	-	-	-15
Total	-15	-	-10	-25

Reconciliation of the tax rate is as follows:

(thousand euros)

	2014	2013
Pre-tax income	46	-2,471
Tax rate	24.5%	25.0%
Tax Determined on the Basis of the Official Rate	-11	618
Tax losses generated during the year not carried forward	-	-601
Tax benefits	7	6
Other income & costs excluded from taxation	-3	-23
Autonomous tax	-7	-10
Tax Recognised in Profit or Loss	-14	-10

Note 25 - Share Capital

LOGO 's share capital, in the sum of €20 million, represented by 4 million shares each of a par value of €5, is fully subscribed and paid up.

The Company's sole shareholder is Companhia de Seguros Tranquilidade, SA, which paid up equity capital in the sum of €7.5 million in 2007 and of €12.5 million in 2008.

Between 2009 and 2013 the sole shareholder increased equity through ancillary capital contributions totalling €21.8 million.

Note 26 - Reserves

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

Legal reserve

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

Fair-value reserves

Fair-value reserves represent the potential gains and losses in respect of the available-for-sale investments, net of the impairment recognised in profit or loss during the year and/or previous years.

Deferred tax reserves

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

Deferred taxes are calculated, in accordance with the liabilities method based on the balance sheet, on the temporary differences between the book values of the assets and liabilities and their tax basis, using the tax rates approved or substantially approved on the balance sheet 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.

The breakdown of the reserves as at December 31, 2014 & 2013, is as follows:

(thousand euros)

	2014	2013
Reserves for financial assets at fair value	299	37
Deferred tax reserve	-63	-9
Other reserves	-	-
- Legal reserve	-	-
- Free reserves	-	-
Reserves	236	28

As at December 31, 2014, and in the light of legislative changes enacted at the year-end in the matter the corporation tax rates in force after January 1, 2015, the Company changed the rate used in the calculation of deferred taxes, from 23.00% to 21.00%, associated with temporary differences (reduction of approximately €6k).

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

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

(thousand euros)

	2014	2013
Floating-rate securities	-	-
Fixed-income securities	299	37
Fair-Value Reserves	299	37

The breakdown of the net fair value reserve as at December 31, 2014 & 2013, is as follows:

(thousand euros)

	2014	2013
Amortised cost of available-for-sale investments (without accrued interest)	12,619	10,025
Impairment	-	-
Amortised/ acquisition cost net of impairment	12,619	10,025
Fair value of available-for-sale investments (without accrued interest)	12,918	10,135
Gross revaluation reserve (fair value - cost)	299	110
Revaluation reserve for securities transferred to held-to-maturity investments	-	-73
Deferred & current taxes	-63	-9
Revaluation Reserve Net of Taxes	236	28

Movement under the net fair value reserve as at December 31, 2014 & 2013, is as follows:

(thousand euros)

	2014	2013
Balance as at January 1	28	-17
Changes in fair value, including variations on disposal	262	60
Impairment recognised during the year	-	-
Variation of deferred taxes recognised during the year	-54	-15
Balance as at December 31	236	28

Note 27 - Earnings per Share

Earnings per share for the years ended December 31, 2014 & 2013, are as follows:

	2014	2013
Net income for the period (in thousands of euros)	32	-2,481
Number of shares (year-end)	4,000,000	4,000,000
Earnings per Share (in euros)	0.01	-0.62

Note 29 - Transactions Between Related Parties

LOGO's equity capital is wholly owned by Companhia de Seguros Tranquilidade, SA. The accounts of both entities were included, as at December 31, 2014, within the consolidation perimeter of ESFG - Espírito Santo Financial Group.

Relations between LOGO and its parent company, Tranquilidade, or its associates involve several business areas, the more relevant transactions and services involving situations of rentals, reinsurance and call-centre services. As at December 31, 2014 & 2013, the overall amount of LOGO's assets and liabilities that refer to transactions with associate and related companies can be summarised as follows:

(thousand euros)

	2014				2013			
	Assets	Liabilities	Costs	Income	Assets	Liabilities	Costs	Income
ADVANCECARE	-	-	70	-	-	-	19	-
NOVO BANCO	591	1	207	24	2,477	2	256	122
BESLEASING	-	-	-	-	-	1	-	-
E.S. CONTACT CENTER	18	-	48	-	-	25	158	-
E.S. FINANCIAL PRT	-	-	-	-	701	-	-	13
E.S. INFORMÁTICA	-	-	66	-	-	-	8	-
E.S. INNOVATION	-	-	-	-	-	10	-	-
E.S. SERVIÇOS 2, ACE	-	79	1,323	-	-	109	1,337	-
ESFIL	-	-	-	-	525	-	-	32
EUROP ASSISTANCE	-	172	-	-2,112	-	192	-	-2,235
IMOPRIME	-	8	94	-	-	-	85	-
SGL - SOCIEDADE GERAL LIMPEZAS	-	-	22	-	-	-	24	-
TOP ATLÂNTICO	-	-	-	-	-	-	-	-
TRANQUILIDADE	7,631	747	-5,961	-6,141	8,287	155	-6,856	-6,598
TRQ ANGOLA	1,234	-	-	753	404	-	-	404
T-VIDA	-	3	-	-	-	3	-	-
Total	9,474	1,009	-4,133	-7,475	12,394	497	-4,969	-8,262

Note 30 – Statement of Cash Flows

The Statement of changes of cash & cash equivalent flows drawn up from an indirect standpoint of the source and application of funds, is presented at the beginning of the report and accounts, together with the financial statements and the statement of changes in equity.

Note 31 – Commitments

The Company has entered into finance lease contracts for the acquisition of IT equipment and operating lease contracts in respect of transport material. The contractual commitments expressed in the balance sheet in respect of finance lease contracts are as follows:

(thousand euros)

	2014	2013
Tangible assets (gross value)	9	9
Accumulated depreciation	-9	-9
Tangible Assets (Net Value)	-	-
Creditors - Suppliers of Goods	0	1

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

(thousand euros)

	Up to 3 Months	4 to 12 Months	1 to 5 Years
Finance lease contracts	-	-	-
Operating lease contracts	6	17	14

Note 36 – Events After the Balance Sheet Date Other Than Those Described in the Previous Points

On January 15, 2015, Apollo, via the firm Calm Eagle Holdings, S.à r.l. acquired the whole of the share capital of Companhia de Seguros Tranquilidade, SA, sole shareholder of LOGO. This acquisition was approved by ASF.

Note 37 – Other Information

Recently-Issued Standards and Interpretations

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

IAS 27 (Amendment) - Separate financial statements

The IASB issued on May 12, 2011, amendments to “IAS 27 - Separate financial statements”, with effective application (retrospective) for periods beginning on or after January 1, 2014. These amendments were adopted by European Commission Regulation 1254/2012 of December 11.

Bearing in mind that IFRS 10 addresses the control principles and sets out requirements relating to the preparation of consolidated financial statements, IAS 27 (amendment) comes to regulate solely separate accounts.

The changes aimed, firstly, to clarify the disclosures required by an entity preparing separate financial statements, now required to disclose the main place (and country of its registered office) where the business of the more significant subsidiaries, associates and joint ventures takes place and, if applicable, of the parent company. The previous version required only disclosure of the country or residence or seat of such entities.

On the other hand, the date of entry into force and the need to adopt all the consolidation rules simultaneously were aligned (IFRS 10, IFRS 11, IFRS 12, IFRS 13 and amendments to IAS 28).

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

IFRS 10 – Consolidated financial statements

The IASB issued on May 12, 2011, amendments to “IFRS 10 - Consolidated financial statements”, with effective application (retrospective) for periods beginning on or after January 1, 2013. This standard was adopted by European Commission Regulation 1254/2012 of December 11, stipulating imperative application after January 1, 2014.

IFRS 10 repeals part of IAS 27 and SIC 12, and introduces a single control model that determines whether an investment must be consolidated.

The new control concept involves the evaluation of power, the exposure to variability in returns and the connection between both. An investor controls an investee when it is exposed (or has rights) to the variability in the returns generated by its involvement with the investee and may take possession of them through the power held over the investee (de facto control).

The investor considers to what extent it controls the relevant business of the investee, taking into account the new control concept. The evaluation must be made in each reporting period since the relationship between power and exposure to variability in the returns can change over time. Control is usually assessed on the legal entity, but it can also be evaluated on specific assets and liabilities of an investee (referred to as “silos”).

The new standard introduces other changes such as: i) the requirements for subsidiaries within the scope of the consolidated financial statements of transfer from IAS 27 to this standard and ii) increase the disclosures required, including specific disclosures about the structured entities, whether or not consolidated.

The Company suffered no impact from this amendment.

IFRS 11 - Joint arrangements

The IASB issued on May 12, 2011, amendments to “IFRS 11 - Joint arrangements”, with effective application (retrospective) for periods beginning on or after January 1, 2013. This standard was adopted by European Commission Regulation 1254/2012 of December 11, stipulating imperative application after January 1, 2014.

This new standard, which repeals IAS 31 and SIC 13, defines “joint control”, introducing the control model defined in IFRS 10 and requires an entity that is a party to a “joint arrangement” determine the type of joint arrangement in which is involved (“joint operation” or “joint venture”), evaluating its rights and obligations.

IFRS 11 removes the option of proportionate consolidation for jointly-controlled entities. Jointly-controlled entities that meet the criteria of “joint venture” must be accounted for using the equity method (IAS 28).

The Company suffered no impact from this amendment.

IAS 28 (Amendments) - Investments in associates and joint ventures

The IASB issued on May 12, 2011, amendments to “IAS 28 - Investments in associates and joint ventures”, with effective application (retrospective) for periods beginning on or after January 1, 2013. These amendments were adopted by European Commission Regulation 1254/2012 of December 11, stipulating imperative application after January 1, 2014.

As a result of the new IFRS 11 and IFRS 12, IAS 28 has been amended and is now designated IAS 28 - Investments in associates and joint ventures, and it governs the application of the equity method applicable both to joint ventures and to associates.

The Company suffered no impact from this amendment.

IFRS 12 - Disclosure of interests in other entities

The IASB issued on May 12, 2011, amendments to “IFRS 12 - Disclosure of interests in other entities”, with effective application (retrospective) for periods beginning on or after January 1, 2013. This standard was adopted by European Commission Regulation 1254/2012 of December 11, stipulating imperative application after January 1, 2014.

The objective of the new standard is to require an entity to disclose information helping users of the financial statements to assess: (i) the nature and risks associated with investments in other entities and; (ii) the effects of such investments on the financial position, performance and cash flows.

IFRS 12 includes disclosure requirements for all forms of investment in other entities, including joint arrangements, associates, special purpose vehicles and other off-balance sheet vehicles.

The company reviewed the impact of full implementation of IFRS 12 in line with the adoption of IFRS 10 and IFRS 11, which had no impact on its financial statements.

Investment Entities - Amendments to IFRS 10, IFRS 12 and IAS 27 (issued on October 31, 2012)

The changes made apply to a particular class of businesses that are qualified as “investment entities”. The IASB defines the term “investment entity” as an entity whose business purpose is to invest funds with the

goal of obtaining a capital gain, income or both. An investment entity must also evaluate its performance in the investment at fair value. Such entities may include private equity, venture capital or development capital organisations, pension funds, health funds and other investment funds.

The amendments provide for elimination of the duty of consolidation under IFRS 10, and require such entities to measure the subsidiaries in question at fair value through profit or loss rather than consolidating them. The amendments also define a set of disclosures applicable to such investment entities.

The changes apply to periods beginning on or after January 1, 2014, with voluntary early adoption. This option enables investment entities to apply the new changes when IFRS 10 comes into force. This standard was adopted by European Commission Regulation 1174/2013 of November 20.

The Company suffered no impact from this amendment.

IFRS 36 (Amendment) - Impairment of assets: Disclosure of the recoverable amount of non-financial assets

On May 29, 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 1374/2013 of December 19.

The purpose of the amendments was to clarify the scope of the disclosure of information about the recoverable value of assets, where such amount is based on the net fair value of the selling costs, limited to assets with impairment.

IFRS 39 (Amendment) - Financial Instruments: Novation of derivatives and continuation of hedge accounting

On June 27, 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 1375/2013 of December 19.

The purpose of these amendments was to render more flexible the accounting requirements of a hedging derivative, in which there is a need to alter the clearing counterparty as a result of changes in laws or regulations. Such flexibility means that hedge accounting continues regardless of the alteration of the clearing counterparty (“novation”), without the amendment to the standard, would no longer be allowed.

IFRS 32 (Amendment) - Financial Instruments: Presentation - offsetting between financial assets and liabilities

The IASB issued on December 16, 2011, amendments to “IAS 32 - Financial instruments: Presentation - Offsetting financial assets and liabilities”, with effective date of application (retrospective) for periods beginning on or after January 1, 2014. These amendments were adopted by European Commission Regulation 1256/2012 of December 11.

The changes introduced now add implementation guidelines to resolve inconsistencies in practical application. The new guidelines clarify that the phrase “current legally enforceable right to offset “ means that the right to offset may not be contingent, in the light of future events, and must be legally enforceable in the normal course of business, in the event of default and of insolvency or bankruptcy of the entity and all counterparties. These implementing guidelines also specify the characteristics of the gross settlement systems so as to be equivalent settlement on a net basis.

The Company suffered no impact from the adoption of this amendment, taking into account that the accounting policy adopted is in line with the guidance issued.

IFRIC 21 - Levies

On May 20, 2013, the IASB issued this interpretation with effective application (retrospective) for periods beginning on or after January 1, 2014. This interpretation was adopted by European Commission Regulation n° 634/2014 of June 13 (setting the entry into force at the latest as from the start date of the first financial period on or after June 17, 2014)

This new interpretation defines levies as a disbursement by an entity imposed by the government according to law. It confirms that an entity recognises a liability for the levy when - and only when - the specific event that triggers it, according to the law occurs.

The company is assessing the impacts on the financial statements arising out of this interpretation.

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

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.

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 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.

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 the 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 book value.

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

To resolve any concerns about identification of the costs of 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.

Improvements to the IFRS (2011-2013)

The 2011-2013 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 1, IFRS 3, IFRS 13 and IAS 40. These amendments were adopted by European Commission Regulation n° 1361/2014 of December 18 (setting the entry into force at the latest as from the start date of the first financial period on or after January 1, 2015).

- **IFRS 1 - meaning of “effective IFRS”**

The IASB has clarified that if new IFRS are not yet mandatory but allow early implementation, IFRS 1 allows, but does not require, that they be applied to the first financial statements reported under IFRS.

- **IFRS 3 - exceptions to the scope of applications for joint ventures**

The amendments exclude from the scope of IFRS 3, the formation of all types of joint arrangements, as defined in IFRS 11. This exception to the scope applies only to the financial statements of joint ventures or to the joint ventures themselves.

- **IFRS 13 – scope of paragraph 52 - portfolio exception**

Paragraph 52 of IFRS 13 includes an exception to measure the fair value of groups of assets or liabilities on a net basis. The purpose of this amendment is to clarify that the exception of portfolios applies to all contracts covered by IAS 39 or IFRS 9 regardless of complying with the definitions of a financial asset or financial liability laid down in IAS 32.

- **IAS 40 - Interrelationship with IFRS 3 when classifying property as investment property or owner-occupied property.**

The objective of this amendment is to clarify that judgement is needed to determine whether the acquisition of investment property is the acquisition of an asset, a group of assets or a business combination in the scope of IFRS 3.

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

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

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 at 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 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 present the alterations of the fair value through 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 comes to enforce the 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 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 the 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 has increased significantly, the financial asset will generate a cumulative impairment equal to the loss 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 must be applied for periods beginning on or after January 1, 2018. The Company has started a process of assessment of the potential effects of this standard but, 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

In May 2014, the IASB issued standard IFRS 15 Revenue from Contracts with Customers of mandatory application in periods beginning on or after January 1, 2017. Its early adoption is permitted. This standard repealed 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 either 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 does not expect any impacts to arise from the adoption of this standard.

Improvements to the IFRS (2012-2014)

The 2012-2014 cycle of annual improvements issued by the IASB on September 25, 2014, introduced alterations, with effective date of application for periods beginning on or after July 1, 2016, to IFRS 5, IFRS 7, IFRS 19 and IAS 34.

The Company does not expect any impact of the application of this amendment on 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.

The Company's financial statements will not suffer any impact.

Appendix 1 – Inventory of Holdings and Financial Instruments

(expressed in euros)

Identification of Securities	Quantity	Amount of Par Value	% of Par Value	Average Acquisition Cost	Total Amount Acquisition Cost	Carrying Amount (Including Accrued Interest)	
Designation						Unit	Total
1 - AFFILIATES, ASSOCIATES, JOINT VENTURES AND OTHER RELATED COMPANIES							
Total	0	0			0		0
2 - OTHERS							
2.1 - Domestic securities							
2.1.2 - Debt securities							
2.1.2.1 - Public debt							
PT OT 4.8% 06/15/20		400,000.00	115.99%	114.8%	459,000.00	118.6%	474,407.95
PT OT 5.65% 02/15/24		1,000,000.00	123.67%	119.5%	1,195,000.00	128.6%	1,286,029.45
Subtotal	0	1,400,000.00			1,654,000.00		1,760,437.40
2.1.2.3 - Other issuers'							
EDP FINANCE 2.625% 04/19		500,000.00	103.42%	99.3%	496,360.00	105.3%	526,424.32
GALP ENERGIA SGPS FLOAT 18		500,000.00	102.75%	99.5%	497,565.00	103.0%	515,022.03
Subtotal		1,000,000.00			993,925.00		1,041,446.35
Total		2,400,000.00			2,647,925.00		2,801,883.75
2.2 - Foreign securities							
2.2.2 - Debt securities							
2.2.2.3 - Other issuers'							
2I RETE GAS SPA 1.125% 01/20		300,000.00	100.00%	99.5%	298,572.00	100.1%	300,253.15
AIR FRANCE - KLM 3.875% 06/21		200,000.00	100.00%	99.3%	198,500.00	102.1%	204,161.64
AMERICA MOVIL 1% 06/04/18		500,000.00	101.42%	99.7%	498,385.00	102.0%	509,996.71
BABCOCK INTL GROUP 1.75% 10/22		200,000.00	102.91%	99.5%	199,084.00	103.3%	206,638.66
BANCO BPI 3.25% 01/15/2015		500,000.00	100.00%	97.8%	488,760.37	103.1%	515,567.19
BANK OF IRELAND 2% 05/08/17		500,000.00	101.77%	99.8%	498,950.00	103.1%	515,318.15
BARCLAYS PLC 1.5% 04/22		500,000.00	100.80%	99.5%	497,625.00	101.2%	505,869.86
BPE FINANCIACIONES 2.5% 02/17		500,000.00	102.14%	99.7%	498,445.00	104.5%	522,417.33
BRITISH TELECOM 1.125% 06/19		100,000.00	101.60%	99.5%	99,508.00	102.2%	102,223.77
CASINO GUICHARD PERRACHO 2.33% 25-24		100,000.00	101.92%	100.0%	100,000.00	102.1%	102,062.82
CITIGROUP 1.375% 10/27/21		500,000.00	101.77%	99.4%	497,025.00	102.0%	510,064.32
CNH INDUSTRIAL 2.75% 03/18/19		200,000.00	101.01%	99.5%	198,942.00	103.2%	206,357.73
CREDIT SUISSE LONDON 1.375% 01/31/22		500,000.00	102.77%	99.7%	498,625.00	103.1%	515,582.88
DEUTSCHE LUFTHANSA 1.125% 09/19		200,000.00	99.83%	99.6%	199,112.00	100.2%	200,332.08
DIAGEO 1.125% 05/19		800,000.00	102.87%	101.0%	808,029.10	103.6%	828,483.95
GLENCORE FINANCE EUROPE 1.625% 01/22		300,000.00	100.18%	99.2%	297,714.00	100.7%	301,955.75
GOLDMAN SACHS 2.125% 09/30/24		400,000.00	104.32%	99.8%	399,216.00	104.9%	419,410.47
GOLDMAN SACHS FLOAT 10/29/19		200,000.00	100.21%	99.9%	199,702.00	100.4%	200,717.30
INFRA FOCH SAS 1.25% 10/20		100,000.00	101.15%	99.8%	99,793.00	101.4%	101,410.27
LLOYDS BANK FLOAT 19		200,000.00	99.94%	99.9%	199,700.00	100.0%	199,948.07
MERCK & CO INC 1.125% 10/15/21		200,000.00	102.48%	99.9%	199,746.00	102.7%	205,442.66
METRO AG 1.375% 10/21		500,000.00	100.01%	99.2%	496,235.00	100.3%	501,275.48
MORGAN STANLEY 1.875% 03/30/24		500,000.00	103.43%	99.6%	498,235.00	103.9%	519,508.01
PEPSICO INC 1.75% 04/28/21		100,000.00	106.05%	99.5%	99,511.00	107.2%	107,232.25
PGE SWEDEN 1.625%		100,000.00	102.03%	99.5%	99,454.00	102.9%	102,939.67
PROLOGIS LP 1.375% 10/07/20		100,000.00	101.23%	99.8%	99,834.00	101.6%	101,552.21
RCI BANQUE 1.125% 09/19		200,000.00	101.50%	99.8%	199,672.00	101.8%	203,571.12
REDEXIS GAS FINANCE 2.75% 04/21		100,000.00	107.48%	99.4%	99,373.00	109.5%	109,490.64
RTE RESEAU DE TRANSPORT 1.625% 10/08/24		300,000.00	103.72%	99.0%	296,940.00	104.1%	312,287.92
SANOFI FLOAT 09/18		100,000.00	100.27%	100.0%	100,000.00	100.3%	100,288.20
SAP SE 1.125% 02/20/23		300,000.00	102.53%	99.5%	298,434.00	102.7%	307,963.11
SNAM SPA 1.5% 04/19		300,000.00	102.90%	99.4%	298,056.00	103.9%	311,788.52
TOYOTA MOTOR CREDIT 1% 09/10/21		100,000.00	102.07%	99.5%	99,470.00	102.4%	102,373.85
UNIBAIL-RODAMCO 1.375% 10/22		100,000.00	102.95%	99.8%	99,782.00	103.2%	103,236.07
WELLS FARGO 1.125% 10/29/21		100,000.00	101.42%	99.2%	99,180.00	101.6%	101,615.18
WENDEL 2.75% 10/24		100,000.00	103.75%	99.5%	99,466.00	104.4%	104,427.08
Total	0	12,400,000.00			12,607,000.47		13,065,647.82
3 - TOTAL GERAL	0	12,400,000.00			12,607,000.47		13,065,647.82

LOGO®

08

**DISCLOSURE OF REMUNERATION
POLICIES**

LOGO®

08. DISCLOSURE OF REMUNERATION POLICIES

This disclosure involves the following 3 components:

- The remuneration policy for members of the management and supervisory bodies, including a table of the remuneration paid during 2014;
- Policy governing the remuneration of 'key employees'.
- Appendix I – Statement of Compliance, under Article 4 of ASF Standard 5/2010-R, of April 1.

Policy Governing the Remuneration of Members of the Management and Supervisory Bodies

1. Introduction

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

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

It is therefore on the basis of this legal and regulatory framework that this policy of remuneration of the members of the governing bodies of Seguros LOGO, SA, for 2015 is drafted, which clearly enshrine the principles deemed fundamental in this matter, such as:

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

2. Remuneration Policy Approval Process

The remuneration policy for LOGO's corporate officers is, under the terms of article 25 of the articles of association approved by the General Meeting.

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

3. Remuneration of the Members of the Board of Directors

The remuneration of each member of the Board of Directors shall be defined directly by the shareholder at the General Meeting, and may, in accordance with article 25 of the articles of association, differ for each.

Members of the Board of Directors with executive functions who earn remuneration shall receive a fixed remuneration paid 14 times a year, to which may be added a variable remuneration, under such terms as come to be fixed by the shareholder at the General Meeting.

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

The variable part, if any, shall account for an average of about 40% of the remuneration, though its actual amount may vary each year, depending on the assessment of the individual and overall performance of the members of the Board Directors having executive duties, as well as the degree of achievement of the main goals of the Company, particularly, the net profit of the preceding year, the return on equity and the combined ratio, taking into consideration at all times in the evaluation process both the adequacy of the Company's equity and its risk level, and also the technical provisions.

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

Considering the current remuneration structure, the maximum amounts considered and risk-tolerance levels defined, it has not yet been considered necessary to defer a part of the variable component of the remuneration. Therefore, if one is assigned, it is paid in full in cash in the month following the approval of the accounts of the period to which it relates.

Without prejudice to the foregoing, the shareholder may, at the General Meeting, establish that the variable component of the remuneration, or a portion thereof, be assigned through stock-option plans involving shares in LOGO or any other company of the Group, under such terms as may come to be defined in due course.

Besides the fixed and variable remuneration described in this remuneration policy, there are no other forms of remuneration of the members of the Board of Directors, nor are they granted any pecuniary or non-pecuniary benefits of import.

In addition to the fixed and variable remuneration, by decision taken at the General Meeting, the benefits in effect for employees of insurance activity, in particular the Individual Retirement Plan (IPR) be considered for the members of the Board of Directors with executive functions.

4. Remuneration of the Members of the Board of Auditors

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

In 2015, its members shall not be remunerated for the performance of their duties.

5. 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 are proposed by the Statutory Auditor and are approved by the Board of Directors, following the opinion of the Board of Auditors.

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

Under Article 16 of the articles of association, the Board of the General Meeting comprises a chairman and a secretary. In 2015, its members shall not be remunerated for the performance of their duties.

Table of Remuneration Paid to the Members of LOGO's Governing Bodies during 2014

(thousand euros)

	LOGO		
	Fixed	Variable	Total
Board of Directors			0.0
Pedro Guilherme Beauvillain de Brito e Cunha (Chairman) ⁽¹⁾	-	-	0.0
Augusto Tomé Pires Fernandes Pedroso	-	-	0.0
António Miguel Natário Rio-Tinto ⁽¹⁾	-	-	0.0
Miguel Maria Pitté Reis da Silveira Moreno ⁽¹⁾	-	-	0.0
Nuno Miguel Pombeiro Gomes Diniz Clemente ⁽¹⁾	-	-	0.0
Board of Auditors			20.4
Pedro Miguel Vicente Roseta Fino (Chairman) ⁽¹⁾	8.4	-	8.4
João Faria Rodrigues ⁽¹⁾	6.0	-	6.0
Maria Madalena Mantas Moura ⁽¹⁾	6.0	-	6.0
Total Remuneration	20.4	0.0	20.4

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

- c) To all employees occupying 1st level management posts (Top Managers) and Board of Directors' Advisers, regardless of the area in which they work,

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

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

2. Remuneration Policy Approval Process

a) Approval

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

In drawing up the proposal for the remuneration policy an active role is played by sundry senior staff of the Company's major divisions, the Personnel Division in particular. The proposal is also assessed by the Overall Risk and Internal Control Division 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 LOGO's Key Employees is entrusted to the Board of Directors within the scope of the management of its personnel policy and of the incentives policy, with a view to meeting the Company's strategic goals.

c) Composition of the Board of Directors

Augusto Tomé Pires Fernandes Pedroso (Chair)
 Filipe Antero Rogenes Barreto Infante (Member)
 João Carlos Dores Candeias Barata (Member)
 José Manuel Mendes Esteves Serra Vera (Member)
 José Pedro de Barros Inácio (Member)

d) External Consultants

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

Key Employee Remuneration Policy

1. Scope of Application of the Remuneration Policy

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

- a) To those employees who play key roles, understood as being those who perform managerial positions within the scope of the risk management and internal control systems, but also;
- b) To those employees who perform management duties in the actuarial field, as well as to the Chief Actuary, as stated in the recommendation of point V.9 of ASF circular 6/2010, of April 1;

3. Remuneration

a) Composition of the remuneration

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

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

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

b) Limits and balances of the remuneration

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

The variable part, should one be granted, shall not exceed, on average, 15% of the total annual remuneration for all employees of the Company, and the maximum individual value shall not exceed 30% of the total amount of annual remuneration.

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

c) Variable component definition criteria and its time of payment

If granted, the amount of the Annual Variable Remuneration (VAR) has the limits set by the Board of Directors.

The VAR is in respect of short-term performance, and its exact value, each year, is defined in the light of the criteria laid down in subparagraph a).

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

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

Given the characteristics inherent in the remuneration structure in force, the maximum amounts considered and risk-tolerance levels defined, it has not yet been considered necessary to defer a part of the variable component of the remuneration. Thus, if it is granted it will be paid in full in cash.

Without prejudice to the foregoing, the Board of Directors may, in keeping with the guidelines established by the shareholder in this matter, determine that the variable component of the remuneration, or a portion thereof, be assigned through stock-option plans involving shares in LOGO or any other company of the Group, as may come to be defined in due course.

4. Other Benefits Attributed to “Key Employees”

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

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

5. Broadening the Scope of this Remuneration Policy.

Save decision to the contrary taken by the Board of Directors, this Remuneration Policy will also apply to the other LOGO employees not considered under the criteria defined in point 1 hereabove (Scope of application of the Remuneration Policy).

Appendix I – Statement of Compliance (under 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	Complies	
I.2	Complies	
I.3	Complies	
II. Approval of the Remuneration Policy (RP)		
II.1	Complies	
II.2	Complies	
II.3	Complies	
II.4	Complies	
II.5	Complies	
III. Remuneration Committee (RC)		
III.1	Not Applicable	
III.2	Not Applicable	
III.3	Not Applicable	
III.4	Not Applicable	
III.5	Not Applicable	
IV. Management Body – Executive Members		
IV.1	Complies	At this stage, the assessment criteria are based solely on the following management indicators: - Net income for the period; - Return on Equity; - Combined ratio, taking also into account at all times the adequacy of the equity to the level of risk and the technical provisions set aside.
IV.2	Complies	
IV.3	Does Not Comply	Under the new shareholder structure of the Group of which the Company forms part, this measure will be reviewed during 2015.

Recommendation	Degree of Compliance	Comments
IV. Management Body – Executive Members (continuation)		
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	Under the new shareholder structure of the Group of which the Company forms part, this measure will be reviewed during 2015.
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	
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	
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	Under the new shareholder structure of the Group of which the Company forms part, this measure will be reviewed during 2015.
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. Under the new shareholder structure of the Group of which the Company forms part, this measure will be reviewed during 2015.
V.7 The part of the variable remuneration subject to deferral under the terms of the preceding number shall be determined in growing proportion to its relative weight compared to the fixed component of the remuneration. The percentage deferred shall increase significantly in proportion to the seniority or responsibilities of the employee.	Not Applicable	Not applicable in view of the reply to the preceding point.

Recommendation	Degree of Compliance	Comments
V. Key Employee Remuneration – Deferral of Variable Remuneration		
V.8 Employees performing tasks associated with key functions shall be remunerated in the light of the achievement of the objectives associated with their duties, regardless of the performance of the areas under their control, the remuneration to provide a reward adequate to the importance of the exercise of the duties.	Complies	
V.9 In particular, actuarial duties and the actuary in charge shall be remunerated in a manner in keeping with their role at the institution and not in respect of its performance.	Complies Partially	Since the remuneration is appropriate to the function, it is not entirely foreign to its performance.
VI. Assessment of the Remuneration Policy		
VI.1 The remuneration policy shall be submitted to independent internal review at least annually, performed by key departments of the institution in articulation with each other.	Complies	
VI.2 The assessment called for in the preceding number shall include, in particular, an analysis of the institution's remuneration policy and of its implementation in the light of the recommendations of this Circular, especially in respect of its effect on the management of the risks and of the capital of the institution.	Complies	
VI.3 The key departments shall present to the management body and the AGM or, if any, the remuneration committee, a report on the results of the assessment to which number VI.1 refers, detailing in particular the measures required to correct any insufficiencies in the light of these recommendations.	Complies	
VII. Financial Groups		
VII.1 The parent company of an insurance group or financial conglomerate subject to supervision by the ASF on the basis of its consolidated situation shall ensure that all its affiliates, including those abroad, implement mutually consistent remuneration policies, based on these recommendations.		
VII.2 Adoption of these recommendations shall be ensured in respect of all remuneration paid to each employee by the those institutions that are a part of the same insurance group or financial conglomerate.		Not applicable in the specific case of Seguros LOGO, S.A..
VII.3 The key functions of the parent company shall perform at least once a year, in articulation with each other, an assessment of the remuneration practices of the affiliates abroad, in the light of the recommendations of this Circular, especially in respect of their effect on the management of the institution's risk and capital.	Not Applicable	These recommendations are assessed in respect of shareholder Companhia de Seguros Tranquilidade, S.A..
VII.4 The key functions shall submit to the management body of the parent company and to its general meeting or, should one exist, to the remuneration committee, a report on the results of the assessment to which the preceding number refers, detailing in particular the measures required to correct any insufficiencies in the light of these recommendations.		

09

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

LOGO®

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

Legal Certification of the Accounts

INTRODUCTION

1. We have audited the attached financial statements of SEGUROS LOGO, SA ("Company"), which include the Balance Sheet as at December 31, 2014, (showing a total of €25,081k and total equity in the sum of €5,843k, including net income of €32k), the Statements of comprehensive income, of changes in equity and of cash flows for the period then ended, and the Notes to the Accounts.

RESPONSIBILITIES

2. The Board of Directors is responsible for the preparation of financial statements in accordance with accounting principles generally accepted in Portugal for the insurance industry, established in Regulatory Order n° 4/2007, of April 27, with the subsequent amendments introduced by Regulatory Order n° 20/2007-R of December 31 and by Regulatory Order n° 22/2010-R of December 16, issued by the Insurance and Pension Funds Supervisory Authority, which present a true and fair view of the financial position of the Company, the result of its operations, comprehensive income, changes in equity and cash flows, as well as the adoption of adequate accounting policies and criteria, and the maintenance of an appropriate internal control system.

3. Our responsibility is to express a professional, independent opinion based on our audit of the said financial statements.

SCOPE

4. Our audit was performed in accordance with the Technical Rules and with the Auditing Directives of the Association of Official Auditors, which require that it be so planned and performed as to obtain an acceptable degree of certainty as to whether the financial statements contain any materially relevant distortions. For the purpose, the said audit includes:

- Verification, on a test basis, of the documents underlying the figures and disclosures contained in the financial statements and an evaluation of the estimates, based on judgements and criteria established by the board of directors, used in their preparation;
- An appraisal of the adequacy of the accounting policies employed and of their disclosure, taking the circumstances into account;
- Verification of the applicability of the going concern principle; and
- An appraisal as to the adequacy, in overall terms, of the presentation of the financial statements; and

5. Our audit also included verification of the consistency of the financial information contained in the management report with the financial statements.

6. We believe that our audit provides an acceptable basis for the expression of our opinion.

OPINION

7. In our opinion, these financial statements present a true and fair view, in all material respects, of the financial position of SEGUROS LOGO, SA as at December 31, 2014, the result of its operations, comprehensive income, changes in equity and cash flows for the year the ended, in accordance with accounting principles generally accepted in Portugal for the insurance industry, established in Regulatory Order n° 4/2007, of April 27, with the subsequent amendments introduced by Regulatory Order n° 20/2007-R of December 31 and by Regulatory Order n° 22/2010-R of December 16, issued by the Insurance and Pension Funds Supervisory Authority.

EMPHASES

8. Without affecting the opinion expressed in the preceding paragraph, we would draw attention to the following facts:

- 8.1 As at December 31, 2014, more than half of the Company's share capital had been lost and the Board of Directors carried out the procedures described in article 35 of the Companies Code, as detailed in the management report. As mentioned in the management report, as of December 31, 2014, the Company's solvency margin met the requirements laid down in the regulations of the Insurance and Pension Funds Supervisory Authority ("ASF") for it to carry on its business. The financial statements have been prepared on a going concern basis and include no adjustment for the event that this basis comes to be deemed inappropriate.
- 8.2 The Company's financial statements as at December 31, 2013, presented for comparative purposes, were audited by another firm of auditors that issued the Legal Certification of Accounts dated March 17, 2014, with one emphasis. Our acceptance as auditors took place on March 31, 2015, to conduct the statutory audit for the year ended December 31, 2014.

REPORT ON OTHER LEGAL REQUIREMENTS

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

Lisbon, April 1, 2015

Signed Ana Cristina Dourado

KPMG & Associados
Sociedade de Revisores Oficiais de Contas, SA (n.º 189)

represented by
Ana Cristina Soares Valente Dourado (ROC n.º 1011)

Board of Auditors' Report and Opinion

To the Members of
Seguros LOGO, SA

In accordance with legislation in force and with the mandate that was entrusted to us, we are pleased to submit our report and opinion covering our activity and the accounting documents of Seguros LOGO, SA, for the year ended December 31, 2014, which are the responsibility of the Board of Directors.

This Board of Auditors was appointed on March 19, 2015, succeeding the previous Board of Auditors that monitored the business of Seguros LOGO, SA, during 2014, with such frequency and to the extent considered adequate, as per the minutes written up in the respective book, as well as the evolution of the business, the regularity of its accounting records and its compliance with legal and statutory rules in force.

As from our recent appointment and bearing in mind our legal and statutory obligations, we held meetings both with the Board of Directors and with the various services of Seguros LOGO, SA, including the accounting and financial areas, Internal Audit, Global Risk and Internal Control (including "Compliance"), from which we obtained such the information and clarifications as were requested. Additionally and in compliance with article 452(1) of the Companies Code, we held meetings with the firm of chartered accountants KPMG & Associados, SROC, which, in the performance of its duties, examined these 2014 financial statements, issuing the Legal Certification of Accounts on April 1, 2015, without reservations but with 2 (two) emphases, with which we agree and are deemed to be fully reproduced here. The information collected in these circumstances was determinant to the issuance of this report and opinion in good time.

Within the scope of our duties, we examined the balance sheet as at December 31, 2014, the statements of income, comprehensive income, changes in equity and cash flows for the year then ended and the notes to the financial statements. In our analysis, we found that accounting principles generally accepted in Portugal for the insurance sector had been observed (as established in Regulatory Order n° 4/2007, of April 27, with the subsequent amendments introduced by Regulatory Order n° 20/2007-R of December 31 and by Regulatory Order n° 22/2010-R of December 16, issued by the Insurance and Pension Funds Supervisory Authority). 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.

Net income of approximately 32 thousand euros was generated during the period. Our audit of the financial statements highlights the following:

- The Seguros LOGO, SA, equity amounts to €5,843k, which is less than half its share capital, and for this reason it is subject to the provisions of article 35, a situation that is also reported by the Board of Directors in its management report;
- However, Seguros LOGO, SA, has a solvency margin that meets the requirements laid down in the regulations of the Insurance and Pension Funds Supervisory Authority ("ASF") for it to carry on its business.

Additionally, we believe that it is important to mention that Seguros LOGO, SA, has a calendar currently in progress in order to comply with the Solvency II programme, which is expected to be implemented by January 2016, in accordance with the requirements of the law.

In view of the foregoing, we are of the opinion that, taking into consideration the matters referred to in paragraph 8.1 of the Legal Certification of Accounts, the financial statements referred to above and the Management Report and proposal for the appropriation of results set out therein are in accordance with the applicable accounting and statutory requirements, and may therefore be approved by the General Meeting of Seguros Logo, SA.

We also wish also to express to the Board of Directors and services of Seguros LOGO, SA, our appreciation for the co-operation provided.

Lisbon, 01 April 2015

Luís Palha da Silva

Manuel Maria Reis Boto

Pedro Aleixo Dias

LOGO®