AP VIII Calm Eagle Holdings S.C.A

Société en Commandite par Actions

Consolidated annual financial statements
For the period from January 1, 2016 to December 31, 2016

2, avenue Charles de Gaulle
L-1653 Luxembourg
RCS Luxembourg: B 193011
Share capital: EUR 137,466,670.00

Index

1. GOVERNING BODIES

Board of Managers

- AP VIII Euro LP (Lux) S.à .r.l.

Supervisory Board

- Laurent Ricci
- René Beltjens
- Ibrahim Jabri

Statutory Auditor

- KPMG Luxembourg S.C.

2. MANAGERS' CONSOLIDATED REPORT

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

Under the law and the articles of association, the Board of Managers is honoured to present to you for appraisal the Management Report and Consolidated Financial Statements of AP VIII Calm Eagle Holdings S.CA (hereinafter as the "Company" or jointly with its subsidiaries as the "Group"), in respect of the financial year 2016.

2.1. MACROECONOMIC FRAMEWORK

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

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

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

2.1.1. – INTERNATIONAL ECONOMIC SITUATION

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

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

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

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

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

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

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

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

(%)

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

(%)

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

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

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

2.1.2. – DOMESTIC ECONOMIC SITUATION

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

In 2016, the accumulated current account surplus amounted to €1.556 billion euros, an increase of €1.432 billion year-on-year. This result largely reflects the improvement of the goods and services balance.

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

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

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

2.1.3. – Insurance Market

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

The Life segment was affected by a situation that allied persistence of low long-term interest rates, a sharp reduction in the rate of private savings and the adoption of a new solvency mechanism that penalises the risks inherent in the financial guarantees, contributing to a new downturn of savings products.

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

The Non-Life segment continued to grow at a remarkable rate (5.0%), the highest annual growth rate of the past 10 years. The volume of Non-Life premiums amounted to €4,196 million (+€201 million), with emphasis on Worker's Compensation insurance, which grew 12.2%, lending new impetus to the recovery begun in 2014. The increase of payrolls, expected with the relaunch of economic activity, as well as the tariff adjustments to address the imbalance of the business line, were at the root of this increase of the volume of premiums.

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

The weight of insurance business as a proportion of the GDP performed unfavourably, down from 7.0% in 2015 to 6.0% in 2016. The Life segment accounts for 3.7% of the GDP, with the Non-Life segment accounting for 2.3% (4.8% and 2.2% in 2015, respectively).

According to the latest data released by the Insurance and Pension Fund Supervisory Authority (ASF), the insurance companies (under the supervision of the ASF) returned a Net Profit in 2016 of €89 million, though substantially less that in 2015 (€344 million).

2.2. – RELEVANT FACTS IN 2016

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

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

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

The year under review was an important year for the Group, with emphasis on the acquisition of 100% of Açoreana Seguros, SA, on August 5, 2016, and the (Açoreana), the merger by incorporation of companies Açoreana Seguros, SA, (Açoreana), Seguros Logo, SA (LOGO), and T-Vida – Companhia de Seguros, SA (T-Vida), through the total transfer of the assets to be incorporated to the incorporating company, the definitive registration of which took place on December 30, 2016.

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

On the same date, the Group changed its corporate style, and altered its corporate purpose to the exercise of insurance and reinsurance business of all branches and operations, except as regards credit insurance with State guarantee.

On the domestic market, in 2016, the Group achieved a 15.4% Non-Life market share, thus ranking second of the Non-Life insurers. In the Life market the market share amounted to 1.2%.

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

- Multi-Brand and Exclusive Partners grew by 11% and 6%, respectively, outperforming the market, particularly in Multi-Brand, increasing the recognition of the overall value proposition of the Tranquilidade brand and of its service provided by this important channel. This growth was transvers across the various non-Life business lines, with particular emphasis on the results of the investment in Multi-risk and Health production;
- Brokers grew 9% in 2016, again demonstrating a positive evolutionary dynamic in Businesses and Companies, and renewed confidence in the brand;
- The Alternative Retail Networks grew 24% compared to 2015, continuing to strengthen their important role in Tranquilidade's retail area.

In 2016, considering all the companies, the Non-Life and Life customer base numbered more than 1,400,000.

During the year there was a focus on the promotion of strategic products, which resulted in increased sales of Multi-risk, Health and Life insurance.

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

In Life business the Group maintains its strategic focus on Life Risk products, increasing its distribution capacity among the business partners.

The direct channel returned a production growth of 13% compared with the previous year, cross its , in particular Motor (+13%), Home (+17%) and Health (+6%).

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

1. Launch of new products for Individuals and also for Companies:

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

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

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

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

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

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

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

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

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

In this connection, the main vectors of the investment strategy adopted included management of the duration of the assets and liabilities and minimisation of the interest-rate risk of the investment portfolio, following the indications of Solvency II on the regulation of the insurance business.

The investment decisions implemented in 2016 promoted investment in fixed-rate bonds of greater seniority and average investment- grade rating. Implementation of these decisions combined with the downward movement in interest rates in Europe allowed widespread gains to be obtained on the investment portfolio.

The Non-Life technical balance was negative in the sum of €25.1 million (2015: positive in the sum of €39.7 million, a decrease of 163.2%. The negative evolution of the claims rate contributed to this change, up from 63.8% in 2015 to 72.7% in 2016, due primarily to higher costs in Workers' Compensation business.

The Life technical balance was negative in the sum of €0.7 million, justified largely by increase of the technical provisions as a result of the LAT ("Liability Adequacy Test").

2.3. Key Variables and Business Indicators

In TEUR	2016	2015	VAR 16/15 (%)
Balance Sheet			
Investments	1,629,867	914,523	78.2%
Net assets	2,313,967	1,321,468	75.1%
Equity	234,043	146,858	59.4%
Provision for unearned premiums (DI+RA)	156,139	91,170	71.3%
Mathematical provision - Life	654,581	271,628	141.0%
Provision for claims (DI+RA)	895,028	460,505	94.4%
Provision for claims, net of reinsurance	838,936	421,247	99.2%
Technical Provisions (DI+RA)	1,753,436	843,587	107.9%
Gains & Losses			
Gross direct insurance premiums written	539,142	402,475	34.0%
Premiums earned, net of reinsurance	478,217	340,436	40.5%
Cost of Direct Insurance Claims	420,237	283,907	48.0%
Costs of claims, net of reinsurance	397,895	262,205	51.7%
Operating costs	128,857	115,352	11.7%
Income	27,767	15,054	84.4%
Net Income	12,484	52,539	-76.2%
Indicators			
Gross premiums written/ nº of employees	409.1	113.0	262.0%
Direct insurance claims rate of	72.7%	63.8%	8.9
Claims rate net of reinsurance	86.0%	74.1%	11.9
Net Income/ Gross premiums written	-0.8%	7.3%	-8.1
Combined ratio net of reinsurance	104.6%	104.3%	0.3

On August 5, 2016, the Group acquired the whole of Açoreana, and therefore the changes presented both in the balance sheet variables and in gains and losses variables, reflect this effect.

2.4. – THE BUSINESS OF THE GROUP IN 2016

2.4.1. – TOTAL PRODUCTION

Direct insurance premiums in 2016 totalled €539,142k, an increase of 34 % compared to the preceding year. Life insurance, with a production of €52,956k, increased by 44 % compared to 2015. The Non-life business lines, with a volume of premiums of €485,490k, increased by 32.9% compared to the previous year.

The Group returned a significant growth in the volume of direct insurance premiums in the sum of €136,667k, to which the growth of most business lines, with the exception of Transport insurance, in Non-Live contributed.

In Accidents and Health, production was higher than the previous year, up 29.0%. Fire and Other Damage insurance grew by 25.1% and production in the Motor business line rose by 43.3%.

In TEUR	2016	2015	VAR 16/15 (%)
Life business	**52,956**	**36,772**	**44.0%**
Insurance contracts	52,956	36,772	44.0%
Non-Life business	**486,186**	**365,703**	**32.9%**
Accidents & health	149,979	116,286	29.0%
Fire & other damage	83,138	66,472	25.1%
Motor	212,824	148,495	43.3%
Transport	5,862	6,078	-3.6%
Third-party liability	12,111	10,152	19.3%
Sundry	22,272	18,220	22.2%
TOTAL	**539,142**	**402,475**	**34.0%**

2.4.2. – COSTS OF DIRECT INSURANCE CLAIMS

Total costs of direct-insurance claims and benefits paid in 2016 amounted to €420,237k, a change of 48% compared to 2015.

In Non-Life claims costs increased by 43.2% compared to the previous year. The change under claims costs in Accidents and Health (+44.8%) was mainly the result of the increase of claims costs in Workers' Compensation as a result of the higher mathematical reserves due to change of assumptions, including mortality and discount rate.

The Motor and Fire and Other Damage business lines also recorded significant increases of claims costs, up by 48.1% and 47.4%, respectively.

In Civil Liability claims costs decreased significantly in relation to the previous year (65.6%), since in 2015 claims costs were influenced by the occurrence of major accidents, particularly in Operating Liability.

DIRECT INSURANCE CLAIMS COSTS & BENEFITS PAID

In TEUR	2016	2015	VAR 16/15 (%)
Life business	**72,776**	**41,347**	**76.0%**
Insurance contracts	72,776	41,347	76.0%
Non-Life business	**347,461**	**242,560**	**43.2%**
Accidents & health	145,266	100,305	44.8%
Fire & other damage	40,995	27,805	47.4%
Motor	153,472	103,624	48.1%
Transport	1,949	400	387.3%
Third-party liability	3,299	9,591	-65.6%
Sundry	2,480	835	197.0%
TOTAL	**420,237**	**283,907**	**48.0%**

The Non-Life claims rate in 2016 (gross cost of claims / gross premiums earned) stood at 72.7%, an increase of 8.9 pp over the previous year, with emphasis on:

- The increase of the rate in Accidents and Health to 102.0% (77.4% in 2015), in Fire and other Damage to 47.5% (41.6% in 2015) and in Motor to 72.1% (71.3% in 2015);
- The decrease of the claims rate in Civil Liability to 24.6% (92.6% in 2015).

CLAIMS COSTS / GROSS PREMIUMS EARNED * (%)

	2016	2015
Accidents & health	102.0	77.4
Fire & Other Damage	47.5	41.6
Motor	72.1	71.3
Transport	31.4	6.0
Civil liability	24.6	92.6
Sundry	11.1	4.7
TOTAL	**72.7**	**63.8**

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

2.4.3. – TECHNICAL PROVISIONS

Technical provisions for direct insurance and reinsurance accepted in 2016 amounted to €1,753,436k. The change compared with the previous year is mainly due to the effect of the acquisition of the whole of Açoreana Seguros in August 2016.

TECHNICAL PROVISIONS

In TEUR	2016	2015	VAR 16/15 (%)
Mathematical provision	654,581	271,628	141.0%
Provisions for unearned premiums	156,139	91,170	71.3%
Provisions for Claims	895,028	460,505	94.4%
Life	46,474	15,717	195.7%
Workers' compensation	533,289	239,392	122.8%
Other business	315,265	205,396	53.5%
Other technical provisions	47,688	20,284	135.1%
TOTAL	**1,753,436**	**843,587**	**107.9%**

2.4.4. – Reinsurance Ceded

The balance of reinsurance ceded in 2016 amounted to a negative sum of €36,838k, more favourable to the reinsurers compared to 2015 (+28.7%). This was due to the higher volume of premiums ceded to reinsurers.

REINSURANCE CEDED

In TEUR	2016	2015	VAR 16/15 (%)
Premiums	70,503	56,748	24.2%
Commissions	-12,488	-9,893	26.2%
Claims and variation of technical provisions	-21,181	-18,236	16.1%
RESULT	**36,834**	**28,619**	**28.7%**

2.4.5. – Operating Costs

Operating costs amounted to €128,857k in 2016, +11.7% over the previous year. It should be noted that in 2016 the Group acquired the whole of Açoreana Seguros, largely justifying the changes in operating costs. In terms of recurring costs there was an increase of operating costs of €2,507k (+2.2% compared to 2015), as per the detail of extraordinary factors referred to hereunder for each type of cost.

Staff costs in the amount of €52,697k were down 5.5% compared to 2015. The 2016 amount takes into account income in the amount of €3,271k relating to the cut-off of the liabilities with the Pension Fund of the Directors, offset by an additional cost of €6,205k related to terminations by mutual agreement with employees.

Costs of Third-party Supplies & Services increased by 32.1% compared to 2015, +€14,252k, mainly due to the booking in 2016 of an additional, non-recurring cost of €8,903k related to the merger by incorporation into Seguradoras Unidas of the companies Açoreana, LOGO and T-Vida and to several strategic projects. If we take into consideration that in 2015 there were €1,212k of non-recurring costs primarily related to consultancy costs involving strategic projects, projects related with Solvency II and compliance, the increase in pro forma terms amounted to €10,585k (+27.5%).

Depreciation in 2016 decreased by €6,326k (-36.82), primarily due to the booking, in 2015, of extraordinary amortisation of intangible assets in the amount of €6,140k.

OPERATING COSTS

In TEUR	2016	2015	VAR 16/15 (%)
Staff costs	52,697	49,947	5.5%
Third-party supplies & services	58,702	44,450	32.1%
Taxes and charges	4,712	2,741	71.9%
Depreciation	11,154	17,480	-36.2%
Other	1,592	734	116.9%
TOTAL	**128,857**	**115,352**	**11.7%**

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

2.4.6. – INVESTMENTS

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

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

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

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

The investment decisions implemented in 2016 promoted investment in fixed-rate bonds of greater seniority and average investment- grade rating. Implementation of these decisions combined with the downward movement in interest rates in Europe allowed widespread gains to be obtained on the investment portfolio.

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

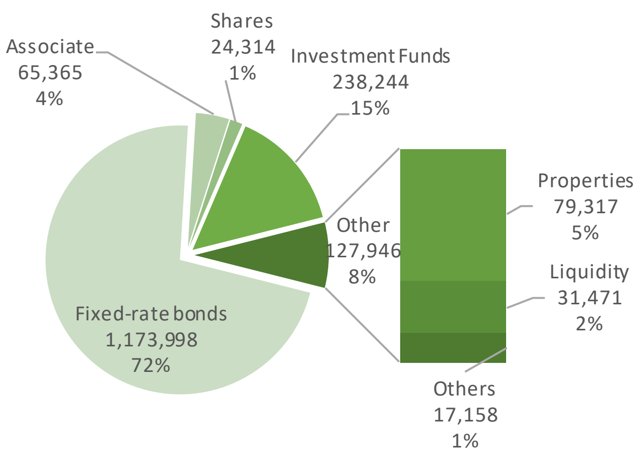
Exposure to subordinated-debt bonds, the value of which is closely related with the behaviour of the stock markets and as a class with greater capital requirements in Solvency II, was reduced during the year. In the equity component, the entities merged into Seguradoras Unidas maintained roughly the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

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

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

2016 INVESTMENT PORTFOLIO

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

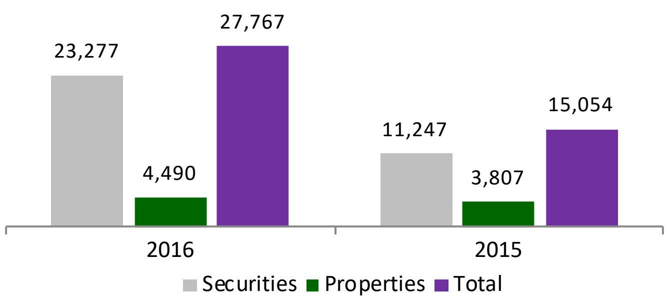


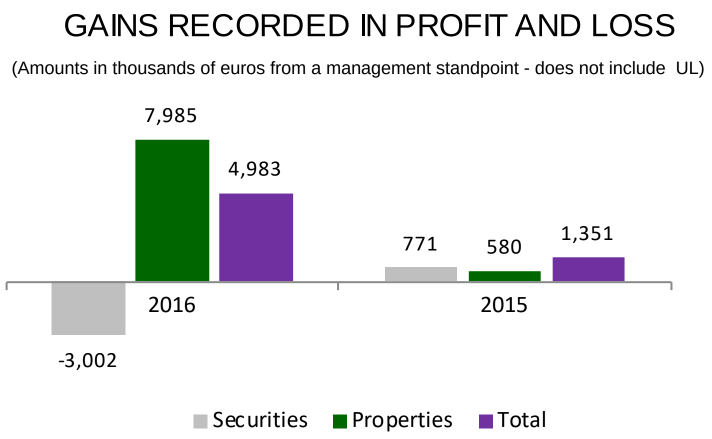
At the end of the year, the consolidated investment portfolio of the Group stood at €1,629,867k. Investment in fixed-rate bonds accounted for the larger share of the investment, with 72% of the total investment portfolio. Also highlighted is the exposure to investment funds in the amount of €238,244k, mainly in respect of fixed-income securities.

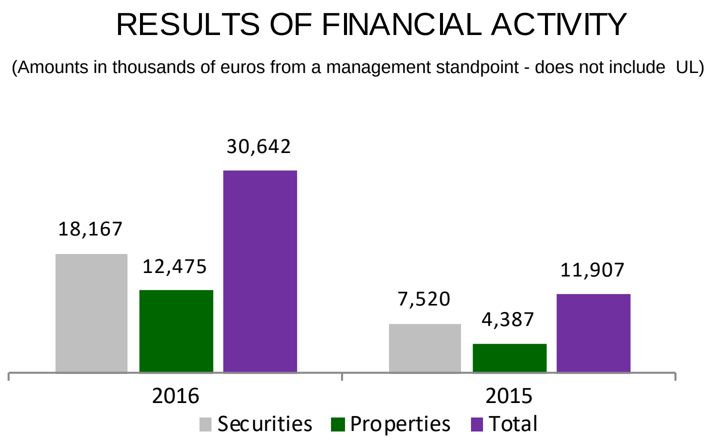
The bond portfolio (direct investment) had an average investment-grade (A) rating presented and a sovereign debt exposure of €691,996k, of which 28% of exposure to German public debt, 22% in French public debt and 13% in Spanish public debt.

INTEREST, RENTS AND DIVIDENDS

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







NOTE: Includes impairments of securities, €2,108k in 2016 and €4,498k in 2015.

In 2016, consolidated financial activity of the Group returned a net profit in the sum of €30,642k, an increase of €18,735k compared to the preceding year. However, the 2015 result was influenced by non-recurring effects, particularly the sale of subsidiary AdvanceCare (which generated a gain of €33,778k).

2.4.7. – Equity and Solvency Margin

The Group returned a net profit of €12.5 million compared with a profit of €52.5 million in 2015. Moreover, it should be pointed out that several extraordinary positive and negative effects of a non-recurring nature contributed to this result in 2016, including:

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

- Lastly, recognition of impairment of the Value in Force of T-Vida in the sum of €15.5 million (net of tax).

Own Funds attributable to the Group increased 57.4% to a final amount of €185.7 million, primarily due to the following factors:

- Increase of the share capital and ancillary capital contributions (€52.6million);
- Positive fair-value adjustments of the financial assets (€9.3 million, net of tax);
- Net income for the year (€ 12.5million)

EQUITY (thousand euros)

	2016	2015	VAR 16/15 (%)
Share capital	41,467	23,164	79.0%
Other capital instruments	105,836	71,486	48.1%
Revaluation reserves	-5,718	-15,024	-61.9%
Other reserves	1,686	-240	-802.5%
Retained earnings	51,913	0	5191300.0%
Net income	12,484	52,539	-76.2%
TOTAL	**207,668**	**131,925**	**57.4%**
Non-controlling interests	26,375	14,933	**76.6%**
Total Equity and non-controlling interests	**234,043**	**146,858**	**59.4%**

The Group monitors solvency in accordance with the new Solvency II Regime in effect as from January 1, 2016. In keeping with legislation, the definitive consolidated solvency-margin data will be publicly disclosed by July 1, 2017, through the solvency and financial-situation report.

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

2.4.8. – Risk Management, Internal Control System and Compliance

Risk Management and Internal Control System

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

Within the integrated scope of the Group several measures and projects were implemented during 2016, of which the following are highlighted:

- Preparation and submission to the ASF of quantitative and qualitative reports at individual and Group level;
- Continuation of the project for the replacement of tools / Datawarehouse allowing response to the Pillar I and III requirements; This project, however, has been revised to

take into account the merger process that includes Açoreana;
- active involvement in the work groups of the Portuguese Insurers Association about matters relating to the evolution of the Solvency II project;
- Review and formalisation of sundry policies within the scope of monitoring the Solvency II Programme in force;
- Systematisation of all legislation relating to the Solvency II on the Group's Intranet;
- Economic-capital and risk-profile projections within the scope of the acquisition of Açoreana and of the incorporation of the companies Tranquilidade, Açoreana, T-Vida and LOGO;
- Approval of the transitional measures ºof the technical provisions, volatility adjustment and supplementary funds;
- Performance of studies for the application of capital charges to the pricing of Non-Life and review of processes, information and documentation for the purposes of the respective report;
- Separate and Group ORSA Report;
- Updating of the cash-flows projection tool;
- Review of the Governance System;
- Monitoring and reporting the operating risk related with fraud.
- Updating of the Business Continuity Plan, with the performance of operational exercises based on the transfer of employees to the Business Continuity Site, equipped with support infrastructures allowing the performance of the Company's critical business processes;
- Preparation of specific training and information programmes.

Also within the scope of the 2016 information report, the first report on solvency and financial situation will be publicly disclosed by July 1, 2017.

Compliance Programme

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

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

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

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

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

2.5. – *GOODWILL*

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

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

2.6. PROPOSAL FOR THE APPROPRIATION OF PROFIT

The 2016 consolidated net profit in the amount of €12.484k will be transferred to retained earnings.

2.7. GOALS FOR 2017

The economic scenario in 2017 is set to remain positive, as a result of the continuing favourable development of domestic demand, underpinned by an acceleration of Gross Fixed Capital Formation (GFCF), based on a recovery of corporate investment. As regards foreign demand there should be an acceleration of exports greater than that of imports. The evolution of the business is set to be accompanied by a positive evolution of the labour market, and the downward trend of the unemployment rate is expected to continue. Inflation is likely to increase, remaining at levels close to the projected for the average of the euro area.

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

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

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

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

The coming year 2017 will therefore be a key year for the Group to consolidate its bases and to pursue growth opportunities, boosting the synergies effect, the competitive advantages and strong points of each of the companies that form part of Group.

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

1. Continuing with the **Integration** project;

2. Continuing the transformation project, as set out in the Strategic Plan called "**Ambition 2020**", particularly through the following initiatives:

    - Development of a more effective distribution network, in particular through the increase of the number of regular producers in all branches;

    - Focus on selective growth in those branches and segments of greater profitability, namely Health and Life Risk and on Small and Medium Enterprises;

    - Promotion of technical excellence through the application of robust pricing models and response capacity in the management of claims;

    - Simplification of the operative, in particular through growing digitisation of its processes, making them more efficient and more agile;

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

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

2.8. Closing Remarks

After the acquisition of the whole of Açoreana on August 5, 2016, the merger by took place on December 30, 2016, of the companies Açoreana, LOGO and T-Vida into Tranquilidade, as did the change of its corporate style to Seguradoras Unidas, SA, while its corporate purpose was also changed to the exercise of insurance and reinsurance business of all branches and operations, except as regards credit insurance with State guarantee.

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

The Group 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 Group to successfully overcome yet another challenging year of its history.

Luxembourg, 28th September 2017

THE BOARD OF MANAGERS

Katherine G. Newman	LAURENT RICCI
Class A Manager	CLASS B MANAGER

KPMG

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To the Shareholders of
AP VIII Calm Eagle Holdings S.C.A.
2, avenue Charles de Gaulle
L-1653 Luxembourg

REPORT OF THE REVISEUR D'ENTREPRISES AGREE

Report on the consolidated financial statements

We have audited the accompanying consolidated financial statements of AP VIII Calm Eagle Holdings S.C.A., which comprise the consolidated statement of financial position as at December 31, 2016, the consolidated statements of profit and loss, comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Board of Managers of the Managing Partner's responsibility for the consolidated financial statements

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

Responsibility of the Réviseur d'Entreprises agréé

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

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

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

KPMG

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of AP VIII Calm Eagle Holdings S.C.A. as of December 31, 2016, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

Other information

The Board of Managers of the Managing Partner is responsible for the other information. The other information comprises the information included in the consolidated management report and in the appendices but does not include the consolidated financial statements and our report of the réviseur d'entreprises agréé thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report this fact. We have nothing to report in this regard.

Report on other legal and regulatory requirements

The consolidated management report, is consistent with the consolidated financial statements and has been prepared in accordance with the applicable legal requirements.

Luxembourg, 29 September 2017

KPMG Luxembourg
Société coopérative
Cabinet de révision agréé

Pascal Föhr

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3. CONSOLIDATED FINANCIAL STATEMENTS - CONSOLIDATED BALANCE SHEET (ASSETS) AS AT DECEMBER 31, 2016 & 2015

(in TEUR)	Notes to the Accounts	As at December 31, 2016			As at December 31, 2015
		Gross value	**Impairment, depreciation / amortisation or adjustment**	**Net value**	
Cash & cash equivalents and sight deposits	8	90,411	14	90,397	61,419
Investments in affiliates, associates and joint venture	4	65,365	-	65,365	60,919
Financial assets held for trading	7	483	-	483	-
Financial assets classified in the initial recognition at fair value through profit or loss	7	101,784	-	101,784	77,721
Available-for-sale assets	7	1,336,063	1,774	1,334,289	638,447
Loans & Receivables		**63,629**	**15,000**	**48,629**	**24,672**
Deposits at cedent companies	7	2	-	2	2
Other deposits	7	31,471	-	31,471	18,665
Loans granted	7	23,508	15,000	8,508	5,553
Other	7	8,648	-	8,648	452
Land & Buildings		**79,709**	**392**	**79,317**	**112,764**
Property, plant and equipment	9	35,818	392	35,426	36,058
Investment property	9	43,891	-	43,891	76,706
Other tangible assets	10	50,318	45,783	4,535	5,435
Goodwill	12	65,981	-	65,981	652
Other intangible assets	12	143,246	122,021	21,225	37,772
Inventories	10	51	-	51	66
Technical provisions for reinsurance ceded		**81,474**	**-**	**81,474**	**56,818**
Provisions for unearned premiums	5	24,374	-	24,374	16,347
Mathematical provision for life business	5	1,004	-	1,004	666
Provisions for claims	5	56,092	-	56,092	39,258
Provision for profit-sharing	5	4	-	4	547
Other debtors for insurance & other operations		**104,704**	**18,089**	**86,615**	**80,269**
Receivables for direct insurance operations	13	64,885	9,020	55,865	44,256
Accounts receivable for other reinsurance operations	13	14,396	1,385	13,011	13,007
Accounts receivable for other operations	13	25,423	7,684	17,739	23,006
Tax assets		**93,970**	**-**	**93,970**	**15,103**
Current tax assets	24	2,074	-	2,074	5,143
Deferred tax assets	24	91,896	-	91,896	9,960
Accruals & deferrals	13	4,229	-	4,229	3,059
Other items of assets	13	131,617	-	131,617	146,352
Available-for-sale non-current assets and discontinued operating units	11	104,006	-	104,006	-
TOTAL ASSETS		**2,517,040**	**203,073**	**2,313,967**	**1,321,468**

The accompanying notes form an integral part of these consolidated financial statements.

3. CONSOLIDATED FINANCIAL STATEMENTS - CONSOLIDATED BALANCE SHEET (LIABILITIES & EQUITY) AS AT DECEMBER 31, 2016 & 2015

(in TEUR)	Notes to the Accounts	**As at December 31, 2016**	**As at December 31, 2015**
LIABILITIES			
Technical provisions		**1,753,436**	**843,587**
Provisions for unearned premiums	5	156,139	91,170
Mathematical provision for life business	5	654,581	271,628
Provisions for claims		**895,028**	**460,505**
For life insurance	5	46,474	15,717
Workers' compensation	5	533,289	239,392
Other business lines	5	315,265	205,396
Provision for profit-sharing	5	20,812	4,252
Provision for rate commitments	5	9,236	1,133
Portfolio stabilisation provision	5	127	-
Provision for unexpired risks		17,513	14,899
Financial liabilities of the deposit component of insurance contracts and of insurance contracts and transactions considered investment contracts for accounting purposes	6	151,610	177,647
Other financial liabilities		**35,280**	**31,632**
Subordinated liabilities	6	8,540	-
Deposits received from reinsurers	6	11,722	650
Other	6 & 7	15,018	30,982
Liabilities for post-employment benefits & other long-term benefits	23	4,491	11,343
Other creditors for insurance & other operations		**68,671**	**60,397**
Payables for direct insurance operations	13	28,764	17,421
Payables for other reinsurance operations	13	23,335	17,764
Payables for other operations	13	16,572	25,212
Tax liabilities		**20,189**	**17,495**
Current tax liabilities	24	20,189	17,495
Accruals & deferrals	13	44,495	26,529
Other Provisions	13	1,752	5,980
TOTAL LIABILITIES		**2,079,924**	**1,174,610**
Equity capital	25	41,467	23,164
Revaluation reserves	26	**(6,157)**	**(18,359)**
For adjustment of the fair value of financial assets		(4,045)	(14,970)
For currency translation differences		(2,112)	(3,389)
Deferred tax reserve		439	3,335
Other reserves	26	1,686	(240)
Retained earnings		51,913	-
Share premium	26	105,836	71,486
Net result for the year		12,484	52,539
TOTAL EQUITY ATTRIBUTABLE TO THE GROUP		**207,668**	**131,925**
Non-controlling interests	4	26,375	14,933
TOTAL EQUITY		**234,043**	**146,858**
TOTAL LIABILITIES & EQUITY		**2,313,967**	**1,321,468**

The accompanying notes form an integral part of these consolidated financial statements.

3. CONSOLIDATED FINANCIAL STATEMENTS - PROFIT & LOSS ACCOUNT FOR THE YEARS ENDED DECEMBER 31, 2016 & 2015

(In TEUR) CONTINUING OPERATIONS	Notes to the Accounts	December 31, 2016 Technical Life	Technical Non-Life	Non-Technical	Total	December 31, 2015
Premiums earned net of reinsurance		**49,397**	**428,820**	**-**	**478,217**	**340,436**
Gross premiums written	14	52,956	486,186	-	539,142	402,475
Ceded reinsurance premiums	14	(3,248)	(67,255)	-	(70,503)	(56,748)
Provisions for unearned premiums (change)	5 & 14	(282)	11,671	-	11,389	(1,929)
Provisions for unearned premiums, reinsurers' part (change)	5 & 14	(29)	(1,782)	-	(1,811)	(3,362)
Commissions on insurance contracts and transactions considered investment contracts or provision of services contracts for	15	430	-	-	430	443
Costs of claims, net of reinsurance	5	**70,585**	**327,310**	**-**	**397,895**	**262,205**
Amounts paid	5	**57,735**	**305,821**	**-**	**363,556**	**244,422**
Gross amounts	5	59,228	323,051	-	382,279	270,787
Reinsurers' part	5	(1,493)	(17,230)	-	(18,723)	(26,365)
Provision for claims (change)	5	**12,850**	**21,489**	**-**	**34,339**	**17,783**
Gross value	5	13,548	24,410	-	37,958	13,560
Reinsurers' part	5	(698)	(2,921)	-	(3,619)	4,223
Other technical provisions, net of reinsurance	5	12,375	(13,536)	-	(1,161)	(3,906)
Mathematical Provision of Life Business, Net of Reinsurance	5	**(34,305)**	**-**	**-**	**(34,305)**	**(11,642)**
Gross amount	5	(34,202)	-	-	(34,202)	(11,622)
Reinsurers' part	5	(103)	-	-	(103)	(20)
Profit sharing, net of reinsurance	5	(738)	(3)	-	(741)	1,108
Net operating costs & expenses	21	**12,114**	**131,724**	**751**	**144,589**	**116,465**
Acquisition costs		9,325	99,319	-	108,644	82,832
Deferred acquisition costs (change)	5	(151)	1,560	-	1,409	(122)
Administrative costs		4,413	41,860	751	47,024	43,648
Reinsurance commissions and profit sharing		(1,473)	(11,015)	-	(12,488)	(9,893)
Financial Income	16	**10,773**	**12,546**	**4,448**	**27,767**	**15,054**
Interest on financial assets not carried at fair value through profit or loss		8,876	7,289	1,811	17,976	10,967
Other		1,897	5,257	2,637	9,791	4,087
Financial Costs	16	**1,428**	**2,518**	**710**	**4,656**	**2,327**
Other		1,428	2,518	710	4,656	2,327
Net gains on financial assets & liabilities not carried at fair value through profit or loss		**(2,904)**	**(3,533)**	**1,291**	**(5,146)**	**10,795**
On available-for-sale assets	17 & 18	1,203	(3,603)	961	(1,439)	10,982
On financial liabilities carried at amortised cost	6 & 17	(4,107)	-	-	(4,107)	(1,020)
On others	17	-	70	330	400	833
Net gains on financial assets & liabilities carried at fair value through profit or loss	6, 19 & 20	**3,210**	**(659)**	**(1,001)**	**1,550**	**18**
Net gains on financial assets & liabilities classified in the initial recognition at fair value through profit or loss	6, 17 & 18	3,210	(659)	(1,001)	1,550	18
Currency translation differences	19	(30)	95	(914)	(849)	(4,651)
Net gains on the sale of non-financial assets not classified as available-for-sale non-current assets and discontinued operating	17 & 18	-	12,776	(3,543)	9,233	579
Impairment losses (net of reversal)		**(139)**	**(4,467)**	**(15,773)**	**(20,379)**	**(7,980)**
On available-for-sale assets	7	(139)	(4,467)	2,498	(2,108)	(4,498)
On loans and receivables carried at amortised cost		-	-	-	-	(200)
On others	12 & 13	-	-	(18,271)	(18,271)	(3,282)
Other technical income/costs, net of reinsurance	20	4	(2,957)	-	(2,953)	(2,830)
Other provisions (change)	20	-	-	3,294	3,294	(3,701)
Other income/expenses	20	-	-	800	800	(4,082)
Negative goodwill recognised immediately in profit or loss		-	-	-	-	72,541
Gains & losses on associates and joint ventures carried using the equity method	4 & 16	-	-	5,459	5,459	5,527
Gains & losses on non-current assets (or disposal groups) classified as held for sale	18	-	-	(1,249)	(1,249)	-
Net result before tax		**(718)**	**(5,392)**	**(8,649)**	**(14,759)**	**55,592**
Corporation tax for the period - Current tax	24	-	-	(3,544)	(3,544)	(2,668)
Corporation tax for the period - Deferred tax	24	-	-	32,782	32,782	1,119
Other taxes	24			(141)	(141)	-
Net result from continuing operations		**(718)**	**(5,392)**	**20,448**	**14,338**	**54,043**
DICONTINUED OPERATIONS						
Net result from discontinued operations		-	-	-	-	(2,550)
Net result for the year		**(718)**	**(5,392)**	**20,448**	**14,338**	**51,493**
Attributable to:						
- Owners of the parent						
Net result from continuing operations					12,484	55,560
Net result from discontinued operations					-	(3,021)
Net result for the year					**12,484**	**52,539**
- Non-controlling interests						-
Net result from continuing operations					1,854	(1,516)
Net result from discontinued operations					-	471
Net result for the year					**1,854**	**(1,045)**
					14,338	**51,493**

The accompanying notes form an integral part of these consolidated financial statements.

4. CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2016 & 2015

	2016	2015
Net result for the year	**14,338**	**51,493**
Items that may be reclassified to the consolidated statement of profit or loss	**10,293**	**(16,693)**
Change in fair value of available-for-sale investments	12,084	(16,632)
Change in current and deferred taxes	(3,203)	3,705
Change in currency reserve	1,412	(3,766)
Items that will not be reclassified to the consolidated statement of profit or loss	**2,207**	**(1,593)**
Change of actuarial deviations recognised in reserves	2,207	(1,593)
Change in current & deferred taxes	-	-
Total comprehensive income for the year	**12,500**	**(18,286)**
Total income for the year	**26,838**	**33,207**
Attributable to:		
- Owners of the parent	23,840	36,081
- Non-controlling interests	2,998	(2,874)
	26,838	**33,207**

The accompanying notes form an integral part of these consolidated financial statements.

5. CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEARS ENDED DECEMBER 31, 2016 & 2015

			Revaluation reserves								
(In TEUR)	**Share capital**	**Share premium**	For adjustment of the fair value of financial assets	For currency translation differences	**Deferred tax reserve**	**Other reserves**	**Retained earnings**	**Net income for the period**	**Total Equity attributable to the Group**	**Non-controlling interests**	**TOTAL EQUITY**
Incoporation of the Company	**31**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**31**	**-**	**31**
Increase/ (reduction) of the capital	23,133	71,486	-	-	-		-	-	**94,619**	-	**94,619**
Changes in fair value, net of taxes	-	-	(14,970)	(3,389)	3,335	-	-	-	**(15,024)**	(1,668)	**(16,692)**
Actuarial differences recognised in reserves	-	-	-	-	-	(1,434)	-	-	**(1,434)**	(159)	**(1,593)**
Other reserves	-	-	-	-	-	1,194	-	-	**1,194**	408	**1,602**
Change in the consolidation scope	-	-	-	-	-	-	-	-	**-**	17,399	**17,399**
Net result for the year	-	-	-	-	-	-	-	52,539	**52,539**	(1,047)	**51,492**
Balance as at December 31, 2015	**23,164**	**71,486**	**(14,970)**	**(3,389)**	**3,335**	**(240)**	**-**	**52,539**	**131,925**	**14,933**	**146,858**
Increase/ (reduction) of the capital	18,303	34,350	-	-	-	-	-	-	**52,653**	-	**52,653**
Changes in fair value, net of taxes	-	-	10,925	1,277	(2,896)	-	-	-	**9,306**	987	**10,293**
Actuarial differences recognised in reserves	-	-	-	-	-	2,050	-	-	**2,050**	157	**2,207**
Other reserves	-	-	-	-	-	(124)	-	-	**(124)**	237	**113**
Allocation of net result for the previous year to retained earnings	-	-	-	-	-	-	52,539	(52,539)	**-**	-	**-**
Change in the consolidation scope	-	-	-	-	-	-	(626)	-	**(626)**	8,207	**7,581**
Net result for the year	-	-	-	-	-	-	-	12,484	**12,484**	1,854	**14,338**
Balance as at December 31, 2016	**41,467**	**105,836**	**(4,045)**	**(2,112)**	**439**	**1,686**	**51,913**	**12,484**	**207,668**	**26,375**	**234,043**

The accompanying notes from an integral part of these consolidated financial statements.

6. CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2016 & 2015

(in TEUR)	Notes to the Accounts	2016	2015
Cash flow from operating activities		**(70,590)**	**(196,988)**
Profit for the year		14,338	51,493
Depreciation and amortisation		11,153	17,480
Negative goodwill arising on acquisition		-	(72,541)
Increase/(decrease) in provisions for direct technical insurance		20,827	(11,911)
Increase/(decrease) in provisions for ceded technical reinsurance		(24,657)	10,347
Increase/(decrease) in other provisions		(23,894)	3,983
Variation of receivables from operation of direct insurance, reinsurance and other		(8,704)	28,370
Variation of other assets and liabilities for taxes		(27,101)	(8,185)
Variation of other assets and liabilities		(32,844)	23,339
Income and capital gains from financial assets		-	(21,741)
Impairment of assets, net of reversals and recoveries		20,379	7,981
Post-employment benefits		(2,324)	1,052
Change in other elements of assets		(26,037)	(227,489)
Variation of payables from operation of direct insurance, reinsurance and other		8,274	(546)
Net cash inflow / (outflow) from discontinued operating activities		-	1,380
Cash flow from investing activities		**65,906**	**139,364**
Variation of investments		(30,589)	75,612
Rents		-	4,374
Payments to acquire financial assets		(420)	(1,110)
Gross cash inflow / (outflow) on disposal of shares		-	8,362
Gross cash infllow / (outflow) on acquisition of shares		(7,124)	46,460
Dividend received		-	8
Interest		-	3,508
Acquisition of tangible and intangible assets		(3,963)	(6,863)
Disposal of tangible and intangible assets		1,386	1,374
Acquisition of properties		(5,725)	(298)
Disposal of land and buildings		112,341	11,408
Net cash inflow / (outflow) from discontinued investing activities		-	(3,471)
Cash flow from financing activities		**33,662**	**119,043**
Proceeds from issue of equity instruments		18,384	19,406
Proceeds from payment of share capital without issuance of shares		41,705	74,977
Proceeds from borrowings		253	25,000
Acquisition of non-controlling interests		(26,680)	-
Net cash inflow / (outflow) from discontinued financing activities		-	(340)
Net change in cash & cash equivalents & sight deposits		**28,978**	**61,419**
Cash & cash equivalents at the start of the period		61,419	-
Cash & cash equivalents at the end of the period	10	90,397	61,419

The accompanying notes form an integral part of these consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT DECEMBER 31, 2016 & 2015

NOTE 1 - GENERAL INFORMATION

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

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

The registered office of the Company is established at 44 avenue John F. Kennedy, L-1855 Luxembourg. The Company's financial year starts on January 1 and ends on December 31 of each year.

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

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

As at December 31, 2016 the Company owns direct and indirect subsidiaries (jointly referred to as the "Group"). The core business activity of the Group is carried out through its subsidiary in Portugal - Companhia de Seguros Tranquilidade, SA, (hereinafter "Tranquilidade"). Tranquilidade is the result of the transformation of the former state-owned company Tranquilidade Seguros into a mainly state-owned sociedade anónima, EP, which had been formed by the merger of Companhia de Seguros Tranquilidade, Companhia de Seguros A Nacional and Companhia de Seguros Garantia Funchalense. Following the two stages of privatisation at the end of 1989 and of 1990, Tranquilidade was then mainly owned by the Espírito Santo Group. As from December 30, 2004, Tranquilidade *merged ESIA - Inter-Atlântico Companhia de Seguros.*

The Group was formed on January 15, 2015 by the way of acquisition of 32,000,000 shares representing 100% of the share capital of Tranquilidade, the acquisition having received the prior approval of the Insurance and Pension Fund Supervisory Authority (ASF). Tranquilidade has its registered office and principal place of business at Av. da Liberdade, 242, Lisbon. It is registered at the Lisbon Registry of Companies. It currently operates through its Lisbon and Porto offices and through a branch in Spain. The distribution network is divided operationally into 21 commercial zones supported by a total of 359 physical points of sale geographically spread across the whole mainland of Portugal and the autonomous regions (Azores and Madeira). By type, the physical network comprises 34 Company Shops, 325 Partners' Shops bearing the Tranquilidade image, of which 176 are Exclusive and 35 are points of sale shared with Novo Banco branches.

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

NOTE 2 – INFORMATION BY SEGMENTS

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

The operating segments reported are keeping with a business-lines framework typology.

The breakdown of the main headings of the consolidated financial statements as at December 31, 2016 & 2015, segmented by the main Life business lines, is as follows:

2016	Total Life	Traditional	With-profits capitalisation	Without-profits capitalisation
Profit & loss headings				
Gross premiums written	52,956	36,131	16,819	6
Commissions on investment contracts	430	-	-	430
Gross premiums earned	52,674	35,849	16,819	6
Returns on investments	9,482	7,058	3,059	(635)
Gross cost of claims	72,776	22,805	49,972	-
Change in mathematical reserve	(34,202)	(119)	(34,083)	-
Other technical provisions	12,375	1,794	10,580	-
Profit-sharing	(738)	(1,015)	277	-
Gross operating costs	13,587	12,195	1,140	252
Balance of reinsurance	490	490	-	-
Other amounts of the profit & loss account	3	3	-	-
Technical result	(719)	7,740	(8,008)	(451)
Balance Sheet headings				
Technical provisions	734,570	143,526	573,941	17,102
Financial liabilities on investment contracts	151,610	-	-	151,610

(thousand euros)

2015	Total Life	Traditional	With-profits capitalisation	Without-profits capitalisation
Profit & loss headings				
Gross premiums written	36,794	27,830	8,958	6
Commissions on investment contracts	443	-	-	443
Gross premiums earned	36,290	27,326	8,958	6
Returns on investments	9,649	2,818	7,017	(186)
Gross cost of claims	41,787	16,358	25,429	-
Change in mathematical reserve	(11,622)	591	(12,213)	-
Provision for rate commitments changes	(961)	(770)	(191)	-
Profit-sharing	2,152	1,364	788	-
Gross operating costs	10,612	7,503	1,820	1,288
Balance of reinsurance	(409)	(409)	-	-
Other amounts of the profit and loss account	3	3	-	-
Technical result	4,008	4,692	341	(1,025)
Balance Sheet headings				
Technical provisions	295,301	93,743	201,515	43
Financial liabilities on investment contracts	177,647	-	-	177,647

The breakdown of the main headings of the consolidated financial statements as at December 31, 2016 & 2015, segmented by the main Non-Life business lines, is as follows:

(thousand euros)

2016	Total Non-Life	Workers' Compensation	Fire & Other Damage	Motor	Other
Profit & loss headings					
Gross premiums written	486,186	98,769	83,299	212,500	91,618
Reinsurance ceded premiums	(67,255)	743	(35,183)	(5,147)	(27,668)
Gross premiums earned	497,857	105,032	86,895	213,182	92,748
Returns on investments	14,239	8,712	2,559	5,716	(2,748)
Gross cost of claims	360,961	123,468	41,022	152,706	43,765
Gross operating costs	142,739	27,005	27,499	61,142	27,093
Technical result	(25,059)	(56,358)	6,141	1,902	23,256
Balance Sheet headings					
Technical provisions	1,033,395	551,195	79,180	303,228	99,792

(thousand euros)

2015	Total Non-Life	Workers' Compensation	Fire & Other Damage	Motor	Other
Profit & loss headings					
Gross premiums written	365,922	64,557	66,596	148,440	86,329
Reinsurance ceded premiums	(54,171)	(457)	(26,756)	(1,516)	(25,442)
Gross premiums earned	364,498	64,884	66,800	148,393	84,421
Returns on investments	46,478	5,340	10,153	31,219	9,783
Gross cost of claims	232,956	51,900	27,820	105,701	47,535
Gross operating costs	111,148	16,431	23,961	48,009	22,747
Technical result	39,712	(1,024)	16,288	17,403	7,045
Balance Sheet headings					
Technical provisions	543,148	231,971	58,755	189,564	62,858

The breakdown of the main headings of the consolidated financial statements as at December 31, 2016 & 2015, of the Non-Life technical account by geographic zone is as follows:

(thousand euros)

2016	Total	Portugal	Mozambique	Angola
Profit & loss headings				
Gross premiums written	486,186	471,239	1,561	13,386
Reinsurance ceded premiums	(67,255)	(63,157)	(662)	(3,436)
Gross premiums earned	497,857	482,547	1,510	13,800
Returns on investments	14,239	12,743	775	721
Gross cost of claims	360,961	352,778	698	7,485
Gross operating costs	142,739	139,498	800	2,441
Technical result	(25,059)	(28,774)	680	3,035
Balance Sheet headings				
Technical provisions	1,033,395	1,023,244	846	9,305

(thousand euros)

2015	Total	Portugal	Spain	Mozambique	Angola
Profit & loss headings					
Gross premiums written	365,922	339,797	606	2,321	23,198
Reinsurance ceded premiums	(54,171)	(51,541)	(52)	(97)	(2,481)
Gross premiums earned	364,498	340,265	629	2,141	21,463
Returns on investments	46,478	45,508	(17)	507	480
Gross cost of claims	232,956	223,178	254	573	8,951
Gross operating costs	111,148	105,710	841	938	3,659
Technical result	39,712	29,035	(483)	1,403	9,757
Balance Sheet headings					
Technical provisions	543,148	531,387	535	828	10,398

The Life technical account as of December 31, 2016 & 2015, arises primarily from the operations in Portugal, bearing in mind that the amounts in respect of the African operations are not significant.

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

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

STATEMENT OF COMPLIANCE

The consolidated financial statements of the Group have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union ("IFRS"). For the purposes of these consolidated financial statements, the term IFRS will be used to encompass both IFRS and the International Accounting Standards (IAS) still in force, as well as all relevant interpretations ('IFRIC') issued by the International Accounting Standards Board (IASB) and endorsed by the European Union.

BASES OF PRESENTATION

The Group's consolidated financial statements have been presented for the year ended December 31, 2016.
The Group adopted the IFRS and the mandatory-application interpretations as from the incorporation date as detailed in Note 34.

Recently issued accounting standards and interpretations that have not yet come into force and that the Group has not yet applied in the preparation of its financial statements may also be consulted in Note 34.

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

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

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

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

MAIN ACCOUNTING PRINCIPLES AND VALUATION CRITERIA ADOPTED

Financial assets

Classification

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

- Financial assets at fair value through profit or loss, which include:
  - Financial assets held for trading, which essentially correspond to securities acquired for the purpose of realising gains as a result of short-term fluctuations in market prices. Also included in this category are derivative financial instruments, excluding those that meet hedge-accounting requirements;
  - Financial assets designated at the time of their initial recognition at fair value, with variations, are recognised in profit or loss, particularly where:
    - such financial assets are managed, valued and analysed in-house on the basis of their fair value;
    - Such designation eliminates any inconsistency of recognition and measurement (accounting mismatch);
    - such financial assets contain embedded derivatives.

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

- Loans and receivables, in which financial assets with fixed or determinable payments, not listed on an active market, are classified, which includes sums receivable related with direct insurance operations, reinsurance ceded and transactions related with insurance contracts and other transactions.

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

Recognition, initial measurement and derecognition

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

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

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

Subsequent measurement

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

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

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

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

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

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

Transfers between categories

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

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

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

Impairment

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

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

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

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

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

Derivative financial instruments

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

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

Embedded Derivatives

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

Financial liabilities

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

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

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

Transactions in foreign currency

Transactions in foreign currency are translated at the exchange rate ruling on the transaction date. Monetary assets and liabilities expressed in foreign currency are translated into euros at the exchange rate ruling on the reporting date. The resultant currency translation differences are recognised in profit & loss except where classified as cash-flow hedges or net investment hedges, in which case the currency translation differences are recognised under reserves.

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

Tangible assets

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

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

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

Asset Type	Number of years
Owner-occupied properties	13 to 72
Hardware	3 to 6
Furniture & materials	4 to 8
Indoor fixtures & fittings	5 to 20
Machines & tools	5 to 8
Transport material	4
Other equipment	3 to 10

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

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

The realisable value is determined as the 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.

Investment properties

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

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

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

Non-current assets held for sale

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

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

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

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

Intangible assets

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

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

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

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

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

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

Impairment losses are recognised in the income statement.

Leasing

The Group classifies lease transactions as finance leases or operating leases in the light of their substance and not of their legal form, complying with the criteria established in IAS 17 – Leases.

Transactions in which the risks and benefits inherent in the ownership of an asset are transferred to the lessee are classified as finance leases. All other lease transactions are classified as operating leases.

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

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

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

Cash & cash equivalents

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

Reinsurance

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

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

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

Employee benefits

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

Post Retirement Benefit Plan

Some Group entities assume liability for the payment to its employees of benefit complements over and above the Social Security old-age and disability pensions under the terms established in the applicable Collective Bargaining Agreements (CBAs).

The collective bargaining agreement that originally applied to the labour relations which affected some Group entities was the Collective Bargaining Agreement published in BTE nº 32 of August 9, 2008, which determined that employees covered by this agreement, admitted into the sector up until June 22, 1995, may access a pecuniary benefit complementing the pension granted by Social Security.

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

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

On December 23, 2011, a new Insurance Collective Bargaining Agreement was approved, published in BTE nº 2 of January 15, 2012, altering a previously-defined set of benefits. This collective bargaining agreement was succeeded and replaced by the Collective Bargaining Agreement published in BTE nº 4 of January 29, 2016.

The Collective Bargaining Agreement was the object of an extension order-in-council, published in BTE nº 25, dated July 8, 2016, which determined the application of the provisions of this agreement to all employees of Group entities not affiliated with the signatory unions, except for employees affiliated with Sinapsa - National Union of Insurance and Related Professionals.

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

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

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

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

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

The re-measurement gains and losses, namely (i) the actuarial gains and losses resulting from differences between actuarial assumptions used and the amounts actually incurred (gains and losses of experience) and from the changes in actuarial assumptions and (ii) gains and losses arising from the difference between the estimated returns on the fund's assets and the amounts obtained are recognised in equity under other comprehensive income (Other reserves).

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

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

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

Defined-contribution plan

For the defined contribution plans, which cover most employees, the liabilities relating to the benefit attributable to employees of some Group entities are recognised as cost for the year when they fall due.

As at December 31, 2016, and except for employees covered by a defined-benefit plan, some Group entities have two defined-contribution plans, depending on the initial origin of the employer (Tranquilidade or Açoreana, prior to the merger) for employees in service taken on by June 22, 1995, as well as for all employees who meet the conditions set out in the new Collective Bargaining Agreement, making annual contributions taking into account the individual remuneration of each employee.

Length-of-service bonus

The length-of-service bonus is 50% of the salary when the employee, over and above the conditions laid down in Clause 42 of the said collective bargaining agreement, completes one or more multiples of 5 years with the Group. The length-of-service bonus is determined using the same methodology and assumptions as those of post-employment benefits.

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

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

Health benefits

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

Short-term benefits:

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

Corporation tax

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

The other Group entities are subject to local taxes in the countries/ territories in which they are established.

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

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

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

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

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

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

Provisions and contingent liabilities

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

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

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

Recognition of interest

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

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

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

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

Dividends received

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

Earnings per share

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

Offsetting financial instruments

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

Adjustments of receipts pending collection and of doubtful debt

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

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

Report by operating segments

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

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

The Group controls its business through the main operating segments referred to in Note 2, in keeping also with the disclosure requirements defined by the ASF (business lines and geography). The Group has not adopted IFRS 8, since it is not a listed entity.

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 Managers to make the necessary judgements and estimates to decide the most appropriate accounting procedures.

The main accounting estimates and judgements used by the Group in the application of the accounting principles are detailed 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 Managers, the results reported by the Group could be different had a different treatment been chosen.

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

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

Entities included in the consolidation perimeter

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

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

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

Impairment of investments in associates

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

The recoverable amount is determined based on the greater of the value in use of the assets and the market value less selling costs, and is calculated with recourse to valuation methodologies supported by multiple approach, which require the use of certain assumptions or judgement in establishing fair-value estimates.

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

Impairment of Available-for-sale Financial Assets

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

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

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

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 Group companies having their registered office in Portugal, 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 Board of Managers of the Group’s parent company is convinced that there will be no significant corrections to the corporation tax recorded in the financial statements.

Impairment of Goodwill

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

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

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

Goodwill acquired through business combinations is essentially allocated to the following individual cash-generating units: Workers' Compensation and Life.

Impairment of long-term assets

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

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

Technical provisions and liabilities relating to investment contracts

Determination of the Group's insurance companies liabilities for insurance contracts is performed based on the methodologies and assumptions described in Note 4. These liabilities reflect a quantified estimate of the impact of future events on the Group's accounts, carried out on the basis of actuarial assumptions, claims history and other methods accepted with in the sector.

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

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

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

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

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

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

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

The Group 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 Group's expectation of the ultimate cost of settling claims based on an evaluation of the facts and circumstances known at the time, on a review of the historic settlement patterns, on an estimate of trends in terms of claims frequency and costs, and other factors.

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

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

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

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

NOTE 4 - CONSOLIDATION

Consolidation principles

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

Subsidiaries

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

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

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

Associates

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

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

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

Goodwill

Business combinations are recorded using the purchase method. The acquisition cost is equal to the fair value determined on the date of purchase of the assets transferred and of liabilities incurred or assumed. The costs directly related to the acquisition of a subsidiary are allocated directly to profit or loss. On the acquisition date, which is the moment when the Group obtains control of the subsidiary, the assets, liabilities and contingent liabilities that meet the recognition requirements of IFRS 3 – "Business Combinations" are recorded at their fair value.

Positive goodwill resulting from acquisitions is recognised as an asset and recorded at acquisition cost and is not subject to amortisation. Goodwill arising on the acquisition of holdings in subsidiary companies is defined as the difference between the acquisition cost and the total or proportional fair value of the assets and liabilities and contingent liabilities of that business, depending on the option taken.

If it is found that the portion corresponding to the percentage of the holding acquired by the Group in the assets, liabilities and contingent liabilities of a subsidiary exceeds the acquisition cost, the excess is recorded directly in the income statement for the year in which the business combination occurs.

The recoverable amount of the goodwill is assessed annually, regardless of the existence of impairment indicators, in accordance with the requirements of IAS 36 - "Impairment of Assets".

Any impairment losses are recognised in profit or loss for the period and cannot be reversed. The recoverable amount is determined based of the value in use of the assets and the fair value less selling costs, and is calculated with recourse to valuation methodologies supported by discounted cash-flow techniques, considering market conditions, time value and business risks.

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

Impairment

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

The recoverable amount is determined based on the greater of the value in use of the assets and the fair value less selling costs, and is calculated with recourse to valuation methodologies supported by multiple approach.

Acquisition and dilution of non-controlling interests

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

Loss of control

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

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

Transcript of financial statements of subsidiaries and associates in foreign currency

The financial statements of each of the Group's subsidiaries and associate companies are prepared in their functional currency, defined as the currency of the economy where these subsidiaries and associates operate. The Group's consolidated financial statements are prepared in €, which is the functional currency of the parent company of the Group, of the subsidiaries and of the associates having their registered office in Portugal.

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

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

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

Balances and transactions eliminated in the consolidation

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

Consolidation Perimeter

The summarised financial information of the subsidiaries and associates listed in the consolidation perimeter, taken from its statutory accounts as of December 31, 2016 & 2015, except where otherwise indicated, are as follows:

Company	Location	Consolidation method	2016 Percentage of control	2016 Percentage of interest	2015 Percentage of control	2015 Percentage of interest
Segurodoras Unidas, S.A.	Lisbon, Portugal	Full	100.00%	89.05%	100.00%	90.01%
Tranquilidade Mocambique Companhia de Seguros, S.A.	Maputo, Mozambique	Full	99.996%	89.05%	100.00%	90.01%
Tranquilidade Mocambique Companhia de Seguros Vida, S.A.	Maputo, Mozambique	Full	99.997%	89.05%	100.00%	90.01%
Advancecare Health International, S.A.	Lisbon, Portugal	Full	100.00%	89.05%	100.00%	90.01%
ADV Angola - Planos e Sistemas de Saude, Lda	Luanda, Angola	Full	100.00%	89.05%	100.00%	90.01%
Tranquilidade - Corporacao Angolana de Seguros, S.A.	Luanda, Angola	Full	49.00%	43.63%	49.00%	44.10%
CRIA - Centro de Reabilitaçao Integrada de Seguros, S.A.	Porto, Portugal	Full	70.00%	62.34%	-	-
GIGA - Grupo Integrado de Gestao de Acidentes, S.A.	Lisbon, Portugal	Full	60.00%	53.43%	-	-
GNB, Companhia de Seguros, S.A.	Lisbon, Portugal	Equity	25.00%	22.26%	25.00%	22.50%
Europ Assistance, S.A.	Lisbon, Portugal	Equity	47.00%	41.85%	47.00%	42.30%
Companhia de Seguros Tranquilidade, S.A.	Lisbon, Portugal	Full	100.00%	89.05%	100.00%	90.01%
Calm Eagle Holdings S.à r.l.	Luxembourg, Luxembourg	Full	100.00%	89.05%	100.00%	90.01%
Calm Eagle Intermediate Holdings S.à r.l.	Luxembourg, Luxembourg	Full	100.00%	89.05%	100.00%	90.01%
Calm Eagle Parent Holdings S.C.A.	Luxembourg, Luxembourg	Full	89.05%	89.05%	90.01%	90.01%
AP VIII Calm Eagle Holdings S.C.A.	Luxembourg, Luxembourg	Parent	-	-	-	-

The financial data relating to Europ Assistance, SA, relate to the consolidated accounts drawn up by that entity.

During 2015, the Group sold its 51% holding in the share capital of AdvanceCare – Gestão de Serviços de Saúde, SA, for the sum of €37,400k, having recorded under Net gains of financial assets and liabilities not valued at fair value through profit or loss the capital gain of €33,778k resulting from this sale (Note 17).

Also during 2015, the Group converted into share capital the loan capital granted to Esumédica – Prestação de Cuidados Médicos, SA, in the sum of €1,000k, having later sold its holding for €445k. As a result of this transaction, the Group recorded under Net gains of financial assets and liabilities not carried at fair value through profit or loss a capital gain of €833k (Note 17).

On the other hand, in 2015 the Group altered the framework within the scope of consolidation perimeter in respect of the holding Tranquilidade - Corporação Angolana de Seguros, SA, (TCAS), and came to use in respect thereof the same full consolidation method, taking into account the existing level of management control.

During 2016, the Group sold its 55.42% holding in the share capital of Espírito Santo Contact Center, SA, for the sum of €997k, having recorded under Net gains of financial assets and liabilities not carried at fair value through profit or loss the capital loss of €330k resulting from this sale (Note 17).

Also during 2016, the Group acquired 100% of the share capital of Açoreana Seguros, SA, for the amount of €7,124k, and also paid up capital increases of €34,300k, and later, as referred to in Note 1, a merger process occurred.

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

At the beginning of the fourth quarter of 2016, in order to access new asset classes, the Group set up, for an amount of €2, a collective investment undertaking called Tranquilidade Diversified Income ICAV (Irish Collective Asset-management Vehicle), which is wholly-owned by the Group. This body has no assets and is merely a legal entity in the form of a fund holding tradable sub-funds such as individual investment funds. The Group, through the collective investment undertaking invested €90 million in the two open-ended real-estate investment sub-funds referred to in the table, in the amount of €25 and €65 million, respectively.

Additionally, and within the scope of the application of IFRS 10 – Consolidated financial statements, the Group's consolidation perimeter includes the following special purpose vehicles as of December 31, 2016 & 2015:

	Registered office	Activity	% economic interest	
			2016	2015
Corpus Christi - Fundo de Investimento Imobiliário Fechado	Portugal	Closed-end Real-estate Investment Fund	100.00%	100.00%
Imoprime - Fundo de Investimento Imobiliário Fechado	Portugal	Closed-end Real-estate Investment Fund	84.89%	84.89%
AAME TRQ CORP LOANS/HIGH YIELD BONDS FUND	Ireland	Open-end Securities Investment Fund	100.00%	-
AAME TRQ GLOBAL INV GRADE CORP CREDIT	Ireland	Open-end Securities Investment Fund	100.00%	-

During 2015, the Fundes - Special Closed Real Estate Investment Fund was sold within the scope of the winding up of the Unit Link policy to which it was allocated. This transaction did not impact on the Group's profit and loss account.

Also during 2015, the Global Long Term Opportunity Fund, a sub-fund of Eurofin Capital SICAV – SIF SCA, was wound up, and the Group received in consideration thereof the assets held by the fund. This operation gave rise to a capital gain of €1,834k, recorded under Net gains of financial assets and liabilities not at fair value through profit or loss.

Investments in associates

As of December 31, 2016 & 2015, the financial information concerning associates is presented in the following table:

(thousand euros)

	Interest held	Income of the associate attr.		Carrying amount	
	2015/2016	2016	2015	2016	2015
GNB, Companhia de Seguros, S.A.	25%	2,366	1,471	12,836	11,714
Europ Assitance S.A.	47%	3,093	4,056	52,529	49,205
		5,459	**5,527**	**65,365**	**60,919**

Movement under this heading during 2016 and 2015 is as follows:

	(thousand euros)
Balance as at the acquisition date of subsidairy	**64,364**
Income of the associates attributable to the Group	5,527
Other changes in equity attributable to the Group	(4,903)
Dividends	(4,069)
Balance as at 1 January 2016	**60,919**
Income of the associates attributable to the Group	5,459
Other changes in equity attributable to the Group	2,145
Dividends	(3,158)
Balance as at 31 December 2016	**65,365**

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

(thousand euros)

	Assets		Liabilities		Equity		Net income	
	2016	2015	2016	2015	2016	2015	2016	2015
GNB, Companhia de Seguros, S.A.	114,705	108,185	80,262	78,229	34,443	29,956	9,461	5,885
Europ Assitance S.A.	77,034	72,244	37,096	39,409	39,938	32,834	6,581	8,630

Non-controlling interests

The breakdown of non-controlling interests as at December 31, 2016 & 2015, is as follows:

	% Non-controlling interest		Non-controlling interest (Balance sheet)		Non-controlling interest (Income statement)	
	2016	2015	2016	2015	2016	2015
Espírito Santo Contact Center, S.A.	-	43.70%	-	1,244	(915)	141
Imoprime-Fundo de Investimento Imobiliário Fechado	15.11%	15.11%	5,523	5,333	190	98
Tranquilidade - Corporação Angolana de Seguros, S.A	51.00%	51.00%	2,722	1,796	1,002	367
CRIA - Centro de Reabilitaçao Integrada de Seguros, S.A.	30.00%	-	253	-	7	-
GIGA - Grupo Integrado de Gestao de Acidentes, S.A.	40.00%	-	473	-	(14)	-
Calm Eagle Parent Holdings S.C.A.	10.95%	100.00%	17,404	6,560	1,584	(1,653)
Total			**26,375**	**14,933**	**1,854**	**(1,047)**

NOTE 5 – NATURE AND EXTENT OF THE HEADINGS AND OF THE RISKS RESULTING FROM INSURANCE CONTRACTS, INVESTMENT CONTRACTS AND REINSURANCE ASSETS

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

Accounting policies adopted in respect of insurance and investment contracts

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

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

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

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

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

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

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

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

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

Recognition of costs & income

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

Premiums

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

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

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

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

Provisions for Unearned Premiums

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

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

Acquisition costs

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

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

Life mathematical reserve

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

	Mortality Table	Technical rate
Retirement Savings Plans and Capitalisation Products (*)		
Up to December 1997	GKM 80	4%
January 1998 to June 1999	GKM 80	3.25%
After July 1, 1999	GKM 80	3% & 2.5%
After March 2003	GKM 80	2.75%
After January 1, 2004 (**)	GKM 80	0.323% & 1.75%
Insurance in case of Life (*)		
Annuities – Up to June 2002	TV 73/77	4%
After July 1, 2002	TV 73/77	3%
After January 1, 2004	GKF 95	3%
After October 1, 2006	GKF 95 & GKF 80	3%, 2.25% and 1.15%
Other insurance in case of Life	TV 73/77	4%
Insurance in case of Death (*)		
Up to December 2004	GKM 80	4%
After January 1, 2005	GKM 80	4%
After January 1, 2008	GKM 80 & GKM 95	4%
After October 1, 2013	PASEM 2010	0%
Mixed Insurance (*)		
Up to September 1998	GKM 80	4%
After October 1, 2008	GKM 80	3.25%

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

	Mortality Table	Technical rate
Retirement Savings Plans and Capitalisation Products (*)		
Up to December 1998	GKM 80	4%
January 1999 to June 2003	GKM 80	3%
August 2003 to September 2011	GKM 80	3% and variable
After October 3, 2011 (**)	GKM 80	1% to 3%
Insurance in case of Life (*)		
Annuities – Up to December 1997	PF 6064	6%
After December 1, 1997	GKM 80	3% & 4%
After January 1, 2007	GKF 95 & GKF 80	3%
After October 1, 2016.	GRF 95	1,5%
Insurance in case of Death (*)		
Up to April 2013	GKM 80	3% & 4%
After April 1, 2013	GKM 95	3% & 4%
Mixed Insurance (*)		
Up to February 2001	PM 6064	4%
After March 29, 2001	GKM 80	3% & 4%

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

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

As of December 31, 2015, the Group performed an assessment of the adequacy of the liabilities stemming from the discretionary with-profits insurance contracts and investment contracts. The assessment of the adequacy of the liabilities was performed on the basis of the projection of the future cash flows associated with each contract, discounted at the rate or return of the assets to be covered by technical provisions. In the event of a shortfall, it was recorded in profit or loss through the provision for rate commitments. Mathematical provisions were zillmerised and the respective effect was deducted from them.

Non-life mathematical reserve

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

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

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

Provisions for claims

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

To determine this provision an analysis is performed of claims in progress at the end of each year, with a consequent estimate of the liabilities existing as of that date. In Workers’ Compensation, in that part not in respect of pensions and Motor, the average cost method is applied. The provision for claims management costs is also calculated using the average cost method.

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

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

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

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

Provision for attributed profit-sharing

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

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

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

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

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

Provision for unexpired risks

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

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

Provisions for reinsurance ceded

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

Changes in Direct Insurance and Reinsurance Technical Provisions

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

BALANCE SHEET	2016			2015		
Businesses / Groups of Businesses In TEUR	UPR gross	DAC	UPR Net	UPR gross	DAC	UPR Net
Life						
Traditional	3,345	-	3,345	2,577	-	2,577
Non - Life						
Accidents & health	26,744	4,371	22,373	17,338	2,728	14,610
Fire & other damage	40,217	7,900	32,317	25,175	4,940	20,234
Motor	99,624	18,825	80,799	55,067	10,916	44,150
Marine, air and transport	2,020	358	1,662	1,556	292	1,264
General third-party liability	4,633	909	3,724	3,289	650	2,639
Credit and fidelity insurance	76	8	68	22	4	18
Legal protection	93	13	80	5	1	4
Assistance	13,526	2,519	11,007	6,339	1,259	5,080
Sundry	954	190	764	742	149	593
Total	**191,232**	**35,093**	**156,139**	**112,110**	**20,939**	**91,170**

In 2016, the provision for net unearned premiums includes consolidation-perimeter changes for the amount of €74,950k.

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:

	2016			2015		
Businesses / Groups of Businesses In TEUR	UPR gross	DAC	UPR Net	UPR gross	DAC	UPR Net
Life						
Traditional	282	151	131	504	(6)	510
Non - Life						
Accidents & health	(5,639)	(1,099)	(4,540)	2,075	256	1,819
Fire & other damage	(3,597)	(518)	(3,079)	(107)	(65)	(42)
Motor	(682)	257	(939)	1,150	(25)	1,175
Marine, air and transport	(366)	(54)	(312)	(565)	(77)	(488)
General third-party liability	(1,282)	(216)	(1,066)	138	(41)	179
Credit and fidelity insurance	(11)	5	(16)	(5)	(1)	(4)
Legal protection	(94)	(2)	(92)	-	-	-
Assistance	(54)	56	(110)	454	94	360
Sundry	54	11	43	(73)	(13)	(60)
AMA portfolio acquisition	-	-	-	(1,642)	-	(1,642)
Total	**(11,389)**	**(1,409)**	**(9,980)**	**1,929**	**122**	**1,807**

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 2016	Balance sheet balance 2015	Change in gains & losses 2016	Change in gains & losses 2015
Life				
Traditional	-	111	(29)	158
With-profits capitalisation	-	-	-	-
Non-life				
Accidents & health	1,180	804	405	(819)
Fire & other damage	10,949	7,392	(2,085)	(303)
Motor	23	25	(68)	(1,631)
Marine, air and transport	969	743	(189)	(318)
General third-party liability	489	466	(40)	(2)
Credit and fidelity insurance	25	5	2	-
Legal protection	25	-	2	-
Assistance	9,953	6,158	198	(308)
Sundry	761	643	(7)	(139)
Total	24,374	16,347	(1,811)	(3,362)

In 2016, the balance sheet figures include consolidation-perimeter changes for the amount of €10,098k.

The breakdown of the mathematical reserve of Life business reflected under liabilities and the respective annual change in profit or loss in 2016 & 2015 are as follows:

(thousand euros)

	2016	2015
Balance as at January 1	**271,628**	**278,831**
Change for the year	(34,202)	(11,622)
Incorporation of profit-sharing in results	261	91
Changes to the consolidation perimeter	393,970	-
Other movements	22,924	4,328
Balance as at December 31	**654,581**	**271,628**

The figures for Other movements in 2016 and 2015 relate to reclassifications of products that now have provision for discretionary profit sharing.

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

(thousand euros)

Products	Balance sheet balance 2016	Balance sheet balance 2015	Change in gains & losses 2016	Change in gains & losses 2015
Traditional	1,004	666	103	20
With-profits capitalisation	-	-	-	-
Total	1,004	666	103	20

In 2016, the balance sheet amounts include consolidation-perimeter changes for the amount of €235k.

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

Businesses / Groups of Businesses In TEUR	Balance sheet balance 2016	Balance sheet balance 2015	Change in gains & losses 2016	Change in gains & losses 2015
Life				
Traditional	18,956	6,197	2,895	2,254
With-profits capitalisation	27,518	9,520	10,653	3,409
Non - Life				
Workmen's compensation	533,289	239,392	25,507	16,821
Personal accidents & health	16,196	10,526	136	36
Fire & other damage	42,202	29,944	1,479	(9,215)
Motor	219,567	136,102	(1,518)	(371)
Marine, air and transport	3,745	3,394	(494)	(2,550)
General third-party liability	30,041	23,269	(1,742)	4,239
Credit and fidelity insurance	236	22	(3)	-
Legal protection	13	18	(6)	9
Assistance	10	10	2	(4)
Sundry	3,255	2,111	1,049	(1,068)
Total	**895,028**	**460,505**	**37,958**	**13,560**

In 2016, the balance sheet figures include consolidation-perimeter changes for the amount of €403,098k.

The balance of the provision for Workers' Compensation claims includes the amount of €408,892k (2015: €165,146k) in respect of the Workers' Compensation mathematical reserve. This balance of the mathematical reserve includes the result obtained through the liabilities adequacy test which, in 2016 and 2015, was zero, and a provision for the contributions to the Workers' Compensation Fund in the amount of €22,009k (2015: €10,520k).

The Group has amended the actuarial assumptions used to calculate the mathematical reserves of Workers' Compensation insurance and of the respective adequacy test as at December 31, 2016. In this connection, (i) the discount rate used in the calculation of these provisions has been changed to 2.75% (4.0%: 2015), (ii) the TD 88/90 mortality table was replaced by 95% of the TD 88/90 mortality table, for the male population, and the TV88/90 mortality table was replaced by 95% of the TV 88/90 mortality table for the female population, and (iii) the rate of expenditure, in the Tranquilidade brand, was changed from 2.0% to 1.5%.

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

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

The balance of the provision for claims includes an estimated provision in the amount of €41,065k (2015: €27,185k) in respect of claims that occurred up to December 31, 2016, and not yet reported (IBNR). It also includes an estimate in the amount of €16,618k (2015: €12,069k) for management fees relating to the settlement of outstanding claims declared.

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

(thousand euros)

Businesses / Groups of Businesses	Provision for claims* as at 31.12.2015 (1)	Claims* paid in 2016 (2)	Provision for claims* as at 31.12.2016 (3)	Readjustments (3) + (2) - (1)
Life **				
Risk products	4,162	1,062	3,671	571
Other traditional products	520	-	192	(328)
Non-life				
Accidents & health	236,418	38,578	214,313	16,473
Fire & other damage	29,944	12,766	15,415	(1,763)
Motor				
-Third-party liability,	111,696	34,416	75,516	(1,764)
- Other covers	24,406	10,308	10,548	(3,550)
Marine, air and transport	3,394	1,144	1,621	(629)
General third-party liability	23,269	3,201	19,056	(1,012)
Credit and fidelity insurance	22	(33)	13	(42)
Legal protection	18	26	8	16
Assistance	10	-	6	(4)
Sundry	2,111	1,248	428	(435)
Total	435,970	102,716	340,787	7,533

* Claims incurred in 2015 and earlier

** Does not include financial products

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

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

In the Life business line the readjustments are mainly due to a process of revaluation of the provisions for claims, to ensure their adequacy in the light of the actual liabilities.

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

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

Businesses / Groups of Businesses In TEUR	Balance sheet balance 2016	Balance sheet balance 2015	Change in gains & losses 2016	Change in gains & losses 2015
Life				
Traditional	2,961	568	698	440
Capitalization with results participating	-	-	-	-
Non - Life				
Workmen's compensation	5,666	5,428	(98)	(195)
Personal accidents & health	782	515	193	343
Fire & other damage	20,620	14,486	1,998	(5,774)
Motor	13,329	7,515	495	(1,909)
Marine, air and transport	1,068	1,174	(214)	(861)
General third-party liability	8,273	7,917	(757)	4,370
Credit and fidelity insurance	393	4	9	-
Legal protection	-	-	-	-
Assistance	9	8	4	(3)
Sundry	2,991	1,643	1,291	(634)
Total	**56,092**	**39,258**	**3,619**	**(4,223)**

In 2016, the balance sheet figures include consolidation-perimeter changes for the amount of €13,544k.

The balance of the provision for reinsurance-ceded claims includes an estimated provision in the sum of €2,014k (2015: €2,120k) in respect of claims that occurred up to December 31, 2016, and not yet reported (IBNR).

The breakdown of costs of claims in 2016 is as follows:

Businesses / Groups of Businesses In TEUR	Amounts paid - Instalments (1)	Amounts paid- Claims- management costs imputed (2)	Change of provision for claims: (3)	Cost of claims (4) = (1) + (2) + (3)
Life				
Traditional	19,630	545	2,890	23,065
Capitalization with results participating	38,356	697	10,658	49,711
Non - Life				
Accidents & health	114,420	5,910	25,533	145,863
Fire & other damage	37,215	2,317	1,463	40,995
Motor				
-Third-party liability,	90,790	7,235	(2,539)	95,486
- Other covers	52,305	2,997	2,684	57,986
Marine, air and transport	2,266	176	(493)	1,949
General third-party liability	4,493	560	(1,754)	3,299
Credit and fidelity insurance	(39)	1	(3)	(41)
Legal protection	26	4	(5)	25
Assistance	-	-	2	2
Sundry	1,427	17	1,050	2,494
Total	**360,889**	**20,459**	**39,486**	**420,834**
Reinsurance accepted	931	-	(1,528)	(597)
Grand total	**361,820**	**20,459**	**37,958**	**420,237**

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

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

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

(thousand euros)

Businesses / Groups of Businesses	Balance sheet balance		Change in gains & losses	
	2016	2015	2016	2015
Life	20,812	4,249	(738)	2,152
Non-life				
Accidents & health	-	3	(3)	(1,044)
Total	20,812	4,252	(741)	1,108

The evolution of the provision for profit-sharing in Life and Non-Life carried under liabilities was as follows in 2016 & 2015:

(thousand euros)

	2016	2015
Balance as at January 1	**4,252**	**8,205**
Changes to the consolidation perimeter	17,992	-
Appropriation for the year	4,211	1,108
Payments	(7,213)	(1,481)
Incorporation into mathematical reserve	-	(91)
Change of holding to be assigned (shadow accounting)	1,570	(3,491)
Balance as at December 31	**20,812**	**4,252**

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

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

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

(thousand euros)

Products	Balance sheet balance		Change in gains & losses	
	2016	2015	2016	2015
Traditional	4	547	(543)	(254)
With-profits capitalisation	-	-	-	-
Total	4	547	(543)	(254)

The breakdown of the rate-commitment provision carried under liabilities and of the respective annual change in the profit & loss is as follows:

(thousand euros)

Products	Balance sheet balance		Change in gains & losses	
	2016	2015	2016	2015
Traditional	8,870	998	7,872	(701)
With-profits capitalisation	366	135	231	(191)
Total	9,236	1,133	8,103	(892)

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

Products	Balance sheet balance		Change in gains & losses	
	2016	2015	2016	2015
Traditional	127	-	127	-
With-profits capitalisation	-	-	-	-
Total	127	-	127	-

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

(thousand euros)

Businesses / Groups of Businesses	Balance sheet balance		Change in gains & losses	
	2016	2015	2016	2015
Accidents & health	13,872	3,909	(951)	(1,751)
Fire & other damage	71	818	(747)	(2,522)
Motor	2,864	9,377	(6,514)	1,317
Marine, air and transport	63	106	(35)	33
General third-party liability	-	-	-	(38)
Credit and fidelity insurance	-	-	-	-
Legal protection	-	-	-	-
Assistance	530	584	(55)	7
Sundry	113	105	8	9
Total	17,513	14,899	(8,294)	(2,945)

In 2016, the balance sheet figures include consolidation-perimeter changes for the amount of €10,913k.

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

Under this Standard, the calculation of the provision for unexpired risks was subject to an extraordinary procedure requested by some of the Group's insurance companies and duly approved by the ASF, through which the special and particular nature of company concentration operations was taken into account.

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

Accordingly, the Group considered that the amount of €10,540k related to project advisory costs, costs incurred with extraordinary personnel related to indemnities or compensation granted to employees resulting from terminations by mutual agreement and the impact of the curtailment at the level of the benefit plans, do not represent the recurring levels associated with a normal ongoing operation, and therefore the Group opted not to consider such amounts for the purposes of calculating this provision.

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

NATURE AND EXTENT OF SPECIFIC INSURANCES RISKS

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

The Group still has its Overall Risk Management Committee, the main responsibilities of which are to analyse and check the conformity of the decisions taken by the Group with the strategy and policy established for risk management, internal control system and compliance.

After the introduction of the Overall Risk Management Committee economic and financial risk work groups were set up, the main duties of which are:

- to orient the introduction of integrated risk-management models, as well as economic capital models, approved by the Board of Managers;
- to validate, from a technical standpoint, the modelling of the technical and financial risks to be drawn up by the Overall Risk Department and approved by the Board of Managers;
- 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 Managers;
- to define integrated risk-mitigation strategies, from a standpoint of adequacy of assets and liabilities for analysis by the Overall Risk Management Committee.

In this connection the management of the sundry risks to which the Group is subject is also monitored, and plans of action are proposed to the Board of Managers as and where warranted.

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

The specific insurance risk is the risk inherent in marketing insurance contracts, in product design and respective pricing, in the subscription process, in the provisions set aside for liabilities and in the management of claims and reinsurance.

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

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

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

- Workers' Compensation and Lifelong Assistance pensions are considered to be health risks assessed using techniques similar to those of life insurance and, as such, their risk is subdivided in a manner similar to life products.

- General Workers' Compensation and Personal Accident and Health claims are treated as Non-Life and their risks are subdivided in a similar manner.

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

Succinctly, the more relevant control mechanisms are:

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

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

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

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

(thousand euros)

Amounts paid net of repayments (cumulative amounts)

		Year of Occurrence									
		2007	**2008**	**2009**	**2010**	**2011**	**2012**	**2013**	**2014**	**2015**	**2016**
Years elapsed	**0**	172,931	206,721	203,512	237,626	236,495	226,700	240,781	229,333	219,856	221,562
	1	264,532	306,169	317,476	358,391	341,803	328,281	340,519	329,132	313,660	
	2	284,455	329,944	347,970	383,391	363,125	351,829	362,834	352,612		
	3	295,608	342,503	362,827	395,329	374,118	365,156	375,874			
	4	299,935	348,998	369,912	403,580	379,458	370,723				
	5	304,578	353,282	375,089	410,214	383,758					
	6	307,798	359,158	377,835	414,548						
	7	311,532	361,693	381,203							
	8	313,476	363,619								
	9	314,504									

(thousand euros)

Final estimate of cost of claims net of reimbursements

Years elapsed	Year of Occurrence									
	2007	**2008**	**2009**	**2010**	**2011**	**2012**	**2013**	**2014**	**2015**	**2016**
0	364,978	407,898	398,229	434,023	397,411	393,793	398,437	384,823	364,180	366,782
1	345,572	391,712	397,715	431,281	402,057	387,096	392,668	392,917	364,804	
2	343,767	396,434	404,384	438,271	403,487	388,828	400,612	400,628		
3	337,658	385,509	396,449	428,598	401,755	390,357	405,148			
4	329,963	379,282	391,028	426,586	400,511	390,413				
5	326,125	375,951	389,925	425,883	401,815					
6	323,871	373,325	389,074	428,858						
7	323,832	372,912	389,968							
8	322,896	372,875								
9	323,035									

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

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

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

Life Insurance	Type of reinsurance
Life Mortgage Loan	Proportional
Life Group	Proportional
Individual Life	Proportional
Life VTCC2.0	Proportional
Health Professionals Life	Proportional
Life + Cool	Proportional
Catastrophe Life	Not Proportional
Cumulative Protection Life	Not Proportional
Assistance	Proportional
Health	Proportional
Life Premium Protection	Proportional
Contributive Life Group	Proportional
Non-Contributive Life Group	Proportional
Banif Life Treasury Management	Proportional
Capitalisation / PPR	Proportional

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

(thousand euros)

		Impact on pre-tax income	
Area of analysis	Scenarios	2016	2015
Cost of claims	5% increase of the year's costs of claims, net of reinsurance	(29,731)	(17,099)
Expenses	10% increase of operating costs, net of reinsurance	(21,188)	(15,425)
Life expectancy	Decrease of 10% in mortality of current Works Accid. pensioners	(6,891)	(2,548)
Mortality	10% decrease of the mortality of the insured of life business	(2,883)	(2,371)

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

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

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

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

NATURE AND EXTENT OF THE MARKET RISK, CREDIT RISK, LIQUIDITY RISK AND OPERATING RISK

Market Risk

Market risk is normally associated with the risk of loss or occurrence of adverse alterations to the Group's financial position. It is the result of the level or volatility of the market prices of financial instruments, and is also closely related with the mismatching-risk between assets and liabilities, for which the Group has implemented an ALM policy.

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, the spread risk and the concentration risk.

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

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

Exchange-Rate Risk

The exchange-rate risk stems from the volatility of exchange rates against the euro and the sensitivity analysis is as follows:

(thousand euros)

		Impact on pre-tax income	
Area of analysis	**Scenarios**	**2016**	**2015**
Currency	10% depreciation of the value of all foreign currencies against the euro	(3,316)	(2,888)

Equities Risk

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

Stock market securities held by the Group are exposed to this risk, as are the investment funds consisting wholly or partly of such securities. The sensitivity analysis is as follows:

(thousand euros)

		Impact on net income and fair-value reserves before tax	
Area of analysis	**Scenarios**	**2016**	**2015**
Equities	10% decrease of stock-market values	(23,127)	(8,267)

Real-Estate Risk

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

(thousand euros)

		Impact on net income and fair-value reserves before tax	
Area of analysis	**Scenarios**	**2016**	**2015**
Properties	10% decrease in the value of real estate and real estate funds	(24,632)	(13,461)

Interest-rate Risk

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

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

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

(thousand euros)

Area of analysis	Scenarios	Impact on fair-value reserves before tax 2016	2015
Interest rate	100 b.p.decrease of the interest-rate curve - Effect on Assets	95,853	41,550
	100 b.p.increase of the interest-rate curve - Effect on Assets	(83,178)	(35,576)

(thousand euros)

Area of analysis	Scenarios	Impact on pre-tax income 2016	2015
Interest rate	100 b.p.decrease of the interest-rate curve - Effect on Liabilities	(51,672)	(1,017)
	100 b.p. increase of the interest-rate curve - Effect on Liabilities	25,025	794

This analysis does not include the Açoreana Seguros, SA, effect, since the technical provisions were recognised at fair value at the time of acquisition (Note 32).

Spread Risk

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

in TEUR	**2016**		**2015**	
Rating	%	value	%	value
AAA	22%	254,397	4%	25,181
AA	20%	235,255	5%	35,609
A	10%	117,332	28%	182,870
BBB	33%	385,669	42%	272,667
BB	11%	125,002	13%	81,676
B	2%	19,916	2%	11,328
CCC	0%	527	0%	-
Unrated	4%	35,900	7%	22,386
Total	**100%**	**1,173,998**	**100%**	**631,717**

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

Concentration Risk

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

	2016 (in TEUR)		2015 (in TEUR)	
Sector of activity	%	Gross Amount	%	Gross Amount
Basic resources	1%	17,330	2%	16,203
Communications	3%	42,334	2%	15,031
Consumables (cyclic)	2%	34,169	4%	31,107
Consumables (non-cyclic)	4%	50,899	6%	47,153
Energy	3%	45,703	3%	20,349
Financial	15%	206,340	45%	336,920
Funds	12%	175,251	2%	19,607
Public debt	50%	712,136	24%	188,395
Industrial	3%	45,088	4%	31,189
Medicine	0%	1,918	0%	1,000
Technology	0%	5,174	1%	11,394
Public / collective services	5%	69,084	7%	55,793
Other	0%	6,713	0%	2,971
	100%	**1,412,139**	**100%**	**777,112**

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

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

Liquidity Risk

The liquidity risk stems from the possibility that the Group may not hold assets of sufficient liquidity to meet cash-flow requirements to fulfil its obligations to policyholders and other creditors as they fall due. It should be pointed out that to mitigate this risk the Group prepares a cash-flow plan on a monthly basis, adjusted weekly to its cash requirements/surpluses.

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

(thousand euros)

2016	< 1 month	1-3 months	3-12 months	1-5 years	> 5 years	Without maturity	Total
Financial assets	83,358	90,115	49,980	343,346	923,572	306,069	1,796,440
Financial liabilities and mathematical reserve	17,357	55,260	94,870	309,103	426,410	5,689	908,689
Net	**66,001**	**34,855**	**-44,890**	**34,243**	**497,162**	**300,380**	**887,751**

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

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 depository banks and of reinsurers their ratings are taken into account and their evolution is periodically monitored throughout the year.

The breakdown of the balances of deposits is as follows:

(thousand euros)

	2016		2015	
Rating	%	value	%	value
AAA	0%	-	0%	-
AA	0%	-	0%	-
A	27%	31,893	0%	21
BBB	3%	4,095	0%	61
BB	14%	16,403	0%	256
B	4%	4,166	0%	66
CCC	18%	21,678	43%	24,719
Unrated	34%	39,822	56%	32,592
Total	**100%**	**118,057**	**100%**	**57,715**

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

	2016		2015	
Rating	%	value	%	value
AAA	0%	-	0%	-
AA	40%	5,806	29%	3,613
A	53%	7,639	54%	6,592
BBB	0%	-	0%	-
BB	0%	-	0%	-
B	0%	-	0%	-
CCC	0%	-	0%	-
Unrated	7%	950	17%	2,107
Total	**100%**	**14,395**	**100%**	**12,312**

Operational Risk

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

- intentional professional malpractice (internal fraud);
- illicit activities carried on by third parties (external fraud);
- practices related with human resources and safety at work;
- customers, products and commercial practices;
- external events causing damage to physical assets;
- interruption of the business and systems failures;
- risks related with business processes.

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

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

SOLVENCY

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

The Group monitors solvency in accordance with the new regime in force. In keeping with legislation, the definitive consolidated solvency-margin data will be publicly disclosed by July 1, 2017, through the solvency and financial-situation report.

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

ADEQUACY OF PREMIUMS AND PROVISIONS

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

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

BUSINESS RATIOS

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

	2016	(%) 2015
a) Claims ratio	75.3%	73.9%
b) Acquisition ratio	20.7%	20.8%
c) Administrative ratio	8.6%	9.6%
Combined ratio	**104.6%**	**104.3%**

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

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

	2016	2015
Claims / Premiums (IFRS 4)	240.7%	114.6%
Benefits Paid / Deposits Received (IAS 39)	1797.3%	423.1%
Acquisition Costs / (Premiums + Deposits Received)	11.3%	15.5%
Administrative Costs / (Premiums + Deposits Received)	5.4%	8.5%

AMOUNTS RECOVERABLE ON CLAIMS

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

In TEUR	2016	2015
Receivables	9,864	2,662
Adjustment of doubtful loans	(2,059)	(1,659)
Net total	**7,805**	**1,003**

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

In TEUR	2016	2015
Salvage	51	63
Other stocks	-	3
Inventories	**51**	**66**

NOTE 6 - LIABILITIES FOR INVESTMENT CONTRACTS AND OTHER FINANCIAL LIABILITIES

Movements under liabilities for investment contracts are as follows

(thousand euros)

	Financial without profit-sharing	Unit Links	PPR Unit Linked	Capitalisation Operations Unit Link	**Total**
Balances as at January 1, 2015	**156,843**	**9,459**	**36,458**	**211,585**	**414,345**
Changes to the consolidation perimeter	-	-	-	3	3
Additional liabilities of the period, net of commissic	7,192	731	241	-	8,164
Amounts paid	(26,427)	(1,967)	(4,077)	(164,158)	(196,629)
Technical interest	5,041	205	(1,724)	(47,430)	(43,908)
Other movements	(4,328)	-	-	-	(4,328)
Balances as at December 31, 2015	**138,321**	**8,428**	**30,898**	**-**	**177,647**
Changes to the consolidation perimeter	314	124	43	1,032	1,514
Additional liabilities of the period, net of commissic	796	167	201	-	1,164
Amounts paid	(5,776)	(1,734)	(3,674)	(984)	(12,169)
Technical interest	103	93	150	251	597
Other movements	(17,398)	-	254	-	(17,144)
Balances as at January 1, 2016	**116,360**	**7,078**	**27,872**	**300**	**151,610**

The figures for Other movements in 2016 and 2015 relate to reclassifications of products that now have provision for discretionary profit sharing.

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

(thousand euros)

	2016			**2015**		
	Gain	Loss	**Balance**	Gain	Loss	**Balance**
Carried at fair value through profit or loss	**6,434**	**(2,923)**	**3,510**	**56,110**	**(6,923)**	**49,187**
Capitalisation	4,118	(1,050)	3,068	52,489	(5,034)	47,455
PPR	2,316	(1,873)	443	3,621	(1,889)	1,732
Carried at amortised cost	**-**	**(4,107)**	**(4,107)**	**9**	**(5,288)**	**(5,279)**
Capitalisation	-	(3,233)	(3,233)	9	(2,996)	(2,987)
PPR	-	(874)	(874)	-	(2,292)	(2,292)
Total	**6,434**	**(7,031)**	**(597)**	**56,119**	**(12,211)**	**43,908**

The amounts carried in the financial statements also include the amounts of Notes 17 and 18, so the analysis should be performed in conjunction with these notes.

The amount of the financial liabilities of Unit Linked contracts, totalling €35,250k, (2015: €39,326k) corresponds to level 2 of the valuation method, in accordance with the levels prescribed in IFRS 13, since they are financial instruments valued in accordance with (non-adjusted) prices available on official markets and with prices quoted by entities that provide transaction prices of liquid markets.

The breakdown of Other financial liabilities is as follows:

In TEUR	2016	2015
Other financial liabilities		
Deposits received from reinsurers	11,722	650
Bank loans	-	2,107
Trade creditors	-	(5)
Subordinated liabilities	8,540	-
Other	15,018	28,880
Book value	**35,280**	**31,632**

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

The figures for Other recorded in 2016 & 2015 have to do with creditor bank balances that arose as a result of optimised financial management, taking into account the amount of payment means issued but not yet cashed, and also financial transactions in the settlement stage, taking into account their value dates and derivative financial instruments of negative value.

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

(thousand euros)

	2016		
	Amount	Rate	Maturity
Bond Loans	8,540	1.283%	17/12/2017

NOTE 7 - FINANCIAL INSTRUMENTS

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

(thousand euros)

In TEUR	2016	2015
Available-for-sale financial assets	1,334,289	638,447
Investments in associates and joint ventures	65,365	60,919
Term deposits	31,471	18,665
Financial assets at fair value through profit or loss	101,784	77,721
Financial assets held for trading	483	-
Held-to-maturity investments	-	-
Total holdings and financial instruments	**1,533,392**	**795,752**
Other financial assets	17,158	6,007
Total financial assets	**1,550,550**	**801,759**

In 2016 Appendix 1 takes into consideration €1,040k in respect of derivative financial instruments having a negative value that are carried in the balance sheet under Other financial liabilities under Liabilities (Note 6).

Investments in associates are detailed in Note 4, while information on the remaining financial instruments is provided throughout this Note 7.

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

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

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

In TEUR	2016	2015
Bonds & other fixed-income securities		
Public issuers'	21,677	223
Other issuers'	76,757	74,265
Other floating-rate securities	3,350	3,233
Book value	**101,784**	**77,721**
Acquisition cost	101,131	77,261

As at December 31, 2016, this heading includes fixed income securities with embedded derivatives in the sum of €13,132k (2015: zero). Additionally, this heading included only hybrid fixed-income securities linked to tier 1/2 capital financing in the sum of €7,252k (2015: €44,759k).

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

AVAILABLE-FOR-SALE FINANCIAL ASSETS

The breakdown of this type of asset is as follows:

In TEUR	2016	2015
Bonds & other fixed-income securities		
Public issuers'	691,009	188,396
Other issuers'	384,555	369,623
Equities	23,831	45,455
Other floating-rate securities	234,894	34,973
Book value	**1,334,289**	**638,447**

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

In TEUR	Amortised or acquisition cost	Accrued interest	Fair-value reserve	Impairment	Book value
Bonds & other fixed-income securities					
Public issuers'	186,261	3,140	(1,005)	-	188,396
Other issuers'	373,605	5,176	(9,158)	-	369,623
Equities	49,896	-	587	(5,028)	45,455
Other floating-rate securities	32,605	-	3,093	(725)	34,973
Balance as at December 31, 2015	**642,367**	**8,316**	**(6,483)**	**(5,753)**	**638,447**
Bonds & other fixed-income securities					
Public issuers'	682,919	8,809	(719)	-	691,009
Other issuers'	375,951	7,724	880	-	384,555
Equities	22,826	-	2,534	(1,529)	23,831
Other floating-rate securities	230,770	-	4,369	(245)	234,894
Balance as at December 31, 2016	**1,312,466**	**16,533**	**7,064**	**(1,774)**	**1,334,289**

As at December 31, 2016 & 2015, Other floating-rate securities include €23,554k and €15,366k, respectively, relating to the Group's holdings in real-estate investment funds.

Movements under impairment losses are as follows:

(thousand euros)

	2016	2015
Balance as at January 1	**5,753**	**1,936**
Appropriations for the period	2,108	4,498
Cancellations for the period for sale of assets	(6,087)	(2,650)
Written back during the period	-	-
Changes to the consolidation perimeter	-	1,969
Balance as at December 31	**1,774**	**5,753**

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

(thousand euros)

	2016	2015
Bonds & other fixed-income securities	-	-
Equities & other floating-rate securities	(2,108)	(4,498)
	(2,108)	**(4,498)**

FINANCIAL ASSETS/LIABILITIES HELD FOR TRADING

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

(thousand euros)

	2016		2015	
	Fair value	Notional value	Fair value	Notional value
Derivatives - forward and swap contracts	(557)	45 467	(228)	722 870
Carrying amount	**(557)**	**45 467**	**(228)**	**722 870**

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

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

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

In 2016, contracts with positive fair value in the amount of €483k are carried under Financial assets held for trading and contracts with negative fair value, amounting to €1,040k are carried under Liabilities under Other financial liabilities - Other.

HELD-TO-MATURITY INVESTMENTS

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

OTHER FINANCIAL ASSETS

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

(thousand euros)

In TEUR	2016	2015
Loans granted	8,508	5,553
Deposits at cedent companies	2	2
Other	8,648	452
Total of other financial assets	**17,158**	**6,007**

In 2016 and 2015, the figures for Others are in respect of financial transactions pending settlement, taking their value dates into account.

The breakdown of Other financial assets as at December 31, 2016 & 2015, is as follows:

In TEUR	Acquisition cost	Impairment	Book value
Other financial assets			
Loan capital	3,125	-	3,125
Loans	17,428	(15,000)	2,428
Balance as at December 31, 2015	**20,553**	**(15,000)**	**5,553**
Other financial assets			
Loan capital	3,125	-	3,125
Loans	20,383	(15,000)	5,383
Other financial assets	8,650	-	8,650
Balance as at December 31, 2016	**32,158**	**(15,000)**	**17,158**

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

Movements under impairment losses are as follows:

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

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

(thousand euros)

In TEUR	2016	2015
Loan capital	3,125	3,125
Loans to employees	2,483	1,301
Other loans	1,750	-
Shareholder's loan	1,150	1,127
Total loans granted	**8,508**	**5,553**

As of December 31, 2016 & 2015, the value of the loan capital is in respect of loans granted to Imocrescente - Closed Real Estate Investment Fund.

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:

In TEUR	2016		2015	
	Fair value	Book value	Fair value	Book value
Cash & cash equivalents and sight deposits	90,397	90,397	61,419	61,419
Loans & receivables	48,629	48,629	24,672	24,672
Other debtors for insurance & other operations	86,615	86,615	80,269	80,269
Other	131,617	131,617	146,352	146,352
FINANCIAL ASSETS AT AMORTISED COST	**357,258**	**357,258**	**312,712**	**312,712**
Financial liabilities on investment contracts	145,981	151,610	132,051	138,321
Other financial liabilities	35,280	35,280	31,632	31,632
Other creditors for insurance & other operations	68,671	68,671	60,397	60,397
FINANCIAL LIABILITIES AT AMORTISED COST	**249,932**	**255,561**	**224,080**	**230,350**

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

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

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

VALUATION METHODS

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

In TEUR	2016			
	Level 1	Level 2	Level 3	Total
Available-for-sale financial assets	**1,303,808**	**574**	**29,907**	**1,334,289**
Securities & equity paper	207,892	-	27,002	234,894
Equities & other floating-rate securities	20,926	-	2,905	23,831
Bonds & other fixed-income securities				
Public issuers'	690,435	574	-	691,009
Other issuers'	384,555	-	-	384,555
Financial assets at fair value through profit or loss	**42,777**	**56,255**	**2,752**	**101,784**
Securities & equity paper	3,077	-	273	3,350
Bonds & other fixed-income securities				-
Public issuers'	21,677	-	-	21,677
Other issuers'	18,023	56,255	2,479	76,757
Total Financial Assets	**1,346,585**	**56,829**	**32,659**	**1,436,073**
Derivatives	-	483	-	483
Total Financial Liabilities	**-**	**(1,040)**	**-**	**(1,040)**

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

The description of the levels is as follows:

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

The reconciliation of Level 3 assets is as follows:

In TEUR	Acquisition of subsidiary	Potential gains	Purchases	Sales	Impairments	Gains realised	Change in scope consolidation	31 December 2016	31 December 2015
Available-for-sale financial assets	**69,372**	**129**	**4,268**	**(53,070)**	**(2,399)**	**858**	**10,328**	**29,486**	**49,142**
Securities & equity paper	22,879	214	4,268	(6,510)	(2,399)	(98)	8,648	**27,002**	**22,879**
Equities & other floating-rate securities	26,263	(85)		(26,330)		956	1,680	**2,484**	**26,263**
Bonds & other fixed-income securities								-	-
Other issuers'	20,230			(20,230)				-	-
Financial assets at fair value through profit or loss	-	-	-	-	-	-	**2,752**	**2,752**	-
Securities & equity paper							273	**273**	-
Bonds & other fixed-income securities								-	-
Other issuers'							2,479	**2,479**	-

The Securities and units dealt with in this level include €20,715k in respect of units in closed-end investment funds and €6,183k in respect of private equity funds, whose fair value resulted from the publication of the Total Net Value of the Fund (TNVF) determined by the management companies.

The assets of these funds results from a diverse set of assets and liabilities carried in the respective accounts at fair value, using the internal methodologies of the management company. Since it is not feasible to present a sensitivity analysis of the various components of the respective assumptions used by the entities, the impact of a +/-10% change to the TNVF, in 2016 and 2015, is detailed as follows:

(thousand euros)

Area of analysis	Scenarios	Impact on profit or loss for the period 2016	Impact on the fair-value reserve 2016
Investment fund	10% rise in the values of closed real estate investment funds	-	2,072
	10% decrease in the values of closed real estate investment funds	-	(2,072)
	10% increase of private equity funds values	-	618
	10% decrease of private equity funds values	-	(618)

(thousand euros)

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

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

NOTE 8 - CASH, CASH EQUIVALENTS & SIGHT DEPOSITS

The balance of this heading is as follows:

In TEUR	2016	2015
Cash in hand	1,309	98
Deposits at credit institutions	89,088	61,321
Total	**90,397**	**61,419**

At the end of 2016, the Bank of Mozambique abolished the Nosso Banco banking institution, withdrawing its right to carry on its business in the country. The Group's two insurance companies Tranquilidade Moçambique Companhia de Seguros Vida, SA, and Tranquilidade Moçambique Companhia de Seguros, SA, had deposits with this institution amounting to €15k. The depositors are set to be reimbursed through the Deposit Guarantee Fund, but until this reimbursement occurs an impairment was recorded in 2016 for the full amounts.

NOTE 9 - LAND & BUILDINGS

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

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

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

The “Market Comparison” method is based on market evidence, which involves market research on properties comparable to the one subject to valuation, the values being based on an analysis of transactions involving similar properties. The "Income" method consists of determining the value of the land or building on the basis of the ratio between the effective annual rent and an appropriate capitalisation rate.

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

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

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

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

Fair-value model

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

(thousand euros)

Investment properties - Income-generating Buildings	2016	2015
Net Balance as at January 1	**76,706**	**258,272**
Changes to the consolidation perimeter	40,327	(162,474)
Additions through acquisition	-	-
Additions through improvements	92	188
Transfers	(72,344)	(10,824)
Written off/Sales	(6,472)	(10,137)
Fair value changes	5,582	1,681
Net Balance as at December 31	**43,891**	**76,706**

During 2015 and 2016, the changes to the consolidation perimeter are in respect of the Fundes - Special Closed Real Estate Investment Fund and of the acquisition of Açoreana Seguros, SA, as mentioned in Note 4.

All income properties held directly by the Group are intended to generate rents, even if for some reason rent is not charged; there are therefore no properties for the sole purpose of appreciation.

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

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

(thousand euros)

	2016	2015
Properties that generate rental income	20,339	76,605
Properties that do not generate rental income	23,552	101
Total	**43,891**	**76,706**

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

(thousand euros)

	2016	2015
Rental income	**4,490**	**4,374**
Operating costs	**250**	**232**
- on properties that generate rental income	123	114
- on properties that do not generate rental income	127	118

Cost model

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

(thousand euros)

	2016	2015
Gross value	**35,818**	**46,079**
Accumulated depreciation and impairments	(393)	(10,021)
Net Balance as at December 31	**35,425**	**36,058**

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

Tangible assets - Own Service Buildings (in TEUR)	2016	2015
Net Balance as at acquisition date of subsidiary	**36,058**	**24,423**
Changes to the consolidation perimeter	33,178	2,452
Additions through acquisition	543	186
Increases through improvements	21	-
Transfers	(32,911)	10,824
Written off/Sales	(123)	(1,271)
Depreciation charges for the period	(850)	(556)
Currency translation differences	(491)	-
Net Balance as at December 31	**35,425**	**36,058**

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

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

NOTE 10 - OTHER TANGIBLE FIXED ASSETS AND INVENTORIES

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

In TEUR	2016	2015
Equipment	**50,317**	**56,502**
Office equipment	5,704	6,256
Machines and tools	2,033	1,849
IT Hardware	34,607	39,818
Indoor fixtures & fittings	2,685	2,326
Leased buildings expenditure	3,853	2,962
Transport material	578	836
Other tangible assets	857	2,455
Fixed assets in progress	**-**	**13**
Accumulated depreciation	**(45,783)**	**(51,080)**
Impairments	-	-
Total	**4,534**	**5,435**

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

	Equipment	Fixed assets in progress
Balance as at January 1, 2015	**6,151**	**265**
Additions	2,583	94
Transfers	-	(176)
Depreciation charges for the period	(2,331)	-
Written off/Sales	(858)	(170)
Currency translation differences		-
Changes to the consolidation perimeter	(123)	-
Balance as at December 31, 2015	**5,422**	**13**
Additions	831	-
Transfers	-	(14)
Depreciation charges for the period	(1,697)	-
Written off/Sales	(1,261)	(13)
Changes to the consolidation perimeter	1,240	14
Balance as at December 31, 2016	**4,535**	**-**

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

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

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

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

(thousand euros)

	2016	2015
Non-current assets held for sale and discontinued operations		
Buildings - Income	71,113	-
Buildings - Owner occupied	32,893	-
Total	**104,006**	**-**

The 2016 figures relate to real-estate assets that were transferred from Income Properties and Owner-occupied Properties, in respect of which, in December of that year, the Group entered into two promissory purchase and sale contracts, the conveyance having been scheduled for a date subsequent to December 31, 2017, or to other assets that the Group intends to sell.

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

The fair value of the owner-occupied properties included under this heading amounts to €42,817 million.

NOTE 12 - INTANGIBLE ASSETS

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

As at December 31, 2016, goodwill corresponds just to the positive difference between the acquisition cost and the fair value attributable to the respective net assets acquired, in the amount of €65,981k thousand euros, in respect of the acquisition on August 5, 2016, of Açoreana Seguros, SA. (Note 32).

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

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

- €50,000k in respect of the acquisition in 2006 of the policy portfolio relating to the traditional broker channel from GNB - Companhia de Seguros de Vida, SA. (with accumulated amortisation of €23,551k);

- €1,244k in respect of the acquisition in 2014 of the policy portfolio relating to the traditional broker channel from the branch in Portugal of A.M.A. - Agrupación Mutual Aseguradora, Mútua de Seguros a Prima Fija (with accumulated amortisation of €622k);

- €5,592k, related to the acquisition in 2016 the life policy portfolio Açoreana Seguros, SA (with accumulated amortisation of €2,574k);

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

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

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

In TEUR	2016	2015
Goodwill	**65,981**	**26,436**
Other intangibles	**143,247**	**132,674**
Software development costs	71,385	64,663
Software	12,263	13,915
Intangibles in progress	2,763	1,565
Value in force	56,836	52,531
Accumulated amortisation	**(101,394)**	**(94,901)**
Impairments	(20,628)	(25,785)
	87,206	**38,424**

Movements in both years are as follows:

In TEUR	Goodwill	Other intangibles	Software development costs	Software	Intangibles in progress	Value in force	Other	Total
Balance as at January 1, 2015	**2,096**	**49,310**	**8,482**	**3,325**	**6,278**	**30,738**	**486**	**51,406**
Additions	-	4,186	1,082	73	2,700	-	331	4,186
Depreciation for the year	-	(14,593)	(10,912)	(1,040)	-	(2,218)	(423)	(14,593)
Impairments	(200)	-	-	-	-	-	-	(200)
Transfers	(1,244)	1,244	7,062	466	(7,062)	-	778	-
Writtten off / Sales	-	(817)	(49)	(601)	-	-	(167)	(817)
Changes to the consolidation perimeter	-	(1,559)	(18)	(1,191)	(350)	-	-	(1,559)
Balance as at December 31, 2015 (Opening)	**652**	**37,772**	**5,647**	**1,032**	**1,566**	**28,520**	**1,005**	**38,424**
Additions	65,980	9,669	(97)	712	3,462	5,592	-	75,649
Amortisation charges for the period	-	(8,606)	(2,109)	(1,539)	-	(4,958)	-	(8,606)
Impairments	-	(20,627)	-	-	-	(20,627)	-	(20,627)
Transfers	-	-	1,991	1,819	(3,810)	1,005	(1,005)	-
Written off/Sales	-	(112)	-	(6)	(106)	-	-	(112)
Changes to the consolidation perimeter	(651)	3,130	10	1,539	1,651	(70)	-	2,479
Balance as at December 31, 2016 (Closing)	**65,981**	**21,225**	**5,442**	**3,557**	**2,763**	**9,462**	**-**	**87,206**

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

(thousand euros)

	2017	2018	2019	2020	Subsequent	Total
Estimated amortisation	1,179	1,401	1,239	1,453	4,190	**9,462**

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

(thousand euros)

	2016	2015
Amortisation of intangible assets for the period	**8,606**	**14,593**
Costs of claims, net of reinsurance		
Amounts paid - Gross amounts	738	1,983
Net operating costs & expenses		
Acquisition costs	1,852	6,852
Administrative costs	6,015	5,700
Financial Costs		
Other	1	58

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)

	2016	2015
Gross assets	**64,885**	**53,252**
Policyholders		
- receipts pending collection	46,471	41,689
- reimbursement of claims	12,554	6,254
Insurance brokers	445	353
Co-insurers	5,415	4,957
Adjustments	**(9,020)**	**(8,997)**
Receipts pending collection	(3,820)	(6,520)
Non-performing loans	(5,200)	(2,477)
Net Assets	**55,865**	**44,255**

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

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

In TEUR	**2016**	**2015**
Gross assets	**14,395**	**13,244**
Reinsurers	14,395	12,312
Reinsured	-	932
Adjustments	**(1,384)**	**(237)**
Doubtful debt	(1,384)	(237)
Net Assets	**13,011**	**13,007**

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

(thousand euros)

	2016	2015
Gross assets	**25,422**	**24,527**
Related entities	282	457
Real-estate operations	-	-
IFAP	22	1,351
FAT	1,228	971
Management on account of IDS and Principals	3,214	3,001
Performance bonds	1,190	651
Rents & other amounts pending collection	5,880	779
Staff	396	679
Advances to suppliers	330	351
Clients	5,593	11,895
Other receivables	7,288	4,392
Adjustments	**(7,683)**	**(1,521)**
Non-performing loans	(7,683)	(1,521)
Net Assets	**17,739**	**23,006**

As of December 31, 2016, the balance of "Customers" includes the amount of €4,220k (2015: €5,139k) related to receivables from customers of ADV Angola - Planos e Sistemas de Saúde, Lda, having its registered office in Angola, an entity wholly owned by the subsidiary AdvanceCare Health International.

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)

Adjustment of receipts pending collection	2016	2015
Balance as at January 1	**6,520**	**4,402**
Appropriations for the period	44	2,121
Use for the year	(1,964)	(3)
Changes to the consolidation perimeter	(780)	-
Balance as at December 31	**3,820**	**6,520**
Adjustment of non-performing loans		
Balance as at January 1	**4,235**	**2,936**
Appropriations for the period	139	1,366
Use for the year	(575)	-
Changes to the consolidation perimeter	10,468	(67)
Balance as at December 31	**14,267**	**4,235**

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

(thousand euros)

	2016	2015
Accrued income	**1,800**	**454**
- Services rendered	904	120
- Financial Income on Reinsurance Ceded	-	334
- Other accruals	896	-
Deferred costs	**2,429**	**2,605**
- Insurance	52	45
- Rentals	17	55
- Acquisition costs	2,084	1,321
- Other deferred costs	276	1,047
- Outsourcing	-	137
Total	**4,229**	**3,059**

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

In TEUR	2016	2015
Balance as at December 31 (Opening)	**146,352**	**170,588**
Deposits received	717	7,447
Benefits paid	(19,419)	(34,295)
Technical interest for the period	3,967	2,612
Balance as at December 31 (closing)	**131,617**	**146,352**

Liabilities and provisions

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

(thousand euros)

	2016	2015
Policyholders (return premiums payable)	5,225	4,527
Insurance brokers		
- Commissions payable	4,151	2,726
- Current accounts	3,394	3,438
Co-insurers	11,963	6,730
Premiums received in advance	4,031	-
Total	**28,764**	**17,421**

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

	2016	2015
Reinsurers	23,319	17,114
Reinsured	16	651
Total	**23,335**	**17,765**

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

(thousand euros)

	2016	2015
Related entities	266	5,842
Suppliers of leased goods	-	23
Other suppliers of goods & services	6,908	2,533
IFAP	2,569	2,009
WA Pensions	2,743	1,769
Commissions and other costs payable	46	-
Other payables	4,040	13,036
Total	**16,572**	**25,212**

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

In TEUR	2016	2015
Deferred income	**3,589**	**1**
- Rentals	215	1
- Billed services	3,374	-
Accrued costs	**40,906**	**26,528**
- Staff costs (subsidies, charges & bonuses)	9,654	9,508
- Acquisition costs (incentives & commissions)	7,712	4,865
- Third-party supplies & services	20,000	9,497
- Services rendered to related companies	-	21
- Other	3,540	2,637
Total	**44,495**	**26,529**

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

(thousand euros)

	2016	2015
Taxes	1,677	2,204
Other adjustments	0	3,701
Other risks	75	75
Total	**1,752**	**5,980**

(thousand euros)

	2016	2015
Balance as at January 1	**5 980**	**1 997**
Appropriations for the period	407	3 985
Use for the year	(5 905)	(2)
Change to the consolidation perimeter	1 270	-
Balance as at December 31	**1 752**	**5 980**

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

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

In 2015, the appropriation for the year also includes the establishment of provisions amounting to €3,701k, primarily aimed at safeguarding any liabilities arising out of operations in Africa, and they have been fully reversed in 2016.

These movements are included in Other provisions (change) of the statement of income.

NOTE 14 - INSURANCE CONTRACT PREMIUMS

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

In TEUR	2016			2015		
Businesses / Groups of Businesses	Gross premiums written	UPR change	Premiums earned	Gross premiums written	UPR change	Premiums earned
Life						
Traditional	36,131	282	35,849	27,809	504	27,305
With-profits capitalisation	16,825	-	16,825	8,964	-	8,964
Non-life						
Accidents & Health	150,043	(5,639)	155,682	116,129	2,065	114,064
Fire & other damage	83,299	(3,596)	86,895	66,596	(204)	66,800
Motor	212,500	(684)	213,184	148,440	47	148,393
Marine, air and transport	5,915	(366)	6,281	6,149	(565)	6,714
General third-party liability	12,131	(1,282)	13,413	10,170	(217)	10,387
Credit and fidelity insurance	59	(11)	70	29	(6)	35
Legal protection	1,771	(94)	1,865	11	(1)	12
Assistance	17,365	(53)	17,418	15,596	379	15,217
Sundry	3,103	54	3,049	2,582	(73)	2,655
Total	**539,142**	**(11,389)**	**550,531**	**402,475**	**1,929**	**400,546**

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:

In TEUR	2016			2015		
Businesses / Groups of Businesses	Premiums written	UPR change	Premiums earned	Premiums written	UPR change	Premiums earned
Life						
Traditional	3,248	(29)	3,277	2,576	158	2,418
Non-life						
Accidents & Health	3,210	405	2,805	4,791	(661)	5,452
Fire & other damage	35,183	(2,085)	37,268	26,756	(178)	26,934
Motor	5,146	(68)	5,214	1,516	(1,628)	3,144
Marine, air and transport	3,241	(189)	3,430	3,191	(620)	3,811
General third-party liability	1,574	(40)	1,614	1,436	(17)	1,453
Credit and fidelity insurance	16	2	14	11	-	11
Legal protection	95	2	93	-	-	-
Assistance	15,830	198	15,632	14,100	(280)	14,380
Sundry	2,960	(7)	2,967	2,371	(136)	2,507
Total	**70,503**	**(1,811)**	**72,314**	**56,748**	**(3,362)**	**60,110**

Details of some amounts in respect of Non-Life direct insurance and reinsurance accepted, for 2016, are 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	149,979	156,300	159,363	40,349	(2,694)
Fire & other damage	83,138	86,242	40,995	27,406	(13,670)
Motor					
-Third-party liability,	134,941	136,435	95,487	35,872	(4,171)
- Other covers	77,187	76,371	57,985	24,388	(1,242)
Marine, air and transport	5,862	6,201	1,949	1,706	(2,032)
General third-party liability	12,111	13,389	3,299	4,584	(2,044)
Credit and fidelity insurance	62	73	(40)	12	9
Legal protection	1,771	1,865	25	402	(93)
Assistance	17,365	17,418	2	3,784	(14,262)
Sundry	3,073	3,023	2,493	693	17
Total	485,490	497,317	361,558	139,196	(40,182)
Reinsurance accepted	697	540	(597)	970	2,311
Grand total	486,186	497,857	360,961	140,166	(37,871)

Some amounts of the Life business line are as follows:

	2016	2015
		(thousand euros)
Gross direct insurance written and reinsurance accepted premiums	**52,956**	**36,794**
In respect of personal contracts	**36,917**	26,880
In respect of group contracts	**16,039**	9,914
	52,956	**36,794**
Periodic	41,193	29,270
Non-periodic	11,763	7,524
	52,956	**36,794**
On without-profits contracts	28,696	22,403
On with-profits contracts	24,260	14,391
	52,956	**36,794**
Balance of reinsurance	**490**	**(409)**

NOTE 15 - INSURANCE CONTRACT COMMISSIONS RECEIVED

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

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

(thousand euros)

	2016	2015
Interest	**19,546**	**11,239**
Available-for-sale financial assets	14,047	8,242
Financial assets at fair value through profit or loss	2,713	272
Held-to-maturity investments	-	-
Deposits, loans & other assets	2,786	2,725
Rents	**4,490**	**3,807**
Land & buildings	4,490	3,807
Dividends	**3,731**	**8**
Available-for-sale financial assets	3,731	8
Net income of associates	**5,459**	**5,527**
Total	**33,226**	**20,581**

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

(thousand euros)

	2016	2015
Bonds & other fixed-income securities		
Public issuers'	5,157	1,727
Other issuers'	11,604	6,809
Equities	6,454	5,527
Other floating-rate securities	2,840	8
Properties	4,490	3,807
Deposits	2,388	2,365
Loans & other assets	293	338
Total	**33,226**	**20,581**

The breakdown of Financial costs is as follows:

(thousand euros)

	2016	2015
Costs imputed to the investments function	3,719	1,809
Direct operating costs	937	420
Total	**4,656**	**2,229**

NOTE 17 - GAINS & LOSSES REALISED ON INVESTMENTS

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

(thousand euros)

	2016			2015		
	Gain	Loss	**Balance**	Gain	Loss	**Balance**
Financial - Not at fair value	**9,346**	**(10,385)**	**(1,039)**	**21,160**	**(5,087)**	**16,073**
Available-for-sale financial assets	8,097	(9,536)	(1,439)	16,069	(5,087)	10,982
Financial liabilities carried at amortised cost	-	-	-	4,258	-	4,258
Investments in associates and joint ventures	1,249	(849)	400	833	-	833
Financial - At fair value	**(355)**	**(1,673)**	**(2,028)**	**197**	**(143,263)**	**(143,066)**
Financial assets at fair value through profit or loss	(355)	(1,673)	(2,028)	197	(143,263)	(143,066)
Non-financial	**7,177**	-	**7,177**	**33**	**(172)**	**(139)**
Land & buildings - Held for income	7,177		7,177	33	(172)	(139)
Total	**16,168**	**(12,058)**	**4,110**	**21,390**	**(148,522)**	**(127,132)**

In 2015, gains on investments in subsidiaries, associates and joint ventures correspond to the capital gain generated by the sale to Calm Eagle Portugal Sociedade Unipessoal Lda, of the Group's holding AdvanceCare – Gestão de Serviços de Saúde, SA, (Note 7).

Also in 2015, losses on Investments in associates and joint ventures correspond to the capital loss on the sale to AdvanceCare of the Group's holding in Esumédica – Prestação de Cuidados Médicos, SA, (Note 7).

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

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

In addition to the amounts of gains and losses realised on investments, the amounts carried in the financial statements include the technical interest of financial liabilities carried at amortised cost amounting to -€4,107k (2015: -€5,270k), as shown in Note 6.

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

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

(thousand euros)

	2016			2015		
	Gain	Loss	**Balance**	Gain	Loss	**Balance**
Financial - At fair value	**3,546**	**(3,480)**	**66**	**95,868**	**(1,972)**	**93,896**
Assets held for trading	-	-	-	-	-	-
Financial assets at fair value through profit or loss	3,546	(3,480)	66	95,868	(327)	95,541
Financial assets managed by third parties	-	-	-	-	(1,645)	(1,645)
Non-financial	**13,686**	**(12,878)**	**808**	**4,469**	**(3,750)**	**719**
Land & buildings - Held for income	13,686	(11,629)	2,057	4,469	(3,750)	719
Land & buildings - Held for income - Non-current held for sale	-	(1,249)	(1,249)	-	-	-
Total	**17,232**	**(16,358)**	**874**	**100,337**	**(5,722)**	**94,615**

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

In addition to the amounts of fair-value adjustment gains and losses on investments, the amounts carried in the financial statements include the technical interest of financial liabilities carried at fair value through profit or loss amounting to -€494k (2015: €48,949k), as shown in Note 6.

NOTE 19 - GAINS & LOSSES ON CURRENCY TRANSLATION DIFFERENCES

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

The balance is broken down as follows:

(thousand euros)

	2016			2015		
	Gain	Loss	Balance	Gain	Loss	Balance
Available-for-sale financial assets	2,544	(2,224)	320	2,549	(1,945)	604
Financial assets held for trading	427	(813)	(386)	264	(439)	(175)
Other	2,345	(3,128)	(783)	607	(5,687)	(5,080)
Total	**5,317**	**(6,165)**	**(849)**	**3,420**	**(8,071)**	**(4,651)**

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

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

(thousand euros)

	2016	2015
Other technical income	**7,387**	**1,611**
Co-insurance management commissions	141	234
Claims management charges	9	6
Management on account of claims	7,236	1,371
Other technical expense	**10,341**	**4,441**
Co-insurance management commissions	585	785
Management on account of claims	9,755	3,656
Amount of gains & losses	**(2,954)**	**(2,830)**

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

(thousand euros)

	2016	2015
Other non-technical income	**52,081**	**52,646**
Reimbursement of taxes	212	17
Corrections & adjustments	-	1,408
Other gains	22,320	2,784
Interest & other financial gains	369	60
Services provided	29,121	48,313
Gains on disposal of tangible assets	59	64
Other non-technical expense	**51,281**	**56,728**
Donations	113	19
Sponsorship	74	78
Gifts for customers	171	251
Fines	15	19
Subscriptions	16	11
Contractual terminations	-	1,000
Services provided	20,291	46,764
Corrections & adjustments	-	1,030
Other expenses	30,345	6,893
Banking services & default interest	256	663
Value of gains & losses	**800**	**(4,082)**

Income for services rendered refer mostly to the operating income of Group entities other than insurers, while the expenses for services rendered refer mostly to staff costs and third-party supplies and services of these entities.

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

Also in 2016, Other gains primarily include about €2.5 million of income as a result of the Group have subscribed to the Special Plan to Reduce Debt to the State (PERES), which allowed the pardon of €2.2 million of interest and €0.3 million of other associated costs. Other gains also include about €0.9 million in respect of excess income tax estimates in past years.

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

(thousand euros)

	2016	2015
Other adjustments	3,294	(3,701)
Amount of gains & losses	**3,294**	**(3,701)**

The amount of Other provisions in 2015 includes the establishment of provisions primarily aimed at safeguarding any liabilities arising out of operations in Africa, and they have been fully reversed in 2016.

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 Group's four main functions and are reflected in and distributed to the following headings:

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

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

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

The breakdown of these expenses and their distribution using the classification based on their function as at December 31, 2016 & 2015, is as follows:

(thousand euros)

	Cost of claims		Acquisition costs		Administrative costs		Cost of investments		Other costs not allocated		Total 2016	
Staff costs	11,734	22%	23,922	45%	16,042	30%	630	1%	369	1%	52,697	100%
Third-party supplies & services	6,705	11%	18,925	32%	17,802	30%	525	1%	14,745	25%	58,702	100%
Taxes	864	18%	11	0%	3,684	78%	153	3%	-	0%	4,712	100%
Depreciation	1,292	12%	2,785	25%	6,503	58%	309	3%	265	2%	11,154	100%
Provisions for contingencies & liabilities	-	0%	-	0%	-	0%	-	0%	-	0%	-	0%
Other costs	(135)	-8%	(219)	-14%	(156)	-10%	2,102	132%	-	0%	1,592	100%
Total	**20,460**	**11%**	**45,424**	**32%**	**43,875**	**30%**	**3,719**	**2%**	**15,379**	**29%**	**128,857**	**100%**

(thousand euros)

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

Staff costs are detailed in Note 22.

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

(thousand euros)

	2016	**2015**
Electricity and water	701	702
Fuel	407	285
Office material, stationery, etc.	186	237
Gift articles	630	518
Office equipment & property maintenance	404	883
Hardware maintenance	2,676	2,086
Rents	4,139	3,353
Operational rental of vehicles & other rentals	1,104	1,066
Travel & entertainment costs	1,118	1,351
Telephone communications and networks	938	1,162
Post	2,006	1,717
Insurance	191	168
Retainers & fees	231	222
Advertising & marketing	5,330	5,702
Cleaning, hygiene and comfort	566	485
Surveillance and security	272	308
Outsourcing, consultancy & specialised work	22,468	19,376
Software services & development	2,792	2,444
Subscriptions	404	237
Premium collection	798	703
Broker training	177	163
Temporary work	51	122
Provision of operational services	-	118
Other sundry supplies & services	11,113	1,042
Total	**58,702**	**44,450**

The breakdown of Taxes and charges is as follows:

(thousand euros)

	2016	2015
VAT borne	5	22
Insurance Authorities levy	1,219	926
FAT levy	1,750	841
Municipal property tax	103	50
Fee for the General Secretariat of the MAI (Home Affairs)	1,182	787
Portuguese Green Card Office levy	65	63
Other taxes, fees and licenses	388	52
Total	**4,712**	**2,741**

The breakdown of the Amortisation charges is as follows:

(thousand euros)

	2016	2015
Software development costs	2,109	10,912
Software	1,539	1,040
Other intangible assets	-	311
IT Hardware	749	764
Owner-occupied properties	850	556
Office equipment & machines	312	806
Indoor facilities	91	138
Leasing	1	33
Other equipment	545	590
Intangible - Value in force	4,958	2,218
Other intangibles	-	112
Total	**11,154**	**17,480**

In 2015 the Group carried out a thorough review of its IT-cost capitalisation policy carried under intangible assets, and concluded, through the individual analysis of each project, that it was imperative to perform an additional amortisation of these assets, either by resetting their useful lives on the light of their contribution to future income or by reassessment of their materiality.

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

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

(thousand euros)	2016	2015
Interest on reinsurers' deposits	(520)	2
Interest on financial leases	-	2
Securities' custody & management fees and other commissions	2,112	730
Total	**1,592**	**734**

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

(thousand euros)	2016	2015
Acquisition costs		
Brokerage remuneration	53,982	38,325
Imputed costs insurance companies	45,424	35,803
Other acquisition costs	9,238	8,704
Deferred acquisition costs (change)	1,409	(122)
Administrative costs		
Brokerage remuneration	3,282	1,930
Imputed costs insurance companies	42,991	36,941
Other administrative costs	751	4,777
Reinsurance commissions & profit-sharing	(12,488)	(9,893)
Total	**144,589**	**116,465**

NOTE 22 - STAFF COSTS

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

	2016	2015
Senior managers	49	31
Managers	156	92
Co-ordinators	299	169
Technicians	252	2,919
Specialists	506	311
Operational specialists	22	22
Ancillary staff	34	19
Operational co-ordinator	-	2
Total	**1,318**	**3,565**

The significant reduction of workers is justified by the sale of the holding in Espírito Santo Contact Center, SA.

Staff costs are detailed as follows:

(thousand euros)

	2016	2015
Remuneration - Corporate officers	1,856	1,801
Remuneration - Personnel	36,018	45,782
Charges on remuneration - Corporate officers	342	232
Charges on remuneration - Personnel	7,900	8,112
Post-employment benefits - Defined-benefit pension plans	-2,856	1,320
Other employee long-term benefits	37	-
Employment termination benefits	6,205	-
Mandatory insurance	1,754	2,106
Social welfare costs	1,013	939
Training	178	232
Other staff costs	251	500
Total	**52,697**	**61,024**

In 2016 Staff costs include a cost in respect of individual retirement plans amounting to €806k, of which €367k relate to the corporate bodies.

As at December 31, 2016 & 2015, the Group had no loans or advances extended to corporate officers.

The remuneration policies in respect of members of the Governing Bodies and of the Board of the General Meeting and of Key employees are set out in the Disclosure of Remuneration Policies at the end of this Report.

The fees billed during 2016 by the outgoing Statutory Auditor within the scope of the legal audit of the 2015 accounts amounted to €275k.

The fees billed and to be billed by KPMG, statutory auditor of the parent company of the Group, for 2016 amount to €454k, of which €364k relate to the statutory audit of the accounts, €70k to other reliability-guarantee services and €20k to other services.

NOTE 23 - OBLIGATIONS INVOLVING EMPLOYEE BENEFITS

Retirement pensions and health benefits

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

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

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

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

As also mentioned in Note 3, on December 23, 2011, a new Insurance Collective Bargaining Agreement was approved, published in BTE nº 2 of January 15, 2012, altering a previously-defined set of benefits.

In the meantime, this Collective Bargaining Agreement succeeded and replaced by the Collective bargaining Agreement published in BTE nº 4 of January 29, 2016, which was the object of an extension order-in-council, published in BTE nº 25, dated July 8, 2016, which determined the application of the provisions of this agreement to all employees of those Group companies not affiliated with the signatory unions, except for employees affiliated with Sinapsa - National Union of Insurance and Related Professionals.

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

(i) with regard to post-employment benefits, employees come to be covered by an individual defined-contribution retirement plan;

(ii) length-of-service bonus equal to 50% of the actual salary, which will be due, upon fulfilment of the respective conditions for its grant, when the employees complete one or more multiples of 5 years with those Group companies.

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

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

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

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

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

	2016	2015
Financial assumptions		
Wage grow th rates	0.25%	0.50%
Pension grow th rate	0.25%	0.50%
Early-retirement pension grow th rate	0.25%	0.50%
Discount rate	0.75%	1.5 % & 2.5% (*)
Demographic assumptions and valuation methods		
Mortality Table	GKF 95	GKF 95
Disability Table	Suisse Re 2001	Suisse Re 2001
Actuarial valuation method	*Project Unit Credit Method*	

(*) In respect of liabilities towards directors

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

	2016
Financial assumptions	
Wage grow th rates	0.25%
Pension grow th rate	0.25%
Early-retirement pension grow th rate	
Discount rate	1.75%
Demographic assumptions and valuation methods	
Mortality Table	
Men	GKF 95
Women	GKF 95
Disability Table	Suisse Re 2001
Actuarial valuation method	*Project Unit Credit Methc*

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

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

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

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

(thousand euros)

	2016			2015		
	Retirement pensions	Health benefits	Total	Retirement pensions	Health benefits	Total
Liabilities as at December 31	(54,003)	(770)	(54,773)	(43,359)	(706)	(44,065)
Balance of the fund on December 31	51,048	-	51,048	32,722	-	32,722
Net assets/ (liabilities) in the balance sheet as at December 31	**(2,955)**	**(770)**	**(3,725)**	**(10,637)**	**(706)**	**(11,343)**

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

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

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

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

a) full funding of the current value of pension liabilities payable, including pre-retirement and early retirement benefits up to the normal retirement age and thereafter; and

b) funding of a minimum of 95% of the current value of the liability for past services of personnel in service, excluding pre-retirees or early retirees.

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

The pension plan in question is non-contributory, is independent of social security and is financed by the pension fund of the Group's entities.

Given the current level of financing of the fund, no contributions are expected to be required next year. The pension fund of the Group's entities has an average duration of about 5 years (Pension Fund of the Tranquilidade Group) and 10 years (Açoreana Seguros Pension Fund).

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

(thousand euros)

	2016			2015		
	Retirement pensions	Health benefits	Total	Retirement pensions	Health benefits	Total
Liabilities as at January 1	**43,359**	**706**	**44,065**	**41,876**	**778**	**42,654**
Transfers to other pension funds	-	-	-	(338)	-	(338)
Cost of current service	186	27	213	383	27	410
Interest cost	557	-	557	939	-	939
Asset cost accepted in 2015	-	-	-	689	-	689
Actuarial (gains) and losses on liabilities	(962)	(77)	(1,039)	3,879	1	3,880
Pensions paid by the fund	(3,162)	-	(3,162)	(3,839)	-	(3,839)
Benefits paid by the Group	-	(79)	(79)	-	(89)	(89)
Curtailment	(3,271)	-	(3,271)	-	-	-
Perimeter change	17,296	193	17,489	(230)	(11)	(241)
Liabilities as at December 31	**54,003**	**770**	**54,773**	**43,359**	**706**	**44,065**

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

(thousand euros)

	2016			2015		
	Retirement pensions	Health benefits	Total	Retirement pensions	Health benefits	Total
Balance as at acquisition date of subsidiary	**32,722**	**-**	**32,722**	**34,110**	**-**	**34,110**
Real return of the fund						
Expected return of the fund	436	-	436	718	-	718
Actuarial gains & losses	3,129	-	3,129	2,287	-	2,287
Contributions paid by the fund's participants	-	-	-	179	-	179
Pensions paid by the fund	(3,162)	-	(3,162)	(3,839)	-	(3,839)
Transfers to other pension funds	-	-	-	(338)	-	(338)
Perimeter exit	17,923	-	17,923	(395)	-	(395)
Balance of the fund on December 31	**51,048**	**-**	**51,048**	**32,722**	**-**	**32,722**

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

(thousand euros)

	2016			2015		
	Retirement pensions	Health benefits	Total	Retirement pensions	Health benefits	Total
Deviations recognised in reserves as at 1 January	**1,278**	**685**	**1,963**	**17,467**	**673**	**18,140**
Actuarial (gains) & losses						
- on liabilities	(962)	(77)	(1,039)	3,879	1	3,880
- on the plan's assets	(3,129)	-	(3,129)	(2,287)	-	(2,287)
Use of reserves for share capital reduction	-	-	-	(18,514)	-	(18,514)
Perimeter change	1,967	-	1,967	733	11	744
Deviations recognised in reserves as at 31 December	**(846)**	**608**	**(238)**	**1,278**	**685**	**1,963**

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

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

(thousand euros)

	2016			2015		
	Retirement pensions	Health benefits	Total	Retirement pensions	Health benefits	Total
(Assets) / Liabilities receivable or payable as at January 1	**10,637**	**706**	**11,343**	**7,766**	**778**	**8,544**
Actuarial gains & losses on liabilities	(962)	(77)	(1,039)	3,879	1	3,880
Actuarial gains & losses of the funds	(3,129)	-	(3,129)	(2,287)	-	(2,287)
Charges for the year:						
- Cost of current service	186	27	213	383	27	410
- Net interest costs in the balance of the cover of liabilities	121	-	121	221	-	221
- Asset cost accepted in 2015	-	-	-	689	-	689
Contributions made in the period and pensions paid by the Group	-	(79)	(79)	(179)	(89)	(268)
Curtailment	(3,271)	-	(3,271)	-	-	-
Perimeter change	(627)	193	(434)	165	(11)	154
(Assets) / liabilities receivable or payable as at December 31	**2,955**	**770**	**3,725**	**10,637**	**706**	**11,343**

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

(thousand euros)

	2016			2015		
	Retirement pensions	Health benefits	Total	Retirement pensions	Health benefits	Total
Cost of current service	186	27	213	383	27	410
Net interest costs in the balance of the cover of liabilities	121	-	121	221	-	221
Asset cost accepted in 2015	-	-	-	689	-	689
Curtailment	(3,271)	-	(3,271)	-	-	-
Costs for the period	**(2,964)**	**27**	**(2,937)**	**1,293**	**27**	**1,320**

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

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

(thousand euros)

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

As at December 29, 2016, Açoreana Seguros cancelled collective subscription nº 2 to the Banif Open-end Companies Welfare Pension Fund, FP, and set up the Açoreana Seguros Pension Fund, a closed-end fund set up on December 29, 2016, retroacting its effects to January 1, 2012.

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

(thousand euros)

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

Of these assets, €5,430k are in respect of the defined contribution allocated to the fund.

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

(thousand euros)

	2016		2015	
	+25 p.p.	-25 p.p.	+25 p.p.	-25 p.p.
Change of the discount rate of the liabilities	(604)	632	(805)	855
Change in the evolution of the pensions	562	(539)	609	(586)

NOTE 24 - CORPORATION TAX

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

As mentioned in Note 3, the Group companies which have registered office in Portugal are subject to the tax regime established by the Corporation Tax Code (IRC), this tax being determined at each company individually, and the Group does not therefore determine its tax on the consolidated result.

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

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

Subsequent years are subject to inspection and possible adjustment by the Tax Authority during a period of four years or longer period if deduction of tax losses is involved, in which case a period identical to the time limit for their deduction applies.

Given the nature of any corrections that might be made, it is not possible to quantify them at this time. However, in the opinion of the Group's Board of Managers no significant correction to the accompanying financial statements in respect of the years referred to above is to be expected.

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

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

Group entities presented tax losses for the fiscal years described, as follows:

(thousand euros)

Period	Brought forward	Used	Unrecognsed	Carried forward	Last year for use
2012	3,009	-	3,009	-	2017
2013	2,404	-	2,404	-	2018
2014	116,568	272	-	116,296	2026
2015	2,668	360	-	2,308	2027
2016	85,855	-	-	85,855	2028
Total	**210,504**	**632**	**5,413**	**204,459**	

For the purpose of calculation of deferred taxes and determination of the base amount of temporary differences, Group companies conducted a recoverability test vis-à-vis the business plans approved by management bodies and the resultant taxable profits expected.

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

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

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

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

The Group's merged entity, Açoreana Seguros, SA, delivered in 2016, within the statutory deadlines, the respective applications for maintenance of these tax losses, and is awaiting approval thereof by the Tax Authority.

The breakdown of current tax assets and liabilities reported in 2016 and 2015 is as follows:

(thousand euros)

	2016		2015	
	Current tax assets	Current tax liabilities	Current tax assets	Current tax liabilities
Corporation tax	1,464	3,326	4,283	8,543
Tax withheld at source	7	2,048	20	1,091
Value added tax	84	527	154	577
Other taxes & levies	334	12,379	268	6,479
Social security contributions	185	1,814	418	710
Local authority taxes	-	95	-	95
Total	**2,074**	**20,189**	**5,143**	**17,495**

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

In 2016 the Group's parent company joined the Special Plan to Reduce Debt to the State (PERES), under which it settled the amounts owed, the interest calculated up to the moment of payment having been pardoned.

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

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

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

(thousand euros)

	Assets		Liabilities		Net	
Headings	**2016**	**2015**	**2016**	**2015**	**2016**	**2015**
Investments	22,578	5,753	-	-	22,578	5,753
Post-employment benefits	315	62	-	-	315	62
Doubtful debt provision	2,180	52	-	-	2,180	52
Tax losses	42,936	521	-	-	42,936	521
Properties	-	1,412	(969)	-	(969)	1,412
Value in force	4,351	-	-	-	4,351	0
Technical Provisions	17,672	-	-	-	17,672	0
Other temporary differences	2,833	2,160	-	-	2,833	2,160
Total	**92,865**	**9,960**	**(969)**	**-**	**91,896**	**9,960**

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

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

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

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

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

(thousand euros)

	Fair-value reserve	Gains & losses	Changes to the consolidation perimeter	**Total 2016**
Current Tax	**48**	**(3,544)**	**-**	**(3,496)**
Corporation tax estimate	48	(2,586)	-	**(2,538)**
Autonomous tax	-	(958)	-	**(958)**
Deferred tax	**(3,261)**	**32,782**	**52,415**	**81,936**
Investments	(2,582)	(7,762)	27,169	**16,825**
Post-employment benefits	-	24	229	**253**
Doubtful debt provision	-	(1,594)	3,722	**2,128**
Properties held for sales	-	(2,872)	491	**(2,381)**
Value in force	-	5,095	(744)	**4,351**
Technical provision	-	-	17,672	**17,672**
Tax losses	(679)	41,119	1,975	**42,415**
Other temporary differences	-	(1,228)	1,901	**673**
Total	**(3,213)**	**29,238**	**52,415**	**78,440**

(thousand euros)

	Fair-value reserve	Gains & losses	**Total 2015**
Current Tax	**73**	**(2,668)**	**(2,595)**
Corporation tax estimate	73	(1,726)	**(1,653)**
Autonomous tax	-	(942)	**(942)**
Deferred tax	**3,632**	**1,119**	**4,751**
Investments	2,090	565	**2,655**
Doubtful debt provision	-	11	**11**
Tax losses	1,542	(1,033)	**509**
Properties	-	(145)	**(145)**
Other temporary differences	-	1,721	**1,721**
Total	**3,705**	**(1,549)**	**2,156**

The amounts shown in the above table do not consider the effect of non-controlling interests.

Reconciliation of the effective tax rate is as follows:

(thousand euros)

	2016	2015
Pre-tax income	(14,759)	55,592
Income tax calculated at 29.22%	**4,313**	**(16,244)**
Autonomous Tax	(1,244)	(943)
Tax losses generated during the year not carried forward	-	(113)
Recognition of Negative goodwill	-	11,327
Tax losses carried forward not considered	31,420	(1,456)
Untaxed impairments	(384)	(1,227)
Non-taxable items	(3,358)	
Dividends excluded from taxation	1,704	2,006
Tax benefits	148	150
Other income & costs excluded from taxation	(159)	(4,985)
Effect of different tax rates of subsidiaries operating in other jurisdictions	(2,991)	1,173
Differences in capital gains accepted for tax purposes	(352)	8,763
Current and Deferred Tax	**29,097**	**(1,549)**
Effective tax rate	**197.1%**	**2.8%**

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

NOTE 25 - SHARE CAPITAL

As at December 31, 2016, the subscribed capital is EUR 137,466,670.00 (2015: EUR 92,564,336.00) and is represented as shown in the table below, paid up to EUR 41,466,670.00. The remaining EUR 96,000,000.00 capital unpaid is uncalled at year end.

Class of shares	Number of shares 31/12/2015	Issuance of new shares 30/12/2016	Numbers of shares 31/12/2016	Value of shares 31/12/2016 (EUR)	Unpaid capital 31/12/2016 (EUR)
Class A shares	92,533,336	35,466,664	128,000,000	128,000,000	96,000,000
Class B shares	3,444	1,048,407	1,051,851	1,051,851	-
Class C shares	3,444	1,048,407	1,051,851	1,051,851	-
Class D shares	3,444	1,048,407	1,051,851	1,051,851	-
Class E shares	3,444	1,048,407	1,051,851	1,051,851	-
Class E shares	3,444	1,048,407	1,051,851	1,051,851	-
Class G shares	3,444	1,048,407	1,051,851	1,051,851	-
Class H shares	3,444	1,048,407	1,051,851	1,051,851	-
Class I shares	3,444	1,048,407	1,051,851	1,051,851	-
Class J shares	3,444	1,048,414	1,051,858	1,051,858	-
UP shares	4	-	4	4	-
Total	**92,564,336**	**44,902,334**	**137,466,670**	**137,466,670**	**96,000,000**

The increase of the share capital during the year can be summarised as follows:

- On January 22, 2016, an extraordinary general meeting resolved to increase the share capital of the Group by an amount of EUR 9,435,670 by transferring the amount from the share premium account and issuing the new shares.

- On December 21, 2016, an extraordinary general meeting resolved to increase the share capital of the Group by an amount of EUR 35,466,664 in order to bring the subscribed capital to an amount of EUR 137,466,670 by issuance of new shares, paid up by transferring the amount of EUR 8,866,666 from the share premium account. The balance of EUR 26,599,998 remains unpaid on the latest issue of shares.

NOTE 26 - RESERVES

Legal reserve

In accordance with Luxembourg company law, the Partnership is required to transfer a minimum of 5% of its net profit for each financial year to a legal reserve. This requirement ceases to be necessary once the balance on the legal reserve reaches 10% of the issued share capital. The legal reserve is not available for distribution to the shareholders.

Fair-value reserves

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

(thousand euros)

	2016	2015
Investments in associates and joint ventures	(8,376)	(8,488)
Floating-rate securities	6,903	3,680
Fixed-income securities	161	(10,163)
Currency translation differences reserve	(2,112)	(3,389)
Other reserves	(2,734)	-
Fair-value reserves	**(6,158)**	**(18,360)**

Deferred and current tax reserves

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

Deferred taxes are calculated, in accordance with the liabilities method based on the balance sheet, on the temporary differences between the book values of the assets and liabilities and their tax basis, using the tax rates approved or substantially approved on the reporting date in each jurisdiction that are expected to be applied when the temporary differences are reversed.

Actuarial Deviations Reserve

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

Share premium

As at December 31, 2016 the share premium amounts to EUR 105,836,415 (2015: EUR 71,485,514.37). The movements for the year were the following:

- On January 22, 2016, an extraordinary general meeting resolved to decrease the share premium account by an amount of EUR 9,435,670;
- On August 12, 2016 an extraordinary general meeting resolved to ratify a contribution in cash in an amount of EUR 21,149,736;
- On November 11, 2016, 2016 an extraordinary general meeting resolved to ratify a contribution in cash in an amount of EUR 31,503,500;
- On December 21, 2016, an extraordinary general meeting resolved to decrease the share premium account by an amount of EUR 8,866,666;

NOTE 27 – EARNINGS PER SHARE

Earnings per share attributable to the parent company's shareholders as at December 31, 2016 and 2015 was as follows:

	2016	2015
Net income for the period (in TEUR)	12,484	52,539
Number of shares (year-end)	9,466,670	31,000
Earnings per share (in TEUR)	**0.00**	**1.69**

NOTE 28 - DIVIDENDS PER SHARE

As of December 31, 2016, the Group’s sole shareholder was the partnership AIF VIII Euro Leverage, L.P., owned by the Apollo Group, to which no dividends were paid in 2016 and 2015.

NOTE 29 - TRANSACTIONS BETWEEN RELATED PARTIES

On January 15, 2015, the Apollo Group, via the firm Calm Eagle Holdings, S.à.r.l. acquired the whole of the Group’s share capital, this acquisition having warranted prior approval of the ASF.

As defined in IAS 24, related parties of Seguradoras Unidas, SA, are considered to be (i) subsidiary companies; (ii) subsidiaries and associated companies of the Group Apollo; (iii) members of the Board of Managers and of the supervisory bodies; and, (iv) pension fund. Besides the members of the Board of Managers, persons closely related with them and entities that they control or over whose management they have significant influence are considered related parties.

The relationships between related entities cover several business areas, the most relevant services and operations being health-insurance management, consultancy and medical services.

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

In TEUR	2016				2015			
	Assets	Liabilities	Costs	Income	Assets	Liabilities	Costs	Income
ADVANCE CARE *	2,019	1,030	3,608	193	-	-	-	-
Apollo Management International	-	-	568	-	-	-	131	-
Apollo Management VIII, L.P.	-	-	500	-	-	-	159	-
ESUMÉDICA	32	8	750	-	-	-	-	-
GNB SEGUROS	-	-	-	1,375	-	-	-	-
Apollo Investment Fund VIII, L.P.	-	438	-	-	-	196	-	-
AIF VIII Euro Leverage, L.P.	1,316	35	-	23	1,126	35	-	16
Apollo Management Holdings LP	-	12	317	-	-	12	-	-
EUROP ASSISTANCE	-	158	-	1,833	-		-	-
Total	**3,367**	**1,680**	**5,743**	**3,424**	**1,126**	**243**	**290**	**16**

* As of 31 December 2015, ADVANCE CARE was not considered as a related party within the definition of IAS 24, therefore the balances were not disclosed.

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

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

NOTE 30 - STATEMENT OF CASH FLOWS

The Group presents its cash flows using the indirect method.

NOTE 31 - COMMITMENTS

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

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

The Group also has an option for the purchase of 2% of the share capital of Tranquilidade – Corporação Angolana de Seguros, SA, which, if it comes about, will change the holding to 51% of the share capital and voting rights of this entity, the entire process being contingent upon prior authorisation by the competent Angolan authorities.

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

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

(thousand euros)

	2016	2015
Tangible assets (gross value)	11,171	11,341
Accumulated depreciation	(11,171)	(11,323)
Tangible assets (net value)	**-**	**18**
Creditors - Suppliers of goods	**-**	**23**

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

(thousand euros)

	Up to 3 months	4 to 12 months	>1 to 5 years
Operating lease contracts	394	960	1,148

NOTE 32 – BUSINESS COMBINATIONS

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

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

(thousand euros)

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

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

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

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

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

(thousand euros)

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

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

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

It should also be noted that, naturally, the share capital increases at Açoreana Seguros, SA, in the amount of €61,300k, (including €27,000k of share capital not paid up), as well as the ancillary capital contributions in the sum of €51,000k granted in 2016, were eliminated within the scope of the consolidation process.

The results now presented reflect the results of the acquired entity from August 5, 2016, until December 31, 2016.

NOTE 33 - EVENTS AFTER THE REPORTING DATE NOT DESCRIBED IN PREVIOUS POINTS

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

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

It should also be mentioned that, following recognition by the Ministry of Labour, Solidarity and Social Security of the company as undergoing restructuring, Seguradoras Unidas, SA, decided to go ahead with a friendly-terminations plan aimed at establishing a voluntary agreement for the departure of employees so interested, the final cost of which will depend on the degree of acceptance, still uncertain as of this date.

This process aims to adjust and resize the company to meet the challenges of soundness, competitiveness and financial sustainability, preparing it to face the new market conditions.

NOTE 34 – OTHER INFORMATION

RECENTLY-ISSUED STANDARDS AND INTERPRETATIONS

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

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

On November 21, 2013, the IASB issued the above amendment with effective application (retrospective) for periods beginning on or after January 1, 2014. This amendment was adopted by European Commission Regulation nº 29/2015 of December 17, 2014 (setting the entry into force at the latest as from the start date of the first financial period on or after February 1, 2015).

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

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

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

Improvements to the IFRS (2010-2012)

The 2010-2012 cycle of annual improvements issued by the IASB on December 12, 2013, introduced alterations, with effective date of application for periods beginning on or after July 1, 2014, to IFRS 2, IFRS 3, IFRS 8, IFRS 13, IAS 16, IAS 24 and IAS 38. These amendments were adopted by European Commission Regulation nº 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).

- <u>IFRS 2 - Definition of vesting condition</u>
  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.

- <u>IFRS 3 - Accounting for contingent consideration in a business combination</u>
  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.

- <u>IFRS 8 - Operating segments aggregation and reconciliation between the total of the reportable segments' assets and the assets of the company</u>
  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.

- <u>IFRS 13 - Short-term receivables and payables</u>
  The IASB amended the basis of completion in order to clarify that by eliminating AG 79 of IAS 39 the intention was not intended to eliminate the need to determine the present value of a short-term receivable or payable, the invoice for which was issued without interest, even if the effect is immaterial. It should be noted that paragraph 8 of IAS 8 now allows an entity not to apply accounting policies set out in the IFRS if its impact is immaterial.

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

- IAS 24 - Related party transactions - key management personnel services
  To resolve any concerns about identification of the costs of service of key management personnel (KMP) when these services are provided by an entity (such as an investment fund management entity), the IASB clarified that disclosures of the amounts incurred for KMP services provided by a separate management entity must be disclosed, but it is not necessary to submit the breakdown called for in paragraph 17.

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

Improvements to the IFRS (2012-2014)

The 2012-2014 cycle of annual improvements issued by the IASB on September 25, 2014, introduce alterations, with effective date of application for periods beginning on or after January 1, 2016, to IFRS 5, IFRS 7, IFRS 19 and IAS 34. These amendments were adopted by European Commission Regulation nº (EU) 2343/2015 of December 15, 2015.

- IFRS 5 - Non-current Assets Held for Sale and Discontinued Operations Changes in the Disposal Method
  The amendments to IFRS 5 clarify that if an entity reclassifies an asset (or a group in discontinuation) directly from "held for sale" to "held for distribution to owners" (or vice versa) then the change of classification is considered a continuation of the original disposal plan. Therefore, no measurement gain or loss will be book in the income statement or in the statement of comprehensive income.

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

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

- IAS 19 - Employee Benefits: Discount rate: regional market issue
  The amendments to IAS 19 clarify that high-quality corporate bonds used to estimate the discount rate shall be determined considering the same currency in which the benefits will be paid. Consequently, the depth of the high-quality corporate bond market must be assessed at the level of the currency, rather than at the level of the country. If an active market does not exist, the market rate of government bonds denominated in that currency shall be used.

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

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

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

IAS 27: Equity method in separate financial statements

On August 12, 2014, the IASB issued amendments to IAS 27, with effective date of application for periods beginning on or after, January 1, 2016, aiming to introduce an option for the measurement of subsidiaries, associates or joint ventures using the equity method in the separate financial statements. These amendments were adopted by European Commission Regulation nº (EU) 2441/2015 of December 15, 2015.

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

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

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

These amendments were adopted by European Commission Regulation nº (EU) 1703/2016 of September 22, 2016..

These changes are not applicable to the Group.

Other amendments

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

- Amendments to IAS 16 and IAS 41: Bearer Plants, (issued on June 30 and adopted by European Commission Regulation nº 2113/2015, of November 23);
- Amendments to IAS 16 and IAS 38: Clarification of the methods accepted for depreciation and amortisation, (issued on May 12 and adopted by European Commission Regulation nº 2231/2015, of December 2);
- *Amendments to IFRS 11: Accounting of acquisitions of interests in joint ventures (issued on May 6 and adopted by European Commission Regulation nº 2173/2015, of November 24);*
- Amendments to IFRS 1- Disclosure Initiative (issued on December 18 and adopted by European Commission Regulation nº 2406/2015, of December 18);

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

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

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

This amendment was adopted by European Commission Regulation nº 2067/2016 of November 22, 2016 (setting the entry into force at the latest as from the start date of the first financial period on or after January 1, 2018).

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

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

For an investment in equity instruments that is not held for trading, the standard allows an irrevocable designation, on initial recognition, on an instrument-by-instrument basis, of presentation of the fair-value movements through OCI. No amount recognised in OCI shall be reclassified to profit or loss 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 to present the alterations of the fair value in OCI, which are therefore measured at fair value with the alterations recognised in profit or loss.

The standard requires that derivatives embedded in contracts whose master contract is a financial asset within the scope of application of the standard shall not be separated; on the contrary, the hybrid financial instrument is assessed in its entirety, and, if there are embedded derivatives, they will have to be measures at fair value through profit of 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 (2010) transposes in general the classification and measurement guidelines contained in IAS 39 for financial liabilities, with no substantial changes.

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

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

Thus, the loss event no longer needs to exist before an impairment is constituted. This new model is intended to accelerate 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 increases 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 will apply on or after January 1, 2018.

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

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

IFRS 15 - Revenue from contracts with customers

On May 28, 2014, the IASB issued IFRS 15 - Revenue from contracts with customers. IFRS 15 was adopted by European Commission Regulation nº 1905/2016 of September 22, 2016. With mandatory application in periods beginning on or after January 1, 2018.

Its early adoption is permitted. This standard revokes standards IAS 11 Construction contracts, IAS 18 Revenue, IFRIC 13 Customer loyalty programmes IFRIC 15 Agreements for the construction of real estate, IFRIC 18 Transfers of assets from customers and SIC 31 Revenue: Barter transactions involving advertising services.

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

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

The Group is still assessing the impacts of adoption of this standard.

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

IFRS 14 - Deferred Regulatory Accounts

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

This standard is not applicable to the Group.

IFRIC 22 - Transactions in foreign currency and consideration of advances

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

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

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

IFRS 16 - Leases

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

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

The Group expects no impact on application of this standard.

Other amendments

The IASB also issued:

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

The Group expects no impact from the application of this amendment to its financial statements.

APPENDIX 1 – INVENTORY OF HOLDINGS AND FINANCIAL INSTRUMENTS

Expressed in euros

DESIGNATION	Quantity	Amount of par value	% of par value	Average price acquisition cost	Total Value acquisition cost	Carrying amount (Includes accrued interest) unit	Total
1 - AFFILIATES, ASSOCIATES, JOINT VENTURES AND OTHER RELATED COMPANIES							
1.1 - Domestic securities							
1.1.1 - Holdings in affiliates							
1.1.2 - Holdings in associates							
GNB SEGUROS	750,000			5.01	3,758,668.00	11.48	8,610,631.79
EUROPE ASSISTANCE	705,000			5.99	4,221,800.00	26.45	18,645,141.58
sub-total	1,455,000	0.00			7,980,468.00	37.93	27,255,773.37
sub-total	**1,455,000**	**0.00**			**7,980,468.00**	**37.93**	**27,255,773.37**
1.2 - Foreign securities							
1.2.2 - Holdings in associates							
TRANQUILIDADE DIVERSIFIED INCOME ICAV	2			1.00	2.00	1.00	2.00
sub-total	2	0.00			2.00	1.00	2.00
sub-total	**2**	**0.00**			**2.00**	**1.00**	**2.00**
Total	**1,455,002**	**0.00**			**7,980,470.00**	**38.93**	**27,255,775.37**
2 - OTHER							
2.1 - Domestic securities							
2.1.1 - Capital instruments and unit trusts							
2.1.1.1 - Equities							
COMPTA	306,960			1.64	503,699.84	0.10	30,696.00
QUINTA DOS CONEGOS	140,600			3.15	443,241.40	4.15	583,543.66
BANIF SGPS old	6,454,651,167			0.00	0.00	0.00	0.00
COMP. PREVIDENTE	6			532.54	3,195.23	0.00	0.00
COMP. PREVIDENTE SCPF	198			109.86	21,752.48	247.87	49,077.37
ESTELA GOLF	40			5,540.45	221,618.00	1,924.60	76,983.97
FETAL	2,760			20.84	57,528.12	0.00	0.00
HOTEL TURISMO ABRANTES	125			0.00	0.00	0.00	0.00
MADIBEL	7,955			0.01	80.88	0.00	0.00
SONAGI	55,600			0.44	24,293.86	1.72	95,632.00
SONAGI AN	100			0.06	5.51	0.01	1.00
SPECTACOLOR PORTUGAL	7,500			14.66	109,986.38	12.65	94,845.30
B.P.G. SA	10,472			2.09	21,905.33	2.09	21,905.33
IMOVALORSGII	90,000			0.00	0.00	0.00	0.00
LUSITANIA GASCOMP GAS DO CENTRO	595			2.80	1,666.54	2.80	1,666.54
NORMA ACORES	4,000			35.77	143,082.80	35.77	143,082.80
NOS ACORES	13,936			24.65	343,497.32	24.65	343,497.32
NOS MADEIRA	17,314			62.39	1,080,220.46	56.16	972,354.24
Portugal Capital VenturesS.C.R. S.A.	2,525			6.06	15,300.49	6.06	15,300.49
S.N.I.SOC NAC IMOBILIARIA SA	7,500			0.00	0.00	0.00	0.00
SOCIEDADE PORTUGUESAEMPREENDIMENTOS	4,441			0.13	576.89	0.13	576.89
AUDATEX PORTUGAL	150			301.47	45,220.35	301.47	45,220.35
sub-total	6,455,323,944	0.00			3,036,871.88		2,474,383.26
2.1.1.3 - Investment fund units							
ES LOGISTICA	80,000			5.00	400,000.00	3.10	247,888.00
ESP SANTO INFRASTRUCTURE FUND I	3,500			567.04	1,984,641.61	706.32	2,472,135.36
ESPÍRITO SANTO VENTURES III	200,000,000			0.01	1,800,000.00	0.01	1,740,000.00
EXPLORER II	113			8,758.03	987,704.65	12,749.55	1,437,856.00
IMOCRESCENTE FD DE INV IMOB FECHADO	10,075			997.11	10,045,409.87	1,571.73	15,834,416.60
BANIF CAPITAL INFRASTRUCTURE FUND	2,400			0.00	0.00	0.00	0.00
BANIF IMOGEST	257,879			21.91	5,650,696.22	17.96	4,632,615.72
LUSO CARBON FUND	10			10,657.95	106,579.53	10,454.30	104,542.98
SC1 Classe A Fundo Capital Risco	1,000,000			0.77	772,572.72	0.71	713,190.00
sub-total	201,353,976	0.00			21,747,604.60		27,182,644.66
sub-total	**6,656,677,920**	**0.00**			**24,784,476.48**		**29,657,027.92**
2.1.2 - Debt securities							
2.1.2.1 - Public debt							
PORT OT 4.75% 06/14/19		1,000,000.00	110.02%	110.5%	1,105,320.00	112.6%	1,126,187.40
PT OT 2,875% 10/25/25		680,000.00	94.95%	101.0%	686,949.60	95.6%	649,750.24
PT OT 4.45% 06/15/18		1,100,000.00	106.34%	107.4%	1,181,477.00	108.8%	1,196,438.81
PT OT 4.8% 06/15/20		5,000,000.00	111.55%	112.6%	5,631,300.00	114.2%	5,708,299.31
PT OT 4.95% 10/25/23		5,250,000.00	111.53%	116.0%	6,090,472.50	112.4%	5,902,870.58
PT OT 5.65% 02/15/24		1,750,000.00	114.53%	120.1%	2,101,627.50	119.5%	2,090,775.59
O.T. Fev 3.875% /15-02-2030		1,300,000.00	95.89%	106.3%	1,382,316.00	99.3%	1,290,561.71
BT 0% 09/22/17		50,000.00	100.01%	100.0%	50,007.08	100.0%	50,005.00
sub-total	0	16,130,000.00			18,229,469.68		18,014,888.64

Expressed in euros

DESIGNATION	Quantity	Amount of par value	% of par value	Average price acquisition cost	Total Value acquisition cost	Book value (Includes accrued interest) unit	Total
2.1.2.3 - Other issuers'							
BCP FINANCE VAR 49-14		1,500,000.00	43.40%	52.7%	790,500.00	43.4%	651,000.00
BRISA 1,875% 04/25		3,200,000.00	97.80%	102.7%	3,287,096.00	99.1%	3,169,841.98
BRISA 3,875% 04/21		1,200,000.00	113.10%	116.0%	1,391,532.00	116.0%	1,392,082.86
BRISA 6,875% 04/18		3,100,000.00	108.21%	111.0%	3,440,380.00	113.4%	3,513,915.82
EDP FINANCE 2.625% 01/22		2,000,000.00	105.60%	108.7%	2,174,800.00	108.1%	2,161,918.03
EDP FINANCE 4.125% 01/21		500,000.00	112.00%	114.5%	572,500.00	115.9%	579,497.95
EDP FINANCE 4.875% 09/20		2,500,000.00	114.20%	116.5%	2,912,500.00	115.6%	2,891,061.65
EDP FINANCE 5.75% 09/17		600,000.00	104.20%	106.3%	637,626.00	105.8%	634,746.58
GALP ENERGIA 3% 01/14/21		5,000,000.00	104.79%	104.4%	5,220,650.00	107.7%	5,383,712.30
GALP ENERGIA 4.125% 01/19		1,100,000.00	106.62%	107.2%	1,178,802.00	110.5%	1,215,139.62
MOTA ENGIL 5.5% 04/19		1,800,000.00	96.25%	92.0%	1,656,000.00	97.3%	1,751,750.00
REN FINANCE 4.75%		2,400,000.00	115.00%	117.9%	2,829,000.00	116.0%	2,783,784.98
REN FINANCE BV 2.5% 02/25		2,450,000.00	104.20%	109.6%	2,684,570.00	106.4%	2,606,929.46
VERSE 1 SNR 4.172% 16/02/17		195,374.87	100.33%	100.0%	195,374.87	100.5%	196,336.59
BANIF 09/19 TV 30/06/2019		5,000,000.00	0.00%	0.0%	0.00	0.0%	0.00
C.G.D. TV CMS Cap-Floor/05-08-2021		1,000,000.00	80.00%	80.0%	800,000.00	82.0%	820,273.98
E.D.P. 5.375%/16-09-2075		1,500,000.00	104.31%	101.6%	1,524,150.00	108.6%	1,628,708.22
EDP FINANCE 2% 04/22/25		2,150,000.00	98.35%	104.4%	2,245,524.50	99.7%	2,144,330.48
Rentiglobo SGPS 6.00%/20-06-2016		3,511,000.00	0.00%	0.0%	0.00	0.0%	0.00
Saudaçor TV /15-07-2020		900,000.00	99.91%	99.5%	895,770.00	101.2%	911,013.03
Semapa SGPS TV /17-04-2019		5,000.00	102.25%	101.5%	5,075.00	102.9%	5,144.23
Semapa TV /30-11-2020		1,000,000.00	101.50%	101.5%	1,015,000.00	101.7%	1,017,437.81
A. GAUDENCIO TF 25/05/1995		49,900.00	0.00%	0.0%	0.00	0.0%	0.00
BCP FINANCE 05/49 TF/TV 4,239% 13/10/2049 CALL 2015		3,000,000.00	42.00%	43.0%	1,290,000.00	42.0%	1,260,000.00
FNAC INVEST 22/05/1995		24,950.00	0.00%	0.0%	0.00	0.0%	0.00
GEOFINANÇA 1E 21/05/1995		34,530.00	0.00%	0.0%	0.00	0.0%	0.00
sub-total	0.00	45,720,754.87			36,746,850.37		36,718,625.57
sub-total	**0**	**61,850,754.87**			**54,976,320.05**		**54,733,514.21**
Total	**6,656,677,920**	**61,850,754.87**			**79,760,796.53**		**84,390,542.13**
2.2 - Foreign securities							
2.2.1 - Capital instruments and unit trusts							
2.2.1.1 - Equities							
AXA	50,400			24.87	1,253,404.42	23.98	1,208,592.00
ALLIANZ AG	7,796			160.01	1,247,470.60	156.55	1,220,463.80
BANCO SANTANDER CENTRAL HISPANO	279,000			4.54	1,265,591.91	4.95	1,381,608.01
BASF SE	18,250			69.12	1,261,528.66	87.96	1,605,270.00
BAYERISCHE MOTOREN WERKE	13,000			96.59	1,255,635.81	88.73	1,153,490.00
BNP PARIBAS	23,755			53.00	1,258,905.12	60.38	1,434,326.90
CINTRA CONCESIONES INFRA TRANSP	25,760			18.11	466,578.00	17.00	437,791.20
DAIMLER CHRYSLER AG	16,500			76.13	1,256,121.70	70.59	1,164,735.00
MUENCHENER RUECKVER AG	6,940			183.13	1,270,948.39	178.95	1,241,913.00
PUBLICIS GROUP	20,500			60.37	1,237,653.50	65.55	1,343,775.00
RENAULT SA	13,590			92.13	1,252,077.75	84.51	1,148,490.90
ROYAL DUTCH PETROLEUM COMPANY	61,500			20.28	1,247,370.02	25.99	1,598,077.51
SCHNEIDER ELECTRIC SA	23,960			52.32	1,253,486.34	65.98	1,580,880.80
SIEMENS AG	14,400			87.81	1,264,442.22	116.33	1,675,080.00
SOCIETE GENERALE	29,300			42.83	1,254,975.75	46.62	1,365,966.00
UNILEVER NV-CVA	31,700			38.79	1,229,519.58	39.11	1,239,787.00
NCG BANCO NC	185,838			0.50	92,919.00	0.73	135,661.74
sub-total	822,189	0.00			19,368,628.77		20,935,908.86
2.2.1.3 - Investment fund units							
DBX S&P 500 EUR UCITS ETF	139,490			31.80	4,435,394.80	34.97	4,877,965.30
FIDELITY TARGET 2020 SHARES	89,153			11.97	1,066,990.08	14.38	1,282,015.11
FIDELITY TARGET 2025 SHARES	56,580			9.88	559,092.25	14.40	814,753.30
FIDELITY TARGET 2030 SHARES	25,345			10.42	264,039.06	14.99	379,922.30
FIDELITY TARGET 2035 SHARES	7,471			21.23	158,585.30	31.96	238,783.71
FIDELITY TARGET 2040 SHARES	11,243			20.31	228,326.90	32.03	360,111.69
FIDELITY TARGET 2045 SHARES	39			12.77	499.95	13.43	525.78
FIDELITY TARGET 2050 SHARES	83			12.12	1,009.91	13.44	1,119.55
INCOMETRIC FUND	871,447			5.74	5,000,025.00	6.15	5,359,400.80
ISHARES EURO CORP EX-FIN 1-5	676,088			110.42	74,654,552.85	110.19	74,498,136.72
ISHARES EURO ULTRASHORT BOND	201,109			100.44	20,198,455.45	100.48	20,207,432.32
ISHARES GL CORP BD EU HEDGED	372,159			106.44	39,614,420.86	104.42	38,860,842.78
Aberdeen GlobalMManager World Equity Fund A-2	47,275			15.80	747,002.04	16.83	795,791.73
Aris EuroDefensive HF Fund	44			174.24	7,744.45	214.13	9,517.57
ISHARES CORE EURO CORP BOND	26,390			131.68	3,474,993.99	130.03	3,431,491.70
ISHARES EURO CORP EX-FINCL	58,150			119.38	6,941,751.71	117.56	6,836,114.00
ISHARES EURO GOVT 15-30 YR	64,521			252.95	16,320,290.32	232.12	14,976,614.52
ISHARES EURO HY CORP	255,424			105.13	26,853,910.69	106.40	27,177,113.60
ISHARES JPM USD EM BND EURH	57,156			106.05	6,061,228.93	98.80	5,647,012.80
ES TRADING FUND	20,000			104.80	2,096,000.00	123.40	2,468,000.00
Dublin Real Estate Fund Class ID	2,000,000			1.44	2,872,220.00	1.42	2,838,860.00
sub-total	4,979,168	0.00			211,556,534.54		211,061,525.28
sub-total	**5,801,357**	**0.00**			**230,925,163.31**		**231,997,434.14**

Expressed in euros

DESIGNATION	Quantity	Amount of par value	% of par value	Average price acquisition cost	Total Value acquisition cost	Carrying amount (Includes accrued interest) unit	Carrying amount (Includes accrued interest) Total
2.2.2 - Debt securities							
2.2.2.1 - Public debt							
B.T.P.S. ITALIA 04/24 TF 5,125% 31-07-2024		3,500,000.00	125.04%	130.3%	4,559,450.00	127.2%	4,451,590.07
B.T.P.S. ITALIA 08/19 TF 4,5% 01/03/2019		4,000,000.00	109.88%	111.7%	4,467,160.00	111.4%	4,454,540.00
B.T.P.S. ITALIA 09/20 TF 4,25% 01/03/2020		10,500,000.00	112.92%	114.9%	12,066,180.00	114.3%	12,004,005.42
B.T.P.S. ITALIA 4.50% /01-02-2018		400,000.00	105.08%	106.9%	427,472.00	106.9%	427,786.00
B.T.P.S. ITALIA 4.50% /01-02-2020		630,000.00	113.38%	115.5%	727,448.40	115.2%	726,046.65
B.T.P.S. Italia 2.00% /01-12-2025		2,000,000.00	102.75%	107.8%	2,155,741.50	102.9%	2,058,262.24
B.T.P.S. Italia 3.50%/01-03-2030		680,000.00	115.87%	125.1%	850,659.60	117.0%	795,796.82
B.T.P.S. Italia 4.50% /01-08-2018		6,400,000.00	107.40%	109.1%	6,980,224.00	109.3%	6,992,480.00
B.T.P.S. Italia 4.75% /01-09-2021		2,500,000.00	119.28%	122.4%	3,059,000.00	120.8%	3,021,203.48
B.T.P.S. Italia 5,50%/01-09-2022		1,050,000.00	125.56%	129.5%	1,359,999.90	127.4%	1,337,448.58
BONOS Y OBLIG DEL ESTADO 5.85% 01/22		8,300,000.00	127.44%	130.5%	10,835,152.00	132.8%	11,022,193.17
BTPS 3.75% 09/24		6,970,000.00	116.86%	121.8%	8,488,344.80	118.1%	8,231,750.03
BTPS 4.5% 03/01/26		600,000.00	123.48%	130.6%	783,612.00	125.0%	749,799.00
BTPS 4.5% 03/24		1,800,000.00	121.87%	126.8%	2,281,986.00	123.4%	2,220,435.00
BTPS 4.5% 05/23		3,900,000.00	120.99%	125.4%	4,888,845.00	121.7%	4,747,216.50
BTPS 5.5% 11/22		3,620,000.00	125.85%	130.2%	4,712,154.00	126.8%	4,588,545.07
Belgium Kingdom 4.00%/28-03-2022		3,200,000.00	122.97%	125.5%	4,014,400.00	126.0%	4,032,530.42
Bonos Spanish 4,6% 30/07/2019		3,700,000.00	112.10%	113.9%	4,214,152.00	114.0%	4,219,621.41
Bonos Spanish 4,85% 31/10/2020		11,650,000.00	118.01%	120.4%	14,024,852.50	118.8%	13,842,943.33
Bonos Spanish 5.15% /31-10-2028		4,231,000.00	138.92%	144.2%	6,100,128.88	139.8%	5,914,036.15
Bonos Spanish 5.50% /30-04-2021		4,350,000.00	122.76%	125.5%	5,461,207.50	126.5%	5,500,608.95
Bund Deutschland 4.75% /04-07-2028		2,900,000.00	149.82%	158.9%	4,609,231.00	152.2%	4,412,769.51
Bund Deutschland 4.75% /04-07-2034		500,000.00	168.85%	182.9%	914,630.00	171.2%	855,977.33
Finnish Gov. 3.875% /15-09-2017		500,000.00	103.26%	105.0%	525,075.00	104.4%	521,999.80
IRISH GOVT 0.8% 03/22		2,000,000.00	104.78%	103.5%	2,069,700.00	105.4%	2,108,356.16
IRISH GOVT 5% 10/18/20		1,250,000.00	120.98%	122.4%	1,530,525.00	122.0%	1,524,933.73
IRISH GOVT 5.92% 05/42		5,687,348.24	167.43%	158.6%	9,018,842.28	171.1%	9,729,990.16
Irish Treasury Gov. 4.40%/18-06-2019		1,150,000.00	112.31%	114.0%	1,311,172.50	114.7%	1,318,679.01
Irish Treasury Gov. 4.50% /18-04-2020		670,000.00	116.39%	118.1%	791,276.70	119.6%	801,068.70
Netherlands Gov. 3.75%/15-01-2023		5,000,000.00	124.61%	127.3%	6,365,100.00	128.2%	6,410,515.57
O.A.T. 3.75%/25-04-2021		4,500,000.00	117.87%	120.0%	5,398,830.00	120.4%	5,419,597.19
O.A.T. 4.00% /25-04-2055		1,000,000.00	165.78%	195.4%	1,953,510.00	168.5%	1,685,217.26
O.A.T. 5.75% /25-10-2032		2,000,000.00	168.01%	183.8%	3,675,320.00	169.1%	3,381,249.60
REPUBLIC OF ICELAND 2.5% 07/20		1,300,000.00	106.21%	99.7%	1,295,996.00	107.4%	1,395,712.95
REPUBLIKA OF SLOVENIJA 1.50% 03/35		5,550,000.00	95.85%	86.8%	4,814,745.00	97.0%	5,383,488.59
REPUBLIKA SLOVENIJA 4.625% 09/24		1,000,000.00	130.91%	131.5%	1,315,260.00	132.3%	1,323,428.49
Republic Austria 3.90% /15-07-2020		7,250,000.00	115.73%	117.6%	8,526,072.50	117.5%	8,521,559.63
Republic Austria 4.65% /15-01-2018		700,000.00	105.53%	107.6%	753,158.00	110.0%	769,932.98
Republic Austria 6.25% /15-07-2027		1,350,000.00	160.64%	168.4%	2,273,656.50	163.5%	2,207,706.78
Republica Slovakia 4%/27-04-2020		200,000.00	114.38%	116.2%	232,480.00	117.1%	234,199.62
Republica Slovenia 4.125%/26-01-2020		3,000,000.00	112.99%	114.9%	3,446,100.00	116.8%	3,504,569.02
Republica Slovenia 4.375%/18-01-2021		1,000,000.00	117.30%	119.5%	1,195,000.00	121.5%	1,214,548.36
SPANISH GOV 4% 04/30/20		3,150,000.00	113.12%	114.9%	3,619,854.00	115.8%	3,647,949.85
SPANISH GOVT 1.95% 07/30		6,900,000.00	101.76%	104.7%	7,227,705.00	102.6%	7,078,209.06
SPANISH GOVT 2.1% 04/30/17		2,000,000.00	100.82%	102.3%	2,046,400.00	102.2%	2,044,591.78
SPANISH GOVT 2.15% 10/25		2,980,000.00	107.58%	110.3%	3,288,088.15	107.9%	3,216,680.98
SPANISH GOVT 2.75% 10/24		2,720,000.00	112.69%	115.3%	3,136,568.00	113.1%	3,077,532.84
SPANISH GOVT 5.4% 01/31/23		1,550,000.00	128.42%	131.7%	2,041,505.00	133.4%	2,067,105.16
SPGB 4.2% 01/31/37		2,200,000.00	132.20%	124.9%	2,748,680.00	136.0%	2,992,973.77
SPGB 4.4% 10/31/23		3,920,000.00	123.81%	126.9%	4,976,400.80	124.5%	4,882,216.62
SPGB 4.9% 07/30/40		4,400,000.00	144.81%	151.9%	6,681,450.00	146.9%	6,462,385.47
SPGB 5.15% 10/31/44		1,700,000.00	150.78%	144.5%	2,456,500.00	151.6%	2,577,806.64
SPGB 5.9% 07/30/26		550,000.00	140.47%	139.1%	765,215.00	143.0%	786,248.74
SPGB 6% 01/31/29		4,000,000.00	148.00%	144.5%	5,778,800.00	153.5%	6,139,472.12
SWEDEN KINGDOM 0.875% 01/18		7,000,000.00	101.37%	102.3%	7,160,500.00	102.2%	7,151,822.16
UNITED MEXICAN STATES 1.625% 03/06/24		1,300,000.00	97.63%	99.5%	1,293,318.00	99.0%	1,286,488.01
BELGIUM KINGDOM 1% 06/22/26		15,122,700.00	104.29%	103.8%	15,695,619.13	104.8%	15,850,710.93
BELGIUM KINGDOM 1% 06/22/31		7,701,400.00	100.08%	100.3%	7,724,352.40	100.6%	7,748,149.60
BELGIUM KINGDOM 4.25% 09/28/21		600,000.00	122.27%	122.1%	732,823.00	123.4%	740,187.12
BELGIUM KINGDOM 5% 03/28/35		7,610,000.00	165.16%	165.2%	12,570,394.42	169.0%	12,858,481.48
BOTS 0% 05/12/17		50,000.00	100.10%	100.1%	50,067.50	100.1%	50,052.00
BTPS 0.65% 11/01/20		50,000.00	101.59%	101.5%	50,770.00	101.7%	50,848.42
BTPS 5% 03/01/25		9,282,000.00	126.88%	132.9%	12,332,343.66	128.5%	11,930,319.60
BUNDES 0% 08/10/21		3,680,000.00	102.62%	102.1%	3,755,690.00	102.6%	3,776,416.00
BUNDES 0% 15/08/26		77,540,900.00	98.15%	97.5%	75,611,112.05	98.1%	76,103,291.71
BUNDES 4% 01/04/37		37,350,000.00	161.38%	160.5%	59,933,490.05	165.3%	61,751,608.14
BUNDES 5.5% 01/04/31		21,337,400.00	168.37%	168.4%	35,939,350.86	173.8%	37,086,724.99
FRANCE GOVT 0% 05/25/22		2,940,000.00	100.67%	100.4%	2,950,866.20	100.7%	2,959,756.80
FRANCE GOVT 0.25% 25/11/26		60,714,300.00	95.91%	95.6%	58,016,970.30	95.9%	58,243,627.21
FRANCE GOVT 1.25% 05/25/36		47,400,000.00	98.63%	98.6%	46,744,999.21	99.4%	47,106,795.30
FRANCE GOVT 1.5% 05/25/31		26,565,100.00	105.87%	106.3%	28,229,917.54	106.8%	28,363,586.39
FRENCH T BILL 0% 03/08/17		2,800,000.00	100.15%	100.2%	2,805,318.42	100.1%	2,804,144.00
GERMAN T BILL 0% 05/24/17		7,500,000.00	100.30%	100.4%	7,531,125.00	100.3%	7,522,725.00
I.C.O. 4.375%/10-05-2019		750,000.00	110.56%	112.2%	841,290.00	113.3%	849,426.88
NETHERLANDS GOVT 0% 01/15/22		820,000.00	101.88%	101.5%	831,937.80	101.9%	835,448.80
NETHERLANDS GOVT 0% 04/15/18		50,000.00	100.93%	101.0%	50,485.00	100.9%	50,464.00
NETHERLANDS GOVT 0.5% 15/07/2026		17,309,700.00	101.48%	100.9%	17,473,159.64	101.7%	17,606,649.10
NETHERLANDS GOVT 2.5% 01/15/33		6,617,900.00	127.57%	127.9%	8,466,963.60	130.0%	8,601,320.44
NETHERLANDS GOVT 4% 01/15/37		8,780,000.00	159.72%	159.0%	13,956,385.01	163.6%	14,360,222.56
REPUBLIC OF AUSTRI 2.4% 05/23/34		3,430,000.00	124.11%	124.4%	4,266,617.00	125.6%	4,307,110.20
REPUBLIC OF AUSTRI 4.15% 03/15/37		4,460,000.00	157.57%	157.0%	7,003,085.36	160.9%	7,175,008.50
REPUBLIC OF AUSTRIA 0.75% 10/20/2026		8,538,000.00	103.19%	102.5%	8,754,635.21	103.3%	8,823,079.14
REPUBLIC OF AUSTRIA 3.5% 09/15/21		350,000.00	118.37%	118.3%	413,953.50	119.4%	417,879.09
REPUBLIC OF PERU 2.75% 01/30/26		1,500,000.00	108.00%	110.6%	1,659,000.00	110.5%	1,657,868.85
REPUBLIC OF POLAND 4% 03/23/21		2,000,000.00	115.71%	118.2%	2,364,000.00	118.8%	2,376,207.40
REPUBLIC OF TURKEY 5.125% 05/18/20		750,000.00	107.75%	109.2%	818,625.00	110.9%	832,029.97
REPUBLIKA SLOVENIJA 1.75% 11/03/40		5,000,000.00	97.68%	97.7%	4,884,692.58	98.0%	4,897,754.11
Republic Austria TV CMS Floor/28-07-2025		1,000,000.00	105.13%	106.5%	1,064,600.00	105.6%	1,055,573.97
Republic Poland 4.2% /15-04-2020		1,000,000.00	113.25%	115.5%	1,155,000.00	116.2%	1,162,417.81
SPGB 0.75% 07/30/21		50,000.00	102.19%	102.6%	51,275.00	102.5%	51,250.72
DEUTSCHLAND REP 5.625% 98-04/01/2028		5,000,000.00	158.42%	159.9%	7,995,100.00	163.6%	8,178,138.54
DEUTSCHLAND REP 5.5% 00-04/01/2031		4,500,000.00	169.31%	171.1%	7,697,385.00	174.1%	7,833,228.00
DEUTSCHLAND REP 5.5% 00-04/01/2031		500,000.00	169.31%	168.2%	840,930.00	174.1%	870,358.67
DEUTSCHLAND REP 0% 16-15/08/2026		2,000,000.00	98.40%	98.5%	1,969,160.00	98.2%	1,963,330.00
US TREASURY N/B 1.5% 16-15/08/2026		500,000.00	91.59%	92.9%	433,137.30	87.7%	438,658.57
Obrigações BT Mozambique		573,599.00	100.00%	1.00	573,599.00	1.00	573,599.00
sub-total	0	580,581,347.24			681,935,060.25		687,340,270.94

Expressed in euros

DESIGNATION	Quantity	Amount of par value	% of par value	Average price acquisition cost	Total Value acquisition cost	Carrying amount (Includes accrued interest) unit	Total
2.2.2.2 - Other public issuers'							
COMMUNITY OF MADRID 4.125% 05/24		3,000,000.00	119.65%	123.3%	3,699,990.00	122.2%	3,665,445.20
GENERALITAT DE CATALUNYA 4.75% 06/18		800,000.00	104.38%	102.2%	817,760.00	107.1%	856,863.01
K.F.W. TV Ei Cap/Floor /24-07-2018		1,000,000.00	102.61%	103.3%	1,032,550.00	103.5%	1,034,796.66
Reseau Ferre France 6.00% /12-10-2020		500,000.00	123.76%	126.4%	632,100.00	125.1%	625,375.35
Ontario Province 4.75% /23-04-2019		1,000,000.00	111.54%	113.6%	1,135,750.00	114.8%	1,148,194.52
sub-total	0.00	6,300,000.00			7,318,150.00		7,330,674.74
2.2.2.3 - Other issuers'							
Dexia Municipal Ag. TV 10 CMS/22-08-2022		1,000,000.00	97.28%	97.9%	978,600.00	97.3%	973,061.08
3M FLOAT 05/20		400,000.00	100.14%	100.0%	400,000.00	100.1%	400,576.00
ADIDAS AG 1.25% 10/21		750,000.00	103.80%	99.1%	743,587.50	104.1%	780,680.03
AIR FRANCE - KLM 3.875% 06/21		500,000.00	103.43%	99.3%	496,250.00	105.5%	527,554.11
AIR PRODUCTS & CHEMICALS 1% 02/12/25-14		750,000.00	100.95%	99.4%	745,755.00	101.8%	763,713.85
ANHEUSER-BUSCH FLOAT 10/18		250,000.00	100.15%	100.0%	250,000.00	100.1%	250,362.50
ARCELORMITTAL 3.125% 01/22		1,000,000.00	104.69%	99.7%	997,340.00	107.7%	1,076,974.64
AT&T INC 1.3% 09/05/23		700,000.00	101.63%	101.3%	709,045.00	102.1%	714,354.98
AUSTRALIA PACIFIC AIRPORTS 1.75% 10/24		500,000.00	105.47%	99.0%	494,935.00	105.8%	529,210.89
Abertis Infra. 4.375%/25-10-2019		1,200,000.00	111.52%	115.1%	1,381,644.00	112.4%	1,348,715.01
BARCLAYS 6.5% 12/29/49		2,000,000.00	97.25%	94.8%	1,895,000.00	97.5%	1,950,416.66
BARCLAYS BANK 6% 01/14/21		2,100,000.00	115.92%	120.3%	2,525,250.00	121.7%	2,555,437.33
BERKSHIRE HATHAWAY 1.125% 03/16/27		1,000,000.00	98.24%	98.7%	987,250.00	99.1%	991,308.36
BHARTI AIRTEL INTERNAT 3,375% 05/2021		750,000.00	108.00%	99.2%	744,360.00	110.1%	825,611.10
BHP BILLITON FINANCE FLOAT 04/20		100,000.00	99.98%	100.0%	100,000.00	100.0%	99,988.58
BK TOKYOMITSUBISHI UFJ 0.875% 03/22		1,000,000.00	101.99%	99.5%	995,480.00	102.7%	1,026,931.92
BLACKROCK 1.25% 05/06/25		1,100,000.00	100.74%	99.5%	1,094,440.00	101.6%	1,117,187.42
BMW US CAPITAL FLOAT 04/18		500,000.00	100.04%	100.0%	500,000.00	100.0%	500,215.00
BNP PARIBAS 05/49 TF 4,875% 17/10/2049 CALL 2011		3,000,000.00	102.00%	100.7%	3,020,580.00	103.0%	3,090,051.37
BNP PARIBAS 1.375% 11/21/18		50,000.00	102.53%	102.9%	51,425.00	102.7%	51,338.34
BPE FINANCIACIONES 2.5% 02/17		12,700,000.00	100.10%	101.6%	12,902,535.00	102.4%	13,002,440.44
BPE FINANCIACIONES SA 2% 02/30/20		1,000,000.00	99.83%	99.5%	994,790.00	101.6%	1,016,462.08
C.D.C. IXIS 5.375% /29-11-2027		2,000,000.00	114.45%	114.5%	2,290,200.00	114.9%	2,298,424.66
CAP GEMINI FLOAT 07/18		500,000.00	100.62%	101.0%	505,050.00	100.8%	503,796.25
CARREFOUR 1.25% 06/25		500,000.00	101.58%	99.5%	497,340.00	102.3%	511,513.01
CARREFOUR 1.75% 07/22		500,000.00	106.26%	99.3%	496,460.00	107.1%	535,326.37
CASINO GUICHARD PERRACHO 2.33% 25-24		1,500,000.00	99.62%	100.0%	1,500,000.00	101.7%	1,525,561.31
CASINO GUICHARD PERRACHO 3.311% 01/23		300,000.00	109.50%	111.6%	334,875.00	112.6%	337,757.52
CLOVERIE PLC SWISS REINS 6.625% 09/01/42		3,400,000.00	124.66%	126.1%	4,285,700.00	126.9%	4,313,043.92
COCA-COLA 1.125% 03/09/27		1,000,000.00	101.03%	99.0%	990,230.00	101.9%	1,019,474.11
Caisse Natl Autoroutes 5.25% /30-01-2017		150,000.00	100.43%	102.8%	154,236.00	105.3%	157,877.52
Casino Guichard Call 4.87%/31-01-2048		1,100,000.00	95.50%	95.5%	1,050,500.00	100.0%	1,099,532.65
Cie Financement Foncier 5.75% /04-10-2021		500,000.00	126.90%	131.1%	655,365.00	128.3%	641,441.51
Commerzbank AG 7.75%/16-03-2021		2,000,000.00	119.67%	122.0%	2,439,160.00	125.8%	2,516,550.68
Commerzbank TV Floor /30-08-2019		500,000.00	111.00%	112.5%	562,250.00	112.8%	563,865.89
Credit Suisse Fin. TV Floor /29-07-2019		500,000.00	109.75%	112.0%	560,000.00	111.9%	559,305.56
DAIMLER AG 1.875% 07/24		1,000,000.00	109.10%	107.7%	1,077,000.00	110.0%	1,100,011.10
DELPHI AUTOMOTIVE 1.5% 03/25		700,000.00	100.08%	99.5%	696,780.00	101.3%	709,047.07
DEUTSCHE ANN FIN 2.125% 07/22		500,000.00	107.00%	99.4%	497,060.00	108.0%	540,079.18
Dresdner Bank CZ /01-03-2029		500,000.00	132.63%	146.0%	730,000.00	136.9%	684,744.44
EASTER CREATION II INV 1% 03/19/18		1,950,000.00	100.61%	99.8%	1,945,476.00	101.4%	1,977,286.37
EDENRED 1.375% 03/25		1,200,000.00	99.40%	98.9%	1,187,268.00	100.5%	1,206,168.82
ENAGAS FIN 1% 03/25/23		1,000,000.00	102.30%	99.7%	996,720.00	103.1%	1,030,648.63
ENAGAS FINANCIACIONES 1.25% 02/25		700,000.00	102.33%	99.1%	693,560.00	103.5%	724,189.44
ENBW 6.125% 07/39		1,000,000.00	160.68%	148.1%	1,481,000.00	163.6%	1,636,472.05
ERSTE GROUP BANK 7.125% 10/10/22		3,000,000.00	124.53%	119.0%	3,570,000.00	126.1%	3,783,860.55
EVONIK INDUSTRIES 1% 01/23/23		500,000.00	102.30%	99.3%	496,685.00	103.2%	516,205.79
Electricite France Call 4.125% TV/22-01-2048		2,000,000.00	98.65%	95.3%	1,905,000.00	102.5%	2,050,540.98
Electricite France Call 5.0% TV/22-01-2049		2,000,000.00	95.55%	94.6%	1,892,500.00	100.2%	2,004,989.07
Enel Societa 5.25%/20-05-2024		3,000,000.00	131.17%	138.3%	4,147,500.00	134.4%	4,032,069.04
FCE BANK PLC 1.134% 02/10/22		500,000.00	100.93%	100.0%	500,000.00	101.9%	509,674.84
FERROVIAL SA 2.5% 07/24		3,000,000.00	108.47%	111.3%	3,339,840.00	109.6%	3,288,766.02
FIAT CHRYSLER 4.75% 07/15/22		2,000,000.00	110.20%	109.6%	2,192,500.00	112.4%	2,247,986.30
FIAT FINANCE 4.75% 03/21		1,000,000.00	109.90%	109.5%	1,095,000.00	113.6%	1,135,958.91
FIAT FINANCE 6.75% 10/19		700,000.00	115.00%	114.4%	800,557.38	116.4%	815,097.26
FINMEC FINANCE 4.5% 01/21		730,000.00	112.80%	113.8%	830,375.00	117.1%	854,584.67
FINMECCANICA FIN. 03/18 TF 5,75% 12/12/2018		570,000.00	110.55%	112.6%	641,962.50	110.9%	631,852.50
FLOWSERVE CORPORATION 1.25% 03/17/22		2,500,000.00	99.81%	99.3%	2,483,400.00	100.8%	2,519,968.15
Fortis TV CMS Floor /05-12-2017		900,000.00	103.58%	106.5%	958,500.00	103.9%	935,309.00
GAS NATURAL 5.625% 02/17		100,000.00	100.58%	103.0%	102,959.00	105.6%	105,594.25
GAS NATURAL FENOSA 2.875% 03/24		1,000,000.00	113.56%	99.7%	997,340.00	115.9%	1,158,786.30
GAZPROM 3.6% 02/26/21		1,000,000.00	105.50%	103.3%	1,032,500.00	108.5%	1,085,393.44
GDF SUEZ 1% 03/13/26		2,400,000.00	100.25%	99.2%	2,381,664.00	101.1%	2,425,337.76
GENERAL ELECTRIC FLOAT 05/28/20		300,000.00	100.17%	100.0%	300,000.00	100.2%	300,507.00
GENERAL MOTORS FINANCIAL 1.875% 10/15/19		500,000.00	103.86%	99.9%	499,410.00	104.3%	521,282.74
GIE PSA TRESORERIE 03/33 TF 6% 19/09/2033		1,500,000.00	118.62%	122.5%	1,837,500.00	120.3%	1,804,742.26
GOLDMAN SACHS GROUP 1.375% 07/26/22		1,050,000.00	103.22%	99.2%	1,041,967.50	103.8%	1,090,017.65
GROUPAMA SA 7.875% 10/27/39		3,500,000.00	106.86%	107.8%	3,771,250.00	108.3%	3,789,008.90
HEIDELBERGCEMENT FIN 9.5% 12/15/18		1,500,000.00	118.36%	121.6%	1,824,375.00	118.8%	1,781,292.50
HSBC 5.25% 12/29/49		1,000,000.00	98.50%	95.8%	957,500.00	100.0%	1,000,246.58
HUTCHISON 1.375% 10/21		500,000.00	103.36%	99.7%	498,740.00	103.6%	517,948.97
I.N.G. Bank 5.25% /07-06-2019		500,000.00	111.27%	114.0%	570,155.00	114.3%	571,256.99
IBERDROLA 2.5% 10/22		1,000,000.00	110.74%	99.7%	997,200.00	111.2%	1,112,077.53
IBERDROLA FIN 4.125% 03/20		2,000,000.00	112.65%	115.2%	2,303,040.00	115.9%	2,317,005.76
IBM CORP 1.25% 05/26/23		2,000,000.00	104.58%	99.8%	1,995,560.00	105.3%	2,106,540.00
INTESA SANPAOLO 1.125% 01/20		1,000,000.00	101.29%	99.4%	994,460.00	102.4%	1,023,729.67
INTESA SANPAOLO 1.125% 03/22		500,000.00	100.23%	99.6%	498,195.00	101.2%	505,784.11
INTESA SANPAOLO 2.25% 11/22/17		4,200,000.00	101.56%	103.5%	4,344,900.00	101.6%	4,265,688.00
ITALCEMENTI FINANCE 6.625% 03/20		2,500,000.00	115.58%	119.3%	2,982,225.00	120.8%	3,019,606.17
JP MORGAN CHASE 1.5% 01/27/25		1,000,000.00	103.06%	99.9%	999,450.00	104.4%	1,044,483.44
KELLOGG CO 1.25% 03/10/25		1,500,000.00	100.18%	100.0%	1,499,295.00	101.2%	1,517,965.48
LA POSTE 03/23 TF 4,375% 26/06/2023		1,500,000.00	124.68%	128.3%	1,924,305.00	126.9%	1,904,001.37
Landbk Baden-Wuerttemberg 6.00% Put /15-06-2020		1,000,000.00	116.77%	118.7%	1,187,090.00	120.0%	1,200,190.00
Landbk Sachsen Giro 6.195% /21-05-2031		1,000,000.00	140.31%	146.4%	1,464,160.00	144.1%	1,440,796.25
MACQUARIE BANK 1% 09/16/19		200,000.00	102.56%	100.0%	200,000.00	102.8%	205,694.82
MAPFRE SA 5.921% 07/24/37		2,200,000.00	101.67%	104.9%	2,307,250.00	104.3%	2,293,775.15
METRO AG 1.5% 03/25		500,000.00	98.46%	99.8%	499,170.00	99.6%	498,202.26
MOODYS CORP 1.75% 03/27-26		1,000,000.00	101.68%	99.0%	990,430.00	103.1%	1,031,019.72
MORGAN STANLEY 1.75% 01/30/25		1,000,000.00	103.37%	99.8%	998,090.00	105.0%	1,049,805.57
MUNICH RE 6.25% 05/26/42		400,000.00	121.68%	122.0%	488,000.00	125.4%	501,728.00
Merrill Lynch & Co TV Floor /28-05-2019		500,000.00	106.38%	107.3%	536,250.00	108.9%	544,508.56

Expressed in euros

DESIGNATION	Quantity	Amount of par value	% of par value	Average price acquisition cost	Total Value acquisition cost	Carrying amount (Includes accrued interest) unit	Total
NATIONAL GRID NA INC 0.75% 02/22		1,000,000.00	101.41%	99.3%	993,230.00	102.1%	1,020,709.34
NATIONWIDE BLDG SOCIETY 1.25% 03/25		1,000,000.00	101.52%	99.9%	999,160.00	102.6%	1,025,616.71
OBRASCON HUARTE LAIN 4.75% 03/15/22		200,000.00	72.75%	70.0%	140,020.00	74.1%	148,284.93
PETROBRAS 5.875% 03/22		1,500,000.00	105.85%	97.5%	1,462,500.00	110.7%	1,659,940.07
PETROLEOS MEXICANOS 5.5% 01/17		1,000,000.00	99.93%	108.5%	1,085,000.00	105.3%	1,052,937.54
PEUGEOT 6.5% 01/19		3,180,000.00	113.15%	114.8%	3,649,050.00	119.3%	3,794,704.44
PGE SWEDEN 1.625%		1,100,000.00	102.85%	99.5%	1,093,994.00	103.8%	1,141,378.38
POHJOLA BANK PLC 0.75% 03/22		500,000.00	102.17%	99.7%	498,270.00	102.8%	513,938.01
PPG INDUSTRIES 1.4% 03/13/27		1,000,000.00	100.66%	98.6%	986,280.00	101.8%	1,017,798.36
PROLOGIS LP 1.375% 10/07/20		1,000,000.00	103.52%	99.8%	998,340.00	103.8%	1,038,382.05
R.B.S. TV CMS FLOOR /10-06-2019		500,000.00	105.75%	102.5%	512,500.00	108.4%	541,884.24
RABOBANK 2.5% 05/26/26		1,000,000.00	103.74%	103.8%	1,037,980.00	105.2%	1,052,430.00
RABOBANK 6.875% 03/19/20		6,300,000.00	117.88%	119.8%	7,544,570.00	123.3%	7,767,132.78
RABOBANK FLOAT 20		400,000.00	100.37%	100.0%	400,000.00	100.4%	401,496.00
RCI BANQUE 0.625% 03/20		2,000,000.00	100.82%	99.8%	1,996,660.00	101.3%	2,026,802.46
REDEXIS GAS FINANCE 2.75% 04/21		2,000,000.00	109.10%	99.4%	1,987,460.00	111.1%	2,222,212.88
REPSOL INTL FINANCE 4.875% 02/19		1,300,000.00	110.19%	112.0%	1,456,624.00	114.4%	1,487,226.21
ROYAL BANK OF SCOTLAND 3.625% 03/25/24		2,500,000.00	99.91%	99.1%	2,477,150.00	102.7%	2,567,418.84
SANTANDER CONSUMER BANK 0.625% 04/18		1,000,000.00	100.76%	99.9%	998,940.00	101.2%	1,011,946.44
SFR GROUP SA 5.375% 05/15/22		1,400,000.00	104.75%	103.5%	1,449,000.00	106.8%	1,494,718.76
SINOPEC GRP OVERSEA 2015 0.5% 04/18		1,500,000.00	100.54%	99.7%	1,495,740.00	100.9%	1,513,195.89
SMURFIT KAPPA ACQUISITIO 3.25% 06/01/21		2,000,000.00	107.40%	108.3%	2,165,440.00	107.7%	2,153,136.11
SOCIETE GENERALE 9.375% 09/29/49		2,000,000.00	118.82%	123.3%	2,465,000.00	121.9%	2,437,056.44
SODEXO 1.75% 01/24/2022		700,000.00	106.76%	99.9%	699,629.00	108.4%	758,773.72
STATE GRID EUROPE DEV 1.5% 01/22		1,000,000.00	102.81%	99.7%	997,360.00	104.2%	1,041,984.43
STORA ENSO OYJ 5.5% 03/19		4,200,000.00	110.75%	111.9%	4,699,506.00	115.3%	4,840,730.14
SVENSKA CELLULOSA 1.125% 03/25		1,000,000.00	99.57%	99.8%	997,650.00	100.5%	1,004,927.40
TDC 1.75% 02/27		500,000.00	96.96%	99.0%	495,195.00	98.4%	492,163.39
TELECOM ITALIA 3.25% 01/23		3,150,000.00	105.53%	108.9%	3,430,854.00	108.6%	3,422,094.59
TELECOM ITALIA 5.25% 02/22		3,800,000.00	116.15%	118.3%	4,493,500.00	120.8%	4,590,851.65
TELECOM ITALIA FIN SA 03/33 TF 7,75% 24/01/2033		500,000.00	128.06%	136.6%	682,925.00	135.3%	676,524.01
TELEFONICA 3.987% 23		600,000.00	117.59%	123.1%	738,378.00	121.3%	727,934.70
TELEKOM FINANZ 4% 04/04/22		1,400,000.00	118.06%	121.2%	1,697,388.00	121.0%	1,694,390.08
TEOLLISUUDEN 2.125% 02/04/25		1,500,000.00	94.68%	99.3%	1,489,605.00	96.6%	1,448,951.85
TESCO CORP 1.375% 07/19		1,700,000.00	101.27%	99.7%	1,694,628.00	102.0%	1,733,309.52
TEVA PHARM FNC NL II 1.25% 23-22		2,000,000.00	99.52%	99.1%	1,981,180.00	100.5%	2,009,135.62
THYSSENKRUPP AG 4% 08/27/18		2,000,000.00	105.49%	106.5%	2,130,380.00	106.9%	2,137,436.44
TS ENERGY ITALY 4.2% 30/06/2032		14,628,900.00	100.00%	100.0%	14,628,900.00	100.0%	14,628,900.00
TYCO INT FINANCE 1.375% 02/25/25		500,000.00	100.12%	99.8%	499,165.00	101.3%	506,428.09
UBS AG TF\TV 4.75%/12-02-2026		3,000,000.00	107.40%	107.8%	3,232,500.00	111.6%	3,347,875.00
UNIBAIL-RODAMCO 1% 03/14/25		1,100,000.00	100.13%	99.7%	1,096,392.00	100.9%	1,110,186.00
Univ Politec Valencia 6.6%/15-12-2022		498,840.00	116.00%	116.0%	578,654.40	116.3%	580,097.62
VEOLIA Env. Call 18 4,45% 16/04/2048		3,000,000.00	104.30%	105.8%	3,172,500.00	107.5%	3,223,730.14
VOESTALPINE AG 2.25% 10/21		500,000.00	106.10%	99.9%	499,585.00	106.6%	532,879.11
WELLS FARGO FLOAT 06/20		400,000.00	100.21%	100.0%	400,000.00	100.2%	400,882.16
WENDEL 2.75% 10/24		100,000.00	106.42%	99.5%	99,466.00	107.1%	107,093.08
WESFARMERS 1.25% 10/21		1,500,000.00	104.71%	100.5%	1,506,880.00	105.0%	1,575,061.44
WHIRLPOOL CORP 0.625% 03/12/20		500,000.00	100.82%	99.6%	497,870.00	101.3%	506,637.12
A2A SPA 4.375% 01/10/21		500,000.00	116.01%	118.7%	593,720.00	120.3%	601,302.32
AMERICA MOVIL 6.375% 09/06/73		2,500,000.00	108.10%	116.9%	2,921,875.00	110.1%	2,753,150.69
AURIZON NETWORK PTY 3.125% 06/01/26		8,500,000.00	108.31%	110.3%	9,374,268.52	110.1%	9,361,018.60
AVIS BUDGET FINANCE 6% 03/01/21		408,333.33	103.89%	103.6%	423,176.25	105.9%	432,363.75
BANIF FINANCE 3% 31/12/2019 CALL 2014		200,000.00	0.00%	0.0%	0.00	0.0%	0.00
BARCLAYS 6.625% 03/30/22		1,950,000.00	122.23%	122.2%	2,382,607.50	127.2%	2,481,191.49
BG ENERGY CAPITAL 3.625% 07/19/19		1,000,000.00	109.16%	110.9%	1,108,960.00	110.8%	1,108,234.93
BOMBARDIER 6.125% 05/15/21		1,100,000.00	105.88%	100.1%	1,101,485.00	106.6%	1,173,046.88
Barclays Bank CMS Floor/25-06-2018		1,000,000.00	105.95%	108.3%	1,083,250.00	108.4%	1,084,423.63
C10 CAPITAL SPV LTD 07/49 TF/TV 6,277% 30/06/2049 CALL 2017		1,000,000.00	79.50%	82.0%	820,000.00	82.7%	826,642.96
CARREFOUR 3.875% 04/25/21		3,000,000.00	115.37%	118.4%	3,551,280.00	118.0%	3,540,753.30
CEZ AS 5%/19-10-2021		400,000.00	121.85%	123.4%	493,560.00	122.9%	491,408.00
CIE DE SAINT-GOBAIN 3.625% 06/15/21		300,000.00	114.90%	116.7%	350,013.00	116.9%	350,629.11
CITIGROUP INC 05/30 TF/TV 4,25% 25/02/2030 CALL 2025		3,500,000.00	116.63%	116.0%	4,060,000.00	120.2%	4,207,865.44
CREDIT SUISSE 5.75% 09/18/25		3,500,000.00	109.50%	108.3%	3,788,750.00	111.1%	3,889,842.46
CREDIT SUISSE LONDON 09/19 TF 4,75% 05/08/2019		1,550,000.00	111.93%	113.7%	1,762,815.00	113.9%	1,764,706.41
ELECTRICITÉ DE FRANCE 09/21 TF 6.25% 25/01/2021		1,500,000.00	124.49%	128.0%	1,919,295.00	130.3%	1,954,636.31
ENEL 5% 01/15/75		3,000,000.00	106.00%	107.6%	3,228,750.00	110.8%	3,323,852.46
ENEL FINANCE 4,875% 04/17/23		1,000,000.00	125.01%	130.7%	1,306,820.00	128.5%	1,284,558.90
ENERGIE AG OBEROSTERREICH 05/25 TF 4,5% 04/03/2025		2,920,000.00	126.17%	128.4%	3,748,258.00	129.9%	3,792,796.40
Eni Spa 4.125%/16-09-2019		700,000.00	110.83%	112.9%	790,174.00	112.0%	784,188.62
FIAT CHRYSLER FINANCE		2,200,000.00	106.80%	108.4%	2,383,700.00	112.1%	2,465,800.68
FRESENIUS SE & CO 4% 02/01/24		2,500,000.00	116.75%	119.8%	2,994,875.00	118.4%	2,960,188.88
Finmeccanica Fin. 5.25% /21-01-2022		3,100,000.00	116.50%	119.8%	3,712,250.00	121.4%	3,764,911.88
GAS NATURAL FENOSA 4.125% 11/29/49		2,500,000.00	101.20%	102.0%	2,550,000.00	101.7%	2,542,148.98
GAZPROM 3.389% 03/20/20		1,500,000.00	104.51%	103.1%	1,546,500.00	107.2%	1,607,482.35
GENERAL ELECTRIC 05/35 TF 4,125% 19/09/2035		500,000.00	137.86%	150.2%	751,200.00	139.0%	695,130.21
GOLDMAN SACHS GROUP 06/21 TF 4,75% 12/10/2021		1,000,000.00	117.38%	117.4%	1,174,109.50	118.4%	1,184,230.96
GOLDMAN SACHS GROUP 3.25% 02/01/23		1,585,000.00	112.93%	115.2%	1,825,603.00	115.9%	1,836,885.78
GRAND CITY PROPERTIES 3.75% 12/29/49		2,000,000.00	100.30%	101.0%	2,019,568.20	103.5%	2,070,959.00
Gas Natural Capital 5.125%/02-11-2021		2,000,000.00	122.75%	125.9%	2,518,840.00	123.6%	2,471,508.49
Goldman Sachs CMS Floor / 28-06-2020		2,000,000.00	103.38%	102.8%	2,055,000.00	104.4%	2,087,722.23
HALIFAX BK SCOTLAND 05/30 TF/TV 4,5% 18/03/2030 CALL 2025		4,300,000.00	109.63%	110.4%	4,746,125.00	113.2%	4,866,554.45
Heidelberg Cement 7.5%/03-04-2020		800,000.00	122.88%	124.0%	992,384.00	124.7%	997,500.00
IBERDROLA 5.75% 02/27/49		800,000.00	105.65%	107.8%	862,000.00	110.5%	883,910.38
INTESA SANPAOLO 6.625% 09/13/23		1,285,000.00	118.36%	120.0%	1,542,257.00	120.3%	1,546,297.36
KENNEDY WILSON EUR 3.25% 11/12/25		8,600,000.00	101.65%	104.1%	8,955,778.44	102.1%	8,779,765.95
KONINKLIJKE 6.125% 03/29/49		2,000,000.00	107.05%	107.4%	2,147,500.00	108.9%	2,177,246.58
KPN NV 5.625%/30-09-2024		1,125,000.00	135.37%	138.7%	1,560,858.75	136.8%	1,538,806.60
Merril Lynch TV CMS Floor/04-10-2019		800,000.00	109.38%	110.5%	884,000.00	110.6%	884,643.84
Morgan Stanley TV CMS10/27-02-2017		500,000.00	99.94%	99.8%	498,815.00	100.4%	501,927.95
ORANGE 5.25% 12/29/49		2,200,000.00	109.30%	111.5%	2,453,000.00	114.0%	2,508,108.20
P TELECOM 05/25 TF 4,5% 16/06/2025		1,700,000.00	31.00%	20.7%	351,050.00	31.0%	527,000.00
PETROBRAS GLOBAL FINANCE 4.25% 10/02/23		1,080,000.00	97.75%	88.3%	953,100.00	98.8%	1,067,017.81
PETROBRAS GLOBAL FINANCE 4.875% 03/07/18		385,000.00	103.20%	102.3%	393,662.50	107.2%	412,694.95
Pemex TR 5.50%/24-02-2025		2,000,000.00	109.55%	111.5%	2,230,000.00	114.2%	2,284,469.94
RABOBANK 5.5% 01/22/49		500,000.00	101.00%	98.6%	493,000.00	101.0%	505,150.68
RABOBANK NEDERLAND 08/18 TF 4,75% 15/01/2018		850,000.00	105.13%	107.1%	910,035.50	109.7%	932,299.78
REPSOL 3.875% 12/29/49		1,800,000.00	99.25%	92.0%	1,656,000.00	102.2%	1,840,197.95
SES SA 4.625% 12/29/49		2,000,000.00	101.03%	103.4%	2,067,072.15	103.6%	2,072,378.62
SHELL INT. FIN. 09/18 TF 4,375% 14/05/2018		2,000,000.00	106.08%	108.1%	2,161,160.00	108.8%	2,176,976.71
SOCIETE GENERALE 4% 06/07/2023		3,000,000.00	113.62%	114.1%	3,423,510.01	115.9%	3,476,714.80
STANDARD CHARTERED 3.625% 11/23/22		500,000.00	106.76%	106.1%	530,460.00	107.1%	535,696.99
Sanofi-Aventis 4.125%/10-10-2019		250,000.00	111.52%	113.7%	284,212.50	112.4%	281,076.03

AP VIII CALM EAGLE HOLDINGS S.C.A.

Expressed in euros

DESIGNATION	Quantity	Amount of par value	% of par value	Average price acquisition cost	Total Value acquisition cost	Carrying amount (Includes accrued interest) unit	Total
TELEFONICA 4.693%/11-11-2019		3,150,000.00	112.58%	115.3%	3,630,658.50	113.2%	3,566,583.61
TELENET FINANCE VI 4.875% 15/07/27		2,000,000.00	104.50%	105.8%	2,115,300.00	106.7%	2,134,687.45
TOTAL 2.625% 12/29/49		2,500,000.00	93.95%	95.3%	2,381,370.90	96.2%	2,404,154.71
TRASM. ELET. RETE NAZIONALE 04/24 TF 4,9% 28/10/2024		3,550,000.00	130.68%	137.6%	4,885,936.00	131.5%	4,669,534.32
UNICREDIT 5.75% 10/28/25		2,200,000.00	105.70%	104.5%	2,298,450.00	106.7%	2,347,580.84
UNICREDIT SPA 6.95% 10/31/22		5,500,000.00	114.88%	113.0%	6,215,910.04	116.0%	6,382,062.87
UNICREDITO ITALIANO 04/20 TF 4,375% 29/01/2020		2,500,000.00	112.02%	112.9%	2,821,876.01	116.0%	2,901,208.68
VATTENFALL 3% 03/19/77		2,000,000.00	89.95%	87.8%	1,755,000.00	92.3%	1,846,178.08
VNESHECONOMBANK 4.032% 02/21/23		750,000.00	102.17%	97.6%	732,187.50	105.6%	792,196.11
VOLKSWAGEN 5.125% 09/29/49		3,000,000.00	106.63%	106.0%	3,178,807.72	108.3%	3,248,455.47
VOLVO 4.85% 03/10/78		2,500,000.00	104.38%	103.3%	2,581,250.00	108.3%	2,707,703.76
WASHINGTON MUTUAL BANK 06/17 TF 4,5% 17/01/2017		5,000,000.00	0.00%	0.0%	0.00	0.0%	0.00
WP CAREY 2% 01/20/23		9,000,000.00	101.69%	102.6%	9,238,265.39	103.6%	9,322,083.94
NATIONAL GRID 4.375% 05-10/03/2020		400,000.00	113.40%	113.7%	454,676.00	116.9%	467,537.72
TESCO PLC 6% 99-14/12/2029		500,000.00	109.71%	110.5%	620,291.89	128.8%	644,167.45
BRAMBLES FINANCE 4.625% 11-20/04/2018		500,000.00	106.03%	106.4%	532,200.00	109.1%	545,674.70
BG ENERGY CAP 3% 11-16/11/2018		256,000.00	105.75%	106.0%	271,406.08	106.1%	271,570.12
BG ENERGY CAP 3% 11-16/11/2018		123,000.00	105.75%	106.0%	130,324.65	106.1%	130,480.96
BG ENERGY CAP 3% 11-16/11/2018		121,000.00	105.75%	106.0%	128,250.32	106.1%	128,359.32
AKZO NOBEL NV 4% 11-17/12/2018		300,000.00	107.99%	108.4%	325,281.00	108.1%	324,278.86
SVENSKA HANDELSBANKEN 4% 12-18/01/2019		500,000.00	106.80%	106.8%	626,693.67	129.6%	647,829.49
COMPASS GROUP 3.125% 12-13/02/2019		200,000.00	106.76%	107.1%	214,120.00	109.5%	218,953.75
BAA FUNDING LTD 6% 12-20/03/2020		200,000.00	114.21%	113.9%	267,519.08	139.3%	278,641.35
GE CAP EUR FUND 2.875% 12-18/06/2019		500,000.00	107.31%	107.4%	537,185.00	108.8%	544,110.49
AMERICA MOVIL SA 3.125% 12-16/07/2022		700,000.00	98.67%	102.3%	648,215.27	94.9%	663,986.99
BNP PARIBAS 2.5% 12-23/08/2019		500,000.00	106.57%	106.7%	533,400.00	107.4%	537,185.59
LEONARDO S.P.A 4.5% 13-19/01/2021		500,000.00	113.01%	112.0%	560,000.00	117.3%	586,265.99
VERIZON COMM INC 4.15% 14-15/03/2024		800,000.00	104.39%	105.3%	796,361.06	100.4%	802,966.52
AON PLC 2.875% 14-14/05/2026		900,000.00	109.81%	111.7%	1,004,985.00	111.5%	1,003,453.32
WP CAREY INC 2% 15-20/01/2023		1,000,000.00	102.14%	102.8%	1,027,900.00	103.9%	1,039,391.66
HARMAN FINANCE 2% 15-27/05/2022		100,000.00	105.76%	105.7%	105,669.00	106.9%	106,949.54
HARMAN FINANCE 2% 15-27/05/2022		100,000.00	105.76%	105.6%	105,609.00	106.9%	106,949.54
CELGENE CORP 3.875% 15-15/08/2025		800,000.00	101.30%	102.3%	773,960.00	97.7%	781,716.43
MEDTRONIC INC 3.15% 15-15/03/2022		800,000.00	102.33%	105.5%	769,888.71	98.0%	784,370.52
MICROSOFT CORP 2.65% 15-03/11/2022		1,000,000.00	100.48%	103.7%	934,445.00	95.8%	958,353.95
KENNEDY WILSON E 3.95% 15-30/06/2022		500,000.00	101.99%	101.4%	564,721.28	121.9%	609,280.75
COMCAST CORP 3.15% 16-01/03/2026		1,000,000.00	98.45%	103.7%	931,870.90	94.6%	946,436.12
ANHEUSER-BUSCH 2% 16-17/03/2028		900,000.00	106.27%	108.5%	976,455.00	107.6%	968,495.62
TARGET CORP 2.5% 16-15/04/2026		700,000.00	95.18%	100.1%	630,163.62	91.1%	637,399.41
JAPAN TOBACCO 2% 16-13/04/2021		1,000,000.00	97.36%	100.1%	902,609.40	92.8%	928,336.37
JOHNSON&JOHNSON 1.15% 16-20/11/2028		600,000.00	101.69%	100.6%	603,720.00	101.7%	610,454.71
INTEL CORP 1.7% 16-19/05/2021		1,000,000.00	97.41%	100.1%	907,064.21	92.8%	928,320.56
JAB HOLDINGS 1.75% 16-25/05/2023		300,000.00	104.40%	104.0%	311,967.00	105.4%	316,079.27
DNB BANK ASA 2.375% 16-02/06/2021		700,000.00	98.92%	99.6%	659,566.88	94.1%	658,628.64
AMGEN INC 4.563% 16-15/06/2048		900,000.00	96.65%	101.0%	819,519.58	92.3%	830,350.16
AROUNDTOWN PROP 1.5% 16-15/07/2024		500,000.00	94.21%	96.3%	481,485.00	94.8%	473,969.43
TEVA PHARM FNC 1.625% 16-15/10/2028		1,000,000.00	94.19%	97.9%	979,000.00	94.4%	943,728.56
BUNGE LTD FIN CP 3.25% 16-15/08/2026		700,000.00	95.89%	99.9%	632,930.79	92.4%	646,688.84
LANDSBANKINN HF 1.625% 16-15/03/2021		1,000,000.00	101.50%	100.6%	1,005,500.00	102.0%	1,019,769.18
SHELL INTL FIN 2.5% 16-12/09/2026		975,000.00	93.60%	96.7%	850,138.13	89.8%	875,359.12
ALTRIA GROUP INC 2.625% 16-16/09/2026		700,000.00	94.55%	95.6%	633,021.89	90.7%	634,840.33
3M CO 2.25% 16-19/09/2026		1,000,000.00	93.64%	98.2%	890,371.11	89.7%	897,079.40
MPLX LP 4.875% 16-01/06/2025		500,000.00	102.71%	104.6%	473,376.18	98.0%	490,067.36
CKH FIN 16 0.875% 16-03/10/2024		1,000,000.00	96.69%	98.7%	986,590.00	96.8%	968,150.89
FORTIS INC 3.055% 16-04/10/2026		700,000.00	93.39%	98.5%	619,836.38	89.5%	626,841.66
CRH FINANCE 1.375% 16-18/10/2028		100,000.00	98.45%	100.1%	100,051.00	98.5%	98,530.18
CRH FINANCE 1.375% 16-18/10/2028		168,000.00	98.45%	100.2%	168,299.04	98.5%	165,530.69
CRH FINANCE 1.375% 16-18/10/2028		382,000.00	98.45%	100.0%	381,935.06	98.5%	376,385.27
GELF BOND ISSUER 1.625% 16-20/10/2026		800,000.00	97.71%	99.2%	793,920.01	97.8%	782,245.57
WELLS FARGO CO 3% 16-23/10/2026		1,000,000.00	94.90%	99.3%	895,425.66	90.9%	909,230.31
GOLDMAN SACHS GP 1.25% 16-01/05/2025		1,000,000.00	98.67%	98.6%	985,880.00	98.8%	987,888.55
UNITED TECH CORP 2.65% 16-01/11/2026		600,000.00	95.79%	100.2%	540,534.03	91.6%	549,410.03
PROCTER & GAMBLE 2.45% 16-03/11/2026		1,000,000.00	95.59%	99.9%	910,956.03	91.3%	913,382.48
G4S INTL FIN PLC 1.5% 16-09/01/2023		300,000.00	100.50%	99.9%	299,706.00	100.6%	301,902.43
STATOIL ASA 1.625% 16-09/11/2036		200,000.00	97.37%	99.9%	199,728.00	96.9%	193,821.04
CAPGEMINI SA 0.5% 16-09/11/2021		200,000.00	100.27%	99.8%	199,538.00	100.3%	200,571.86
MORGAN STANLEY 2.625% 16-17/11/2021		1,100,000.00	98.55%	99.5%	1,020,590.32	94.1%	1,034,784.70
AMERICAN EXPRESS 0.625% 16-22/11/2021		300,000.00	101.04%	99.6%	298,752.00	101.0%	303,123.62
HEINEKEN NV 1.375% 16-29/01/2027		200,000.00	101.28%	99.7%	199,300.00	101.2%	202,352.06
BP CAPITAL PLC 1.117% 16-25/01/2024		300,000.00	101.93%	100.0%	300,000.00	101.9%	305,845.97
UBS GROUP FUNDIN 1.5% 16-30/11/2024		600,000.00	100.70%	99.8%	598,608.00	100.7%	604,336.73
ADECCO INT FIN 1% 16-02/12/2024		500,000.00	99.77%	98.9%	494,525.00	99.7%	498,693.19
ARION BANKI HF 1.625% 16-01/12/2021		700,000.00	100.46%	99.5%	696,738.00	100.5%	703,758.37
SIEMENS FINAN 1.3% 16-13/09/2019		500,000.00	98.09%	98.3%	463,501.34	93.4%	467,074.97
BPCE 1.6125% 14-25/07/2017		500,000.00	99.93%	100.1%	472,087.32	95.4%	477,015.27
AA BOND CO LTD 2.875% 16-31/01/2022		200,000.00	100.83%	99.9%	235,345.39	118.2%	236,351.07
BANK OF AMER 7% 08-31/07/2028		500,000.00	140.24%	139.5%	783,414.74	167.6%	838,249.79
DEUTSCHE TEL FIN 8.25% 00-15/06/2030 SR		600,000.00	146.78%	153.2%	832,118.77	140.0%	840,229.72
PRESTIGEBIDCO 6.25% 16-15/12/2023		306,000.00	103.40%	100.0%	306,000.00	103.6%	316,919.95
CARLSON TRAVEL 16-15/06/2023		991,000.00	102.13%	100.0%	991,000.00	102.3%	1,013,889.62
OBERTHUR TECHNOLOGIES TLB2 14/12/2023		751,564.29	100.48%	99.5%	747,806.47	100.5%	755,205.62
SES 16-29/12/2049		100,000.00	102.47%	99.3%	99,304.00	103.0%	102,992.74
LANXESS 16-06/12/2076		230,000.00	104.28%	98.7%	226,906.50	104.3%	239,940.35
HSBC HLDGS PLC 6.75% 08-11/09/2028		600,000.00	123.43%	123.0%	832,365.05	146.9%	881,224.32
ABN AMRO BANK NV 7.125% 12-06/07/2022		600,000.00	127.96%	129.8%	778,560.00	131.3%	787,933.06
RAIFFEISEN BK IN 6% 13-16/10/2023		400,000.00	107.76%	106.0%	423,900.00	109.0%	436,031.51
CRD MUTUEL ARKEA 3.25% 16-01/06/2026		200,000.00	104.86%	103.2%	206,472.00	106.5%	213,076.96
CITIGROUP INC 4.125% 16-25/07/2028		500,000.00	98.68%	102.8%	462,172.97	95.6%	477,759.86
DE VOLKSBANK NV 15-05/11/2025 FRN		400,000.00	104.94%	102.5%	409,832.00	105.5%	422,038.27
BARCLAYS PLC 15-11/11/2025 FRN		700,000.00	99.43%	97.8%	684,831.00	99.7%	698,085.48
EIG INVESTORS T/L1ST LIEN 09/11/2019		875,000.00	99.64%	99.3%	806,685.71	94.5%	826,598.13
VERISURE HOLDING % 16-21/10/2022		1,000,000.00	101.10%	100.0%	1,000,000.00	101.1%	1,011,025.00
LSF9 ROBIN INVES % 16-06/12/2023		1,000,000.00	100.48%	99.0%	1,172,360.71	117.7%	1,177,073.57
SEBIA SA % 16-31/12/2049		1,527,691.57	100.00%	100.0%	1,433,039.32	94.8%	1,448,392.10
ACTION HOLDING BV T/L 25/02/2022		1,591,508.35	101.42%	100.0%	1,591,508.35	101.4%	1,614,052.07
AXALTA COATING S % 16-01/02/2023		1,000,000.00	100.00%	100.0%	1,000,000.00	100.0%	1,000,397.88
NFP CORP % 16-09/12/2023		1,191,617.00	101.03%	99.5%	1,125,233.86	95.8%	1,141,342.56
CONTINENTAL FOOD % 16-09/12/2023		1,000,000.00	100.64%	100.0%	1,000,000.00	100.6%	1,006,425.00
GTT COMMUNICATIO % 16-13/12/2023		500,000.00	101.71%	99.5%	467,531.25	96.4%	482,145.06
YORK RISK SVCS % 14-01/10/2021		66,308.30	95.13%	95.4%	59,365.01	90.2%	59,801.63
YORK RISK SVCS % 14-01/10/2021		66,000.00	95.13%	99.4%	62,974.08	90.2%	59,523.58
SLV HOLDING GMBH % 16-13/12/2023		1,185,928.49	101.00%	99.8%	1,182,963.67	101.0%	1,197,787.77
APTEAN HOLDINGS % 16-14/12/2022		536,896.00	101.00%	99.0%	510,347.61	95.8%	514,117.05
OBERTHUR TECHNOLOGIES TLB1 14/12/2023		460,636.17	100.48%	99.5%	458,332.99	100.5%	462,867.95
ELSAN GROUPE SAS % 16-30/10/2022		1,000,000.00	101.27%	100.0%	1,000,000.00	101.3%	1,012,710.00
INFORMATION RESO % 16-20/12/2023		501,266.00	100.88%	99.5%	480,593.25	95.6%	479,404.67

Expressed in euros

DESIGNATION	Quantity	Amount of par value	% of par value	Average price acquisition cost	Total Value acquisition cost	Book value (Includes accrued interest) unit	Book value (Includes accrued interest) Total
sub-total	0	402,802,489.50			424,736,768.75		431,460,307.99
sub-total	**0**	**989,683,836.74**			**1,113,989,979.00**		**1,126,131,253.67**
Total	**5,801,357**	**989,683,836.74**			**1,344,915,142.31**		**1,358,128,687.81**
2.3 - Trading derivatives							
EUR/USD Currency Forwards							-1,039,907.52
US 5YR NOTE FUTURE (CBT) 31/03/2017							2,962
EURO-BUND FUTURE 08/03/2017							308,480
US 10YR NOTE FUT (CBT) 22/03/2017							33,865
FORWARD EXCHANGE CONTRACTS							84,052
FORWARD EXCHANGE CONTRACTS							52,088
FORWARD EXCHANGE CONTRACTS							-205
FORWARD EXCHANGE CONTRACTS							-579
FORWARD EXCHANGE CONTRACTS							-902
FORWARD EXCHANGE CONTRACTS							-468
FORWARD EXCHANGE CONTRACTS							-707
FORWARD EXCHANGE CONTRACTS							-225
FORWARD EXCHANGE CONTRACTS							204
FORWARD EXCHANGE CONTRACTS							250
FORWARD EXCHANGE CONTRACTS							-1,484
FORWARD EXCHANGE CONTRACTS							-1,133
FORWARD EXCHANGE CONTRACTS							-3,982
FORWARD EXCHANGE CONTRACTS							899
FORWARD EXCHANGE CONTRACTS							-40
FORWARD EXCHANGE CONTRACTS							9,724
Total	**0**	**0.00**			**0.00**		**-557,108.36**
Total	**6,662,479,277.41**	**1,051,534,591.61**			**1,424,675,938.84**		**1,441,962,121.58**
3 - GRAND TOTAL	**6,663,934,279.41**	**1,051,534,591.61**			**1,432,656,408.84**		**1,469,217,896.95**

APPENDIX 2 - DISCLOSURE OF REMUNERATION POLICIES

This disclosure involves the following three components:

- Remuneration policy of members of the Board of Managers, the Board of Auditors and the Board of the General Meeting, including the table detailing the remuneration paid during 2016;

- Policy governing the remuneration of 'key employees'.

- Statement of Compliance, under article 4 of ASF Standard 5/2010-R, of April 1.

REMUNERATION POLICY FOR THE MEMBERS OF THE MANAGEMENT AND SUPERVISORY BODIES AND OF THE BOARD OF THE GENERAL MEETING

1. Introduction

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

As regards insurance business, this matter is also governed by the provisions of Delegated Regulation (EU) 2015/235 of the Commission, of October 10, and by the provisions of Regulatory Standard nº 5/2010-R and Circular nº 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 Remuneration Policy of the Members of the Management and Supervisory Bodies, as well as of the Board of the General Meeting of Seguradoras Unidas, SA, (the "Company") is drafted for 2017, which is submitted to the approval of the General Meeting.

2. Remuneration Policy Approval and Review Process

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

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

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

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

3. Disclosure of the Policy

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

4. Applicable principles

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

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

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

5. Remuneration of the members of the Board of Managers

5.1. Executive Members of the Board of Managers

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

a) Fixed Component

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

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

b) Variable Component

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

The variable component, if any, shall account for an average of about 40% of the remuneration, though its actual amount may vary each year, depending on the assessment of the individual and overall performance of the members of the Board Managers having executive duties, as well as the degree of achievement of the Company's main goals, 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 own funds and its risk level, and also the technical provisions.
For all intents and purposes, the variable component may not exceed 5% of the profits for the year as determined in article 13 of the Company's Bylaws.

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

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

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

Without prejudice to the foregoing, the shareholder may, at the General Meeting, determine that the variable component of the remuneration, or a portion thereof, be assigned through share plans or stock-option plans involving shares in the Company or in any other company of the Group.

c) Pension Fund

Executive members of the Board of Managers may also be entitled to a contribution to a pension fund under the terms and conditions set out in the decision of the sole shareholder dated July 10, 2016, as written into the book of minutes of the General Meeting as Minutes nº 35.

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

5.2. Non-executive Members of the Board of Managers

Non-executive members of the Board of Managers may earn a fixed annual remuneration under the terms that come to be determined by the Remuneration Committee. There shall be no payment of variable remuneration.

6. Remuneration of the members of the Board of Auditors

Under Article 23 of the articles of association, the Board of Auditors comprises three members, of whom one performs duties as Chair.

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

7. Remuneration of the Statutory Auditor

The statutory auditor shall be remunerated in accordance with the conditions laid down in the applicable legislation. The respective fees shall be proposed by the Statutory Auditor and approved by the Board of Managers, following the opinion of the Board of Auditors.

8. Remuneration of the members of the Board of the General Meeting

Under Article 12 of the articles of association, the Board of the General Meeting comprises a chair and a secretary.

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

Table of remuneration paid in 2016 to the Corporate Officers of Seguradoras Unidas, SA.

(thousand euros)

	Remuneration		Total
	Fixed	Variable	
Board of Directors			**1,807**
Gustavo Alexander P.T. Mesquita Guimarães (Chair)	100.0	-	100.0
Alexander Wallace Humphreys (Member)	-	-	-
Augusto Tomé Pires Fernandes Pedroso (Member)	240.9	289.8	530.7
Gernot Wilhelm Friedrich Lohr (Member)	-	-	-
Jan Adriaan de Pooter (Member)	400.0	100.0	500.0
Nuno Miguel Pombeiro Gomes Diniz Clemente (Member)	201.5	-	201.5
Pedro Luís Francisco Carvalho (Member)	240.9	233.6	474.5
Board of Auditors			**110.0**
Luís Maria Viana Palha da Silva (Chair)	50.0	-	50.0
Manuel Maria de Paula Reis Boto (Full Member)	30.0	-	30.0
Pedro Manuel Aleixo Dias (Full Member)	30.0	-	30.0
Sandra Maria Simões Filipe de Ávila Valério (Alternate Member)	-	-	-
Total Remuneration	1,293.4	623.3	**1,916.7**

The cost incurred in 2016 with retirement pensions of the members of the governing bodies was negative in the sum of EUR thousand (3,271), as a result of the curtailment that took place in the respective pension fund plan.

KEY EMPLOYEE REMUNERATION POLICY

1. Scope of application of the Remuneration Policy

Under the terms of Delegate Regulation (EU) 2015/235 of the Commission of October 10, as well as of Standard nº 5/2010, of April 1, of the Insurance and Pension Funds Supervisory Authority (hereinafter also referred to as short "ASF"), this remuneration policy applies not only:

a) to those employees who play key roles, understood as being those who perform managerial positions within the scope of the risk management, and internal control and compliance systems, but also;
b) to those employees who perform management duties in the actuarial field, as well as to the Chief Actuary, as stated in the recommendation of point V.9 of ASF Circular nº 6/2010, of April 1;
c) to all employees occupying 1st level management posts (Top Managers) and Board of Managers' Advisers, regardless of the area in which they work,

for it is understood that – besides the corporate officers – the performance of these employees has a material impact on the risk profile of Seguradoras Unidas ("Company").

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

2. Remuneration Policy Approval Process

a) Approval

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

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

b) Mandate of the Board of Managers

Under the law and the Bylaws, fixing the remuneration of the Key Employees is entrusted to the Board of Managers within the scope of the management of its Human Resources policy with a view to meeting the Company's strategic goals.

c) Composition of the Board of Managers

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

d) External Consultants

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

3. Disclosure of the Policy

The Remuneration Policy shall be disclosed to the Company’s employees through publication on its In-house Portal, and shall also be set out in the annual financial statements, available on the institutional site during a minimum of 5 years.

4. Remuneration

a) Composition of the Remuneration

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

- The economic situation and the results obtained by the Company;
- The interests of the Company from a medium- and long-term perspective;
- The specifics of the duties performed;
- Salary practice in force in the insurance sector;

- Performance evaluation, both at corporate level and also at departmental and individual level.

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

The variable remuneration may comprise performance bonuses, in accordance with the factors detailed above or such others as may be specifically provided for by the Board of Managers, or even the distribution of bonuses on account of profits at the proposal of the Board of Managers and in keeping with a resolution passed by the Company's General Meeting.

b) Limits and balances of the remuneration

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

The variable part, should one be granted, shall not exceed, on average, 20% of the total annual remuneration for all employees of the Company, and the maximum individual amount shall not, as a rule, exceed 40% of the total amount of the annual remuneration.

This situation is in keeping with the recommendations of Insurance and Pension Fund Supervisory Authority Circular nº 6/2010, which encourage a high percentage for the fixed component compared to the variable component of the remuneration.

c) Variable component definition criteria and its time of payment

If granted, the amount of the Variable Annual Remuneration (VAR) will lie within the limits set by the Board of Managers. The VAR is in respect of short-term performance, and its exact amount, each year, is determined in the light of the criteria laid down in subparagraph a), and in any case it is stipulated that the VAR does not constitute a right of employees, and the criteria for its grant may be altered and/or revoked at any time by the Board of Managers, and it is subject to annual approval by the Board of Managers on the basis of the annual performance and evaluation of the employees.

The appraisal of the employees covered by this remuneration policy is based on the performance evaluation model in force in the various areas of the Company, in particular:

- Competence assessment;
- Evaluation of Corporate Objectives;
- Evaluation of Departmental Objectives;
- Evaluation of Individual Objectives;

Given the characteristics inherent in the remuneration structure in force, the maximum amounts considered and the risk-tolerance levels defined, it has not yet been considered necessary to defer a part of the variable component of the remuneration. Thus, if granted, it will be paid, as a rule, on a single occasion, in cash, save decision to the contrary by the Board of Managers.

Without prejudice to the foregoing, the Board of Managers, in line with the guidelines stipulated by the shareholder in this regard, may determine that the variable component of the remuneration, or a portion thereof, be assigned through stock-option plans involving shares in the Company or any other company of the Group, under such terms it may come to define.

5. Other benefits attributed to "Key Employees"

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

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

6. Broadening the scope of this Remuneration Policy.

Save decision to the contrary taken by the Board of Managers, this Remuneration Policy shall also apply, as a rule, to the other employees of the Company not considered under the criteria defined in point 1 hereunder (Scope of application of the Remuneration Policy).

APPENDIX 3 - STATEMENT OF COMPLIANCE (ARTICLE 4(1) OF ASF STANDARD 5/2010-R, OF APRIL 1)

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

Recommendation		Degree of compliance	Comments
I.	**General Principles**		
I.1	Adoption of a remuneration policy (RP) consistent with effective risk management and control that will prevent excessive exposure to risk, will prevent potential conflicts of interests and will be coherent with the long-term objectives, values and interests of the Institution, and particularly with the growth and profitability prospects and with customer protection;	Complies	
I.2	Appropriateness of the RP in the light of the size, nature and complexity of the business, especially with regard to the risks assumed or to be assumed;	Complies	
I.3	Adoption of a clear, transparent and adequate structure in respect of the definition, implementation and monitoring of the RP that will objectively identify the employees involved in the process as well as their responsibilities and competences.	Complies	
II.	**Approval of the Remuneration Policy (RP)**		
II.1	Approval of the RP by a Remuneration Committee or, if its existence is not viable or is not warranted (size, nature or complexity of the Institution), by the General Meeting;	Complies	
II.2	Approval by the Board of Managers of the RP applicable to the employees;	Complies	
II.3	Involvement in the definition of the RP of persons of functional independence and adequate technical capabilities, in order to avoid conflicts of interest and to allow an independent value judgement to be made;	Complies	
II.4	The RP shall be transparent and accessible to all the Institution's employees; The RP shall also be formalised in a separate document, duly updated, stating the changes made and the reasons therefor, and the previous versions shall be kept on file;	Complies	
II.5	Disclosure of the assessment process to the employees prior to the period of time covered by its application;	Complies	

Recommendation	Degree of compliance	Comments
III. Remuneration Committee (RC)		
III.1 Should one exist, the RC shall review the RP and its implementation each year, so as to allow a reasoned, independent value judgement to be made about the RP in the light of the recommendations (Circular 6/2010), particularly as to its effect on the management of the Institution's risks and capital;	Complies	
III.2 The members of the RC shall be independent with regard to the management body and shall meet the requirements of competence and professional qualifications appropriate to the performance of their duties;	Complies partially	The RC comprises two unremunerated non-executive members of the Board of Managers so as to ensure independence
III.3 Should the RC make use of external services (consultants), it should not hire a natural or corporate person who provides or has provided services, during the previous three years, to any structure dependent on the management body or to the management body itself or has a present relationship with a consultant of the institution. This recommendation is also applicable to any natural or corporate person related with them by an employment or provision of services contract.	Not applicable	
III.4 The RC shall inform the equityholders, each year, as to the performance of its duties and shall be present at the AGM at which the Remuneration Policy is on the agenda;	Complies	
III.5 The RC shall meet at least once a year and shall write up minutes of every meeting held.	Complies	
IV. Management Body – Executive Members		
IV.1 The remuneration shall include a variable component, its determination dependent on an assessment of performance in keeping with predetermined, measurable criteria, including non-financial criteria, that take into account: individual performance, real growth of the institution, wealth actually created, protection of the customers interests, long-term sustainability, risks assumed and compliance with the rules applicable to the business;	Complies	The evaluation criteria are based on management indicators, taking into account at all times the adequacy of the equity to its level of risk and the representation of the technical provisions.

Recommendation	Degree of compliance	Comments
IV. Management Body – Executive Members (continuation)		
IV.2 Adequacy of the fixed and variable components, the fixed component to account for a sufficiently high proportion of total remuneration. The variable component shall be subject to a maximum limit.	Complies	
IV.3 Payment of a substantial part of the variable component in financial instruments issued by the institution, appreciation of which is dependent on medium- and long-term performance.	Does not comply	This measure will be subject to revaluation during 2017.
IV.4 Deferral of a substantial part of the variable component during a minimum of 3 years, its payment dependent of the institution's good performance;	Does not comply	This measure will be subject to revaluation during 2017.
IV.5 The variable component subject to deferral shall be determined in the increasing proportion of its weight relative to the fixed component;	Not applicable	Not applicable in view of the response to point IV.4.
IV.6 Absence of contracts concluded by members of the management body the effect of which is to mitigate the variability of the established remuneration;	Complies	
IV.7 Retaining, up to the end of the tenure, the value of the shares attributed under the variable component, up to the limit of twice the total annual remuneration, unless required to pay taxes on the benefit generated by the shares in question;	Not applicable	Not applicable in view of the response to point IV.3.
IV.8 Where the variable remuneration includes allocation of options, the start of the exercise period shall be deferred during no less than 3 years;	Not applicable	Not applicable in view of the response to point IV.3.
IV.9 Following the exercise referred to in the preceding point (IV.8), the executive members of the management body shall retain a certain number of shares up to the end of their tenure, the number to be fixed.	Not applicable	Not applicable in view of the response to point IV.3.
IV. Management Body – Non-Executive Members		
IV.10 The remuneration of the non-executive members of the management body shall not include any component whose value depends on the performance or value of the institution.	Complies	
IV. Management Body - Indemnities in the event of dismissal		
IV.11 Definition of adequate legal instruments to ensure that the compensation established for any unfair dismissal of a member of the management body will not be paid if the dismissal or termination by mutual agreement is the result of inadequate performance by the member in question.	Complies	No compensation has been established for any form of unfair dismissal of a member of the management body.

Recommendation	Degree of compliance	Comments
V. Employee Remuneration – Relationship between Fixed and Variable Remuneration		
V.1 If the employees' remuneration includes a variable component it must be adequately in balance with the fixed component, taking into account, in particular, the performance, the responsibilities and the duties of each individual; The fixed remuneration shall account for a sufficiently important part of the total remuneration. The variable component shall be subject to a maximum limit.	Complies	
V.2 Substantial payment of a variable part in financial instruments issued by the institution, the appreciation of which depends on the medium- and long-term performance of the institution, subject to a retention policy aligned with the long-term interests of the Institution.	Does not comply	This measure will be subject to revaluation during 2017.
V. Employee Remuneration – Variable Remuneration Allocation Criteria		
V.3. Performance assessment must take into account not only individual performance but also the collective performance of the unit of the structure in which the employee is involved and of the institution itself. It must include relevant non-financial criteria, such as regard for the rules and procedures applicable to the business carried on, especially the internal-control rules and those relating to relations with customers.	Complies	
V.4 The criteria governing the award of the variable remuneration in the light of performance must be predetermined and measurable, based on a multi-year framework of three to five years, in order to ensure that the assessment process is based on long-term performance.	Complies partially	The criteria used are predetermined and measurable. They are not related to a multi-year framework since the understanding is that this component has little weight in the overall amount and concerns the meeting or otherwise of annual goals.
V.5 The variable remuneration, including the deferred part of this remuneration, shall be paid or shall constitute a vested right if it is sustainable in the light of the financial situation of the institution as a whole and is warranted in the light of the performance of the employee in question and of the structure unit of which he is a part. The whole of the variable remuneration shall, generally speaking, be severely reduced in the event of decrease of the performance or negative performance of the institution.	Complies	

Recommendation	Degree of compliance	Comments
V. Key Employee Remuneration – Deferral of Variable Remuneration		
V.6. A significant part of the variable remuneration shall be deferred for a period not less than three years and its payment shall be dependent on future performance criteria, measured on the basis of criteria suited to the risk, which take into account the risks associated with the activity on the basis of which it is awarded.	Does not comply	It was considered to date that the little weight of this component in Total Annual Remuneration does not justify its deferral. This measure will be subject to revaluation in 2017.
V.7. The part of the variable remuneration subject to deferral under the terms of the preceding number shall be determined in growing proportion to its relative weight compared to the fixed component of the remuneration. The percentage deferred shall increase significantly in proportion to the seniority or responsibilities of the employee.	Not applicable	Not applicable in view of the reply to the preceding point.
V. Employees' Remuneration – Key Employees		
V.8. Employees performing tasks associated with key functions shall be remunerated in the light of the achievement of the objectives associated with their duties, regardless of the performance of the areas under their control, the remuneration to provide a reward adequate to the importance of the exercise of the duties.	Complies	
V.9 In particular, actuarial duties and the actuary in charge shall be remunerated in a manner in keeping with their role at the institution and not in respect of its performance.	Complies partially	Since the remuneration is appropriate to the function, it is not entirely foreign to its performance
VI. Assessment of the Remuneration Policy		
VI.1 The remuneration policy shall be submitted to independent internal review at least annually, performed by key departments of the institution in articulation with each other.	Complies	
VI.2 The assessment called for in the preceding number shall include, in particular, an analysis of the institution's remuneration policy and of its implementation in the light of the recommendations of this Circular, especially in respect of its effect on the management of the risks and of the capital of the institution.	Complies	
VI.3 The key departments shall present to the management body and the AGM or, if any, the remuneration committee, a report on the results of the assessment to which number VI.1 refers, detailing in particular the measures required to correct any insufficiencies in the light of these recommendations.	Complies	

Recommendation	Degree of compliance	Comments

VII. Financial Groups		
VII.1 The parent company of an insurance group or financial conglomerate subject to supervision by the ASF on the basis of its consolidated situation shall ensure that all its affiliates, including those abroad, implement mutually consistent remuneration policies, based on these recommendations.	Complies	
VII.2 Adoption of these recommendations shall be ensured in respect of all remuneration paid to each employee by the those institutions that are a part of the same insurance group or financial conglomerate.	Complies	
VII.3 The key functions of the parent company shall perform at least once a year, in articulation with each other, an assessment of the remuneration practices of the affiliates abroad, in the light of the recommendations of this Circular, especially in respect of their effect on the management of the institution's risk and capital.	Complies partially	The amounts and remuneration paid by subsidiaries, taking into account the respective structures, have not so far been considered materially relevant.
VII.4. The key functions shall submit to the management body of the parent company and to its general meeting or, should one exist, to the remuneration committee, a report on the results of the assessment to which the preceding number refers, detailing in particular the measures required to correct any insufficiencies in the light of these recommendations.	Complies partially	