TRANQUILIDADE

2014

ANNUAL REPORT AND ACCOUNTS

TRANQUILIDADE

Companhia de Seguros Tranquilidade, S.A.
Av. da Liberdade, 242
1250 – 149 Lisbon / Portugal
Registered at the Lisbon Registry of Companies - VAT: 500 940 231
tranquilidade.pt

INDEX

ANNUAL REPORT AND ACCOUNTS 2014

01

GOVERNING BODIES

TRANQUILIDADE

01. GOVERNING BODIES

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

Board of Directors
Chair
Gustavo Alexandre Pontes Teixeira de Mesquita Guimarães
Members
Alexander Wallace Humphreys
Augusto Tomé Pires Fernandes Pedroso
Gernot Wilhelm Friedrich Lohr
Nuno Miguel Pombeiro Gomes Diniz Clemente

Board of Auditors
Chair
Luís Maria Viana Palha da Silva
Full Member
Manuel Maria de Paula Reis Boto
Full Member
Pedro Manuel Aleixo Dias
Alternate Member
Sandra Maria Simões Filipe de Ávila Valério

Official Auditor
Ana Cristina Soares Valente Dourado, on behalf of KPMG e Associados
Alternate
Fernando Gustavo Duarte Antunes

02

DIRECTORS' REPORT

TRANQUILIDADE

02. DIRECTORS' REPORT

To the Members of Companhia de Seguros Tranquilidade, SA,

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

2.1. Macroeconomic Framework

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

2.1.1 International Economic Situation

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

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

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

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

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

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

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

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

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

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

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

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

2.1.2 Domestic Economic Situation

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

After 3 consecutive years of decline, domestic demand increased again in 2014 while still below the levels seen before the international financial crisis. Private consumption grew 2.1% in 2014 (compared to a 1.4% reduction in 2013) and gross fixed capital formation increased by 5.2% (compared to 6.3% decrease in 2013). In 2014, exports posted a growth of 3.4%, lower than in 2013 (6.4%) and lower than the 6.2% growth of imports (compared to 3.6% in 2013).

The unemployment rate fell from 16.2% to 13.9% in 2014. At the root base of this improvement were methodological changes associated with the inclusion of the data of the "2011 Census", the migratory flow and the implementation of several of labour-recruitment stimulus programmes. The average inflation rate fell by 0.3% (2013: up 0.3%) largely reflecting the decline of energy prices.

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

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

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

2.1.3 Insurance Market

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

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

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

However, the Non-Life segment fell once more in 2014, though less so that in the past 2 years, which seems to announce a reversal of the downward trend of production. The volume of Non-Life premiums amounted to €3,852 million (down 0.2% from the previous year), with emphasis on the recovery of Workers' Compensation (up 0.9%), premiums of which had not risen for 9 years. Health insurance kept the growth pattern of the past few years (up 3.3%), confirming the growing option for this product. Contrary to this, the focus is on the downturn of production in Motor insurance (2.0%), with a further deterioration of the average premium per vehicle, and on the decline of Multi-risk (0.3%) and Transportation (9.0%).

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

2.2 Relevant Facts in 2014

In 2014 the Portuguese economy showed signs of recovery and surpassed some of the constraints that had been felt since the financial crisis of 2008. The year under review was also the year the fiscal consolidation programme agreed with the Troika came to an end.

Investment and private consumption returned to growth after several years of decline. Unemployment, though still high (13.9%) fell by 2.3 p.p. compared to 2013. Exports also continued to make a positive contribution to growth. Thus, the GDP is expected to have grown by 0.9% 2014.

Despite near stagnation (downturn of 0.2% compared to 2013), the Non-Life sector has shown positive signs after the sharp losses seen from 2011 to 2013. Life business performed well, (up 12.9% compared to 2013) due to the good performance of the financial products driven by the banking channel.

In the Non-Life market, Health insurance Branch (up 3.3% compared to 2013) continued to be the main source of growth in the sector. The main mandatory insurance branches, Workers' Compensation (WC) and Motor, performed better than in previous years.

The Workers' Compensation branch grew 0.9% after nearly a decade of consecutive sharp losses (down 34% compared to 2005). Despite the intervention of the Insurance and Pension Funds Supervisory Authority (ASF) to force insurers to reinstate the technical balance of the branch, the process of matching prices to the cost of risk is far from over. The combined ratio of WC insurance in June 2014 remained at 133%.

Motor insurance retreated just 2.0% (compared with downturns of 5.8% in 2013 and 5.4% in 2012), reflecting the improvement in new-car sales. However, this branch is affected by the persistence of competition between insurers based on price.

In 2014, faced with an adverse external context and, in the second half of the year, with demanding internal challenges, as a result of the breakup of the Espírito Santo Group, Tranquilidade showed great resilience, maintaining its market share of 8.3% and continued to rank second in Non-Life insurance.

On the commercial side, and despite the challenging context seen during the second half, existing relations and partnerships with the professional channels proved to be solid and resisted stably and serenely:

- The Exclusive and Multibrand Partners grew by 2% and 1% respectively, outperforming the market;
- Despite revenue levels unchanged compared to 2013, Brokers also outperformed the market;
- The banking-insurance programs in collaboration with Novo Banco (former Banco Espírito Santo) in the Companies segments were the most affected by the context, new insurance premiums falling 6.3%;
- The Alternative Retail Networks grew 38% compared to 2013 and strengthened their important role Tranquilidade's retail area, particularly in Motor, contributing 11% of new revenue.

Tranquilidade's Non-Life and Life customer base in 2014 amounted to 661,000 (14,000 more than in 2013). In the Individuals segment, where growth was more pronounced, the performance was due to the refocus of the commercial efforts on attracting and retaining customers in this segment, structurally more profitable.

The acquisition of the AMA portfolio, with about 10,000 health professionals customers, also contributed to the good performance of the Tranquilidade customer base. In the Business and Companies segments attracting custom was more selective giving priority to improving the margin.

In the main Non-Life anchor products, namely, Motor, Multi-risk and Workers' Compensation, Tranquilidade's performance matched or outperformed the market.

In Life, the strategic focus on Life Risk products again returned good results, allowing T-Vida to grow by 9.2% in this segment in 2014. In 2014, the main partners of T-Vida grew by approximately 30% in Life Risk and accounted for 40% of the new revenue of this segment.

The Assurfinance programme continued to be a distinguishing factor. Tranquilidade and its partners kept up a key channel for Novo Banco, having weathered better than the bank the consequences of the disintegration of the group. In terms of attracting Customers, the programme accounted for 21% of the share of the bank, having remained above the objectives established for this business area.

At operating level, with a view to ongoing improvement of the quality of service to customers and partners, the Company has introduced yet another set of initiatives:

1. Launch of new products, especially in Individuals:

   - Launch of new Light Motor product to respond to changes in the purchasing power and the introduction of improvements in Travel Assistance, notably with the introduction of the equivalent replacement vehicle in all options;
   - Launch of the Check-up option and strengthening the Essential option (is included in the majority of Tranquilidade's sales), which further enriched a diverse and innovative offer in Health;

2. Introduction of improvements and new features to the Partner work-station (SIA-net):

   - Improving the flow of discounts on changes to the maturity, reduction of the number of screens and simplification of printing and signature processes;
   - Greater efficiency in the management of retention lists, with the introduction of new fields of consultation;
   - Enlargement of the simulation and subscription capacity in Motor and Workmen's Compensation;
   - Automatic payment of commissions.

3. Improvement of the instruments for communication with customers, with the continuation of the revision and simplification of institutional outputs: applications, financial documentation and particular conditions of the MR Household product.

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

- The average response time for complex quotations improved to 5.9 days (down 3% compared to 2013);
- Claims opened in less than three days stood at 90% of cases in Motor, Household and Workers' Compensation;
- Customers recognised the excellence in claims management, with an average rating of around 8 (on a scale of 10) and a recommendation intention above 85% in Motor and Workers' Compensation; in Household there is still room for improvement with the average rating standing at 7 and recommendation on around 70%;
- The number of complaints and their weight as a proportion of claims continued to decline (by 15% for both indicators compared to 2013).

The Company's major investment in improving Service and Sensitivity levels in Partners has brought concrete results, which are reflected in the way the Company is perceived and recognised externally by Partners, Customers and the general public.

Thus, for yet another year, the Company was recognised by several independent institutions and, in 2014, it renewed the following distinctions:

- "Brand of Excellence", by Superbrands;
- "Insurer with the best reputation" at domestic level, by the Reputation Institute;
- "Best Call Centre of the Insurance Industry", by APCC;
- In October Tranquilidade was recognised by the World Finance magazine as the best National Insurer and, lastly, in November, it was proud to receive the distinction of Choice of the Professionals of the insurance sector.

These distinctions are a vote of confidence and an incentive for the Company to continue to work as a team around the goal of serving its Customers and Partners all the better.

The continuation of the Efficiency Programme allowed a recurrent reduction reduced of operating costs of €2.4 million (down 3.5% compared to 2013). This good performance is the result mainly of the reduction of the costs of third-party supplies and services (down 9.7% or €2.1 million).

The occurrence of an extraordinary factor justified mainly by the recognition of benefits related to departures of participants before normal retirement age, resulted in an increase in the annual cost with pension fund benefits in the sum of €4,726k giving rise to a growth of costs for the year in the sum of €2.4 million euros compared to 2013, or 3.5%.

In asset management, the Tranquilidade Group felt the direct consequences of the collapse of GES, through significant impairments and losses in short-term issues by GES companies in the sum of €140 million. Excluding this extraordinary effect, the financial business benefited from the positive sentiment seen in the financial markets with the maintenance of new stimuli by the central banks. As last year, investments continued to be focused on issuers in the periphery of Europe with exposure highly diversified by sector and by country.

Investment was directed preferably to the primary public debt and corporate-fixed rate market, of issuers with solid fundamentals and higher seniority. This position had a quite favourable impact on the appreciation of assets, providing gains on bonds, due to the trend of narrowing interest-rate spreads.

Tranquilidade's overall technical balance decreased from €59.0 million to €55.8 million in 2014, down 5.5%, with particular emphasis on Motor (down 13.2%). The overall Non-Life claims rate worsened 6.4 percentage points, with emphasis on Workers' Compensation (7.4 p.p.) and Motor (10.7 p.p.)

As regards Tranquilidade's strategic investments, one must highlight the fact that the direct insurer LOGO reached its break-even after 6.5 years in business, despite the adverse competitive environment. LOGO returned a net profit of €32k, an improvement compared to the loss of €2.5 million in 2013.

At LOGO also highlighted is the 10.5% increase of the Technical Balance of Direct Insurance from €7.6 million to €8.4 million, and the reduction of operating costs by 18.7%, from €9.0 million to €7.3 million. LOGO maintained a market share in direct insurers of more than 20%.

At T-Vida the technical balance net of reinsurance fell from €6.2 million to €4.6 million. Despite this absolute decrease, net income amounted to €4.3 million in 2014, identical to 2013, while the solvency ratio stood at 195,9%.

2.3 Key Variables and Business Indicators

(thousand euros)

	2014	2013	Change 14/13 %
Balance Sheet			
Investments	472,325	672,323	-29.7%
Net assets	667,563	882,937	-24.4%
Equity	40,187	240,785	-83.3%
Provision for unearned premiums (DI+RA)	77,501	78,599	-1.4%
Provision for claims (DI+RA)	428,452	438,388	-2.3%
Provision for claims, net of reinsurance	386,321	399,230	-3.2%
Technical Provisions (DI+RA)	531,542	545,164	-2.5%
Gains & Losses			
Gross direct insurance premiums written	319,811	319,514	0.1%
Premiums earned, net of reinsurance	277,844	279,235	-0.5%
Cost of direct Insurance claims	213,329	204,667	4.2%
Costs of claims, net of reinsurance	197,818	188,022	5.2%
Operating costs	69,225	66,854	3.5%
Income	17,158	22,452	-23.6%
Net Income	-188,265	19,020	-1,089.8%
Indicators			
Gross premiums written/ nº of employees	480.2	480.5	-0.1%
Direct insurance claims rate of	65.8%	62.8%	3.0 p.p.
Claims rate net of reinsurance	71.2%	67.3%	3.9 p.p.
Net Income/ Gross premiums written	-56.9%	5.8%	-62.7 p.p.
Combined ratio net of reinsurance	104.3%	102.8%	1.5 p.p.
Solvency ratio	52.5%	593.2%	-540.7 p.p.

2.4 Tranquilidade's Business in 2014

2.4.1 Direct Insurance Premiums

Direct insurance premiums in 2014 totalled €319,811k, an increase of 0.1% compared to 2013. The Non-Life insurance market returned a decrease of 0.2% compared to 2013.

The trend of the evolution of the largest insurers operating in the Portuguese market, with the exception of Allianz, was again negative in 2014, driven mainly by downturn of production in Motor and Workers' Compensation.

Tranquilidade was outstanding for an increase of €297k in direct insurance premiums in 2014, mainly the result of the good performance of Workers' Compensation.

In Accidents and Health, Tranquilidade's production was greater than the previous year by €4,239k (4.26%), the result of the €4,547k growth in Workers' Compensation (up 8.2%, versus 0.9% of the market). Fire and Other Damage insurance decreased 1% compared to 2013 despite an increase of €796k in Multi-risk over the previous year (+1.5% compared to a market growth of -0.3%). Motor business production fell by 2.8%, (-€3,455k) while the sector fell by 2.0% compared to the previous year.

(thousand euros)

Direct Insurance Premiums	2014	%	2013	%	Change 14/13 %
Accidents & health	104,454	32.7	100,215	31.4	4.2%
Fire & other damage	62,985	19.7	63,613	19.9	-1.0%
Motor	120 586	37.7	124,041	38.8	-2.8%
Transport	7,155	2.2	7,391	2.3	-3.2%
Third-party liability	10,090	3.2	11,149	3.5	-9.5%
Sundry	14,541	4.5	13,105	4.1	11.0%
Total	**319,811**	**100.0**	**319,514**	**100.0**	**0.1%**

Tranquilidade maintained a market share of 8.3% in 2014, continuing to rank 2nd in the Non-Life segment.

2.4.2 Costs of Direct Insurance Claims

Total costs of direct insurance claims in 2014 amounted to €213,329k, an increase of €8,662k (4.2%) compared to 2013. This performance was mainly due to increased costs of Workers' Compensation (up €7,677k), the result of a higher number of occurrences and of the increase of the mathematical provision caused by lower interest rates.

In the Fire and Other Damage branch, claims costs increased over the previous year (€1,760k, or 4.7%) despite the decline in Multirisk (€6,147k) due to the reduction of provisions for several serious claims. In the Crops branch claims costs increased €2,807k due to the occurrence of a major claim. In Motor insurance claims costs increased by 3.7% compared to 2013 (+€2,458k).

(thousand euros)

Direct Insurance Claims Costs	2014	2013	Change 14/13 %
Accidents & health	101,251	94,355	7.3%
Fire & other damage	39,080	37,320	4.7%
Motor	68,058	65,600	3.7%
Transport	1,423	2,732	-47.9%
Third-party liability	2,346	1,898	23.6%
Sundry	1,171	2,762	-57.6%
Total	**213,329**	**204,667**	**4.2%**

The claims rate in 2014 (gross cost of claims / gross premiums earned) stood at 65.8%, an increase of 3.0 pp over the previous year. The main reasons for the increase of the claims rate in 2014 were:

- The rise of the claims rate in Accidents and Health by 2.4 pp compared to 2013 caused by a 5.0 pp of the WC claims rate (110.5% in 2014);
- The rise of the claims rate in Fire and Other Damage to 60.3% (57.7% in 2013), and
- The rise of the claims rate in Motor to 55.3% (50.8% in 2013).

(%)

Claims Costs/ Gross Premiums Earned *	2014	2013
Accidents & health	96.7	94.3
Fire & other damage	60.3	57.7
Motor	55.3	50.8
Transport	19.4	36.8
Third-party liability	23.0	17.0
Sundry	8.4	20.5
Total	**65.8**	**62.8**

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

2.4.3 Direct Insurance Technical Provisions

Direct insurance technical provisions amounted to €522,313k, a reduction of €13,983k compared to the previous year (down 2.6%). The Provision for Claims fell by €9,602k, split between the €21,159k increase under WC and the decrease of the provision allocated to other business lines in the sum of €30,761k.

(thousand euros)

Direct Insurance Technical Provisions	2014	2013	Change 14/13 %
Provisions for unearned premiums	73,800	75,950	-2.8%
Provisions for claims	422,959	432,561	-2.2%
Workers' compensation	222,736	201,577	10.5%
Other business	200,223	230,984	-13.3%
Other technical provisions	25,554	27,785	-8.0%
Total	**522,313**	**536,296**	**-2.6%**

2.4.4 Reinsurance Ceded

The balance of reinsurance ceded in 2014 amounted to €26,957k, more unfavourable in the sum of €1,420k compared to 2013 (up 5.6%). This was due to the higher volume of premiums ceded to reinsurers.

(thousand euros)

Reinsurance Ceded	2014	2013	Change 14/13 %
Premiums	56,131	54,346	3.3%
Commissions	-9,405	-7,779	20.9%
Claims and variation of technical provisions	-19,769	-21,030	-6.0%
Result	**26,957**	**25,537**	**5.6%**

2.4.5 Technical Balance Net of Reinsurance

The net technical balance of reinsurance in 2014 amounted to €55,769k, a decrease of 5.5% over the previous year (-€3,229k), due mainly to the increase of costs of claims.

By segment, the biggest drop was seen in Motor, with the technical balance down €6,878k (drop of production and increase of claims costs).

The technical balance of Accidents and Health performed better, although still negative, in 2014 that in the previous year (up €1,016k), mainly due to the good performance of the Health segment, the technical balance net of reinsurance increasing by €2,035k compared to 2013 (improvement of earned premiums and claims costs).

(thousand euros)

Technical Balance, Net of Reinsurance	2014	2013	Change 14/13 %
Accidents & health	-4,973	-5,989	-17.0%
Fire & other damage	8,527	8,686	-1.8%
Motor	45,270	52,148	-13.2%
Transport	1,658	1,710	-3.0%
Third-party liability	4,694	3,744	25.4%
Sundry	593	-1,301	-145.6%
Total	**55,769**	**58,998**	**-5.5%**

2.4.6 Operating Costs

Total operating costs amounted to €69,225k, up 3.5% over the previous year.

Staff costs in the sum of €40,593k grew by 12.3%, or €4,457k, mainly the result of an additional cost of €4,726k, mainly the result of recognition of benefits with the Pension Fund related with participants leaving prior to normal retirement age.

Costs of Third-party Supplies and Services decreased 9.7%, or €2,086k, reflecting the Company's continuing commitment to achieving efficiency gains.

(thousand euros)

Operating Costs	2014	2013	Change 14/13 %
Staff costs	40,593	36,136	12.3%
Third-party supplies & services	19,365	21,451	-9.7%
Taxes and charges	2,351	2,427	-3.1%
Depreciation	6,262	6,170	1.5%
Other*	654	670	-2.4%
Total	**69,225**	**66,854**	**3.5%**

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

2.4.7 Staff

During 2014 a total of 33 new employees were taken on and 32 left, 8 of whom for pre-retirement or retirement reasons.

As a result of these movements, effective staff increased by 0.2% compared to 2013, to 666 employees. Compared to the previous year, productivity was practically unchanged, with the ratio of direct insurance premiums per employee of the permanent staff standing at €480k (€481k in 2013).

	2014	2013	Change 14/13 %
Admissions	33	19	73.7%
Departures	32	29	10.3%
Of which pre-retirement or retirement	8	17	-52.9%
Total Staff	666	665	0.2%
DI Premiums /N° of staff (thousands of euros)	**480**	**481**	**-0.2%**

2.4.8 Investments

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

Europe continued to evolve below its potential and at a slower pace than initially set out, due to the debt accumulated in the period before the crisis and to the regularisation of the macroeconomic imbalances that ensued. Despite the volatility seen at the year-end, the financial markets appreciated sustainably in most asset classes, supported by expectations of economic recovery and by the liquidity levels generated by the monetary policy implemented by the various central banks.

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

The atmosphere of confidence in the Portuguese economy was temporarily penalised by the turmoil that affected the Portuguese financial system caused by the failure of some companies of the Espírito Santo Group, which culminated in the bankruptcy of Portugal's largest private financial group. Tranquilidade was not immune to the process that affected its major shareholder, ESFG, and it ended up feeling the direct consequences of its collapse, as a result of its exposure to the securities it held in entities that defaulted and generated losses.

Also mentioned is the adoption of the accounting practice of valuation of holdings in subsidiaries and associates by the acquisition cost net of impairment losses method, thus implementing the benchmarking generally used in the market, also the preferred treatment of the IFRS in this matter. Therefore, and taking into consideration that the Tranquilidade subsidiaries and associates are not listed, we consider that the adopted accounting practice implemented is aligned with that considered by international and national Insurer Groups, as regards the preparation of its separate financial statements.

In its normal and recurrent business, there were two distinct periods of Tranquilidade's investment policy during 2014.

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

During this period Tranquilidade increased its exposure to sovereign debt of the peripheral countries, particularly Portugal, which allowed it to benefit from the appreciation of its bond portfolio. In this period too, Tranquilidade increased its short-term investments in money market instruments, offset by the reduction of investment in real-estate funds and variable-rate bonds.

At the end of the first half, it was decided to reclassify all the positions in bonds "held to maturity" to "available for sale", a decision that allowed the appropriation of the potential gains in these assets to be recorded in the accounts. As a result of this decision, in keeping with IAS 39, and up to the end of 2016, Tranquilidade cannot have assets classified in this category.

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

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

Tranquilidade's financial activity in the second half of 2014 was affected by the reduction of the investment portfolio after the losses incurred with the non-repayment of the short-term investments of ESFG entities.

With the reduction of the remuneration of short-term investments, Tranquilidade opted for a gradual reduction of these investments, offset by investment in fixed-rate bonds, and it continued its strategy implemented during the first half, participating in primary market issues.

In terms of results by asset class, we highlight the net gains of €15,745k, obtained through net realised on the debt market, the result of the narrowing spreads and reduction of the yields. In its investment in corporate debt, Tranquilidade opted for issuers with solid fundamentals and higher seniority, while maintaining an adequate spread of the risk per issuer, sector and country.

At the year-end, Tranquilidade's bond portfolio amounted to €165,429k, with an average rating of investment grade, a 22.8% exposure to sovereign debt (€37,682k) of which €23,867k of exposure to Portuguese public debt.

On the equity market, the major equity indices performed differently during 2014, the US heading the positive performances, followed by Asia and Latin America. European markets also returned positive though more modest performances. Tranquilidade, as in previous years, continues its conservative strategy with exposure to equity markets of less than 3.0%, mainly through ETFs and a special focus on the US market.

Euribor rates recorded historic lows across all maturities, reflecting expectations of falling interest rates. Foreseeing this scenario, Tranquilidade continued to reduce its exposure to variable-rate bonds, with a decrease of 70.5% in this class of binds (-€33,302k).

In compliance with the limits defined in the investment policy, no transaction was carried out involving hedge funds or products of similar characteristics, and investments in derivatives instruments were used solely for currency hedging. Exposure to the real-estate sector through investment funds and direct holdings in the balance sheet decreased by €46,803k (-24.7%) over the previous year.

(thousand euros)

Assets Under Management (1)	2014	2013	Change 14/13 %
Bonds	**165,429**	**257 135**	**-35.7%**
Fixed-rate	151,476	209,880	-27.8%
Floating-rate	13,953	47,255	-70.5%
Equities & investment funds	**224,315**	**294,388**	**-23.8%**
Strategic	139,128	154,743	-10.1%
Equities	0	0	-
Investment Funds	85,187	139,645	-39.0%
Properties	**70,012**	**69,225**	**1.1%**
Owner-occupied	24,400	24,829	-1.7%
Income	45,612	44 396	2.7%
Liquidity	**25,560**	**51,427**	**-50.3%**
Other	**6,967**	**4,863**	**43.3%**
Total	**492,283**	**677,038**	**-27.3%**
Held-to-maturity assets	0	84,773	-100.0%

(1) Amounts determined from a management standpoint.

At the end of 2014 the investment showed a decrease of €184,755k (-27.3%) compared to 2013, mainly due to losses on short-term investments in GES entities (-€140 250k). Of import is the reclassification of all "held to maturity" positions to "available for sale", measured at €84,773k at the end of 2013, with implied gains of €5,975k.

(thousand euros)

Financial Results (1)	2014	2013	Change 14/13 %
Income	**17,158**	**22,452**	**-23,6%**
Securities	15,609	20,971	-25,6%
Properties	1,549	1,481	4,6%
Gains & Losses	**-108,905**	**9,007**	**- 1,309,1%**
Securities	-107,518	10,279	-1,146,0%
Properties	-1,387	-1,272	9,0%
Impairments/ Written Back	**-52,682**	**-3,073**	**1,614,4%**
Securities	-52,682	-3,073	1,614,4%
Properties	0	0	0,0%
Total	**-144,429**	**28,386**	**-608,8%**

(1) Amounts determined from a management standpoint.

In 2014, financial activity returned a net loss in the sum of €144,429k, a year-on-year decrease of €172,815k. Excluding non-recurring events, Tranquilidade returned a financial profit of €31,729k, that is, a year-on--year growth of €3,343k (11.8%).

Return on average assets, excluding non-recurring events, stood at 5.6% (2013: 4.5%) and, considering the change in the Fair Value Reserve, the return was 7.4% (2013: 3.7%).

2.4.9 Equity and Solvency Margin

In 2014 Equity decreased to €40,187k mainly due to the following factors:

- Losses and impairment of the GES debt (€140.3 million);
- Impairment at subsidiary LOGO (€35.9 million);
- Impairment of intangible assets - Goodwill of ESIA (€25.8 million);
- Additional non-recurring cost of pension fund liabilities (€4.7 million).

(thousand euros)

Equity	2014	2013	Change 14/13 %
Share capital	160,000	160,000	0.0%
Revaluation reserves	3,935	941	318.2%
Other reserves	31,759	30,185	5.2%
Retained earnings	32,758	30,639	6.9%
Net income	-188,265	19,020	-1,089.8%
Total	**40,187**	**240,785**	**-83.3%**

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

As of that date the solvency margin stood at 53% (in 2013: 593%) and had a financial guarantee shortfall of €144 million (2013: surplus of €76 million).

However, as of this date, Tranquilidade has implemented a recapitalisation plan, approved by the ASF, which allows the Company to comply with the individual prudential and legal ratios by implementing among others, the following measures:

1. Sale of assets and investments, including:
   a. Sale of the interest in Advancecare, providing Tranquilidade with a financial fitting inflow of €37.4 million (a transaction already finalised);
   b. Sale of the shares in ES Contact, SA and GNB – Gestão de Ativos, SGPS, SA (transactions still to be completed).
2. Increase of the Company's equity by putting up ancillary capital contributions conducting in the sum of €40 million (operation already finalised);
3. Reduction of share capital to cover losses and subsequent capital increase in the sum of €42 million, of which €12.6 million will be paid up immediately (operation to be carried out following an appraisal and resolution, by the sole shareholder, of this management report and other accounting documents).

This plan proposed by the Company and approved by the ASF, will allow the Company to have, following a resolution to be passed by the General Meeting, an adequate solvency margin and a level of financial guarantees to cover the technical provisions through its allocated assets, greater than that required by the ASF.

2.4.10 Risk Management, Internal Control System and Compliance

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

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

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

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

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

2.5. Proposal for the Appropriation of Profit

The Board of Directors of Companhia de Seguros Tranquilidade, SA proposes, pursuant to and for the purposes of article 376 (b) of the Companies Code, that the net loss for the 2014 financial year in the sum of €188,265,181.40 be transferred to retained earnings.

Considering that retained earnings currently has a positive balance (including reserves for actuarial gains and losses) of €14,243,863.89, it will come to have a negative balance of €174,021,317.51.

Thus, and additionally, the proposal is to cover the negative retained earnings by reducing the share capital (followed by a an increase of the share capital under the terms to be approved by the sole shareholder), and that the coverage of the remaining amount, totalling €14,021,317.51, be undertaken through the use of all the free reserves in the sum of €927,749.91, and a part of the legal reserves in the sum of €13,093,567.60.

2.6 Goals for 2015

In the economic context that is expected to be better in 2015, there should be opportunities for the technical rebalancing of the insurance industry to progress more quickly.

Additionally, the requirements of Solvency II, the redefinition of strategies of some international insurers in terms of presence in the Portuguese market and the new more-demanding regulatory requirements in insurance and banking, will bring about consolidation in the insurance market.

For Tranquilidade 2015 will be an important year. With the new shareholder, a company controlled by the affiliate investment fund of Apollo Global Management, LLC, Calm Eagle Holdings, S.à r.l. ("Apollo") allowing a page to be turned, recapitalising the Company through the injection of capital needed to restore the solvency ratios at adequate levels, Tranquilidade will benefit anew from conditions that will allow it to focus even more on creating value and generating profits.

Apollo Global Management, LLC is one of the world's leading asset managers. It manages approximately US$ 164 billion dollars (September 2014 data) of assets, is listed on the New York Stock Exchange and has 10 offices on 3 continents.

Apollo Global Management, LLC has a long curriculum of development of robust, high-quality companies, through the introduction of international best practices and provision of capital to support investment and growth. It enjoys a reputation as a responsible investor with a conservative approach to the companies it manages and has very considerable experience in insurance that will complement Tranquilidade's unmatched skills and experience in the sector.

The investment made by Apollo is a sign of confidence of a major international investor in the Portuguese economy, in the Portuguese insurance industry and especially in the quality of Tranquilidade. Apollo believes in the Tranquilidade business model, the Tranquilidade Team, its Partners' distribution network and in the potential of its customer portfolio. Apollo intends to leverage the current results through its know-how and experience and through the best international practices that it provides.

Tranquilidade continues its clear strategic priorities for 2015:

1. To outperform 2014, stabilising the Company and preparing it for the future;

    - To take advantage of Tranquilidade's qualities to ensure success in organic growth at domestic level, but also internationally;

2. To enhance the existing Partnership relations and strengthen confidence in some distribution channels, Brokers in particular, gaining a new lease of life through developing reference Partners, New Partners and Effective Partners;

3. To continue to improve the revenue/ margin balance, selectivity managing the development of the Companies segments;

4. To maintain the dynamic of the Individuals segment;

- To increase Motor insurance sales, improving retention;
- To continue to attract customers by investing in the sale of Multi--risk Household, particularly Contents, Health and Life Risk.

Apollo will be an asset in implementing this strategy, bringing about, through broader risk-acceptance capacity, increased access to reinsurance and greater ability to develop new Non-Life and Life products.

2.7 Closing Remarks

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

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

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

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

Lisbon, 31 March 2015

THE BOARD OF DIRECTORS

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

Alexander Wallace Humphreys
(Member)

Augusto Tomé Pires Fernandes Pedroso
(Member)

Gernot Wilhelm Friedrich Lohr
(Member)

Nuno Miguel Pombeiro Gomes Diniz Clemente
(Member)

03

FINANCIAL STATEMENTS

TRANQUILIDADE

03. FINANCIAL STATEMENTS

Balance Sheet (Assets) as at December 31, 2014 & 2013, and January 1, 2013

(thousand euros)

ASSETS	Notes to the Accounts	31 December 2014			31 December 2013	1 January 2013
		Gross Value	Impairment, Depreciation/ Amortisation or Adjustments	Net Value		
Cash & cash equivalents and sight deposits	8	20,608		20,608	5,878	26,158
Investments in affiliates, associates and joint ventures	7	118,836	14,158	104,678	118,736	118,736
Financial assets held for trading						2
Financial assets classified in the initial recognition at fair value through profit or loss	6	106		106	2,031	4,100
Hedge derivatives						
Available-for-sale assets	6	284,607	3,367	281,240	320,167	288,092
Loans & Receivables		**53,039**	**36,750**	**16,289**	**77,391**	**254,249**
Deposits at cedent companies	6	1		1	1	1
Other deposits	6	4,952		4,952	46,645	211,368
Loans granted	6	47,437	36,750	10,687	30,676	25,386
Receivables						
Other	6	649		649	69	17,494
Held-to-maturity investments	6				84,773	86,045
Land & Buildings		**75,027**	**5,015**	**70,012**	**69,225**	**70,584**
Land & buildings held for own use	9	29,415	5,015	24,400	24,829	24,468
Land & buildings held for income	9	45,612		45,612	44,396	46,116
Other tangible assets	10	46,415	42,325	4,090	5,838	7,245
Inventories	4 and 10	52		52	223	221
Goodwill	12	27,029	25,785	1,244	25,785	25,785
Other intangible assets	12	70,129	55,634	14,495	15,499	14,679
Technical Provisions for Reinsurance Ceded		**57,825**		**57,825**	**55,170**	**57,279**
Provisions for unearned premiums	4	15,694		15,694	16,012	16,942
Provisions for claims	4	42,131		42,131	39,158	40,337
Provision for profit-sharing						
Provision for rate commitments						
Portfolio stabilisation provision						
Other technical provisions						
Assets for post-employment benefits & other long-term benefits						3,650
Other Debtors for Insurance & Other Operations		**96,418**	**6,813**	**89,605**	**94,030**	**98,672**
Receivables for direct insurance operations	13	59,836	5,808	54,028	57,967	61,003
Accounts receivable for other reinsurance operations	13	14,805	207	14,598	10,330	10,205
Accounts receivable for other operations	13	21,777	798	20,979	25,733	27,464
Tax Assets		**6,037**		**6,037**	**6,732**	**8,958**
Current tax assets	24	587		587	338	313
Deferred tax assets	24	5,450		5,450	6,394	8,645
Accruals & deferrals	13	1,282		1,282	1,459	1,439
Other items of assets						
Available-for-sale non-current assets and discontinued operating units						
Total Assets		**857,410**	**189,847**	**667,563**	**882,937**	**1,065,894**

THE ACCOUNTANT
Paulo Jorge Pinheiro Santos

THE ACCOUNTS MANAGER
Pedro Manuel Borges Medalhas da Silva

THE FINANCIAL AND ADMINISTRATIVE MANAGER
Alexandre Miguel Varela Simões Lopes

THE BOARD OF DIRECTORS
Gustavo Alexandre Pontes Teixeira de Mesquita Guimarães
Alexander Wallace Humphreys
Augusto Tomé Pires Fernandes Pedroso
Gernot Wilhelm Friedrich Lohr
Nuno Miguel Pombeiro Gomes Diniz Clemente

Balance Sheet (Liabilities & Equity) as at December 31, 2014 & 2013, and January 1, 2013

(thousand euros)

LIABILITIES & EQUITY	Notes to the Accounts	31 December 2014	31 December 2013	1 January 2013
Liabilities				
Technical Provisions		**531,542**	**545,164**	**578,983**
Provisions for unearned premiums	4	77,501	78,599	83,195
Provisions for Claims	**4**	**428,452**	**438,388**	**470,777**
for life insurance				
Workers' compensation	4	222,740	201,588	188,290
Other business lines	4	205,712	236,800	282,487
Provision for profit-sharing	4	1,047	1,045	1,045
Provision for rate commitments				
Portfolio stabilisation provision				
Provision for claims-rate deviations	4	7,674	7,022	6,399
Provision for unexpired risks	4	16,868	20,110	17,567
Other technical provisions				
Other Financial Liabilities		**559**	**291**	**153,845**
Hedge derivatives				
Subordinated debt				
Deposits received from reinsurers	5	559	291	357
Other				153,488
Liabilities for post-employment benefits & other long-term benefits	23	8,369	3,903	
Other Creditors for Insurance & Other Operations		**47,909**	**52,830**	**48,564**
Payables for direct insurance operations	13	21,742	23,746	23,178
Payables for other reinsurance operations	13	16,962	16,655	16,796
Payables for other operations	13	9,205	12,429	8,590
Tax Liabilities		**15,150**	**18,325**	**27,065**
Current tax liabilities	24	15,150	18,325	27,065
Deferred tax liabilities				
Accruals & deferrals	13	21,852	19,855	19,579
Other Provisions	13	1,995	1,784	3,416
Other Liabilities				
Liabilities of a group for sale classified as available-for-sale				
Total Liabilities		**627,376**	**642,152**	**831,452**
Equity				
Equity capital	25	160,000	160,000	160,000
(Treasury shares)				
Other capital instruments				
Revaluation Reserves		**5,174**	**525**	**-4,845**
For adjustment of the fair value of financial assets	26	5,174	525	-4,845
For revaluation of land & owner-occupied buildings				
For revaluation of intangible assets				
For revaluation of other tangible assets				
For adjustments to the fair value of cash-flow hedge instruments				
For adjustments to the fair value of net investment hedges in foreign currency				
For currency translation differences				
Deferred tax reserve	26	-1,239	416	1,536
Other reserves	26	31,759	30,185	35,266
Retained earnings	35	32,758	30,639	42,485
Net income for the period		-188,265	19,020	
Total Equity		**40,187**	**240,785**	**234,442**
Total Liabilities & Equity		**667,563**	**882,937**	**1,065,894**

THE ACCOUNTANT
Paulo Jorge Pinheiro Santos

THE ACCOUNTS MANAGER
Pedro Manuel Borges Medalhas da Silva

THE FINANCIAL AND ADMINISTRATIVE MANAGER
Alexandre Miguel Varela Simões Lopes

THE BOARD OF DIRECTORS
Gustavo Alexandre Pontes Teixeira de Mesquita Guimarães
Alexander Wallace Humphreys
Augusto Tomé Pires Fernandes Pedroso
Gernot Wilhelm Friedrich Lohr
Nuno Miguel Pombeiro Gomes Diniz Clemente

Gains & Losses as at December 31, 2014 & 2013

(thousand euros)

PROFIT & LOSS ACCOUNT	Notes to the Accounts	31 December 2014			31 December 2013
		Technical	Non-Technical	Total	
Premiums Earned Net of Reinsurance		**277,844**		**277,844**	**279,235**
Gross premiums written	14	331,013		331,013	328,910
Ceded reinsurance premiums	14	-56,131		-56,131	-54,346
Provisions for unearned premiums (change)	4 and 14	3,279		3,279	5,601
Provisions for unearned premiums, reinsurers' part (change)	4 and 14	-317		-317	-930
Costs of Claims, Net of Reinsurance	**4**	**197,818**		**197,818**	**188,022**
Amounts paid		210,033		210,033	219,324
Gross amounts		229,824		229,824	242,463
Reinsurers' part		-19,791		-19,791	-23,139
Provision for claims (change)		-12,215		-12,215	-31,302
Gross value		-11,920		-11,920	-32,481
Reinsurers' part		-295		-295	1,179
Other technical provisions, net of reinsurance	4	-2,590		-2,590	3,166
Share of profits/ (losses), net of reinsurance	4	2		2	
Net Operating Costs & Expenses	**21**	**94,450**		**94,450**	**94,254**
Acquisition costs		68,619		68,619	69,714
Deferred acquisition costs (change)	4	539		539	1,005
Administrative costs		34,697		34,697	31,314
Reinsurance commissions and profit sharing		-9,405		-9,405	-7,779
Income	**16**	**16,949**	**209**	**17,158**	**23,154**
On interest on financial assets not carried at fair value through profit or loss		7,416	98	7,514	13,045
On interest on financial liabilities not carried at fair value through profit or loss					
Other		9,533	111	9,644	10,109
Financial Costs	**16**	**1,588**	**30**	**1,618**	**2,351**
On interest on financial assets not carried at fair value through profit or loss					
On interest on financial liabilities not carried at fair value through profit or loss					
Other		1,588	30	1,618	2,351
Net Gains on Financial Assets & Liabilities not Carried at Fair Value Through Profit or Loss	**17 and 18**	**17,876**	**-125,250**	**-107,374**	**9,708**
On available-for-sale assets		17,349	-125,250	-107,901	5,708
On loans & accounts receivable					
On investments held to maturity		527		527	
On financial liabilities carried at amortised cost					
On others					4,000
Net Gains on Financial Assets & Liabilities Carried at Fair Value Through Profit or Loss	**17 and 18**	**-157**		**-157**	**390**
Net gains of financial assets & liabilities held for trading					
Net gains on financial assets & liabilities classified in the initial recognition at fair value through profit or loss		-157		-157	390
Currency translation differences	19	13	384	397	121
Net gains on the sale of non-financial assets not classified as available-for-sale non-current assets and discontinued operating units	17 and 18	-1,387		-1,387	-1,272
Impairment Losses (Net of Reversal)		**-37,682**	**-40,747**	**-78,429**	**-3,053**
On available-for-sale assets	6	-1,774		-1,774	-3,073
On loans and receivables carried at amortised cost		-21,750	-15,000	-36,750	
On investments held to maturity					
On others	7, 12 and 13	-14,158	-25,747	-39,905	20
Other technical income/ costs, net of reinsurance	20	-1,383		-1,383	-1,605
Other provisions (change)	20				1,865
Other income/ expenses	20		-3,144	-3,144	1,344
Negative goodwill recognised immediately in profit or loss					
Gains & losses on associates and joint ventures carried using the equity method					
Gains & losses on non-current assets (or disposal groups) classified as held for sale					
Net Income Before Tax		**-19,195**	**-168,578**	**-187,773**	**22,094**
Corporation tax for the period - Current tax	24		-1,204	-1,204	-1,943
Corporation tax for the period - Deferred tax	24		712	712	-1,131
Net Income For The Period		**-19,195**	**-169,070**	**-188,265**	**19,020**
Earnings per share (in euros)	27			-5.88	0.59

THE ACCOUNTANT
Paulo Jorge Pinheiro Santos

THE ACCOUNTS MANAGER
Pedro Manuel Borges Medalhas da Silva

THE FINANCIAL AND ADMINISTRATIVE MANAGER
Alexandre Miguel Varela Simões Lopes

THE BOARD OF DIRECTORS
Gustavo Alexandre Pontes Teixeira de Mesquita Guimarães
Alexander Wallace Humphreys
Augusto Tomé Pires Fernandes Pedroso
Gernot Wilhelm Friedrich Lohr
Nuno Miguel Pombeiro Gomes Diniz Clemente

04

STATEMENT OF COMPREHENSIVE INCOME

TRANQUILIDADE

04. STATEMENT OF COMPREHENSIVE INCOME

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

(thousand euros)

	2014	2013
Items that May Be Reclassified to the Income Statement	**2,994**	**4,250**
Change in fair value of available-for-sale investments	4,649	5,370
Change in current & deferred taxes	-1,655	-1,120
Items that Will not Be Reclassified to the Income Statement	**-327**	**-6,927**
Change of actuarial deviations recognised in reserves	-327	-6,927
Change in current & deferred taxes	-	-
Other Comprehensive Income for the Period after Taxes	**2,667**	**-2,677**
Net Income for the Period	**-188,265**	**19,020**
Total Comprehensive Income for the Period	**-185,598**	**16,343**

05

STATEMENT OF CHANGES IN EQUITY

TRANQUILIDADE

05. STATEMENT OF CHANGES IN EQUITY

Statement of Changes in Equity as at December 31, 2014 & 2013

(thousand euros)

	Share Capital	Revaluation Reserves		Deferred Tax Reserve	Other Reserves		Retained Earnings	Net Income for the Period	Total
		For Adjustments to the Fair Value of Investments in Affiliates, Associates and Joint Ventures	For Adjustments to the Fair Value of Available-for-Sale Financial Assets		Legal Reserve	Other Reserves			
Balance as at December 31, 2012 (Opening Balance Sheet)	**160,000**	**127,360**	**-4,845**	**-33,149**	**45,598**	**-10,332**	**24,028**	**18,457**	**327,117**
Adoption of accounting policies (IAS 8)-see note 3 of the Notes		-127,360		34,685					-92,675
Balance as at January 1, 2013 (Amended Balance Sheet)	**160,000**	**0**	**-4,845**	**1,536**	**45,598**	**-10,332**	**24,028**	**18,457**	**234,442**
Net gains for adjustment to fair value of available -for sale financial assets			5,370						5,370
Adjustments for recognition of deferred taxes				-1,120					-1,120
Actuarial differences recognised in reserves						-6,927			-6,927
Increases of reserves for appropriation of profits					1,846		-1,846		0
Appropriation of profits/losses							-10,000		-10,000
Transfers between equity headings not included in other lines							18,457	-18,457	0
Total Changes in Equity	**0**	**0**	**5,370**	**-1,120**	**1,846**	**-6,927**	**6,611**	**-18,457**	**-12,677**
Net income for the period								19,020	19,020
Balance Sheet as at 31 December 2013	**160,000**	**0**	**525**	**416**	**47,444**	**-17,259**	**30,639**	**19,020**	**240,785**
Net gains for adjustment to fair value of available -for sale financial assets			4,649						4,649
Adjustments for recognition of deferred taxes				-1,655					-1,655
Actuarial differences recognised in reserves						-327			-327
Increases of reserves for appropriation of profits					1,901		-1,901		0
Appropriation of profits/losses							-15,000		-15,000
Transfers between equity headings not included in other lines							19,020	-19,020	0
Total Changes in Equity	**0**	**0**	**4,649**	**-1,655**	**1,901**	**-327**	**2,119**	**-19,020**	**-12,333**
Net income for the period								-188,265	-188,265
Balance Sheet as at 31 December 2014	**160,000**	**0**	**5,174**	**-1,239**	**49,345**	**-17,586**	**32,758**	**-188,265**	**40,187**

06

STATEMENT OF CASH FLOWS

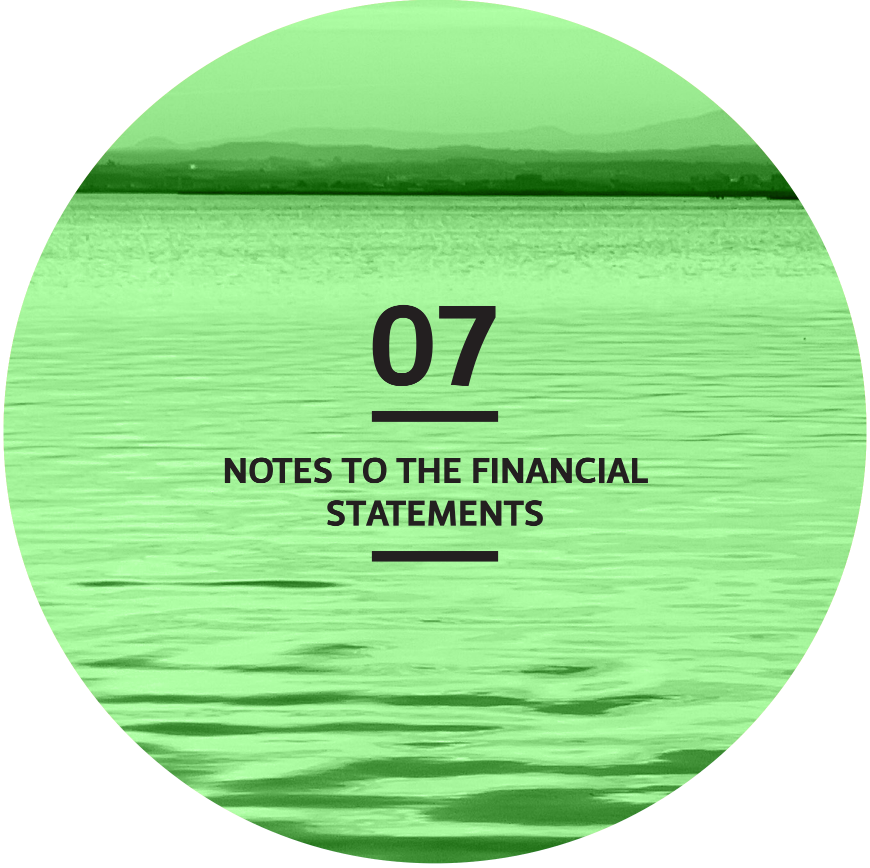
TRANQUILIDADE

06. STATEMENT OF CASH FLOWS

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

(thousand euros)

	2014	2013
Cash Flow from Operating Activities	**-282,202**	**-163,876**
Net income for the period	-188,265	19,020
Depreciation & amortisation charges for the period	6,262	6,170
Change in technical provisions for direct insurance	-13,622	-33,819
Change in technical provisions for reinsurance ceded	-2,655	2,109
Change in other provisions	211	-1,632
Change in debtors for direct insurance, reinsurance & other operations	4,425	4,642
Change in other tax assets & liabilities	-2,480	-41,199
Change in other assets & liabilities	-81,157	-123,433
Change in creditors for direct insurance, reinsurance & other operations	-4,921	4,266
Cash Flow from Investing Activities	**311,932**	**153,596**
Variation of investments	300,503	135,807
Dividends received	8,083	8,582
Interest	9,607	13,689
Acquisitions of tangible & intangible assets	-10,047	-9,542
Disposals of tangible & intangible assets	299	1
Acquisition of real estate	-	-350
Disposals of land & buildings	3,487	5,409
Cash Flow from Financing Activitie	**-15,000**	**-10,000**
Dividend distribution	-15,000	-10,000
Distribution of reserves/retained earnings	-	-
Net Change in Cash & Cash Equivalents & Sight Deposits	**14,730**	**-20,280**
Cash & cash equivalents at the start of the period	5,878	26,158
Cash & cash equivalents at the end of the period	20,608	5,878



07

NOTES TO THE FINANCIAL STATEMENTS

TRANQUILIDADE

07. NOTES TO THE FINANCIAL STATEMENTS

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

Note 1 - General Information

Companhia de Seguros Tranquilidade, SA, (hereinafter ‘Tranquilidade’ or ‘Company’) is the result of the transformation into a mainly state-owned sociedade anónima of the former state-owned company Tranquilidade Seguros, EP, which had been formed by the merger of Companhia de Seguros Tranquilidade, Companhia de Seguros A Nacional and Companhia de Seguros Garantia Funchalense.

Following the two stages of privatisation at the end of 1989 and of 1990, the Company is now mainly owned by the Espírito Santo Group. It should be mentioned that the Company also merged ESIA – Inter-Atlântico Companhia de Seguros, as from December 30, 2004.

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

The Company has its registered office and principal place of business at Av. da Liberdade, 242, Lisbon, its VAT number is 500 940 231 and it is registered at the Lisbon Registry of Companies. It carries on insurance and reinsurance business in Portugal in every Non-Life business line (with the exception of credit insurance), under the supervision of the ASF, under authorisation nº 1037.

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

The Company currently operates through its Lisbon and Porto offices and through a branch in Spain. The distribution network is divided operationally into 21 commercial zones supported by a total of 392 physical points of sale geographically spread across the whole of mainland Portugal and the autonomous regions (Azores and Madeira). By type, the physical network comprises 34 Company Shops, 357 Partners’ Shops bearing the Tranquilidade image, of which 178 are Exclusive and 41 are points of sale shared with Novo Banco branches.

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

Note 2 - Information by Segments

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

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

(Reporting Segment - Business)

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

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

(thousand euros)

2014	Total Non-Life	Workers’ Compensation	Fire & Other Damage	Motor
Profit & Loss Headings				
Gross premiums written	331,013	60,056	64,727	127,164
Ceded reinsurance premiums	-56,131	-1,736	-30,513	-1,387
Gross premiums earned	334,292	60,042	66,190	129,992
Returns on investments	-5,976	10,459	-3,713	-9,584
Gross cost of claims	217,904	66,108	39,392	71,819
Gross operating costs	103,855	15,556	24,334	41,988
Technical result	-19,195	-9,832	-11,494	6,849
Balance Sheet Headings				
Assets allocated to representation of technical provisions	406,330	175,917	52,590	133,594
Technical provisions	531,542	230,127	68,698	173,659

(thousand euros)

2013	Total Non-Life	Workers’ Compensation	Fire & Other Damage	Motor
Profit & Loss Headings				
Gross premiums written	328,910	55,515	64,981	131,105
Ceded reinsurance premiums	-54,346	-1,897	-30,140	-1,521
Gross premiums earned	334,511	55,574	65,533	135,969
Returns on investments	32,809	7,602	3,890	12,066
Gross cost of claims	209,982	58,434	37,318	70,850
Gross operating costs	102,033	14,852	22,837	42,782
Technical result	18,881	-11,779	-2,487	35,301
Balance Sheet Headings				
Assets allocated to representation of technical provisions	640,776	245,883	78,279	248,121
Technical provisions	545,164	209,122	66,576	211,212

Additionally, the Company has operations in Portugal and Spain, the breakdown of the main items in the financial statements as at December 31, 2014 & 2013, being as follows:

(thousand euros

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

(thousand euros)

2013	Total	Portugal	Spain
Profit & Loss Headings			
Gross premiums written	328,910	328,234	676
Ceded reinsurance premiums	-54,346	-54,298	-48
Gross premiums earned	334,511	333,829	682
Returns on investments	32,809	32,810	-1
Gross cost of claims	209,982	209,640	342
Gross operating costs	102,033	101,230	803
Technical result	18,881	19,607	-726
Balance Sheet Headings			
Assets allocated to representation of technical provisions	640,776	640,123	653
Technical provisions	545,164	544,608	556

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

Bases of Presentation

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

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

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

Until December 31, 2013, Tranquilidade, in keeping with one of the options permitted by IAS 27 and IAS 28, measures financial investments in subsidiaries and associates at fair value as if they were available-for-sale assets covered by IAS 39 Financial Instruments.

On December 31, 2014, the Company adopted the accounting practice of valuation of holdings in subsidiaries and associates by the acquisition cost net of impairment losses method, thus implementing the benchmarking generally used in the market, also the preferred treatment of the IFRS in this matter. Therefore, and taking into consideration that the Tranquilidade subsidiaries and associates are not listed, we consider that the adopted accounting practice implemented is aligned with that considered by international and national Insurer Groups, as regards the preparation of its separate financial statements.

In accordance with IAS 8, the adoption of the accounting policy is presented for comparative purposes as from January 1, 2013. Thus, as mentioned at the end of this Note the headings of Investments in subsidiaries, associates and joint ventures, Deferred tax assets and liabilities, Revaluation reserves adjusted for the fair value of financial assets, and the Deferred tax reserve include, with effect on January 1, 2013, the restatement resulting from the adoption of said accounting policy.

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

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

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

Preparation of the financial statements in accordance with the New Plan of Accounts for Insurance Companies requires that the Company make judgements and estimates and use assumptions that affect the application of the accounting policies and the amounts of income, costs, assets and liabilities.

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

The Company prepares consolidated financial statements that will be presented separately.

These financial statements were approved at a meeting of the Board of Directors held on March 31, 2015.

Main Accounting Principles and Valuation Criteria Adopted

Investments in affiliates & associates

Subsidiaries

Entities (including investment funds and securitisation vehicles) controlled by the Company are classified as subsidiaries. The Company controls an entity when it is exposed to or has rights 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).

Investments in subsidiaries are carried at cost less impairment losses.

Associates

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

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

Investments in associates are carried at cost less impairment losses.

Impairment

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

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

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

Financial assets

Classification

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

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

Recognition, initial measurement and derecognition

Acquisitions & disposals of: (i) financial assets at fair value through profit or loss; (ii) investments held to maturity; and (iii) available-for-sale financial assets are recognised on trade date, that is, on the date the Company undertakes to acquire or dispose of 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 Company's contractual rights to receive their cash flows expire or (ii) the Company has transferred substantially the whole of the risks and benefits associated with holding them.

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

Subsequent measurement

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

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

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

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

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

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

Transfers between categories

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

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

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

In 2011 the Company adopted this possibility for a set of financial assets, as described in Note 6.

Impairment

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

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

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

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

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

Derivative financial instruments

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

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

Embedded derivatives

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

Financial liabilities

An instrument is classified as a financial liability where there is a contractual obligation for its settlement to be made by paying cash or another financial asset, regardless of its legal form. Non-derivative financial liabilities include borrowings, creditors for direct insurance and reinsurance operations and other liabilities. Financial liabilities are recorded (i) initially at their fair value less transaction costs incurred, and (ii) subsequently at amortised cost, based on the effective rate method. The Company derecognises financial liabilities when they are cancelled or extinguished.

Transactions in foreign currency

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

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

Tangible assets

The Company's tangible assets are carried at cost less accumulated depreciation and impairment losses. Subsequent costs incurred with the tangible assets are recognised only if it is probable that they will generate future economic benefit for the Company. All maintenance and repair costs are recognised as a cost in accordance with the accrual accounting principle.

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

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

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

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

Impairment losses are recognised in the statement of income.

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

Investment properties

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

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

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

Intangible assets

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

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

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

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

Impairment losses are recognised in the statement of income.

Goodwill

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

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

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

Leasing

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

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

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

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

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

Cash & cash equivalents

Cash & cash equivalents includes amounts recorded in the balance sheet maturing at less than three months of the balance sheet date, and includes cash and balances at credit institutions.

Reinsurance

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

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

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

Employee benefits

Pensions - Defined-benefit plan

The Company assumes liability for the payment of old-age and disability pensions to its employees under the terms established in the Insurance Employees Collective Bargaining Agreement (CAB).

The benefits provided for in the pension plans are those covered by the CAB Plan under the Insurance Business Collective Bargaining Agreement.

The Company's retirement-pension liabilities (defined-benefit plan) are calculated annually, on the accounts-closing date for each plan individually.

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

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

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

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

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

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

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

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

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

Defined-contribution plan

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

As at December 31, 2014, the Company has a defined-contribution plan for employees in service taken on by June 22, 1995, as well as for all employees who meet the conditions set out in the new Collective Bargaining Agreement, making annual contributions taking into account the individual remuneration of each employee.

Length-of-service bonus

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

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

Health benefits

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

Bonuses

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

Liability for holiday pay and holiday bonus

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

Corporation tax

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

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

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

Deferred taxes are calculated, in accordance with the liabilities method based on the balance sheet, on the temporary differences between the book values of the assets and liabilities and their tax basis, using the tax rates approved or substantially approved on the balance sheet date in each jurisdiction that are expected to be applied when the temporary differences are reversed.

Deferred tax liabilities are recognised for all temporary differences.

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

Provisions

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

Recognition of interest

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

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

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

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

Dividends received

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

Earnings per share

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

Offsetting financial instruments

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

Adjustments of receipts pending collection and of doubtful debt

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

Report by operating segments

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

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

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

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

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

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

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

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

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

Impairment of investments in subsidiaries and associates

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

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

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

Impairment of available-for-sale financial assets

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

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

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

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

Fair value of derivative financial instruments

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

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

Corporation tax

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

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

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

Pensions & other employee benefits

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

Technical provisions

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

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 Company and of the market. These assumptions may be reviewed in the event that future experience confirms their inadequacy.

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

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

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

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

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

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

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

Adoption of Accounting Policies

Until December 31, 2013, Tranquilidade, in keeping with one of the options permitted by IAS 27 and IAS 28, measures financial investments in subsidiaries and associates at fair value as if they were available-for--sale assets covered by IAS 39 Financial Instruments.

On December 31, 2014, the Company adopted the accounting practice of valuation of holdings in subsidiaries and associates by the acquisition cost net of impairment losses method, thus implementing the benchmarking generally used in the market, also the preferred treatment of the IFRS in this matter. Therefore, and taking into consideration that the Tranquilidade subsidiaries and associates are not listed, we consider that the adopted accounting practice implemented is aligned with that considered by international and national Insurer Groups, as regards the preparation of its separate financial statements.

In accordance with IAS 8, the adoption of the accounting policy is presented for comparative purposes as from January 1, 2013. Therefore, the restatement resulting from the adoption of the said accounting policy and the summary of impacts on the balance sheet, taking into account only those items that change, are as follows:

(thousand euros)

	After Adoption of the Policy		Before Adoption of the Policy		Effect	
	31 Dec 2013	1 Jan 2013	31 Dec 2013	1 Jan 2013	31 Dec 2013	1 Jan 2013
In the Balance Sheet						
- Investments in affiliates, associates and joint ventures	118,736	118,736	236,144	246,096	-117,408	-127,360
- Deferred tax assets	6,394	8,645	6,394	0	0	8,645
Total Assets	**125,130**	**127,381**	**242,538**	**246,096**	**-117,408**	**-118,715**
- Deferred tax liabilities	-	-	0	26,040	0	-26,040
Total Liabilities	**0**	**0**	**0**	**26,040**	**0**	**-26,040**
- Revaluation reserves for adjustments to the fair value of financial assets	525	-4,845	117,933	122,515	-117,408	-127,360
- Deferred tax reserve	416	1,536	416	-33,149	0	34,685
Total Equity	**941**	**-3,309**	**118,349**	**89,366**	**-117,408**	**-92,675**
Total Liabilities and Equity	**941**	**-3,309**	**118,349**	**115,406**	**-117,408**	**-118,715**

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

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

Accounting policies adopted in respect of insurance contracts

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

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

Recognition of costs & income

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

Premiums

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

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

Provisions for unearned premiums

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

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

Acquisition costs

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

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

Provisions for claims

The provision for claims corresponds to the cost of claims incurred pending settlement, the estimated liability for claims incurred but not yet reported (IBNR) and the direct and indirect costs associated with their settlement. The provision for reported and unreported claims is estimated by the Company on the basis of past experience, available information and application of actuarial methods.

To determine this provision an analysis is performed of claims in progress at the end of each year, with a consequent estimate of the liabilities existing as of that date. In the Workers' Compensation, in that part in respect of pensions, and the Motor lines, the average cost method is applied. The provision for claims management costs is also calculated using the average cost method.

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

In Workers' Compensation a Mathematical Provisions is also set aside for claims occurred up to December 31, 2014, 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, 2014, that are pending final agreement or sentence.

Mathematical Provisions relating to claims occurred, involving payment of life-long pensions in respect of Workers' Compensation are calculated using actuarial assumptions under recognised actuarial methods and current labour legislation.

Additionally, there is also a Mathematical Provision for pension liabilities for claims occurred relating to the potential permanent disability of the injured undergoing treatment as at December 31, 2014, or for claims occurred by not yet reported.

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

Mathematical provision

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

The TV 73/77 mortality table is applied to Non-Redeemable Pensions (including future payments to the FAT) using an interest rate of 3.4% and management charges of 1.5%, and the TD 88/90 mortality table for Redeemable Pensions using an interest rate of 5.25% and management charges of 0%.

The rule also establishes that the rate to be used must be based on the predictable future return of the underlying assets after adequate prudential deduction. On this basis the Company determined that the risk-free interest rate for the maturity of the liabilities was adequate. To test the adequacy of the liabilities, the mathematical provisions of pensions not mandatorily redeemable (including future payments to the FAT) are calculated on the basis of the TV 73/77 mortality table with the interest rate of Portuguese bonds maturing at 15 years (2014: (3.44% and 2013: 6.01%) and management charges of 1.5%.

Provision for unexpired risks

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

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

Provision for claims-rate deviations

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

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

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

Provision for profit-sharing

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

Provisions for reinsurance ceded

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

Changes in direct insurance and reinsurance technical provisions

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

(thousand euros)

Balance Sheet	2014			2013		
Businesses/ Groups of Businesses	UPR Gross	CAD	UPR Net	UPR Gross	CAD	UPR Net
Accidents & health	12,923	2,252	10,671	12,181	2,314	9,867
Fire & other damage	24,535	4,860	19,675	25,998	5,107	20,891
Motor	46,664	9,551	37,113	49,492	9,897	39,595
Marine, air and transport	1,822	346	1,476	1,983	386	1,597
General third-party liability	2,995	663	2,332	3,127	614	2,513
Credit and fidelity insurance	27	5	22	37	7	30
Legal protection	5	1	4	6	1	5
Assistance	4,906	975	3,931	4,265	853	3,412
Sundry	792	157	635	859	170	689
AMA portfolio acquisition	1,642	-	1,642	-	-	-
Total	**96,311**	**18,810**	**77,501**	**97,948**	**19,349**	**78,599**

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

(thousand euros)

Gains & Losses	2014			2013		
Businesses/ Groups of Businesses	UPR Gross	CAD	UPR Net	UPR Gross	CAD	UPR Net
Accidents & health	742	-62	804	108	-11	119
Fire & other damage	-1,463	-247	-1,216	-552	-35	-517
Motor	-2,828	-346	-2,482	-4,864	-974	-3,890
Marine, air and transport	-161	-40	-121	-11	13	-24
General third-party liability	-132	49	-181	79	5	74
Credit and fidelity insurance	-10	-2	-8	9	1	8
Legal protection	-1	-	-1	-1	-	-1
Assistance	641	122	519	-335	2	-337
Sundry	-67	-13	-54	-34	-6	-28
Total	**-3,279**	**-539**	**-2,740**	**-5,601**	**-1,005**	**-4,596**

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

(thousand euros)

Businesses/ Groups of Businesses	Balance Sheet Balance		Change in Gains & Losses	
	2014	2013	2014	2013
Accidents & health	799	734	65	8
Fire & other damage	7,013	7,986	-973	-282
Motor	-	9	-9	9
Marine, air and transport	1,083	1,169	-86	146
General third-party liability	424	295	129	41
Credit and fidelity insurance	5	8	-3	2
Legal protection	-	-	-	-
Assistance	5,670	5,054	616	-758
Sundry	700	757	-56	-96
Total	**15,694**	**16,012**	**-317**	**-930**

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

(thousand euros)

Businesses/ Groups of Businesses	Balance Sheet Balance		Change in Gains & Losses	
	2014	2013	2014	2013
Workers' compensation	222,740	201,588	20,676	13,164
Personal accidents & health	9,746	9,975	-354	-187
Fire & other damage	38,730	34,935	3,722	-8,190
Motor	129,272	162,831	-32,898	-36,674
Marine, air and transport	5,892	6,672	-775	76
General third-party liability	18,937	19,354	-2,420	-2,006
Credit and fidelity insurance	15	42	3	-38
Legal protection	9	29	-19	-36
Assistance	4	-	-	-
Sundry	3,107	2,962	145	1,410
Total	**428,452**	**438,388**	**-11,920**	**-32,481**

The balance of the provision for Workers' Compensation claims includes the sum of €162,586k (2013: €136,293k) in respect of the mathematical provision for Workmen's Compensation. This balance of the mathematical provision includes the result obtained through the liabilities adequacy test which, in 2014 and 2013, was zero, and the update of the contributions to the Works Accidents Fund (FAT) in the sum of €10,100k (2013: €8,832k).

The provision for claims includes an estimated provision in the amount of €20,072k (2013: €20,336k) relating to claims incurred prior to December 31, 2014 and not yet reported (IBNR). It also includes an estimate in the sum of €21,121k (2013: €26,094k) for management charges in respect of the settlement of reported claims pending.

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

(thousand euros)

Businesses/ Groups of Businesses	Provision for Claims* as at 31.12.2013 (1)	Claims* Paid in 2014 (2)	Provision for Caims* as at 31.12.2014 (3)	Readjustments (3) + (2) - (1)
Accidents & health	211,563	31,450	187,995	7,882
Fire & other damage	34,935	14,769	19,322	-844
Motor				
-Third-party liability	136,884	38,667	78,395	-19,822
- Other covers	25,947	7,691	3,974	-14,282
Marine, air and transport	6,672	1,339	2,990	-2,343
General third-party liability	19,354	3,743	14,312	-1,299
Credit and fidelity insurance	42	1	15	-26
Legal protection	29	18	-	-11
Assistance	-	-	-	-
Sundry	2,962	879	1,677	-406
Total	**438,388**	**98,557**	**308,680**	**-31,151**

* Claims incurred in 2013 and earlier.

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

The 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 on profit or loss is as follows:

(thousand euros)

Businesses/ Groups of Businesses	Balance Sheet Balance		Change in Gains & Lossess	
	2014	2013	2014	2013
Workers' compensation	5,586	3,741	1,845	1,371
Personal accidents & health	85	167	-83	-76
Fire & other damage	20,003	16,197	3,785	-2,501
Motor	8,642	10,439	-2,434	1,661
Marine, air and transport	1,997	3,069	-1,072	257
General third-party liability	3,534	2,907	-1,392	-3,225
Credit and fidelity insurance	4	12	-8	-29
Legal protection	-	-	-	-
Assistance	6	-	6	-
Sundry	2,274	2,626	-352	1,363
Total	**42,131**	**39,158**	**295**	**-1 179**

The balance of the provision for reinsurance ceded claims includes an estimated provision in the sum of €2,732k (2013: €1,193k) in respect of claims prior to December 31, 2014, not yet reported (IBNR).

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

(thousand euros)

Businesses/ Groups of Businesses	Amounts Paid-Instalments (1)	Amounts Paid-Claims-Management Costs Imputed (2)	Chanve of Provision for Claims: (3)	Cost of Claims (4) = (1) + (2) + (3)
Accidents & health	78,412	2,530	20,309	101,251
Fire & other damage	33,823	1,704	3,553	39,080
Motor				
- Third-party liability	64,193	3,372	-26,240	41,325
- Other covers	31,349	1,544	-6,160	26,733
Marine, air and transport	2,069	124	-770	1,423
General third-party liability	4,365	386	-2,405	2,346
Credit and fidelity insurance	1	1	3	5
Legal protection	17	5	-20	2
Assistance	-	-	-	-
Sundry	1,009	10	145	1,164
Total	**215,238**	**9,676**	**-11,585**	**213,329**
Reinsurance accepted	4,910	-	-335	4,575
Grand Total	**220,148**	**9,676**	**-11,920**	**217,904**

The breakdown of costs of claims in 2013 is as follows:

(thousand euros)

Businesses/ Groups of Businesses	Amounts Paid-Instalments (1)	Amounts Paid-Claims-Management Costs Imputed (2)	Chanve of Provision for Claims: (3)	Cost of Claims (4) = (1) + (2) + (3)
Accidents & health	78,641	2,741	12,973	94,355
Fire & other damage	43,945	1,550	-8,175	37,320
Motor				
- Third-party liability	62,329	3,725	-38,830	27,224
- Other covers	34,681	1,725	1,970	38,376
Marine, air and transport	2,568	101	63	2,732
General third-party liability	3,500	427	-2,029	1,898
Credit and fidelity insurance	20	1	-35	-14
Legal protection	20	8	-36	-8
Assistance	-	-	-	-
Sundry	1,366	8	1,410	2,784
Total	**227,070**	**10,286**	**-32,689**	**204,667**
Reinsurance accepted	5,107	-	208	5,315
Grand Total	**232,177**	**10,286**	**-32,481**	**209,982**

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	
	2014	2013	2014	2013
Accidents & health	1,047	1,045	2	-
Fire & other damage	-	-	-	-
Motor	-	-	-	-
Marine, air and transport	-	-	-	-
General third-party liability	-	-	-	-
Credit and fidelity insurance	-	-	-	-
Legal protection	-	-	-	-
Assistance	-	-	-	-
Sundry	-	-	-	-
Total	**1,047**	**1,045**	**2**	**-**

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

(thousand euros)

Businesses/ Groups of Businesses	Balance Sheet Balance		Change in Gains & Losses	
	2014	2013	2014	2013
Accidents & health	-	-	-	-
Fire & other damage	7,024	6,389	635	600
Motor	-	-	-	-
Marine, air and transport	-	-	-	-
General third-party liability	-	-	-	-
Credit and fidelity insurance	569	560	9	16
Legal protection	-	-	-	-
Assistance	-	-	-	-
Sundry	81	73	8	7
Total	**7,674**	**7,022**	**652**	**623**

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

(thousand euros)

Businesses/ Groups of Businesses	Balance Sheet Balance		Change in Gains & Losses	
	2014	2013	2014	2013
Accidents & health	5,582	5,928	-346	2,573
Fire & other damage	3,269	4,361	-1,092	-370
Motor	7,274	8,786	-1,512	-381
Marine, air and transport	192	113	79	86
General third-party liability	36	-	36	-
Credit and fidelity insurance	-	-	-	-
Legal protection	-	1	-1	1
Assistance	424	731	-307	501
Sundry	91	190	-99	133
Total	**16,868**	**20,110**	**-3,242**	**2,543**

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

Nature and Extent of Specific Insurances Risks

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

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

Succinctly, the more relevant control mechanisms are:

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

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

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

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

(thousand euros)

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Provision for claims with management costs, gross of reinsurance and net of reimbursements	328,733	363,800	375,014	394,397	396,273	390 ,866	371,996	349,728	334,143	293,985	252,682
Accumulated payments											
One year later	91,174	105,504	100,096	98,779	94,708	95,049	95,612	84,196	86,541	83,786	
Two years later	141,526	157,627	145,308	135,925	128,265	126,542	123,604	114,185	119,670		
Three years later	176,790	191,998	171,505	160,955	150,067	146,151	145,571	139,430			
Four years later	201,716	213,580	192,108	177,757	165,044	163,441	166,966				
Five years later	220,093	230,853	206,571	189,563	178,988	180,513					
Six years later	233,869	244,762	216,254	201,297	193,734						
Seven years later	243,757	253,229	226,131	212,810							
Eight years later	250,265	261,492	236,655								
Nine years later	255,924	271,094									
Ten years later	265,130										
Final estimate of cost of claims											
One year later	338,836	354,407	366,449	366,560	369,571	347,727	341,903	306,449	279,650	243,953	
Two years later	334,918	356,147	348,138	349,376	329,811	322,459	302,186	264,242	246,186		
Three years later	333,196	354,218	338,431	316,055	314,346	289,351	270,629	244,024			
Four years later	339,341	352,070	311,532	311,642	288,448	267,625	253,805				
Five years later	336,647	331,796	313,127	290,264	270,316	253,838					
Six years later	323,690	334,384	295,603	275,312	256,846						
Seven years later	327,291	319,336	284,072	266,072							
Eight years later	313,502	312,892	279,560								
Nine years later	305,675	308,203									
Ten years later	298,646										
Accumulated surplus/ (shortfall)	30,087	55,597	95,454	128,325	139 427	137 028	118 191	105,704	87,957	50,032	

Tranquilidade has a reinsurance ceded policy based on proportional and non-proportional treaties, the aim being to reduce the impact of major risks, catastrophes and concentration The reinsurance programme in 2014 comprised proportional treaties (Quota-share and Excess) and non-proportional treaties (Excess of Claim, Catastrophe Cover and Stop Loss), as per the following table:

Business Line	Type of Reinsurance
Personal accidents (loan protection)	Share
Personal accidents	Excess Losses (XL)
Workers' compensation	Excess Losses (XL)
Motor (third-party liability)	Excess Losses (XL)
Motor (own damages)	Excess Losses (XL)
Performance bonds	Share
Fidelity insurance	Share
Engineering	Proportional
Fire (simple risk)	Proportional
Fire (condominium)	Proportional
Fire (establishment & industrial risks)	Proportional
Fire (natural disasters)	Excess Losses (XL)
Fire & other damages	Excess Losses (XL)
Fire & other damages	Stop loss
Fire & other damage (aggregate)	Excess Losses (XL)
Liability	Excess Losses (XL)
Environmental liabilty	Share
Directors' liability	Share
Healthcare liability	Share
Marine (hulls)	Proportional
Marine (goods transported)	Proportional
Marine	Excess Losses (XL)
Health	Share
Health	Excess Losses (XL)
Assistance	Share

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

(thousand euros)

Area of Analysis	Scenarios	Impact on Pre-Tax Profit	
		2014	2013
Cost of claims	5% increase of the year's costs of claims, net of reinsurance	-16,286	-16,633
Expenses	10% increase of operating costs, net of reinsurance	-12,807	-13,361
Life expectancy	Decrease of 10% in mortality of current Works Accident pensioners	-2,710	-1,862

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

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

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

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

Market risk

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

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

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

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

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

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

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

Exchange-rate risk

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

(thousand euros)

Scenarios	Impact on Pre-Tax Profit	
	2014	2013
10% depreciation of the value of all foreign currencies against the euro	-1,053	-925

Equities risk

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

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

(thousand euros)

Scenarios	Impact on Fair-Value Reserves Before Tax	
	2014	2013
10% decrease of stock-market values	-15,657	-29,438

Real-estate risk

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

(thousand euros)

Scenarios	Impact on Pre-Tax Profit	
	2014	2013
10% decrease in the value of real estate and real estate funds	-14,510	-18,982

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, mostly floating-rate bonds. Liabilities are exposed through Workers' Compensation pensions, not mandatorily redeemable, by virtue of the liabilities adequacy tests performed.

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

(thousand euros)

Scenarios	Impact on Fair-Value Reserves Before Tax	
	2014	2013
100 b.p.decrease of the interest-rate curve - effect on assets	9,114	6,871
100 b.p.increase of the interest-rate curve - effect on assets	-8,459	-6,479

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, though structured loans are also affected. Exposure to credit derivatives is immaterial.

(thousand euros)

Rating	2014		2013	
	%	Value	%	Value
AAA	6%	10,324	7%	18,189
AA	13%	20,785	6%	16,263
A	28%	46,505	5%	12,540
BBB	28%	46,335	19%	48,273
BB	21%	34,685	52%	132,821
B	0%	717	6%	16,399
CC	0%	146	0%	-
Unrated	4%	5,932	5%	12,648
Total	**100%**	**165,429**	**100%**	**257,133**

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

Concentration risk

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

(thousand euros)

Sector of Activity	2014			2013		
	%	Gross Amount	Impairment	%	Gross Amount	Impairment
Basic resources	2%	8,504	-25	0%	1,848	-25
Communications	1%	4,308	-470	5%	28,812	-470
Consumables (cyclic)	6%	23,468	-	1%	3,716	-
Consumables (non-cyclic)	9%	31,871	-180	2%	9,737	-180
Energy	1%	4,221	-	1%	7,130	-
Financial	58%	216,251	-50,911	52%	289,056	-667
Securities funds	4%	13,628	-1,443	4%	21,445	-2,393
Public debt	10%	37,682	-	18%	99,972	-
Industrial	2%	8,682	-	1%	6,833	-
Medicine	1%	2,031	-	9%	48,823	-
Technology	1%	4,471	-	0%	-	-
Public/ collective services	3%	11,641	-	5%	28,495	-
Other	1%	3,013	-	1%	6,204	-
Total	**100%**	**369,771**	**-53,029**	**100%**	**552,071**	**-3,734**

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

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

Liquidity risk

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

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

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

(thousand euros)

2014	< 1 Month	1-3 Months	3-12 Months	1-5 Years	> 5 Years	Without Maturity	Total
Financial assets	27,921	76,524	14,571	62,257	108,248	118,327	407,848
Financial liabilities	-	30,548	15,982	1,938	-	-	48,468
Net	**27,921**	**45,976**	**-1,411**	**60,319**	**108,248**	**118,327**	**359,380**

(thousand euros)

2013	< 1 Month	1-3 Months	3-12 Months	1-5 Years	> 5 Years	Without Maturity	Total
Financial assets	6,297	105,010	67,367	167,245	88,515	149,836	584,270
Financial liabilities	-	37,911	13,077	2,133	-	-	53,121
Net	**6,297**	**67,099**	**54,290**	**165,112**	**88,515**	**149,836**	**531,149**

Credit risk

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

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

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

Operational risk and reputational risk

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

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

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

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

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

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

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

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

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

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

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

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

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

Internal Control System

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

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

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

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

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

- a first level represented by the various Tranquilidade divisions (Operational Units), which are areas responsible for risk--management operationalisation and for the respective controls;

- a second level, consisting of the Overall Risk and Internal Control Division, plays a supervisory role, its main responsibilities being systematisation of the rules, policies and monitoring of the risk--management, internal-control and compliance system;

- a third level, consisting of the Internal Audit Division and the External Audit, is charged with independent auditing in the field of risk management, its main goal being to ensure that the controls are effective.

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

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

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

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

Solvency

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

(thousand euros)

	2014	2013
Elements Constituting the Guarantee Fund	**26,536**	**302,923**
Solvency Margin to be Set Aside	**50,569**	**51,065**
Results from the premiums standpoint	50,569	51,065
Results from the claims standpoint	47,065	48,391
Limit result of Article 97(8)	49,414	49,054
Legal minimum Guarantee Funds	3,700	3,700
Excess/ Insufficiency of the Solvency Margin	**-24,033**	**251,858**
Solvency Margin Cover Rate	**52.5%**	**593.2%**

As mentioned in the Board of Directors' Report, the non-compliance as at December 31, 2014, with the minimum solvency margin requirements will be overcome by the operations already been completed and to be conclude as of this date, highlighting, among others, the share capital increase and the sale of the Advancecare, all set out in the recapitalisation programme approved by the ASF.

Adequacy of premiums and provisions

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

Business ratios

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

(%)

	2014	2013
Claims ratio a)	64.8%	64.2%
Acquisition ratio b)	20.9%	21.5%
Administrative ratio c)	10.5%	9.5%
Combined Ratio	**96.2%**	**95.2%**

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

Amounts recoverable on claims

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

(thousand euros)

	2014	2013
Receivables	3,049	2,758
Adjustment of doubtful loans	-1,546	-1,569
Net Total	**1,503**	**1,189**

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

(thousand euros)

	2014	2013
Inventories	49	220

Note 5 - Other Financial Liabilities

The breakdown of this heading is as follows:

(thousand euros)

	2014	2013
Other financial liabilities		
Deposits received from reinsurers	559	291
Book Value	**559**	**291**

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.

Note 6 - Financial Instruments

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

(thousand euros)

	2014	2013
Available-for-sale financial assets	281,240	320,167
Investments in affiliates & associates	104,678	118,736
Term deposits	4,952	46,645
Financial assets at fair value through profit or loss	106	2,031
Financial assets held for trading	-	-
Held-to-maturity investments	-	84,773
Total Holdings and Financial Instruments	**390,976**	**572,352**

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

Financial Assets at Fair Value Through Profit or Loss

This heading includes securities that, as a result of the application of IAS 39 and in accordance with the option taken and the documented risk-management strategy, the Company considers that (i) these financial assets are managed and their performance measured on the basis of their fair value, and/or that (ii) these assets contain embedded derivative instruments.

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

(thousand euros)

	2014	2013
Bonds & other fixed-income securities	-	-
Public issuers'	106	2,031
Other issuers'	-	-
Equities	-	-
Other floating-rate securities		
Book Value	**106**	**2,031**
Acquisition value	102	1,810

As at December 31, 2014 & 2013, the Company held, of this type, compound financial instruments with embedded derivatives, in fixed--income securities, as follows:

(thousand euros)

Type of Risk	2014	2013
Structured credit	106	2,031
Credit derivative	-	-
Total	**106**	**2,031**

Available-For-Sale Financial Assets

The breakdown of this type of asset is as follows:

(thousand euros)

	2014	2013
Bonds & other fixed-income securities		
Public issuers'	37,682	50,308
Other issuers'	127,641	120,021
Equities	30,730	10,193
Other floating-rate securities	85,187	139,645
Book value	**281,240**	**320,167**

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

(thousand euros)

	Amortised or Acquisition Cost	Accrued Interest	Fair-Value Reserve	Impairment	Book Value
Bonds & other fixed--income securities					
- Public issuers'	50,084	318	-94	-	50,308
- Other issuers'	122,310	1,451	-3,077	-663	120,021
Equities	4,697	-	6,174	-678	10,193
Other floating-rate securities	141,796	-	242	-2,393	139,645
Balance as at December 31, 2013	**318,887**	**1,769**	**3,245**	**-3,734**	**320,167**
Bonds & other fixed--income securities					
- Public issuers'	36,390	803	489	-	37,682
- Other issuers'	124,289	740	2,612	-	127,641
Equities	31,088	-	320	-678	30,730
Other floating-rate securities	86,123	-	1,753	-2,689	85,187
Balance as at December 31, 2014	**277,890**	**1,543**	**5,174**	**-3,367**	**281,240**

Given its importance, emphasis is given to the 10% holding in GNB-Gestão de Ativos SGPS, SA, which was acquired in 2014 for €29.7 million.

Movements under impairment losses are as follows:

(thousand euros)

	2014	2013
Balance as at January 1	**3,734**	**1,696**
Allocations for the period	1,774	3,196
Cancellations for the period for sale of assets	-2,141	-1,035
Written back during the period	-	-123
Balance as at December 31	**3,367**	**3,734**

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

(thousand euros)

	2014	2013
Bonds & other fixed-income securities	-	-663
Equities & other floating-rate securities	-1,774	-2,410
Total	**-1,774**	**-3,073**

Financial Assets Held for Trading

The balance of this type of assets is nil in 2013 and 2014 because the Company did undertake transactions with derivatives or other investments classifiable as such.

Held-To-Maturity Investments

The breakdown of this type of asset is as follows:

(thousand euros)

	2014	2013
Bonds & other fixed-income securities		
Public issuers'	-	49,663
Other issuers'	-	35,110
Book Value	**-**	**84,773**
Book value (without accrued interest)	-	82,921
Acquisition value	-	80,134
Market value	-	88,229

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

(thousand euros)

	Amortises Acquisition Cost	Impairment	Book Value
Bonds & other fixed-income securities			
Public issuers'	49,663	-	49,663
Other issuers'	35,110	-	35,110
Balance as at December 31, 2013	**84,773**	**-**	**84,773**
Bonds & other fixed-income securities			
Public issuers'	-	-	-
Other issuers'	-	-	-
Balance as at December 31, 2014	**-**	**-**	**-**

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

During 2011 the Company transferred securities in the sum of €91,007k to Held-to-maturity investments, as shown in the following table:

(thousand euros)

	On Transfer Date									
			Fair-Value Reserve							
	Acquisition Value	Book Value	Positive	Negative	Value of Future Cash Flows (a)	Effective Rate (b)	Market Value (Year-End)		"Accumulated Amortised Fair Value Reserve (Year-End)"	
							2013	2014	2013	2014
Of Available-for-sale financial assets	97,674	91,007	14	-8,329	119,259	7.3%	82,379	-	-5,595	-8,315

(a) Total amounts of capital and interest not discounted; futures calculated on the basis of the forward rates stemming from the yield curve as of the transfer date.
(b) The effective rate was calculated based on the forward rates stemming from the yield curve as of the transfer date; the maturity considered is the minimum between the call date, where applicable, and the asset's maturity date.

Should the securities not have been reclassified, the impact on Tranquilidade's financial statements would have been as follows:

(thousand euros)

	2014	2013
Available-for-Sale Financial Assets		
Impact on equity		
- For adjustment of the fair value of financial assets	-	3,173
- Deferred tax reserve	-	-918
	-	**2,255**

Other Financial Assets

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

(thousand euros)

	2014	2013
Loans granted	10,687	30,676
Deposits at cedent companies	1	1
Resale agreements - Receivables	-	-
Other	649	69
Total of Other Financial Assets	**11,337**	**30,746**

In 2014 & 2013, the figures for Others are in respect of financial transactions pending settlement, taking their value dates into account.

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

(thousand euros)

	Acquisition Cost	Impairment	Book Value
Other financial assets			
Ancillary capital contributions	23,160	-	23,160
Loan capital	5,062	-	5,062
Loans	2,454	-	2,454
Other	70	-	70
Balance as at December 31, 2013	**30,746**	**-**	**30,746**
Other financial assets			
Ancillary capital contributions	23,160	-21,750	1,410
Loan capital	2,310	-	2,310
Loans	21,967	-15,000	6,967
Other	650	-	650
Balance as at December 31, 2014	**48,087**	**-36,750**	**11,337**

The amount of the impairment of €21.8 million has to do with the ancillary capital contributions made to Insurer LOGO and the sum of €15 million relates to a cash loan to Espírito Santo Financial Portugal.

Movements under impairment losses are as follows:

(thousand euros)

	2014	2013
Balance as at January 1	-	-
Allocations for the period	36,750	-
Annulments of the period for derecognition	-	-
Written back during the period	-	-
Balance as at December 31	**36,750**	**-**

The breakdown of loans granted as at December 31, 2014 and 2013 is as follows:

(thousand euros)

	2014	2013
Ancillary capital contributions - LOGO	-	21,750
Ancillary capital contributions - Europ Assistance	1,410	1,410
Loan capital - Contact Center	1,310	1,655
Loan capital - Esumédica	1,000	1,000
Loan capital - Imocrescente	4,201	2,407
Loans - Corpus Christi	517	-
Loans - Imocrescente	-	255
Loans - Corpus Christi	536	510
Loans to employees	1,713	1,689
Loans Granted	**10,687**	**30,676**

Fair Value of Financial Assets and Liabilities Carried at Amortised Cost

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

(thousand euros)

	2014		2013	
	Fair Value	Book Value	Fair Value	Book Value
Cash & cash equivalents and sight deposits	20,608	20,608	5,878	5,878
Loans & receivables	16,289	16,289	77,391	77,391
Held-to-maturity investments	-	-	88,229	84,773
Other debtors for insurance & other operations	89,605	89,605	94,030	94,030
Financial Assets at Amortised Cost	**126,502**	**126,502**	**265,528**	**262,072**
Other financial liabilities	559	559	291	291
Other creditors for insurance & other operations	47,909	47,909	52,830	52,830
Financial Liabilities at Amortised Cost	**48,468**	**48,468**	**53,121**	**53,121**

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

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

Valuation Methods

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

(thousand euros)

	2014			Total
	Level 1	Level 2	Level 3	
Available-for-Sale Financial Assets	**183,468**	**-**	**97,772**	**281,240**
Securities & equity paper	18,035	-	67,152	85,187
Equities & other floating-rate securities	110	-	30,620	30,730
Bonds & other fixed-income securities				
Public issuers'	37,682	-	-	37,682
Other issuers'	127,641	-	-	127,641
Derivatives	-	-	-	-
Financial Assets at Fair Value Through Profit or Loss	**-**	**-**	**106**	**106**
Securities & equity paper	-	-	-	-
Equities & other floating-rate securities	-	-	-	-
Bonds & other fixed-income securities				
Public issuers'	-	-	-	-
Other issuers'	-	-	106	106
Derivatives	-	-	-	-
Held-to-Maturity Investments (at Market Prices)	**-**	**-**	**-**	**-**
Bonds & other fixed-income securities				
Public issuers'	-	-	-	-
Other issuers'	-	-	-	-
Total	**183,468**	**-**	**97,878**	**281,346**

(thousand euros)

	2013			Total
	Level 1	Level 2	Level 3	
Available-for-Sale Financial Assets	**246,103**	**-**	**74,064**	**320,167**
Securities & equity paper	81,521	-	58,124	139,645
Equities & other floating-rate securities	108	-	10,085	10 193
Bonds & other fixed-income securities				
Public issuers'	50 308	-	-	50,308
Other issuers'	114 166	-	5,855	120,021
Derivatives	-	-	-	-
Financial Assets at Fair Value Through Profit or Loss	**227**	**-**	**1,804**	**2,031**
Securities & equity paper	-	-	-	-
Equities & other floating-rate securities	-	-	-	-
Bonds & other fixed-income securities				
Public issuers'	-	-	-	-
Other issuers'	227		1 804	2,031
Derivatives	-	-	-	-
Held-to-Maturity Investments (at market prices)	**88 229**	**-**	**-**	**88,229**
Bonds & other fixed-income securities				
Public issuers'	51 952	-	-	51 952
Other issuers'	36 277	-	-	36 277
Total	**334,559**	**-**	**75,868**	**410,427**

The description of the levels is as follows:

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

The reconciliation of Level 3 assets is as follows:

(thousand euros)

	31 Dec 2013	Potential Gains	Purchases	Sales	Reimbursements	Impairments	Gains Realised	31 Dec 2014
Available-for-sale financial assets	**74,064**	**-4,490**	**59,373**	**-33,177**	**-**	**-1,175**	**3,177**	**97,772**
Securities & equity paper	58,124	1,366	29,673	-19,564	-	-1,175	-1,272	67,152
Equities & other floating-rate securities	10,085	-5,856	29,700	-7,879	-	-	4,570	30,620
Bonds & other fixed-income securities								
Public issuers'	-	-	-	-	-	-	-	-
Other issuers'	5,855	-	-	-5,734	-	-	-121	-
Financial assets at fair value through profit or loss	**1,804**	**-214**	**-**	**-371**	**-1,150**	**-**	**37**	**106**
Bonds & other fixed-income securities								
Public issuers'	-	-	-	-	0	-	-	-
Other issuers'	1,804	-214	-	-371	-1,150	-	37	106

Of the assets included in the level, €61,318k correspond to units in closed-end investment funds and €5,834k to private equity funds, whose fair value resulted from the publication of the Total Net Value of the Fund (TNVF) determined by the management company.

The assets of these funds results consist of 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 feasible to present a of sensitivity analysis of the carious components of the respective assumptions used by the entities, the impact of a +/-10% change to the TNVF is detailed as follows:

(thousand euros)

Area of Analysis	Scenarios	Impact on Profit or Loss for the Period 2014	Impact on the Fair-Value Reserve 2014
Investment fund	10% rise in the values of closed real estate investment funds	-	6,132
Investment fund	10% rise in the values of private equity funds	-	583

(thousand euros)

Area of Analysis	Scenarios	Impact on Profit or Loss for the Period 2014	Impact on the Fair-Value Reserve 2014
Investment fund	10% decrease in the values of closed real estate investment funds	-2,320	-3,812
Investment fund	10% decrease in the values of private equity funds	- 583	-

Additionally €29,702k are in respect of the holding in at GNB-Gestão de Ativos, SGPS, and are included under "Equities other floating-rate securities".

Exposure to Sovereign Debt

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

(thousand euros)

Issuer/ Portfolio	December 31, 2013					
	Book Value	Fair Value	Fair--Value Reserve	Average Interest Rate (%)	Average Maturity Years	Valuation Level
Portugal						
Available-for-sale financial assets		1 468	-16	5.5%	10	1
Held-to-maturity investments		43,874	-1,399	4.1%	3	-
Total	**43,639**	**45,342**	**-1,415**			

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

Note 7 - Investments in Affiliates and Associates

Until December 31, 2013, Tranquilidade, in keeping with one of the options permitted by IAS 27 and IAS 28, measures financial investments in subsidiaries and associates at fair value as if they were available-for-sale assets covered by IAS 39 Financial Instruments.

On December 31, 2014, the Company adopted the accounting practice of valuation of holdings in subsidiaries and associates by the acquisition cost net of impairment losses method, thus implementing the benchmarking generally used in the market, also the preferred treatment of the IFRS in this matter.

Therefore, and taking into consideration that the Tranquilidade subsidiaries and associates are not listed, we consider that the adopted accounting practice implemented is aligned with that considered by international and national Insurer Groups, as regards the preparation of its separate financial statements.

In accordance with IAS 8, the adoption of the accounting policy is presented for comparative purposes as from January 1, 2013. Thus, as mentioned at the end of Note 3 the headings of Investments in subsidiaries, associates and joint ventures, Deferred tax assets and liabilities, Revaluation reserves adjusted for the fair value of financial assets, and the Deferred tax reserve include, with effect on January 1, 2013, the restatement resulting from the adoption of said accounting policy.

In the presentation of its individual financial statements Tranquilidade holds the following investments:

(thousand euros)

Name of Company/ Registered Office	Classification	Valuation Method	Holding (%)			Financial Data 2014			
			Direct	Voting Right	Effective	Assets	Liabilities	Equity	Net income
T-Vida, Companhia de Seguros, S.A. Av. da Liberdade, 242 1250-149 Lisboa (Portugal)	Subsidiary	C. Here net impairment	100.00	100.00	100.00	800,619	724,961	75,658	4,294
Seguros LOGO, S.A. R. D. Manuel II, 290 4050-344 Porto (Portugal)	Subsidiary	C. Here net impairment	100.00	100.00	100.00	25,081	19,239	5,842	32
Esumédica–Prestação de Serviços Médicos, S.A. Av. da Liberdade, 242 1250-149 Lisboa (Portugal)	Subsidiary	C. Here net impairment	100.00	100.00	100.00	983	2,566	-1,583	64
ADV Health International Av. da Liberdade, 242 1250-149 Lisboa (Portugal)	Subsidiary	C. Here net impairment	100.00	100.00	100.00	99	0	99	-1
Tranquilidade Moçambique Companhia de Seguros, S.A. Rua da Sé, nº 114, 1º andar, Porta 111 Distrito Urbano 1 Maputo (Moçambique)	Subsidiary	C. Here net impairment	99.996	100.00	100.00	3,112	2,560	552	-22
Tranquilidade Moçambique Companhia de Seguros Vida, S.A. Rua da Sé, nº 114, 1º andar, Porta 111 Distrito Urbano 1 Maputo (Moçambique)	Subsidiary	C. Here net impairment	99.997	100.00	100.00	2,077	1,267	810	-143
Espírito Santo Contact Center, S.A. Av. Infante D. Henrique, 343 - C 1800-218 Lisboa (Portugal)	Subsidiary	C. Here net impairment	55.42	55.42	55.42	12,119	9,257	2,862	1,163
Advancecare – Gestão e Serviços de Saúde, S.A. Av. da Liberdade, 49 a 57, 1º 1250-139 Lisboa (Portugal)	Subsidiary	C. Here net impairment	51.00	51.00	51.00	10,466	3,363	7,103	1,703
Tranquilidade - Corporação Angolana de Seguros, S.A. Edifício ESCOM, Rua Marechal Brós Tito, nº 35 15ºD Luanda (Angola)	Associate company	C. Here net impairment	49.00	49.00	49.00	29,039	25,236	3,803	2,253
Europ Assistance, S.A. Av. Álvares Cabral, 41 - 3º e 4º 1250-015 Lisboa (Portugal)	Associate company	C. Here net impairment	47.00	47.00	47.00	125,583	34,596	90,987	3,667
GNB, Companhia de Seguros, S.A. Av. Columbano Bordalo Pinheiro, 75, 8º 1070-061 Lisboa (Portugal)	Associate company	C. Here net impairment	25.00	25.00	25.00	115,526	82,429	33,097	7,733

The 55.42% holding in in Espírito Santo Contact Center, SA, for the purposes of consolidated accounts is increased to 56.30%, taking into account the indirect holding via GNB - Companhia de Seguros, SA.

During the 2014, in terms of changes to the structure of holdings, attention is drawn to the incorporation of the firm Advancecare Health International, SA, with a holding of 100%.

The investments as at December 31, 2014, are segregated as follows by company and composition of the book value:

(thousand euros)

	Acquisition Cost	Impairment	Book Value
Advancecare	486	-	486
GBN Seguros	3,59	-	3,59
ES Contact Center	1,846	-	1,846
Esumédica	445	-	445
Europ Assistance	4,222	-	4,222
LOGO	20,000	-14,158	5,842
Tranquilidade Corp. Angolana Seguros	7,318	-	7,318
Tranquilidade Moçambique Seguros	1,361	-	1,361
Tranquilidade Moçambique Seguros Vida	1,810	-	1,810
T-Vida	77,489	-	77,489
ADV Health International	100		100
Total	**118,836**	**-14,158**	**104,678**

Changes of the value of the holdings during 2014 were as follows:

(thousand euros)

	Opening Book Value	Acquisitions, Capital Increases and Disposalss	Impairment	Closing Book Value
Advancecare	486	-	-	486
GBN Seguros	3,59	-	-	3,59
ES Contact Center	1,846	-	-	1,846
Esumédica	445	-	-	445
Europ Assistance	4,222	-	-	4,222
LOGO	20,000	-	-14,158	5,842
Tranquilidade Corp. Angolana Seguros	7,318	-	-	7,318
Tranquilidade Moçambique Seguros	1,361	-	-	1,361
Tranquilidade Moçambique Seguros Vida	1,810	-	-	1,810
T-Vida	77,489	-	-	77,489
ADV Health International	-	100		100
Total	**118,736**	**100**	**-14,158**	**104,678**

In accordance with IAS 27 and IAS 28 and the accounting policy, the Tranquilidade has examined the impairment of the subsidiaries and associated based on the “value in use” determined on the basis of the business plans approved by the Board of Directors of each entity.

Note 8 - Cash, Cash Equivalents & Sight Deposits

The balance of this heading is as follows:

(thousand euros)

	2014	2013
Cash	529	400
Deposits at credit institutions	20,079	5,478
Total	**20,608**	**5,878**

Note 9 - Land & Buildings

Measurement of real-estate assets is undertaken using the cost model for owner-occupied properties and the fair-value model for properties held for income. Regardless of the measurement model, valuations are performed on all properties on a regular basis.

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

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

Properties are classified as owner-occupied to the extent that they are used in the Company’s operating activity, and as investment properties in other cases. There are some that, used for both purposes, are classified as mixed, and each part is analysed and measured separately. The valuers responsible for the valuation of the assets are duly certified for the purpose and are registered with the CMVM.

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	2014	2013
Net Balance as at January 1	**44,396**	**46,116**
Increases thru acquisition	-	350
Increases thru improvements	359	164
Transfers	5,83	4,444
Written off/ sales	-3,487	-5,409
Variations of fair value	-1,439	-1,269
Net Balance as at December 31	**45,612**	**44,396**

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

(thousand euros)

	2014	2013
Properties that generate rental income	44,209	35,837
Properties that generate no rental income	1,403	8,559
Total	**45,612**	**44,396**

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

(thousand euros)

	2014	2013
Rental Income	**1,549**	**1,481**
Operating Costs	**267**	**282**
- on properties that generate rental income	138	149
- on properties that do not generate rental income	129	133

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

Cost model

The breakdown of the Owner-occupied properties headings is as follows:

(thousand euros)

	2014	2013
Gross Value	**29,415**	**29,347**
Accumulated depreciation and impairments	-5,015	-4,518
Net Balance as at December 31	**24,400**	**24,829**

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

(thousand euros)

Tangible Assets - Own Service Buildings	2014	2013
Net Balance as at January 1	**24,829**	**24,468**
Increases thru acquisition	-	-
Increases thru improvements	68	847
Transfers	-	-
Written off/ sales	-	-
Impairments-[(Allocation)/Use]	-	-
Depreciation charges for the period	-497	-486
Net Balance as at December 31	**24,400**	**24,829**

Note 10 - Other Tangible Fixed Assets and Inventories

Besides the owner-occupied properties referred to in the preceding point, the Company has other tangible assets measured using the cost model, details of which are as follows:

(thousand euros)

	2014	2013
Equipment	**46,335**	**43,442**
Administrative equipment	4,879	4,508
Machines and tools	1,87	1,701
IT hardware	33,347	32,536
Indoor facilities	2,290	1,950
Leased buildings expenditure	2,855	1,429
Transport material	711	868
Other tangible assets	466	450
Fixed Assets in Progress	**80**	**3,140**
Accumulated Depreciation	**-42,325**	**-40,744**
Impairments	-	**-**
Total	**4,090**	**5,838**

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

(thousand euros)

	Equipment	Fixed Assets in Progress	Total
Balance as at January 1, 2013	**2,438**	**4,807**	**7,245**
Additions	1,417	2,77	4,194
Transfers	-	-4,444	-4,444
Depreciation charges for the period	-1,156	-	-1,156
Written off/ sales	-1	-	-1
Balance as at December 31, 2013	**2,698**	**3,140**	**5,838**
Additions	2,82	2,23	5,505
AMA portfolio acquisitions	292	-	292
Transfers	-	-5,83	-5,83
Depreciation charges for the period	-1,463	-	-1,463
Written off/ sales	-299	-	-299
Balance as at January 1, 2014	**4,010**	**80**	**4,090**

Mention is also made of the fact that there are other assets fundamentally related with salvage, which, in 2014, amount to €52k (2013: €223k).

Note 11 - Allocation of Investments and Other Assets

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

As stated in the Board of Directors' report, the non-compliance, as at December 31, 2014, with the level of financial guarantees to cover technical provisions through its allocated assets, is now covered by a recapitalisation plan approved by the ASF.

Part of the non-compliance referred to above was due to the fact that the Company holds a set of assets that were not eligible for as technical provisions. However, the commitments made by Tranquilidade's new shareholder that call for the sale of assets in the short term allows them to be considered eligible and will allow the Company to strengthen its prudential levels.

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

(thousand euros)

	2014		
	Non-Life Insurance	Not Allocated	Total
Cash & cash equivalents	19,997	611	20,608
Land & buildings	70,012	-	70,012
Investments in affiliates, associates and joint ventures	102,386	2,292	104,678
Financial assets held for trading	-	-	-
Financial assets classified in the initial recognition at fair value through profit & loss	106	-	106
Hedge derivatives	-	-	-
Available-for-sale financial assets	280,415	825	281,240
Loans and receivables	12,591	3,698	16,289
Held-to-maturity investments	-	-	-
Other tangible assets	-	4,090	4,090
Other assets	-	170,540	170,540
Total	**485,507**	**182,056**	**667,563**

(thousand euros)

	2013		
	Non-Life Insurance	Not Allocated	Total
Cash & cash equivalents	4,272	1,606	5,878
Land & buildings	69,225	-	69,225
Investments in affiliates, associates and joint ventures	111,336	7,400	118,736
Financial assets held for trading	-	-	-
Financial assets classified in the initial recognition at fair value through profit & loss	2,031	-	2,031
Hedge derivatives	-	-	-
Available-for-sale financial assets	319,309	858	320,167
Loans and receivables	73,907	3,484	77,391
Held-to-maturity investments	84,773	-	84,773
Other tangible assets	-	5,838	5,838
Other assets	-	198,898	198,898
Total	**664,853**	**218,084**	**882,937**

Note 12 - Intangible Assets

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

The goodwill carried can be divided into:

- The positive difference between the acquisition cost of Companhia de Seguros ESIA and the fair value assigned to the net assets acquired. It is not amortised, in accordance with IFRS 3 – Business Combinations. In 2014 the recoverable value analysis revealed total impairment of this asset, and this effect can therefore gains and losses under impairment losses – Other;
- the positive difference between the cost of goodwill in 2014 of the business of the branch in Portugal of the AMA - Agrupación Mutual Aseguradora, Mútua de Seguros a Prima Fija ("AMA") and the fair value attributable to the respective net assets associated with the insurance portfolio acquired. This amount is not being amortised in accordance with IFRS 3 - Business Combinations and details of this transaction operation can be found in Note 33.

The breakdown of the balance of Goodwill and Other intangibles headings is as follows:

(thousand euros)

	2014	2013
Goodwill	**27,029**	**25,785**
Other intangibles	**70,129**	**66,823**
Software development costs	53,019	49,901
Software	11,327	11,198
Intangibles in progress	5,783	5,724
Accumulated depreciation	**-55,634**	**-51,324**
Impairments	**-25,785**	**-**
Total	**15,739**	**41,284**

Movements in both years is as follows:

(thousand euros)

	Goodwill	Other Intangibles	Software Development Costs	Software	Intangibles in Progress	Total
Balance as at January 1, 2013	**25,785**	**14,679**	**7,066**	**1,894**	**5,719**	**40,464**
Additions	-	5,348	116	446	4,786	5,348
Depreciation for the year	-	-4,528	-3,803	-725	-	-4,528
Impairments	-	-	-	-	-	-
Transfers	-	-	4,781	-	-4,781	-
Balance as at December 31, 2013	**25,785**	**15,499**	**8,160**	**1,615**	**5,724**	**41,284**
Additions	1,244	3,298	35	120	3,143	4,542
Depreciation for the year	-	-4,302	-3,651	-651	-	-4,302
Impairments	-25,785	-	-	-	-	-25,785
Transfers	-	-	3,082	-	-3,082	-
Balance as at December 31, 2014	**1,244**	**14,495**	**7,626**	**1,084**	**5,785**	**15,739**

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

(thousand euros)

	2014	2013
Depreciation of Intangible Assets for the Period:	**-4,302**	**-4,528**
Costs of claims, net of reinsurance		
Amounts paid - Gross amounts	1,065	1,130
Net operating costs & expenses		
Acquisition costs	2,202	2,327
Administrative costs	1,027	1,062
Financial Costs		
Other	8	9

Note 13 - Other Assets, Liabilities, Adjustments and Provisions

Assets and adjustments

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

(thousand euros)

	2014	2013
Gross Assets	**59,836**	**63,460**
Policyholders		
- Receipts pending collection	49,455	52,176
- Reimbursement of claims	7,499	8,110
Insurance brokers	265	451
Co-insurers	2,617	2,723
Adjustments	**-5,808**	**-5,493**
Receipts pending collection	-3,956	-3,686
Doubtful debt	-1,852	-1,807
Net Assets	**54,028**	**57,967**

Reimbursements demanded in respect of payments made as a result of claims occurring during the guarantees suspension period and not yet received amount to €3,049k (2013: €2,758k).

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

(thousand euros)

	2014	2013
Gross Assets	**14,805**	**10,537**
Reinsurers	9,839	9,375
Reinsured	4,966	1,162
Adjustments	**-207**	**-207**
Doubtful debt	-207	-207
Net Assets	**14,598**	**10,330**

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

(thousand euros)

	2014	2013
Gross assets	**21,777**	**26,884**
Related entities	6,493	284
Advances to suppliers of goods & services	179	77
IFADAP	4,906	10,685
FAT	982	1,203
Management on account of IDS and principals	1,952	1,848
Performance bonds	651	657
Rents & other amounts pending collection	613	587
Staff	499	445
Clients	151	139
Other receivables	5,351	10,959
Adjustments	**-798**	**-1,151**
Doubtful debt	-798	-1,151
Net Assets	**20,979**	**25,733**

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

(thousand euros)

	2014	2013
Adjustment of Receipts Pending Collection		
Balance as at January 1	**3,686**	**4,028**
Allocations for the period	270	-
Use for the year	-	-342
Balance as at December 31	**3,956**	**3,686**
Adjustment of doubtful loans		
Balance as at January 1	**3,165**	**2,843**
Allocations for the period	-	322
Use for the year	-308	-
Balance as at December 31	**2,857**	**3,165**

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

(thousand euros)

	2014	2013
Accrued Income	**239**	**215**
- Services rendered	239	215
Deferred Costs	**1,043**	**1,244**
- Insurance	15	41
- Rentals	5	6
- Acquisition costs	1,023	1,197
Total	**1,282**	**1,459**

Liabilities and provisions

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

(thousand euros)

	2014	2013
Policyholders (return premiums payable)	3,115	5,499
Insurance brokers		
- Commissions payable	4,088	4,435
- Current accounts	230	1,982
Co-insurers	14,309	11,830
Total	**21,742**	**23,746**

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

(thousand euros)

	2014	2013
Reinsurers	16,541	16,554
Reinsured	421	101
Total	**16,962**	**16,655**

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

(thousand euros)

	2014	2013
Related entities	466	858
Suppliers of leased goods	118	463
Other suppliers of goods & services	568	4,261
Management on account of IDS and Principals	67	1
IFADAP	1,820	1,670
Workers' compensation pensions	1,606	1,246
Other payables	4,560	3,930
Total	**9,205**	**12,429**

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

(thousand euros)

	2014	2013
Deferred Income	**0**	**42**
- Rentals	0	42
Accrued Costs	**21,852**	**19,813**
- Staff costs (subsidies, charges & bonuses)	8,376	7,558
- Acquisition costs (incentives & commissions)	3,299	3,713
- Third-party supplies & services	10,065	8,435
- Taxes	112	107
Total	**21,852**	**19,855**

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

(thousand euros)

	2014	2013
Taxes	1,995	1,784
Total	**1,995**	**1,784**

(thousand euros)

	2014	2013
Balance as at January 1	**1,784**	**3,416**
Allocations for the period	211	233
Use for the year	-	-1,865
Balance as at December 31	**1,995**	**1,784**

The positive change of Other provisions in 2013 and 2014 is the result of the tax component in respect of compensatory interest payable in the event of an unfavourable decision as to the use of tax deduction in determining Corporation tax (IRC) from 2006 to 2009, in respect of tax losses on a corporate merger and of the reinvestment of tax gains resulting from the sale of a financial holding. This change is included under costs by nature of expense to be allocated.

In December 2013, as part of the tax-debt settlement programme entailing a reduction of charges, amounts were paid that gave rise to a significant reduction of the associated interest accrued up to the date of settlement.

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:

(thousand euros)

Businesses/ Groups of Businesses	Gross Premiums Written		UPR Variation		Premiums Earned	
	2014	2013	2014	2013	2014	2013
Accidents & health	106,752	100,598	742	108	106,010	100,490
Fire & other damage	64,727	64,981	-1,463	-552	66,190	65,533
Motor	127,164	131,105	-2,828	-4,864	129,992	135,969
Marine, air and transport	7,484	7,698	-161	-11	7,645	7,709
General third-party liability	10,257	11,393	-132	79	10,389	11,314
Credit and fidelity insurance	32	51	-10	9	42	42
Legal protection	13	13	-1	-1	14	14
Assistance	11,787	10,499	641	-335	11,146	10,834
Sundry	2,797	2,572	-67	-34	2,864	2,606
Total	**331,013**	**328,910**	**-3,279**	**-5,601**	**334,292**	**334,511**

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

(thousand euros)

Businesses/ Groups of Businesses	Reinsurance Premiums Written		UPR Variation		Reinsurance Premiums Earned	
	2014	2013	2014	2013	2014	2013
Accidents & health	3,900	3,745	65	8	3,835	3,737
Fire & other damage	30,513	30,140	-972	-282	31,485	30,422
Motor	1,387	1,521	-9	9	1,396	1,512
Marine, air and transport	4,441	4,416	-86	146	4,527	4,270
General third-party liability	1,663	1,495	129	41	1,534	1,454
Credit and fidelity insurance	9	16	-3	2	12	14
Legal protection	-	-	-	-	-	-
Assistance	11,639	10,627	616	-758	11,023	11,385
Sundry	2,579	2,386	-57	-96	2,636	2,482
Total	**56,131**	**54,346**	**-317**	**-930**	**56,448**	**55,276**

Details of some amounts in respect of not-life insurance and reinsurance accepted, for 2014, are as follows:

(thousand euros

Businesses/ Groups of Businesses	Gross Premiums Writtens	Gross Premiums Earned	Gross Cost of Claims	Gross Operating Costs	Balance of Reinsurance
Accidents & health	104,454	104,668	101,251	28,610	1,318
Fire & other damage	62,985	64,789	39,080	24,056	-9,918
Motor					
-Third-party liability,	78,731	80,968	41,325	24,447	-439
- Other covers	41,855	42,212	26,733	15,549	-371
Marine, air and transport	7,155	7,329	1,423	2,022	-3,109
General third-party liability	10,090	10,204	2,346	3,941	-2,312
Credit and fidelity insurance	32	42	5	19	-16
Legal protection	13	14	2	7	-
Assistance	11,787	11,146	-	2,191	-9,854
Sundry	2,709	2,796	1,164	640	-1,039
Total	**319,811**	**324,168**	**213,329**	**101,482**	**-25,740**
Reinsurance accepted	11,202	10,124	4,575	2,373	-1,217
Grand Total	**331,013**	**334,292**	**217,904**	**103,855**	**-26,957**

Note 16 - Investment Income/Revenue and Expenditure

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

(thousand euros)

	2014	2013
Interest	**7,525**	**13,091**
Available-for-sale financial assets	4,607	4,180
Financial assets classified at fair value through profit or loss	11	46
Financial assets held for trading	-	-
Held-to-maturity investments	1,665	5,492
Deposits, loans & other assets	1,242	3,373
Rents	**1,549**	**1,481**
Land & buildings	1,549	1,481
Dividends	**8,084**	**8,582**
Investments in affiliates, associates and joint ventures	8,063	8,514
Available-for-sale financial assets	21	68
Total	**17,158**	**23,154**

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

(thousand euros)

	2014	2013
Bonds & other fixed-income securities		
Public issuers'	2,483	4,197
Other issuers'	3,800	5,521
Equities	8,063	8,566
Other floating-rate securities	21	16
Properties	1,549	1,481
Deposits	845	3,243
Loans & other assets	397	130
Total	**17,158**	**23,154**

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

(thousand euros)

	2014	2013
Costs imputed to the investments function	1,351	1,367
Interest on repurchase agreements	-	702
Direct operating costs	267	282
Total	**1,618**	**2,351**

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)

	2014			2013		
	Gain	Loss	Balance	Gain	Loss	Balance
Financial - Not at Fair Value Through Profit or Loss	**26,712**	**-134,086**	**-107,374**	**13,916**	**-4,208**	**9,708**
Available-for-sale financial assets	26,185	-134,086	-107,901	9,916	-4,208	5,708
Held-to-maturity investments	527	-	527	-	-	-
Investments in affiliates, associates and joint ventures	-	-	-	4,000	-	4,000
Financial - At Fair Value Through Profit or Loss	**-**	**59**	**59**	**16**	**-600**	**-584**
Financial assets at fair value through profit or loss	-	59	59	16	-600	-584
Financial assets held for trading	-	-	-	-	-	-
Non-Financial	**52**	**-**	**52**	**-**	**-3**	**-3**
Land & buildings - Own use	-	-	-	-	-	-
Land & buildings - Held for income	52	-	52	-	-3	-3
Total	**26,764**	**-134,027**	**-107,263**	**13,932**	**-4,811**	**9,121**

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)

	2014			2013		
	Gain	Loss	Balance	Gain	Loss	Balance
Financial - At Fair Value	**-**	**-216**	**-216**	**974**	**-**	**974**
Financial assets at fair value through profit or loss						
- Debt securities	-	-216	-216	974	-	974
Non-Financial	**2,285**	**-3,724**	**-1,439**	**1,150**	**-2,419**	**-1,269**
Land & buildings - Held for income	2,285	-3,724	-1,439	1,150	-2,419	-1,269
Total	**2,285**	**-3,940**	**-1,655**	**2,124**	**-2,419**	**-295**

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)

	2014			2013		
	Gain	Loss	Balance	Gain	Loss	Balance
Available-for-sale financial assets	18	-5	13	322	-102	220
Financial assets held for trading	-	-	-	-	-39	-39
Other	634	-250	384	81	-141	-60
Total	**652**	**-255**	**397**	**403**	**-282**	**121**

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)

	2014	2013
Other Technical Income	**1,002**	**1,018**
Co-insurance management commissions	166	220
Claims management charges	5	-
Remuneration for services - IFADAP	1	4
Management on account of claims	830	794
Other Technical Expense	**2,385**	**2,623**
Co-insurance management commissions	208	572
Management on account of claims	2,177	2 051
Value of Gains & Losses	**-1,383**	**-1,605**

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

(thousand euros)

	2014	2013
Other Non-Technical Income	**3,367**	**6,248**
Reimbursement of taxes	148	31
Corrections & adjustments	1,439	1,712
Other gains	1,516	3 ,169
Interest & other financial gains	31	42
Services provided	229	249
Gains on disposal of tangible assets	4	-
Own work capitalised	-	1,045
Other Non-Technical Expense	**6,511**	**4,904**
Donations	6	16
Sponsorship	119	309
Gifts for customers	384	485
Fines	29	24
Subscriptions	8	11
Contractual terminations	-	1,330
Bad debt	-	109
Corrections & adjustments	575	476
Other expenses	4,854	1,515
Banking services & default interest	537	629
Value Of Gains & Losses	**-3,144**	**1,344**

The breakdown of the balance of Other provisions is as follows:

(thousand euros)

	2014	2013
Taxes	-	1,865
Value of Gains & Losses	**-**	**1,865**

The significant income for 2013 of Other provisions is the result of the fact that, in December 2013, as part of the tax-debt settlement programme entailing a reduction of charges, amounts were paid that gave rise to a significant reduction of the associated interest accrued up to the date of settlement.

Note 21 - Sundry Costs by Function and Nature of Expense

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

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

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

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

The breakdown of these expenses and their distribution using the classification based on their function as at December 31, 2014 & 2013, is as follows:

(thousand euros) (%)

2014	Cost of Claims		Acquisition Costs		Administrative Costs		Cost of Investments		Total	
Staff costs	6,301	15%	14,861	37%	19,043	47%	388	1%	40,593	99%
Third-party supplies & services	2,078	11%	7,385	38%	9,666	50%	236	1%	19,365	100%
Taxes	-	0%	-	0%	2,351	100%	-	0%	2,351	100%
Depreciation	1,294	21%	2,814	45%	1,805	29%	349	5%	6,262	99%
Provisions for contingencies & liabilities	-	0%	-	0%	-	0%	-	0%	-	0%
Other costs	3	1%	4	1%	2	1%	378	97%	387	99%
Total	**9,676**	**14%**	**25,064**	**36%**	**32,867**	**48%**	**1 351**	**2%**	**68,958**	**100%**

(thousand euros) (%)

2013	Cost of Claims		Acquisition Costs		Administrative Costs		Cost of Investments		Total	
Staff costs	6,235	17%	14,872	41%	14,650	41%	379	1%	36,136	100%
Third-party supplies & services	2,707	13%	7,601	35%	10,650	50%	493	2%	21,451	100%
Taxes	-	0%	-	0%	2,427	100%	-	0%	2,427	100%
Depreciation	1,338	22%	2,928	47%	1,775	29%	129	2%	6,170	100%
Provisions for contingencies & liabilities	-	0%	-	0%	-	0%	-	0%	-	0%
Other costs	6	2%	11	3%	5	1%	366	94%	388	100%
Total	**10,286**	**15%**	**25,412**	**38%**	**29,507**	**44%**	**1,367**	**2%**	**66,572**	**100%**

Staff costs are detailed in Note 22.

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

(thousand euros)

	2014	2013
Electricity and water	473	510
Fuel	321	328
Office material, stationery, etc.	132	111
Gift articles	1,044	1,503
Office equipment & property maintenance	276	238
Hardware maintenance	1,752	1,794
Rents	2,045	2,080
Operational rental of vehicles & other rentals	1,104	1,123
Travel & entertainment costs	1,220	1,389
Telephone communications and networks	493	449
Post	1,394	1,373
Insurance	103	106
Retainers & fees	312	363
Advertising & marketing	1,184	1,356
Cleaning, hygiene and comfort	377	422
Surveillance and security	281	264
Outsourcing, consultancy & specialised work	3,400	4,516
Software services & development	1,724	1,569
Subscriptions to APS	220	235
Premium collection	662	822
Broker training	268	320
Temporary work	158	176
Other sundry supplies & services	422	404
Total	**19,365**	**21,451**

The breakdown of Taxes and charges is as follows:

(thousand euros)

	2014	2013
VAT borne	78	126
ASF charge	772	772
FAT charge	800	783
Municipal property tax	35	32
Fee for the General Secretariat of the MAI (Home Affairs)	558	586
Portuguese Green Card Office charge	53	54
Other taxes, fees and licenses	55	74
Total	**2,351**	**2,427**

The breakdown of Depreciation charges is as follows:

(thousand euros)

	2014	2013
Software development costs	3,651	3,803
Software	651	725
Computer equipment	505	440
Owner-occupied properties	497	486
Office equipment & machines	254	242
Indoor facilities	50	26
Leasing	63	118
Other equipment	591	330
Total	**6,262**	**6,170**

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

(thousand euros)

	2014	2013
Interest on reinsurers' deposits	13	19
Interest on financial leases	10	23
Securities' custody & management and other commissions	364	346
Total	**387**	**388**

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

(thousand euros)

	2014	2013
Acquisition costs		
Brokerage remuneration	36,672	36,732
Costs imputed	25,064	25,412
Other acquisition costs	6,883	7,570
Deferred acquisition costs (change)	539	1,005
Administrative costs		
Brokerage remuneration	1,830	1,807
Costs imputed	32,867	29,507
Reinsurance commissions & profit-sharing	-9,405	-7,779
Total	**94,450**	**94,254**

Note 22 - Staff Costs

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

	2014	2013
Senior managers	20	20
Managers	77	77
Co-ordinators	132	132
Technicians	178	182
Specialists	252	253
Ancillary staff	5	6
Total	**664**	**670**

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

Staff costs are detailed as follows:

(thousand euros)

	2014	2013
Remuneration - corporate officers	1,971	2,068
Remuneration - personnel	25,070	25,372
Charges on remuneration - corporate officers	315	193
Charges on remuneration - personnel	5,555	5,516
Post-employment benefits - defined-benefit pension plans	5,396	724
Mandatory insurance	1,113	1,008
Social welfare costs	917	902
Training	235	233
Other staff costs	21	120
Total	**40,593**	**36,136**

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

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

The fees billed during 2014 by the outgoing Statutory Auditor within the scope of the legal audit of the accounts amounted to €42k.

The fees billed during 2014 by KPMG, that is the new statutory auditor for 2014, within the scope of audit services and tax consultancy, amount to €135k and €50k respectively.

Note 23 - Obligations Involving Employee Benefits

Retirement pensions and health benefits

As explained in the accounting policies, the Company assumed the liability of paying its employees old-age and disability pensions and death benefits under the terms established in the Collective Insurance Workers' Collection Bargaining Agreement (CAB). The benefits provided for in the pension plans are those that are covered by the Insurance Business Collective Bargaining Agreement (CAB) for employees taken on by June 22, 1995.

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

On December 23, 2011, a new Collective Bargaining Agreement for Insurance Workers, that came to alter a previously defined set of benefits. These employees are no longer covered by a defined-benefit plan and now have a defined-contribution plan.

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

Since the deviations have been recognised in reserves, the Company will have no additional impact on profit or loss and reserves as a result of actual liquidation of the plan.

The actuarial valuation of the retirement pensions and health benefits is performed annually at Tranquilidade, the most recent one with reference to December 31, 2014.

The main assumptions considered in the actuarial studies as at December 31, 2014 & 2013, used to determine the updated value of the employees' pensions and health benefits are as follows:

	2014	2013
Financial Assumptions		
Wage growth rates	0.5% - 1% (*)	1%- 2.5% (*)
Pension growth rate	0.5% - 1% (*)	0% - 2.5% (*)
Rates of return of the fund	2.25%	3.75%
Early-retirement pension growth rate	0.5% - 1% (*)	1 - 2.5% (*)
Discount rate	2.25%	3.75%
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 liabiloities towards directors.

In accordance with the Accounting Policy described in Note 3, the discount rate used to estimate retirement pension and health benefit liabilities is the market rate on the balance-sheet date associated with high-rating corporate bonds.

As at 31 December 2014 & 2013, the number of participants covered by the benefits plan was as follows:

	2014	2013
In service	6	8
Pensioners	207	212
Total	**213**	**220**

As at December 31, 2014 & 2013, the breakdown of amounts recognised in the balance sheet is as follows:

(thousand euros)

	2014			2013		
	Retirement Pensions	Benefits Health	Total	Retirement Pensions	Benefits Health	Total
Net Assets/ (Liabilities) Recognised in the Balance Sheet						
Liabilities as at December 31	-41,135	-767	-41,902	-36,848	-649	-37,497
Balance of the fund as at December 31	33,533	-	33,533	33,594	-	33,594
Net Assets/ (Liabilities) in the Balance Sheet as at December 31	**-7,602**	**-767**	**-8,369**	**-3,254**	**-649**	**-3,903**

Additionally, Tranquilidade transferred part of its retirement pension liabilities through the acquisition of life insurance policies from T-Vida, Companhia de Seguros, SA. The number of employees covered by these policies amounts to 343 (2013: 352), and the total amount of the liability amounts to €10,492k (2013: €11,032k).

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

(thousand euros)

	2014			2013		
	Retirement Pensions	Benefits Health	Total	Retirement Pensions	Benefits Health	Total
Liabilities as at January 1	**36,848**	**649**	**37,497**	**33,342**	**315**	**33,657**
Transfers to the defined-contribution fund	-	-	-	-	-	-
Alteration of the plan	-	-	-	-	146	146
Cost of current service	1,861	25	1,886	1,820	29	1,849
Interest cost	-	-	-	-	-	-
Actuarial (gains) and losses on liabilities	1,686	192	1,878	5,323	258	5,581
Pensions paid by the fund	-3,961	-	-3,961	-3,637	-	-3,637
Benefits paid by the Company	-	-99	-99	-	-99	-99
Curtailment	4,701	-	4,701	-	-	-
Liabilities as at December 31	**41,135**	**767**	**41,902**	**36,848**	**649**	**37,497**

The evolution of the value of the pension fund in 2014 & 2013 is as follows:

(thousand euros)

	2014			2013		
	Retirement Pensions	Benefits Health	Total	Retirement Pensions	Benefits Health	Total
Balance of the Fund as at January 1	**33,594**	**-**	**33,594**	**37,307**	**-**	**37,307**
Alteration of the plan	-	-	-	-	-	-
Real return of the fund						
Expected return of the fund	1,191	-	1,191	1,270	-	1,270
Actuarial gains & losses	1,551	-	1,551	-1,346	-	-1,346
Contributions paid by the fund's participants	1,258	-	1,258	-	-	-
Pensions paid by the fund	-3,961	-	-3,961	-3,637	-	-3,637
Transfers from other funds	-100	-	-100	-	-	-
Balance of the fund as at December 31	**33,533**	**-**	**33,533**	**33,594**	**-**	**33,594**

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

(thousand euros)

	2014			2013		
	Retirement Pensions	Benefits Health	Total	Retirement Pensions	Benefits Health	Total
Deviations Recognised in Reserves as at January 1	**17,695**	**492**	**18,187**	**11,026**	**234**	**11,260**
Actuarial (gains) & losses						
- On liabilities	1,686	192	1,878	5,323	258	5,581
- On the plan's assets	-1,551	-	-1,551	1,346	-	1,346
Deviations Recognised in Reserves as at December 31	**17 830**	**684**	**18 514**	**17,695**	**492**	**18,187**

The evolution of assets receivable/ liabilities deliverable in 2014 and 2013 is as follows:

(thousand euros)

	2014			2013		
	Retirement Pensions	Benefits Health	Total	Retirement Pensions	Benefits Health	Total
(Assets)/ Liabilities Receivable or Payable as at January 1	**3,254**	**649**	**3,903**	**-3,965**	**315**	**-3,650**
Alteration of the plan						
Actuarial gains & losses on liabilities	-	-	-	-	146	146
Actuarial gains & losses of the funds	1,686	192	1,878	5,323	258	5,581
Charges for the year:	-1,551	-	-1,551	1,346	-	1,346
- Cost of current service	1,861	25	1,886	-	-	-
- Net interest costs in the balance of the cover of liabilities	-1,191	-	-1,191	550	29	579
- Expected return of the fund	-	-	-	-	-	-
Contributions made in the period and pensions paid by the Company	-1,258	-99	-1,357	-	-99	-99
Curtailment	4,701	-	4,701	-	-	-
Transfers from other funds	100	-	100	-	-	-
(Assets)/ Liabilities Receivable or Payable as at December 31	**7,602**	**767**	**8,369**	**3,254**	**649**	**3,903**

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

(thousand euros)

	2014			2013		
	Retirement Pensions	Benefits Health	Total	Retirement Pensions	Benefits Health	Total
Cost of current service	1,861	25	1,886	1,820	29	1,849
Net interest costs in the balance of the cover of liabilities	-1,191	-	-1,191	-1,270	-	-1,270
Curtailment	4,701	-	4,701	-	-	-
Alteration of the plan	-	-	-	-	146	146
Costs for the Period	**5,371**	**25**	**5,396**	**550**	**175**	**725**

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

(thousand euros)

	2014	2013
Equities & other floating-rate securities	4,876	4,414
Fixed-income securities	34,457	31,990
Real estate	8,276	8,286
Liquidity	2,968	1,074
Other assets	1,516	4,315
	52,094	**50,079**

The values of assets disclosed above are entirely related to the Pension Fund of the Tranquilidade Group and GNB Seguros Vida, of which associate Tranquilidade accounts for about 64.4% (2013: 67.1%) of the total of the fund.

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

(thousand euros)

	2014		2013	
	+25 p.p.	-25 p.p.	+25 p.p.	-25 p.p.
Change of the discount rate of the liabilities	-803	853	-544	567
Change in the evolution of the pensions	730	-705	248	-248

Note 24 - Corporation Tax

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

Calculation of the current tax for 2013 was performed on the basis of the nominal tax rate and of the various rungs of the municipal surcharge, totalling about 31.44%, the nominal rate approved as of the reporting date. In 2014, given that there has been a tax loss, no current tax has been determined.

The Company has subject to annual inspections by the tax authority, whose latest report refers to 2012. Generally speaking, there have been no significant adjustments to the statements delivered and inspected, emphasis is given to the fact that in 2012 alone was there an adjustment favourable to the Company, through a reduction of the taxable income of about €5.2 million.

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.

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

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

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

(thousand euros)

Period	Brought Forward	Used	Carried Forward	Last Year for Use
2011	24,431	6,987	17,444	2015
2014	116,371	-	116,371	2026
Total	**140,802**	**6,987**	**133,815**	

However the company did not determine deferred tax assets , bearing in mind that they may no longer be automatically deducted and need to be authorised by the tax authority, in accordance with the legal provision to the effect when there is a change of shareholders greater than 50%, which occurred on January 15, 2015.

The company will deliver, within the statutory deadlines, the respective applications for maintenance of tax losses, and will then await approval thereof by the Tax Authority.

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

(thousand euros)

	2014		2013	
	Current Tax Assets	Current Tax Liabilities	Current Tax Assets	Current Tax Liabilities
Corporation tax	93	7,134	41	8,834
Tax withheld at source	3	790	-	878
Value added tax	61	144	61	244
Other taxes & levies	80	6,518	77	7,361
Social security contributions	350	445	159	888
Local authority taxes	-	119	-	120
Total	**587**	**15,150**	**338**	**18,325**

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

(thousand euros)

Headings	Assets		Liabilities		Net	
	2014	2013	2014	2013	2014	2013
Investments	3,351	1,344	-	-	3,351	1,344
Post-employment benefits	62	65	-	-	62	65
Doubtful debt provision	41	44	-	-	41	44
Tax losses	-	2,810	-	-	-	2,810
Properties	1,557	1,295	-	-	1,557	1,295
Other non-deductible costs	1,097	1,336	(658)	(500)	439	836
Total	**6,108**	**6,894**	**(658)**	**(500)**	**5,450**	**6,394**

As at December 31, 2014, and in the light of legislative changes enacted at the year-end in the matter the corporation tax rates in force after January 1, 2015, the Company changed the rate (basic rate and surcharges) used in the calculation of deferred taxes, from 27.5% to 25.5%, associated with temporary differences (reduction of approximately €424k)

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

(thousand euros)

2014	Fair-Value Reserver	Gains & Losses	Total
Current Tax	**-**	**-1,204**	**-1,204**
Corporation tax estimate		-	-
Autonomous tax		-1,204	-1,204
Deferred Tax	**-1,655**	**712**	**-944**
Investments	-1,655	3,663	2,007
Post-employment benefits		-3	-3
Doubtful debt provision		-3	-3
Tax losses		-2,810	-2,810
Properties held for sale		262	262
Other non-deductible costs		-397	-397
Total	**-1 655**	**-492**	**-2 148**

(thousand euros)

2013	Fair-Value Reserver	Gains & Losses	Total
Current Tax	**-**	**-1,943**	**-1,943**
Corporation tax estimate		-1,522	-1,522
Autonomous tax		-421	-421
Deferred Tax	**-1,120**	**-1,131**	**-2,251**
Investments	-1,120	543	-577
Post-employment benefits		-24	-24
Doubtful debt provision		-20	-20
Tax losses		-2,159	-2,159
Properties held for sale		735	735
Other non-deductible costs		-206	-206
Total	**-1,120**	**-3,074**	**-4,194**

Reconciliation of the tax rate is as follows:

(thousand euros)

	2014	2013
Pre-tax income	-187,773	22,094
Tax rate	25.50%	31.44%
Tax Determined on the Basis of the Official Rate	**47,882**	**-6,946**
Dividends excluded from taxation	2,028	2,665
Tax benefits	133	176
Untaxed Impairments	-13,434	-966
Derecognition of goodwill	-6,575	-
Tax losses generated not carried forward	-27,004	-
Other income & costs excluded from taxation	-2,843	2,430
Differences in capital gains accepted for tax purposes	525	-12
Autonomous Tax	-1,204	-421
Tax Recognised in Profit or Loss	**-492**	**-3,074**

In this analysis of the tax rate reconciliation, the rate of 25.5% was used in 2014, because, given that there was a tax loss this, it was the only rate applied, i.e., to be considered in the calculation of deferred taxes, no current tax rates being applicable.

Note 25 - Share Capital

Tranquilidade's share capital, in the sum of €160 million, represented by 32 million shares each of a par value of €5, is fully subscribed and paid up.

Note 26 - Reserves

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

Legal reserve

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

Fair-value reserves

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

Deferred tax reserves

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

Deferred taxes are calculated, in accordance with the liabilities method based on the balance sheet, on the temporary differences between the book values of the assets and liabilities and their tax basis, using the tax rates approved or substantially approved on the balance sheet date in each jurisdiction that are expected to be applied when the temporary differences are reversed.

Free reserves

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

Actuarial deviations reserve

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

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

(thousand euros)

	2014	2013
Fair value of financial assets reserve	5,174	525
Deferred tax reserve	-1,239	416
Other reserves	31,759	30,185
- Legal reserve	49,345	47,444
- Actuarial deviations reserve	-18,514	-18,187
- Free reserves	928	928
Reserves	**35,694**	**31,126**

As at December 31, 2014, and in the light of legislative changes enacted at the year-end in the matter the corporation tax rates in force after January 1, 2015, the Company changed the rate used in the calculation of deferred taxes with effect on the Reserve, from 27.5% to 25.5% (reduction of approximately €97k)

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

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

(thousand euros)

	2014	2013
Fixed-income securities	3,101	-5,891
Floating-rate securities	2,073	6,416
Fair-Value Reserves	**5,174**	**525**

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

(thousand euros)

	2014	2013
Amortised cost of available-for-sale investments (without accrued interest)	277,890	318,887
Impairment	-3,367	-3,734
Amortised/ acquisition cost net of impairment	274,523	315,153
Fair value of available-for-sale investments (without accrued interest)	279,697	318,398
Gross revaluation reserve (Fair value - cost)	5,174	3,245
Revaluation reserve for securities transferred to Held-to-maturity investments	-	-2,720
Deferred & current taxes	-1,239	416
Revaluation Reserve Net of Taxes	**3,935**	**941**

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

(thousand euros)

	2014	2013
Balance as at January 1	**941**	**-3,309**
Changes in fair value, including variations on disposal	4,282	7,408
Impairment recognised during the year	367	-2,038
Variation of deferred taxes recognised during the year	-1,655	-1,120
Balance as at December 31	**3,935**	**941**

Note 27 - Earnings per Share

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

	2014	2013
Net income for the period (in thousands of euros)	-188,265	19,020
Number of shares (year-end)	32,000,000	32,000,000
Earnings Per Share (in Euros)	**-5.88**	**0.59**

Note 28 - Dividend per Share

The Company's sole equityholder, up to the end of 2014 was Partran – Sociedade Gestora de Participações Sociais, SA, to which, in 2014 and 2013, the undernoted dividends were assigned and paid, resulting in the following dividends per share:

	2014	2013
Dividend (in euro '000s)	15,000	10,000
Number of shares (beginning of the period)	32,000,000	32,000,000
Dividend per Share (in Euros)	**0.47**	**0.31**

Note 29 - Transactions Between Related Parties

As at December 31, 2014, the whole of Tranquilidade's share capital was held by Partran, Sociedade Gestora de Participações Sociais, SGPS, SA, having its registered office at rua de São Bernardo, 62, 1200-826 Lisbon, which prepared consolidated accounts. The accounts of both entities were included within the consolidation perimeter of ESFG - Espírito Santo Financial Group.

Relations between parent company Tranquilidade and its associates cover several business areas. The more relevant operations and services are rentals, IT services, Life and Non-Life insurance, insurance marketing, reinsurance, insurance management in the health and medical line, and call centre services.

As at December 31, 2014 & 2013, the overall amount of Tranquilidade's assets and liabilities that refer to transactions with associate and related companies can be summarised as follows:

(thousand euros)

	2014				2013			
	Assets	Liabilities	Costs	Income	Assets	Liabilities	Costs	Income
ADVANCECARE	-	342	4,386	1,287	-	679	4,619	1,166
NOVO BANCO	28,622	2,130	1,597	2,389	25,255	1,892	3,965	7,901
GNB SEGUROS	3	-	-	1,868	8	-	-	1,828
GNB SEGUROS VIDA	85	-	-	115	67	-	-	112
BESI	183	-	-	-	2	-	-	-
BESLEASING	-	63	9	-	520	337	-	8
BEST	27	-	-	-	1	-	-	-
CORPUS CHRISTI	1,000	-	-	-	500	-	-	44
E.S. CONTACT CENTER	1,312	67	89	181	1,661	11	80	86
E.S. INFORMÁTICA	-	-	150	-	-	-	223	-
E.S. INNOVATION	-	-	-	-	-	27	-	-
E.S. INVESTMENT	2	-	430	15	2,200	14	204	26
E.S. FINANTIAL PRT	-	-	-	16	2,004	-	-	204
E.S. RECUPERAÇÃO CRÉDITO, ACE	2	-	-	15	-	-	-	-
E.S. SAÚDE	-	-	-	-	-	-	-	27
E.S. SERVIÇOS 2, ACE	-	9	534	-	4	93	878	16
ESAF	2	-	-	22	3	-	-	20
ESEGUR	126	39	250	1,158	212	10	218	1,401
ESFG	-	-	319	-	-	-	26	-
ESFIL	-	-	-	-	5,253	-	-	295
ESGEST	-	-	-	-	-	-	79	-1
ESUMÉDICA	1,018	3	840	30	1,006	6	840	30
EUROP ASSISTANCE	1,422	4	-	1,269	1,410	1,024	-	-11,396
GESFIMO	2	-	-	34	3	-	-	8
HERDADE DA COMPORTA	1	-	-	5	1	-	-	-2
HOTÉIS TIVOLI	-	-	30	-	-	1	17	-
LOGO	84	12	6,055	6,140	21,770	38	6,856	6,597
MULTIPESSOAL-SERVIÇOS	54	4	153	462	50	9	171	262
SGL - SOCIEDADE GERAL LIMPEZAS	-	15	375	-	-	65	459	-
TOP ATLÂNTICO	-	2	867	-	-	-	406	-
BES AÇORES	213	-	-	-	539	-	-	-
IMOCRESCENTE	4,150	-	-	-	2,650	-	-	44
IMOPRIME	-	-	-	-	-	-	-	44
TRQ ANGOLA	8,835	-	372	3,072	5,694	-	36	1,152
TRQ MOÇAMBIQUE VIDA	322	-	-	-	191	-	-	-
TRQ MOÇAMBIQUE NÃO VIDA	1,374	-	106	572	907	-	80	444
T-VIDA	633	16	-	3,800	29	224	-	4,050
	49,470	**2,705**	**16,562**	**22,450**	**71,940**	**4,430**	**19,157**	**14,366**

In 2014 there were also the following significant facts with related parties:

- Losses and impairment of the GES debt (€140.3 million);
- Impairment at subsidiary LOGO (€35.9 million).

Note 30 - Statement of Cash Flows

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

Note 31 - Commitments

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

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

In the event that neither of the transactions, of ES Contact, SA and of GNB – Gestão de Ativos, SGPS, SA, is completed within 5 years after the date of acquisition of Tranquilidade by Apollo or, if the swale of the holding in GNB – Gestão de Ativos, SGPS, SA, is not requested by Novo Banco be that deadline the commitments referred to above shall be extinguished and will be assumed by Apollo before Novo Banco.

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

The Company has also entered into finance lease contracts for the acquisition of IT equipment and transport material, as well as operating lease contracts in respect of transport material.

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

(thousand euros)

	2014	2013
Tangible assets (gross value)	11,481	11,637
Accumulated depreciation	-11,436	-11,508
Tangible Assets (Net Value)	**45**	**129**
Creditors - Suppliers of Goods	**118**	**463**

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

(thousand euros)

	Up to 3 Months	4 to 12 Months	>1 to 5 Years
Finance lease contracts	49	46	23
Operating lease contracts	206	491	1,066

Nota 33 - Business Combinations

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

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

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

The total investment amounted to €1,250k and the goodwill recognised as a result of this acquisition was calculated as follows:

(thousand euros)

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

Note 36 - Events After the Balance Sheet Date Other than Those Described in the Previous Points

On January 14, 2015, after the close of the 2014 accounts, the Company sold its 51% stake in the share capital of the Advancecare to the firm Calm Eagle Holdings, S.à r.l., for €37.4 million, having realised a gain of €36.9 million. This sale enabled the Company to reinforce its prudential ratios, which had been affected by the crisis and subsequent insolvency of ESFG.

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

On February 27, 2015, Calm Eagle Holdings, S.à. r.l., increased Tranquilidade's equity by means of ancillary capital contributions in the sum of €40 million.

Lastly, ate the General Meeting to be held for consideration and resolution by the sole shareholder of this annual report and other accounting documents, shall the reduction of share capital to cover the losses and the subsequent increase of the share capital in the sum of €42 million be approved, of which €12.6 million euros will realised immediately.

Note 37 - Other Information

Recently-Issued Standards And Interpretations

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

IFRS 27 (Amendment) - Separate financial statements:

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

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

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

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

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

IFRS 10 – Consolidated financial statements

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

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

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

The investor considers to what extent it controls the relevant business of the investee, taking into account the new control concept. The evaluation must be made in each reporting period since the relationship between power and exposure to variability in the returns can change over time.

Control is usually assessed on the legal entity, but it can also be evaluated on specific assets and liabilities of an investee (referred to as "silos").

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

The Company suffered no impact from this amendment.

IFRS 11 - Joint arrangements

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

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

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

The Company suffered no impact from this amendment.

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

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

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

The Company suffered no impact from this amendment.

IFRS 12 - Disclosure of interests in other entities

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

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

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

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

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

The changes made apply to a particular class of businesses that are qualified as "investment entities". The IASB defines the term "investment entity" as an entity whose business purpose is to invest funds with the goal of obtaining a capital gain, income or both. An investment entity must also evaluate its performance in the investment at fair value. Such entities may include private equity , venture capital or development capital organisations, pension funds, health funds and other investment funds.

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

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

The Company suffered no impact from this amendment.

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

On May 29, 2013, the IASB issued the above amendment with effective application (retrospective) for periods beginning on or after January 1, 2014. This amendment was adopted by European Commission Regulation 1374/2013 of December 19.

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

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

On June 27, 2013, the IASB issued the above amendment with effective application (retrospective) for periods beginning on or after January 1, 2014. This amendment was adopted by European Commission Regulation 1375/2013 of December 19.

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

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

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

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

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

IFRIC 21 - Levies

On May 20, 2013, the IASB issued this interpretation with effective application (retrospective) for periods beginning on or after January 1, 2014. This interpretation was adopted by European Commission Regulation nº 634/2014 of June 13 (setting the entry into force at the latest as from the start date of the first financial period on or after June 17, 2014)

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

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

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

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

On November 21, 2013, the IASB issued the above amendment with effective application (retrospective) for periods beginning on or after January 1, 2014.

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

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

Improvements to the IFRS (2010-2012)

The 2010-2012 cycle of annual improvements issued by the IASB on December 12, 2013, introduced alterations, with effective date of application for periods beginning on or after July 1, 2014, to IFRS 2, IFRS 3, IFRS 8, IFRS 13, IAS 16, IAS 24 and IAS 38. These amendments were adopted by European Commission Regulation 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).

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

- **IFRS 3 - Accounting for contingent consideration in a business combination**
  The purpose of the amendment is to clarify certain aspects of the accounting for contingent consideration in a business combination, including the classification of contingent consideration, taking into account whether such contingent consideration is a financial instrument or a non-financial asset or liability.

- **IFRS 8 - Operating segments aggregation and reconciliation between the total of the reportable segments' assets and the assets of the company**
  The change clarifies the criteria for aggregation and requires an entity to disclose the factors used to identify the reportable segments, when the operating segment has been aggregated. To achieve internal consistency, a reconciliation of the total of the reportable segments' assets to the total assets of an entity needs to be disclosed only when the amounts are regularly provided to the chief operating decision maker.

- **IFRS 13 - Short-term receivables and payables**
  The IASB amended the basis of completion in order to clarify that by eliminating AG 79 of IAS 39 the intention was not intended to eliminate the need to determine the present value of a short-term receivable or payable, the invoice for which was issued without interest, even if the effect is immaterial. It should be noted that paragraph 8 of IAS 8 now allows an entity not to apply accounting policies set out in the IFRS if its impact is immaterial.

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

- **IAS 24 - Related party transactions - key management personnel services**
  To resolve any concerns about identification of the costs of service of key management personnel (KMP) when these services are provided by an entity (such as an investment fund management entity), the IASB clarified that disclosures of the amounts incurred for KMP services provided by a separate management entity must be disclosed, but it is not necessary to submit the breakdown called for in paragraph 17.

Improvements to the IFRS (2011-2013)

The 2011-2013 cycle of annual improvements issued by the IASB on December 12, 2013, introduced alterations, with effective date of application for periods beginning on or after July 1, 2014, to IFRS 1, IFRS 3, IFRS 13 and IAS 40. These amendments were adopted by European Commission Regulation nº 1361/2014 of December 18 (setting the entry into force at the latest as from the start date of the first financial period on or after January 1, 2015).

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

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

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

- **IAS 40 - Interrelationship with IFRS 3 when classifying property as | investment property or owner-occupied property.**
  The objective of this amendment is to clarify that judgement is needed to determine whether the acquisition of investment property is the acquisition of an asset, a group of assets or a business combination in the scope of IFRS 3.

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

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

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

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

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

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

The standard requires that derivatives embedded in contracts whose master contract is a financial asset within the scope of application of the standard shall not be separated; on the contrary, the hybrid financial instrument is assessed in its entirety, and, if there are embedded derivatives, they will have to be 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 transposes in general the classification and measurement guidelines contained in IAS 39 for financial liabilities, with no substantial changes.

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

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

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

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

In the event that the credit risk has increased significantly, the financial asset will generate a cumulative impairment equal to the loss can be expected up to maturity, thereby increasing the amount of impairment recognised.

Once the loss event occurs (today known as “objective evidence of impairment”), the accumulated impairment is directly allocated to the instrument in question, its accounting being similar to that laid down in IAS 39, including the treatment of respective interest.

IFRS 9 must be applied for periods beginning on or after January 1, 2018.

The Company has started a process of assessment of the potential effects of this standard but, given the nature of the Company’s business, it can be expected that this standard will have a material impact on the Company’s financial statements.

IFRS 15 - Revenue from contracts with customers

In May 2014, the IASB issued standard IFRS 15 Revenue from Contracts with Customers of mandatory application in periods beginning on or after January 1, 2017. Its early adoption is permitted. This standard repealed standards IAS 11 Construction contracts, IAS 18 Revenue, IFRIC 13 Customer loyalty programmes IFRIC 15 Agreements for the construction of real estate, IFRIC 18 Transfers of assets from customers and SIC 31 Revenue: Barter transactions involving. advertising services.

IFRS 15 determines a model based on 5 steps of analysis in order to determine when the revenue must be recognised and for what amount. The model specifies that the revenue must be recognised when an entity transfers goods or services to the customer, measured as the amount wo which the entity expects to be entitled. Depending on the fulfilment of certain criteria, revenue is recognised either at the precise moment when control of the goods or services is transferred to the customer or throughout the period, to the extent that it portrays the performance of the entity.

The Company does not expect any impacts to arise from the adoption of this standard.

Improvements to the IFRS (2012-2014)

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

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

IAS 27: Equity Method in Separate Financial Statements

On August 12, 2014, the IASB issued amendments to IAS 27, with effective date of application for periods beginning on or after, January 1, 2016, aiming to introduce an option for the measurement of subsidiaries, associates or joint ventures using the equity method in the separate financial statements.

The Company has not yet taken any decision as to the possible adoption of this option in its separate accounts.

Appendix 1 – Inventory of Holdings and Financial Instruments

(expressed in euros)

Identification of the Securities	Quantity	Amount of Par Value	% of Value Nominal	Average Acquisition Cost	Total Acquisition Cost	Book Value (Including Accrued Interest)	
Designation						Unit	Total
1 - AFFILIATES, ASSOCIATES, JOINT VENTURES AND OTHER RELATED COMPANIES							
1.1 - Domestic securities							
1.1.2 - Holdings in associates							
ADV HEALTH INTERNATIONAL	100,000			1.00	100,000.00	1.00	100,000.00
ADVANCECARE	458,997			1.06	485,958.14	1.06	485,958.14
GNB SEGUROS	750,000			5.01	3,758,668.00	5.01	3,758,668.00
ES CONTACT	831,251			2.22	1,846,077.58	2.22	1,846,077.58
ESUMEDICA	300,000			1.49	445,502.00	1.49	445,502.00
EUROPE ASSISTANCE	705,000			5.99	4,221,800.00	5.99	4,221,800.00
SEGUROS LOGO SA	4,000,000			5.00	20,000,000.00	1.46	5,842,387.31
T-VIDA COMPANHIA DE SEGUROS, SA	65,000,000			1.19	77,488,591.00	1.19	77,488,591.00
Subtotal	**72,145,248**				**108,346,596.72**		**94,188,984.03**
1.1.4 - Holdings in related companies							
COMPTA	306,960			1.64	503,699.84	0.15	46,044.00
ES INV PLC	1			2.77	2.77	1,526.60	1,526.60
GNB - SOC GEST FUNDOS DE PENSÕES	235,100			126.34	29,702,293.30	126.34	29,702,293.30
ESTELA GOLF	40			5,540.45	221,618.00	2,442.96	97,718.56
QUINTA DOS CONEGOS	140,600			3.15	443,241.40	4.84	680,061.61
Subtotal	**682,701**				**30,870,855.31**		**30,527,644.07**
Subtotal	**72,827,949**				**139,217,452.03**		**124,716,628.10**
1.2.2 - Holdings in associates							
TRQ ANGOLA	2,450			2,986.90	7,317,897.10	2,986.90	7,317,897.10
TRQ MOÇAMBIQUE CS	49,998			27.23	1,361,259.95	27.23	1,361,259.95
TRQ MOÇAMBIQUE VIDA	66,998			27.02	1,810,331.96	27.02	1,810,331.96
Subtotal	**119,446**				**10,489,489.01**		**10,489,489.01**
Total	**72,947,395**				**149,706,941.04**		**135,206,117.11**
2 - OTHER							
2.1 - Domestic securities							
2.1.1 - Capital instruments and unit trusts							
2.1.1.1 - Equities							
COMP. PREVIDENTE	6			532.54	3,195.23	0.00	0.00
COMP. PREVIDENTE SCPF	198			109.86	21,752.48	247.87	49,077.37
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	1.15	63,940.00
SONAGI AN	100			0.06	5.51	0.01	1.00
SPECTACOLOR PORTUGAL	7,500			14.66	109,986.38	11.94	89,559.55
CASSEL	200			0.00	0.00	0.00	0.00
COMUNDO	2,008			0.00	0.00	0.00	0.00
ILIDIO MONTEIRO CONSTRUÇÕES	41,675			0.00	0.00	0.00	0.00
PORTO CAVALEIROS, SGPS	2,483			0.00	0.00	0.00	0.00
TELLUS	1,200			0.00	0.00	0.00	0.00
VILATÊXTIL SOC IND TÊXTIL	16			0.00	0.00	0.00	0.00
Subtotal	**121,826**				**216 842.46**		**202,577.92**
2.1.1.3 - Investment fund units							
CIMOVEL	561,147			5.35	3,000,004.09	5.52	3,095,230.74
ES LOGISTICA	80,000			5.00	400,000.00	4.36	348,424.00
ES TRADING FUND	10,000			104.80	1,048,000.00	122.05	1,220,500.00
FUNDO DE INVEST. IMOB. CORPUS CHRISTI	12,000			997.36	11,968,313.77	1,083.81	13,005,721.20
GESPATRIMONIO RENDIMENTO	951,626			12.53	11,922,635.42	11.91	11,334,813.64
IMOCRESCENTE FD DE INV. IMOB. FECHADO	10,075			997.11	10,045,409.87	1,011.77	10,193,101.17
IMOPRIME FUNDO DE INV. IMOB. FECHADO	36,246			976.27	35,386,277.94	966.17	35,020,249.56
Subtotal	**1,661,094**				**73,770,641.09**		**74,218,040.31**
Subtotal	**1,782,920**				**73,987,483.55**		**74,420,618.22**

(expressed in euros)

Identification of the Securities	Quantity	Amount of Par Value	% of Value Nominal	Average Acquisition Cost	Total Acquisition Cost	Book Value (Including Accrued Interest)	
Designation						Unit	Total
2.1.2 - Debt securities							
2.1.2.1 - Public debt							
PORT OT 4.75% 06/14/19		5,000,000.00	114.07%	113.2%	5,659,500.00	116.7%	5,833,636.98
PT OT 4.8% 06/15/20		10,000,000.00	115.99%	115.8%	11,575,800.00	118.6%	11,860,198.64
PT OT 5.65% 02/15/24		4,800,000.00	123.67%	121.6%	5,835,840.00	128.6%	6,172,941.37
Subtotal		**19,800,000.00**			**23,071,140.00**		**23,866,776.99**
2.1.2.2 - Other public issuers'							
PARPUBLICA 3.567% 09/22/2020		100,000.00	98.78%	84.0%	83,990.00	99.8%	99,752.26
PARPUBLICA 3.75% 07/21		100,000.00	101.35%	99.3%	99,342.00	103.2%	103,207.59
Subtotal		**200,000.00**			**183,332.00**		**202,959.85**
2.1.2.3 - Other issuers'							
BCP 3.375% - 2014 / 27-02-2017		200,000.00	101.23%	99.8%	199,561.00	104.1%	208,143.40
CELULOSE BEIRA FLOAT 03/19		1,100,000.00	100.00%	99.5%	1,094,991.70	101.1%	1,111,841.41
EDP FINANCE 2.625% 01/22		100,000.00	101.26%	99.3%	99,312.00	102.0%	102,002.95
GALP ENERGIA SGPS FLOAT 18		2,500,000.00	102.75%	101.9%	2,546,750.00	103.0%	2,575,110.14
MOTA ENGIL 5.5% 04/19		100,000.00	103.00%	100.0%	100,000.00	104.1%	104,069.44
PORTUCEL SA 5.375% 20-19		1,000,000.00	107.11%	101.9%	1,019,300.00	107.8%	1,077,848.75
TAGUS SOC TIT 2009-ENGY A1 05/12/25		144,387.93	97.30%	97.5%	140,807.11	97.3%	140,559.72
VERSE 1 SNR 4.172% 16/02/17		1,218,544.98	102.58%	100.0%	1,218,544.98	102.7%	1,251,960.46
VERSE 2 SNR		83,417.97	101.65%	100.0%	83,417.97	101.8%	84,891.04
EMASA		5,000.00	0.00%	0.0%	0.00	0.0%	0.00
P.CAVALEIROS		17,500.00	0.00%	0.0%	0.00	0.0%	0.00
V.AGROS		4,000.00	0.00%	0.0%	0.00	0.0%	0.00
V.TÊXTIL		7,500.00	0.00%	0.0%	0.00	0.0%	0.00
Dep Prazo EUR CXGERALDEP					4,950,000.00		4,950,185.63
Dep Prazo EUR NB					1,171.36		1,171.36
Subtotal		**6,480,350.88**			**11,453,856.12**		**11,607,784.29**
Subtotal		**26,480,350.88**			**34,708,328.12**		**35,677,521.13**
Total	**1,782,920**	**26,480,350.88**			**108,695,811.67**		**110,098,139.35**
2.2 - Foreign securities							
2.2.1 - Capital instruments and unit trusts							
2.2.1.1 - Equities							
C BUZI	2,000			0.00	0.00	0.00	0.00
C IND MATOLA	2,200			0.00	0.00	0.00	0.00
C MOÇAMBIQUE	3,000			0.00	0.00	0.00	0.00
C RESSEGURO MOÇAMBIQUE	250			0.00	0.00	0.00	0.00
C SEG NAUTICUS	500			0.00	0.00	0.00	0.00
C SEG TRANQUILIDADE DE MOÇAMBIQUE	9,750			0.00	0.00	0.00	0.00
CADA (AGRICULTURA)	2,100			0.00	0.00	0.00	0.00
COMP ALGODÕES MOÇAMBIQUE	1,900			0.00	0.00	0.00	0.00
COMP SEG A NACIONAL	15,986			0.00	0.00	0.00	0.00
CONTINENTAL MORTAGE INVESTORS	600			0.00	0.00	0.00	0.00
FOMENTO PREDIAL MOÇAMBIQUE	50			0.00	0.00	0.00	0.00
HIDRO ELECT CATUMBELA	200			0.00	0.00	0.00	0.00
NAVANG	448			0.00	0.00	0.00	0.00
NOCAL (CERVEJAS)	2,508			0.00	0.00	0.00	0.00
PETRANGOL	200			0.00	0.00	0.00	0.00
SENA SUGAR ESTATES LTD	77,375			0.00	0.00	0.00	0.00
SOC TURISMO MOÇAMBIQUE	100			0.00	0.00	0.00	0.00
SONEFE	573			0.00	0.00	0.00	0.00
SOTUL (ULTRAMAR)	8,000			0.00	0.00	0.00	0.00
Subtotal	**127 740**				**0.00**		**0.00**
2.2.1.3 - Investment fund units							
2BCAPITAL LUXEMBOURG SICAR	356			1,000.00	355,676.01	964.14	342,921.47
DBX S&P 500 EUR HEDGED ETF	70,000			31.68	2,217,697.34	31.85	2,229,500.00
EUROFIN SICAV SIF	7,265			1,000.00	7,264,753.40	803.07	5,834,117.23
INCOMETRIC FUND	435,724			5.74	2,500,012.50	5.87	2,557,697.78
L&C UK PUBLIC SECTOR REAL ESTATE	2			901.49	1,720.13	217.79	415.56
L&C UK REAL ESTATE	10			1,190.68	11,972.52	394.61	3,967.89
Subtotal	**513,356**				**12,351,831.90**		**10,968,619.93**
Subtotal	**641,096**				**12,351,831.90**		**10,968,619.93**

(expressed in euros)

Identification of the Securities Designation	Quantity	Amount of Par Value	% of Value Nominal	Average Acquisition Cost	Total Acquisition Cost	Book Value (Including Accrued Interest) Unit	Total
2.2.2 - Debt securities							
2.2.2.1 - Public debt							
BTPS 3.75% 09/24		400,000.00	116.27%	115.5%	461,886.67	117.5%	470,052.60
BTPS 4.25% 02/15		1,000,000.00	100.27%	101.3%	1,012,810.00	102.0%	1,020,398.63
BUNDES OBLG 0.5% 04/12/19		5,000,000.00	102.27%	101.0%	5,049,950.00	102.6%	5,131,263.70
NETHERLANDS GOVT 2.5% 01/17		1,250,000.00	105.10%	99.6%	1,244,873.44	107.5%	1,343,715.75
NETHERLANDS GOVT 3.25% 07/15		750,000.00	101.73%	101.1%	758,522.18	103.2%	774,260.96
REPUBLIKA SLOVENIJA 4.625% 09/24		200,000.00	121.85%	113.8%	227,540.83	123.3%	246,563.70
Subtotal		**8,600,000.00**			**8,755,583.12**		**8,986,255.34**
2.2.2.2 - Other public issuers'							
CASSA DEPOSITI PRESTITI 1% 01/26/18		1,000,000.00	100.08%	100.0%	999,870.00	100.2%	1,001,748.90
COMMUNITY MADRID 2,875% 04/2019		3,000,000.00	107.21%	105.1%	3,154,300.00	109.8%	3,293,716.85
GENERALITAT DE CATALUNYA 4.75% 06/18		300,000.00	107.48%	97.9%	293,800.00	110.2%	330,623.63
Subtotal		**4,300,000.00**			**4,447,970.00**		**4,626,089.38**
2.2.2.3 - Other issuers'							
2I RETE GAS SPA 1.125% 01/20		2,000,000.00	100.00%	99.5%	1,990,480.00	100.1%	2,001,687.68
A2A SPA 4.5% 11/19		3,300,000.00	115.40%	115.0%	3,795,120.00	115.8%	3,821,593.03
AIR FRANCE - KLM 3.875% 06/21		500,000.00	100.00%	99.3%	496,250.00	102.1%	510,404.11
ALFA LAVAL TREASURY FLOAT 19		1,000,000.00	100.40%	100.0%	1,000,000.00	100.4%	1,004,314.08
APPLE INC 1% 11/10/22		3,000,000.00	101.24%	99.5%	2,985,750.00	101.4%	3,041,511.78
ARCELORMITTAL 2.875% 07/20		2,000,000.00	101.16%	99.2%	1,983,640.00	102.6%	2,051,496.16
ASTRAZENECA PLC 0.875% 11/24/21		1,000,000.00	100.54%	99.1%	991,190.00	100.6%	1,006,276.99
AT&T 1.45% 06/01/22		2,000,000.00	102.11%	99.7%	1,994,280.00	102.2%	2,044,584.10
AUST & NZ BANKING GROUP FLOAT 10/28/19		1,500,000.00	99.87%	100.0%	1,500,000.00	100.0%	1,499,358.33
AUSTRALIA PACIFIC AIRPORTS 1.75% 10/24		500,000.00	102.60%	99.0%	494,935.00	103.0%	514,860.89
BABCOCK INTL GROUP 1.75% 10/22		1,500,000.00	102.91%	99.5%	1,493,130.00	103.3%	1,549,789.93
BANCO SANTANDER TOTTA 1.625% 06/19		1,000,000.00	104.13%	99.6%	995,910.00	105.0%	1,050,367.67
BANK OF AMERICA 1.375% 09/10/21		2,500,000.00	101.83%	99.4%	2,485,300.00	102.2%	2,556,222.95
BP CAPITAL 1.526% 09/22		1,500,000.00	102.63%	100.0%	1,500,000.00	103.0%	1,545,593.10
CARREFOUR 1.75% 07/22		500,000.00	104.80%	99.3%	496,460.00	105.6%	528,066.37
CASINO GUICHARD PERRACHO 2.33% 25-24		1,000,000.00	101.92%	100.0%	1,000,000.00	102.1%	1,020,628.22
CITIGROUP 1.375% 10/27/21		2,000,000.00	101.77%	99.4%	1,988,100.00	102.0%	2,040,257.26
CNH INDUSTRIAL 2.75% 03/18/19		1,500,000.00	101.01%	99.5%	1,492,065.00	103.2%	1,547,682.95
COCA-COLA 1.125% 09/22/22		3,000,000.00	102.48%	99.1%	2,974,320.00	102.8%	3,083,736.57
CREDIT SUISSE LONDON 1.375% 01/31/22		3,000,000.00	102.77%	99.7%	2,991,750.00	103.1%	3,093,497.26
CRH FINANCE GERMANY 1.75% 07/21		2,000,000.00	103.49%	99.8%	1,996,480.00	104.3%	2,085,829.58
DAIMLER AG 1.875% 07/24		2,000,000.00	107.31%	99.1%	1,981,300.00	108.2%	2,164,362.20
DANSKE BANK 1.25% 06/21		1,000,000.00	104.57%	99.8%	998,470.00	105.3%	1,052,642.05
DEUTSCHE ANN FIN 2.125% 07/22		500,000.00	105.71%	99.4%	497,060.00	106.7%	533,619.18
DEUTSCHE LUFTHANSA 1.125% 09/19		2,500,000.00	99.83%	99.6%	2,488,900.00	100.2%	2,504,151.02
DIAGEO 1.125% 05/19		3,000,000.00	102.87%	101.7%	3,051,458.06	103.6%	3,106,814.79
EADS FINANCE 2.375% 04/24		3,000,000.00	110.73%	108.9%	3,267,600.00	112.5%	3,375,281.10
ESSILOR INTERNATIONAL 1.75% 04/21		1,000,000.00	105.79%	99.4%	993,940.00	107.1%	1,070,663.42
FCE BANK 1.875% 06/24/21		750,000.00	103.72%	99.9%	749,220.00	104.7%	785,220.21
FERROVIAL SA 2.5% 07/24		1,000,000.00	106.41%	99.5%	994,590.00	107.6%	1,075,715.34
FINMEC FINANCE 4.5% 01/21		100,000.00	108.01%	98.1%	98,106.50	112.8%	112,833.55
GAS NATURAL FENOSA 2.875% 03/24		1,500,000.00	112.33%	106.8%	1,601,870.00	114.7%	1,719,834.45
GENERAL MOTORS FINANCIAL 1.875% 10/15/19		600,000.00	101.55%	99.9%	599,292.00	101.9%	611,691.29
GLENCORE FINANCE EUROPE 1.625% 01/22		1,500,000.00	100.18%	99.2%	1,488,570.00	100.7%	1,509,778.77
GOLDMAN SACHS 2.125% 09/30/24		500,000.00	104.32%	99.8%	499,020.00	104.9%	524,263.08
GOLDMAN SACHS FLOAT 10/29/19		2,000,000.00	100.21%	99.9%	1,997,020.00	100.4%	2,007,173.00
HAA BANK 4.375% 01/24/17		200,000.00	68.75%	94.6%	189,125.00	72.8%	145,674.66
HUTCHISON 1.375% 10/21		1,000,000.00	101.09%	99.7%	997,480.00	101.3%	1,013,167.94
IBERDROLA 2.5% 10/22		1,500,000.00	109.32%	105.9%	1,589,100.00	109.8%	1,646,801.30
IBM CORP 1.25% 05/26/23		1,000,000.00	101.79%	99.8%	997,780.00	101.9%	1,019,058.63
INFRA FOCH SAS 1.25% 10/20		600,000.00	101.15%	99.8%	598,758.00	101.4%	608,461.64
JPMORGAN CHASE 1.375% 09/16/21		4,000,000.00	102.61%	99.8%	3,993,120.00	103.0%	4,120,532.60
KERING 1.375% 10/21		700,000.00	102.64%	99.7%	697,774.00	103.0%	720,865.66
LEASEPLAN CORP FLOAT 04/17		1,000,000.00	99.87%	99.9%	998,740.00	100.0%	999,641.50
LEV FIN CAP II 02/09/2016		104,182.67	101.74%	97.6%	101,640.61	102.0%	106,296.96
MACQUARIE BANK 1% 09/16/19		500,000.00	100.76%	100.0%	500,000.00	101.0%	505,237.05
MERCK & CO INC 1.125% 10/15/21		1,000,000.00	102.48%	99.9%	998,730.00	102.7%	1,027,213.29

(expressed in euros)

Identification of the Securities	Quantity	Amount of Par Value	% of Value Nominal	Average Acquisition Cost	Total Acquisition Cost	Book Value (Including Accrued Interest)	
Designation						Unit	Total
METRO AG 1.375% 10/21		2,000,000.00	100.01%	99.2%	1,984,940.00	100.3%	2,005,101.92
MORGAN STANLEY 2.375% 03/31/21		3,000,000.00	107.40%	106.2%	3,186,600.00	109.2%	3,275,681.50
NESTLE FIN INTL 0.75% 11/21		3,000,000.00	101.50%	99.5%	2,986,120.00	101.6%	3,048,178.77
NOVARTIS 0.75% 11/21		2,875,000.00	100.74%	99.6%	2,864,422.50	100.8%	2,899,436.32
PEPSICO INC 1.75% 04/28/21		750,000.00	106.05%	99.5%	746,332.50	107.2%	804,241.85
PETROBRAS 5.875% 03/22		100,000.00	95.82%	91.0%	91,000.00	100.6%	100,635.67
PIRELLI INT 1.75% 11/19		1,000,000.00	100.47%	99.5%	994,980.00	100.7%	1,006,801.64
PROLOGIS LP 1.375% 10/07/20		1,000,000.00	101.23%	99.8%	998,340.00	101.6%	1,015,522.05
RCI BANQUE 1.125% 09/19		3,000,000.00	101.50%	99.8%	2,995,080.00	101.8%	3,053,566.84
REDEXIS GAS FINANCE 2.75% 04/21		2,000,000.00	107.48%	106.3%	2,126,400.00	109.5%	2,189,812.88
REFER 4.25 06-12/2021		400,000.00	102.16%	74.6%	298,510.56	102.4%	409,458.36
RENAULT 3.625% 09/18		2,000,000.00	108.56%	102.8%	2,056,400.00	109.6%	2,191,558.90
RTE RESEAU DE TRANSPORT 1.625% 10/08/24		800,000.00	103.72%	99.0%	791,840.00	104.1%	832,767.78
SANOFI FLOAT 09/18		2,000,000.00	100.27%	100.0%	2,000,000.00	100.3%	2,005,764.00
SAP SE 1.125% 02/20/23		400,000.00	102.53%	99.5%	397,912.00	102.7%	410,617.48
TELECOM ITALIA 5.25% 02/22		200,000.00	113.76%	102.3%	204,607.33	118.4%	236,842.55
TESCO CORP 1.375% 07/19		1,500,000.00	95.19%	99.7%	1,495,260.00	95.9%	1,438,205.75
THYSSENKRUPP 3.125% 10/19		2,000,000.00	105.29%	105.3%	2,106,600.00	105.9%	2,117,332.60
TORONTO-DOMINION BANK 0.75% 10/29/21		2,000,000.00	100.98%	99.8%	1,995,120.00	101.1%	2,022,249.04
TOYOTA MOTOR CREDIT 1% 09/10/21		2,000,000.00	102.07%	100.0%	1,999,602.50	102.4%	2,047,476.98
UNIBAIL-RODAMCO 1.375% 10/22		700,000.00	102.95%	99.8%	698,474.00	103.2%	722,652.48
VERBUND AG 1.5% 11/24		1,500,000.00	100.90%	98.4%	1,476,555.00	101.1%	1,516,012.40
VODAFONE GROUP 1% 09/11/20		1,500,000.00	100.43%	99.3%	1,490,220.00	100.7%	1,511,041.64
VOESTALPINE AG 2.25% 10/21		500,000.00	103.75%	99.9%	499,585.00	104.2%	521,129.11
VOLKSWAGEN LEASING 2.125% 04/04/22		4,000,000.00	109.25%	107.7%	4,308,800.00	110.8%	4,433,149.59
VOLVO TREASURY FLOAT 09/17		2,500,000.00	100.08%	100.0%	2,500,525.00	100.1%	2,502,813.88
WELLS FARGO 1.125% 10/29/21		2,000,000.00	101.42%	99.2%	1,983,600.00	101.6%	2,032,303.56
WENDEL 2.75% 10/24		500,000.00	103.75%	99.5%	497,330.00	104.4%	522,135.41
WESFARMERS 1.25% 10/21		2,500,000.00	101.86%	99.8%	2,494,850.00	102.2%	2,553,802.40
C.ÁGUAS DA BEIRA		110.00	0.00%	0.0%	0.00	0.0%	0.00
C.MOÇAMBIQUE		120.00	0.00%	0.0%	0.00	0.0%	0.00
HIDRO E REVUE		24.00	0.00%	0.0%	0.00	0.0%	0.00
Subtotal	**0**	**116,579,436.67**			**117,883,830.56**		**121,091,047.04**
Subtotal	**0**	**129,479,436.67**			**131,087,383.68**		**134,703,391.76**
Total	**641,096**	**129,479,436.67**			**143,439,215.58**		**145,672,011.68**
Total	**2,424,016**	**155,959,787.55**			**252,135,027.25**		**255,770,151.03**
3 - GRAND TOTAL	**75,371,411**	**155,959,787.55**			**401,841,968.29**		**390,976,268.14**

08

DISCLOSURE OF THE REMUNERATION POLICIES

TRANQUILIDADE

08. DISCLOSURE OF THE REMUNERATION POLICIES

This disclosure involves the following 3 components:

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

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

1. Introduction

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

As regards the insurance business, this matter is still governed by the provisions of Regulatory Standard 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 policy of remuneration of the members of the governing bodies of the Companhia de Seguros Tranquilidade, SA, for 2015 is drafted.

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

i) consistency of remuneration practices in respect of the Company's strategies, results and financial capabilities;

ii) alignment of the remuneration practices with the protection of the interests of the shareholder, customers and employees of the company;

iii) alignment of remuneration practices with those of the domestic market.

Accordingly, the following Remuneration Policy for the Members of the Management and Supervisory Bodies and of the Board of the General Meeting of Companhia de Seguros Tranquilidade, SA, for 2015 is submitted for approval.

2. Remuneration Policy Approval Process

The remuneration policy for Tranquilidade's corporate officers is, under the terms of article 24 of the articles of association and of the resolution passed by the General Meeting passed on January 16, 2015, approved at the General Meeting.

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

3. Remuneration of the Members of the Board of Directors

The remuneration of each member of the Board of Directors shall be fixed directly by the sole shareholder at the General Meeting.

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

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

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

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

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

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

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

The chair of the Board of Directors, as well as its members having executive duties may be entitled to a retirement pension or retirement pension complement, the terms of which are laid down in the pension fund known as the "Tranquilidade Directors Pension Fund" managed by GNB - Fundos de Pensões, SA.

The main characteristics of the pension plan contained in the deed of constitution of the pension fund signed between the Management Entity and the Associates (Tranquilidade) are as follows:

a) The right to a retirement pension or supplement falls sue, in case of old age, on the date on which the Director reaches the normal retirement age for Social Security purposes, and also in the event of disability;

b) The right to a retirement pension or pension supplement can be brought forward to the date on which the Directors come to be aged fifty-five, provided they have performed these duties at Tranquilidade during the period of pensionable time set for the purpose in the contract constituting the Pension Fund.

Pensions or pension supplements to be granted, from which the annual retirement pension granted by social security and/or any financial company or by an insurer under workmen's compensation will always be deducted, shall never exceed the pensionable salary of the Director in question.

The regulation governing the directors' right to an old-age or disability pension or pension supplement was subject to review and approval at the General Meeting held on November 1, 2013. In any case this issue is currently under consideration.

Members of the Board of Directors without executive duties earn no fixed or variable remuneration.

4. Remuneration of the Members of the Board of Auditors

Under Article 27 of the articles of association, the Board of Auditors comprises three members, of whom one performs the duties of chairman.
Its members are remunerated through payment of a fixed monthly sum, fixed at the General Meeting. paid 12 times a year.

5. Remuneration of the Statutory Auditor

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

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

Under Article 12 of the articles of association, the Board of the General Meeting comprises a chair and a secretary.

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

Table of Remuneration Paid to Members of Tranquilidade's Governing Bodies During 2014

(thousand of euros)

	Remuneration		Total
	Fixed	Variable[2]	
Executive Committee			**1,574,7**
Pedro Guilherme Beauvillain de Brito e Cunha (Pres.)[1]	219.9	145.9	365.8
Augusto Tomé Pires Fernandes Pedroso	188.4	116.7	305.1
António Miguel Natário Rio-Tinto[1]	176.9	116.7	293.6
Miguel Maria Pitté Reis da Silveira Moreno[1]	188.4	116.7	305.1
Nuno Miguel Pombeiro Gomes Diniz Clemente	188.4	116.7	305.1
Board of Directors			**362.4**
Rui Manuel Leão Martinho (Presidente)[1]	73.5	-	73.5
Miguel Luís Kolback da Veiga[1]	49.0	-	49.0
António José Baptista do Souto[1]	36.2	-	36.2
Manrico Iachia[1]	49.0	-	49.0
António Manuel Rodrigues Marques[1]	105.7	-	105.7
Bernardo Leite Faria Espírito Santo[1]	49.0	-	49.0
Board of Auditors			**97.7**
Alexandre Paixão Coelho (Presidente)[1]	70.0	-	70.0
Rui Manuel Duarte Sousa da Silveira[1]	11.1	-	11.1
Horácio Lisboa Afonso[1]	16.6	-	16.6
Total Remuneration	**1,422.1**	**612.7**	**2,034.8**

(1) Meanwhile, the members of the corporate bodies listed above no longer hold the positions in question.
(2) Variable remuneration relating to 2014.

The cost for the year with retirement pensions of the members of the governing bodies amounted in 2014 to €5,280k.

Key Employee Remuneration Policy

1. Scope of Application of the Remuneration Policy

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

a) to those employees who play key roles, understood as being those who perform managerial positions within the scope of the risk management and internal control systems, but also;

b) to those employees who perform management duties in the actuarial field, as well as to the Chief Actuary, as stated in the recommendation of point V.9 of ASF circular 6/2010, of April 1;

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

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

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

2. Remuneration Policy Approval Process

a) Approval

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

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

b) Mandate of the Board of Directors

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

c) Composition of the Board of Directors

Gustavo Alexandre Pontes Teixeira de Mesquita Guimarães (Chair)
Alexander Wallace Humphreys (Member)
Augusto Tomé Pires Fernandes Pedroso (Member)
Gernot Wilhelm Friedrich Lohr (Member)
Nuno Miguel Pombeiro Gomes Diniz Clemente (Member)

d) External Consultants

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

3. Remuneration

a) Composition of the remuneration

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

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

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

b) Limits and balances of the remuneration

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

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

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

c) Variable component definition criteria and its time of payment

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

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

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

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

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

4. Other Benefits Attributed to "Key Employees"

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

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

5. Broadening the Scope of this Remuneration Policy

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

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

Statement of Compliance (Under Article 4(1) of ASF Regulatory Standard 5/2010-R, of April 1)

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

Recommendation		Degree of Compliance	Comments
I.	**General Principles**		
I.1	Adoption of a remuneration policy (RP) consistent with effective risk management and control that will prevent excessive exposure to risk, will prevent potential conflicts of interests and will be coherent with the long-term objectives, values and interests of the Institution, and particularly with the growth and profitability prospects and with customer protection;	Complies	
I.2	Appropriateness of the RP in the light of the size, nature and complexity of the business, especially with regard to the risks assumed or to be assumed;	Complies	
I.3	Adoption of a clear, transparent and adequate structure in respect of the definition, implementation and monitoring of the RP that will objectively identify the employees involved in the process as well as their responsibilities and competences.	Complies	
II.	**Approval of the Remuneration Policy (RP)**		
II.1	Approval of the RP by a Remuneration Committee or, if its existence is not viable or is not warranted (size, nature or complexity of the Institution), by the General Meeting;	Complies	
II.2	Approval by the Board of Directors of the RP applicable to the employees;	Complies	
II.3	Involvement in the definition of the RP of persons of functional independence and adequate technical capabilities, in order to avoid conflicts of interest and to allow an independent value judgement to be made;	Complies	
II.4	The RP shall be transparent and accessible to all the Institution's employees; The RP shall also be formalised in a separate document, duly updated, stating the changes made and the reasons therefor, and the previous versions shall be kept on file;	Complies	
II.5	Disclosure of the assessment process to the employees prior to the period of time covered by its application;	Complies	
III.	**Remuneration Committee (RC)**		
III.1	Should one exist, the RC shall review the RP and its implementation each year, so as to allow a reasoned, independent value judgement to be made about the RP in the light of the recommendations (Circular 6/2010), particularly as to its effect on the management of the Institution's risks and capital;	Not Applicable	
III.2	The members of the RC shall be independent with regard to the management body and shall meet the requirements of competence and professional qualifications appropriate to the performance of their duties;	Not Applicable	
III.3	Should the RC make use of external services (consultants), it shall not hire a natural or corporate person who provides or has provided services, during the previous three years, to any structure dependent on the management body or to the management body itself or has a present relationship with a consultant of the institution. This recommendation is also applicable to any natural or corporate person related with them by an employment or provision of services contract;	Not Applicable	
III.4	The RC shall inform the equityholders, each year, as to the performance of its duties and shall be present at the AGM at which the Remuneration Policy is on the agenda;	Not Applicable	
III.5	The RC shall meet at least once a year and shall write up minutes of every meeting held.	Not Applicable	
IV.	**Management Body – Executive Members**		
IV.1	The remuneration shall include a variable component, its determination dependent on an assessment of performance in keeping with predetermined, measurable criteria, including non-financial criteria, that take into account: individual performance, real growth of the institution, wealth actually created, protection of the customers interests, long-term sustainability, risks assumed and compliance with the rules applicable to the business;	Complies	The assessment criteria are based on the following management indicators: - Net income for the period; - Return on Equity; - Combined ratio, taking also into account at all times the adequacy of the equity to the level of risk and the technical provisions set aside.
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	Under the Company's new shareholder structure, this measure will be reviewed during 2015.

Recommendation		Degree of Compliance	Comments
IV.	**Management Body – Executive Members (continuation)**		
IV.4	Deferral of a substantial part of the variable component during a minimum of 3 years, its payment dependent of the institution's good performance;	Does Not Comply	Under the Company's new shareholder structure, this measure will be reviewed during 2015.
IV.5	The variable component subject to deferral shall be determined in the increasing proportion of its weight relative to the fixed component;	Not Applicable	Not applicable in view of the response to point IV.4.
IV.6	Absence of contracts concluded by members of the management body the effect of which is to mitigate the variability of the established remuneration;	Complies	
IV.7	Retaining, up to the end of the tenure, the value of the shares attributed under the variable component, up to the limit of twice the total annual remuneration, unless required to pay taxes on the benefit generated by the shares in question;	Not Applicable	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	A remuneração dos membros não executivos do órgão de administração não deve incluir nenhuma componente cujo valor dependa do desempenho ou do valor da instituição.	Complies	
IV.	**Management Body - Indemnities in the Event Of Dismissal**		
IV.11	Definition of adequate legal instruments to ensure that the compensation established for any unfair dismissal of a member of the management body will not be paid if the dismissal or termination by mutual agreement is the result of inadequate performance by the member in question.	Complies	No compensation has been established for any form of unfair dismissal of a member of the management body.
V.	**Employee Remuneration – Relationship between Fixed and Variable Remuneration**		
V.1	If the employees' remuneration includes a variable component it must be adequately in balance with the fixed component, taking into account, in particular, the performance, the responsibilities and the duties of each individual; The fixed remuneration shall account for a sufficiently important part of the total remuneration. The variable component shall be subject to a maximum limit.	Complies	
V.2	Substantial payment of a variable part in financial instruments issued by the institution, the appreciation of which depends on the medium- and long-term performance of the institution, subject to a retention policy aligned with the long-term interests of the Institution.	Does Not Comply	Under the Company's new shareholder structure, this measure will be reviewed during 2015.
V.	**Employee Remuneration – Variable Remuneration Allocation Criteria**		
V3.	Performance assessment must take into account not only individual performance but also the collective performance of the unit of the structure in which the employee is involved and of the institution itself. It must include relevant non-financial criteria, such as regard for the rules and procedures applicable to the business carried on, especially the internal-control rules and those relating to relations with customers.	Complies	
V.4	The criteria governing the award of the variable remuneration in the light of performance must be predetermined and measurable, based on a multi-year framework of three to five years, in order to ensure that the assessment process is based on long-term performance.	Complies Partially	The criteria used are predetermined and measurable. They are not related to a multi-year framework since the understanding is that this component has little weight in the overall amount and concerns the meeting or otherwise of annual goals.
V.5	The variable remuneration, including the deferred part of this remuneration, shall be paid or shall constitute a vested right if it is sustainable in the light of the financial situation of the institution as a whole and is warranted in the light of the performance of the employee in question and of the structure unit of which he is a part. The whole of the variable remuneration shall, generally speaking, be severely reduced in the event of decrease of the performance or negative performance of the institution.	Complies	
V.	**Key Employee Remuneration – Deferral of Variable Remuneration**		
V.6.	A significant part of the variable remuneration shall be deferred for a period not less than three years and its payment shall be dependent on future performance criteria, measured on the basis of criteria suited to the risk, which take into account the risks associated with the activity on the basis of which it is awarded.	Does Not Comply	It was considered to date that the little weight of this component in Total Annual Remuneration does not justify its deferral. Under the Company's new shareholder structure, this measure will be reviewed in 2015.
V.7.	The part of the variable remuneration subject to deferral under the terms of the preceding number shall be determined in growing proportion to its relative weight compared to the fixed component of the remuneration. The percentage deferred shall increase significantly in proportion to the seniority or responsibilities of the employee.	Not Applicable	Not applicable in view of the reply to the preceding point.

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

09

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

TRANQUILIDADE

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

Legal Certification of Accounts

INTRODUCTION

1. We have audited the attached financial statements of Companhia de Seguros Tranquilidade, SA ("Company"), which include the Balance Sheet as at December 31, 2014, (showing a total of €667,563k and total equity in the sum of €40,187k including a net loss of €188,265k), the Statements of comprehensive income, of changes in equity and of cash flows for the period then ended, and the Notes to the Accounts.

RESPONSIBILITIES

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

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

SCOPE

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

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

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

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

OPINION

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

EMPHASES

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

8.1 The Company's financial statements as at December 31, 2013, presented for comparative purposes, were audited by another firm of auditors that issued the Legal certification of accounts dated March 17, 2014, without reservations. Our acceptance as auditors took place on March 6, 2015, to conduct the statutory audit for the year ended December 31, 2014.

8.2 As of December 31, 2014, the Company did not comply with the minimum requirements of solvency and of the technical provisions required by the regulations of the Insurance and Pension Funds Supervisory Authority ("ASF"), as stated in the notes to the financial statements and in the Management Report. Additionally, for the purposes of article 35° of the Companies Code, we must point out that over half the share capital has been lost. On March 27, 2015, and with a view to meeting the said requirements, the sole shareholder submitted a recapitalisation plan to the ASF, a plan that was approved on March 31, 2015.

Upon completion of the implementation of the said plan, which is expected to be concluded after the resolutions that are to be passed at the General Meeting convened for March 31, 2015, the above requirements will again be met.

REPORT ON OTHER LEGAL REQUIREMENTS

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

Lisbon, March 31, 2015

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

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

Board of Auditors' Report and Opinion

To the Members of
COMPANHIA DE SEGUROS TRANQUILIDADE SA

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

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

As from our recent appointment and bearing in mind our legal and statutory obligations, we held meetings both with the Board of Directors and with the various services of Companhia de Seguros Tranquilidade, SA, including accounting and financial areas, Internal Audit, Global Risk and Internal Control (including "Compliance"), from which we obtained such the information and clarifications as were requested. Additionally and in compliance with article 452(1) of the Companies Code, we held meetings with (i) the chair of the previous Board of Auditors; as well as (ii) the firm of chartered accountants KPMG & Associados, SROC, which, in the performance of its duties, examined these 2014 financial statements, issuing the Legal Certification of Accounts on March 31, 2015, without reservations but with 2 (two) emphases, with which we agree and are deemed to be fully reproduced here. The information collected in these circumstances was determinant to the issuance of this report and opinion in good time.

Within the scope of our duties, we examined the balance sheet as at December 31, 2014, the statements of income, comprehensive income, changes in equity and cash flows for the year then ended and the notes to the financial statements. In our analysis, we found that accounting principles generally accepted in Portugal for the insurance sector had been observed (as established in Regulatory Order n° 4/2007, of April 27, with the subsequent amendments introduced by Regulatory Order n° 20/2007-R of December 31 and by Regulatory Order nº 22/2010-R of December 16, issued by the Insurance and Pension Funds Supervisory Authority). Additionally, we performed an analysis of the Management Report prepared by the Board of Directors and the proposal for the appropriation of results included therein.

During the period a net loss was returned in the sum of about 188 million euros, the following warranting particular emphasis:

- Companhia de Seguros Tranquilidade, SA returned a loss of about 140 million euros as a result of losses on investments made in the Espírito Santo group in the 1st half of 2014. As is generally known in August 2014, the Bank of Portugal intervened in Banco Espírito Santo as a result of significant losses. At the time, Companhia de Seguros Tranquilidade, SA belonged to economic sphere of the Espírito Santo Group, and was held by Partran SGPS, and was also affected by various investments made, which generated the said losses;

- Additionally, for reasons of prudence, losses were recorded during the period of about 36 million euros for impairment at LOGO and deferred taxes were written off amounting to 27 million euros, recovery of which is conditional upon the approvals of the, tax authorities arising from the transaction of all the shares in Companhia de Seguros Tranquilidade, S.A..

In view of the fact that as of December 31, 2014, Companhia de Seguros Tranquilidade, SA did not comply with the minimum requirements of solvency and technical provisions required by the regulations of the Insurance and Pension Fund Supervisory Authority ("ASF"), the Board of Auditors enquired of the Board of Directors as to present plans for the resolution of this issue essential to the pursuit of the business. Additionally, for the purposes of article 35 of the Companies Code, we must point out that over half the share capital has been lost. As a result of these steps, we have been informed that the Board of Directors presented to the ASF on March 27, 2015, a plan for the recapitalisation of Companhia de Seguros Tranquilidade, SA that was approved on March 31, 2015, which, if properly complied with following the resolutions to be passed at the General Meeting convened for March 31, 2015, will allow the requirements to be met.

We also believe that it is important to mention that Companhia de Seguros Tranquilidade, SA has a calendar currently in course in order to comply with the Solvency II programme, which is expected to be implemented by January 2016, in accordance with the requirements of the law.

In view of the foregoing, we are of the opinion that, taking into consideration the matters referred to in paragraph 8.2 of the Legal Certification of Accounts, the financial statements referred to above and the Management Report and proposal for the appropriation of results set out therein, are in accordance with the applicable accounting and statutory requirements, and may therefore be approved by the General Meeting of Companhia de Seguros Tranquilidade, SA.

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

Lisbon, 31 March 2015

Luís Palha da Silva - Chairman
Manuel Maria Reis Boto - Member
Pedro Aleixo Dias - Member

TRANQUILIDADE

www.tranquilidade.pt