VIDA

09 **Annual Report** and Accounts

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and Accounts

The illustrations included in this report are reproductions of some pieces of the BES art Photography collection which the Bank has been building since 2004 with recent works from renowned international and Portuguese contemporary artists.

PHOTOS: **Colecção Banco Espírito Santo**

DESIGN AND DEVELOPMENT: **Linha21 Marketing e Publicidade**

SZE TSUNG LEONG b. 1970, American / British
"From the Horizons Series. Odoi, Nishi-Izu, Shizuoka, Japan" 2008,
C-print 71,12 x 121,92 cm, Edition: 2/5+2AP.
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SZE TSUNG LEONG b. 1970, American / British
"From the Horizons Series, Rio Tejo", 2006
C-print, 60,96 x 111,76 cm, Edition: 2/5+2AP.
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LUCIA KOCH b. 1966 Brasil **“Moongate”**, 2009. Photography - inkjet print on paper cotton 50 x 72 cm. Edition: 1AP (10 + 1AP) © Lucia Koch

T-VIDA, COMPANHIA DE SEGUROS

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

Av. da Liberdade, 242
1250 – 149 Lisbon / Portugal
Registered at the Lisbon
Registry of Companies
VAT: 507 684 486

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ELLEN KOOI b. 1962 – Leeuwarden - Netherlands, **"Bergen - duinhuis"** 2009. Ilfo Archive, Plexiglass, Reynobond 100 x 156 cm. Edition: 4/6
Courtesy the Artist and Câmara Oscura Galeria de Arte

01 CORPORATE OFFICERS

VIDA

01 CORPORATE OFFICERS

General Meeting
Chairman
Rui Manuel Duarte Sousa da Silveira
Secretary
João Afonso Pereira Gomes da Silva

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

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

Official Auditor
José Manuel Macedo Pereira
Alternate
Soc. de Revisores Oficiais de Contas Amável Calhau,
Ribeiro da Cunha e Associados

Board of Directors

Peter Brito e Cunha
(Chairman)

Tomé Pedroso

Miguel Rio-Tinto

Miguel Moreno

Nuno Clemente

BERNADETTE CORPORATION, "The Complete Poem (vitrine 10)", 2009. Wood, plexi and 10 printed pages from "A Billion and Change". 84,5 x 243,8 x 43,8 cm
Courtesy Greene Naftali, New York

02 DIRECTORS' REPORT

VIDA

02 DIRECTORS' REPORT

Shareholders,

Under the law and the articles of association, the Board of Directors is honoured to present to you for appraisal the Management Report and Accounts of T-Vida, Companhia de Seguros, SA, in respect of 2009.

2.1 MACROECONOMIC FRAMEWORK

Taken as a whole, 2009 was marked by the sharp drop or slowdown of activity in the principal economic areas in the wake of the global financial crisis begun in 2007. This evolution was largely determined by a significant deterioration of the confidence of the economic agents, reflected in falling demand and in the collapse of international trade flows during the first half of the year. The recession took place against a background of lesser liquidity in the financial markets and, as a result of this, in a more restrictive climate insofar as the criteria governing the financing of economic activity were concerned.

In response, the authorities put into practice aggressive financial stabilisation and growth stimulus programmes. These included the reduction of refi rates to levels close to zero, mass injection of liquidity into the financial system (for example, through the acquisition of public and private debt securities by the central banks) and, at budget policy level, fiscal stimulus of consumption of durables and an increase of public spending on infrastructure.

As a result of the aggressiveness of these stimuli, there were, during the second half, particularly in the 4th quarter, clear signs of acceleration of global activity and of financial stabilisation. The latter was reflected in a gradual narrowing of the money and credit market spreads, mirroring the decline of risk aversion and the greater confidence of the economic agents in the normalisation of the financial sector.

2.1.1 INTERNATIONAL ECONOMIC SITUATION

The economy of the Euro Area performed differently in the first half and the second half of the year. The 1st half was marked by a sharp downturn of activity (2.4% and 0.2% y-o-y drops in the first two quarters), in the wake of the recession begun in the 2nd quarter of 2008, with sharp downturns of exports and investment. This performance must be viewed within the context of the consequences of the financial crisis, which peaked in September and October 2008. The contraction of liquidity and the sharp deterioration of confidence during the closing months of 2008 led to a widespread decline of confidence and demand, which, in turn, was reflected in a sharp downturn of foreign demand (with an especially negative impact on Germany, with its expected fall of GDP of nearly 5.0% in 2009, the worst on record since World War Two). Several economies of the Euro Area still continued to suffer the effects of recession in the housing sector, which enlarged the negative adjustment of demand. Over the year as a whole the GDP of the Euro Area fell by close to 4.0%.

The 3rd and 4th quarters, however, were marked by a return of activity to growth (y-o-y variations of 0.4% and 0.6% respectively) following five consecutive quarters of downturn. This better performance was driven by a recovery of exports, by the favourable effect of restocking investments (stimulating industrial activity) and by the monetary and budget stimuli implemented by the authorities. The performance of domestic demand remained weak, however, marked by restrictions to consumer credit and to private investment, by worsening conditions if the employment market (with a progressive rise of unemployment to 10.0% of the active population at the year-end) and by an increase of savings as a precaution.

With regard to prices, average annual inflation was marginally higher than 0% (after 3.3% in 2008), the result of an absence of upward pressure on prices on the demand side and of energy prices, through the statistical effect arising from the fall of oil prices compared to 2008. Against this background, the European Central Bank continued to lower its refi rates until May. The European monetary authority cut its refi rate on two occasions by 50 basis points in January and March, and twice by 25 basis points, in April and May. This rate was cut from 4.25% to 1% since October 2008. The ECB also lowered its liquidity-injection and deposit rates by 125 and 175 basis points respectively between January and May. Additionally, it provided ample liquidity for the banking system, with emphasis on three unlimited liquidity-injection operations at 12 months (which amounted to about €614 billion), the first two at a fixed rate of 1% and the third at a rate indexed to the interest rate on refinancing operations.

The implementation of expansionist monetary policies by the national governments, directed at stimulating domestic demand, led to a considerable worsening of public accounts. The budget deficit of the Euro Area as a whole increased from 2.0% to about 6% of the GDP. In this connection attention is drawn to the public deficits of Greece, Ireland and Spain, standing above 10.0% of the GDP. This evolution led to a deterioration of the sovereign risk (increase of the yields of the respective public debt securities), which penalised Greece and Ireland in particular (whose ratings were downgraded at the year-end), and also of other 'peripheral' economies of the Euro Area (Italy, Spain and Portugal, with the outlook for the ratings of the latter two being revised down).

2.1.2 DOMESTIC ECONOMIC SITUATION

Reflecting the effects of the global economic recession, the Portuguese economy returned a 2.7% decline of its GP in 2009. This performance was not as bad as that seen among Portugal's main partners in the European Union, however (there were GDP falls of 3.7% in Spain, 5.0% in Germany, 2.8% in France and 4.5% in the United Kingdom). Besides the lesser intensity of the recession, Portugal was one of the first EU countries to come out of the cycle of negative GDP variations, as from the 2nd quarter.

This performance was the result of the fact that demand was not affected, to the extent seen in other economies, by the strong negative wealth-effects associated with corrections to the real-estate market or by instability within the financial system. In this connection, the recession suffered by the Portuguese economy in 2009 was the result, in particular, of the downturn of foreign demand, as well as of a natural deterioration of household and company confidence, with its negative impact on consumption and, especially on investment. Both these aggregates were also affected by the more restrictive criteria governing the financing of economic activity, the result of the lesser liquidity available on the international financial markets.

Thus, over 2009 as a whole, exports fell by 12,3%, following a 0.5% downturn the previous year. This decline was common to most goods and services and to the main export destinations within the European Union. Reflecting the downturn of domestic demand, imports fell by 10.7% over the year, following a 2.1% growth in 2008.

The worsening expectations as to the evolution of foreign demand, the considerable uncertainty and the lesser availability of credit weighed decisively on the evolution of investment, down by a real 12.6%. In addition to fixed-capital spending, this performance was also the result of the reduction of stock levels, which accentuated the negative contribution of investment to GDP. Thus, company investment will have fallen by a real figure of around 15.0%, not offset by the sharp increase of public investment (by about 13.0%), the main source of budget stimulus of economic activity (public consumption returned a real increase of 2.0%. Household investment in housing accentuated the downward trend seen the previous year, falling by about 12.0%.

The decline of confidence and the increase of household uncertainty were also reflected in a drop of private consumption by about 0.8%. This occurred despite the increase of disposable household income, the result of falling interest rates and, above all, of the increase of state transfers, largely explained by the cautious attitude of households. The year under review was therefore marked by a significant increase of the savings rate to just above 8.0% of disposable income. This increase put a halt to the downward trend of household savings observed since 2002. The negative evolution of private consumption was the result of the sharp downturn of consumption of consumer durables, in that spending on non-durable goods grew marginally.

Household purchasing power benefitted from negative inflation in 2009. In average annual terms inflation fell from 2.6% to -0.8%. This reflected, in the first place, a statistical effect associated with the sharp increase of raw-material prices (oil in particular) during 2008). But it is likewise the reflection of the recession of the economy in 2009, which strongly restricted company power to fix prices.

The general decline of economic activity quickly led to an increase of the number of unemployed and the jobless rate rose to an historic high in 2009, to stand at 9.5%, a 1.9 p.p. increase over 2008.

Notwithstanding the negative performance of exports, 2009 was marked by a correction of the combined balance of the current and capital account, or foreign deficit, down from 10.5% to a figure of about 8.3% of the GDP. This reflects the process of deleverage undertaken by the private sector in 2009, as well as the decrease of the energy deficit. The reduction of the private sector borrowing requirements was accompanied by an increase of the public sector borrowing requirements, particularly as a result of the budget stimuli to economy activity, though also reflecting the effects of the low stage of the economic cycle in the public accounts. In this connection, the public deficit rose from 2.7% to 9.3% of the GDP.

2.1.3 INSURANCE MARKET

The combination of worsening macroeconomic performance in 2009 and a more competitive climate in the insurance industry conditioned the insurable mass and gave rise to aggressive pricing practices.

Despite the improvement seen in financial results stemming from the sharp appreciation of the investment portfolios, thanks to the good year for the markets in 2009, the insurance industry was affected by the downturn of economic activity.

The industry's good performance in terms of financial results was not accompanied in operational terms. According to the latest estimates, the insurers operating on the Portuguese market returned an overall net profit in the sum of €300 million in 2009, compared to a net loss of €30 million in 2008 and a net profit of €660 million in 2007. Equity amounted to € 4.3 billion, a 39% increase, generating a return on equity of 8.7%.

In production terms, 2009 was a negative year both for Life and for Non-Life insurance. Life and Non-Life premiums totalling €14,559 million were 5.0% down compared to the previous year. Production of the Life segment, with premiums in the order of €10,427 million, fell by 5.3%, despite the fact that there was an increase of disposable household income in 2009 and also of the respective savings rate. It is assumed that, in a context of recovery of the equities segment of the capital market, part of the savings was redirected to other higher-risk placements.

Emphasis is given to the PPRs (Retirement Savings Plans), which have become increasingly popular in long-term savings, their contribution growing by 27.6%. Products of this type account for 30% of the Life premiums and for 22% of total insurance production.

The decrease of the volume of Non-Life premiums had already been felt in 2008, but it was more pronounced in 2009: -1.4% in 2008 and -4.4% in 2009, for a production of €4,132 million. This reduction is the result both of the negative performance of the economy and also of the competitive climate in the marketplace, leading to heavy pressure on premiums. The Workmen's Compensation and Motor lines, the two biggest of the Non-Life segment, accounting for 57% of the Non-Life market, were especially affected by these factors, with production down 9.1% and 7.5% respectively.

Emphasis is given to the good performance of Health insurance, reflecting the ongoing concern as to access to health care, even though it, too, had a more modest growth than in previous years, 9.6% in 2008 and 3.5% in 2009.

The weight of insurance business in the GDP fell from 9.21% in 2008 to 8.83% in 2009, though it did remain above the 2007 figure (8.45%). The Life segment made a 6.32% contribution to GDP, with Non-Life segment contributing 2.51% (6.61% and 2.60% in 2008, respectively). The Non-Life claims rate worsened in 2009 to 73.4%, compared to 70.9% in 2008.

2.2 RELEVANT FACTORS IN 2009

In its 3rd year in business and excluding the amount of the episodic deal in 2008 in respect of the issue of the Capitalisation Operation in the sum of €310 million, T-Vida returned a growth of production of €18,504k, a positive variation of 21.9%, and revenue of €102,811k.

Its strategy was mainly based on the growth of the PPR business and of life risk insurance, in addition to strengthening its position in the Companies & Businesses segment.

Insofar as Services are concerned, the Company reorganised and computerised its Business Partners, the main aim being to provide quality service to its individual and corporate customers and to its distribution channels, as well as to cut costs. It appointed the Customer Ombudsman, lending continuity to the regulatory standard on market conduct.

As at December 31, 2009, the stock of policies in the portfolio grew by 5.3% to 148,838, with Retirement Savings Plans returning a growth of 10%. This year, new policies did not perform as well owing to the downturn of credit, which affected the sale of insurance linked with this business line, mortgage loans in particular.

Equity capital was increased in 2009, then reduced by a like amount to cover the previous year's losses in the sum of €12.5 mn

2.3 MAIN VARIABLES & BUSINESS INDICATORS

(thousand euros)

	2009	2008	Change 09/08 (%)
Balance Sheet			
Investments	695,449	658,795	5.6
Net Assets	868,460	830,355	4.6
Equity	81,067	72,338	12.1
Investment Contract Mathematical Provisions & Liabilities	771,256	738,959	4.4
Gains & Losses			
Total Production	102,811	394,307	-73.9
Premiums earned, net of reinsurance	32,536	36,426	-10.7
Costs of claims, net of reinsurance	43,178	54,085	-20.2
Mathematical Provision, net of Reinsurance	10,880	11,593	-6.1
Share of profits/(losses), net of Reinsurance	1,663	781	113.0
Operating costs	6,351	9,880	-35.7
Returns of Financial Activity	12,492	23,413	-46.6
Technical Balance (1)	6,093	8,057	-24.4
Overall Balance (2)	12,355	-9,654	228.0
Net Profit/Loss	5,266	-13,205	139.9
Indicators (%)			
Technical Balance / Total Production (3)	5.9	9.6	-3.6 p.p.
Operating Costs / Total Production (3)	6.2	11.7	-5.5 p.p.
Operating Costs / Invest. Cont. Math. Provisions & Liabilities	0.8	1.3	-0.5 p.p.
Solvency Margin Cover Rate	193.0	156.4	36.6 p.p.
Claims / Premiums (IFRS 4)	111.8	139.0	-27.2 p.p.
Benefits Paid / Deposits Received (3) (IAS 39)	43.0	39.9	3.2 p.p.
Acquisition Costs / (Premiums + Deposits Received)	5.8	8.0	-2.2 p.p.
Administrative Costs / (Premiums + Deposits Received)	2.9	4.8	-1.8 p.p.
Other Indicators			
N° of Employees	24	15	60.0
N° Policies	148,838	141,345	5.3

(1) Technical Balance net of Reinsurance.
(2) Technical Balance + Balance of Financial Activity.
(3) Excluding €310 million in respect of the capitalisation operating allocated to the banking channel, undertaken in 2008.

2.4 THE BUSINESS OF T-VIDA IN 2009

2.4.1 TOTAL PRODUCTION

Production volume fell by 73.9% in 2009 compared to last time. This variation was affected by the capitalisation operation undertaken during 2008, in the sum of €310,000k; excluding this operation Life premiums would have returned a growth of 21.9% (€18.5 mn) compared to the previous period.

The Company's total growth was underpinned by the significant growth of PPRs, up 30.6% (€15.6 mn), as a result of the good performance of the Unit-Linked PPRs, with emphasis on the PPR Active Savings and the PPR Investments, which returned a growth of €21.1 mn (62.0%).

Capitalisation products increased €3.2 mn, the result of the positive contribution by the Capitalisation Plan, in which a special series was launched to retain maturities, and by the Companies Total Plan (PET), with a growth of €1.3 mn.

In the Risk and Mixed products segment emphasis is given to the Risk Group product, with a 5.1% growth (€0.2 mn), contrary to the Mixed products which declined by 7.8% compared to 2008 (€0.3 mn), given the maturity of the portfolio. Annuities increased by 2.5% (€0.1 mn).

At the year-end the Company's production stood at €102,811k and the weight of the PPRs and of the Risk and Mixed Products is underscored, accounting for 64.7% and 15.5% respectively. These are strategic produces for T-Vida in terms of loyalty and high technical margins.

Within the scope of the insurance market the Company returned higher growth (9.3%) than the other insurers without a banking channel, the growth of this market standing at, 5.2%, excluding the capitalisation operation undertaken in 2008 in the sum of €310,000k. Also underscored is the good performance of the PPR products, in which T-Vida has retained its leadership. Premium growth amounted to 30.6%, generating a market share of 28.5% of the market without a banking channel. Considering all insurers, the market share stood at 2.1%.

(thousand euros)

TOTAL PRODUCTION	2009	2008	Change 09/08 (%)
TOTAL PRODUCTION	**102,811**	**394,307**	**-73.9%**
INSURANCE CONTRACTS	**39,319**	**39,194**	**0.3%**
- Annuities	3,243	3,164	2.5%
- Other Risk & Mixed Products	15,976	16,345	-2.3%
- Capitalisation Products	8,758	2,813	211.4%
- PPR	11,343	16,872	-32.8%
INVESTMENT CONTRACTS	**63,492**	**355,062**	**-82.1%**
- Capitalisation Products	8,282	10,973	-24.5%
- PPR	55,210	34,089	62.0%
- Capitalisation Operations	-	310,000	-100.0%

2.4.2 COSTS OF CLAIMS AND BENEFITS PAID

Total costs incurred with indemnities amounted to €71,292k, a reduction of 1.6% compared to 2008.

Despite the fact that the weight of Indemnities as a proportion of mathematical provisions at the start of the period stood at 16.4% (17.2% the previous year), 2009 was marked by a large volume of maturities (€18,113k) and surrenders (€37,196k).

In PPRs the costs of indemnities amounted to €22,813k, as a result of maturing policies during the year and of the increase of surrenders, with a weight of 52.2% compared to the 2008 figure of 39.3%.

In Traditional products indemnity costs totalled €14,054k, essentially due to the large volume of maturities in Mixed products.

Emphasis is also given to the fact that Risk products continue to show good claims rates.

(thousand euros)

COSTS OF CLAIMS & BENEFITS PAID	2009	2008	Change 09/08 (%)
COSTS OF CLAIMS & BENEFITS PAID	71,292	72,454	-1.6%
INSURANCE CONTRACTS	43,961	54,496	-19.3%
- Annuities	4,457	7,043	-36.7%
- Other Risk & Mixed Products	9,597	11,267	-14.8%
- Capitalisation Products	6,754	11,477	-41.2%
- PPR	22,813	24,139	-5.5%
COST OF CLAIMS IMPUTED	340	570	-40.4%
BENEFITS PAID ON INVESTMENT CONTRACTS	27,331	17,958	52.2%
- Capitalisation Products	15,868	10,101	57.1%
- PPR	11,463	7,857	45.9%

2.4.3 MATHEMATICAL PROVISIONS AND INVESTMENT CONTRACT LIABILITIES

The evolution under Mathematical Provisions and Investment Contract Liabilities is directly related with products of a financial nature marketed, which correspond directly to the amounts recorded under Insurance and Investment Contract Liabilities.

As at December 31, 2009, Mathematical Provisions and Investment Contract Liabilities were up in the order of 4.4%, a growth essentially caused by the increase of the Financial Liabilities of the PPRs (€47 mn). Emphasis is given to the weight of the financial capitalisation operation in the sum of €308 mn, which accounts for 39.9% of the Insurance and Investment Contract Liabilities.

The efforts of the distribution networks were directed at channelling production to contracts with lower technical rates, which allowed a reduction of the guaranteed minimum rates on PPR products and capitalisation products, down from 3.31% to 3.01% and from 2.98% to 2.50% in 2008 and 2009 respectively.

It should be pointed out that the strategy followed at T-Vida of considering the PPR Product to be strategic to the long-term return, accounting for 40.1% of the total of the Mathematical Provisions and Insurance and Investment Contract Liabilities as at 31/12/2009, allowed the Company to maintain its leadership of the segment of insurers that do not operate the banking channel.

(thousand euros)

INVESTMENT CONTRACTS MATHEMATICAL PROVISIONS & LIABILITIES	2009	2008	Change 09/08 (%)
INVESTMENT CONTRACTS MATH. PROV. & LIABILITIES	771,256	738,959	4.4%
MATHEMATICAL PROVISIONS	332,257	337,772	-1.6%
- Annuities	48,393	50,631	-4.4%
- Other Risk & Mixed Products	41,656	42,979	-3.1%
- Capitalisation Products	32,641	29,737	9.8%
- PPR	209,568	214,425	-2.3%
FINANCIAL LIABILITIES	438,999	400,597	9.6%
- Capitalisation Products	31,723	37,961	-16.4%
- PPR	99,747	52,558	89.8%
- Capitalisation Operations	307,529	310,079	-0.8%

2.4.4 TECHNICAL BALANCE

The technical balance declined 24.4% compared to the previous year. This was essentially the result of the impact of Commissions and Acquisition Costs in the light of the 2009 and 2008 production figures for the PPR and Capitalisation products, of the significant increase of claims on Traditional products and of the constitution of technical PAB in the Risk Group product.

The financial balance, with a positive variation of €23,974k is essentially the result of extraordinary facts that occurred in 2008, particularly the Impairments in the sum of €21 million.

(thousand euros)

TOTAL TECHNICAL BALANCE	2009	2008	Change 09/08 (%)
TECHNICAL BALANCES (1)	6,093	8,057	-24.4
- PPR	814	645	26.2
- Capitalisation	80	313	-74.4
- Traditional	5,199	7,099	-26.8
FINANCIAL ACTIVITY BALANCE (2)	6,262	-17,711	135.4
- PPR	2,367	-4,456	153.1
- Capitalisation	689	-1,787	138.5
- Traditional	2,821	-11,493	124.5
- Capitalisation Operations	386	26	
OVERALL BALANCE (3)	12,355	-9,654	228.0

(1) Technical Balance net of Reinsurance.
(2) Income from Financial Activity including profit-sharing and Technical Interest..
(3) Technical Balance + Balance of Financial Activity.

2.4.5 OPERATING COSTS

Operating costs were down 35.7% compared to the previous year owing to a substantial decline of Third-party Supplies & Services, down 53.3% as a result of the reduction of the provision of services contract with BES-Vida and of consultancy costs.

Staff costs decreased 27.9% as a result of the reclassification of performance bonus costs (Sales Staff Incentives), imputed to acquisition costs.

Taxes and contributions fell as a proportion of premiums compared to last time (impact of the Financial Capitalisation undertaken in 2008).

(thousand euros)

OPERATING COSTS	2009	2008	Change 09/08 (%)
Staff costs	1,090	1,512	-27.9
Third-party supplies & services	2,511	5,375	-53.3
Taxes and charges	50	182	-72.6
Depreciation for the year	2,368	2,321	2.0
Commissions	332	490	-32.3
TOTAL	6,351	9,880	-35.7

2.4.6 INVESTMENTS

The world's leading economies returned the biggest falls of economic activity seen since the second world war during the six months from October 2008 to March 2009. The GDP in the USA contracted, in annualised terms, by more than 6% during the 1st half of 2009.

The economic stimulus measures implemented by central banks and governments around the world, on an unprecendented scale, managed to staunch the crisis, and without this help the world's leading economies could have entered a prolonged recession – depression.

The announcement of the creation of the bad bank in the USA, to buy up the toxic assets in the banks' balance sheets, and the stress test performed by the Fed as to the capital adequacy of the North American banks in confronting the crisis, were essential to restoration of the confidence of the economic agents and of the sustainability of the financial system around the world.

The lowest point of the crisis came between March and June 2009, with the major economies returning positive GDP growths in the third quarter of 2009. To a large extent this recovery was due to re-stocking and to temporary measures to stimulate consumption, meaning that the recovery was quite vulnerable to and dependent on a continuation of large fiscal, budgetary and monetary stimulus packages, which still exist.

The equity markets returned major losses up to mid March, though since the historically low level then reached they have appreciated by more than 50%. Shares again acted as an advanced indicator of the economy, rising sharply with the prospects of the economic recession being left behind, the valuations discounting a scenario of normalisation of economic activity in the medium term and the enormous liquidity channelled to the financial markets and to risk assets.

The spreads of the corporate debt market narrowed sharply with the normalisation of the market through the re-establishment of the primary issues market (reducing the risk of default) and investors discounting a scenario of recovery rather than depression. Nevertheless, spreads remained higher than before the financial crisis, reflecting the greater perception of risk now observed in the market.

Tranquilidade's financial policy centred on investment in fixed-rate bonds and on the reduction of the high liquidity levels that existed at the beginning of the year. The return to the equity market took place in the middle of the year, though accounting for very little weight in the investment portfolio.

In the bond segment there was heavy investment in fixed-rate bonds, centred on the primary market, taking advantage of the high credit spreads at the time, with a focus on short maturities of 3 to 5 years and on keeping the average rating of the portfolio at A2/A. Staggered sale of floaters directed at reduction of exposure per issuer and at sectoral diversification. An interest-rate swap was undertaken in the PPR and Tranquilidade Savings Plan (PPT) portfolios with a view to hedging the fixed rate of the liabilities associated with these portfolios.

(thousand euros)

ASSETS UNDER MANAGEMENT (2)	2009	2008	Change 09/08 (%)
Bonds	273,995	262,967	4.2
Equities & investment funds	13,533	8,720	55.2
Liquidity	97,232	114,045	-14.7
Unit Links (1)	314,353	316,235	-0.6
TOTAL	**699,113**	**701,967**	**-0.4**

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

In terms of financial results, excluding the effect of the Unit Links, there was a growth of absolute value from 2008 to 2009 of about €16,963k. The effect of the financial impairments amounted to €21 million.

The year under review was also marked by gains totalling €6,438k realised on the sale of fixed-rate bonds. The strategy of reduction of the level of exposure to floating-rate bonds led to a realised book loss totalling €2,803k.

Equity was positively affected in the sum of €11,808k by the impact of potential gains, recorded as a whole for the bond segment as a result of the decline of the credit spreads.

The return on average assets (excluding the Unit Links effect) on the financial result stood at 4.3%, which compares with -0.2% for 2008. Overall profitability in 2009, including potential gains, stood at 7.5%.

(thousand euros)

RESULTS OF FINANCIAL ASSETS & LIABILITIES	2009	2008	Change 09/08 (%)
Income	12,492	23,413	-46.6
Gains & losses	3,465	-3,537	198.0
Impairments	346	-20,907	101.7
Net gains on financial liabilities	-429	-906	52.6
TOTAL	**16,303**	**-1,031**	**1,681.9**

2.4.7 EQUITY AND SOLVENCY MARGIN

Equity in 2009 rose to €81,067k, €8,729k more then in the previous year. This year the emphasis is on the reduction of the Ancillary Capital Contributions by €17.5 million and on the net profit for the year in the sum of €5,266k.

Equity capital was increased in 2009, then reduced by a like amount to cover the previous year's losses in the sum of €12.5 mn

The solvency ratio rose to 193.0% compared to 156.4% in 2008. A contribution to this good performance was made by the reduction of the constituent elements as a result of the reduction of the ancillary capital contributions, offset by the decline of potential losses (revaluation reserves).

(thousand euros)

EQUITY	2009	2008	Change 09/08 (%)
Equity capital	65,000	65,000	-
Other capital instruments	20,000	37,500	-46.7
Revaluation reserves	-12,975	-24,783	47.6
Other reserves	3,776	7,110	-46.9
Retained earnings	-	716	-100.0
Net profit/loss	5,266	-13,205	139.9
TOTAL	**81,067**	**72,338**	**12.1**

2.4.8 INTERNAL CONTROL

Directive 2009/138/EC (Solvency II), in respect of access to insurance and reinsurance business and to their exercise, was approved in November 2009. This directive establishes rules governing:

- Access to direct insurance and reinsurance activities and their exercise within the Community;
- Supervision of insurance and reinsurance groups;
- Reorganisation and winding-up of direct insurance undertakings.

By October 31, 2012, Member States will have to transpose these legal provisions to internal law.

The Tranquilidade Group has been gradually bringing its structure, policies and procedures into line, so as to be able to take advantage of this transition period to prepare for the new challenges that are drawing close and will imply substantial alterations in insurance business.

Therefore, several measures were taken to this end in 2009, of which we would under score the following:

- Draft development of in-house Economic Capital models;

- Inclusion in the ISP and APS work groups on matters in respect of the evolution of the Solvency II project;

- Performance of the QIS 4BIS – Quantitative Impact Study of the application of the Solvency II rules to the calculation of insurers' Economic Capital;

- Updating the internal control system, including mapping of processes, risks and controls;

- Systematisation and implementation of Risk, Management, Internal Control and Compliance reporting models;

- Definition, formalisation and monitoring of an anti-fraud policy;

- Creation of a database of contracts with outsourcers and suppliers.

As a result of the publication of sundry legislation during 2009, related with insurance business, emphasis is also given to the assessment of the impacts and the monitoring of its implementation, stemming from the alterations to the law governing access to and exercise of insurance business, from the new Labour Code, from the New Social Welfare Contributions Schemes – the coming into force of which has been postponed in the meantime – or from the legislation on the provision of information and customer and user support services via call centres.

Specifically with regard to Life Insurance, emphasis is given to the monitoring and implementation of measures related with legislative alterations enacted in respect of the retirement savings plans (PPRs) and to the new rules on marketing life insurance contracts associated with mortgage loans.

At regulatory level, attention is called to the measures undertaken within the scope of Market Conduct, impacting on Complaint Management, to the creation of the post of Customer Ombudsman, and to the impacts stemming from the assessment of the recommendations made in Circular 7/2009.

2.5 PROPOSAL FOR THE APPROPRIATION OF PROFITS

A net profit in the sum of €5,265,689 was returned in 2009, for which we propose the following appropriation:

a) 10% of the net profit for the year in the sum of €526,569 to Legal Reserve;
b) payment of dividends in the sum of €4,700,000;
c) the remainder to Other Reserves.

2.6 OBJECTIVES FOR 2010

2010 will be yet another year decisive to the consolidation of T-Vida as one of the axes of the overall financial offer of the Tranquilidade Insurance Group.

T-Vida has established growth goals for 2010 that are in accordance with the strategic plan to increase market share, while not neglecting profitability and taking into account the development potential of Tranquilidade's various distribution channels.

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

1. Consolidation of the Assurfinance programme, particularly as a network directed at marketing Life financial products and life insurance associated with mortgage loans. The distinctive factors of the Assurfinance network in the development of the Life business are: the company's experience acquired in this business and the close relations with the Banco Espírito Santo banking network;

2. Enlargement of the base of the traditional products (risk and mixed distributor agents. The coaching of the Agents' network to provide and strengthen skills in traditional risk products, as well as the improvement at their work stations (SIAnet) of the local, immediate issue of Life business documentation, will be levers fundamental to achieving the planned growth;

3. Strengthening its role in the Businesses Segment, in a reasoning of integrated offer of Life and Non-Life products for entrepreneurs and their employees.

4. Development of a Life Group commercial approach to the customers of the Medium and Large Companies segments. The focus on employee benefits will be continued with a view to promoting the commercial activity of the channels monitored by the commercial structures dedicated to the corporate segments (Large Customers, Brokers and Individual Customers Division and Operations Division). In this area, and in particular for multinational and national companies

having international projection, T-Vida has a service of excellence based on the activity of its international network, Insurope. This proposal will ensure cost economies and a homogeneous, high-quality service in every country in which the Company operates.

For 2010 a slow recovery of the advanced economies as a whole can be expected for 2010, as can a more visible growth of the emerging markets economies, with positive effects on international trade. Credit will continue to be selective and the upturn of the confidence of companies and households will be slight. Although the spectre of deflation has been set aside, there is still a scenario of low inflationary pressures for 2010. There will continue to be great volatility and uncertainty in the capital markets, yet another year of difficulties for the insurance industry insofar as financial activities are concerned.

For the coming years we have set up targets involving relevant growth levels with a view to increasing market share, especially in the PPR and Life Risk (Protection and Safety) segments, in respect of insurers without a banking channel.

During 2010 the Company will continue its programme of implementation of skills directed at overall risk control and mitigation, through implementation of its Business Continuity Plan and of support models for the Solvency II requirements.

With regard to risk policy, the following actives are planned:

- Definition of the Investments Risk Policy;

- Definition and identification of indicators and metrics to monitor overall risks;

- Identification and monitoring of the main compliance and operational risks;

- Participation in the quantitative impact studies (QIS 5).

2.7 CLOSING REMARKS

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

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

Lisbon, February 23, 2010

THE BOARD OF DIRECTORS

Chairman
Pedro Guilherme Beauvillain de Brito e Cunha

Director
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

ELLEN KOOI b. 1962 – Leeuwarden - Netherlands, **“Lissabon – border”** 2007. Ilfo Archive, Plexiglass, Reynobond 90 x 181 cm. Edition: 3/10
Courtesy the Artist and Câmara Oscura Galeria de Arte

03 FINANCIAL STATEMENTS

VIDA

BALANCE SHEET (ASSETS) AS AT DECEMBER 31, 2009 AND 2008

(thousand euros)

ASSETS	Notes to the Accounts	2009 Gross Value	2009 Impairment, Depreciation / Amortisation or Adjustments	2009 Net Value	2008
Cash & cash equivalents and sight deposits	8	11,511		11,511	47,783
Investments in affiliates, associates and joint ventures					
Held-for-sale financial assets	6				674
Financial assets classified in the initial recognition at fair value through profit & loss	6	312,211		312,211	338,485
Hedge derivatives	6	1,434		1,434	
Held-for-sale assets	6	295,538	-17,391	278,147	251,319
Loans & accounts receivable		**103,657**		**103,657**	**68,316**
Deposits with cedent companies					
Other deposits	6	103,620		103,620	68,279
Loans granted	6	37		37	37
Accounts receivable					
Other					
Held-to-maturity investments					
Land & buildings					
Land & buildings held for own use					
Land & buildings held for income					
Other tangible assets					
Inventories					
Goodwill					
Other tangible assets	12	50,522	-8,388	42,134	44,074
Technical provisions for reinsurance ceded		**6,430**		**6,430**	**1,556**
Provisions for unearned premiums					
Mathematical provision for life business	4	5,977		5,977	938
Provisions for claims	4	134		134	163
Provision for profit-sharing	4	319		319	455
Rate commitment provision					
Portfolio stabilisation provision					
Other technical provisions					
Assets for post-employment benefits and other long-term benefits	23	36		36	41
Other debtors for insurance operation and other operations		**2,590**	**-277**	**2,313**	**8,231**
Accounts receivable for direct insurance operations	13	1,758	-277	1,481	2,414
Accounts receivable for other reinsurance operations	13	431		431	86
Accounts receivable for other operations	13	401		401	5,731
Tax assets		**6,394**		**6,394**	**12,157**
Current tax assets	24	197		197	1,026
Deferred tax assets	24	6,197		6,197	11,131
Accruals & deferrals	13	2,021		2,021	1,104
Other assets	13	102,172		102,172	56,615
Non-current assets held for sale and discontinued operational units					
TOTAL ASSETS		**894,516**	**-26,056**	**868,460**	**830,355**

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

BALANCE SHEET (LIABILITIES) AS AT DECEMBER 31, 2009 AND 2008

(thousand euros)

LIABILITIES & EQUITY	Notes to the Accounts	2009	2008
LIABILITIES			
Technical provisions		**341,328**	**350,037**
Provisions for unearned premiums	4	999	887
Mathematical provision for life business	4	332,257	337,772
Provisions for claims			
For life insurance	4	6,159	9,589
Provision for profit-sharing	4	1,724	1,650
Rate commitment provision			
Portfolio stabilisation provision	4	189	139
Other technical provisions			
Financial liabilities of the deposit component of insurance contracts and of insurance contracts and transactions considered investment contracts for accounting purposes	5	438,999	400,597
Other financial liabilities		**158**	
Hedge derivatives			
Subordinated debt			
Deposits received from reinsurers			
Other	5	158	
Liabilities for post-employment benefits and other long-term benefits			
Other creditors for insurance operation and other operations		**3,120**	**3,669**
Accounts payable for direct insurance operations	13	1,322	1,609
Accounts payable for other reinsurance operations	13	473	541
Accounts payable for other operations	13	1,325	1,519
Tax liabilities		**253**	**362**
Current tax liabilities	24	253	362
Deferred tax liabilities			
Accruals & deferrals	13	3,511	3,352
Other provisions	13	24	
Other liabilities			
Liabilities of a group for sale classified as available-for-sale			
TOTAL LIABILITIES		**787,393**	**758,017**
EQUITY			
Equity capital	25	65,000	65,000
(Treasury shares)			
Other capital instruments	25	20,000	37,500
Revaluation reserves		**-12,975**	**-24,783**
For adjustments to the fair value of financial assets	26	-13,483	-24,783
For revaluation of premises			
For revaluation of intangible assets			
For revaluation of other tangible assets			
For adjustments to the fair value of cash-flow hedge instruments	26	508	
For adjustments to the fair value of net investment hedges in foreign currency			
For currency translation differences			
Deferred and current tax reserve	26	3,234	6,568
Other reserves	26	542	542
Retained earnings	35		716
Net profit/(loss) for the year		5,266	-13,205
TOTAL SHAREHOLDERS' EQUITY		**81,067**	**72,338**
TOTAL LIABILITIES & EQUITY		**868,460**	**830,355**

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

PROFIT & LOSS ACCOUNT FOR THE YEARS ENDED DECEMBER 31, 2009 AND 2008

(thousand euros)

PROFIT & LOSS ACCOUNT	Notes to the Accounts	2009 Technical Account - Life	2009 Non-Technical Account	2009 Total	2008
Premiums earned net of reinsurance		**32,536**		**32,536**	**36,426**
Gross premiums written	14	39,319		39,319	39,194
Reinsurance premium ceded	14	-6,621		-6,621	-2,549
Provisions for unearned premiums (change)	4 and 14	-162		-162	-219
Provisions for unearned premiums, reinsurers' part (change)					
Commissions on insurance contracts and transactions considered investment contracts or provision of services contracts for accounting purposes	15	1,335		1,335	1,151
Costs of claims, net of reinsurance	**4**	**-43,178**		**-43,178**	**-54,085**
Amounts paid		-46,579		-46,579	-53,748
Gross amounts		-47,391		-47,391	-54,111
Reinsurers' part		812		812	363
Provision for claims (change)		3,401		3,401	-337
Gross amount		3,430		3,430	-385
Reinsurers' part		-29		-29	48
Other technical provisions, net of reinsurance	4	-50		-50	
Mathematical provision for life business, net of reinsurance	**4**	**10,880**		**10,880**	**11,593**
Gross amount		5,841		5,841	10,930
Reinsurers' part		5,039		5,039	663
Share of profits/(losses), net of reinsurance	4	-1,663		-1,663	-781
Net operating costs & expenses	**21**	**-8,507**		**-8,507**	**-9,896**
Acquisition costs		-5,933		-5,933	-6,731
Deferred acquisition costs (change)	4	-37		-37	-53
Administrative costs		-3,024		-3,024	-4,017
Reinsurance commissions & profit-sharing:		487		487	905
Income	**16**	**12,412**	**80**	**12,492**	**23,413**
On interest on financial liabilities not carried at fair value through profit & loss		11,586	78	11,664	19,068
On interest on financial liabilities not carried at fair value through profit & loss					
Other		826	2	828	4,345
Financial Costs	**16**	**-424**	**-1**	**-425**	**-710**
On interest on financial assets not carried at fair value through profit & loss					
On interest on financial liabilities not carried at fair value through profit & loss					
Other		-424	-1	-425	-710
Net gains on financial assets & liabilities not carried at fair value through profit & loss		**3,965**	**-79**	**3,886**	**-4,981**
On held-for-sale assets	17 and 18	5,270	-79	5,191	-3,827
On loans & accounts receivable					
On held-to-maturity investments					
On financial liabilities carried at amortised cost	5	-1,305		-1,305	-1,154
Other					
Net gains on financial assets & liabilities carried at fair value through profit & loss		**-801**	**172**	**-629**	**384**
Net gains on financial assets & liabilities held for trading	17 and 18	-285		-285	
Net gains on financial assets & liabilities classified in the initial recognition at fair value through profit & loss	5, 17 and 18	-516	172	-344	384
Currency translation differences	19	-222		-222	154
Net gains on the sale of non-financial assets not classified as available-for-sale non-current assets and discontinued operating units					
Impairment losses (net of reversal)	**6**	**346**	**327**	**673**	**-20,809**
On held-for-sale assets		346		346	-20,907
On loans and accounts receivable carried at amortised cost					
On held-to-maturity investments					
Other			327	327	98
Other technical income/costs, net of reinsurance	20	-414		-414	-17
Other provisions (change)					
Other income/expenses	20		191	191	399
Negative goodwill recognised immediately in profit & loss					
Gains & losses on associates and joint ventures carried using the equity method					
Gains & losses on non-current assets (or groups for sale) classified as available-for-sale					
NET PROFIT/(LOSS) BEFORE TAX		**6,215**	**690**	**6,905**	**-17,759**
Income tax for the year - Current tax	24		108	108	-13
Income tax for the year - Deferred tax	24		-1,747	-1,747	4,567
NET PROFIT FOR THE PERIOD		**6,215**	**-949**	**5,266**	**-13,205**

THE CHARTERED ACCOUNTANT
Jorge Manuel Tavares Rosa

THE FINANCIAL AND ADMINISTRATIVE MANAGER
Luis Miguel Matos de Amaral Maria Ribeiro

THE GENERAL MANAGER
Elisa Maria Silva Gaião Mendes Piteira

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LUCIA KOCH b. 1966 Brasil, **“Otomano”**, 2009 Photography - inkjet print on paper cotton 52 x 61,5 cm. Edition: 1AP (10 + 1AP) © Lucia Koch

04 COMPREHENSIVE INCOME STATEMENT

VIDA

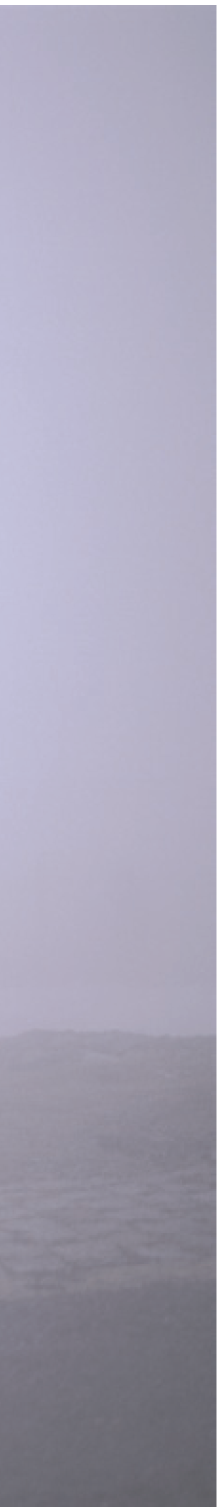
04 COMPREHENSIVE INCOME STATEMENT

COMPREHENSIVE INCOME STATEMENT FOR THE YEARS ENDED DECEMBER 31, 2009 AND 2008

(thousand euros)

	2009	2008
Net profit/(loss) for the year	5,266	-13,205
Variation of the fair value of financial assets and hedging instruments on cash-flow hedging	11,808	-11,773
Variation of current and deferred taxes	-3,334	3,120
Total comprehensive income	**13,740**	**-21,858**

JOSÉ PEDRO CORTES b. 1976 Portugal, **"S/t (Fog)", 2008 from the series "Like an empty yard"**. Inkjet print on Epson Premium photo paper mounted on PVC 25mm. 100 x 125 cm. Edition 2/5
Courtesy Módulo – Centro Difusor de Arte



05 STATEMENT OF CHANGES IN EQUITY

VIDA

05 STATEMENT OF CHANGES IN EQUITY

STATEMENT OF CHANGES IN EQUITY FOR THE YEARS ENDED DECEMBER 31, 2009 AND 2008

(thousand euros)

		Other Capital Instruments	Revaluation Reserves			Other Reserves			
	Equity Capital	Supplementary Capital Contributions	For Adjustments to the Fair Value of Available-For-Sale Financial Assets	For Hedges in Cash-Flow Hedging	Deferred and Current Tax Reserve	Legal Reserve	Retained Earnings	Net Profit/ (Loss) for the Year	TOTAL
Balance as at January 1, 2008	**20,000**	**57,500**	**-13,010**	**-**	**3,448**	**103**	**-1,278**	**4,183**	**70,946**
Increases/reductions of equity capital	25,000								25,000
Conversion of supplementary capital contributions into equity capital	20,000	-20,000							-
Net gains for adjustment to the fair value of available-for sale financial assets			-11,773						-11,773
Adjustments for recognition of deferred and current taxes					3,120				3,120
Increases of reserves for appropriation of profits						439	-439		-
Appropriation of profits/losses							-1,750		-1,750
Transfers between shareholders' equity headings not included in other lines							4,183	-4,183	-
Total changes in equity	**45,000**	**-20,000**	**-11,773**	**-**	**3,120**	**439**	**1,994**	**-4,183**	**14,597**
Net profit for the period								-13,205	-13,205
Balance as at December 31, 2008	**65,000**	**37,500**	**-24,783**	**-**	**6,568**	**542**	**716**	**-13,205**	**72,338**
Increases/reductions of equity capital	12,489								12,489
Reimbursement of supplementary capital contributions		-17,500							-17,500
Net gains for adjustment to the fair value of available-for sale financial assets			11,300						11,300
Net gains for adjustment of hedges in cash-flow hedging				508					508
Adjustments for recognition of deferred and current taxes					-3,334				-3,334
Incorporate of retained earnings into equity capital	-12,489						12,489		-
Transfers between shareholders' equity headings not included in other lines							-13,205	13,205	-
Total changes in equity	**-**	**-17,500**	**11,300**	**508**	**-3,334**	**-**	**-716**	**13,205**	**3,463**
Net profit for the period								5,266	5,266
Balance at at December 31, 2009	**65,000**	**20,000**	**-13,483**	**508**	**3,234**	**542**	**-**	**5,266**	**81,067**

CRUZ-FILIPE b. 1934, Lisboa, Portugal, **“Loxodonta Africana, Elefante Africano”**, Janeiro 2005. Epson Micro Piezo TFP with UltraChrome K3 inks on paper Sienna Luster 250g
75,6 x 113 cm Unique. Courtesy the Artist

06 CASH-FLOW STATEMENT

VIDA

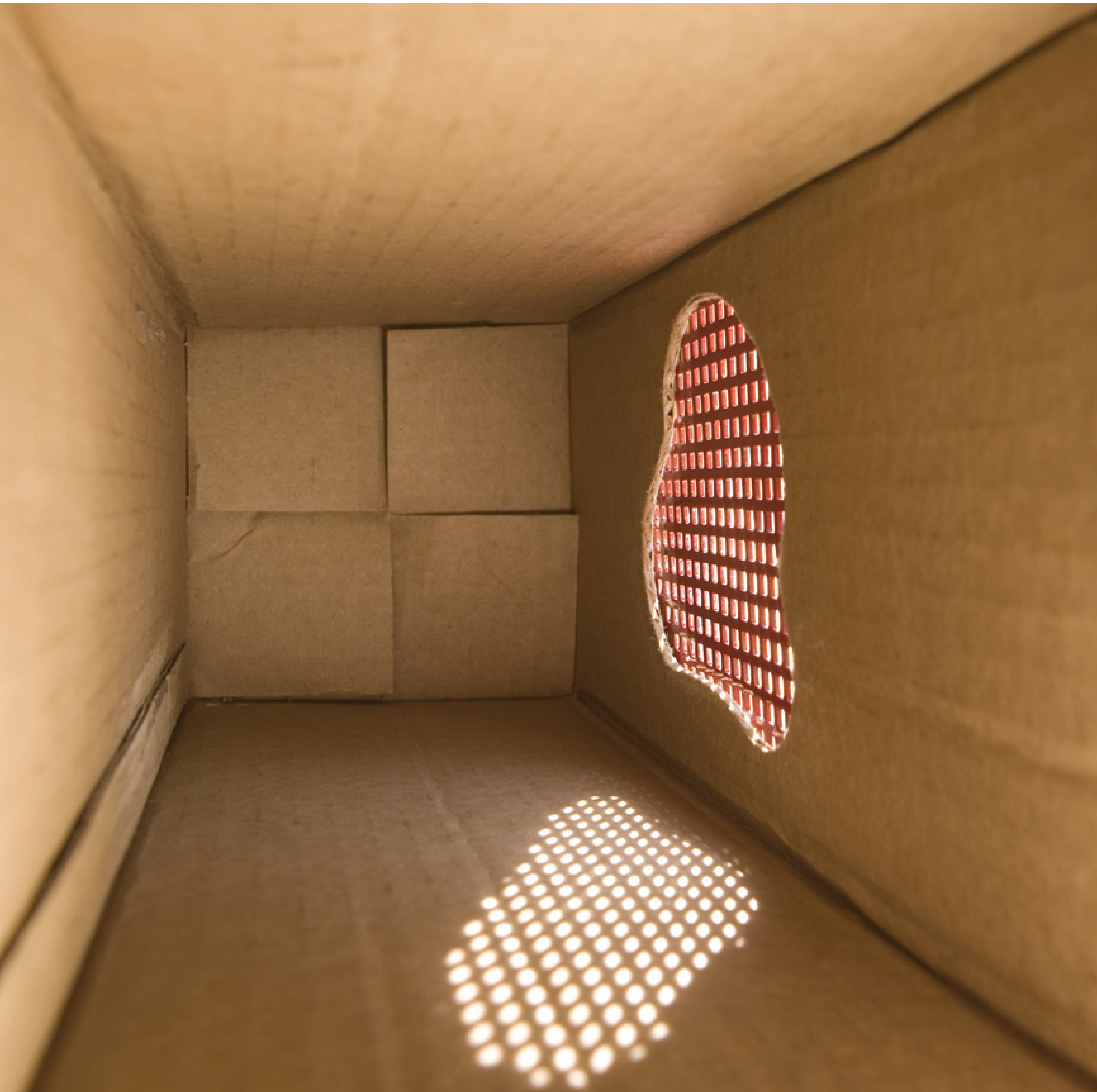
06 CASH-FLOW STATEMENT

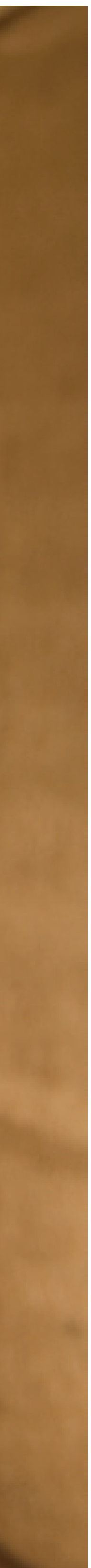
CASH-FLOW STATEMENT FOR THE YEARS ENDED DECEMBER 31, 2009 AND 2008

(thousand euros)

	2009	2008
Cash flow from operating activities	**-32,580**	**-91,004**
Net profit/(loss) for the year	5,266	-13,205
Depreciation and amortisation charges for the year	2,368	2,321
Variation of technical provisions for direct insurance	-8,709	-11,025
Variation of technical provisions for reinsurance ceded	-4,874	-888
Variation of other provisions	24	-
Variations of debtors for direct insurance, reinsurance and other operations	5,919	-4,291
Variation of other assets and liabilities for taxes	5,654	-9,513
Variation of other assets and liabilities	-37,677	-56,649
Variation of creditors for direct insurance, reinsurance and other operations	-551	2,246
Cash flow from investing activities	**1,319**	**22,809**
Variation of investments	1,747	22,810
Acquisitions of tangible and intangible assets	-428	-1
Cash flow from financing activities	**-5,011**	**43,250**
Dividend distribution	-	-1,750
Subscription of capital/Ancillary capital contributions	-5,011	45,000
Net variation of cash & cash equivalents	**-36,272**	**-24,945**
Cash & cash equivalents at the start of the period	47,783	72,728
Cash & cash equivalents at the end of the period	11,511	47,783

LUCIA KOCH b. 1966 Brasil, **“Arquitetura de autor (SESC – Pompéia)”**, 2009 Photography - inkjet print on paper cotton 35 x 65 cm. Edition: 1AP (10 + 1AP) © Lucia Koch





07 NOTES TO THE FINANCIAL STATEMENTS

VIDA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2009 AND 2008

NOTE 1 - GENERAL INFORMATION

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

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

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

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

NOTE 2 - INFORMATION BY SEGMENTS

T-Vida carries on its business in the life insurance line, for which it is authorised by the ISP and, though it has a varied range of products, its strategy is essentially based on the offer of Protection and Retirement Solutions for the Individuals and Companies segments-
Its subscription policy and rules are intended to obtain the maximum benefit from segmentation of the pricing of the various products and to make use of every available source of information in assessing the quality of the physical, financial and moral risks.

The business segment that constitutes the object of the report is the overall business line in which the products and solutions of greater relevance that the Company offers its customers is life risk products and retirement savings plans which, in 2009, returned growths of 1.3% and 30.6% respectively.

The breakdown of the main headings of the financial statements as at December 31, 2009 & 2008, is as follows:

(thousand euros)

2009	Total Life	Traditional	Capitalisation with Profit-Sharing	Capitalisation without Profit-Sharing
Profit and loss headings				
Gross premiums written	39,319	19,224	20,095	-
Commissions on investment contracts	1,335	-	-	1,335
Gross premiums earned	39,157	19,062	20,095	-
Investment results	15,276	5,041	9,845	390
Gross cost of claims	43,961	14,174	29,787	-
Variation of the mathematical provision	5,841	3,629	2,212	-
Profit-sharing	-1,663	-1,425	-238	-
Gross operating costs	8,994	4,111	2,847	2,036
Balance of reinsurance	-312	-312	-	-
Technical result	6,215	7,246	-720	-311
Balance sheet headings				
Assets allocated to representation of technical provisions and financial liabilities on investment contracts	793,048	104,031	248,959	440,058
Technical provisions	341,328	95,214	246,114	-
Financial liabilities on investment contracts	438,999	-	-	438,999

(thousand euros)

2008	Total Life	Traditional	Capitalisation with Profit-Sharing	Capitalisation without Profit-Sharing
Profit and loss headings				
Gross premiums written	39,194	19,518	19,676	-
Commissions on investment contracts	1,151	-	-	1,151
Gross premiums earned	38,975	19,299	19,676	-
Investment results	-3,175	-4,219	2,420	-1,376
Gross cost of claims	54,496	18,468	36,028	-
Variation of the mathematical provision	10,930	2,924	8,006	-
Profit-sharing	-781	-781	-	-
Gross operating costs	10,801	5,718	4,196	887
Balance of reinsurance	-570	-569	-1	-
Technical result	-18,784	-7,549	-10,123	-1,112
Balance sheet headings				
Assets allocated to representation of technical provisions and financial liabilities on investment contracts	749,690	95,927	244,670	409,093
Technical provisions	350,037	100,562	249,475	-
Financial liabilities on investment contracts	400,597	-	-	400,597

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

BASES OF PRESENTATION

T-Vida's financial statements now presented refer to the year ended December 31, 2009, and have been prepared in accordance with the Insurance Companies Accounting Plan ("PCES 07") issued by the ISP and approved by Regulatory Standard 4/2007-R of April 27, as subsequently amended by Standard 20/2007-R of December 31, and also in accordance with the rules governing the accounting of the operations of insurance companies, as established by the ISP.

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

In 2009, T-Vida adopted the IFRS and the mandatory-application interpretations for years as from January 1, 2009. These standards are detailed in Note 37. In accordance with the transitory provisions of these standards and interpretations, comparative figures are presented in respect of the new disclosures required.

Additionally, as described in Note 37, T-Vida has adopted, in the preparation of its financial statements as at December 31, 2009, the accounting standards issued by the IASB and the IFRIC interpretations of mandatory application as from January 1, 2009.

The accounting policies used by T-Vida in the preparation of the financial statements, described in this note, have been adapted accordingly. The new standards and interpretations adopted in 2009 impacted mainly on the presentation of the financial statements and on the disclosures, and comparative figures are presented in respect of the new disclosures required.

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

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

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

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

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

These financial statements were approved at a meeting of the Board of Directors held on February 23, 2010.

PRINCIPAL ACCOUNTING PRINCIPLES AND VALUATION CRITERIA ADOPTED

Financial assets

Classification

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

- Financial assets at fair value through profit & loss, which includes:
  - Held-for-trading financial assets, which are those acquired with the main objective of being traded in the short term;
  - Financial assets designated at the time of their initial recognition at fair value, with variations recognised in profit & loss, particularly where:

  - Such financial assets are managed, valued and analysed in-house on the basis of their fair value;
  - Such designation eliminates any inconsistency of recognition and measurement (accounting mismatch);
  - Such financial assets contain embedded derivatives.

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

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

Recognition, initial measurement and derecognition

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

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

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

Subsequent measurement

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

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

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

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

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

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

Transfers between categories

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

This alteration came to allow an enterprise to transfer financial assets at fair value through profit & loss to the available-for-sale financial assets portfolio, to Loans and receivables or to financial assets held to maturity, provided such financial assets meet the characteristics of each category. The Company has not adopted this possibility.

Impairment

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

A financial asset, or group of financial assets, is impaired where there is objective evidence that one or more events occurred after their initial recognition, such as (i) for securities representing capital, a continuous devaluation or one of significant value of its quotation, and (ii) for debt securities, where this event (or events) has an impact on the estimated value of the future cash flows of the financial asset, or group of financial assets, that can be reasonably estimated.

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

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

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

Derivate financial instruments

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

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

Embedded derivatives

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

Hedge accounting

Classification criteria

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

- On the start date of the transaction the hedge relationship is identified and formally documented, including identification of the hedged item and of the hedge instrument, and assessment of the effectiveness of the hedge;
- There are expectations that the hedge relationship will be highly effective as of the transaction start-date and over the life of the operation;
- The effectiveness of the hedge can be reliably measured as of the transaction start-date and over the life of the operation;
- For hedging of cash flows it must be highly probable that they will occur.

Fair-value hedge

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

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

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

Cash-flow hedge

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

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

Financial liabilities

An instrument is classified as a financial liability where there is a contractual obligation for it to be settled in cash or another financial asset irrespective of its legal form. Non-derivative financial liabilities include borrowings, creditors for direct insurance and reinsurance operations and other liabilities. These financial liabilities are recorded (i) initially at their fair value less transaction costs incurred and (ii) subsequently at amortised cost, on the basis of the effective-rate method, with the exception of investment contract liabilities in which the investment risk is borne by the policyholder, which are carried at fair value.

Transactions in foreign currency

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

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

Intangible assets

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

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

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

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

Leasing

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

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

Cash & cash equivalents

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

Reinsurance

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

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

Employee benefits

Pensions - Defined-benefit plan

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

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

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

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

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

In keeping with the corridor method the deferred actuarial gains and losses accumulated at the start of the year that exceed 10% of the greater of total liabilities and of the value of the fund, also referred to the start of the year, are imputed to profit & loss over a period that cannot exceed the average remaining life in service of the workers covered by the plan.

The costs of early-retirements, as well as the corresponding actuarial gains and losses, are recognised in profit & loss when the early retirement is approved or announced.

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

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

Bonus

Employees' variable remunerations are recorded in profit & loss for the year to which they refer.

Liability for holiday pay and holiday bonus

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

Income tax

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

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

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

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

Deferred tax liabilities are recognised for all temporary differences.

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

Provisions

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

Recognition of interest

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

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

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

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

Dividends received

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

Earnings per share

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

Offsetting financial instruments

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

Adjustments of receipts pending collection and of doubtful debt

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

Report by segments

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

A geographic segment is a set of specific assets and income located in a specific economic environment that is subject to risks and income that differ from those of other segments operating in other economic environments.

MAIN ESTIMATES AND JUDGEMENTS USED IN THE PREPARATION OF THE FINANCIAL STATEMENTS

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

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

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

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

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

Impairment of available-for-sale financial assets

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

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

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

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

Fair value of derivative financial instruments

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

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

Income tax

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

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

It is therefore possible that there will be corrections to the taxable income, mainly as a result of different interpretations of the tax law. However, the Company's Board of Directors is of the conviction that there will be no significant corrections to the income taxes recorded in the consolidated financial statements

Pensions

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

Technical provisions and liabilities relating to investment contracts

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

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

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

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

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

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

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

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

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

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

NOTE 4 - NATURE AND EXTENT OF THE HEADINGS AND OF THE RISKS RESULTING FROM INSURANCE AND INVESTMENT CONTRACTS

PROVISION OF INFORMATION ALLOWING IDENTIFICATION AND EXPLANATION OF THE AMOUNTS INDICATED IN THE FINANCIAL STATEMENTS RESULTING FROM INSURANCE AND INVESTMENT CONTRACTS

Accounting principals adopted in respect of insurance and investment contracts

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

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

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

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

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

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

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

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

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

Recognition of costs & income

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

Premiums

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

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

Provisions for unearned premiums

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

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

Acquisition costs

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

Mathematical provision

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

	Mortality Table	Technical Rate
Retirement Savings Plans and Capitalisation Products (*)		
Up to December 1997	GKM 80	4%
January 1998 to June 1999	GKM 80	3.25%
After July 1, 1999	GKM 80	3% & 2.5%
After March 2003	GKM 80	2.75%
After January 1, 2004 (**)	GKM 80	1.75% & 2%
Insurance in case of Life (*)		
Annuities – Up to June 2002	TV 73/77	4%
After July 1, 2002	TV 73/77	3%
After January 1, 2004	GKF 95	3%
After October 1 2006	GKF 95	3%
Other insurance in case of Life	TV 73/77	4%
Insurance in case of Death (*)		
Up to December 2004	GKM 80	4%
After January 1, 2005	GKM 80	4%
After January 1, 2008	GKM 80 e GKM 95	4%
Hybrid Insurance (*)		
Up September, 1998	GKM 80	4%
After 1 October, 1998	GKM 80	3.25%

(*) Technical bases of the products in accordance with the year they were marketed
(**) Rates defined annually The figures refer to the definition in respect of 2009

The mathematical provisions are Zillmerized and the respective effect is deducted from them.

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

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

Provisions for claims

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

Provision for profit-sharing attributed

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

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

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

Provisions for reinsurance ceded

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

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

Variations of direct Insurance and reinsurance Technical Provisions

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

(thousand euros)

	Balance Sheet Balance		Change of Gains & Losses	
Products	2009	2008	2009	2008
Traditional	999	887	162	219
Capitalisation with profit-sharing	-	-	-	-
Total	**999**	**887**	**162**	**219**

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

(thousand euros)

	Balance Sheet Balance		Change of Gains & Losses	
Products	2009	2008	2009	2008
Traditional	2,990	4,277	-1,287	930
Capitalisation with profit-sharing	3,169	5,312	-2,143	-545
Total	**6,159**	**9,589**	**-3,430**	**385**

The balance of the provision for claims includes an estimated provision in the sum of €21k (2008: €16k) in respect of claims prior to December 31, 2009, not yet reported (IBNR). It also includes an estimate in the sum of €16k (2008: €16k) for management charges in respect of the settlement of reported claims pending.

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

(thousand euros)

Businesses/ Groups of Businesses	Provision for Claims as at 31/12/2008 (1)	Claims* Paid in 2009 (2)	Provision for Claims as at 31/12/2009 (3)	Readjustments (3) + (2) - (1)
Life	4,528	2,313	528	-1,687

* Claims in year 2008 & earlier

The readjustments are mainly due to a process of revaluation of the provisions for claims, to ensure their adequacy taking into account the amounts paid in 2009 and the prospects for the future.

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

(thousand euros)

	Balance Sheet Balance		Change of Gains & Losses	
Products	2009	2008	2009	2008
Traditional	134	163	-29	48
Capitalisation with profit-sharing	-	-	-	-
Total	**134**	**163**	**-29**	**48**

The evolution of the provision for profit-sharing carried under liabilities was as follows in 2009 & 2008:

(thousand euros)

	2009	2008
Balance as at January 1	**1,650**	**2,881**
Variation of profit-sharing attributed	1,663	860
Payments	-1,351	-1,740
Incorporation into mathematical provision	-238	-351
Balance as at December 31	**1,724**	**1,650**

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

With regard to financial products, its value is checked in the light of the technical interest of each product. In the case of risk products, the reasonableness of the amounts is checked taking into account the amounts expected by type versus the figures calculated policy by policy.

The evolution of the provision for profit-sharing on reinsurance ceded carried under assets was as follows in 2009 & 2008:

(thousand euros)

	2009	2008
Balance as at January 1	**455**	**277**
Variation of profit-sharing attributed	436	836
Receipts	-572	-658
Balance as at December 31	**319**	**455**

The breakdown of the mathematical provision and the respective annual variation in the profit & loss account in 2009 & 2008 is as follows:

(thousand euros)

	2009	2008
Balance as at January 1	**337,772**	**348,169**
Changes for the year:	-5,841	-10,930
Incorporation of profit-sharing	238	351
Other movements	88	182
Balance as at December 31	**332,257**	**337,772**

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

(thousand euros)

Products	Balance Sheet Balance		Change of Gains & Losses	
	2009	2008	2009	2008
Traditional	394	305	89	30
Capitalisation with profit-sharing	5,583	633	4,950	633
Total	**5,977**	**938**	**5,039**	**663**

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

(thousand euros)

Products	Balance Sheet Balance		Change of Gains & Losses	
	2009	2008	2009	2008
Traditional	189	139	50	-
Capitalisation with profit-sharing	-	-	-	-
Total	**189**	**139**	**50**	**-**

NATURE AND EXTENT OF SPECIFIC INSURANCE RISKS

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

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

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

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

Succinctly, the more relevant control mechanisms are:

- Delegation of Competences formally defined for the various processes;
- Segregation of functions between the areas that undertake risk analysis, that draw up price lists and issue technical opinions, and that issue the policies;
- Limited access to the various applications in keeping with the user's profile;
- Document scanning in the issue processes and in claims management;
- Procedures involving case-by-case checks, exceptions reports and audits;
- Recruiting and training policy suited to the responsibilities and technical complexity of the various functions.

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

The 2009 reinsurance programme comprises a Quota-Share and Excess proportional treaty for protection of Mortgage Loan Life, a proportional treaty in Excess for protection of Life Group, a proportional treaty in Excess for Life Individual and a non-proportional treaty in Excess Loss for Catastrophic protection, as per the following table:

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

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

(thousand euros)

Area of Analysis	Scenarios	Impact on Pre-Tax Profit	
		2009	2008
Expenses	10% increase of operating costs, net of reinsurance	-650	-730
Mortality	10% decrease of the mortality of the insured	-4,626	-5,590

NATURE AND EXTENT OF THE MARKET RISK, CREDIT RISK, LIQUIDITY RISK AND OPERATING RISK

Market Risk

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

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

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

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

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

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

During 2009 co-ordination between the Financial Committee responsible for the investment policy and the Overall Risk Management Committee was further enhanced.

Exchange-rate risk

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

By virtue of the foregoing, the sensitivity analysis leads to a loss that is immaterial for the Company, detailed as follows:

(thousand euros)

Area of Analysis	Scenarios	Impact on Pre-Tax Profit 2009	Impact on Pre-Tax Profit 2008
Currency	10% depreciation of the value of all foreign currencies against the euro	-41	-50

Equities risk

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

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

The sensitivity analysis is as follows:

(thousand euros)

Area of Analysis	Scenarios	Impact on Reserves at Fair Value Before Tax 2009	Impact on Reserves at Fair Value Before Tax 2008
Equities	10% decrease of stock-market values	-1,053	-600

Real-estate risk

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

The sensitivity analysis is as follows:

(thousand euros)

Area of Analysis	Scenarios	Impact on Reserves at Fair Value Before Tax 2009	Impact on Reserves at Fair Value Before Tax 2008
Real Estate (FII)	10% decrease of the values of real estate and investment funds	-300	-300

Interest-rate risk

Interest-rate risk is inherent in all assets and liabilities whose value is sensitive to alterations of the time frame or to interest-rate volatility. In risk-exposure terms, as far as assets are concerned, this applies mainly to bonds, mostly floating-rate bonds. Liabilities are exposed in every product, which special emphasis in capitalisation products.

(thousand euros)

Area of Analysis	Scenarios	Impact on Reserves at Fair Value Before Tax 2009	Impact on Reserves at Fair Value Before Tax 2008
Interest rate	100 b.p.decrease of the interest-rate curve		
	- Effect on assets	5,436	1,700
	100 b.p.increase of the interest-rate curve		
	- Effect on assets	-5,185	-1,650

(thousand euros)

Area of Analysis	Scenarios	Impact on Pre-Tax Profit 2009	Impact on Pre-Tax Profit 2008
Interest rate	100 b.p.decrease of the interest-rate curve		
	- Effect on liabilities	-4,590	-5,800
	100 b.p. increase of the interest-rate curve		
	- Effect on liabilities	756	3,600

The scenario having a negative impact on the Company came to be one of rising interest rates, contrary to the 2008 scenario (decline). This was mainly due to two factors:

- On the assets side there is greater exposure to fixed-rate bonds with maturities longer than those in 2008, increasing the exposure of the assets to interest-rate increases;
- On the liabilities side the provision for liabilities adequacy is smaller than last year, and therefore the gain obtained in a scenario of rising interest rates (through the reduction/ cancellation of this provision) is limited and does not mitigate the loss under assets as was the case in 3008.

Spread risk

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

Analysing the distribution of bonds of this type by rating, about 75% of the portfolio exposed to this risk comprise securities by issuers having a rating equal to or better that “A”. This mix has no tendency to worsen, as a result of the investment policy instituted at T-Vida.

(thousand euros)

	2009		2008	
Rating	%	Value	%	Value
AAA	3%	8,870	10%	27,283
AA	16%	42,052	7%	17,536
A	56%	151,821	53%	139,711
BBB	18%	49,856	22%	58,805
BB	4%	11,442	7%	18,958
B	3%	8,678	-	-
CCC	-	-	-	-
Unrated	-	-	-	-
Total	**100%**	**272,719**	**100%**	**262,293**

Concentration risk

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

(thousand euros)

	2009			2008		
Sector of Activity	%	Gross Value	Impairment	%	Gross Value	Impairment
Basic resources	0.7%	4,446	-	-	-	-
Communications	4.6%	27,735	-	6.1%	37,317	-
Consumables (cyclic)	0.9%	5,354	-	1.3%	7,979	-
Consumables (non-cyclic)	0.4%	2,669	-	2.8%	17,050	-
Energy	0.8%	5,081	-85	0.4%	2,288	-
Financial	28.2%	171,614	-17,306	36.2%	221,344	-20,907
Funds	51.2%	312,157	-	50.0%	305,622	-
Public debt	1.8%	10,756	-	-	-	-
Industrial	5.9%	35,700	-	0.6%	3,869	-
Medicine	-	-	-	-	-	-
Technology	0.8%	4,787	-	0.6%	3,752	-
Public / collective services	4.0%	24,364	-	0.6%	3,974	-
Other	0.7%	4,520	-	1.3%	8,190	-
	100%	**609,183**	**-17,391**	**100%**	**611,385**	**-20,907**

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

Liquidity risk

This is the risk that the insurance company will not hold assets of sufficient liquidity to meet cash-flow requirements to fulfil its obligations to policyholders and other creditors as they fall due.

For the purpose the Company prepares a cash-flow plan on a monthly basis, adjusted weekly to its cash requirements/surpluses.

The breakdown of the maturities of financial and non-financial assets as at December 31, 2009 and 2008, is as follows:

(thousand euros)

2009	< 1 Month	1-3 Months	3-12 Months	1-5 Years	> 5 Years	Without Maturity	Total
Financial assets	8	117,472	6,281	155,267	103,812	326,433	709,273
Financial liabilities						442,277	442,277
Net	**8**	**117,472**	**6,281**	**155,267**	**103,812**	**-115,844**	**266,996**

(thousand euros)

2008	< 1 Month	1-3 Months	3-12 Months	1-5 Years	> 5 Years	Without Maturity	Total
Financial assets	8	146,620	7,838	100,426	126,455	333,468	714,808
Financial liabilities						402,266	404,266
Net	**8**	**146,620**	**7,838**	**100,426**	**126,455**	**-70,798**	**310,542**

Credit risk

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

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

In selecting reinsurers and issuers of securities, the minimum rating levels are defined and the evolution of the ratings of the portfolio entities is monitored regularly.

Operating risk

This is the risk of relevant losses stemming from inadequacy or failures in processes, people or systems, or external events, within the scope of the Company's day-to-day business. The legal risk is also considered an operational risk.

• Internal Control System

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

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

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

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

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

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

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

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

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

During 2009, to mitigate this risk, the Company, in reinforcing the procedures previously defines in the matter of Prevention of Money laundering and Terrorism Financing, also formalised and implemented an Anti-Fraud Policy through which the main principles and criteria were defined governing the fraudulent-situations or criminal-activities prevention and detection procedures, as were the mechanisms involving records and co-operation with police, judicial and other public authorities having responsibilities in this area.

In this connection, a start was also made to the creation of a database of losses in which all events capable of causing a loss for the Company are recorded. The aim is to monitor the risk and to allow corrective measure to be taken or new controls designed to avoid or reduce the probability of occurrence of similar events in the future.

SOLVENCY

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

(thousand euros)

	2009	2008
Elements constituting the guarantee fund	**34,221**	**28,233**
Solvency margin to be set aside	**17,728**	**18,049**
Insurance not linked to investment funds (excluding complementary insurance)	16,798	17,194
Insurance & operations linked to investment funds	664	567
Complementary insurance (including complementary insurance of insurance linked to investment funds)	266	288
Legal minimum Guarantee Funds	3,500	3,200
Excess/insufficiency of the solvency margin	**16,493**	**10,185**
Solvency margin cover rate	**193.03%**	**156.43%**

BUSINESS RATIOS

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

(%)

	2009	2008
Claims / Premiums (IFRS 4)	111.8%	141.4%
Benefits Paid / Deposits Received (IAS 39) [a)]	43.0%	38.1%
Acquisition Costs / (Premiums + Deposits Received)	5.8%	8.0%
Administrative Costs / (Premiums + Deposits Received)	2.9%	4.8%

a) In 2008, excluding €310,000,000 of deposits related with the Financial Capitalisation Operation

ADEQUACY OF PREMIUMS AND PROVISIONS

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

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

NOTE 5 - LIABILITIES FOR INVESTMENT CONTRACTS

Movements under liabilities for investment contracts are as follows:

(thousand euros)

	Financial Without Profit-Sharing	Unit Links	PPR Unit Links	OCA's Unit Link	Total
Balances as at January 1, 2008	**31,032**	**6,520**	**26,521**	**-**	**64,073**
Additional liabilities of the period, net of commissions	-	10,807	33,622	310,000	354,429
Amounts paid	-8,810	-1,366	-7,857	-	-18,033
Technical interest	1,154	-1,296	191	79	128
Balances as at December 31, 2008	**23,376**	**14,665**	**52,477**	**310,079**	**400,597**
Additional liabilities of the period, net of commissions	41,178	3,377	18,200	-	62,755
Amounts paid	-10,590	-5,875	-11,074	-	-27,539
Technical interest	1,189	1,123	3,424	-2,550	3,186
Balances as at December 31, 2009	**55,153**	**13,290**	**63,027**	**307,529**	**438,999**

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

(thousand euros)

	2009			2008		
	Gain	Loss	Balance	Gain	Loss	Balance
Carried at fair value through profit & loss	**11,423**	**-9,242**	**2,181**	**3,320**	**-1,918**	**1,402**
Capitalisation	10,988	-7,528	3,460	2,067	-577	1,490
PPR	435	-1,714	-1,279	1,253	-1,341	-88
Carried at amortised cost	**-**	**-1,305**	**-1,305**	**-**	**-1,154**	**-1,154**
Capitalisation	-	-837	-837	-	-1,153	-1,153
PPR	-	-468	-468	-	-1	-1
Total	**11,423**	**-10,547**	**876**	**3,320**	**-3,072**	**248**

The €158k recorded in 2009 under Other financial liabilities – Other, have to do with negative figures for derivative financial instruments, the breakdown of which is provided in Note 6.

NOTE 6 - FINANCIAL INSTRUMENTS

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

(thousand euros)

	2009	2008
Available-for-sale financial assets	278,147	251,319
Term deposits	103,620	68,279
Financial assets classified in the initial recognition at fair value through profit & loss	312,211	338,485
Held-for-sale financial assets	-	674
Hedge derivatives	1,434	-
Holdings and financial instruments	**695,412**	**658,757**

Appendix 1 takes into consideration €158k in respect of derivative financial instruments having a negative value that, for balance-sheet purposes, are carried under liabilities.

FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT & LOSS

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

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

(thousand euros)

	2009	2008
Bonds & other fixed-income securities		
Public issuers'	-	-
Other issuers'	10,688	35,863
Equities	-	-
Other floating-rate securities	301,523	302,622
Book value	**312,211**	**338,485**
Acquisition value	315,269	339,454

As at December 31, 2009 and 2008, the Company held, of this type, compound financial instruments with embedded derivatives, in fixed-income securities, as follows:

(thousand euros)

	Book Value	
Type of Risk	2009	2008
Structured credit	4,576	30,311
Credit derivative	3,529	3,592
Other	2,583	-
	10,688	**33,903**

AVAILABLE-FOR-SALE FINANCIAL ASSETS

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

(thousand euros)

	2009	2008
Bonds & other fixed-income securities		
Public issuers'	9,256	-
Other issuers'	255,358	242,599
Equities	2,899	2,233
Other floating-rate securities	10,634	6,487
Book value	**278,147**	**251,319**

The breakdown of the final balance sheet figures as at December 31, 2009 & 2008, is as follows:

(thousand euros)

	Amortised or Acquisition Cost	Fair-Value Reserve	Impairment	Book Value
Bonds & other fixed-income securities				
Public issuers'	-	-	-	-
Other issuers'	283,157	-24,597	-15,960	242,599
Equities	7,365	-186	-4,947	2,233
Other floating-rate securities	6,487	-	-	6,487
Balance as at December 31, 2008	**297,009**	**-24,783**	**-20,907**	**251,319**
Bonds & other fixed-income securities				
Public issuers'	9,449	-193	-	9,256
Other issuers'	283,528	-13,410	-14,760	255,358
Equities	5,518	12	-2,631	2,899
Other floating-rate securities	10,526	108	-	10,634
Balance as at December 31, 2009	**309,021**	**-13,483**	**-17,391**	**278,147**

Movements under impairment losses are as follows:

(thousand euros)

	2009	2008
Balance as at January 1	**20,907**	**-**
Allocations for the year	854	20,907
Cancellations for the year for sale of assets	-3,170	-
Written back during the year	-1,200	-
Balance as at December 31	**17,391**	**20,907**

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

(thousand euros)

	2009	2008
Bonds & other fixed-income securities	1,200	-15,960
Equities & other floating-rate securities	-854	-4,947
	346	**-20,907**

HELD-FOR-TRADING FINANCIAL ASSETS

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

(thousand euros)

	2009		2008	
	Fair Value	Notional Value	Fair Value	Notional Value
Derivatives - Currency forward	-158	10,140	674	9,640

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

In this way, though always with the authorisation of its Financial Committee, the Company entered into some exchange-rate hedge contracts for its investments in foreign currency.

Though they do not provide perfect cover, these exchange-rate hedges endeavour to cover the exchange-rate risk on capital and interest through successive renovation throughout the year, using swap and forward mechanisms for the purpose.

Since, in 2009, these contracts show a negative fair value, it is presented under Liabilities, under Other financial liabilities – Other

HEDGE DERIVATIVES

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

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

The hedges have a notional value of € 61,500k and a fair value of €1,434k. The maturity of these instruments is 1 to 5 years.

The cash flows occurred on a quarterly or half-yearly base, in the floating-rate component, and on an annual base in the fixed-rate component. They will affect the Company's results on a monthly accrual basis.

Amounts recognised during the period under Equity originated by the hedge were as follows:

(thousand euros)

Notional Value	Profit & Loss	Revaluation Reserve	Overall Effect
61,500	710	508	1,218

The amounts recorded in Gains and Losses were entered under Returns on Investments.

The amounts carried in the Revaluation Reserve were entered in the sub-account - For adjustments to the fair value of cash-flow hedges.

During 2009 no amount originated in equity was booked in profit & loss for the period.

IAS 39 requires that the effectiveness of the hedge be assessed both prospectively and retrospectively. The company performed these tests with a view to quantifying the degree of cover. It reached the conclusion that the compensation of the alterations of the fair value or cash flows of the hedges, in the light of the hedged assets, were effective both prospectively and retrospectively

In this connection, there was no call for recognition of any amount under gains & losses attributable to the inefficacy of the cash-flow hedges in respect of the hedge versus the item hedged.

OTHER FINANCIAL ASSETS

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

(thousand euros)

	2009	2008
Loans granted	37	37
Deposits with cedent companies	-	-
Other	-	-
Total of other financial assets	**37**	**37**

The amounts of loans granted refers to loans against policies.

FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES CARRIED AT AMORTISED COST

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

(thousand euros)

	2009		2008	
	Fair Value	Book Value	Fair Value	Book Value
Cash & cash equivalents and sight deposits	11,511	11,511	47,783	47,783
Loans & accounts receivable	103,657	103,657	68,316	68,316
Other debtors for insurance operation and other operations	2,313	2,313	8,231	8,231
FINANCIAL ASSETS AT AMORTISED COST	**117,481**	**117,481**	**124,330**	**124,330**
Financial liabilities on investment contracts	425,092	438,999	400,453	400,597
Other creditors for insurance operation and other operations	3,120	3,120	3,669	3,669
FINANCIAL LIABILITIES AT AMORTISED COST	**428,212**	**442,119**	**404,122**	**404,266**

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

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

VALUATION METHODS

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

(thousand euros)

	2009				
	Level 1	Level 2	Level 3	Level 4	Total
Securities & equity paper	309,157	-	-	3,000	312,157
Equities & other floating-rate securities	2,899	-	-	-	2,899
Bonds & other fixed-income securities	204,465	70,837	-	-	275,302
Derivatives	-	1,434	-	-	1,434
Total	**516,521**	**72,271**	**-**	**3,000**	**591,792**

(thousand euros)

	2008				
	Level 1	Level 2	Level 3	Level 4	Total
Securities & equity paper	302,622	-	-	3,000	305,622
Equities & other floating-rate securities	5,720	-	-	-	5,720
Bonds & other fixed-income securities	162,298	99,996	-	16,168	278,462
Derivatives	-	674	-	-	674
Total	**470,640**	**100,670**	**-**	**19,168**	**590,478**

The description of the levels is as follows:

Level 1:
Financial instruments measured using market or providers' prices;
Level 2:
Financial instruments measured using valuation techniques that mainly consider observable market data;
Level 3:
Financial instruments measured using valuation techniques essentially considering unobservable market data having a significant impact on the measurement of the instrument;
Level 4:
Financial instruments measured at acquisition cost.

NOTE 8 - CASH, CASH EQUIVALENTS & SIGHT DEPOSITS

The balance of this heading is as follows:

(thousand euros)

	2009	2008
Cash	8	1
Deposits at credit institutions	11,503	47,782
	11,511	**47,783**

NOTE 11 - ALLOCATION OF INVESTMENTS AND OTHER ASSETS

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

The indication of which assets are and are not allocated to the insurance portfolios managed by the Company as at December 31, 2009 and 2008, is as follows:

(thousand euros)

2009	Life Insurance With Profit-Sharing	Life Insurance Without Profit-Sharing	Life Insurance and Transactions Classified as Investment Contracts	Not Allocated	Total
Cash & cash equivalents	951	548	121	9,891	11,511
Land & buildings	-	-	-	-	-
Investments in affiliates, associates and joint ventures	-	-	-	-	-
Held-for-sale financial assets	-	-	-	-	-
Financial assets classified in the initial recognition at					
fair value through profit & loss	4,160	3,945	304,106	-	312,211
Hedge derivatives	1,434	-	-		1,434
Available-for-sale financial assets	267,190	10,434	-	523	278,147
Loans and receivables	79,236	1,766	10,653	12,002	103,657
Held-to-maturity investments	-	-	-	-	-
Other tangible assets	-	-	-	-	-
Other assets	-	-	102,172	59,328	161,500
	352,971	**16,693**	**417,052**	**81,744**	**868,460**

(thousand euros)

2008	Life Insurance With Profit-Sharing	Life Insurance Without Profit-Sharing	Life Insurance and Transactions Classified as Investment Contracts	Not Allocated	Total
Cash & cash equivalents	31,198	1,651	10,142	4,792	47,783
Land & buildings	-	-	-	-	-
Investments in affiliates, associates and joint ventures	-	-	-	-	-
Held-for-sale financial assets	674	-	-	-	674
Financial assets classified in the initial recognition at	-	-	-	-	
fair value through profit & loss	24,133	9,770	304,582	-	338,485
Hedge derivatives	-	-	-	-	-
Available-for-sale financial assets	233,948	11,538	-	5,833	251,319
Loans and receivables	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**

NOTE 12 - INTANGIBLE ASSETS

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

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

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

(thousand euros)

	2009	2008
Other intangible assets	**50,522**	**50,094**
Value in force	50,000	50,000
Software	434	13
Other	88	81
Accumulated depreciation	**-8,388**	**-6,020**
Impairments	**-**	**-**
Net Assets	**42,134**	**44,074**

Movements under in both years is as follows:

(thousand euros)

	Value in Force	Software	Other	Total
Balance as at January 1, 2008	**46,363**	**4**	**27**	**46,394**
Additions	1			1
Depreciation for the year	-2,290	-4	-27	-2,321
Impairments				
Transfers				
Balance as at December 31, 2008	**44,073**	**1**	**-**	**44,074**
Additions		421	7	428
Depreciation for the year	-2,223	-145		-2,368
Impairments				
Transfers				
Balance as at December 31, 2009	**41,850**	**277**	**7**	**42,134**

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

(thousand euros)

	2009	2008
Total amortisation for the year	**2,368**	**2,321**
Costs of claims, net of reinsurance		
Amounts paid - Gross amounts	118	116
Net operating costs & expenses		
Acquisition costs	355	348
Administrative costs	1,895	1,857
Financial costs		
Other	-	-

NOTE 13 - OTHER ASSETS, LIABILITIES, ADJUSTMENTS AND PROVISIONS

Assets and adjustments

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

(thousand euros)

	2009	2008
Gross assets	**1,758**	**3,018**
Policyholders (receipts pending collection)	1,110	2,380
Insurance brokers	470	212
Co-insurers	178	426
Adjustments	**-277**	**-604**
Receipts pending collection	-277	-604
Doubtful debt	-	-
Net Assets	**1,481**	**2,414**

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

(thousand euros)

	2009	2008
Gross assets	**431**	**86**
Reinsurers	431	86
Reinsured	-	-
Adjustments	**-**	**-**
Doubtful debt	-	-
Net Assets	**431**	**86**

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

(thousand euros)

	2009	2008
Gross assets	**401**	**5,731**
Related entities	195	3,683
Staff	0	241
Other amounts pending collection	206	1,807
Adjustments	**-**	**-**
Doubtful debt	-	-
Net Assets	**401**	**5,731**

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

(thousand euros)

Adjustment of Receipts Pending Collection	2009	2008
Balance as at January 1	**604**	**702**
Allocations for the year	-	-
Use for the year	-327	-98
Balance as at December 31	**277**	**604**

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

(thousand euros)

	2009	2008
Accrued income	1,592	648
Financial Income on reinsurance ceded	**1,592**	**648**
Deferred costs	**429**	**456**
Acquisition costs	429	456
Total	**2,021**	**1,104**

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

(thousand euros)

	2009	2008
Balance as at January 1	**56,615**	**27,905**
Deposits received	58,101	37,275
Benefits paid	-16,659	-8,841
Technical interest for the year	4,115	276
Balance as at December 31	**102,172**	**56,615**

Liabilities and provisions

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

(thousand euros)

	2009	2008
Policyholders (return premiums payable)	303	742
Insurance brokers		
- Commissions payable	4	28
- Current accounts	886	837
Co-insurers	129	2
Total	**1,322**	**1,609**

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

(thousand euros)

	2009	2008
Reinsurers	473	541
Reinsured	0	0
Total	**473**	**541**

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

(thousand euros)

	2009	2008
Management commissions	627	1,267
Related entities	1	1
Other suppliers of goods & services	8	42
Other payables	689	209
Total	**1,325**	**1,519**

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

(thousand euros)

	2009	2008
Deferred income	**-**	**-**
Accrued costs	**3,511**	**3,352**
- Staff costs (subsidies & charges)	240	119
- Acquisition costs (incentives & commissions)	1,320	504
- Third-party supplies & services	602	997
- Services Rendered Related Companies	973	1,280
- Other	376	452
Total	**3,511**	**3,352**

NOTE 14 - INSURANCE CONTRACT PREMIUMS

The breakdown of insurance contract premiums is as follows:

(thousand euros)

Businesses/ Groups of Businesses	Gross Premiums Written		PPNA Variation		Premiums Earned	
	2009	2008	2009	2008	2009	2008
Life						
Traditional	19,224	19,518	162	219	19,062	19,299
With- profits capitalisation	20,095	19,676	-	-	20,095	19,676
Total	**39,319**	**39,194**	**162**	**219**	**39,157**	**38,975**

Some amounts of the Life business line are as follows:

(thousand euros)

	2009	2008
Gross direct insurance premiums written	**39,319**	**39,194**
In respect of personal contracts	23,693	24,453
In respect of group contracts	15,626	14,741
	39,319	39,194
Periodic	23,148	23,349
Non-periodic	16,171	15,845
	39,319	39,194
On without profits contracts	6,107	6,000
On with-profits contracts	33,212	33,194
	39,319	39,194
Balance of reinsurance	**-312**	**-572**

NOTE 15 - INSURANCE CONTRACT COMMISSIONS RECEIVED

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

NOTE 16 - INVESTMENT INCOME/REVENUE AND EXPENDITURE

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

(thousand euros)

	2009	2008
Interest	**11,758**	**20,863**
Available-for-sale financial assets	8,892	14,828
Financial assets classified in the initial recognition at fair value through profit & loss	889	1,795
Deposits, loans & other assets	1,977	4,240
Dividends	**97**	**750**
Financial assets classified in the initial recognition at fair value through profit & loss	-	2
Available-for-sale financial assets	97	748
Derivatives	**637**	**1,800**
Total	**12,492**	**23,413**

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

(thousand euros)

	2009	2008
Bonds & other fixed-income securities		
Public issuers'	512	-
Other issuers'	9,269	16,623
Equities	93	638
Other floating-rate securities	4	112
Derivatives	575	1,800
Deposits	2,039	4,240
Total	**12,492**	**23,413**

The breakdown of the Financial costs heading is as follows:

(thousand euros)

	2009	2008
Costs imputed to the investments function	425	710
Total	**425**	**710**

NOTE 17 - PROFITS AND LOSSES REALISED ON INVESTMENTS

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

(thousand euros)

	2009			2008		
	Gain	Loss	Balance	Gain	Loss	Balance
Available-for-sale financial assets	7,627	-2,436	5,191	1,233	-5,060	-3,827
Financial assets classified in the initial recognition at fair value through profit & loss	267	-653	-386	40	-210	-170
Held-for-sale financial assets	-	-285	-285	-	-	-
Total	**7,894**	**-3,374**	**4,520**	**1,273**	**-5,270**	**-3,997**

NOTE 18 - PROFITS AND LOSSES STEMMING FROM ADJUSTMENTS TO THE FAIR VALUE OF INVESTMENTS

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

(thousand euros)

	2009			2008		
	Gain	Loss	Balance	Gain	Loss	Balance
Financial assets classified in the initial recognition at fair value through profit & loss	105	-2,244	-2,139	206	-1,054	-848
Held-for-sale financial assets	-	-	-	-	-	-
Total	**105**	**-2,244**	**-2,139**	**206**	**-1,054**	**-848**

NOTE 19 - PROFITS AND LOSSES ON CURRENCY TRANSLATION DIFFERENCES

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

The balance is broken down as follows:

(thousand euros)

	2009			2008		
	Gain	Loss	Balance	Gain	Loss	Balance
Available-for-sale financial assets	1,064	-1,315	-251	1,693	-1,287	406
Held-for-trading financial assets	468	-439	29	1,311	-1,563	-252
Total	**1,532**	**-1,754**	**-222**	**3,004**	**-2,850**	**154**

NOTE 20 - OTHER INCOME, EXPENSES AND VARIATION OF OTHER PROVISIONS

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

(thousand euros)

	2009	2008
Other technical income	**18**	**2**
Co-insurance management commissions	17	-
Other	1	2
Other technical expense	**432**	**19**
Co-insurance management commissions	4	-
Other	428	19
Value of gains & losses	**-414**	**-17**

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

(thousand euros)

	2009	2008
Other non-technical income	**249**	**428**
Corrections & adjustments	1	428
Other gains	248	-
Other non-technical expense	**58**	**29**
Donations	5	10
Banking services & default interest	20	17
Other expense	33	2
Value of gains & losses	**191**	**399**

NOTE 21 - SUNDRY GAINS BY FUNCTION AND NATURE

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

- Claims Function: Costs of claims – Gross amounts paid;
- Acquisition Function: Operating costs and expenses – Acquisition costs;
- Administrative Function: Operating costs and expenses –Administrative costs;
- Investments Function: Financial expenses – Other.

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

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

The breakdown of these expenses and their distribution using the classification based on their function as at December 31, 2009 & 2008, is as follow:

(thousand euros)

2009	Cost of Claims		Acquisition Costs		Administrative Costs		Cost of Investments		Total	
Staff costs	98	9%	523	48%	436	40%	33	3%	1,090	100%
Third-party supplies & services	123	5%	1,705	68%	642	26%	41	2%	2,511	100%
Taxes	-	-	31	62%	-	-	19	38%	50	100%
Depreciation	119	5%	355	15%	1,894	80%	-	-	2,368	100%
Provisions for contingencies & liabilities	-	-	-	-	-	-	-	-	-	-
Other costs	-	-	-	-	-	-	332	100%	332	100%
Total	**340**	**5%**	**2,614**	**41%**	**2,972**	**47%**	**425**	**7%**	**6,351**	**100%**

(thousand euros)

2008	Cost of Claims		Acquisition Costs		Administrative Costs		Cost of Investments		Total	
Staff costs	136	9%	726	48%	605	40%	45	3%	1,512	100%
Third-party supplies & services	318	6%	3,440	64%	1,511	28%	106	2%	5,375	100%
Taxes	-	-	113	62%	-	-	69	38%	182	100%
Depreciation	116	5%	348	15%	1,857	80%	-	-	2,321	100%
Provisions for contingencies & liabilities	-	-	-	-	-	-	-	-	-	-
Other costs	-	-	-	-	-	-	490	100%	490	100%
Total	**570**	**6%**	**4,627**	**47%**	**3,973**	**40%**	**710**	**7%**	**9,880**	**100%**

Staff costs are detailed in Note 22. The breakdown of Third-party supplies and services is as follows:

(thousand euros)

	2009	2008
Electricity & water	-	18
Fuel	24	31
Office material, stationery, etc.	3	1
Gift articles	34	34
Office equipment & furniture maintenance	1	3
Hardware maintenance	223	173
Operational rental of vehicles & other rentals	64	74
Travel & entertainment costs	22	44
Post	104	98
Insurance	9	4
Advertising & marketing	423	520
Cleaning, hygiene & comfort	-	15
Guards & security	-	3
Outsourcing, consultancy & specialised work	330	604
Software services & development	169	119
Subscriptions to APS	25	5
Premium collection	94	99
Medical examinations	71	77
Commissions	348	883
Brokers Club	177	244
Provision of operational services	288	2,282
Other sundry supplies & services	102	44
Total	**2,511**	**5,375**

The breakdown of Taxes and charges is as follows:

(thousand euros)

	2009	2008
ISP charge	50	182
Total	**50**	**182**

The breakdown of Depreciation and charges is as follows:

(thousand euros)

	2009	2008
Intangible - Value in force	2,223	2,290
Hardware & software	145	4
Other	-	27
Total	**2,368**	**2,321**

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

(thousand euros)

	2009	2008
Safekeeping commission, securities' custody & other commissions	332	490
Total	**332**	**490**

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

(thousand euros)

	2009	2008
Acquisition costs		
Brokerage remuneration	-1,128	-1,173
Costs imputed	-2,614	-4,627
Other acquisition costs	-2,191	-931
Deferred acquisition costs (change)	-37	-53
Administrative costs		
Brokerage remuneration	-52	-44
Costs imputed	-2,972	-3,973
Reinsurance commissions & profit-sharing:	487	905
Total	**-8,507**	**-9,896**

NOTE 22 - STAFF COSTS

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

	2009	2008
Management	2	-
Technical personnel	13	17
Technical-administrative personnel	1	-
Total	**16**	**17**

Staff costs are detailed as follows:

(thousand euros)

	2009	2008
Remuneration - Corporate officers	159	197
Remuneration - Personnel	725	1,051
Charges on remuneration - Corporate officers	18	16
Charges on remuneration - Personnel	146	146
Post-employment benefits - Defined-benefit pension plans	10	3
Mandatory insurance	12	12
Social welfare costs	16	29
Training	4	12
Other staff costs	-	46
Total	**1,090**	**1,512**

As at December 31, 2009 & 2008, the Company had no loans or advances extended to corporate officers.

In compliance with Act 28/2009 of June 19, the remuneration paid to each member of the corporate officers in 2009 was as follows:

(thousand euros)

	Total for the Year
Board of Directors	**158**
Pedro Guilherme Beauvillain de Brito e Cunha (chairman)	44
Augusto Tomé Pires Fernandes Pedroso	38
Miguel Maria Pitté Reis da Silveira Moreno	38
Nuno Miguel Pombeiro Gomes Diniz Clemente	38
Total	**158**

The Company's other corporate officers perform unremunerated duties. Though remunerated, the supervisory bodies received no amount in 2009.

NOTE 23 - OBLIGATIONS INVOLVING EMPLOYEE BENEFITS

Retirement pensions

As stated in Note 3, T-Vida set up defined-benefits plans for its employees and directors, covering both pre-retirement, death, old-age and disability.

An actuarial valuation of the retirement benefits and health benefits is performed annually at T-Vida, the most recent one with reference to December 31, 2009.

The main assumptions used in the actuarial studies as at December 31, 2009 & 2008 to determine the update value of the employees' pensions are as follows:

	2009	2008
Financial assumptions		
Wage growth rates	3.25% - 3.75% (*)	3.5% - 4% (*)
Pension growth rate	0.75% - 3.75% (*)	1.25% - 4% (*)
Rates of return of the fund	5.19% - 4.74% (*)	6% - 5.7% (*)
Early-retirement pension growth rate	2.25%	2.50%
Discount rate	5.50%	5.75%
Demographic growth rates and valuation methods		
Mortality Table	GKF 95	GKF 95
Disability Table	Suisse Re 2001	Suisse Re 2001
Actuarial valuation method	Project Unit Credit Method	

(*) In respect of liabilities towards directors

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

As at 31 December 2009 & 2008, the number of participants covered by the benefits plan was as follows:

	2009	2008
In service	4	4
Pensioners	-	-
	4	**4**

As at December 31, 2009 & 2008, the breakdown of amounts recognised in the balance sheet is as follows:

(thousand euros)

	2009	2008
Net assets/ (liabilities) recognised in the balance sheet		
Liabilities as at December 31	**-155**	**-110**
Balance of the fund on December 31	**175**	**123**
Assets/ (liabilities) to be received from/delivered to the fund	20	13
Actuarial deviations deferred as at December 31	16	28
Net assets/ (liabilities) in the balance sheet as at December 31	**36**	**41**

The breakdown of liabilities for retirement pensions is as follows:

(thousand euros)

	2009	2008
Liabilities as at January 1	**110**	**91**
Cost of current service	5	4
Interest cost	6	5
Actuarial (gains) and losses on liabilities	-7	10
Transfers from other funds	41	-
Liabilities as at December 31	**155**	**110**

The evolution of the value of the pension fund is as follows:

(thousand euros)

	2009	2008
Balance of the Fund on January 1	**123**	**94**
Real return of the fund		
Expected return of the fund	7	6
Actuarial gains & losses	4	-13
Contributions paid by fund participants	-	36
Transfers from other funds	41	-
Balance of the fund on December 31	**175**	**123**

The breakdown of actuarial deviations deferred in the balance sheet is as follows:

(thousand euros)

	2009	2008
Actuarial deviations deferred as at January 1	**28**	**5**
Actuarial (gains) & losses		
- on liabilities	-7	10
- on the plan's assets	-4	13
Amortisation for the year	-1	-
Actuarial deviations deferred as at December 31	**16**	**28**

The evolution of assets receivable/ liabilities deliverable in 2009 and 2008 is as follows:

(thousand euros)

	2009	2008
(Assets)/ liabilities receivable or payable as at January 1	**-13**	**-3**
Actuarial gains and losses on liabilities	-7	10
Actuarial gains & losses of the funds	-4	13
Charges for the year:		
- Cost of current service	5	4
- Interest cost	6	5
- Expected return of the fund	-7	-6
Contributions made during the year	-	-36
(Assets)/ liabilities receivable or payable as at December 31	**-20**	**-13**

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

(thousand euros)

	2009	2008
Cost of current service	5	4
Interest cost	6	5
Expected return of the fund	-7	-6
Amortisation for the year	1	-
Costs for the year	**5**	**3**

The breakdown of balance sheet assets/(liabilities) is as follows:

(thousand euros)

	2009	2008
As at January 1	**41**	**8**
Costs for the year	-5	-3
Contributions made during the year	-	36
As at December 31	**36**	**41**

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

(thousand euros)

	2009	2008
Land & buildings	8,096	8,191
Equities & other floating-rate securities	17,978	15,161
Fixed-income securities	34,080	25,946
Balances with credit institutions	2,133	8,983
Devedores e credores do fundo	-565	22
Interest receivable	441	758
	62,163	**59,061**

The figures for assets disclosed above are all in respect of the Tranquilidade Group + BES-Vida Pension Fund, of which associate T-Vida accounts for about 0.28% (2008: 0.21%) of the total of the fund.

The evolution of the funds' liabilities and balances over the past 4 years is as follows:

(thousand euros)

	2009	2008	2007	2006
Liabilities	-155	-110	-91	-40
Balance of the funds	175	123	94	40
Liabilities (under/over financed)	**20**	**13**	**3**	**-**
Actuarial (gains)/losses not recognised	16	28	5	-
Net assets/ (liabilities) recognised in the balance sheet	36	41	8	-

NOTE 24 - INCOME TAX

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

Calculation of the current tax for 2009 and 2008 has been made on the basis of a nominal tax rate plus the municipal surcharge, totalling 26.5%, the nominal rate approved on the balance-sheet date.

The Company has been subject to annual inspections by the DGCI (Directorate General of Taxation), whose latest report refers to 2007 and contains no significant adjustments to the tax returns submitted in previous yeas.

The Company's self-assessment tax returns for 2006 and subsequent years are subject to inspection and possible adjustment by the Tax Authorities during a period of four years.

Deferred tax assets and liabilities reported in 2009 and 2008 are detailed as follows:

(thousand euros)

	2009		2008	
	Current Tax Assets	Current Tax Liabilities	Current Tax Assets	Current Tax Liabilities
Income tax	**175**	**0**	**985**	**0**
Tax withheld at source	0	110	15	95
Value added tax	0	7	0	0
Other taxes & charges	0	114	0	240
Social security contributions	22	22	26	27
	197	**253**	**1,026**	**362**

The breakdown of Deferred tax assets and liabilities recognised in the 2009 and 2008 balance sheets is as follows:

(thousand euros)

	Assets		Liabilities		Net	
Headings	2009	2008	2009	2008	2009	2008
Investments	2,327	6,574	0	-158	2,327	6,416
Tax losses	3,870	4,715	0	0	3,870	4,715
Personal Benefits		0	0	0	0	0
	6,197	**11,289**	**0**	**-158**	**6,197**	**11,131**

The figures for 2009 and 2008 include amounts in respect of the deferral over 5 years of the impact on taxation stemming from the transition to the IFRS.

Current and deferred taxes in 2009 were recognised as follows:

(thousand euros)

	Fair-Value Reserve	Other Reserves	Profit & Loss	Total
Current Tax	**146**	**-**	**108**	**254**
Corporate income tax estimate	146		108	254
Autonomous tax				
Deferred tax	**-3,480**	**-**	**-1,747**	**-5,227**
Investments	-742		54	-688
Tax losses	-2,738		-1,801	-4,539
Personal benefits				
Total	**-3,334**	**-**	**-1,639**	**-4,973**

Reconciliation of the tax rate is as follows:

(thousand euros)

	2009	2008
Profit/(loss) before tax	6,905	-17,759
Tax rate	26.50%	26.50%
Tax determined on the basis of the official rate	**-1,830**	**4,706**
Dividends excluded from the taxation	24	-190
Tax benefits	-3	7
Other income & costs excluded from taxation	-218	10
Deferred tax asset not previously recognised	-	23
Autonomous Tax	-	13
Current + Deferred Tax	**-1,639**	**4,554**

NOTE 25 - EQUITY CAPITAL

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

In 2009 equity capital was paid up and losses brought forward were incorporated, both in the sum of about €12.5 million.

The amounts carried under Other capital instruments in the sum of €20 and €37.5 million, have to do with ancillary capital contributions put up by the sole equityholder.

NOTE 26 - RESERVES

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

Legal reserve

The legal reserve may be used only to cover accumulated losses or to increase equity capital. According to Portuguese law, the legal reserve must be credited each year with at least 10% of the annual net profit until it equals the equity capital.

Fair-value reserve

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

Deferred tax reserves

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

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

Free reserves

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

The breakdown of the reserves as at December 31, 2009 & 2008, is as follows:

(thousand euros)

	2009	2008
Fair-value financial assets and hedges reserve	-12,975	-24,783
Deferred and Current Tax Reserve	3,234	6,568
Other reserves	542	542
- Legal Reserve	542	542
Reserves	**-9,199**	**-17,673**

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

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

(thousand euros)

	2009	2008
Floating-rate securities	120	-186
Fixed-income securities	-13,603	-24,597
Hedge derivatives	508	0
Fair-value reserve	**-12,975**	**-24,783**

The net fair value reserve as at December 31, 2009 & 2008, is as follows:

(thousand euros)

	2009	2008
Accrued interest on hedges	926	-
Amortised cost of available-for-sale investments	309,021	297,009
	309,947	**297,009**
Impairment	-17,391	-20,907
Net amortised/acquisition impairment cost	292,556	276,102
Fair value of hedges	1,434	-
Fair value of available-for-sale investments	278,147	251,319
	279,581	**251,319**
Gross revaluation reserve (Fair value - cost)	-12,975	-24,783
Deferred & current taxes	3,234	6,568
Revaluation reserve net of taxes	**-9,741**	**-18,215**

Movement in the net fair value reserve as at December 31, 2009 & 2008, is as follows:

(thousand euros)

	2009	2008
Balance as at January 1	**-18,215**	**-9,562**
Fair-value variations, including variation for disposals	11,462	9,134
Impairment recognised during the year	346	-20,907
Variation of deferred taxes and current recognised during the year	-3,334	3,120
Balance as at December 31	**-9,741**	**-18,215**

NOTE 27 - EARNINGS PER SHARE

Earnings per share for the years ended December 31, 2009 & 2008, are as follows:

(thousand euros)

	2009	2008
Net profit/(loss) for the year	5,266	-13,205
Number of shares	65,000,000	65,000,000
Earnings per share (in euros)	**0.08**	**-0.20**

NOTE 28 - DIVIDEND PER SHARE

The Company's sole equityholder is Companhia de Seguros Tranquilidade, SA, to which no dividends were attributed or paid in 2009.

NOTE 29 - TRANSACTIONS BETWEEN RELATED PARTIES

The T-Vida equity capital is wholly owned by Companhia de Seguros Tranquilidade, SA.

The accounts of these entities and included within the consolidation perimeter of ESFG - Espírito Santo Financial Group.

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

As at December 31, 2009 & 2008, the overall amount of T-Vida's assets and liabilities that refer to transactions with associate and related companies can be summarised as follows:

(thousand euros)

	2009				2008			
	Assets	Liabilities	Costs	Income	Assets	Liabilities	Costs	Income
BANCO ESPÍRITO SANTO	43,343	2,668	2,500	3,533	76,832	1,071	2,560	4,735
ESUMÉDICA	-	-	71	-	-	-	77	-
BESI	21,072	-	-	178	5,814	-	-	-
BES LEASING	11,996	-	-	203	1,450	-	-	155
TRANQUILIDADE	196	-	-	-	3,368	10	-	-
BES VIDA	103,764	1,276	5,664	5,894	57,608	1,280	2,913	-
BEST	-	346	-	-	-	6	-	-
ESAF	-	179	179	-	-	353	354	-
BAC	70	7	2	-	-	3	-	-
ES FINANCIER	7,164	-	-	236	-	-	-	-
Total	**187,605**	**4,476**	**8,416**	**10,044**	**145,072**	**2,723**	**5,904**	**4,890**

NOTE 30 - CASH-FLOW STATEMENT

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

NOTE 31 - COMMITMENTS

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

(thousand euros)

	Up to 3 Months	4 to 12 Months	+1 to 5 Years
Operational lease contracts	13	26	26

NOTE 37 - OTHER INFORMATION

RECENTLY-ISSUES STANDARDS AND INTERPRETATIONS

Adopted by the Company

In the preparation of the financial statements as at December 31, 2009, the Company adopted the following accounting standards and interpretations of mandatory application as from January 1, 2009:

IFRS 2 (amended) - Share-based payments: acquisition conditions

In January 2008 the International Accounting Standards Board (IASB) issued an amendment to IFRS 2 which come into force on January 1, 2009. This amendment to IFRS 2 (i) clarifies that the conditions of acquisition of rights inherent in a share-based payment plan are limited to service or performance conditions, (ii) introduces the concept of non-vesting conditions, and (iii) determines that any cancellation of such programmes, either by the enterprise or by third parties, has the same accounting treatment.

The adoption of this Standard had no impact on the Company's financial statements.

IFRS 7 (amended) – Financial instruments: disclosures

In September 2009 the International Accounting Standards Board (IASB) issued IFRS 7 (amended) – Financial Statements: Disclosures, application of which is mandatory as from January 1, 2009. This amendment of IFRS 7 requires additional information in the disclosures (i) on the measurement of fair values, determining in particular that they must be presented at three hierarchic levels defined in the standard itself, and (ii) on the liquidity risk.

In view of the nature of these amendments the impact on the Company's financial statements was limited solely to disclosure.

IFRS 8 – Operating segments

On November 30, 2006, the International Accounting Standards Board (IASB) issued IFRS 8 Operating Segments, which was adopted for use within the European Union on November 21, 2007. Application of this standard is mandatory as from January 1, 2009. IFRS 8 – Operating Segments defines the presentation of information on the operating segments of an enterprise.

This rule specifies how an enterprise should report its information in the year's financial statements and, as a consequence, alters IAS 34 – Interim Financial Reporting insofar as the information selected for interim financial reporting is concerned. An entity must provide a description of the information provided by segment, particularly results and transactions, and also on the way the segments are constructed.

This standard is of mandatory application by quoted companies and is not therefore mandatory for the Company.

IAS 1 (amended) - Presentation of financial statements

In September 2007 the International Accounting Standards Board (IASB) issued IAS 1 (amended) Presentation of Financial Statements, application of which is mandatory as from January 1, 2009. IAS 1 (revised) requires that financial information be aggregated in the preparation of financial statements in the light of its basic characteristics and introduces the Comprehensive Income Statement.

In the wake of the alterations imposed by this standard, users of the financial statements may more easily distinguish the Groups changes in equity stemming from transactions with equityholders (e.g., dividends, treasury-share transactions) and transaction with third parties, which are summarised un the comprehensive income statement.

Additionally, where the comparative information is rewritten or reclassified, particularly in the wake of the introduction of new accounting standards, a balance sheet has to be presented as of the start date of the comparative period included in the financial statements.

The alterations imposed by IAS 1 affected only the presentation of the Company's financial statements.

IAS 23 (amended) - Borrowing costs

In September 2007 the International Accounting Standards Board (IASB) issued IAS 23 (amended) – Borrowing Costs, application of which is mandatory as from January 1, 2009. This standard requires that undertakings capitalise borrowing costs directly attributable to the acquisition, construction or production cost of a qualifiable asset, as an integral part of the acquisition, construction or production cost.

Thus, the option of recording these costs directly in profit and loss has been eliminated. Qualifying assets are those that require a substantial period of time to be ready for their intended use or for sale.

The adoption of this Standard had no impact on the Company's financial statements.

Amendment of IAS 32 - Financial instruments: presentation – Puttable financial instruments and obligations arising on liquidation

In February 2008 the International Accounting Standards Board (IASB) issued a revision of IAS 32 Financial Instruments: Presentation, Puttable financial instruments and obligations arising on liquidation, application of which is mandatory as from January 1, 2009. This alteration affects the classification of puttable financial instruments and obligations arsing on liquidation.

In accordance with the requirements of IAS 32, financial instruments (i) reimbursable in cash or settled by other financial assets or (ii) entitling their holder to demand that the issuer reacquire them (puttable instruments), are classified as financial liabilities.

The amendment of this standard, effective as from January 1, 2009, means that some instruments that qualified as financial liabilities under the previous IAS 32, now come to be recognised as capital instruments, should they have certain characteristics, in particular that: (i) they represent an ultimate residual interest in the net assts of an entity; (ii) that they are part of a class of instruments subordinated to any other class of instruments issued by the entity; and that (iii) all instruments of that class have the same terms and conditions.

The IASB also amended IAS 1 – Presentation of Financial Statements, having introduced additional disclosure requirements in respect of instruments of this type.

The adoption of this Standard had no impact on the Company's financial statements.

IFRIC 13 - Customer loyalty programmes

IFRIC 13 – Customer Loyalty Programmes was issued in July 2007 and came into force for periods starting on or after July 1, 2008. It is therefore relevant to the Group only as from January 1, 2009. This interpretation applies to customer-loyalty programmes in which credits are assigned to them as an integral part of a sale or provision of services and, in the future, they may swap these credits for services or goods free of charge or at a discount.

The adoption of this standard had no significant impact on the Company's financial statements.

IFRIC 15 – Agreements for the construction of real estate

IFRIC 15 – Agreements for the construction of real estate came into force for periods starting as from January 1, 2009. This interpretation contains guidelines that allow determination as to whether a contract for the construction of immovables lies within the scope of IAS 18 - Recognition of income or of IAS 11 - Construction agreements, and it can be expected that IAS 18 will be applicable to a larger number of transactions.

The adoption of this interpretation had no impact on the Company's financial statements.

IFRIC 16 – Hedges of an investment in foreign currency

IFRIC 16 – Hedges of an investment in foreign currency is applicable to periods starting as from October 1, 2008. This interpretation is designed to clarify that:

- Hedging an investment in an operation in foreign currency may be applied only to currency translation differences stemming from the translation of the financial statements of the subsidiaries in their working currency into the working currency of the parent company, and only in a sum equal to or less than the equity of the subsidiary;
- The hedge may be contracted by any Group entity except the entity that is being hedged: and
- At the time of the sale of the subsidiary that is hedged, the accumulated gain or loss in respect of the effective component of the hedge is reclassified to profit & loss.

This interpretation allows an entity that uses the step consolidation method to select an accounting policy allowing determination of the accumulated currency translation adjustment, which is reclassified to results of the sale of the subsidiary, as would be the case were the direct consolidation method used. This interpretation is of prospective application.

The adoption of this interpretation had no impact on the Company's financial statements.

Annual Improvement Project

In May 2008, the IASB published the Annual Improvement Project, which altered certain standards in force till then. The alterations affecting the Group in 2009 are as follows:

- Amendment of IAS 1 – Presentation of financial statements, effective as from January 1, 2009. The amendment clarifies that just some, and not all, of the financial instruments classified in the trading category constitute examples of current assets and liabilities. The adoption of this alteration had no impact on the Company's financial statements.

- Amendment of IAS 16 – Tangible fixed assets, effective as from January 1, 2009. The amendment determines rules of classification (i) of revenue generated by the sale of assets held for rental and subsequently sold, and (ii) of these assets during the time span between the date of termination of the rental and the sate of their sale. The adoption of this alteration had no impact on the Company's financial statements.

- Amendment of IAS 19 – Employee benefits, effective as from January 1, 2009. The amendments clarify (i) the concept of costs of past services stemming from alteration of the defined-benefits plan, (ii) the interaction between the expected return on the assets and the plan's management costs, and (iii) the distinction between short-term and long- and medium-term benefits. The adoption of this alteration had no impact on the Company's financial statements.

- Amendment of IAS 20 – Accounting for government grants and disclosure of government assistance, effective as from January 1, 2009. This amendment determines that the benefit stemming from obtaining a government loan at rates lower than market rates shall be measured as the difference between the fair value of the liability on the date it is contracted, determined in accordance with IAS 39 – Financial instruments: recognition and measurement, and the amount received. Such benefits must subsequently be recorded in accordance with IAS 20. The adoption of this alteration had no impact on the Company's financial statements.

- Amendment of IAS 23 – Borrowing costs, effective as from January 1, 2009. The concept of borrowing costs has been altered to clarify that they must be determined in accordance with the effective rate method provided for in IAS 39 – Financial instruments: recognition and measurement, thus eliminating the inconsistency between IAS 23 and IAS 39. The adoption of this alteration had no impact on the Company's financial statements.

- Amendment of IAS 27 – Consolidated and separate financial statements, effective as from January 1, 2009. The amendment of this standard determines that where an investment in a subsidiary is carried at fair value in the individual accounts, in accordance with IAS 39 – Financial instruments: recognition and measurement, and such as 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 shall continue to be measured within the scope of IAS 39. The adoption of this alteration had no impact on the Company's financial statements.

- Amendment of IAS 28 – Investments in associates, effective as from January 1, 2009. The aim of the amendments introduced to IAS 28 was to establish (i) that an investment in an associated shall be processed as a single asset for the purpose of impairment tests to be undertaken in the light of IAS 26 – Impairment of assets, (ii) that any impairment loss to be recognised shall not be allocated to specific assets, particularly to goodwill, and (iii) that reversals of impairments are recorded as an adjustment to the book value of the associate, provided and to the extent that the recoverable value of the investment increases. The adoption of this alteration had no impact on the Company's financial statements.

- Amendment of IAS 38 – Intangible fixed assets, effective as from January 1, 2009. This amendment determined that a deferred cost incurred within the context of promotional or advertising activities can be recognised in the balance sheet only where a prepayment has been made in respect of goods or services to be received at a future date. Recognition in profit & loss shall occur where the entity its entitled to access to the goods and services that are received. The adoption of this alteration had no impact on the Company's financial statements.

- Amendment of IAS 39 – Financial instruments: recognition and measurement, effective as from January 1, 2009. These amendments fundamentally consist of (i) clarifying that transfers can be made to and from the fair-value category through profit & loss in respect of derivatives in the event that they start or end in a hedge relationship in cash-flow hedge models or from a net investment in an associate or subsidiary, (ii) altering the definition of financial instruments at fair value through profit & loss in respect of the trading category, so as to establish that in the case of financial instrument portfolios managed jointly and in respect of which there is evidence of recent activities leading to the realisation of short-term gains, they must be classified as trading in their initial recognition (iii) altering the requirements of documentation and effectiveness tests in hedge relationships established at the level of operating segments determined within the scope of application of IFRS 8 – Operating segments, and (iv) clarifying that the measurement of a financial liability at amortised cost must be undertaken on the basis of the new effective rate calculated on the date of interruption of the hedge relationship. The adoption of this alteration had no impact on the Company's financial statements.

- Amendment of IAS 40– Investment properties, effective as from January 1, 2009. In the wake of this amendment, properties under construction or development with a view to their subsequent use as in investment properties come to be included within the scope of IAS 40 (previously covered by IAS 16 – Tangible fixed assets). Such properties under construction may be recorded at fair value unless it cannot be reliably measured, in which case they are recorded at acquisition cost. The adoption of this alteration had no impact on the Company's financial statements.

Not yet adopted by the Company

Recently issued accounting standards and interpretations that have not yet come into force and the Company has not yet applied in the preparation of its financial statements are as follows: The Company will adopt these standards when their application is mandatory.

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

The amendments of IFRS 1– First-time adoption of international financial reporting standards and IAS 27 – Consolidated and separate financial statements are effective for periods starting as from July 1, 2009.

These amendments allow entities that are adopting the IFRS for the first time in the preparation of their individual accounts adopt as the deemed cost of these investments in subsidiaries joint ventures and associates the respective fair value on the date of transition to the IFRS or the book value determined on the basis of the previous accounting reference.

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

IFRS 3 (revised) – Business combinations and IAS 27) - Consolidated and separate financial statements

In January 2008 the International Accounting Standards Board (IASB) issued IFRS 3 (revised) Business combinations and an amendment to IAS 27 – Consolidated and separate financial statements.

The main impacts of the amendment to these rules involve: (i) treatment of partial acquisitions, in which the non-controlling interests (previously know as minority interests) may be measured at fair value (which implies total recognition of goodwill attributable to the non-controlling interests) or as the part attributable the non-controlling interests of the fair value of the net assets acquired (as required at present); (ii) step acquisitions in which the new rules require, at the time of calculation of the goodwill, revaluation, offset against profit or loss, of the fair value of any non-controlling interest held prior to the acquisition leading to acquisition of control; (iii) recording costs directly related with the acquisition of a subsidiary, which come to be directly imputable to profit or loss; (iv) contingent consideration, the alteration of the estimate of which over time comes to be recorded in profit or loss and does not affect goodwill; and (v) alterations of the percentages of subsidiaries held that do not cause loss of control, which come to be recorded as changes in equity.

Additionally, the amendments of IAS 27 mean that even though the accumulated losses in a subsidiary will come to be attributed to the non-controlling interests (recognition of non-controlling interests) and that, on disposal of a subsidiary tending to loss of control, any non-controlling interest retained is measured at fair value on disposal date.

This revision of IFRS 3 and amendment of IAS 27 are effective for periods beginning as from July 1, 2009. The Company does not expect any impacts to arise from the adoption of this standard.

IFRS 9 - Financial instruments

In November 2009, the International Accounting Standards Board (IASB) issued IFRS 9 – Financial instruments part I; Classification and measurements, mandatorily applicable as from January 1, 2013, early application being allowed. This standard has not yet been adopted by the European Union.

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

- Financial assets come to be classified in two categories: at amortised cost or at fair value. The decision will be taken at the time of initial recognition of the financial assets. Their classification depends on how an entity presents these financial assets in its business-management model and on the contractual characteristics of the financial flows association with each financial asset.
- Only debt instruments whose contracted financial flows comprise solely principal and interest, that is, contain just the basic characteristics of debt, and, in the business-management model, the entity holds these financial asset for the purpose of capturing solely the respective financial flows can be measured at amortised cost. All other debt instruments are recognised at fair value.
- Capital instruments issued by third parties are recognised at fair value and subsequent variations are recorded in profit & loss. However, and entity may irrevocably elect capital instruments for which variations of fair value and realised gains or losses are recognised in profit & loss. The gains and losses thus recognised may not be recycled through profit and loss for the year. This decision is discretionary and does not mean that all capital instruments are treated in this way. Dividends received are recognised in profit and loss for the year.

The Company is assessing the impact of adoption of this standard.

IAS 39 (amended) – Financial instruments: recognition and measurement – assets and liabilities eligible for hedging

The International Accounting Standards Board (IASB) issued an amendment of IAS 39 – Financial instruments: recognition and measurement – assets and liabilities eligible for hedging, which is of mandatory application for periods starting as from July 1, 2009.

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

The Company is assessing the impact of adoption of this standard on its financial statements.

IFRIC 12 – Service concession arrangements

In July 2007, the International Financial Reporting Interpretations Committee (IFRIC) issued IFRIC 12 – Service Concession Arrangements, with mandatory effective application date on January 1, 2008, though its early adoption is allowed. The European Union adopted this interpretation only in 2009 and it is therefore of mandatory application by the Group only as from January 1, 2010.

IFRIC 12 applies to public-private services concession contracts and covers only those situations in which the concessor (i) controls or regulates the services provided by the operator, and (ii) controls the residual interests of the infrastructures on maturity of the contract.

In view of the nature of the contracts covered by this interpretation, no impact on the Company's financial statements is expected

IFRIC 17 – Distributions of non-cash assets to owners

IFRIC 17 – Distributions of non-cash assets comes into force for periods starting as from July 1, 2009.

This interpretation is intended to clarify the accounting treatment of distributions of non-cash assets to equityholders. It therefore establishes that non-cash distributions shall be recorded at the fair value of the assets distributed, the difference between that and their book value being recognised in profit & loss on their distribution.

The Company does not expect this interpretation to impact on its financial statements.

IFRIC 18 – Transfer of assets from customers

IFRIC 18 – Transfers of assets from customers comes into force for periods starting as from July 1, 2009.

This interpretation is intended to clarify the accounting treatment of agreements closed whereby an entity received assets from customers for its own use and with a view to subsequently establishing the customers' link to a network or to granting the customers ongoing access to the supply of goods or services.

The interpretation clarifies:

- The conditions in which an asset is within the scope of this interpretation;
- The recognition of the asset and its initial measurement;
- The identification of identifiable services (one or more services in exchange for the transferred asset);
- The recognition of income;
- The accounting of the transfer of cash by customers.

The Company does not expect this interpretation to impact on its financial statements.

Annual Improvement Project

In May 2008, as mentioned earlier, the IASB published the Annual Improvement Project, which amended certain standards that are in force, and only the following alteration is yet to be implemented by the Company:

- Amendment of IFRS 5 – Non-current assets held for sale and discontinued operations, effective for periods starting as from July 1, 2009. This amendment has clarified that the whole of the assets and liabilities of a subsidiary must be classified as non-current assets held for sale in accordance with IFRS 5 if there is a plan for the partial sale of the subsidiary tending to loss of control. This standard will be prospectively adopted by the Company 2010.

APPENDIX 1 INVENTORY OF HOLDINGS AND FINANCIAL INSTRUMENTS

(euros)

IDENTIFICATION OF THE SECURITIES / DESIGNATION		Quantity	Amount of par Value	% of par Value	Average Acquisition Cost	Total Acquisition Cost	Book Value (including accrued interest) Unit	Book Value (including accrued interest) Total
1 - AFFILIATES, ASSOCIATES, JOINT VENTURES AND OTHER RELATED COMPANIES								
1.1 - Domestic Securities								
1.1.4 - Holdings in related companies								
BES BANCO ESPIRITO SANTO		388,200			11.11	4,312,788.21	4.55	1,766,698.20
	Subtotal	**388,200**	**0.00**			**4,312,788.21**		**1,766,698.20**
1.1.8 - Debt securities of related companies								
BEF 07/11			4,000,000.00	100.00%	100.9%	4,035,464.00	101.0%	4,039,492.00
BES EURO RENDA 16/04/2013			1,660,000.00	98.64%	91.5%	1,518,285.80	98.6%	1,637,424.00
BES EURO RENDA 20/05/2013 - 1ªS			1,753,000.00	107.91%	90.1%	1,579,144.44	107.9%	1,891,662.30
BESLEASING FACTORING 22/08/2012			1,662,800.00	100.44%	100.0%	1,662,800.00	100.6%	1,672,774.04
BESLEASING FACTORING 22/09/2014			6,253,600.00	99.99%	100.0%	6,253,625.36	100.5%	6,284,032.10
	Subtotal	**0**	**15,329,400.00**			**15,049,319.60**		**15,525,384.44**
	Total	**388,200**	**15,329,400.00**			**19,362,107.81**		**17,292,082.64**
2 - OTHER								
2.1 - Domestic securities								
2.1.1 - Capital instruments and unit trusts								
2.1.1.1 - Equities								
BCP		250,000			0.79	198,500.08	0.84	210,750.00
EDP RENOVA		62,500			7.98	498,735.83	6.62	413,750.00
	Subtotal	**312,500**	**0.00**			**697,235.91**		**624,500.00**
2.1.1.3 - Investment fund units								
ES - ACÇÕES EUROPA		104			11.71	1,213.05	10.12	1,047.86
ES - CAPITALIZAÇÃO		2,201			9.27	20,401.29	9.21	20,277.83
ES - OBRIGAÇÕES EUROPA		12			9.45	114.20	11.12	134.42
ES - PLANO CRESCIMENTO		44			5.11	224.78	5.36	235.65
ES ROCK FELLER GLOBAL		10,162			117.11	1,190,021.23	117.04	1,189,309.92
ES TRADING FUND		60,476			104.76	6,335,491.95	106.56	6,444,349.20
	Subtotal	**72,999**	**0.00**			**7,547,466.50**		**7,655,354.88**
	Subtotal	**385,499**	**0.00**			**8,244,702.41**		**8,279,854.88**
2.1.2 - Debt securities								
2.1.1.1 - Public debt								
PT OT 3.2% 04/15/2011			2,000,000.00	102.23%	102.9%	2,057,200.00	104.5%	2,090,189.04
	Subtotal	**0**	**2,000,000.00**			**2,057,200.00**		**2,090,189.04**
2.1.2.2 - Other public issuers'								
PARPUBLICA 3.5% 07/13			2,200,000.00	100.33%	102.1%	2,245,232.00	102.0%	2,244,462.24
	Subtotal	**0**	**2,200,000.00**			**2,245,232.00**		**2,244,462.24**
2.1.2.3 - Other issuers'								
BANCO BPI 3% 07/17/12			2,000,000.00	101.02%	99.7%	1,993,900.00	102.4%	2,047,835.45
BANCO SANTANDER TOTTA 3.25% 10/14			400,000.00	99.30%	100.0%	399,892.00	99.9%	399,723.45
BANIF FINANCE 22/12/2016			2,000,000.00	73.70%	100.0%	2,000,000.00	73.7%	1,474,730.00
BCP 04/14 5,625%			1,500,000.00	107.48%	104.4%	1,566,192.00	111.4%	1,670,483.72
BCP 3.75% 10/16			2,000,000.00	98.96%	99.9%	1,998,800.00	99.8%	1,996,434.88
BCP FINANCE BANK 21/12/16			500,000.00	89.99%	90.8%	454,000.00	90.0%	450,110.28
BESPL 3,375% 02/15 FVO			300,000.00	98.98%	99.8%	299,505.00	99.4%	298,145.55
BESPL 5,625% 06/14			2,000,000.00	107.05%	105.8%	2,115,950.00	110.3%	2,205,502.00
BRISA 4,797 03-09/2013			2,000,000.00	104.44%	103.9%	2,078,000.00	105.7%	2,113,933.53
BRISA FINANCE 4,797% 09/13 FVO			500,000.00	104.44%	102.4%	512,000.00	105.7%	528,483.38
BRISA PL 4.5% 12/16 FVO			250,000.00	99.70%	101.5%	253,750.00	100.0%	250,058.87
CIMPOR 4.5% 05/11 FVO			400,000.00	101.43%	102.0%	407,800.00	104.1%	416,462.68
EDP FIN			1,500,000.00	100.69%	101.8%	1,527,225.00	102.7%	1,539,993.64
MONTEPIO GERAL 3.25% 07/12			1,000,000.00	101.37%	100.4%	1,003,500.00	102.8%	1,027,714.66

(euros)

IDENTIFICATION OF THE SECURITIES / DESIGNATION	Quantity	Amount of par Value	% of par Value	Average Acquisition Cost	Total Acquisition Cost	Book Value (including accrued interest) Unit	Book Value (including accrued interest) Total
MONTPI 29/05/2013		2,250,000.00	95.22%	99.8%	2,244,375.00	95.3%	2,144,273.50
PORTEL 3.75% 03/12 FVO		400,000.00	102.16%	99.7%	398,800.00	105.0%	420,158.85
PORTUGAL TEL FIN 04/30/13 6%		3,500,000.00	108.31%	105.2%	3,681,700.00	112.3%	3,931,739.97
PORTUGAL TELECOM INT FIN 5% 11/04/19		3,000,000.00	100.70%	101.1%	3,032,690.00	101.5%	3,045,384.57
Term Dep. EUR Barclays		0.00			10,215,728.06		10,218,335.80
Term Dep. EUR BCP		0.00			26,500,000.00		26,523,712.51
Term Dep. EUR BES		0.00			22,080,000.00		22,083,852.00
Term Dep. EUR BESI		0.00			21,018,355.52		21,031,165.01
Term Dep. EUR MG		0.00			23,681,485.30		23,762,710.72
Subtotal	**0**	**25,500,000.00**			**129,463,647.88**		**129,580,945.02**
Subtotal	**0**	**29,700,000.00**			**133,766,079.88**		**133,915,596.30**
Total	**385,499**	**29,700,000.00**			**142,010,782.29**		**142,195,451.18**
2.2 - Foreign securities							
2.2.1 - Capital instruments and unit trusts							
2.2.1.1 - Equities							
FRANCE TELECOM	17,000			17.58	298,842.87	17.43	296,225.00
OMV AG	7,000			29.87	209,099.34	30.29	212,030.00
Subtotal	**24,000**	**0.00**			**507,942.21**		**508,255.00**
2.2.1.3 - Investment fund units							
FIDELITY TARGET 2015 ACÇÕES	151,161			10.54	1,592,628.05	9.39	1,419,701.11
FIDELITY TARGET 2020 ACÇÕES	82,914			10.57	876,231.38	8.67	719,283.20
FIDELITY TARGET 2025 ACÇÕES	67,924			9.32	633,240.81	8.31	564,180.23
FIDELITY TARGET 2030 ACÇÕES	34,880			10.17	354,860.49	8.23	287,136.11
FIDELITY TARGET 2035 ACÇÕES	9,821			20.88	205,025.70	17.10	167,939.44
FIDELITY TARGET 2040 ACÇÕES	16,723			19.37	324,005.59	17.10	285,966.38
FUNDO ESP INV IMOB FECHADO	300,000			1,000.00	300,000,000.00	993.53	298,057,530.00
STENHAM BERLIN RESIDENCIAL FUND	3,000,000			1.00	3,000,285.00	1.00	3,000,000.00
Subtotal	**3,663,424**	**0.00**			**306,986,277.02**		**304,501,736.47**
Subtotal	**3,687,424**	**0.00**			**307,494,219.23**		**305,009,991.47**
2.2.2 - Debt securities							
2.1.2.1 - Public debt							
FRANCE O.A.T. 3 10/25/15		1,000,000.00	100.91%	99.7%	997,240.00	101.5%	1,014,606.84
HELLENIC REPUBLI GG 5.5 20/08/14		1,500,000.00	102.34%	109.1%	1,637,050.00	107.4%	1,611,271.24
HELLENIC REPUBLIC 4.3 20/03/12		2,200,000.00	100.59%	104.6%	2,300,760.00	104.3%	2,295,139.45
Subtotal	**0**	**4,700,000.00**			**4,935,050.00**		**4,921,017.53**
2.2.2.3 - Other issuers'							
ABB INTL FINANCE 4,625% 06/06/13		500,000.00	105.19%	105.4%	526,850.00	107.8%	539,111.03
ALPHA FLOAT 17/01/2012		3,000,000.00	94.35%	100.0%	3,001,200.00	94.6%	2,836,644.90
ANGLO AMERICAN CAP 4.25% 09/13		650,000.00	102.98%	99.8%	648,453.00	104.1%	676,338.60
AUCHAN SA 5,125% 07/14		1,150,000.00	107.67%	106.2%	1,221,862.50	110.0%	1,264,996.80
AUTOSTRADE SPA 06/09/2011		4,500,000.00	99.95%	100.9%	4,540,365.00	100.0%	4,501,068.60
BANCA POP VERONA NOVARA 08/02/17		4,000,000.00	89.82%	99.9%	3,997,000.00	90.0%	3,599,237.56
BANCO SABADELL 05/09/10		3,000,000.00	101.25%	102.0%	3,059,100.00	104.5%	3,134,490.80
BASF FIN EUROPNV 5,125% 06/15		1,000,000.00	107.98%	104.1%	1,041,480.00	110.9%	1,108,560.44
BASF FINANCE EUROPE 5,125% 06/15		4,500,000.00	107.98%	108.7%	4,892,100.00	110.9%	4,988,522.00
BAYER CAP COPNV 4,625% 09/14		2,000,000.00	106.09%	104.5%	2,089,600.00	107.3%	2,146,072.16
BBVA CAPITAL UNIPERS 13/10/2020		5,000,000.00	86.70%	99.9%	4,995,137.32	86.9%	4,346,444.03
BMW FINANCE 4% 09/17/14		1,000,000.00	101.92%	99.8%	998,000.00	103.1%	1,030,716.75
BOSTON SCIENTIFIC 6% 15/06/2011		5,000,000.00	72.33%	77.0%	3,848,777.13	72.5%	3,625,520.50
CAJA CASTILLA 02/11/2016		3,000,000.00	26.00%	100.0%	3,000,360.00	26.3%	788,702.49
CAJA ZARAGOZA ARAGON 25/04/2019		4,000,000.00	79.44%	99.5%	3,981,460.00	79.6%	3,185,600.44
CARREFOUR SA 5,375% 06/15		1,250,000.00	109.33%	107.5%	1,344,150.00	112.3%	1,403,839.97
COMPAGNIE ST GOBAIN 11/04/2012		2,200,000.00	98.37%	99.9%	2,197,008.00	98.6%	2,169,157.21
COMPUTER 7,375% 15/06/11		5,000,000.00	73.80%	81.1%	4,054,150.11	74.0%	3,701,366.02
CRITERIA CAIXACORP 4,125% 11/14 FVO		150,000.00	100.52%	100.2%	150,300.00	101.0%	151,479.53
DAIMLER NA CORP 5.75% 06/10		3,000,000.00	101.78%	101.8%	3,055,050.00	104.9%	3,146,145.34

(euros)

IDENTIFICATION OF THE SECURITIES DESIGNATION	Quantity	Amount of par Value	% of par Value	Average Acquisition Cost	Total Acquisition Cost	Book Value (including accrued interest) Unit	Total
DANSKE BANK 3.25% 10/15		1,500,000.00	99.23%	99.5%	1,492,215.00	100.0%	1,499,826.14
DEUTSCH BAHN FIN 4,875% 03/12/19		1,500,000.00	106.27%	107.6%	1,613,400.00	110.2%	1,652,949.33
Deutsche Bk 09/22/15		400,000.00	94.45%	96.1%	384,480.00	94.5%	377,878.92
DEUTSCHE TELEKOM INT 28/03/2012		2,000,000.00	99.45%	99.8%	1,995,000.00	99.5%	1,989,254.10
DOURM 1 A		724,309.71	89.93%	98.6%	713,983.12	90.0%	651,566.29
E.ON INTL FIN 4,125% 03/13		500,000.00	104.70%	100.0%	499,855.00	107.9%	539,333.57
EBS BUILDING SOCIETY 28/11/2016		5,000,000.00	52.00%	99.9%	4,993,150.00	52.1%	2,604,890.42
EDISON SPA 4.25% 07/14		1,000,000.00	102.70%	101.1%	1,010,640.00	104.6%	1,045,860.42
ERICSSON L M TEL 27/06/2014		1,200,000.00	96.76%	99.7%	1,196,760.00	96.8%	1,161,223.43
ESPIRITO SANTO FINANCIER 4.5% 05/31/11		7,000,000.00	99.67%	100.3%	7,020,242.50	102.3%	7,164,173.96
FRANCE TELECOM 3,625% 10/15		4,622,000.00	101.28%	99.6%	4,601,708.00	102.0%	4,716,748.12
FUND ORD BANK 3% 11/19/14		1,500,000.00	99.70%	99.9%	1,498,215.00	100.0%	1,500,678.08
GAS NATURAL CAP 4,375% 11/16		3,000,000.00	100.89%	100.7%	3,022,260.00	101.6%	3,048,049.56
GAS NATURAL CAP 5.25% 7/9/2014		500,000.00	106.82%	99.9%	499,465.00	109.3%	546,697.97
GE CAP EUR FUND 03/04/2014		8,000,000.00	95.27%	100.0%	8,000,000.00	95.5%	7,639,289.33
GE CAP EUR FUND 17/05/2021		7,500,000.00	83.52%	99.1%	7,434,750.00	83.6%	6,272,495.75
GOLDMAN SACHS 23/05/2016		6,000,000.00	96.79%	100.1%	6,005,400.00	96.9%	5,813,890.27
GOLDMAN SACHS 30/01/2017		3,000,000.00	96.45%	99.8%	2,995,300.00	96.6%	2,899,069.40
HENKEL AG&CO 4,625% 03/14		750,000.00	106.36%	106.2%	796,650.00	110.0%	824,995.46
HIPOT 5 A2		347,358.34	88.60%	97.9%	340,063.82	88.7%	308,021.32
JP MORGAN 12/10/2015		9,200,000.00	98.55%	100.1%	9,207,443.48	98.8%	9,089,556.76
KAUPTHING BANK HF 17/08/2012		3,000,000.00	23.00%	99.3%	2,978,250.00	23.0%	690,000.00
KION 2006-1 A		971,158.71	90.69%	98.6%	957,127.64	90.9%	882,608.84
LEHMAN BROS HOLD 05/02/2014		5,000,000.00	17.00%	99.9%	4,996,500.00	17.0%	850,000.00
LEHMAN BROS HOLD 19/05/2016		10,000,000.00	17.00%	99.5%	9,945,250.00	17.0%	1,700,000.00
LLOYDS FLOAT 20 03/12/2020		5,500,000.00	83.00%	102.6%	5,644,142.28	83.2%	4,576,071.20
MACQUARIE BANK 06/12/2016		1,500,000.00	87.25%	99.9%	1,497,945.00	87.3%	1,309,877.50
MAGEL 3 A		682,884.00	76.00%	98.7%	674,036.86	76.1%	519,729.05
MERCK FIN 4,875% 09/13		1,000,000.00	106.51%	99.7%	996,970.00	107.8%	1,077,807.46
MERRILL LYNCH 31/01/2014		7,000,000.00	97.23%	99.6%	6,971,400.00	97.4%	6,817,951.31
MORGAN STANLEY 13/04/2016		10,000,000.00	96.31%	100.1%	10,005,000.00	96.6%	9,655,857.50
MORGAN STANLEY 16/01/2017		5,000,000.00	96.03%	100.1%	5,002,500.00	96.3%	4,813,912.06
NATEXIS BANQUES POP 26/01/2017		2,500,000.00	87.44%	100.2%	2,505,002.50	87.6%	2,190,395.92
NATL CAPITAL INSTRUMENTS PERP		1,400,000.00	67.46%	99.7%	1,396,132.50	67.5%	944,603.88
NOVART 4.25 09-06/16		2,500,000.00	104.34%	105.0%	2,624,750.00	106.7%	2,666,381.32
NYSE EURONEXT 06/30/15 5,375%		1,250,000.00	105.38%	96.5%	1,206,437.50	108.1%	1,351,103.75
NYSE EURONEXT 5,375% 06/30/15		750,000.00	105.38%	106.8%	801,000.00	108.1%	810,662.24
PELIC 2 A		325,341.56	87.02%	99.2%	322,629.52	87.1%	283,249.14
PELICAN 3 A		983,264.09	71.00%	98.3%	966,635.35	71.0%	698,486.35
PFE 4.75 09-06/2016		2,000,000.00	106.53%	107.5%	2,150,080.00	109.4%	2,187,321.33
PFIZER INC 3,625% 06/03/13		2,600,000.00	103.27%	102.3%	2,660,580.00	105.4%	2,739,523.50
PHILIP MORRIS INTL 5.75% 03/24/16		3,000,000.00	110.59%	111.3%	3,338,046.00	115.0%	3,450,939.17
RENAULT 6% 10/13/14 FVO		500,000.00	102.32%	99.6%	497,750.00	103.6%	518,031.67
REPSOL INTL FIN 07/22/13 5%		2,350,000.00	105.58%	104.9%	2,465,705.00	107.8%	2,533,354.72
ROYAL BK SCOTLAND 49		10,000,000.00	86.44%	100.8%	10,080,000.00	86.8%	8,677,783.89
RTE EDF TRANSPORT 4,125% 09/27/16		4,000,000.00	101.82%	103.5%	4,140,520.00	102.9%	4,115,609.60
SABMILLER PLC 4.5% 01/15		1,500,000.00	102.72%	102.1%	1,532,025.00	104.8%	1,571,745.51
SANOFI-AVENTIS 3,125% 10/14		1,000,000.00	101.26%	100.4%	1,003,800.00	101.9%	1,019,401.02
SANOFI-AVENTIS 3.5% 05/13		1,000,000.00	103.05%	101.2%	1,012,100.00	105.2%	1,052,248.32
SANTANDER ISSUANCES 23/03/2017		5,000,000.00	94.21%	99.9%	4,997,250.00	94.2%	4,711,736.55
SFR SA 07/12 3,375%		1,000,000.00	101.37%	97.0%	970,100.00	102.9%	1,029,037.72
SLM CORPORATION 17/06/2013		7,000,000.00	86.64%	100.0%	6,996,800.00	86.7%	6,068,242.60
SOLVAY S.A. 4,875% 01/14		1,500,000.00	107.08%	103.6%	1,554,300.00	111.8%	1,677,307.92
STATOILHYDRO ASA 4,375% 03/15		1,000,000.00	105.31%	99.7%	997,050.00	108.8%	1,088,489.79
SUEZ ENVIRON 4,875% 04/14		1,500,000.00	105.87%	102.1%	1,532,040.00	108.9%	1,633,500.44
SUEZ ENVIRONNEMENT 4,875% 04/14		1,000,000.00	105.87%	99.9%	998,570.00	109.4%	1,094,342.76
SVENSKA HANDELSBANKEN PERPETUAL		2,000,000.00	87.58%	99.9%	1,997,280.00	87.6%	1,752,068.44
SWEDISH EXP CRED 3,625% 05/27/14		2,500,000.00	102.38%	99.8%	2,495,500.00	104.5%	2,613,536.95
TELECOM ITALIA FINANCE 12/06/12		5,000,000.00	98.74%	99.0%	4,952,300.00	98.8%	4,941,123.33
TELEFONICA EMIS 4,674 02/14		1,750,000.00	104.79%	103.7%	1,815,450.00	109.0%	1,907,120.99
THEME 4 A		1,115,211.24	86.36%	97.8%	1,090,342.00	86.5%	964,446.17
VATTENFALL 4.25% 05/14		500,000.00	104.43%	99.6%	497,750.00	107.1%	535,316.58
VATTENFALL AB 4,125% 03/13		1,500,000.00	104.37%	99.8%	1,497,225.00	107.6%	1,614,572.64
VEOLIA ENVRNMT 04/14 5.25%		1,800,000.00	107.31%	104.8%	1,885,968.00	110.9%	1,996,574.65
VERBUND INTL FIN 04/15 4.75%		1,000,000.00	105.10%	104.1%	1,040,575.00	108.5%	1,084,610.34
VODAFONE 05/09/2013		3,000,000.00	99.37%	100.9%	3,027,900.00	99.5%	2,983,725.93
VODAFONE 13/01/2012		2,900,000.00	99.55%	100.6%	2,918,560.00	99.8%	2,894,135.19

(euros)

IDENTIFICATION OF THE SECURITIES / DESIGNATION		Quantity	Amount of par Value	% of par Value	Average Acquisition Cost	Total Acquisition Cost	Book Value (including accrued interest) Unit	Book Value (including accrued interest) Total
VOLKSWAGEN INTFN 3.75% 11/16/10			1,500,000.00	101.81%	99.9%	1,498,815.00	102.3%	1,534,048.48
VOLKSWAGEN INTFN 5,375% 11/15/13			1,000,000.00	107.34%	104.3%	1,042,690.00	108.0%	1,080,185.28
VOLVO TREASURY 7,875% 10/12			300,000.00	110.22%	105.0%	315,000.00	112.2%	336,552.62
XSTRATA CAN FIN 05/11 5,875%			1,500,000.00	104.73%	100.3%	1,504,332.00	108.2%	1,623,517.11
	Subtotal	**0**	**251,821,527.66**			**251,961,496.13**		**224,559,312.50**
	Subtotal	**0**	**256,521,527.66**			**256,896,546.13**		**229,480,330.03**
	Total	**3,687,424**	**256,521,527.66**			**564,390,765.36**		**534,490,321.50**
2.3 - Trading derivatives								
Currency forwards								-157,978.60
	Total	**0**	**0.00**			**0.00**		**-157,978.60**
2.4 - Hedging derivatives								
IRS SWAP								1,433,956.98
	Total	**0**	**0.00**			**0.00**		**1,433,956.98**
	Total	**4,072,923**	**286,221,527.66**			**706,401,547.65**		**677,961,751.06**
3 - GRAND TOTAL		**4,461,123**	**301,550,927.66**			**725,763,655.46**		**695,253,833.70**

BETTINA POUSTTCHI b. 1971 Mainz - Germany, **"Hetley Tree"**, 2008. Photography 180x 225cm. Edition: 3/6 + 2AP
Courtesy Buchmann Galerie

08 LEGAL CERTIFICATION OF ACCOUNTS AND AUDIT COMMITTEE REPORT AND OPINION

VIDA

08 LEGAL CERTIFICATION OF ACCOUNTS

LEGAL CERTIFICATION OF ACCOUNTS

INTRODUCTION

1. I have audited the financial statements of T-VIDA, COMPANHIA DE SEGUROS, SA, which comprise the Balance Sheet as at December 31, 2009, (which shows a total of 868,460K and total equity in the sum of €81,067K, including a net profit of €5,266K), the Profit & Loss Account, the Statement of Comprehensive Income, the Cash-Flow Statement and the Statement of Changes in Equity for the year then ended, and the Notes to the Accounts. These financial statements have been prepared in accordance with accounting practices generally accepted for the insurance industry in Portugal.

RESPONSIBILITIES

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

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

SCOPE

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

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

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

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

OPINION

7. In my opinion, the said financial statements truly and fairly present, in all materially relevant aspects the financial situation of T-VIDA, COMPANHIA DE SEGUROS, SA, as at December 31, 2009, the results of its operations and its cash flows during the year then ended, in accordance with accounting practices generally accepted for the insurance industry in Portugal.

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

EMPHASIS

9. Without affecting the opinion expressed in paragraph 7, I would call attention to the following situation

   a) As described in Note 25 (Equity Capital) of the Notes to the Financial Statements, the Company increased its equity capital during 2009 in the sum of €12,489k and, at the same time, reduced its equity capital by the same amount to cover previous years' losses, the equity capital remaining at €65,000k.

Lisbon, March 8, 2010

signed
José Manuel Macedo Pereira

AUDIT COMMITTEE REPORT AND OPINION

AUDIT COMMITTEE REPORT AND OPINION

To the Members of

T-VIDA, COMPANHIA DE SEGUROS, SA,

Under the law and the articles of association, it is our duty to present to you for appraisal the Report on the supervisory activity undertaken by the Audit Committee, as well as our Opinion on the Report, the Accounts and the proposal for the appropriation of profit presented by the Board of Directors of T-VIDA, COMPANHIA DE SEGUROS, SA, in respect of the year ended December 31, 2009, and also our appraisal of the respective Legal Certification of the Accounts issued in due course by the Company's Official Auditor.

Throughout 2009 the Audit Committee regularly monitored the Company's business and its management throughout the year, both through appraisal of the accounting and management information documents with which we were provided on a regular basis, and also by means of the complementary clarification that we requested of the Board and of the Company's services charged with operational responsibility, from which we always received all the co-operation we requested, and also by means of such verification measures as we considered necessary to the fulfilment of our legal and statutory obligations.

During 2009, T-Vida continued to implement its business strategy, returning a growth of production in the sum of €18,767k (not considering the Capitalisation Operation issue in the sum of €310 million in 2008), which constitutes a 21.9% positive variation and a revenue of €102,811k. The strategy was based, above all, in the growth of PPRs and risk life insurance, and also on strengthening its position if the Companies & Businesses segment.

We found, with satisfaction, that the Company has continued it policy of rational use of resources and of cost control, employing in its operational and financial activity a policy of minimisation of the risks inherent in its business.

Emphasis is also given, this year, to the reduction of Ancillary Capital Contributions by €17.5 million and to the paying up of equity capital and to the incorporation of the loss brought forwards, both of which in the sum of approximately €12.5 million.

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

On termination of 2009 we appraised the respective Annual Report and Accounts drawn up by the Board of Directors and presented to us in due course, having found that they are in keeping with applicable legal and statutory requirements and mention the more relevant aspects that marked the Company's business during the year ended December 31, 2009. In due course and under Article 452.1 of the Companies Code, the Audit Committee also appraised the Legal Certification of the 2009 Accounts, dated March 8, 2010, issued with no reserves by the said Official Auditor, with which we are in agreement.

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

a) the Management report dated February 23, 2010, and the other accounting documents for the year ended December 31, 2009, presented by the Board of Directors; and

b) the Board of Directors' proposal for the appropriation of the 2009 net profit in the sum of €5,265,689 under the terms set out in point 2.5 of the Management Report referred to above.

Lisbon, March 9, 2010

The Audit Committee

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

VIDA

09 Annual Report and Accounts