## ANNUAL REPORT AND ACCOUNTS



2015





**Seguros LOGO, S.A.** Rua D. Manuel II, nº 290 4001-809 Porto/ Portugal

Registered at the Porto Registry of Companies – VAT 508 278 600

ASF Authorisation nº 1175

LEI: 549300MMXLPCD6765F42

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# GOVERNING BODIES

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## **GOVERNING BODIES**

#### **GENERAL MEETING**

Gustavo Alexandre Pontes Teixeira de Mesquita Guimarães (Chair) Nuno Miguel Pombeiro Gomes Diniz Clemente (Secretary)

#### **BOARD OF DIRECTORS**

Chair

Augusto Tomé Pires Fernandes Pedroso

Members

Filipe Antero Rogenes Barreto Infante Jan Adriaan de Pooter João Carlos Dores Candeias Barata José Pedro de Barros Inácio Pedro Luís Francisco de Carvalho

#### **BOARD OF AUDITORS**

Chair

Luís Maria Viana Palha da Silva Full Members Manuel Maria de Paula Reis Boto

Pedro Manuel Aleixo Dias

Alternate Member

Sandra Maria Simões Filipe de Ávila Valério

#### **OFFICIAL AUDITOR**

Maria Augusta Cardador Francisco on behalf of Deloitte & Associados, SROC S.A.

Alternate

Carlos Luís Oliveira de Melo Loureiro

# DIRECTORS' REPORT

ANNUAL REPORT AND ACCOUNTS 2015



## DIRECTORS' REPORT

To the Members of Seguros LOGO, S.A.,

Under the law and the articles of association, the Board of Directors is honoured to present to you for appraisal Management Report and Accounts of Seguros LOGO, S.A. (hereinafter LOGO or Company) in respec of 2015.

#### 2.1 MACROECONOMIC FRAMEWORK

In 2015 global economic activity was again marked by uncertainty, interrupting the gradual growth trend observed in 2014.

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

#### 2.1.1 International Economic Situation

In the US, the latest economic data point to a favourable evolution of the labour and housing markets. The industrial sector still shows signs of weakening.

It is estimated that economic growth has been hovering around 2.5%, slightly higher than the previous year (2.4%). The economy was more robust than in the recent past, as confirmed by the decision of the Federal Reserve (Fed) in late 2015 to change the course of its monetary policy and to increase the fed fund rate for the first time in about a decade, to 0.50%.

The growth of household consumption is set to have exceeded 3.0% for the first time since 2006, reflecting the improvement of the labour market, with an unemployment rate of around 5.3%. By contrast, the fall of oil prices was reflected negatively in investment, while exports slowed significantly as a result of appreciation of the dollar.

Economic activity in the eurozone maintained its kept of recovery in 2015, albeit at a pace slower than expected. Low oil prices, the depreciation of the euro and the ECB's monetary stimulus boosted private consumption and exports. However, economic growth in the eurozone was no greater than 1.5%.

The high level of private sector indebtedness, weak investment and economic slowdown in emerging countries were the main factors that prevented a more robust growth in the eurozone.

The inflation rate remained very low (0.1%) and the job market showed modest improvements in line with economic growth that was not enough to encourage the creation of more jobs. Thus, the unemployment rate remained high, at 11.0%, and continued to reveal large disparities between the Member States of the eurozone.

In 2015 the Euribor rates fell at every maturity, with the 3-month Euribor standing at -0.13% (2014: 0.08%) and the 12-month Euribor at 0.06% (2014: 0.33%).

The year under review was also marked by the sharp appreciation of the dollar against most currencies, having fallen to a minimum of 1.5 against the euro. At the year-end, the exchange rate stood at 1.09 USD per EUR (1.21 in December 2014).

The European equity markets outperformed the American markets which, with the exception of the Nasdaq (+5.9%), ended the year with contained losses, while the Eurostoxx 50 appreciated 3.8% in 2015. Concern as to a slowdown of the Chinese economy and its impact on the world economy negatively affected the performance of global stock markets, especially from the second half of 2015, triggering strong turbulence in the markets.

#### 2.1.2 Domestic Economic Situation

According to the latest figures released, in 2015 the Portuguese economy grew by 1.5%, 0.6 pp more than the preceding year.

Domestic demand performed well, reflecting the growth of private consumption of 2.6% (2.2% in 2014) and 0.8% and of public consumption of 0.8% (-0.5% in 2014). There was a recovery of household disposable income throughout the year and also a decline in the savings rate (4.0% in the third quarter of 2015, the lowest level since at least 1995). On the other hand, investment growth slowed, down from 5.5% in 2014 to 3.6% in 2015.

Net foreign demand performed better as a result of the acceleration of exports, which grew by 5.1% compared with 2014 (3.9% in 2014). However, imports also maintained a high growth rate (7.3% in 2015 compared with 7.2% in 2014).

The unemployment rate fell back from 13.9% to 12.4% in 2015 and the inflation rate returned to positive figures, 0.5% (2014: -0.3%). However, the inflation rate is still historically low, partially reflecting the significant drop of oil prices on the international market.

The balance of the public administrations improved compared with the previous year due to the combined effect of the decrease of expenditure (in particular, lower personnel costs, unemployment benefits and interest) and increase of revenue (mainly tax).

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

#### 2.1.3 Insurance Market

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

The Life segment was affected by a situation that allied persistence of low long-term interest rates, a sharp reduction in the rate of private savings and the approach of a solvency mechanism less favourable to the risks inherent in financial guarantees.

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

The Non-Life segment returned a remarkable growth of 3.7%, the highest annual growth rate of the past 10 years. The volume of Non-Life premiums amounted to €3,993 million (+€144 million), with emphasis on Workers' Compensation insurance, which grew 7.8%, lending new impetus to the recovery begun in 2014. The increase of payrolls, expected with the relaunch of economic activity, as well as the tariff adjustments to address the imbalance of the branch, were probably at the root of this increase of the volume of premiums.

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

The weight of insurance business as a proportion of the GDP fell from 8.3% in 2014 to 7.2% in 2015. The Life segment accounts for 4.9% of the GDP, with the Non-Life segment accounting for 2.3% (6.1% and 2.2% in 2014, respectively).

According to the latest data released by the ASF, insurance companies (under the supervision of the ASF) returned a net profit in 2015 of €378 million (€77 million in 2014), contributing to the strengthening of capitalisation of the sector.

The rate of coverage of the solvency margin (of companies under the supervision of the ASF) stood at 238% the end of 2015, an increase of 32 pp compared with 2014, highlighting the strength of the insurance sector as well as its preparedness to respond to the capital requirements resulting from the entry into force on January 1, 2016, of the new solvency legislation (Solvency II).

The direct market segment primarily comprises Motor business, and is determined by its evolution. The total volume of premiums for all insurance companies that operate in this segment grew by 2.6% compared to the previous year. Motor insurance production rose by 1.9%, a performance slightly above the insurance market as a whole.

In 2015, LOGO continues to rank third of the direct channel insurers, with a market share of 19.6% (20.1%, in 2014 and 20.6% in 2013).

#### 2.2 RELEVANT FACTS IN 2015

On January 15, 2015, Apollo, via the firm Calm Eagle Holdings, Sàrl. acquired the whole of the share capital of Companhia de Seguros Tranquilidade, S.A., sole shareholder of LOGO. This acquisition warranted the prior approval of the ASF.

In a very competitive macroeconomic context that continues to be adverse, 2015 was marked by significant improvement of the the operating profit.

Indeed, as a result of a clear, consistent and coherent strategy, LOGO has improved its performance at various levels and, having achieved the break-even point in 2014, it consolidated its business significantly in 2015, Premiums earned net of reinsurance having grown by 29.3%.

This performance is based on different factors, the first of which is the strength of the LOGO brand. In 2015, there was an improvement of the diverse indicators related with the brans, and LOGO continued to strengthen its second place as a direct insurer in terms of "Top of Mind", "Spontaneous Awareness" and also "Total Awareness" (BASEF insurance data), as well maintaining its leadership as the "Most Innovative" brand (BASEF insurance data on the direct insurance segment, per point of share).

Continuation of the consolidation of the triple-play offer (Motor, Home and Health insurance), in which he LOGO is the pioneer in direct insurance in Portugal, certainly contributed to this performance. This successful offer achieved penetration rates of more than 20% in new business and provided Home and Health a penetration of nearly 10% of the portfolio at the end of 2015, while maintaining premium growths of more than 20% in both products, achieving, in Health, a share of more than 50% in the direct-insurance market.

The year under review also marks the consolidation of the LOGO platform for co-branded and/or white-labelling initiatives with various partners. Intended for brands interested in adding services and value for its customers, it offers the unique possibility to share the various features of LOGO's entire technology platform and know-how with a simple "plug-&-play". It is a whole new form of partnership in our market, to which, by way of example, Cetelem and Via Verde have subscribed.

On the other hand, and also increasing its differentiation from the competition, the new customer area of the LOGO website was launched, the fully Responsive Web Design (RWD), responding to increasing customer demand via mobile devices – smartphones or tablets (site traffic already accounts for more than 15% of total hits). At the same time, LOGO became one of the first insurers to have its billing certified by the Tax Authority, simplifying life for its more than 100 thousand customers.

In social networks, LOGO surpassed the 50 thousand followers barrier on Facebook and consolidated its leadership thereof, from YouTube to LinkedIn. This also enabled LOGO to be part of a restricted number of Portuguese companies present on Facebook: only 10% of these have a higher number of followers, which is remarkable for an insurance company and attests to the power and differentiation of the brand and LOGOS's value proposition.

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

In any case, it was mostly on operating costs that the optimisation efforts were focused during 2015, taking advantage of the scale obtained and the brand value achieved. The optimisation programme launched in 2014 allowed an additional reduction of operating costs in 2015, down 4.9% (€361k, in pro forma terms) – all in all, the reduction over in 2 years exceeded €2 million, almost 25% of the operating-costs base.

Lastly, in 2015 the commitment to quality and service level continued, a key part in customer loyalty and in generating new leads. Among the key initiatives, emphasis is given to the systematic measurement of the satisfaction of customers that interact with the Company by phone and to certification, achieved early in 2016, by DGERT, as a training entity while forming entity – which attests to the quality of the training provided, particularly in terms of Call Centre operators.

The overall results of 2015 were affected by non-operating factors however. Firstly, the instability in the financial markets and the decrease of interest rates adversely affected the financial results, which fell €423k.

On the other hand, there was a set of non-recurring costs and other items, in particular related to Solvency II and the compliance projects, and also extraordinary amortisation of intangible assets, which affected results directly in the sum of €189k and indirectly in the sum of about €95k in the calculation of the technical provisions.

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

LOGO close 2015 with a share capital of €20 million.

## 2.3 KEY VARIABLES AND BUSINESS INDICATORS

(thousand euros)

Key Variables	2015	2014	Change 15/14 %
Balance Sheet			
Investments	12.766	13.066	-2.3
Net assets	23.497	25.081	-6.3
Equity	4.917	5.843	-15.8
Direct insurance technical provisions	17.034	17.692	-3.7
Gains & Losses			
Gross premiums written	19.219	19.200	0.1
Premiums earned, net of reinsurance	13.904	10.755	29.3
Gross cost of claims	11.192	11.944	-6.3
Costs of claims, net of reinsurance	10.004	8.189	22.2
Operating costs	7.148	7.321	-2.4
Income from financial activity	658	1.081	-39.1
Net income	-544	32	-1.800,0
Indicators (%)			
Claims rate *	59.7	62.1	-2.40 p.p.
Operatin costs/ gross premiums written	37.2	38.1	-0.90 p.p.
Net income/ gross premiums written	-2.8	0.2	-3.00 p.p.
Combined ratio gross of reinsurance	96.0	95.0	1.00 p.p.
Combined ratio net of reinsurance	109.6	109.2	0.40 p.p.
Solvency ratio	107.9	131.4	-23.50 p.p.

<sup>\*</sup> Claims ratio = (cost of claims with costs allocated/ premiums earned)

#### 2.4 LOGO'S BUSINESS IN 2015

#### 2.4.1 Direct Insurance Premiums

The volume of direct insurance premiums amounted to €19,219k in 2015, an increase of 0.1% compared to 2014 (€+19k), in a direct-channel market that grew by 2.6% in 2015.

The volume of Motor insurance (with assistance) decreased 0.8% (€-147k) while Multi-risk insurance maintained its growth trend, with an increase of 20.4%, as did health insurance, with an increase of 19.6% compared to the previous year.

Gross Premiums Written	2015	2014	Change 15/14 %
Accidents & Health	532	445	19.6
Health	532	445	19.6
Fire & Damage	467	388	20.4
Multi-risk	467	388	20.4
Motor	15.593	15.809	-1.4
Motor - own damage	3.827	3.570	7.2
Motor - third party	10.702	11.196	-4.4
Motor - occupants	1.064	1.043	2.0
Sundry	2.627	2.558	2.7
Travel assistance - motor	2.627	2.558	2.7
Total	19.219	19.200	0.1



#### 2.4.2 Cost of Direct Insurance Claims

Claims costs fell by  $\in$ 752k y-o-y (-6.3%), the result of alterations to the subscription policy and of pricing adjustments, the ageing of the portfolio (including application of the principle of non-renewal for excessive claims), the reduction of average costs and the reduction of frequency.

(thousand euros)

Cost of Claims	2015	2014	Change 15/14 %
Accidents & Health	176	170	3.5
Health	176	170	3.5
Fire & Damage	251	251	0.0
Multi-risk	251	251	0.0
Motor	10.765	11.523	-6.6
Motor - own damage	2.340	2.554	-8.4
Motor - third party	8.368	8.869	-5.6
Motor - occupants	57	100	-43.0
Total	11.192	11.944	-6.3

The claims rate, calculated through the gross cost-of-claims/ gross premiums-earned ratio, fell from 62.1% in 2014 to 59.7% in 2015. The improvement in the claims rate was seen in every one of the Company's business lines.

Cost of Claims/ GPE	2015	2014	Change 15/14 %
Accidents & Health	35.0	40.1	-5.1
Health	35.0	40.1	-5.1
Fire & Damage	58.4	70.7	-12.3
Multi-risk	58.4	70.7	-12.3
Motor	70.5	72.5	-2.0
Motor - own damage	64.5	72.2	-7.7
Motor - third party	78.9	78.3	0.6
Motor - occupants	5.5	9.7	-4.1
Total	59.7	62.1	-2.4

#### 2.4.3 Direct Insurance Technical Provisions

Direct insurance technical provisions amounted to  $\le$ 17,034k, a reduction of  $\le$ 658k compared to the previous year (down 3.7%). Emphasis is given to the decrease of the provision for claims amounting to  $\le$ 933k, due to improved technical performance and the reduction of operating costs.

(thousand euros)

2015	2014	Change 15/14 %
5,743	5,359	7.2
10,391	11,324	-8.2
864	988	-12.6
36	21	71.4
17,034	17,692	-3.7
	5,743 10,391 864 36	5,743 5,359 10,391 11,324 864 988 36 21

#### 2.4.4 Reinsurance Ceded

In 2015, the balance of reinsurance ceded amounted to  $\leq$ 2,551k, better than the previous year by  $\leq$ 179k, a result primarily of a lesser volume of premiums ceded to reinsurers, although there were also smaller commissions and costs of claims receivable.

(thousand euros)

Reinsurance Ceded	2015	2014	Change 15/14 %
Premiums	2.436	8.406	-71.0
Commissions	-1.096	-1.984	44.8
Claims	-1.188	-3.755	68.4
Change of technical provisions	2.399	63	3.707,9
Total	2.551	2.730	-9.1

#### 2.4.5 Technical Balance Net of Reinsurance

The net technical reinsurance balance was positive in the sum of €5,481k, down €146k over the 2014 figure. Despite the decrease in costs of direct insurance claims and a more favourable reinsurance balance, the increase in premiums was not very significant and the change in technical reserves was less favourable, thus contributing to a reduction in the technical balance compared to 2014.

#### 2.4.6 Operating Costs

Total operating costs amounted to €7,148k, a reduction of €173k (-2.4%) compared to 2014. If we take into consideration that in 2015 there were €189k of non-recurring operating costs primarily related to consultancy costs with the of Solvency II and compliance projects, and also extraordinary amortisation of intangible assets, the decrease in proforma terms amounts to €362 (-4.9%).

Third-party supplies & services were mainly responsible for this decrease ( $\in$ -233k), due primarily to the decrease in advertising and specialised work ( $\in$ -273k).

(thousand euros)

Operating Costs	2015	2014	Change 15/14 %
Staff costs	762	785	-2.9
Third-party supplies & services	5,398	5,631	-4.1
Taxes and charges	200	207	-3.4
Depreciation	782	691	13.2
Other*	6	7	-14.3
Total	7,148	7,321	-2.4

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

#### 2.4.7 Investments

The global financial crisis that began in 2007 soon forced the implementation of singular measures to mitigate its systemic effect. Despite the policies adopted, the major economies showed modest economic growth rates, constrained by high debt levels and the economic slowdown of the emerging countries, which conditioned the evolution of financial markets.

In 2015, the financial markets were highly volatile. The year under review can be broken down into three distinct periods: the first, one of growth until April May, the result of the expansionist policy of the major central banks; the second marked by a decrease until September, when the financial markets reached the turning, and a resumption of the growth cycle until the end of the year.

Against this background the Company's investment strategy in the 1st quarter called for investment in fixed rate bonds allowing the Company to benefit from the ECB's quantitative easing programme. From May, the operations were primarily directed at the to the implementation of an ALM management strategy due to the entry into force of Solvency II as from 2016.

In the 1st quarter, the Company maintained a selective strategy, complying with its investment policy, involved primarily in taking part in benchmark issues having attractive subscription premiums, with a maturity limit of 10 years, by investment grade issuers with a higher level of seniority essentially European of core and peripheral exposure.

During the first half, the main equity indices hit successive record highs. Nevertheless, the Company decided to maintain its zero exposure to this class as the bond market provided regular guaranteed yields greater than those of the equity market. It should be recalled that the action of the ECB allowed interest rates to fall to levels never before seen.

Several events were to mark this period and condition the following ones, namely, German sovereign debt with maturity of 10 years came to be transacted at 0.04%; the 3-month Euribor rate fell to negative values for the first time; and for the first time in history, Portugal issued public debt with negative interest rates. The risk premiums of sovereign debt of the peripheral countries fell to levels not seen 2010.

As from May, the high instability associated with the situation in Greece had repercussions on the financial markets, the fixed-rate markets in particular. In the second half, China's economic situation caused an earthquake in the global equity markets. Following the devaluation of the yuan by 1.9%, the Shanghai stock market fell more than 8%, driven by the European and North American indices, and also raw-material prices.

At this stage, the main objective of the Company was to strengthen ALM management without resorting to investment in assets with a higher risk profile, and ensuring its liquidity at all times. In this way the Company prepared adequately for the entry into the Solvency II mechanism.

(thousand euros)

2015	2014	Change 15/14 %
12,766	13,066	-2.3
8,827	12,050	-26.7
3,939	1,016	287.7
2,390	474	404.2
15,156	13,540	11.9
	<b>12,766</b> 8,827 3,939 <b>2,390</b>	12,766 13,066 8,827 12,050 3,939 1,016 2,390 474

At the end of the year, LOGO's investment portfolio amounted to €15,156k, an increase of €1,616k (11.9%) compared to 2014 due to the release of funds from the operating activity and to the financial result.

The bond portfolio had an average investment grade (BBB+) rating and an exposure to sovereign debt of €3,106k (24.3% of the total bond portfolio), including €2,000k in short-term debt (maturity under 1 year, which is considered an alternative to liquidity).

The floating-rate bonds portfolio accounted on average for 15.6% of assets under management.

Throughout the year a level of security of liquidity was maintained, on average 3% of assets under management.

(thousand euros

Income From Financial Activity <sup>(1)</sup>	2015	2014	Change 15/14 %
Income	147	337	-56.4
Securities	147	337	-56.4
Gains & Losses	511	744	-31.3
Securities	511	744	-31.3
Total	658	1,081	-39.1
(1) Amounts determined from a management standarding			

In 2015, financial activity returned a net profit in the sum of €658k, a year-on-year decrease of €423k (-39.1%) compared to the preceding year

Emphasis is given to the gains of €511k (77.7% of the result of financial activity) obtained in the debt market. On the other hand, yields decreased 56.4% as a result of the reduction of interest rates.

The return on average assets was 4.8% (2014: 7.8%). Considering the change recorded in the fair value reserve, the return was 1.6% (2014: 9.7%).

#### 2.4.8 Equity and Solvency Margin

Compared to the previous year, equity decreased by  $\leq$ 926k to total  $\leq$ 4.917k in 2015.

The decrease of the Revaluation reserves, net of taxes, in the sum of  $\in$ 382k, must be underscored, as must the net loss of  $\in$ 544k (net profit of  $\in$ 32k in 2014).

It should be pointed out that, as a result of a set of projects and other non-recurring items, in particular related extraordinary amortisation of intangible assets and the Solvency II and compliance projects, results were directly affected in the sum of  $\in$ 189k and indirectly in the sum of about  $\in$ 95k in the calculation of the technical provisions.

The solvency margin as at December 31, 2015, stood at 107.9% (131.4% in 2014).

(thousand euros)

Equity	2015	2014	Change 15/14 %
Share capital	20,000	20,000	0.0
Other capital instruments	21,750	21,750	0.0
Revaluation reserves	-146	299	-148.8
Deferred tax reserve	0	-63	100.0
Other reserves	3	0	-
Retained earnings	-36,146	-36,175	0.1
Net income	-544	32	-1,800.0
Total	4,917	5,843	-15.8

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

In this regard, it should also be mentioned that not only does the level of capital meet and exceed the minimum requirements stated above, but also the technical provisions are properly represented in accordance with legislation governing insurance business and no doubts exist as to the continuity of Company.

## 2.4.9 Risk Management, Internal Control System and Compliance

Within the scope of Directive 2009/138/EC of the European Parliament and the Council of November 25 concerning insurance and reinsurance business (Solvency II), LOGO continued, during 2015, the work of adapting to the new Solvency II mechanism.

During 2015, Directive 2009/138/EC was transposed to Portuguese legislation by means of Law 147/2015, of September 9, which determined the date of entry into force of the new Solvency II legislation as from January 1, 2016.

Following the publication of Law 147/2015, the Commission's Delegate Regulation 2015/35 of October 10, 2014, and of the Technical Guidelines, LOGO adjusted its programme of action to enable compliance with the new legislation.

During 2015 year and within the integrated scope of the Tranquilidade Group, several activities and projects were implemented, of which the following are highlighted:

- Active involvement in the work groups of the Portuguese Insurers
   Association about matters relating to the evolution of the Solvency
   Il project;
- Reply to Circular n° 1/2015 of 16 July;
- Definition and formalisation of sundry policies within the scope of monitoring the Solvency II Programme in force;
- Systematisation of all legislation relating to the Solvency II on the Group's Intranet:
- Preparation and submission to the ASF of quantitative and qualitative reports of the preparatory phase, at individual and Group level:
- · Updating of the cash-flows projection tool;
- Review of processes, information and respective documentation for reporting and calculation of capital-costs;
- · Review of the Governance System;
- Creation of a Sanctions and Anti-corruption policy and implementation of Know Your Customer and document--conservation procedures;
- Monitoring and reporting the operating risk related with fraud;
- Implementation of the Business Continuity review cycle, as planned (including performance of Business Continuity operational exercises):
- Preparation of specific training and information programmes;
- Start to the project for the replacement of tools/ Datawarehouse allowing response to the Pillar I and III requirements;
- · Start to the ORSA process review project.

In the matter of Solvency II, the measures/ projects called for in the Solvency II Programme (Roadmap) implementation plan defined within the Tranquilidade Group were also monitored.

## 2.5 PROPOSAL FOR THE APPROPRIATION OF PROFIT

The Board of Directors of Seguros LOGO, S.A. proposes, pursuant to and for the purposes of Article 376 (b) of the Companies Code, that the net loss for the 2015 financial year in the sum of €544,280.69 be transferred to Retained earnings.

#### 2.6 GOALS FOR 2016

The macroeconomic and sector context will continue to mark (and condition) the goals for 2016, the main focus of which will continue to be to return a profit on the operation, with a view to consolidation pf the results achieved over the past two years and to the start of a new stage of growth of LOGO.

In this connection, in commercial terms, the goal will entail growth of total premiums, continuing and reinforcing the strong focus on the digital channels (in the broad sense), taking advantage of new offers and forms that they provide and allowing enhanced differentiation of LOGO.

The driver of the growth of the top line will be not only growth in Motor insurance but also a continuation of the strengthening of cross-selling levels (Home and Health), both in the portfolio and in new ones. In parallel, the retention programme will be consolidated, the priority and essential axis leading to the profitability of the operation. And lastly continuity will be given to entering into partnerships creating value for the various stakeholders.

On the other hand, 2016 will see continuation of the efficiency-promotion effort, in terms both of operating costs and of the cost of claims, taking into account that this is an ongoing goal and challenge.

In 2016, another of LOGO's goals will be to continue and strengthen its leadership and differentiation at technological and innovation level, responding to existing and latent needs of its customers, and also to improve the quality of the service provided.

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

#### 2.7 CLOSING REMARKS

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

The Board of Directors wishes to express its gratitude to the LOGO employees for their commitment, dedication and continuous effort.

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

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

Lisbon, 7 April 2016

#### **Board of Directors**

Augusto Tomé Pires Fernandes Pedroso (Chair)

Filipe Antero Rogenes Barreto Infante (Member)

Jan Adriaan de Pooter (Member)

João Carlos Dores Candeias Barata (Member)

José Pedro de Barros Inácio (Member)

Pedro Luís Francisco de Carvalho (Member)

# FINANCIAL STATEMENTS

ANNUAL REPORT AND ACCOUNTS 2015



## FINANCIAL STATEMENTS

Balance Sheet (Assets) as at December 31, 2015 and 2014

ASSETS	Notes to the		December 31 2015		December 31 2014
	Accounts	Gross Value	Impairment, Depreciation/ Amortisation or Adjustments	Net Value	2014
Cash & cash equivalents and sight deposits	8	2,464		2,464	598
Investments in affiliates, associates and joint ventures					
Financial assets held for trading					
Financial assets classified in the initial recognition at fair value through profit or loss					
Hedge derivatives					
Available-for-sale assets	6	12,766		12,766	13,066
Loans & Receivables					
Deposits at cedent companies					
Other deposits					
Loans granted					
Receivables					
Other					
Held-to-maturity investments					
Land & Buildings					
Land & buildings held for own use					
Land & buildings held for income					
Other tangible assets	10	358	314	44	69
Inventories					
Goodwill					
Other intangible assets	12	4,688	3,763	925	980
Technical Provisions for Reinsurance Ceded		2,966		2,966	7,546
Provisions for unearned premiums	4				2,399
Provisions for claims	4	2,966		2,966	5,147
Provision for profit-sharing					
Provision for rate commitments					
Portfolio stabilisation provision					
Other technical provisions					
Assets for post-employment benefits & other long-term benefits					
Other Debtors for Insurance & Other Operations		4,196	128	4,068	2,553
Receivables for direct insurance operations	13	726	128	598	645
Accounts receivable for other reinsurance operations	13	1,568		1,568	438
Accounts receivable for other operations	13	1,902		1,902	1,470
Tax Assets		119		119	134
Current tax assets	24	119		119	134
Deferred tax assets	24				
Accruals & deferrals	13	145		145	135
Other items of assets					
Available-for-sale non-current assets and discontinued operating units					
Total Assets		27,702	4,205	23,497	25,081



#### Balance Sheet (Liabilities and Equity) as at December 31, 2015 and 2014

LIABILITIES AND EQUITY	Notes to the Accounts	December 31 2015	December 31 2014
	Accounts	2013	2014
Liabilities			
Technical Provisions		17,034	17,692
Provisions for unearned premiums	4	5,743	5,359
Provisions for Claims		10,391	11,324
for life insurance			
Workers' compensation			
Other business lines	4	10,391	11,324
Provision for profit-sharing			
Provision for rate commitments			
Portfolio stabilisation provision			
Provision for claims-rate deviations	4	36	21
Provision for unexpired risks	4	864	988
Other technical provisions			
Other Financial Liabilities			
Hedge derivatives			
Subordinated debt			
Deposits received from reinsurers			
Other			
Liabilities for post-employment benefits & other long-term benefits			
Other Creditors for Insurance & Other Operations		627	731
Payables for direct insurance operations	13	45	28
Payables for other reinsurance operations	13	310	315
Payables for other operations	13	272	388
Tax Liabilities		327	410
Current tax liabilities	24	327	347
Deferred tax liabilities	24		63
Accruals & deferrals	13	592	405
Other provisions			
Other liabilities			
Liabilities of a group for sale classified as available-for-sale			
Total Liabilities		18,580	19,238
Equity			
Share capital	25	20,000	20,000
(Treasury shares)			
Other capital instruments	25	21,750	21,750
Revaluation Reserves		-146	299
For adjustment of the fair value of financial assets	26	-146	299
For revaluation of land & owner-occupied buildings			
For revaluation of intangible assets			
For revaluation of other tangible assets			
For adjustments to the fair value of cash-flow hedge instruments			
For adjustments to the fair value of net investment hedges in foreign currency			
For currency translation differences			
Deferred tax reserve	26		-63
Other reserves	26	3	03
Retained earnings	20	-36,146	-36,175
Net income for the period		-544	30,173
Total Equity		4,917	5,843
Total Liabilities & Equity		23,497	25,081

#### Profit and Loss Account for the Years Ended December 31, 2015 and 2014

	(thousand of					
PROFIT AND LOSS ACCOUNT	Notes to the —	De	cember 31 2015	December 31 2014		
	Accounts		Non-Technical	Total		
		Non-Life				
Premiums Earned Net of Reinsurance		13,904		13,904	10,755	
Gross premiums written	14	19,219		19,219	19,200	
Ceded reinsurance premiums	14	-2,436		-2,436	-8,406	
Provisions for unearned premiums (change)	4 and 14	-480		-480	24	
Provisions for unearned premiums, reinsurers' part (change)	4 and 14	-2,399		-2,399	-63	
Costs of Claims, Net of Reinsurance	4	10,004		10,004	8,189	
Amounts paid		8,819		8,819	8,048	
Gross amounts		12,188		12,188	12,295	
Reinsurers' part		-3,369		-3,369	-4,247	
Provision for claims (change)		1,185		1,185	141	
Gross amount		-996		-996	-351	
Reinsurers' part		2,181		2,181	492	
Other technical provisions, net of reinsurance	4	-109		-109	-724	
Mathematical Provision of the Life Line, Net of Reinsurance	7	107		105	724	
Gross amount						
Reinsurers' part						
Share of profits/(losses), net of reinsurance	24	F 660		5.660	4.073	
Net Operating Costs & Expenses	21	5,660		5,660	4,973	
Acquisition costs		5,348		5,348	5,455	
Deferred acquisition costs (change)	4	-96		-96	-15	
Administrative costs		1,504		1,504	1,517	
Reinsurance commissions & profit-sharing		-1,096		-1,096	-1,984	
Income	16	147		147	337	
On interest on financial assets not carried at fair value through profit or loss		147		147	337	
On interest on financial liabilities not carried at fair value through profit or loss						
Other						
Financial Costs	16	16		16	10	
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		16		16	10	
Net Gains on Financial Assets & Liabilities not Carried at Fair Value Through Profit or Loss	17	511		511	744	
On available-for-sale assets		511		511	744	
On loans & accounts receivable						
On investments held to maturity						
On financial liabilities carried at amortised cost						
On others						
Net Gains on Financial Assets & Liabilities Carried at Fair Value Through Profit or Loss						
Net gains of financial assets & liabilities held for trading						
Net gains on financial assets & liabilities classified in the initial recognition at fair value through profit or loss						
Currency translation differences						
Net gains on the sale of non-financial assets not classified as available-for-sale non-current assets and discontinued operating units						
Impairment Losses (Net of Reversal)			-17	-17	13	
			-1/	-1/	13	
On available-for-sale assets						
On loans and receivables carried at amortised cost						
On investments held to maturity						
On others	13		-17	-17	13	
Other technical income/ costs, net of reinsurance	20	-324		-324	-69	
Other provisions (change)						
Other income/ expenses	20		815	815	714	
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		-1,333	798	-535	46	
	24		-9	-9	-14	
Corporation tax for the period - Current tax	24					
Corporation tax for the period - Current tax Corporation tax for the period - Deferred tax	24					
	24	-1,333	789	-544	32	

# STATEMENT OF COMPREHENSIVE INCOME

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## STATEMENT OF COMPREHENSIVE INCOME

Statement of Comprehensive Income for The Years Ended December 31, 2015 and 2014

	2015	2014
Net Income for the Period		
Items that May Be Reclassified to the Income Statement	-382	208
Change in fair value of available-for-sale investments	-445	262
Change in current & deferred taxes	63	-54
Items that Will Not Be Reclassified to the Income Statement	-	-
Other Comprehensive Income for the Period After Taxes	-382	208
Total Comprehensive Income for the Period	-926	240

STATEMENT OF CHANGES IN EQUITY

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## STATEMENT OF CHANGES IN EQUITY

Statement of Changes in Equity for the Years Ended December 31, 2015 and 2014

	Share Capital	Other Capital Instruments	Revaluation Reserves	Deferred Tax Reserve	Tax		Retained Earnings	Net Income for the Perioad	Total
		Supplementary Capital Contributions	For Adjustments to the Fair Value of Available–For–Sale Financial Assets		Legal Reserve	Other Reserves			
Balance as at December 31, 2013	20,000	21,750	37	-9	-	-	-33,694	-2,481	5,603
Net gains for adjustment to fair value of available- -for sale financial assets			262						262
Adjustments for recognition of deferred taxes				-54					-54
Transfers between equity headings not included in other lines							-2,481	2,481	-
Total Changes In Equity	-	-	262	-54	-	-	-2,481	2,481	208
Net income for the period								32	32
Balance as at December 31, 2014	20,000	21,750	299	-63	-	-	-36,175	32	5,843
Net gains for adjustment to fair value of available- -for sale financial assets			-445						-445
Adjustments for recognition of deferred taxes				63					63
Increases of reserves for appropriation of profits					3		-3		-
Transfers between equity headings not included in other lines							32	-32	-
Total Changes In Equity	-	-	-445	63	3	-	29	-32	-382
Net income for the period								-544	-544
Balance as at December 31, 2015	20,000	21,750	-146	-	3	-	-36,146	-544	4,917

## STATEMENT OF CASH FI OWS

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## STATEMENT OF CASH FLOWS

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

Statement of Cash Flows	2015	2014
Cash Flow From Operating Activities	2,648	-1,360
Net income for the period	-544	32
Depreciation & amortisation charges for the period	782	691
Change in technical provisions for direct insurance	-658	-904
Change in technical provisions for reinsurance ceded	4,580	555
Variation of loans & receivables	-	-
Change in debtors for direct insurance, reinsurance & other operations	-1,515	-1,128
Change in other tax assets & liabilities	-68	28
Change in other assets & liabilities	175	-535
Change in debtors for direct insurance, reinsurance & other operations	-104	-99
Cash Flow from Investing Activities	-782	997
Change in available-for-sale financial assets	-294	-3,146
Interest	214	298
Change in held-to-maturity assets	-	1,552
Change in other deposits	-	2,500
Acquisitions of tangible & intangible assets	-702	-207
Cash Flow from Financing Activities	-	-
Dividend distribution	-	-
Subscription of share capital/ ancillary capital contributions	-	-
Net Change in Cash & Cash Equivalents & Sight Deposits	1,866	-363
Cash & cash equivalents at the start of the period	598	961
Cash & cash equivalents at the end of the period	2,464	598

# NOTES TO THE FINANCIAL STATEMENTS

ANNUAL REPORT AND ACCOUNTS 2015



## NOTES TO THE FINANCIAL STATEMENTS

## NOTES TO THE FINANCIAL STATEMENTS AS AT DECEMBER 31, 2015 AND 2014

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

#### **NOTE 1 - GENERAL INFORMATION**

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

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

It carries on insurance business in Portugal under the supervision of the Insurance and Pension Funds Supervisory Authority (ASF) under authorisation n° 1175, of November 2007 and LEI: 549300NMXLPCD67G5F42.

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

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

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

#### **NOTE 2 - INFORMATION BY SEGMENTS**

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

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

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

(thousand euros)

2015	Total Non-Life	Sickness	Fire and Other Damage	Motor	Sundry
Profit & Loss Headings					
Gross premiums written	19,219	532	467	15,593	2,627
Ceded reinsurance premiums	-2,436	-41	-34	-1,116	-1,245
Gross premiums earned	18,739	503	430	15,269	2,537
Returns on investments	642	11	16	582	33
Gross cost of claims	11,192	176	251	10,765	-
Gross operating costs	6,756	334	195	5,548	679
Technical result	-1,333	-84	-22	-1,162	-65
Balance Sheet Headings					
Assets allocated to representation of technical provisions	19,684	326	503	17,820	1,035
Technical provisions	17,034	282	435	15,421	896

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

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

#### **Bases of Presentation**

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

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

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

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

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

The financial statements are expressed in thousands of euros  $(\in k)$ , rounded to the nearest thousand, and have been prepared in accordance with the historic cost principle, with the exception of assets and liabilities carried at fair value, particularly available-for-sale financial assets. Other financial assets and liabilities as well as non-financial assets and liabilities are carried at amortised cost or historic cost. less any impairment losses.

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

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

Because the Company, through its shareholder, is a subsidiary of AP VIII Calm Eagle Holdings SCA, having its registered office in Luxembourg, at Avenue JF Kennedy L-1855, 44, the financial statements now presented will be consolidated in the consolidated financial statements of this entity.

The financial statements of LOGO as at December 31, 2015 were approved by the Board of Directors on April 7, 2016. These financial statements are pending approval by the respective General Meeting.

#### Main Accounting Principles and Valuation Criteria Adopted

#### **Financial assets**

#### Classificaction

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

- · Available-for-sale financial assets, which includes:
  - non-derivative financial assets the intention of which is to be held for an indeterminate period;
  - financial assets that are designated as available-for-sale at the time of their initial recognition;
  - financial assets that do not fall within the other categories.
- Loans and receivables, in which financial assets with fixed or determinable payments, not listed on an active market, are classified, which includes sums receivable related with direct insurance operations, reinsurance ceded and transactions related with insurance contracts and other transactions.
- Financial assets held to maturity, which includes non-derivative financial assets with fixed or determinable payments and fixed maturity for which the Company has the intent and ability to hold to maturity and were not assigned to any other category of financial assets. Any reclassification or sale of financial assets recognised in this category that is not undertaken close to maturity requires the Company to reclassify this entire portfolio as available-for-sale financial assets and the Company will, during two years, be unable to classify any financial asset in this category. During 2014, the Company sold assets of this category without not complying with the requirements of IAS 39 ("tainting"). On this basis, and up to the end of 2016, LOGO cannot have assets classified in this category.

#### Recognition, initial measurement and derecognition

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

Financial assets are initially recognised at fair value plus transaction

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

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

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

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

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

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

#### Transfers between categories

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

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

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

#### Impairment

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

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

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

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

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

#### **Financial liabilities**

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

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

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

#### Transactions in foreign currency

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

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

#### **Tangible assets**

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

Subsequent costs incurred with the tangible assets are capitalised only if it is probable that they will generate future economic benefit for the Company. All maintenance and repair costs are recognised as a cost in accordance with the accrual accounting principle. Depreciation of tangible assets is calculated using the straight-line method at the following rates which reflect the expected useful lives of the assets:

Asset Type	Number of Years
IT hardware	3
Furniture & materials	8
Indoor facilities	5 to 10
Machines and tools	5 to 8
Other equipment	10

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

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

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

#### **Intangible assets**

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

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

In 2015 the Company carried out a thorough review of its IT-cost capitalisation policy carried under intangible assets, and concluded, through the individual analysis of each project, that it was imperative to perform an extraordinary amortisation of these assets, either by resetting their useful lives on the light of their contribution to future income or by reassessment of their materiality. The impact of this revision is expressed in Note 12.

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

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

Impairment losses are recognised in the income statement.

#### Leasing

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

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

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

#### Cash & cash equivalents

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

#### Reinsurance

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

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

#### **Employee benefits**

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

#### Bonuses

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

#### Liability for holiday pay and holiday bonus

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

#### Other benefits

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

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

#### Defined-contribution plan

As at December 31, 2015, the Company has a defined-contribution plan for all employees who meet the conditions set out in the new Collective Bargaining Agreement, making annual contributions taking into account the individual remuneration of each employee.

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

#### Length-of-service bonus

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

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

#### **Corporation tax**

The Company is subject to Corporation Tax (IRC) and to the Municipal Surcharge, the aggregate rate of which in 2015 and 2014 is 22.5% and

24.5%, respectively, plus the respective State Surcharge determined in accordance with Law 66-B/2012 of December 31, leading to the application of an additional 3% on the portion of taxable income exceeding  $\[ \in \]$ ,500,000 and less than  $\[ \in \]$ 7,500,000, 5% on the portion of taxable income exceeding  $\[ \in \]$ 7,500,000 and less than  $\[ \in \]$ 35,000,000, and 7% on the portion of taxable income exceeding the latter amount.

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

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

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

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

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

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

#### **Provisions and contingent liabilities**

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

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

#### **Recognition of interest**

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

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



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

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

#### **Dividends** received

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

#### Earnings per share

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

#### Offsetting financial instruments

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

## Adjustments of receipts pending collection and of doubtful debt

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

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

#### Report by operating segments

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

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

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

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

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

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

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

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

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

#### Impairment of available-for-sale financial assets

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

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

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

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

#### Corporation tax

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

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

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

#### **Technical provisions**

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

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

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

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

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

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

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

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

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

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

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

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

## Accounting policies adopted in respect of insurance contracts

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

#### Recognition of costs & income

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

#### Premiums

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

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

#### Provisions for unearned premiums

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

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

#### Acquisition costs

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

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

#### Provisions for claims

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

#### Provision for unexpired risks

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

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

#### Provision for claims-rate deviations

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

#### Provisions for reinsurance ceded

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

## Changes in direct insurance and reinsurance technical provisions

The breakdown of the provision for unearned premiums (UPR) of direct insurance reflected in liabilities net of deferred acquisition costs (DAC) is as follows:

(thousand euros)

Balance	2015			2014		
Businesses/ Groups of Businesses	UPR Gross	DAC	UPR Net	UPR Gross	DAC	UPR Net
Accidents & health	154	31	123	125	25	100
Fire & other damage	244	49	195	207	41	166
Motor	5,756	1,151	4,605	5,432	1,086	4,346
Marine, air and transport	-	-	-	-	-	-
General third-party liability	-	-	-	-	-	-
Credit and fidelity insurance	-	-	-	-	-	-
Legal protection	-	-	-	-	-	-
Assistance	1,025	205	820	935	188	747
Sundry	-	-	-	-	-	-
Total	7,179	1,436	5,743	6,699	1,340	5,359

The change of the direct insurance 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:

Gains and Losses	2015			2014		
Businesses/ Groups of Businesses	UPR Gross	DAC	UPR Net	UPR Gross	DAC	UPR Net
Accidents & health	29	6	23	22	25	-3
Fire & other damage	37	8	29	33	6	27
Motor	324	65	259	-93	-20	-73
Marine, air and transport	-	-	-	-	-	-
General third-party liability	-	-	-	-	-	-
Credit and fidelity insurance	-	-	-	-	-	-
Legal protection	-	-	-	-	-	-
Assistance	90	17	73	14	4	10
Sundry	-	-	-	-	-	-
Total	480	96	384	-24	15	-39

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:

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

(thousand euros)

Businesses/ Groups of Businesses	Balance Bala	e Sheet Ince		Change In Gains and Losses		
	2015	2014	2015	2014		
Accidents & health	-	-	_	-		
Fire & other damage	-	-	-	-		
Motor	-	1,651	-1,651	-28		
Marine, air and transport	-	-	-	-		
General third-party liability	-	-	-	-		
Credit and fidelity insurance	-	-	-	-		
Legal protection	-	-	-	-		
Assistance	-	748	-748	-35		
Sundry	-	-	-	-		
Total	-	2,399	-2,399	-63		

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

(thousand euros)

Businesses/ Groups of Businesses	Balance Bala			Change In Gains and Losses		
	2015 2014		2015	2014		
Workers' compensation						
Personal accidents & health	85	134	-49	46		
Fire & other damage	168	159	9	13		
Motor	10,138	11,031	-956	-410		
Marine, air and transport	-	-	-	-		
General third-party liability	-	-	-	-		
Credit and fidelity insurance	-	-	-	-		
Legal protection	-	-	-	-		
Assistance	-	-	-	-		
Sundry	-	-	-	-		
Total	10,391	11,324	-996	-351		

The balance of the provision for claims includes an estimated provision in the sum of €878k (2014: €951) in respect of claims incurred up to December 31, 2015, and not yet reported (IBNR) and also includes an estimate in the sum of €244k (2014: €508k) for management fees relating to the settlement of outstanding claims declared.

(thousand euros)

Businesses/ Groups of Businesses	Provision for Claims* as at 31.12.2014 (1)	Claims* Paid in 2015 (2)	Provision for Claims* as at 31.12.2015 (3)	Readjustments (3) + (2) - (1)
Accidents & health	134	63	5	-66
Fire & other damage	159	84	69	-6
Motor				
- Third-party liability	9,308	4,028	5,012	-268
- Other covers	1,723	719	761	-243
Marine, air and transport	-	-	-	-
General third-party liability	-	-	-	-
Credit and fidelity insurance	-	-	-	-
Legal protection	-	-	-	-
Assistance	-	-	-	-
Sundry	-	-	-	-
Total	11,324	4,894	5,847	-583

\* Claims incurred in 2014 and earlier.

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

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

(thousand euros)

Businesses/ Groups of Businesses	Balance Bala			Change In Gains and Losses		
	2015	2014	2015	2014		
Workers' compensation	-	-	-	-		
Personal accidents & health	-	-	-	-		
Fire & other damage	-	-	-	-		
Motor	2,966	5,147	-2,181	-492		
Marine, air and transport	-	-	-	-		
General third-party liability	-	-	-	-		
Credit and fidelity insurance	-	-	-	-		
Legal protection	-	-	-	-		
Assistance	-	-	-	-		
Sundry	-	-	-	-		
Total	2,966	5,147	-2,181	-492		

The balance of the provision for reinsurance ceded claims includes an estimated provision in the sum of €134k (2014: €850k) in respect of claims incurred up to December 31, 2015, and not yet reported (IBNR).

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

	Management	Provision for	Cost of Claims (4) = (1) + (2) + (3)
225	_	-49	176
225	17	9	251
8,969	296	-897	8,368
2,375	81	-59	2,397
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
11,794	394	-996	11,192
-	-	-	-
11,794	394	-996	11,192
	Paid - Instalments (1)  225 225 225 8,969 2,375	Paid -   Paid - Claims   Management   Costs Imputed (2)	Paid - Claims   Management   Claims (3)

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

(thousand euros)

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

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

(thousand euros)

				(tilousaliu euros)	
Businesses/ Groups of Businesses		ce Sheet lance	Change In Gains and Losses		
	2015	2014	2015	2014	
Accidents & health	-	-	-	-	
Fire & other damage	36	21	15	13	
Motor	-	-	-	-	
Marine, air and transport	-	-	-	-	
General third-party liability	-	-	-	-	
Credit and fidelity insurance	-	-	-	-	
Legal protection	-	-	-	-	
Assistance	-	-	-	-	
Sundry	-	-	-	-	
Total	36	21	15	13	

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		ce Sheet ance	Change In Gains and Losses		
	2015	2014	2015	2014	
Accidents & health	74	33	41	33	
Fire & other damage	36	71	-35	-35	
Motor	678	755	-77	-642	
Marine, air and transport	-	-	-	-	
General third-party liability	-	-	-	-	
Credit and fidelity insurance	-	-	-	-	
Legal protection	-	-	-	-	
Assistance	76	129	-53	-93	
Sundry	-	-	-	-	
Total	864	988	-124	-737	

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

#### Nature and Extent of Specific Insurances Risks

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

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

Succinctly, the more relevant control mechanisms are:

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

The level of provisions is monitored monthly, with a prime focus on the provisions for claims, which are subject to regular analysis as to their sufficiency.

Any adjustments resulting from alterations to the provisions estimates are reflected under current operating profit or loss. However, owing to the fact that setting aside provisions for 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, gross of reinsurance but net of gross reimbursements of the doubtful-debt provision, comparing actual costs with previous estimates, is as follows:

	2008	2009	2010	2011	2012	2013	2014	2015
Provision for claims with management costs, gross of reinsurance and net of reimbursements gross doubtful-debt provisions	1,723	4,172	8,246	11,135	11,013	11,253	10,902	9,905
Accumulated payments								
One year later	1,004	3,192	5,025	6,585	4,926	4,546	4,894	
Two years later	1,074	3,500	6,117	7,822	5,970	6,329		
Three years later	1,084	3,852	6,669	8,355	7,119			
Four years later	1,098	4,106	6,865	8,996				
Five years later	1,275	4,138	7,273					
Six years later	1,276	4,395						
Seven years later	1,329							
Final estimate of cost of claims								
One year later	1,629	4,963	9,901	10,657	10,714	10,883	10,741	
Two years later	1,842	5,295	9,042	10,755	10,557	10,876		
Three years later	2,001	4,970	8,842	10,629	10,668			
Four years later	1,856	5,021	8,811	10,913				
Five years later	1,910	5,014	8,871					
Six years later	1,919	5,052						
Seven years later	1,908							
Accumulated surplus/ (shortfall)	- 185	- 880	- 625	222	345	377	161	

LOGO implements a reinsurance-ceded policy based on proportional and non-proportional treaties. The reinsurance programme in 2015 was set up for the Motor segment by three Excess Losses treaties, for the Assistance & Health segment line by a Quota Share treaty, and for the Multi-risks segment by four Excess Losses treaties, as per the following table:

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

Up until 2014, Motor business was covered by quota-share reinsurance treaties, the retention of which in 2014 was 38%; this was no longer contracted in 2015. The balances of the balance sheet and profit and loss account relating to reinsurance ceded in 2015 reflect the effects of this change.

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		
,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,		2015	2014		
Cost of claims	10% increase of the year's costs of claims, net of reinsurance	-1,551	-1,208		
Expenses	10% increase of operating costs, net of reinsurance	-902	-778		

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

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

#### Market risk

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

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

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

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

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

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

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

#### Exchange-rate risk

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

#### **Equities risk**

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

#### Real-estate risk

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

#### Interest-rate risk

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

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

Scenarios	Impact On Fair-Value Reserves Before Tax		
	2015	2014	
100 b.p.decrease of the interest-rate curve - effect on assets 100 b.p.increase of the interest-rate curve - effect on assets	396 -358	683 -630	

#### Spread risk

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

(thousand	euros

Rating	20	115	20	2014		
Kating	%	Value	%	Value		
AAA	0%	_	0%	_		
AA	12%	1,592	3%	408		
A	40%	5,157	39%	5,142		
BBB	34%	4,372	21%	2,750		
BB	9%	1,101	31%	4,047		
В	0%	-	0%	-		
CCC	0%	-	0%	-		
Unrated	4%	544	6%	719		
Total	100%	12,766	100%	13,066		

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

#### Concentration risk

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

(thousand euros)

		2015			2014			
Sector of Activity	%	Gross Amount	Impairment	%	Gross Amount	Impairment		
Basic resources	1%	98	-	2%	302	-		
Communications	0%	-	-	5%	612	-		
Consumables (cyclic)	4%	497	-	7%	917	-		
Consumables (non-cyclic)	11%	1,412	-	16%	2,153	-		
Energy	8%	1,043	-	4%	515	-		
Financial	23%	2,986	-	37%	4,840	-		
Funds	0%	-	-	0%	-	-		
Public debt	24%	3,105	-	13%	1,761	-		
Industrial	11%	1,418	-	0%	-	-		
Medicine	0%	-	-	0%	-	-		
Technology	6%	798	-	2%	308	-		
Public/ collective services	10%	1,308	-	12%	1,554	-		
Other	1%	101	-	1%	104	-		
Total	100%	12,766		100%	13,066			

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

#### **Liquidity risk**

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

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

The breakdown of the maturities of financial assets and liabilities as at December 31, 2015 & 2014, is as follows:

(thousand euros)

2015	<1 Month	1-3 Months	3-12 Months	1-5 Years	> 5 Years	Total
Financial assets	3,092	3,084	3,685	5,532	3,905	19,298
Financial liabilities	45	582	-	-	-	627
Net	3,047	2,502	3,685	5,532	3,905	18,671

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

#### Credit risk

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

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

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

#### Operational risk and reputational risk

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

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

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

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

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

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

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

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

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

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

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

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

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

#### Internal Control System

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

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

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

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

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

- A first level consisting of the various LOGO departments (Operational Units), which are areas responsible for risk-management operationalisation and for the respective controls;
- A second level represented by the Global Risk Department, which
  performs a supervisory role, with primary responsibility for
  monitoring the risk-management and internal control system, and
  by the is charged with Compliance;
- A third level, consisting of the Internal Audit Department and by External Audit, is charged with independent auditing within the scope of the internal-control system, its main goal being to ensure that the controls are effective.

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

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

- Processes;
- Process managers and interlocutors;
- · Main activities.

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

#### Solvency

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

(thousand euros)

	2015	2014
Constituent Elements of the Guarantee Fund	3,991	4,862
Solvency Margin to Be Set Aside	3,700	3,700
Results from the premiums standpoint	2,409	2,151
Results from the claims standpoint	2,220	2,251
Limit result of article 97 (8)	2,251	3,700
Legal minimum guarantee funds	3,700	3,700
Excess/ Insufficiency of the Solvency Margin	291	1,162
Solvency Margin Cover Rate	107.9%	131.4%

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

Following the publication of Law 147/2015, the Commission's Delegate Regulation 2015/35 of October 10, 2014, and of the Technical Guidelines, LOGO adjusted its programme of action to enable compliance with the new legislation.

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

#### Adequacy of Premiums and Provisions

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



#### **Business Ratios**

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

		(%)
	2015	2014
Claims ratio <sup>a)</sup>	60.9%	58.7%
Acquisition ratio b)	27.3%	28.3%
Administrative ratio c)	7.8%	7.9%
Combined Ratio	96.0%	95.0%

- a) (Costs of claims + imputed costs + variation of technical provisions + other costs technical income)/ premium
- b) (Acquisition brokerage remuneration + imputed costs + variation of deferred acquisition costs)/ gross premiums
- 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	eu	ros)

	2015	2014
Receivables	120	95
Adjustment of doubtful loans	-15	-13
Net Total	105	82

#### **NOTE 6 - FINANCIAL INSTRUMENTS**

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

(thousand euros)

	2015	2014
Available-for-sale financial assets	12,766	13,066
Investments in affiliates & associates	-	-
Term deposits	-	-
Financial assets at fair value through profit or loss	-	-
Financial assets held for trading	-	-
Held-to-maturity investments	-	-
Total Holdings and Financial Instruments	12,766	13,066

#### Available-For-Sale Financial Assets

The breakdown of this type of asset is as follows:

		2015	2014

Bonds & other fixed-income securities		
Public issuers' 3,:	106	1,761
Other issuers' 9,6	560	11,305
Equities	-	-
Other floating-rate securities	-	-
Book Value 12,	766	13,066

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

(thousand euros)

(thousand euros)

	Amortised or Acquisition Cost		Fair- -Value Reserve	Impairment	Book Value
Bonds & other fixed-income securities					
Public issuers'	1,652	60	49	-	1,761
Other issuers'	10,967	88	250	-	11,305
Equities	-	-	-	-	-
Other floating-rate securities	-	-	-	-	-
Balance as at December 31, 2014	12,619	148	299	-	13,066
Bonds & other fixed-income securities					
Public issuers'	3,096	12	-2	-	3,106
Other issuers'	9,735	69	-144	-	9,660
Equities	-	-	-	-	-
Other floating-rate securities	-	-	-	-	-
Balance as at December 31, 2015	12,831	81	-146	-	12,766

There were no appropriations, reversals or cancellations relating to impairment losses of available-for-sale assets, as at December 31, 2015 & 2014.

#### **Held-To-Maturity Investments**

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

## 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)

	2015		2014	4
	Fair Value	Book Value	Fair Value	Book Value
Cash & cash equivalents and sight deposits	2,464	2,464	598	598
Loans & receivables	-	-	-	-
Held-to-maturity investments	-	-	-	-
Other debtors for insurance & other operations	4,068	4,068	2,553	2,553
Financial Assets at Amortised Cost	6,532	6,532	3,151	3,151
Other financial liabilities	-	-	-	-
Other creditors for insurance & other operations	627	627	731	731
Financial Liabilities at Amortised Cost	627	627	731	731

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

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

#### Valuation Methods

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

(thousand euros)

		2015		
	Level 1	Level 2	Level 3	Total
Available-For-Sale Financial Assets	12,766	-	-	12,766
Securities & equity paper	-	-	-	
Equities & other floating-rate securities	-	-	-	
Bonds & other fixed-income securities				
Public issuers'	3,106	-	-	3,106
Other issuers'	9,660	-	-	9,660
Total	12,766	-	_	12,766

(thousand euros)

		2014		
	Level 1	Level 2	Level 3	Total
Available-For-Sale Financial Assets	13,066		_	13,066
Available-For-Sale Fillaticial Assets	13,000			13,000
Securities & equity paper	-	-	-	-
Equities & other floating-rate securities	-	-	-	-
Bonds & other fixed-income securities				
Public issuers'	1,761	-	-	1,761
Other issuers'	11,305	-	-	11,305
Total	13 066	-	-	13,066

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.

## NOTE 8 - CASH, CASH EQUIVALENTS AND SIGHT DEPOSITS

The balance of this heading is as follows:

	2015	2014
Cash	-	_
Deposits at credit institutions	2,464	598
Total	2,464	598



## NOTE 10 - OTHER TANGIBLE FIXED ASSETS AND INVENTORIES

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

(ti	าดน	sand	eu	ros)

	2015	2014
Equipment	358	335
Office equipment	203	203
Machines and tools	10	9
IT Hardware	73	51
Indoor facilities	1	1
Leased buildings expenditure	68	68
Other tangible assets	3	3
Fixed Assets in Progress		
Accumulated Depreciation	-314	-266
Impairments	-	-
Net Total	44	69

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

(thousand euros)

	Equipment	Fixed Assets in Progress	Total
Balance as at January 1, 2014	109	-	109
Additions	1	-	1
Transfers	-	-	-
Depreciation charges for the period	-41	-	-41
Written off/ sales	-	-	-
Balance as at December 31, 2014	69	-	69
Additions	23	-	23
Transfers	-	-	-
Depreciation charges for the period	-48	-	-48
Written off/ sales	-	-	-
Balance as at December 31, 2015	44	-	44

## NOTE 11 - ALLOCATION OF INVESTMENTS AND OTHER ASSETS

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

The indication of which assets are and are not allocated to the insurance portfolios managed by the Company as at December 31, 2015 & 2014, is as follows:

(thousand euros)

		2015	
	Non-Life Insurance	Not Allocated	Total
Cash & cash equivalents	2,390	74	2,464
Land & buildings	-	-	-
Investments in affiliates, associates and joint ventures	-	-	-
Financial assets held for trading	-	-	-
Financial assets classified in the initial recognition at fair value through profit & loss	-	-	-
Hedge derivatives	-	-	-
Available-for-sale financial assets	12,766	-	12,766
Loans and receivables	-	-	-
Held-to-maturity investments	-	-	-
Other tangible assets	-	44	44
Total	15,156	118	15,274

(thousand euros)

		2014	
	Non-Life Insurance	Not Allocated	Total
Cash & cash equivalents	475	123	598
Land & buildings	-	-	-
Investments in affiliates, associates and joint ventures	-	-	-
Financial assets held for trading	-	-	-
Financial assets classified in the initial recognition at fair value through profit & loss	-	-	-
Hedge derivatives	-	-	-
Available-for-sale financial assets	13,066	-	13,066
Loans and receivables	-	-	-
Held-to-maturity investments	-	-	-
Other tangible assets	-	69	69
Total	13,541	192	13,733

Under the reinsurance treaty signed with Companhia de Seguros Tranquilidade, S.A., the latter is obliged to provide collateral for the respective liabilities as a the Company's reinsurer. As of this date this process is duly formalised and completed.

#### **NOTE 12 - INTANGIBLE ASSETS**

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

In 2015 the Company carried out a thorough review of its IT-cost capitalisation policy carried under intangible assets, and concluded, through the individual analysis of each project, that it was imperative to perform an extraordinary amortisation of these assets, either by resetting their useful lives on the light of their contribution to future income or by reassessment of their materiality. This review resulted in the determination of an amount of €107k of extraordinary non-recurrent amortisation.

The breakdown of the headings of other intangible assets is as follows:

(thousand euros)

	2015	2014
Other Intangibles	4,688	4,008
Software development costs	3,945	3,499
Software	367	367
Intangibles in progress	376	142
Accumulated Depreciation	-3,763	-3,028
Impairments	-	-
Net Total	925	980

Movements in both years is as follows:

(thousand euros)

	Software Development Costs	Software	Intangibles in Progress	Total
Balance as at January 1, 2014	1,234	-	190	1,424
Additions	-	-	206	206
Depreciation charges for the period	-650	-	-	-650
Impairments	-	-	-	-
Transfers	254	-	-254	-
Deductions	-	-	-	-
Balance as at December 31, 2014	838	-	142	980
Additions	20	-	659	679
Depreciation charges for the period	-734	-	-	-734
Impairments	-	-	-	-
Transfers	425	-	-425	-
Written off	-	-	-	-
Balance as at December 31, 2015	549	-	376	925

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

(thousand euros)

	2015	2014
Depreciation of Intangible Assets for the Period:	734	650
Costs of claims, net of reinsurance		
Amounts paid - Gross amounts	37	32
Net operating costs & expenses		
Acquisition costs	513	451
Administrative costs	184	166
Financial Costs		
Other	-	1

## NOTE 13 – OTHER ASSETS, LIABILITIES, ADJUSTMENTS AND PROVISIONS

#### Assets and adjustments

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

(thousand euros)

	2015	2014
Gross Assets	726	757
Policyholders		
- Receipts pending collection	240	335
- Reimbursement of claims	486	422
Adjustments	-128	-112
Receipts pending collection	-113	-99
Doubtful debt	-15	-13
Net Assets	598	645

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

	2015	2014
Adjustment of Receipts Pending Collection		
Balance as at January 1	99	113
Appropriations for the period	14	-
Use for the year	-	-14
Balance as at December 31	113	99
Adjustment of Doubtful Loans		
Balance as at January 1	13	12
Appropriations for the period	2	1
Use for the year	-	-
Balance as at December 31	15	13
	·	



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

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

(thousand euros)

	2015	2014
Reinsurers	1,568	438
Reinsured	-	-
Total	1,568	438

	2015	2014
Reinsurers	310	315
Reinsured	-	-
Total	310	315

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

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

thousand euros)

2015	2014
1,902	1,470
1,435	1,252
422	189
45	29
-	-
-	-
1,902	1,470
	1,902 1,435 422 45

 Related entities
 24
 67

 Other suppliers of goods & services
 235
 297

 Other payables
 13
 24

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

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

(thousand e	ıros)
-------------	-------

	2015	2014
Deferred costs	145	135
- Rentals	8	8
- Outsourcing	137	127
Total	145	135

(thousand euros)

	2015	2014
Accrued Costs	592	405
- Staff costs (subsidies, charges & bonuses)	86	77
- Third-party supplies & services	506	328
Total	592	405

#### Liabilities and provisions

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

	(EIIC	(tilousariu euros)	
	2015	2014	
Policyholders (return premiums payable)	30	17	
Insurance brokers			
- Commissions payable	-	-	
- Current accounts	15	11	
Co-insurers	-	-	
Total	45	28	

#### **NOTE 14 - INSURANCE CONTRACT PREMIUMS**

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

(thousand euros)

(thousand euros)

272

388

Businesses/ Groups	Gross Premiums Written		UPR Variation		Premiums Earned	
of Business	2015	2014	2015	2014	2015	2014
Accidents & health	532	445	29	21	503	424
Fire & other damage	467	388	37	33	430	355
Motor	15,593	15,809	324	-92	15,269	15,901
Marine, air and transport	-	-	-	-	-	-
General third-party liability	-	-	-	-	-	-
Credit and fidelity insurance	-	-	-	-	-	-
Legal protection	-	-	-	-	-	-
Assistance	2,627	2,558	90	14	2,537	2,544
Sundry	-	-	-	-	-	-
Total	19,219	19,200	480	-24	18,739	19,224

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

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

thousand euros)

Businesses/ Groups	Gross Pro Writ		UP Vario		Premiums Earned		
of Business	2015	2014	2015	2014	2015	2014	
Accidents & health	41	32	-	-	41	32	
Fire & other damage	34	38	-	-	34	38	
Motor	1,116	6,290	-1,651	-28	2,767	6,318	
Marine, air and transport	-	-	-	-	-	-	
General third-party liability	-	-	-	-	-	-	
Credit and fidelity insurance	-	-	-	-	-	-	
Legal protection	-	-	-	-	-	-	
Assistance	1,245	2,046	-748	-35	1,993	2,081	
Sundry	-	-	-	-	-	-	
Total	2,436	8,406	-2,399	-63	4,835	8,469	

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

(thousand euros)

Businesses/ Groups of Business	Gross Premiums Written	Gross Premiums Earned	Gross Cost of Claims	Gross Operating Costs	Balance of Reinsurance
Accidents & health	532	503	176	334	-41
Fire & other damage	467	430	251	195	-34
Motor					
- Third-party liability	10,702	10,610	8,368	3,657	-363
- Other covers	4,891	4,659	2,397	1,891	-121
Marine, air and transport	-	-	-	-	-
General third-party liability	-	-	-	-	-
Credit and fidelity insurance	-	-	-	-	-
Legal protection	-	-	-	-	-
Assistance	2,627	2,537	-	679	-1,992
Sundry	-	-	-	-	-
Total	19,219	18,739	11,192	6,756	-2,551
Reinsurance accepted	-	-	-	-	-
Grand Total	19,219	18,739	11,192	6,756	-2,551

## 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.

(thousand euros)

	2015	2014
Interest	147	337
Available-for-sale financial assets	147	298
Financial assets at fair value through profit or loss	-	-
Financial assets held for trading	-	-
Held-to-maturity investments	-	39
Deposits, loans & other assets	-	-
Total	147	337

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

(thousand euros)

	2015	2014
Bonds & other fixed-income securities		
Public issuers'	26	66
Other issuers'	121	271
Equities	-	-
Other floating-rate securities	-	-
Deposits	-	-
Loans & other assets	-	-
Total	147	337

The breakdown of Financial costs is as follows:

(thousand euros)

	2015	2014
Costs imputed to the investments function	16	10
Interest on repurchase agreements	-	-
Total	16	10

## NOTE 17 - GAINS AND LOSSES REALISED ON INVESTMENTS

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

		2015			2014			
	Gain	Loss	Balance	Gain	Loss	Balance		
Financial - Not at fair value through profit or loss	690	-179	511	955	-211	744		
Available-for-sale financial assets	690	-179	511	955	-211	744		
Held-to-maturity investments	-	-	-	-	-	-		
Total	690	-179	511	955	-211	744		

#### NOTE 20 - OTHER INCOME AND EXPENSE

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

(thousand euros)

	2015	2014
Other Technical Income	751	884
Management on account of claims	751	884
Other Technical Expense	1,075	953
Management on account of claims	1,075	953
Value of Gains & Losses	-324	-69

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

(thousand euros)

	2015	2014
Other Non-Technical Income	1,075	864
Corrections & adjustments	7	12
Other gains	1,068	852
Other Non-Technical Expense	260	150
Donations	10	5
Subscriptions	3	-
Corrections & adjustments	153	105
Other expenses	85	27
Banking services & default interest	9	13
Value of Gains & Losses	815	714

## NOTE 21 - SUNDRY COSTS BY FUNCTION AND NATURE OF EXPENSE

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

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

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

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

The breakdown of these expenses and their distribution using the classification based on their function as at December 31, 2015 & 2014, is as follows:

(thousand euros) (%)

2015		ost of Ilaims	Acqui	isition Costs	Adminis	trative Costs		Cost of tments		Total
Staff costs	142	19%	497	65%	117	15%	6	1%	762	100%
Third-party supplies & services	214	4%	4,218	78%	962	18%	4	0%	5,398	100%
Taxes	-	0%	-	0%	200	100%	-	0%	200	100%
Depreciation	38	5%	519	66%	225	29%	-	0%	782	100%
Provisions for contingencies & liabilities	-	0%	-	0%	-	0%	-	0%	-	0%
Other costs	-	0%	-	0%	-	0%	6	100%	6	100%
Total	394	6%	5,234	73%	1,504	21%	16	0%	7,148	100%

(thousand euros) (%)

2014		ost of Ilaims		isition Costs	Adminis	trative Costs		Cost of tments		Total
Staff costs	122	16%	508	65%	155	20%	-	0%	785	100%
Third-party supplies & services	275	5%	4,405	78%	948	17%	3	0%	5,631	100%
Taxes	-	0%	-	0%	207	100%	-	0%	207	100%
Depreciation	32	5%	452	65%	207	30%	-	0%	691	100%
Provisions for contingencies & liabilities	-	0%	-	0%	-	0%	-	0%	-	0%
Other costs	-	0%	-	0%	-	0%	7	100%	7	100%
Total	429	6%	5,365	73%	1,517	21%	10	0%	7,321	100%

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

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

	2015	2014
Electricity, water & communications	106	98
Travel & entertainment costs	20	21
Leases & rentals	122	123
Equipment maintenance	278	272
Premium collection	178	187
Advertising, outsourcing, consultancy & specialised work	4,298	4,604
Other sundry supplies & services	396	326
Total	5,398	5 631

The breakdown of Taxes and charges is as follows:

#### (thousand euros)

	2015	2014
Stamp duty	1	1
ASF charge	47	46
Fee for the General Secretariat of the MAI (Home Affairs)	143	150
Portuguese Green Card Office charge	9	10
Other taxes, fees and licenses	-	-
Total	200	207

The breakdown of Depreciation is as follows:

#### (thousand euros)

2015	2014
735	650
7	-
40	41
782	691
	735 7 40

The amount of Other costs in 2015 & 2014 refers to investment portfolio management commissions.

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

#### (thousand euros)

	2015	2014
Acquisition costs		
Brokerage remuneration	114	90
Costs imputed	5,234	5,365
Deferred acquisition costs (change)	-96	-15
Administrative costs		
Costs imputed	1,504	1,517
Reinsurance commissions & profit-sharing	-1 096	-1,984
Total	5,660	4,973

#### **NOTE 22 - STAFF COSTS**

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

	2015	2014
Manager	-	1
Superintendent	3	2
Technician	5	5
Specialist	2	3
Operational co-ordinator	1	-
Total	11	11

Staff costs are detailed as follows:

#### (thousand euros)

	2015	2014
Description of the second of t	112	37
Remuneration - corporate officers	112	37
Remuneration - personnel	489	579
Charges on remuneration - corporate officers	29	5
Charges on remuneration - personnel	94	121
Mandatory insurance	16	15
Social welfare costs	9	9
Training	7	18
Other staff costs	6	1
Total	762	785

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

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

Fees billed during 2015 by the outgoing Statutory Auditors within the scope of the legal audit of the 2014 accounts amounted to  $\leqslant$ 3k.

The fees billed and to be billed by Deloitte & Associados, SROC, S.A., statutory auditor of the Company, for 2015 amount to €31k, of which €24.5k relate to the statutory audit of the accounts and €6.5k to other reliability-guarantee services.

#### **NOTE 24 - CORPORATION TAX**

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

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

In 2015, given that three was again a tax loss, for reasons of prudence, no deferred tax asset has been determined in respect of the tax loss carried forward and still to be used (about €5.95 million), taking into consideration the estimates for recoverability within the period allowed for tax purposes in respect of each year, as follows:

(thousand euros)

Period	Brought Forward	Used	Carried Forward	Carry Forward Lost	Last Year for Use
2008	10,905	54	0	10,851	2014
2009	7,548	-	0	7,548	2015
2010	8,004	-	0	8,004	2014
2011	3,885	-	0	3,885	2015
2012	3,009	-	3,009	0	2017
2013	2,404	-	2,404	0	2018
2015	540	-	540	0	2027
Total	36,295	54	5,953	30,288	

Any tax losses carried forward still recoverable to be undertaken in each taxation period may not exceed 75% of the respective taxable income, though without prejudice to the deduction of that part of these losses that has not been deducted, under the same conditions, by the end of the respective deduction period.

The Company has not yet been subject to inspection by the Tax Authority. It is subject to inspection and possible adjustment during a period of four years or longer period if deduction of tax losses is involved, in which case a period identical to the time limit for their deduction applies.

Given the nature of any corrections that might be made, it is not possible to quantify them at this time. However, in the opinion of the LOGO Board of Directors no significant correction to the accompanying financial statements in respect of the years referred to above is to be expected.

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

(thousand euros

	20	15	20	014
	Current Tax Assets	Current Tax Liabilities	Current Tax Assets	Current Tax Liabilities
Corporation tax	117	-	134	
Tax withheld at source	-	13	-	13
Value added tax	-	-	-	-
Other taxes & levies	-	302	-	322
Social security contributions	2	12	-	12
Local authority taxes	-	-	-	-
Total	119	327	134	347

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

(thousand euros)

Handhan	Ass	ets	Liabi	lities	N	et
Headings	2015	2014	2015	2014	2015	2014
Securities	-	-	-	-63	-	-63
Total	-	-	-	-63	-	-63

Current and deferred taxes in 2015 & 2014 were recognised as follows:

(thousand euros)

2015	Fair-Value Reserve	Other Reserves	Gains & Losses	Total
Current Tax	-	-	-9	-9
Corporation tax estimate	-	-	-	-
Autonomous tax	-	-	-9	-9
Deferred Tax	63	-	-	63
Securities	63	-	-	63
Total	63	-	-9	54

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

Reconciliation of the effective tax rate is as follows:

	(tild	iusaliu eulos)
	2015	2014
Pre-tax income	-535	46
Nominal tax rate	21.0%	24.5%
Tax Determined on the Basis of the Official Rate	112	-11
Tax losses generated during the year not carried forward	-113	-
Other income & costs excluded from taxation	-6	-3
Autonomous tax	-9	-7
Tax benefits	7	7
Tax Recognised in Profit or Loss	-9	-14
Effective Tax Rate	-1.7%	30.4%

#### **NOTE 25 - SHARE CAPITAL**

As at December 31, 2015 & 2014, LOGO's share capital amounts to  $\leq$ 20 million, represented by 4 million shares each of a par value of  $\leq$ 5, and is fully subscribed and paid up.

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

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

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

	(thou	usand euros)
	2015	2014
Retained earnings	29	-2,481
Legal reserve	3	-
	32	-2,481

#### **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 share capital.

#### Fair-value reserves

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

#### Deferred tax reserves

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

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

#### Free reserves

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

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

(thousand euros)

2015	2014
	299
	-63
	-
3	-
-	-
-143	236
	3 -

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

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

	2015	2014
Floating-rate securities	-	-
Fixed-income securities	-146	299
Fair-value Reserves	-146	299



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

(thousand euros)

	2015	2014
Amortised cost of available-for-sale investments (without accrued interest)	12,831	12,619
Impairment	-	-
Amortised/acquisition cost net of impairment	12,831	12,619
Fair value of available-for-sale investments (without accrued interest)	12,685	12,918
Gross revaluation reserve (fair value - cost)	-146	299
Deferred & current taxes	-	-63
Revaluation Reserve Net of Taxes	-146	236

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

(thousand euros)

	2015	2014
Balance as at January 1	236	28
Changes in fair value, including variations on disposal	-445	262
Impairment recognised during the year	-	-
Variation of deferred taxes recognised during the year	63	-54
Balance as at December 31	-146	236

#### NOTE 27 – EARNINGS PER SHARE

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

	2015	2014
Net income for the period (in thousands of euros)	-544	32
Number of shares (year-end)	4,000,000	4,000,000
Earnings per Share (In euros)	-0,14	0,01

## NOTE 29 - TRANSACTIONS BETWEEN RELATED PARTIES

On January 15, 2015, the Apollo Group, via the firm Calm Eagle Holdings, Sàrl. acquired the whole of the share capital of Companhia de Seguros Tranquilidade, S.A., sole shareholder of LOGO. This acquisition warranted the prior approval of the ASF. Thus, as at December 31, 2015, all entities that are part of the Apollo Group, in particular the Companhia de Seguros Tranquilidade, S.A., and all its subsidiaries are deemed related entities of LOGO.

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

Relations between LOGO and its shareholder, Tranquilidade, or its associates involve several business areas, the more relevant operations and services involving rentals, reinsurance, technical-support services and call-centre services.

The balances receivable from Tranquilidade – Corporação Angolana de Seguros, SA, reflect the amounts invoiced by LOGO within the scope of the existing provision of support and technical-support services.

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

		2015				2014			
	Assets	Liabilities	Costs	Income	Assets	Liabilities	Costs	Income	
ADVANCECARE	-	8	129	-	-	-	70		
E.S. CONTACT CENTER	-	4	14	-	18	-	48	-	
EUROP ASSISTANCE	-	170	-	-1,245	-	172	-	-2,112	
IMOPRIME	-	9	94	-	-	8	94		
TRANQUILIDADE	4,731	84	-1,809	-2,599	7,631	747	-5,961	-6,141	
TRQ ANGOLA	1,234	-	-	1,055	1,234	-	-	753	
T-VIDA	-	-	-	-	-	3	-	-	
NOVO BANCO (*)	-	-	-	-	591	1	207	24	
E.S. INFORMÁTICA (*)	-	-	-	-	-	-	66		
E.S. SERVIÇOS 2, ACE (*)	-	-	-	-	-	79	1,323	-	
SGL - SOCIEDADE GERAL LIMPEZAS (*)	-	-	-	-	-	-	22	-	
Total	5,965	275	-1,572	-2,789	9,474	1,009	-4,133	-7,475	



#### NOTE 30 - STATEMENT OF CASH FLOWS

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

#### **NOTE 31 - COMMITMENTS**

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

(thousand euros)

	2015	2014
Tangible assets (gross value)	9	9
Accumulated depreciation	-9	-9
Tangible Assets (Net Value)	-	-
Creditors - Suppliers of Goods	-	-

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

(thousand euros)

	Up to 3 Months	4 to 12 Months	>1 to 5 Years
Finance lease contracts	-	-	-
Operating lease contracts	6	10	2

#### NOTE 37 - OTHER INFORMATION

#### **Recently-Issued Standards and Interpretations**

### 1 - Standards, interpretations, amendments and revisions that came into force in 2015

The following standards, interpretations and amendments and revisions endorsed by the European Union (EU) had mandatory application for the first time in the year ended December 31, 2015:

Standard/Interpretation	Applicable in the EU in the Years Started On or After	
IFRIC 21 Payments to the State	17-Jun-14	Lays down the conditions as to the timing of recognition of a liability related to the payment to the State of a contribution by an entity as a result of certain event (for example, participation in a given market), without the payment offsetting specified goods or services.
Amendment to IFRS 3 Business combinations (included in the improvements of international financial reporting standards – 2011-2013 cycle)	1-Jan-15	Clarifies that IFRS 3 excludes from its scope of application the formation of a joint venture in the financial statements of the joint venture itself.
Amendment to IFRS 13 Fair value measurement (included in the improvements of international financial reporting standards – 2011-2013 cycle)	1-Jan-15	Clarifies that the exception of application of the standard to financial assets and liabilities with offset positions extends to all contracts within the scope of IAS 39, regardless of whether they meet the IAS 32 definition of financial active or liability.
Amendment to IAS 40 Investment property (included in the improvements of international financial reporting standards – 2011-2013 cycle)	1-Jan-15	Clarifies that it value judgement must be applied to determine whether the acquisition of an investment property is an acquisition of an asset or a business combination covered by IFRS 3.

Adoption of the standards, interpretations, amendments and revisions referred to above did not significantly affect the Company's financial statements as at December 31, 2015.



## 2 - Standards, interpretations, amendments and revisions that will enter into force in future periods

The following standards, interpretations, amendments and revisions, with mandatory application in future financial years, were, up until the date of approval of these financial statements, endorsed by the EU:

Standard/Interpretation	Applicable in the EU in the Years Started On or After	
Amendment to IAS 19 employee benefits - employee Contributions	1-Feb-15	Clarifies the circumstances in which employees' contributions to post-employment benefit plans constitute a reduction of the cost of short-term benefits.
Improvements of international financial reporting standards (2010-2012 cycle)	1-Feb-15	These improvements involve clarification of several aspects related to: IFRS 2 – Share-based payments: definition of vesting condition; IFRS 3 – Business combinations: accounting for contingent payments; IFRS 8 – Operating segments: disclosures related to the judgement applied in relation to the aggregation of segments and clarification of the need for reconciliation of total assets by segment with the value of assets in the financial statements; IAS 16 – Property, plant and equipment and IAS 38 – Intangible assets: need for proportional reassessment of accumulated depreciation in the event of revaluation of fixed assets; IAS 24 – Related party disclosures: defines that an entity that provides management services to the company or its parent company is considered a related party; and IFRS 13 – Fair value: clarifications concerning the measurement of short-term receivables or payables.
Improvements of international financial reporting standards (2012-2014 cycle)	1-Jan-16	These improvements involve clarification of several aspects related to: IFRS 5 – Non-current assets held for sale and discontinued operations: introduces guidelines on how to act in case of alterations as to the expected method of realisation (sale or distribution to shareholders); IFRS 7 – Financial instruments: disclosures: clarifies the impact of asset tracking contracts within the scope of disclosures associated with ongoing involvement of derecognised assets and exempts interim financial statements from the disclosures required in respect of offsetting financial assets and liabilities; IAS 19 - Employee benefits: determines that the rate to be used for the purposes of discounting defined benefits shall be determined with reference to high-quality bonds of companies issued in the currency in which the benefits will be settled; and IAS 34 – Interim Financial Reporting: clarification of the procedures to be adopted when the information is available in other documents issued in conjunction with the interim financial statements.
Amendment to IFRS 11 Joint arrangements - Accounting for acquisitions of interests in joint arrangements	1-Jan-16	This amendment is related to the acquisition of interests in joint arrangements. It determines the mandatory application of IFRS 3 when the joint arrangement acquired constitutes a business activity in accordance with IFRS 3. When the joint arrangement in question does not constitute a business activity, the transaction must be recorded as an asset acquisition. This amendment is if prospective application for new acquisitions of interests.
Amendment to IAS 1 Presentation of financial statements - "Disclosure Initiative"	1-Jan-16	This amendment clarifies several aspects related to the disclosures initiative, in particular: (i) the entity shall not hinder the readability of financial statements through the aggregation of tangible items with intangible items or the aggregation of materials items of different natures; (ii) disclosures specifically required by the IFRS have to be provided only if the information in question is material; (iii) the lines of the financial statements specified by IAS 1 may be aggregated or disaggregated, as more relevant to the objectives of the financial report; (iv) the part of the other comprehensive income resulting from the application of the equity method in associates and joint arrangements must be presented separately from other elements of other comprehensive income, likewise segregating items that may come to be reclassified to results that will not be reclassified; (v) the structure of the notes must be flexible, and shall respect the following order:  • a statement of compliance with the IFRS in the first section of the notes; • a description of the relevant accounting policies in the second section; • supporting information on the items of the financial statements in the third section; and • other information un the fourth section.
Amendment to IAS 16 Property, plant and equipment and IAS 38 - Intangible assets - acceptable depreciation methods	1-Jan-16	This amendment establishes the presumption (which may be refuted) that revenue is not a suitable base to amortize intangible assets and prohibits the use of revenue as the basis for the depreciation of tangible fixed assets. The presumption established for the amortisation of intangible assets may be refuted only in respect of intangible assets is expressed in terms of revenue generated or when the use of the economic benefits is closely correlated with revenue generated.
Amendment to IAS 27 Application of the equity method in separate financial statements	1-Jan-16	This amendment introduces the possibility of measuring the interests in subsidiaries, joint arrangements and associates in separate financial statements under the equity method, in addition to the current measurement methods. This amendment applies retrospectively.

The Board of Directors does not expect that the adoption of these standards will have a significant impact on the Company's financial statements.

### 3 - Standards, interpretations, amendments and revisions not yet endorsed by the European Union

The following standards, interpretations, amendments and revisions, of mandatory application in future financial years, had not yet been endorsed by the EU by the date of approval of these financial statements:

Standard/Interpretation	
IFRS 9 Financial instruments (2009) and subsequent amendments	This standard is part of the project of revision of IAS 39 and sets out the new requirements for the classification and measurement of financial assets and liabilities, for the impairment-calculation methodology and for the application of hedge accounting rules. This standard is of mandatory application for years starting on or after January 1, 2018.
IFRS 14 Regulated deferral accounts	This standard determines the reporting requirements by entities adopt for the first time the IFRS applicable to regulated deferral accounts.
IFRS 15 Revenue from contracts with customers	This standard introduces a structure for recognition of revenue based on principles and on a template to be applies to all contracts concluded with customers, replacing standards IAS 18 - Revenue, IAS 11 - Construction contracts; IFRIC 13 - Customer loyalty programmes; IFRIC 15 - Agreements for the construction of real estate; IFRIC 18 - Transfers of assets from Customers and SIC 31 - revenue - Barter transactions involving advertising. This standard is of mandatory application for years starting on or after January 1, 2018.
IFRS 16 Leases	This standard introduces the principles of recognition and measurement of leases, replacing IAS 17 – Leases. The standard defines a single model of accounting for leases that results in the recognition by the lessee of assets and liabilities for all lease contracts, except for leases of a duration of less than 12 months or for leases of low-value assets. Lessors will continue to classify leases as operational or financial, and IFRS 16 will not imply substantial changes for these entities vis-à-vis the definitions of IAS 17.
Amendment to IFRS 10 Consolidated financial statements, IFRS - 12 - Disclosures of interests in other entities and IAS 28 - Investments in associates and joint ventures	These amendments involve clarification of several aspects related to the application of the exception of consolidation by investment entities.
Amendments to IFRS 10 Consolidated financial statements, and IAS 28 – Investments in associates and joint ventures	These amendments eliminate a conflict between the said standards, related to the sale or to the contribution of assets between the investor and the associate or between the investor and the joint venture.

These standards have not yet been endorsed by the European Union and, as such, were not applied by the Company in the year ended December 31, 2015.

Given the nature of the Company's business, it can be expected that the application of IFRS 9, IFRS 15 and IFRS 16 will have relevant impacts on the financial statements, which are still under assessment by the Company.

The Board of Directors does not expect that the first-time adoption of the other e standards referred to above will have a significant impact on the Company's financial statements.

#### APPENDIX 1 – INVENTORY OF HOLDINGS AND FINANCIAL INSTRUMENTS

(expressed in euros)

Identification of Securities		Quantity	Amount of Par Value	% of Value Nominal	Average of Acquisition Cost	Total of Acquisition	Book \ (Includes Acci	
Designation					Cost	Cost	Unit	Total
1 - AFFILIATES, ASSOCIATES, JOINT VENTURES AND OTHER RELATED COMPANIES								
2 - OTHERS								
2.1 - Domestic securities								
2.1.2 - Debt securities								
2.1.2.1 - Public debt								
BT 0% 03/18/16			1,000,000.00	100.00%	100.0%	999,750.00	100.0%	999,950.00
	Subtotal	0	1,000,000.00			999,750.00		999,950.00
2.1.2.3 - Other issuers'								
GALP ENERGIA 4.125% 01/19			500,000.00	104.98%	106.6%	533,150.00	108.8%	544,132.33
REN 6.25% 09/16			500,000.00	103.69%	105.8%	528,900.00	105.4%	527,043.75
	Subtotal	0	1,000,000.00			1,062,050.00		1,071,176.08
	Total	0	2,000,000.00			2,061,800.00		2,071,126.08
2.2 - Foreign securities								
2.2.2 - Debt securities								
2.2.2.1 - Public debt			1 000 000 00	100.030	22.22	000 050 00	100.00	1 000 150 00
CERT DI CREDITO DEL TESORO 0% 08/16			1,000,000.00	100.02%	99.9%	998,950.00	100.0%	1,000,150.00
IRISH GOVT 0.8% 03/22			500,000.00	102.13%	99.5%	497,685.00	102.8%	513,830.33
UNITED MEXICAN STATES 1.625% 03/06/24			300,000.00	95.67%	99.5%	298,458.00	97.0%	291,005.90
	Subtotal	0	1 000 000 00			1 705 003 00		1 004 006 37
2.2.2.2 - Other public issuers'	Subtotal	0	1,800,000.00			1,795,093.00		1,804,986.23
COMMUNITY OF MADRID 1.826% 25			300,000.00	98.72%	100.0%	299,991.00	100.2%	300.742.93
COMMONITY OF MADRID 1.826 % 25	Subtotal	0	300,000.00	90.72/0	100.0%	299,991.00	100.2 /₀	300,742.93
2.2.2.3 - Other issuers'	Subtotal	0	300,000.00			255,551.00		500,742.55
3M FLOAT 05/20			400,000.00	99.45%	100.0%	400,000.00	99.5%	397,903.24
ANHEUSER-BUSCH FLOAT 10/18			250,000.00	99.34%	100.0%	250,000.00	99.4%	248,472.10
BHP BILLITON FINANCE FLOAT 04/20			100,000.00	97.69%	100.0%	100,000.00	97.7%	97,745.31
BMW US CAPITAL FLOAT 04/18			500,000.00	99.32%	100.0%	500,000.00	99.4%	496,756.00
BPE FINANCIACIONES SA 2% 02/30/20			100,000.00	99.39%	99.5%	99,479.00	101.3%	101,283.41
CAP GEMINI FLOAT 07/18			500,000.00	100.67%	101.0%	505,050.00	100.9%	504,393.75
CARREFOUR BANQUE FLOAT 04/16			300,000.00	100.19%	100.4%	301,290.00	100.4%	301,059.88
EASTER CREATION II INV 1% 03/19/18			250,000.00	98.79%	99.8%	249,420.00	99.6%	248,942.88
EDENRED 1.375% 03/25			200,000.00	87.18%	98.9%	197,878.00	88.3%	176,578.04
ENAGAS FIN 1% 03/25/23			500,000.00	97.00%	99.7%	498,360.00	97.8%	488,828.80
ENAGAS FINANCIACIONES 1.25% 02/25			200,000.00	96.50%	99.1%	198,160.00	97.6%	195,250.58
FLOWSERVE CORPORATION 1.25% 03/17/22			500,000.00	93.69%	99.3%	496,680.00	94.7%	473,385.11
GENERAL ELECTRIC FLOAT 05/28/20			300,000.00	99.17%	100.0%	300,000.00	99.2%	297,577.43
GOLDMAN SACHS FLOAT 20			300,000.00	99.46%	100.0%	300,000.00	99.5%	298,569.87
LLOYDS BANK PLC 0.625%			500,000.00	99.59%	99.9%	499,705.00	100.0%	500,102.2
MOODY'S CORP 1.75% 03/27-26			500,000.00	95.78%	100.0%	499,945.00	97.2%	486,000.43
NN GROUP 1% 03/18/22			400,000.00	97.51%	99.8%	399,032.00	98.3%	393,191.54
RABOBANK FLOAT 20			400,000.00	99.33%	100.0%	400,000.00	99.4%	397,410.93
RED ELECTRICA FIN 1.125% 04/25			100,000.00	95.87%	99.5%	99,521.00	96.6%	96,641.52
SANTANDER CONSUMER BANK 0.625% 04/18			500,000.00	99.94%	99.9%	499,470.00	100.4%	501,843.72
SAP SE 1% 04/01/25			300,000.00	97.12%	99.3%	297,792.00	97.9%	293,590.90
SINOPEC GRP OVERSEA 2015 0.5% 04/18			500,000.00	99.40%	99.7%	498,580.00	99.7%	498,672.16
SOCIETE DES AUTOROUTES FLOAT 01/16			500,000.00	100.03%	100.3%	501,300.00	100.2%	501,019.64
UNIBAIL-RODAMCO 1% 03/14/25			100,000.00	94.00%	99.7%	99,672.00	94.7%	94,713.38
WELLS FARGO FLOAT 06/20			400,000.00	99.38%	100.0%	400,000.00	99.4%	397,652.70
WENDEL 2.75% 10/24			100,000.00	100.95%	99.5%	99,466.00	101.6%	101,622.23
	Subtotal	0	8,700,000.00			8,690,800.00		8,589,207.78
	Total	0	10,800,000.00			10,785,884.00		10,694,936.94
		3				,,		



08

## DISCLOSURE OF REMUNERATION POLICIES

ANNUAL REPORT AND ACCOUNTS 2015



08

## DISCLOSURE OF REMUNERATION POLICIES

This disclosure involves the following 3 components:

- Remuneration policy of Members of the Governing Bodies and Board of the General Meeting, including the table detailing the remuneration paid during 2015;
- Policy governing the remuneration of 'key employees';
- Statement of Compliance, under Article 4(1) of ASF Regulatory Standard 5/2010-R, of April 1.

## Remuneration Policy for the Members of the Governing Bodies and Board of the General Meeting

#### 1. Introduction

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

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

It is therefore on the basis of this legal and regulatory framework that this policy of remuneration of the members of the governing bodies of Seguros LOGO, S.A., for 2016 is drafted, which clearly enshrine the principles deemed fundamental is this matter, such as:

- i) consistency of remuneration practices in respect of the Company's strategies, results and financial capabilities;
- i) alignment of the remuneration practices with the protection of the interests of the shareholder, customers and employees of the company;
- ii) alignment of remuneration practices with those of the domestic

#### 2. Remuneration Policy Approval Process

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

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

#### 3. Remuneration of the Members of the Board of Directors

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

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

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

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

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

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

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

In addition to the fixed and variable remuneration, by decision taken at the General Meeting, the benefits of insurance business for other employees may also be considered for members of the Board of Directors having executive duties.

#### 4. Remuneration of the Members of the Board of Auditors

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

In 2016, its members shall not be remunerated for the performance of their duties



#### 5. Remuneration of the Official Auditor

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

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

Under Article 16 of the articles of association, the Board of the General Meeting comprises a chairman and a secretary.

In 2016, its members shall not be remunerated for the performance of their duties.

## Table of Remuneration Paid to the Members of LOGO's Governing Bodies During 2015

(thousand euros) Variable (2) 142.4 Board of Directors Augusto Tomé Pires Fernandes Pedroso (Chair) 0.0 0.0 Filipe Antero Rogenes Barreto Infante (Member) Jan Adriaan de Pooter (Member) 0.0 João Carlos Dores Candeias Barata (Member) 0.0 José Pedro de Barros Inácio (Member) 102.5 39.9 142.4 Pedro Luís Francisco Carvalho (Member) 0.0 António Miguel Natário Rio-Tinto (1) 0.0 José Manuel Mendes Esteves Serra Vera (1) 0.0 Miguel Maria Pitté Reis da Silveira Moreno (1) 0.0 Nuno Miguel Pombeiro Gomes Diniz Clemente (1) 0.0 Pedro Guilherme Beauvillain de Brito e Cunha (1) 0.0 5.1 **Board of Auditors** Luís Maria Viana Palha da Silva (Chair) 0.0 Manuel Maria de Paula Reis Boto (Full Member) 0.0 0.0 Pedro Manuel Aleixo Dias (Full Member) Sandra Maria Simões Filipe de Ávila Valério (Alternate Member) 0.0 2.1 2.1 Pedro Miguel Vicente Roseta Fino (1) João Faria Rodrigues (1) 1.5 1.5 Maria Madalena Mantas Moura (1) 1.5 1.5 **Total Remuneration** 107.6 39.9 147.5 (1) The members of the corporate bodies listed above no longer hold the positions in question.

#### **Key Employee Remuneration Policy**

(2) Variable remuneration relating to 2014.

#### 1. Scope of Application of the Remuneration Policy

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

 a) to those Employees who play key roles, understood as being those who perform managerial positions within the scope of the risk management and internal control systems, but also;

- b) to those Employees who perform management duties in the actuarial field, as well as to the Chief Actuary, as stated in the recommendation of point V.9 of ASF Circular n° 6/2010, of April 1:
- to all Employees occupying 1st level management posts (Top Managers) and Board of Directors' Advisers, regardless of the area in which they work,

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

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

#### 2. Remuneration Policy Approval Process

#### a) Approval

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

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

#### b) Mandate of the Board of Directors

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

#### c) Composition of the Board of Directors

Augusto Tomé Pires Fernandes Pedroso (Chair) Filipe Antero Rogenes Barreto Infante (Member) Jan Adriaan de Pooter (Member) João Carlos Dores Candeias Barata (Member) José Pedro de Barros Inácio (Member) Pedro Luís Francisco Carvalho (Member)

#### d) External Consultants

No services by external consultants are used in defining the remuneration policy applicable to LOGO'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 between 80% and 85% of the Total Annual Remuneration.

The variable part, should one be granted, shall not exceed, on average, 20% of the total annual remuneration for all employees of the Company, and the maximum individual value shall not exceed 40% of the total amount of annual remuneration.

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

#### c) Variable component definition criteria and its time of payment

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

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

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

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

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

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

#### 4. Other Benefits Attributed to "Key Employees"

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

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

#### 5. Broadening the Scope of this Remuneration Policy

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



#### APPENDIX I – STATEMENT OF COMPLIANCE, UNDER ARTICLE 4(1) OF ASF STANDARD 5/2010-R, OF APRIL 1

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

Reco	mmendation	Degree of Compliance	Comments
l.	General Principles		
l.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	
1.2	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	
1.3	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	
11.2	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	
11.4	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	
D./	Management Dady. Executive Members		
IV.	Management Body – Executive Members		In the event that it is granted, evaluation criteria
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	based on the following management indicators shall be taken into account:  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	This measure will be subject to revaluation during 2016.

dependent of the institution's good performance;  1V.5 The variable component subject to deferral shall be determined in the increasing proportion of its weight relative to the fixed component;  1V.6 Absence of contracts concluded by members of the management body the effect of which is to mitigate the variability of the established remuneration;  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;  Where the variable remuneration includes allocation of options, the start of the exercise period shall be	ill be subject to revaluation during  In view of the response to point IV.4.
dependent of the institution's good performance;  1.V.5 The variable component subject to deferral shall be determined in the increasing proportion of its weight relative to the fixed component;  1.V.6 Absence of contracts concluded by members of the management body the effect of which is to mitigate the variability of the established remuneration;  1.V.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;  1.V.8 Where the variable remuneration includes allocation of options, the start of the exercise period shall be deferred during no less than 3 years;  1.V.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.  1.V.10 Management Body - Non-Executive Members  1.V.10 The remuneration of the non-executive members of the management body shall not include any component whose value depends on the performance or value of the institution.  2016.  Not Applicable Not Applicable in the increasing proportion of its proportio	in view of the response to point IV.4.
weight relative to the fixed component;  Not applicable  Complies  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  The remuneration of the non-executive members of the management body shall not include any component whose value depends on the performance or value of the institution.  Complies	
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;  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;  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.  IV. Management Body – Non-Executive Members  IV.10 The remuneration of the non-executive members of the management body shall not include any component whose value depends on the performance or value of the institution.  Complies	in view of the response to point IV.3.
IV.7 up to the limit of twice the total annual remuneration, unless required to pay taxes on the benefit generated by the shares in question;  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;  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.  IV. Management Body – Non-Executive Members  IV.10 The remuneration of the non-executive members of the management body shall not include any component whose value depends on the performance or value of the institution.  Complies	in view of the response to point IV.3.
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.  IV. Management Body – Non-Executive Members  IV.10 The remuneration of the non-executive members of the management body shall not include any component whose value depends on the performance or value of the institution.  Not Applicable  Not Applicable  Not Applicable  Complies	In view of the response to point IV.3.
IV.9 management body shall retain a certain number of shares up to the end of their tenure, the number to be fixed.  IV. Management Body - Non-Executive Members  IV.10 The remuneration of the non-executive members of the management body shall not include any component whose value depends on the performance or value of the institution.  Complies	
IV.10 The remuneration of the non-executive members of the management body shall not include any component whose value depends on the performance or value of the institution.	
component whose value depends on the performance or value of the institution.	
IV. Management Body - Indemnities in the Event of Dismissal	
	on has been established for any form isal of a member of the management
V. Employee Remuneration – Relationship Between Fixed and Variable Remuneration	
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 V.1 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.	
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.  This measure 2016.	will be subject to revaluation during
V. Employee Remuneration – Variable Remuneration Allocation Criteria	
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.  V3. 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.	
The criteria governing the award of the variable remuneration in the light of performance must be v.4 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.  They are not complies Partially since the unde little weight in	ed are predetermined and measurable. related to a multi-year framework rstanding is that this component has the overall amount and concerns the erwise of annual goals.
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.  Complies  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.	
V. Key Employee Remuneration – Deferral of Variable Remuneration	
and its payment shall be dependent on future performance criteria, measured on the basis of criteria   Door Not Comply   component in	ed to date that the little weight of this Total Annual Remuneration does not rral. This measure will be subject to ing 2016.
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 point.	in view of the reply to the preceding

Reco	mmendation	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.	Not Applicable	
VII.2	Adoption of these recommendations shall be ensured in respect of all remuneration paid to each employee by the those institutions that are a part of the same insurance group or financial conglomerate.		Not applicable in the specific case of Seguros LOGO, S.A  These recommendations are assessed in respect of shareholder Companhia de Seguros Tranquilidade, S.A
VII.3	The key functions of the parent company shall perform at least once a year, in articulation with each other, an assessment of the remuneration practices of the affiliates abroad, in the light of the recommendations of this Circular, especially in respect of their effect on the management of the institution's risk and capital.		
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		



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

ANNUAL REPORT AND ACCOUNTS 2015



09

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



Deloitte & Associados, SRUC S.A. Inscrição na OROC nº 43 Registo na CMVM nº 231 Av. Eng. Duarte Pacheco, 7 1070-100 Lisboa Portugal

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#### **LEGAL CERTIFICATION OF THE ACCOUNTS**

(Amounts in thousands of euros - €k)

#### Introduction

1. We have audited the financial statements of Seguros LOGO, SA, which comprise the Balance Sheet as at December 31, 2015, (which shows a total of €23,497k and total equity in the sum of €4,917k, including a net loss of €544k), the Profit & loss account, the Statement of comprehensive income, the Statement of cash-flows and the Statement of changes in equity for the year then ended, and the Notes to the Accounts.

#### Responsibilities

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

#### Scope

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

#### Opinion

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



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#### **Emphases**

- 5. The financial statements referred to in paragraph 1 above have been prepared on a going concern basis, although on December 31, 2015, the equity of the Company is less than half the paid-up share capital. This situation determines application of the provisions of Articles 35 and 171 of the Companies Code. As described in the management report, the Board of Directors will convene a general meeting of the Company for the shareholder to be able to decide on the measures considered suitable, as provided for in that legislation. In view of the foregoing, the continuity of the Company's operations, the realisation of its assets and the liquidation and classification of its liabilities depend on the successful implementation of measures to be decided by the General Meeting and on the success of its future operations, as well as on the provision by its shareholder of adequate financial support.
- 6. The Company's financial statements for the year ended December 31, 2014, are presented in order to comply with the accounts publication requirements. These financial statements were audited by another firm of chartered accountants, whose Legal Certification of Accounts, dated April 1, 2015, contained no reservations and included two emphases. One of the emphases was in respect of the matter referred to in paragraph 5 above, and the other to the fact that the 2013 financial statementshad been audited by another firm of chartered accountants.

#### Report on other legal requirements

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

Lisbon, April 8, 2016

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

#### **BOARD OF AUDITORS' REPORT AND OPINION**

To the Members of Seguros Logo, SA

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

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

Bearing in mind our legal and statutory obligations, we held periodic meetings both with the Board of Directors and with the various services of Logo, including the accounting and financial areas, Internal Audit, Global Risk and Internal Control (including Compliance), from which we obtained such the information and clarifications as were requested. Additionally and in compliance with article 452(1) of the Companies Code, we held meetings with the firm of chartered accountants Deloitte & Associados, SROC, which, in the performance of its duties, examined these 2015 financial statements, issuing the Legal Certification of Accounts on April 8, 2016, without reservations but with 2 (two) emphases, with which we agree and are deemed to be fully reproduced here.

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

A net loss of approximately €544.3k was generated during the period. Our analysis of the financial statements highlights the following:

- Logo has an equity of €4,917k, which is significantly less than half of its share capital, and it is therefore in the situation covered by Articles 35 and 171 of the Companies Code, a situation that is also reported by the Board of Directors in its Management Report, and, at the next General Meeting, the shareholders must take a decision to remedy the situation;
- However, the solvency margin as at December 31, 2015, stood at 107.9% (131.4% in 2014). Logo therefore has a solvency margin that meets the requirements laid down in the regulations of the Insurance and Pension Funds Supervisory Authority ("ASF") for it to carry on its business.

Given the relevance of the matter, we consider it to be important to state that during 2015, Directive 2009/138/EC of the European Parliament and of the Council of November 25, on access to insurance and reinsurance business and their pursuit (Solvency II), was transposed to Portuguese legislation by means of Law 147/2015, of September 9, which determined the date of entry into force of the new Solvency II legislation as from January 1, 2016. Thus, during the 2015 and as described in detail in the Management Report, Logo (within the integrated scope of the Tranquilidade Group) so adjusted its plan of action as to allow compliance with the new legislation.

In view of the foregoing, we are of the opinion that, taking into consideration the matters referred to in paragraphs 5 and 6 of the Legal Certification of Accounts and the financial statements referred to above, as well as the Management Report and the proposal for the appropriation of results set out therein are in accordance with the applicable accounting and statutory requirements, and may therefore be approved by the General Meeting of Seguros Logo, SA.

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

Lisbon, 15 April 2016

Signatures:

Luís Palha da Silva

Manuel Maria Reis Boto

Pedro Aleixo Dias



