T-VIDA 08
ANNUAL REPORT

VIDA

THOMAS STRUTH
B. 1954 ALEMANHA
"MUSEO DEL PRADO 7",
MADRID 2005
C-PRINT, FRAMED
169,5 X 210,6 CM, 177,5 X 218,6 CM, FRAMED
EDITION OF 10

The photographs illustrating this year's Annual Report are taken from the BES art collection which Banco Espírito Santo has been amassing since 2004 from the recent work of leading contemporary artists in Portugal and abroad.

BES art COLECÇÃO BANCO ESPÍRITO SANTO

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

Registered Office: Av. da Liberdade, 242 – 1250-149 Lisboa – Portugal
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01
COMPANY OFFICERS

VIDA

Company Officers

General Meeting

Rui Manuel Duarte Sousa da Silveira
(Chairman)

João Afonso Pereira Gomes da Silva
(Secretary)

Board of Directors

Pedro Guilherme Beauvillain de Brito e Cunha
(Chairman)

Augusto Tomé Pires Fernandes Pedroso
(Director)

António Miguel Natário Rio-Tinto
(Director)

Miguel Maria Pitté Reis da Silveira Moreno
(Director)

Nuno Miguel Pombeiro Gomes Diniz Clemente
(Director)

Sole Auditor

José Manuel Macedo Pereira
(ROC)

Board of Directors

Peter Brito e Cunha

(Chairman)

Tomé Pedroso

Miguel Rio-Tinto

Miguel Moreno

Nuno Clemente

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02 DIRECTOR'S REPORT

VIDA

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 T-VIDA Companhia de Seguros, SA, for the financial year of 2008.

2.1 Economic Background

2.1.1 The Internacional Economic Situation

The financial year of 2008 was marked by the continuation and worsening of the subprime mortgage crisis in the United States, which gradually spread into a generalized crisis of confidence, with repercussions for the financial systems and for the economy worldwide.

Growing perception of liquidity and solvency risks (as a number of financial institutions in the United States and Europe filed for bankruptcy, and others lost their independence) resulted in institutions being almost entirely reluctant to accept exposure to each other's risks in the money and credit markets. The shortage of credit facilities from the private sector reached its peak at the end of the third quarter and the start of the fourth, despite aggressive intervention by the authorities to get the markets back to functioning normally.

In the Euro Zone, the Euribor 3 month rate rose from 4.684% to a peak of 5.393% (in early October), ending the year at 2.892%, after reductions in leading rates and substantial injections of liquidity into the money market by the European Central Bank (ECB). Increased uncertainty (especially in relation to the financial sector) and expectations of a slowdown in the economy sent the main share indexes into rapid decline, in both the US and the Euro Zone.

A high level of volatility was also visible in the commodities market. During the first half of the year, oil prices climbed significantly, reaching a level close to USD 150/barrel in July. The rise in prices was driven by strong demand from emerging markets, difficulties in expanding global supply and, in particular, an increase in demand of a speculative nature.

Expectations of a slowdown in demand and, later, the growing probability of a scenario of global recession pulled the rug from under the speculative demand and brought the price per barrel down sharply, with oil closing the year at prices slightly over USD 40. The same readjustment was observed in non-energy commodities, thereby contributing to a significant drop in inflation (and expectations of inflation) at the end of the year.

A tighter monetary and financial environment, the shortage of liquidity in the capital markets, the sharp rise in commodities prices and inflation in the first half of the year and, last but not least, a significant deterioration in business confidence indexes all contributed to a slowdown, or even contraction, in the main developed economies. Although their prospects for growth remained more favourable than for Europe and the United States, the emerging markets were also hit by the global slump in confidence, affecting both the economy in general and above all the financial markets.

The Euro Zone economy slowed significantly in 2008, with growth dropping to 0.8%, down from 2.6% in 2007. It should be stressed that positive growth was recorded only in the first quarter, and the economy contracted in the remaining quarters, especially towards the end of the year.

Economic performance in the Euro Zone was increasingly influenced by the growing restrictions on credit, by negative equity caused by losses on share markets and by the widespread climate of uncertainty which gradually took hold.

There was a clear deterioration in business and consumer sentiment, with the respective indexes dropping to all-time lows in the final months of the year. As a result, it was essentially internal demand which led the slowdown, with growth falling to 0.7%, after 2.4% in 2007. Exports and imports also slowed over the year, with exports being hit by the slump in world trade and by the strong euro during the first half of the year and imports keeping pace with the fall-off in internal demand.

Despite this economic situation, the annual average unemployment rate held steady at the same level as in 2007, at 7.5% of the working population, although it visibly deteriorated towards the end of the year (8.1% in the final quarter). In terms of prices, annual average inflation rose from 2.1% to 3.4%, due to the sharp rise in the oil price on international markets, especially during the first half of 2008. However, the year-on-year rate dropped significantly in the final quarter, standing at 1.6% in December.

In a more restrictive monetary and financial environment, after raising its leading interest rate in July by 25 base points to 4.25%, the ECB slashed its rate between October and December by a total of 175 base points, to 2.5%. The euro fell by 4.3% against the dollar over the year as a whole, closing the period at EUR/USD 1.3953.

In the first half of the year, the euro had gained in value, reaching a high of EUR/USD 1.5590 IN April before readjusting downwards in the second half.

2.1.2 The Portuguese Economy

Although not directly exposed to the subprime mortgage crisis, the Portuguese economy felt in 2008 the negative impact of the crisis of confidence in the international financial system, of rising commodity prices (in the first half of the year) and of the slowdown in external demand. In this context, annual growth in GDP slipped from 1.9% to 0% and the economy recorded two consecutive quarters of economic contraction in the second half of the year.

This was caused primarily by an abrupt slowdown in exports, for which annual growth tumbled from 7.5% to 0.4%, and by the drop in investment, down by 0.5% over the year, after growth of 3.1% in the previous year. The cooling of exports was due above all to the worsening economic situation in Spain, the United Kingdom, the Unite States, Germany and France, which are Portugal prime trading partners.

However, Portuguese exports to less traditional destinations continued to flourish. These new export markets are to be found in Angola and North Africa, and to a lesser extent in certain Asian and Latin American economies. The slump in exports affected both goods and services.

Gross fixed capital formation was constrained above all by the increasingly restrictive monetary and financial environment (with a widespread increase in lending spreads for corporate and household borrowers) and by worsening expectations of future demand, visible in the downward trend in the main business confidence indexes over the year.

Growth in consumer spending held relatively steady over 2008 as a whole, at 1.4%. This represents growth in excess of GDP and suggests a further decline in household savings, which were down to around 5.5% of GDP. Despite the downwards trend in consumer confidence indexes, household spending appears to have been sustained in the second half of the year by the slowdown in inflation and falling interest rates.

The annual average rate of inflation rose from 2.5% to 2.6% in 2008, but the year-on-year variation in prices stood at only 0.8% at the end of the year. The annual average unemployment rate fell from 8.0% to 7.6% of the working population, reflecting growth slightly above potential in the last two years. However, unemployment started to creep upwards in the final quarter of 2008 (to 7.8%), in line with the stagnation in the economy in the second half of the year.

The public spending deficit was again reduced in 2008, from 2.6% to 2.2% of GDP. At the same time, the slowdown in exports and continued sustained growth in imports contributed to an increase in the combined deficit of the current and capital account balances (i.e. the net borrowing requirements of the Portuguese economy) from 8,3% to 10.0% of GDP.

2.1.3 The Insurance Market

The serious crisis in the financial market, which spread into all sectors of the economy, also affected the insurance industry.

The negative performance of the capital markets undermined the value of the sector's investment portfolio and the resulting potential losses affected the results for the period. In certain instances, equity needed to be bolstered to maintain insurers' solvency margins at prudent levels.

Stagnation in the Portuguese economy combined with a decline in prices (due to increasingly intense competition) resulted in a historical drop in the overall value of non-life premiums.

Total underwriting, for life and non-life business, stood at 15,336 million euros in 2008, up by 11.5% on the previous year, thanks to strong performance by life business. With total premiums of 11,012 million euros and year-on-year growth of 17.5%, the life segment made the largest contribution to positive evolution of the insurance market in 2008.

Contributions to retirement savings schemes recorded the best performance, with growth of 45.2%. This type of product, together with other long term savings products marketed by insurance companies, is increasingly popular with savers and may actually have benefited from the current crisis situation in the financial markets, attracting savings to products presenting a lower risk. At the same time, redemptions of life insurance policies with a capitalization component have also tended to rise – sums paid out in 2008 were up by more than 40%.

The non-life segment, with total premiums of 4.324 million euros, presented negative growth of -1.3% in relation to the previous year. The main contributors to this trend were motor insurance (down by 6.9%, due to the downward trend in average premiums and also the change in the way contributions to the Vehicle Guarantee Fund are calculated) and employers' liability (down by 2.8%, due to lower tariffs and the economic downturn).

Many of the other non-life segments recorded growth, as in health insurance (up by 10.5%), reflecting the continuing concern with access to health care, and credit and bond insurance (up by 14.4%), reflecting the increased demand for this type of guarantee, in the current economic situation.

The insurance industry's contribution to GDP rose from 8.45% in 2007 to 9.15% in 2008, an all time high. The life segment contributed 6.57% of GDP, whilst non-life contributed 2.58% (5.75% and 2.69% respectively in 2007). The non-life claims rate worsened in 2008, especially for employers' liability and health, where the rate remained very high at close to 80%.

In terms of the legal and regulatory framework for the insurance sector, the most important development in 2008 was the publication of the new Insurance Contract Law. Although this only took effect at the start of 2009, considerable work was required in 2008 to prepare for the change in the legal rules.

Other projects are currently being prepared, notably Solvency II, for which studies have been carried out in various markets, including, in 2008, QIS 4, which recorded very positive participation from the Portuguese insurance market.

2.2 Major Developments in 2008

T-Vida, Companhia de Seguros, S.A., an insurance company belonging to the Espírito Santo Group, incorporated on 28 July 2006, started operating in life insurance on 1 August 2006, and has accordingly carried on its business for two years.

In 2008, T-Vida recorded growth in underwriting of 316,307 thousand euros, representing an increase of 405.5%, and revenues of 394,307 thousand euros.

At 31 December 2008, the total number of policies was up by 8.7%, at 141,339 policies, with new policies making a positive contribution, presenting growth of 2.5%. Policy cancellations were up by 31.6%, due to the high level of maturities.

In 2008, the company bolstered its equity with a capital increase of 45 million euros, bringing it up to 65 million euros, and it repaid accessory capital subscriptions of 20 million euros.

2.3 Leading Variables and Business Indicators

('000 euros)

	2008	2007	VAR 08/07 (%)
Balance Sheet			
Investment	658,795	345,080	90.9
Net assets	830,355	500,928	65.8
Equity	72,338	70,946	2.0
Liabilities on insurance and investment contracts	738,959	412,824	79.0
Profit and Loss Account			
Total underwriting	394,307	78,001	405.5
Premiums earned, net of reinsurance	36,426	57,637	-36.8
Cost of claims, net of reinsurance	54,085	52,876	2.3
Mathematical provision, net of reinsurance	11,593	-8,550	-235.6
Profit sharing, net of reinsurance	781	1,193	-34.5
Operating costs	9,881	8,356	18.2
Income from financial operations	23,413	18,073	29.5
Underwriting balance (1)	8,057	7,017	14.8
Overall balance (2)	-9,654	11,523	-183.8
Net profits	-13,205	4,183	-415.7
Indicators (%)			
Underwriting balance/Total underwriting	2.0	9.0	-7.0 p.p.
Operating costs/Total underwriting	2.5	10.7	-8.2 p.p.
Operating costs/Liabilities on insurance and investment contracts	1.3	2.0	-0.7 p.p.
Solvency margin coverage rate	156.4	104.8	51.6 p.p.
Claims/Premiums (IFRS4)	139.0	89.5	49.5 p.p.
Benefits paid /Deposits received (3) (IAS39)	39.9	21.6	18.3 p.p.
Acquisition costs/(premiums + deposits received)	8.0	6.4	1.6 p.p.
Administrative costs/(premiums + deposits received)	4.8	5.0	-0.3 p.p.
Other indicators			
Workforce	15	12	25,0
No. policies	141,339	129 980	8,7

(1) Underwriting balance net of reinsurance
(2) Overall balance + Financial operations balance
(3) Excluding 310 000 thousand euros relating to an endowment operation allocated to the banking channel, carried out in 2008

2.4 T-Vida: Operations in 2008

2.4.1 Total Underwriting

Underwriting grew by 316,307 thousand euros (+405.5%) in 2008 over the previous period, as compared to market growth of 17.3%. This increase was influenced by an endowment operation through the banking channel in 2008, with a value of 310,000 thousand euros.

The Company's growth was driven by increased underwriting in unit linked retirement savings schemes, up by approximately 19,078 thousand euros (+127.1%). The expansion was concentrated in the PPR Poupança Activa product, as the PPR Garantido product recorded a decline in underwriting.

Unit linked endowment products also enjoyed growth of 7,667 thousand euros (+231.9%), with single premium products recording the best performance.

In the traditional sector, life annuity products were up by 1,520 thousand euros, corresponding to growth of 92.5% over the previous year. Underwriting for other risk products grew by 1.8%. In terms of strategic products in this segment, there was decisive growth in insurance linked to home loans, up by 16.5%, and underwriting for group and individual risk products.

At the end of the year the Company's total underwriting totalled 84,307 thousand euros (excluding 310,000 thousand euros relating to the endowment operation through the banking channel), with retirements savings products and traditional products representing a major proportion of this (54.0% and 20.7% respectively): these are strategic products for T-Vida insofar as they generate customer loyalty and high underwriting margins.

('000 euros)

TOTAL UNDERWRITING	2008	2007	VAR 08/07 (%)
TOTAL UNDERWRITING	**394,307**	**78,001**	**405.5%**
INSURANCE CONTRACTS	**39,194**	**59,683**	**-34.3%**
- Life annuities	3,164	1,644	92.5%
- Other risk products	16,345	16,059	1.8%
- Endowment products	2,813	3,971	-29.2%
- RSS	16,872	38,010	-55.6%
INVESTMENT CONTRACTS	**355,062**	**18,317**	**1838.4%**
- Endowment products	10,973	3,306	231.9%
- RSS	34,089	15,011	127.1%
- Endowment operations	310,000	-	

2.4.2 Cost of Claims and Benefits Paid

Total compensation paid stood at 72,454 thousand euros, up by 26.2% in relation to 2007.

Compensation represented 17.2% of opening mathematical reserves (as against 13.5% in the previous year), due to the high level of maturities (20,355 thousand euros) and the increase in redemptions (38,877 thousand euros), representing growth of 42.8% and 76.2% respectively.

On retirements savings products, insurance contracts with compensation payments totalled 24,139 thousand euros, due to policies maturing during the year and the increase in redemptions, which accounted for 33.6%, as compared with 58.5% in 2007.

In traditional products, insurance contracts with compensation payments totalled 18,310 thousand euros, due essentially to the large volume of hybrid and annuity products maturing (including a sizeable annuities portfolio).

Risk products continue to present healthy claims rates.

('000 euros)

COST OF CLAIMS AND BENEFITS PAID	2008	2007	VAR 08/07 (%)
COST OF CLAIMS AND BENEFITS PAID	**72,454**	**57,393**	**26.2%**
INSURANCE CONTRACTS	**54,496**	**53,445**	**2.0%**
- Life annuities	7,043	5,387	30.8%
- Other risk products	11,267	7,932	42.0%
- Endowment products	11,477	6,299	82.2%
- RSS	24,139	33,295	-27.5%
ALLOCATED COST OF CLAIMS	**570**	**532**	**7.1%**
BENEFITS PAID ON INVESTMENT CONTRACTS	**17,958**	**3,948**	**354.9%**
- Endowment products	10,101	2,513	302.0%
- RSS	7,857	1,435	447.5%

2.4.3 Insurance Contract and Investment Liabilities

Changes in insurance contract and investment liabilities are directly related to the financial products marketed, for which there is a direct correspondence with the amount recorded under insurance contract and investment liabilities.

At 31 December 2008, insurance contract and investment liabilities were up by 79.0%, due essentially for a financial endowment operation, with a value of 310 million €, representing 42.0% of insurance contract and investment liabilities. If this effect is excluded, growth in this item in 2008 stands at 3.9%.

The distribution channels have worked hard to channel underwriting to contracts with lower underwriting rates, which has permitted a reduction in the minimum guaranteed rates for RSS products and endowment products, down over the year from 3.38% to 3.22% and from 3.47% to 3.23% respectively.

T-Vida has pursued a policy which regards RSS products as strategic, for long term returns, representing 36.4% of total insurance contract and investment liabilities at 31/12/2008, allowing the Company to remain the market leader in the segment of insurance companies not operating the banking channel.

('000 euros)

LIABILITIES ON INVESTMENT AND INSURANCE CONTRACTS	2008	2007	VAR 08/07 (%)
LIABILITIES ON INVESTMENT AND INSURANCE CONTRACTS	**738,959**	**412,824**	**79.0%**
MATHEMATICAL PROVISIONS	**337,772**	**348,169**	**-3.0%**
- Life annuities	50,631	48,163	5.1%
- Other risk products	42,979	47,837	-10.2%
- Endowment products	29,737	37,408	-20.5%
- RSS	214,425	214,762	-0.2%
FINANCIAL LIABILITIES	**400,597**	**64,073**	**525.2%**
- Endowment products	37,961	37,560	1.1%
- RSS	52,558	26,513	98.2%
- Not connected to investment funds	-	-	-
- Connected to investment funds	52,558	26,513	98.2%
- Endowment operations	310,079	-	-

2.4.4 Underwriting Balance

Incorporating 3,400 thousand euros, from the impact of the LAT (liability adequacy test) on traditional products, the underwriting balance increased by 14.8% in relation to the previous year.

This was due to the reduction in interest rates, and if this effect is excluded the underwriting balance would have stood at 11,457 thousand euros, corresponding to growth of 63.3%, and growth of 4,440 thousand euros over the previous year.

The financial balance was down by 22,217 thousand euros, hit by the result of financial losses in 2008, essentially in traditional and RSS products.

('000 euros)

TOTAL UNDERWRITING BALANCE	2008	2007	VAR 08/07 (%)
UNDERWRITING BALANCE (1)	**8,057**	**7,017**	**14.8**
- RSS	645	511	26.2
- Endowment	313	105	197.4
- Traditional	7,099	6,401	10.9
FINANCIAL OPERATIONS BALANCE(2)	**-17,711**	**4,506**	**-493.1**
- RSS	-4,456	2,311	-292.8
- Endowment	-1,787	921	-294.2
- Traditional	-11,493	1,274	-1,002.0
- Endowment operations	26	-	
OVERALL BALANCE(3)	**-9,654**	**11,523**	**-183.8**

(1) Underwriting balance net of reinsurance
(2) Income from financial operations including profit sharing and underwriting interest
(3) Underwriting balance + Financial operations balance

2.4.5 Operating Costs

Operating costs were up by 18.2% on the previous year, essentially due to a substantial increase in the cost of third party supplies and services, up by 27.2%, explained by the provision of services by BES-Vida on operating tariffs relating to T-Vida's underwriting, portfolio management, claims and accounts areas.

Personnel costs grew by 10.3% as a result of the recruitment of 3 new employees, bringing the workforce up to a total of 15 at 31 December 2008.

Taxes and charges grew in relation to the previous year, in view of the increase in premiums.

('000 euros)

OPERATING COSTS	2008	2007	VAR 08/07 (%)
Personnel costs	1,512	1,371	10.3
Third party supplies and services	5,375	4,226	27.2
Taxes and charges	182	36	403.7
Depreciation	2,321	2,344	-1.0
Commissions	490	380	29.2
TOTAL	**9,881**	**8,356**	**18.2**

2.4.6 Investments

The financial year of 2008 was marked by an unprecedented crisis in the international financial markets and a sharp slowdown in the economy worldwide.

The main stock exchanges recorded considerable losses, in the order of 50% in most cases.

In the course of 2008, as the crisis which started in the subprime sector in 2007 continued to spread, credit markets found themselves in increasing disarray. In corporate debt issues, spreads tended to widen, especially after Lehman Brothers was declared insolvent, due to the growing perception of the deterioration in the capacity of companies to honour their liabilities.

Extreme uncertainty as to the extent and duration of the crisis sent short term interest rates climbing, which undermined the financing of the economy. The situation was at its most acute at the start of the fourth quarter, after which the spread between Euribor rates and leading rates started to return to normal.

The turmoil and volatility experienced in the financial markets in 2008 had an impact on T-VIDA's financial operations. The situation required a significant shift in the financial strategy mapped out at the start of the year. These changes included reduction in exposure to the equity market to close to zero at the end of 2008 and the keeping of high levels of liquidity. The overall impact on financial results in 2008 was negative, due to impairments on bond positions and losses on the disposal of equity positions regarded as trading securities.

The company built up its floating rate bond portfolio during the first quarter, seeking primarily to maintain an average portfolio rating of A2/A-. From November onwards, the company invested in fixed rate bonds with 3/5year maturities, accompanied by measures for reducing maturities on its portfolio assets.

This was accompanied by efforts to increase exposure to liquidity, and most investments were made at the top interbank market rates with a maturity of six months – investments with an average yield of 6.4%.

('000 euros)

ASSETS UNDER MANAGEMENT [2]	2008	2007	VAR 08/07 (%)
Bonds	262,967	266,704	-1.4
Shares and investment funds	8,720	49,070	-82.2
Liquid assets	114,045	95,727	19.1
Unit links [1]	316,235	3,665	8,528.5
TOTAL	**701,967**	**415,166**	**69.1**

(1) Mainly invested in investment funds
(2) Management figures

The yield on average assets stood at -0.5%, as compared with 4.9% in 2007. This decline was caused by the negative effect of impairments in bond positions and by losses realized on withdrawal from trading positions in the equity market.

If we exclude the effect of these impairments, the yield obtained in 2008 would have been 5.0%.

('000 euros)

INCOME FROM FINANCIAL ASSETS	2008	2007	VAR 08/07 (%)
Earnings	**23,413**	**18,073**	**29.5**
Securities	23,413	18,073	29.5
Property	-	-	-
Gains and losses	**-4,691**	**2,122**	**-321.1**
Securities	-4,691	2,122	-321.1
Property	-	-	-
Impairment	**-20,907**	**-**	**-**
Securities	-	20,907	-
Property	-	-	-
Net gains on financial liabilities	**248**	**-1,101**	**-122.5**
TOTAL	**-2,185**	**20,195**	**-110.8**

2.4.7 Equity and Solvency Margin

Equity increased in 2008 by 1,391 thousand euros over the period, rising to 72,338 thousand euros. The most significant developments were the increase of 45 million euros in share capital and the repayment of accessory capital subscriptions of 20 million euros, resulting in a net increase of 25 million euros. This was partially offset by negative variation in the revaluation reserve, down by 11,774 thousand euros due to adjustments to the fair value of financial assets, and by the net loss for the period of 13,205 thousand euros.

The solvency ratio rose to 156.4% (estimate) as compared to 104.8% in 2007. This was achieved thanks to the slight decrease in the solvency margin to be constituted and the increase in the component elements of equity, due to the increase in share capital.

('000 euros)

EQUITY	2008	2007	VAR 08/07 (%)
Share capital	65,000	20,000	225.0
Other capital instruments	37,500	57,500	-34.8
Revaluation reserves	-24,783	-13,010	90.5
Other reserves	7,110	3,551	100.2
Retained earnings	716	-1,277	-156.1
Net profit	-13,205	4,183	-415.7
TOTAL	**72,338**	**70,946**	**2.0**

2.4.8 International Control

A number of important projects were implemented in 2008 for monitoring legal impacts in terms of compliance and risk management, and for adapting to future challenges which will require substantial changes in the insurance business. Examples of these are:

- Start-up of the project for internal models for Economic Capital, Embedded Value and Asset Liability Management;
- Membership of ISP and APS working parties on issues relating to progress on Solvency II;
- QIS 4 – Quantitative Impact Study on application of Solvency II rules to calculating the economic capital of insurance companies;
- Review of the company's internal control system;
- Drafting of reports on T-VIDA's risk policy;
- Design and compilation of the operating risk data base;
- Launch and training for operating risk areas;

In terms of new legislation, the company focussed on following through implementation of the new Insurance contract law, and also studied and implemented the new law on the prevention of money laundering.

2.5 Proposal for Allocation of Profits

The Company recorded a loss in 2008 of 13,204,846 euros.

Under the terms of Article 376 b) of the Companies Code, it is proposed that the loss of 13,204,846 euros be transferred to retained earnings.

2.6 Objectives for 2009

The financial year of 2009 will again 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.

T-Vida has targets for growth in 2009 in line with its strategic plan for expanding its market share, by realizing its development potential through Tranquildiade's different distribution channels.

T-Vida's operations will be geared to strengthening the loyalty of its customer basis and complementing the other services and products offered by Tranquildade's agents. It will therefore focus its efforts on the following main areas in order to achieve its targets for business growth:

1. Committed development of its agents network for the Assurfinance programme, setting the network the primary task of marketing financial life products. The distinctive advantages enjoyed by the Assurfinance network for leveraging life business are: its own experience in this business area and its close relationship with the banking network of the Banco Espírito Santo.

2. Expansion of the network of agents distributing traditional products (risk and hybrid). The fundamental factors in achieving growth with be coaching the agents network to develop skills relating to traditional risk products, and providing agents with an online facility (SIAnet) for local and immediate issue of life policies.

3. Development of a commercial approach for group life products for corporate customers (medium sized and large companies). The emphasis on employee benefits will be pursued in order to further the marketing work of the channels accompanied by dedicated sales teams for corporate segments (Major Brokerage and Private Clients Division and Operations Division).

The prospects for 2009 point to recession in most advanced economies, low growth in emerging market economies, a reduction in international trade and continued constraints on credit. Despite efforts by the monetary authorities to inject liquidity, the global economic outlook is strongly pessimistic, dominated by the threat of recession and deflation. The capital markets are therefore expected to remain highly volatile, and the insurance industry faces another difficult year as regards its financial operations

We have set targets for significant growth in the next few years, including the doubling of the customer portfolio and expansion of market share, in the sector of insurance companies not operating through the banking channel.

In 2009 the Company will conclude and implement capacity designed to control and mitigate overall risks, with implementation of its Business Continuity Plan and the models for complying with Solvency II requirements.

The following activities are planned for 2009 in relation to risk policy:

- Internal economic capital models;
- Definition and identification of indicators and measurements for monitoring overall risks;
- Development of reporting models for operating risk;
- Identification and monitoring of the main compliance risks.

2.7 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, 19 February 2009

The Board of Directors

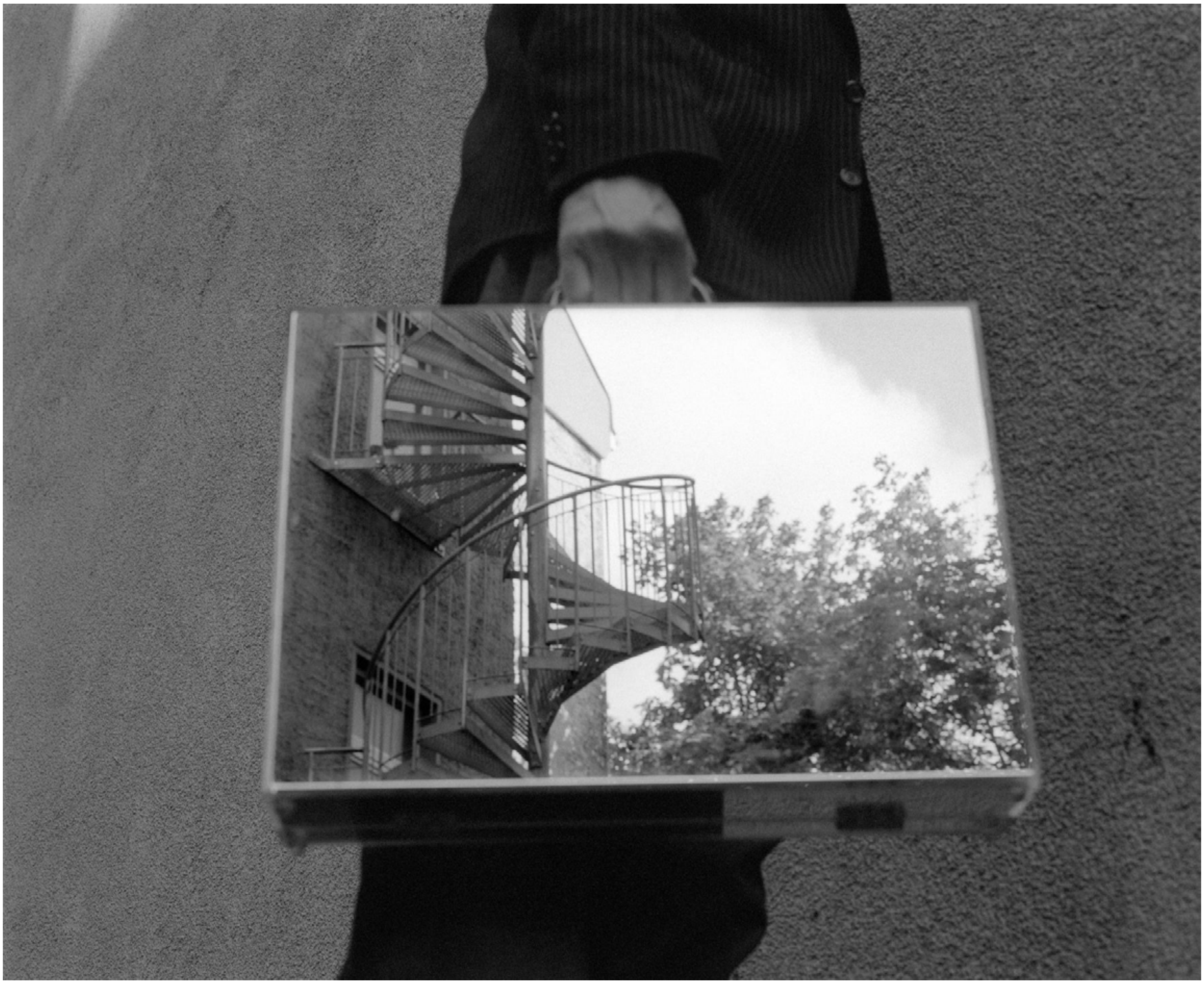
Pedro Guilherme Beauvillain de Brito e Cunha
(Chairman)

Augusto Tomé Pires Fernandes Pedroso
(Director)

António Miguel Natário Rio-Tinto
(Director)

Miguel Maria Pitté Reis da Silveira Moreno
(Director)

Nuno Miguel Pombeiro Gomes Diniz Clemente
(Director)



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03 FINANCIAL STATEMENTS

VIDA

Financial Statements

Balance Sheet (Assets) at 31 December 2008 and 2007

('000 euros)

ASSETS	Notes	2008 Gross	2008 Impairment, Depreciation/ Amortization or Adjustments	2008 Net	2007
Cash and cash equivalents and sight deposits	8	47,783		47,783	72,728
Investments in subsidiaries, associates and joint venture					
Trading assets	6	674		674	9
Financial assets classified on initial recognition at fait value through profit or loss	6	338,485		338,485	42,522
Hedging derivatives					
Available-for-sale financial assets	6	272,226	-20,907	251,319	277,230
Loans and receivables		**68,316**		**68,316**	**25,318**
Deposits made under assumed reinsurance contracts					
Other deposits	6	68,279		68,279	25,281
Loans	6	37		37	37
Accounts receivable					
Other					
Held-to-maturity investments					
Land and buildings					
Land and buildings in own use					
Investment property					
Other tangible assets					
Inventories					
Goodwill					
Other intangibel assets	12	50,094	-6,020	44,074	46,394
Underwriting provisions - outwards reinsurance		**1,556**		**1,556**	**667**
Provision of unearned premiums					
Mathematical provision for life business	4	938		938	27
Provision for claims	4	163		163	115
Provision for profit sharing	4	455		455	277
Provision for rate commitments					
Provision for portfolio stability					
Other underwriting provisions					
Assets for post-employment benefits and other long term benefits	23	41		41	8
Other debtors for insurance and other operations		**8,835**	**-604**	**8,231**	**3,941**
Accounts receivable - direct insurance operations	13	3,018	-604	2,414	1,537
Accounts receivable - other reinsurance operations	13	86		86	210
Accounts receivable - other operations	13	5,731		5,731	2,194
Tax assets		**12,157**		**12,157**	**3,527**
Current tax assets	24	1,026		1,026	83
Deferred tax assets	24	11,131		11,131	3,44
Accruals and deferrals	13	1,104		1,104	679
Other asset accounts	13	56,615		56,615	27,905
Non-current assets held for sale and discontinued business units					
TOTAL ASSETS		**857,886**	**-27,531**	**830,355**	**500,928**

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Balance Sheet (Liabilities) at 31 December 2008 and 2007

('000 euros)

LIABILITIES AND EQUITY	Notes	2008	2007
LIABILITIES			
Underwriting provisions		**350,037**	**361,061**
Provision for unearned premiums	4	887	668
Mathematical provision for life business	4	337,772	348,169
Provision for claims			
Life	4	9,589	9,204
Provision for profit sharing	4	1,650	2,881
Provision for rate commitments			
Provision for portfolio stability	4	139	139
Other underwriting provisions			
Financial liabilities of deposit component of insurance contracts and of operations considered for accounting purposes as investment contracts	5	400,597	64,073
Other financial liabilities			
Hedging derivatives			
Subordinated liabilities			
Deposits received from reinsurers			
Other			
Liabilities for post-employment benefits and other long term benefits			
Accounts payable for insurance and other operations		**3,669**	**1,425**
Accounts payable - direct insurance operations	13	1,609	792
Accounts payable - other reinsurance operations	13	541	213
Accounts payable - other operations	13	1,519	420
Tax liabilities		**362**	**1,245**
Current tax liabilities	24	362	1,245
Deferred tax liabilities			
Accruals and deferrals	13	3,352	2,178
Other provisions			
Other liabilities			
Liabilities for a group for disposal classified as held for sale			
TOTAL LIABILITIES		**758,017**	**429,982**
EQUITY			
Share capital	25	65,000	20,000
(Own shares)			
Other capital instruments	25	37,500	57,500
Revaluation reserves		**-24,783**	**-13,010**
For adjustments to fair value of financial assets	26	-24,783	-13,01
For revaluation of land and buildings in own use			
For revaluation of intangible assets			
For revaluation of other tangible assets			
For adjustment to fair value of hedging instruments in cash flow hedges			
For adjustments to fair value of hedge for net foreign current investments			
Exchange rate differents			
Deferred taxes reserve	26	6,568	3,448
Other reserves	26	542	103
Retained earnings	35	716	-1,278
Profit for the period		-13,205	4,183
TOTAL EQUITY		**72,338**	**70,946**
TOTAL LIABILITIES AND EQUITY		**830,355**	**500,928**

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Profit and Loss Account at 31 December 2008 and 2007

(´000 euros)

PROFIT AND LOSS ACCOUNT	Notes	2008 Underwriting Non-Life	2008 Non-Underwriting	2008 Total	2007
Premiums written net of reinsurance		**36,426**		**36,426**	**57,637**
Gross premiums written	14	39,194		39,194	59,684
Outward reinsurance premiums	14	-2,549		-2,549	-2,022
Provision for unearned premiums (variation)	4 e 14	-219		-219	-25
Provision for unearned premiums, reinsurers' share (variation)					
Commissions on insurance contracts and operations considered for accounting purposes as investment contracts or as service contracts	15	1,151		1,151	298
Cost of claims, net of reinsurance	**4**	**-54,085**		**-54,085**	**-52,876**
Paid		-53,748		-53,748	-54,166
Gross		-54,111		-54,111	-54,821
Reinsurers' share		363		363	655
Provision for claims (variation)		-337		-337	1,290
Gross		-385		-385	1,376
Reinsurers' share		48		48	-86
Ohter underwriting provisions, net of reinsurance	4				-2
Mathematical provision for lfe business, net of reinsurance	**4**	**11,593**		**11,593**	**-8,550**
Gross		10,930		10,930	-8,588
Reinsurers' share		663		663	38
Profit sharing, net of reinsurance	4	-781		-781	-1,193
Net operating costs and expenses	**21**	**-9,896**		**-9,896**	**-8,426**
Acquisition costs		-6,731		-6,731	-4,97
Deferred acquisition costs (variation)	4	-53		-53	-57
Administrative costs		-4,017		-4,017	-3,932
Commissions and profit sharing (reinsurance)		905		905	535
Earnings	**16**	**22,882**	**531**	**23,413**	**18,073**
Interest on financial assets not valued at fair value through profit or loss		18,595	473	19,068	16,289
Interest on financial liabilities not valued at fair value through profit or loss					
Other		4,287	58	4,345	1,784
Financial expense	**16**	**-707**	**-3**	**-710**	**-531**
Interest on financial assets not valued at fair value through profit or loss					
Interest on financial liabilities not valued at fair value through profit or loss					
Other		-707	-3	-710	-531
Net gains on financial assets and liabilities not valued at fair value through profit or loss		**-4,981**		**-4,981**	**310**
Available-for-sale assets	17 e 18	-3,827		-3,827	1,629
Loans and accounts receivable					
Assets held to maturity					
Financial liabilities valued at amortized cost	5	-1,154		-1,154	-1,319
Others					
Net gains on financial assets and liabilities valued at fair value through profit or loss		**384**		**384**	**3,288**
Net gains on trading assets and liabilities	17 e 18				2,455
Net gains on financial assets and liabilities classified on initial recognition as at fair value through profit or loss	5, 17 e 18	384		384	833
Exchange rate differences	19	154		154	-2,577
Net gains on disposal of non-financial assets not classified as non-current assets held for sale and discontinued business units					
Impairment losses (net of reversal)	**6**	**-20,907**		**-20,907**	
On available-for-sale assets		-20,907		-20,907	
On loans and accounts receivable valued at amortized cost					
On assets held to maturity					
On others					
Other underwriting earnings/expense, net of reinsurance	20	-17		-17	2
Other provisions (variation)					
Other earnings/expense	20		497	497	33
Negative goodwill recognized immediately on gains and losses					
Gains and losses of associates and joint ventures entered in account by equity method					
Gains and losses on non-current assets (or groups for disposal) classified as held for sale					
NET PRE-TAX PROFITS		**-18,784**	**1,025**	**-17,759**	**5,486**
Tax on income for the period - Current taxes	24		-13	-13	-1,382
Tax on income for the period - Deferred taxes	24		4,567	4,567	79
NET PROFIT FOR THE PERIOD		**-18,784**	**5,579**	**-13,205**	**4,183**

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04 STATEMENT OF CHANGES IN EQUITY

VIDA

Statement of Changes in Equity

Statement of Changes in Equity at 31 December 2008 and 2007

('000 euros)

		Other Capital Instruments	Revaluation Reserves		Other Reserves			
	Share Capital	Accessory Subscriptions	For Adjustments to the Fair Value of Available-for-Sale Financial Assets	Deferred Taxes Reserve	Legal Reserve	Retained Earnings	Profit for the Period	TOTAL
Balance at 1 January 2007	**20,000**	**50,000**	**122**	**0**	**0**	**0**	**1,275**	**71,397**
Net gains from adjustments to the fair value of available-for-sale financial assets			-13,132					-13,132
Adjustments for recognition of deferred taxes				3,448				3,448
Increases in reserves through allocation of profits					103	-103		0
Distribution of profits/losses						-850		-850
Accessory subscription		7,500						7,500
Transfers between equity items not included in other lines						1,275	-1,275	0
Total changes in equity	**0**	**7,500**	**-13,132**	**3,448**	**103**	**322**	**-1,275**	**-3,034**
Net profits for the period								
Interim dividend						-1,600		-1,600
Balance at 31 December 2007	**20,000**	**57,500**	**-13,010**	**3,448**	**103**	**-1,278**	**4,183**	**70,946**
Capital increase/reduction	25,000							25,000
Conversion of accessory subscription into capital	20,000	-20,000						0
Net gains from adjustments to the fair value of available-for-sale financial assets			-11,773					-11,773
Adjustments for recognition of deferred taxes								
Increases in reserves through allocation of profits				3,120				3,120
Distribution of profits/losses						-1,750		-1,750
Transfers between equity items not included in other lines						4,183	-4,183	0
Total changes in equity	**45,000**	**-20,000**	**-11,773**	**3,120**	**439**	**1,994**	**-4,183**	**14,597**
Net profits for the period							-13,205	-13,205
Balance at 31 December 2008	**65,000**	**37,500**	**-24,783**	**6,568**	**542**	**716**	**-13,205**	**72,338**

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05
STATEMENT OF CASH FLOWS

VIDA

Statements of Cash Flows

Statements of Cash Flows at 31 December 2008 and 2007

('000 euros)

	2008	2007
Cash flows from operating activities	**-91,004**	**18,329**
Net profits for the period	-13,205	4,183
Depreciation and amortization for the period	2,321	2,344
Variation in underwriting provisions - direct insurance	-11,025	23,614
Variation in underwriting provisions - outwards reinsurance	-888	-13,802
Vatriation in other provisions	-	579
Variations in debtors for direct insurance, reinsurance and other operations	-4,291	-51
Variation in other tax assets and liabilities	-9,513	166
Variation in other assets and liabilities	-56,649	1,821
Variation in creditors for direct insurance, reinsurance and other operations	2,246	-525
Cash flows from investing activities	**22,809**	**42,394**
Variation in investments	22,810	42,334
Acquisition of tangible and intangible assets	-1	-11
Disposal of tangible and intangible assets	-	71
Cash flows from financing activities	**43,250**	**5,021**
Distribution of dividends	-1,750	-879
Capital subscriptions/Accessory capital	45,000	7,500
Interim dividends	-	-1,600
Net variation in cash and cash equivalents	**-24,945**	**65,744**
Opening cash and cash equivalents	72,728	6,984
Closing cash and cash equivalents	47,783	72,728

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06
NOTES TO THE FINANCIAL STATEMENTS

VIDA

Notes to the Financial Statements at 31 December 2008 and 2007

Note 1 - General Information

T-Vida, Companhia de Seguros, S.A. (referred to below as T-Vida or Company) was incorporated on 28 July 2006 in order to carry on life insurance business on an independent basis, starting on 1 August 2006, and is wholly owned by Companhia de Seguros Tranquilidade, S.A.

On 1 August 2006, the Company acquired the portfolio of policies relating to the traditional brokerage channel previously operated by BES–Vida, Companhia de Seguros, S.A.

The Company has its registered offices at Av. da Liberdade, 242, in Lisbon, and is registered with the Lisbon Companies Registry with corporate person no. 507684486. The Company carries on life insurance business under the supervision of the Portuguese Insurance Institute, with permit no. 1165.

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.

Note 2 - Segment Reporting

A T-Vida operates in life insurance business, for which it has been authorized by the PII, and its underwriting policies and rules are designed to obtain the maximum benefit from segmentation of the tariffs for different products, for either personal or business clients, and to use all available sources of information to assess the quality of physical, financial and moral risks.

The reporting segment is its overall business line, in which the leading products and services offered by the Company to its customers are risk products, savings and retirement schemes, endowment operations and annuities.

Breakdown of the main items of the financial statements at 31 December 2008 and 2007 by the principal business segments:

('000 euros)

2008	Total Life	Traditional	Endowment With Profit Sharing	Endowment Without Profit Sharing
Profit and loss items				
Gross premiums written	39,194	19,518	19,676	-
Commissions on investment contracts	1,151	-	-	1,151
Gorss premiums earned	38,975	19,299	19,676	-
Earnings from investments	-3,175	-4,219	2,420	-1,376
Gross cost of claims	54,496	18,468	36,028	-
Change in mathematical provision	10,930	2,924	8,006	-
Profit sharing	-781	-781	-	-
Gross operating costs	10,801	5,718	4,196	887
Reinsurance balance	-570	-569	-1	-
Underwriting result	-18,784	-7,549	-10,123	-1,112
Balance sheet items				
Assets allocated to represent underwriting provisions and financial liabilities on investment contracts	749,690	95,927	244,670	409,093
Underwriting provisions	350,037	100,562	249,475	-
Financial liabilities on investment contracts	400,597	-	-	400,597

('000 euros)

2007	Total Life	Traditional	Endowment With Profit Sharing	Endowment Without Profit Sharing
Profit and loss items				
Gross premiums written	59,684	17,703	41,981	-
Commissions on investment contracts	298	-	-	298
Gorss premiums earned	59,659	17,678	41,981	-
Earnings from investments	16,922	4,669	13,490	-1,237
Gross cost of claims	53,445	13,468	39,977	-
Change in mathematical provision	-8,588	1,393	-9,981	-
Profit sharing	-1,193	-189	-1,004	-
Gross operating costs	8,961	3,988	4,223	750
Reinsurance balance	-880	-880	-	-
Underwriting result	3,812	5,217	286	-1,689
Balance sheet items				
Assets allocated to represent underwriting provisions and financial liabilities on investment contracts	398,094	96,130	239,403	62,561
Underwriting provisions	361,061	102,968	258,093	-
Financial liabilities on investment contracts	64,073	-	-	64,073

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

Basis of Presentation

The financial statements of T-VIDA presented herewith relate the financial year ended 31 December 2008 and have been drawn up in accordance with the Plan of Accounts for Insurance Companies (“PAIC 07”), issued by the PII and approved by Regulatory Standard 4/2007-R, of 27 April, and subsequent amendments set out in Standard 20/2007-R of 31 December, and also in accordance with the rules on the accounting of the operations of insurance companies established by the PII.

This new Plan of Accounts has introduced the International Financial Accounting Standards (IFRS) in force as adopted in the European Union, except for the measurement criteria for liabilities resulting from insurance contracts as defined in IFRS 4 – Insurance Contracts. 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.

The Company has adopted IFRS 7 – Financial Instruments: Disclosures, as well as IAS 1 (amended) – Presentation of financial statements – Capital disclosure requirements. These standards, application of which is mandatory as of 1 January 2007, had an impact on the disclosures made, but had not effect on the Company’s equity. In accordance with the transitional rules for these standards, comparative figures are presented for the new disclosures required.

In addition, as from 2008 the Company has adopted IAS 39/IFRS 7 – Reclassification of Financial Instruments and IFRIC 14/IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction. The adoption of these interpretations had no effect on the Company’s financial statements.

The accounting policies described below were applied in a consistent manner in the periods presented in the financial statements.

The financial statements are expressed in thousands of euros, rounded up/down to the closest one thousand, and are prepared on the basis of the historical cost convention, except for assets and liabilities stated at fair value, specifically derivative financial instruments, financial assets and liabilities at fair value through profit or loss, available for sale financial assets and investment property. Other financial assets and liabilities, together with non-financial assets and liabilities, are stated at amortized or historical cost.

The preparation of financial statements in accordance with the New Accounting Plan for Insurance Companies requires the Company to make judgements and estimates and to use assumptions which affect the application of accounting policies and the value of income, costs, assets and liabilities.

These estimates and assumptions are based on the most recent information available, serving as the basis for judgements on the value of assets and liabilities whose valuation is not supported by other sources. The real results may differ from the estimates.

These financial statements were approved at the meeting of the Board of Directors of 19 February 2009.

Transition to the New Plan of Accounts

In preparing the financial statements as at 31 December 2008 and in determining the adjustments in accordance with the IFRS, except for the measurement criteria in IFRS 4, the Company decided to adopt a number of transitional rules established in IFRS 1 – First Time Adoption of International Financial Reporting Standards.

Consequently, the transition date was 1 August 2006, the date of operational start-up and the date of transition to the IFRS for the purposes of reporting to the shareholder.

A description of how the transition to the New Plan of Accounts affected the Company’s financial performance is provided in Note 35.

The Main Accounting Principles and Valuation Criteria Adopted

Financial Assets

Classification

The Company classifies its financial assets at the start of each transaction in consideration of the underlying intention, using the following categories:

- Financial assets at fair value through profit or loss, which include:
  - Trading securities, which are acquired with the primary objective of being traded in the short term;
  - Financial assets designated at the moment of initial recognition at fair value with changes recognized in income, namely when:
    - These financial assets are managed, valued and analyzed internally on their basis of their fair value;
    - Such designation eliminates an accounting mismatch;
    - These financial assets contain embedded derivatives.
- Available-for-sale financial assets, which include:
  - Non-derivative financial assets where there is the intention of maintaining them for an indeterminate period of time;
  - Financial assets which are designated as available for sale on initial recognition;
  - Financial assets not falling into the other categories.
- Loans and accounts receivable, including receivables relating to direct insurance operations, outwards reinsurances and transactions relating to insurance contracts and other transactions.

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 recognized at the trade date, i.e. the date on which the Company commits itself to acquiring or selling the asset.

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

These assets are derecognized when (i) the Company's contractual rights to receipt of its cash flows expire or (ii) the Company has substantially transferred all the risks and benefits associated with holding the assets.

Subsequent measurement

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

Held-for-sale investments are also recorded at fair value, although the respective variations are recognized in reserves, until the investments are derecognized or an impairment loss is identified, when the accrued value of the potential gains and losses recorded in reserves is transferred to income.

Exchange rate variations associated with the investments are also recognized 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 recognized in the income statement.

The fair value of listed financial assets is the respective bid price. If unlisted, the Company estimates the fair value using (i) valuation methodologies, such as the use of the prices of recent and similar transactions carried out under market conditions, discounted cash flow techniques and option valuation models customized to reflect the particularities and circumstances of the instrument, and (ii) valuation assumptions based on market reports.

Loans and accounts receivable are subsequently valued at amortized cost, on the basis of the effective interest rate method.

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

Transfers between categories

In October 2008 the IASB issued the reviewed IAS 39 – Reclassification of Financial Instruments (Amendments to IAS 39 Financial Instruments: Recognition and Measurement and IFRS 7: Financial Instruments Disclosures).

This amendment permits an entity to transfer financial assets at fair value through profit or loss to portfolios of available-for-sale financial assets, Loans and accounts receivable or to held-to-maturity financial assets, provided these financial assets conform to the characteristics of each category. The Company has not adopted this possibility.

Impairment

The Company 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 income.

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

In accordance with the Company's policies, a depreciation of 30% in the fair value of an equity instrument is deemed a significant depreciation and a period of 1 year is deemed to constitute continued depreciation of the fair value below acquisition cost.

When there is evidence of impairment in available-for-sale financial assets, the accrued potential losses in reserves, corresponding to the difference between acquisition cost and the current fair value, less any impairment loss on the asset previously recognized in income is transferred to income.

If in a subsequent period, the value of the impairment loss decreases, the impairment loss previously recognized is reversed against the profit or loss of the period until the acquisition cost is reinstated if the increase is objectively related to an event occurred after recognition of the impairment loss, except for shares and other equity instruments, where the reversal of impairment is recognized in reserves.

Derivative financial instruments

Derivative financial instruments are recognized at the trade date at their fair value. Subsequently, the fair value of derivative financial instruments is reassessed on a regular basis, and the gains or losses resulting from such revaluation are recorded directly in the profit or loss for the period.

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

Embedded derivatives

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

Financial liabilities

An instrument is classified as a financial liability when there is a contractual obligation for it to be settled through delivery of cash or another financial asset, irrespective of its legal form. Non-derivative financial liabilities include loans, creditors – direct insurance and reinsurance operations and other liabilities. These financial liabilities are recorded (i) initially at fair value less transaction costs incurred and (ii) subsequently at amortized costs, using the effective rate method, with the exception of liabilities for investment contracts in which the investment risk is borne by the policy holder, which are stated at fair value.

Foreign currency operations

Foreign currency operations are translated at the exchange rate ruling at the trade date. Monetary assets and liabilities expressed in foreign currency are translated into euros at the exchange rate ruling on the balance sheet date. Exchange rate differences resulting from such translation are recognized in income, except when classified as cash flow hedges or net investment hedges, when the resulting foreign exchange variations are recognized in reserves.

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

Intangible assets

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

Costs incurred on the acquisition of software are capitalized, as are additional expenses necessary for implementation of the software and borne by the Company. These costs are depreciated on a straight line basis over the expected useful life of the assets, normally 3 years.

Costs directly related to development of software by the Company, where it is to be expected that they will generate future economic benefits during more than one financial year, are recognized and recorded as intangible assets. These costs are depreciated on a straight line basis over the expected useful life of the assets, which in most cases is no longer than 5 years.

All other expenditures relating to IT services are recognized as costs when they occur.

Leases

The Company classifies the existing lease operations as operating leases, in accordance with the criteria defined in IAS 17 – Leases, given that the risks and rewards of ownership of the assets are not transferred to the lessee.

In operating leases, payments made by the company under operating leases are recorded under costs in the periods to which they relate.

Cash and cash equivalents

Cash and cash equivalents include securities stated in the valance with a maturity of less than three months from the balance sheet date, as well as cash and sight deposits with credit institutions.

Reinsurance

Reinsurance contracts are reviewed in order to determine whether the respective contractual provisions presuppose the transfer of a significant insurance risk. Reinsurance contracts which do not presuppose the transfer of significant insurance risks are accounted for by the deposit method and stated under loans as financial assets or liabilities related to reinsurance activity. Amounts received or paid under these contracts are accounted for as deposits using the effective interest rate method.

In the course of its business, T-VIDA cedes business. Amounts receivable in relation to reinsurance business include balances receivable from insurance companies and reinsurers relating to liabilities ceded. Amounts payable to reinsurers are calculated in accordance with the pre-set contractual provisions.

Employee benefits

Pensions - Defined benefit plan

The Company has accepted liability to pay its employees old age and invalidity retirement pensions, on terms established in the Insurance Workers Collective Agreement (CEA).

The benefits provided for in the pension plans are those covered by the "CEA Plan – Insurance Industry Collective Employment Agreement (CEA)"

The Company's liabilities for retirement pensions (defined benefits plan) are calculated annually, on the date of close of the accounts, by the Company, individually for each plan.

The current service costs, together with the return expected on the plan assets less the unwinding of the plan liabilities, are recorded against operating costs.

The Company's liabilities for retirement pensions are calculated on the basis of the Projected Unit Credit Method, individually for each plan, by estimating the value of the future benefits which each employee should receive in exchange for his service in the current period and in past periods. The benefit is discounted in order to determine its current value and the fair value of any plan assets must be deducted. The discounted rate used in this calculated is determined on the basis of market rates for corporate bonds with good quality ratings, denominated in the currency in which the benefits will be paid and with a maturity similar to the expiry date of the plan obligations.

In keeping with the corridor method, accrued deferred actuarial gains and losses at the start of the year in excess of 10% of the greatest of total liabilities and the value of the fund, also with reference to the start of the year, are allocated to income during a period which shall not exceed the average remaining working life of workers covered by the plan.

Charges relating to early retirement, together with the corresponding actuarial gains and losses, are recognized in profit or loss at the time when the early retirement is approved and announced.

The plan is financed annually by contributions from the Company to cover projected liabilities for pensions, including complementary benefits when appropriate. Minimum funding for pensions currently payable is 100% and 95% for the past services of current workers.

On each reporting date the Company assesses, individually for each plan, the recoverability of any surplus in the fund, based on the prospect of future contributions which may be needed.

Bonus

The variable remuneration for employees is accounted for in the income statement of the period to which it relates.

Liability for holiday pay and allwances

Included under accruals and deferrals on the liabilities side, this corresponds to approximately 2 months' pay and respective charges, based on figures for the period in question, and serves to recognize the legal liabilities existing at the end of each period to employees for their services rendered up to such date, to be settled later.

Tax on profits

Taxes on profits comprise current taxes and deferred taxes. Taxes on profits are recognized in income, except when they are related to items recognized directly in equity, in which case they are also stated against equity.

Taxes recognized in equity resulting from the revaluation of available-for-sale investments are subsequently recognized in income when the gains or losses which gave rise to them are recognized in income.

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 rate of tax approved or substantially approved in each jurisdiction.

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

Deferred tax liabilities are recognized for all temporary differences.

Deferred tax assets are recognized only insofar as it may be expected that taxable profits will exist in future such as may absorb the deductible temporary differences (including reportable fiscal losses).

Provisions

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

Recognition of interest

Profit or loss relating to interest on available-for-sale financial assets and financial assets at fair value through profit or loss are recognized in specific profit and loss accounts.

The amortized cost is calculated using the effective rate method, and its impact recorded under investment income.

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

For the purpose of calculating the effective interest rate, future cash flows are estimated considering all the contractual terms of the financial instrument (for example, early payment options), but not considering any possible future credit losses. The calculation includes charges included in the effective interest rate, transaction costs and all premiums and discounts directly relating to the transaction.

Dividend income

Dividend income is recognized when received.

Profits per share

Basic profits per share are calculated by dividing the Company's net profits by the weighted average number of ordinary shares in issue.

Offsetting of financial instruments

Financial assets and liabilities are presented in the balance sheet at their net value when there is the legal possibility of offsetting amounts already recognized and when there is the intention of settling on a net basis or to realize the asset and settle the liability simultaneously.

Adjustments to outstanding premiums and doubtful debts

The value of these adjustments is calculated on the basis of the premiums outstanding and doubtful debts, applying the criteria established by the PII.

Segment reporting

A business segment is a set of assets and operations subject to specific risks and rewards differing 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 rewards differing from other segments operating in other economic environments.

Principal Estimates and Judgements used in Preparing the Financial Statements

The IFRS lay down a series of accounting procedures and require the Board of Directors to use its judgement and to make the estimates necessary in order to decide what accounting treatment is most appropriate.

The principal accounting estimates and judgements used in applying the accounting principles by the Company are analyzed below, in order to provide a better understanding of how their application affects the results reported by the Company and their disclosure.

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

The Board of Directors considers that the choices made are appropriate and that the financial statements present in an adequate manner the financial position of the Company and its operations in all materially relevant aspects.

The alternatives considered below are presented merely to help the reader to understand the financial statements, and are not intended to suggest that other alternatives or estimates are more appropriate.

Impairment of available-for-sale financial assets

The Company deems impairment to exist to its available-for-sale assets when there is a continued or significant depreciation in their fair value. Determination of what constitutes continued of significant depreciation requires judgement.

In accordance with Company policies, a depreciation of 30% in the fair value of an equity instrument is regarded as significant depreciation and a period of one year is considered as continued depreciation of the fair value below acquisition cost, for equity instruments and events which alter the future estimated cash flows for debt securities.

In addition, valuations are obtained through market prices or valuation models which require the use of given assumptions or judgments in setting estimates of fair value.

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

Fair value of derivative financial instruments

The fair value is based on listed market prices, when available, or, in the absence of a listed price, on the use of the prices for recent similar transactions, carried out under market conditions, or on the basis of valuation methodologies based on discounted future cash flow techniques, considering the market conditions, the effect of time, the yield curve and volatility factors. These methodologies may require the use of assumptions or judgements in estimating the fair value.

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

Taxes on profits

Assessment of taxes on profits requires certain interpretations and estimates. Other interpretations and estimates could result in a different level of taxes on profits, current and deferred, recognized in the period.

Under the fiscal legislation in force, the Tax Authorities are able to review the calculation of taxable income by the Company for a period of four years.

There may accordingly be corrections to the taxable income, resulting mainly from differences in the interpretation of fiscal legislation. However, the Board of Directors believes there will be no significant adjustments to the taxes on profits recorded in the financial statements.

Pensions and other employee benefits

The assessment of liabilities for retirement pensions requires the use of assumptions and estimates, including the use of actuarial projections, estimated investment yields and other factors which may have an impact on pension plan costs and liabilities. Changes to these assumptions could have a significant impact on the amounts assessed.

Underwriting provisions and liabilities relating to investment contracts

Future liabilities deriving from insurance and investment contracts with profit sharing are recorded in the account for underwriting provisions.

Underwriting provisions for traditional life products and annuities have been determined on the basis of various assumptions, in particular mortality, longevity and interest rates, applicable to each of the covers including a margin of risk and uncertainty.

The assumptions used are based on the past experience of the company and the market. These assumptions may be reviewed if it is considered that future experience shows them to be no longer appropriate.

The underwriting provisions deriving from insurance and investment contracts with discretionary profit sharing include (i) mathematical provision for life contracts, (ii) provision for profit sharing attributed and to be attributed, (iii) provision for reported and unreported claims including the respective settlement expenses, (iv) provision for portfolio stabilization and (v) provision of unearned premiums.

The mathematical provision includes the valuation resulting from the liabilities adequacy text. The provision for profit sharing includes liability determined through shadow accounting. The provision for claims includes the estimate of liabilities for claims incurred at the balance sheet date.

When there are claims caused by or against policy holders, any amount paid or which is estimated to be paid by the Company is recognized as a loss under income.

The Company establishes provisions for the payment of claims under insurance contracts. In assessing the underwriting provisions deriving from insurance contracts, the Company periodically assesses its liabilities using actuarial methodologies and taking the respective reinsurance cover into account. Provisions are periodically reviewed by qualified actuaries.

Claims provisions do not represent an exact calculation of the value of the liability, but rather an estimate resulting from the application of actuarial assessment techniques. These estimated provisions correspond to the Company's expectation of what the ultimate cost of settling the claims will be, based on assessment of the facts and circumstances known at this date, on a review of historical settlement patterns, on an estimate of trends in terms of the claims rate, liability theories and other factors.

Variables used in estimating provisions may be affected by internal and/or external events, in particular changes in claims management processes, inflation and changes in the law. Many of these events are not directly quantifiable, especially on a prospective basis.

In addition, there may be a significant time gap between the moment the insured event occurs (accident/damage) and the moment when this event is reported to the Company. Provisions are regularly reviewed in a continuous process as and when additional information is received and liabilities are settled.

Note 4 - Nature and Extent of Accounts and Risks Deriving from Insurance and Investment Contracts

Provision of Information Which Can Identify and Explain the Amounts Indicated in the Financial Statements as Deriving from Insurance and Investment Contracts

Accounting policies adopted in relation to insurance and investment contracts

The Company issues contracts that including insurance risk, financial risk or a combination of both.

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

A contract issued by the Company where the insured risk transferred is not significant, but where the financial risk transferred is significant, with discretionary profit sharing, is deemed to be an investment contract and is recognized and measured in accordance with the accounting policies applicable to insurance contracts.

A contract issued by the Company which transfers only financial risk, without discretionary profit sharing, is recorded as a financial instrument.

Life contracts issued by the Company in which the investment risk is borne by the policy holder (unit linked) and which only transfer financial risk, without discretionary profit sharing, have been classified as investment contracts and stated in the accounts as financial instruments. The liabilities correspond to the value of the unit share, less management commissions, redemption charges and any penalties.

Unit linked contracts held by the Company are classified as financial assets at fair value through profit or loss, which value depends on the fair value of the financial assets, derivatives and/or investment properties making up the unit linked collective investment fund. Valuation techniques are used to determine the fair value at the date of issue and at each balance sheet date.

The fair value of the financial assets is determined through the unit shares, which reflect the fair value of the assets making up each investment fund, multiplied by the number of unit shares attributable to each policy holder at the balance sheet date.

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

Insurance contracts and investment contracts with profit sharing are recognized and measured as follows:

Recognition of cost and income

Cost and income are recorded in the period to which they relate, irrespective of when paid or received, on the accruals basis.

Premiums

Premiums on life insurance policies and investment contracts with discretionary profit sharing, when considered as long term contracts, are recognized as income when due from the policy holders.

Benefits and other costs are recognized at the same time as income is recognized over the lifetime of the contracts. Allocation is made by constituting provisions/liabilities of insurance contracts and investment contracts with discretionary profit sharing.

Provision for unearned premiums

The provision for unearned premiums is based on the assessment of premiums written up to the end of the period, but with effect after such date.

Under Standards 19/94-R and 3/96-R of the PII, 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 respective acquisition costs, in relation to contracts in force.

Acquisition costs

Acquisition costs which are directly or indirectly related to the sale of contracts are capitalized and deferred to the lifetime of the contracts. Deferred acquisition costs are subject to recoverability tests at the time of issue of contracts and subject to impairment tests at the balance sheet date. Deferred acquisition costs are depreciated over the normal period for which premiums for these contracts are earned.

Mathematical provision

The purpose of mathematical provisions is to record the current value of the Company's future liabilities with regard to insurance contracts and investment contracts with discretionary profit sharing issued, and these provisions are calculated using actuarial tables and formulas comprehensively regulated by the PII, as follows:

('000 euros)

	Mortality Table	Underwriting Rate
Retirement Savings Schemes and Endowment Products (*)		
Up to December 1997	GKM 80	4%
From 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 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 December 2004	GKM 80	4%
After 1 January 2005	GKM 80	4%
Hybrid insurance (*)		
Up to September 1998	GKM 80	4%
After 1 October 1998	GKM 80	3.25%

(*) Underwriting bases for products in accordance with year of sale

Mathematical provisions of Zillmerized and the respective effect written off.

At the balance sheet date, the Company assesses the adequacy of liabilities deriving from insurance contracts and investment contracts with discretionary profit sharing. Liability adequacy tests are carried out on the basis of the projection of future cash flows for each contract, discounted at the risk-free market interest rate.

This assessment is carried out product by product or aggregated when the risks on the products are similar or managed jointly. Any shortfall is recorded in the Company's income as and when determined.

Provision for claims

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

Provision for attributed profit sharing

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

Provision for profit sharing to be attributed (shadow accounting)

Under the new Plan of Accounts for the Insurance Sector ("PAIS 07"), unrealized gains and losses on financial assets allocated to liabilities for insurance contracts and investment contracts with profit sharing are attributed to the policy holders, on the basis of the expectation that they will share in these unrealized gains and losses when they are realized under the applicable contractual and regulatory terms, through recognition of a liability.

Provisions for outwards reinsurance

Provisions for outwards reinsurance are determined by applying the criteria described above for direct insurance and in accordance with the regulations in force.

The methodologies used for calculating provision have not been changed in any way in relation to the methods and assumptions used in the previous year.

Variations in underwriting provisions for direct insurance and reinsurance

The following table provides a breakdown of the provision for unearned premiums (PUP) for direct insurance reflected in liabilities and the respective annual variation reflected in the profit and loss account:

('000 euros)

	Balance Sheet Balance		Variation in Profit and Loss Account	
Products	2008	2007	2008	2007
Traditional	887	668	219	25
Endowment with profit sharing	-	-	-	-
Total	**887**	**668**	**219**	**25**

The following table provides a breakdown of the provision for claims on direct insurance reflected in liabilities and the respective annual variation in the profit and loss account:

('000 euros)

	Balance Sheet Balance		Variation in Profit and Loss Account	
Products	2008	2007	2008	2007
Traditional	4,277	3,347	-930	-113
Endowment with profit sharing	5,312	5,857	545	1,489
Total	**9,589**	**9,204**	**-385**	**1,376**

The balance of the claims provision for outwards reinsurance includes an estimated provision of 15,868 thousand euros (2007: 37,109 thousand euros) for claims incurred prior to 31 December 2008 but not reported (IBNR).

The following table provides a breakdown of the provision for claims incurred in prior periods and respective readjustments, using the format required by the PII for Annex 2:

('000 euros)

Business Areas/ Groups	Provision for Claims at 31.12.2007 (1)	Claims* Paid in 2008 (2)	Provision for Claims* at 31.12.2008 (3)	Readjustments (3) + (2) - (1)
Life	3,339	2,164	2,464	1,289

* Claims incurred in 2007 and previously

The readjustments are due above all to a process of reassessment of provisions to bring them into line with the amounts paid in 2008 and with future prospects.

The following table provides a breakdown of the provision for outwards reinsurance claims reflected in assets and the respective annual variation in the profit and loss account:

('000 euros)

	Balance Sheet Balance		Variation in Profit and Loss Account	
Products	2008	2007	2008	2007
Traditional	163	115	48	-86
Endowment with profit sharing	-	-	-	-
Total	**163**	**115**	**48**	**-86**

The provision for profit sharing stated under liabilities evolved as follows in 2008:

('000 euros)

Business Areas/ Groups	Balance Sheet Balance 2007	Variation in Profit Sharing Assigned	Payments	Incorporation in Mathematical Provision	Balance Sheet Balance 2008
Provision for profit sharing	2,881	860	-1,740	-351	1,650

The provision for profit sharing is calculated policy by policy.

The value of financial products is assessed in line with the underwriting rate on each product. In the case of risk products, the reasonableness of the amount is verified by taking into account the amounts expected by type as against the amounts calculated policy by policy.

The following table provides a breakdown of the mathematical provision stated under liabilities and the respective annual variation in the profit and loss account:

('000 euros)

	Balance Sheet Balance 2007	Variation	Incorporation of Profit Sharing	Other Variations	Balance Sheet Balance 2008
Mathematical provision	348,169	-10,930	351	182	337,772

The following table provides a breakdown of the provision for outwards reinsurance claims reflected in assets and the respective annual variation in the profit and loss account:

('000 euros)

	Balance Sheet Balance		Variation in Profit and Loss Account	
Products	2008	2007	2008	2007
Traditional	305	275	30	38
Endowment with profit sharing	633	-	633	-
Total	**938**	**275**	**663**	**38**

The following table provides a breakdown of the provision for portfolio stabilization stated under liabilities and the respective annual variation in the profit and loss account:

('000 euros)

	Balance Sheet Balance		Variation in Profit and Loss Account	
Products	2008	2007	2008	2007
Traditional	139	139	-	(2)
Endowment with profit sharing	-	-	-	-
Total	**139**	**139**	**-**	**(2)**

Nature and Extent of Specific Insurance Risks

The specific insurance risk corresponds to the risk inherent in the marketing of insurance contracts, product design and the setting of tariffs, in the underwriting process and the constitution of provisions for liabilities and management of claims and reinsurance.

In life insurance, risk may be subdivided into:

- Mortality risk: the risk of losses caused by the increase in actual mortality in relation to expected mortality.
- Longevity risk: the risk of losses caused by the reduction in actual mortality in relation to expected mortality.
- Discontinuity risk: the risk of losses caused by the increase/decrease (depending on which is most onerous) in cancellations in relation to the expected rate.
- Expenses risk: risk of losses due to expenses increasing in relation to expected expenses.
- Invalidity risk: risk of losses due to increase in the real invalidity rate in relation to the estimated rate.
- Catastrophic risk: risk of losses due to occurrence of a catastrophic even affecting life insurance contracts.

Processes relating to underwriting, constitution of provisions and reinsurance are duly documented with regard to the main activities, risks and controls in the risk policy report.

Briefly, the most important controls in place are as follows:

- Delegation of formally defined powers for different processes;
- Separation of powers between divisions responsible for risk analysis, for setting tariffs and issuing technical opinions and for issuing policies;
- Limited access to different software in keeping with the respective user profile;
- Digitalization of documentation in issue procedures and claims management;
- Procedures for ad hoc meetings, exception reports and audits;
- Recruitment and training policy geared to responsibilities and the technical complexity of different functions.

T-Vida has an outwards reinsurance policy based on proportional and non-proportional treaties.

The reinsurance programme in 2008 comprises a quota share and excess proportional treaty for home loans life insurance, a proportional excess treaty for group life insurance, a proportion excess treaty for individual credit life insurance and the non-proportional treaty is cover for catastrophic risk, as shown in the following table:

Area of Business	Type of Reinsurance
Life home loans	Quota share + Excess
Life group	Excess
Life individual credit	Excess
Life catastrophe	Excess of Loss (XL)

The sensitivity analysis for insurance risk, taking into consideration the principal constraints, was conducted for mortality and expenses risks, with the expected losses in shock scenarios being described as follows:

('000 euros)

Area of Analysis	Scenarios	Impact on Pre-Tax Profits 2008	2007
Expenses	Increase of 10% in operating costs, net of reinsurance	-730	-620
Mortality	Increase of 10% in mortality of insured persons	-5,590	-320

The small impact of the increase in mortality in 2007 was due to the fact that this shock only affected the provision for liability adequacy in 2008.

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

Market risk

Market risk results from the volatility in the market prices of financial instruments and also includes the risks associated with the use of derivative financial instruments and is strongly related to the risk of mismatching between assets and liabilities. It encompasses exchange rate risk, equity risk, property risk, interest rate risk, spread risk and concentration risk.

Management of market risk falls within the scope of financial policy and the rules on the allocation of assets by class and type of issuer, powers for which are assigned to the Financial Committee. The investment policies adopted by Tranquilidade are based on prudent levels of risk acceptances and portfolio diversification, in view of the evolution of financial markets.

With the introduction of the Overall Risk Management Committee, economic and financial risk working parties have been set up with the following main objectives:

- To set guidelines for the introduction of integrated risk management models, together with economic capital models, approved by the Board of Directors;
- To validate, from a technical perspective, the modelling of underwriting risks and financial risks as proposed by the Overall Risk Management and Internal Control Division and approved by the Board of Directors;
- To develop tolerance indicators based on models and to monitor variations in indicators;
- To develop risk control procedures considering the risk appetite and the respective tolerances defined by the Board of Directors;
- To define integrated risk mitigation strategies, as part of a process of adjusting assets and liabilities for analysis by the Overall Risk Management Committee.

The main responsibilities of the Overall Risk Management Committee are to examine and assure that the decisions taken by the Company are in line with the strategy and policies established for risk management, internal control and compliance. The committee also monitors the management of the different risks to which the Company is subject and proposes plans of action to the Board of Directors as and when appropriate.

Coordination is to be increased in 2009 between the Financial Committee, responsible for the investment policy, and the Overall Risk Management Committee.

Exchange rate risk

The exchange rate risk derives from the volatility of Euro exchange rates. Exposure to this risk is residual, due to the low value of foreign currency assets and the existence of a hedging mechanism which mitigates most of this risk.

As a result of this, the sensitivity analysis points to a loss which is immaterial to the company, as shown in the following table:

('000 euros)

Area of Analysis	Scenarios	Impact on Pre-Tax Profits 2008	2007
Exchange rate	Depreciation of 10% in value of all foreign currencies in relation to euro	-50	-400

Equities risk

Equities risk derives from the volatility of market prices for shares and seeks to measure only the systematic risk, as the non-systematic risk is considered in concentration risk.

Equity securities held by the company (together with investment funds totally or partially composed of these securities) and the Company's holding in other undertakings are exposed to this risk.

The sensitivity risk is shown in the following table:

('000 euros)

Area of Analysis	Scenarios	Impact on Fair Value Reserves Before e Tax 2008	2007
Shares	Drop of 10% in stock exchange prices	-600	-4,600

Property risk

Property risk derives from the volatility of property market prices. Exposure to this risk derives only from property investment funds.

The sensitivity analysis is shown in the following table:

('000 euros)

Area of Analysis	Scenarios	Impact on Fair Value Reserves Before Tax 2008	Impact on Fair Value Reserves Before Tax 2007
Property	Drop of 10% in value of property and property funds	-300	-

Interest rate risk

Interest rate risk exists for all assets and liabilities whose value is sensitive to alterations in the time structure or volatility of interest rates. The assets most exposed to this risk are bonds, principally variable rate bonds. Liabilities are exposed in all products, especially in endowment products.

('000 euros)

Area of Analysis	Scenarios	Impact on Fair Value Reserves Before Tax 2008	Impact on Fair Value Reserves Before Tax 2007
Interest rate	Reduction of 100 b.p. in interest rate curve		
	- Effect on assets	1,700	1,300
	Increase of 100 b.p. in interest rate curve		
	- Effect on assets	-1,650	-1,300

('000 euros)

Area of Analysis	Scenarios	Impact on Pre-Tax Profits 2008	Impact on Pre-Tax Profits 2007
Interest rate	Reduction of 100 b.p. in interest rate curve		
	- Effect on liabilities	-5,800	-1,450
	Increase of 100 b.p. in interest rate curve		
	- Effect on liabilities	3,600	-

The zero impact on liabilities of the increase in the interest rate in 2007 is due to the fact that there is no provision for liabilities adequacy for possible recovery of this effect in terms of income.

Spread risk

The spread risk reflects the volatility of credit spreads along the entire risk-free interest rate curve. Securities exposed to this risk are primarily corporate bonds (around 93% of total), although this risk also exists in structured credit. Exposure to credit derivatives is immaterial.

The breakdown by rating of this type of bonds shows that around 70% of the portfolio exposed to this risk is composed of securities from issuers with a rating equal or superior to "A". This mix has shown no tendency to deteriorate, thanks to the investment policy established at T-Vida.

('000 euros)

Rating	2008 %	2008 Amount	2007 %	2007 Amount
AAA	10.4%	27,283	6.9%	18,528
AA	6.7%	17,536	15.6%	41,537
A	53.3%	139,711	51.1%	136,288
BBB	22.4%	58,805	25.1%	66,922
BB	7.2%	18,958	1.3%	3,456
B	0.0%	-	0.0%	-
CCC	0.0%	-	0.0%	-
Unrated	0.0%	-	0.0%	-
Total	**100%**	**262,293**	**100%**	**266,731**

Concentration risk

Concentration risk refers to the additional volatility existing in highly concentrated portfolios and to partial or permanent losses due to default by issuers. The following table shows the breakdown by economic sector:

('000 euros)

Business Sector	Financial Assets Classified on Initial Recognition at Fair Value Through Profit or Loss					
	2008			2007		
	%	Gross	Impairment	%	Gross	Impairment
Basic resources	0.0%	0	0	0.0%	0	0
Communications	0.0%	0	0	0.0%	0	0
Consumables (cyclical)	0.0%	0	0	0.0%	0	0
Consumables (non-cyclical)	0.0%	0	0	0.0%	0	0
Energy	0.0%	0	0	0.0%	0	0
Financial	10.0%	33,903	0	91.1%	38,731	0
Funds	89.4%	302,622	0	8.2%	3,505	0
Public debt	0.0%	0	0	0.0%	0	0
Industrial	0.0%	0	0	0.0%	0	0
Medicine	0.0%	0	0	0.0%	0	0
Technology	0.0%	0	0	0.0%	0	0
Public services	0.0%	0	0	0.0%	0	0
Other	0.6%	1,960	0	0.7%	286	0
Total	**100%**	**338,485**	**0**	**100%**	**42,522**	**0**

('000 euros)

Business Sector	Available-for-Sale Financial Assets					
	2008			2007		
	%	Gross	Impairment	%	Gross	Impairment
Basic resources	0.0%	0	0	0.0%	0	0
Communications	13.7%	37,317	0	13.9%	38,426	0
Consumables (cyclical)	2.9%	7,979	0	2.5%	7,026	0
Consumables (non-cyclical)	6.3%	17,050	0	6.6%	18,201	0
Energy	0.8%	2,288	0	0.2%	498	0
Financial	68.6%	186,767	-20,907	58.0%	160,713	0
Funds	1.1%	3,000	0	14.6%	40,434	0
Public debt	0.0%	0	0	0.0%	0	0
Industrial	1.4%	3,869	0	1.8%	4,905	0
Medicine	0.0%	0	0	0.0%	0	0
Technology	1.4%	3,752	0	1.3%	3,656	0
Public services	1.5%	3,974	0	1.2%	3,371	0
Other	2.3%	6,230	0	0.0%	0	0
	100%	**272,226**	**-20,907**	**100%**	**277,230**	**0**

Liquidity risk

This risk derives from the possibility of insurance companies not having assets with sufficient liquidity to satisfy the requirements of monetary flows needed to honour their obligations to policy holders and other creditors as and when they mature.

To this end, the Company draws up a monthly cash plan, adjusted each week to its capital requirements/surpluses.

The following tables provide a breakdown of the maturity of financial and non-financial assets and liabilities at 31 December 2008 and 2007:

('000 euros)

2008	< 1 Month	1-3 Months	3-12 Months	1-5 Years	> 5 Years	No Maturity	Total
Financial assets	1	146,620	7,838	100,426	126,455	333,468	714,808
Non-financial assets						115,547	115,547
Total assets	**1**	**146,620**	**7,838**	**100,426**	**126,455**	**449,015**	**830,355**

('000 euros)

2007	< 1 Month	1-3 Months	3-12 Months	1-5 Years	> 5 Years	No Maturity	Total
Financial assets	13,628	1,040	-	95,404	160,343	151,333	421,748
Non-financial assets						79,180	79,180
Total assets	**13,628**	**1,040**	**-**	**95,404**	**160,343**	**230,513**	**500,928**

Credit risk

Credit risk corresponds to the possible losses due to default or deterioration in the credit levels of counterparties which are mitigating existing risk, such as reinsurance or derivative contracts, amounts receivable from brokers, and other exposures to credit not considered in the spread risk.

Although legislation on debt collection has reduced this risk, the company monitors amounts and the vintage of debts on a regular basis.

In selecting reinsurers and in issuers of securities, minimum rating levels have been set, and the company regularly monitors the evolution of ratings of entities in its portfolio.

Operacional risk

This corresponds to the risk of significant loses resulting from inadequacy or failures in processes, people and systems. Legal risk is also considered within operational risk.

- Internal control system

The internal control system can be defined as a set of control activities designed to implement the policies and procedures defined at the Company. As such, internal control represents the represents the implementation of control activities for risks of non-compliance with the policies and procedures defined, in particular in terms of operations and compliance.

Accordingly, the risks considered by the internal control system fall within the scope of the operational risks considered by the risk management system, albeit with a higher level of detail.

The working approach to the internal control system adopted comprises the following phases:

- Identification of relevant business units and processes, considering the associated risk;
- Documentation of significant processes including objectives, main activities, associated risks and controls;
- Assessment of the design of controls and identification of the associated opportunities for improvement. These improvements can take the form of stepping up existing controls or implementing new products;
- Effectiveness tests for the controls identified, confirmation of existing shortcomings and drafting of a correction plan;
- Drafting of the Risk Policy Report.

The organizational structure, or governance model, supporting development of the Company's risk management and internal control is based on a model with three lines of defence:

- At the first level, the structure is represented by the different T-VIDA Divisions, which are the areas responsible for putting risk management and the respective controls into operation;
- At the second level, represented by the Overall Risk Management and Internal Control Division, the model has a supervisory role, and primarily takes responsibility for issuing systematic rules and policies and monitoring the risk management, internal control and compliance management system;
- At the third level, represented by the Internal Audit Division and the External Audit, the structure offers independent auditing of risk management, with the prime aim of assuring the effectiveness of controls.

In the context of the internal control system, managers have been identified with responsibility for these processes, with the primary function of assuring that the system is sufficiently robust in order to be able to minimize the occurrence of direct or indirect financial losses.

The internal control system at T-VIDA has been duly formalized in the Risk Policy Report, in keeping with the requirements of PII Standard 14/2005-R, of 29 November, which includes the following sections, amongst others:

- Processes;
- Managers and process interlocutors;
- Principal activities;
- Risks: probability of occurrence, estimated impact in terms of risk exposure;
- Controls;
- Assessment of controls;
- Recommendations.

Solvency

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

('000 euros)

	2008	2007
Elements making up guarantee fund	28,233	19,209
Solvency margin to be constituted	18,049	18,326
Insurance not linked to investment funds (excluding complementary insurance)	17,194	17,720
Insurance and operations linked to investment funds	567	327
Complementary insurance (including compelmentary insurance on insurance linked to investment funds)	288	279
Minimum legal guarantee fund	3,200	3,200
Surplus/shortfall in solvency margin	10,185	883
Solvency margin coverage rate	156.43%	105%

Business ratios

Leading business ratios:

(%)

	2008	2007
Claims / Premiums (IFRS 4)	141.4%	87.0%
a) Benefits paids / Deposits received (IAS 39)	38.1%	18.3%
Acquisition costs / (Premiums + Deposits received)	8.0%	6.4%
Administrative costs / (Premiums + Deposits received)	4.8%	5.0%

a) In 2008, excluding deposits of 310,000 thousand euros relating to financial endowment operation

Adequacy of premiums and provisions

In relation to the adequacy of premiums, an annual analysis is conducted of the underwriting bases and the actuarial principles and rules used to construct the tariffs for the insurance products. This involve verifying, within what may reasonably be foreseen, the adequacy of premiums charged on a prudent actuarial basis in order to guarantee commitments, accepted by the insurer, deriving from claims on the insurance contracts in question. For each new product, future viability analyses are carried out.

In general terms, the Company's policy on provisions is prudential, using actuarially recognized methods and complying with regulatory and legal requirements.

Note 5 - Liabilities on Investment Contracts

Movements in liabiltieis for investment contracts break down as follows:

('000 euros)

	Financial Without Profit Sharing	Unit Links	PPR Unit Links	OCA's Unit Link	TOTAL
Balances at 31 December 2007	**31,032**	**6,520**	**26,521**	**-**	**64,073**
Additional liabilities in the period, net of commissions	-	10,807	33,622	310,000	354,429
Amounts paid	-8,810	-1,366	-7,857	-	-18,033
Underwriting interest	1,154	-1,296	191	79	128
Balances at 31 December 2008	**23,376**	**14,665**	**52,477**	**310,079**	**400,597**

Gains and losses on financial liabilities for investment contracts break down as follows:

('000 euros)

	2008			2007		
	Gain	Loss	Balance	Gain	Loss	Balance
Valued at fair value through profit or loss	**3,320**	**-1,918**	**1,402**	**1,881**	**-1,663**	**218**
Endowment	2,067	-577	1,490	6	-133	-127
RSS	1,253	-1,341	-88	1,875	-1,530	345
			-			-
Valued at amortized cost	**0**	**-1,154**	**-1,154**	**0**	**-1,319**	**-1,319**
Endowment		-1,153	-1,153		-1,319	-1,319
RSS		1	-1			-
Total	**3,320**	**-3,072**	**248**	**1,881**	**-2,982**	**-1,101**

Note 6 - Financial Instruments

The inventory of holdings and financial instruments is presented in Annex 1, in keeping with the format and scope required by the PII. The composition of this inventory may be summarized as follows:

('000 euros)

	2008	2007
Available-for-sale financial assets	251,319	277,230
Term deposits	68,279	25,281
Financial assets classified at fair value through profit or loss	338,485	42,522
Trading securities	674	9
Total holdings and financial instruments	**658,757**	**345,042**

Financial Assets at Fair Value trought Profit or Loss

As a consequence of application of IAS and in accordance with the option taken and the documented risk management strategy, the Company has classified in this item securities where it considers that (i) these financial assets are managed and their performance is assessed on a fair value basis and/or (ii) these assets contained embedded derivative instruments.

The balance of this type of assets is shown in the following table. It should be noted that the increase is primarily due to the investments needed to cover a significant issue of an endowment operations carried out in 2008:

('000 euros)

	2008	2007
Bonds and other fixed yield securities		
Public issuers	-	-
Other issuers	35,863	39,018
Shares	-	-
Other floating rate securities	302,622	3,504
Balance sheet value	**338,485**	**42,522**
Acquisition value	339,454	41,837

At 31 December 2008, the Company held compound financial instruments in this category, with derivatives embedded in fixed yield securities, as follows:

('000 euros)

Type of Risk	Balance Sheet Value
Structured credit	30,311
Credit derivative	3,592
	33,903

Available-for-Sale Financial Assets

The balance for this category of assets breaks down as follows:

('000 euros)

	2008	2007
Bonds and other fixed yield securities		
Public issuers	-	-
Other issuers	242,599	227,999
Shares	2,233	8,796
Other floating rate securities	6,487	40,435
Balance sheet value	**251,319**	**277,230**

Final balance sheet amounts at 31 December 2008 and 2007 break down as follows:

('000 euros)

	Amortized or Acquisition Cost	Fair Value Reserve	Impairment	Balance Sheet Value
Bonds and other fixed yield securities				
Public issuers	-	-	-	-
Other issuers	240,853	-12,854	-	227,999
Shares	9,322	-526	-	8,796
Other floating rate securities	40,065	370	-	40,435
Balance at 31 December 2007	**290,240**	**-13,010**	**-**	**277,230**
Bonds and other fixed yield securities				
Public issuers	-	-	-	-
Other issuers	283,157	-24,597	-15,960	242,599
Shares	7,365	-186	-4,947	2,233
Other floating rate securities	6,487	-	-	6,487
Balance at 31 December 2008	**297,009**	**-24,783**	**-20,907**	**251,319**

It should be noted that the overall reduction of approximately 9%, broken down as shown above was due primarily to negative changes in fair value and also to the recording of increased impairment.

Movements in impairment losses are presented as follows:

('000 euros)

	2008	2007
Balance at 1 January	**-**	**-**
Allocations for the period	20,907	-
Use in the period	-	-
Balance at 31 December	**20,907**	**-**

Impairment losses break down as follows in terms of class of asset:

('000 euros)

	2008	2007
Available-for-sale financial assets	**-20,907**	**-**
Bonds and other fixed rate securities	-15,960	-
Shares and other floating rate securities	-4,947	-
Total	**-20,907**	**-**

Trading Securities

The balance for this category of assets breaks down as follows:

('000 euros)

	2008		2007	
	Fair Value	Notional Value	Fair Value	Notional Value
Derivatives - currency forwards	674	9,640	9	6,793
Balance sheet value	**674**	**9,640**	**9**	**6,793**

The Company's investments are predominantly in euros, although its portfolio also contains a number of operations expressed in other currencies.

Accordingly, and in all cases with the authorization of its Financial Committee, the Company has taken out a number of exchange rate hedges for the respective foreign currency investments.

Although these exchange rate hedges do not offer perfect cover, the seek to hedge against the exchange rate risk on principal and interest, through successive renewals over the year, using swap and forward mechanisms for this purpose.

Other Financial Assets

In addition to the financial instruments described above, the company also has other assets, as follows:

('000 euros)

	2008	2007
Loans	37	37
Deposits with reinsurance companies		
Other		
Total other financial assets	**37**	**37**

The amount for loans refers to loans on policies.

Fair Value of Financial Assets and Liabilities Recorded at Amortized Cost

The fair value of financial assets recorded at amortized cost breaks down as follows:

('000 euros)

	2008		2007	
	Fair Value	Balance Sheet Value	Fair Value	Balance Sheet Value
Cash and cash equivalents and sight deposits	47,783	47,783	72,728	72,728
Loans and accounts receivable	68,316	68,316	25,318	25,318
Other debtors - insurance and other operations	8,231	8,231	3,941	3,941
FINANCIAL ASSETS AT AMORTIZED COST	**124,330**	**124,330**	**101,987**	**101,987**
Financial liabilities on investment contracts	400,453	400,597	63,662	64,073
Other creditors - insurance and other operations	3,669	3,669	1,425	1,425
FINANCIAL LIABILITIES AT AMORTIZED COST	**404,122**	**404,266**	**65,087**	**65,498**

The fair value of financial liabilities on investment contracts is estimated contract by contract using the best estimate of the assumptions for the project of expected future cash flows and the risk-free interest rate at the issue date. In estimating the fair value, the minimum guarantee rate was considered.

As all other assets and liabilities are considered short term, the balance at the balance sheet date is regarded as a reasonable estimate of their fair value.

Note 8 - Cash and Cash Equivalents and Sight Deposits

The balance in this account breaks down as follows:

('000 euros)

	2008	2007
Cash	1	1
Banks	47,782	72,727
	47,783	**72,728**

Note 11 - Allocation of Investments and Other Assets

In accordance with the legal rules in force, the Company is required to allocate investments and other assets for the total of underwriting provisions, in accordance with the limits established by the PII:

The following tables indicate which assets are allocated and not allocated to the insurance portfolios operated by the Company, at 31 December 2008 and 2007:

('000 euros)

2008	Life Insurance With Profit Sharing	Life Insurance Without Profit Sharing	Life Insurance and Operations Classified as Investment Contracts	Not Allocated	Total
Cash and cash equivalents	31,198	1,651	10,142	4,792	47,783
Land and buildings	-	-	-	-	-
Investments in subsidiaries, associates and joint ventures	-	-	-	-	-
Trading securities	674	-	-	-	674
Financial assets classified on initial recognition	-	-	-	-	-
at fair value through profit or loss	24,133	9,770	304,582	-	338,485
Hedging derivatives	-	-	-	-	-
Available-for-sale financial assets	233,948	11,538	-	5,833	251,319
Loans and accounts receivable	64,718	2,070	1,528	-	68,316
Held-to-maturity investments	-	-	-	-	-
Other tangible assets	-	-	-	-	-
Other assets	-	-	56,615	67,163	123,778
	354,671	**25,029**	**372,867**	**77,788**	**830,355**

('000 euros)

2007	Life Insurance With Profit Sharing	Life Insurance Without Profit Sharing	Life Insurance and Operations Classified as Investment Contracts	Not Allocated	Total
Cash and cash equivalents	51,773	9,372	171	11,412	72,728
Land and buildings	-	-	-	-	-
Investments in subsidiaries, associates and joint ventures	-	-	-	-	-
Trading securities	9	-	-	-	9
Financial assets classified on initial recognition	-	-	-	-	-
at fair value through profit or loss	23,451	12,251	3,791	3,029	42,522
Hedging derivatives	-	-	-	-	-
Available-for-sale financial assets	252,614	9,335	-	15,281	277,230
Loans and accounts receivable	25,296	15	-	7	25,318
Held-to-maturity investments	-	-	-	-	-
Other tangible assets	-	-	-	-	-
Other assets	-	-	27,905	55,216	83,121
	353,143	**30,973**	**31,867**	**84,945**	**500,928**

Note 12 - Intangible Assets

All intangible assets are valued using the cost method, and there are no cases of assets generated internally. The estimated useful lives are finite: 3 years for software and other intangible assets, with depreciation calculated on a straight line basis.

Value in force corresponds to the value of the acquisition cost of contractual positions resulting from the contracts obtained, including all rights, obligations and guarantees deriving from them. This asset is depreciation over the recognition period for the income associated with the contracts acquired.

The balance of other intangibles accounts breaks down as follows:

('000 euros)

	2008	2007
Other intangibles	50,094	50,093
Value in force	50,000	50,000
Software	13	12
Other	81	81
Accrued depreciation	-6,020	-3,699
Impairment	-	-
	44,074	**46,394**

Movements in both periods breaks down as follows:

('000 euros)

	Value in Force	Software	Other	Total
Balance at 1 January 2007	**48,676**	**68**	**54**	**48,798**
Additions		11		11
Depreciation in the period	-2,313	-4	-27	-2,344
Impairment				-
Transfers			-71	-71
Balance at 31 December 2007	**46,363**	**4**	**27**	**46,394**
Additions		1		1
Depreciation in the period	-2,290	-4	-27	-2,321
Impairment				-
Transfers				-
Balance at 31 December 2008	**44,073**	**1**	**-**	**44,074**

Depreciations of intangible assets are distributed on profit and loss accounts items break down as follows:

('000 euros)

	2008	2007
Total depreciation in the period	**2,321**	**2,344**
Cost of claims, net of reinsurance		
Amounts paid - Gross	116	117
Net operating cost and expense		
Acquisition costs	348	352
Administrative expense	1,857	1,875
Financial expense		
Other	-	-

Note 13 - Other Assets, Liabilities, Adjustments and Provisions

Assets and adjustments

The balance for accounts receivable – direct insurance operations breaks down as follows:

('000 euros)

	2008	2007
Gross assets	**3,018**	**2,239**
Policy holders (premiums receivable)	2,380	1,722
Insurance brokers	212	77
Co-insurers	426	440
Adjustments	**-604**	**-702**
Premiums outstanding	-604	-702
Doubtful debts	-	-
Net assets	**2,414**	**1,537**

The balance for accounts receivable – reinsurance operations breaks down as follows:

('000 euros)

	2008	2007
Gross assets	**86**	**210**
Reinsurers	86	210
Reinsured	-	-
Adjustments	**-**	**-**
Doubtful debts	-	-
Net assets	**86**	**210**

The balance for accounts receivable – other operations breaks down as follows:

('000 euros)

	2008	2007
Gross assets	**5,731**	**2,194**
Related entities	3,683	2,154
Personnel	241	-
Other amounts receivable	1,807	40
Adjustments	**-**	**-**
Doubtful debts	-	-
Net assets	**5,731**	**2,194**

Movement in both periods in relation to Adjustments in assets breaks down as follows:

('000 euros)

Adjustments for Outstanding Premiums	2008	2007
Balance at 1 January	**702**	**123**
Allocations in the period	-98	-
Use in the period	-	579
Balance at 31 December	**604**	**702**

The balance for accruals and deferrals (assets side) breaks down as follows:

('000 euros)

	2008	2007
Accrued income	**648**	**192**
Financial earnings from outwards reinsurance	648	192
Deferred expense	**456**	**487**
Acquiisition costs	456	487
Total	**1,104**	**679**

Liabilities and provisions

The liabilities balance for accounts payable – direct insurance operations breaks down as follows:

('000 euros)

	2008	2007
Policy holders (rebates payable)	742	237
Insurance brokers		
- Commissions payable	28	44
- Current accounts	837	488
Co-insurers	2	23
Total	**1,609**	**792**

The liabilities balance for accounts payable – reinsurance operations breaks down as follows:

('000 euros)

	2008	2007
Reinsurers	541	213
Reinsured	0	0
Total	**541**	**213**

The liabilities balance for accounts payable - other operations breaks down as follows:

('000 euros)

	2008	2007
Management commissions	1,267	0
Related entities	1	67
Other suppliers of goods and seervices	42	4
Other amounts payable	209	349
Total	**1,519**	**420**

The balance for accruals and deferrals (liabilities side) breaks down as follows:

('000 euros)

	2008	2007
Deferred income	**0**	**0**
	0	0
Accrued costs	**3,352**	**2,178**
- Personnel costs (allowances and charges)	119	79
- Acquisition costs (incentives and commissions)	504	229
- Third party supplies and services	997	963
- Services rendered to related companies	1,280	643
- Other	452	264
Total	**3,352**	**2,178**

Note 14 - Insurance Contract Premiums

Insurance contract premiums break down as follows:

('000 euros)

	2008	2007
Traditional	19,518	17,703
RSS	2,804	3,971
Endowment products	16,872	38,010
	39,194	**59,684**

The following table provides figures for life business:

('000 euros)

	2008	2007
Gross premiums written - direct insurance	**39,194**	**59,684**
Relating to individual contracts	24,453	46,780
Relating to group contracts	14,741	12,904
	39,194	**59,684**
Periodic	23,349	17,165
Non-periodic	15,845	42,519
	39,194	**59,684**
Contracts without profit sharing	6,000	3,855
Contracts with profit sharing	33,194	55,829
	39,194	**59,684**
Reinsurance balance	**-572**	**-880**

Note 15 - Commissions received on Insurance Contracts

On insurance contracts issued by the Company with only the transfer of a financial risk without discretionary profit sharing, namely fixed yield endowment products and products where the investment risk is borne by the policy holder.

These are classified as investment contracts and entered in the accounts as a liability, and the respective underwriting and management commissions are recorded as income and calculated fund by fund, in accordance with the general conditions for each product.

Note 16 - Investment Earnings/Revenue and Expense

Accounting policies adopted for recognition of revenues and expenditure relating to investments are described in Note 3. The balance of the account for Earnings, broken down in to the different types of revenue, is as follows:

('000 euros)

	2008	2007
Interest	**20,863**	**17,934**
Available-for-sale financial assets	14,828	16,103
Financial assets classified at fair value through profit or loss	1,795	1,645
Deposits, loans and other assets	4,240	186
Dividends	**750**	**139**
Financial assets classified at fair value through profit or loss	2	8
Available-for-sale financial assets	748	131
Interest rate swaps	1,800	-
Total	**23,413**	**18,073**

The balance of the account for Earnings, broken down by type of asset, is as follows:

('000 euros)

	2008	2007
Bonds and other fixed rate securities		
Public issuers		-
Other issuers	16,623	17,748
Shares	638	102
Other floating rate securities	112	37
Derivatives	1,800	-
Deposits	4,240	186
Total	**23,413**	**18,073**

The balance of the account for Financial expenditure breaks down as follows:

('000 euros)

	2008	2007
Costs imputed to investment function	710	531
Total	**710**	**531**

Note 17 - Realized Gains and Losses on Investments

Amounts recorded in net gains on financial assets and liabilities, broken down by the respective categories, are as follows:

('000 euros)

	2008			2007		
	Gain	Loss	Balance	Gain	Loss	Balance
Available-for-sale financial assets	1,233	-5,060	-3,827	3,728	-2,099	1,629
Financial assets classified at fair value through profit or loss	40	-210	-170	788	-8	780
Trading securities				4,002	-1,547	2,455
Total	**1,273**	**-5,270**	**-3,997**	**8,518**	**-3,654**	**4,864**

Note 18 - Gains and Losses on Fair Value Adjustments on Investments

Gains and losses from fair value adjustments on investments break down as follows:

('000 euros)

	2008			2007		
	Gain	Loss	Balance	Gain	Loss	Balance
Financial assets classified at fair value through profit or loss	206	-1 054	-848	105	-270	-165
Trading securities	-	-	-	-	-	-
Total	**206**	**-1 054**	**-848**	**105**	**-270**	**-165**

Note 19 - Exchange Rate Gains and Losses

This account includes the gains and losses deriving from exchange rate revaluation of monetary assets and liabilities expressed in foreign currency in accordance with the accounting policy described in Note 3, except for those resulting from financial instruments at fair value through profit or loss.

The balance breaks down as follows:

('000 euros)

	2008			2007		
	Gain	Loss	Balance	Gain	Loss	Balance
Available-for-sale financial assets	1,693	-1,287	406	673	-3,259	-2,586
Trading securities	1,311	-1,563	-252	9	-	9
Total	**3,004**	**-2,850**	**154**	**682**	**-3,259**	**-2,577**

Note 20 - Other Earnings, Expenses and Variation in Other Provisions

The balance in the account for Other underwriting earnings/expense, net of reinsurance breaks down as follows:

('000 euros)

	2008	2007
Other underwriting income	**2**	**9**
Co-insurance management fees	-	9
Other	2	-
Other underwriting expense	**19**	**7**
Co-insurance management fees	-	5
Other	19	2
Value of gains and losses	**-17**	**2**

The balance on the account for Other earnings/expense breaks down as follows:

('000 euros)

	2008	2007
Other non-underwriting income	**526**	**633**
Adjustments for unearned premiums	98	-
Corrections and adjustments	428	258
Excess tax estimate	-	374
Other gains	-	1
Other non-underwriting expense	**29**	**600**
Adjustments for uncollected premiums	-	579
Donations	10	-
Banking services and interest for late payment	17	20
Other expense	2	1
Value of gains and losses	**497**	**33**

Note 21 - Miscellaneous Expenditure by Function and Nature

Costs recorded in cost categories are not stated directly in the profit and loss account, as they are shared between the insurer's four main functions and therefore entered and shared between the following items:

- Claims function: Cost of claims – Gross amounts paid;
- Acquisition function: Operating costs and expenses – Acquisition costs;
- Administrative function: Operating costs and expenditure – Administrative costs
- Investment function: Financial expenditure - Other

The process of imputing costs to categories is based on the following criteria, depending on the individual case:

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

The following table presents a breakdown of these expenses using the classifications based on function, at 31 December 2008 and 2007:

('000 euros)

2008	Cost of Claims		Acquisition Costs		Administrative Costs		Cost of Investments		Total	
Personnel costs	136	9%	726	48%	605	40%	45	3%	1,512	100%
Third party supplies and services	318	6%	3,440	64%	1,511	28%	106	2%	5,375	100%
Taxes	-	0%	113	62%	-	0%	69	38%	182	100%
Depreciation	116	5%	348	15%	1,857	80%	-	0%	2,321	100%
Provision for risks and charges	-	0%	-	0%	-	0%	-	0%	-	0%
Other costs	-	0%	-	0%	-	0%	490	100%	490	100%
Total	**570**	**6%**	**4,627**	**47%**	**3,973**	**40%**	**711**	**7%**	**9,881**	**100%**

('000 euros)

2007	Cost of Claims		Acquisition Costs		Administrative Costs		Cost of Investments		Total	
Personnel costs	123	9%	658	48%	548	40%	41	3%	1,371	100%
Third party supplies and services	306	7%	2,459	58%	1,359	32%	102	2%	4,226	100%
Taxes	-	0%	22	62%	-	0%	14	38%	36	100%
Depreciation	117	5%	353	15%	1,874	80%	0	0%	2,344	100%
Provision for risks and charges	-	0%	-	0%	-	0%	-	0%	-	0%
Other costs	-	0%		0%	-	0%	380	100%	380	100%
Total	**547**	**7%**	**3,492**	**42%**	**3,781**	**45%**	**536**	**6%**	**8,356**	**100%**

The amount for personnel costs is analyzed in Note 22.

The amount for Third Party Supplies and Services breaks down as follows:

('000 euros)

	2008	2007
Electricity and water	18	-
Fuel	31	18
Office furniture and equipment, forms and other	1	6
Articles for gifts	34	67
Maintenance of office furniture and equipment	3	3
Maintenance of IT equipment	173	140
Operating lease of vehicles and other rentals	74	33
Travel and entertainment expenses	44	23
Postage	98	108
Insurance	4	-
Advertising and marketing	520	135
Cleaning, hygiene and comfort	15	-
Surveillance and security	3	-
Outsourcing, consultancy and specialist work	604	1,076
IT services and development	119	324
APS membership subscription	5	3
Collection of premiums	99	177
Medical examinations	77	154
Commissions	883	284
Brokers club	244	223
Provision of operating services	2,282	1,440
Other miscellaneous services and supplies	44	12
Total	**5,375**	**4,226**

The amount for Taxes and charges breaks down as follows:

('000 euros)

	2008	2007
PII charge	182	36
Total	**182**	**36**

The amount for depreciation breaks down as follows:

('000 euros)

	2008	2007
Intangible - value in force	2,290	2,313
IT equipment and applications	4	4
Others	27	27
Total	2,321	2,344

The amount for the Provision for risks and charges and other costs breaks down as follows:

('000 euros)

	2008	2007
Fees for custody and management of securities and other charges	490	380
Total	**490**	**380**

The amount for net operating costs and expenses breaks down as follows:

('000 euros)

	2008	2007
Acquisition costs		
Brokerage remuneration	-1,173	-1,056
Costs imputed	-4,628	-3,408
Other acquisition costs	-930	-508
Deferred acquisition costs (variation)	-53	-57
Administrative expense		
Brokerage remuneration	-44	-45
Costs imputed	-3,973	-3,887
Reinsurance commissions and profit sharing	905	535
Total	**-9,896**	**-8,426**

Note 22 - Personnel Costs

The average number of employees in the Company's service by occupational category breaks down as follows:

	2008	2007
Underwriting staff	17	9
Total	**17**	**9**

The following table provides a breakdown of personnel costs:

('000 euros)

	2008	2007
Remuneration - officers	197	166
Remuneration - employees	1,051	1,008
Charges on remuneration - officers	16	12
Charges on remuneration - employees	146	94
Post-employment benefits - Defined benefit pension plans	3	2
Mandatory insurance	12	-
Social expenses	29	29
Trainnig	12	3
Other personnel expense	46	57
Total	**1,512**	**1,371**

Note 23 - Obligations Relating to Employee Benefits

Retirement pensions

As stated in Note 3, T-VIDA has established defined benefits plans for its employees, providing coverage for early retirement, death, old age and invalidity.

The actuarial assessment of retirement pension benefits at T-VIDA is carried out annually, the last having been conducted with reference to 31 December 2008.

The main assumptions considered in the actuarial studies, for 31 December 2008 and 2007, used to determine the discounted value of pensions for employees, are as follows:

('000 euros)

	2008	2007
Financial assumptions		
Salary escalation rates	3,5%- 4% (*)	3,5%- 4% (*)
Pension escalation rates	1,25% - 4% (*)	1,25% - 4% (*)
Fund yield	6% - 5,7% (*)	6% - 5,7% (*)
Rate of growth in early retirement	2.50%	2.50%
Discount rate	5.75%	5.25%
Demographic assumptions and valuation methods		
Mortality table	GKF 95	GKF 95
Invalidity table	Suisse Re 2001	Suisse Re 2001
Actuarial valuation method	Project Unit Credit Method	

(*) Relating to liabilities in respect of directors.

In keeping with the accounting policy described in Note 3, the discount rate used to estimate liabilities for retirement pensions corresponds to the market rates at the balance sheet date for top rated corporate bonds.

At 31 December 2008 and 2007, the number of participants covered by the benefits plan was as follows:

	2008	2007
Current employees	4	3
Pensioners	-	-
	4	**3**

At 31 December 2008 and 2007, the amounts recognized in the balance sheet broke down as follows:

('000 euros)

	2008	2007
Net assets/ (liabilities) recognized in the balance sheet		
Liabilities at 31 December	**-110**	**-91**
Balance of fund at 31 December	**123**	**94**
Assets/ (liabilities) receivable/payable to fund	13	3
Deferred actuarial deviations at 31 December	28	5
Net assets/ (liabilities) in the balance at 31 December	**41**	**8**

Liabilities for retirement pensions broke down as follows:

('000 euros)

	2008	2007
Liabilities at 1 January	**91**	**40**
Cost of current services	4	2
Interest cost	5	2
Actuarial (gains) and losses on liabilities	10	5
Transfers from other funds	-	42
Liabilities at 31 December	**110**	**91**

The value of the pension fund in 2008 and 2007 broke down as follows:

('000 euros)

	2008	2007
Balance of fund at 1 January	**94**	**40**
Actual yield on fund		
Expected return on fund	6	2
Actuarial gains and losses	-13	-
Contributions paid by fund participants	36	10
Transfers from other funds	-	42
Balance of fund at 31 December	**123**	**94**

Actuarial deviations deferred on the balance sheet broke down as follows:

('000 euros)

	2008	2007
Deferred actuarial deviations at 1 January	**5**	**-**
Actuarial (gains) and losses		
- on liabilities	10	5
- on plan assets	13	-
Deferred actuarial deviations at 31 December	**28**	**5**

Assets receivable/liabilities payable broke down as follows in 2008 and 2007:

('000 euros)

	2008	2007
(Assets)/ Liabilities receivable or payable at 1 January	**-3**	**-**
Actuarial gains and losses on liabilities	10	5
Actuarial gains and losses on funds	13	-
Charges in the period:		
- Cost of current services	4	2
- Interest expense	5	2
- Expected return on fund	-6	-2
Contributions made in the year and pensions paid by the Company	-36	-10
(Assets)/ Liabilities receivable or payable at 31 December	**-13**	**-3**

Costs for the period relating to retirement pensions break down as follows:

('000 euros)

	2008	2007
Cost of current services	4	2
Interest expense	5	2
Expected yield from fund	-6	-2
Costs in the period	**3**	**2**

Assets/(liabilities) on the balance sheet broke down as follows:

('000 euros)

	2008	2007
At 1 January	**8**	**-**
Cost in the period	-3	-2
Contributions made in the year	36	10
At 31 December	**41**	**8**

Pension fund assets broke down as follows:

('000 euros)

	2008	2007
Land and buildings	8,191	8,191
Shares and other floating rate securities	9,565	23,493
Fixed rate securities	25,946	18,335
Bank deposits	8,983	8,425
Fund debtors and creditors	22	13
Interest receivable	758	277
	53,465	**58,734**

The figures for assets disclosed above relate entirely to the Tranquilidade Group + BES-Vida Pension Fund, with the associate T-Vida accounting for approximately 0.23% of this fund.

Note 24 - Income Taxes

The Company is subject to the taxation rules contained in the Corporation Tax (IRC) Code. In addition, the concept of deferred taxes, resulting from temporary differences between accounting results and results accepted by the tax authorities for the purposes of corporation tax, is applicable whenever there is a reasonable likelihood that these taxes will be paid or recovered in future.

Current taxes for 2008 and 2007 were calculated on the basis of a nominal rate of tax and municipal tax of 26.5%, corresponding to the nominal rates approved at the balance sheet date.

The Company's self-assessment returns for the financial years of 2006 onwards are subject to inspection and possible adjustment by the tax authorities for a period of four years.

Current tax assets and liabilities reported in 2008 and 2007 break down as follows:

('000 euros)

	2008		2007	
	Current Tax Assets	Current Tax Liabilities	Current Tax Assets	Current Tax Liabilities
Income taxes	985	0	29	992
Withholding taxes	15	95	13	135
Value added tax	0	0	0	0
Other taxes and charges	0	240	0	67
Social security contributions	26	27	41	51
	1,026	**362**	**83**	**1,245**

Deferred tax assets and liabilities recognized in the balance sheet in 2008 and 2007 break down as follows:

('000 euros)

	Assets		Liabilities		Net	
Items	2008	2007	2008	2007	2008	2007
Investments	6,574	3,454	-158	-169	6,416	3,285
Fiscal losses	4,715	0	0	0	4,715	0
Personnel benefits	0	159	0	0	0	159
	11,289	**3,613**	**-158**	**-169**	**11,131**	**3,444**

The figures for 2008 include amounts corresponding to deferral for five years of the impacts on tax of transition to the IFRS.

Current and deferred taxes in the financial year of 2008 were recognized as follows:

The following table presents the reconciliation of the rate of tax:

('000 euros)

2008	Fair Value Reserve	Other Reserves	Gains and Losses	Total
Current taxes	**-**	**-**	**-13**	**-13**
Estimate Corporation Tax (IRC)			-	-
Separate taxation			-13	-13
Deferred taxes	**3,120**	**-**	**4,567**	**7,687**
Investments	3,120		11	3,131
Fiscal losses			4,715	4,715
Personnel benefits			-159	-159
Total	**3,120**	**-**	**4,554**	**7,674**

Note 25 - Capital

T-Vida has share capital of 65 million euros represented by 65 million shares with a nominal value of 1 euro each, fully paid up in cash. The company's sole shareholder is Companhia de Seguros Tranquilidade S.A. which paid up share capital of 20 million euros in 2006 and 45 million euros in 2008.

Amounts recognized under Other equity instruments, of 37.5 and 57.5 million euros, in 2008 and 2007, respectively, relate to accessory capital subscriptions by the sole shareholder.

Note 26 - Reserves

Equity includes various types of reserves, whose nature and purpose are as follows:

Legal reserve

The legal reserve may only be used to cover accrued losses or to increase share capital. Under Portuguese legislation, the legal reserve should be credited each year with no less than 10% of the annual net profits, until it comes up to the level of the issued share capital.

Fair value reserves

Fair value reserves represent the potential gains and losses on the portfolio of available-for-sale investments, net of impairment recognized in income for the period and/or prior periods

Deferred taxes reserves

Deferred taxes recognized in equity deriving from revaluation of available-for-sale investments are subsequently recognized in income as and when the gains and losses which gave rise to them are recognized in income.

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

Free reserves

Free reserves are created by a decision adopted at the general meeting to allocate profits obtained in the period or retained earnings.

At 31 December 2008 and 2007, reserves broke down as follows:

('000 euros)

	2008	2007
Fair value reserve for financial assets	-24,783	-13,010
Deferred taxes reserve	6,568	3,448
Other reserves	542	103
- Legal reserve	542	103
Reserves	**-17,673**	**-9,459**

The gross fair value reserve breaks down as follows by asset type:

('000 euros)

	2008	2007
Floating rate securities	-186	-156
Fixed rate securities	-24,597	-12,854
Fair value reserves	**-24,783**	**-13,010**

The net fair value reserve breaks down as follows at 31 December 2008 and 2007:

('000 euros)

	2008	2007
Amortized cost of available-for-sale investments	297,009	290,240
Acquisition cost of investments in subsidiaries, associates and joint ventures	-	-
	297,009	**290,240**
Impairment	-20,907	-
Amortized/acquisition cost net of impairment	276,102	290,240
Fair value of available-for-sale investments	251,319	277,230
Fair value of investments in subsidiaries, associates and joint ventures	-	-
	251,319	**277,230**
Gross revaluation reserve (Fair value - cost)	-24,783	-13,010
Deferred and current taxes	6,568	3,448
Revaluation reserve net of tax	**-18,215**	**-9,562**

Movements in each equity reserve are described in the statement of changes in equity, presented at the start of the report and accounts, together with the financial statements and statement of cash flows.

Note 27 - Earnings per Share

Earnings per share at 31 December 2008 and 2007 were as follows:

('000 euros)

	2008	2007
Net profit for the period	-13,205	4,183
Number of shares	65,000,000	20,000,000
Earnings per share (in euros)	**-0.20**	**0.21**

Note 28 - Dividends per Share

In the financial year of 2008 the Company allocated and paid dividends of 1,750 million euros to the sole shareholder, in relation to the net profit for 2007.

Note 29 - Transactions Between Related Parties

The share capital of T-Vida is wholly owned by Companhia de Seguros Tranquilidade, S.A.

The accounts of these entities are included within the consolidated accounts of the ESFG - Espírito Santo Financial Group.

The relationships between T-Vida and its parent company Tranquilidade or its associates, cover various business areas, and the most significant operations and services involved relate to rentals, marketing of insurance, reinsurance, and provision of administrative and underwriting services.

At 31 December 2008 and 2007 T-VIDA's total assets and liabilities relating to operations with associates and related companies were as follows:

('000 euros)

	2008				2007			
	Assets	Liabilities	Costs	Income	Assets	Liabilities	Costs	Income
BANCO ESPÍRITO SANTO	76,832	1,071	2,560	4,735	76,099	223	2,027	5,450
ESUMÉDICA	-	-	77	-	-	-	156	-
BESI	5,814	-	-	-	-	-	-	-
BES LEASING	1,450	0	0	155	1,452	-	172	1,418
TRANQUILIDADE	3,368	10	0	-	-	684	-	-
BES VIDA	57,608	1,280	1,651	-	27,905	737	1,441	-
BEST	-	6	-	-	-	-	-	-
ESAF	-	353	354	-	-	-	-	-
BAC	-	3	-	-	-	-	-	-
	145,072	**2,723**	**4,642**	**4,890**	**105,456**	**1,644**	**3,796**	**6,868**

Note 30 - Statement of Cash Flows

The statement of variations in flows of cash and cash equivalents, drawn up on an indirect basis of the source and use of funds, is presented at the start of the report and accounts, together with the financial statements and the statement of changes in equity.

Note 35 - Adustments for Transition to the New Accounting System

In preparing its opening balance, the comparative information for the period ended 31 December 2008 and 31 December 2007, the Company adjusted the amounts previous reported, which had been prepared in keeping with the accounting principles established in the previous Plan of Accounts for Insurance Companies ("PAIS 94") and other rules issued by the PII.

The main impacts on equity of transition at 31 December 2007 break down as follows:

('000 euros)

IFRS1 Adjustments Impact on Equity	Capital and Other Equity Instruments	Reserves	Net Profit	Equity
Balances at 31 December 2007	**77,500**	**103**	**2,835**	**80,438**
IAS 19 - Bonuses - profit sharing			-570	-570
IAS 39 - Financial investments		-13,009	526	-12,483
IFRS 4 - Insurance contracts			128	128
IAS 12 - Deferred taxes on adjustments		3,447	-14	3,433
Balances at 1 January 2008	**77,500**	**-9,459**	**2,905**	**70,946**

The main impacts on equity of transition at 31 December 2006 break down as follows:

('000 euros)

IFRS1 Adjustments Impact on Equity	Capital and Other Equity Instruments	Reserves	Net Profit	Equity
Balances at 31 December 2006	**70,000**	**81**	**1,029**	**71,110**
IAS 19 - Bonuses - profit sharing		-	-	-
IAS 39 - Financial investments		56	211	267
IFRS 4 - Insurance contracts		-	128	128
IAS 12 - Deferred taxes on adjustments		-15	-93	-108
Balances at 1 January 2007	**70,000**	**122**	**1,275**	**71,397**

Effective transposition for the purposes of reporting to the PII, effected at 31 December 2007, with comparative information as at 31 December 2006, was carried out considering the financial statements which the company had drawn up under the IFRS since 2005 for the purposes of reporting to the shareholder.

The adjustments made are explained as follows:

IAS 19 – Distribution of profits

Under the previous accounting policies, employee bonuses were recognized through profit sharing. Under IAS 19, employee bonuses are not considered as a personnel cost and are recorded in the period to which they relate. On this basis, the estimated amounts for bonuses for each year and paid in the following period were adjusted as applicable.

IAS 39 - Fair value investimentos AFS/FVO

Fixed rate securities

Under the previous accounting policies, fixed rate securities were stated at acquisition cost, except for securities allocated to the investment portfolio for life insurance where the investment risk is borne by the policy holder. Interest was allocated to periods on the basis of the nominal value and interest rate applicable to the period. The premium or discount was stated against income or costs over the period through to maturity.

For the purposes of conversion, fixed and floating rate securities have been classified in the categories of available-for-sale financial assets or financial assets classified on initial recognition at fair value through profit or loss, and stated at fair value, with potential gains and losses recorded in reserves or income.

Derivatives

Under local accounting policies, derivatives were valued in accordance with the same rules as for the underlying financial assets. Under IAS 39, derivatives are carried at fair value with potential gains and losses recognized in income.

Embedded derivatives

For hybrid financial instruments which include a principal contract and an embedded derivatives, under IAS 39 the embedded derivatives must be separated from the principal contracts and stated at fair value with gains and losses recognized in income. Alternatively, hybrid financial instruments may be carried at overall fair value with gains and losses recognized in income; this option has been adopted by the Company.

Impairment

In addition, under IAS 39, financial assets classified as available-for-sale financial assets are subject to impairment tests in accordance with adequate criteria, in order to reflect in income any permanent losses in value.

Recovery of realized gains and losses

Under the previous accounting policies, realized gains and losses were determined on the basis of the balance sheet value for the previous period. Under IAS 39, realized gains and losses are determined by the difference between the sale price and the acquisition/amortized cost. On this basis, the Company has recalculated its revaluation reserves in order to obtain the difference between the fair value and the historical acquisition cost.

IFRS 4 – Insurance contracts

The Company has implemented procedures for revising and adjusting liabilities, on the basis of the best estimate of future cash flows associated with the contracts, complementing the natural recording of liabilities on a cash basis, using to this end an actuarial projection at a risk-free interest rate.

IAS 12 - Deferred taxes

Under IAS 12, all deferred tax assets and liabilities are to be recognized in the balance sheet:

- Deferred tax liabilities are recognized for all taxable temporary differences;

- Deferred tax assets are only recorded to the extent to which they are recoverable in future.

The adjustment made corresponds to 26.5% of total adjustments.

Note 37 - Other Information

Recently issued accounting standards and interpretations

Below we describe recently issued accounting standards and interpretations not yet in force and which the Company has not yet applied in preparing its financial statements:

IAS 1 (Amended) – Presentation of financial statements

In September 2007 the International Accounting Standards Board (IASB) issued an amended version of IAS 1 – Presentation of Financial Statements, application of which is mandatory as from 1 January 2009, early adoption being permitted.

Changes in relation to the current text of IAS 1:

- The statement of financial position (formerly called the balance sheet) must be presented for the current period and the comparative period. Under the amended IAS 1, the statement of financial position has also to be presented for the start of the comparative period whenever an entity makes a retroactive restatement in the comparative accounts as the result of a change in accounting policy, correction of an error or reclassification of an item in the financial statements. In these cases, three statements of financial position are required, as compared to the two statements formerly.

- As a result of the changes imposed by this revision, the users of financial statements will more easily be able to distinguish between variations in Group equity resulting from transactions with shareholders, as shareholders (e.g. dividends, transactions with treasury shares) and transactions with third parties, which are summarized in the statement of comprehensive income.

In view of the nature of these changes (disclosures), the impact expected by the Company will be felt solely in terms of presentation, although at 31 December 2008 the exact content of these changes had not yet been determined.

IAS 23 (Amended) – Borrowing costs

In March 2007 the International Accounting Standards Board (IASB) issued a revised version of IAS 23 – Borrowing Costs, application of which is mandatory as from 1 January 2009, early adoption being permitted.

This standard defines that borrowing costs directly attributable to the cost of acquisition, construction or production of an asset (eligible asset) are capitalized as part of the respective cost. Accordingly, the option of these costs being recognized immediately as an expense is removed.
The Company does not expect any impact from the introduction of this alteration.

IAS 32 (Revised) – Financial instruments: presentation – puttable instruments and obligations arising on liquidation

In February 2008 the International Accounting Standards Board (IASB) issued a revised version of IAS 32 – Puttable instruments and obligations arising on liquidation, application of which is mandatory as from 1 January 2009.

In accordance with the current requirements of IAS 32, if a financial instrument gives the holder the right to put the instrument back to the issuer for cash or another financial asset, that instrument is classified as a financial liability. As a result of this review, certain financial instruments which currently meet the requirements for classification as financial liabilities will be reclassified as equity instruments if (i) they represent a residual interest in the net assets of an entity, (ii) the belong to a class of instruments subordinate to any other class of instruments issued by the entity, and (iii) in the event of all the instruments in this class being subject to the same terms and conditions. An alteration has also been made to IAS 1 – Presentation of Financial Statements adding a new requirement for the presentation of puttable financial instruments and obligations arising from liquidation.

The Company does not expect any impact from adoption of this standard.

IAS 39 (Amended) – Financial instruments: recognition and measurement – eligible hedged items

The International Accounting Standards Board (IASB) has issued and amendment to IAS 39 – Financial instruments: recognition and measurement – eligible hedged items, a application of which is mandatory as from 1 July 2009.

This amendment clarifies the application of the existing principles which determine which risks or which cash flows are eligible for inclusion in a hedge.

The Company does not expect any impact from adoption of this standard.

IFRS 1 (Amended) – First time adoption of the international financial reporting standards and IAS 27 – Consolidated and separate financial statements

The changes to IFRS 1 First time adoption of the international financial reporting standards and IAS 27 Consolidated and separate financial statements take effect as from 1 January 2009.

These changes allow entities adopting the IFRS for the first time in the preparation of their individual accounts to adopt as the deemed cost of their investments in subsidiaries, joint ventures and associates the respective fair value at the date of transition to IFRS or the balance sheet value determined within the previous accounting framework.

The Company does not expect any impact from adoption of this standard.

IFRS 2 (Amended) - Share-based payment: vesting conditions

This amendment to IFRS 2 has clarified that (i) vesting conditions are service conditions and performance conditions only and (ii) all cancellations, whether by the entity or by other parties, should receive the same accounting treatment.

The Company does not expect any impact from adoption of this standard.
IFRS 3 (Revised) – Business concentrations and IAS 27 (Amended) consolidated and separate financial statements

In January 2008 the International Accounting Standards Board (IASB) issued IFRS 3 (Revised) – Business Concentrations, application of which is mandatory for periods starting on or after 1 July 2009, early application being permitted.

The main impacts of the changes to these standards relate to: (i) the treatment of partial acquisitions, in which noncontrolling interests (previously called minority interests) may be measured at fair value (which also implies recognition of the goodwill attributable to noncontrolling interest) or as a portion of the fair value of the net assets acquired attributable to the noncontrolling interests (as currently required); (ii) step acquisition, where the new rules require, on calculation of goodwill, the revaluation of the fair value of any noncontrolling interest held prior to acquisition resulting in the obtaining of control; (iii) recording of costs directly related to acquisition of a subsidiary which are not directly imputed to income; (iv) contingent prices where changes in estimates over time are now recorded in income and do not affect goodwill and (v) alterations to the percentages of subsidiaries held which do no result in loss of control, which are now recorded as changes in equity.

In addition, the changes to IAS 27 also mean that the accrued losses on a subsidiary will not be attributed to non-controlling 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 fair value as determined at the disposal date.

The Company does not expect any significant impacts from adoption of this standard.

IFRS 8 – Operating segments

The International Accounting Standards Board (IASB) issued IFRS 8 – Operating segments on 30 November 2006, which was then approved by the European Commission on 21 November 2007. Application of this standard is mandatory for periods starting on or after 1 January 2009.

IFRS 8 – Operating Segments defines the presentation of information on the operating segments of an entity and also on services and products, geographical areas where the entity operates and major customers. This standard specifies how entities are to report their information in their annual financial statements, and will consequently alter IAS 34 – Interim Financial Reporting, with regard to the information to be selected for interim financial reporting. An entity will also have to make a description of the information presented by segment, namely results and operations, as well as a brief description of how the segments are constructed.

In view of the nature of these alterations (disclosures), the impact anticipated by the Company will be felt solely in terms of presentation, although at 31 December 2008 the exact impact of these changes had not yet been determined.

IFRIC 12 Service concession arrangements

In July 2007, the International Financial Reporting Interpretations Committee (IFRIC) issued IFRIC 12 – Service Concession Arrangements, application of which is mandatory as from 1 January 2008, early application being permitted.

Endorsement from the European Union is still awaited, and expected during the first quarter of 2009. IFRIC 12 applies to public-private service concession arrangements. This standard only applies to situation where the grantor i) controls or regulates the services provided by the operator, and ii) controls the residual interests in the infrastructures, at the end of the term of the arrangement.

In view of the nature of the contracts covered by this standard, no impact is estimated on the Company.

IFRIC 13 Customer loyalty programmes

In July 2007, the International Financial Reporting Interpretations Committee (IFRIC) issued IFRIC 13 Customer Loyalty Programmes, taking mandatory effect for periods starting on or after 1 July 2008, early adoption being permitted.

This interpretation applies to customer loyalty programmes, where customers are assigned credits as part of a sale or of the provision of a service and the customers can exchange these credits in future for free or discounted services or goods. Given that it is not possible with the information available to determine the exact impact of this standard, no estimate is presented. However, the Company is gathering information to allow it to determine precisely any possible impacts.

The Company does not expect any impact from adoption of this standard.

IFRIC 15 – Agreements for the construction of real estate

IFRIC 15 - Agreements for the construction of real estate – takes effect for periods starting on or after 1 January 2009.

This interpretation contains guidelines for determining whether an agreement for construction of real estate comes under IAS 18 Revenue or IAS 11 Construction Contracts, and IAS 18 may be expected to be applicable to wider range of transactions.

The Company does not expect any impact from adoption of this standard.

IFRIC 16 – Hedges of a net investment in a foreign operation

In July 2008, the International Financial Reporting Interpretations Committee (IFRIC) issued IFRIC 16 - hedges of a net investment in a foreign operation, which takes mandatory effect in periods starting on or after 1 October 2008, early adoption being permitted.

This interpretation clarifies that:

- hedges of an investment in a foreign operation can only be applied to exchange rate differences deriving from the translation of the financial statements of subsidiaries in their functional currency to the functional currency of the parent company, and only for an amount equal to or less than the net assets of the subsidiary;
- the hedge instrument may be contracted by any Company entity, except the entity to which the hedge relates; and
- when the hedged subsidiary is sold, the accrued gain or loss relating to the effective hedge component is reclassified into income.

This interpretation permits an entity which uses the step consolidation method to choose an accounting policy which makes it possible to determine the accrued currency translation adjustment which is reclassified into profit or loss on the disposal of the subsidiary, just as it would do if it had adopted the direct consolidation method. This interpretation is to be applied prospectively.

The Company does not expect any impact from adoption of this standard.

IFRIC 17 – Distributions of non-cash assets to owners

In November 2008 the International Financial Reporting Interpretations Committee (IFRIC) issued IFRIC 17 – Distributions of non-cash assets to owners, with mandatory application in periods starting as from 1 July 2009, early adoption being permitted.

This interpretation sets out to clarify the accounting treatment of distributions of non-cash assets to owners. It lays down that distributions of non-cash assets are to be recorded at fair value, the difference in relation to the balance sheet value of the asset distributed being recognized in incomeon distribution.

The Company does not expect any significant impacts on its financial statements from adoption of this standard.

IFRIC 18 – Transfers of assets from customers

In November 2008 the International Financial Reporting Interpretations Committee (IFRIC) issue IFRIC 18 – Transfers of assets from customers, application of which is mandatory in periods starting on or after 1 July 2009, early adoption being permitted.

This interpretation sets out to clarify the accounting treatment of agreements whereby an entity receives a customer's assets for its own use and with a view to subsequently linking the customers to a network or providing customers with ongoing access to the supply of goods or services.

The interpretation clarifies:

- the terms on which an item of assets falls within the scope of this interpretation;
- recognition of the asset and its initial measurement;
- identification of the identifiable services (one or more services in exchange for the asset transferred);
- recognition of income;
- accounting for the transfer of cash from customers.

The Company does not expect any impact on its financial statements from adoption of this standard.

Annual Improvement Project

In May 2008, the IASB published the Annual Improvement Project altering certain standards then in force. The effective date of the alterations varies from standard to standards, with application being mandatory for most in 2009.

The main changes resulting from the Annual Improvement Plan are as follows:

- Alteration of IFRS 5 - Non-current Assets Held for Sale and Discontinued Operations, with effect for periods starting on or after 1 July 2009. This alteration has clarified that all the assets and liabilities of a subsidiary should be classified as non-current assets held for sale under IFRS 5 if there is a plans for partial disposal of the subsidiary resulting in a loss of control. The Company does not expect any impact from adoption of this alteration;

- Alteration of IAS 1 - Presentation of financial statements, taking effect as from 1 January 2009. The alteration clarifies that only certain financial instruments classified as trading instruments, and not all, are examples of current assets and liabilities. The Company does expect any impact from adoption of this alteration;
- Alteration to IAS 16 - Property, plant and equipment, taking effect as from 1 January 2009. The alteration sets rules for classifying (i) revenues from the disposal of assets held for rental and subsequently sold and (ii) the same assets during the time from termination of the lease to the date of disposal. The Company does not expect any significant impact from adoption of this alteration;

- Alteration to IAS 19 - Employee benefits, taking effect as from 1 January 2009. The alterations made clarify (i) the concept of the negative past service cost resulting from alteration of the defined benefits plan, (ii) the interaction between the expected return on assets and the plan administration costs, and (iii) the distinction between short and medium and long term benefits. The Company does not expect any significant impact from the adoption of this alteration;

- Alteration to IAS 20 - Accounting for Government Grants and Disclosure of Government Assistance, taking effect as from 1 January 2009. This Alteration establishes that benefits from the obtaining of government loans at below-market interest should be measured as the difference between the fair value of the liability at the date of contracting, determined under IAS 39 Financial instruments: Recognition and measurement of the value received. This benefit should subsequently be recorded in accordance with IAS 20. The Company does not expect any impact from adoption of this alteration;

- Alteration to IAS 23 - Borrowing Costs, taking effect as from 1 January 2009. The concept of borrowing costs has been altered so as to clarify that these costs should be determined in accordance with the effective rate method prescribed in IAS 39 Financial instruments: recognition and measurement, thereby eliminating the inconsistency between IAS 23 and IAS 39. The Company does not expect any impact from the adoption of this alteration;

- Alteration to IAS 27 - Consolidated and separate financial statements, taking effect as from 1 January 2009. The alteration made to this standard means that in cases where investment in a subsidiary is recorded at fair value in the individual accounts, in accordance with IAS 39 Financial instruments: recognition and measurement, and this investment qualifies for classification as a non-current asset held for sale in accordance with IFRS 5 Non-current assets held for sale and discontinued operations, it should continue to be measured under the terms of IAS 39. This alteration will have no impact on the Company's financial statements insofar as, in the respective separate accounts, investments in subsidiaries are stated at acquisition cost in accordance with IAS 27;

- Alteration to IAS 28 - Investments in Associates, taking effect as from 1 January 2009. The alterations made to IAS 28 were designed to clarify that (i) an investment in an associate should be treated as a single asset for the purposes of impairment tests to be carried out under IAS 36 Impairment of assets, (ii) any impairment loss to be recognized should not be allocated to specific assets, namely to good will and, (iii) that reversals of impairment are recorded as an adjustment to the balance sheet value of the associate provided that, and insofar as, the recoverable value of the investment increases;

- Alteration to IAS 38 Intangible assets, with effect as from 1 January 2009. This alteration has determined that an expense with deferred cost, incurred in the context of promotional or advertising activities, can only be recognized in the balance sheet when an advance payment has been made for goods or services which will be received at a future date. Recognition should occur when the entity has the right of access to the goods and the services are received. This alteration is not expected to have a significant impact on the Company's accounts;

- Alteration to IAS 39 - Financial instruments: recognition and measurement, with effect as from 1 January 2009. These alterations consisted fundamentally of (i) clarifying that it is possible to reclassify instruments out from and into the category of at fair value through profit or loss in the case of derivatives whenever they start or end a hedging relationship in the form of a hedge for cash flow or new investment in an associate or subsidiary, (ii) alteration of the definition of financial instruments at fair value through profit or loss with regard to the category of the trading category, laying down that in the case of portfolios of financial instrument managed jointly or for which there is evidence of recent activities with a view to realizing short term gains, these portfolios should be classified as held for trading on first recognition, (iii) alteration of the requirements for documentation and effectiveness testing for hedges established in relation to the operating segments determined through application of IFRS 8 Operating Segments, and (iv) clarifying that measurement of a financial liability at amortized cost, after interruption of the respective fair value hedge, should be effected on the basis of the new effective rate calculated at the date of interruption of the hedging relationship. The Company does not expect any significant impact from adoption of this alteration;

- Alteration to IAS 40 - Investment properties, taking effect as from 1 January 2009. As a result of this alteration, properties being built or developed with a view to subsequent use as investment properties will now be included under IAS 40 (having previously fallen under IAS 16 Property, Plant and Equipment). Such property under construction may now be recorded at fair value unless this cannot be reliably measured, in which case it is to be recorded at acquisition cost. The Company does not expect any impact from adoption of this alteration.

Annex 1 - Inventory of Holdings and Financial Instruments

(euros)

IDENTIFICATION OF SECURITIES / DESIGNATION		Quantity	Nominal Value	% of Nominal Value	Average Acquisition Value	Total Acquisition Value	Balance Sheet Value Unit	Balance Sheet Value Total
1 - SUBSIDIARIES, ASSOCIATES, JOINT VENTURES AND OTHER RELATED COMPANIES								
1.1 - Portuguese Securities								
1.1.4 - Holding in related companies								
BES BANCO ESPIRITO SANTO		533 900			11,17	5 962 677,35	6,53	3 486 900,90
	sub-total	**533 900**	**0,00**			**5 962 677,35**		**3 486 900,90**
1.1.8 - Debt securities issued by related companies								
BEF 07/11			4 000 000,00	100,00%	100,9%	4 035 464,00	102,8%	4 110 484,00
BES BESPL*FLOAT* 05/10			4 000 000,00	96,95%	99,8%	3 992 165,00	97,6%	3 904 480,23
BES EURO RENDA 16/04/2013			1 660 000,00	97,25%	91,5%	1 518 285,80	97,3%	1 614 350,00
BES EURO RENDA 20/05/2013 - 1ªS			1 753 000,00	101,15%	90,1%	1 579 144,44	101,2%	1 773 159,50
BESLEASING FACT SUBORD 22/10/14			520 000,00	100,00%	100,0%	520 000,00	101,2%	526 383,14
BESLEASING FACTORING 22/08/2012			662 850,00	100,00%	100,0%	662 850,00	100,5%	666 301,13
BESLEASING FACTORING 22/09/2014			253 600,00	100,00%	100,0%	253 625,36	101,7%	257 816,10
BESPLFloat 03/12			1 500 000,00	97,32%	96,0%	1 440 000,00	97,4%	1 461 509,50
	sub-total	**0**	**14 349 450,00**			**14 001 534,60**		**14 314 483,60**
	Total	**533 900**	**14 349 450,00**			**19 964 211,95**		**17 801 384,50**
2 - OTHERS								
2.1 - Portuguese Securities								
2.1.1 - Equity instruments and units in funds								
2.1.1.1 - Shares								
EDP RENOVA		62 500			7,98	498 735,83	5,00	312 687,50
	sub-total	**62 500**	**0,00**			**498 735,83**		**312 687,50**
2.1.1.3 - Units in investment funds								
ES - ACÇÕES EUROPA		1 748			11,71	20 473,63	7,63	13 341,12
ES - CAPITALIZAÇÃO		6 488			9,27	60 134,15	9,47	61 455,72
ES - GESTÃO ACTIVA FF		565			6,08	3 436,14	6,06	3 424,68
ES - OBRIGAÇÕES EUROPA		12			9,45	114,20	10,62	128,37
	sub-total	**8 813**	**0,00**			**84 158,12**		**78 349,89**
	sub-total	**71 313**	**0,00**			**582 893,95**		**391 037,39**
2.1.2 - Debt securities								
2.1.2.3 - Other Issuers								
Dep Prazo EUR BES						17 500 000,00		17 500 000,00
Cert Dep EUR BES AFS						6 230 215,81		6 230 215,81
Dep Prazo EUR MG						13 500 901,13		13 756 655,72
Cert Dep EUR BES FVO						1 960 000,00		1 960 273,55
Dep Prazo EUR CXGERALDEP						12 273 000,99		12 473 532,87
Dep Prazo Eur BESI						5 000 000,00		5 000 416,67
Dep Prazo EUR BCP						19 210 972,04		19 548 444,78
ABBEY NATL TREAS 08/10			750 000,00	99,06%	99,9%	749 287,50	99,5%	746 340,20
BANIF FINANCE 22/12/2016			2 000 000,00	86,80%	100,0%	2 000 000,00	86,9%	1 737 916,00
BCP FINANCE BANK 21/12/16			500 000,00	80,06%	90,8%	454 000,00	80,2%	400 769,72
BCP Finance Float/09			400 000,00	99,02%	99,1%	396 240,00	100,2%	400 878,37
BCPPL FL 08-05/10			1 000 000,00	97,95%	99,8%	998 090,00	98,4%	983 798,38
CXGD 6.25 99-10/2009			2 500 000,00	100,40%	100,5%	2 512 500,00	101,8%	2 544 246,59
CXGD FLOAT 08-05/10			1 350 000,00	99,49%	100,0%	1 349 487,00	100,0%	1 350 237,81
IBESM 6.375% 25/11/11			2 300 000,00	105,46%	100,8%	2 318 400,00	106,1%	2 440 133,65
ING BANK NV 8/11			2 000 000,00	99,50%	99,9%	1 997 220,00	100,0%	1 999 807,05
MONTPI 29/05/2013			2 250 000,00	94,03%	99,8%	2 244 375,00	94,4%	2 123 843,00
Pcomercial SONAE DIST - 48ª ED			5 545 783,73	100,00%	100,0%	5 545 783,73	100,2%	5 554 906,55
Pcomercial SONAE DIST 47ª EM			2 423 129,86	100,00%	100,0%	2 423 129,86	100,0%	2 423 791,11
PTRELAOM0000 REN 6 3/8 12/13			1 500 000,00	101,91%	99,6%	1 493 955,00	102,3%	1 534 076,71
	Total	**71 313**	**24 518 913,59**			**100 740 452,01**		**101 101 321,93**

(euros)

IDENTIFICATION OF SECURITIES DESIGNATION	Quantity	Nominal Value	% of Nominal Value	Average Acquisition Value	Total Acquisition Value	Balance Sheet Value Unit	Balance Sheet Value Total
2.2 - Foreign securities							
2.2.1 - Equity instruments and unit in funds							
2.2.1.1 - Shares							
BANCO SANTANDER CENTRAL HISPANO	71			0,89	63,00	6,74	478,54
CREDIT AGRICOLE SA	239 998			18,29	4 390 754,42	8,00	1 919 984,00
sub-total	**240 069**	**0,00**			**4 390 817,42**		**1 920 462,54**
2.2.1.3 - Units in investment funds							
FIDELITY TARGET 2015 ACÇÕES	147 469			10,80	1 592 311,90	7,61	1 122 832,39
FIDELITY TARGET 2020 ACÇÕES	79 392			10,97	870 612,14	6,98	553 838,03
FIDELITY TARGET 2025 ACÇÕES	50 190			10,42	523 176,82	6,54	328 446,24
FIDELITY TARGET 2030 ACÇÕES	30 607			10,87	332 775,83	6,40	195 916,94
FIDELITY TARGET 2035 ACÇÕES	8 487			22,29	189 153,08	13,23	112 281,16
FIDELITY TARGET 2040 ACÇÕES	12 228			21,35	261 041,96	13,18	161 164,78
FUNDO ESP INV IMOB FECHADO	300 000			1 000,00	300 000 000,00	1 000,23	300 069 390,00
STENHAM BERLIN RESIDENCIAL FUND	3 000 000			1,00	3 000 285,00	1,00	3 000 000,00
sub-total	**3 628 374**	**0,00**			**306 769 356,73**		**305 543 869,54**
sub-total	**3 868 443**	**0,00**			**311 160 174,15**		**307 464 332,08**
2.2.2 - Debt securities							
2.2.2.3 - Others Issuers							
ALPHA FLOAT 17/01/2012		3 000 000,00	87,50%	100,0%	3 001 200,00	88,6%	2 658 862,50
ALPHA-SIRES LTD 04/02/09		4 000 000,00	100,45%	100,6%	4 024 280,00	101,9%	4 075 570,00
AUTOSTRADE SPA 06/09/2011		13 500 000,00	99,50%	100,5%	13 570 335,00	99,7%	13 465 607,26
BANCA POP VERONA NOVARA 08/02/17		4 000 000,00	75,61%	99,9%	3 997 000,00	76,3%	3 053 502,89
BAT HOLDINGS BV 16/05/2010		2 500 000,00	97,17%	100,4%	2 510 250,00	97,7%	2 443 571,88
BBVA CAPITAL UNIPERS 13/10/2020		5 000 000,00	76,92%	99,9%	4 995 137,32	78,2%	3 908 411,54
BOSTON SCIENTIFIC 6% 15/06/2011		5 000 000,00	71,50%	77,0%	3 848 777,13	71,7%	3 584 345,29
CAJA CASTILLA 02/11/2016		3 000 000,00	40,00%	100,0%	3 000 360,00	41,0%	1 228 565,83
CAJA DE AHORROS MURCIA 03/15/14		2 000 000,00	100,00%	101,0%	2 020 100,00	100,2%	2 003 539,56
CAJA ZARAGOZA ARAGON 25/04/2019		4 000 000,00	78,75%	99,5%	3 981 460,00	79,7%	3 189 314,11
CANDI 2006-1 A2		2 500 000,00	95,26%	98,5%	2 463 220,00	95,7%	2 393 502,29
CIT GROUP INC 30/11/2011		4 000 000,00	81,90%	99,8%	3 990 825,00	82,3%	3 290 418,95
COMPAGNIE ST GOBAIN 11/04/2012		2 200 000,00	84,50%	99,9%	2 197 008,00	85,8%	1 887 020,85
COMPUTER 7.375% 15/06/11		5 000 000,00	74,80%	81,1%	4 054 150,11	75,0%	3 751 770,42
CRDIT Var 07/14		3 000 000,00	98,50%	98,5%	2 955 392,00	99,5%	2 985 003,50
CREDIT LNKD STRUCT SEC 4/06/2009		200 000,00	100,64%	100,7%	201 414,00	102,0%	204 067,83
DEUTSCHE TELEKOM INT 28/03/2012		2 000 000,00	97,07%	99,8%	1 995 000,00	97,1%	1 941 965,17
DOURM 1 A		821 537,70	85,19%	98,6%	809 824,92	85,3%	700 623,14
DRSDNR Float 10		2 000 000,00	99,95%	100,0%	2 000 000,00	101,4%	2 028 489,28
Deutsche Bk 09/22/15		400 000,00	76,96%	96,1%	384 480,00	77,0%	308 168,20
EBS BUILDING SOCIETY 28/11/2016		5 000 000,00	90,25%	99,9%	4 993 150,00	90,6%	4 531 833,75
EIRLES TWO 195 PERPETUAL		2 500 000,00	100,00%	100,0%	2 500 000,00	101,6%	2 540 793,75
ERICSSON L M TEL 27/06/2014		1 200 000,00	86,46%	99,7%	1 196 760,00	86,5%	1 037 946,80
FINANS FOR INDUST&HAN 15/01/2010		2 000 000,00	97,05%	100,3%	2 005 360,00	98,3%	1 965 091,54
GE CAP EUR FUND 03/04/2014		8 000 000,00	81,00%	100,0%	8 000 000,00	82,3%	6 587 413,11
GE CAP EUR FUND 17/05/2021		7 500 000,00	87,00%	99,1%	7 434 750,00	87,5%	6 565 773,33
GOLDMAN SACHS 30/01/2017		3 000 000,00	85,98%	99,8%	2 995 300,00	86,9%	2 606 321,34
GOLDMAN SACHS 23/05/2016		6 000 000,00	86,01%	100,1%	6 005 400,00	86,5%	5 188 567,40
HALIFAX PLC PERPETUAL		9 500 000,00	94,99%	100,9%	9 585 250,00	95,2%	9 045 654,90
HIPOT 5 A2		379 359,51	95,69%	97,9%	371 392,96	96,0%	364 343,91
HMI 2006-1X 3A2		2 500 000,00	93,12%	99,3%	2 483 310,00	94,3%	2 356 921,25
JP MORGAN 12/10/2015		9 200 000,00	91,03%	100,1%	9 207.443,48	92,3%	8 492 697,25
JP MORGAN 30/01/2014		5 000 000,00	95,33%	99,5%	4 973 000,00	96,2%	4 809 736,67
KAUPTHING BANK HF 17/08/2012		3 000 000,00	8,00%	99,3%	2 978 250,00	8,0%	240 000,00
KION 2006-1 A		1 234 860,27	85,72%	98,6%	1 217 019,29	86,9%	1 072 939,77
KONINKLIJKE KPN NV 07/21/2009		3 158 000,00	99,75%	100,2%	3 163 368,60	100,8%	3 184 017,97
LEHMAN BROS HOLD 05/02/2014		5 000 000,00	12,00%	99,9%	4 996 500,00	12,0%	600 000,00
LEHMAN BROS HOLD 19/05/2016		10 000 000,00	12,00%	99,5%	9 945 250,00	12,0%	1 200 000,00
LEV FIN CAP II 02/09/2016		2 000 000,00	100,00%	101,0%	2 020 000,00	101,9%	2 038 460,00
MACQUARIE BANK 06/12/2016		1 500 000,00	58,50%	99,9%	1 497 945,00	58,8%	881 686,46
MAGEL 3 A		794 581,65	87,66%	98,7%	784 287,40	88,2%	700 940,42
MERRILL LYNCH 16/02/2012		4 000 000,00	96,14%	95,4%	3 815 430,00	96,7%	3 867 498,20
MERRILL LYNCH 31/01/2014		7 000 000,00	94,24%	99,6%	6 971 400,00	95,1%	6 657 385,27
MORGAN STANLEY 13/04/2016		10 000 000,00	82,01%	100,1%	10 005 000,00	83,3%	8 327 939,84
MORGAN STANLEY 16/01/2017		5 000 000,00	83,07%	100,1%	5 002 500,00	84,3%	4 213 197,17
NATEXIS BANQUES POP 26/01/2017		2 500 000,00	77,17%	100,2%	2 505 002,50	78,1%	1 952 836,67
NATL CAPITAL INSTRUMENTS PERP		1 400 000,00	63,65%	99,7%	1 396 132,50	63,7%	891 406,52
OTE Plc Float 11/09		1 500 000,00	99,89%	98,9%	1 482 850,00	100,4%	1 505 608,34
PELIC 2 A		396 359,89	100,00%	99,2%	393 055,83	100,2%	396 978,55

(euros)

IDENTIFICATION OF SECURITIES — DESIGNATION		Quantity	Nominal Value	% of Nominal Value	Average Acquisition Value	Total Acquisition Value	Balance Sheet Value — Unit	Balance Sheet Value — Total
PELICAN 3 A			1 109 701,68	76,95%	98,3%	1 090 934,66	77,1%	855 553,87
RAMPER INV LTD 21/10/2013			21 420 450,00	100,00%	100,0%	21 421 320,00	101,1%	21 656 477,78
ROYAL BK SCOTLAND 49			10 000 000,00	93,12%	100,8%	10 080 000,00	94,6%	9 457 379,61
Repsol Float 02/12			2 000 000,00	98,20%	96,2%	1 923 870,00	98,8%	1 975 202,51
SANTANDER ISSUANCES 23/03/2017			5 000 000,00	80,19%	99,9%	4 997 250,00	80,3%	4 013 302,22
SCHNEIDER ELECTRIC SA 18/07/2011			2 000 000,00	98,00%	100,2%	2 003 000,00	99,1%	1 981 747,78
SLM CORPORATION 17/06/2013			7 000 000,00	73,74%	100,0%	6 996 800,00	73,9%	5 173 192,73
SNSBNK FLT 08-06/10			500 000,00	94,82%	99,9%	499 525,00	95,2%	475 990,68
SVENSKA HANDELSBANKEN PERPETUAL			2 000 000,00	78,00%	99,9%	1 997 280,00	78,1%	1 561 503,11
TELECOM ITALIA FINANCE 12/06/12			5 000 000,00	90,87%	99,0%	4 952 300,00	91,2%	4 558 279,86
TELEFONICA EMIS 25/01/2010			6 000 000,00	98,00%	100,3%	6 018 785,00	99,0%	5 938 859,50
THEME 4 A			1 276 279,15	100,00%	97,8%	1 247 818,12	100,7%	1 284 766,68
VIVENDI 10/03/2011			1 400 000,00	97,14%	98,9%	1 384 782,00	98,6%	1 380 003,29
VODAFONE 05/09/2013			8 500 000,00	96,33%	100,4%	8 534 950,00	96,6%	8 214 267,31
VODAFONE 13/01/2012			9 900 000,00	95,26%	100,6%	9 963 360,00	96,5%	9 556 035,22
WB FL 06-08/2011			800 000,00	87,69%	94,8%	758 069,00	88,5%	708 005,33
	sub-total	**0**	**272 291 129,86**			**269 795 364,82**		**231 716 878,15**
	Total	**3 868 443**	**272 291 129,86**			**580 955 538,97**		**539 181 210,23**
2.3 - Trading derivatives								
Currency Forwards								673 524,19
	Total	**0**	**0,00**			**0,00**		**673 524,19**
	Total	**3 939 756**	**296 810 043,45**			**681 695 990,98**		**640 956 056,35**
3 - GRAN TOTAL		**4 473 656**	**311 159 493,45**			**701 660 202,93**		**658 757 440,85**

THOMAS STRUTH
B. 1954 ALEMANHA
“MUSEO DEL PRADO 7”,
MADRID 2005
C-PRINT, FRAMED
169,5 X 210,6 CM, 177,5 X 218,6 CM, FRAMED
EDITION OF 10

07
LEGAL ACCOUNTS CERTIFICATE AND REPORT AND OPINION OF THE SOLE AUDITOR

VIDA

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 2008 (which records a balance sheet total of 830,355,271 euros and total shareholders' funds of 72,337,543 euros, including a net profit 13,204,846 euros), the Profit and Loss Account, the Statement of Cash Flows and the Statement of Changes in Equity 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, based on judgements and criteria defined by åthe Directors and used 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 2008, 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.

REMARKS

9. Without affecting the opinion expressed in paragraph no. 7 above, I wish to draw attention to the following situations:

a) No. 3 (Transition to the new Plan of Accounts) and no. 35 (Adjustments for Transition to the New Accounting Rules) of the Notes to the Financial Statements disclose the effects of first-time a Application, in the financial year ended 31 December 2008, of the new accounting rules for insurance companies (Regulatory Standards nos. 4/2007 and 20/2007 of the Portuguese Insurance Institute), which implemented the International Financial Reporting Standards, as adopted by the European Union, except for the criteria for measurement of liabilities resulting from insurance contracts as defined in IFRS 4 – Insurance Contracts.

The overall negative impact on Equity of the transition from 31 December 2007 to 01 January 2008 totalled 9,492,372 euros.

b) As stated in the Directors' Report, the share capital was increased in the course of 2008 from 45,000,000 euros to 65,000,000 euros, and the company repaid accessory capital subscriptions of 20,000,000 euros.

Lisbon, 04 March 2009

José Manuel Macedo Pereira

1. INTRODUCTION

As required by the provisions of Article 420.1 g) of the Companies Code, I am pleased to submit my Report on my auditing of T-VIDA, COMPANHIA DE SEGUROS, S.A., and to give my Opinion on the Management Report and Financial Statements for the financial year of 2008, submitted to me by the Board of Directors.

The Company was incorporated on 28 July 2006, and started trading on 01 August 2006, as part of the reorganization of the insurance sector of the Espírito Santo Group, with the objective of operating life insurance business.

In 2008 the Company recorded a negative variation in the Revaluation Reserve (for adjustments to the fair value of financial assets) of 11,774 thousand euros, and a net loss of 13,205 thousand euros.

In its second full year of operation, T-Vida recorded growth in underwriting of 316,307 thousand euros, corresponding to an increase of 405.5%, and revenues of 394,307 thousand euros. This variation was influenced by a financial endowment operation carried out in 2008, with a value of 310,000 thousand euros. If this effect is excluded, T-Vida's growth would stand at 8.1%.

At 31 December 2008, liabilities for insurance and investment contracts were up by 79.0%, due essentially to a financial endowment operations, with a value of 310,000 thousand euros and representing 42.0% of liabilities for insurance and investment contracts. If this effect is excluded, on the grounds that this is a one-off operation, growth in 2008 would stand at 3.9%.

I would also like to draw attention to the increase of 45,000 thousand euros in the share capital, to 65,000 thousand euros, and the repayment of accessory capital subscriptions of 20,000 thousand euros, corresponding to an overall increase in capital of 25,000 thousand euros.

2. REPORT

2.1 I monitored the Company's operations during 2008, especially through examinations and checks of books, accounting records and supporting documents. I also carried out tests and procedures, with the depth I considered necessary.

2.2 The Board of Directors and the Departments provided me with all the explanations and information requested.

2.3 I have examined the Management Report, which sets out the main developments in the period, and also analyzed the Balance Sheet, the Profit and Loss Account, the Statement of Cash Flows and the Statement of Changes in Equity and the respective Notes, confirming that they were drawn up in accordance with accounting principles normally accepted for the insurance sector in Portugal, and that they comply with the provisions of the law and articles of association and present a fair view of the state of the Company's affairs.

2.4 The Annual Legal Audit Report, signed by me, describes the main work carried out and the respective findings, and the Legal Certificate of Accounts sets out my opinion on the said financial statements.

2.5 In view of the above, I hereby issue the following:

3. OPINION

I hereby recommend the Annual General Meeting:

a) to approve the Management Report, Balance Sheet and Accounts for the financial year of 2008 presented by the Board of Directors;

b) to approve the proposal for allocation of results.

Lisbon, 04 March 2009

THE SOLE AUDITOR

José Manuel Macedo Pereira

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

Registered Office: Av. da Liberdade, 242 – 1250-149 Lisboa – Portugal
Registered with Lisbon Registry of Companies and VAT 507684486

VIDA