VIDA

2011 Annual Report and Accounts

T-VIDA, Companhia de Seguros, S.A.
Avenida da Liberdade, nº 242
1250-149 Lisbon, Portugal
Registered at the Lisbon
Registry of Companies
VAT: 507 684 486
www.t-vida.pt

T-VIDA, COMPANHIA DE SEGUROS

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General Meeting
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Secretary
João Afonso Pereira Gomes da Silva

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Miguel Maria Pitté Reis da Silveira Moreno
Nuno Miguel Pombeiro Gomes Diniz Clemente

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Board of Directors

Peter Brito e Cunha
Chairman

Tomé Pedroso

Miguel Rio-Tinto

Miguel Moreno

Nuno Clemente

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Directors' Report

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Directors' Report

To the Members of T-VIDA, Companhia de Seguros, SA,

Under the law and the articles of association, the Board of Directors is honoured to present to you for appraisal the Management Report and Accounts of T-Vida, Companhia de Seguros, SA (hereinafter T-Vida or Company), in respect of 2011.

2.1. Macroeconomic Framework

The year under review was marked mainly by the difficulties surrounding the Euro Area debt crisis. Besides concerns as to a default by Greece, contagion to peripheral economies such as Spain and Italy was on the horizon and also to core economies such as France and Austria. The decline of confidence and increased risk aversion associated with financial instability in the Euro Area resulted in a drying-up of liquidity in money and credit markets, a particularly noticeable effect from August / September. In this connection, EU leaders agreed at the end of the year to strengthen the rules of consolidation and budgetary control.

The fears of contagion by the debt crisis, particularly in terms of the financial sector, was also reflected in the equity markets, with significant falls in the main European indices. In the US, the Fed's more aggressive monetary policy and the relatively good outlook for economic activity resulted in a less unfavourable performance of the major equity indices.

2.1.1. International Economic Situation

The US GDP grew 1.7% in 2011, slowing from 3.0% the previous year, reflecting the negative impacts of some external shocks on the American economy. These included the effects on production resulting from the earthquake in Japan, the rising price of oil or the effects of the European debt crisis. The less buoyant investment (the annual growth of which decreased from 17.9% to 4.7%) and the downturn of government consumption (2.1%) were the main reasons for this performance, since private consumption performed relatively well (2.2% growth in 2011, following the 2010 figure of 2.0%).

Given the lack of support from equity markets and the housing market, which traditionally underpin household consumption, the growth of this aggregate resulted mainly from an improvement in the employment market and the downward trend in the savings rate. Over the year as a whole, more than 1.6 million new jobs were created and the unemployment rate fell from 9.6% to 9.0% of the workforce between the first and last month of the year. In turn, the savings rate dropped from 5.2% to 4.0% of disposable income over the same period.

Annual inflation ended the year at 3.0%, above the target defined by the monetary authority (2.0%), but with a clearly downward trend and with expectations of price growth in the medium term. In this context, the Federal Reserve continued until the end of 1st half, the second quantitative easing (QE2) programme, involving the acquisition of USD 600 billion of long-term Treasuries and maintained the fed funds target rate at historically low levels (ranging from 0% to 0.25%). The relative lack of drive of the upturn of activity led the Federal Reserve to adopt additional monetary policy measures in the second half of 2011, and it announced its intention of keeping the reference interest rates at exceptionally low levels until at least mid-2013.

In the Euro Area, after a significant acceleration at the beginning of the year thanks to strong growth of investment, particularly investment in construction benefiting from favourable weather conditions, the economy has slowed gradually over 2011, and activity slowed during the 4th quarter.

Annual growth of the Euro Area stood at 1.5%, decelerating from the figure of 1.9% the previous year. Although the growth of the area's main economy, Germany, has been strong (3.0% over the year), the performance was very heterogeneous among the Member States, with much of the Euro Area retuning a much more restrained, growth, with negative annual GDP variations in Greece and Portugal, and growths of less than 1.0% in Spain and Italy. The very considerable sharp fiscal consolidation effort had a more restrictive effect on the activity in these economies.

The slowdown seen during the year was due not only to the strong fiscal consolidation effort (in aggregate terms, the Euro Area deficit fell from 6.2% of the GDP in 2010 to 4.1% of the GDP in 2011), and also to the slowdown of private consumption in a context of deteriorating employment market conditions (the jobless rate rose to 10.4% of the workforce). Exports also slowed, reflecting the downturn of foreign demand, especially from the emerging economies, and the appreciation of the euro during the first half of the year.

The increase of uncertainty and the tensions in the financial markets, particularly the public debt market, and the drying-up of liquidity in the interbank money market, especially as from the summer, penalised the confidence of the economic agents and hampered the banks' funding at European level, against a background of increasing links between the evolution of public-debt markets and the banking industry. The recapitalisation requirements of European banks and the greater difficulties of the banks in accessing the money and credit markets led to a tightening in lending to households and businesses, likewise contributing to moderation of consumption and investment.

In terms of prices, the average annual inflation rate was 2.7%, following the 2010 figure of 1.6%, an increase primarily due to the impact of soaring energy prices (with emphasis on for the price of fuel and food).

The risk that the price increases could, in time, be reflected in rising wages led the European Central Bank to raise its refi rate from 1.0% to 1.5% in two stages, in April and July. However, the deterioration of the growth scenario and the sharp drop in confidence observed, especially as from the summer, in a context of absence of significant inflationary pressures, led the European monetary authority to reduce the refi rate in November and December, back to 1.0%.

With regard to the unconventional monetary policy measures, intended to minimise tensions and instability in the financial markets, the ECB has provided ample liquidity to the banking system, undertaking liquidity--providing operations up to unlimited amounts for periods of 1 week and 1 month at a fixed rate and of 3 months at the average rate that prevailed during the period. Additionally, the monetary authority announced two new long-term liquidity-injection operations (3 years), in the amounts requested by the banks and at the average rate of main refinancing operations in force during the corresponding period.

2.1.2. Domestic Economic Situation

In Portugal, 2011 was marked by the contagion effects of the Euro Area debt crisis and by the start to the execution of the financial adjustment programme. The deterioration of borrowing costs associated with increasing investor risk aversion was further aggravated in Portugal by the down revisions of the sovereign-deb rating (which closed 2011 at BBB- in the case of the S&P Notetion and at Ba2 in that of Moody's). The yield on 10-year public debt securities rose from 6.6% to 13.36% over the year, with the spread against German debt securities increasing 789 basis points to 1,153 basis points.

The financial adjustment programme agreed with the IMF/EU/ECB, involving funding the Portuguese economy in an overall amount of €78 billion, began to be implemented in May 2011, having received two favourable appraisals reviews by the official creditors. In terms of fiscal consolidation, the public deficit fell from 9.8% of GDP to close to 4.0% of GDP. Although this performance benefited from extraordinary measures (in particular, the partial transfer of the banks' pension funds), it also results from a major effort to reduce state expenditure, with a growth rate lower than budgeted, and good tax-revenue execution, in line with forecast.

There has also been significant progress in structural reforms in an environment of political and social stability. Among them: (i) changes in the labour market, which increase flexibility and tend to reduce costs per unit produced, with positive impacts on competitiveness, (ii) reform of the rental market, favouring mobility, debt reduction and and absorption of the supply of housing, and (iii) improvement of the competitive environment, through the privatisation programme, the end of thegolden shares, a new competition law in line with European practice, the reform of the transport sector, the introduction of more competition rules in telecommunications and in electricity and reform of justice, in this case including greater flexibility in insolvency and company recovery proceedings.

The fiscal consolidation measures contributed to a contraction of domestic demand in 2011, with declines in public and private consumption (around 3.0% in annual average terms) and in investment (close to 11.0%). Exports of goods and services continued to grow well, however, (around 7.0% in real terms), with an increasing proportion of sales to emerging markets in Africa, Latin America and Asia.

This trend in exports eased the annual fall of the GDP, which stood at 1.5% in 2011. This performance by exports, allied to the deleveraging under way among the various sectors of the economy, also contributed to a significant reduction of the external deficit, from 8.8% of the GDP to around 6.1% of the GDP, and, in 2012, a further reduction is expected to around 2.0% of the GDP. The net external liabilities of the Portuguese economy has also decreased, to stand at an estimated figure close to 103% of the GDP, compared to a maximum of 110% of the GDP observed in 2009.

2.1.3. Insurance Market

Following the growth in the previous year, 2011 was a year of unparalleled contraction in direct insurance production, which below the volume in 2005. Premiums written amounted to €11,666 million, a decline of €4,674 million (down 28.6%) from the preceding year.

The production of Life insurance was factor underling this negative performance. With premiums of €7,533 million and a variation rate of -38.1%, the share of total production of the Life segment decreased by almost 10 p.p. (from 74.5% in 2010 to 64.6% in 2011). Underlying this performance was the marketing of Life business financial products, bancassurance products in particular.

The great borrowing requirements of the banks led the respective financial groups to focus on marketing products that attract savings to their balance sheets (mainly term deposits), to the detriment of others that essentially generate commission income, such as insurance products and investment funds. The decline of household disposable income and changes to the tax incentives on the PPRs (retirement savings plans) also contributed to the negative results of Life business.

In the Non-Life segment n the decrease of production was relatively marginal, affecting to a greater extent those business lines more sensitive to economic variables, though not inhibiting the moderate growth of others. The volume of premiums amounted to €4,133 million (-0.9% compared to the previous year), with a positive focus on Health business (up 1.5%), demonstrating growing consumer interest in this type of protection although the difficult economic situation face by households and businesses condition growth. The Multi-risk business lines (up 2.3%), Housing and Commerce in particular, have maintained a growth rate consistent with the trend of recent years, showing a greater concern for protection in times of uncertainty.

Workmen's Compensation continues to perform negatively (down 3.7%), reflecting the reduction of employment and the wage restraint of the economy. The volume of premiums of Motor business has been basically stagnant (down 0.8%).

The weight of insurance business in the GDP decreased from 9.25% in 2010 to 6.48% in 2011. The Life segment accounts for 4.18% of the GDP, with Non-Life segment accounting for 2.29% (6.89% and 2.36% in 2010, respectively).

According to the provisional accounts of the insurance industry, net profit in 2011 amounted to €43 million, compared to €414 million in 2010. This decline in profitability of insurance business naturally affected Life business, which accounts for about 80% of the investment portfolio managed by the industry, strongly affected by the adverse capital markets. The technical component was relatively stable since the decrease in premiums and the increase of the amounts paid, especially on redemptions and maturities, were offset by a reduction of the mathematical reserves provision.

Although dot of the dimension of the Life business, the fall of the financial component (down 42.8%) also affected the result of Non-Life segment. The technical account balance improved (up 29.4%) over the previous year as a result of containment of claims costs.

2.2. Relevant Facts in 2011

The year under review 2011 was particularly adverse for Life insurance, especially for business lines with a major capitalisation and PPR component. Despite greater saver sensitivity for saving, the context of highly competitive environment surrounding fund taking, shirt-term funds in particular, coupled with the elimination of tax deduction of Life insurance premiums or the strong limitation of PPR tax benefits, led to a decrease of 38.8% in insurance business.

The volume of T-Vida's business decreased 49.8% by volume, without considering the Capitalisation Operation undertaken in 2010 (considering this Operation, the reduction was 71.2%), with a major impact on the PPRs and Capitalisation products.

In 2011, T-Vida maintained its strategic line of growth in Life Risk insurance, creating conditions to gain momentum and market share in 2012 in this area. During the last four months it recreated its range of products and Life Welfare and strengthened its distribution capabilities by selecting a set of business partners with the profile and willingness required to sell this type of insurance. In this area it also developed new forms of distribution, notebly telephone sales, having achieved very satisfactory results.

Provision of a quality service to its customers and business partners continued to be one of T-Vida's priorities. During the year, therefore, a policy was maintained of ongoing introduction of improvements to the computerisation of the services.

With regard to the stock of policies, the maturity of some products and the pursuit of higher rates by savers in the short term, led to the cancellation of a significant number of policies.

The Capitalisation Operation subscribed to in November 2010 was also repaid.

2.3. Main Variables & Business Indicators

(thousand euros)

	2011	2010	Change 11/10 (%)
Balance Sheet			
Investments	796,869	806,200	-1.2
Net assets	902,978	941,559	-4.1
Equity	62,895	66,873	-5.9
Investment contract mathematical provisions & liabilities	737,933	858,332	-14.0
Gains & Losses			
Total production	47,166	164,436	-71.3
Premiums earned, net of reinsurance	31,722	36,662	-13.5
Costs of claims, net of reinsurance	62,284	43,713	42.5
Mathematical Provision, net of reinsurance	30,026	7,500	300.3
Share of profits/(losses), net of reinsurance	1,698	1,790	-5.1
Operating costs	6,923	7,335	-5.6
Financial result	15,727	16,221	-3.0
Technical balance (1)	8,206	8,533	-3.8
Overall balance (2)	9,819	13,407	26.8
Net result	3,013	5,140	41.4
Indicators (%)			
Technical balance / Total production (4)	17.4	9.0	8.4 p.p.
Operating costs / Total production (4)	14.7	7.8	6.9 p.p.
Operating costs / Invest. cont. math. provisions & liabilities	0.9	0.9	0.1 p.p.
Solvency margin cover rate	115.9	107.9	8.0 p.p.
Claims / Premiums (IFRS 4)	182.4	79.4	103.0 p.p.
Benefits paid (3) / Deposits received (4) (IAS 39)	259.6	80.8	178.8 p.p.
Acquisition costs / (premiums + deposits received)	12.5	7.1	5.4 p.p.
Administrative costs / (premiums + deposits received)	6.6	3.3	3.3 p.p.
Other Indicators			
Nº Employees (5)	17	17	0.0
Nº Policies	139,465	147,493	-5.4

(1) Technical balance net of Reinsurance.
(2) Technical balance + Balance of financial activity.
(3) Excludes €71,249 million for the capitalisation operation redemption in 2011.
(4) Excluding €70 million in respect of the capitalisation operation allocated to the banking channel, undertaken in 2010.
(5) Employees belonging to the permanent staff.

2.4. The Business of T-Vida in 2011

2.4.1. Total Production

In 2011 there was a significant change to the Insurer's production, the result of surroundings adverse to capitalisation insurance and PPRs.

Production totalled €47,166k, a decrease of 71.3% (€117,270k), from last time. This change was influenced by the Capitalisation Operation undertaken in November 2010 in the sum of €70,000k. Excluding this operation, Life premiums would have declined by 50.1% (€47,270k) compared to the previous year.

Financial Products, PPRs and Capitalisation, contributed greatly to this decrease, down 64.6% (or €47,784k), with PPRs retreating 67.2% (or €42,746k).

Annuities performed very well, up 24.4% (€862k) while the Mixed Insurance decreased 9.6% (€300k), since this is a very mature type of product little marketed.

The Life Risk business line grew 0.4% gaining importance in production and increasing its weight to 29.1% (14.5% in 2010), the analysis excluding the Capitalisation Operation (OCA). This growth is particularly important given the high technical techniques that this type of product provides, making a significant contribution to the Company's profit.

(thousand euros)

	2011	2010	Change 11/10 (%)
Total Production	**47,166**	**164,436**	**-71.3%**
Insurance Contracts	**34,373**	**58,637**	**-41.4%**
- Annuities	4,396	3,534	24.4%
- Other risk & mixed products	16,549	16,897	-2.1%
- Capitalisation products	4,484	6,731	-33.4%
- PPR	8,944	31,475	-71.6%
Investment Contracts	**12,793**	**105,799**	**-87.9%**
- Capitalisation products	873	3,664	-76.2%
- PPR	11,920	32,135	-62.9%
- Capitalisation operations	0	70,000	-

2.4.2. – Costs of Claims and Benefits Paid

Total costs incurred with indemnities amounted to €167,143k, an increase of 121.5% compared to 2010. This increase is the result of the repayment of the OCA in the sum of €71,249k, and also by the significant increase in redemptions in Guaranteed PPRs and Unit-Linked PPRs.

The weight of indemnities as a proportion of the mathematical provisions at the start of the period stood at 13.0% (8.8% the previous year), and 2011 was marked by a large volume of maturities (€12,307k) and surrenders (€66,752k) - not including the OCA.

In PPRs, the cost of claims and benefits paid amounted to €70,846k (up 68.6%), caused by the €28,721k increase of redemptions, which have a weight of 58.3% in total cost of claims, compared to 36.7% in 2010. Claims under Capitalisation products decreased by €7,967k as a result of a decrease in maturities and redemptions of Financial products. In Traditional products compensation costs totalled €13,648k (down 2.9%), mainly due to the large volume o f redemptions in Mixed the products and the under Annuities.

(thousand euros)

	2011	2010	Change 11/10 (%)
Costs of Claims & Benefits Paid	**167,143**	**75,467**	**121.5%**
Insurance Contracts	**62,687**	**46,547**	**34.7%**
- Annuities	5,255	5,243	0.2%
- Other risk & mixed products	8,393	8,812	-4.8%
- Capitalisation products	6,094	5,462	11.6%
- PPR	42,590	26,661	59.7%
Cost of Claims Imputed	**355**	**369**	**-3.8%**
Benefits Paid on Investment Contracts	**104,456**	**28,920**	**261.2%**
- Capitalisation products	4,951	13,550	-63.5%
- PPR	28,256	15,370	83.8%
- Capitalisation operations	71,249	0	-

2.4.3. Mathematical Provisions and Investment Contract Liabilities

The evolution under mathematical provisions and investment contract liabilities is directly related with products of a financial nature marketed, which correspond directly to the amounts recorded under insurance and investment contract liabilities.

As at December 31, 2011, mathematical provisions and investment contract liabilities fell 14.0% (€120,399k), mainly the result of the reduction of the financial liabilities of the PPRs (€15,488k) and Capitalisation Operations (€71,649k), to €302,962k, accounting for 41.1% (43.6% in 2010) of the mathematical provisions and insurance and investment contract liabilities.

The sale of contracts with lower technical rates gave rise to a small average variation of the guaranteed minimum rates on PPR products and capitalisation products, with an oscillation from 3.00% to 3.02% and from 2.36% to 2.33% in 2010 and 2011 respectively.

It should be pointed out that the strategy followed at T-Vida of considering the PPR product to be strategic to the long-term return, accounting for 68.3% of the total of the mathematical provisions and insurance and investment contract liabilities in 2011, allowed the Company to maintain its leadership of the segment of Insurers that do not operate the banking channel.

(thousand euros)

	2011	2010	Change 11/10 (%)
Mathematical Provisions & Contract Investment Liabilities	**737,933**	**858,332**	**-14.0%**
Mathematical Provisions	**313,242**	**342,735**	**-8.6%**
- Annuities	48,700	48,020	1.4%
- Other risk & mixed products	35,763	38,190	-6.4%
- Capitalisation products	34,440	35,005	-1.6%
- PPR	194,339	221,520	-12.3%
Financial Liabilities	**424,691**	**515,597**	**-17.6%**
- Capitalisation products	19,007	22,776	-16.5%
- PPR	102,722	118,210	-13.1%
- Capitalisation operations	302,962	374,611	-19.1%

2.4.4. Technical Balance

There was a decrease in the technical balance(1) of €8,533k in 2010 to €8,206k in 2011. Compared to the previous year, this is a decrease of €327k (3.8%), largely the result of the decrease of the Company's premiums and the increased claims rate risk in Risk products. Attention is drawn to the impact of the LAT on the Mixed products (income of €756k in 2010).

The financial balance(2) returned a negative growth of €3,261k (66.9%), resulting from the unfavourable performance of income, financial reinsurance and liabilities to customers associated with guaranteed-rate products.

The overall balance(3) stood at €9,819k, a decrease of €3,588k (26.8%) over the previous year. Excluding the LAT effect in 2010, the change would have been equally unfavourable, down €2,832k (22.4%).

(thousand euros)

	2011	2010	Change 11/10 (%)
Technical Balance (1)	**8,206**	**8,533**	**-3.8**
- PPR	450	420	7.1
- Capitalisation	142	82	73.2
- Traditional	7,614	8,031	-5.2
Financial Activity Balance (2)	**1,613**	**4,874**	**-66.9**
- PPR	-936	3,588	-126.1
- Capitalisation	834	1,231	-32.3
- Traditional	1,307	-338	-486.7
- Capitalisation operations	408	393	3.8
Overall Balance (3)	**9,819**	**13,407**	**-26.8**

(1) Technical balance net of Reinsurance.
(2) Income from financial activity including profit-sharing and technical interest.
(3) Technical balance + Balance of financial activity.

2.4.5. Operating Costs

Operating costs decreased 5.6% (€412k), y-o-y, mainly due to the substantial reduction of staff costs.

Staff costs decreased by 22.5% (€375k) as a result of the change in remuneration policy of the governing bodies with regard to profit sharing.

Third-party supplies & services were broadly in line with the previous year, down 0.3% (€8k). Despite the increase under advertising (telemarketing costs) and under specialised IT work, there was a sharp decrease in the cost of banking-channel commissions.

Compared to last time, taxes and other levies decreased in proportion to the volume of premiums written in 2011 (impact of the Capitalisation Operation undertaken in November 2010).

Changes under other costs were not very significant compared to last time.

(thousand euros)

	2011	2010	Change 11/10 (%)
Staff costs	1,294	1,669	-22.5
Third-party supplies & services	2,918	2,926	-0.3
Taxes and charges	23	79	-70.9
Depreciation charges for the period	2,372	2,313	2.6
Commissions	316	348	-9.2
Total	**6,923**	**7,335**	**-5.6**

2.4.6. Investments

The year under review was marked by the European debt crisis and its impact on the "real economy", particularly in Europe, due to the restriction of credit to companies and individuals, and the global economic slowdown. The emerging economies were not immune and were exposed through exports and capital flows which, being directed less to these economies, conditioned their growth.

Of the developed economics, the spotlight is on the good indicators for the American and German economies. In the US, despite the slowdown in growth expected for 2011, the worst scenarios that predicted a further downturn were set aside. Over the year as a whole GDP growth is set to have stood at 1.7%, a slowdown compared to 3% the previous year. The labour market was more dynamic, especially toward the end of the year, with job creation of jobs rising to the highest figures since the crisis of 2008-09, the jobless rate falling to 9.0%, compared to 9.6% at the end of 2010.

In Europe, the debt crisis penalised growth in 2011, a pressure that was felt in the central economies after the summer, with increasing pressure on Spain and Italy, overshadowing growth expectations for the end of 2011 and first half of 2012. In individual terms, Germany is expected to have grown by nearly 3% in 2011, while the economies of Portugal and Greece are set to return negative growth over the year as a whole.

The year was marked by the European sovereign debt crisis and political indecision as to the necessary measures to be adopted to overcome it. With the increase of yields and the State's considerable difficulty in borrowing from the international markets, Portugal had to resort, in April, to a loan from the IMF/EU/ECB in the sum of €78 billion. In the summer, with the sudden increase of Italian and Spanish yields, the crisis spread to the countries of the European centre, making the European debt crisis systemic and possibly jeopardising the single currency project.

The debt crisis has also had its political impact, with the governments of Portugal, Ireland, Spain, Greece and Italy changing during 2011. The year was also marked by successive rating cuts by the three major ratings agencies (S&P, Fitch and Moody's) of the sovereign issuers and European banks, with Portugal's rating being cut successively to the non-investment grade category. Nor did the USA escape this trend, losing the S&P Triple A rating.

The European Central Bank (ECB) raised its refi rate twice by the summer, from 1% to 1.5%, reacting to rising inflation that reached stood at 3% in annual terms mid-year. However, the spread of the European debt crisis to the core economies and the inherent risks to economic growth led the ECB to reverse its policy and reset the interest rate to its historic low of 1% during the last quarter of the year under its new governor Mario Draghi. Given the existing constraints in the interbank market, the ECB adopted a series of unconventional measures, including the provision of liquidity in three-year operations, relaxation of the rules of acceptance of collateral, a new programme to buy mortgage bonds and a reduction of the amount of mandatory reserves kept at the ECB.

On the equity markets, performance in 2011 was negative overall, the US market having returned the best performance by remaining unchanged (as measured by the S&P 500 index). In Europe the situation was much more serious as a result of the flight of investment (Eurostoxx 50 down 17%). Portugal was severely penalised (PSI 20 down 27.6%), especially after having fallen back on the IMF/EU/ECB loan. Even those emerging markets that have better growth prospects in the medium/long term did not escape the falls (MSCI EM down 20.4%).

The stock markets were penalised by the European debt crisis during 2011 and by the scenarios of a possible breakdown of the Euro Area or the departure of some of its Member States. The summer months were particularly harsh for returns, with the spread of the crisis to Spain and Italy severely penalising investor sentiment.

T-Vida's financial policy focused on investment in fixed-rate bonds and on the management and maintenance of liquidity levels. At the end of the year, with the worsening of public-debt crisis in Europe, investment was channelled to the public debt of the core European countries having an AAA rating. Liquidity was kept at robust levels, as a precautionary measure and to take advantage of the high remuneration of term deposits with major national banking institutions. The stock market continued to account for a very small share of the investment portfolio with the gradual reduction of exposure, accounting for less than 1% of the total portfolio at the year-end.

In the bond segment the policy continued to be directed at relatively short maturities of 3 to 5 years, at keeping the average rating of the portfolio at A2/A, and at the phased sale of floater bonds (down 33.4%), with a view to reducing exposure per issuer and to ensure sectoral diversity. During the first quarter of the year, with the increase of the spread on Portugal's credit, exposure to domestic issuers also increased, having implicit rates of return (yields) greater than the average of the investment portfolio and maintaining the average rating of the portfolio.

Following Portugal's loan application and the subsequent rating cut in respect of Portuguese issuers, the levels of investment in domestic issuers were maintained, now focused on short-term opportunities, that is, bonds maturing at less than 1 year, and especially on primary market issues of Treasury Bills maturing between 3 and 6 months with yields close to 5%. The successive downgrades of Portugal led to the a deterioration of the average portfolio rating and, towards the year-end, investment increased significantly in core European issuers with AAA-AA ratings with short maturities (up to 2 years).

Due to the spread of European debt crisis and the increased uncertainty in capital markets, liquidity levels were kept high throughout the year, despite the reduction observed when compared with the previous year, the result of product redemptions in the various portfolios under management.

(thousand euros)

Assets Under Management (1)	2011	2010	Change 11/10 (%)
Bonds	308,814	280,286	10.2
Equities & investment funds	5,919	10,084	-41.3
Liquidity	90,102	145,109	-37.9
Unit Linked (2)	308,842	381,214	-19.0
Other	34	35	-3.1
Total	**713,711**	**816,728**	**-12.6**
Repo operations	47,594	0	-
Held-to-maturity assets	107,679	0	-

(1) Amounts determined from a management standpoint.
(2) Mainly invested in investment funds.

With the worsening of the sovereign-debt crisis, the majority of Portuguese banks was forced to increase borrowing from the ECB, giving as collateral assets ceded by the insurance companies forming part of their Economic Group. For insurance companies, these operations, called repos, are considered low-risk operations, generating greater profitability and more effective management of investment portfolios. T-Vida using these instruments in the first quarter of 2011, ending the year with a net amount allocated to these operations of about €47,594k.

Regulatory Standard 4/2011-R of June 2 issued by the ISP, has allowed assets classified as "Held-to-maturity assets to be carried at amortised cost. This rule promotes the consistence of the prudential mechanism with the new financial reporting principles, while ensuring an adequate level of protection of insurance policyholders and beneficiaries. T-Vida adopted this procedure retroactively as from January 1, 2011, ending the year with €107,679k carried under this class.

(thousand euros)

Financial Results [1]	2011	2010	Change 11/10 (%)
Income	16,923	12,656	33.7
Gains & losses	873	5,086	-82.8
Impairments	-2,128	390	-645.6
Unit linked gains & losses	59	-1,911	103.1
Total	**15,727**	**16,221**	**-3.0**

(1) Amounts determined from a management standpoint.

In terms of financial results, 2011 saw a decrease of the absolute value compared to 2010, of about €494k (down 3.0%). Excluding the effect of the Unit Linked, 2011 showed a decrease from the previous year of €2,464k (13.6%). The year was marked negatively by the impairment recorded under the public debt of Greece, amounting to €2,069k, and by the reduction of net gains realised on the sale of bonds and other assets. The strategy of reduction of exposure to floating-rate bonds led to a realised book loss totalling €4,449k.

The return on average assets (excluding the Unit Linked effect) on the financial result stood at 3.7%, which compares with 4.4% for 2010.

2.4.7. Equity and Solvency Margin

Equity in 2011 fell to €62,895k, €3,978k less than in the previous year. This decrease is the result of the reduction of revaluation reserves in the sum of €3,040k to around -€25,774, as a result of the impact of the deterioration of the credit market. The decrease of the net profit also contributed to the reduction of equity in the sum of €2,127k.

The solvency ratio estimated as at December 2011 stood at 116%, compared to 108% for 2010. The reduction of the required solvency margin, due to the reduction of insurance not linked to investment funds (excluding supplementary insurance), contributed to this good performance.

(thousand euros)

Equity	2011	2010	Change 11/10 (%)
Equity capital	65,000	65,000	-
Other capital instruments	12,500	12,500	-
Revaluation reserves	-25,774	-22,734	-13.4
Other reserves	8,090	6,928	16.8
Retained earnings	66	39	69.2
Net profit/(loss)	3,013	5,140	-41.4
Total	**62,895**	**66,873**	**-5.9**

2.4.8. Risk Management, Internal Control System and Compliance

Based on the framework provided by Directive 2009/138/EC of the European Parliament and the Council of 25 November concerning the insurance and reinsurance business (Solvency II), the Tranquilidade Group, of which T-Vida forms part, continued, during 2011, the work of adapting to the new Solvency II mechanism, which will require substantial changes in insurance business.

It is expected, however, that this directive may be substantially altered, both in its scope and also in the deadline for transposition, with the publication of the Omnibus II Directive at the end of the first half of 2012.

This notwithstanding, several measures were developed during 2011, of which the following are highlighted:

- Further development of methodologies for calculating economic capital, using specific tools to do so;
- Active involvement in the work groups of the Insurance Institute of Portugal and of the Portuguese Insurers Association about matters relating to the evolution of the Solvency II project;
- Reviewing and updating the internal control system, including mapping of processes, risks, controls and improvement opportunities that had been identified;
- Systematisation and periodic monitoring of the status of implementation of the recommendations set out and approved within the scope of the internal control system;
- Definition, formalisation and monitoring of various policies, specifically, in addition to others, those concerning the Remuneration of Corporate Officers and Key Employees, the Human Resources policy and the Reinsurance policy;
- Monitoring of potentially fraudulent situations reported to the Company through by whistle-blowers.

In Solvency II the measures called for in the in the Solvency II (Roadmap) implementation plan previously defined were tracked and monitored.

2.5. Proposal for the Appropriation of Profit

A net profit in the sum of €3,012,995.53 was returned,for which we propose the following appropriation:

a) 10% of the Net profit for the year in the sum of €301,299.55 to Legal Reserve;
b) Payment of dividends in the sum of €2,700,000.00;
c) The remainder to Retained Earnings.

Following the appropriation of profits proposed above, the solvency ratio remains above the legally required minimum levels.

2.6. Objectives for 2012

2012 will be a challenging year, requiring complete focus on traditional Life business: Welfare Risk and attracting programmed medium- and long-term savings. Opportunities that arise from the reduction of benefits designed to ensure the sustainability of the Social Security System, coupled with the professionalism of our Business Partners playing an active role in Life business, will help to achieve results in key business lines for the profitable development of the business.

Additionally, the industrialisation of direct sales and demand for new forms of distribution that provide fast gains in Life Risk production will also be one of the goals for the year. The Large and Medium Enterprises segment will continue to be one of the axes of action, seeking different approaches that will meet the needs of these segments, particularly of customers carrying on business in different countries.

Provision of quality service will continue to be one of T-Vida's main concerns, the idea being to become the benchmark company in the sector.

T-Vida's activity falls within a reasoning of ensuring the loyalty of its customer base and of complementing the service of excellence provided to Tranquilidade's agents and brokers. The main pillars on which the planned growth of the business of T-Vida will rest will continue to be:

1. Selective enlargement of the Agents base that distribute Traditional, Life Risk and medium- and long-term Savings products. Coaching the Agents network in order to improve their counselling skills

in Protection and Security Solutions, as well as the provision of a competitive offer responding to the needs of modern society will be levers fundamental to achieving the planned growth.

2. Optimization of the assurfinance distribution model, drawing on the experience gained by this network in the area of advisory services for its customers clients and close relations with the Banco Espírito Santo banking network.

3. Increase of T-Vida's role in the Large & Medium Enterprise segment, from a standpoint of Fringe Benefits and Employee Benefits, providing solutions suited to companies and, in particular, to those that operate in various geographic areas or have international projection.

4. The approach to the Business segment, from the viewpoint of an integrated Life and Non-Life offer will continue to be developed and augmented.

The targets set up for 2012 are consistent with the growth prospects of the industry and of the economy.

The sharp reduction of the tax benefits of the PPRs stemming from implementation of the restrictive measures of the Portuguese State Budget for 2014 will also impact on the placement of this product and on the way in which savers view this savings instrument. There will be a need to emphasise and to demonstrate the need for each taxpayer to set aside a pension complement. For the coming years relevant growth targets have been set up, the aim being to enhance the market share in the Life Risk segment among those insurers with no banking channel, and to increase the number of customers holding programmed-payment products.

In managing the overall risk, the measures begun the previous years will continue, directed at proper implementation of the rules defined by the Solvency II Directive.

Specifically, we underscore for 2012, the following measures / activities:

- Monitoring the Solvency II implementation programme and its adaptation to the new regulatory requirements planned for 2012;

- Furthering implementation of the business-continuity project, involving the operational exercises of the Business Continuity Site (BCS);

- Formalisation of Risk-tolerance Limits;

- Development and formalisation of several risk policies, such: the corporate governance manual; the outsourcing policy; the systems security and access policy; the premises security and access policy; the investment policy; the pricing policy; and product development;

- Adaptation of existing tools in terms of the economic capital calculation requirements.

2.7. Closing Remarks

The Board of Directors wishes to express its gratitude to the equityholder and also for the indispensable co-operation provided by BES-Vida and Tranquilidade, as well as to the Company's employees for their contribution to the development of T-Vida.

We are also pleased to record the activity of the Audit Committee and of the Official Auditor, while we also express our thanks to the Insurance Supervisory Authority and the Portuguese Insurers Association for their co-operation in various fields of their sphere of competence.

Lisbon, 8 March 2012

The Board of Directors

Pedro Guilherme Beauvillain de Brito e Cunha
(Chairman)

Augusto Tomé Pires Fernandes Pedroso
(Director)

António Miguel Natário Rio-Tinto
(Director)

Miguel Maria Pitté Reis da Silveira Moreno
(Director)

Nuno Miguel Pombeiro Gomes Diniz Clemente
(Director)

03

VIDA

Financial Statements

Balance Sheet (Assets) as at December 31, 2011 and 2010, and January 1, 2010

(thousand euros)

ASSETS	Notes to the Accounts	December 31, 2011 Gross Value	Impairment, Depreciation / Amortisation or Adjustments	Net Value	December 31 2010	January 1 2010
Cash & cash equivalents and sight deposits	8	5,588		5,588	19,568	11,511
Investments in affiliates, associates and joint ventures						
Financial assets held for trading	6					
Financial assets classified in the initial recognition at fair value through profit or loss	6	315,583		315,583	379,476	312,211
Hedge derivatives	6					1,434
Available-for-sale assets	6	203,263	-2,638	200,625	282,848	278,147
Loans & Receivables		**172,982**		**172,982**	**143,876**	**103,657**
Deposits at cedent companies						
Other deposits	6	134,731		134,731	143,841	103,620
Loans granted	6	34		34	35	37
Receivables						
Other	6	38,217		38,217		
Held-to-maturity investments	6	107,679		107,679		
Land & Buildings						
Land & buildings held for own use						
Land & buildings held for income						
Other tangible assets						
Inventories						
Goodwill						
Other tangible assets	12	50,973	-13,070	37,903	40,065	42,134
Technical Provisions for Reinsurance Ceded		**1,419**		**1,419**	**1,008**	**6,430**
Provisions for unearned premiums						
Mathematical provision for life business	4	586		586	414	5,977
Provisions for claims	4	155		155	273	134
Provision for profit-sharing	4	678		678	321	319
Provision for rate commitments						
Portfolio stabilisation provision						
Other technical provisions						
Assets for post-employment benefits & other long-term benefits	23				12	20
Other Debtors for Insurance & Other Operations		**2,497**	**-51**	**2,446**	**2,501**	**2,313**
Receivables for direct insurance operations	13	2,099	-51	2,048	1,648	1,481
Accounts receivable for other reinsurance operations	13	238		238	79	431
Accounts receivable for other operations	13	160		160	774	401
Tax Assets		**6,856**		**6,856**	**7,385**	**6,394**
Current tax assets	24	229		229	433	197
Deferred tax assets	24	6,627		6,627	6,952	6,197
Accruals & deferrals	13	1,078		1,078	2,575	2,021
Other items of assets	13	50,819		50,819	62,245	102,172
Available-for-sale non current assets and discontinued operating units						
Total Assets		**918,737**	**-15,759**	**902,978**	**941,559**	**868,444**

THE ACCOUNTANT
Jorge Manuel Tavares Rosa

THE FINANCIAL & ADMINISTRATIVE MANAGER
Alexandre Miguel Varela Simões Lopes

THE GENERAL MANAGER
Elisa Maria Silva Gaião Mendes Piteira

THE BOARD OF DIRECTORS
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António Miguel Natário Rio-Tinto
Miguel Maria Pitté Reis da Silveira Moreno
Nuno Miguel Pombeiro Gomes Diniz Clemente

Balance Sheet (Liabilities and Equity) as at December 31, 2011 and 2010, and January 1, 2010

(thousand euros)

LIABILITIES & EQUITY	Notes to the Accounts	December 31, 2011	December 31 2010	January 1 2010
Liabilities				
Technical Provisions		**323,097**	**351,602**	**341,328**
Provisions for unearned premiums	4	1,467	1,266	999
Mathematical provision for life business	4	313,242	342,735	332,257
Provisions for Claims				
For life insurance	4	6,152	5,711	6,159
Provision for profit-sharing	4	2,236	1,890	1,724
Provision for rate commitments				
Portfolio stabilisation provision	4			189
Other technical provisions				
Financial liabilities of the deposit component of insurance contracts and of insurance contracts and transactions considered investment contracts for accounting purposes	5	424,691	515,597	438,999
Other Financial Liabilities		**85,811**	**177**	**158**
Hedge derivatives				
Subordinated debt				
Deposits received from reinsurers				
Other	5 & 6	85,811	177	158
Liabilities for post-employment benefits and other long-term benefits	23	5		
Other Creditors for Insurance Operations and Other Operations		**2,247**	**2,445**	**3,120**
Accounts payable for direct insurance operations	13	1,481	1,365	1,322
Accounts payable for other reinsurance operations	13	538	367	473
Accounts payable for other operations	13	228	713	1,325
Tax Liabilities		**271**	**299**	**253**
Current tax liabilities	24	271	299	253
Deferred tax liabilities				
Accruals & deferrals	13	3,785	4,559	3,511
Other provisions	13	176	7	24
Other liabilities				
Liabilities of a group for sale classified as available-for-sale				
Total Liabilities		**840,083**	**874,686**	**787,393**
Equity				
Equity capital	25	65,000	65,000	65,000
(Treasury shares)				
Other capital instruments	25	12,500	12,500	20,000
Revaluation Reserves		**-25,774**	**-22,734**	**-12,975**
For adjustments to the fair value of financial assets	26	-26,302	-23,862	-13,483
For revaluation of land & premises				
For revaluation of intangible assets				
For revaluation of other tangible assets				
For adjustments to the fair value of cash-flow hedge instruments	26	528	1,128	508
For adjustments to the fair value of net investment hedges in foreign currency				
For currency translation differences				
Deferred and current tax reserve	26	6,533	5,874	3,234
Other reserves	26	1,557	1,054	526
Retained earnings	35	66	39	5,266
Net profit/(loss) for the period		3,013	5,140	
Total Equity		**62,895**	**66,873**	**81,051**
Total Liabilities & Equity		**902,978**	**941,559**	**868,444**

THE ACCOUNTANT
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Profit & Loss for the Years Ended December 31, 2011 and 2010

(thousand euros)

Profit & Loss Account	Notes to the Accounts	December 31, 2011 Technical Life	Non-Technical	Total	December 31 2010
Premiums Earned Net of Reinsurance		**31,722**		**31,722**	**36,662**
Gross premiums written	14	34,373		34,373	58,637
Ceded reinsurance premiums	14	-2,450		-2,450	-21,727
Provisions for unearned premiums (change)	4 & 14	-201		-201	-248
Provisions for unearned premiums, reinsurers' part (change)					
Commissions on insurance contracts and transactions considered investment contracts or provision of services contracts for accounting purposes	15	659		659	838
Costs of Claims, Net of Reinsurance	4	**-62,284**		**-62,284**	**-43,713**
Amounts Paid		-61,653		-61,653	-44,300
Gross amounts		-62,174		-62,174	-46,995
Reinsurers' part		521		521	2,695
Provision for claims (change)		-631		-631	587
Gross value		-513		-513	448
Reinsurers' part		-118		-118	139
Other technical provisions, net of reinsurance	4				189
Mathematical Provision of the Life Line, Net of Reinsurance	4	**30,026**		**30,026**	**7,500**
Gross value		29,854		29,854	-9,822
Reinsurers' part		172		172	17,322
Share of profits/(losses), net of reinsurance	4	-1,698		-1,698	-1,790
Net Operating Costs & Expenses	21	**-8,220**		**-8,220**	**-9,328**
Acquisition costs		-5,874		-5,874	-6,690
Deferred acquisition costs (change)	4	-26		-26	-32
Administrative costs		-3,107		-3,107	-3,120
Reinsurance commissions and profit sharing		787		787	514
Income	16	**19,359**	**192**	**19,551**	**13,158**
On interest on financial assets not carried at fair value through profit & loss		17,770	192	17,962	12,262
On interest on financial liabilities not carried at fair value through profit & loss					
Other		1,589		1,589	896
Financial Costs	16	**-1,662**	**-12**	**-1,674**	**-463**
On interest on financial assets not carried at fair value through profit & loss					
On interest on financial liabilities not carried at fair value through profit & loss					
Other		-1,662	-12	-1,674	-463
Net Gains on Financial Assets & Liabilities not Carried at Fair Value Through Profit & Loss	17 & 18	**-7,389**	**-51**	**-7,440**	**3,536**
On available-for-sale assets		-6,012	-51	-6,063	4,462
On loans & receivables					
On investments held to maturity		107		107	
On financial liabilities carried at amortised cost	5	-2,084		-2,084	-1,998
Other		600		600	1,072
Net Gains on Financial Assets & Liabilities not Carried at Fair Value Through Profit & Loss		**5,492**		**5,492**	**945**
Net gains of financial assets & liabilities held for trading	17 & 18	7,511		7,511	
Net gains on financial assets & liabilities classified in the initial recognition at fair value through profit & loss	5, 17 & 18	-2,019		-2,019	945
Currency translation differences	19	-10		-10	-457
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)		**-2,128**	**262**	**-1,866**	**354**
On available-for-sale assets	6	-2,128		-2,128	390
On loans and receivables carried at amortised cost					
On held-to-maturity investments					
Other	13		262	262	-36
Other technical income/costs, net of reinsurance	20	-8		-8	-23
Other provisions (change)					
Other income/expenses	20		-183	-183	-371
Negative goodwill recognised immediately in profit & loss					
Gains & losses on associates and joint ventures carried using the equity method					
Gains & losses on non-current assets (or groups for sale) classified as available-for-sale					
Net Profit Before Tax		**3,859**	**208**	**4,067**	**7,037**
Income tax for the year - Current tax	24		-59	-59	-97
Income tax for the period - Deferred tax	24		-995	-995	-1,800
Net Profit/(Loss) for the Period		**3,859**	**-846**	**3,013**	**5,140**
Earnings per Share (in euros)	**27**			**0.05**	**0.08**

THE ACCOUNTANT	THE FINANCIAL & ADMINISTRATIVE MANAGER	THE GENERAL MANAGER	THE BOARD OF DIRECTORS
Jorge Manuel Tavares Rosa	Alexandre Miguel Varela Simões Lopes	Elisa Maria Silva Gaião Mendes Piteira	Pedro Guilherme Beauvillain de Brito e Cunha Augusto Tomé Pires Fernandes Pedroso António Miguel Natário Rio-Tinto Miguel Maria Pitté Reis da Silveira Moreno Nuno Miguel Pombeiro Gomes Diniz Clemente

04

VIDA

Comprehensive Income Statement

04
Comprehensive Income Statement

Comprehensive Income Statement as at December 31, 2011 and 2010

(thousand euros)

	2011	2010
Net profit/(loss) for the period	3,013	5,140
Variation of the fair value of financial assets and hedging instruments on cash-flow hedging	-3,040	-9,759
Variation of current & deferred taxes	659	2,640
Actuarial differences recognised in reserves	-10	1
Total Comprehensive Income	**622**	-1,978

05

VIDA

Statement of Changes in Equity

05
Statement of Changes in Equity

Statement of Changes in Equity as at December 31, 2011 and 2010

(thousand euros)

		Other Capital Instruments	Revaluation Reserves			Other Reserves				
	Equity Capital	Supplementary Capital Contributions	For Adjustments to the Fair Value of Available-for-Sale Financial Assets	For Hedges in Cash-Flow Hedging	**Deferred and Current Tax Reserve**	Legal Reserve	Other Reserves	**Retained Earnings**	**Net Profit/ (Loss) for the Period**	**Total**
Balance as at December 31, 2009 (opening balance sheet)	**65,000**	**20,000**	**-13,483**	**508**	**3,234**	**542**	**0**	**0**	**5,266**	**81,067**
Accounting policy changes (IAS 8)							-16			-16
Balance as at January 1, 2010 (amended opening balance)	**65,000**	**20,000**	**-13,483**	**508**	**3,234**	**542**	**-16**	**5,266**	**0**	**81,051**
Reimbursement of supplementary capital contributions		-7,500								-7,500
Net gains for adjustment to the fair value of available-for sale financial assets			-10,379							-10,379
Net gains for adjustment of hedges in cash-flow hedging				620						620
Adjustments for recognition of deferred and current taxes					2,640					2,640
Actuarial differences recognised in reserves							1			1
Increases of reserves for appropriation of profits						527		-527		0
Distribution of profits								-4,700		-4,700
Total Changes in Equity	**0**	**-7,500**	**-10,379**	**620**	**2,640**	**527**	**1**	**-5,227**	**0**	**-19,318**
Net profit/(loss) for the period									5,140	5,140
Balance as at December 31, 2010	**65,000**	**12,500**	**-23,862**	**1,128**	**5,874**	**1,069**	**-15**	**39**	**5,140**	**66,873**
Net gains for adjustment to the fair value of available-for sale financial assets			-2,440							-2,440
Net gains for adjustment of hedges in cash-flow hedging				-600						-600
Adjustments for recognition of deferred and current taxes					659					659
Actuarial differences recognised in reserves							-10			-10
Increases of reserves for appropriation of profits						513		-513		0
Distribution of profits								-4,600		-4,600
Transfers between equity headings not included in other lines								5,140	-5,140	0
Total Changes in Equity	**0**	**0**	**-2,440**	**-600**	**659**	**513**	**-10**	**27**	**-5,140**	**-6,991**
Net profit/(loss) for the period									3,013	3,013
Balance as at December 31, 2011	**65,000**	**12,500**	**-26,302**	**528**	**6,533**	**1,582**	**-25**	**66**	**3,013**	**62,895**

06

Cash-Flow Statement

06
Cash-Flow Statement

Cash-Flow Statement as at December 31, 2011 and 2010

(thousand euros)

	2011	2010
Cash Flow from Operating Activities	**72,406**	**54,652**
Net profit/(loss) for the period	3,013	5,140
Depreciation & amortisation charges for the year	2,372	2,313
Variation of technical provisions for direct insurance	-28,505	10,274
Variation of technical provisions for reinsurance ceded	-411	5,422
Variation of other provisions	168	-17
Variations of debtors for direct insurance, reinsurance and other operations	56	-188
Variation of other assets & liabilities for taxes	501	-945
Variation of other assets & liabilities	95,409	33,328
Variation of creditors for direct insurance, reinsurance and other operations	-197	-675
Cash Flow from Investing Activities	**-81,786**	**-34,395**
Variation of investments	-100,966	-45,481
Dividends received	-	62
Interest	19,390	11,269
Acquisitions of tangible & intangible assets	-210	-245
Cash Flow from Financing Activities	**-4,600**	**-12,200**
Dividend distribution	-4,600	-4,700
Subscription of capital/Ancillary capital contributions	-	-7,500
Net Change in Cash & Cash Equivalents & Sight Deposits	**-13,980**	**8,057**
Cash & cash equivalents at the start of the period	19,568	11,511
Cash & cash equivalents at the end of the period	5,588	19,568

07

Notes to the Financial Statements

07

Notes to the Financial Statements

Notes to the Financial Statements as at December 31, 2011 and 2010

Note 1 - General Information

T-Vida, Companhia de Seguros, SA (hereinafter 'T-Vida' or 'Company') was incorporated on July 28, 2006, its object being to carrying on life-insurance business autonomously, commencing August 1, 2006. It is wholly owned by Companhia de Seguros Tranquilidade, SA.

On August 1, 2006, the Company acquired the portfolio of policies in respect of the traditional broker channel from BES–Vida, Companhia de Seguros, SA.

The Company has its registered office and principal place of business at Av. da Liberdade, 242, Lisbon, its VAT number is 507 684 486 and is registered at the Lisbon Registry of Companies. The Company carries on its Life insurance business under the supervision of the Insurance Supervisory Authority (SIP) under authorisation nº 1165.

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

T-Vida carries on its business in the life insurance line, for which it is authorised by the ISP and, though it has a varied range of products, its strategy is essentially based on the offer of Protection and Retirement Solutions for the Individuals and Companies segments.

Its subscription policy and rules are defined with a view to obtaining for each product the best cost/benefit balance for the Company, the customer and the business partner, using for the purpose every available source of information for a proper assessment of the quality of the physical, financial and moral risks.

The operating segments reported are in keeping with a business-lines framework typology. Emphasis is given to the good performance of life risk insurance (up 0.4%), against a background of a sharp downturn of the credit market, which has consolidated T-Vida's strategy directed at Protection/ Welfare solutions.

The breakdown of the main headings of the financial statements as at December 31, 2011 & 2010, is as follows:

(thousand euros)

2011	Total Life	Traditional	With-Profits Capitalisation	Without-Profits Capitalisation
Profit & Loss Headings				
Gross premiums written	34,373	20,945	13,428	-
Commissions on investment contracts	659	-	-	659
Gross premiums earned	34,172	20,744	13,428	-
Returns on investments	13,662	5,148	7,556	958
Gross cost of claims	62,687	13,744	48,943	-
Variation of the mathematical provision	29,854	1,959	27,895	-
Profit-sharing	-1,698	-1,034	-664	-
Gross operating costs	9,007	5,207	2,759	1,041
Balance of reinsurance	-1,088	-1,088	-	-
Technical result	3,859	6,770	-3,487	576
Balance Sheet Headings				
Assets allocated to representation of technical provisions and financial liabilities on investment contracts	756,336	82,705	303,069	370,562
Technical provisions	323,097	89,721	233,376	-
Financial liabilities on investment contracts	424,691	-	-	424,691

(thousand euros)

2010	Total Life	Traditional	With-Profits Capitalisation	Without-Profits Capitalisation
Profit & Loss Headings				
Gross premiums written	58,637	20,431	38,206	-
Commissions on investment contracts	838	-	-	838
Gross premiums earned	58,389	20,183	38,206	-
Returns on investments	16,919	2,941	13,997	-19
Gross cost of claims	46,547	14,148	32,399	-
Variation of the mathematical provision	-9,822	4,092	-13,914	-
Profit-sharing	-1,790	-1,167	-623	-
Gross operating costs	9,842	4,074	3,850	1,917
Balance of reinsurance	-1,057	-1,057	-	-
Technical result	7,254	6,936	1,416	-1,098
Balance Sheet Headings				
Assets allocated to representation of technical provisions and financial liabilities on investment contracts	865,317	85,099	328,569	451,649
Technical provisions	351,602	91,902	259,700	-
Financial liabilities on investment contracts	515,597	-	-	515,597

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

Basis of Presentation

T-Vida's financial statements now presented refer to the year ended December 31, 2011, and have been prepared in accordance with the Insurance Companies Accounting Plan ("PCES 07") issued by the ISP and approved by Regulatory Standard 4/2007-R of April 27, as subsequently amended by Standard 20/2007-R of December 31, and also in accordance with the rules governing the accounting of the operations of insurance companies, as established by the ISP.

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

In 2011, T-Vida adopted the IFRS and the interpretations of mandatory application interpretations for years beginning January 1, 2011. 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 Tranquilidade has not yet applied in the preparation of its financial statements may also be consulted in Note 37.

The accounting policies used by T-Vida in the preparation of the financial statements, described in this note, have been adapted accordingly. The new standards and interpretations adopted in 2011 impacted mainly on the presentation of the financial statements and on the disclosures, and comparative figures are presented in respect of the new disclosures required.

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

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

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

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

These financial statements were approved at a meeting of the Board of Directors held on March 8, 2012.

Principal Accounting Principles and Valuation Criteria Adopted

Financial assets

Classification

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

- Financial assets at fair value through profit & loss, which includes:
  - Held-for-trading financial assets, which are those acquired with the main objective of being traded in the short term;
  - Financial assets designated at the time of their initial recognition at fair value, with variations recognised in profit & loss, particularly where:
    - Such financial assets are managed, valued and analysed in-house on the basis of their fair value;
    - Such designation eliminates any inconsistency of recognition and measurement (accounting mismatch);
    - Such financial assets contain embedded derivatives.

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

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

- 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.

Recognition, initial measurement and derecognition

Acquisitions & disposals of: (i) financial assets at fair value through profit & loss; (ii) investments held to maturity; and (iii) available-for-sale financial assets are recognised on trade date, that is, on the date the Company undertakes to acquire or dispose of the asset.

Financial assets are initially recognised at their fair value plus trading costs, except when classified as financial assets at fair value though profit & loss, in which case these costs are recognised in profit & loss for the year.

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

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

Subsequent measurement

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

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

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

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

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

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

Transfers between categories

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

This alteration came to allow an enterprise to transfer financial assets at fair value through profit & 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.

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

Impairment

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

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

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

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

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

Derivative financial instruments

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

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

Embedded derivatives

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

Hedge accounting

Classification criteria

Derivative financial instruments used for hedging purposes may be classified for accounting purposes as hedges provided they cumulatively meet the following conditions:

- On the start date of the transaction the hedge relationship is identified and formally documented, including identification of the hedged item and of the hedge instrument, and assessment of the effectiveness of the hedge;

- There are expectations that the hedge relationship will be highly effective as of the transaction start-date and over the life of the operation;
- The effectiveness of the hedge can be reliably measured as of the transaction start-date and over the life of the operation;
- For hedging of cash flows it must be highly probable that they will occur.

Fair-value hedge

In a fair-value hedge of an asset or liability, the book value of the asset or liability, determined on the basis of the respective accounting policy, is adjusted to reflect the variation of its fair value attributable to the hedged risk. Variations of the fair value of hedges are recognised in profit or loss together with the variations of the fair value of the hedged asset or liability, attributable to the hedged risk.

Should the hedge no longer meet the criteria required to account the hedge, the derivative financial instrument is transferred to the trading portfolio and the hedge accounting is discontinued prospectively. Should the hedged asset or liability be a fixed- income instrument, the revaluation adjustment is written down up to its maturity using the effective-rate method.

During the period covered by these financial statements the Company held no hedges classified as fair-value hedges.

Cash-flow hedge

In an operation to hedge exposure to highly probable cash-flow variability, the effective part of the fair-value variations of the hedge is recognised in reserves and is transferred to profit or loss during the period when the hedged item affects profit or loss. The non-effective part of the hedge is recorded in profit or loss.

When a hedge expires or is sold, or when the hedge no long meets the criteria required for hedge accounting, the fair-value variations of the derivative accumulated under reserves are recognised in profit & loss when the hedged transaction also affects profit & loss. If it can be expected that the hedged transaction will not be undertaken, the amounts still carried in equity are immediately recognised in profit or loss and the hedge is transferred to the trading portfolio.

Assets ceded with under repurchase agreement

Securities sold under repurchase agreements (repos) at a fixed price or a price that equals the sale price plus interest inherent in the term of the transaction are not derecognised. The corresponding liability is included in amounts payable to other credit institutions or customers as appropriate. The difference between the selling price and the repurchase price is treated as interest and accrued over the life of the agreement through the effective interest rate method.

Securities purchased under agreements to resell (reverse repos) for a fixed price or a price that equals the purchase price plus interest inherent in the term of the transaction are not recognised, and the purchase price is recorded as loans to other credit institutions or customers as appropriate. The difference between the purchase price and the resale price is treated as interest and accrued over the life of the agreement through the effective interest rate method.

Financial liabilities

An instrument is classified as a financial liability where there is a contractual obligation for its settlement to be made by paying cash or another financial asset, regardless of its legal form. Non-derivative financial liabilities include borrowings, creditors for direct insurance and reinsurance operations and other liabilities.

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

Transactions in foreign currency

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

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

Intangible assets

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

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

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

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

Leasing

The Company classifies existing lease transactions as operational leases, meeting the criteria established in IAS 17 – Leases, in that the risks and benefits inherent in ownership of the assets are not transferred to the lessee.

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

Cash & cash equivalents

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

Reinsurance

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

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

Employee benefits

Pensions - Defined-benefit plan

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

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

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

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

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

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

As mentioned above, the Company, in accordance with the options allowed by IAS 19 Employee Benefits, opted for to change the accounting policy related to recognition of actuarial deviations and now recognises actuarial deviations against reserves.

The costs of current services in conjunction with the expected return on the plan's assets less the unwinding of the plan's assets are recorded with a contra-entry under operating costs.

The Company's pension-fund liabilities are calculated on the basis of the Projected Unit Credit Method individually for each plan, through an estimate of the value of future benefits that each employee is to receive in exchange for his service during the current and past periods. The benefit is discounted in order to determine its present value and the fair value of any assets the plan may have is deducted. The discount rate used in this calculation is determined on the basis of the markets rates associated with bonds of companies having a good rating, denominated in the currency in which the benefits are to be paid and having a maturity similar to the end-date of the plan's obligations.

The costs of early retirement are recognised in profit & loss at the time that the early retirement is approved and announced.

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

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

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.

Actuarial deviations are recorded and taken to profit & loss when incurred.

Bonuses

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

Liability for holiday pay and holiday bonus

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

Income tax

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

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

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

Deferred taxes are calculated. 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 rate approved or substantially approved on the balance sheet date in each jurisdiction that are expected to be applied when the temporary differences are reversed.

Deferred tax liabilities are recognised for all temporary differences.

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

Provisions

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

Recognition of interest

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

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

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

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

Dividends received

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

Earnings per share

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

Offsetting financial instruments

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

Adjustments of receipts pending collection and of doubtful debt

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

Report by operating segments

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

An operational business 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 their activity through the main operational segments referred to in Note 2.

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

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

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

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

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

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

Impairment of available-for-sale financial assets

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

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

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

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

Fair value of derivative financial instruments

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

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

Income tax

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

In keeping with current tax legislation the Tax Authorities are entitled to review the calculation of the taxable income made by the Company during a period of four years.

In this way there may 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 income tax recorded in the financial statements.

Pensions & other employee benefits

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

Technical provisions and liabilities relating to investment contracts

Future liabilities stemming from with-profits insurance and investment contracts are recorded under the accounting heading of technical provisions.

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

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

The technical provisions arising from discretionary with-profits insurance and investment contracts include (i) mathematical provision for life contracts; (ii) mathematical provision for profit-sharing attributed and to be attributed; (iii) provisions for reported and not-reported claims including the respective settlement expenses, (iv) portfolio stabilisation provision, and (v) provision for unearned premiums.

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

Where there are claims caused or against policyholders, any sum paid or is expected to be paid by the Company is recognised as a loss in profit & loss.

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

The 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, on theories on liability and other factors.

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

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

Alteration of accounting policies

Until December 31, 2010, T-Vida deferred certain actuarial deviations in accordance with the corridor method.

Under the corridor method, actuarial gains and losses not recognised that exceed 10% of the greater of the present value of liabilities and the fair value of fund's assets were recognised against profit & loss over the remaining useful life of the employees in service.

According to one of the options set out in IAS 19 Employee Benefits, Tranquilidade opted to make a change in accounting policy and now recognises actuarial deviations against reserves.

In accordance with IAS 8, this change in accounting policy is presented for comparative purposes from January 1, 2010, recognising as of this date the whole of the actuarial deviations in reserves. On this basis, Other reserves includes, with effect as from January 1, 2010, a restatement resulting from this change. Under this option the effects in profit & loss resulting from the annual amortisation of the actuarial deviations under the previous method were also derecognised.

The summary of impacts on the balance sheet, taking into account only those items that change, is as follows:

(thousand euros)

	After Policy Change		Before Policy Change		Effect	
	31 Dec. 2010	1 Jan. 2010	31 Dec. 2010	1 Jan. 2010	31 Dec. 2010	1 Jan. 2010
In the Balance Sheet						
- Assets for post-employment benefits & other long-term benefits	12	20	27	36	-15	-16
Total Assets	**12**	**20**	**27**	**36**	**-15**	**-16**
- Other reserves	1,054	526	1,069	542	-15	-16
- Retained earnings	39	-	39	-	-	-
- Net profit for the year	5,140	5,266	5,140	5,266	-	-
Total Equity	**6,233**	**5,792**	**6,248**	**5,808**	**-15**	**-16**
Total Liabilities and Equity	**6,233**	**5,792**	**6,248**	**5,808**	**-15**	**-16**

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

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

Accounting principals adopted in respect of insurance and investment contracts

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

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

A contract issued by the Company where the transferred insurance risk is not significant, but in which there is a component of participation in the discretionary results, is considered an investment contract and is recognised and measured in accordance with the accounting policies applicable to insurance contracts.

A contract issued by the Company in which there is only a transfer of financial risk, with no participation in the discretionary results, is classified as a financial instrument.

Life contracts in which the investment risk is borne by the policyholder (unit-linked) issued by the Company, which merely transfer the financial risk, without discretionary profit sharing, have been classified as investment contracts and accounted as financial instruments. Liabilities correspond to the value of the unit, less management commissions, redemption commissions and any penalties.

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

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

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

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

Recognition of costs & income

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

Premiums

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

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

Provisions for unearned premiums

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

In accordance with ISP Standards 19/94-R and 3/96-R, the Company has calculated this provision contract by contract, receipt by receipt, though application of the pro-rata temporis method based on gross premiums written less the respective acquisition costs, in respect of contracts in force.

Acquisition costs

Acquisition costs directly or indirectly related with the sale of contracts are capitalised and deferred over the life of the contracts. Deferred acquisition costs are subject to recoverability tests at the time of issue of the contracts and are subject to impairment tests on the balance-sheet date. Deferred acquisition costs are written down over the period during which the premiums associated with these contracts are acquired.

Mathematical provision

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

	Mortality Table	Technical Rate
Retirement Savings Plans and Capitalisation Products (*)		
Up to December 1997	GKM 80	4%
January 1998 to June 1999	GKM 80	3.25%
After July 1, 1999	GKM 80	3% & 2.5%
After March 2003	GKM 80	2.75%
After January 1, 2004 (**)	GKM 80	2% & 2.75%
Insurance in Case of Life (*)		
Annuities – Up to June 2002	TV 73/77	4%
After July 1, 2002	TV 73/77	3%
After January 1, 2004	GKF 95	3%
After October 1, 2006	GKF 95	3%
Other insurance in case of Life	TV 73/77	4%
Insurance in Case of Death (*)		
Up to December 2004	GKM 80	4%
After January 1, 2005	GKM 80	4%
After January 1, 2008	GKM 80 & GKM 95	4%
Mixed Insurance (*)		
Up to September 1998	GKM 80	4%
After October 1, 2008	GKM 80	3.25%

(*) Technical bases of the products in accordance with the year they were marketed.
(**) Rates defined annually. The figures refer to the definition in respect of 2011.

Mathematical provisions are zillmerised and the respective effect is deducted from them.

As of the balance-sheet date, the Company performs an assessment of the adequacy of the liabilities stemming from the discretionary with-profits insurance contracts and investment contracts This assessment of the liabilities is performed on the basis of the projection of the future cash flows associated with each contract, after deduction of the risk-free market interest rate.

This assessment is performed product by product or aggregated where the product risks are similar or a managed jointly. Any shortfall is recorded in the Company's profit & loss when determined.

Provisions for claims

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

Provision for profit-sharing attributed

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

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

As established in the New Plan Of Accounts for Insurance Companies ("PCES 07"), unrealised gains and losses on financial assets allocated to the liabilities of insurance contracts and with-profits investment contracts are attributed to the policyholders on the basis of the expectation that they will share these unrealised gains and losses when they come to be realised in accordance with the contract and regulatory conditions applicable, through recognition of a liability.

Provisions for reinsurance ceded

Provisions for reinsurance ceded are determined by applying the foregoing criteria for direct insurance in accordance with the rules and regulations in force.

The methods underlying the calculation of the provisions have not changed with regard to the previous year's methods and assumptions.

Variations of direct insurance and reinsurance technical provisions

The breakdown of the direct insurance unearned premiums reserve (UPR) reflected under liabilities and the respective annual variation in the profit & loss account is as follows:

(thousand euros)

Products	Balance Sheet Balance		Change of Gains & Losses	
	2011	2010	2011	2010
Traditional	1,467	1,266	201	248
With-profits capitalisation	-	-	-	-
Total	**1,467**	**1,266**	**201**	**248**

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

(thousand euros)

Products	Balance Sheet Balance		Change of Gains & Losses	
	2011	2010	2011	2010
Traditional	2,662	2,536	126	-454
With-profits capitalisation	3,490	3,175	315	6
Total	**6,152**	**5,711**	**441**	**-448**

The balance of the provision for claims includes an estimated provision in the sum of €35k (2010: €34k) in respect of claims prior to December 31, 2011, not yet reported (IBNR).

The breakdown of the provision for claims incurred in previous years and their readjustments, solely for risk products, is as follows:

(thousand euros)

Businesses/ Groups of Businesses	Provision for Claims as at 31/12/2010 (1)	Claims* Paid in 2011 (2)	Provision for Claims* as at 31/12/2011 (3)	Readjustments (3) + (2) - (1)
Life	2,536	953	1,721	138

* Claims in 2010 & earlier.

The readjustments are mainly due to a process of revaluation of the provisions for claims, to ensure their adequacy in the light of the Company's actual liabilities.

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

(thousand euros)

Products	Balance Sheet Balance		Change of Gains & Losses	
	2011	2010	2011	2010
Traditional	155	273	-118	139
With-profits capitalisation	-	-	-	-
Total	**155**	**273**	**-118**	**139**

The evolution of the provision for profit-sharing carried under liabilities was as follows in 2011 & 2010:

(thousand euros)

	2011	2010
Balance as at January 1	**1,890**	**1,724**
Variation of profit-sharing attributed	1,698	1,790
Payments	-1,017	-1,000
Incorporation into mathematical provision	-335	-624
Balance as at December 31	**2,236**	**1,890**

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

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

The evolution of the provision for profit-sharing on reinsurance ceded carried under assets was as follows in 2011 & 2010:

(thousand euros)

	2011	2010
Balance as at January 1	**321**	**319**
Variation of profit-sharing attributed	784	455
Receipts	-427	-453
Balance as at December 31	**678**	**321**

The breakdown of the mathematical provision and the respective annual variation in the profit & loss account in 2011 & 2010 is as follows:

(thousand euros)

	2011	2010
Balance as at January 1	**342,735**	**332,257**
Changes for the year	-29,828	9,854
Incorporation of profit-sharing	335	624
Balance as at December 31	**313,242**	**342,735**

The breakdown of the mathematical provision for reinsurance ceded reflected under assets and the annual variation in the profit & loss account is as follows:

(thousand euros)

Products	Balance Sheet Balance		Change of Gains & Losses	
	2011	2010	2011	2010
Traditional	586	414	172	20
With-profits capitalisation	-	-	-	17,302
Total	**586**	**414**	**172**	**17,322**

In 2010, reinsurance treaties for with-profits capitalisation products came to an end, and the mathematical provision is therefore zero.

The breakdown of the portfolio stabilisation provision reflected under liabilities and the respective annual variation in the profit & loss account is as follows:

(thousand euros)

Products	Balance Sheet Balance		Change of Gains & Losses	
	2011	2010	2011	2010
Traditional	-	-	-	-189
With-profits capitalisation	-	-	-	-
Total	**-**	**-**	**-**	**-189**

Nature and Extent of Specific Insurances Risks

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

In Life business insurance the risk can be sub-divided into:

- Mortality Risk: risk of losses caused by an increase of the real mortality compared with the expected mortality;
- Longevity Risk: risk of losses caused by a reduction of the real mortality compared with the expected mortality;
- Discontinuity Risk: risk of losses caused by the more onerous of an increase or a reduction of surrenders compared to the expected level;
- Expense Risk: risk of losses through an increase of costs compared to the expected level;
- Disability Risk: risk of losses through an increased of the disability rate compared to the expected level;
- Catastrophic Risk: risk of losses through occurrence of a catastrophic event affecting Life insurance contracts.

For the purpose, it should be pointed out that the subscription, setting aside provisions and reinsurance processes are duly documented with regard to the main activities, risks and controls in the risk-policy report.

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 and issue technical opinions, and that issue the policies;
- Limited access to the various applications in keeping with the user's profile;
- Document scanning in the issue processes and in claims management;
- Procedures involving case-by-case checks, exceptions reports and audits;
- Recruiting and training policy suited to the responsibilities and technical complexity of the various functions.

T-Vida implements a reinsurance-ceded policy based on proportional and non-proportional treaties.

The reinsurance programme in 2011 comprises proportional treaties – Quota-share and Excess of Loss, and non-proportional treaties - Excess of Claim and Catastrophe Cover, as per the following table:

Business Line	Type of Reinsurance
Life Mortgage Loan	Share + Excess
Life Group	Excess
Life Individual Credit	Excess
Life Catastrophe	Excess Losses (XL)
Life (Premium Protection)	Share

The sensitivity analysis of the insurance risk, taking into account its main conditioning factors, was performed for the Mortality and Expenses risks, with expected losses through the application of shock scenarios as follows:

(thousand euros)

Area of Analysis	Scenarios	Impact on Pre-Tax Profit	
		2011	2010
Expenses	10% increase of operating costs, net of reinsurance	-898	-1,016
Mortality	10% decrease of the mortality of the insured	-4,946	-1,133

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 the 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 it is also closely related with the risk of mismatching 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, the spread risk and the concentration risk.

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

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

- To orient the introduction of integrated risk-management models, as well as economic capital models, approved by the Board of Directors;
- To validate, from a technical standpoint, the modelling of the technical and financial risks to be drawn up by the Overall Risk and Internal Control Division and approved by the Board of Directors;
- To develop tolerance indicators based on the models and to monitor variations of the indicators;
- To develop 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 policies 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 is defined by the Finance Committee, in conjunction with the limits set by the Overall Risk Management Committee, and there is therefore effective segregation of competence in this matter.

Exchange-Rate Risk

The exchange-rate risk stems from the volatility of exchange rates against the euro. In 2011 there are no assets/ liabilities subject to this risk.

The sensitivity analysis is as follows:

(thousand euros)

Area of Analysis	Scenarios	Impact on Pre-Tax Profit	
		2011	2010
Currency	10% depreciation of the value of all foreign currencies against the euro	-	-387

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.

The sensitivity analysis is as follows:

(thousand euros)

Area of Analysis	Scenarios	Impact on Reserves at Fair Value Before Tax	
		2011	2010
Shares	10% decrease of stock-market values	-349	-759

Real-estate risk

The real-estate risk is caused by the volatility of real-estate market prices. The exposure to this risk stems solely from real-estate investment funds.

The sensitivity analysis is as follows:

(thousand euros)

Area of Analysis	Scenarios	Impact on Reserves at Fair Value Before Tax	
		2011	2010
Real Estate (FII)	10% decrease of the values of real estate and investment funds	-243	-249

Interest-rate risk

Interest-rate risk is inherent in all assets and liabilities whose value is sensitive to alterations of the time frame or to interest-rate volatility.

The figures for the sensitivity analyses performed on this this risk are as follows:

(thousand euros)

Area of Analysis	Scenarios	Impact on Reserves at Fair Value Before Tax	
		2011	2010
Interest rate	100 b.p.decrease of the interest-rate curve - Effect on Assets	7,104	7,280
	100 b.p.increase of the interest-rate curve - Effect on Assets	-6,813	-6,896

(thousand euros)

Area of Analysis	Scenarios	Impact on Pre-Tax Profit	
		2011	2010
Interest rate	100 b.p.decrease of the interest-rate curve - Effect on Liabilities	-1,265	-3,643
	100 b.p. increase of the interest-rate curve - Effect on Liabilities	1,213	3,198

Spread risk

The spread risk reflects the volatility of credit spreads across the risk-free interest-date curve. Securities exposed to this risk are mainly corporate bonds, though structured loans are also affected. Exposure to credit derivatives is immaterial.

(thousand euros)

Rating	2011		2010	
	%	Value	%	Value
AAA	13%	40,629	3%	9,003
AA	8%	24,836	7%	26,028
A	19%	58,031	65%	230,691
BBB	23%	70,360	19%	67,233
BB	37%	115,675	6%	20,309
B	0%	1,110	0%	-
CCC	0%	1,041	0%	-
Total	**100%**	**311,682**	**100%**	**353,264**

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

Concentration risk

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

(thousand euros)

Sector of Activity	2011			2010		
	%	Gross Value	Impairment	%	Gross Value	Impairment
Basic resources	0%	-	-	1%	8,866	-
Communications	2%	12,721	-	0%	-	-
Consumables (cyclic)	0%	-	-	0%	-	-
Consumables (non-cyclic)	0%	2,842	-	2%	10,907	-
Energy	0%	101	-	1%	5,949	-
Financial	22%	138,992	-	36%	241,492	-
Funds	50%	312,775	-570	47%	309,569	-510
Public debt	21%	134,685	-2,068	8%	55,138	-
Industrial	1%	5,358	-	0%	2,760	-
Medicine	0%	-	-	0%	-	-
Technology	0%	206	-	0%	-	-
Public / collective services	3%	16,489	-	4%	24,813	-
Other	0%	2,356	-	1%	3,340	-
Total	**100%**	**626,525**	**-2,638**	**100%**	**662,834**	**-510**

The figures include the headings of Financial assets held for trading, Financial assets classified on initial recognition at fair value through profit & loss, Hedges and Available-for-sale financial assets.

These figures do not include deposits, repos and reverse repos 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 there will not be assets of sufficient liquidity to meet cash-flow requirements to fulfil its obligations to policyholders and other creditors as they fall due.

In order to assess and mitigate this risk and as stipulated in the Market and Liquidity Risk Management Policy, the Company draws up quarterly, for the next twelve months, a monthly cash plan, which is adjusted in line with any existing capital needs or surpluses.

The breakdown of the maturities of financial and non-financial assets as at December 31, 2011 & 2010, is as follows:

(thousand euros)

2011	< 1 Month	1-3 Months	3-12 Months	1-5 Years	> 5 Years	Without Maturity	Total
Financial assets	23,067	212,706	5,275	171,105	68,846	323,904	804,903
Financial liabilities	2,363	85,512	183	-	-	424,691	512,749
Net	**20,704**	**127,194**	**5,092**	**171,105**	**68,846**	**-100,787**	**292,154**

(thousand euros)

2010	< 1 Month	1-3 Months	3-12 Months	1-5 Years	> 5 Years	Without Maturity	Total
Financial assets	19,567	159,604	99,714	104,898	124,930	319,556	828,269
Financial liabilities	177	1,983	462	-	-	515,597	518,219
Net	**19,390**	**157,621**	**99,252**	**104,898**	**124,930**	**-196,041**	**310,050**

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.

With regard to the collection of insurance premiums, the evolution of receivables as well as their age are monitored on a regular basis.

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

Operational risk and reputational risk

The 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 bad professional conduct (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 failure of systems;
- Risks related with business processes.

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

- Implementation of internal and external fraud prevention policies and procedures;
- Implementation of measures related with security in access to the premises;
- Implementation of measures related with security in accessing the databases and the information systems;
- Definition and implementation of the human resources management policy;
- Existence of training programmes covering knowledge recycling;
- Rraining of employees who interact directly with the customers.

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 T-Vida 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, claims subscription or management, in which the legal risk is specifically addressed;
- Existence of formal procedures to monitor compliance with the various legal deadlines to which T-Vida is subject;
- Existence of formal procedures in the field of money laundering and financing of terrorism.

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 T-Vida's main measures in dealing with the reputational risk the following are underscored:

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

Internal control system

The Control System may 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 represented by the various T-Vida divisions (Operational Units), which are areas responsible for risk-management operationalisation and for the respective controls;
- A second level, consisting of the Overall Risk and Internal Control Division, plays a supervisory role, its main responsibilities being systematisation of the rules, policies and monitoring of the risk-management, internal-control and compliance system;
- A third level, consisting of the Internal Audit Division and the External Audit, is charged with independent auditing in the field of risk management, its main goal being to ensure that the controls are effective.

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

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

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

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

Solvency

T-Vida monitors solvency in accordance with ISP Regulatory Standard 6/2007-R of April 27. Calculation of the respective margin involves the following components.:

(thousand euros)

	2011	2010
Elements Constituting the Guarantee Fund	**22,143**	**22,211**
Solvency Margin to be Set Aside	**19,100**	**20,592**
Insurance not linked to investment funds (excluding complementary insurance)	18,203	19,633
Insurance linked to investment funds	544	664
Complementary insurance (including complementary insurance of insurance linked to investment funds)	353	295
Legal minimum Guarantee Funds	3,500	3,500
Excess/Insufficiency of the Solvency Margin	**3,043**	**1,619**
Solvency Margin Cover Rate	**115.9%**	**107.9%**

Business ratios

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

(%)

	2011	2010
Claims / Premiums (IFRS 4)	181.5%	79.4%
Benefits Paid / Deposits Received (IAS 39)	255.9%[a)]	80.8%[b)]
Acquisition Costs / (Premiums + Deposits Received)	12.4%	7.1%
Administrative Costs / (Premiums + Deposits Received)	6.6%	3.3%

a) Excludes €71,249k for the capitalisation operation redemption in 2011.
b) Excludes €70,000k in respect of the capitalisation operation allocated to the banking channel, undertaken in 2010.

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 insurer stemming from claims associated with the insurance in question. Analyses of future viability are performed for each new product.

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

Note 5 – Liabilities for Investment Contracts and Other Financial Liabilities

Movements under liabilities for investment contracts are as follows:

(thousand euros)

	Financial Without Profit-Sharing	Unit Links	PPR Unit Links	OCAs Unit Link	Total
Balances as at December 31, 2009	**55,153**	**13,290**	**63,027**	**307,529**	**438,999**
Additional liabilities of the period, net of commissions	24,688	1,038	9,948	70,000	105,674
Amounts paid	-13,043	-5,981	-10,278		-29,302
Technical interest	1,744	397	1,003	-2,918	226
Balance as at December 31, 2010	**68,542**	**8,744**	**63,700**	**374,611**	**515,597**
Additional liabilities of the period, net of commissions	9,603	905	2,272	-	12,780
Amounts paid	-16,209	-1,996	-14,966	-71,249	-104,420
Technical interest	2,037	-212	-691	-400	734
Balances as at December 31, 2011	**63,973**	**7,441**	**50,315**	**302,962**	**424,691**

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

(thousand euros)

	2011			2010		
	Gain	Loss	Balance	Gain	Loss	Balance
Carried at Fair Value Through Profit & Loss	**4,954**	**-4,402**	**552**	**11,279**	**-7,930**	**3,349**
Capitalisation	2,410	-1,798	612	11,017	-7,283	3,734
PPR	2,544	-2,604	-60	262	-647	-385
Carried at Amortised Cost	**-**	**-2,084**	**-2,084**	**-**	**-1,998**	**-1,998**
Capitalisation	-	-555	-555	-	-639	-639
PPR	-	-1,529	-1,529	-	-1,359	-1,359
Total	**4,954**	**-6,486**	**-1,532**	**11,279**	**-9,928**	**1,351**

The breakdown of Other financial liabilities is as follows:

(thousand euros)

	2011	2010
Other financial liabilities		
Derivatives	-	177
Repurchase agreements - Amounts payable	85,811	-
Book Value	**85,811**	**177**

The breakdown of the Derivatives figures is provided in Note 6.

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)

	2011	2010
Available-for-sale financial assets	200,625	282,848
Term deposits	134,731	143,841
Financial assets classified at fair value through profit & loss	315,583	379,476
Held-to-maturity financial assets	107,679	-
Total Holdings and Financial Instruments	**758,618**	**806,165**

Financial Assets at Fair Value Through Profit & Loss

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

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

(thousand euros)

	2011	2010
Bonds & other fixed-income securities		
Public issuers'	1,334	-
Other issuers'	7,963	80,500
Shares	-	-
Other floating-rate securities	306,286	298,976
Book Value	**315,583**	**379,476**
Acquisition value	323,358	384,384

In 2011 and 2010, the Company held, of this type, compound financial instruments with embedded derivatives, in fixed-income securities, as follows:

(thousand euros)

	Book Value	
Type of Risk	2011	2010
Structured credit	2,837	4,036
Credit derivative	3,591	3,663
Total	**6,428**	**7,699**

Available-for-sale financial assets

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

(thousand euros)

	2011	2010
Bonds & other fixed-income securities		
Public issuers'	45,217	55,138
Other issuers'	149,489	217,626
Shares	-	-
Other floating-rate securities	5,919	10,084
Book Value	**200,625**	**282,848**

Included in 2011 are investments sold with repurchase agreements, revalued in accordance with the available-for-sale assets accounting policy, in the sum of €56,735k.

The breakdown of the final balance sheet figures as at December 31, 2011 & 2010, is as follows:

(thousand euros)

	Amortised or Acquisition Cost	Fair-Value Reserve	Impairment	Book Value
Bonds & other fixed-income securities				
Public issuers'	59,696	-4,558	-	55,138
Other issuers'	236,944	-19,318	-	217,626
Shares	-	-	-	-
Other floating-rate securities	10,580	14	-510	10,084
Balance as at December 31, 2010	**307,220**	**-23,862**	**-510**	**282,848**
Bonds & other fixed-income securities				
Public issuers'	47,414	-129	-2,068	45,217
Other issuers'	170,322	-20,833	-	149,489
Shares	-	-	-	-
Other floating-rate securities	6,957	-468	-570	5,919
Balance as at December 31, 2011	**224,693**	**-21,430**	**-2,638**	**200,625**

Movements under impairment losses are as follows:

(thousand euros)

	2011	2010
Balance as at January 1	**510**	**17,391**
Allocations for the year	2,128	510
Cancellations for the year for sale of assets	-	-16,491
Written back during the year	-	-900
Balance as at December 31	**2,638**	**510**

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

(thousand euros)

	2011	2010
Bonds & other fixed-income securities	-2,068	900
Equities & other floating-rate securities	-60	-510
Total	**-2,128**	**390**

Held-for-trading financial assets

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

(thousand euros)

	2011		2010	
	Fair Value	Notional Value	Fair Value	Notional Value
Derivatives - Currency forward	-	-	-177	4,444
Book Value	**-**	**-**	**-177**	**4,444**

Investments made by the Company are predominantly in euros, although its portfolio does contain some transactions expressed in other currencies.

In this way, though always with the authorisation of its Financial Committee, the Company entered into several currency hedge contracts for its investments in foreign currency. Though they do not provide perfect cover, these currency hedges endeavour to cover the exchange-rate risk of the capital and interest through successive renovations throughout the year, using swap and forward mechanisms for the purpose.

Since, in 2010, these contracts show a negative fair value, it is presented under Liabilities, under Other financial liabilities – Other.

Held-to-maturity investments

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

(thousand euros)

	2011	2010
Bonds & other fixed-income securities		
Public issuers'	86,066	-
Other issuers'	21,613	-
Book Value	**107,679**	**-**
Book value (without accrued interest)	106,165	-
Acquisition value	104,021	-
Market value	87,841	-

Included in 2011 are investments sold with repurchase agreements, revalued in accordance with the Held-to-maturity investments accounting policy, in the sum of €47,339k.

The breakdown of the final balance sheet figures as at December 31, 2011 & 2010, is as follows:

(thousand euros)

	Amortised or Acquisition Cost	Impairment	Book Value
Bonds & other fixed-income securities			
Public issuers'	-	-	-
Other issuers'	-	-	-
Balance as at December 31, 2010	**-**	**-**	**-**
Bonds & other fixed-income securities			
Public issuers'	86,066	-	86,066
Other issuers'	21,613	-	21,613
Balance as at December 31, 2011	**107,679**	**-**	**107,679**

During 2011 the Company transferred securities in the sum of €93,400k to Held-to-maturity investments, as shown in the following table:

(thousand euros)

	Acquisition Value	On Transfer Date					Market Value as at 31/12/2011	Fair Value Reserve Amortised by 31/12/2011
		Book Value	Fair-Value Reserve		Value of Future Cash Flows (a)	Effective Rate (b)		
			Positive	Negative				
Of available-for-sale financial assets	98,387	93,400	-	-6,096	119,639	7.0%	77,391	-1,224

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

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

(thousand euros)

	2011
Available-for-sale financial assets	
Impact on equity	
- For adjustments to the fair value of financial assets	-18,260
- Reserve for deferred taxes	5,295
Total	**-12,965**

Hedge derivatives

As at December 31, 2009, the Company held financial hedges designed to hedge cash flows. For the purpose it closed interest-rate swap contracts, i.e., contracts whereby a series of financial flows, in a given currency, determined by the interest rate, are swapped during a certain period.

In this specific case, the contracts closed were intended to swap floating interest rate for fixed interest rate to provide protection against alterations of the time structure or volatility of the interest rates used in the formation of the interest rated on floating-rate bonds held by the Company.

During 2010 the Company ended these hedge contracts, though maintaining in some cases the floating-rate assets in respect of which the cash-flow risks were hedged.

Amounts recognised in 2011 & 2010 under Equity originated directly by the hedge derivatives were as follows:

(thousand euros)

	2011	2010
Gains & losses	600	1,682
Revaluation reserve	-600	620
Total Recognised Under Equity	**-**	**2,302**
Notional value	-	-

The amounts carried under Gains & Losses were recorded under Investment Income and net gains on financial assets and liabilities not carried at fair value through profit & loss.

The amounts carried under Revaluation reserve, recorded under "For adjustments of the fair value of cash-flow hedge instruments", totalled €528k as at December 31, 2011, and they are being prospectively derecognised in keeping with the requirements of IAS 39.

IAS 39 requires that the effectiveness of the hedge be assessed both prospectively and retrospectively.

The Company preformed the said hedge effectiveness tests in 2010, in both the interim and the year-end reporting, when the contracts were in the portfolio, no inefficiencies having been encountered.

Other financial assets

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

(thousand euros)

	2011	2010
Loans granted	34	35
Resale agreements - Receivables	38,217	-
Total of Other Financial Assets	**38,251**	**35**

The amounts of loans granted refers to loans against policies.

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)

	2011		2010	
	Fair Value	Book Value	Fair Value	Book Value
Cash & cash equivalents and sight deposits	5,588	5,588	19,568	19,568
Loans & receivables	172,982	172,982	143,876	143,876
Held-to-maturity investments	89,355	107,679	-	-
Other debtors for insurance & other operations	2,446	2,446	2,501	2,501
Financial Assets at Amortised Cost	**270,371**	**288,695**	**165,945**	**165,945**
Financial liabilities on investment contracts	52,381	63,973	50,361	68,542
Other financial liabilities	85,811	85,811	-	-
Other creditors for insurance operations and other operations	2,247	2,247	2,445	2,445
Financial Liabilities at Amortised Cost	**140,439**	**152,031**	**52,806**	**70,987**

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

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

Valuation methods

The breakdown of the value of the financial instruments stratified by the measurement method used, in accordance with the levels presented in IFRS 7, is as follows:

(thousand euros)

2011	Level 1	Level 2	Level 3	Total
Securities & equity paper	312,205	-	-	312,205
Equities & other floating-rate securities	-	-	-	-
Bonds & other fixed-income securities	256,613	55,069	-	311,682
Derivatives	-	-	-	-
Total Financial Assets	**568,818**	**55,069**	**-**	**623,887**
Unit-Linked product liabilities	-	360,718	-	360,718
Derivatives	-	-	-	-
Total Financial Liabilities	**-**	**360,718**	**-**	**360,718**

(thousand euros)

2010	Level 1	Level 2	Level 3	Total
Securities & equity paper	309,060	-	-	309,060
Equities & other floating-rate securities	-	-	-	-
Bonds & other fixed-income securities	292,986	60,278	-	353,264
Derivatives	-	-	-	-
Total Financial Assets	**602,046**	**60,278**	**-**	**662,324**
Unit-Linked product liabilities	-	447,055	-	447,055
Derivatives	-	177	-	177
Total Financial Liabilities	**-**	**447,232**	**-**	**447,232**

The description of the levels is as follows:

Level 1 - Financial Assets or Liabilities measured using market or providers' prices;

Level 2 - Financial Assets or Liabilities measured using valuation techniques that mainly consider observable market data;

Level 3 - Financial Assets or Liabilities measured using valuation techniques essentially considering unobservable market data having a significant impact on the measurement of the instrument.

Exposure to sovereign debt

With reference to December 31, 2011 & 2010, the Company's exposure to the sovereign debt of European Union countries in a bail-out situation is as follows:

(thousand euros)

Issuer / Portfolio	31 December 2011					
	Book Value	Fair Value	Fair-Value Reserve	Average Interest Rate %	Average Maturity Years	Valuation Level
Portugal						
Available-for-sale financial assets	5,308	5,308	-153	4.9%	1	1
Financial assets at fair value through profit or loss	1,334	1,334	-	1.1%	1	1
Held-to-maturity investments	79,062	63,574	-	2.8%	3	-
	85,704	**70,216**	**-153**			
Greece						
Available-for-sale financial assets	1,041	1,041	-	5.1%	2	1
Held-to-maturity investments	-	-	-	-	-	-
	1,041	**1,041**	**-**			
Ireland						
Available-for-sale financial assets	-	-	-	-	-	-
Held-to-maturity investments	911	925	-	4.6%	4	-
	911	**925**	**-**			
Total	**87,656**	**72,182**	**-153**			

(thousand euros)

Issuer / Portfolio	31 December 2010 Book Value	Fair Value	Fair-Value Reserve	Average Interest rate %	Average Maturity Years	Valuation Level
Portugal						
Available-for-sale financial assets	49,896	49,896	-3,641	4.1%	6	1
Held-to-maturity investments	-	-	-	-	-	-
	49,896	**49,896**	**-3,641**			
Greece						
Available-for-sale financial assets	2,800	2,800	-683	5.0%	3	1
Held-to-maturity investments	-	-	-	-	-	-
	2,800	**2,800**	**-683**			
Ireland						
Available-for-sale financial assets	1,387	1,387	-210	4.4%	4	1
Held-to-maturity investments	-	-	-	-	-	-
	1,387	**1,387**	**-210**			
Total	**54,083**	**54,083**	**-4,534**			

Note 8 - Cash, Cash Equivalents & Sight Deposits

The balance of this heading is as follows:

(thousand euros)

	2011	2010
Cash in hand	1	1
Deposits at credit institutions	5,587	19,567
Total	**5,588**	**19,568**

Note 11 - Allocation of Investments and Other Assets

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

The indication of which assets are and are not allocated to the insurance portfolios managed by the Company as at December 31, 2011 & 2010, is as follows:

(thousand euros)

	2011 With-Profits Life Insurance	Without-Profits Life Insurance	Life Insurance and Transactions Classified as Investment Contracts	Not Allocated	Total
Cash & cash equivalents	4,195	4	535	854	5,588
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	2,837	-	312,746	-	315,583
Hedge derivatives	-	-	-	-	-
Available-for-sale financial assets	188,445	32	4,499	7,649	200,625
Loans and receivables	170,461	-	-	2,521	172,982
Held-to-maturity investments	104,482	-	1,648	1,549	107,679
Other tangible assets	-	-	-	-	-
Other assets	-	-	50,819	49,702	100,521
Total	**470,420**	**36**	**370,247**	**62,275**	**902,978**

(thousand euros)

	2010				
	With--Profits Life Insurance	With--Profits Life Insurance	Life Insurance and Transactions Classified as Investment Contracts	Not Allocated	Total
Cash & cash equivalents	10,046	295	165	9,062	19,568
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	4,036	-	375,440	-	379,476
Hedge derivatives	-	-	-	-	-
Available-for-sale financial assets	270,654	43	10,606	1,545	282,848
Loans and receivables	133,494	-	9,910	472	143,876
Held-to-maturity investments	-	-	-	-	-
Other tangible assets	-	-	-	-	-
Other assets	-	-	62,245	53,546	115,791
Total	**418,230**	**338**	**458,366**	**64,625**	**941,559**

Note 12 - Intangible Assets

All intangible assets are measured using the cost method, and there are no cases of assets generated internally. The useful lives are finite, 3 years for software and other intangible assets, amortisation being calculated using the straight-line method.

Value in Force corresponds to the acquisition cost of the contractual positions resulting from acquired contracts, including all rights, obligations and guarantees emerging therefrom. This asset is written down over the period of recognition of the income associated with the acquired contracts.

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

(thousand euros)

	2011	2010
Other Intangible Assets	**50,973**	**50,767**
Value in force	50,000	50,000
Software	436	436
Other	537	331
Accumulated Depreciation	**-13,070**	**-10,702**
Impairments	**-**	**-**
Total	**37,903**	**40,065**

Movements in both years is as follows:

(thousand euros)

	Value in Force	Software	Other	Total
Balance as at December 31, 2009	**41,850**	**277**	**7**	**42,134**
Additions		3	242	245
Depreciation for the year	-2,172	-142		-2,314
Impairments				-
Transfers				-
Balance as at December 31, 2010	**39,678**	**138**	**249**	**40,065**
Additions			210	210
Depreciation for the year	-2,234	-138		-2,372
Impairments				-
Transfers				-
Balance as at December 31, 2011	**37,444**	**-**	**459**	**37,903**

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

(thousand euros)

	2011	2010
Total Amortisation for the Year	**2,372**	**2,314**
Costs of Claims, Net of Reinsurance		
Amounts paid - Gross amounts	119	115
Net Operating Costs & Expenses		
Acquisition costs	356	347
Administrative costs	1,897	1,852
Financial Costs		
Other	-	-

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)

	2011	2010
Gross Assets	**2,099**	**1,961**
Policyholders (receipts pending collection)	1,155	1,232
Insurance brokers	759	469
Co-insurers	185	260
Adjustments	**-51**	**-313**
Receipts pending collection	-51	-313
Doubtful debt	-	-
Net Assets	**2,048**	**1,648**

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

(thousand euros)

	2011	2010
Gross Assets	**238**	**79**
Reinsurers	238	79
Reinsured	-	-
Adjustments	**-**	**-**
Doubtful debt	-	-
Net Assets	**238**	**79**

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

(thousand euros)

	2011	2010
Gross Assets	**160**	**774**
Related entities	56	643
Staff	24	8
Other amounts pending collection	80	123
Adjustments	**-**	**-**
Doubtful debt	-	-
Net Assets	**160**	**774**

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

(thousand euros)

	2011	2010
Adjustment of Receipts Pending Collection		
Balance as at January 1	**313**	**277**
Allocations for the year	-	36
Use for the year	-262	-
Balance as at December 31	**51**	**313**

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

(thousand euros)

	2011	2010
Accrued Income	**656**	**2,161**
Financial income on reinsurance ceded	656	2,161
Deferred Costs	**422**	**414**
Acquisition costs	422	414
Total	**1,078**	**2,575**

The balance of Other elements of assets has to do with investment contracts marketed by T-Vida, but whose assets are operationally managed by BES-Vida, Companhia de Seguros, SA, their breakdown being as follows:

(thousand euros)

	2011	2010
Balance as at January 1	**62,245**	**102,172**
Deposits received	2,723	10,350
Benefits paid	-13,405	-14,483
Technical interest for the year	-744	1,149
Portfolio outflow	-	-36,943
Balance as at December 31	**50,819**	**62,245**

Liabilities and provisions

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

(thousand euros)

	2011	2010
Policyholders (return premiums payable)	164	146
Insurance brokers		
- Commissions payable	-	-
- Current accounts	1,148	1,039
Co-insurers	169	180
Total	**1,481**	**1,365**

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

(thousand euros)

	2011	2010
Reinsurers	538	367
Reinsured	-	-
Total	**538**	**367**

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

(thousand euros)

	2011	2010
Management commissions	-	266
Related entities	3	4
Staff	14	16
Other payables	211	427
Total	**228**	**713**

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

(thousand euros)

	2011	2010
Deferred Income	-	-
Accrued Costs	**3,785**	**4,559**
- Staff costs (subsidies & charges)	253	465
- Acquisition costs (incentives & commissions)	972	1,100
- Third-party supplies & services	830	493
- Services rendered related companies	-	580
- Banking channel commissions	1,730	1,921
Total	**3,785**	**4,559**

Note 14 - Insurance Contract Premiums

The breakdown of insurance contract premiums is as follows:

(thousand euros)

Businesses/ Groups of Businesses	Gross premiums Written		UPR Variation		Premiums Earned	
	2011	2010	2011	2010	2011	2010
Life						
Traditional	20,945	20,431	201	248	20,744	20,183
With-profits capitalisation	13,428	38,206	-	-	13,428	38,206
Total	**34,373**	**58,637**	**201**	**248**	**34,172**	**58,389**

Some amounts of the Life business line are as follows:

(thousand euros)

	2011	2010
Gross Direct Insurance Premiums Written	**34,373**	**58,637**
In respect of personal contracts	24,136	44,568
In respect of group contracts	10,237	14,069
	34,373	**58,637**
Periodic	24,075	23,242
Non-periodic	10,298	35,395
	34,373	**58,637**
On without-profits contracts	18,353	27,072
On with-profits contracts	16,020	31,565
	34,373	**58,637**
Balance of Reinsurance	**-1,088**	**-1,057**

Note 15 – Insurance Contract Commissions Receive

Those insurance contracts issued by the Company in which there is only the transfer of a financial risk, with no discretionary profit sharing, namely fixed-rate capitalisation insurance and products in which the investment risk is borne by the policyholder are classified as investment contracts and are carried as a liability, and their subscription and management commissions are recorded and income and calculated fund by fund in accordance with the general conditions of each product.

Note 16 - Investment Income/Revenue and Expenditure

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

(thousand euros)

	2011	2010
Interest	**19,551**	**12,486**
Available-for-sale financial assets	6,296	10,044
Financial assets classified at fair value through profit & loss	1,589	896
Held-to-maturity financial assets	3,701	-
Deposits, loans & other assets	7,965	1,546
Dividends	**-**	**62**
Financial assets classified at fair value through profit & loss	-	-
Available-for-sale financial assets	-	62
Derivatives	-	610
Total	**19,551**	**13,158**

The balance of the Income heading by type of asset is as follows:

(thousand euros)

	2011	2010
Bonds & other fixed-income securities		
Public issuers'	3,075	1,765
Other issuers'	9,993	9,175
Shares	-	62
Derivatives	-	610
Deposits	6,483	1,546
Total	**19,551**	**13,158**

The breakdown of Financial costs is as follows:

(thousand euros)

	2011	2010
Costs imputed to the investments function	404	463
Interest on repurchase agreements	1,270	-
Total	**1,674**	**463**

Note 17 - Gains & Losses Realised on Investments

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

(thousand euros)

	2011			2010		
	Gain	Loss	Balance	Gain	Loss	Balance
Financial - Not at Fair Value Through Profit or Loss	**1,180**	**-7,136**	**-5,956**	**8,762**	**-4,300**	**4,462**
Available-for-sale financial assets	1,073	-7,136	-6,063	8,762	-4,300	4,462
Held-to-maturity investments	107	-	107	-	-	-
Financial - At Fair Value Through Profit or Loss	**8,186**	**-149**	**8,037**	**1,163**	**-270**	**893**
Financial assets classified at fair value through profit or loss	75	-149	-74	91	-270	-179
Financial assets held for trading	7,511	-	7,511	-	-	-
Hedge derivatives	600	-	600	1,072	-	1,072
Total	**9,366**	**-7,285**	**2,081**	**9,925**	**-4,570**	**5,355**

Note 18 - Gains & Losses Stemming from Adjustments to the Fair Value of Investments

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

(thousand euros)

	2011			2010		
	Gain	Loss	Balance	Gain	Loss	Balance
Financial assets classified at fair value through profit or loss	-	-2,497	-2,497	123	-2,348	-2,225
Financial assets held for trading	-	-	-	-	-	-
Total	**-**	**-2,497**	**-2,497**	**123**	**-2,348**	**-2,225**

Note 19 – Gains & Losses on Currency Translation Differences

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

The balance is broken down as follows:

(thousand euros)

	2011			2010		
	Gain	Loss	Balance	Gain	Loss	Balance
Available-for-sale financial assets	-	-	-	1,289	-1,004	285
Financial assets held for trading	7	-17	-10	273	-1,015	-742
Total	**7**	**-17**	**-10**	**1,562**	**-2,019**	**-457**

Note 20 - Other Income, Expenses and Variation of Other Provisions

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

(thousand euros)

	2011	2010
Other Technical Income	**13**	**6**
Co-insurance management commissions	13	6
Other	-	-
Other Technical Expense	**21**	**29**
Co-insurance management commissions	8	7
Other	13	22
Value of Gains & Losses	**-8**	**-23**

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

(thousand euros)

	2011	2010
Other Non-Technical Income	**99**	**114**
Corrections & adjustments	19	-
Other gains	80	114
Other Non-Technical Expense	**282**	**485**
Donations	-	5
Gifts to customers	2	235
Sundry subscriptions	-	8
Tax estimate insufficiency	-	211
Banking services & default interest	43	26
Other expenses	237	-
Value of Gains & Losses	**-183**	**-371**

Note 21 - Sundry Costs by Function and Nature of Expense

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

- Claims Function: Claims costs - Amounts paid gross;
- 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 dedicated to each function by cost centre;
- % of use of IT resources;
- % of persons assigned to each function.

The breakdown of these expenses and their distribution using the classification based on their function as at December 31, 2011 & 2010, are as follows:

(thousand euros)

2011	Cost of Claims		Acquisition Costs		Administrative Costs		Cost of Investments		Total	
Staff costs	116	9%	621	48%	518	40%	39	3%	1,294	100%
Third-party supplies & services	120	4%	2,141	73%	617	21%	40	1%	2,918	100%
Taxes	-	0%	14	61%	-	0%	9	39%	23	100%
Depreciation	119	5%	356	15%	1,897	80%	-	0%	2,372	100%
Provisions for contingencies & liabilities	-	0%	-	0%	-	0%	-	0%	-	0%
Other costs	-	0%	-	0%	-	0%	316	100%	316	100%
Total	**355**	**5%**	**3,132**	**45%**	**3,032**	**44%**	**404**	**6%**	**6,923**	**100%**

(thousand euros)

2010	Cost of Claims		Acquisition Costs		Administrative Costs		Cost of Investments		Total	
Staff costs	150	9%	801	48%	668	40%	50	3%	1,669	100%
Third-party supplies & services	104	4%	2,238	76%	549	19%	35	1%	2,926	100%
Taxes	-	0%	49	62%	-	0%	30	38%	79	100%
Depreciation	115	5%	347	15%	1,851	80%	-	0%	2,313	100%
Provisions for contingencies & liabilities	-	0%	-	0%	-	0%	-	0%	-	0%
Other costs	-	0%	-	0%	-	0%	348	100%	348	100%
Total	**369**	**5%**	**3,435**	**47%**	**3,068**	**42%**	**463**	**6%**	**7,335**	**100%**

Staff costs are detailed in Note 22.

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

(thousand euros)

	2011	2010
Fuel	32	31
Office material, stationery, etc.	1	2
Gift articles	19	12
Office equipment & furniture maintenance	11	1
Hardware maintenance	57	-
Operational rental of vehicles & other rentals	35	70
Travel & entertainment costs	42	39
Post	92	153
Insurance	8	9
Advertising & marketing	547	481
Outsourcing, consultancy & specialised work	161	232
Software services & development	341	275
Subscriptions to APS	27	4
Premium collection	86	88
Medical examinations	75	76
Commissions	763	998
Brokers club	98	107
Provision of operational services	295	289
Other sundry supplies & services	228	59
Total	**2,918**	**2,926**

The breakdown of Taxes and charges is as follows:

(thousand euros)

	2011	2010
ISP charge	23	79
Total	**23**	**79**

The breakdown of Depreciation and charges is as follows:

(thousand euros)

	2011	2010
Intangible - Value in force	2,234	2,172
Hardware & software	138	141
Total	**2,372**	**2,313**

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

(thousand euros)

	2011	2010
Safekeeping commission, securities' custody & other commissions	316	348
Total	**316**	**348**

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

(thousand euros)

	2011	2010
Acquisition costs		
Brokerage remuneration	-1,007	-1,315
Costs imputed	-3,132	-3,435
Other acquisition costs	-1,735	-1,940
Deferred acquisition costs (change)	-26	-32
Administrative costs		
Brokerage remuneration	-75	-52
Costs imputed	-3,032	-3,068
Reinsurance commissions & profit-sharing	787	514
Total	**-8,220**	**-9,328**

Note 22 - Staff Costs

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

	2011	2010
Management	2	2
Technical personnel	14	13
Technical-administrative personnel	1	2
Total	**17**	**17**

Staff costs are detailed as follows:

(thousand euros)

	2011	2010
Remuneration - Corporate officers	215	675
Remuneration - Personnel	834	775
Charges on remuneration - Corporate officers	15	4
Charges on remuneration - Personnel	170	157
Post-employment benefits - Defined-benefit pension plans	7	9
Mandatory insurance	16	17
Social welfare costs	33	29
Other staff costs	4	2
Total	**1,294**	**1,669**

As at December 31, 2011 & 2010, the Company had no loans or advances extended to corporate officers.

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

The fees billed during 2011 by the Official Auditor within the scope of the legal audit of the accounts amounted to €18k.

Note 23 - Obligations Involving Employee Benefits

Retirement pensions

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

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

With regard to the amendment of the plan and taking into account that the value of the fully-funded liabilities for past services in respect of old-age pensions payable to current employees will be converted into individual accounts of these employees, forming part of their individual retirement plan, according to IAS 19, the Company will settle the liability during 2012.

Since the deviations have been recognised in reserves, the Company will have no additional impact on profit & loss and reserves resulting from the actual settlement of the plan.

An actuarial valuation of the retirement pensions and health benefits is performed annually at T-Vida, the most recent one with reference to December 31, 2011.

The main assumptions used in the actuarial studies as at December 31, 2011 & 2010 to determine the update value of the employees' pensions are as follows:

	2011	2010
Financial Assumptions		
Wage growth rates	3.25% - 3.75% (*)	3.25% - 3.75% (*)
Pension growth rate	0.75% - 3.75% (*)	0.75% - 3.75% (*)
Rates of return of the fund	5.40% - 4.94% (*)	5.15% - 4.73% (*)
Early-retirement pension growth rate	2.25%	2.25%
Discount rate	5.50%	5.50%
Demographic Growth Rates and Valuation Methods		
Mortality table	GKF 95	GKF 95
Disability table	Suisse Re 2001	Suisse Re 2001
Actuarial Valuation Method	Project Unit Credit Method	

(*) In respect of liabilities towards directors.

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

As at 31 December 2011 & 2010, the number of participants covered by the benefits plan was as follows:

	2011	2010
In service	4	4
Retired	-	-
Total	**4**	**4**

As at December 31, 2011 & 2010, the breakdown of amounts recognised in the balance sheet is as follows

(thousand euros)

	2011	2010
Net assets/ (liabilities) recognised in the balance sheet		
Liabilities as at December 31	-181	-165
Balance of the fund on December 31	176	177
Net Assets/ (Liabilities) in the Balance Sheet as at December 31	**-5**	**12**

The breakdown of liabilities for retirement pensions is as follows:

(thousand euros)

	2011	2010
Liabilities as at January 1	**165**	**155**
Cost of current service	7	7
Interest cost	9	9
Actuarial (gains) and losses in liabilities	-	-6
Liabilities as at December 31	**181**	**165**

The evolution of the value of the pension fund in 2011 & 2010 is as follows:

(thousand euros)

	2011	2010
Balance of the Fund on January 1	**177**	**134**
Real return of the fund		
Expected return of the fund	9	7
Actuarial gains & losses	-10	-5
Transfers from other funds	-	41
Balance of the Fund on December 31	**176**	**177**

The evolution of actuarial deviations recognised in reserves is as follows:

(thousand euros)

	2011	2010
Deviations Recognised in Reserves as at 1 January	**15**	**16**
Actuarial (gains) & losses		
- on liabilities	-	-6
- on the plan's assets	10	5
Deviations Recognised in Reserves as at 31 December	**25**	**15**

The evolution of assets receivable/ liabilities deliverable in 2011 and 2010 is as follows:

(thousand euros)

	2011	2010
(Assets)/ Liabilities Receivable or Payable as at January 1	**(12)**	**21**
Actuarial gains and losses on liabilities	-	-6
Actuarial gains & losses of the funds	10	5
Charges for the year:		
- Cost of current service	7	7
- Interest cost	9	9
- Expected return of the fund	-9	-7
Transfers from other funds	-	-41
(Assets)/ Liabilities Receivable or Payable as at December 31	**5**	**-12**

The breakdown of the year's costs incurred with retirement pensions is as follows:

(thousand euros)

	2011	2010
Cost of current service	7	7
Interest cost	9	9
Expected return of the fund	-9	-7
Costs for the Year	**7**	**9**

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

(thousand euros)

	2011	2010
Land & buildings	7,935	8,061
Equities & other floating-rate securities	12,645	8,502
Fixed-income securities	34,253	40,575
Balances with credit institutions	1,449	1,189
Fund debtors & creditors	-226	-64
Interest receivable	595	819
Total	**56,651**	**59,084**

The figures for assets disclosed above are all in respect of the Tranquilidade Group and BES-Vida Pension Fund, of which associate T-Vida accounts for about 0.31% (2010: 0.30%) of the total of the fund.

The evolution of the funds' liabilities and balances over the past 5 years is as follows:

(thousand euros)

	2011	2010	2009	2008	2007
Liabilities	-181	-165	-155	-110	-91
Balance of the funds	176	177	175	123	94
Liabilities (Under/Over Financed)	**-5**	**12**	**20**	**13**	**3**

Note 24 - Income Tax

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

Calculation of the current tax for 2011 and 2010 has been made on the basis of a nominal tax rate plus the municipal surcharge, totalling 29.00%, the nominal rate approved on the balance-sheet date. The Company has been subject to annual inspections by the DGCI (Directorate General of Taxation), whose latest report refers to 2008 and contains no significant adjustments to the tax returns submitted in previous years. Subsequent tax returns are subject to inspection and possible adjustment by the Tax Authorities during a period of four years.

The Company returned tax losses in 2008, 2010 and 2011, giving rise to deferred tax assets on these tax losses carried forward, taking into account the estimates of recoverability within the time allowed for the purpose in respect of each year, as follows:

(thousand euros)

Year	Brought Forward	Used	Carried Forward	Last Year For Use
2008	31,447	-15,972	15,475	2014
2010	5,317	-	5,317	2014
2011	942	-	942	2015
Total	**37,706**	**-15,972**	**21,734**	

The breakdown of current tax assets and liabilities reported in 2011 and 2010 is as follows:

(thousand euros)

	2011		2010	
	Current Tax Assets	Current Tax Liabilities	Current Tax Assets	Current Tax Liabilities
Income tax	210		388	
Tax withheld at source	1	146		129
Value added tax				1
Other taxes & charges		105		147
Social security contributions	18	20	45	22
Total	**229**	**271**	**433**	**299**

The breakdown of deferred tax assets and liabilities recognised in the 2011 and 2010 balance sheets is as follows:

(thousand euros)

Headings	Assets		Liabilities		Net	
	2011	2010	2011	2010	2011	2010
Investments	1,195	1,756			1,195	1,756
Tax losses	5,432	5,196			5,432	5,196
Total	**6,627**	**6,952**	**0**	**0**	**6,627**	**6,952**

The figures for 2011 and 2010 include amounts in respect of the deferral over 5 years of the impact on taxation stemming from the transition to the IFRS.

Current and deferred taxes in 2011 were recognised as follows:

(thousand euros)

2011	Fair-Value Reserve	Other Reserves	Profit & Loss	Total
Current Tax	**-11**	**-**	**-59**	**-70**
Corporation tax estimate	-11		11	-
Autonomous tax			-70	-70
Deferred Tax	**670**	**-**	**-995**	**-325**
Investments	-653		92	-561
Tax losses	1,323		-1,087	236
Total	**659**	**-**	**-1,054**	**-395**

Reconciliation of the tax rate is as follows:

(thousand euros)

	2011	2010
Pre-tax profit/(loss)	4,067	7,037
Tax rate	29.00%	29.00%
Tax Determined on the Basis of the Official Rate	**-1,179**	**-2,041**
Dividends excluded from taxation	-	-18
Other income & costs excluded from taxation	22	175
Deferred tax	174	-
Autonomous Tax	-70	-13
Current + Deferred Tax	**-1,054**	**-1,897**

Note 25 - Contributed Capital

The equity capital of T-Vida in the sum of €65 million, represented by 65 million shares each of a par value of €1, is fully subscribed and paid up. The Company's sole equityholder is Companhia de Seguros Tranquilidade, SA, which paid up equity capital in the sum of €20 million in 2006 and of €45 million in 2008.

The amounts carried under Other capital instruments in the sum of €12.5 million in 2011 and 2010 respectively, have to do with ancillary capital contributions put up by the sole equityholder.

Note 26 - Reserves

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

Legal reserve

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

Fair-value reserve

Fair-value reserves represent the potential gains and losses in respect of the available-for-sale investments, net of the impairment recognised in profit & loss during the year and/or in 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. 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 rate approved or substantially approved on the balance sheet date in each jurisdiction that are expected to be applied when the temporary differences are reversed.

Free reserves

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

Actuarial deviations reserve

According to one of the options set out in IAS 19 Employee Benefits, T-Vida opted to make a change in accounting policy and now recognises actuarial deviations against reserves. In accordance with IAS 8, this change in accounting policy is presented for comparative purposes from January 1, 2010, recognising as of this date the whole of the actuarial deviations in reserves. On that basis, as mentioned in Note 3, the heading Other reserves includes, effective January 1, 2010, a restatement resulting from the said change

The breakdown of the reserves as at December 31, 2011, 2010 & 2009, is as follows:

(thousand euros)

	2011	2010	2009
Fair-value financial assets and hedges reserve	-25,774	-22,734	-12,975
Deferred and current tax reserve	6,533	5,874	3,234
Other reserves	1,557	1,054	526
- Legal reserve	1,582	1,069	542
- Actuarial deviations reserve	-25	-15	-16
Reserves	**-17,684**	**-15,806**	**-9,215**

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

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

(thousand euros)

	2011	2010
Floating-rate securities	-468	14
Fixed-income securities	-25,834	-23,876
Hedge derivatives	528	1,128
Fair-Value Reserve	**-25,774**	**-22,734**

The Breakdown of the net fair value reserve as at December 31, 2011 & 2010, is as follows:

(thousand euros)

	2011	2010
Cash-flow hedge derivatives reserve	-	-
Amortised cost of available-for-sale investments	224,693	307,220
	224,693	**307,220**
Impairment	-2,638	-510
Net amortised/acquisition impairment cost	222,055	306,710
Fair value of hedges	-	-
Fair value of available-for-sale investments	200,625	282,848
	200,625	**282,848**
Gross revaluation reserve (Fair value - cost)	-21,430	-23,862
Cash-flow hedge derivatives reserve	528	1,128
Revaluation reserve for securities transferred to held-to-maturity investments	-4,872	-
Deferred & current taxes	6,533	5,874
Revaluation Reserve Net of Taxes	**-19,241**	**-16,860**

Movement under the net fair value reserve as at December 31, 2011 & 2010, is as follows:

(thousand euros)

	2011	2010
Balance as at January 1	**-16,860**	**-9,741**
Fair-value variations, including variation for disposals	-912	-10,149
Impairment recognised during the year	-2,128	390
Variation of deferred taxes and current recognised during the year	659	2,640
Balance as at December 31	**-19,241**	**-16,860**

Note 27 – Earnings per Share

Earnings per share for the years ended December 31, 2011 & 2010, are as follows:

	2011	2010
Net profit/(loss) for the period (in thousands of euros)	3,013	5,140
Number of shares (year-end)	65,000,000	65,000,000
Earnings per Share (in euros)	**0.05**	**0.08**

Note 28 – Dividend per Share

The Company's sole equityholder is Companhia de Seguros Tranquilidade, SA, to which, in 2011 and 2010, the following dividends were attributed and paid, resulting in the following dividends per share:

	2011	2010
Dividend (in thousand of euros)	4,600	4,700
Number of shares (beginning of the period)	65,000,000	65,000,000
Dividend per Share (in euros)	**0.07**	**0.07**

Note 29 - Transactions Between Related Parties

The T-Vida equity capital is wholly owned by Companhia de Seguros Tranquilidade, SA. The accounts of these entities and included within the consolidation perimeter of ESFG - Espírito Santo Financial Group.

Relations between T-Vida and its parent company, Tranquilidade, or its associates involve several business areas, the more relevant transactions and services involving situations of rentals, marketing of insurance, reinsurance and provision of administrative and technical services.

As at December 31, 2010 & 2010, the overall amount of T-Vida's assets and liabilities that refer to transactions with associate and related companies can be summarised as follows:

(thousand euros)

	2011				2010			
	Assets	Liabilities	Costs	Income	Assets	Liabilities	Costs	Income
BAC	-	3	-	162	6,600	3	2	71
BANCO ESPÍRITO SANTO	118,887	87,464	3,129	12,835	114,127	1,988	2,892	4,033
BES FINANCE	-	-	-	63	2,690	-	-	51
BES VIDA	51,475	-	295	538	64,406	846	19,903	20,183
BESI	5,638	-	-	155	2,323	-	-	30
BESLEASING	-	-	-	-	-	-	5	130
BEST	50	4	-	-	93	4	4	-
E.S. CONTACT CENTER	-	-	77	-	-	-	38	-
E.S. FINANCIER	6,279	-	-	392	6,965	-	-	298
E.S. FINANTIAL PORTUGAL	-	-	-	101	-	-	-	-
ESAF	-	182	182	-	-	204	204	-
ESFG	3,101	-	-	194	2,552	-	-	327
ESUMÉDICA	3	47	75	-	20	-	75	-
LOGO	-	3	-	-	-	4	-	-
TRANQUILIDADE	63	-	-	-	643	-	-	-
	185,496	**87,703**	**3,757**	**14,440**	**200,419**	**3,049**	**23,123**	**25,123**

Note 30 - Cash-flow Statement

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

Note 31 - Commitments

The Company has operational lease contracts in respect of transport material. The maturity of the outstanding instalments is as follows:

(thousand euros)

	Up to 3 Months	4 to 12 Months	>1-5 Years
Operating lease contracts	12	24	55

Note 37 – Other Information

Recently-issued standards and interpretations

Standards, amendments and interpretations effective on or after January 1, 2011

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

IFRS 7 - Financial instruments disclosures - Transfers of financial assets

The International Accounting Standards Board (IASB) issued in October 2010 IFRS 7 - Financial Instruments: Disclosures - Transfers of financial assets, with mandatory application for periods starting as from July 1, 2011, early adoption permitted.

The aim of the required alterations of disclosures about operations involving transfers of financial assets, particularly financial-asset securitisation, is to ensure that users of the financial statements may be able to assess the risk and impacts associated with these operations on the financial statements.

Annual Improvement Project

In May 2010 the IASB published the Annual Improvement Project, introducing 11 amendments to 7 standards. The effective date of the changes, the possibility of early adoption and application requirements on transition are defined in each standard. Most changes were mandatory as from January 1, 2011.

Adoption of these amendments to existing standards has had no significant impact on the financial statements.

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

IFRS 9 - Financial instruments

The International Accounting Standards Board (IASB) issued in November 2009, IFRS 9 - Financial Instruments Part I: Classification and measurement, with mandatory application for periods starting as from January 1, 2013, with early adoption permitted. This standard was amended in October 2010. IFRS 9 has not yet been adopted by the European Union.

This standard is part of the first stage of the IASB's overall project involving the replacement of IAS 39, and it addresses the subject of financial asset classification and measurement. The main aspects considered are as follows:

- Financial assets may be classified in two categories: at amortised cost or at fair value. The decision will be taken at the time of initial recognition of the financial assets. Their classification depends on how an entity presents these financial assets in its business-management model and on the contractual characteristics of the financial flows association with each financial asset;

- Only debt instruments whose contracted financial flows comprise solely principal and interest, that is, contain just the basic characteristics of debt, and, in the business-management model, the entity holds these financial asset for the purpose of capturing solely the respective financial flows can be measured at amortised cost. All other debt instruments are recognised at fair value;

- Capital instruments issued by third parties are recognised at fair value and subsequent variations are recorded in profit & loss. However, an entity may irrevocably elect capital instruments for which variations of fair value and realised gains or losses are recognised in fair-value reserves. The gains and losses thus recognised may not be recycled through profit and loss. This decision is discretionary and does not mean that all capital instruments are treated in this way. Dividends received are recognised in profit and loss for the period;

- The exception to hold investments in capital instruments whose fair value cannot be determined reliably and related derivatives, as provided for in IAS 39, is not permitted in IFRS 9;

- Alterations of fair value attributable to the credit risk of financial liabilities classified under the Fair Value option are recognised in (OCI). The other changes of fair value associated with these financial liabilities will be recognised in profit & loss. The amounts carried under OCI cannot be transferred to profit & loss.

The Company is examining the possible impacts of this standard.

IFRS 10 - Consolidated financial statements

In May 2011, the International Accounting Standards Board (IASB) issued IFRS 10 – Consolidated financial statements mandatorily applicable as from January 1, 2013, early application being allowed.

This standard introduces a new approach in determining which investments should be consolidated (full consolidation method), replacing IAS 27 - Consolidated and separate financial statements and SIC 12 - Consolidation of SPEs. Thus, it presents a new definition of control and requirements for its application.

An investor has control over a subsidiary when it is exposed , or has the right, to variable returns arising from its involvement in the subsidiary and has the ability to influence these returns owing to its power over the subsidiary. The concept of de facto control was introduced.

Two main objectives were included in this standard:

- Introduction of a single consolidation model for all types of entities, ensuring that an entity consolidates all entities it controls;

- Introduction of more extensive disclosure requirements, particularly on the investments that the entity does not consolidate.

The Company is examining the possible impacts of this standard.

IFRS 11 - Joint arrangements

In May 2011, the International Accounting Standards Board (IASB) issued IFRS 11 – Joint Arrangements mandatorily applicable as from January 1, 2013, early application being allowed.

This standard replaces the previous IAS 31, keeping the same definition of a joint arrangement. However, two new categories of joint arrangements were introduced: (i) Joint operations; and (ii) Joint ventures.

The main changes introduced by this standard were:

- The structure of joint arrangements is no longer a critical factor for the accounting model to be followed. Classification of a joint arrangement requires identification and evaluation of the structure, legal form, the contractual agreement and other facts and circumstances;

- Introduction of mandatory application of the equity method to a joint venture, thus eliminating the option of proportionate consolidation method.

The Company is examining the possible impacts of this standard.

IFRS 12 - Disclosure of interests in other entities

In May 2011, the International Accounting Standards Board (IASB) issued IFRS 12 – Disclosure of interests in other entities mandatorily applicable for periods starting as from January 1, 2013, early application being allowed.

More detailed disclosures about involvement with entities that they consolidate (subsidiaries) and those they do not consolidate, namely:

- The nature and risks associated with interests in other entities;

- The effects of such interests on the financial position, results of operations and cash flows of the reporting entity.

The Company is examining the possible impacts of this standard.

IFRS 13 - Fair value measurement

In May 2011, the International Accounting Standards Board (IASB) issued IFRS 13 – Fair value measurement mandatorily applicable for periods starting as from January 1, 2013, early application being allowed.

This standard presents a revised concept of fair value and sets new information-disclosure requirements. Thus, the main aspects considered are:

- Principles that underlie the determination of fair value;

- Appropriate valuation techniques and the three levels of hierarchy of fair values;

- More extensive requirements with respect to the information to be disclosed.

The Company is examining the possible impacts of this standard.

IAS 27 - Separate financial statements

In May 2011, the International Accounting Standards Board (IASB) issued IAS 27 – Separate financial statements mandatorily applicable for periods starting as from January 1, 2013, early application being allowed.

This IAS 27 (2011) standard introduces no changes to the application requirements of IAS 27 within the scope of separate financial statements, but merely only clarifies: (i) that an entity that prepares separate financial statements must will follow all relevant rules of the IFRS, and (ii) the disclosure-requirement needs.

The Company is examining the possible impacts of this standard.

IAS 28 - Investments in associates and joint ventures

In May 2011, the International Accounting Standards Board (IASB) issued IAS 28 – Investments in associates and joint ventures mandatorily applicable for periods starting as from January 1, 2013, early application being allowed.

This standard replaces IAS 28 (2003) and describes the accounting treatment to be adopted by entities in respect of investments in associates and joint ventures, thus defining the accounting requirements for application of the equity method for both investments.

IFRS 11 determines the type of joint arrangements in which an entity is involved, and once it has been determined that there is an interest in a joint venture, an entity applies the equity method in its consolidated accounts in accordance with IAS 28 (revised 2011). IFRS 12 describes the requirements for disclosure of information.

The Company is examining the possible impacts of this standard.

IFRS 7 (Amendment) - Disclosures - Offsetting assets and liabilities

In May 2011, the International Accounting Standards Board (IASB) issued an amendment of IFRS 7 – Disclosures - Offsetting financial assets and liabilities mandatorily applicable for periods starting as from January 1, 2013, early application being allowed.

This standard amended the information-disclosure requirements so that users of financial statements can assess the effect or potential effect of the presentation of net financial assets and liabilities on the financial position of an entity.

The Company is examining the possible impacts of this amended standard.

IAS 32 (Amended) - Offsetting financial assets and liabilities

In May 2011, the International Accounting Standards Board (IASB) issued and amendment of IFRS 32 – Offsetting financial assets and liabilities mandatorily applicable for periods starting as from January 1, 2014, early application being allowed.

This amendment replaced paragraph AG38 of IAS 32 by new paragraphs AG38A-AG38F regarding the conditions required to present financial assets and liabilities in a net form, in the financial position of an entity: (i) the criterion that an entity has the legal right to make the settlement for the net amounts recognised, and (ii) the criterion that an entity intends to settle the net amounts or to realise the assets and settle the liabilities simultaneously.

The Company is examining the possible impacts of this amended standard.

Appendix 1 – Inventory of Holdings and Financial Instruments

(expressed in euros)

Identification of the Securities – Designation	Quantity	Amount of Par value	% of Par Value	Average Acquisition Cost	Total Acquisition Cost	Book Value (Including Accrued Interest) – Unit	Book Value (Including Accrued Interest) – Total
1 - AFFILIATES, ASSOCIATES, JOINT VENTURES AND OTHER RELATED COMPANIES							
1.1 - Domestic Securities							
1.1.8 - Debt securities of related companies							
BES EURO RENDA 16/04/2013		1,660,000.00	105.31%	91.5%	1,518,285.80	105.3%	1,748,146.00
BES EURO RENDA 20/05/2013 - 1ªS		1,753,000.00	105.13%	90.1%	1,579,144.44	105.1%	1,842,928.90
BES PL 3.75% 01/12		1,250,000.00	99.53%	96.5%	1,206,250.00	103.1%	1,288,565.65
BESPL 375% 01/12		10,000,000.00	98.30%	97.5%	9,750,000.00	101.9%	10,185,179.45
BESPL 3.875% 01/21/2015		500,000.00	71.68%	99.8%	498,936.02	75.3%	376,675.28
BESPL 5.625% 06/14		250,000.00	78.67%	88.7%	221,750.00	81.9%	204,712.73
BESPL 5.625% 06/14		6,500,000.00	90.86%	89.3%	5,803,373.69	94.1%	6,117,900.37
Subtotal	**0**	**21,913,000.00**			**20,577,739.95**		**21,764,108.38**
1.2 Foreign Securities							
1.2.8 - Debt securities of related companies							
ES FINANCIAL 8% 07/26/13		3,000,000.00	99.93%	100.0%	3,000,000.00	103.4%	3,101,480.57
ESPIRITO SANTO FINANCIER 7% 05/31/13		6,500,000.00	92.50%	99.8%	6,483,750.00	96.6%	6,278,538.25
Subtotal	**0**	**9,500,000.00**			**9,483,750.00**		**9,380,018.82**
Total	**0**	**31,413,000.00**			**30,061,489.95**		**31,144,127.20**
2 - OTHER							
2.1 - Domestic securities							
2.1.1 - Capital instruments and unit trusts							
2.1.1.3 - Investment fund units							
ES LIQUIDEZ - FEI ABERTO	1,769,703			5.09	9,000,000.00	5.10	9,019,820.67
ES ROCK FELLER GLOBAL	10,162			149.41	1,518,239.87	132.50	1,346,407.76
ES TRADING FUND	13,000			110.68	1,438,840.00	98.57	1,281,410.00
Subtotal	**1,792,864**	**0.00**			**11,957,079.87**		**11,647,638.43**
2.1.2 - Debt securities							
2.1.2.1 - Public debt							
BT 0% 01/20/12		300,000.00	99.62%	96.5%	289,569.90	99.6%	298,845.00
BT 0% 01/20/12		1,500,000.00	99.80%	98.9%	1,483,269.62	99.8%	1,496,933.03
BT 0% 01/20/12		2,500,000.00	99.80%	98.3%	2,456,867.88	99.8%	2,494,945.98
BT 0% 02/17/12		850,000.00	99.27%	99.0%	841,508.94	99.3%	843,752.50
BT 0% 02/17/12		9,000,000.00	99.46%	99.1%	8,921,023.21	99.5%	8,951,316.55
BT 0% 02/17/12		4,000,000.00	99.47%	97.8%	3,912,131.00	99.5%	3,978,733.09
BT 0% 03/23/12		5,000,000.00	99.00%	98.6%	4,932,251.42	99.0%	4,950,147.75
BT 0% 03/23/12		5,000,000.00	99.01%	97.2%	4,861,346.81	99.0%	4,950,582.88
PT OT 3.35% 10/15/15		9,450,000.00	92.08%	91.9%	8,687,326.19	92.8%	8,768,017.03
PT OT 3.35% 10/15/15		6,750,000.00	92.09%	91.0%	6,142,746.13	92.8%	6,263,319.33
PT OT 3.6% 10/15/14		3,000,000.00	95.37%	95.3%	2,857,594.36	96.1%	2,883,948.89
PT OT 3.6% 10/15/14		2,000,000.00	95.38%	94.5%	1,889,826.03	96.1%	1,922,710.58
PT OT 4.2% 10/15/16		3,250,000.00	92.72%	92.6%	3,010,051.42	93.6%	3,042,072.60
PT OT 4.2% 10/15/16		3,750,000.00	92.72%	92.0%	3,448,515.26	93.6%	3,510,207.38
PT OT 4.35% 10/16/17		3,100,000.00	91.28%	91.2%	2,826,691.04	92.2%	2,857,681.99
PT OT 4.35% 10/16/17		2,040,000.00	91.28%	90.6%	1,847,298.80	92.2%	1,880,595.64
PT OT 4.45% 06/15/18		4,000,000.00	90.12%	90.0%	3,600,630.26	92.6%	3,703,086.65
PT OT 4.75% 06/14/19		1,250,000.00	89.83%	89.7%	1,121,810.98	92.5%	1,155,885.66
PT OT 4.8% 06/15/20		4,000,000.00	88.63%	88.5%	3,541,956.87	91.3%	3,651,391.45
PT OT 4.8% 06/15/20		3,500,000.00	88.63%	88.2%	3,085,957.04	91.3%	3,195,061.80
PT OT 5% 06/15/12		5,000,000.00	97.00%	94.8%	4,740,000.00	99.7%	4,985,928.95
PT OT 5.45% 09/13		500,000.00	101.11%	101.2%	505,836.75	102.6%	512,924.64
PT OT 5.45% 09/13		4,000,000.00	101.11%	101.4%	4,055,044.48	102.6%	4,103,324.00
PT OT 6.4% 02/15/16		250,000.00	70.82%	83.7%	209,250.00	76.4%	191,077.40
PT OT 6.4% 02/15/16		2,500,000.00	99.77%	99.7%	2,493,243.35	105.4%	2,634,606.61
PT OT 3.6% 10/15/14		45,000.00	71.50%	101.3%	45,594.00	72.3%	32,515.82
PT OT 4.35% 10/16/17		500,000.00	57.00%	101.2%	506,136.06	57.9%	289,516.39
Subtotal	**0**	**87,035,000.00**			**82,313,477.80**		**83,549,129.59**
2.1.2.2 - Other public issuers'							
PARPUBLICA 3.5% 07/13		2,200,000.00	96.25%	94.9%	2,088,248.47	97.9%	2,154,502.20
Subtotal	**0**	**2,200,000.00**			**2,088,248.47**		**2,154,502.20**
2.1.2.3 - Other issuers'							
BANCO BPI 3.25% 01/15		2,000,000.00	90.05%	88.8%	1,776,416.01	93.2%	1,864,223.91
BANIF FINANCE 22/12/2016		2,000,000.00	55.45%	100.0%	2,000,000.00	55.5%	1,110,334.00
BCP 04/14 5.625%		700,000.00	89.53%	89.2%	624,375.36	93.5%	654,266.36
BCP 04/14 5.625%		800,000.00	89.54%	87.9%	703,431.97	93.5%	747,838.57

(expressed in euros)

Identification of the Securities Designation	Quantity	Amount of Par value	% of Par Value	Average Acquisition Cost	Total Acquisition Cost	Book Value (Including Accrued Interest) Unit	Total
BCP 3.75% 10/16		2,000,000.00	84.14%	83.9%	1,678,404.64	85.0%	1,700,262.74
BCP PL 3.625% 01/12		1,500,000.00	99.63%	99.1%	1,485,896.17	103.1%	1,546,040.44
BPI PL FLOAT 01/12		1,000,000.00	98.75%	99.6%	996,324.42	99.2%	991,938.75
BRISA 4.5% 12/16		1,000,000.00	65.00%	100.8%	1,007,851.39	65.3%	653,196.72
BRISA 4.5% 12/16		3,000,000.00	65.00%	101.0%	3,030,517.68	65.3%	1,959,590.16
CXGD 4.25% 01/20		1,000,000.00	65.34%	99.7%	996,550.07	69.3%	692,776.16
CXGD 5.125 02/14		8,500,000.00	88.50%	103.9%	8,828,447.15	92.9%	7,898,450.34
EDP FINANCE 3.25% 03/15		1,000,000.00	84.00%	99.6%	995,964.17	86.6%	865,751.37
EDP FINANCE 3.25% 03/15		1,000,000.00	84.00%	99.6%	995,551.18	86.6%	865,751.37
EDP FINANCE 5.875% 02/16		1,500,000.00	84.25%	99.5%	1,493,076.99	89.6%	1,344,148.97
EDP FINANCE 5.875% 02/16		100,000.00	84.25%	98.9%	98,900.00	89.6%	89,609.93
MONTPI 29/05/2013		2,250,000.00	72.04%	99.8%	2,244,974.58	72.2%	1,624,327.50
PORTUGAL TELECOM 5.625% 02/16		1,000,000.00	81.00%	99.5%	994,822.51	86.0%	860,239.72
PORTUGAL TELECOM 5.625% 02/16		100,000.00	81.00%	97.2%	97,200.00	86.0%	86,023.97
PORTUGAL TELECOM INT FIN 5% 11/04/19		5,000,000.00	91.07%	90.7%	4,534,866.57	91.9%	4,592,947.54
PORTUGAL TELECOM INT5.625% 02/16		4,000,000.00	81.00%	99.6%	3,982,061.84	86.0%	3,440,958.90
BCPPL 2.375% 01/18/2012		1,000,000.00	99.50%	100.0%	999,826.55	101.8%	1,017,598.77
CXGD 4.25% 01/27/2020		1,500,000.00	65.34%	99.7%	1,495,184.59	69.3%	1,039,164.24
EDP FINANCE 4.625% 06/16		2,000,000.00	85.12%	103.6%	2,072,436.41	87.7%	1,753,119.18
Term Dep. EUR BES				52,005,082.00		52,030,115.74	
Term Dep. EUR MG				34,069,092.44		34,081,547.53	
Term Dep. EUR CXGERALDEP				10,300,000.00		10,300,500.69	
Term Dep. EUR BESI				5,373,535.54		5,406,553.06	
Term Dep. EUR BCP				10,264,547.07		10,375,033.51	
Term Dep. EUR BBVA				22,500,000.00		22,537,341.07	
Subtotal	**0**	**43,950,000.00**			**177,645,337.30**		**172,129,651.21**
Subtotal	**0**	**133,185,000.00**			**262,047,063.57**		**257,833,283.00**
Total	**1,792,864**	**133,185,000.00**			**274,004,143.44**		**269,480,921.43**
2.2 - Foreign Securities							
2.2.1 - Capital instruments and unit trusts							
2.2.1.3 - Investment fund units							
FIDELITY TARGET 2015 SHARES	95,054			10.50	997,749.92	9.98	948,633.93
FIDELITY TARGET 2020 SHARES	70,504			10.47	737,865.78	9.08	639,960.63
FIDELITY TARGET 2025 SHARES	68,323			9.28	633,799.56	8.64	590,107.39
FIDELITY TARGET 2030 SHARES	38,035			10.00	380,336.12	8.55	325,121.04
FIDELITY TARGET 2035 SHARES	10,554			20.50	216,321.93	17.78	187,657.94
FIDELITY TARGET 2040 SHARES	13,277			19.18	254,698.34	17.77	235,925.89
CLOSED-END REAL ESTATE FUND	300,000			1,000.00	300,000,000.00	981.13	294,338,760.00
STENHAM BERLIN RESIDENTIAL FUND	3,000,000			1.00	3,000,285.00	0.81	2,430,000.00
UBAM NEUBERGER BERMAN US EQUITY	1,843			542.56	999,999.93	467.40	861,471.48
Subtotal	**3,597,589**	**0.00**			**307,221,056.58**		**300,557,638.30**
2.2.2 - Debt securities							
2.2.2.1 - Public debt							
BOTS 0% 01/31/12		3,750,000.00	99.99%	99.8%	3,744,321.11	100.0%	3,749,437.50
BUNDESOBL 2.25% 04/10/2015		1,000,000.00	101.09%	101.2%	1,012,259.94	102.7%	1,027,229.32
FRENCH TREASURY 2.25% 02/16		1,000,000.00	101.84%	102.3%	1,022,800.00	103.7%	1,037,447.95
FRENCH TREASURY 2.25% 02/16		1,000,000.00	101.84%	102.2%	1,021,947.30	103.8%	1,037,712.50
HELLENIC REPUBLI GG 5,5 20/08/14		750,000.00	22.59%	109.3%	819,600.00	24.6%	184,414.75
HELLENIC REPUBLIC 4.3 20/03/12		1,200,000.00	47.50%	100.5%	1,206,426.42	50.9%	610,321.31
HELLENIC REPUBLIC 5.5% 08/20/14		750,000.00	22.59%	106.4%	798,050.49	24.6%	184,414.75
HELLENIC REPUBLIC 6.1% 08/20/15		250,000.00	22.51%	101.6%	254,000.00	24.7%	61,804.17
IRISH GOVT 4.6% 04/16		1,000,000.00	87.90%	86.6%	865,630.31	91.1%	911,288.68
LETRAS 0% 01/20/12		3,750,000.00	99.90%	99.9%	3,746,008.42	99.9%	3,746,250.00
LETRAS 0% 03/23/12		4,000,000.00	99.49%	99.0%	3,960,800.00	99.5%	3,979,400.00
LUXEMBOURG GOVT 3.75% 12/04/13		1,500,000.00	105.13%	105.6%	1,584,000.00	105.4%	1,581,144.59
NETHERLANDS GOVT 1.75% 01/13		2,000,000.00	101.62%	101.7%	2,033,880.00	103.3%	2,065,961.64
NETHERLANDS GOVT 2.5% 01/17		750,000.00	99.25%	99.2%	744,303.55	100.6%	754,146.79
NETHERLANDS GOVT 2.5% 01/17		500,000.00	99.25%	99.2%	496,003.25	100.6%	502,766.30
NETHERLANDS GOVT 3.25% 07/15		1,000,000.00	103.48%	103.6%	1,035,567.22	105.0%	1,049,797.30
NETHERLANDS GOVT 3.25% 07/15		250,000.00	103.48%	103.9%	259,683.16	105.0%	262,442.99
NETHERLANDS GOVT 4.25% 07/13		5,000,000.00	106.26%	106.2%	5,308,000.00	108.2%	5,410,871.58
Subtotal	**0**	**29,450,000.00**			**29,913,281.17**		**28,156,852.12**

(expressed in euros)

Identification of the Securities Designation	Quantity	Amount of Par value	% of Par Value	Average Acquisition Cost	Total Acquisition Cost	Book Value (Including Accrued Interest) Unit	 Total
2.2.2.2 - Other public issuers'							
CAISSE D'AMORT DETTE SOC 1.75% 11/13		1,500,000.00	100.19%	99.9%	1,499,010.00	100.4%	1,505,949.02
EFSF 2.75% 07/16		3,000,000.00	102.91%	102.7%	3,080,670.00	104.2%	3,124,718.04
EFSF 2.75% 12/16		2,500,000.00	99.66%	99.6%	2,490,957.69	99.9%	2,496,274.37
EUROPEAN INVEST BANK 3.625% 10/15/13		9,000,000.00	104.12%	104.3%	9,387,960.00	104.9%	9,438,987.30
EUROPEAN UNION 3.625% 04/06/16		2,000,000.00	106.85%	107.2%	2,143,980.00	109.5%	2,190,285.52
Subtotal	**0**	**18,000,000.00**			**18,602,577.69**		**18,756,214.25**
2.2.2.3 - Other issuers'							
ALSTOM 2.875% 10/15		2,800,000.00	97.36%	99.8%	2,795,549.60	98.0%	2,745,159.25
AMADEUS CAP MARKT 4.875% 07/16		200,000.00	100.67%	99.5%	198,986.00	102.9%	205,842.05
ATLANTIA 3.375% 09/17		3,000,000.00	93.78%	99.6%	2,986,910.16	94.7%	2,842,110.49
BANCA POP VERONA 6,375% 31/05/2021		3,878,000.00	70.30%	99.3%	3,849,264.02	74.0%	2,870,590.96
BANCO SANTANDER 3.625% 04/17		4,000,000.00	93.60%	100.1%	4,004,553.39	96.3%	3,850,411.04
BANK OF IRELAND 4% 01/28/15		1,500,000.00	73.58%	99.7%	1,496,248.43	77.3%	1,159,097.26
BANQUE PSA FINANCE 4% 06/24/15		100,000.00	92.06%	99.6%	99,550.00	94.1%	94,132.50
BBVA CAPITAL UNIPERS 13/10/2020		5,000,000.00	80.36%	99.9%	4,995,137.32	80.8%	4,038,710.54
BBVA SENIOR FINANCE 4% 05/13/13		500,000.00	99.14%	99.9%	499,355.00	99.7%	498,422.24
CAJA AHORROS BARCELONA 3.5% 03/16		500,000.00	93.82%	99.7%	498,565.00	96.4%	482,243.91
CAJA CASTILLA 02/11/2016		3,000,000.00	75.13%	100.0%	3,000,360.00	75.6%	2,266,866.92
CAJA MADRID 3.5% 11/14		3,000,000.00	93.84%	97.5%	2,926,022.49	94.3%	2,828,970.49
CAJA ZARAGOZA ARAGON 25/04/2019		4,000,000.00	86.15%	99.5%	3,981,460.00	86.5%	3,460,289.44
DEXIA MUNICIPAL AGENCY 2.75% 01/16		1,500,000.00	93.05%	100.0%	1,500,285.53	95.6%	1,434,204.66
DOURM 1 A		601,631.65	58.29%	98.6%	593,054.10	58.3%	350,961.88
ENEL FINANCE 4% 09/14/16		1,500,000.00	98.62%	102.6%	1,539,058.30	99.8%	1,496,929.92
ENEL FINANCE 4% 09/14/16		1,000,000.00	98.62%	102.8%	1,028,277.20	99.8%	997,953.28
GAS NATURAL 4.375% 11/16		1,250,000.00	97.90%	101.7%	1,271,796.13	98.6%	1,232,540.74
GAS NATURAL 5.25% 07/14		500,000.00	102.18%	105.1%	525,578.58	104.7%	523,426.23
GAS NATURAL CAP 5.25% 7/9/2014		1,950,000.00	102.18%	103.4%	2,016,299.27	104.7%	2,041,362.30
GE CAP EUR FUND 17/05/2021		7,500,000.00	78.38%	99.3%	7,445,116.25	78.6%	5,893,993.33
GERMAN POSTAL PENSIONS 3.375% 01/18/16		1,300,000.00	104.70%	105.0%	1,364,610.00	107.9%	1,402,833.25
GOLDMAN SACHS FLOAT 01/30/17		3,000,000.00	87.27%	99.8%	2,995,480.23	87.6%	2,628,109.67
HIPOT 5 A2		253,935.56	49.96%	97.9%	248,602.91	50.1%	127,237.35
JP MORGAN 12/10/2015		9,200,000.00	94.52%	100.1%	9,207,443.48	95.0%	8,736,442.47
KFW 1.75% 08/04/14		1,000,000.00	101.81%	101.4%	1,013,600.00	102.5%	1,025,224.32
KFW 2% 09/07/16		2,000,000.00	101.83%	100.8%	2,015,400.00	102.5%	2,049,208.31
KFW 3.125% 04/08/16		2,000,000.00	107.03%	105.9%	2,117,600.00	109.2%	2,184,215.85
KION 2006-1 A		671,557.44	57.28%	98.5%	661,796.59	57.6%	387,114.15
LLOYDS FLOAT 20 03/12/2020		5,000,000.00	56.51%	102.6%	5,131,800.47	56.7%	2,837,222.64
MAGEL 3 A		546,566.40	51.43%	98.7%	539,485.32	51.6%	282,227.77
MERRILL LYNCH 31/01/2014		2,000,000.00	92.42%	99.8%	1,995,236.68	92.7%	1,854,653.22
MORGAN STANLEY 16/01/2017		2,500,000.00	84.09%	100.1%	2,501,250.00	84.5%	2,112,789.64
MORGAN STANLEY FLOAT 04/13/16		10,000,000.00	85.91%	99.9%	9,990,389.62	86.3%	8,634,675.55
NATEXIS BANQUES POP 26/01/2017		2,500,000.00	96.67%	100.2%	2,505,002.50	97.0%	2,425,099.17
NATL CAPITAL INSTRUMENTS PERP		1,400,000.00	92.76%	99.7%	1,396,132.50	92.8%	1,298,852.00
PELIC 2 A		246,538.08	66.57%	99.2%	244,482.95	66.6%	164,306.99
PELICAN 3 A		829,991.03	71.00%	98.3%	815,757.33	71.1%	589,867.61
RABOBANK 3.375% 01/16		2,000,000.00	102.58%	102.6%	2,052,180.00	105.8%	2,115,751.23
RABOBANK 6/17/2013		550,000.00	100.10%	100.4%	552,425.50	100.2%	550,960.76
RCI BANQUE 5.625% 10/15		200,000.00	99.91%	99.6%	199,268.00	101.2%	202,492.18
RED ELECTRICA 3.5% 10/16		1,650,000.00	99.57%	99.6%	1,642,987.92	100.4%	1,656,300.39
REPSOL SA 4.25% 02/19		100,000.00	100.62%	99.6%	99,642.00	100.8%	100,841.63
ROYAL BK SCOTLAND 49		10,000,000.00	85.80%	100.8%	10,080,000.00	86.3%	8,633,035.67
RWE FINANCE 6.25% 04/20/16		3,000,000.00	116.40%	114.6%	3,436,946.64	120.8%	3,622,545.25
SANTANDER INTL 2.875% 09/13		4,500,000.00	97.32%	99.9%	4,497,444.49	98.1%	4,415,500.33
SANTANDER ISSUANCES 23/03/2017		5,000,000.00	99.48%	99.9%	4,995,402.43	99.5%	4,975,962.11
TELEFONICA EM 3.661% 09/18/2017		4,000,000.00	92.47%	100.1%	4,004,475.61	93.5%	3,740,531.36
THEME 4 A		794,648.54	56.93%	97.8%	776,927.89	57.2%	454,202.01
Subtotal	**0**	**123,522,868.71**			**124,333,197.83**		**110,522,422.31**
Subtotal	**0**	**170,972,868.71**			**172,849,056.69**		**157,435,488.68**
Total	**3,597,589**	**170,972,868.71**			**480,070,113.27**		**457,993,126.98**
Total	**5,390,453**	**304,157,868.71**			**754,074,256.71**		**727,474,048.41**
3 - Grand Total	**5,390,453**	**335,570,868.71**			**784,135,746.66**		**758,618,175.61**

08

VIDA

Disclosure of the Remuneration Policies

08
Disclosure of the Remuneration Policies

This disclosure involves the following 3 components:

- Policy governing the remuneration of members of the management and supervisory bodies;
- Policy governing the remuneration of ‘key employees’;
- Appendix I – Declaration of Compliance, under Article 4.1 of Insurance Institute of Portugal Standard 5/2010-R, of April 1.

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

Background

As stipulated by Act 28/2009 of June 19, financial or public-interest companies, which also includes Companhia de Seguros T-Vida by virtue of the provisions of Decree-Law 225/2008 of November 20, must submit every year to the General Meeting for appraisal a proposal as to the Remuneration Policy for the members of its management and supervisory bodies, and must also disclose it in its annual accounting documents.

In the specific context of the insurance business, this issue was subject to regulatory developments during 2010, the Insurance Institute of Portugal having published Regulatory Standard 5/2010-R and Circular 6/2010, both dated April 1.

Specifically, these regulations led to a number of duties in the matter of public disclosure, as well as numerous recommendations as to the process of drawing up and approving the policy and as to its content.

Based on this legal and regulatory framework, Remuneration Policy of the Governing Bodies of Companhia de Seguros T-Vida, SA, for 2012 is therefore drawn up, which in general maintains the procedures and principles defined in the previous year’s policy.

1. Remuneration practices

T-Vida’s Board of Directors and its General Meeting have always considered that the remuneration policy followed to date has been correct and adequate to the strategic goals of the Company and of the Equityholder Group of which it forms part.

In fact, the remuneration of corporate officers in force at T-Vida has always been based on full compliance with applicable legislation and on due regard for practices whose goodness has been demonstrated in recent years.

The decisions taken in the matter of approval of the remuneration of the corporate officers are characterised as having due regard for several principles, with emphasis on the following:

- Consistency of remuneration practices in respect of the Company’s strategies, results and financial capabilities;
- Alignment of remuneration practices with the interests of the equityholders;
- Alignment of remuneration practices with those of the domestic market.

The excesses alleged to have existed at other institutions did not occur at T-Vida. A fact that contributed to this was that, taking into account its equityholder structure, which plays a major role in its management, and the remarkable stability of the composition of its corporate offices, T-Vida is characterised as having adequate risk control and an absence of short-term policies that would bring about major risks for the Company.

2. Remuneration policy

2.1. Remuneration policy approval process

a) Approval

The remuneration policy for T-Vida’s corporate officers is proposed, under Article 20 of the articles of association, by the Board of Directors, and is subject to appraisal by the General Meeting.

b) External Consultants

No services by external consultants are used in defining the remuneration policy applicable to T-Vida’s corporate officers.

2.2. Remuneration of the members of the Board of the General Meeting

Under Article 14 of the articles of association, the Board of the General Meeting comprises a chairman and a secretary. Its members are remunerated through payment of a sum fixed by the General Meeting on the day it is held.

2.3. Remuneration of the members of the Board of Auditors

Under Article 23 of the articles of association, the Board of Auditors comprises three members, of whom one performs the duties of chairman. Its members are remunerated through payment of a fixed monthly sum paid 12 times a year.

2.4. Remuneration of the Official Auditor

The Official Auditor is remunerated in accordance with the conditions legally determined on the basis of Articles 59 and 60 of Decree-Law 487/99 of November 16, as amended by Decree-Law 224/2008 of November 20.

The fees are proposed by the Official Auditor and are approved by the Board of Directors, with the support of the opinion of the Board of Auditors.

2.5. Remuneration of the Board of Directors

In compliance with Article 22 of the articles of association, the Board of Directors comprises five members, one of whom is designated chairman by the General Meeting.

All members of the Board of Directors perform executive duties.

a) Remuneration

Members of the Board of Directors may earn a fixed remuneration paid fourteen times a year, to which may be added a variable remuneration in accordance with the criteria and conditions established in the remuneration policy approved by the General Meeting.

With the exception of the chairman, all members of the Board of Directors earn the same fixed remuneration. Only the variable part may differ.

b) Limits of the remuneration

For 2012, the limits of the fixed part will be between 45% and 80% of the Total Annual Remuneration.

Without prejudice to the foregoing, the amount to be distributed among the members of the Board of Directors, as and when attributed, is subject at all times to the limit stipulated in Article 20.3 of the articles of association, which is 5% of the net profit for the period.

In 2012, the variable remuneration to be distributed among members of the Board of Directors shall be fixed at approximately 4.32% of net profit for the year and will amount, for each of its members, to approximately 40% of the Total Annual Remuneration.

c) Balance in the remuneration

The variable part of the remuneration will amount to a maximum of 55% of total remuneration, its exact amount oscillation, each year, in the light of the degree of fulfilment of the main goals for the year, as set out in the year's budget, approved as such by the Board of Directors.

d) Variable component definition criteria, limitation mechanisms and moment of payment

The variable remuneration is in respect of short-term performance.

The variable remuneration is calculated at the beginning of each year in the light of compliance with the main goals set out in the previous year's budget, approved by the Board of Directors, the Net profit for the year, the Return on equity and the Combined ratio.

The value of the variable remuneration is proportional to the degree of compliance with the management indicators referred to earlier.

The variable remuneration is paid in full, in cash, following the approval of the accounts for the year in question.

For 2012, taking into account the characteristics inherent in the remuneration structure in force for the members of the Board of Directors, the maximum figures considered and the tolerance to the defined risks, no need was seen to defer a part of the variable component of the remuneration. It is paid in full in a lump sum in cash following the approval of the accounts for the period in question.

Likewise, taking into account the fact that the Company has a sole equityholder and its securities are not listed on regulated markets, the possibility of a part of the variable component comprising stock option in the Company has not been considered in the present remuneration policy. Consequently, there are no plans for 2012 to award shares or stock options in respect of T-Vida or any other Group company to the members of the Board of Directors.

e) Performance assessment criteria

The assessment of the members of the Board of Directors is based on the following management indicators:

- Net profit/(loss) for the period;
- Return on equity;
- Combined ratio.

Without prejudice to the analysis of the foregoing indicators, the assessment process will always take into account the adequacy both of the Company's equity in the light of its risk, and also of the technical provisions.

f) System of annual bonuses and of other non-pecuniary benefits

Other than the fixed and variable remuneration described in this remuneration policy, there are no other forms of remuneration of the members of the Board of Directors of T-Vida.

g) Remuneration paid in the form of profit sharing and/or payment of bonuses, and the reasons why such bonuses and/or profit sharing were granted.

Other than the fixed and variable remuneration described in this remuneration policy, there are no other forms of remuneration of the members of the Board of Directors of T-Vida.

h) Indemnities paid or owed to former executive directors in respect of termination of their duties during the year

No indemnities were paid or are owed to former members of the Board of Directors of T-Vida related with termination of their duties.

i) Contractual limitations to the compensation payable on the dismissal of a director without due cause, and its relationship with the variable component of the remuneration.

There are no agreements fixing the amounts payable to members of the Board of Directors of T-Vida in the event of dismissal without due cause.

j) Estimated amount of the non-pecuniary benefits considered as remuneration not covered by the preceding situations

No non-pecuniary benefits of import are attributed to the members of the Board of Directors of T-Vida.

3. Complementary pension or early retirement scheme

By virtue of performing identical duties at Companhia de Seguros Tranquilidade, SA, T-Vida, Companhia de Seguros, SA, directors are beneficiaries of a pension fund called the "Tranquilidade Directors' Pension Fund", managed by ESAF – Espírito Santo Fundos de Pensões, SA, whose regulations were assessed and approved at the General Meeting of Companhia de Seguros Tranquilidade SA, held on February 27, 2007.

The main characteristics of the said pension fund are described in the Remuneration Policy of the corporate officers of Companhia de Seguros Tranquilidade, SA.

4. Payments in respect of dismissal or termination by agreement of the duties of Directors

No payments are provided for in the event of dismissal of directors, and any termination by mutual agreement requires, in the matter of the amounts involved, the prior approval of the General Meeting.

5. Table of the remuneration paid to T-Vida's Corporate Officers during 2011

(thousand euros)

	Remuneration		Total
	Fixed	Variable	
Board of Directors			**429.8**
Pedro Guilherme Beauvillain de Brito e Cunha (chairman)	44.0	55.0	99.0
Augusto Tomé Pires Fernandes Pedroso	37.7	45.0	82.7
António Miguel Natário Rio-Tinto	37.7	45.0	82.7
Miguel Maria Pitté Reis da Silveira Moreno	37.7	45.0	82.7
Nuno Miguel Pombeiro Gomes Diniz Clemente	37.7	45.0	82.7
Board of Auditors			**20.4**
António Ricardo Espírito Santo Bustorff (chairman)	8.4	0.0	8.4
João Faria Rodrigues	6.0	0.0	6.0
Maria Madalena França e Silva Quintanilha Mantas Moura	6.0	0.0	6.0
Total Remuneration	**215.2**	**235.0**	**450.2**

The remuneration paid to the governing bodies of the T-Vida in 2011, were virtually unchanged compared to 2010.

The variable remuneration attributed by T-Vida in 2011 to the members of the governing bodies totals about €235k, or some 4.57% of the separate net profit for 2010.

Key employee remuneration policy

Background

As stipulated by Act 28/2009 of June 19, financial or public-interest companies, which also includes T-Vida by virtue of the provisions of Decree-Law 225/2008 of November 20, must submit every year to the General Meeting for appraisal a proposal as to the Remuneration Policy for the members of its management and supervisory bodies, and must also disclose it in its annual accounting documents.

Specifically with regard to insurance business, this issue was subject to regulatory developments during 2010, the Insurance Institute of Portugal having published Regulatory Standard 5/2010-R and Circular 6/2010, both dated April 1.

These regulations determined the specific duty of also disclosing the remuneration policy applicable to employees of insurance company subject to supervision by the Insurance Institute of Portugal who, while not members of their respective management or supervisory bodies, earn variable remuneration and exercise their activity within the scope of key functions or other activities that could materially impact on the institution's risk profile.

More demanding than Act 28/2009, as to its scope and content, Insurance Institute of Portugal Regulatory Standard 5/2010, of April 1, requires that the information disclosed in relation to remuneration policy in force at the company for "Key Employees," cover the following aspects:

a) The way in which the remuneration is so structured as to allow the alignment of the interests of these employees with the long-term interests of the company, as well as the way in which it is based on an assessment of performance and discourages taking excessive risks;

b) The decision process used in the definition of the remuneration policy;

c) Relationship between the fixed and the variable remuneration and the limits applicable to the variable remuneration;

d) Criteria for the definition of the variable remuneration as well as those for the deferral of the respective payment and the minimum period of deferral.

In turn, Insurance Institute of Portugal Circular 6/2010 of April 1, came to establish recommendations on the content of the remuneration policy, recommending in particular that:

a) The fixed part of the remuneration of "Key Employees", as a proportion of the variable component, of any, shall constitute a sufficiently large part of the total remuneration that will allow application of a fully flexible policy in respect of the variable component of the remuneration, including the possibility of no payment of any variable part;

b) The variable component of the remuneration of "Key Employees" be subject to a maximum limit;

c) A substantial part of the variable component be paid in financial instruments whose appreciation is dependent on the medium- and long-term performance of the institution;

d) Quantification of the variable component of the remuneration also take into account non-financial criteria and depend, in part, on the collective performance of the unit of which the employees is a part;

e) The part of the remuneration that varies in the light of performance be attributed in accordance with predetermined, measurable criteria based on a multi-year framework;

f) Payment of a part of the variable remuneration be deferred;

g) The amount of the variable remuneration of those employees performing control functions be dependent on meeting the goals associated with their duties and not those of the areas under their control;

h) The remuneration policy be reviewed at least annually in an independent manner by the institution's control entities in articulation with each other.

Additionally, even though these recommendations are not of an injunctive nature, T-Vida's Board of Directors must, by virtue of Article 4.3 of Regulatory Standard 5/2010-R referred to earlier, send to the Insurance

Institute of Portugal, each year, a declaration as to the conformity of the remuneration policy with these recommendations, from a standpoint of comply or explain.

Based on the legal and regulatory framework briefly defined above, this Remuneration Policy for "Key Employees" of T-Vida Companhia de Seguros Tranquilidade, SA, for 2012 is drawn up, which maintains in full the procedures and principles set out in the previous year's policy, taking into account their timeliness and also the result of independent internal review conducted as recommended in Circular 6/2010.

1. Remuneration practices

T-Vida's Board of Directors considers that the remuneration policy followed to date in respect of its employees, particular those that perform key functions or duties that could impact on the Company's risk profile, have been correct and suited to the strategic objectives both of the Company itself and of the equityholder group of which it is a part.

The decisions taken in this connection are marked by due regard for several principles, with emphasis on the following:

- Consistency of remuneration practices in respect of the Company's strategies, results and financial capabilities;
- Alignment of remuneration practices with the annual employee performance assessment criteria;
- Alignment of remuneration practices with those of the domestic market and, in particular, of the insurance industry.

T-Vida has not therefore been affected by the remuneration ills related with the recent financial crisis that gave rise to several national rulings on remuneration for the financial institutions.

Nevertheless, with a view to ensuring constant alignment with the market's best practices, T-Vida sought to adjust, to the proper extent, to the indications set out in Insurance Institute of Portugal Circular 6/2010 in respect of the actual content of the policy – which have, let it be said, a nature of mere recommendations, directed at the institutions from a comply or explain standpoint.

Accordingly, the T-Vida Board of Directors formalise through this document the remuneration policy applicable to its "Key Employees", establishing the following essential pillars:

a) Promotion of balance between the fixed and variable components of the total remuneration, establishing maximum limits for both forms of remuneration;

b) Definition of the actual amount of the variable remuneration in the light of the performance assessment to be performed each year by the Board of Directors.

At T-Vida, for 2012, as in 2011, taking into account the characteristics inherent in the remuneration structure in force, the maximum figures considered and the tolerance to the defined risks, no need was seen to defer a part of the variable component of the remuneration. It is paid in full in a lump sum in cash following the approval of the accounts for the period in question.

Likewise, because the Company has a single equityholder and its shares are not listed on regulated markets, the possibility of paying a part of the variable component in options of the Company's shares has not been considered in this remuneration policy.

2. Bounds of the scope of application of the remuneration policy

Under Insurance Institute of Portugal Standard 5/2010, this Remuneration Policy applies not only:

a) To those employees who perform key functions, understood to be all those who perform management duties within the scope of the risk-management and internal-control systems (Co-ordinator Manager, Assistance Manager, Service Manager or Head of the Office of the Overall Risk Management and Internal Control Office, and of the Audit Division), but also;

b) To those employees who perform management duties in the actuarial field, as well as the Chief Actuary, as stated in the recommendation of point V.9 of Insurance Institute of Portugal Circular 6/2010;

c) To all employees in 1st level management (Top of 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 T-Vida, 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.

3. 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 several managers of the Company's major divisions, the Personnel Division in particular. The proposal is also assessed by the Overall Risk and Internal Control Division with a view to determining its possible impact on risk management and internal control.

Lastly, the Board of Directors approves the final fixing of the remuneration.

b) Mandate of the Board of Directors

Under the law and the articles of association, fixing the remuneration of T-Vida'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

Pedro Guilherme Beauvillain de Brito e Cunha – Chairman
Augusto Tomé Pires Fernandes Pedroso
António Miguel Natário Rio-Tinto
Miguel Maria Pitté Reis da Silveira Moreno
Nuno Miguel Pombeiro Gomes Diniz Clemente

d) External Consultants

No services by external consultants were used in defining the remuneration policy applicable to T-Vida's key employees.

4. Remuneration

a) Composition of the remuneration

The remuneration comprises a fixed and a variable part.

The Company's overall remuneration policy is reviewed each year by the Board of Directors by the end of May.

As a result, the fixed remuneration is revised each year in accordance with the company's results and indicators such as the inflation rate and the rate of increase of the collective bargaining agreement (CBA) for insurance business, while a variable component is also defined by the end of May each year, based an the assessment of the previous year's performance.

b) Limits of the remuneration

The fixed part will have the limits fixed by the Board of Directors and, on average, will amount to approximately 84% of the Total Annual Remuneration.

The fixed part comprises the basic salary and several complements that are attributed to all Company employees, such as length-of-service bonus and other subsidies.

The variable part for 2012 is set to amount, on average, to 16% of the Total Annual Remuneration, while the maximum, considered individually, may not exceed 20% of the total remuneration.

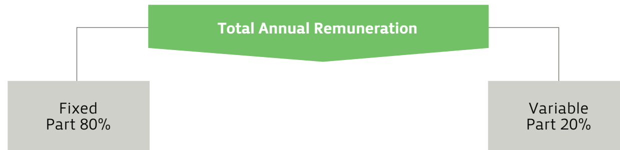
c) Balance in the remuneration

The fixed part may represent, on average, 80% of the total remuneration, the remaining 20% being attributed as the variable part.

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

The exact amount of the variable part will oscillate, each year, in the light of the degree to which the main goals for the year are met, both the individual goals (quantitative and qualitative) and those of the unit of which the Key Employee forms part, in accordance with T-Vida's performance scoring model as approved by the Board of Directors.

d) Variable component definition criteria and its time of payment



The Variable Annual Remuneration (VAR) is in respect of short-term performance and will have a weight of approximately 20% of the Total Annual Remuneration.

The maximum VAR is calculated at the start of each year by the Board of Directors, determined on the basis of the Objectives and Incentives System (OIS) associated with the division / area of which the employee forms part, in the light of the degree of compliance with the main objectives approved by the Board of Directors, as gauged by the Development Assessment.

The VAR is paid in cash during the period next following the reference date of the results.

e) Performance assessment criteria

Assessment of employees covered by this remuneration policy is based on the variables listed hereunder.

i. Variables taken into account in the assessment of Key Employees working in the commercial areas:

- Results-Orientation with Careful Risk Management;
- Team Spirit;
- Strategic Vision;
- Planning, Organisation and Control;
- Customer Orientation;
- Trading Capacity;
- Knowledge of Products and Services.

ii. Variables taken into account in the assessment of Key Employees working in the central areas:

- Results-Orientation with Careful Risk Management;
- Team Spirit;
- Strategic Vision;
- Planning, Organisation and Control.

5. Other benefits attributed to "Key Employees"

Besides the fixed and variable remuneration described in this remuneration policy, Key Employees earn the following benefits:

a) Health Insurance, as defined in the CBA for the insurance industry and in the internal regulations;

b) Life Insurance, as defined in the CBA for the insurance industry;

c) Establishment of individual supplemental retirement plans as defined by in the CBA for the insurance industry.

6. Enlargement of the scope of application of the present Remuneration Policy

Save decision to the contrary taken by the Board of Directors, this Remuneration Policy will also apply to the other Companhia de Seguros T-Vida employees not considered under the criteria defined in point 2 hereabove (Bounds of the scope of application of the Remuneration Policy).

Appendix I – Declaration of Compliance (article 4.1 of Insurance Institute of Portugal Standard 5/2010-R, of April 1)

Detailed indication of the recommendations set out in Insurance Institute of Portugal Circular 6/2010, adopted and not adopted.

Recommendation	Complies	Does Not Comply	Comments
I. General Principles			
I.1 Adoption of a remuneration policy 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;	√		
I.2 Appropriateness of the Remuneration Policy (RP) in the light of the size, nature and complexity of the business, especially with regard to the risks assumed or to be assumed;	√		
I.3 Adoption of a clear, transparent and adequate structure in respect of the definition, implementation and monitoring of the RP that will objectively identify the employees involved in the process as well as their responsibilities and competences.	√		
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;	√		
II.2 Approval by the Board of Directors of the RP applicable to the employees;	√		
II.3 Involvement in the definition of the RP by 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;	√		
II.4 The RP shall be transparent and accessible to all the Institution's employees. The RP shall also be formalised in a separate document, duly updated, stating the changes made and the reasons therefor, and the previous versions shall be kept on file;	√		
II.5 Disclosure of the assessment process to the employees prior to the period of time covered by its application.	√		
III. Remuneration Committee (RC)			
III.1 Should one exist, the RC shall review the RP each year and its implementation, 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 to T-Vida.
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;			
III.3 Should the RC make use of external services (consultants), it should not hire a natural or corporate person who provides or has provided services, during the previous three years, to any structure dependent on the management body or to the management body itself or has a present relationship with a consultant of the institution. This recommendation is also applicable to any natural or corporate person related with them by an employment or provision of services contract.			
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;			
III.5 The RC shall meet at least once a year and shall write up minutes of every meeting held.			

Recommendation	Complies	Does Not Comply	Comments
IV. Management Body - Executive Members			
IV.1 The remuneration shall include a variable component, its determination dependent on an assessment of performance in keeping with predetermined, measurable criteria, including non-financial criteria, that take into account: individual performance, the real growth of the institution actually created, protection of the customers interests, long-term sustainability, risks assumed and compliance with the rules applicable to the business;		X	At this stage, the assessment criteria are based solely on the following management indicators: - Net profit/(loss) 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. No non-financial criteria are used in the assessment of the performance of the Executive Directors.
IV.2 Adequacy of the fixed and variable components, the fixed component to account for a sufficiently high proportion of the total remuneration; The variable component shall be subject to a maximum limit.	√		
IV.3 Payment of a substantial part of the variable component in financial instruments issued by the institution, the appreciation of which is dependent on medium- and long-term performance;		X	Not applicable, on account of the equityholder structure of Companhia de Seguros T-Vida, as well as of the fact that its shares are not listed on regulated markets.
IV.4 Deferral of a substantial part of the variable component during a minimum of 3 years, its payment dependent of the institution's good performance;		X	Bearing in mind the weight of the maximum amounts considered for the variable remuneration, as well as the defined risk-tolerance levels, deferral of a part of the variable component of the remuneration was not considered necessary.
IV.5 The variable component subject to deferral shall be determined in direct proportion to its weight compared to the fixed component;		X	Not applicable in view of the response to point IV.4.
IV.6 Absence of contracts closed by members of the management body the effect of which is to mitigate the variability of the established remuneration;	√		
IV.7 Retaining, up to the end of the tenure, the value of the shares attributed under the variable component, up to the limit of twice the total annual remuneration, unless required to pay taxes resulting from the benefit of the shares in question;		X	Not applicable in view of the response to point IV.3.
IV.8 When the variable remuneration includes allocation of options, the start of the exercise period shall be deferred during no less than 3 years;		X	Not applicable in view of the response to point IV.3.
IV.9 Following the exercise referred to in the preceding point (IV.8), the executive members of the management body shall retain a certain number of shares up to the end of their tenure, the number to be fixed.		X	Not applicable in view of the response to point IV.3.
IV. Management Body - Non-Executive Members			
IV.10 The remuneration of the non-executive members of the management body shall not include any component whose value depends on the performance or value of the institution.	√		All members of the Management Body perform executive duties.
IV. Management Body - Indemnity in the Event of Dismissal			
IV.11 Definition of adequate legal instruments to ensure that the compensation establishes for any unfair dismissal of a member of the management body will not be paid if the dismissal or termination by mutual agreement is the result of inadequate performance by the member in question.	√		No compensation has been established for any form of unfair dismissal of a member of the management body.
V. Employee Remuneration – Relationship between Fixed and Variable Remuneration			
V.1 If the employees' remuneration includes a variable component it must be adequately in balance with the fixed component, taking into account, in particular, the performance, the responsibilities and the duties of each individual. The fixed remuneration shall account for a sufficiently important part of the total remuneration. The variable component shall be subject to a maximum limit.	√		

Recommendation		Complies	Does Not Comply	Comments
V.2	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.		X	Not applicable, on account of the equityholder structure of Companhia de Seguros T-Vida, as well as of the fact that its shares are not listed on regulated markets.
V. Employee Remuneration – Variable Remuneration Allocation Criteria				
V.3	Performance assessment must take into account not only individual performance but also the collective performance of the unit of the structure in which the employee is involved and of the institution itself. It must include relevant non-financial criteria, such as regard for the rules and procedures applicable to the business carried on, especially the internal-control rules and those relating to relations with customers.	√		
V.4	The criteria governing the attribution of the variable remuneration in the light of performance must be predetermined and measurable, based on a multi-year framework of three to five years, in order to ensure that the assessment process is based on long-term performance.		X	The criteria used are predetermined and measurable. They are not related to a multi-year framework since the understanding is that this component has little weight in the overall amount and concerns the meeting or otherwise of annual goals.
V.5	The variable remuneration, including the deferred part of this remuneration, shall be paid or shall constitute a vested right if it is sustainable in the light of the financial situation of the institution as a whole and is warranted in the light of the performance of the employee in question and of the structure unit of which he is a part. The whole of the variable remuneration shall, generally speaking, be severely reduced in the event of decrease of the performance or negative performance of the institution.	√		
V. Employee Remuneration (Key Functions) – Deferral of Variable Remuneration				
V.6	A significant part of the variable remuneration shall be deferred for a period not less that three years and its payment shall be dependent on future performance criteria, measured on the basis of criteria suited to the risk, which take into account the risks associated with the activity on the basis of which it is awarded.		X	The little weight of this component does not warrant its deferral.
V.7	The part of the variable remuneration subject to deferral under the terms of the preceding number shall be determined in growing proportion to its relative weight compared to the fixed component of the remuneration. The percentage deferred shall increase significantly in proportion to the seniority or responsibilities of the employee.		X	Not applicable in view of the response to the preceding point.
V. Employee Remuneration – Variable Remuneration Allocation Criteria				
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.	√		
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.	√		
VI. Assessment of the Remuneration Policy				
VI.1	The remuneration policy shall be submitted to independent internal assessment at least annually, performed by key departments of the institution in articulation with each other.	√		
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 capital of the institution.	√		
VI.3	The key functions shall present to the management body, the AGM or, if any, the remuneration committee, a report on the results of the analysis to which number VI.1 refers, retailing in particular the measures required to correct any insufficiencies in the light of these recommendations.	√		

Recommendation	Complies	Does Not Comply	Comments
VII. Financial Groups			
VII.1 The parent company of an insurance Group or financial conglomerate subject to supervision by the ISP 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 in the specific case of T-Vida Companhia de Seguros. These recommendations are assessed in respect of Companhia de Seguros Tranquilidade, SA.
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.			
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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VIDA

Legal Certification of Accounts and Board of Auditors' Report and Opinion

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Legal Certification of Accounts and Board of Auditors' Report and Opinion

Legal Certification of Accounts

INTRODUCTION

1. I have audited the financial statements of T-VIDA, COMPANHIA DE SEGUROS, SA, which comprise the Balance Sheet as at December 31, 2011, (which shows a total of €902,978k and total equity in the sum of €62,895k, including a net profit of €3.013k), the Profit & Loss Account, the Comprehensive Income Statement, the Cash-Flow Statement and the Statement of Changes in Equity for the year then ended, and the Notes to the Accounts. These financial statements have been prepared in accordance with accounting practices generally accepted for the insurance industry in Portugal.

RESPONSIBILITIES

2. The Board of Directors is responsible for the preparation of financial statements that truly and fairly reflect the financial situation of the Company and the results of its transactions, as well as for the adoption of adequate accounting criteria and policies and for maintaining appropriate systems of internal control.

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

SCOPE

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

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

5. My audit also covered verification that the management report is consistent with the financial statements.

6. I believe that the audit performed provides an acceptable basis for the expression of my opinion.

OPINION

7. In my opinion, the said financial statements truly and fairly present, in all materially relevant aspects the financial situation of T-VIDA, COMPANHIA DE SEGUROS, SA, as at December 31, 2011, the results of its operations and its cash flows during the period then ended, in accordance with accounting practices generally accepted for the insurance industry in Portugal.

REPORT ON OTHER LEGAL REQUIREMENTS

8. I am also of the opinion that the management report is consistent with the financial statements.

EMPHASIS

9. Without affecting the opinion expressed in paragraph 7, I would draw attention to thefollowing situations:

- As mentioned in note n° 3 (Change in Accounting Policies) of the Notes to the Financial Statements, up to December 31, 2010, the Company deferred any actuarial deviations determined in accordance with the corridor method. According to one of the options set out in IAS 19 (Employee Benefits), the Company opted to alter its accounting policy and now recognises actuarial deviations against reserves.

  The change in accounting policy in accordance with IAS 8 (Accounting Policies, Changes in Accounting Estimates and Errors), is presented for comparative purposes as from January 1, 2010, recognising as of that date, under Reserves, all actuarial deviations deferred. Thus, the Balance Sheet and Profit & Loss Account Statement were restated comparative and the Company recorded a decrease in equity as at 1 January 2010 and December 31, 2010 amounting to €16,000 and €15,000, respectively .

- As mentioned in note n° 23 (Employee Benefit Obligations) of the Notes to the Financial Statements, the adoption in December 2011, the new Insurance Workers Collective Bargaining Agreement amends a previously defined set of benefits, and employees are no longer covered by a defined-benefit plan and now have a defined-contribution plan.

Lisbon, March 22, 2012

José Manuel Macedo Pereira

Board of Auditors' Report and Opinion

To the Member of
T-VIDA, COMPANHIA DE SEGUROS, SA,

Under the law and the articles of association, it is our duty to present to you for appraisal the Report on the supervisory activity undertaken by the Board of Auditors , as well as our Opinion on the Report, the Accounts and the proposal for the appropriation of profit presented by the Board of Directors of **T-VIDA, COMPANHIA DE SEGUROS, SA**, in respect of the year ended December 31, 2011, and also our appraisal of the respective Legal Certification of the Accounts issued in due course by the Company's Official Auditor.

The Board of Auditors regularly monitored the Company's business and its management throughout 2011, both through appraisal of the accounting and management information documents with which we were provided on a regular basis, and also by means of the complementary clarification that we requested of the Board and of the Company's services charged with operational responsibility, from which we always received all the co-operation we requested, and also by means of such verification measures as we considered necessary to the fulfilment of our legal and statutory obligations.

During 2011, production decreased in the order of 71% year-on-year. This change, however, was the result of the capitalisation operation (OCA) undertaken in 2010 in the sum of €70,000k. Excluding this operation the reduction would have been about 50% year-on-year.

The solvency ratio estimated as at December 2011 stood at 116%. compared to 108% for 2010. The reduction of the required solvency margin, due to the reduction of insurance not linked to investment funds (excluding supplementary insurance), contributed to this good performance.

The Tranquilidade Group, of which T-VIDA is a part, continued, during 2011, the work involved in adapting to the new Solvency II mechanism, which will imply substantial alterations in insurance business. In Solvency II the measures called for in the programme's implementation plan [Roadmap] previously defined were tracked and monitored.

As is our duty, we also monitored (i) the verification of the accounting records and of the respective supporting documents and (ii) the appraisal of the accounting policies and valuation criteria adopted by the Company, which are the responsibility of José Manuel Macedo Pereira, the Official Auditor, appointed by the General Meeting to perform the audit and the legal certification of the Company's accounts.

On termination of 2011 we appraised the respective Annual Report and Accounts drawn up by the Board of Directors and presented to us in due course, having found that they are in keeping with applicable legal and statutory requirements and mention the more relevant aspects that marked the Company's business during the year ended December 31, 2011.

At the proper time, and pursuant to Article 452.1 of the Companies Code, the Board of Auditors also appraised the Legal Certification of the 2011 Accounts, dated March 22, 2012, issued without reserves by the said Official Auditor, with which we agree, though we would draw the attention of the users of the financial statements of the Company to:

- the effects on the financial statements for 2011 and 2010 of the amendment in 2011 of the accounting policy that had been adopted by the Company for recognition of actuarial deviations related with the calculation of workers' retirement pension liabilities for pensions, as referred to in detail in Notes 3 and 23 of the Notes to Financial Statements;

- the amendments to the labour benefits, following the adoption of the new Collective Bargaining for Insurance Workers on December 23, 2011, in particular, with regard to retirement pensions and health benefits.

As a result of the monitoring activities undertaken as summarised above and in keeping with the respective conclusions, we are of the opinion that the General Meeting of T-VIDA, Companhia de Seguros, SA, approve:

a) the Management Report dated March 8, 2012, and the other accounting documents for the year ended December 31, 2011, presented by the Board of Directors; and

b) the Board of Directors' proposal for the appropriation of the 2011 net profit in the sum of €3,012,995.53, under the terms set out in point 2.5 of the Management Report referred to above.

Lisbon, March 26, 2012

The Board of Auditors

António Ricardo Espírito Santo Bustorff – Chairman
João de Faria Rodrigues – Member
Maria Madalena França e Silva Quintanilha Mantas Moura – Member

VALTER VINAGRE
b. 1954, Portugal
Da série Variações para um fruto,
"S/ titulo #13", 2003
Silver Dye Bleach Print (Ilfochrome)
102,5 x 127,5cm
Unique print