BES art COLECÇÃO BANCO ESPÍRITO SANTO

TRANQUILIDADE / T-VIDA 07

REPORT AND ACCOUNTS

RICHARD MISRACH
"Untitled", 2003
Chromogenic color print
182 x 206cm
Edition: 3/5

TRANQUILIDADE
GRUPO ESPIRITO SANTO

VIDA

TRANQUILIDADE / T-VIDA 07
REPORT AND ACCOUNTS

Founded in 1871, Companhia de Seguros Tranquilidade has long been a leading player in the Portuguese economy. With premiums of 361.9 million euros in 2007 and a market share of 8.3%, Tranquilidade has based its strategy on quality, innovation and a customer-oriented approach.

T-Vida, Companhia de Seguros was incorporated in 2006, as part of the reorganization of the insurance operations of the Espírito Santo Group, with Companhia de Seguros Tranquilidade further consolidating its role as specialist in financial protection and taking back direct control of life business. T-Vida has taken over the non-banking insurance portfolio of the former Tranquilidade-Vida, and operates through Tranquilidade's sales outlets and brokers' network. In 2007 premiums totalled 78 million euros, corresponding to a positive variation of 13,0%.

Established in all market segments, with a full range of products geared to private customers, small and medium business and large corporations, and with a multi-channel distribution system, Tranquilidade has asserted itself as a specialist in protection. The fact that it belongs to a major financial group – the Espírito Santo Group – allows it to enjoy significant synergies and to offer its customers a comprehensive range of products.

690,000 customers trust Tranquilidade to protect their assets and to assure their future. 813 employees are committed to providing a quality service. 49 branch offices, an expanding network of franchised shops and a vast network of brokers nationwide are able to guarantee professionalism, convenience and speed. A call centre, working long hours and providing a personalised services, together with a website offering a number of online services, mean that our customers can reach us easily and comfortably wherever they are.

137 years of history are the proof of Tranquilidade's experience and know-how, providing a store of expertise and a launch pad for future operations, allowing us to assure the company's essential core value: our customers' peace of mind.

TRANQUILIDADE / T-VIDA // 07
REPORT AND ACCOUNTS

01 // COMPANHIA DE SEGUROS TRANQUILIDADE

02 // T-VIDA, COMPANHIA DE SEGUROS

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TRANQUILIDADE 07

REPORT AND ACCOUNTS

01 COMPANY OFFICERS

AXEL HÜTTE
Alemanha
"Djupavatnet, Diptychoc,Norway"
2000 (Diptico)
C-print, mounted on acrylicglass
(diasec)
187 x 147cm
Edition: 3/4

Courtesy Galeria Mário Sequeira

TRANQUILIDADE//07

01
Company Officers

General Meeting

Chairman: Luís Frederico Redondo Lopes

Secretary: Nuno Miguel Matos Silva Pires Pombo

Board of Directors

Chairman: Rui Manuel Leão Martinho

Director: Pedro Guilherme Beauvillain de Brito e Cunha
Augusto Tomé Pires Fernandes Pedroso
António Miguel Natário Rio-Tinto
Eduardo Antunes Stock
João Carlos Neves Ribeiro *
Miguel Maria Pitté Reis da Silveira Moreno
Miguel Luís Kolback da Veiga
António José Baptista do Souto
Manrico Iachia
António Manuel Rodrigues Marques

Executive Board

Chairman: Pedro Guilherme Beauvillain de Brito e Cunha
Augusto Tomé Pires Fernandes Pedroso
António Miguel Natário Rio-Tinto
João Carlos Neves Ribeiro
Miguel Maria Pitté Reis da Silveira Moreno
Eduardo Antunes Stock

Audit Board

Chairman: José Manuel Ruivo da Pena

Member: Rui Manuel Duarte Sousa da Silveira
António Ricardo Espírito Santo Bustorff

Alterante Member: José Ramos Teles de Matos

Official Auditor: José Manuel Macedo Pereira

Alterante Official Auditor: KPMG & Associados

* Resigned from office on 31/01/2008

Executive Board*

Peter Brito e Cunha

Tom   Pedroso

Miguel Rio-Tinto

Miguel Moreno

Eduardo Stock

* As at 31.12.2007

02
DIRECTORS' REPORT

BES art COLECÇÃO BANCO ESPÍRITO SANTO

EMANUEL BRÁS
"#27 lugares de afecção"
2005
Lambda print mounted
in acrylic
80x80 cm
Edition of: 2/5

Courtesy of the Artist

TRANQUILIDADE // 07

02
Directors' Report

Shareholders,

As required by the law and the articles of association, the Directors are pleased to submit for your consideration the Management Report and Accounts for Companhia de Seguros Tranquilidade, SA, for the financial year of 2007.

2.1 // Economic Background

2.1.1 // The Portuguese Economy

The world economy and financial markets were marked in 2007 by the effects of the subprime mortgage lending crisis in the United States. From July onwards, the adjustment in the housing market and rising levels of default in the US economy resulted in significant depreciation in the value of high risk securitized credit. Uncertainty as to the dispersal of this credit and the scale of the losses to be borne by the financial system caused significant deterioration in investor confidence. In the Euro Zone, the Euribor 3-month rate rose from 3.725% to a high point of 4.953% (in mid-December), falling back to 4.684% after massive injections of liquidity into the money markets by the ECB. Yields on 10-year public debt securities dropped from an annual high of 4.677% (in July) to 4.307% and spreads on credit default swaps increased by around 50 base points, reflecting increased uncertainty and tighter credit.

As a result of a more restrictive monetary and financial environment, the main world economies slowed visibly towards the end of the year, dragging annual growth figures down from 3% to 2.6%. Even so, the world economy as a whole recorded another year of sharp growth, estimated at around 4.9% (5.0% in 2006). A decisive factor in this was the positive performance of emerging and developing economies, with growth in GDP of 7.8% (7.7% in 2006).

Another major influence on the international economy in 2007 was the significant increase in oil prices, reflecting imbalance between growth in supply and demand. The effects of this imbalance were amplified by an increase in geopolitical risks, depreciation of the USD and growth in speculative demand. Significant increases were also recorded in prices of non-energy commodities, especially foodstuffs. Rising commodity prices increased concerns about inflation, holding down the performance of the equity markets.

The Euro Zone recorded growth in GDP of 2.6% in 2007, slightly down from the figure of 2.8% in 2006, but exceeding potential for the second consecutive year. This positive performance was due, above all, to strong growth in exports of goods and services (6.0% as a whole in 2007) and in gross fixed capital formation (4.8%), especially during the first three quarters. The Euro Zone economy, and exports and investments in particular, continued to benefit during this period from strong external demand (especially from emerging Asian economies and the Middle East, which have represented a growing share of demand), and from the sound balance sheet position of non-financial companies. This helped to bring down unemployment, from 8.2% to 7.3% of the working population, and consequently to accelerate growth in household disposable income (up by 2.0%, as compared to 1.1% in the previous year). However, growth in consumer spending remained moderate, edging down from 1.9% to 1.6%.

The Euro Zone economy was not immune to the effects of the subprime mortgage crisis. Disruption of the money markets, and of the lending market in particular, led to an erosion in the main business confidence indexes in the second half of the year. Combined with a cooling of the external economy, this caused a more visible deceleration in GDP growth in the final quarter (from 0.8% to 0.4%, quarter to quarter). The drop in business confidence indexes could also be ascribed to the rising euro and its potential negative impact on export-driven sectors. Over 2007 as a whole, the euro rose by nearly 11.0% against the dollar, to EUR/USD 1.4583, with a substantial part of this appreciation taking place in the second half of the year.

The emerging and developing economies again asserted themselves in 2007 as the main engines of growth in the world economy. In general, these economies benefited from relatively insignificant direct exposure to subprime lending, an extremely favourable situation in the commodities market, strong performance by internal demand (associated with an upward trend in per capita income) and, finally, a balanced economic situation overall.

2.1.2 // The Portuguese Economy

The Portuguese economy continued on the path to gradual recovery, in line with the trends observed in recent years, and growth in GDP rose from 1.3% to 1.9%. Albeit with slightly slower growth than in 2006, exports remained extremely healthy, up by 7.1%. However, the acceleration in GDP was due to a growing contribution from internal demand, especially from gross fixed capital formation (GFCF) which grew by 3.2% in real terms, after two years of decline (-1.5% and -0.8% in 2005 and 2006, respectively). This was achieved thanks to a recovery in industrial investment, which grew by slightly more than 4%, in line with positive evolution in business confidence indicators over the course of the year.

Growth in consumer spending stood at 1.5% (0.4 percentage points higher than in 2006) but tended to slow over the year, in line with the deterioration in household confidence indicator, due to rising interest rates in an environment of heavy indebtedness. At the same time, the average annual unemployment rate rose from 7.7% to 8% of the working population, and personal savings dropped from 7.8% to 7.6% of disposable income. Household consumer sentiment was also hit by rising fuel and food prices, which contributed to an average inflation rate of 2.5% over the year.

The government pursued a restrictive budgetary policy in 2007, cutting the public sector deficit from 3.9% to 2.5% of GDP, achieving the objective set in the Stability and Growth Programme (a deficit of less than 3.0% of GDP) one year early. At the same time, strong growth in exports and a slowdown in imports helped to bring down the joint deficit on the current and capital balances from 8.6% to 8.2% of GDP.

The PSI-20 index recorded a total gain of 16.3% over the year. However, as on other European stock exchanges, performance was more moderate in the 4th quarter, with a year-on-year gain of 8.3%.

2.1.3 // The Insurance Market

The financial year of 2007 witnessed a large number of political and legislative developments in the insurance sector, including publication of the new Basic Social Security Law and the resulting legislation, legislation relating to motor insurance (transposing the 5th Community Directive) and rules adopting a new accounting plan for insurance companies (IAS/IFRS).

These legislative changes have an impact on the existing organizational models in the insurance sector (systems, processes, human resources) and will require additional efforts in terms of investment. This, combined with increasing competition in the sector and the slow recovery of the Portuguese economy, has been reflected in the containment of insurance business, especially in non-life sectors.

The insurance market in 2007 recorded positive performance in direct underwriting, but growth was achieved through life products, as the non-life market stayed at practically the same level as in the previous year.

Premiums written in 2007 totalled 13,749 million euros, up by 4.8% on the previous year, with life business growing by 6.9% and non-life by only 0.4%. Insurance business represented 8.54% of GDP in 2007, up from 8.51% in 2006.

Non-life premiums written totalled 4,380 million euros, up by 0.4% on 2006 and accounting for 32% of total premiums in the insurance sector (33% in 200&) and 2.72% of GDP (2.83% in 2006). The stagnation in non-life premiums reflects the fierce competition in the market, mainly in the motor and employers' liability sectors, where premiums written were down on the previous year (by 3.0% and 1.6% respectively), reflecting also the reduction in the average motor insurance premium (close to 5.0%) and tariff adjustments. In contrast, health insurance again performed well, growing by 57.8% and reflecting the growing importance of this type of product in Portuguese society. In general, other non-life sectors recorded growth, especially in multi-risk insurance (5.1%), civil liability (11.0%) and transport (5.8%).

The sector recorded a slight increase (0.6%) in non-life claims up to the third quarter of 2007, with a reduction in claims on motor and fire insurance, and growth on employers' liability and medical insurance. The non-life claims rate rose by 0.6 p.p. in relation to the same period in 2006.

The life market, where premiums written grew by 6.9% to 9,369 million euros, was the main driving force in the insurance market in 2007. The sector represented 68% of total premiums and 5.82% of GDP (5.68% in the previous year). Endowment products not linked to investment funds performed particularly well, with growth of 25.3% in contributions. In contrast, after several years of growth, contributions to RSS products declined by 13.4% in 2007, due to the economic situation which was reflected in a lower household savings rate.

2.2 // Major Developments In 2007

In keeping with the Strategic Action Plan for 2005-2007, known as the Turbo Programme, Tranquilidade developed the direct business model and at the start of 2008 launched LOGO, SA which will operate exclusively through telephone and internet sales, dealing at this initial phase in motor insurance only.

After the reorganization of the group and the launch of the direct business model, Tranquilidade maintained its A- rating from Fitch Ratings at its last assessment on 11.12.2007.

Since 2006 the non-life insurance market has been hard hit by slower growth and introduction of the new Collection Law. The combination of these two factors has resulted in a sharp increase in competition and a high rate of customer turnover.

In view of this market environment, Tranquilidade has made efforts to retain customers, reducing premiums per customer, on average, and preferring not to close a number of major contracts where the pressure of competition has removed its profit margin.

In 2007, Tranquilidade worked to improve its segmentation and customer orientation, setting up dedicated units for medium-sized business and for private customers.

The company also developed its sales channels to bring it closer to clients and to improve service levels. In terms of physical distribution, Tranquilidade invested in new retail concepts, such as “city shops” and “outposts” in partnership with Banco Espírito Santo, and the branch network has been reviewed in keeping with the municipalities pinpointed as priority areas.

In addition, Tranquilidade has invested in new distribution concepts, supported by the existing customer base, with new retail models such as cross-segment sales.

Also in connection with remote channels, Tranquilidade has developed the Directo T concept, a telephone line geared to supporting both the network of agents, on a wholesale basis, by providing remote follow-through for unassisted high-potential agents, and customers, on a retail basis, providing assistance for high- and medium-value customers, as part of efforts under the Customer Retention programme.

In the claims field, the company has pursued the ongoing programme of procedure review, resulting in increased efficiency and effectiveness in claims management, and making the adaptations needed to back-office operations to respond to the new rules on settlement of bodily harm claims, in keeping with the newly-transposed 5th directive.

Following on from the change in its corporate image, Tranquilidade started in 2007 on the process of renewing the image of its product range, in connection with renewal of products and options, starting the transformation with products aimed at private clients.

As a result, the company ended the financial year with a market share of 8.3%, representing growth of 0.2% and revenues of 361,974 thousand euros.

2.3 // Leading Variables and Business Indicators

thousands of euros

	2007	2006	Var 07/06
Balance Sheet			
Investment	711,657	753,735	-5.6
Net Assets	915,013	954,688	-4.2
Shareholders' funds	199,033	238,642	-16.6
Provision for unearned premiums (DI + IR)	94,773	94,693	0.1
Provision for claims (DI + IR)	520,628	495,513	5.1
Provision for claims, net of reinsurance	485,955	459,672	5.7
Underwriting provisions (DI + IR)	626,944	598,325	4.8
Profit and Loss Account			
Gross premiums written (direct insurance)	361,974	361,297	0.2
Premiums written, net of reinsurance	314,255	308,927	1.7
Cost of claims (DI + IR)	229,139	224,652	2.0
Cost of claims, net of reinsurance	217,805	213,923	1.8
Net operating costs	102,877	95,854	7.3
Earnings	32,069	25,045	28.0
Pre-tax profits	25,579	197,743	-87.1
Net profits	23,474	157,228	-85.1
Pro-forma net profits	**23,474**	**22,840**	**2.8**
Indicators			
Gross premiums written/No. employees	445.2	412.4	8.0
Claims rate (direct insurance)	63.5%	62.0%	+1,5 p.p.
Claims rate net of reinsurance	69.3%	69.2%	+0,1 p.p.
Pro-forma net profits/Gross premiums written	6.5%	6.3%	+0,2 p.p.
Combined ratio, net of reinsurance	102.9%	99.9%	+3,0 p.p.
Solvency ratio	276.0%	292.0%	-16,0 p.p.

* Pro-forma 2006 net profit = excluding the capital gain on the holding in Tranquilidade Vida, the absence of fiscal losses in 2006 and the provision for reorganization constituted in the previous year.

2.4 // Operations

2.4.1 // Direct Insurance Premiums

Direct insurance premiums totalled 361,974 thousand euros, up by 0.2% on the previous year. This represented outstanding performance in a non-life insurance market where premiums remained practically at the same level as the previous year and the largest insurance companies recorded a reduction in premiums. The slowdown in the economy and fiercer competition, especially in motor insurance tariffs, constrained any expansion of the insurance market in 2007.

Despite this, Tranquilidade recorded growth in underwriting in accident and health business (0.4%), transport (3.5%) and civil liability (17.0%). Performance was particularly positive in employers' liability, with growth of 3.4%, as compared with a decline of 1.6% in the insurance market as a whole, and growth of 21.6% in health insurance, as compared with market growth of only 7.8%.

In contrast, premiums in fire and other damage business were down by 1.4%, although the multiple risk sector recorded growth of 1.8% over the previous year. Premiums for motor insurance also contracted by 0.2% in 2007, which was nonetheless significantly better than the negative variation of 3.0% recorded for the market as a whole.

thousands of euros

Direct Insurance Premiums*	2007	%	2006	%	Var 07/06
Accidents and health	103,313	28.5	102,890	28.5	0.4
Fire and other damage	56,388	15.6	57,206	15.8	-1.4
Motor	171,792	47.5	172,105	47.6	-0.2
Transport	8,761	2.4	8,464	2.3	3.5
Civil liability	10,058	2.8	8,593	2.4	17.0
Other	11,662	3.2	12,039	3.3	-3.1
TOTAL	**361,974**	**100.0**	**361,297**	**100.0**	**0.2**

* Including Spanish branch office

Tranquilidade maintained its market share of 8.3% and was one of only two of the top six Portuguese insurers to record growth in premiums in 2008 and not to lose market share. The company was also above to grow in strategic segments, such as employers' liability, where its market share rose by 0.4 p.p. to 8.2%, and health, where it has a 5.5% share of the market, 0.6 p.p. more than in the previous year. In motor insurance, despite the reduction in premiums, Tranquilidade's market share was up by 0.2 p.p., at 8.8%.

2.4.2 // Cost of Claims – Direct Insurance

The cost of claims on direct insurance stood at 229,125 thousand euros, up by 4,478 euros, or 2%, on 2006.

The most significant variations were recorded in motor insurance (up by 6,648 thousand euros) and civil liability (2,441 thousand euros). In fire and other damage and transport, claims were down on the previous year (by -4,197 thousand euros and 1,461 thousand euros, respectively).

thousands of euros

Cost Of Claims - Direct Insurance*	2007	2006	Var 07/06
Accidents and health	66,685	66,561	0.2
Fire and other damage	21,727	25,924	-16.2
Motor	130,885	124,237	5.4
Transport	5,046	6,507	-22.5
Civil liability	3,655	1,214	201.1
Other	1,127	204	452.5
TOTAL	**229,125**	**224,647**	**2.0**

* Including Spanish branch office

The ratio of cost of claims/gross premiums written held steady, ending up from 62.0% to 63.5%, due above all to the increase in the ratio on motor insurance, up from 71.7% to 75.4% in 2007. At the same time, the ratio for employers' liability fell from 74.6% to 69.6%.

thousands of euros

Cost Of Claims / Gross Premiums Earned*	2007	2006
Accidents and health	65.3	64.5
Fire and other damage	38.9	45.7
Motor	75.4	71.7
Transport	57.2	78.2
Civil liability	39.0	14.1
Other	10.0	1.7
TOTAL	**63.5**	**62.0**

* Including Spanish Branch Office

2.4.3 // Underwriting Provisions

Underwriting provisions increased by 28,619 thousand euros, mostly due to the claims provision which was up by 25,115 thousand euros.

thousands of euros

Underwriting Provisions (Direct Insurance + Inwards Reinsurance)*	2007	2006	Var 07/06
Provision for unearned premiums	94,773	94,693	0.1
Provisions for claims	520,628	495,513	5.1
Employers' liability	171,779	163,270	5.2
Other areas	348,849	332,243	5.0
Other underwriting provisions	11,543	8,119	42.2
TOTAL	**626,944**	**598,325**	**4.8**

* Including Spanish branch office

2.4.4 // Outwards Reinsurance

The outwards reinsurance balance improved over 2006 by 332 thousand euros.

The drop in premiums transferred reflected a reduction in strategic business lines with a large reinsurance component (personal accident).

thousands of euros

Outwards Reinsurance*	2007	2006	Var 07/06
Premiums	48,125	52,454	(8.3)
Commissions	(10,692)	(14,906)	(28.3)
Claims and variation in underwriting provisions	(12,072)	(11,855)	1.8
RESULT	**25,361**	**25,693**	**(1.3)**

* Including Spanish branch office

The company recorded a positive inwards reinsurance balance in 2007 of 339 thousand euros.

2.4.5 // Outstanding Premiums

The ratio of outstanding premiums to total premiums rose by 1.3 p.p., in relation to 2006, standing at 12.9% in 2007. The provisions for outstanding premiums represented 14.1% of total premiums in 2007, as compared to 17.9% in 2006.

thousands of euros

Outstanding Premiums And Respective Provision*	2007	2006	Var 07/06
A - Premiums	361,974	361,297	0.2
B - Outstanding premiums	46,762	41,773	11.9
C - Provision for outstanding premiums	6,582	7,472	(11.9)
Ratio B/A (%)	12.9	11.6	
Ratio C/B (%)	14.1	17.9	

* Including Spanish branch office

2.4.6 // Personnel

Tranquilidade took on 29 new employees in 2007, with 92 workers leaving the company, including 37 due to early retirement and retirement.

This resulted in a reduction in the permanent workforce of 7.2%. In terms of productivity, direct insurance premiums per permanent employee rose by 8.0% to 445,233 euros.

	2007	2006	Var 07/06
Employees hired	29	51	(43.1)
Employees leaving	92	30	206.7
of which on early retirement or retirement	37	7	428.6
Total Workforce	**813**	**876**	**(7.2)**
Premiums / no. of employees	**445,233**	**412,440**	**8.0**

2.4.7 // Investments

Background

The main feature of 2007 was a significant worsening in the financial markets in the second half of the year. Although world economic growth remained at a high level, with growth above potential in the main economies and excellent performance in emerging markets, the subprime crisis in the US severely undermined market sentiment, setting off a crisis of liquidity and confidence. The crisis spilled over into the credit and money markets, with spreads widening considerably. The financial sector was particularly hard hit, leading central banks to intervene through large-scale injections of liquidity.

Nevertheless, the equity markets in general recorded positive performance, reaching new all-time highs. Other major developments included the sharp depreciation of the US dollar and the robust performance of the commodities markets.

Financial Policy

The main thrust of the company's financial policy in 2007 consisted of diversifying its portfolio and taking up positions with new management bodies, seeking to maintain a policy of prudent, diversified and high-yield investment. Variable rate corporate debt with a stable risk continued to account for the most significant proportion of investment.

In managing the bond portfolio, the company sought to maintain an average portfolio rating of A2/A and to maintain the same level of yields on investments. In view of the deterioration of the credit markets from mid-year onwards, the company sought to protect the portfolio and adopted a policy of disinvestment from relatively high risk structured debt, as well as disposing of securities in USD and in the financial sector.

Following on from disposal of these positions, the portfolio presented relatively high levels of liquidity, which was deemed to constitute a defensive stance appropriate to the market conditions prevailing at the end of the year.

Exposure to the equities market was gradually increased over the course of the year, allowing the company to access high yields. In addition to following the global indexes, the company specialized in Iberian markets, which performed extremely well.

The company also subscribed to investment funds with new management bodies, in order to diversify risk and obtain higher yields.
Alternative investments were built up in private equity, utilities funds and real estate, which are regarded as areas with huge potential for gains.

The yield on average assets stood at 5.26%, representing an improvement on the figure of 4.62% recorded in 2006.

euros

Investment Portfolio*	2007	%	2006	%
Securities	428,335,470	57.0	542,879,227	67.7
Property	131,459,419	17.5	144,389,182	18.0
Loans	71,230,278	9.5	66,458,320	8.3
Deposits **	119,960,597	16.0	48,222,660	6.0
TOTAL	750,985,764	100.0	801,949,389	100.0

* Including Spanish branch office
** including current accounts

2.4.8 // Shareholders' Funds

Shareholders' funds stood at 199,033 thousand euros at year-end 2007, representing a reduction in the order of 39,609 thousand euros in relation to 2006, due to payment of dividends to shareholders, following on from the sale of Tranquilidade Vida in 2006.

The solvency ratio stood at 274.2%, as compared with 292.0% in 2006. This unfavourable change was due in part to depreciation in the bond market, with losses in value of 11.1 million euros.

However, the main factor in the deterioration of the solvency ratio was the reduction in value of investment assets, due to debt securities which declined in value due to the widening of lending spreads.

2.4.9 // Internal Control

The company's risk management and internal control systems are governance instruments regarded as key factors in developing a solvency system appropriate to the insurance business. In this context, Tranquilidade has developed internal procedures defining the general framework and establishing the guiding principles for risk management.

Tranquilidade's main aims in relation to management of the different classes of risk run by the company are as follows:

- Identification, quantification, assessment, priority setting, management, monitoring and processing of all risks with an impact on the company, in a consistent and effective manner throughout the organization;
- Use of appropriate risk management tools (including risk indicators, loss data bases, risk register and stress/scenario testing), support for risk management, including reporting, decision making and capital assessment;
- Risk management by all employees, at different levels, in line with their duties and responsibilities as defined in the existing risk management policy;
- Compliance with the legislation in force for the sector, regulatory requirements, standards and codes of conduct;
- Assurance, by the different organizational units, that they effective management the main risks with an impact on business.

The main components of the risk policy are:

- Definition and classification of risks;
- Key principles for decision making to be based on risk management;
- The governance model for the risk structure, which comprises:
  - The powers and responsibilities of the existing committees, operational units and other sectors dealing with risk;
  - Risk policy;
  - The respective supporting functions.

Compliance with the standards defined in the risk policy is the responsibility of managers at different levels/areas throughout of the company. These managers are required to assure:

- Management and ongoing control of the different types of risk, in accordance with the principles of good practice;
- Compliance with legislation, regulatory requirements and appropriate codes of conduct.

The organizational structure created to support the work of the company's risk management and internal control system is based on a model of 3 lines of defence:

- The first line of defence is Tranquilidade's operational units, which are the areas with operational responsibility for risk management and the respective controls.
- The second line of defence has a supervisory function, represented by the Overall Risk and Internal Control Department (Internal Control System Office, Risk Modelling and Management Office and Compliance Office) and the Overall Risk Management Committee, whose main responsibilities are to create systematic rules and policies and to monitor the risk management and internal control system.
- The third line of defence consists of independent auditing, conducted by the Internal Audit Department and the Internal Audit Committee, with a view to assuring that controls are working effectively.

The main projects undertaken in 2007 were:

- Active participation in QIS 3 (3rd Quantitative Impact Study) as part of Solvency II, first pillar;
- Definition of principles, policies and procedures to prevent and detect money laundering and design of internal rules; a training plan has been drawn up, using internal and external resources, aimed initially a staff from Tranquilidade and T-Vida, and subsequently at brokers.
- In order to create the foundations for more wide-ranging work, to respond to the requirements of Solvency II, a project has been set up for Risk Management and Internal Control System;
- This project is currently at the final phase, and one of the final documents will consist of a detailed implementation plan.

2.4.10 // Profits

The company recorded profits of 23,474,224.40 euros in 2007. In comparison with the previous year, when Tranquilidade recorded profits of 22,840 thousand euros (excluding the gain on disposal of the holding in Tranquilidade-Vida, the non-existence of fiscal losses in 2006 and the provision for restructuring created in the previous year), the 2007 result represents an improvement, on standardized comparative terms, of 2.8% on 2006.

We propose that the sum of 23,474,224.40 euros be distributed as follows:

a) 10% of the profit for the period, i.e. 2,347,422.44 euros, to the legal reserve;

b) 18,000,000.00 euros for distribution of dividends;

c) The remainder to be placed at the disposal of the General Meeting for the purposes and under the terms of Article 31.1 b) of the Articles of Association.

2.4.11 // Strategic Objectives

Over the last three years, Tranquilidade has focussed on building up its infrastructures and consolidating its organizational and commercial model. This has taken the form of the three-year strategy, known as the Turbo Programme, complemented in late 2007 by a complete overhaul of resources and commercial operations in the field, through a vast array of measures across the entire company spectrum, backed up by substantial and focussed investment.

The strategic plan for 2008-2010 has been named after the Triathlon, on which it is modelled, and brings together a set of measures for implementation, especially in this the first year of the strategy, centred, fundamentally, from a commercial viewpoint, on three business areas: non-life, life and assurfinance.

In commercial terms, Tranquilidade has implemented a broad set of measures focussed on the customer, supply and distribution channels:

- Further exploration of the segmentation and customer relations model, through structures dedicated and adapted to particular segments;
- Implementation of a customer loyalty programme, to assure renewal of contracts;
- Development of supply, with the launch of new products and simplification of the current range;

- Coordination and integration with the broader range of products and services offered by the Espírito Santo Group – non-life, lie and banking products – thereby promoting customer service and loyalty, taking maximum advantage of the company's membership of a global financial group;

- Expansion of Tranquilidade's own network, with the opening of new franchised shops;

- Use of alternative, non-traditional channels: direct, cross-segment, affinities and one-stop-shopping.

Tranquilidade has also set itself the challenge of reorganizing and restructuring its existing branch model (the central platform for coordinating business), in order to improve the effectiveness and efficiency of its commercial operations, to speed up decision making processes, to facilitate operating processes and to create new proactive counter sales dynamics.

In relation to the cost of claims, Tranquilidade will continue to focus efforts on improving effectiveness and efficiency in claims management, ongoing optimization through negotiation with suppliers, and conclusion of the programme currently underway in the claims area.

In the field of operating costs, the Company is committed to optimizing structures and resources, seeking to improve control and monitoring of the cost of external supplies and initiating a strategic three-year overall cost-reduction programme, with the target of 20 million euros by the end of this period.

Equally of great importance are investments in information technologies, especially with regard to central systems. Even more important are those relating to the agents information system, which will permit Tranquilidade's sales network complete autonomy in management of its customer portfolio, with a high degree of outsourcing and decentralization of processes and performance in line with best practice worldwide amongst companies operating primarily through broker networks.

Risk policy will be applied across the board in 2008 in all company areas and will shape Tranquilidade's strategy and aims for management of the different classes of risk which it accepts, encompassing the powers, responsibilities and authorizations underlying the processes adopted by the company in order to achieve its objectives.
A number of initiatives are planned for 2008, including:

- Participation in QIS 4;

- Cross-company projects for implementation of dynamic financial analysis software for calculation of economic capital;

- Work on risk management and internal control systems, involving action in the following fields:

  - Definition of risk tolerance and limits;

  - Design of a reporting system to monitor business and sensitivity analyses;

  - Implementation of improvements to the risk register and internal control system;

  - Implementation of a model for quantifying operating risk.

Over the course of its history, Tranquilidade has supported various sectors of the community, in keeping with its commitment to building a better, fairer and more sustainable society.

One of the company's aims for 2007 was to review and explore issues relating to sustainability. This resulted in a new sustainability architecture known as "Tranquilidade Valor".

This type of contribution is part of the company's "Tranquilidade Valor" sustainability system, based on the following main concepts: "Team Value" – Building common aims and sharing knowledge, "Social Value" – Developing and improving our social responsibility strategy, creating relationship routines with the community, "Environment Value" – raising environmental awareness in our internal and external public, "Culture Value" – continued support and promotion for the cultural development of the country, and "Sport Value" – we are aiming to play a major part in progress in Portuguese sport.

These are the main challenges which, together, we should all be facing in our quest for a new society.

2.4.12 // Acknowledgements

The directors would like to express their thanks and appreciation to the shareholders, customers, brokers and staff for their contribution to the company's continued development.

We also wish to thank the members of the Supervisory Board, and the Portuguese Insurance Institute and the Portuguese Association of Insurance Companies for their co-operation in their respective fields.

Lisbon, 11 March 2008.

The Board of Directors

Rui Manuel Leão Martinho
(Chairman of the Board of Directors)

Pedro Guilherme Beauvillain de Brito e Cunha
(Chairman of the Executive Board)

Augusto Tomé Pires Fernandes Pedroso
(Member of the Executive Board)

António Miguel Natário Rio-Tinto
(Member of the Executive Board)

Eduardo Antunes Stock
(Member of the Executive Board)

João Carlos Neves Ribeiro *
(Member of the Executive Board)

Miguel Maria Pitté Reis da Silveira Moreno
(Member of the Executive Board)

Miguel Luís Kolbach da Veiga

António José Baptista do Souto

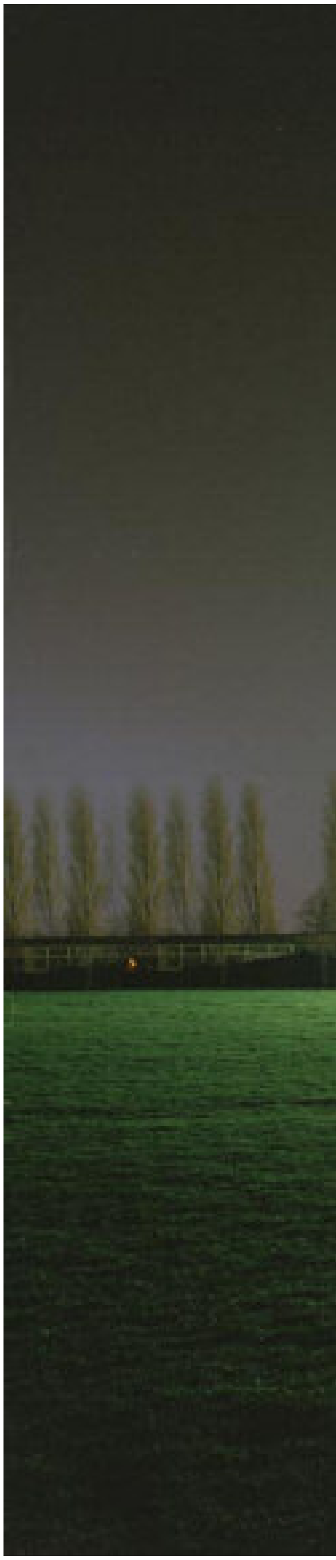
Manrico Iachia

António Manuel Rodrigues Marques

* Resigned from office on 31/01/2008

// 03

FINANCIAL STATEMENTS



BES art COLECÇÃO BANCO ESPÍRITO SANTO

EDGAR MARTINS
"Sem Título (EM2)",
2005
Photography on aluminum
and frame
75 x 85cm
Edition of: 5

Courtesy Galeria Graça Brandão

TRANQUILIDADE//07

03
Financial Statements

Balance Sheet as at 31 December 2007

euros

Assets	2007			2006
	Gross Assets	Depreciation and Provisions	Net Assets	Net Assets
Intangible fixed assets	**29,460,552**	**17,186,529**	**12,274,023**	**11,704,766**
Investments	**711,657,385**		**711,657,385**	**753,735,368**
Land and buildings	**131,459,419**		**131,459,419**	**144,389,182**
In own use	57,995,474		57,995,474	72,919,990
Rented	73,463,945		73,463,945	71,469,192
Fixed assets under construction and prepayments	-		-	-
Investments in group and associated undertakings	**102,157,206**		**102,157,206**	**91,580,316**
Shares in group undertakings	32,900,510		32,900,510	23,228,459
Bonds and other loans to group undertakings	60,310,354		60,310,354	55,786,854
Shares in associated undertakings	8,844,259		8,844,259	12,565,003
Bonds and other loans to associated undertakings	102,083		102,083	-
Other financial investments	**478,038,542**		**478,038,542**	**517,757,231**
Shares, other floating rate securities and units in investment funds	102,529,028		102,529,028	61,094,414
Bonds and other fixed rate securities	284,061,673		284,061,673	445,991,351
Mortgages	1,241,761		1,241,761	1,402,338
Other loans	9,576,080		9,576,080	9,269,128
Bank deposits	80,630,000		80,630,000	-
Other	-		-	-
Deposits with reinsurance companies	**2,218**		**2,218**	**8,639**
Underwriting provisins - reinsurance	**48,024,045**		**48,024,045**	**48,453,321**
Provision for unearned premiums	13,350,933		13,350,933	12,611,867
Provision for claims	34,673,112		34,673,112	35,841,454
Profit sharing provision	-		-	-
Other underwriting provisions	-		-	-
Debtors	**101,908,977**	**8,452,423**	**93,456,554**	**70,130,455**
Direct insurance operations				
Group undertakings	-	-	-	-
Related undertakings	-	-	-	-
Other debtors	57,423,209	7,266,610	50,156,599	44,873,155
Reinsurance operations				
Group undertakings	-	-	-	-
Related undertakings	-	-	-	-
Other debtors	8,361,139	713,746	7,647,393	5,706,675
Other operations				
Group undertakings	523,844	-	523,844	42,836
Related undertakings	-	-	-	28,579
Other debtors	35,600,785	472,067	35,128,718	19,479,210
Capital subscribers	-	-	-	-
Other assets	**84,630,095**	**38,693,722**	**45,936,373**	**57,544,627**
Tangible fixed assets and stocks	43,471,754	38,693,722	4,778,032	4,809,374
Cash and banks	41,158,341		41,158,341	52,735,253
Other	-		-	-
Accruals and deferrals	**3,664,790**		**3,664,790**	**13,119,404**
Interest receivable	2,195,184		2,195,184	11,714,706
Other accruals and deferrals	1,469,606		1,469,606	1,404,698
Total Assets	**979,345,844**	**64,332,674**	**915,013,170**	**954,687,941**

THE CHARTERED ACCOUNTANT
Paulo Santos

THE ACCOUNTS MANAGER
Pedro Medalhas

THE FINANCIAL AND ADMINISTRATIVE MANAGER
Luís Ribeiro

Balance Sheet as at 31 December 2007

euros

Liabilities	2007	2006
Shareholders' funds	**199,033,407**	**238,642,432**
Share capital	135,000,000	135,000,000
Issue premiums	-	-
Revaluation reserves		
Regulatory revaluation	27,163,070	26,006,868
Legal revaluation	-	-
Reserves		
Legal reserve	36,771,359	21,048,532
Statutory reserve	-	-
Other reserves	(24,660,995)	(24,660,995)
Retained earnings	1,285,749	(75,980,235)
Profit for the period	23,474,224	157,228,262
Subordinated liabilities	-	-
Underwriting provisions	**626,944,413**	**598,325,406**
Provision for unearned premiums	94,772,659	94,692,976
Provision for claims		
Employers' liability	171,778,719	163,269,913
Other areas	348,849,124	332,242,927
Provision for profit sharing	540,000	270,000
Provision for claims rate deviation	3,753,458	3,348,428
Other underwriting provisions	7,250,453	4,501,162
Other provisions	**1,785,052**	**1,628,214**
Provisions for pensions	314,960	281,732
Provisions for taxes	317,023	55,463
Other provisions	1,153,069	1,291,019
Deposits received from reinsurers	**662,615**	**529,385**
Creditors	**67,120,419**	**90,943,562**
Direct insurance operations		
Group undertakings	-	-
Related undertakings	-	-
Other creditors	21,419,217	23,343,606
Reinsurance operations		
Group undertakings	-	-
Related undertakings	-	-
Other creditors	11,249,554	15,997,109
Bank loans		
Group undertakings	-	-
Related undertakings	-	-
Other creditors	-	-
Government and public sector	21,470,958	37,289,228
Sundry creditors		
Group undertakings	-	2,410,016
Related undertakings	258,400	66,240
Other creditors	12,722,290	11,837,363
Accruals and deferrals	**19,467,264**	**24,618,942**
Total Liabilities	**915,013,170**	**954,687,941**

THE BOARD OF DIRECTORS

Rui Manuel Leão Martinho, Pedro Guilherme Beauvillain de Brito e Cunha, Augusto Tomé Pires Fernandes Pedroso, António Miguel Natário Rio-Tinto, Eduardo Antunes Stock, João Carlos Neves Ribeiro, Miguel Maria Pitté Reis da Silveira Moreno, Miguel Luís Kolback da Veiga, António José Baptista do Souto, Manrico Iachia, António Manuel Rodrigues Marques

Profit and Loss Account as at 31 December 2007

euros

Profit And Loss Account	2007			2006		
Non-Life Underwriting Account						
Premiums written net of reinsurance						
Gross premiums written	362,380,188			361,381,316		
Outward reinsurance premiums	(48,125,427)	314,254,761		(52,454,270)	308,927,046	
Provision for unearned premiums (variation)	(975,081)			907,098		
Provision for unearned premiums, reinsurers' share (variation)	739,066	(236,015)	314,018,746	1,125,947	2,033,045	310,960,091
Earnings from investments						
Income from equity holdings						
Group undertakings	2,450,000			-		
Others	1,131,205	3,581,205		2,175,000	2,175,000	
Income from other investments						
Group undertakings		-			-	
Others	28,488,101	28,488,101		22,869,774	22,869,774	
Gains on investment		13,405,651	45,474,957		162,311,875	187,356,649
Unrealised gains on investments			3,795,960			23,744,901
Other underwriting earnings, net of reinsurance			704,380			3,094,616
Underwriting earnings			**363,994,043**			**525,156,257**
Cost of claims, net of reinsuran ce						
Paid						
Gross	204,930,412			206,182,057		
Reinsurers' share	(12,501,606)	192,428,806		(13,151,195)	193,030,862	
Provision for claims (variation)						
Gross	24,208,148			18,470,193		
Reinsurers' share	1,168,342	25,376,490	217,805,296	2,422,259	20,892,452	213,923,314
Other underwriting provisions, net of reinsurance (variation)			2,749,291			1,189,505
Profit sharing, net of reinsurance			270,000			(90,000)
Net operating costs						
Acquisition costs		75,759,563			72,335,227	
Deferred acquisition costs (variation)		(895,399)			(886,566)	
Administrative costs		38,704,553			39,311,784	
Commissions and profit sharing (reinsurance)		(10,691,874)	102,876,843		(14,906,218)	95,854,227
Investment costs						
Cost of funds management		3,006,577			3,194,159	
Losses on investments		4,971,566	7,978,143		1,819,099	5,013,258
Unrealised losses on investments			5,493,360			5,888,440
Other underwriting costs, net of reinsurance			1,262,589			2,227,262
Provision for claims deviation (variation)			405,031			403,467
Underwriting costs			**338,840,553**			**324,409,473**
Non-life underwriting account result			**25,153,490**			**200,746,784**

THE CHARTERED ACCOUNTANT
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Pedro Medalhas

THE FINANCIAL AND ADMINISTRATIVE MANAGER
Luís Ribeiro

Profit and Loss Account as at 31 December 2007

euros

Profit And Loss Account	2007			2006		
Non-underwriting account						
Result of non-life underwriting account			25,153,490			200,746,784
Earnings from investments						
Income from other investments						
Group undertakings		-			-	
Others	772,762	772,762		851,871	851,871	
Gains on investments		745,843	1,518,605		35,677	887,548
Unrealised gains on investments			410,058			680,989
Other earnings			133,767			165,234
Non-underwriting earnings			**2,062,430**			**1,733,771**
Investment costs						
Cost of funds management		89,720			46,686	
Losses on investments		484,919	574,639		-	46,686
Unrealised losses on investments			818,533			408,523
Other costs, including provisions			367,756			1,467,266
Non-underwriting costs			**1,760,928**			**1,922,475**
Profit from ordinary operations before tax			**25,454,992**			**200,558,080**
Extraordinary income and gains			6,383,754			3,511,685
Extraordinary costs and losses			3,911,183			12,073,971
Extraordinary results			**2,472,571**			**(8,562,286)**
Allowance or use of regulatory revaluation reserve			2,105,876			(18,128,927)
Recovery of gains and losses on investments			(4,454,000)			23,876,032
Profits before tax			**25,579,439**			**197,742,899**
Tax on profits for the financial year			2,105,215			40,514,637
Net profit for the financial year			**23,474,224**			**157,228,262**

THE BOARD OF DIRECTORS

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Statement of Cash Flows at 31 December 2007

euros

	2007	2006
Cash flows from operating activities	**52,898,413**	**662,273**
Net profit for period	23,474,224	157,228,262
Depreciation	7,927,113	8,666,233
Increase/(decrease) in claims provision:		
direct insurance	25,115,003	18,861,462
outwards reinsurance	1,168,342	2,422,351
Increase/(decreasse) in other underwriting provisions:		
direct insurance	3,424,321	1,502,973
Increase/(decrease) in provision for unearned premiums:		
direct insurance	79,683	(1,793,665)
outwards reinsurance	(739,066)	(1,126,039)
Increase/(decrease) in premiums outstanding	(890,259)	229,237
Increase/(decrease) in bad debts adjustment	(1,366,700)	692,245
Increase/(decrease) in other provisions	156,838	(336,869)
(Gains)/Losses on disposal of fixed assets	(18,155)	58,434
Unrealized losses on investments	6,311,894	6,296,963
Unrealized gains on investments	(4,206,018)	(24,425,890)
Allocation or (use) of revaluation reserve	(3,297,798)	16,791,061
Recovery of realized gains(losses) on investments	4,454,000	(23,876,032)
Losses on disposal of investments	5,456,485	1,819,099
Gains on disposal of investments	(14,151,494)	(162,347,552)
Cash flows from investing activities	**28,605,717**	**13,806,273**
(Increase)/decrease in debtors:		
direct insurance operations	(4,396,548)	7,824,254
reinsurance operations	(1,835,953)	(620,997)
other operations	(14,836,639)	3,102,704
Purchase of investments	(831,185,774)	(907,503,851)
Sale of investments	879,852,890	916,245,651
Purchase of fixed assets and stocks	(11,276,095)	(7,547,118)
Disposal of fixed assets	2,829,222	17,651
Increase/(decrease) in other asset accounts	9,454,614	2,287,979
Cash flows from financing activities	(93,081,042)	(61,120,764)
Increase/(decreases) in creditors:		
direct insurance operations	(1,924,389)	(3,493,457)
reinsurance operations	(4,747,555)	6,382,037
government and public sector	(15,818,270)	28,669,094
other operations	(1,332,929)	(4,478,026)
deposits received from reinsurers	133,230	(349,708)
Increase/(decrease) in other liability accounts	(5,151,678)	12,237,816
Distribution of dividends	(64,239,451)	(100,088,520)
Net increase/(decrease) in cash and cash equivalents	**(11,576,912)**	**(46,652,218)**
Opening cash and cash equivalents	**52,735,253**	**99,387,471**
Closing cash and cash equivalents	**41,158,341**	**52,735,253**

THE CHARTERED ACCOUNTANT
Paulo Santos

THE ACCOUNTS MANAGER
Pedro Medalhas

THE FINANCIAL AND ADMINISTRATIVE MANAGER
Luís Ribeiro

THE BOARD OF DIRECTORS

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Notes to the Financial Statements as at 31 December 2007

(Figures in euros)

Introduction

Companhia de Seguros TRANQUILIDADE, S.A. (referred to below as either Tranquilidade or the Company) was created as the result of the conversion into a limited liability corporation with a majority public holding, of the former public company Tranquilidade Seguros, EP, which itself had been formed by the merger of Companhia de Seguros Tranquilidade, Companhia de Seguros A Nacional and Companhia de Seguros Garantia Funchalense. As a result of the privatisation in two phases in 1989 and 1990 a majority holding in the company is now owned by the Espírito Santo Group. The company was also merged with ESIA – Inter-Atlântico Companhia de Seguros, on 30 December 2004.

The company is engaged in insurance and reinsurance business in all non-life underwriting areas (except credit insurance), and holds the relevant authorisations from the Portuguese Insurance Institute. In terms of premium revenues, the company's two main areas of business are motor insurance and health and accident insurance.

The company currently operates through two main offices in Lisbon and Oporto, with 51 branches located around Portugal, 60 franchised shops and a branch office in Spain.

The following notes are given in accordance with the Accounting Plan for the Insurance Sector, omitting such notes as are irrelevant or for which there is nothing to report.

1 // Comparative Figures

Amounts recorded for 2007 are comparable in all relevant aspects with those entered in the equivalent column for 2006.

At 31 December 2006, the account for “Realized capital gains on investments” included the sum of 158,372,089 euros relating to disposal of the holding in Bes Vida, Companhia de Seguros, S.A.. The capital gain on the disposal of this holding amounted to 175,523,972 euros, and the excess in relation to the sum recorded as described above was recognized in the account for recovery of realized gains on investments (17,151,883 euros).

3 // Form of Presentation and Principal Accounting Principles and Valuation Criteria Adopted

3.1 // Presentation

The financial statements were prepared on the basis of books and accounting records kept in accordance with the Accounting Plan for the Insurance Sector approved by Standard no. 7/94-R, of 27 April, and subsequent amendments set forth in Standard no.14/95-R, of 20 July, and with the accounting standards for the operations of insurance companies established by the Portuguese Insurance Institute

3.2 // Principal accounting principles and valuation criteria

The principle accounting principles and valuation criteria adopted in preparing these financial statements are detailed below:

3.2.1 // Costs and revenues

Costs and revenues are recorded in the financial year to which they relate, regardless of the date of payment or receipt; earnings from equity shares are, however, only accounted for at the time when dividends are received.

Given that direct insurance premiums are recognised as income at the date on which the respective policy is processed or renewed and that compensation payments are recorded when claims are lodged, the company makes a number of accounting calculations for costs and revenues at the end of each financial year:

3.2.1.1 // Provision for unearned premiums

The provision for unearned premiums is based on an assessment of premiums written prior to the end of the financial year but remaining in force after this date.

In accordance with Standards no.19/94-R and 3/96-R of the Portuguese Insurance Institute, the company has calculated this provision contract by contract, receipt by receipt, using the pro rata temporis method, on the basis of gross premiums written, less the respective underwriting costs, in relation to the contracts in force.

3.2.1.2 // Provision for claims

The provision for claims corresponds to the foreseeable value of claims outstanding or not settled at the end of the financial year, and also estimated liabilities for compensation on claims relating to dates prior to 31 December 2007 but not yet presented and direct and indirect costs associated with settlement of the same, at the end of each period.

This provision is determined as follows:

a) From analysis of claims pending at the end of each financial year and the consequent estimate of the liabilities existing at this date, except for employers' liability, in the part not relating to pensions, and motor insurance, for which the provision is calculated by the average cost method. The provision for future charges is also calculated by the average cost method.

b) By application of a general rate of 6%, except for motor, health and civil liability business, to the value of costs in the financial year relating to declared claims, in order to provide for liabilities for claims declared after the end of the financial year. For health, civil liability and motor insurance, an actuarial study was conducted, taking into account the specific characteristics of the business in question.

c) By a mathematical provision intended to record the company's liabilities in respect of employers' liability insurance, for claims relating to dates prior to 31 December 2007 and which involve payment of pensions, already approved by the Labour Courts or agreed in conciliation proceedings, and also an estimate of liabilities for pensions for permanent invalidity under claims relating to dates prior to 31 December 2007 for which a final settlement or judgement has not yet been reached.

This provision also covers liabilities for pensions for potential permanent invalidity of claimants undergoing treatment as at 31 December 2007.

The mathematical provision for claims involving payment of pensions and redemptions, in relation to employers' liability insurance, is calculated on a pension by pension basis, using tables and formulae established by the PIS, the Ministry of Labour and the relevant labour legislation (see note 38).

3.2.1.3 // Provision for unexpired risks

The provision for unexpired risks corresponds to the amount needed to provide against probable compensation payments and other charges after the end of the financial year.

Under the requirements of the Portuguese Insurance Institute, the provision for unexpired risks to be created should be determined by multiplying the sum of gross premiums written imputable to the following period(s) (unearned premiums) and premiums receivable and not yet written for contracts in force, by a ratio based on the sum of the claims, expenses and reinsurance ratios, from which the investment ratio is deducted.

3.2.1.4 // Provision for claims rate deviations

The provision for claims rate deviations is created for bond, nuclear and seismic risk insurance.

For bonds and atomic risk, this provision is constituted when an underwriting profit is recorded. This provision is calculated on the basis of specific rates established by the Portuguese Insurance Institute multiplied by the underwriting result.

For seismic risks, the provision is calculated by multiplying the insured sum retained by the company by a risk factor, defined by the Portuguese Insurance Institute for each seismic zone.

3.2.1.5 // Provisions for outwards reinsurance

Provisions for outwards reinsurance are determined by applying the criteria detailed above for direct insurance business. The provision for claims should be calculated with rules in force, depending on whether the reinsurance derives from direct insurance business or inwards reinsurance.

3.2.1.6 // Provision for profit sharing

The provision for profit sharing includes sums intended for the policy holders or beneficiaries, in the form of profit sharing, provided such sums have not already been distributed.

3.2.1.7 // Brokerage commissions

Brokerage commissions are represented by the remuneration allocated contractually to brokers for obtaining premiums and are recorded as costs at the time of writing the respective premiums.

3.2.1.8 // Provision for uncollected premiums and doubtful debts

This provision is calculated on the basis of premiums written but not paid and doubtful debts, using criteria established by the Portuguese Insurance Institute.

3.2.1.9 // Liabilities for holiday pay and allowances

Included under accruals and deferrals under liabilities, corresponding to approximately 2 months' pay and related charges, based on the salary rates in the respective financial year, in recognition of legal liabilities to employees at the end of the financial year in respect of services rendered up to this date and to be settled later.

3.2.2 // Financial investments

3.2.2.1 // Floating rate securities

Floating rate securities listed on the stock exchange are valued at the closing price for the last day on which they were traded. Unlisted securities are valued using the equity method.

3.2.2.2 // Fixed rate securities

Fixed rate securities issued at nominal value are recorded at cost. The premium or discount on purchase is depreciated over the period up to maturity date, against profits.

In 2007, depreciation of premiums net of discounts recorded in the Profit and Loss Account amounted to 328,577 euros (2006: 345,130 euros).

3.2.2.3 // Unrealised gains and losses

Unrealised gains and losses on securities resulting from the difference between the accounting value and the value determined by the valuation method referred to in 3.2.2.1 are recorded as follows:

a) Gains on securities which represent underwriting provisions are entered in the underwriting account under "unrealised gains on investments". These unrealised gains are transferred to the "regulatory revaluation reserve".

Losses are recorded under "unrealised losses on investments". The losses are offset against the "regulatory revaluation reserve".

b) Gains on unallocated securities are entered in the non-underwriting account under "unrealised gains on investments". These unrealised gains are transferred to the "regulatory revaluation reserve".

Losses are recorded under "unrealised losses on investments". The losses are offset against the "regulatory revaluation reserve".

The "regulatory revaluation reserve" may only be used for the purposes and in the order of priority indicated below:

1° Offsetting unrealised losses on investments.

2° Coverage of accrued losses up to the end of the financial year in which it was created.

3° Recording realised gains on investments in the non-underwriting account "Recovery of realised gains and losses on investments" or capitalisation (see Note 3.2.2.4).

3.2.2.4 // Effective gains and losses

Effective gains and losses resulting from the disposal of property and floating rate securities are recognised as profits or losses in the financial year in which they occur.

3.2.2.5 // Earnings

Earnings from equity shares are entered in the accounts when the dividends are received; for bonds and other securities, earnings are allocated to the relevant period at the end of the financial year.

3.2.2.6 // Land and buildings

Property rented out and in the company's own use is valued on the basis of:

a) Market value

b) Acquisition cost

Under Standard no. 7/94, of 27 April, and Circular no. 41/95, of 20 July, of the Portuguese Insurance Institute, the company has recorded most property acquired up to 31 December 2007, whether rented out or in the company's own use, at its market value. Under the process of adoption of the International Accounting Standards, the company continued in 2007 with the policy of annual valuations adopted in 2005.

As a result of the property revaluations conducted in 2007, the respective book values were reduced by 1,223,460 euros (2006: increase of 6,022,894 euros) against the Regulatory Revaluation Reserve.

In accordance with the standards of the Portuguese Insurance Institute, property is not depreciated.

3.2.3 // Intangible fixed assets

Intangible fixed assets are valued at acquisition cost and comprise essentially expenses incurred in relation to i) design for development of the new information system and ii) improvements to buildings rented by the company.

Intangible fixed assets are depreciated on a monthly basis, on a straight line basis, over 3 or 5 years, respectively, as from the date when the costs were incurred.

3.2.4 // Furniture and materials

These assets are recorded at historical acquisition cost and depreciated on a straight line basis using the following annual rates (except for vehicles which are depreciated using monthly rates) which satisfactorily reflect their estimated useful life:

Office furniture and equipment	12.5% to 25%
Machines and tools	12.5% to 25%
IT equipment	25% to 33.33%
Interior fittings	10% to 16.66%
Vehicles and transport	25%
Medical equipment	12.5% to 33.33%
Other equipment	12.5% to 33.33%

3.2.5 // Leasing contracts

Finance leases are recorded, as at the starting date, as an asset (tangible fixed assets) and as a liability (creditors), at the acquisition cost of the object leased, which corresponds to the current value of the respective rentals.

3.2.6 // Liabilities for retirement pensions

Under the collective labour agreement in force in the insurance sector, the company has agreed to pay its employees with an employment contract in force on 22 June 1995 and those contracted by the insurance industry up to the same date a retirement pension to supplement that paid by the social security authorities. This pension is paid in accordance with the terms of articles 51 to 60 of the Collective Labour Agreement for the Insurance Sector, as reviewed in 1995 and published in the Boletim de Trabalho e Emprego, 1st series, no. 23, of 22 June 1995. In addition, the Company has liabilities to Directors, in accordance with the Pension or Complementary Pension Entitlement Regulations provided for in Article 24 of the Articles of Association approved by the Board of Directors and the General Meeting and dated 21 March 2007 (see Note 45.2).

The company has created a pension fund to cover liabilities relating to the plan mentioned above. As from 2005 it has covered social security charges relating to early retirement pensions.

Contributions to the fund are calculated in accordance with the respective actuarial and financial plan, which is reviewed annually, in accordance with actuarial practice, and adjusted in line with pension increases, changes in the group of participants and the liabilities involved and with the company's policy of total coverage of actuarially determined liabilities.

3.2.7 // Tax on profits

Tax on the profits of corporate persons (IRC) is determined on a self-assessment basis, with declarations being filled out under the terms of current tax legislation. These returns are subject to inspection and possible adjustment by the taxation authorities for a period of four years as from the financial year to which they relate. However, when there are fiscal losses to be carried over, the inspection period is extended to six years. Fiscal losses may be deducted from future taxable profits over the next six years.

When presenting its annual financial statements, the company has adopted the concept of deferred taxation, resulting from temporary differences between accounting results and those declared for taxation purposes (IRC) (see note 20).

4 // Foreign Currency Operations

The values of assets and liabilities expressed in the currencies of countries not belonging to the Economic and Monetary Union (E.M.U.) were translated into euros using the last reference exchange rate fixed by the Bank of Portugal.

Differences between the rates ruling on the date of contract and those ruling at the balance sheet date have been recorded in the current results for the period.

6 // Details of Group and Associated Undertakings

The company has qualifying holdings in the following companies:

euros

T – Vida - Companhia de Seguros, SA	
Registered Offices: Av. da Liberdade, 242 – 1250 – 149 Lisboa	
Capital held	100%
Share capital	20,000,000
Shareholders' funds	80,438,536
Net profits	4,388,331
Gross Premiums Written	78,000,715
Average Number of Employees	12
Bes, Companhia de Seguros, SA	
Registered Offices: Av. Columbano Bordalo Pinheiro, 75-11° 1070-061 Lisboa	
Capital held	25%
Share capital	15,000,000
Shareholders' funds	24,729,028
Net profits	4,689,059
Gross Premiums Written	73,171,127
Average Number of Employees	47
Advancecare – Gestão e Serviços de Saúde, SA	
Registered Offices: Pr. José Queiroz, 1 – Piso 4° 1800-238 Lisboa	
Capital held	50,99%
Share capital	4,500,000
Shareholders' funds	9,014,337
Net profits	1,822,418
Turnover	11,425,436
Average Number of Employees	232
Esumédica – Prestação de Serviços Médicos, SA	
Registered Offices: Av. da Liberdade, 242 1250-149 Lisboa	
Capital held	75%
Share capital	1,500,000
Shareholders' funds	-283,439
Net profits	-333,129
Turnover	4,355,038
Average Number of Employees	42
Fiduprivate, SA	
Registered Offices: Rua Dr. Brito Câmara, 7 9000-039 Funchal	
Capital held	75%
Share capital	125,000
Shareholders' funds	616,407
Net profits	-171,802
Turnover	631,231
Average Number of Employees	5
ES Contact Center, Gestão de Call Center, SA	
Registered Offices: Av. Infante D. Henrique, 343 1800-218 Lisboa	
Capital held	20,42%
Share capital	1,500,000
Shareholders' funds	1,718,290
Net profits	-218,990
Turnover	12,785,554
Average Number of Employees	505
Europ Assistance – Companhia Portuguesa de Seguros de Assistência, SA	
Registered Offices: Av. Alvares Cabral, 41 – 3° 1250-015 Lisboa	
Capital held	24%
Share capital	5,000,000
Shareholders' funds	9,623,375
Net profits	1,210,784
Gross Premiums Written	25,966,167
Average Number of Employees	135

The company is wholly owned by PARTRAN Sociedade Gestora de Participações Sociais, SGPS, with registered offices at Rua S. Bernardo, 62 – 1200 826 Lisboa, which prepares consolidated accounts.

The accounts of this company are included within the consolidated accounts of the Espírito Santo Financial Group.

In late 2007, a new company was set up to operate the direct channels market (Seguros Logo, SA), with share capital of 15,000,000 euros subscribed in full by Tranquilidade, and started trading on 1 January 2008.

7 // Average Number of Employees

The following table presents a breakdown of the company's workforce by category at 31 December 2007:

Management	62
Technical	201
Technical-Administrative	375
Sales	172
IT	35
General-Logistical	8
Electricians	1
TOTAL	**854**

In addition to these figures, the Spanish branch office has 4 employees.

8 // Staff Costs

Staff costs for the periods ended 31 December 2007 and 2006 are broken down in the following table:

euros

Accounts	2007	2006
Remuneration		
- company officers	1,251,784	1,064,860
- employees	27,774,790	26,474,182
Charges on remuneration paid	6,045,881	5,925,481
Pensions:		
- Premiums and pension contributions*	-	440,000
Other costs	2,184,018	2,573,077
TOTAL	**37,256,473**	**36,477,600**

* See note 45.2

10 // Intangible Fixed Assets

Intangible fixed assets are detailed in the following chart:

euros

Description	2007	2006
Research and development	9,503,483	10,905,428
Expenses relating to rented property	801,142	609,631
Fixed assets in progress	1,969,398	189,707
TOTAL	**12,274,023**	**11,704,766**

12 // Doubtful Debts

Doubtful debts for the periods ended 31 December 2007 and 2006 are detailed below:

euros

Description	2007	2006
Other debtors :		
Direct insurance operations	9,267,941	10,650,999
Reinsurance operations	713,746	818,511
Other operations	625,579	2,076,705
TOTAL	**10,607,266**	**13,546,215**

13 // Commitments with Guarantees Provided

In order to provide the bond required by the proceedings pending at the civil courts relating fundamentally to claims, the company had constituted bank guarantees at 31 December 2007 of 1,448,110 euros (2006: 1,260,832 euros).

15 // Breakdown of Share Capital

The capital is represented by 27,000,000 book-entry registered shares with a nominal value of 5 euros each.

20 // Tax on Profits

The company has been subject to annual inspections by the tax authorities, and the latest report relates to the financial year of 2004, with no significant adjustments to the returns submitted in previous years.

Given that acceptance from the tax authorities is still pending for carrying forward the fiscal balance of 42,886,243 from ESIA – Inter-Atlântico, this has still not been considered for the purposes of estimating tax payable.

Tax on profits was calculated on the basis of fiscal criteria in force at the balance sheet date, standing at 2,105,215 euros at 31 December 2007 (2006: 40,514,637). This tax breaks down as follows:

euros

	2007	2006
Current taxes	1,651,973	29,835,064
Deferred taxes	453,242	10,679,573
TOTAL	**2,105,215**	**40,514,637**

Deferred tax assets and (liabilities) recognized in the balance sheet in 2007 and 2006 are as follows:

euros

	2007	2006
Investment	(2,529,789)	(1,337,866)
Other provisions	848,845	1,302,087
TOTAL	**(1,680,944)**	**(35,779)**

Deferred taxes were recorded in the period as follows:

euros

	2007	2006
Deferred taxes recognized in results	453,242	10,679,573
Deferred taxes recognized in the regulatory revaluation reserve	1,191,923	1,337,866
TOTAL	**1,645,165**	**12,017,439**

21 // Finance Leases

The following accounts refer to finance leases:

euros

	2007	2006
Tangible fixed assets – IT equipment	8,489,157	7,326,366
Tangible fixed assets – vehicles and transport	620,595	499,606
Accrued depreciation of fixed assets	7,212,155	5,878,862
Creditors – leasing operations	2,958,177	2,365,717

22 // Inventory of Securities and Financial Holdings

See annex no.1.

22 – A // Valuation of Certain Financial Instruments at Fair Value

euros

Type of Financial Instruments	Balance Sheet Value	Fair Value
Holdings in group and associated undertkings	41,744,769	41,744,769
Shares and other variable rate securities	102,529,028	113,934,617
Fixed rate securities	284,061,673	270,625,002
TOTAL	**428,335,470**	**426,304,388**
Difference between balance sheet value and fair value	(2,031,082)	

The fair value of assets was determined, for fixed or variable rate securities listed on organized markets, using the last available listed price on the markets considered most representative for correct formation of the price of the assets in question. In the case of unlisted assets, the valuation models generally used by the market to value these assets were used to the extent possible. In the special case of unlisted variable rate securities, the value of the corresponding appropriable equity was used in accordance with the percentage holding, and in some cases the discounted free cash flows method was applied. Fixed rate securities were valued using the expected reimbursement value of the assets in question.

23 // Financial Fixed Assets and Other Investments

Movements in fixed assets accounts (tangible and intangible) and adjustments to the value of various investment accounts.

23.1 // Intangible and tangible fixed assets

euros

Accounts	Opening Balance		Increases		Transfers and Write-offs	Disposals	Depreciation for the Period		Closing Balance (net)
	Gross	Depreciation	Acquisitions	Revaluation			Increase	Adjustments	
INTANGIBLE FIXED ASSETS									
Formation costs	8,851	8,851	-	-	8,851	-	-	8,851	-
Research and development costs	29,224,370	18,318,942	3,826,362	-	7,214,717	-	5,167,197	7,153,607	9,503,483
Expenses relating to rented buildings	1,204,577	594,946	694,549	-	243,988	-	503,038	243,988	801,142
Other intangible fixed assets	258,523	258,523	-	-	258,523	-	-	258,523	-
Fixed assets in progress	1,89,707	-	4,503,703	-	2,724,012	-	-	-	1,969,398
subtotal	**30,886,028**	**19,181,262**	**9,024,614**	**-**	**10,450,091**	**-**	**5,670,235**	**7,664,969**	**12,274,023**
TANGIBLE FIXED ASSETS									
Office furniture and equipment	4,834,821	4,084,207	282,124	-	831,445	-	247,172	831,445	785,566
Machines and tools	3,200,164	3,107,070	227,217	-	1,537,297	-	77,737	1,537,297	242,574
Computing equipments	33,305,382	30,191,956	1,350,072	-	1,248	-	1,747,860	600	2,714,990
Interior fittings	402,290	381,768	-	-	1,174	-	5,284	1,174	15,238
Vehicles and transport	632,699	359,507	315,234	-	-	204,486	139,320	179,190	423,810
Other tangible fixed assets	1,052,415	926,854	2,597	-	64,812	-	39,505	64,812	88,653
subtotal	**43,427,771**	**39,051,362**	**2,177,244**	**-**	**2,435,976**	**204,486**	**2,256,878**	**2,614,518**	**4,270,831**
TOTAL	**74,313,799**	**58,232,624**	**11,201,858**	**-**	**12,886,067**	**204,486**	**7,927,113**	**10,279,487**	**16,544,854**

23.2 // Land and Buildings

euros

Accounts	Opening Balance		Acquisitions and Improvements[3]	Revaluations and Reductions in Value[4]	Transfers		Disposals		Closing Balance	
	Acquisition Value[1]	Balance Sheet Value[2]			Acquisition Value[5]	Balance Sheet Value[6]	Acquisition Value[7]	Balance Sheet Value[8]	Acquisition Value[9]	Balance Sheet Value[10]
Land and buildings										
Own use	69,923,133	72,919,990	689,550	-1,231,977	-2,172,136	-3,702,500	11,316,102	10,679,588	57,124,445	57,995,475
Rented	50,136,590	71,469,191	364,919	8,517	2,172,136	3,702,500	1,283,547	2,081,183	51,390,098	73,463,944
Total	**120,059,723**	**144,389,181**	**1,054,469**	**-1,223,460**	**-**	**-**	**12,599,649**	**12,760,771**	**108,514,543**	**131,459,419**

(9) = (1)+(3)+(5)-(7)
(10)=(2)+(3)+(4)+(6)-(8)

23.3 // Investments in Group Undertakings and Other Financial Investments (Excepting Securities)

euros

Accounts	Opening Balance	Increases	Reductions In Value	Closing Balance
Investments in group and associated undertakings				
Loans to group undertakings	55,786,854	7,762,500	3,239,000	60,310,354
Loans to associated undertakings	-	102,083	-	102,083
Other financial investments				
Mortgages	1,402,338	-	160,577	1,241,761
Other loans				
Others	9,269,128	503,895	196,943	9,576,080
Deposits with banks	-	80,630,000	-	80,630,000
Deposits with reinsurance companies	8,639	16,325	22,746	2,218
TOTAL	66,466,959	89,014,803	3,619,266	151,862,496

24 // Movements in Revaluations

euros

Accounts	Investments
Revaluation reserve	
Opening balance	26,006,868
Increases	
Others	7,078,310
Decreases	
Recovery of realised gains/losses (see note 3.2.2.4)	-4,454,000
Others	10,376,108
Closing balance	27,163,070
Historical costs	241,871,398
Revaluations	33,861,818
Revalued accounting values	275,733,216

25 // Explanation of Fiscal Treatment of Revaluation Reserve

In accordance with Article 43 of the Corporation Tax Code, fiscal gains and losses to be determined on the sale of investments result from the difference between the sale price and the acquisition price. Interim valuations with the consequent calculation of unrealised gains or losses and the possible constitution or elimination of revaluation reserves were not taxed.

26 // Adjustments and Other Provisions

Breakdown of Adjustments and Other Provisions:

euros

Accounts	Opening Balance	Increase	Reduction	Closing Balance
Provisions for bills in collection				
Other policyholders	7,472,199	-	890,259	6,581,940
Provisions for doubtful debts	3,237,182	-	1,366,701	1,870,481
Other policyholders				
Other provisions				
Retirement pensions	269,252	-	9,350	259,902
Early retirement pensions		12,480	42,578	-
Taxes	55,463	261,560	-	317,023
Other risks and charges	1,291,019	-	137,950	1,153,069
	1,628,214	**304,138**	**147,300**	**1,785,052**

28 // Statement of Extraordinary Results

euros

Costs and Losses	Period		Income and Gains	Period	
	2007	2006		2007	2006
Donations	100,276	73,852	Tax rebates	422,296	-
Arts sponsorship	265,196	169,222	Recovery of debts	-	-
Legal expenses	-	-	Reduction in depreciation and provisions	954,171	491,349
PLosses on tangible fixed assets	-	73,379	Gains on tangible fixed assets	18,155	14,945
Gifts to clients	288,000	291,552	Prior period adjustments	1,065,197	1,762,823
Bad debts	67,249	352,591	Other extr. income and gains	3,923,935	1,242,568
Fines and penalties	39,578	4,663	Extraordinary results	-	8,562,286
Membership fees	149,322	40,474			
Prior period adjustments	2,519,450	489,252			
Other extr. costs and losses	482,112	10,578,986			
Extraordinary results	2,472,571	-			
	6,383,754	**12,073,971**		**6,383,754**	**12,073,971**

At 31 December 2006, the account for “Other extraordinary costs and losses” included the sum of 9,500,000 euros relating to constitution of a provision for early retirement pensions.

32 // Insurance Contracts With Suspended Guarantees

The account for "Policyholders" includes the sum of 46,761,730 euros (2006: 41,772,559) relating to the value of uncollected premiums, of which 8,437,781 euros (2006: 9,808,428) relates to insurance contracts with premiums as yet uncollected, the risk of non-collection of these amounts being covered by the adjustments in receipts for collection.

33 // Underwriting Provisions

Amounts relating to the following underwriting provisions:

euros

Accounts	Calculated Value	Deferred Acquisition Costs	Balance Sheet Value 2007	Balance Sheet Value 2006
Provision for unearned premiums	118,231,622	23,458,963	94,772,659	94,692,976
Provision for unexpired risks	7,250,453	-	7,250,453	4,501,162
Provision for claims	520,627,843	-	520,627,843	495,512,840
Provision for claims rate deviation	3,753,458	-	3,753,458	3,348,428
Provision for profit sharing	540,000	-	540,000	270,000

34 // Provision for Prior Period Claims, Readjustments and Claims Incurred

34.1 // Breakdown of provision for prior period claims and readjustment

euros

Business Area	Provision for Claims as at 31/12/2006(1)	Cost of Claims* Paid During the Period(2)	Provision for Claims* as at 31/12/2007(3)	Readjustment(3)+(2)-(1)
Non-Life				
Accidents and Health	174,614,956	27,129,548	141,825,177	(5,660,231)
Fire and other Damage	29,343,599	12,300,886	12,929,127	(4,113,585)
Motor				
-Civil Liability	244,195,197	60,386,438	186,085,203	2,276,443
-Other Cover	22,002,846	7,349,725	11,983,543	(2,669,578)
Maritime, Air and Transport	6,359,670	2,284,849	3,499,835	(574,986)
General Civil Liability	17,142,925	2,377,720	14,993,261	228,057
Credit and Bonds	1,385,397	299,884	1,541,480	455,967
Legal Protection	175,714	50,530	28,362	(96,823)
Miscellaneous	292,536	252,836	72,442	32,741
TOTAL	**495,512,840**	**112,432,416**	**372,958,429**	**(10,121,995)**

* Claims relating to 2006 and previous years.

34.2 // Breakdown of claims incurred

euros

Business Area	Amounts Paid - Instalments[1]	Amounts Paid – Claims Management Costs[2]	Variation in Claims Provision[3]	Claims incurred[(4)=(1)+(2)+(3)]
Direct Insurance				
Accidents and Health	52,817,678	4,361,066	9,506,804	66,685,548
Fire and other Damage	22,140,674	1,169,983	-1,583,953	21,726,705
Motor				
- Civil Liability	85,308,741	5,778,169	9,436,782	100,523,692
- Other Cover	22,916,118	1,948,909	5,495,827	30,360,854
Maritime, Air And Transport	4,483,415	222,045	340,956	5,046,416
General Civil Liability	2,777,673	308,848	568,489	3,655,010
Credit and Bonds	298,734	3,424	156,211	458,370
Legal Protection	26,996	25,720	(96,645)	(43,930)
Miscellaneous	331,964	2,187	378,116	712,267
Total	**191,101,994**	**13,820,351**	**24,202,587**	**229,124,932**
Reinsurance Accepted	8,067	-	5,560	13,628
Grand Total	**191,110,061**	**13,820,351**	**24,208,148**	**229,138,560**

The provisions for claims corresponds to claims lodged and not yet paid, at the balance sheet date, and includes an estimated provision of 25,270,294 euros (2006: 26,987,593 euros) relating to claims occurred prior to 31 December 2007 and not yet reported (IBNR).

In addition, the claims provision includes an estimate of 5,980,262 euros (2006: 5,975,215 euros) for management charges relating to the settlement of claims pending and not declared.

The provision for employers' liability claims includes the sum of 121,817,603 euros (2006: 117,665,385 euros) relating to the mathematical provision for employers' liability insurance.

35 // Principal Readjustments to Breakdown of Provision for Prior Period Claims

In accident and health areas, adjustments are due principally to employers' liability business, and derive from recovery of amounts paid on claims from periods prior to 2007.

In the case of fire and other damage business, maritime, air and transport business and legal protection business, the adjustments result from the closing of claims with a cost lower than initially estimated.

There were other adjustments, relating to claims dating from previous periods, but which derive from normal claims management activity, and are not significant in comparison with the total value of the claims provision.

36 // Investment Valuation

Valuation methods used for investments are described in item 3.

37 // Current Value of Land and Buildings

The method used for determining the current value of land and buildings is described in item 3. The following table gives a breakdown of valuations by financial year:

euros

Year When Last Valued	Acquisition Cost	Balance Sheet Value
2007	4,709,481	2,745,351
2006	98,729,190	122,738,841
2005	4,624,509	5,640,594
2004	451,361	334,633

This table refers only to valuations conducted by valuers approved by the Portuguese Insurance Institute; there are no valuations prior to 2004.

38 // Hypotheses Considered in Calculating the Mathematical Provisions for Employers' Liability Insurance

The mathematical provisions for employers' liability business are calculated in accordance with Regulatory Standard 15/2000-R, of 23 November, i.e. applying the mortality table TD 88/90 with an interest rate of 5.25% and management fees of 0% for redeemable pensions, and the formula indicated in the same standard for non-redeemable pensions, after calculation of the mathematical reserve on the basis of the mortality table PF 60/64 with an interest rate of 6% and 4% management fees.

39 // Veries Relating to Claims

Amounts recoverable, in relation to payments made on the occurrence of claims, deriving from acquisition of rights or ownership, are included in the accounts in the respective items and correspond to the following:

euros

	2007	2006
Policyholders	2,238,687	1,443,569

The risk of non-collection of the reimbursements referred to above is covered by an adjustment to bad debts of 618,704 euros (2006: 625,170 euros).

A figure of 504,439 euros was recorded for legal ownership obtained (salvage).

40 // Information on Non-Life Insurance

40.1 // Breakdown by area of business

Business Area	Gross Premiums Written	Gross Premiums Earned	Gross Cost of Claims*	Gross Operating Costs*	Reinsurance Balance**
Direct Insurance					
Accidents and Health	103,313,445	102,142,998	66,685,548	30,443,235	-4,462,198
Fire and other Damage	56,387,803	55,796,978	21,726,705	22,671,079	-10,327,866
Motor					
- Civil Liability	122,930,279	125,772,852	100,523,692	35,070,033	667,966
- Other Cover	48,862,111	47,832,169	30,360,854	16,300,439	-491,634
Maritime, Air and Transport	8,761,483	8,823,503	5,046,416	2,714,509	-669,080
General Civil Liability	10,057,509	9,383,791	3,655,010	4,125,504	-878,592
Credit and Bonds	122,632	195,357	458,370	77,128	-74,646
Legal Protection 23 930	25,116	-43,930	15,794	-	
Assistance	9,974,671	9,533,515	-	1,722,071	-8,453,566
Miscellaneous 1 540 522	1,532,396	712,267	412,626	-414,378	
	361,974,385	**361,038,675**	**229,124,932**	**113,552,418**	**-25,103,994**
Reinsurance Accepted	405,803	366,431	13,628	16 299	-257,229
	362,380,188	**361,405,106**	**229,138,560**	**113,568,717**	**-25,361,223**

* Not deducting reinsurers' share
**Favourable to reinsurers

41 // Segment Reporting

a) Reporting by business segment

euros

Item	Non-life	Employers' Liability	Fire	Motor
Gross premiums written	362,380,188	62,350,387	56,681,329	171,792,390
Outwards reinsurance premiums	(48,125,427)	(433,240)	(19,398,214)	(2,405,564)
Gross premiums earned	361,405,106	62,067,118	56,081,797	173,605,021
Return on investments	36,334,905	10,275,360	2,977,473	19,776,358
Gross cost of claims	229,138,560	43,195,085	21,725,947	130,884,546
Gross operating costs	113,568,717	16,269,073	22,680,247	51,370,472
Underwriting result	25,153,490	11,148,866	2,757,950	10,676,780
Assets allocation to represent underwriting provisions	692,121,197	195,511,621	56,981,722	376,719,361
Underwriting provisions	626,944,413	177,100,367	51,615,775	341,243,846

b) Reporting by geographical segments

euros

Item	Portugal	Spain	Total
Gross premiums written	361,665,540	714,648	362,380,188
Outwards reinsurance premiums	-48,074,340	-51,087	-48,125,427
Gross premiums earned	360,727,275	677,831	361,405,106
Return on investments	36,319,531	15,374	36,334,905
Gross cost of claims	228,932,310	206,250	229,138,560
Gross operating costs	113,223,582	345,135	113,568,717
Underwriting result	25,044,138	109,352	25,153,490
Assets allocation to represent underwriting provisions	691,758,100	363,097	692,121,197
Underwriting provisions	626,615,509	328,904	626,944,413

43 // Commissions - Direct Business

Commissions for direct business comprised:

euros

	2007	2006
Brokerage and agency commissions	33,316,044	31,890,435
Collection commissions	2,205,946	2,202,001
TOTAL	**35,521,990**	**34,092,436**

44 // Allocation of Investments

In accordance with the legal rules in force for insurance companies, the company is required to allocate investments for the underwriting provisions, in accordance with the limits established by The Portuguese Insurance Institute. At 31 December 2007, investments were allocated as follows:

euros

Accounts	Non-life Business	Free
Land and buildings	131,459,419	-
Investments in group and ass. undertakings	100,869,329	1,287,877
Other financial investments	464,254,342	13,784,200
Deposits with reinsurance companies	2,218	-
Total 2007:	**696,585,308**	**15,072,077**
Total 2006:	**734,710,340**	**19,025,028**

45 // Other Disclosures

45.1 // Movements in shareholders' funds

euros

	Capital	Revaluation Reserves	Retained Earnings and Other Reserves	Net Profit for the Period	Total Shareholders' Funds
Balance at 31 December 2005	**135,000,000**	**33,091,839**	**(6,276,879)**	**26,772,701**	**188,587,661**
Allocation to regulatory revaluation reserve	-	16,791,061	-	-	16,791,061
Recovery of realized gains and losses on investments	-	(23,876,032)	-	-	(23,876,032)
Allocation of 2005 profits	-	-	3,445,181	(3,445,181)	-
Distribution of dividends	-	-	-	(23,327,520)	(23,327,520)
Interim dividends	-	-	(76,761,000)	-	(76,761,000)
Net profit for the period	-	-	-	157,228,262	157,228,262
Balance at 31 December 2006	**135,000,000**	**26,006,868**	**(79,592,698)**	**157,228,262**	**238,642,432**
Allocation to regulatory revaluation reserve	-	(3,297,799)	-	-	(3,297,799)
Recovery of gains and losses on investments	-	4,454,000	-	-	4,454,000
Allocation of 2006 profits	-	-	16,227,811	(16,227,811)	-
Distribution of profits	-	-	4,000,451	(4,000,451)	-
Distribution of dividends	-	-	72,760,550	(137,000,000)	(64,239,450)
Net profit for the period	-	-	-	23,474,224	23,474,224
Balance at 31 December 2007	**135,000,000**	**27,163,069**	**13,396,114**	**23,474,224**	**199,033,407**

The Portuguese legislation applicable to the insurance sector requires that at least 10% of net annual profits be allocated to the legal reserve, which may not be distributed, until it reaches the level of the share capital.

45.2 // Liabilities for pensions and other benefits

In accordance with the collective labour agreement in force in the insurance industry, the company has accepted liability to pay its employees old age and disability retirement pensions. The company has also accepted liability for health care for those on early retirement.

At 31 December 2007 and 2006, the number of participants covered by the benefits plan was as follows:

	2007	2006
Number of participants		
Retired and pensioners	663	674
Current employees	483	522
	1,146	**1,196**

In keeping with the accounting policy described in 3.2.6, the following table details liability accepted by the company for payment of complementary retirement pensions and other benefits at 31 December 2007 and 2006, based on calculation of the actuarial value of the projected benefits:

euros

	2007	2006
Contractual liability for projected benefits		
Pensions and other benefits	51 709 000	52 932 708
Life insurance	16 145 000	17 549 950
	67 854 000	70 482 658
Coverage:		
Pension fund	47 312 162	46 120 000
Life insurance	16 145 000	17 549 950
Accounting provision	4 101 587	10 437 223
	67 558 749	74 107 173
Surplus/(shortfall in) cover	-295 251	3 624 515

At 31 December 2007, the Company altered the discount rate used in calculating the current value of liabilities for retirement pensions and other benefits.

The following table provides a comparative analysis of actuarial assumptions:

	2007	2006
Actuarial method	Projected Unit Credit	Projected Unit Credit
Mortality table	GKF 95	GKF 95
Underwriting rate	3%	3%
Rate of salary growth	3.5% - 4%(*)	3% - 3.75%(*)
Rate of growth in early retirement pensions	2.5%-n.a.(*)	0.75% - 3.75%(*)
Yield on fund	6%-5.7%(*)	5.8% - 5.15%(*)
Discount rate	5.25%	4.75%

(*) Directors' benefits plan.

The company's liabilities for complementary pensions and other benefits are valued annually, the last valuation having been conducted with reference to 31 December 2007.

45.3 // Transactions with related entities

As required by Article 5.4 of Decree-Law 318/94, of 24 December, balances and transaction with Group undertakings broke down as follows at 31 December 2007:

thousands of euros

Associated and Related Undertakings	2007				2006			
	Assets	Liabilities	Costs	Income	Assets	Liabilities	Costs	Income
Banco Espírito Santo	44,338	1,906	1,128	10,841	53,060	-	1,338	15,194
T-Vida	58,184	-	-	2,450	50,000	2,405	-	-
E S Contact Center	102	-	1,624	110	-	66	1,409	66
Esumédica	263	226	-	-	-	-	1,622	355
E S Saúde	8,500	-	-	-	6,000	-	-	48
E S Segurança	107	-	471	909	-	-	279	778
Gespatrimónio	1,057	-	-	1,178	-	-	-	-
Multipessoal	47	17	334	288	-	-	277	152
Hersal	20	-	-	79	-	-	-	33
Bes Vida	1,071	-	-	112	-	-	-	1,689
Fundação Espírito Santo	-	-	-	78	18	-	-	70
Espírito Santo, A C E	-	-	-	121	19	-	-	109
AdvanceCare	-	1,472	2,265	-	2,500	1,423	1,723	21
PARTRAN	-	-	-	-	3,239	-	-	-
Bes Leasing	-	2,958	200	175	-	2,366	126	39
SGL	-	86	430	-	-	-	378	-
Bes Seguros	-	207	-	974	-	-	-	72
ESAF	-	-	-	359	-	-	-	133
E S Resource	-	-	-	169	-	-	-	48
Europ Assistance	-	-	-	216	-	-	-	-
ESCOM	-	-	-	108	-	-	-	127
GESFIMO	-	-	-	50	-	-	-	-
E S F G	-	-	337	-	-	-	-	-
ESGEST	-	-	76	-	-	-	-	29
BESI	-	-	116	-	-	-	-	-
Crediflash	-	-	-	-	-	-	-	1,674
Credibom	-	-	-	-	-	-	-	144
	113,689	**6,872**	**6,981**	**18,217**	**114,836**	**6,260**	**7,152**	**20,781**

45.4 // Breakdown of cost allocation

Costs imputed break down as follows:

euros

	2007	2006
Staff costs	37,256,473	36,477,600
Third party supplies and services	33,711,112	33,631,195
Taxes and charges	6,416,732	6,243,465
Depreciation in the period	7,927,102	8,665,208
Interest expense	233,721	157,957
Commissions	720,282	211,209
	86,265,422	**85,386,634**

Costs by nature were imputed as follows:

euros

	2007	2006
Cost of claims	13,820,351	13,523,065
Operating costs		
Acquisition costs	33,508,635	32,487,133
Administrative costs	36,498,606	37,109,783
Costs relating to investments	2,437,830	2,226,653
	86,265,422	**85,346,634**

45.5 // Accruals and deferrals (assets)

This balance on this account breaks down as follows:

euros

	2007	2006
Interest receivable	2,195,184	11,714,706
Other accruals and deferrals	1,469,606	1,404,698
	3,664,790	**13,119,404**

The account for interest receivable corresponds to the allocation to periods of the interest on fixed yield securities, calculated on the basis of their nominal value and the interest rate applicable in the period, and also to the allocation to periods of interest on other investments in accordance with the accounting policy defined in note 3 above.

45.6 // Accruals and deferrals (liabilities)

The balance on this account breaks down as follows:

euros

	2007	2006
Holiday leave and allowances	4,096,928	4,250,319
Other accrued costs	13,451,584	20,052,805
Deferred income	237,808	280,039
Deferred taxes	1,680,944	35,779
	19,467,264	**24,618,942**

At 31 December 207, the account for “Other accrued costs” included the sum of 3,476,390 euros (2006: 3,206,331 euros) relating to incentives payable to brokers.

The account for “Other accrued costs” also included the sum of 3,238,222 euros (2006: 9,500,000 euros) relating to liabilities for early retirement pensions.

45.7 // Other debtors and creditors

At 31 December 2007, the account for “Debtors – other operations – other debtors” included a sum of 11,108,404 euros relating to operations to be settled on property.

At 31 December 2007, this account also included the sum of 10,778,946 euros (2006: 8,584,272 euros) relating to amounts receivable from IFADAP.

Annex 01
Inventory of Securities and Financial Holdings

euros

Name	Quantity	Nominal Value	% of Nominal Value	Average Acquisition Value	Total Acquisition Value	Balance Sheet Value	
						Unit	Total
1 - SECURITIES ISSUED BY GROUP AND ASSOCIATED UNDERTAKINGS							
1.1 - Portuguese							
1.1.1 - Holdings in group undertakings							
ADVANCECARE	458,899			1.06	485,468	4.53	2,079,402
ESUMEDICA	225,000			1.98	445,500	0.00	1
FIDUPRIVATE	18,750			25.60	480,051	30.45	570,901
LOGO COMP SEG	3,000,000			2.50	7,500,000	2.50	7,500,000
T-VIDA COMPANHIA DE SEGUROS, SA	20,000,000			1.00	20,000,000	1.14	22,750,205
subtotal					**28,911,019**		**32,900,510**
1.1.4 - Shares in associated undertakings							
BES SEGUROS	750,000			5.01	3,758,668	8.24	6,182,257
ES CONTACT	306,250			1.06	324,975	1.15	352,392
EUROPE ASSISTANCE	240,000			7.32	1,756,800	9.62	2,309,610
subtotal					**5,840,443**		**8,844,259**
total					**34,751,461**		**41,744,769**
2 - OTHER SECURITIES							
2.1 - Portuguese							
2.1.1 - Fixed rate securities							
2.1.1.3 - Other issuers							
DEP. A PRAZO				80,630,000		80,630,000	
BANIF FINANCE 22/12/2016	2,000,000.00	100.18%		2,004,000		2,003,591	
BESLEASING FACTORING 22/11/2010	50,950.00	100.00%		50,950		50,950	
EMASA	24,939.90	0.10%		24,940		25	
LUSITANO GLB CDO PLC 1D 12/05/15	3,300,000.00	102.36%		3,797,960		3,377,913	
MONTPI 03/05/2012	2,000,000.00	99.97%		1,999,190		1,999,321	
MONTPI 19/09/2011	3,000,000.00	100.13%		3,004,798		3,003,968	
P.CAVALEIROS	87,289.65	0.10%		87,290		87	
V.AGROS	19,951.92	0.10%		19,952		20	
V.TÊXTIL	22,445.93	0.17%		22,446		37	
subtotal					**91,641,526**		**91,065,912**
2.1.2 - Variable rate securities							
2.1.2.1 - Shares							
ARGOGEST	1,300			3.84	4,988	3.84	4,988
BESLEASING FACTORING	59,427			7.59	451,035	8.22	488,693
BRISA (PRIVATIZ)	243,508			10.07	2,453,080	10.05	2,447,255
CASSEL	200			4.99	998	4.99	998
CIRES	247,500			1.28	316,960	1.67	413,325
COMP. PREVIDENTE	6			532.54	3,195	934.23	5,605
COMP. PREVIDENTE SCPF	198			109.86	21,752	223.86	44,325
COMPTA	306,960			1.64	503,700	0.58	178,037
COMUNDO	2,008			0.33	664	0.33	664
EDP	660,022			4.54	2,995,865	4.47	2,950,298
ES INV PLC	1			2.77	3	1.27	1
ESAF - ACTIVOS FINANCEIROS	117,500			22.93	2,694,627	28.78	3,381,851
ESPIRITO SANTO SAÚDE	13,275,000			1.25	16,541,000	1.68	22,359,411
ESTELA GOLF	20			8,580.90	171,618	7,432.73	148,655
FETAL	2,760			20.84	57,528	7.03	19,407
HOTEL TURISMO ABRANTES	125			0.00	-	2.82	352
ILIDIO MONTEIRO CONSTRUÇÕES	41,675			4.99	207,874	4.99	207,874
IMPRESA, SGPS	58,332			4.51	263,307	2.06	120,164
MADIBEL	7,955			0.01	81	0.00	1
MARINOTEIS	210,000			6.53	1,370,496	6.52	1,369,808
PORTO CAVALEIROS, SGPS	2,483			6.58	16,331	6.58	16,331
QUINTA DOS CONEGOS	140,600			3.15	443,241	2.95	415,407
SONAGI	55,600			0.44	24,294	4.00	222,400
SONAGI AN	100			0.06	6	0.01	1
SPECTACOLOR PORTUGAL	7,500			14.66	109,986	11.98	89,846
TELLUS	1,200			5.04	6,045	5.04	6,045
VILATÊXTIL SOC IND TÊXTIL	16			10.14	162	10.14	162
subtotal					**28,658,837**		**34,891,904**
2.1.2.3 - Units in investment funds							
ESP SANTO INFRASTRUCTURE FUND I	35			1,000.11	35,004	1,000.00	35,000
EXPLORER II	14			25,003.84	342,053	24,771.05	338,868
FUNGERE (UP)	756,868			5.22	3,952,828	4.71	3,564,848
subtotal					**4,329,884**		**3,938,716**
total					**124,630,246**		**129,896,532**

euros

Name	Quantity	Nominal Value	% of Nominal Value	Average Acquisition Value	Total Acquisition Value	Balance Sheet Value Unit	Balance Sheet Value Total
2.2 - Foreign							
2.2.1 - Fixed rate securities							
2.2.1.1 - Public debt							
ITALY 2.75% 15/06/2010		50,000,000.00	100.26%		50,257,000		50,127,576
2.2.1.3 - Other issuers							
BANCA LOMBARDA 19/12/2016		3,000,000.00	100.23%		3,007,503		3,006,957
BANCO SABADELL 25/05/2016		2,000,000.00	100.33%		2,007,156		2,006,536
BBVA SUB CAPITAL UNIP 03/04/2017		3,000,000.00	100.04%		3,001,341		3,001,240
C.ÁGUAS DA BEIRA		548.68	118.18%		648		648
C.MOÇAMBIQUE		598.56	125.00%		748		748
CAJA CASTILLA 02/11/2016		2,000,000.00	100.19%		2,004,000		2,003,892
CAJA ZARAGOZA ARAGON 25/04/2019		4,000,000.00	100.19%		4,008,000		4,007,544
CALYON FINAN GUERNSEY 30/09/2010		3,000,000.00	100.00%		3,000,000		3,000,000
CIT GROUP INC 30/11/2011		6,000,000.00	100.36%		6,026,429		6,021,425
COMPAGNIE ST GOBAIN 11/04/2012		2,900,000.00	100.05%		2,901,848		2,901,581
CORP PROP INV 7,18% 09/01/2013		500,000.00	93.59%		371,790		317,882
CORP SERV GROUP 10% 04/29/2011		16,670.00	100.00%		25,119		22,731
CSSE NAT C.EPARG P 4,5% 12/14/10		99,952.00	96.04%		85,704		95,995
DEUTSCHE TELEKOM 23/05/2012		2,000,000.00	100.82%		2,019,030		2,016,403
DEUTSCHE TELEKOM INT 28/03/2012		5,500,000.00	100.12%		5,507,809		5,506,622
DRESDNER BANK 4,3% 04/01/09		2,500,000.00	100.00%		2,500,000		2,500,000
ERICSSON L M TEL 27/06/2014		1,400,000.00	99.83%		1,397,452		1,397,638
ERSTE BANK 19/07/2017		8,000,000.00	100.39%		8,033,178		8,031,187
GE CAP EUR FUND 17/05/2021		3,000,000.00	99.82%		2,994,493		2,994,739
GOLDMAN SACHS 02/02/2015		4,000,000.00	100.78%		4,038,400		4,031,177
GOLDMAN SACHS 30/01/2017		8,000,000.00	100.04%		8,003,375		8,003,066
GOLDMAN SACHS 04/02/2013		4,000,000.00	99.99%		3,999,082		3,999,451
GOLDMAN SACHS 23/05/2016		3,000,000.00	99.90%		2,996,681		2,997,136
HALIFAX PLC PERPETUAL		2,000,000.00	101.35%		2,027,547		2,027,024
HBOS PLC 09/01/2016		5,500,000.00	100.48%		5,527,822		5,526,286
HIDRO E REVUE		119.71	100.00%		120		120
HSBC FINANCE CORP 28/10/2013		4,000,000.00	100.17%		4,008,000		4,006,653
HSH NORDBANK AG 14/02/2017		5,000,000.00	100.02%		5,001,109		5,000,995
HYPOVEREINSBANK 07/06/2011		3,000,000.00	102.95%		3,106,701		3,088,553
ISLANDSBANKI 25/11/2013		1,000,000.00	100.77%		1,008,769		1,007,726
JOHN DEERE BANK 31/03/2011		3,500,000.00	99.99%		3,499,225		3,499,505
JP MORGAN 12/10/2015		3,000,000.00	100.27%		3,009,900		3,008,139
KAUPTHING BANK HF 17/08/2012		3,000,000.00	99.58%		2,985,409		2,987,463
LEHMAN BROS HOLD 05/02/2014		2,000,000.00	100.09%		2,001,992		2,001,750
LEHMAN BROS HOLD 19/05/2016		10,000,000.00	99.95%		9,994,113		9,994,942
MACQUARIE BANK 06/12/2016		3,000,000.00	100.28%		3,009,000		3,008,466
MERRILL LYNCH 30/05/2014		4,000,000.00	99.72%		3,987,880		3,988,899
MERRILL LYNCH & CO 14/09/2018		10,000,000.00	99.93%		9,991,944		9,992,625
MORGAN STANLEY 01/03/2013		2,500,000.00	100.26%		2,507,684		2,506,609
MORGAN STANLEY 13/04/2016		7,500,000.00	99.95%		7,495,503		7,496,347
NATL CAPITAL INSTRUMENTS PERP		2,000,000.00	102.66%		2,054,100		2,053,203
NATL GRID PLC 18/01/2012		10,000,000.00	100.42%		10,049,860		10,042,181
NAVIO COMP CLN ITAMI 05/10/11		9,650.00	100.15%		9,669		9,665
PERNOD RICARD 06/06/2011		1,000,000.00	100.36%		1,004,505		1,003,555
PREPS LIMITED 2006 B1 18/07/2015		6,000,000.00	100.00%		6,000,009		6,000,008
RCI BANQUE 05/26/2009		5,000,000.00	100.32%		5,027,385		5,015,951
ROCK LTD 03/22/08		14,430,000.00	100.25%		14,760,783		14,465,690
ROYAL BK SCOTLAND 49		5,000,000.00	101.58%		5,080,140		5,078,804
SANTANDER CONSUMER 28/09/2016		4,000,000.00	100.42%		4,018,020		4,016,678
SANTANDER ISSUANCES 23/03/2017		3,000,000.00	100.12%		3,003,896		3,003,594
TELECOM ITALIA FINANCE 12/06/12		4,000,000.00	100.02%		4,000,809		4,000,603
VIVENDI 10/03/2011		4,700,000.00	100.44%		4,724,815		4,720,494
VODAFONE 05/09/2013		9,000,000.00	100.47%		9,048,761		9,042,312
VODAFONE 06/06/2014		4,000,000.00	100.00%		4,000,000		4,000,000
VODAFONE 13/01/2012		6,000,000.00	100.58%		6,042,361		6,035,025
VOLKSWAGEN BANK FLT 21/12/2015		2,000,000.00	100.13%		2,002,727		2,002,523
VOLKSWAGEN INT FIN 14/03/2016		5,000,000.00	100.00%		5,000,000		5,000,000
VTB CAPITAL VNESHTORG 13/03/2009		1,000,000.00	100.12%		1,002,000		1,001,200
subtotal					**223,922,344**		**223,498,185**
2.2.2 - Variable rate securities							
2.2.2.1 - Shares							
BANCO BILBAO VIZCAYA ARGENTARIA	98,400			18.71	1,840,870	16.76	1,649,184
BNP PARIBAS	18,310			84.92	1,554,952	74.22	1,358,968
C BUZI	2,000			1.00	2,001	1.00	2,001

euros

Name	Quantity	Nominal Value	% of Nominal Value	Average Acquisition Value	Total Acquisition Value	Balance sheet value	
						Unit	Total
C IND MATOLA	2,200			2.50	5,507	2.50	5,507
C MOÇAMBIQUE	3,000			1.25	3,741	1.25	3,741
C RESSEGURO MOÇAMBIQUE	250			4.99	1,247	4.99	1,247
C SEG NAUTICUS	500			0.56	282	0.56	282
C SEG TRANQUILIDADE DE MOÇAMBIQUE	9,750			2.90	28,313	2.90	28,313
CADA (AGRICULTURA)	2,100			3.22	6,758	3.22	6,758
COMMERZBANK AG	54,100			33.94	1,836,385	26.26	1,420,666
COMP ALGODÕES MOÇAMBIQUE	1,900			0.00	1	0.00	1
COMP SEG A NACIONAL	15,986			6.18	98,780	6.18	98,780
CONTINENTAL MORTAGE INVESTORS	600			2.53	1,520	2.53	1,520
EMPRESA NACIONAL ELECTRICIDAD SA	46,970			37.73	1,772,073	36.35	1,707,360
ENAGAS	97,088			20.84	2,023,455	19.99	1,940,789
FOMENTO PREDIAL MOÇAMBIQUE	50			4.99	249	4.99	249
GENERAL ELECTRIC CO	1,200			46.35	55,616	25.29	30,348
HIDRO ELECT CATUMBELA	200			4.99	998	4.99	998
HYPO REAL ESTAT	30,400			49.45	1,503,332	36.10	1,097,440
NAVANG	448			6.01	2,694	6.01	2,694
NOCAL (CERVEJAS)	2,508			0.62	1,550	0.62	1,550
PETRANGOL	200			2.76	553	2.76	553
REPSOL, YPF, S.A.	40,048			24.45	979,178	24.38	976,370
ROVI - LABORATORIOS FARMACEUTICOS	7,873			9.90	77,948	10.75	84,635
SENA SUGAR ESTATES LTD	77,375			0.21	16,083	0.21	16,083
SOC TURISMO MOÇAMBIQUE	100			4.99	499	4.99	499
SOLARIA	24,784			21.22	526,028	21.48	532,360
SONEFE	573			2.39	1,367	2.39	1,367
SOTUL (ULTRAMAR)	8,000			4.99	39,904	4.99	39,904
TEC.REUNIDAS	10,427			43.21	450,544	43.78	456,494
VIVENDI UNIVERSAL	700			51.72	36,204	31.38	21,966
subtotal					**12,868,629**		**11,488,625**
2.2.2.3 - Units in investment funds							
DB EONIA	63,200			132.51	8,374,455	132.33	8,363,256
DJ EST50 MSE	187,008			44.44	8,310,993	44.06	8,239,572
EASYETF GLOBAL TITANS 50	1,500			34.98	52,476	23.52	35,280
EB.REXX GOVT GERMANY 1.5-2.5	53,200			99.62	5,299,746	99.34	5,284,888
FINANCIAL SELECT	61,453			20.38	1,252,674	19.74	1,212,877
ISHARES LEHM	39,280			55.87	2,194,531	56.07	2,202,499
LPR MULTI STRATEGIES FUND	441			1,135.00	500,000	1,118.00	492,511
POWERSHARES QQQ NASDAQ 100	54,772			35.35	1,935,959	34.94	1,913,919
SISF EURO BOND I	198,020			13.51	2,676,091	13.38	2,649,508
SISF EURO LIQUIDITY I	76,408			116.46	8,898,687	118.44	9,049,764
SISF STRATEGIC BOND EUR HDG I ACC	11,359			111.81	1,270,050	113.77	1,292,313
STS SCHDR GLOBAL DIV GROWTH I ACC	103,243			116.06	11,982,383	111.13	11,473,395
subtotal					**52,748,045**		**52,209,781**
subtotal					**65,616,674**		**63,698,407**
total					**339,796,018**		**337,324,168**
3 - GRAND TOTAL					**499,177,726**		**508,965,470**

Property Representing Underwriting Provisions - 2007

Location		No. Apartments	Inventory Val.
PRAÇA RAIMUNDO SOARES 21	ABRANTES	-	317,083
R D NUNO ÁLVARES PEREIRA 1 RC FRACÇÃO E	ALMADA	1	133,350
R D NUNO ÁLVARES PEREIRA 1 RC FRACÇÃO B	ALMADA	1	225,250
R. FOROS DA AMORA - LT G2 FR"A"	AMORA	1	166,950
R. ENG. MONIZ MAIA, BLOCO A, R/C "C"	AZAMBUJA	1	137,650
LUGAR FONTAINHAS 98, R/C , LJ 5, "Q"	BALAZAR	1	119,500
R. ELIAS GARCIA, 194, R/C - LOJA 2 "J"	BARCELOS	1	156,950
PRAÇA DO ULTRAMAR, 1 e 1-A R/C Fr LAB	BEJA	1	400,180
PRAÇA DO ULTRAMAR, 1 e 1-A CAVE Fr EAS	BEJA	1	17,550
AV DA LIBERDADE, 564 R/C DRT-FRACÇÃO "A"	BRAGA	1	212,100
AV LIBERDADE, 660/672	BRAGA	10	179,422
R 5 DE OUTUBRO 28-R/C-DRT. e C/V-DRT.	BRAGANÇA	1	229,900
R. PROF D. SALVADORA, Nº. 4	BUARCOS	1	103,500
R JOSÉ MALHOA,3/11	C.RAINHA	-	228,000
LUGAR DO MONTE, Lt 1 - LOJA 2 R/C	CALDELAS	1	126,950
R FREDERICO AROUCA,45/45 A	CASCAIS	-	2,207,844
R JOÃO BAPTISTA CORREIA, 1-G LJ 6 RC "G"	CAST. RIBATEJO	1	80,500
AV NAVARRO,17/20 e R.DO SOTA, 63/69	COIMBRA	-	953,063
R FERREIRA BORGES, 75/83	COIMBRA	-	541,095
AV NAVARRO,21/23 e R.DO SOTA, 71/79	COIMBRA	-	796,684
AV. FREI HEITOR PINTO, R/C - FRACÇÃO B	COVILHÃ	1	360,983
AV. VALENTIM RIBEIRO, LT 2 R/C LETRA E	ESPOSENDE	1	83,250
R.REPÚBLICA, 197	F. FOZ	-	167,750
R 5 OUTUBRO 129/155	GONDOMAR	1	328,950
GAVETO R TEIXEIRA PASCOAIS,FR I-LOJA 1	GUIMARAES	1	303,620
R DO ALECRIM, 51/53	LISBON	-	1,202,184
R S PEDRO DE ALCANTARA,39/49	LISBON	-	2,851,669
R MARQUÊS DA FRONTEIRA, 84/84-C	LISBON	1	66,444
PRAÇA DE LONDRES, 6/6-B	LISBON	1	188,449
PRAÇA DE LONDRES, 7/7-B	LISBON	2	506,939
AV DA LIBERDADE 242/242-A	LISBON	-	25,694,034
R JOAQUIM ANTÓNIO DE AGUIAR 70/70-B	LISBON	1	526,731
R BARTOLOMEU DE GUSMÃO,16/16-A	LISBON	1	157,007
AV ALMIRANTE REIS,13/13-E	LISBON	-	636,301
CALÇADA DO CARRASCAL,173/173-A	LISBON	-	112,325
R GENERAL GARCIA ROSADO 20	LISBON	-	370,953
AV ALMIRANTE REIS,73/73-B	LISBON	-	2,619,907
AV INF SANTO 349/349-D e R SANTANA A LAPA, 156	LISBON	1	196,346
AV MARQUÊS DE TOMAR, 100/100A	LISBON	-	878,138
AV MARQUÊS DE TOMAR, 102	LISBON	-	1,310,602
R DA ASSUNÇÃO 17/23 e R.DOURADORES 93/99	LISBON	-	603,919
R AUGUSTA, 44/52	LISBON	-	1,189,959
R AUGUSTA 54/60 e R.CONCEIÇÃO 93/99	LISBON	-	965,398
R DO CABO,36	LISBON	-	115,279
AV INFANTE D HENRIQUE 332-R/C E CAVE FRACÇÃO N	LISBON	1	923,979
R RODRIGUES SAMPAIO 103/103-B	LISBON	-	3,717,336
AV LIBERDADE,258/258-A 258/B - FRACÇÃO "A"	LISBON	1	147,600
LG ANDALUZ 2A/2B e R EÇA DE QUEIROZ 22/22B SUBCV FRACÇÃO A	LISBON	1	312,500
PRAÇA DE LONDRES, 10-10C FRACÇÃO"O"	LISBON	1	228,471
R. DOS FANQUEIROS, 119 - 127	LISBON	-	696,405
R. ASSUNÇÃO 82-88/R. SAPATEIROS 145	LISBON	-	803,877

Location		No. Apartments	Inventory Val.
R. CORREIROS 97-107/R. VITORIA 50-56	LISBON	-	1,551,504
R. CONCEIÇÃO, 79-91	LISBON	-	1,021,705
R. CORREIROS 180-192/R. STA JUSTA	LISBON	-	1,157,797
R. FANQUEIROS, 116-130	LISBON	-	2,551,614
R. FANQUEIROS, 129/R. VITORIA/R. DOURADORES	LISBON	-	2,120,331
R. DA MADALENA, 199-209	LISBON	-	785,004
R. DOS DOURADORES, 64 - 82	LISBON	-	1,280,188
R. VISCONDE SEABRA 4 - 4 A	LISBON	-	2,189,510
RUA GARRETT, 53 A 67,	LISBON	-	3,891,984
R. PRATA, 94/114 e R. S. NICOLAU, 27/33	LISBON	-	5,662,099
R. PRATA, 88/92	LISBON	-	366,415
AV. ANTONIO AUGUSTO DE AGUIAR, 104 a 104-B e R. AUGUSTO DOS SANTOS, 4	LISBON	-	5,512,594
R. ALFREDO GUISADO, N.º 8 a 10-A	LISBON	-	6,450,830
R PROFESSOR SOUSA CÂMARA,136/136-D	LISBON	4	249,984
AV ANTONIO AUGUSTO AGUIAR,126/126-B	LISBON	1	227,618
AV POETA MISTRAL, 2/2-A	LISBON	4	1,505,564
R PADRE FRANCISCO 16/16-E	LISBON	8	415,043
R AVIADOR PLÁCIDO DE ABREU, 6	LISBON	2	98,288
R BERNARDIM RIBEIRO 44/44-B	LISBON	4	364,756
R LUIS DEROUET 27 E R INFANTARIA DEZASSEIS 27	LISBON	5	339,529
CALÇADA DO TOJAL, 14	LISBON	2	66,022
R.TOMÁS RIBEIRO,45/45-C e AV FONT.P.MELO,34B	LISBON	4	833,218
AV VISCONDE VALMOR,77/77-E e AV CDE VALBOM, 84/84E	LISBON	4	505,065
R CAVALEIRO DE OLIVEIRA, 28/28-B	LISBON	2	105,926
R SILVA CARVALHO 226	LISBON	1	128,000
AV DR.ANTº.CARVALHO FIGUEIREDO 21 ABC-C/V.E	LOURES	1	120,070
R.PADRE ANTÓNIO 99-R/C-DRT.-LETRA "C"	MAIA	1	173,133
AV.LUíS DE CAMÕES,28- A 28-B FR B	MONTIJO	1	358,540
R. MACHADO SANTOS, 32 - R/C ESQ. FR. B	P. DELGADA	1	347,350
QT PIEDADE, C. SERRA LT 43 RC ESQ "I"	P. STA IRIA	1	188,500
AV. DR. ANTÃO CARVALHO, 425-RÉGUA	PESO RÉGUA	1	103,350
ESTRADA DO ALVOR 6/6-A - R/C.C/V	PORTIMAO	1	123,352
URBANIZAÇÃO S. SEBASTIÃO, LOTE 6	PORTIMÃO	1	292,600
R MIGUEL BOMBARDA, 25/41	OPORTO	-	339,384
AV ALIADOS 1/21 e PR LIBERDADE,114/115	OPORTO	-	2,487,419
R D.MANUEL II 290/296/298/304/306 e R J DINIS 15/51	OPORTO	25	23,017,907
AV DA BOAVISTA, 320/336	OPORTO	5	366,170
R SÁ DA BANDEIRA 797/825 e R GONÇALO CRISTÓVÃO 58/59	OPORTO	41	3,496,360
R CAMPO ALEGRE 1376-FRACÇÃO "F" e "JH"	OPORTO	2	116,844
RUA GOMES DE AMORIM, 821/823 FR A	POV.VARZIM	1	355,385
URB BONS AMIGOS, LOTE 96, R/C ESQ.º "B"	RAMADA	1	188,600
EN 1 N.ºs 890-914 MOZELOS	S. M.ª FEIRA	1	81,600
BLOCO II - SÍTIO DO LIVRAMENTO - CANIÇO	SANTA CRUZ	1	119,700
R SERPA PINTO 97/99	SANTAREM	-	773,756
AV 22 DEZEMBRO,5 e R.AUGUSTO CARDOSO,83	SETUBAL	4	334,410
TRAVESSA DO SAPALINHO 1/7	SETÚBAL	-	501,601
R FREI ANTONIO CHAGAS 16/16-C (740/1000)	SETÚBAL	3	132,543
AV. MIGUEL BOMBARDA, 27 FRACÇÃO "O"	SINTRA	1	100,463
AV. MIGUEL BOMBARDA, 27 FRACÇÃO "P"	SINTRA	1	169,838
R OLIVEIRA JUNIOR, 82	SJ MADEIRA	-	379,200
R SANTOS BERNARDES,Nº26 LOJA 1 E 2-BL B	T VEDRAS	1	315,649

Location		No. Apartments	Inventory Val.
ALAMEDA UM MARÇO, 44/54 FRACÇÃO A	TOMAR	1	253,435
ALAMEDA UM MARÇO, 44/54 FRACÇÃO B	TOMAR	1	356,020
R AVEIRO, 119 R/C DTº FR B	V CASTELO	1	317,925
LARGO JOSE AFONSO LT C - R/C DTº "B"	VIDIGUEIRA	1	81,200
RUA NOVA, LT 1, R/C-DTO, "C", JUGUEIROS,	VISEU	1	109,800
PRACETA 25 DE ABRIL, 146 - FRACÇÃO "DE"	V.N. GAIA	1	201,250
PRACETA 25 ABRIL, 142	V.N. GAIA	1	174,650
TOTAL			131,459,418

Legal Accounts Certificate

Introduction

1 // I have audited the financial statements attached of Companhia de Seguros Tranquilidade, S.A., which comprise the Balance Sheet as at 31 December 2007 (which records a balance sheet total of 915,013,169 euros and total shareholders' funds of 199,033,407 euros, including a net profit of 23,474,224 euros), the Profit and Loss Account and the Statement of Cash Flows for the year then ended and the respective notes to the financial statements. These financial statements have been drawn up in accordance with accounting principles generally accepted for the insurance sector in Portugal.

Responsibilities

2 // It is the Directors' responsibility to prepare financial statements which give a true and fair view of the state of affairs of the company and of the profit or loss for the period, as well as to select suitable accounting policies and criteria and maintain an appropriate system of internal control.

3 // It is my responsibility to form a professional and independent opinion, based on my audit, on those statements and to report my opinion to you.

Scope

4 // I conducted my audit in accordance with the Audit Standards and Recommendations of the of the Chamber of Official Auditors, which require that it be planned and performed so as to obtain a reasonable assurance that the financial statements are free from material mis-statement. My audit therefore included:

- An examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements and an assessment of the significant estimates and judgements made by the Directors in the preparation of the financial statements;
- An assessment of whether the accounting policies are appropriate and adequately disclosed;
- An examination to ensure that the accounts are prepared on the going concern basis; and
- An assessment of the overall adequacy of the presentation of information in the financial statements.

5 // My audit also included confirming that the management report accords with the financial statements.

6 // I believe that my audit provides an acceptable basis on which to express my opinion on the financial statements.

Opinion

7 // In my opinion, the said financial statements give a true and fair view, in all materially relevant aspects, of the state of affairs of Companhia de Seguros Tranquilidade, S.A. as at 31 December 2007, and of the company's profit in the year then ended, in accordance with accounting principles generally accepted for the insurance sector in Portugal.

8 // It is also my opinion that the management report accords with the financial statements.

Lisbon, 11 March 2008

José Manuel Macedo Pereira

Report and Opinion of the Audit Board

To the Shareholders of
Companhia de Seguros Tranquilidade, SA

As required by the law and the articles of association, we are pleased to submit for your consideration out report on the activities of the Audit Board and our Opinion on the Report, Account and proposal for allocation of profits presented by the Board of Directors of Companhia de Seguros Tranquilidade, SA for the financial year ended 31 December 2007 and also our assessment of the respective Legal Accounts Certificate and Audit Report as duly issued by the Company's Official Auditor.

In the course of our duties we regularly monitored the Company's affairs and management over the course of 2007, both through analysis of management and accounting reports which were regularly provided to us, and through additional explanations which we requested from the directors, the executive board and company departments, who collaborated fully on all occasions, and also through checks we deemed necessary to assure compliance with our duties under the law and the articles of association. We are therefore pleased to record that the Company continues to pursue a policy of rational use of resources and cost controls, and that in its operational and financial activities it has kept to a policy of minimizing the risks involved in its activities. Throughout 2007 we paid special attention to developments underway within the Company in the fields of risk management and the internal control system.

After the end of the period we assessed the Report and Accounts drawn up by the Directors and submitted to us, and found that the Report complies with the requirements of the law and the articles of association and sets out the main developments in the Company's activities over the course of the year.

As was our duty, we also monitored (i) the checking of accounting records and the corresponding source documents and (ii) assessment of the accounting policies and valuation criteria adopted by the Company, these being the specific responsibilities of Dr. José Manuel Macedo Pereira, the Official Auditor appointed by the General Meeting to audit and legally certify the Company's accounts for 2007. As required by Article 452.1 of the Companies Code, the Audit Board also assessed the Legal Accounts Certificate for the financial year of 2007, issued on 11 March 2008 without reservation by the said Official Auditor, with which we are in agreement, and also the Audit Report also issued on the same date by the Official Auditor.

As a result of our audit activities as summarized above, and the respective findings, we recommend that the General Meeting of Companhia de Seguros Tranquilidade, SA should approve:

a) The Report and financial statements for the financial year ended 31 December 2007, submitted by the Board of Directors;

b) The proposal from the Board of Directors for allocation of the net profits for 2007 of 23,474,224.40 euros.

Lisbon, 14 March 2008

The Audit Board

José Manuel Ruivo da Pena – Chairman
Rui Manuel Duarte Sousa da Silveira – member
António Ricardo Espírito Santo Bustorff - member

// 04

SENIOR MANAGEMENT

BES art COLECÇÃO BANCO ESPÍRITO SANTO

EMANUEL BRÁS
"#25 lugares de afecção",
2004
Lambda print mounted
in acrylic
80x80 cm
Edition of: 25

Courtesy the Artist

04
Senior Management

Assurfinance Office
Pedro Jorge Pereira Gonçalves

Bodily Harm Claims Office
Luís Espírito Santo Silva Ricciardi

Service and Operations Department
José Ramos Teles de Matos

Audit Department
Joel Correia Monteiro

Northern Operations Department
Augusto Jorge Pereira Azevedo

Southern Operations Department
João Maria Sousa C. Ferreira do Amaral

Médium-Sized Corporate Department
João Maria Sousa C. Ferreira do Amaral

Financial and Administrative Department
Luís Miguel Matos de Amaral Maria Ribeiro

Major Clients, Brokers and Private Clients Department
José Paulo Castro Trigo

Marketing and Special Projects Department
Artur João Carvalho Fonseca Duarte

Personnel Department
José Ramos Teles de Matos

Quality and Organization Department
Vanda Maria Jesus Ferreira Belo

Overall Risk and Internal Control Department
Luís António Jardim Franco

Claims Department
Luís Manuel Cunha Martinho

Information Systems Department
José Manuel Mendes Esteves Serra Vera

Underwriting Department
João Carlos Dores Candeias Barata

′05

BRANCH NETWORK

SABINE HORNIG
“Weiber Vorhang III / White Curtain III” 2006
C-Print, face-mounted to Perspex
150 x 181 cm
Edition: 6/6+2AP

Courtesy Galeria Cristina Guerra

TRANQUILIDADE⁄⁄07

05
Branch Network

Lisbon Airport
Aeroporto da Portela • 1700-998 Lisboa
Tel.: 218 452 170
Fax: 218 452 179
E-mail: aeroportolisboa@tranquilidade.pt

Oporto Airport
Aeroporto Francisco Sá Carneiro, Moreira • 4470 Maia
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Fax: 229 437 329
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Castelo Branco
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06
CONSOLIDATED REPORT AND ACCOUNTS

BES art COLECÇÃO BANCO ESPÍRITO SANTO

THOMAS WEINBERGER
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TRANQUILIDADE⁄⁄07

06
Consolidated Report and Accounts

1 // Directors' Report

Shareholders,

As required by the law and the articles of association, the Board of Directors is pleased to submit for your consideration its Consolidated Management Report and Consolidated Accounts, drawn up in accordance with the International Financial Reporting Standards (IAS/IFRS) for Companhia de Seguros Tranquilidade, S.A. for the financial year of 2007.

1.1 // Economic Background

The company carried on its operations in 2007 in an economic context which may be summarized as follows:

Indicators*	2007	2006
GDP	1.9	1.3
Consumer spending	1.5	1.1
Public spending	0.3	-1.2
Capital expenditure	3.2	-0.8
Exports	7.1	9.2
Imports	5.4	4.6
Inflation (RPI)	2.5	3.1
Unemployment	8.0	7.7

* Real rates of growth, in %.

1.2 // The Insurance Market

The Portuguese insurance industry conducted its business in 2007 in a climate marked by a degree of uncertainty on the financial markets and by intense competition. At the same time, the sector has had to adapt to successive legislative and regulatory developments, some of them extremely far-reaching with a significant impact on companies.

Legislative and regulatory changes relating to the introduction of a new Accounting Plan for Insurance Companies (on an IAS/IFRS basis) have required companies to make additional efforts to overhaul their organizations, by adapting systems and processes, preparing human resources and also reviewing their management and business policies.

The insurance market in 2007 recorded positive performance in direct underwriting, but growth was achieved through life products, as the non-life market stayed at practically the same level as in the previous year.

Premiums written in 2007 totalled 13,749 million euros, up by 4.8% on the previous year, with life business growing by 6.9% and non-life by only 0.4%. Insurance business represented 8.54% of GDP in 2007, up from 8.51% in 2006.

Non-life premiums written totalled 4,380 million euros, up by 0.4% on 2006 and accounting for 32% of total premiums in the insurance sector (33% in 200&) and 2.72% of GDP (2.83% in 2006). The stagnation in non-life premiums reflects the fierce competition in the market, mainly in the motor and employers' liability sectors, where premiums written were down on the previous year (by 3.0% and 1.6% respectively), reflecting also the reduction in the average motor insurance premium (close to 5.0%) and tariff adjustments. In contrast, health insurance again performed well, growing by 57.8% and reflecting the growing importance of this type of product in Portuguese society. In general, other non-life sectors recorded growth, especially in multi-risk insurance (5.1%), civil liability (11.0%) and transport (5.8%).

The sector recorded a slight increase (0.6%) in non-life claims up to the third quarter of 2007, with a reduction in claims on motor and fire insurance, and growth on employers' liability and medical insurance. The non-life claims rate rose by 0.6 p.p. in relation to the same period in 2006.

Total life premiums written by the insurance market in 2007 stood at 9,369 million euros, up by 6.9% on the previous year. This growth was driven by life insurance with significant endowment components not linked to investment funds, contributions for which accounted for nearly 1/3 of business in the sector and increased by more than 30% in relation to 2006. Robust growth (25.3%) was also recorded in contributions to endowment operations.

Healthy growth was recorded on endowment products and traditional products, up by 13.7% and 5.7%, respectively, whilst RSS products declined by 13.4%, after several years of sustained growth.

Retirement savings schemes (RSS) presented negative growth due only to a relatively unstable situation in the savings market, as savers woke up to the importance of private savings on retirement, in view of the inevitable deterioration in old age pensions paid by social security due to the new calculation rules.

In the market excluding the banking channel, all areas of business recorded positive growth, with total premiums written at 731 million euros, up on the year by 4%.

The market excluding the banking channel (including insurers which operate simultaneously in the traditional channel) represented approximately 7.8% of total premiums written in the life market (8.0% in 2006).

Endowment products accounted for 51.6% of total premiums in the without banking channel market, with traditional products representing 27.0% and RRS products 21.4%.

The most significant growth was in RSS products, up by 10.6% (in contrast to the situation in the market including the banking channel, where RSS products decreased by 13.4%), whilst endowment and traditional products also grew by 1.9% and 3.3%, respectively.

In the field of asset management in the insurance market, the main feature of 2007 was a significant worsening in the financial markets in the second half of the year. Although world economic growth remained at a high level, with growth above potential in the main economies and excellent performance in emerging markets, the subprime crisis in the US severely undermined market sentiment, setting off a crisis of liquidity and confidence. The crisis spilled over into the credit and money markets, with spreads widening considerably. The financial sector was particularly hard hit, leading central banks to intervene through large-scale injections of liquidity.

Markets volatility increased significantly during the second half of the year. Nevertheless, the equity markets in general recorded positive performance, reaching new all-time highs. Other major developments included the sharp depreciation of the US dollar and the robust performance of the commodities markets.

1.3 // Group Accounts - Scope

The following companies are included in the consolidated accounts by the full integration and equity methods:

Parent Company

Companhia de Seguros Tranquilidade, S.A.

Group Companies *(Included by full consolidation method)*	**Effective Holding (%)**
ADVANCECARE – Gestão e Serviços de Saúde, S.A.	50.99
ESUMÉDICA – Prestação de Cuidados Médicos, S.A.	75.00
FIDUPRIVATE, S.A.	75.00
HEARTSCAN IBÉRIA – Diagnóstico Imagiológico, S.A.	63.75
T-VIDA, Companhia de Seguros, S.A.	100.00

Associated Companies *(Included by the equity method)*	**Effective Holding (%)**
BES, Companhia de Seguros, S.A.	25.00
ES CONTACT CENTER – Gestão de Call Centers, S.A.	20.42
EUROP ASSISTANCE – Companhia Portuguesa de Seguros de Assistência, S.A.	24.00

1.4 // Analysis of the Main Indicators Relating to Companies in the Consolidated Accounts in 2007

Companhia de Seguros **TRANQUILIDADE, S.A.**

'000 euros

Balance Sheet	**2007**	**2006**
Investments	627,268	698,471
Total assets	934,424	986,328
Shareholders' equity	216,633	264,469
Underwriting provisions	631,050	608,383
Other liabilities	63,912	73,267
Total liabilities	717,791	721,859

'000 euros

Profit And Loss Account	2007	2006
Gross premiums written	362,380	361,381
Claims – direct insurance	209,771	206,687
Earnings from associated undertakings	(240)	175,524
Returns on investments	31,524	23,101
Other expenditure	(2,308)	9,797
Net profit for the period	23,140	154,343

In drawing up its financial statements for 2007, Companhia de Seguros Tranquilidade kept up with changing legislation and regulations, introducing a new accounting plan based on IAS/IFRS.

The net profit for 2006 was influenced by the gain resulting from disposal by Tranquilidade of 25% of BES-Vida.

Direct insurance premiums totalled 362,380 thousand euros, up by 0.3% on the previous year. This represented outstanding performance in a non-life insurance market where premiums remained practically at the same level as the previous year and the largest insurance companies recorded a reduction in premiums. The slowdown in the economy and fiercer competition, especially in motor insurance tariffs, constrained any expansion of the insurance market in 2007.

Despite this, Tranquilidade recorded growth in underwriting in accident and health business (0.4%), transport (3.5%) and civil liability (17.0%). Performance was particularly positive in employers' liability, with growth of 3.4%, as compared with a decline of 1.6% in the insurance market as a whole, and growth of 21.6% in health insurance, as compared with market growth of only 7.8%.

In contrast, premiums in fire and other damage business were down by 1.4%, although the multiple risk sector recorded growth of 1.8% over the previous year. Premiums for motor insurance also contracted by 0.2% in 2007, which was nonetheless significantly better than the negative variation of 3.0% recorded for the market as a whole.

The cost of claims stood at 209,771 thousand euros, up by 3,048 thousand euros, or 1.5%, on 2006.

The most significant variations were recorded in motor insurance (up by 6,376 thousand euros) and fire and other damage (down by 4,242 thousand euros). In motor insurance, the claims rate rose but the average cost per claim came down.

The net reinsurance claims rate edged up from 67.6% in 2006 to 67.8% in 2007.

Net underwriting provisions totalled 631,050 thousand euros, with an increase of 3.8% in the claims provision.

Group Companies

The accounts of subsidiaries and associates are drawn up in accordance with the Official Plan of Accounts, and in the case of T-Vida, Companhia de Seguros, S.A., Europ Assistance – Companhia Portuguesa de Seguros de Assistência, S.A. and BES, Companhia de Seguros, S.A., with the Official Plan of Accounts for the Insurance Sector.

T-VIDA - Companhia de Seguros, S.A.

thousands of euros

Balance Sheet	2007	2006
Investments	319,761	400,201
Total assets	501,016	478,343
Shareholders' funds	70,946	71,397
Underwriting provisions	361,275	355,228
Liability for investment contracts	64,073	47,437
Other liabilities	2,178	1,339
Total liabilities	430,069	406,946

thousands of euros

Income Statement	2007	2006
Gross premiums written	59,683	23,838
Earnings on financial operations	20,195	7,454
Claims	52,915	22,341
Overheads	6,286	2,536
Net profit for the period	4,183	1,276

thousands of euros

Other Indicators	2007	2006*
Amounts received under IAS 39	18,318	4,921
Premiums within the scope of IFRS 4	59,683	23,838
Total Premiums – Local Accounts	**78,001**	**28,759**
Amounts paid under IAS 39	4,440	997
Claims within the scope of IFRS 4	52,915	22,341
Total Claims – Local Accounts	**57,355**	**23,338**

* Corresponding 5 months operations

T-Vida, Companhia de Seguros, S.A., an insurance company belonging to the Espírito Santo Group, was incorporated on 28 July 2006 and starting operating in the life insurance sector on 1 August 2007. Accordingly, for the purpose of comparison of the financial statements, all variations described in this report in relation to the previous period have been annualized.

Under the IFRS rules, premiums on insurance contracts with significant risk and participating products are treated under IFRS 4, whilst other products (unit linked and non-participating products) are treated under IAS 39. In relation to accounts for premiums claims and variation in the mathematical provision, products treated under IAS 39 are not recorded as income and costs, but stated at their net value in "Profits on investment contracts".

For the purposes therefore of comparability with the Portuguese market, premiums written under IFRS 4 should be considered in conjunction with those received under IAS 39.

In its first full year of business, T-Vida recorded revenues of 78,001 thousand euros (including amounts received under investment contracts). RSS and traditional products represented a significant proportion of business, at 67.9% and 22.7% respectively; these are strategic products for the company in terms of customer loyalty and high underwriting margins.
RSS products as a whole performed well in 2007, and the segment benefited from the launch of a product offering a guaranteed rate of 4% for 2007 and 2008, as well as from production of Poupança Activa products.

In the ranking of individual insurance companies excluding the banking channel, T-Vida gained second place (up from sixth position at the start of the year), with a market share of 0.8% (6.9% considering the total life market).

The company bucked the market trend by recording significant growth in RSS products (92.8%), whilst the market as a whole contracted by 13.4%, and took 1st place in the market excluding the banking channel, with a share of 42.9%, and 5th place in the market including the banking channel, with a share of 3.1%. T-Vida also recorded positive performance with life risk products, not considering the extraordinary annuities realized by Pension Funds in 2006.

The cost of claims totalled 52,915 thousand euros, represented principally by RSS products, due to the large number of policies maturing during 2007, and the increase in redemptions.

We should stress that the claims paid due to death on risk products are significantly low in view of the volume which generated premiums.

Underwriting provisions and liabilities for investment contracts stood at 425,348 thousand euros.

Mathematical provisions stood at 412.824 thousand euros, up by 6.7% on the previous year. In the segment of insurance companies not operating through the banking market, T-Vida was the market leader, with a share in the order of 2.2%. In traditional products, the company ranked second, with a market share of 7.9%.

Returns on financial operations performed very satisfactorily, with an increase of 12.9% or 2,306 thousand euros.

The level of operating costs, including staff costs, is due to the fact that the Company has adopted an operating model in which it continues to outsource tasks in the fields of subscription, portfolio management and claims from BES-Vida.

In connection to staff costs, the company contracted a further eight employees, bringing the workforce up to 12 at 31.12.2007.

The solvency margin offered a coverage rate of 104.7%, 26.9 b.p. down on the previous period.

Equity was bolstered by supplementary capital of 7,500 thousand euros, and the legal reserve was increased by a sum of 103 thousand euros corresponding to 10% of the profits for 2006.

Pre-tax profits rose by 1.0%, whilst net profits grew by 36.6%, due to the decrease in tax payable in comparison with the previous year (-45%).
The company recorded net profits of 4,183 thousand euros, corresponding to an increase of 1,121 thousand euros (up by 36,6%).

BES - Companhia de Seguros, S.A.

thousands of euros

Balance Sheet	2007	2006
Investments	67,707	65,970
Total assets	108,662	88,919
Shareholders' funds	24,455	24,135
Underwriting provisions	74,435	58,377
Payables	5,404	2,562
Total liabilities	84,206	64,784

thousands of euros

Income Statement	2007	2006
Gross premiums written	73,171	62,188
Earnings on financial operations	3,692	2,730
Claims net of reinsurance	41,016	41,697
Net operating costs	12.476	12,105
Result of non-life underwriting account	4.723	4,425

As part of the process of consolidating the partnership between Espírito Santo Financial Group SA and Crédit Agricole, SA in the bancassurance sector in Portugal, Espírito Santo, Companhia de Seguros, SA (Espírito Santo Seguros) changed its name on 27 June 2006 to BES, Companhia de Seguros, SA (BES Seguros).On the same date, a 50% holding in the share capital was taken up by Crédit Agricole, SA, which took over management of the company. The remaining 50% are held by the Banco Espírito Santo Group and by Companhia de Seguros Tranquilidade, SA..

Despite these changes, BES Seguros continued to operate in the bancassurance sector, providing private banking clients with basic non-life insurance products, with total production of 55,205 contracts in 2007.

Despite poor growth in gross premiums written, reflecting the trend in the wider non-life insurance market, underwriting results were healthy and control of operating costs allowed BES Seguros to record net profits in 2007 of 4,723 thousand euros, representing 6.5% of gross premiums written and an increase of 6.7% over the previous year.

The combined ratio after reinsurance stood at 92.1%, remaining at an excellent level and actually representing an improvement over the figure of 94.5% recorded in 2006.

Shareholders' funds totalled approximately 24,455 thousand euros, up by 1.3% from 2006.

The Tranquilidade Group has a 25% holding in the company, which has made a positive contribution to consolidated profits of 1,181 thousand euros.

ADVANCECARE - Gestão e Serviços de Saúde, S.A.

thousands of euros

Balance Sheet	2007	2006
Tangible fixed assets	1,543	1,238
Short term receivables	672	840
Cash and banks	7,436	5,144
Deferred tax assets	236	635
Total assets	11,201	9,025
Shareholders' funds	9,014	7,192
Short term payables	1,201	964
Total liabilities	2,187	1,833

thousands of euros

Income Statement	2007	2006
Services	11,143	10,116
Supplementary income	283	154
Third party supplies and services	3,746	3,585
Staff costs	5,173	4,441
Net profit for the period	1,822	1,742

Advancecare started trading 1998, and is primarily engaged in managing healthcare services. It closed the period with profits of approximately 1,822 thousand euros (4.6% up on 2006), due above all to an increase in business of 1,027 thousand euros (10.2% up on 2006). There was also a significant increase in the number of insured persons under Advancecare's management, and the company made a contribution of 929 thousand euros to Tranquilidade's consolidated result.

The Tranquilidade Group owns 50.99% of the share capital, and the other leading shareholders are Companhia de Seguros Vitoria, SA (24%), Münchener Ruckversicherungs (15%), United Healthcare Corporation (10%) and Banco Espírito Santo, S.A. (0.01%).

EUROP ASSISTANCE

Companhia Portuguesa de Seguros de Assistência, S.A.

thousands of euros

Balance Sheet	2007	2006
Investments	22,471	21,690
Receivables	4,668	3,935
Total assets	30,288	27,981
Shareholders' funds	8,511	8,060
Underwriting provisions	17,496	16,356
Total liabilities	21,777	19,921

thousands of euros

Income Statement	2007	2006
Gross premiums written	25,966	25,468
Cost of claims net of reinsurance	18,152	16,616
Net operating costs	5,235	5,494
Net profit for the period	1,177	1,035

In 2007 Europ Assistance recorded another year of sustained growth, consolidating its position in the assistance market and maintaining a market share of close to 30%.

Premiums written totalled approximately 25,966 thousand euros, representing growth of 2.0% over the previous year. Premiums earned net of reinsurance grew by 5.8%, totalling 24,509 thousand euros.

In terms of sales, the company's activities in 2007 were marked by a constant concern to cultivate the loyalty of the existing customer base, giving priority to the provision of a quality service and seeking out innovative solutions to respond to market needs, whilst at the same time investing in the operation of new distribution channels with potential for future development.

In terms of human resources, the company took on more staff as a direct result of its expanding business, and special attention was paid to careful recruitment of qualified employees, constant investment in training with a view to upskilling existing resources and an ongoing quest for productivity gains.

The claims rate increased again in 2007, in line with the trend observed in recent years and increasing the pressure on profitability. Approximately 535,000 assistance processes were opened (growth of 15%) and the company received approximately 1,585,000 calls (growth of 17%).

The company of course continued to pursue a strict policy of cost control, with special emphasis on the cost of claims, through careful monitoring and strict containment in negotiations with service providers. Overheads were also subject to a streamlining programme, continuing on from the work started in the previous year.

Despite the highly turbulent state of the financial markets, especially in the 2nd half, financial results represent an improvement on the previous year, thanks to the investment policy adopted. This policy is based on principles of prudence, and exposure to the equities market was reduced in the 2nd half of the year, using derivatives only for occasional hedging operations, as has been the company's practice.

The company closed the financial year of 2007 with a net profit of 1,177 thousand euros.

The company is an associate of the Tranquilidade Group which holds a 24% interest, meaning that it made a contribution of approximately 282 thousand euros to the consolidated profits.

ESUMÉDICA - Prestação de Cuidados Médicos, S.A.

thousands of euros

Balance Sheet	2007	2006
Clients – current acounts	820	832
Related undertakings	1,535	1,173
Cash and banks	29	58
Accrued income	831	713
Total assets	3,497	3,079
Shareholders' funds	(283)	50
Provisions	1,515	1,515
Short term payables	1,988	1,239
Total liabilities	3,781	3,030

thousands of euros

Income Statement	2007	2006
Services	4,355	4,547
Third party supplies and services	2,784	2,958
Staff costs	1,660	1,602
Net profit for the period	(333)	(529)

Esumédica – Prestação de Cuidados Médicos, S.A. was incorporated on 28 March 1994, with the object of providing health care services, on and off its own premises, and with the possibility of carrying on other related or complementary activities.

It currently operates through two clinical centres, one in Lisbon and one in Oporto, and through a contract network which provides services in various areas of Portugal.

The company's staffing level was increased during the year in order to deal with the growth in operations, especially in occupational health.

The company continued to invest efforts in improving quality and service standards in occupational medicine and in health and safety at work, as well as launching new services.

The net loss of 333 thousand euros is due fundamentally to extraordinary costs relating to complementary retirement pensions.

The Tranquilidade Group owns a 75% holding in the company, which made a negative contribution of approximately 333 thousand euros to the consolidated profits.

HEARTSCAN IBÉRIA - Diagnóstico Imagiológico, S.A.

The company started operating in February 1998, with the object of providing services in the field of imaging tests.

The company is currently being wound up, in a process which started in 2007. However, up to 2007 it was included within Tranquilidade's consolidated accounts, and has therefore been included in this report.

Esumédica, a Tranquilidade Group company, owns 85% of the share capital.

FIDUPRIVATE, S.A.

thousands of euros

Balance Sheet	2007	2006
Inventories	180	211
Marketable securities	298	399
Cash and banks	2	112
Total assets	736	927
Shareholders' funds	616	788
Total liabilities	120	139

thousands of euros

Income Statement	2007	2006
Services rendered and goods sold	631	620
Cost of goods sold	140	95
Third party supplies and services	242	100
Staff costs	414	358
Net profit for the period	(172)	56

Fiduprivate is based in the Madeira Free Trade Zone, and was incorporated in June 1994, with Tranquilidade-Vida, S.A. holding a 75% interest. The company operates in the provision of services and corporate consultancy, and made a negative contribution of 129 thousand euros to the consolidated result.

ES CONTACT CENTER - Gestão de Call Centers, S.A.

thousands of euros

Balance Sheet	2007	2006
Cash and banks	0	1,293
Cients	4,525	2,902
Other assets	3,717	2,810
Total assets	8,242	5,712
Shareholders' funds	1,718	3,426
Suppliers	2,588	1,068
Other liabilities	3,936	1,219
Total liabilities	6,524	2,287

thousands of euros

Income Statement	2007	2006
Staff costs	7,045	5,440
Overheads	5,667	3,480
Depreciation and amortisation	298	605
Net profits for the period	(219)	63

ES Contact Center – Gestão de Call Centers, S.A. was incorporated on 15 June 2000 and manages call centres for remote handling of customer contacts, by telephone, email or any other form.

Clear signs of recovery in the economy failed to materialize in 2007. As a result, despite an increase of 33.0% in activity, profits were down and margins dropped significantly.

The company recorded negative financial results of 41 thousand euros. The liquidity generated thanks to the collection effort made it possible to make a number of investments which yielded income of 13 thousand euros over the course of the year.

The company recorded a net loss of 219 thousand euros, and made a negative contribution of 45 thousand euros to the consolidated result.

1.5 // Consolidated Operations in 2007

TRANQUILIDADE, Companhia de Seguros, S.A.

thousands of euros

Balance Sheet	2007	2006
Investments	1,022,822	1,077,922
Total assets	1,393,617	1,433,271
Shareholders' funds	211,532	268,500
Underwriting provisions	1,015,784	986,174
Liabilities for investment contracts	64,073	47,437
Other liabilities	20,999	22,245
Total liabilities	1,177,514	1,161,040

thousands of euros

Income Statement	2007	2006
Premiums net of reinsurance	371,679	334,113
Interest and dividend income	41,441	22,990
Earnings from investments	7,484	6,440
Claims net of reinsurance	250,697	218,300
Provision for claims net of reinsurance (var.)	11,772	3,476
Results of associates	1,400	18,051
Other income and expenses	19,519	22,459
Net profit for the period	23,877	168,011

Net profits for the period attributable to shareholders in the parent company total 23,877 thousand years, representing a decrease of 85.8% in relation to the previous year. This variation is explained by the fact that the net profit for 2006 was influenced by the gain resulting from disposal by Tranquilidade of a 25% holding in Bes-Vida.

1.6 // Prospects for 2008

Over the last three years, Tranquilidade has focussed on building up its infrastructures and consolidating its organizational and commercial model.

This has taken the form of the three-year strategy, known as the Turbo Programme, complemented in late 2007 by a complete overhaul of resources and commercial operations in the field, through a vast array of measures across the entire company spectrum, backed up by substantial and focussed investment.

The strategic plan for 2008-2010 has been named after the Triathlon, on which it is modelled, and brings together a set of measures for implementation, especially in this the first year of the strategy, centred, fundamentally, from a commercial viewpoint, on three business areas: non-life, life and assurfinance.

In commercial terms, Tranquilidade has implemented a broad set of measures focussed on the customer, supply and distribution channels:

- Further exploration of the segmentation and customer relations model, through structures dedicated and adapted to particular segments;
- Implementation of a customer loyalty programme, to assure renewal of contracts;
- Development of supply, with the launch of new products and simplification of the current range;
- Coordination and integration with the broader range of products and services offered by the Espírito Santo Group – non-life, life and banking products – thereby promoting customer service and loyalty, taking maximum advantage of the company's membership of a global financial group;
- Expansion of Tranquilidade's own network, with the opening of new franchised shops;
- Use of alternative, non-traditional channels: direct, cross-segment, affinities and one-stop-shopping.

Tranquilidade has also set itself the challenge of reorganizing and restructuring its existing branch model (the central platform for coordinating business), in order to improve the effectiveness and efficiency of its commercial operations, to speed up decision making processes, to facilitate operating processes and to create new proactive counter sales dynamics.

In relation to the cost of claims, Tranquilidade will continue to focus efforts on improving effectiveness and efficiency in claims management, ongoing optimization through negotiation with suppliers, and conclusion of the programme currently underway in the claims area.

In the field of operating costs, the Company is committed to optimizing structures and resources, seeking to improve control and monitoring of the cost of external supplies and initiating a strategic three-year overall cost-reduction programme, with the target of 20 million euros by the end of this period.

Equally of great importance are investments in information technologies, especially with regard to central systems. Even more important are those relating to the agents information system, which will permit Tranquilidade's sales network complete autonomy in management of its customer portfolio, with a high degree of outsourcing and decentralization of processes and performance in line with best practice worldwide amongst companies operating primarily through broker networks.

Risk policy will be applied across the board in 2008 in all company areas and will shape Tranquilidade's strategy and aims for management of the different classes of risk which it accepts, encompassing the powers, responsibilities and authorizations underlying the processes adopted by the company in order to achieve its objectives.

A number of initiatives are planned for 2008, including:

- Participation in QIS 4;
- Cross-company projects for implementation of dynamic financial analysis software for calculation of economic capital;
- Work on risk management and internal control systems, involving action in the following fields:
  - Definition of risk tolerance and limits;
  - Design of a reporting system to monitor business and sensitivity analyses;
  - Implementation of improvements to the risk register and internal control system;
  - Implementation of a model for quantifying operating risk.

Over the course of its history, Tranquilidade has supported various sectors of the community, in keeping with its commitment to building a better, fairer and more sustainable society.

One of the company's aims for 2007 was to review and explore issues relating to sustainability. This resulted in a new sustainability architecture known as "Tranquilidade Valor".

This type of contribution is part of the company's "Tranquilidade Valor" sustainability system, based on the following main concepts: "Team Value" – Building common aims and sharing knowledge, "Social Value" – Developing and improving our social responsibility strategy, creating relationship routines with the community, "Environment Value" – raising environmental awareness in our internal and external public, "Culture Value" – continued support and promotion for the cultural development of the country, and "Sport Value" – we are aiming to play a major part in progress in Portuguese sport.

These are the main challenges which, together, we should all be facing in our quest for a new society.

Lisbon, 25 March 2008

The Board of Directors

Rui Manuel Leão Martinho
(Chairman of the Board of Directors)

Pedro Guilherme Beauvillain de Brito e Cunha
(Chairman of the Executive Board)

Augusto Tomé Pires Fernandes Pedroso
(Member of the Executive Board)

António Miguel Natário Rio-Tinto
(Member of the Executive Board)

Eduardo Antunes Stock
(Member of the Executive Board)

Miguel Maria Pitté Reis da Silveira Moreno
(Member of the Executive Board)

João Carlos Neves Ribeiro *
(Member of the Executive Board)

Miguel Luís Kolback da Veiga

António José Baptista do Souto

Manrico Iachia

António Manuel Rodrigues Marques

* Resigned from office on 31/01/2008

2 // Consolidated Financial Statements

Consolidated Income Statement at 31 December 2007 and 2006

'000 euros

	Notes	2007	2006
Premiums earned, net of reinsurance	4	371,679	334,113
Interest and dividends	5	41,441	22,990
Income from assets at fair value through profit or loss	6	3,562	1,356
Income from available-for-sale financial assets	7	3,963	5,123
Foreign exchange income	8	(41)	(39)
Commission and fee income	9	297	77
Other income	10	27,131	31,634
Operating income		**448,032**	**395,254**
Claims, net of reinsurance	11	(250,697)	(218,300)
Variation in underwriting provisions, net of reinsurance	12	(11,772)	(3,476)
Variation in liabilities for investment contracts	13	(1,102)	(623)
Impairment of financial assets net of reversal and recovery	24	-	(742)
Direct insurance commissions, net of reinsurance	15	(34,260)	(26,406)
Staff costs	16	(49,835)	(56,583)
Depreciation and amortisation		(12,448)	(9,399)
Impairment of other assets net of reversal and recovery	14	(1,342)	(2,880)
Third party supplies and services	18	(42,268)	(38,054)
Taxes	19	(6,083)	(6,215)
Charges on financial investments	20	(1,286)	(528)
Other costs	21	(7,612)	(9,175)
Operating costs		**(418,705)**	**(372,381)**
Profit on disposal of subsidiaries and associates	2	(161)	170,442
Profits from associates	2	1,400	18,051
Profits before taxes and minority interests		30,566	211,366
Taxes	31	(5,849)	(42,843)
Net profits for the period		**24,717**	**168,523**
Attributable to minority interests	**39**	**840**	**512**
Attributable to shareholders of the parent company		**23,877**	**168,011**
		24,717	**168,523**

THE ACCOUNTS MANAGER
Pedro Medalhas

THE FINANCIAL AND ADMINISTRATIVE MANAGER
Luís Ribeiro

Consolidated Balance Sheet at 31 December 2007 and 2006

'000 euros

	Notes	2007	2006
Assets			
Cash and cash equivalents		885	720
Due from banks	22	226,884	65,709
Other financial assets at fair value through profit or loss	23	63,682	144,912
Available-for-sale financial assets	24	649,352	786,378
Receivables - direct insurance, reinsurance and other operations	25	98,457	84,202
Tangible assets	26	50,004	64,000
Investment property	27	82,904	80,923
Intangible assets	28	84,808	87,881
Investments in associates	29	8,507	12,431
Underwriting provisions - outwards reinsurance	30	48,692	49,406
Deferred tax assets	31	3,681	635
Current tax assets		985	334
Deferred acquisition costs	30	23,673	22,834
Other assets	32	51,103	32,905
Total assets		**1,393,617**	**1,433,271**
Liabilities			
Other loans	33	1,097	1,196
Payables - direct insurance, reinsurance and other operations	34	50,574	61,781
Liabilities for investment contracts	35	64,073	47,437
Provisions	36	1,050	792
Underwriting provisions - direct insurance	30	1,015,784	986,174
Deferred tax liabilities	31	692	2,591
Current tax liabilities		23,245	38,824
Other liabilities	37	20,999	22,245
Total liabilities		**1,177,514**	**1,161,040**
Equity			
Capital	38	135,000	135,000
Fair value reserves	38	(7,279)	13,326
Other reserves and retained earnings	38	59,934	(47,837)
Net profit for the period attributable to shareholders of the parent company	38	23,877	168,011
Total edquity attributable to the shareholders of the parent company		**211,532**	**268,500**
Minority interests	39	4,571	3,731
Total equity		**216,103**	**272,231**
Total equity and liabilities		**1,393,617**	**1,433,271**

THE BOARD OF DIRECTORS

Rui Manuel Leão Martinho, Pedro Guilherme Beauvillain de Brito e Cunha, Augusto Tomé Pires Fernandes Pedroso, António Miguel Natário Rio-Tinto, Eduardo Antunes Stock, João Carlos Neves Ribeiro, Miguel Maria Pitté Reis da Silveira Moreno, Miguel Luís Kolback da Veiga, António José Baptista do Souto, Manrico Iachia, António Manuel Rodrigues Marques

Consolidated Statement of Changes in Equity for the Financial Years Ended 31 December 2007 and 2006

'000 euros

	Capital	Fair Value Reserves	Other Reserves and Retained Earnings	Net Profit for the Year Attributable to Shareholders of the Parent Company	Total Equity Attributable to Shareholders of the Parent Company	Minority Interests	Total Equity
Balance at 1 January 2006	**135,000**	**21,495**	**11,122**	**37,802**	**205,419**	**-**	**205,419**
Transfer to reserves	-	-	17,802	(17,802)	-	-	-
Other variations	-	-	-	-	-	3,219	3,219
Dividends distributed	-	-	(76,761)	(20,000)	(96,761)	-	(96,761)
Changes in fair value, net of tax	-	(8,169)	-	-	(8,169)	-	(8,169)
Net profit for the period	-	-	-	168,011	168,011	512	168,523
Balance at 1 January 2007	**135,000**	**13,326**	**(47,837)**	**168,011**	**268,500**	**3,731**	**272,231**
Transfer to reserves	-	-	168,011	(168,011)	-	-	-
Other variations	-	-	-	-	-	-	-
Dividends distributed	-	-	(60,240)	-	(60,240)	-	(60,240)
Changes in fair value, net of tax	-	(20,605)	-	-	(20,605)	-	(20,605)
Net profit for the period	-	-	-	23,877	23,877	840	24,717
Balance at 31 December 2007	**135,000**	**(7,279)**	**59,934**	**23,877**	**211,532**	**4,571**	**216,103**

The explanatory notes attached are an integral part of these financial statements

THE ACCOUNTS MANAGER
Pedro Medalhas

THE FINANCIAL AND ADMINISTRATIVE MANAGER
Luís Ribeiro

Statement of Consolidated Cash Flows

'000 euros

	2007	2006
Cash flows from operating activities		
Net profit for the period	23,877	168,011
Adjustments for:		
Depreciation and amortisation for the period	12,448	9,399
Variation in underwriting provisions for insurance contracts	29,610	(8,289)
Variation in liabilities for investment contracts	16,636	35,376
Variation in provisions	258	(56)
Variation in underwriting provisions for outwards reinsurance	714	1,633
Impairment of financial assets net of reversal and recovery	992	(568)
Impairment of other assets net of reversal and recovery	2,886	2,880
Variation in deferred acquisition costs	(839)	(1,157)
Variation in deferred tax assets	(3,046)	13,487
Variation in deferred tax liabilities	(1,899)	2,591
Variation in fair value reserves	(20,605)	(8,169)
Variations in operating assets and liabilities		
Receivables - direct insurance, reinsurance and other operations	(15,812)	(291)
Other loans	(99)	1,116
Other assets	(18,198)	(7,595)
Other liabilities	(1,246)	3,874
Payables - direct insurance, reinsurance and other operations	(11,207)	3,875
Variation in curent tax assets	(651)	453
Variation in current tax liabilities	(15,579)	29,811
	(1,760)	**246,381**
Cash flows from investing activities		
Effect of acquisition of assets and liabilities of undertakings acquired	-	(7,797)
Variations in financial assets at fair value through profit or loss	81,230	(58,416)
Variations in available-for-sale financial assets	136,034	(552,242)
Investments in associates	3,924	62,449
Acquisitions of tangible assets	(4,271)	(4,516)
Disposals of tangible assets	13,147	1,451
Acquisitions of intangible assets	(8,459)	(54,202)
Disposals of intangible assets	2,876	-
Acquisitions of investment property	(4,062)	(6,651)
Disposals of investment property	2,081	18,036
Dividends paid	(60,240)	(96,761)
Bank deposits	(105,652)	415,578
	56,608	**(283,071)**
Cash flows from financing activities		
Minority interests	840	3,731
	840	3,731
Net variation in cash and cash equivalents	**55,688**	**(32,959)**
Starting cash and cash equivalents	66,429	99,388
Closing cash and cash equivalents	**122,117**	**66,429**
Cash and cash equivalents in the period includes:		
Cash	885	720
Sight deposits	121,232	65,709
	122,117	**66,429**

THE BOARD OF DIRECTORS

Rui Manuel Leão Martinho, Pedro Guilherme Beauvillain de Brito e Cunha, Augusto Tomé Pires Fernandes Pedroso, António Miguel Natário Rio-Tinto, Eduardo Antunes Stock, João Carlos Neves Ribeiro, Miguel Maria Pitté Reis da Silveira Moreno, Miguel Luís Kolback da Veiga, António José Baptista do Souto, Manrico Iachia, António Manuel Rodrigues Marques

3 // Notes to the Consolidated Financial Statement as at 31 December 2007 and 2006

(Figures in thousand euros, except as otherwise stated)

NOTE 1 // Group Operations and Structure

Companhia de Seguros TRANQUILIDADE, S.A. (referred to below as Tranquilidade, Company or Group) resulted from the transformation into a limited liability corporation, with a majority public holding, of the former state corporation, Tranquilidade Seguros, E.P., which itself had been formed by the merger of Companhia de Seguros Tranquilidade, Companhia de Seguros A Nacional and Companhia de Seguros Garantia Funchalense. As the result of privatisation process over two stages, in 1989 and 1990, a majority holding in the company is now owned by the Espírito Santo Group. The company also merged with ESIA – Inter-Atlântico Companhia de Seguros, S.A., on 30 December 2004.

The following table presents the Group's main subsidiaries and associates as at 31 December 2007:

thousand of euros

Name/head office	Classification	2007				Equity	Profits 2007
		Direct	Indirect	Voting Rights	Effective		
Companhia de Seguros Tranquilidade, S.A. Av. da Liberdade, 230 • 1250-149 Lisboa	Parent company	-	-	-	-	216,634	23,140
T-Vida, Companhia de Seguros, S.A. Av. da Liberdade, 230 • 1250-149 Lisboa	Subsidiary	100.00%	-	100.00%	100.00%	70,946	4,183
Seguros Logo, S.A. Rua D. Manuel II, 290 • 4099-062 Porto	Subsidiary	100.00%	-	100.00%	100.00%	7,500	-
Advancecare – Gestão e Serviços de Saúde, S.A. Av. da Liberdade, 49 a 57, 1º • 1250-139 Lisboa	Subsidiary	50.99%	-	50.99%	50.99%	9,014	1,822
Esumédica – Prestação de Serviços Médicos, S.A. Av. da Liberdade, 242 • 1250-149 Lisboa	Subsidiary	75.00%	-	75.00%	75.00%	(283)	(333)
Heartscan - Ibéria Diagnóstico Imagiológico, S.A. Av. da Liberdade, 11 - 1º • 1250-139 Lisboa	Subsidiary	-	63.75%	63.75%	63.75%	(1,464)	(17)
Fiduprivate, S.A. Rua Dr. Brito Câmara, 7 • 9000-039 Funchal	Subsidiary	75.00%	-	75.00%	75.00%	617	(171)
BES, Companhia de Seguros, S.A. Av. Columbano Bordalo Pinheiro, 75, 8º • 1070-061 Lisboa	Associate	25.00%	-	25.00%	25.00%	24,455	4,723
Espírito Santo Contact Center, S.A. Av. Infante D. Henrique, 343 - C • 1800-218 Lisboa	Associate	20.42%	-	20.42%	20.42%	1,718	(219)
Europ Assistance, S.A. Av. Álvares Cabral, 41 - 3º e 4º • 1250-015 Lisboa	Associate	24.00%	-	24.00%	24.00%	8,511	1,177

The following changes to Group structure took place during the financial year of 2007:

- In May 2007, Tranquilidade sold to Banco Espírito Santo de Investimento, S.A. its holding in Cominvest – Sociedade de Gestão de Investimentos Imobiliários, S.A., resulting in a capital gain of 1 thousand euros;

- In May 2007, Tranquilidade sold to Banco Espírito Santo, S.A. its holding in Espírito Santo Data, S.G.P.S., S.A., resulting in a capital gain of 162 thousand euros.

In late 2007, a new company was set to operate the direct channels market (Seguros Logo, S.A.), with share capital of 15,000,000 euros subscribed in full by Tranquilidade; as at 31 December 2007, only 50% of the share capital has been paid up, and the new company started trading on 1 January 2008.

NOTE 2 // Main Accounting Policies

2.1 // Basis of presentation

The financial statements now presented for Tranquilidade relate to the financial years ending 31 December 2007 and 2006 and were drawn up in accordance with the International Financial Reporting Standards ("IFRS") as adopted in the European Union up to 31 December 2006.

The IFRS include the accounting standards issued by the International Accounting Standards Board ("IASB") and the interpretations issued by the International Financial Reporting Interpretation Committee ("IFRIC"), and by the respective predecessor bodies.

In preparing its financial statements as at 31 December 2007, the Group adopted IFRS 7 "Financial Instruments: Disclosures", as well as IAS 1 (amended) "Presentation of financial statements – Regulatory capital disclosure requirements". These standards, which are mandatory as from 1 January 2007, had an impact on disclosures, but no effect on the Group's equity. In accordance with the transitional provisions for these standards, comparative figures for the new required disclosures are presented.

In addition, the Group also adopted in 2007 IFRIC 10 Interim financial reporting and impairment. Adoption of this interpretation had no effect on the Group's financial statements.

Amounts shown in these financial statements are in thousands of euros, rounded up to the nearest thousand. The statements have been drawn up in accordance with the historical cost principle, except for assets and liabilities at fair value, namely financial derivatives, financial assets and liabilities at fair value through profit or loss, available-for-sale financial assets and investment property.

The preparation of financial statements under the IFRS requires the Group to make estimates and assumptions that affect the application of accounting policies and the value of items reported under income, costs, assets and liabilities. Alterations to these assumptions or differences between the assumptions and the real situation may have an impact on current estimates and judgements. The areas where the greatest degree of judgement or complexity is involved or where significant assumptions or estimates are used in preparing the consolidated financial statements are analysed in Note 3.

These financial statements were approved at the meeting of the Board of Directors of 19 February 2008.

2.2 // Consolidation principles

The consolidated accounts presented herewith reflect the assets, liabilities and results of Tranquilidade and its subsidiaries ("Group" or "Tranquilidade Group") and the results attributable to the Group in respect of financial holdings in associates.

Accounting policies were applied consistently across the Group.

Subsidiaries

Subsidiaries are those undertakings over which the Group exercises control. Undertakings are normally presumed to be under Group control when the Group has powers to exercise a majority of voting rights. Control may also exist when the Group has the power directly or indirectly to manage the financial and operational policy of a given undertaking so as to obtain benefits from its activities, even if its percentage equity holding in the undertaking is less than 50%.

Subsidiaries are fully consolidated from the time the Group takes control of their affairs to the moment such control ceases.

When the accrued losses of a subsidiary are greater than the minority interest in the equity capital of the subsidiary, such surplus is attributable to the Group as it is incurred. Subsequent profits obtained by the same subsidiary are recognised as income of the Group until the losses previously absorbed are recovered.

Associates

Associates are those undertakings where the Group has power to exert significant influence over their financial and operating policies, but which it does not control. It is normally presumed that the Group has significant influence when it has powers to exercise more than 20% of the voting rights. Even when the Group holds less than 20% of the voting rights, it may still have significant influence through participation in the management of the associate or through the appointment of executive directors. Investments in associates are consolidated by the equity method, from the moment the Group acquires significant influence to the moment such influence ceases.

When the value of the accrued losses incurred by an associate and attributable to the Group is equal to or greater than the book value of the holding and any other medium and long term interests in the associate, the equity method is not applied, except if the Group has the legal or constructive obligation to recognise these losses or has made payments on behalf of the associate.

Goodwill

The Group records acquisitions of subsidiary and associated undertakings using the purchase method. The acquisition cost corresponds to the fair value determined at the date of purchase of the assets transferred and the liabilities incurred or accepted, plus the costs directly attributable to the acquisition.

Goodwill represents the difference between the acquisition cost of the holding determined in this manner and the fair value attributable to the net assets acquired.

Positive goodwill is recorded under assets at cost value and is not depreciated, in accordance with IFRS 3 – Business Combinations. In the case of investments in associates, goodwill is included in the respective balance sheet value determined on the basis of the equity method. Negative goodwill is recognised directly in the results for the period when the acquisition takes place.

The recoverable value of goodwill recorded under assets is estimated annually, irrespective of whether there are signs of impairment. Any impairment losses determined are recognised in the income statement.

Translation of financial statements in foreign currencies

The financial statements of each of the Group's subsidiaries and associates are drawn up in their operating currency, which is defined as the currency of the economy where these subsidiaries and associates operate. The Group's consolidated financial statements are prepared in euros, which is the operating currency of the Company, its subsidiaries and associates.

Balances and transactions eliminated in the consolidation process

Balances and transactions between Group companies, including any unrealised gains or losses resulting from intra-group operations, are eliminated during the consolidation process, except in cases where unrealised losses suggest the existence of impairment which should be recognized in the consolidated accounts.

Unrealised gains resulting from transactions with associated entities are eliminated in proportion to the Group's holding in these undertakings. Unrealised losses are also eliminated, but only where they do not suggest the existence of impairment.

2.3 // Foreign currency operations

Foreign currency operations are translated at the exchange rate ruling at the transaction date. Monetary assets and liabilities expressed in foreign currencies are translated into euros at the exchange rate ruling on the balance sheet date. Exchange rate differences resulting from translation are recognised in the income statement.

2.4 // Financial derivative instruments

Financial derivative instruments are recognised at the trade date, at their fair value. Subsequently, the fair value of financial derivatives is revalued on a regular basis, and the gains or losses resulting from such revaluation are recorded directly in the results for the period.

The fair value of financial derivatives corresponds to their market value, if any, or else is determined on the basis of valuation techniques including discounted cash flow models and option valuation models, as appropriate.

Embedded derivatives

Derivatives embedded in other financial instruments are treated separately when their economic characteristics and risks are not related to the main instrument and the main instrument is not carried at its fair value through profit or loss. These embedded derivatives are recognised at fair value with variations recognised in profit or loss.

2.5 // Other financial assets

Classification

The Group classifies its other financial assets on acquisition, considering the underlying intention, using the following categories:

// Financial assets at fair value through profit or loss

This category includes: (i) trading assets, which are acquired with the prime objective of trading in the short term, and (ii) financial assets designated on initial recognition as being at fair value with variations recognized in profit or loss.

On initial recognition, the Group designates certain financial assets as being at fair value through profit or loss when:

- These financial assets are managed, valued and analyzed internally on the basis of their fair value;
- Such designation eliminates an accounting mismatch; or
- Such financial assets contain embedded derivatives.

// Available-for-sale investments

Available for sale investments are non-derivative financial assets which: (i) the Group intends to maintain for an indeterminate period of time, (ii) which are designated as available for sale when initially recognised or (iii) which do not fit into the above category

Recognition, initial measurement and derecognition

Acquisitions and disposals of: (i) financial assets at fair value through profit or loss, and (ii) available-for-sale financial assets are recognised at the trade date, i.e. on the date when the Group undertakes to acquire or dispose of the asset.

Financial assets as initially recognised at their fair value plus the transaction costs, except in the case of financial assets at fair value through profit or loss, where these transaction costs are directly recognised in profit or loss.

These assets are derecognised when (i) the Group's contractual rights to receive their cash flows expire, (ii) the Group has transferred substantially all the risks and benefits associated with holding them or (iii) although it retains some but not substantially all the risks and benefits associated with holding the assets, the Group has transferred control over them.

Subsequent measurement

After initial recognition, financial assets at fair value with recognition in profit or loss are valued at their fair value, the variations being recognised in profit or loss.

Investments held for sale are also recorded at fair value, although the respective variations are recognised in reserves, until the investments are derecognised or until an impairment loss is identified, when the accrued value of the potential gains and losses recorded in reserves is transferred to profit or loss. Exchange rate variations associated with these investments are also recognised in reserves, in the case of shares, and in profit or loss, in the case of debt instruments. Interest, calculated at the effective interest rate, and dividends are also recognised in the income statement.

Investments held to maturity are valued at amortised cost, on the basis of the effective rate method and impairments losses are deducted.

The fair value of listed financial assets is the current bid price. When there is no listing, the Group estimates fair value using (i) valuation methods, such as the prices of recent similar transactions, carried out at market conditions, discounted cash flow techniques and customised option valuation models in order to reflect the particularities and circumstances of the instrument, and (ii) valuation assumptions based on market information.

Financial instruments for which the fair value cannot be reliably measured are recorded at cost.

Transfers between categories

In accordance with the requirements of IAS 39, the Group does not transfer financial instruments from and to the category of financial assets at fair value through profit or loss.

Impairment

The Group regularly assesses whether there is objective evidence that a financial asset, or set of financial assets, presents signs of impairment. For financial assets which present signs of impairment, the respective recoverable value is determined, and impairment losses are recorded against profit or loss.

A financial asset, or set of financial assets, is impaired whenever there is objective evidence of impairment resulting from one or more events occurring after initial recognition, such as: (i) for listed securities, continuing or significant depreciation in the listed price, and (ii) for unlisted securities, when such event (events) has an impact on the estimated value of the future cash flows of the financial asset, or set of financial assets, which may reasonably be estimated.

In the case of held-to-maturity investments, impairment losses correspond to the difference between the book value of the asset and the current value of the estimated future cash flows (considering the recovery period) discounted at the original effective interest rate of the financial asset. These assets are stated under assets, net of impairment. In the case of an asset with a variable interest rate, the interest rate to be used to determine the respective impairment rate is the current effective interest rate, determined on the basis of the rules of each contract. In relation to held-to-maturity investments, if in a subsequent period the impairment loss diminishes, and such reduction may be objectively related to an even which occurred after recognition of impairment, such impairment is reversed against the profit or loss for the period.

When there is evidence of impairment in available-for-sale financial assets, the potential loss accrued in reserves, corresponding to the difference between the acquisition cost and the current fair value, less any impairment loss on the asset previously recognised in profit or loss, is transferred to profit or loss. If in a subsequent period, the value of the impairment loss diminishes, the impairment loss previously recognised is reversed against the profit or loss of the period until the acquisition cost is restored, if the increase is objectively related to an event occurring after recognition of the impairment loss, except in the case of shares or equity instruments, in which case the reversal of impairment is recognised in reserves.

2.6 // Financial liabilities

An instrument is classified as a financial liability when there is a contractual obligation for it to be settled through payment in cash or any other financial asset, irrespective of legal form.

Non-derivative financial liabilities include liabilities for investment contracts, loans, creditors for direct insurance and reinsurance operations and other liabilities. These financial liabilities are recorded (i) initially at their fair value less the transaction costs incurred and (ii) subsequently at amortised cost, on the basis of the effective interest rate method, except for liabilities for investment contracts where the investment risk is taken by the policy holders, which are carried at fair value.

2.7 // Set-off of financial instruments

Financial assets and liabilities are presented in the balance sheet at their net value when there is the legal possibility of setting off the amounts already recognised and there is the intention of settling them at their net value or to realise the asset and settle the liability simultaneously.

2.8 // Tangible assets

The Group's tangible assets are valued at cost less respective accrued depreciation and impairment losses. At the IFRS transition date, the Group opted to consider as a cost of its property in own use the respective fair value determined at the transition date.

Subsequent costs relating to tangible assets are recognised only if it is likely that they will result in future economic benefits for the Group. All maintenance and repair expenses are recognised as costs, on an accruals basis.

Land is not depreciated. Tangible assets are depreciated on a straight line basis, at the following rates which reflect the expected useful life of the assets:

	Number of Years
Property in own use	37 a 45
IT equipment	3 a 4
Furniture and materials	6 a 10
Interior fittings	10
Machinery and tools	4 a 8
Vehicles and transport	4
Other equipment	3 a 8

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

When there are signs of possible impairment, IAS 36 requires that the recoverable value of the asset be estimated, and an impairment loss must be recognized whenever the net value of the asset exceeds its recoverable value. Impairment losses are recognized in the income statement for assets carried at cost.

The recoverable value is determined as the highest of the net sales price and the value of use, the latter being calculated on the basis of the current value of estimated future cash flows expected to be obtained from continued use of the asset and from its disposal at the end of its useful life.

2.9 // Investment property

The Group classifies property held for let or for capital appreciation, or both, as investment property.

Investment property is recognised initially at acquisition cost, including the directly related transaction costs, and subsequently at fair value. Variations in fair value determined at each balance sheet date are recognised in profit or loss. Investment property is not depreciated.

Related subsequent expenditure is capitalized when it is likely that the Group will obtain future economic benefits in excess of the performance initially estimated.

2.10 // Intangible assets

Value in force (VIF) is recognised as an intangible asset and is depreciated over the period in which the income associated with the policies acquired is recognised. VIF corresponds to the estimated current value of future cash flows from contracts in force at the acquisition date.

The costs incurred on the acquisition of software are capitalised, as are the additional expenses necessary for implementation of the software borne by the Group. These costs are depreciated on a straight line basis over the expected useful life of the assets (3 to 15 years).

Costs directly relating to production of IT products developed by the Group, where these products may be expected to generate future economic benefits over more than one financial year, are recognised and recorded as intangible assets.

Software development costs, recognised as assets, are depreciated on a straight line basis over the respective expected useful life, which in most cases is not greater than 3 years.

Software maintenance costs are recognised as costs when incurred.

2.11 // Leases

The Group classifies lease operations as finance leases or operating leases, depending on the substance and not the legal form of the lease, in line with the criteria defined in IAS 17 – Leases. Finance leases are considered to be those where the risks and benefits of ownership are transferred to the lessee. All other leases are classified as operating leases.

Operating leases

Payments made by the Group under operating leases are recorded as costs in the periods to which they relate.

Finance leases

Finance leases are recorded at their starting date, under assets and liabilities, for the acquisition cost of the leased property, which is equivalent to the current value of the future rentals. Rentals comprise (i) the financial charge. which is debited from results and (ii) capital repayments, which are deducted from liabilities. Financial charges are recognised as costs over the lease period, in order to produce a constant periodic interest rate on the remaining liabilities in each period.

2.12 // Employee benefits

Pensions

In view of the liabilities accepted by the Group in connection with the Collective Employment Contract for the Insurance Sector, the CCT Pension Fund has been set up, which is intended to cover all liabilities for old age, invalidity and survivors' pensions. In addition to these, the Group also has liabilities to Directors, under the Pension or Complementary Retirement

Pension Entitlement Regulations, as provided for in Article 24 of the Articles of Association. The pension fund is managed by ESAF – Espírito Santo Activos Financeiros, SGPS, S.A..

The pension plans within the Group correspond to defined benefit plans, given that they define the criteria for determining the value of the pension which the Company employees will receive during retirement, usually depending on one or more factors such as age, years of service and pay.

In the light of IFRS 1, the Group opted at the transition date, 1 January 2004, to apply IAS 19 retrospectively, and has recalculated the actuarial gains and losses which may be deferred in the balance sheet in accordance with the corridor method provided for in IAS 19.

The Group's liabilities for retirement pensions are calculated annually by actuaries, at the date of close of the accounts, individually for each plan, on the basis of the Project Credit Unit Method. The discount rate used in this calculation is determined on the basis of the market rates associated with high rated corporate bonds, denominated in the currency in which the benefits will be paid and with a maturity similar to that of the obligations in the plan.

Actuarial gains and losses, determined annually, resulting from (i) the differences between actuarial and financial assumptions used and actual amounts and (ii) changes in actuarial assumptions, are recognised as an asset or liability and the accrued value is imputed to profit or loss on the basis of the corridor method.

This method establishes that deferred actuarial gains and losses accrued at the start of the year, which are 10% greater than the greater of the total liabilities and the value of the fund, also as at the start of the year, are imputed to profit or loss during a period which cannot exceed the life of the remaining services of the employees covered by the plan. The Group has determined that actuarial deviations are depreciated over a 15 year period. Accrued actuarial gains and losses within this limit are not recognised in profit or loss.

The increase in the costs of past services deriving from retirement prior to the age of 65 years (early retirement) is recognised in profit and loss when incurred.

The Group makes payments to the fund in order to assure its solvency, and the minimum levels are fixed as follows: (i) full financing at the end of each period of actuarial liabilities for pensions payable and (ii) financing oa a minimum level of 100% of the actuarial value of liabilities for the past services of current employees.

Health benefits

In addition, the Group has granted health care benefits to its current employees and to those on early retirement, up to retirement age.

The Group's obligations relating to health care benefits attributable to those on early retirement up to retirement age are calculated and recorded in broadly the same way as pensions.

Employee profit sharing

In accordance with the articles of association of certain Group companies, the shareholders of these companies approve each year at the General Meeting a percentage of the profits to be distributed to the employees (bonus), on the basis of a proposal from the directors.

Profits allocated by the Group to its employees are recorded in the period to which they relate.

2.13 // Tax on profits

Tax on profits comprises current taxes and deferred taxes. Taxes on profits are recognised in results, except when relating to items which are recognised directly in equity accounts, in which case they are also recorded against shareholders' funds. Deferred taxes recognised in shareholders' funds deriving from revaluation of available-for-sale investments are subsequently recognised in results when the gains or losses to which they give rise are recognised in results.

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

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

Deferred tax liabilities are recognised for all temporary taxable differences with the exception of goodwill not deductible for fiscal purposes, of the differences resulting from initial recognition of assets and liabilities which do not affect either the accounting profit or the fiscal profit, and differences relating to investments in subsidiaries insofar as they will probably not be reversed in future. Deferred tax assets are recognised only insofar as it is may be expected that taxable profits will exist in future capable of absorbing the temporary deductible differences.

2.14 // Provisions

Provisions are recognised when (i) the Group has a present obligation, legal or constructive, (ii) it is likely that payment of this obligation will be required and (iii) when the value of this obligation can be reliably estimated.

2.15 // Recognition of interest

Results relating to interest on financial instruments measured at amortised cost and on available-for-sale financial assets are recognised under interest and similar income using the effective rate method. Interest on financial assets at fair value through profit or loss is also included in the account for interest and similar income.

The effective interest rate is the rate which discounts precisely the future payments or receipts estimated during the expected life of the financial instrument or, when appropriate, a shorter period, for the current net balance sheet value of the financial asset or liability.

In order to calculate the effective interest rate, the future cash flows are estimated, considering all the contractual terms of the financial instrument (for instance, early payment options), not considering, however, any future credit losses. The calculation includes commissions which may be an integral part of the effective interest rate, transaction costs and all premiums and discounts directly related to the transaction.

In the case of financial assets or sets of similar financial assets for which impairment losses have been recognised, interest recorded in profit or loss is determined on the basis of the interest rate used in measuring the impairment loss.

For financial derivatives, the interest rate component relating to the variation in fair value is not separate and is classified under income from assets and liabilities at fair value through profit or loss.

2.16 // Dividends received

Earnings on equity instruments (dividends) are recognised when received.

2.17 // Insurance contracts

The Group issues contracts which include insurance risk, financial risk or a combination of insurance and financial risks. A contract in which the Group accepts a significant insurance risk from another party, agreeing to compensate the insured in the event of a specific uncertain future event which may adversely affect the insured, is classified as an insurance contract.

A contract issued by the Group where the risk is essentially financial and where the insurance risk accepted is not significant, but where there is discretionary participation in the profits assigned to the insured, is considered as an investment contract and recognised and measured in accordance with the accounting policies applicable to insurance contracts. A contract issued by the Group which merely transfers the financial risk, without discretionary profit sharing, is recorded as a financial instrument.

Financial assets held by the Group to hedge against liabilities deriving from insurance and investment contracts are classified and accounted for in the same way as the Group's other financial assets.

Insurance contracts and participating investment contracts are recognised and measured as follows:

Premiums

Gross premiums written are recorded as income in the period to which they relate, irrespective of when they are paid or received.

Outwards reinsurance premiums are recorded as costs in the period to which they relate in the same way as gross premiums written.

Acquisition costs

Acquisition costs which are directly or indirectly related to the sale of insurance contracts are capitalised and deferred for the life of the contracts. Deferred acquisition costs are subject to recoverability tests when the contracts are issued and subject to impairment testing at the balance sheet date.

Provision for claims

The provision for claims corresponds to the costs of claims incurred and not yet settled, together with estimated liability for claims incurred but not reported (IBNR). Claims incurred but not reported are estimated on the basis of past experience, using statistical methods. Provisions for claims are not discounted.

The mathematical reserves for claims incurred, involving payment of life pensions, for the employers' liability sector, are calculated using actuarial tables and formulae, established by the Portuguese Insurance Institute, with reference to recognised actuarial methods and the employment legislation in force.

Provision for unexpired risks

The provision for unexpired risks corresponds to the amount estimated as necessary to cover likely compensation and charges payable after the end of the period, in excess of the value of unearned premiums, premiums payable on the contracts in force and premiums renewing in January of the following year.

Mathematical provision

Mathematical provisions record thee current value of the Group's future liabilities in relation to insurance contracts and discretionary participating investment contracts issued and are calculated on the basis of actuarial methods recognised in the relevant current legislation.

Provision for profit sharing

The provision for profit sharing corresponds to the amounts allocated to insureds or beneficiaries of contracts, in the form of profit sharing, but not yet distributed, namely through inclusion in the mathematical provision for contracts.

Liability adequacy test

At the balance sheet date, the Group tests the adequacy of liabilities deriving from insurance and discretionary participating investment contracts. The adequacy of liabilities is tested on the basis of projection of the future cash flows associated with each contract, discounted at the market interest rate without risk. This assessment is carried out product by product or on an aggregated basis when the product risks are similar or managed jointly. Any deficiency found is recorded in results against the mathematical provision.

Shadow accounting

As required by IFRS 4, unrealised gains and losses on financial assets allocated to the liabilities for insurance and participating investment contracts are assigned to the policy holders, on the basis of the expectation that they will share in these unrealised gains and losses when they are realised in accordance with the relevant contractual and regulatory provisions, through recognition of a liability.

2.18 // Segment reporting

A business segment is a set of assets and operations which are subject to specific risks and benefits different from other business segments.

A geographical segment is a set of assets and operations located in a specific economic environment which is subject to risks and benefits which are different from other segments which operate in other economic environments.

The Group has opted not to present segmented financial information as it is not subject to mandatory application of IAS 14 – Segment reporting. However, information is provided on premiums and claims by business segment in the respective notes to the financial statements.

2.19 // Cash and cash equivalents

For the purposes of the statement of cash flows, cash and cash equivalents include amounts recorded in the balance sheet with a maturity of less than three months from the balance sheet date, including cash and liquid funds in banks.

NOTE 3 // Main Estimates and Judgements Made in Preparing the Financial Statements

The IFRS establish a series of accounting procedures and require the Board of Directors to use their judgement and to effect the estimates needed in order to decide which accounting procedure is most appropriate. Then main accounting estimates and judgements used in applying accounting principles by the Group are analysed below, in order to provide a clearer picture of how their application affects the results reported by the Group and disclosure of these results. A more detailed description of the main accounting policies used by the Group is provided in Note 2 to the consolidated financial statements.

Considering that in many situations there are alternatives to the accounting procedure adopted by the Board of Directors, the results reported by the Group could be different had a different procedure been chosen. The Board of Directors considers that the choices made are appropriate and that the financial statements provide a true and fair view of the state of the Group's affairs and of its operations in all materially relevant aspects.

The results of the alternatives analysed below are presented only to help the reader understand the financial statements and are not designed to suggest that other alternatives or estimates are more appropriate.

3.1 // Impairment of available-for-sale financial assets

The Group determines that its available-for-sale assets are impaired when there is a continued or significant depreciation in their fair value. Determination of continued or significant depreciation requires judgement. In exercising its judgement, the Groups assesses the normal volatility of share prices, amongst other factors.

In addition, valuations are conducted through market prices or valuation models which require the use of given assumptions or judgement in establishing estimates of fair value.

Alternative methods and the use of different assumptions and estimates could result in a different level of impairment losses being recognised, with the consequent impact on the Group's results.

3.2 // Fair value of financial derivatives

Fair value is based on listed market prices, when available, and for unlisted securities the fair value is determined on the basis of the prices of recent similar arm's length transactions or else on the basis of assessment methodologies, based on discounted future cash flow techniques considering the market conditions, the effect of time, the yield curve and volatility factors. These methods may require the use of assumptions or judgements in the estimation of fair value.

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

3.3 // Special purpose entities

The Group does not consolidate the Special Purpose Entities under its control. Given that it can be difficult to determine whether an SPE is controlled, a judgement is made to determine whether the Group is exposed to the risks and benefits associated with the SPE activities and whether it has decision making powers in the SPE. The decision on whether an SPE should be consolidated by the Group requires the use of assumptions and estimates in order to determine the residual gains and losses and to determine who retains the majority of these gains and losses. Other assumptions and estimates could cause the Group to include/exclude different entities in/from its consolidated accounts, with a direct impact on its results.

3.4 // Tax on profits

The Group is subject to payment of tax on profits in various jurisdictions. Determination of the total tax on profits requires given interpretations and estimates. There are various transactions and calculations for which determination of the final value of tax is uncertain during the normal business cycle.

Other interpretations and estimates could result in a different level of tax on profits, current and deferred, recognised in the period.

The Tax Authorities have powers to review the calculation of taxable income, as self-assessed by the company and its subsidiaries, during a period of four years, or six years, in the event of there being losses to carry forward. It is therefore possible that adjustments will be made to the taxable income, resulting mainly from differences in interpretation of fiscal legislation. However, the directors of Tranquilidade and its subsidiaries are confident that there will be no significant corrections to the taxes on profits recorded in the financial statements.

3.5 // Pensions and other employee benefits

Determination of liabilities for retirement pensions require the use of assumptions and estimates, including the use of actuarial projections, estimated yield on investments and other factors which may have an impact on the costs and liabilities of the pension plan. Alterations to these assumptions could have a significant impact on the figures determined.

3.6 // Underwriting provisions and liabilities relating to investment contracts

Future liabilities deriving from insurance and participating investment contracts are recorded in the account for underwriting provisions. Underwriting provisions relating to traditional life products have been determined on the basis of various assumptions, including mortality, longevity and interest rate, applicable to each individual case. The assumptions used have been based on the past experience of the Group and the market. These assumptions may be reviewed if it is determined that future experience confirms that they are inappropriate. The underwriting provisions deriving from insurance and discretionary participating investment contracts (endowment products) include (1) mathematical provision, (2) provision for profit sharing, (3) provision for claims. The mathematical provision includes the deficiency resulting from the liability adequacy test. The provision for profit sharing includes the liability determined through shadow accounting, the claims provision includes the estimate of liabilities for claim occurred at the balance sheet date.

When there are claims caused by or against policy holders, any amount paid or estimated to be paid by the Group is recognised as a loss in results. The Group establishes provisions for payment of claims deriving from insurance and investment contracts.

In determining the underwriting provisions deriving from insurance and participating investment contracts, the Group periodically assesses its liabilities using actuarial methods and taking the respective reinsurance coverage into account. Provisions are periodically reviewed by qualified actuaries.

NOTE 4 // Premiums Earned Net of Reinsurance

Premiums net of reinsurance break down as follows:

thousands of euros

	2007	2006
Gross premiums written	422,063	385,142
Premiums - outwards reinsurance	(50,147)	(53,062)
Premiums net of reinsurance	**371,916**	**332,080**
Variation in provision for unearned premiums net of reinsurance	(237)	2,033
Premiums earned, net of reinsurance	**371,679**	**334,113**

Gross premiums written per segment break down as follows:

thousands of euros

	2007		2006	
	Gross Premiums Written	Premiums Earned	Gross Premiums Written	Premiums Earned
Life	59,683	59,683	23,761	23,761
Non-life:				
Direct insurance				
Accident and health	103,313	102,143	102,891	103,189
Fire and other damage	56,682	56,110	57,206	56,781
Motor	171,792	173,605	172,105	173,245
Maritime and transport	8,761	8,823	8,464	8,325
General civil liability	10,170	9,422	8,593	8,637
Credit and bond	123	196	433	511
Assistance	9,975	9,534	9,940	9,961
Other	1,564	1,572	1,749	1,639
Total	**422,063**	**421,088**	**385,142**	**386,049**

Outwards reinsurance premiums break down as follows:

thousands of euros

	2007		2006	
	Premiums Written	Premiums Earned	Premiums Written	Premiums Earned
Life	2,021	2,021	608	608
Non-life:				
Direct insurance				
Accident and health	9,437	9,654	16,010	15,837
Fire and other damage	19,398	19,177	17,949	17,738
Motor	2,406	2,406	2,270	2,270
Maritime, air and transport	5,173	5,066	4,577	4,487
General civil liability	1,329	1,149	955	1,027
Credit and bond	77	138	367	438
Other	10,306	9,798	10,326	9,531
Total	**50,147**	**49,409**	**53,062**	**51,936**

In accordance with the requirements of IFRS 4, insurance contracts issued by the Group where there is merely a transfer of financial risk without discretionary profit sharing are classified as investment contracts and accounted for as liabilities. Accordingly, contracts where the investment risk is borne by the policy holder and fixed rate non-participating contracts are not accounted for as premiums.

NOTE 5 // Interest and Dividends

Interest and dividends break down as follows by category of financial assets:

thousands of euros

	2007	2006
Interest		
on assets at fair value through profit or loss	2,834	4,396
on available-for-sale assets	31,506	16,817
on bank deposits	2,994	406
on other investments	1,817	-
	39,151	**21,619**
Dividends		
from available-for-sale assets	2,290	1,371
	41,441	**22,990**

NOTE 6 // Income from Financial Assets at Fair Value through Profit or Loss

Income from financial assets at fair value through profit or loss breaks down as follows:

thousands of euros

	2007			2006		
	Income	Costs	Total	Income	Costs	Total
Trading assets and liabilities						
Derivative financial instruments	4,011	(1,547)	2,464	1,282	(32)	1,250
	4,011	**(1,547)**	**2,464**	**1,282**	**(32)**	**1,250**
Financial assets at fair value through profit or loss						
Bonds and other fixed yield securities						
Public issuers	-	-	-	-	-	-
Other issuers	1,404	(258)	1,146	237	(186)	51
Shares	-	-	-	-	-	-
Other variable yield securities	43	(91)	(48)	55	-	55
	1,447	**(349)**	**1,098**	**292**	**(186)**	**106**
	5,458	**(1,896)**	**3,562**	**1,574**	**(218)**	**1,356**

NOTE 7 // Income From Available-For-Sale Financial Assets

Income from available-for-sale financial assets breaks down as follows:

thousands of euros

	2007			2006		
	Income	Costs	Total	Income	Costs	Total
Bonds and other fixed rate securities						
Public issuers	-	(13)	(13)	1,679	(50)	1,629
Other issuers	3,125	(5,829)	(2,704)	(945)	(2,073)	(3,017)
Shares	10,589	(3,909)	6,680	6,681	(170)	6,512
	13,714	**(9,751)**	**3,963**	**7,416**	**(2,292)**	**5,123**

NOTE 8 // Foreign Exchange Income

This account includes the income deriving from currency revaluation of monetary assets and liabilities expressed in foreign currencies in accordance with the accounting policy described in Note 2.3.

NOTE 9 // Commission and Similar Income

Commission and similar income relates to commissions on the subscription and management of non-participating endowment products, namely flat rate endowment products and products where the investment risk is borne by the policy holder.

In accordance with the requirements of IFRS 4, insurance contracts issued by the Group where there is merely the transfer of a financial risk without discretionary profit sharing are classified as investment contracts and accounted for as a liability. Accordingly, contracts where the investment risk is borne by the policy holder and non-participating flat rate contracts are no longer recognised as premiums and are only the subscription and management charge on these contracts is recorded as income.

NOTE 10 // Other Income

The account for other income breaks down as follows:

thousands of euros

	2007	2006
Services	15,497	16,643
Claims management	500	1,346
Co-insurance management commissions	198	256
Income from investment property	3,950	8,784
Reduction in depreciation and provisions	42	735
Extraordinary income and gains	5,770	2,971
Other income	1,174	899
	27,131	**31,634**

At 31 December 2006, the account for "income from investment properties" includes the sum of 6,114 thousand euros relating to capital gains associated with these assets.

NOTE 11 // Cost of Claims Net of Reinsurance

The cost of claims net of reinsurance breaks down as follows:

thousands of euros

	2007	2006
Claims-Life	52,259	22,342
Claims-non-Life	198,438	195,958
	250,697	**218,300**

In life business, the cost of claims net of reinsurance breaks down as follows:

thousands of euros

	2007	2006
Paid		
Gross	54,564	18,263
Reinsurer´s share	(741)	(397)
	53,823	**17,866**
Claims provision (variation)		
Gross	(1,650)	4,417
Reinsurer´s share	86	59
	(1,564)	**4,476**
	52,259	**22,342**

In non-life business, the cost of claims net of reinsurance breaks down as follows:

thousands of euros

	2007	2006
Paid		
Gross	190,081	192,659
Reinsurer´s share	(12,502)	(13,151)
	177,579	**179,508**
Claims provision (variation)		
Gross	19,691	14,028
Reinsurer´s share	1,168	2,422
	20,859	**16,450**
	198,438	**195,958**

The cost of non-life claims breaks down into the different areas as follows:

thousands of euros

	2007			2006		
	Paid	Variation in Claims Provision	Total	Paid	Variation in Claims Provision	Total
Accidents and health	52,818	3,960	56,778	52,222	5,579	57,801
Fire and other damage	22,149	(1,578)	20,571	23,577	1,222	24,799
Motor	107,195	15,963	123,158	106,499	10,283	116,782
Marine, air and transport	4,483	341	4,824	6,597	(338)	6,259
General third party	2,778	568	3,346	2,796	(1,903)	893
Credit and bond	299	156	455	688	(454)	234
Other	359	281	640	280	(361)	(81)
Total	**190,081**	**19,691**	**209,772**	**192,659**	**14,028**	**206,687**

NOTE 12 // Variation in Underwriting Provisions Net of Reinsurance

The variation in underwriting provisions net of reinsurance breaks down as follows:

thousands of euros

	2007	2006
Direct insurance		
Variation in mathematical provision	(8,059)	(1,985)
Variation in provision for profit sharing	(1,463)	90
Variation in provision for unexpired risks	(2,750)	(1,190)
	(12,272)	**(3,085)**
Outwards reinsurance		
Variation in mathematical provision	37	(391)
Variation in provision for profit sharing	463	-
	500	**(391)**
	(11,772)	**(3,476)**

NOTE 13 // Variation in Liabilities for Investment Contracts

The variation in liabilities for investment contracts corresponds to the technical interest rate attributed to endowment contracts without discretionary profit sharing.

NOTE 14 // Impairment of Other Assets Net of Reversal and Recovery

This account breaks down as follows:

thousands of euros

	2007	2006
Property in own use (see note 26)	1,328	1,669
Receivables (see note 25)	14	1,211
	1,324	2,880

NOTE 15 // Direct Insurance Commissions Net of Reinsurance

Direct insurance commissions net of reinsurance break down as follows:

thousands of euros

	2007	2006
Direct insurance commissions		
Acquisition commissions and other costs	43,596	39,991
Deferred acquisition costs	(895)	(887)
Collection commissions	2,251	2,208
Commissions on outwards reinsurance	(10,692)	(14,906)
	34,260	26,406

NOTE 16 // Staff Costs

Staff costs break down as follows:

thousands of euros

	2007	2006
Remuneration of company officers	1,660	1,164
Wages and salaries	33,330	31,370
Chargese on wages and salaries	7,240	6,884
Pension premiums and contributions	1,128	660
Mandatory insurance	840	900
Welfare costs	187	863
Other staff costs	1,572	1,209
Estimate of employee bonus	3,878	4,033
Early retirement	-	9,500
	49,835	56,583

As at 31 December 2007 and 2006, the Group had not granted any loans to the directors.

thousands of euros

	2007	2006
Board of Directors		
Remuneration and other benefits	2,396	2,098
Cost of retirement pensions	796	4,618
	3,192	6,716

As at 31 December 2007 and 2006, the employees of the Tranquilidade Group broke down as follows into occupational categories:

	2007	2006
Management	77	71
Underwriting	243	230
Underwriting-Administrative	415	444
Sales	175	178
Information technology	42	49
Medical	16	27
General support	178	123
	1,146	1,122

NOTE 17 // Employee Benefits

Retirement pensions and health benefits

As stated in Note 2.12, Group companies have established fixed benefit plans for their employees, with provision for early retirement, death, old age and invalidity. There is also a plan covering a number of health benefits for current employees and those on early retirement up to the normal retirement age.

An actuarial assessment of retirement pension benefits and health benefits is conducted annually for Group companies, the last such assessment having been conducted with reference to 31 December 2007.

The main assumptions used in actuarial studies, as at 31 December 2007 and 2006, used to determine the discounted value of staff pensions and health benefits, are as follows:

	2007	2006
Financial assumptions		
Rate of salary growth	3.5%- 4% (*)	3%- 3.75% (*)
Rate of pension growth	2.5% - n.a. (*)	0.75 % - 3.75% (*)
Rate of return on fund	6% - 5.7% (*)	5.8% - 5.15% (*)
Rate of growth in early retirement pensions	2.50%	2.00%
Discount rate	5.25%	4.75%
Demographic assumptions and assessment methods		
Mortality table	GKF 95	GKF 95
Invalidity table	Suisse Re 2001	Suisse Re 2001
Actuarial valuation method		Project Unit Credit Method

(*) In relation to liabilities to Directors

In keeping with the accounting policy described in Note 2.12, the discount rate used to estimate liabilities relating to retirement pensions and health benefits corresponds to the market rates at the balance sheet date for highly rated corporate bonds.

At 31 December 2007 and 2006, Fund participants broke down as follows:

	2007	2006
Current employees	502	580
Pensioners	193	188
	695	**768**

At 31 December 2007 and 2006, amounts recognised in the balance sheet can be analysed as follows:

thousands of euros

	2007			2006		
	Retirement Pensions	Health Benefits	Total	Retirement Pensions	Health Benefits	Total
Net assets/(liabilities) recognised in the balance sheet						
Liabilities at 31 December						
Pensioners	(24,851)	(545)	(25,396)	(14,737)	(603)	(15,340)
Current employees	(27,142)	-	(27,142)	(38,308)	-	(38,308)
	(51,993)	**(545)**	**(52,538)**	**(53,045)**	**(603)**	**(53,648)**
Balance of fund at 31 December	49,078	-	49,078	47,835	-	47,835
Assets/(liabilities) receivable/payable to fund	(2,915)	(545)	(3,460)	(5,210)	(603)	(5,813)
Actuarial deviations deferred at 31 December	11,161	(123)	11,038	8,322	(147)	8,175
Net assets/(liabilities) in the balance sheet at 31 December	8,246	(668)	7,578	3,112	(750)	2,362

Balance sheet assets and liabilities are reflected in the accounts for other assets and other liabilities, respectively (see Notes 32 and 37). In addition, the Group transferred some of its liabilities for retirement pensions through acquisition of life insurance policies with T-Vida, Companhia de Seguros, S.A., The number of employees covered by these policies is 483 (2006: 489), and the total liability stands at 16,367 thousand euros (2006: 17,526 thousand euros), which is included in the value of the mathematical provisions for life business.

Liabilities for retirement pensions and health benefits evolved as follows:

thousands of euros

	2007			2006		
	Retirement Pensions	Health Benefits	Total	Retirement Pensions	Health Benefits	Total
Liabilities at 1 January	**53,045**	**603**	**53,648**	**44,134**	**773**	**44,907**
Cost of current services	1,189	6	1,195	805	49	854
Interest expense	2,457	28	2,485	2,035	1	2,036
Actuarial (gains) and losses on liabilities	2,081	18	2,099	267	(115)	152
Pensions paid by the fund	(3,099)	-	(3,099)	(4,343)	-	(4,343)
Benefits paid by group	(1,324)	(110)	(1,434)	(178)	(121)	(299)
Early retirement pensions	-	-	-	9,500	-	9,500
Alteration to consolidation perimeter	-	-	-	798	16	814
Transfers from other funds	(2,356)	-	(2,356)	27	-	27
Liabilities at 31 December	**51,993**	**545**	**52,538**	**53,045**	**603**	**53,648**

The value of the pension fund in the financial years of 2007 and 2006 evolved as follows:

thousands of euros

	2007			2006		
	Retirement Pensions	Health Benefits	Total	Retirement Pensions	Health Benefits	Total
Balance of fund at 1 January	47,835	-	47,835	45,630	-	45,630
Actual yield from fund						
Expected income from fund	2,638	-	2,638	2,482	-	2,482
Actuarial gains and losses	(850)	-	(850)	1,964	-	1,964
Contributions paid by fund participants	4,910	-	4,910	440	-	440
Pensions paid by the fund	(3,099)	-	(3,099)	(4,343)	-	(4,343)
Alteration to consolidation perimeter	-	-	-	1,635	-	1,635
Transfers from other funds	(2,356)	-	(2,356)	27	-	27
Balance of fund at 31 December	**49,078**	**-**	**49,078**	**47,835**	**-**	**47,835**

Deferred actuarial deviations in the balance sheet evolved as follows:

thousands of euros

	2007			2006		
	Retirement Pensions	Health Benefits	Total	Retirement Pensions	Health Benefits	Total
Deferred actuarial deviations at 1 January	8,322	(147)	8,175	10,925	(50)	10,875
Actuarial (gains) and losses						
- on liabilities	2,081	18	2,099	267	(115)	152
- on plan assets	850	-	850	(1,964)	-	(1,964)
Depreciation for the period	(92)	6	(86)	(252)	-	(252)
Alteration to consolidation perimeter	-	-	-	(654)	18	(636)
Deferred actuarial deviations at 31 December	11,161	(123)	11,038	8,322	(147)	8,175
Of which:						
Within the corridor	5,199	(55)	5,145	5,305	(60)	5,244
Outside the corridor	5,962	(69)	5,893	3,018	(87)	2,931

Assets receivable/liabilities payable evolved as follows in 2007 and 2006:

thousands of euros

	2007			2006		
	Retirement Pensions	Health Benefits	Total	Retirement Pensions	Health Benefits	Total
(Assets)/Liabilities receivable or payable at 1 January	**5,210**	**603**	**5,813**	**(1,496)**	**773**	**(723)**
Actuarial gains and losses on liabilities	2,081	18	2,099	267	(115)	152
Actuarial gains and losses on funds	850	-	850	(1,964)	-	(1,964)
Charges for the year						
- Cost of current services	1,189	6	1,195	805	49	854
- Interest expense	2,457	28	2,485	2,035	1	2,036
- Expected income from fund	(2,638)	-	(2,638)	(2,482)	-	(2,482)
- Early retirement pensions	-	-	-	9,500	-	9,500
Contributions made during the year and pensions paid by the Group	(6,234)	(110)	(6,344)	(542)	16	(526)
Alteration to the consolidation perimeter and transfers	-	-	-	(913)	(121)	(1,034)
(Assets)/Liabilities receivable or payable at 31 December	2,915	545	3,460	5,210	603	5,813

The cost of retirement pensions and health benefits in the period breaks down as follows:

thousands of euros

	2007			2006		
	Retirement Pensions	Health Benefits	Total	Retirement Pensions	Health Benefits	Total
Cost of curent services	1,189	6	1,195	805	49	854
Interest expense	2,457	28	2,485	2,035	1	2,036
Expected income from fund	(2,638)	-	(2,638)	(2,482)	-	(2,482)
Depreciation for the period	92	(6)	86	252	-	252
Early retirement pensions	-	-	-	9,500	-	9,500
Costs for the period	**1,100**	**28**	**1,128**	**10,110**	**50**	**10,160**

The relative cost of early retirement pensions includes the effect of additional amortisation of actuarial deviations.

The evolution of assets/(liabilities) on the balance sheet breaks down as follows:

thousands of euros

	2007			2006		
	Retirement Pensions	Health Benefits	Total	Retirement Pensions	Health Benefits	Total
At 1 January	3,112	(750)	2,362	12,421	(823)	11,598
Cost for the period	(1,100)	(28)	(1,128)	(10,110)	(50)	(10,160)
Contributions made during the year and pensions paid by the Group	6,234	110	6,344	542	(16)	526
Alteration to the consolidation perimeter	-	-	-	259	139	398
At 31 December	**8,246**	**(668)**	**7,578**	**3,112**	**(750)**	**2,362**

Pension fund assets break down as follows:

thousands of euros

	2007	2006
Land and buildings	8,191	10,743
Shares and other variable yield securities	23,492	22,455
Fixed yield securities	18,335	15,800
Bank deposits	8,424	2,256
Fund debtors and creditors	13	61
Interest receivable	278	246
	58,733	**51,561**

It should be noted that the amounts stated above relate entirely to the Tranquilidade Group and BES-Vida Pension Fund, where Tranquilidade represents approximately 81% of the total. The group does not use pension fund assets. The fund does not hold securities issued by Group entities.

At 31 December 2007, property registered in the financial statements of the fund and used by the Group stood at 361 thousand euros.

Fund liabilities and balances have evolved as follows over the last 5 years:

thousands of euros

	2007		2006		2005		2004		2003
	Retirement Pensions	Health Benefits	Retirement Pensions	Health Benefits	Retirement Pensions	Health Benefits	Retirement Pensions	Health Benefits	Retirement Pensions
Liabilities	(51,993)	(545)	(53,045)	(603)	(44,134)	(773)	(43,763)	(873)	(47,277)
Balance of funds	49,078	-	47,835	-	45,630	-	45,000	-	46,692
Liabilities (under)/over-financed	**(2,915)**	**(545)**	**(5,210)**	**(603)**	**1,496**	**(773)**	**1,237**	**(873)**	**(585)**
Unrecognized actuarial (gains)/losses	11,161	(123)	8,322	(147)	10,925	(30)	9,252	-	9,459
Net assets/(liabilities) on balance sheet	8,246	(668)	3,112	(750)	12,421	(803)	10,489	(873)	8,874

NOTE 18 // Third Party Supplies and Services

The balance of this account breaks down as follows:

thousands of euros

	2007	2006
Subcontracts	2,000	2,071
Electricity	511	343
Fuel	309	221
Office materials	435	368
Gifts	254	360
Upkeep and repairs	2,799	2,659
Rentals	2,966	2,630
Legal	152	110
Communication	4,436	4,206
Travel	1,425	1,404
Insurance	193	156
Advertising	4,089	3,175
Cleaning, hygiene and comfort	494	483
Security	325	294
Specialist work	15,698	13,910
Insurance activity levies	340	297
Premium collection costs	1,282	1,697
Brokers' club	223	527
Other	4,337	3,144
	42,268	38,054

The account for specialised work includes audit, consultancy and IT work, amongst other things.

NOTE 19 // Taxes and Charges

Taxes and charges break down as follows:

thousands of euros

	2007	2006
VAT	210	225
Stamp duty	8	7
I.S.P. levy	867	880
E.L.F. levy	678	638
F.G.A. levy	3,497	3,649
Drains tax	5	3
Municipal property tax	90	95
Other	728	718
	6,083	6,215

NOTE 20 // Charges Relating to Financial Investments

Financial charges break down as follows:

thousands of euros

	2007	2006
Interest paid	234	158
Investment custody and management commissions	789	212
Other	263	158
	1,286	528

NOTE 21 // Other Costs

thousands of euros

	2007	2006
Claims account management	883	1,945
Co-insurance management commissions	379	282
Donations and sponsorship	365	243
Gifts to clients	288	292
Uncollectible debts	67	353
Property upkeep and maintenance costs	787	974
Other costs	4,843	5,086
	7,612	9,175

NOTE 22 // Due From Banks

This item breaks down as follows, at 31 December 2007 and 2006:

thousands of euros

	2007	2006
Due from banks		
Sight deposits	121,232	65,709
Term deposits	105,652	-
	226,884	65,709

NOTE 23 // Other Financial Assets at Fair Value Through Profit or Loss

This item breaks down as follows, at 31 December 2007 and 2006:

thousands of euros

	2007	2006
Bonds and other fixed yield securities		
Other issuers	59,892	143,355
Other variable yield securities	3,790	1,557
Balance sheet value	**63,682**	**144,912**
Acquisition value	**63,405**	**145,739**

As at 31 December 2007, this item contained securities which the Group designated as financial assets at fair value through profit or loss on 1 January 2006, as a result of application of IAS 39.

The Group's decision to designate these financial assets as being at fair value through profit or loss, in the light of IAS 39, is in line with the Group's risk management strategy, as duly documented, considering that (i) these financial assets are managed and their performance is assessed on the basis of fair value and/or (ii) these assets contained embedded derivatives.

As at 31 December 2007 and 2006, financial assets at fair value through profit or loss broke down as follows by maturity:

thousands of euros

	2007	2006
One to three months	14,640	-
3 months to one year	-	1,557
One to five years	40,521	129,929
More than five years	8,521	13,426
	63,682	144,912

The account for financial assets at fair value through profit or loss broke down as follows into listed and unlisted securities:

thousands of euros

	2007			2006		
	Listed	Unlisted	Total	Listed	Unlisted	Total
Bonds and other fixed yield securities						
Other issuers	35,095	24,797	59,892	-	143,355	143,355
Other variable yield securities	3,790	-	3,790	1,557	-	1,557
	38,885	**24,797**	**63,682**	**1,557**	**143,355**	**144,912**

NOTE 24 // Available-For-Sale Financial Assets

The balance for this account broke down as follows at 31 December 2007 and 2006:

thousands of euros

	Amortised Cost (1)	Fair Value Reserve		Impairment	Balance Sheet Value
		Positive	Negative		
Bonds and other fixed yield securities					
Public issuers	50,244	-	(2,109)	-	48,135
Other issuers	658,669	512	(823)	-	658,358
Shares	57,323	20,525	(628)	(1,969)	75,251
Other variable yield securities	4,707	20	(93)	-	4,634
Balance at 31 December 2006	**770,943**	**21,057**	**(3,653)**	**(1,969)**	**786,378**
Bonds and other fixed yield securities					
Public issuers	50,192	-	(1,778)	-	48,414
Other issuers	455,678	187	(25,086)	-	430,779
Shares	114,976	18,472	(2,737)	(977)	129,734
Other variable yield securities	40,006	510	(91)	-	40,425
Balance at 31 December 2007	**660,852**	**19,169**	**(29,692)**	**(977)**	**649,352**

(1) Or acquisition cost in the case of shares and other variable securities.

Movements in impairment losses on available-for-sale financial assets were as follows:

thousands of euros

	2007	2006
Balance at 1 January	**1,969**	**2,537**
Allocations in the period	-	742
Use in the period	(992)	(1,310)
Closing balance at 31 December	**977**	**1,969**

Available-for-sale financial assets break down as follows in terms of maturity:

thousands of euros

	2007	2006
One to three months	1,040	-
3 months to one year	-	3,561
One to five years	224,640	510,979
More than five years	293,938	196,587
Indeterminate	129,734	75,251
	649,352	**786,378**

NOTE 25 // Receivables for Direct Insurance, Reinsurance and other Operations

The balance of this account broke down as follows at 31 December 2007 and 2006:

thousands of euros

	2007	2006
For direct insurance operations		
Policy holders	51,938	46,509
Brokers	361	114
Co-insurance	6,456	7,872
	58,755	**54,495**
For reinsurance operations		
Reinsurers	8,570	6,521
Reinsureds	-	179
	8,570	**6,700**
For other operations		
Related undertakings	2,500	5,909
Other debtors	38,074	28,097
	40,574	**34,006**
Impairment	(9,442)	(10,999)
	98,457	**84,202**

As at 31 December 2007, the account for “debtors – other operation – other debtors” recorded the sum of 11,108 thousand euros relating to property operations awaiting settlement.

As at 31 December 2007, this account also included the sum of 10,779 thousand euros (2006: 8,584 thousand euros) relating to the amounts receivable from IFADAP.

Variation in impairment losses:

thousands of euros

	2007	2006
Balance at 1 January	10,999	9,788
Allocation	14	1,211
Use	(1,571)	-
Closing balance	**9,442**	**10,999**

Balances for debtors for direct insurance, outwards reinsurance and other operations have a maturity of less than three months.

NOTE 26 // Tangible Assets

The balance of this account breaks down as follows at 31 December 2007 and 2006:

thousands of euros

	2007	2006
Property		
In own use	**50,314**	**63,916**
Equipment		
Administrative equipment	5,683	6,066
IT equipment	34,473	33,025
Interior fittings	1,975	1,280
Machines and tools	1,894	3,205
Vehicles and transport	744	633
Hospital equipment	556	546
Others	1,170	1,322
	46,495	**46,077**
Fixed assets under construction	344	-
	97,153	**109,993**
Accrued depreciation and impairment	(47,149)	(45,993)
	50,004	**64,000**

Movements in tangible assets break down as follows:

thousands of euros

	Property	Equipment	Fixed Assets Under Construction	Total
Net balance at 1 January 2006	**61,443**	**3,006**	**34**	**64,483**
Additons	325	4,191	-	4,516
Alterations to consolidation perimeter	-	1,674	-	1,674
Depreciation in the year	(998)	(2,555)	-	(3,553)
Write-offs/sales	(206)	(1,211)	(34)	(1,451)
Impairment	(1,669)	-	-	(1,669)
Net balance at 31 December 2006	**58,895**	**5,105**	**-**	**64,000**
Additons	688	3,239	344	4,271
Transfers	(3,561)	-	-	(3,561)
Depreciation in the year	(867)	(2,925)	-	(3,792)
Write-offs/sales	(9,490)	(96)	-	(9,586)
Impairment	(1,328)	-	-	(1,328)
Net balance at 31 December 2007	**44,337**	**5,323**	**344**	**50,004**

NOTE 27 // Investment Properties

The balance for this account as at 31 December 2007 and 2006:

thousands of euros

	2007	2006
Investment properties	82,904	80,923

Movements during the financial year of 2007:

thousands of euros

	2006	Acquisitions	Disposals	Transfers	Potential Gains	2007
Investment properties	80,923	365	(2,081)	3,697	-	82,904

Transfers of 3,697 thousand euros result from the transfer of property in own use to investment property

NOTE 28 // Intangible Assets

The balance of this account breaks down as follows at 31 December 2007 and 2006:

thousands of euros

	2007	2006
Goodwill	25,811	25,811
Value in force	50,000	50,874
Acquired from third parties		
Formation and installation expenses	81	108
Research and development expenses	25,660	27,569
Software	7,099	6,970
Intangible fixed assets in progress	1,969	190
	34,809	**34,837**
Accrued depreciation and impairment	(25,812)	(23,641)
	84,808	**87,881**

Movements during the financial year of 2007 break down as follows:

thousands of euros

	Goodwill	Value in Force	Other fixed assets	Total
Balance at 1 January 2006	**25,785**	**-**	**13,740**	**39,525**
Additions	26	50,874	3,302	54,202
Depreciation in the year	-	(1,324)	(4,522)	(5,846)
Balance at 31 December 2006	**25,811**	**49,550**	**12,520**	**87,881**
Additions	-	-	8,459	8,459
Write-offs / Transfers	-	-	(2,876)	(2,876)
Depreciation in the year	-	(3,187)	(5,469)	(8,656)
Balance at 31 December 2007	**25,811**	**46,363**	**12,634**	**84,808**

As stated in the accounting policies, the Group reviewed the recoverable value of goodwill and value in force (VIF) at 31 December 2007, concluding that no impairment needed to be recorded.

The outstanding balance for VIF will be depreciated as follows:

thousands of euros

	2008	2009	2010	2011	Subsequent Periods	Total
Depreciation	2,290	2,223	2,172	2,165	37,513	46,363

NOTA 29 // Investments In Associates

Financial data relating to associates is presented in the following table:

thousands of euros

	Assets		Liabilities		Equity		Net Profit for the Year		Acquisition Cost	
	2007	2006	2007	2006	2007	2006	2007	2006	2007	2006
BES, Companhia de Seguros, S.A.	108,662	88,919	84,207	64,784	24,455	24,135	4,723	4,425	3,759	3,759
Cominvest – Soc. Gestão e Inv. Imobiliário, S.A.	-	7,150	-	304	-	6,845	-	191	-	1,589
Espírito Santo Data, SGPS, S.A.	-	7,983	-	148	-	7,835	-	(133)	-	2,166
Espírito Santo Contact Center, S.A.	8,242	5,695	6,524	2,269	1,718	3,426	(219)	64	325	647
Europ Assistance, S.A.	30,289	28,917	21,778	19,921	8,511	8,996	1,177	1,082	1,757	1,757
									5,841	**9,918**

thousands of euros

	% Held		Balance Sheet Value		Profit of Associate Attributable to Group	
	2007	2006	2007	2006	2007	2006
BES-Vida, Companhia de Seguros, S.A. (a)	-	-	-	-	-	16,681
BES, Companhia de Seguros, S.A.	25.00%	25.00%	6,114	6,034	1,181	1,106
Cominvest – Soc. Gestão e Inv. Imobiliário, S.A.	-	24.00%	-	1,643	3	54
Espírito Santo Data, SGPS, S.A.	-	27.06%	-	2,120	(21)	(20)
Espírito Santo Contact Center, S.A.	20.42%	20.42%	351	700	(45)	53
Europ Assistance, S.A.	24.00%	24.00%	2,042	1,934	282	177
			8,507	**12,431**	**1,400**	**18,051**

(a) The 2006 results correspond to result appropriated up to the date of sale.

Movement in this account was as follows

thousands of euros

	2007	2006
Balance at 1 January	12,431	74,880
Disposal of associates	(4,008)	(85,966)
Acquisition of holdings in associates	-	6,159
Profit of associate attributable to Group	1,400	18,051
Fair value reserve	(185)	5
Dividends	(1,131)	(693)
Other variations	-	(5)
Balance at 31 December	**8,507**	**12,431**

NOTE 30 // Underwriting Provisions for Direct Insurance and Outwards Reinsurance

Underwriting provisions for direct insurance and outwards reinsurance break down as follows:

thousands of euros

	2007			2006		
	Direct Insurance	Outwards Reinsurance	Total	Direct Insurance	Outwards Reinsurance	Total
Provision for unearned premiums	118,232	13,350	104,882	117,257	12,612	104,645
Mathematical provision - life business	349,105	276	348,829	340,382	239	340,143
Claims provision	537,776	34,789	502,987	519,775	36,043	483,732
Provision for profit sharing	3,421	277	3,144	4,260	512	3,748
Provision for unexpired risks	7,250	-	7,250	4,500	-	4,500
	1,015,784	**48,692**	**967,092**	**986,174**	**49,406**	**936,768**

Deferred acquisition costs, recorded in the assets, have not been deducted from the provision for unearned premiums. The balance breaks down as follows:

thousands of euros

	2007			2006		
	Direct Insurance	Outwards Reinsurance	Total	Direct Insurance	Outwards Reinsurance	Total
Unearned premiums	118,232	13,350	104,882	117,257	12,612	104,645
Deferred acquisition costs	(23,459)	-	(23,459)	(22,564)	-	(22,564)
	94,773	**13,350**	**81,423**	**94,693**	**12,612**	**82,081**

The mathematical provision for life business breaks down as follows:

thousands of euros

	2007			2006		
	Direct Insurance	Outwards Reinsurance	Total	Direct Insurance	Outwards Reinsurance	Total
Mathematical provision - life business						
Annuities	96,935	-	96,935	50,216	-	50,216
Endowment with profit sharing	252,170	276	251,894	290,166	239	289,927
	349,105	276	348,829	340,382	239	340,143
Deferred acquisition costs	(214)	-	(214)	(270)	-	(270)
	348,891	**276**	**348,615**	**340,112**	**239**	**339,873**

Under IFRS 4, contracts issued by the Group where is merely the transfer of a financial risk, without discretionary profit sharing, are classified as investment contracts. On this basis, at 31 December 2007 and 2006, contracts where the investment risk is borne by the policy holder and fixed rate financial contracts are classified and recorded under assets as investment contracts (see Note 35).

The provision for claims breaks down by business area as follows:

thousands of euros

	2007			2006		
	Direct Insurance	Outwards Reinsurance	Total	Direct Insurance	Outwards Reinsurance	Total
Life	9,206	115	9,091	10,856	202	10,654
Non-life						
Employers' liability	179,638	27	179,611	176,675	29	176,646
Accident and health	12,891	396	12,495	11,345	586	10,759
Fire and other damage	27,766	7,915	19,851	29,282	8,176	21,106
Motor	281,376	14,460	266,916	266,261	15,419	250,842
Maritime, air and transport	6,710	3,539	3,171	6,360	3,371	2,989
General civil liability	17,728	7,772	9,956	17,143	8,016	9,127
Credit and bond	1,628	41	1,587	1,385	60	1,325
Other	833	524	309	468	184	284
	537,776	**34,789**	**502,987**	**519,775**	**36,043**	**483,732**

The provision for claims corresponds to claims incurred but not yet paid, at the balance sheet date, and includes an estimated provision of 25,304 thousand euros (2006: 27,004 thousand euros) for claim incurred prior to 31 December 2007 but not reported (IBNR).

In addition, the claims provision includes an estimate of 5,980 thousand euros (2006: 5,975 thousand euros) for management charges in relation to settlement of claims pending and not reported.

The claims provision for employers' liability insurance includes the sum of 129,676 thousand euros (2005: 131,071 thousand euros) relating to the mathematical provision for employers' liability.

The mathematical provisions for employers' liability are calculated in accordance with Regulatory Standard 15/2000-R, of 23 November, i.e. applying a mortality table of TD 88/90 with an interest rate of 5.25% and management charges of 0% for redeemable pensions, and the formula defined in the same standard for non-redeemable pensions, after calculation of the mathematical reserve on the basis of the mortality table PF 60/64 with an interest rate of 6% and 4% in management charges.

The mathematical provision includes a sum of 1,304 thousand euros (2006: 6,547 thousand euros) in relation to the increase in provisions as a consequence of the results obtained from the liability adequacy test. This test was conducted on the basis of the best estimates at the balance sheet date (see Note 2).

Movements during the period in the claims provision:

thousands of euros

	2007	2006
Balance at 1 January	**519,775**	**494,499**
Alterations to consolidation perimeter	-	6,271
Plus claims incurred:		
In the year	289,559	248,207
Previous years	(14,760)	(7,894)
Less amounts paid		
In the year	(136,443)	(103,862)
Previous years	(120,355)	(117,446)
Balance at 31 December	**537,776**	**519,775**

The provision for profit sharing corresponds to amounts attributed to the insured persons or beneficiaries of insurance contracts, in the form of profit sharing, which have not yet been distributed or incorporated in the mathematical provision for life business.

Movement in the provision for profit sharing in the periods ended 31 December 2007 and 2006 breaks down as follows:

thousands of euros

	2007	2006
Balance at 1 January	4,260	360
Alterations to consolidation perimeter	-	3,903
Paid	(2,302)	(90)
Amounts estimated as attributable	1,463	87
	3,421	**4,260**

NOTE 31 // Taxes

Current taxes for the financial years of 2007 and 2006 were calculated on the basis of a nominal rate of corporation and municipal tax of approximately 26.5% for 2007 and 27.5% for 2006, corresponding to the nominal rates approved at the balance sheet date.

Deferred taxes for 2006 were calculated on the basis of a rate of 26.5%, the rate substantially approved at the balance sheet date, as follows from approval of the local finance law which altered the way in which the municipal corporation tax is calculated, together with the respective rate.

Tax returns filed by the company and its subsidiaries on a self-assessment basis for the financial year of 2004 are subject to inspection and possible adjustment by the Tax Authorities during a period of four years. Additional tax may therefore be assessed due essentially to differing interpretations of fiscal law. However, the directors of Tranquilidade and its subsidiaries are confident that there will be no additional assessments with a significant impact on the financial statements.

Deferred tax assets and liabilities recognised in the balance sheet in 2007 and 2006 break down as follows:

thousands of euros

	Assets		Liabilities		Net	
	2007	2006	2007	2006	2007	2006
Financial assets	3,447	-	(398)	(4,271)	3,049	(4,271)
Intangible assets	-	27	(10)	-	(10)	27
Underwriting provisions - outwards reins. and direct insurance	1,088	2,631	-	-	1,088	2,631
Pensions and other employee benefits	-	-	(2,223)	(2,280)	(2,223)	(2,280)
Other	848	1,302	-	-	848	1,302
Fiscal losses to carry forwards	237	635	-	-	237	635
Deferred tax asset/(liability)	5,620	4,595	(2,631)	(6,551)	2,989	(1,956)
Set-off of deferred tax assets/liabilities	(1,939)	(3,960)	1,939	3,960	-	-
Inet deferred tax assets/(liabilities) (1)	3,681	635	(692)	(2,591)	2,989	(1,956)

(1) net per Group entity

Variation in deferred taxes was recognised as follows:

thousands of euros

	2007	2006
Recognised in profit or loss	2,749	12,098
Recognised in reserves	(7,694)	4,208
Alteration to consolidation perimeter	-	(705)
	(4,945)	**15,601**

Movement in deferred taxes on the balance sheets for 2007 and 2006 breaks down as follows:

thousands of euros

	2007		2006	
	Recognised in Profit or Loss	Recognised in Reserves	Recognised in Profit or Loss	Recognised in Reserves
Financial assets	374	(7,694)	4,154	4,208
Intangible assets	37	-	146	-
Underwriting reserves - outwards reins. and direct insurance	1,543	-	1,467	-
Pensions and other employee benefits	(57)	-	(327)	-
Other	454	-	357	-
Fiscal losses to be carried forward	398	-	6,301	-
	2,749	**(7,694)**	**12,098**	**4,208**

Tax on income reported in profit or loss in 2007 and 2006 breaks down as follows:

thousands of euros

	2007	2006
Current taxes	3,100	30,745
Deferred taxes		
Source and reversal of temporary differences	4,882	19,390
Fiscal losses to be carried forward	(2,133)	(7,292)
	2,749	**12,098**
Total tax recorded in profit or loss	**5,849**	**42,843**

Tax on income reported in reserves in 2007 and 2006 breaks down as follows:

thousands of euros

	2007	2006
Current taxes	-	-
Deferred taxes		
Fair value reserve	(7,694)	4,208
	(7,694)	**4,208**
Total tax recorded in reserves	**(7,694)**	**4,208**

Reconciliation of the rate of tax:

thousands of euros

	2007		2006	
	%	Value	%	Value
Profit before tax and minority interests		**30,566**		**211,366**
Statutory rate of tax	26.5%		27.5%	
Tax calculated on basis of statutory rate of tax		8,100		58,126
Dividends exempted from taxation		(274)		(993)
Separate taxation	214		194	
Investments in subsidiaries and associates		(371)		(3,266)
Alteration to rate of tax		-		97
Deferred tax asset not recognized on fiscal losses generated in period		131		-
Fiscal losses used in relation to which no deferred tax asset had been recognised		(2,133)		(7,292)
Other		182		(4,023)
		5,849		**42,843**

NOTE 32 // Other Assets

The balance for this item at 31 December 2007 and 2006 breaks down as follows:

thousands of euros

	2007	2006
Employee benefits - long term	8,246	3,112
Assets for investment contracts	27,905	13,819
Mortgage loans	1,242	1,402
Other loans	9,779	9,269
Salvage	689	430
Deferred costs	1,251	526
Commissions receivable	1,315	1,250
Other accrued income	676	3,097
Total	**51,103**	**32,905**

Assets relating to long term employee benefits are related to liabilities accepted by the Group in relation to payment of pensions and other employee benefits (see Note 17).

NOTE 33 // Other Loans

Other loans relate to bank loans obtained by the subsidiary Esumédica.

NOTE 34 // Payables for Direct Insurance, Reinsurance and Other Operations

The balance of this account at 31 December 2007 and 2006 breaks down as follows:

thousands of euros

	2007	2006
For direct insurance operations		
Policy holders	3,768	3,208
Brokers	7,105	4,494
Co-insurance	11,382	16,331
	22,255	**24,033**
For reinsurance operations		
Reinsurers	11,445	16,187
Reinsureds	19	118
	11,464	**16,305**
For other operations		
Related undertakings	3,537	-
Other creditors	**12,656**	**20,914**
Deposits from reinsurers	662	529
	50,574	**61,781**

NOTE 35 // Liabilities for Investment Contracts

As at 31 December 2007, liabilities for investment contracts break down as follows:

thousands of euros

	2007	2006
Fixed rate contracts	31,039	31,035
Insurance contracts where the investment risk is borne by the policy holder	33,034	16,402
	64,073	**47,437**

Under IFRS 4, contracts issued by the Group where there is merely the transfer of a financial risk, without discretionary profit sharing, are classified as investment contracts.

Movements in liabilities relating to fixed rate investment contracts break down as follows:

thousands of euros

	2007	2006
Balance at 1 January	31,035	30,718
Deposits received	-	-
Benefits paid	(1,354)	(246)
Underwriting interest for the year	1,358	563
Balance at 31 December	**31,039**	**31,035**

Movements in liabilities relating to investment contracts where the financial risk is borne by the policy holder break down as follows:

thousands of euros

	2007	2006
Balance at 1 January	16,402	11,951
Deposits received	18,661	4,921
Benefits paid	(2,628)	(750)
Underwriting interest for the year	852	354
Underwriting result	(253)	(74)
Balance at 31 December	**33,034**	**16,402**

NOTE 36 // Provisions

The balance for this account at 31 December 2007 and 2006 breaks down as follows:

thousands of euros

	Other provisions
Balance at 1 January 2006	**600**
Allocations	-
Write-offs	(46)
Balance at 31 December 2006	**554**
Alterações do perímetro de consolidação	294
Allocations	115
Write-offs	(171)
Balance at 31 December 2007	**792**

NOTE 37 // Other Liabilities

The account for other liabilities at 31 December 2007 and 2006 breaks down as follows:

thousands of euros

	2007	2006
Deferred income	240	280
Employee benefits - long term	668	750
Employee benefits - short term	8,228	9,022
Commissions payable	3,476	4,673
Gratuities	3,622	1,985
ISP levy	393	399
Municipal charges	200	215
Other accrued costs	4,172	4,921
	20,999	**22,245**

The account for short term employee benefits includes the sum of 4,606 thousand euros (2006: 5,022 thousand euros) and 3,622 thousand euros (2006: 4,000 thousand euros) relating to holiday pay and respective allowances for which entitlement was acquired during the financial year and to be paid in the following year and to the estimate of the bonus for the financial year of 2007 to be allocated to employees but only paid in 2008.

Liabilities relating to long term employment benefits are related to liabilities accepted by the Group in relation to payment of pensions and other benefits (see note 17).

NOTE 38 // Share Capital, Premiums, Fair Value Reserves and Other Reserves and Retained Earnings

Share capital

Companhia de Seguros Tranquilidade, S.A. has share capital of Euros 135,000,000, represented by 27,000,000 shares with a nominal value of 5 euros each, fully paid up in cash. The company's sole shareholder is Partran – Sociedade Gestora de Participações Sociais, S.A.

Legal reserve

The legal reserve can only be used to cover accrued losses or to increase capital. Under Portuguese legislation, no les than 10% of the annual net profits must bee transferred to the legal reserve, until it reaches the level of the issued share capital.

Fair value reserves

Fair value reserves represent the potential losses and gains relating to the portfolio of available-for-sale investments, net of impairment recognised in profit or loss in the period and/or in previous periods. The value of this reserve is presented net of deferred tax. Over the course of the financial year ended 31 December 2007, the fair value reserve and other reserves and retained earnings net of minority interests were as follows:

thousands of euros

	Fair Value Reserves			Other Reserves and Retained Earnings		
	Available-for-Sale Financial Assets	Resereves for Deferred Taxes	Total Fair Value Reserve	Legal Reserve	Other Reserves and Retained Earnings	Total other Reserves and Retained Earnings
Balance at 1 January 2006	**21,495**	**-**	**21,495**	**18,371**	**(7,249)**	**11,122**
Interim dividends	-	-	-	-	(76,761)	(76,761)
Transfer to reserves	-	-	-	2,678	15,124	17,802
Changes to fair value	(3,961)	(4,208)	(8,169)	-	-	-
Balance at 31 December 2006	**17,534**	**(4,208)**	**13,326**	**21,049**	**(68,886)**	**(47,837)**
Interim dividends	-	-	-	-	(60,240)	(60,240)
Transfer to reserves	-	-	-	15,722	152,289	168,011
Changes to fair value	(28,299)	7,694	(20,605)	-	-	-
Balance at 31 December 2007	**(10,765)**	**3,486**	**(7,279)**	**36,771**	**23,163**	**59,934**

The fair value reserve breaks down as follows at 31 December 2007 and 2006:

thousands of euros

	2007	2006
Amortised cost of available-for-sale financial assets	660,852	770,943
Accrued recognised impairment	**(977)**	**(1,969)**
Amortised cost of available-for-sale financial assets net of impairment	659,875	768,974
Fair value of available-for-sale financial assets	**649,352**	**786,378**
Potential gains recognised in fair value reserve	(10,523)	17,404
Fair value reserve for associated undertakings	(242)	130
Deferred taxes	3,486	(4,208)
Balance at 31 December 2007	**(7,279)**	**13,326**

Movements in the fair value reserve, net of deferred taxes and minority interests, in the financial year of 2007, were as follows:

thousands of euros

	2007	2006
Balance at 1 January	**13,326**	**21,495**
Change in fair value	(28,548)	14,821
Disposal of associated undertakings		(18,909)
Allocation/(use) of fair value reserve for associated undertakings	249	127
Deferred taxes recognised in reserves in the year	7,694	(4,208)
Balance at 31 December	**(7,279)**	**13,326**

NOTE 39 // Minority Interests

Minority interests as at 31 December 2007 and 2006:

thousands of euros

	2007		2006	
	Balance	Profits	Balance	Profits
Advancecare, S.A.	4,417	893	3,525	541
Fiduprivate, S.A.	154	(53)	206	(29)
Esumédica, S.A.	-	-	-	-
Heartscan, S.A.	-	-	-	-
	4,571	**840**	**3,731**	**512**

Movements in minority interests in the course of the financial years ended 31 December 2007 and 2006:

thousands of euros

	2007	2006
Minority interests at 1 January	3,731	-
Alteration to consolidation perimeter	-	3,219
Net profit for the period	840	512
Minority interests at 31 December	**4,571**	**3,731**

NOTE 40 // Transactions with Related Entities

Total Tranquilidade Group assets and liabilities at 31 December 2007 and 2006 relating to operations with associated and related undertakings are summarised below:

thousands of euros

Associated and Related Undertakings	2007				2006			
	Assets	Liabilities	Costs	Income	Assets	Liabilities	Costs	Income
Espírito Santo Contact Center, S.A.	102	-	1,624	110	-	66	1,409	66
BES Seguros	-	207	-	974	-	-	-	72
Banco Espírito Santo, S.A.	117,280	2,129	1,508	12,260	154,819	-	1,338	15,194
PARTRAN	-	-	-	-	3,239	-	-	-
E.S. Segurança	107	-	471	909	6,836	-	279	778
Marinoteis	1,370	-	-	-	1,370	-	-	-
Estela Golf	149	-	-	-	162	-	-	-
Fungere	3,565	-	-	-	3,999	-	-	-
BES Vida	1,071	737	1,441	112	2,286	-	-	201
GESPatrimónio	1,057	-	-	1,178	1,360	-	-	-
Carrefour	-	-	-	-	65	-	-	256
Portugália	-	-	-	-	25	-	-	447
Multipessoal	47	17	334	288	30	-	277	152
Fundação Espírito Santo	-	-	-	78	18	-	-	70
Espírito Santo, A.C.E.	-	-	-	121	19	-	-	109
BES Leasing	-	2,958	200	1,357	-	2,366	126	39
E.S.A.F.	-	85	-	359	-	-	-	133
Crediflash	-	-	-	-	-	-	-	1,674
E.S. Resource	-	-	-	169	-	-	-	48
E.S. SAÚDE	8,500	-	-	-	6,000	-	-	48
PME Link	-	-	-	-	-	-	-	43
ESCOM	-	-	-	108	-	-	-	127
Credibom	-	12	-	-	-	-	-	144
E.S. Gest	-	-	76	-	-	-	-	29
Hersal	20	-	-	79	-	-	-	33
Top Atlântico	-	-	-	-	-	-	462	-
S.G.L.	-	86	430	-	-	-	378	-
Hoteis Tivoli	-	-	-	-	-	-	27	-
E.S.F.G.	-	-	337	-	-	-	-	-
GESFIMO	-	-	-	50	-	-	-	-
Europ Assistance	-	-	-	216	-	-	-	-
BESI	-	-	116	-	-	-	-	-
	133,268	**6,231**	**6,537**	**18,368**	**180,228**	**2,432**	**4,296**	**19,663**

In addition, on 1 August 2006, following on from the agreements signed between BES-Vida, Companhia de Seguros, S.A., T-Vida, Companhia de Seguros, S.A., BESPAR, Sociedade Gestora de Participações Sociais, S.A., Crédit Agricole, S.A. and Banco Espírito Santo, S.A., BES-Vida Companhia de Seguros, S.A., transferred to T-Vida its position in the contracts brought in through the branch and brokers' network of Companhia de Seguros Tranquilidade, S.A, including all the rights, obligations and guarantees deriving from the same, for a price of 50,000,000 euros.

As part of this wider operation, all the assets and liabilities associated with the contracts transferred were also transferred to T-Vida, Companhia de Seguros, S.A., at their fair value at 31 July 2006.

These assets and liabilities broke down as follows:

thousands of euros

	2006
Assets	
Due from banks	385,745
Other financial assets at fair value through profit or loss	1,867
Available-for-sale financial assets	40
Receivables- direct insurance, reinsurance and other operation	1,267
Underwriting provisions for outward reinsurance	1,289
Other assets	553
Total Assets	**390,761**
Liabilities	
Payables-direct insurance, reinsurance and other operations	274
Liabilities for investment contracts	12,061
Underwriting provisions - direct insurance	387,129
Other liabilities	297
Total Liabilities	**390,761**

During the financial years ended 31 December 2007 and 2006, no additional transactions were recorded with related entities.

NOTE 41 // Management of Operating Risks

The risk policy is applied across all Company areas and formally defines the Group risk management strategy and aims, for different classes of risk incurred, covering the functions, responsibilities and authorizations underlying the processes adopted by the Company to achieve its objectives.

The main components of the risk policy are as follows:

- Risk definitions and categories;
- The key principles for decision making to be based on risk management;
- The governance model for the risk structure, which comprises:
  - The functions and responsibilities of the committees, operating units and other areas dealing with risk;
  - Risk policy;
  - The respective risk functions.

Compliance with the standards defined in the risk policy is the responsibility of senior staff at different levels/in different areas of the Company. These staff are responsible for:

- Continuous management and control of different types of risk, in accordance with principles of good practice;
- Compliance with the legislation in force, regulatory requirements and appropriate codes of conduct.

The Overall Risk and Internal Control Department, together with the Overall Risk Management Committee, is responsible for the risk policy and the proposals for policy review.

The Company's directors are responsible for reviewing and approving risk policy on an annual basis, to assure that it is aligned with the Company's business and risk management aims, with any changes at operational level and with the annual business plan.

The Internal Audit Department assures that risk policy is continuously adapted and complied with.

Risk Management

- **Specific Insurance Risk -** The risk underlying the marketing of insurance contracts, associated with the design of products and the respective tariffs, the process of underwriting, establishing provisions for liabilities and management of claims and reinsurance.

In this field, Tranquilidade has followed a careful risk acceptance policy, based on tasks designed in accordance with actuarial principles, with regular reviews.

Risks where acceptance is restricted are underwritten centrally, with due records of the conditions and of the person responsible for the decision.

Provisions are monitored on a monthly basis, with the main focus on provisions for claims. Regular analyses are conducted of the sufficiency of the company's provisions. Internal assessment models are being developed for provisions, both for direct insurance and outwards reinsurance, with the use of stochastic models.

Any adjustments resulting from changes to estimates of provisions are reflected in the current operating results. However, given that the constitution of claims provisions is a necessarily uncertain process, there can be no guarantee that the actual losses will not be greater than those estimated, this risk being covered by the supplementary solvency capital.

Claims provisions excluding mathematical provisions for employers' liability insurance are presented in the following table:

thousands of euros

	Up to 1999	2000	2001	2002	2003	2004	2005	2006	2007
Initial estimate of cost of claims	250,434	276,399	299,101	302,579	305,512	328,733	363,800	375,014	398,894
Accrued payments									
One year later	91,432	106,206	105,824	108,328	106,724	91,174	105,504	100,096	-
Two years later	133,023	147,272	157,869	162,811	149,681	141,526	157,627	-	-
Three years later	161,289	185,976	197,820	194,772	185,956	176,790	-	-	-
Four years later	191,913	215,921	222,164	223,751	213,367	-	-	-	-
Five years later	215,087	234,821	246,876	245,653	-	-	-	-	-
Six years later	229,519	252,471	264,938	-	-	-	-	-	-
Seven years later	241,548	267,296	-	-	-	-	-	-	-
Eight years later	252,513	-	-	-	-	-	-	-	-
Final estimate of cost of claims									
One year later	253,045	277,599	303,180	313,397	327,363	338,836	354,407	366,449	-
Two years later	249,244	283,207	306,243	325,422	334,297	334,918	356,147	-	-
Three years later	251,544	283,966	314,450	331,367	332,408	333,196	-	-	-
Four years later	256,286	303,872	317,872	331,221	331,075	-	-	-	-
Five years later	277,384	306,526	318,261	329,943	-	-	-	-	-
Six years later	280,619	306,563	318,259	-	-	-	-	-	-
Seven years later	281,055	306,112	-	-	-	-	-	-	-
Eight years later	280,690	-	-	-	-	-	-	-	-
Accrued surplus/(shortfall)	(30,255)	(29,713)	(19,158)	(27,363)	(25,563)	(4,463)	7,653	8,565	-

The risk of longevity covers the uncertainty of actual losses resulting from insured persons living longer than expected and may be more relevant, for instance, in life annuities and in mathematical pensions in employers' liability insurance.

The risk of longevity is managed through the price, the subscription policy and regular review of the mortality tables used to define prices and to constitute provisions accordingly. When it is concluded that longevity is higher than assumed in the mortality tables, supplementary provisions are created and the tables are revised.

Any adjustments resulting from changes to estimates of provisions are reflected in the current operating results. However, given that the constitution of claims provisions is a necessarily uncertain process, there can be no guarantee that the actual losses will not be greater than those estimated, this risk being covered by the supplementary solvency capital.

In life business, the main assumptions used by type of contract are as follows:

	Mortality Table	Underwriting Rate
Retirement saving schemes and endowment products		
Up to December 1997	GKM80	4%
From January 1998 to June 1999	GKM80	3.25%
From 1 July 1999 to February 2003	GKM80	2.25% e 3%
From 1 March 2003 to December 2003	GKM80	2.75%
After 1 january 2004	GKM80	2.75% e 2.25%
Insurance in the event of life		
Annuities:		
Up to July 2002	TV 73/77	4%
From 1 July 2002 to December 2003	TV 73/77	3%
From 1 january 2004 to September 2006	GKF 95	3%
After September 2006	GFK-3 years	2%
Other insurance	TV 73/77	4%
Insurance in the event of death		
Up to December 2004	GKM80	4%
After 1 January 2004	GKM80	2%
Hybrid Insurance		
Up to September 1998	GKM80	4%
After 1 October 1998	GKM80	3%

For the purpose of testing liability adequacy, the assumptions relating to mortality are based on the best estimates resulting from analyses of the experience in the existing portfolio. Future cash flows are assessed and have been discounted at the zero risk interest rate.

The mortality assumptions used are as follows:

	Mortality Table
Ammuities	GRM 95
Savings and other contracts	40% GKM

The actuarial assumptions used in calculating the current value of mathematical provisions for employers liability insurance, for the purpose of liability adequacy testing, are as follows:

Mortality table	GKF 80
Interest rate	4.66%
Management fee	3%

The maximum exposure to risk per occurrence after reinsurance and excesses per business line may be summarised as follows:

thousands of euros

Sector	Type of Reinsurance	Coverage Limit	Net Retention
Mortgage lending life	Share + excess	1,000	75
Group life	Excess	1,000	75
Individual credit life	Excess	1,000	75
Life disaster	Excess loss (XL)	10,000	1,000
Personal accident	Excess loss (XL)	14,700	300
Employers' liability	Excess loss (XL)	39,500	500
Motor (third party)	Excess loss (XL)	49,250	750
Motor (own damage)	Excess loss (XL)	4,250	750
Bonds	Share	400	20%
Bonds (loyalty)	Share	200	20%
Engineering	Share + excess	13,750	1,250
Fire	Excess	25,000	1,000
Fire (simple risk)	Excess	20,000	1,000
Fire (natural disaster)	Excess loss (XL)	160,000	10,000
Fire	Excess loss (XL)	8,000	2,000
General civil liability	Excess loss (XL)	4,850	150
Maritime (hull)	Excess	3,800	200
Maritime (hull) - Fleets	Excess	5,700	300
Cargo	Excess	3,450	150
Transport (disaster)	Excess loss (XL)	1,560	390
Health	Share	-	75%
Assistance	Share	-	-

// **Market Risk –** The risk of adverse movements in the value of the insurance company's assets, relating to variations in capital markets, foreign exchanges, interest rates and property values. Market risk also includes the risks associated with the used of financial derivatives and is closely related to the risk of mismatching between assets and liabilities.

In Tranquilidade, market risk is managed as part of financial policy, in the rules on allocation of assets by class and type of issuer, through the Financial Committe structure. This body is responsible for defining policies on allocation, and also for monitoring exposure to various risks: interest rate, exchange rate and liquidity. The Financial Committe comprises representatives of the Executive Board and the managers responsible for financial affairs.

In the course of 2008, the Company plans to set up a working party for Underwriting and Financial Risk Management, with the following responsibilities:

- To supervise the introduction of integrated risk management models, together with the economic capital models, approved by the Executive Board;
- To validate, from an underwriting point of view, the modelling or underwriting risks and financial risks, to be prepared by the Overall Risk Department and approved by the Executive Board;
- To develop tolerance indicators on the basis of models and to monitor variations in indicators;
- To identify risks and monitor underwriting and financial risks (including liquidity), in accordance with the tolerances defined by the Executive Board;
- To define integrated risk mitigation strategies, with a view to appropriate assets and liabilities, for analysis by the Overall Risk Management Committee.

The investment policies adopted by Tranquilidade are shaped by prudent levels of risk acceptance and portfolio diversification, in view of trends on the financial markets, namely with regard to interest rates. Financial policy, approved by the Financial Committe is designed to respond to market instability, setting minimum ratings for investments.

At 31 December 2007 and 2006, assets and liabilities break down as follows in terms of exchange rate risk, by currency:

thousands of euros

Assets	2007			
	United States Dollars	Sterling	Euros	Total
Due from banks	1,236	47	225,601	226,884
Other financial and non-financial assets	7,112	-	1,159,621	1,166,733
Total Assets	**8,348**	**47**	**1,385,222**	**1,393,617**
Total Liabilities	**-**	**-**	**(1,177,514)**	**(1,177,514)**
Net Exposure	**8,348**	**47**	**207,708**	**216,103**

thousands of euros

Assets	2006			
	United States Dollars	Sterling	Euros	Total
Due from banks	638	-	65,071	65,709
Other financial and non-financial assets	-	-	1,367,562	1,367,562
Total Assets	**638**	**-**	**1,432,633**	**1,433,271**
Total Liabilities	**-**	**-**	**(1,161,040)**	**(1,161,040)**
Net Exposure	**638**	**-**	**271,593**	**272 231**

- **Lending Risk –** The risk of default or alteration in the creditworthiness of the issuers of securities to which the insurance company is exposed, together with those of debtors, service providers, brokers, policy holders and reinsurers with which the company has business relations.

  The publication in late 2005 of the new Collection Law has significantly reduced this risk factor for insurance companies.

  Minimum rating levels are defined when selecting reinsurers, and Tranquilidade regularly monitors evolution in ratings.

- **Liquidity Risk –** The risk deriving from the possibility of the insurance company not having assets with sufficient liquidity to meet the cash flow requirements to comply with its obligations to policy holders and other creditors as and when they fall due.

  The Company prepares a monthly cash flow plan, adjusted each week to its capital needs/surpluses.

- **Operating Risk –** The risk of losses due to inadequacy or failure of internal procedures, persons, systems or external events.

The following table provides a sensitivity analysis for Group equity (net of tax) in respect of alterations in financial and non-financial factors:

thousands of euros

Sensitivity Analysis	Impact on Equity	
	31.12.2007	31.12.2006
Risk-free interest rate + 100 bp	(572)	334
Risk-free interest rate - 100 bp	(5 033)	(4 458)
Real estate and variable yield securities +10%	21 308	16 148
Real estate and variable yield securities -10%	(21 308)	(16 148)
Provisions for claims with probability of 75%	(8 869)	(15 096)

Internal Control

The Internal Control System may be defined as the various control activities undertaken with a view to compliance with policies and procedures defined within the Company. As such, internal control represents implementation of control activities for risks of non-compliance with the set policies and procedures, namely in terms of operations, compliance and financial reporting.

Accordingly, the risks presented in the Internal Control System belong to the operating risks presented in the Risk Management System, albeit at a higher level of detail. As such, the Internal Control System in the Tranquilidade Group insurance companies is duly documented, in view of the risks associated with the different processes and business and support areas.

The approached adopted in the Internal Control Systems comprises the following phases:

- Identification of business units and relevant processes, considering the associated risk involved;
- Documentation of the significant processes, including aims, main activities, risks and associated controls;
- Assessment of the design of controls and identification of the associated opportunities for improvement. These improvements may take the form of enhancing the existing controls or implementing new controls;
- Effectiveness tests for the controls identified, confirmation of shortcomings and preparation of a corrective plan;
- Preparation by management of the report on the internal control system.

Work undertaken in 2007:

- Active participation in QIS 3 (3rd Quantitative Impact Study) as part of Solvency II, first pillar;
- Review and analysis of the current situation with regard to implementation of the recommendations defined in the SOX report;
- Definition of principles, policies and procedures in connection with the Prevention and Detection of Money Laundering, as defined in internal standard OS 2/2007;
- A training plan was drawn up, using internal and external resources, reaching 351 members of staff (including management, sales staff, customer managers and cashiers) and 51 of the 53 franchised agents, at an initial stage. A second phase is planned aimed at brokers;
- In order to create the foundations for more comprehensive development, responding to the requirements of Solvency II, a project in the field of Risk Management and Internal Control Systems has been set up, looking at the following aspects:
    - Organizational Model for Risk Management;
    - Risk Culture;
    - Risk Management;
    - Internal Control;
    - Process Management. Implementation of the Process Management tool (QPR).

This project is at the final phase and one of the final documents will be a detailed implementation plan.

Risk concentration

Other financial assets are divided between business sectors as follows, for the periods ended 31 December 2007 and 2006:

thousands of euros

	2007			
	Other Financial Assets at Fair Value Through Profit or Loss		Helad-for-Sale Financial Assets	
	Gross	Impairment	Gross	Impairment
Petroleum refinery	607	-	1,564	(10)
Other manufacturing	636	-	6,149	-
Power, gas and water	907	-	8,697	-
Transport and communication	14,353	-	-	-
Financial	26,774	-	332,257	(232)
Administrative and public services	-	-	48,414	-
Other utility services	7,612	-	101,212	(458)
Other	12,793	-	152,036	(277)
TOTAL	**63,682**	**-**	**650,329**	**(977)**

thousands of euros

	2006			
	Other Financial Assets at Fair Value Through Profit or Loss		Helad-for-Sale Financial Assets	
	Gross	Impairment	Gross	Impairment
Food, drink and tobacco industries	-	-	2,522	-
Paper and printing	-	-	351	-
Machinery, electric and electornic goods	-	-	3,126	-
Other manufacturing	-	-	13,391	-
Power, gas and water	-	-	11,277	-
Wholesale and retail	-	-	13,568	-
Tourism	-	-	203	-
Transport and communications	-	-	75,700	-
Financial	47,580	-	538,593	(1,020)
Administrative and public services	-	-	51,338	-
Other	97,332	-	78,278	(949)
TOTAL	**144,912**	**-**	**788,347**	**(1,969)**

Fair value of financial assets and liabilities recorded at amortised cost

The fair value of financial assets and liabilities recorded at amortised cost, to the Group, breaks down as follows:

thousands of euros

	2007		2006	
	Balance Sheet Value	Fair Value	Balance Sheet Value	Fair Value
Cash and cash equivalents	885	885	720	720
Due from banks	226,884	226,884	65,709	65,709
Receivables - direct insurance, reinsurance and other operations	98,457	98,457	84,202	84,202
Financial assets	**326,226**	**326,226**	**150,631**	**150,631**
Other loans	1,097	1,097	1,196	1,196
Payables - direct insurance, reinsurance and other operations	50,574	50,574	61,781	61,781
Liabilities for investment contracts	64,073	63,662	47,437	47,505
Financial liabilities	**115,744**	**115,333**	**110,414**	**110,482**

The main methods and assumptions used in estimating the fair value of these financial assets and liabilities are as follows:

Cash and banks

Considering the short maturities associated with these financial instruments, the balance sheet value is regarded as a reasonable estimate of their fair value.

Other loans

Given that these are normally short term assets and liabilities, the balance at the balance sheet date is regarded as a reasonable estimate of their fair value.

Investment contracts

The fair value is estimated contract by contract, using the best estimate of the assumptions for projection of expected future cash flows and the zero risk interest rate at the issue date. The minimum guaranteed rate was considered in the estimate of fair value.

Debtors and creditors for direct insurance, reinsurance and other operations

Given that these are normally short term assets and liabilities, the balance for the various accounts, at the balance sheet date, is regarded as a reasonable estimate of their fair value.

Solvency

The Group monitors solvency from an individual standpoint for each of the companies subject to supervision by the portuguese Insurance Institute, and also from a consolidated standpoint. The solvency margin is calculated in accordance with Regulatory Standards 2/2005-R of Portuguese Insurance Institute, and is based on statutory financial information. The statutory financial information is draw up in accordance with the rules established by the regulator, which differ from the IFRS.

At 31 December 2007 and 2006, the solvency margin broke down as follows:

thousands of euros

	2007	2006
Capital	159,950	159,950
Reserves	97,918	73,306
Retained earnings	771	(75,023)
Net profits	29,326	159,661
Distribution of profits for the period	(24,596)	(65,429)
Intangible assets	(58,978)	(60,697)
Adjustment of liabilities and retirement pensions	(26,775)	(2,315)
Solvency margin available	177,616	189,453
Solvency margin required	166,538	154,954
Surplus/Shortfall	11,078	34,499
Solvency ratio	106.7%	122.3%

NOTA 42 // Recently Issued Accounting Standards and Interpretations

Recently issued accounting standards and interpretations which have not yet taken effect, and which the Group has still not applied in preparing its financial statements, are as follows.

IFRS 2 (amended) – Share-based payment: acquisition terms

In January 2008, the International Accounting Standards Board issued an amendment to IFRS 2 which takes effect as from 1 January 2009.

This alteration to IFRS 2 clarifies that (i) the terms for acquisition of rights pertaining to a share-based payaments plan are limited to the service or performance conditions and that (ii) any cancellation of such programmes, by the entity or by third parties, is treated in the same way in the accounts.

This rule is not expected to have any impact on the Group's financial statements.

IFRS 3 (revised) – Business combinations and IAS 27 (amended) consolidated and separate financial statements

In January 2008, the International Accounting Standards Board (IAASB) issued IFRS 3 (revised) Business combinations and an amendment to IAS 27 Consolidated and separate financial statements.

The main impacts of the changes to these standards correspond to: (i) the treatment of partial acquisitions, in which the noncontrolling interest (previously called minority interests) may be measured at fair value (which implies total recognition of goodwill against noncontrolling interests) or as a portion attributable to the fair value of the net assets acquired (as currently required); (ii) step acquisitions for which, under the new rules, the fair value of any noncontrolling interest prior to acquisition with a view to obtaining control must now be revalued, against profit or loss, when calculating goodwill; (iii) recording of costs directly relating to acquisition of a subsidiary which are now directly imputed to results; (iv) contingent prices where any change in estimation over time is now recorded in profit or loss and does not affect goodwill and (v) changes to the percentages of subsidiaries held without resulting in the loss of control, which are now recorded as movements in equity.

In addition, the amendments to IAS 27 also mean that accrued losses on a subsidiary will now be attributed to the noncontrolling interests (recognition of negative noncontrolling interests) and that, on disposal of a subsidiary, resulting in loss of control, any noncontrolling interest retained is measured at the fair value determined on the disposal date.

This review of IFRS 2 and amendment of IAS 27 take effect for financial years starting on or after 1 July 2009. The Group is currently assessing the impact of adopting these amended standards.

IFRS 8 – Operating segments

On 30 November 2006, the International Accounting Standards Board (IASB) issued IFRS 8 Operating Segments, which was adopted for use in the European Commission on 21 November 2007.

IFRS 8 defines the presentation of information on the operating segments of an entity. This standard specifies how an entity should report its information in its annual financial statements, and will consequently alter IAS 34 Interim financial reporting, with regard to information to be selected for the interim financial reports. Entities will also have to provide a description of the information presented by segment, namely results and operations, together with a brief description of how the segments are composed.

This standard is mandatory for periods starting on or after 1 January 2009.

The Group is currently assessing the impact of adoption of this standard.

IAS 1 (amended) – Presentation of financial statements

In September 2007, the International Accounting Standards Board issued IAS 1 (amended) Presentation of financial statements. Application is mandatory as from 1 January 2009.

IAS 1 (amended) requires that financial information be aggregated in when preparing financial statements in line with its basic characteristics and introduces the "comprehensive income statement".

As a result of the changes introduced by this standard, the users of financial statements will more easily distinguish variations in the Group's equity resulting from transactions with shareholders, as shareholders (e.g. dividends, transactions with treasury shares) and transactions with third parties, which will be summarized in the "comprehensive income statement".

The changes imposed by IAS 1 will have an effect on the presentation of the Group's financial statements, and work is currently underway to determine the extent of the alterations required.

IAS 23 (amended) – Borrowing costs

In March 2007 the International Accounting Standards Board issue IAS 23 (amended) Borrowing Costs. Application is mandatory as from 1 January 2009.

This standard requires that entities capitalize borrowing costs directly attributable to the acquisition, construction or production cost of a qualifying asset, as part of the acquisition, construction or production cost of this asset. Accordingly, the option of recording these costs directly in profit or loss is eliminated.

Qualifying assets correspond to those that need a substantial period of time to be ready for their intended use or for sale.

This standard is not expected to have any impact on the Group's financial statements.

Amendment to IAS 32 – Financial instruments: presentation – puttable financial instruments and obligations arising on liquidation

In February 20, the International Accounting Standards Board issued an amendment to IAS 32 Financial instruments: Presentation – Puttable financial instruments and obligations arising on liquidation. Application is mandatory as from 1 January 2009.

This amendment affects the classification of puttable financial instruments and obligations arising on liquidation. In accordance with the current requirements of IAS 32, financial instruments (i) reimbursable in cash or through delivery of other financial assets or (ii) which entitle the holder to require the issuer to repurchase them (reputable instruments) are classified as financial liabilities. The change to this rules means that certain instruments currently classified as financial liabilities will be recognized as equity instruments, when they represent the last residual interest in the net assets of an entity.

The IASB also amended IAS 1 Presentation of financial statements, including additional disclosure requirements for this type of instrument.

It is not expected that this alteration to IAS 32 will have any impact on the Group's financial statements.

IFRIC 11 – IFRS 2 – Treasury or group share transactions

On 2 November 2006, the International Financial Reporting Committee (IFRIC) issued IFRIC 11 IFRS 2 – Treasury and group share transactions.

IFRIC 11 has clarified the terms on which share based payments provided for in IFRS 2, involving treasury or group shares, should be classified in the individual financial statements of Group companies as share based payments with physical or financial settlement.

Application of this IFRIC is mandatory for the Group as from 1 January 2008.

This standard is not expected to have any impact on the Group's financial statements.

IFRIC 12 – Service concession arrangements

IFRIC 12 Service Concession Arrangements take effect on 1 January 2008.

IFRIC 12 applies to public-private service concession contracts. This standard will only apply to situations where the grantor of the concession a) controls or regulates the services rendered by the operator, and b) controls the residual interests in the infrastructures, on maturity of the contracts.

This standard is not expected to have any impact on the Group's financial statements.

IFRIC 13 – Customer loyalty programmes

IFRIC 13 Customer Loyalty Programmes was issued in July 2007 and takes effect for financial years starting on or after 1 July 2008, meaning it is only relevant to the Group as from 1 January 2009.

This interpretation applies to customer loyalty programmes, where credits are awarded to customers as part of a sale or service, and these credits may be exchanged in future for free or discounted services or goods.

This standard is not expected to have any impact on the Group's financial statements.

IFRIC 14 – IAS 19 – Limit on a defined benefit asset, minimum funding requirements and their interaction

Application of IFRIC 14 IAS 19 - Limit on a defined benefit asset, minimum funding requirements and their interaction – is mandatory as from 1 January 2008.

This interpretation defines the terms which should be considered when assessing the recognition of assets relating to pension plans in the light of the limits established in paragraph 58 of IAS 19, and discusses the interaction of these rules with possible minimum funding requirements established in law or contract.

The Group is currently assessing the impact of adoption of this standard on its financial statements.

Audit Report

Introduction

1 // We have audited the consolidated financial statements of Companhia de Seguros Tranquilidade, S.A., which comprise the consolidated Balance Sheet as at 31 December 2007 (which records a balance sheet total of 1,393,617 thousand euros and total equity attributable to the company's shareholders of 211,532 thousand euros, including a net profit attributable to the company's shareholders of 23,877 thousand euros), the consolidated statements of income, cash flow and changes in equity for the year then ended and the respective notes to the financial statements.

Responsibilities

2 // It is the Directors' responsibility to prepare consolidated financial statements, in accordance with the International Financial Reporting Standards ("IFRS") in force and adopted in the European Union, which give a true and fair view of the state of affairs of the companies included in the consolidated accounts, their consolidated profit or loss for the period and consolidated cash flows, as well as to select suitable accounting policies and criteria and maintain an appropriate system of internal control.

3 // It is our responsibility to form a professional and independent opinion, based on our audit, on those statements and to report our opinion to you.

Scope

4 // We conducted our audit in accordance with the Audit Standards and Recommendations of the of the Chamber of Official Auditors, which require that it be planned and performed so as to obtain a reasonable assurance that the consolidated financial statements are free from material mis-statement. Our audit therefore included:

- An assessment of the financial statement of the companies included in the consolidated accounts and of evidence relevant to the amounts and disclosures in the financial statements and an assessment of the estimates and judgements made by the Directors in the preparation of the financial statements;
- An assessment of consolidation operations;
- An assessment of whether the accounting policies are appropriate and adequately disclosed, given the circumstances;
- An examination to ensure that the accounts are prepared on the going concern basis; and
- An assessment of the overall adequacy of the presentation of information in the financial statements.

5 // Our audit also included confirming that the consolidated financial information contained in the management report accords with the consolidated financial statements.

6 // We believe that our audit provides an acceptable basis on which to express our opinion on the financial statements.

Opinion

7 // In our opinion, the said consolidated financial statements give a true and fair view, in all materially relevant aspects, of the consolidated state of affairs of Companhia de Seguros Tranquilidade, S.A. as at 31 December 2007, of the company's consolidated profit in the year then ended and the respective consolidated cash flows, in accordance with the International Financial Reporting Standards as adopted by the European Union.

Lisbon, 18 April 2008

KPMG & Associados – Sociedade de Revisores Oficiais de Contas, S.A.

Represented by

Ana Cristina Soares Valente Dourado
(ROC No. 1011)

TRANQUILIDADE'07

REPORT AND ACCOUNTS

T-VIDA 07

REPORT AND ACCOUNTS

01
COMPANY OFFICERS

BES art COLECÇÃO BANCO ESPÍRITO SANTO

CANDIDA HÖFER
"Biblioteca Palácio Nac. Mafra III",
2006
C-Print,
152 x 171 cm

01
Company Officers

General Meeting:

Chairman: Rui Manuel Duarte Sousa da Silveira

Secretary: João Afonso Pereira Gomes da Silva

Board of Directors

Chairman: Pedro Guilherme Beauvillain de Brito e Cunha

Directors: Augusto Tomé Pires Fernandes Pedroso

António Miguel Natário Rio-Tinto

Miguel Maria Pitté Reis da Silveira Moreno

João Carlos Neves Ribeiro *

Sole Auditor: R.O.C. José Manuel Macedo Pereira

* Resigned from office on 31.01.2008

Board of Directors

Peter Brito e Cunha

Tomé Pedroso

Miguel Rio-Tinto

Miguel Moreno

02
DIRECTORS' REPORT

PEDRO LETRIA
"Sala de Recursos Humanos
da Sodefor em Nioki,
Rep. Democrática do Congo",
2005
Ilfochrome print
50 x 50 cm,
Edition.: 1/5

Courtesy of the Artist


SYNTHESE DES EFFECTIFS
POSTE
TOTAL

02
Directors' Report

Shareholders,

As required by law and the Articles of Association, the Directors are pleased to submit for your consideration their Management Report and the Respective Accounts of Companhia de Seguros T-Vida, S.A., for the financial year of 2007.

2.1 // Economic Background

2.1.1 // The Portuguese Economy

According to the latest estimates from the Bank of Portugal, the Portuguese economy continued on the path to recovery in 2007, in line with the trend observed in recent years, with growth in GDP rising from 1.3% to 1.9%. Despite growing more slowly than in 2006, exports were again robust, and increased by 7.1%. This was due not only to the export of goods, but also to services (notably, in addition to tourism, transport services, consultancy services and commercial brokerage services). Export destinations have also visibly diversified, with a greater proportion of goods and services being sold to economic zones with high levels of growth in 2007, such as Africa (Angola, in particular), Asia and Latin America. However, the acceleration in GDP in 2007 was driven by the increased contribution from internal demand.

Gross fixed capital formation (GFCF) grew by 3.2% in real terms, after two years of contraction (-1.5% and -0.8% in 2005 and 2006, respectively). This was achieved thanks to a recovery in corporate investment, which grew at slightly more than 4%, in line with the favourable evolution in the respective confidence indexes over the year.

Consumer spending grew by 1.5% (0.4 percentage points higher than in 2006), although growth tended to slow over the year, as indexes of consumer confidence edged downwards (especially in the second half). Households took a more cautious approach to consumer expenses, partly due to rising interest rates in a context of heavy household debt (close to 130% of disposable income).

Unemployment rose from an annual average of 7.7% to 8.0% of the working population (although it dropped by 0.4 percentage points year on year in the fourth quarter, suggesting that the labour market is gradually stabilizing). In this context, personal savings are estimated to have fallen from 7.8% to 7.6% of disposal income.

Rising fuel and food prices contributed an average annual inflation rate of 2.5% (the annual average in 2006 was 3.1%, but this figure reflects an alteration in the statistical processing of certain components of the retail price index; without this change, annual average inflation in 2006 would have been 2.5%).

The retail price index ended the year up 2.7%, with energy prices recording an increase of 9.4%.

The Government pursued a restrictive budgetary policy in 2007, bringing down the public sector deficit from 3.9% to 2.5% of GDP, attaining the target set in the Stability and Growth Programme (a deficit below 3%) one year early. At the same time, strong growth in exports and slower growth in imports helped to reduce the joint deficit of the current and capital balances (i.e. of the Portuguese economy's net borrowing requirement) from 8.6% to approximately 8.2% of GDP.

Faster growth in GDP and reduction of the twin deficits (budget and foreign) were achieved in a particularly hostile external environment, hit by the effects of the subprime mortgage crisis. Although the Portuguese banking sector was not directly exposed to this type of high-risk lending, the erosion of confidence in the international financial markets and tighter liquidity worldwide created more difficult financing conditions for Portuguese financial and non-financial institutions, in line with the situation experienced in other economies.

Rising interest rates on the money market, tighter liquidity (with widening credit spreads), less positive performance by equity indexes and a stronger euro created a more restrictive monetary and financial environment in the final months of 2007. In this context, after increasing the interest rate on the main refinancing operations to 4% (representing an accrued increase of 50 base points), the European Central Bank (ECB) called a halt in September to the cycle of interest rate rises which had started in December 2005.

The equity markets performed well in 2007, with the PSI-20 index recording an increase of 16.3% over the year. This trend was in line with other European equity markets, although performance was more moderate in the 4th quarter, with a variation of 8.3%.

2.1.2 // Insurance Market

The Portuguese insurance industry conducted its business in 2007 in a climate marked by a degree of uncertainty on the financial markets and by intense competition. At the same time, the sector has had to adapt to successive legislative and regulatory developments, some of them extremely far-reaching with a significant impact on companies.

Legislative and regulatory changes relating to the introduction of a new Accounting Plan for Insurance Companies (on an IAS/IFRS basis) have required companies to make additional efforts to overhaul their organizations, by adapting systems and processes, preparing human resources and also reviewing their management and business policies.

Total life premiums written by the insurance market in 2007 stood at 9,369 million euros, up by 6.9% on the previous year. This growth was driven by life insurance with significant endowment components not linked to investment funds, contributions for which accounted for nearly 1/3 of business in the sector and increased by more than 30% in relation to 2006. Robust growth (25.3%) was also recorded in contributions to endowment operations.

Retirement savings schemes (RSS) presented negative growth due only to a relatively unstable situation in the savings market, as savers woke up to the importance of private savings on retirement, in view of the inevitable deterioration in old age pensions paid by social security due to the new calculation rules.

In the market excluding the banking channel, all areas of business recorded positive growth, with total premiums written at 731 million euros, up on the year by 4%.

The market excluding the banking channel (including insurers which operate simultaneously in the traditional channel) represented approximately 7.8% of total premiums written in the life market (8.0% in 2006).

Endowment products accounted for 51.6% of total premiums in the without banking channel market, with traditional products representing 27.0% and RRS products 21.4%.

The most significant growth was in RSS products, up by 10.6% (in contrast to the situation in the market including the banking channel, where RSS products decreased by 13.4%), whilst endowment and traditional products also grew by 1.9% and 3.3%, respectively.

Asset management in the insurance market also appears to have benefited from positive performance overall in the equities market (the PSI20 index was up by 16.3% over the year), although it was also constrained by rising short and long term interest rates, affecting the Euro zone in general and tending to undermine the value of the large volume of fixed rate securities held by the insurance sector.

2.2 // Major Developments in 2007

T-Vida, Companhia de Seguros, S.A., an insurance company belonging to the Espírito Santo Group, was incorporated on 28 July 2006 and starting operating in the life insurance sector on 1 August 2007. Accordingly, for the purpose of comparison of the financial statements, all variations described in this report in relation to the previous period have been annualized.

In its first full year of business, T-Vida recorded growth in premiums written of 8,980 thousand euros, corresponding to a positive variation of 13.0% and revenues of 78,001 thousand euros.

In the ranking of individual insurance companies excluding the banking channel, T-Vida gained second place (up from sixth position at the start of the year), with a market share of 0.8% (6.9% considering the total life market).

The company bucked the market trend by recording significant growth in RSS products (92.8%), whilst the market as a whole contracted by 13.4%, and took 1st place in the market excluding the banking channel, with a share of 42.9%, and 5th place in the market including the banking channel, with a share of 3.1%. T-Vida also recorded positive performance with life risk products, not considering the extraordinary annuities realized by Pension Funds in 2006.

Mathematical provisions stood at 412.824 thousand euros, up by 6.7% on the previous year. In the segment of insurance companies not operating through the banking market, T-Vida was the market leader, with a share in the order of 2.2%. In traditional products, the company ranked second, with a market share of 7.9%.

The underwriting balance grew by 2.5% and the overall underwriting balance was up by 36.6%, in view of the large financial margin achieved in 2007 (financial yield – guaranteed rates).

Returns on financial operations performed very satisfactorily, with an increase of 14.4% or 2,500 thousand euros.

Operating costs were up by 13.8% (+ 1,019 thousand euros), representing 10.8% of premiums and 2.0% of mathematical provisions.

Pre-tax profits rose by 25.1%, whilst net profits grew by 1,918 thousand euros (+77.7%), due to the decrease in tax payable in comparison with the previous year (-35.5%).

The solvency margin offered a coverage rate of 104.7%, 26.9 b.p. down on the previous period.

Equity was bolstered by supplementary capital of 7,500 thousand euros, and the legal reserve was increased by a sum of 103 thousand euros corresponding to 10% of the profits for 2006.

2.3 // Leading Business Variables and Indicators

Balance Sheet	2007	2006	Var[1] Abs	Var[1] %
Investment	351,393	395,961	(44,568)	(11.3%)
Net assets	509,845	476,966	32,880	6.9%
Shareholders' funds	80,439	71,110	9,328	13.1%
Mathematical provisions	412,824	386,802	26,022	6.7%
INCOME STATEMENT				
Gross premiums written	78,001	28,759	8,980	13.0%
Earnings from financial operations	19,881	7,242	2,500	14.4%
Cost of claims	58,654	19,038	12,963	28.4%
Underwriting provisions (variation)	13,111	7,995	(6,078)	(31.7%)
Operating costs	8,395	3,073	1,019	13.8%
Underwriting balance [2]	6,835	2,778	167	2.5%
Overall underwriting balance [3]	11,208	3,418	3,006	36.6%
Net profits for the period	4,388	1,029	1,918	77.7%
BUSINESS INDICATORS				
Underwriting balance [2] / Premiums	8.8%	9.7%	-0.9	n.a.
Operating costs / Premiums	10.8%	10.7%	0.1	n.a.
Operating costs / Mathematical provisions	2.0%	0.8%	1.2	n.a.
Solvency margin coverage rate	104.7%	131.6%	(26.9)	n.a.
OTHER DATA				
Workforce	12	4	8	200.0%
No. of policies	129,980	114,668	15,312	13.4%

Unit: 000€
(1) For the income statement, annualized figures for 2006 were considered.
(2) Underwriting balance at a rate of 0% after reinsurance and gross risk premiums written
(3) Underwriting balance at a rate of 0% after reinsurance and gross risk premiums written + balance on financial operations.

2.4 // T-Vida Operations

2.4.1 // Direct Insurance Premiums

The company recorded growth in premiums of 8.980 thousand euros (+ 13.0%) over 2006.

This growth was supported by an increase in production of RSS products, of approximately 11,557 thousand euros (+ 27.9%). This segment benefited from the launch of a product with a 4% guaranteed rate for 2007 and 2008 and from the production of RSS Poupança Activa products.

Premiums on endowment products were down by 20.5%. This reduction in financial products was partly offset by the new unit linked product Fidelity Poupança (3,306 thousand euros) and by growth in the PET product (+ 27.0%).

Premiums in the traditional segment were down by 3.7%. This reduction was due to winding up in 2006 of a pension fund which increased the production of life annuities. The strategic products in this sector are hybrid and risk products, and the company recorded a decline in premiums for the former of 31.0%, whilst premiums for risk products performed extremely well, up by 72.1% (crucial to this growth was the increase of 54.8% in home loan insurance).

At the end of the year, T-Vida recorded total premiums of 78,001 thousand euros, with RSS and traditional products representing 67.9% and 22.7% respectively. These products are strategic for the company in terms of customer loyalty and the high underwriting margins.

Premiums by Product	2007	2006	Var[1] Abs	Var[1] %
RSS	**52,952**	**17,248**	**11,557**	**27.9%**
RSS Guaranteed	38,010	12,450	8,129	27.2
RSS Unit Linked	14,942	4,798	3,428	29.8%
Endowment	**7,346**	**3,848**	**(1,890)**	**(20.5%)**
Financial	3,971	3,725	(4,969)	(55.6%)
Unit Linked	3,375	123	3,079	1040.7%
Traditional	**17,703**	**7,662**	**(687)**	**(3.7%)**
Risk	11,421	2,765	4,785	72.1%
Hybrid	4,637	2,799	(2,080)	(31.0%)
Annuities	1,644	2,099	(3,393)	(67.4%)
T-VIDA TOTAL	**78,001**	**28,759**	**8,980**	**13.0%**

Unit: 000€
(1) Variation considering annualization of 2006 figures.

2.4.2 // Cost of Claims

Cost of Claims	2007	2006	Var(1) Abs	Var(1) %
RSS	**35,249**	**14,581**	**253**	**0.7%**
RSS Guaranteed	33,814	14,268	(428)	(1.3%)
RSS Unit Linked	1,435	314	682	90.5%
Endowment	**8,806**	**2,921**	**1,796**	**25.6%**
Financial	7,615	2,485	1,651	27.7%
Unit Linked	1,192	436	145	13.8%
Traditional	**13,300**	**6,011**	**(1,127)**	**(7.8%)**
Risk	3,232	700	1,552	92.4%
Hybrid	5,280	2,111	214	4.2%
Annuities	4,788	3,201	(2,894)	(37.7%)
T-VIDA TOTAL	57,355	23,514	922	1.6%

Unit: 000€
(1) Variation considering annualization of 2006 figures.

The cost of claims rose by 1.6% in comparison with 2006.

The cost of claims for RSS products stood at 35,249 thousand euros, due to policies maturing during the year (8,399 thousand euros) and to an increase in the number of redemptions (up by 41.8%).

For traditional products, the cost of claims totalled 13,300 thousand euros, due essentially to the large number of hybrid and annuity products maturing (with a significant volume of annuities).

We should stress that the claims paid due to death on risk products are significantly low in view of the volume which generated premiums.

The total cost of claims stood at 57,355 thousand euros.

2.4.3 // Mathematical Provisions

Mathematical provisions in life business are created in order to record the current value of the company's future liabilities for policies issued, and are calculated using tables and actuarial formulas which fully conform to the standards established by the Portuguese Insurance Institute.

The evolution of the mathematical provision is directly related to financial products marketed, for which there is a direct correspondence with the figure recorded in the mathematical provision. The distribution channels have made efforts to channel production to contracts with lower underwriting rates, which has brought down the minimum guaranteed rates on retirement and endowment products, down from 2006 to 2007 from 2.90% to 2.29% and from 3.73% to 3.63%.

Mathematical Provisions	31.12.2007	31.12.2006	Variation Abs	Variation %
RSS	**241,275**	**212,772**	**28,503**	**13.4%**
RSS Guaranteed	214,762	202,731	12,031	5.9%
RSS Unit Linked	26,513	10,041	16,472	
Endowment	**74,614**	**75,836**	**(1,222)**	**(1.6%)**
Financial	68,438	69,476	(1,037)	(1.5%)
Unit Linked	6,176	6,360	(185)	(2.9%)
Traditional	**96,935**	**98,194**	**(1,259)**	**(1.3%)**
Risk	1,793	1,476	318	21.5%
Hybrid	46,979	47,374	(394)	(0.8%9
Annuities	48,163	49,344	(1,182)	(2.4%)
T-VIDA TOTAL	412,824	386,802	26,022	6.7%

Unidade: 000€

It is relevant to note that the Company has considered retirement products as being strategic for long term returns, representing 58.4% of total mathematical provisions at 31.12.2007. This has permitted the company to establish itself as market leader amongst insurance companies working outside banking channels.

2.4.4 // Operating Costs

Operating Costs	2007	2006	Var(1) Abs	Var(1) %
Acquisition costs	4,826	1,489	1,252	35.0%
Administrative costs	3,586	1,567	(175)	(4.7%)
Investment management costs	518	137	190	57.7%
Other costs	(535)	(120)	247	85.9%
TOTAL	8,395	3,073	1,019	13.8%

Unit: 000€
(1) Variation considering annualization of 2006 figures.

The increase in operating costs was due to rising acquisition costs, up by 35.0%, and investment management costs, 57.7% higher than in 2006.

The company took on a further 8 employees, giving it a total workforce of 12 at 31.12.2007.

T-Vida has maintained the operational model adopted in 2006, outsourcing operational tasks from BES-Vida in the areas of subscription, portfolio management, claims and accounts.

2.4.5 // Financial Operations

The main feature of 2007 was a significant worsening in the financial markets in the second half of the year. Although world economic growth remained at a high level, with growth above potential in the main economies and excellent performance in emerging markets, the subprime crisis in the US severely undermined market sentiment, setting off a crisis of liquidity and confidence. The crisis spilled over into the credit and money markets, with spreads widening considerably. The financial sector was particularly hard hit, leading central banks to intervene through large-scale injections of liquidity.

Nevertheless, the equity markets in general recorded positive performance, reaching new all-time highs. Other major developments included the sharp depreciation of the US dollar and the robust performance of the commodities markets.

Assets Under Management	31.12.2007	%	31.12.2006	%	Var Abs	Var %
Bonds	277,097	64.8%	392,360	96.6%	(115,263)	(29.4%)
Shares	8,810	2.1%	3,262	0.8%	5,548	170.1%
Investment funds	43,953	10.3%	1,857	0.5%	42,096	2266.9%
Liquidity	95,409	22.3%	6,205	1.5%	89,204	1437.6%
Other	2,443	0.6%	2,496	0.6%	(53)	(2.1%)
Total	**427,713**	**100.0%**	**406,180**	**100.0%**	**21,533**	**5.3%**

Unit: 000€

The main thrust of the company's financial policy in 2007 consisted of diversifying its portfolio and taking up positions with new management bodies, seeking to maintain a policy of prudent, diversified and high-yield investment. Variable rate corporate debt with a stable risk continued to account for the most significant proportion of investment.

Financial Results	31.12.2007	31.12.2006	Var(1) Abs	Var(1) %
Earnings	18,008	6,707	1,911	11.9%
Actual gains/losses	2,107	485	943	81.0%
Unrealized gains/losses	(234)	50	(354)	(295.0%)
Total	**19,881**	**7,242**	**2,500**	**14.4%**

Unit: 000€
(1) Variation considering annualization of 2006 figures.

- In managing the bond portfolio, the company sought to maintain an average portfolio rating of A2/A and to maintain the same level of yields on investments. In view of the deterioration of the credit markets from mid-year onwards, the company sought to protect the portfolio and adopted a policy of disinvestment from relatively high risk structured debt, as well as disposing of securities in USD and in the financial sector.

- Following on from disposal of these positions, the portfolio presented relatively high levels of liquidity, which was deemed to constitute a defensive stance appropriate to the market conditions prevailing at the end of the year;

- Exposure to the equities market was gradually increased over the course of the year, allowing the company to access high yields. In addition to following the global indexes, the company specialized in Iberian markets, which performed extremely well;

- The company also subscribed to investment funds with new management bodies, in order to diversify risk and obtain higher yields;

- Alternative investments were built up in real estate, which is regarded as an area of huge potential;

The yield on T-Vida's average assets stood at 4.92%, representing an improvement on the figure of 4.24% recorded in 2006.

Class of Assets	2007	Yield	2006	Yield	Var Abs(1)
Variable yield securities	1,499	5.80%	499	8.90%	301
Fixed yield securities	18,382	4.10%	6,743	3.85%	2,199
Total	**19,881**	**4.30%**	**7,242**	**3.92%**	**2,500**

Unit: 000€
(1) Variation considering annualization of 2006 figures.

The yield on total assets, with annualization of income from fixed yield securities, stood at 4.10%. The actual yield on variable rate securities was 5.80%.

2.4.6 // Shareholders' Funds

The company recorded shareholders' funds in 2007 of 80,439 thousand euros, significantly higher than in 2006 (up by 9,329 thousand euros), due to the increase in supplementary capital subscriptions of 7,500 thousand euros and an increase in net profits of 77.5%.

The company distributed interim dividends in 2007 of 1,600 thousand euros.

Shareholders' Funds	31.12.2007	31.12.2006
Share capital	20,000	20,000
Revaluation reserves	0	81
Other reserves	57,603	50,000
Retained earnings	(1,553)	0
Net profits	4,388	1,029
Total	**80,439**	**71,110**

Unit: 000€

2.4.7 // Internal Control and Money Laundering

In 2007, the company created the post of Money Laundering Reporting Officer, responsible for coordinating and reporting on internal control procedures relating to money laundering, and to notify the relevant authorities of any operations regarded as suspicious, as well as centralizing information on facts relating to these cases.

Risk management and internal control systems are governance tools regarded as key factors in developing a solvency system appropriate to insurance business. T-Vida has developed internal procedures in this area, defining the general framework and establishing guidelines to avoid the company's services being used for money laundering purposes, and also to minimize its exposure to operating, reputational and legal risks.

The main components of the risk policy are:

- Definition and classification of risks;
- Key principles for decision making to be based on risk management;
- The governance model for the risk structure, which comprises:
  - The powers and responsibilities of the existing committees, operational units and other sectors dealing with risk;
  - Risk policy;
  - The respective supporting functions.

Compliance with the standards defined in the risk policy is the responsibility of managers at different levels/areas throughout of the company. These managers are required to assure:

- Management and ongoing control of the different types of risk, in accordance with the principles of good practice;
- Compliance with legislation, regulatory requirements and relevant codes of conduct.

The organizational structure created to support the work of the company's risk management and internal control system is based on a model of 3 lines of defence:

- The first line of defence is T-Vida's operational units, which are the areas with operational responsibility for risk management and the respective controls;
- The second line of defence has a supervisory function, represented by the Overall Risk and Internal Control Department (Internal Control System Office, Risk Modelling and Management Office and Compliance Office) and the Overall Risk Management Committee, whose main responsibilities are to create systematic rules and policies and to monitor the risk management and internal control system;
- The third line of defence consists of independent auditing, conducted by the Internal Audit Department and the Internal Audit Committee, with a view to assuring that controls are working effectively.

The main projects undertaken in 2007 were:

- Active participation in QIS 3 (3rd Quantitative Impact Study) as part of Solvency II, first pillar;
- Definition of principles, policies and procedures to prevent and detect money laundering and design of internal rules; a training plan has been drawn up, using internal and external resources, aimed initially a staff from Tranquilidade and T-Vida, and subsequently at brokers;
- Design of a training plan, using internal and external resources, aimed first at company staff, and subsequently at brokers;
- In order to create the foundations for more wide-ranging work, to respond to the requirements of Solvency II, a project has been set up for Risk Management and Internal Control System.
- This project is currently at the final phase, and one of the final documents will consist of a detailed implementation plan.

2.4.8 // Proposal for Distribution of Profits

The company recorded net profits in 2007 of 4,388,331 euros, representing an increase of 77.7% over the previous year.

As required by Article 376 b) of the Companies Code, we propose that the profits be allocated as follows:

a) 10% of the Net Profits, i.e. 438,833.10 euros, to the Legal Reserve;

b) 3,350,000 euros for distribution of dividends, of which 1,600,000 euros already paid in interim dividends;

c) The remainder to be placed at the disposal of the General Meeting for the purposes and under the terms of the Articles of Association, with any surplus being transferred to Retained Earnings;

The Portuguese legislation applicable to the insurance sector requires that 10% of the annual net profits be allocated the legal reserve, which cannot be distributed, until it reaches the level of the share capital.

2.5 // Strategic Aims

The financial year of 2008 will be decisive in building up T-Vida's infrastructures and consolidating its operations in providing one of the areas of financial services offered by the wider Tranquilidade Insurance Group.

The company has set itself ambitious targets for growth over the coming years, including the doubling of its client portfolio and expansion of its market share amongst insurance companies operating without a banking channel.

In terms of business development, particular attention will be paid to:

- the T-Vida range, with the creation of new products and revamping of the existing range, devoting special care to competitiveness and coordination with non-life and banking products (with a focus on the new unit linked products – Fidelity Poupança and Poupança Activa RSS);
- an assurfinance approach with growth in customer and policy numbers, more competitive positioning and sustained business dynamism;
- mix and range, with the design of unique and innovative products tailored to the needs of T-Vida clients, in order to cultivate customer loyalty;
- provision of appropriate service levels to customers and brokers;;
- consolidation of the business model, creating the right sales dynamics;
- realizing the potential of distribution channels, by broadening the base of life producers in the Tranquilidade brokers network and leverage at the Group's own offices through its direct channels.

In terms of premiums, T-Vida will devote special attention to traditional products (risk and hybrid), without neglecting its RSS products, which are the most successful in building customer loyalty. For group products offered in the life insurance sector, the company will work primarily through two of Tranquilidade's own sales structures: the Major Clients, Brokers and Private Clients Department and the Medium Sized Business Department.

Risk policy will be applied across the board in 2008 in all company areas and will shape T-Vida's strategy and aims for management of the different classes of risk which it accepts, encompassing the powers, responsibilities and authorizations underlying the processes adopted by the company in order to achieve its objectives.

A number of initiatives are planned for 2008, including:

- Participation in QIS 4;
- Cross-company projects for implementation of dynamic financial analysis software for calculation of economic capital;
- Work on risk management and internal control systems, involving action in the following fields:
  - Definition of risk tolerance and limits;
  - Design of a reporting system to monitor business and sensitivity analyses;
  - Implementation of improvements to the risk register and internal control system;
  - Implementation of a model for quantifying operating risk.
- The operational model for prevention of money laundering/financing of terrorism, on the basis of future legislation.

2.6 // Acknowledgements

The directors wish to express their appreciation to the shareholders, to BES-Vida and Tranquilidade, for their inestimable help and support, and also to the employees, for their contribution to the development of this new company.

We also wish to express our appreciation of the work of the sole auditor, Dr. José Manuel Macedo Pereira, and also the support of the Portuguese Insurance Institute and the Portuguese Association of Insurance Companies, in their various fields of expertise.

Lisbon, 11 March 2008

The Board of Directors

Pedro Guilherme Beauvillain de Brito e Cunha
(Chairman)

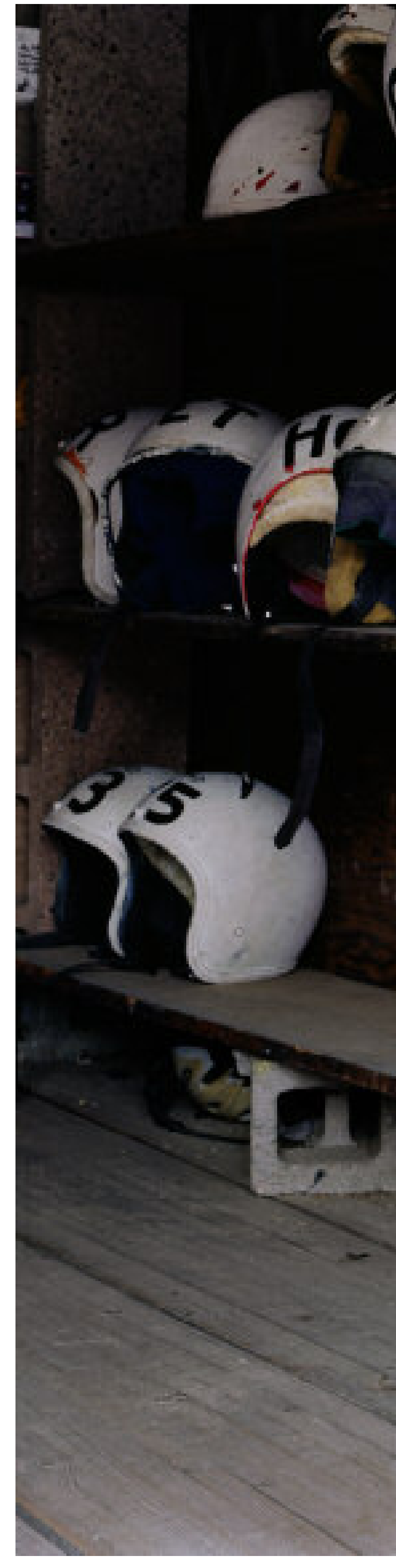
Augusto Tomé Pires Fernandes Pedroso
(Director)

António Miguel Natário Rio-Tinto
(Director)

Miguel Maria Pitté Reis da Silveira Moreno
(Director)

João Carlos Neves Ribeiro *
(Director)

* Resigned from office on 31.01.2008.



03 FINANCIAL STATEMENTS

BES art COLECÇÃO BANCO ESPÍRITO SANTO

MITCH EPSTEIN
“Palm Springs California”,
2006
C-print
114x147 cm, framed,
Edition: 1/6

03
Financial Statments

Balance Sheet as at 31 December 2007

euros

ASSETS	2007 Gross Assets	2007 Depreciation and Adjustment	2007 Net Assets	2006 Net Assets
Intangible fixed assets	**50,081,128**	**3,691,085**	**46,390,043**	**48,730,085**
Investments	**351,393,259**		**351,393,259**	**395,961,362**
Land and buildings	0		0	0
In own use			0	0
Rented			0	0
Fixed assets under construction and prepayments			0	0
Investments in group and associated undertakings	0		0	0
Shares in group undertakings			0	0
Bonds and other loans to group undertakings			0	0
Shares in associated undertakings			0	0
Bonds and other loans to associated undertakings			0	0
Other financial investments	**351,393,259**		**351,393,259**	**395,961,362**
Shares, other floating rate securities and units in investment funds	49,258,802		49,258,802	3,561,164
Bonds and other fixed rate securities	277,097,286		277,097,286	392,359,761
Mortgages			0	0
Other loans	37,171		37,171	40,437
Bank deposits	25,000,000		25,000,000	0
Other		0	0	
Deposits with reinsurance companies			0	0
Investments for life insurance in which the investment risk is taken by the policy holder	**5,257,878**		**5,257,878**	**3,076,726**
Underwriting provisions for outwards reinsurance	**28,572,701**		**28,572,701**	**14,770,656**
Provision for unearned premiums				
Mathematical provision - life business	275,403		275,403	237,336
Provision for claims	115,152		115,152	201,508
Provision for profit sharing	277,264		277,264	512,460
Other underwriting provisions			0	0
Underwriting provisions for life insurance where the investment risk is taken by the policy holder	27,904,882		27,904,882	13,819,352
Debtors	**4,540,960**	**701,988**	**3,838,972**	**4,366,987**
Direct insurance operations				
Group undertakings			0	0
Related undertakings			0	0
Other debtors	2,034,442	701,988	1,332,454	1,345,329
Reinsurance operations				
Group undertakings			0	0
Related undertakings			0	0
Other debtors	209,460		209,460	174,904
Other operations				
Group undertakings	2,137,375		2,137,375	1,606,142
Related undertakings			0	0
Other debtors	159,683		159,683	1,240,612
Capital subscribers			0	0
Other assets	**71,276,702**	**8,059**	**71,268,643**	**7,052,474**
Tangible fixed assets and stocks	12,100	8,059	4,041	68,121
Cash and banks	71,264,602		71,264,602	6,984,353
Other		0	0	
Accruals and deferrals	**3,123,984**		**3,123,984**	**3,007,463**
Interest receivable	2,434,227		2,434,227	2,490,678
Other accruals and deferrals	689,757		689,757	516,785
Total Assets	**514,246,612**	**4,401,132**	**509,845,480**	**476,965,753**

THE ACCOUNTS MANAGER
Jorge Rosa

THE FINANCIAL AND ADMINISTRATIVE MANAGER
Luís Ribeiro

Balance Sheet as at 31 December 2007

euros

LIABILITIES	2007	2006
Shareholders' funds	80,438,536	71,110,171
Share capital	20,000,000	20,000,000
Issue premiums		
Revaluation reserves		
Regulatory revaluation	-	80,967
Legal revaluation		
Reserves		
Legal reserve	102,921	-
Statutory reserve		
Other reserves	57,500,000	50,000,000
Retained earnings	(1,552,716)	
Profit for the period	4,388,331	1,029,204
Subordinated liabilities		
Fund for future allowances	**63,477**	**35,396**
Underwriting provisions	**392,222,126**	**385,246,136**
Provision for unearned premiums		
Mathematical provision - life business	380,135,229	370,400,475
Provision for claims		
Life	9,206,085	10,856,080
Employers' liability		
Other		
Provision for profit sharing	2,880,812	3,989,581
Provision for claims rate deviation		
Other underwriting provisions		
Underwriting provisions for life insurance where the investment risk is taken by the policy holder	**33,040,059**	**16,401,812**
Provisions for other risks and charges	**0**	**0**
Provisions for pensions		
Provisions for taxes		
Other provisions		
Deposits received from reinsurers		
Creditors	2,473,601	2,833,067
Direct insurance operations		
Group undertakings		
Related undertakings		
Other creditors	835,679	689,169
Reinsurance operations		
Group undertakings		
Related undertakings		
Other creditors	213,629	308,070
Bank loans		
Group undertakings		
Related undertakings		
Other creditors		
Government and public sector	1,245,081	1,079,131
Sundry creditors		
Group undertakings		
Related undertakings		
Other creditors	179,212	756,697
Accruals and deferrals	**1,607,681**	**1,339,171**
Total liabilities	**509,845,480**	**476,965,753**

THE BOARD OF DIRECTORS

Pedro Guilherme Beauvillain de Brito e Cunha, Augusto Tomé Pires Fernandes Pedroso, António Miguel Natário Rio-Tinto, Miguel Maria Pitté Reis da Silveira Moreno, João Carlos Neves Ribeiro

Profit and Loss Account as at 31 December 2007

euros

PROFIT AND LOSS ACCOUNT	2007			2006		
Life underwriting account						
Premiums written net of reinsurance						
Gross premiums written		78,000,715			28,758,522	
Outwards reinsurance premiums		(17,413,984)	60,586,731		(4,357,547)	24,400,975
Earnings from investments						
Income from equity holdings						
Group undertakings						
Others		0			0	
Income from other investments						
Group undertakings						
Others	17,154,829	17,154,829		6,415,582	6,415,582	
Gains realized on investment		7,946,119	25,100,948		1,987,815	8,403,397
Unrealized gains on investments			479,025			87,749
Other underwriting earnings, net of reinsurance			9,724			5,343
Underwriting earnings			**86,176,428**			**32,897,464**
Claims net of reinsurance						
Paid						
Gross	58,653,971			19,038,061		
Reinsurers' share	(2,878,418)	55,775,553		(653,531)	18,384,530	
Provision for claims (variation)						
Gross	(1,298,852)			4,475,525		
Reinsurers' share	86,356	(1,212,496)	54,563,057	59,372	4,534,897	22,919,427
Other underwriting provisions, net of reinsurance (variation)						
Mathematical provision for life insurance, net of reinsurance						
Gross	8,610,352			1,610,031		
Reinsurers' share	(38,067)	8,572,285		390,668	2,000,699	
Other underwriting provisions, net of reinsurance		2,009,245	10,581,530		661,256	2,661,955
Profit sharing, net of reinsurance			1,192,728			1,248,645
Net operating costs						
Acquisition costs		4,769,364			1,461,363	
Deferred acquisition costs (variation)		56,624			28,274	
Administrative costs		3,586,375			1,567,309	
Commissions and profit sharing (reinsurance)		(535,335)	7,877,028		(119,983)	2,936,963
Investment costs						
Cost of funds management		493,747			130,459	
Losses on investments		6,629,509	7,123,256		1,828,868	1,959,327
Unrealized losses on investments			644,536			3,104
Other underwriting costs, net of reinsurance			7,167			2,998
Allowances or use of funds for future allowances			28,081			35,396
Underwriting costs			**82,017,383**			**31,767,815**
Life underwriting account result			**4,159,045**			**1,129,649**

THE ACCOUNTS MANAGER
Jorge Rosa

THE FINANCIAL AND ADMINISTRATIVE MANAGER
Luís Ribeiro

Profit and Loss Account as at 31 December 2007

euros

PROFIT AND LOSS ACCOUNT	2007			2006		
Non-underwriting account						
Result of life underwriting account			4,159,045			1,129,649
Result of underwriting account			**4,159,045**			**1,129,649**
Earnings from investments						
Income from equity holdings						
Group undertakings						
Others	853,354	853,354			0	
Income from other investments						
Group undertakings						
Others		0		291,779	291,779	
Gains realized on investments		1,163,384	2,016,738		386,571	678,350
Unrealized gains on investment			14,109			87,891
Other earnings						21,067
Non-underwriting earnings			**2,030,847**			**787,308**
Investment costs						
Cost of funds management		24,679			6,521	
Losses on investments		453,744	478,423		59,954	66,475
Unrealized losses on investment			55,151			6,924
Other costs, including adjustments			599,277			83,755
Non-underwriting costs			**1,132,851**			**157,154**
Profit from ordinary operations before tax			**5,057,041**			**1,759,803**
Extraordinary income and gains			633,206			243,484
Extraordinary costs and losses			1,294			5
Extraordinary results			**631,912**			**243,479**
Allocance or use of regulatory revaluation reserve						-80,967
Recovery of gains or losses on investments			80,967			
Profits before tax			**5,769,920**			**1,922,315**
Tax on profits			1,381,589			893,111
Net profit for the financial year			**4,388,331**			**1,029,204**

THE BOARD OF DIRECTORS

Pedro Guilherme Beauvillain de Brito e Cunha, Augusto Tomé Pires Fernandes Pedroso, António Miguel Natário Rio-Tinto, Miguel Maria Pitté Reis da Silveira Moreno, João Carlos Neves Ribeiro

Statement of Cash Flows as at 31 December 2007

euros

	2007	2006
Cash flows from operating activities	**15,250,925**	**(338,587)**
Net profit for period	4,388,331	1,029,204
Depreciation	2,344,071	1,385,053
Increase/(decrease) in claims provision:		
direct insurance	(1,649,995)	4,585,288
outwards reinsurance	86,356	59,372
Increase/(decrease) in mathematical provision:		
direct insurance	9,734,754	2,445,269
outwards reinsurance	(38,067)	390,667
Increase/(decreasse) in other underwriting provisions:		
direct insurance	16,638,247	4,340,900
outwards reinsurance	(14,085,530)	(13,819,352)
Increase/(decrease) in provision for profit sharing:		
direct insurance	(1,108,769)	86,308
outwards reinsurance	235,196	(112,499)
Increase/(decrease) in bad debts adjustment	578,914	(243,232)
Loss on disposal of investments	7,083,253	1,888,822
Gain on disposal of investments	(9,109,503)	(2,374,387)
Loss on fair value change in investments	699,687	-
Gain on fair value change in investments	(493,134)	(116,363)
(Use of)/allocation to regulatory revaluation reserve	(80,967)	80,967
(Use of)/allocation to fund for future allowances	28,081	35 ,396
Cash flows from investing activities	**44,099,279**	**(452,023,343)**
(Increase)/decrease in debtors:		
direct insurance operations	(566,039)	164,671
reinsurance operations	(34,556)	(174,904)
other operations	549,696	(2,846,754)
Purchase of investments	(806,349,109)	(662,898,646)
Sale of investments	850,555,757	266,370,334
Purchase of fixed assets	(11,059)	(50,161,298)
Disposal of fixed assets	71,110	-
Increase/(decrease) in other asset accounts	(116,521)	(2,476,746)
Cash flows from financing activities	**4,930,045**	**73,601,375**
Increase/(decreases) in creditors:		
direct insurance operations	146,510	576,424
reinsurance operations	(94,441)	308,070
government and public sector	165,950	1,064,552
other operations	(577,484)	610,412
Increase/(decrease) in other liability accounts	268,510	1,041,917
Capital	-	20,000,000
Accessory capital subscriptions	7,500,000	50,000,000
Distribution of dividends	(879,000)	-
Interim dividends	(1,600,000)	-
Net increase/(decrease) in cash and cash equivalents	**64,280,249**	**(378,760,555)**
Opening cash and cash equivalents	**6,984,353**	**385,744,908**
Closing cash and cash equivalents	**71,264,602**	**6,984,353**

THE ACCOUNTS MANAGER
Jorge Rosa

THE FINANCIAL AND ADMINISTRATIVE MANAGER
Luís Ribeiro

THE BOARD OF DIRECTORS
Pedro Guilherme Beauvillain de Brito e Cunha, Augusto Tomé Pires Fernandes Pedroso, António Miguel Natário Rio-Tinto, Miguel Maria Pitté Reis da Silveira Moreno, João Carlos Neves Ribeiro

Notes to the Financial Statements as at 31 December 2007

(Figures in euros)

Introduction

T-Vida – Companhia de Seguros, SA (referred to below as T-Vida, or the Company) was incorporated on 28 July 2006 with a view to carrying on life insurance business on an independent basis, as from 1 August 2006. It is wholly owned by Companhia de Seguros Tranquilidade, SA.

On 1 August 2006, the Company acquired from BES Vida, Companhia de Seguros, S.A. its policy portfolio relating to the traditional brokers channel.

The following notes are given in accordance with the Accounting Plan for the Insurance Sector, omitting such notes as are irrelevant or for which there is nothing to report.

1 // Comparative Values

The financial statements now presented reflect the results of its operations for the financial year ended 31 December 2007 and for the five months ended 31 December 2006.

3 // Form of Presentation and Principal Accounting Principles and Valuation Criteria Adopted

(1) Presentation

The financial statements were prepared on the basis of books and accounting records kept in accordance with the Accounting Plan for the Insurance Sector and with the accounting standards and principles established by the Portuguese Insurance Institute.

(2) Principal accounting principles and valuation criteria

The principle accounting principles and valuation criteria adopted in preparing these financial statements are detailed below:

a) Costs and revenues

Costs and revenues are recorded in the financial year to which they relate, regardless of the date of payment or receipt.

Given that direct insurance premiums are recognised as income at the date on which the respective policy is processed or renewed and that compensation payments are recorded when claims are lodged, the company makes a number of accounting calculations for costs and revenues at the end of each financial year:

i. Mathematical provision

Mathematical provisions in life business are created in order to record the current value of the company's future liabilities for policies issued, and are calculated using tables and actuarial formulas which fully conform to the standards established by the Portuguese Insurance Institute. Mathematical provisions are Zillmerized and the respective effect is written off. As at 31 December 2007 total Zillmerization stood at 213,968 euros (2006: 271,049 euros).

ii. Provision for claims

The provision for claims corresponds to the foreseeable value of claims outstanding or not settled at the end of the financial year.

This provision is calculated as follows:

a) by analysis of outstanding claims at the end of the year and the consequent estimate of the liabilities existing as of the same date, and

b) by a general provision of 1% of the value of claims during the financial year, excepting payments on maturity or surrender of policies, in order to provide for liabilities relating to claims declared after the close of the financial year.

iii. Mathematical provision for outwards reinsurance

The mathematical provision for outwards reinsurance is calculated by applying the criteria described above for direct insurance business, taking into account the percentage transfers and the other terms and conditions of reinsurance treaties in force.

iv. Brokerage commissions

Brokerage commissions are represented by the remuneration allocated contractually to brokers for obtaining premiums and are recorded as costs at the time of issue of the respective receipts.

b) Provision for uncollected premiums

The purpose of the provision for uncollected premiums is to adjust the value of premiums due to the estimated revenues collected. This provision is calculated on the basis of premiums written more than 90 days previously but not paid, using percentages defined by the Portuguese Insurance Institute.

c) Provision for profit sharing

This provision corresponds to sums allocated but not yet distributed to policy holders or beneficiaries as profit sharing.

d) Financial investments

i. Valuation

Floating rate securities listed on the stock exchange are recorded at market value. Unlisted securities are valued using the equity method, on the basis of the last approved balance sheet.

Fixed rate securities issued at par are recorded at cost. The difference between acquisition cost and the nominal value of the securities, comprising the premium or discount on purchase, is depreciated over the period up to maturity date, against profits.

The assets (fixed yield or variable yield) belonging to products where the investment risk is taken by the policy holder are stated at market value. Unlisted securities are valued using the valuation models appropriate for determining their fair value.

ii. Earnings

Earnings from floating rate securities are entered in the accounts when received; for bonds and other securities earnings are allocated to the relevant period at the end of the financial year.

iii. Unrealised gains and losses

Gains and losses on floating rate securities resulting from the difference between the accounting value and the value determined by the valuation method referred to in i) are recorded as follows:

Securities representing underwriting provisions for with-profits life policies

- Gains and losses are entered in the life underwriting account under "unrealised gains on investments" and "unrealised losses on investments", respectively.

- If the difference between gains and losses is positive, it is transferred to the sub-account for the respective investment portfolio for "Fund for future allowances". Negative differences may be offset against the balance of the "Fund for future allowances" for the respective portfolio, up to the respective limit.

- The "Fund for future allowances" may be used for other purposes on the following conditions:

  - A- The fund may be drawn on for profit sharing only when each of the sub-accounts in the "fund for future allowances" represents at least 5% of the value of the respective investment portfolio both before and after drawing.

  - The fund may be drawn on as necessary to ensure that none of the sub-accounts in the "fund for future allowances" exceeds 25% of the value of the respective investment portfolio.

Securities representing underwriting provisions for without-profits life insurance policies:

- Gains and losses are entered in the life underwriting accounts under "unrealised gains on investments" and "unrealised losses on investments", respectively.

- If the difference between gains and losses is positive it is transferred to the "Regulatory revaluation reserve". If negative, it may be offset against the balance of this account, up to the respective limit.

Securities not representing underwriting provisions:

- Gains and losses are entered in the non-underwriting life account under "unrealised gains on investments" and "unrealised losses on investments", respectively.

- If the difference between gains and losses is positive it is transferred to the "Regulatory revaluation reserve". If negative, it may be offset against the balance of this account, up to the respective limit.

The "Regulatory revaluation reserve" may only be used for the purposes and in the order of priority indicated below:

1º - Offsetting unrealised losses on investments;

2º - Coverage of accrued losses up to the end of the financial year in which it was created;

3º - Recording effective gains on investments in the non-underwriting account "Recovery of realised gains and losses on investments" or capitalisation.

Securities relating to life insurance in which the investment risk is taken by the insurer.

- Gains and losses are recorded in the non-underwriting account for life insurance under "unrealised gains on investments" and "unrealised losses on investments".

iv. Effective gains and losses

Effective gains and losses resulting from the disposal of floating rate securities are recognised as profit or loss in the financial year in which they occur.

e) Intangible fixed assets

These assets are valued at acquisition cost and comprise fundamentally expenses relating to i) incorporation and formation and ii) goodwill, and are depreciated over their useful life.

f) Tangible fixed assets

These assets are recorded at acquisition cost and are depreciated on a straight line basis using the following annual rates which reflect with reasonable accuracy the estimated useful life of the respective assets:

- Computer equipment **33 %**

g) Liabilities for holiday pay and allowances

Included under accruals and deferrals under liabilities, corresponding to 2 months' pay and related charges, based on the salary rates in the respective financial year, in recognition of legal liabilities to employees at the end of 2007 in respect of services rendered up to this date and to be settled later.

h) Liabilities for complementary pensions

Under the collective labour agreement in force in the insurance sector, the company has agreed to grant its employees contracted by the insurance industry on or before 22 June 1995 complementary retirement cash benefits. These benefits paid in accordance with the terms of articles 51 to 60 of the Collective Labour Agreement for the Insurance Sector, as reviewed in 1995 and published in the Boletim de Trabalho e Emprego, 1st series, no. 23, of 22 June 1995.

The company has applied to the Portuguese Insurance Institute to be included as an associate of the Tranquilidade Pension Fund.

Contributions to the fund are calculated in accordance with the respective actuarial and financial plan, which is reviewed annually, in accordance with actuarial practice, and adjusted in line with pension increases, changes in the group of participants and the liabilities involved and with the company's policy of total coverage of actuarially determined liabilities.

i) Corporation tax

Corporation tax (IRC) is determined on a self-assessment basis, with declarations being filled out under the terms of current tax legislation. These returns are subject to inspection by the taxation authorities for a period of 4 years as from the period to which they relate. However, when there are fiscal losses to be carried over, the inspection period is extended to 6 years.

j) Interest rate swaps and other derivatives

These operations, when carried out to hedge against the interest rate risks inherent in assets and liabilities not valued at market value, are not valued at market price. Gains or losses are entered as and when generated.

However, when these operations are carried on in products where the investment risk is borne by the policy holder, they are stated at market value or, in the absence of market value, at the fair value of these contracts determined using valuation models.

l) Foreign exchange swaps

These operations are carried out to hedge against the exchange rate risks inherent in assets and liabilities expressed in foreign currency and are translated into euros using the last reference rate fixed by the Bank of Portugal.

Differences between the exchange rate contracted and that ruling as at the balance sheet date are recorded under profits from ordinary operations before tax.

4 // Foreign Currency Transactions

The values of assets and liabilities expressed in the currencies of countries not participating in Economic and Monetary Union were translated into euros using the last reference exchange rate fixed by the Bank of Portugal.

Differences between the rates ruling on the date of contract and those ruling at the balance sheet date have been recorded under profits from ordinary operations before tax.

7 // Average Number of Employees

The average number of employees in the company's service by professional category at 31 December 2007 and 2006 breaks down as follows:

Category	2007	2006
Management	1	-
Technical	11	4
	12	4

8 // Staff Costs

Staff costs in the periods ended 31 December 2007 and 2006 break down as follows:

euros

	2007	2006
Remuneration		
Company officers	166,404	6,050
Employees	409,182	59,203
Social charges	106,548	14,217
Other costs	89.760	719
	771,894	80,189

10 // Intangible Fixed Assets

The net value of intangible fixed assets is detailed below:

euros

	2007	2006
Formation costs	81,128	81,128
Goodwill	50,000,000	50,000,000
	50,081,128	50,081,128
Accrued depreciation	(3,691,085)	(1,351,043)
	46,390,043	48,730,085

The figure recorded under Goodwill correspond to the value of the acquisition cost of the contractual rights pertaining to the business brought in through the network of branch offices, brokers and franchisees of Companhia de Seguros Tranquilidade, S.A., including all rights, obligations and guarantees deriving from the respective contracts. This asset is depreciated over the period during which the income relating to the contracts acquired is recognised.

The allocation of depreciation for the financial year of 2007 in relation to intangible fixed assets was 2,340,042 euros (2006: 1,351,043 euros).

12 // Doubtful Debts

The value of doubtful debts recorded under "Debtors - direct insurance operations - other debtors" is 701,988 euros (2006: 123,074 euros), corresponding to the value of premiums outstanding on risk insurance.

15 // Share Capital

As at 31 December 2007 the company's share capital was represented by 20,000,000 registered shares with a nominal value of 1 euros each.

20 // Taxation

The Company is subject to the fiscal rules established in the Corporation Tax Code. In addition, the concept of deferred taxes, resulting from temporary differences between accounting results and results fiscally accepted for the purposes of corporation tax, is applicable whenever it is reasonably likely that such taxes will be paid or recovered in future.

Tax on profits was calculated on the basis of the fiscal criteria ruling at the balance sheet date, standing at 1,381,589 euros at 31 December 2007 (2006: 893,111 euros) as per the following breakdown:

euros

	2007	2006
Current taxes	1,392,465	893,111
Deferred tax assets	(10,876)	-
	1,381,589	893,111

Deferred tax assets relate to investments and were written against results.

22 // Inventory of Securities and Financial Holdings

See table in annex no.1.

22-A // Valuation of Certain Financial Instruments at Fair Value

The fair value of financial investments (including those relating to unit linked products) as at 31 December 2007:

Type of Financial Instrument	Balance Sheet Value	Fair Value
Shares and other variable yield securities	52,763,455	52,763,455
Fixed yield securities	277,382,618	265,149,123
Total	**330,146,073**	**317,912,578**
Difference between balance sheet value and fair value	**12,233,495**	

The fair value of assets was determined by using, for fixed or variable yield securities listed on organized markets, the last listed price from the markets considered most representative for a correct formation of the price for the asset in question. Unlisted assets were valued, whenever possible, using the valuation models usually used by the market for valuation of these assets. In the special case of unlisted variable yield securities, the valuation was conducted by use of the value of the corresponding shareholders' funds which may be appropriated in view of the interest owned, and in the case of fixed yield securities, the foreseeable repayment value of the asset was used.

23 // Financial Fixed Assets and Other Investments

Breakdown of movements in fixed assets accounts (tangible and intangible) and in various investment accounts (except securities).

23.1 // Tangible and Intangible fixed assets

Items	Opening Balance		Increases		Transfers and Write-Offs	Disposal	Depreciation for the Period		Closing Balance (net)
	Gross	Depreciation	Acquisitions	Revaluation			Increase	Adjustment	
INTANGIBLE FIXED ASSETS									
Formation costs	81,128	27,043	-	-	-	-	27,042	-	27,043
Goodwill	50,000,000	1,324,000	-	-	-	-	2,313,000	-	46,363,000
sub-total	**50,081,128**	**1,351,043**	**-**	**-**	**-**	**-**	**2,340,042**	**-**	**46,390,043**
TANGIBLE FIXED ASSETS									
IT Equipment	102,131	34,010	11,059	-	101,090	-	4,029	29,980	4,041
sub-total	**102,131**	**34,010**	**11,059**	**-**	**101,090**	**-**	**4,029**	**29,980**	**4,041**
Total	**50,183,259**	**1,385,053**	**11,059**	**-**	**101,090**	**-**	**2,344,071**	**29,980**	**46,394,084**

23.2 // Investments in group undertakings and other financial investments (except securities)

Items	Opening Balance (1)	Increases (2)	Reductions in Value (3)	Disposal or Reimbursement (4)	Closing Balance (5)
Other loans					
Loans on policies	40,437	-	3,266	-	37,171
Bank deposits	-	25,000,000	-	-	25,000,000
Total	**40,437**	**25,000,000**	**3,266**	**-**	**25,037,171**

24 // Movements in the Revaluation Reserve

Variation in the revaluation reserve during 2007:

Items	Investments
Revaluation reserve	
Opening balance	80,967
Increase	-
Decrease	-
Recovery of gains/losses realised	80,967
Closing balance	-
Historical costs	49,386,033
Revaluation	(127,231)
Revalued accounting values	49,258,802

25 // Fiscal Treatment of “Revaluation Reserves”

The revaluation reserve contains the legal and regulatory revaluations made in insurance operations. In accordance with article 43 of the Corporation Tax Code, fiscal gains and losses to be calculated on the disposal of investments correspond to the difference between the acquisition value and the sale value.

Regulatory revaluations are made in accordance with investment valuation criteria and these calculations result in unrealised gains and losses, recorded in specific accounts in the accounting plan. As stipulated in article 21, paragraph b) of the Corporation Tax Code, these amounts are not subject to IRC.

26 // Adjustments and Other Provisions

Movements in the period in adjustments and other provisions break down as follows:

Accounts	Opening Balance	Increase	Reduction	Closing Balance
Adjustments for premiums in collection Other policy holders	123,074	578,914	-	701,988

28 // Statement of Extraordinary Results

Extraordinary results break down as follows:

Costs and Losses	2007	2006	Income and Gains	2007	2006
Donations	-	-	Tax rebate	-	-
Arts sponsorship	-	-	Recovery of debts	-	-
Legal expenses	-	-	Reduction in depreciation and provisions	-	243,232
Losses on tangible fixed assets	-	-	Gains on tangible fixed assets	-	-
Gifts to customers	565	127	Prior period adjustments	257,882	-
Bad debts	-	-	Other extraordinary income and gains	375,324	252
Fines and penalties	-	(100)			
Membership fees	-	-			
Prior period adjustments	693	-			
Other extraordinary costs and losses	36	(22)			
Extraordinary results	**631 ,12**	**243,479**			
	633,206	**243,484**		**633,206**	**243,484**

The account for "Income and gains – Prior period adjustments" includes the sum of 96,520 euros relating to cancellation of the allocation of sales expenses, and also the sum of 120,212 euros relating to cancellation of the surplus estimate of the asset management commission for 2006.

The account for "Other extraordinary income and gains" includes the sum of 374,087 euros relating to the surplus estimate of tax for 2006.

32 // Insurance Contracts With Suspended Guarantees

The account for "Policy holders" contains the sum of 1,512,132 euros (2006: 1,284,121 euros) relating to the value of uncollected premiums, of which 701,988 euros (2006: 123,074 euros) relates to insurance contracts where the premiums are more than 90 days overdue, the risk of non-collection of these amounts being covered by the adjustments to outstanding premiums.

33 // Underwriting Provisions

Underwriting provisions at 31 December 2007 and 2006 break down as follows:

euros

Accounts	Calculated Value	Deferred Acquisition Costs	Balance Sheet Value 2007	Balance Sheet Value 2006
Mathematical provision				
Direct insurance	380,349,197	213,968	380,135,229	370,400,475
Outwards reinsurance	(275,403)	-	(275,403)	(237,336)
Claims provision				
Direct insurance	9,206,085	-	9,206,085	10,856,080
Outwards reinsurance	(115,152)	-	(115,152)	(201,508)
Provision for profit sharing				
Direct insurance	2,880,812	-	2,880,812	3,989,581
Outwards reinsurance	(277,264)	-	(277,264)	(512,460)
Mathematical provision (Unit Linked)				
Direct insurance	33,040,059	-	33,040,059	16,401,812
Outwards reinsurance	(27,904,882)	-	(27,904,882)	(13,819,352)

The underwriting provisions for life insurance where the investment risk is taken by the policy holders (“Mathematical provision (unit linked)” above) represent the value of premiums received, at market value of the assets consigned.

These underwriting provisions are represented by independent investment funds (see note 3).

34 // Provision for Prior Period Claims

34.1 // Breakdown of provision for prior period claims and readjustments (for risk and hybrid products only):

euros

BUSINESS AREA	Euros			
	Claims Provisions at 31/12/N-1	Cost of Claims* Paid in Period	Claims* Provision at 31/12/N	Readjustment
Life	3 182 381	1 320 432	1 699 224	(162 725)

* Claims occurring in year N-1 and earlier

The claims provision corresponds to claims occurred and not yet paid at the balance sheet date, including a provision estimated at 33,976 euros (2006: 16,710 euros) relating to claims occurred prior to 31 December 2007 and not yet reported (IBNR).

35 // Readjustment of Provisions for Prior Period Claims

The readjusted values result from normal claims management.

36 // Investment Valuation

The valuation criteria used for investments are detailed in note 3 above.

38 // Basis for Calculating Mathematical Provision

Mathematical provisions for life business are intended to record the current value of the company's future liabilities in respect of policies issued and are calculated on the basis of actuarial tables and formulae which meet the standards of the Portuguese Insurance Institute, as follows:

	Mortality Table	Under Writing Rate
Retirement savings schemes and endowment policies (*)		
Up to and including December 1997	GKM 80	4%
January 1998 to June 1999	GKM 80	3,25%
After 1 July 1999	GKM 80	3% e 2,5%
After March 2003	GKM 80	2,75%
After 1 January 2004	GKM 80	3% e 2,75%
Insurance in the event of life (*)		
Annuities – Up to and including June 2002	TV 73/77	4%
After 1 July 2002	TV 73/77	3%
After 1 January 2004	GKF 95	3%
After 1 October 2006	GKF 95	2%
Other insurance in the event of life	TV 73/77	4%
Insurance in the event of death (*)		
Up to an including December 2004	GKM 80	4%
After 1 January 2005	GKM 80	4%
Hybrid insurance (*)		
Up to and including September 1998	GKM 80	4%
After 1 October 1998	GKM 80	3,25%

(*) Underwriting bases for products by year of marketing.

41 // Segment Reporting

a) Breakdown by business segment:

euros

Account	2007	2006
Gross premiums written	78,000,715	28,758,522
Outwards reinsurance premiums	17,413,984	4,357,547
Results from investment	19,309,454	7,221,557
Gross claims	57,355,119	23,513,586
Gross operating costs	8,412,363	3,056,946
Underwriting result	4,159,045	1,165,804
Underwriting provisions	425,262,185	401,647,948

42 // Information on Life Business

euros

	2007	2006
Gross premiums – direct insurance		
Individual contracts	65,078,846	26,240,753
Group contracts	12,921,869	2,517,769
	78,000,715	**28,758,522**
Periodic	22,431,528	7,388,724
Non-periodic	55,569,187	21,369,798
	78,000,715	**28,758,522**
Without-profit contracts	-	-
With-profit contracts	59,683,486	23,837,572
Contracts where the investment risk is taken by the policy holder	18,317,229	4,920,950
	78,000,715	**28,758,522**
Reinsurance balance	**(229,340)**	**(244,681)**

43 // Commissions – Direct Business

Commissions for direct business totalled 1,385,324 euros (2006: 737,538 euros).

44 // Allocated and Unallocated Investments

In accordance with the legal rules for insurance companies, the Company is required to allocate investment for the total of the underwriting provisions, in line with the limits established by the Portuguese Insurance Institute. As at 31 December 2007, investments were allocated as follows:

Investments allocated to life insurance and not allocated (excluding unit linked):

euros

	Life Insurance	Not Allocated	Total
Other financial investments	333,028,655	18,364,604	351,393,259

Investments related to life insurance where the investment risk is taken by the policy holder (unit linked):

Investments for unit linked products broke down as follows at 31 December 2007 and 2006:

euros

	2007	2006
Shares and other variable rate securities	3,504,653	1,557,167
Bonds and other fixed rate securities	285,332	-
Bank deposits and other	1,467,893	1,519,559
	5,257,878	**3,076,726**

Investments relating to life insurance where the investment risk is taken by the policy holder relate to insurance linked to investment funds (unit linked) taken out in the form of units, as referred to in note 3. All these investments are allocated to underwriting provisions for life insurance where the investment risk is taken by the policy holder (see note 33).

45 // Other Disclosures

45.1 // Shareholders' equity

Changes in equity in 2007 and 2006 break down as follows:

euros

	Capital	Revaluation Reserves	Retained Earnings and Other Reserves	Net Profit for the Period	Total Shareholders' Equity
Capital subscription	20,000,000	-	-	-	20,000,000
Accessory capital subscriptions	-	-	50,000,000	-	50,000,000
Allocation from regulatory revaluation reserve	-	80,967	-	-	80,967
Net profit for the period	-	-	-	1,029,204	1,029,204
Balances at 31 December 2006	**20,000,000**	**80,967**	**50,000,000**	**1,029,204**	**71,110,171**
Constitution of reserves:					
Legal reserve	-	-	102,920	(102,920)	-
Allocation of profits 2006	-	-	926,284	(926,284)	-
Recovery of gains/losses	-	(80,967)	-	-	(80,967)
Supplementary subscriptions	-	-	7,500,000	-	7,500,000
Distribution of dividends and profits	-	-	(879,000)	-	(879,000)
Interim dividends	-	-	(1,600,000)	-	(1,600,000)
Net profits for the period	-	-	-	4,388,331	4,388,331
Balances at 31 December 2007	**20,000,000**	**-**	**56,050,204**	**4,388,331**	**80,438,535**

The Portuguese legislation applicable to the insurance sector requires that at least 10% of net annual profits be allocated to the legal reserve, which may not be distributed, until it reaches the level of the share capital.

In accordance with the resolution of the Board of Directors of 23 October 2007, the Company distributed an interim dividend of 1,600,000 euros.

45.2 // Balances and transactions with Group undertakings

As required by Article 5.4 of Decree-Law 318/94 of 24 December, balances and transactions with Group companies broke down as follow at 31 December 2007:

- The balance recorded under "Debtors – Other Operations – Group undertakings" relates in full to Companhia de Seguros Tranquilidades, S.A.
- Balance sheet balances relating to Group undertakings also include the sight deposit of 71,263,858 euros with Banco Espírito Santo, S.A..

45.3 // Liabilities relating to retirement pensions and other benefits

The Company has accepted liability for paying old age and invalidity pensions to its employees under the terms of the Collective Employment Agreement for the Insurance Sector ("CEA").

As at 31 December 2007 and 2006, the number of participants covered by the benefits plan was as follows:

	2007	2006
Number of participants		
Current employees	3	2

In keeping with the accounting policy described in 3.h), the liability accepted by the Company for payment of complementary retirement pensions at 31 December 2007 and 2006, based on calculation of the actuarial value of projected benefits, breaks down as follows:

euros

	2007	2006
Contractual liabilities for projected benefits	**90,929**	**40,475**
Coverage:		
Pension fund	94,065	40,475
Surplus / (shortfall) in cover	**3,136**	**-**

The following table provides a comparative analysis of actuarial assumptions:

	2007	2006
Actuarial method	Projected Unit Credit	Projected Unit Credit
Mortality table	GKF 95	GKF 95
Discount rate	5.25%	4.75%
Salary growth rate	3.5%	3%
Early retirement pension growth rate	2.5%	0.75%
Yield on fund	6%	5.8%

Actuarial valuations of the Company's liabilities for complementary retirement pensions are conducted annually, and the last was carried out with reference to 31 December 2007.

45.4 // Analysis of cost allocation:

Cost allocations break down as follows:

euros

	2007	2006
Personnel costs	771,894	80,189
Third party supplies and services	4,225,935	1,162,206
Taxes	36,043	13,267
Depreciation in the period	2,344,071	1,385,052
Commissions	379,503	95,912
	7,757,446	**2,736,626**

Costs by nature were allocated as follows:

euros

	2007	2006
Cost of claims	492,684	175,631
Operating costs		
Acquisition costs	3,204,603	862,829
Administrative costs	3,541,733	1,561,186
Cost of investments	518,426	136,980
	7,757,446	**2,736,626**

45.5 // Mathematical provisions, profit sharing and distribution of profits

The Company's mathematical provisions and profit sharing provision break down by product as follows:

Insurance Contracts	Profits Distributed in 2007	Profit Sharing Allocated in 2007	Mathematical Provision 2007	Mathematical Provision 2006
RSS	710,286	710,286	153,394,112	150,429,552
Super RSS	80,343	80,343	61,367,446	52,301,302
Unit linked RSS	-	-	29,021,449	14,844,159
Financial	82,115	82,115	54,246,507	56,301,403
Unit linked endowment	-	-	4,018,610	1,557,653
PET	131,109	131,109	14,191,993	13,174,515
Risk	(221,789)	182,377	1,793,450	1,475,872
Hybrid	6,497	6,497	46,979,080	47,373,514
Annuities	-	-	48,162,641	49,344,317
	788,561	**1,192,727**	**413,175,288**	**386,802,287**

45.6 // Fund for future allowances

The fund for future allowances, with a value of 63,477 euros (2006: 35,396 euros) relates to unrealised capital gains resulting from revaluation of the portfolio, at the balance sheet date, representing the underwriting provisions for with-profits life insurance, and may be used to offset unrealised capital losses, up to its credit balance, as stated in note 3 d).

The "Fund for future allowances" may be used for other purposes on the following conditions:

- The fund may be drawn on for profit sharing only when each of the sub-accounts in the "fund for future allowances" represents at least 5% of the value of the respective investment portfolio both before and after drawing.

- The fund may be drawn on as necessary to ensure that none of the sub-accounts in the "fund for future allowances" exceeds 25% of the value of the respective investment portfolio.

Any use of the fund for future allowances is recorded under "Use of fund for future allowances".

45.7 // Accruals and deferrals (Assets)

The account for interest receivable corresponds to the allocation to periods of interest of fixed rate securities, calculated on the basis of the nominal value and the interest rate applicable to the period, and to the allocation to periods of interest on other investments in accordance with the accounting policy defined in note 3 above.

The account "Other accruals and deferrals" includes costs associated with products marketed by the Company.

45.8 // Accruals and deferrals (Liabilities)

This account breaks down as follows:

euros

	2007	2006
Holiday pay and allowance	79,151	24,369
Other accruals and deferrals	1,528,530	1,314,802
	1,607,681	**1,339,171**

The account for "Other accruals and deferrals" includes the sum of 631,633 euros (2006: 442,856 euros) relating to the allocation of costs relating to services rendered by BES-Vida, Companhia de Seguros, S.A., and also the sum of 190,320 euros (2006: 276,485 euros) relating to the charge payable by the Company to Banco Espírito Santo, S.A. for management of investment portfolios.

In addition, it includes the sums of 185,157 euros (2006: 177,500 euros) and 103,500 euros (2006: 194,446 euros) relating to production incentives and acquisition costs payable to the agents network distributing the Company's products.

45.9 // Acquisition of assets and liabilities

On 1 August 2006, following on from the reorganization of the insurance holdings of the Espírito Santo Financial Group, BES-Vida Companhia de Seguros, S.A. sold to T-Vida its contractual positions in the contracts brought in through the branch and brokers networks of Companhia de Seguros Tranquilidade, S.A., including all the rights, obligations and guarantees deriving from the same, for a price of 50,000,000 Euros.

As part of this transaction, all assets and liabilities associated with the contracts transferred were also transferred to T-Vida, Companhia de Seguros, S.A., calculated at their fair value as at 31 July 2006.

As at 1 August 2006, the assets and liabilities transferred may be broken down as follows:

euros

Assets	
Investments	40,437
Investments relating to life insurance	
where the risk is taken by the policy holder	1,867,411
Underwriting provisions for outwards reinsurance	1,288,844
Debtors – direct insurance operations	1,266,768
Tangible fixed assets	21,961
Cash	385,744,908
Accruals and deferrals	530,717
	390,761,046
Liabilities	
Underwriting provisions for direct insurance	378,239,034
Underwriting provisions for life insurance	
where the risk is takenby the policy holder	11,951,149
Creditors	
Direct insurance operations	112,745
Government and public sector	14,579
Other operations	146,285
	273,609
Accruals and deferrals	**297,254**
	390,761,046

Annex 01
Inventory of Securities and Financial Holdings

euros

TYPE	Quantity	Nominal Value	% of Nominal Value	Average Acquisition Cost	Total Acquisition Value	Balance Sheet Value Unit	Balance Sheet Value Total
1 - SECURITIES ISSUED BY GROUP AND ASSOCIATED UNDERTAKINGS							
1.1 - Portuguese							
1.1.1 - Shares in group undertakings							
subtotal	-				-		-
1.1.2 - Bonds issued by group undertakings							
subtotal					-		-
1.1.3 - Other securities issued by group undertakings							
subtotal	-				-		-
1.1.4 - Shares in associated undertakings							
subtotal	-				-		-
1.1.5 - Bonds issued by associated undertakings							
subtotal					-		-
1.1.6 - Other securities issued by associated undertakings							
subtotal	-				-		-
subtotal	-				-		-
1.2 - Foreign							
1.2.1 - Shares in group undertakings							
subtotal	-				-		-
1.2.2 - Bonds issued by group undertakings							
subtotal					-		-
1.2.3 - Other securities issued by group undertakings							
subtotal	-				-		-
1.2.4 - Shares in associated undertakings							
subtotal	-				-		-
1.2.5 - Bonds issued by associated undertakings							
subtotal					-		-
1.2.6 - Other securities issued by associated undertakings							
subtotal	-				-		-
subtotal	-				-		-
total	-				-		-
2 - OTHER SECURITIES							
2.1 - Portuguese							
2.1.1 - Fixed rate securities							
2.1.1.1 - Public debt							
subtotal					-		-
2.1.1.2 - Other public debt instruments							
subtotal					-		-
2.1.1.3 - Other issuers							
DEP. A PRAZO				25,000,000		25,000,000	
BES EURO RENDA 16/04/2013	1,660,000	1		1,548,145		1,548,145	
BES EURO RENDA 20/05/2013 - 1ªS	1,753,000	1		1,615,274		1,615,274	
BESLEASING FACT SUBORD 22/10/14	520,000	1		520,000		520,000	
BESLEASING FACTORING 22/08/2012	662,850	1		662,850		662,850	
BESLEASING FACTORING 22/09/2014	253,600	1		253,600		253,600	
MONTPI 29/05/2013	2,250,000	1		2,246,254		2,246,254	
subtotal					31,846,123		31,846,123
subtotal					31,846,123		31,846,123
2.1.2 - Variable rate securities							
2.1.2.1 - Shares							
BRISA (PRIVATIZ)	124,420			10	1,253,436	10	1,250,421
EDP	337,349			5	1,532,523	4	1,507,950
subtotal	461,769				2,785,959		2,758,371
2.1.2.2 - Equity paper							
subtotal	-				-		-
2.1.2.3 - Units in investment funds							
ES - ACÇÕES EUROPA	15,708			12	183,998	13	210,971
ES - CAPITALIZAÇÃO	23,266			9	215,646	10	221,172
ES - OBRIGAÇÕES EUROPA	181			9	1,706	10	1,748
GESTÃO ACTIVA FF	9,043			6	54,988	6	56,589
subtotal	48,197				456,339		490,480
2.1.2.4 - Other							
subtotal	-				-		-
subtotal	509,966				3,242,297		3,248,851
total	509,966				35,088,420		35,094,974

euros

TYPE	Quantity	Nominal Value	% of Nominal Value	Average Acquisition Cost	Total Acquisition Value	Balance Sheet Value	
						Unit	Total
2.2 - Foreign							
2.2.1 - Fixed rate securities							
2.2.1.1 - Public debt							
subtotal					-		-
2.2.1.2 - Other public debt instruments							
subtotal					-		-
2.2.1.3 - Other issuers							
AB.SPINTAB 14/05/2013	1,500,000	1		1,499,999		1,499,999	
ALPHA FLOAT 17/01/2012	3,000,000	1		3,001,022		3,001,022	
ALPHA-SIRES LTD 04/02/09	6,000,000	1		6,024,602		6,024,602	
AUTOSTRADE SPA 06/09/2011	13,500,000	1		13,566,499		13,566,499	
BANCA POP VERONA NOVARA 08/02/17	4,000,000	1		3,997,231		3,997,231	
BANIF FINANCE 22/12/2016	2,000,000	1		2,000,000		2,000,000	
BAT HOLDINGS BV 16/05/2010	2,500,000	1		2,506,847		2,506,847	
BBVA CAPITALUNIPERS 13/10/2020	5,000,000	1		4,995,405		4,995,405	
BOSTON SCIENTIFIC 6% 15/06/2011	5,000,000	1		3,843,389		3,415,398	
CAJA CASTILLA 02/11/2016	3,000,000	1		3,000,351		3,000,351	
CAJA DE AHORROS MURCIA 03/15/14	2,000,000	1		2,016,372		2,016,372	
CAJA ZARAGOZA ARAGON 25/04/2019	4,000,000	1		3,982,063		3,982,063	
CALYON FINAN GUERNSEY 30/09/2010	3,000,000	1		3,000,000		3,000,000	
CIT GROUP INC 30/11/2011	4,000,000	1		3,991,964		3,991,964	
COMPAGNIE ST GOBAIN 11/04/2012	2,200,000	1		2,197,440		2,197,440	
COMPUTER 7.375% 15/06/11	5,000,000	1		4,008,248		3,557,420	
CREDIT LNKD STRUCT SEC 4/06/2009	200,000	1		200,964		200,964	
CREDIT SUISSE FIN PROD04/29/49	1,246,995	1		1,241,629		1,241,629	
DAIMLER CHRYSLER 16/03/2010	7,000,000	1		7,004,485		7,004,485	
DEUTSCHE TELEKOM INT 28/03/2012	3,500,000	1		3,495,613		3,495,613	
EBS BUILDING SOCIETY 28/11/2016	5,000,000	1		4,993,896		4,993,896	
EIRLES TWO 195 PERPETUAL	2,500,000	1		2,500,000		2,500,000	
ERICSSON L M TEL 27/06/2014	1,200,000	1		1,196,979		1,196,979	
FINANS FOR INDUST&HAN 15/01/2010	2,000,000	1		2,005,119		2,005,119	
GE CAP EUR FUND 03/04/2014	8,000,000	1		8,000,000		8,000,000	
GE CAP EUR FUND 17/05/2021	7,500,000	1		7,440,917		7,440,917	
GOLDMAN SACHS 23/05/2016	6,000,000	1		6,004,890		6,004,890	
GOLDMAN SACHS30/01/2017	3,000,000	1		2,995,731		2,995,731	
HALIFAX PLC PERPETUAL	9,500,000	1		9,582,433		9,582,433	
JP MORGAN 12/10/2015	9,200,000	1		9,206,401		9,206,401	
JP MORGAN 30/01/2014	5,000,000	1		4,975,789		4,975,789	
KAUPTHING BANK HF 17/08/2012	3,000,000	1		2,981,129		2,981,129	
KONINKLIJKE KPN NV 07/21/2009	3,158,000	1		3,160,826		3,160,826	
LEHMAN BROS HOLD 05/02/2014	5,000,000	1		4,996,949		4,996,949	
LEHMAN BROS HOLD 19/05/2016	10,000,000	1		9,953,120		9,953,120	
LEV FIN CAP II 02/09/2016	2,000,000	1		2,017,199		2,017,199	
MACQUARIE BANK 06/12/2016	1,500,000	1		1,498,167		1,498,167	
MERRILL LYNCH 11/03/2008	1,054,000	1		1,052,523		1,052,523	
MERRILL LYNCH16/02/2012	4,000,000	1		3,816,966		3,816,966	
MERRILL LYNCH31/01/2014	7,000,000	1		6,974,238		6,974,238	
MORGAN STANLEY 13/04/2016	10,000,000	1		10,004,541		10,004,541	
MORGAN STANLEY 16/01/2017	5,000,000	1		5,002,274		5,002,274	
NATEXIS BANQUES POP 26/01/2017	2,500,000	1		2,504,698		2,504,698	
NATL CAPITAL INSTRUMENTS PERP	1,400,000	1		1,396,167		1,396,167	
RAMPER INV LTD 21/10/2013	21,420,450	1		21,420,450		21,420,450	
ROYAL BK SCOTLAND 49	10,000,000	1		10,077,376		10,077,376	
SANTANDER ISSUANCES 23/03/2017	5,000,000	1		4,997,458		4,997,458	
SCHNEIDER ELECTRIC SA 18/07/2011	2,000,000	1		2,002,587		2,002,587	
SLM CORPORATION 17/06/2013	7,000,000	1		6,997,612		6,997,612	
SVENSKA HANDELSBANKEN PERPETUAL	2,000,000	1		1,997,330		1,997,330	
TELECOM ITALIA FINANCE 12/06/12	5,000,000	1		4,952,300		4,952,300	
TELEFONICA EMIS 25/01/2010	6,000,000	1		6,013,111		6,013,111	
VIVENDI 10/03/2011	1,400,000	1		1,384,782		1,384,782	
VODAFONE 05/09/2013	8,500,000	1		8,531,727		8,531,727	
VODAFONE 13/01/2012	9,900,000	1		9,955,034		9,955,034	
VTB CAPITAL VNESHTORG 13/03/2009	3,000,000	1		2,965,140		2,965,140	
subtotal					271,129,982		270,251,163
subtotal					271,129,982		270,251,163

euros

TYPE		Quantity	Nominal Value	% of Nominal Value	Average Acquisition Cost	Total Acquisition Value	Balance Sheet Value Unit	Balance Sheet Value Total
2.2.2 - Variable rate securities								
2.2.2.1 - Shares								
BANCO BILBAO VIZCAYA ARGENTARIA		73,000			18	1,314,959	17	1,223,480
DEUSTCHE BANK AG		20,000			106	2,121,110	89	1,788,000
EMPRESA NACIONAL ELECTRICIDAD SA		24,001			38	904,908	36	872,436
ENAGAS		49,727			21	1,036,295	20	994,043
REPSOL, YPF, S.A.		20,458			24	500,201	24	498,766
ROVI - LABORATORIOS FARMACEUTICOS		12,495			10	123,709	11	134,321
SOLARIA		14,012			21	296,908	21	300,978
TEC.REUNIDAS		5,475			43	236,343	44	239,696
	subtotal	**219,168**				**6,534,432**		**6,051,720**
2.2.2.2 - Equity paper								
	subtotal	-				-		-
2.2.2.3 - Units in investment funds								
DB EONIA		24,630			133	3,263,656	132	3,259,288
DJ EST50 MSE		95,580			44	4,247,648	44	4,211,255
EB.REXX GOVT GERMANY 1.5-2.5		20,760			100	2,068,097	99	2,062,298
FIDELITY TARGET 2015 ACÇÕES		136,376			11	1,518,158	11	1,476,950
FIDELITY TARGET 2020 ACÇÕES		63,859			12	739,801	11	719,685
FIDELITY TARGET 2025 ACÇÕES		25,995			12	305,502	11	295,820
FIDELITY TARGET 2030 ACÇÕES		21,475			12	253,883	11	244,383
FIDELITY TARGET 2035 ACÇÕES		5,737			24	139,795	23	134,018
FIDELITY TARGET 2040 ACÇÕES		6,151			24	148,828	23	143,316
FINANCIAL SELECT		31,400			20	641,185	20	619,731
GLOBAL TAA 300 FUND		250,000			100	25,000,479	102	25,460,000
ISHARES LEHM		15,310			56	855,353	56	858,459
POWERSHARES QQQ NASDAQ 100		27,979			35	988,941	35	977,681
STENHAM BERLIN RESIDENCIAL FUND		3,000,000			1	3,000,285	1	3,000,000
	subtotal	**3,725,251**				**43,171,611**		**43,462,884**
2.2.2.4 - Others								
	subtotal	-				-		-
	subtotal	**3,944,419**				**49,706,042**		**49,514,604**
	total	**3,944,419**				**320,836,024**		**319,765,767**
3 - GRAND TOTAL		4,454,385				355,924,444		354,860,741

Legal Accounts Certificate

Introduction

1 // I have audited the financial statements attached of T-Vida, Companhia de Seguros, S.A., which comprise the Balance Sheet as at 31 December 2007 (which records a balance sheet total of 509,845,480 euros and total shareholders' funds of 80,438,535 euros, including a net profit 4,388,331 euros), the Profit and Loss Account and the Statement of Cash Flows for the year then ended and the respective notes to the financial statements. These financial statements have been drawn up in accordance with accounting principles generally accepted for the insurance sector in Portugal.

Responsibilities

2 // It is the Directors' responsibility to prepare financial statements which give a true and fair view of the state of affairs of the company and of the profit or loss for the period, as well as to select suitable accounting policies and criteria and maintain an appropriate system of internal control.

3 // It is my responsibility to form a professional and independent opinion, based on my audit, on those statements and to report my opinion to you.

Scope

4 // I conducted my audit in accordance with the Audit Standards and Recommendations of the of the Chamber of Official Auditors, which require that it be planned and performed so as to obtain a reasonable assurance that the financial statements are free from material mis-statement. My audit therefore included:

- An examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements and an assessment of the significant estimates and judgements made by the Directors in the preparation of the financial statements;;
- An assessment of whether the accounting policies are appropriate and adequately disclosed, in view of the circumstances;
- An examination to ensure that the accounts are prepared on the going concern basis; and
- An assessment of the overall adequacy of the presentation of information in the financial statements.

5 // My audit also included confirming that the management report accords with the financial statements.

6 // I believe that my audit provides an acceptable basis on which to express my opinion on the financial statements.

Opinion

7 // In my opinion, the said financial statements give a true and fair view, in all materially relevant aspects, of the state of affairs of T-VIDA, Companhia de Seguros, S.A. as at 31 December 2007, and of the company's profit and cash flows in the year then ended, in accordance with accounting principles generally accepted for the insurance sector in Portugal.

8 // It is also my opinion that the management report accords with the financial statements.

Lisbon, 11 March 2008

José Manuel Macedo Pereira

Report and Opinion of the Sole Auditor

To the Shareholder of

T-Vida, Companhia de Seguros, SA

As required by the provisions of Article 420.1 g) of the Companies Code, I am pleased in my capacity as Sole Auditor of T-VIDA, Companhia de Seguros, S.A. to present by audit report, and to give my opinion on the Management Report, Financial Statements and proposal for allocation of profits as submitted by the Board of Directors for the financial year ended 31 December 2007.

T-Vida, Companhia de Seguros, S.A. an insurance company belonging to the Espírito Santo Group, was incorporated on 28 July 2006, and started operating life insurance business on 1 August 2006, meaning that for the purposes of comparison of financial statements, the figures are not directly comparable.

In its first full year of operation, T-Vida recorded total premiums of 78,001 thousand euros. This figure represents growth of 13.0% compared with an annualized estimate of underwriting in the previous year.

The purpose of the mathematical provisions is to record the current value of the Company's future liabilities in relation to policies issued, and stood at 412,824 thousand euros, up by 6.7% on the previous year.

In the course of my duties, I monitored the Company's affairs through contacts with the Board of Directors and through a variety of information sources gathered from the relevant departments.

I checked the financial information produced over the year, and conducted the analyses I deemed appropriate.

I confirmed that the accounting policies and valuation criteria adopted are appropriate.

After the close of the accounts, I assessed the Managed Report drawn up by the Board of Directors, which summarizes the company's business affairs over the period, and also the financial statements submitted, comprising the Balance Sheet, Profit and Loss Account and Statement of Cash Flows and the respective Notes.

I checked compliance with the law and the articles of association.

I have conducted the legal audit of the company's accounts, and issued the Legal Accounts Certificate together with the Annual Report on audit work carried out.

Opinion

As a result of the work conducted, and in view of the documents referred to in the preceding paragraph, I recommend that the Annual General Meeting of the Company should approve:

a) The Management Report and Accounts for the period ended 31 December 2007;

b) The proposal for allocation of profits as presented by the Board of Directors.

Lisbon, 11 March 2008

The Sole Auditor

José Manuel Macedo Pereira

Companhia de Seguros Tranquilidade , SA
Registered Office: Av. da Liberdade, 242 – 1250-149 Lisboa – Portugal
Registered Share Capital: 135 000 000 euros . Registered with Lisbon Registry of Companies under 640 . VAT 500940231

T- Vida, Companhia de Seguros, SA
Registered Office: Av. da Liberdade, 242 – 1250-149 Lisboa – Portugal
Registered Share Capital: 20 000 000 euros . Registered with Lisbon Registry of Companies and VAT 507684486