2010
Annual Report

VIDA

T-VIDA
Companhia de Seguros, S.A.
Av. da Liberdade, nº 242
1250 – 149 Lisbon / Portugal
Registered at the Lisbon
Registry of Companies
VAT Nº 507 684 486

VALTER VINAGRE
b. 1954, Portugal
Da série Variações para um fruto,
"S/ título #19", 2003
Silver Dye Bleach Print (Ilfochrome)
102,5 x 127,5cm • Edition 1/3
Courtesy by the Artist

VIDA

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T-VIDA, Companhia de Seguros

MARIANA VIEGAS
b. 1969, Portugal,
Da série ILHA, 2010,
“Nesta folha há um mundo”,
Inkjet print mounted on fine art paper
64 x 77cm • Edition 1/3 +AP
Courtesy by the Artist

VIDA

01 Corporate Offices

01 Corporate Offices

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

Board of Auditors

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

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

MARIANA VIEGAS
b. 1969, Portugal,
Da série ILHA 2010,
“É como uma ilha viver num pais estrangeiro”,
Inkjet print mounted on fine art paper
64 x 77cm • Edition 1/3 +AP
Courtesy by the Artist

VIDA

02 Directors' Report

02 Directors' Report

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

Under the law and the articles of association, the Board of Directors is honoured to present to you for appraisal the Management Report and Accounts of T-Vida, Companhia de Seguros, SA (hereinafter T-Vida or Company), in respect of 2010.

2.1. Macroeconomic Framework

The year under review was marked by the sovereign-risk crisis within the Euro Area, particularly as a result of the very considerable imbalance of the Greek public accounts and of the difficulties of the financial sector in Ireland. Concerns as to the need for the financial support of the EU and of the IMF extending to other countries spread to the peripheral economies of the Euro Area, Portugal and Spain in particular, penalising their borrowing conditions.

Despite the concern as to financial instability, 2010 was also marked by good performance of the activity in the main economic areas, with staggered impacts of the monetary and budget policies being felt on domestic demand and, above all, on international trade flows. In 2010, following the negative figures seen in 2009, GDP grew by 3.6% in Germany, 1.7% in the Euro Area and 2.8% in the USA. The main emerging economies continued to be very dynamic, with growths of 10.3% in China and 7.5% in Brazil.

2.1.1. – International Economic Situation

Following the 2.6% downturn of the GDP in 2009, and despite an economic situation marked by several uncertainties and contingencies, the economy of the USA grew by 2.9% in 2010. In annualised terms, GDP growth slowed from 5.0% in the 4th quarter of 2009 to just 1.7% in the 2nd quarter of 2010. The jobless rate remained high (9.5% of the active population at the end of the 1st half), though showing a downward trend throughout the year.

The high unused production capacity contributed to a downward trend of inflation over the period under review. At the beginning of summer, concerns as to another possible recession and the additional risks of deflation became more visible.

In respect of the budget, the Obama administration announced new stimuli for domestic demand, while maintaining a substantial part of the fiscal stimuli of the previous Bush administration, for an estimated total of more than USD 800 billion. The last quarter of the year interrupted the downward trend of market interest rates, with the better prospects for economic activity generating concern as to inflationary pressures caused by the expansionist monetary policy.

However, in addition to the extraordinary injections of liquidity, the Fed signalled no intention of making a start to a cycle of Fed Funds rate increases, keeping the target between 0% and 0.25% through out 2010.

During 2010, the economy of the Euro Area consolidated the trend of recovery of activity begun in the second half of 2009, which put an end to the period of recession begun ion the 2nd quarter of 2008. The GDP therefore grew by 1.7% following the 4.1% contraction seen in 2009. On the base of this recovery was the strong performance of exports, driven by more dynamic international trade flows and, in particular, by demand from emerging nations.

Also particularly strong was the performance of activity during the 2nd quarter, growing by 1.0% over the quarter, benefiting from the stimulus provided by the various expansionist policies. Nevertheless, the base of the recovery gradually enlarged and there was also a recovery of private consumption and an attenuation of the downturn experienced by investment (investment in equipment showed some growth over the previous year), in step with an improvement of confidence and with a progressive normalisation of borrowing conditions in the core markets.

Recovery of activity in the Euro Area as a whole was not uniform, however, and attention is drawn to the heterogeneity of the performance of the Member States. Noteworthy was the performance of the German economy, which grew by 3.6% in 2010, the biggest rate of growth since unification, with a powerful contribution by exports and by investment in equipment. This performance contracts with the slowdown and even downturn seen in some of the peripheral economies of the Economic and Monetary Union. In this connection, emphasis is given to the downturn of the Greek, Irish and Spanish economies, the first of which by more than 4.0%, especially as a result of the major budget-consolidation effort under way in the country.

With regard to prices, the average annual inflation rate was 1.4%, an increase of the figure of 0.3% in 2009, largely the result of energy, transport and food prices. The underlying inflation rate, which excludes these components, decreased compared to the previous year, reflecting the absence of inflationary pressures imposed by demand. This also stemmed from the high unused production capacity and from the increase of the jobless rate to 10.0% of the active population.

In this connection, the European Central bank kept its refi rate at 1.0% over the year, a rate unchanged since May 2009. In parallel, the monetary authority provided ample liquidity to the banking system, though operations injecting unlimited liquidity at 3 months and also, as from May, buying public debt securities on the secondary market. This was designed to reduce the tensions observed in some markets, particularly clear to see in the sovereign-debt markets of some peripheral States.

2.1.2. – Domestic Economic Situation

The year under review was marked by a deterioration of the borrowing conditions faced by the Portuguese economy as a result of greater investor risk aversion in respect of the periphery of the Euro Area and, above all, in the wake of the downgrade of the Republic (by two notches, to A-), in April by one of the leading rating agencies.

Despite a solid situation as far as solvency is concerned, Portuguese banks came to confront an adverse situation abroad in accessing liquidity. They were forced into greater recourse to the ECB's liquidity-injection operations and were obliged to adjust their conditions in financing domestic economic activity, making them more restrictive.

In any case, despite the poor performance of consumption and investment during the second half of the year, the Portuguese economy returned a 1.4% growth in 2010, outperforming expectations and driven largely by dynamic exports.

Within the contest of the sovereign-risk crisis of the Euro Area, budget policy in 2010 (particularly during the last quarter) was characterised by the adoption of highly restrictive measures designed to reduce the deficit from 9.3% of the GDP in 2009 to 4.6% in 2011. These measures included an increase of the tax burden on income and on consumption, with emphasis, in the latter case, of the increase of the VAT rate from 20% to 21% in July and from 21% to 23% in January 2011.

On the spending side, the emphasis is on the announcement of wage reductions and a freeze on taking on civil servants, besides cuts to social and investment spending. In 2010 the Public Administration deficit fell to a figure of approximately 6.9% of the GDP (below the initial estimate of 7.3%, benefiting from extraordinary revenue of about 1.1% of the GDP caused by the transfer from the Portugal Telecom pension fund to the public pensions system). Public debt increased from 76.1% to 82.1% of the GDP, though still below the Euro Area average of 84.1%.

The increase of the average annual unemployment rate from 9.5% to 10.8% of the active population and the prospects of a reduction of disposable income penalised consumer confidence and determined a slowdown of domestic demand towards the end of the year. However, of 2010 as a whole, private consumption grew by 1.9%, particularly as a result of bringing forward consumption decisions in ahead of the VAT increases referred to earlier. This effect was especially clear to see in the acquisition of consumer durables (vehicles in particular). In average annual terms, consumer inflation rose from -0.8% to 1.4%, with an acceleration of prices more visible during the closing months of the year, stemming largely form the increase of energy prices. Year-on-year inflation stood at 2.5% in December.

The deterioration of expectations in the light of the evolution of domestic and foreign demand, the high uncertainty and the more restrictive borrowing conditions led to a new downturn of investment (down by some 6.0%, following the 14.0% drop in 2009). The downturn of capital spending was common to every sector – households, companies and public administration.

Exports grew by approximately 8.8%, following the 11.7% downturn seen the previous year. The main contribution to this performance was exports of manufactured products, which took advantage of the recovery of demand and of industrial activity worldwide, especially in Portugal's main trading partners in the Euro Area (with emphasis on Germany, with its 3.6% GDP growth). Foreign orders placed with Portuguese industry were growing strongly at the year-end (nearly 50.0% in nominal and y-o-y terms).

The good performance of exports and the progressive adjustment of domestic demand (driving imports down) contributed to a reduction of the foreign deficit. In 2010, the combined balance of the current and capital accounts, which reflects the net foreign borrowing requirements of the economy fell from 9.4% to 8.5% of the GDP.

2.1.3. – Insurance Market

Following the 5.3% downturn of the production of the insurance industry in 2009, insurance business returned to growth in 2010. Premiums written amounted to €16,341 million, a growth of 12.6% over the preceding year.

Fundamental to this was the performance of the Life segment. With premiums standing at €12,173 million, a growth rate of 17.2%, the Life segment accounts for some 75% of the total production of the industry. The growth of the Life segment, achieved against a background of great instability of the financial markets, reflects savers' appetite for low--risk investment. Capitalisation products returned sharp growth (23.3%) and, despite the announced limitation as to tax deductions, the PPRs continued to attract investors, with contributions increasing once again in 2010 (3.4%).

In the Non-Life segment premium volume stood at €4,168 million, up 0.9% over 2009, a significant progress taking into account the decline that was predominant during the two previous years. In 2010 the emphasis is on the growth of the Health line (6.5%), reflecting ongoing concern as to access to health care, while Multi-risk and Third-party Liability were also up by 3.5% and 4.2% respectively. Workmen's compensation insurance continues to decline (4.1%), reflecting the situation of the employment market. It was against this background that Motor insurance began to recover from the sharp decreases seen since 2007 and, in 2010, there was a positive, though modest, variation (0.4%).

The weight of insurance business in the GDP grew from 8.87% in 2009 to 9.72% in 2010, the highest figure ever achieved in the Portuguese market. The Life segment accounts for 7.24% of the GDP, with Non-Life segment accounting for 2.48% (6.35% and 2.53% in 2009, respectively).

According to the provisional accounts of the insurance industry, operating profits amounted to around €420 million in 2010, the Life segment accounting for €390 million, driven by prudent, effective policies for the management of the investment portfolio, now estimated at about €50 billion. Under pressure by high average claims rates, the Non-Life segment continued to return modest profitability.

2.2. Relevant Factors in 2010

In its 4th year in business T-Vida grew by 59.9%, generating a production volume of €164,461k. The issue of a capitalisation operation in the sum of €70 million contributed to this growth.

T-Vida maintained its strategic line of growing in Life Risk and, at the same time, it maintained a relevant position in the PPR-products market. In Life Insurance T-Vida's growth was driven by the Large and Medium Companies segments, in which its involvement was less consolidated. In the PPR segment, the poorer economic and financial surroundings during the last quarter severely conditions T-Vida's growth capacity.

Provision of a quality service to its customers and business partners continued to be one of T-Vida's priorities. During the year, therefore, a policy was maintained of ongoing introduction of improvements to the computerisation of the services. With regard to the stock of policies, the maturity of some products led to cancellation of a significant number of policies, and this only allowed the level seen in 2009 to be maintained.

Ancillary capital contributions were repaid to Companhia de Seguros Tranquilidade in the sum of €7.5 million.

2.3. Main Variables & Business Indicators

(thousand euros)

	2010	2009	Change 10/09 (%)
Balance Sheet			
Investments	806,200	695,449	15.9
Net assets	941,574	868,460	8.4
Equity	66,888	81,067	-17.5
Investment contract mathematical provisions & liabilities	858,332	771,256	11.3
Gains & Losses			
Total production	164,441	102,811	59.9
Premiums earned, net of reinsurance	36,662	32,536	12.7
Costs of claims, net of reinsurance	43,713	43,178	1.2
Mathematical provision, net of reinsurance	7,500	10,880	-31.1
Share of profits/(losses), net of reinsurance	1,790	1,663	7.6
Operating costs	7,335	6,351	15.5
Returns of financial activity	13,159	12,492	5.3
Technical balance (1)	8,533	6,093	40.1
Overall balance (2)	13,407	12,355	-8.5
Net profit	5,140	5,266	2.4
Indicators (%)			
Technical balance / Total production (3)	9.0	5.9	3.1 p.p.
Operating costs / Total production (3)	7.8	6.2	1.6 p.p.
Operating costs / Invest. cont. math. provisions & liabilities	0.9	0.8	0.0 p.p.
Solvency margin cover rate	107.3	192.8	-85.5 p.p.
Claims / Premiums (IFRS 4)	79.4	111.8	-32.4 p.p.
Benefits paid / Deposits received (3) (IAS 39)	80.8	43.0	37.7 p.p.
Acquisition costs / (Premiums + Deposits received)	7.1	5.8	1.3 p.p.
Administrative costs / (Premiums + Deposits received)	3.3	2.9	0.4 p.p.
Other Indicators			
N° of employees	24	24	0.0
N° policies	147,493	148,838	-0.9

(1) Technical balance net of Reinsurance.
(2) Technical balance + Balance of financial activity.
(3) Excluding €70 million in respect of the capitalisation operating allocated to the banking channel, undertaken in 2010.

2.4 – The Business of T-Vida in 2010

2.4.1 – Total Production

Production volume grew 59.9% in 2010 compared to last time. This change was the result of the capitalisation operation undertaken in 2010 in the sum of €70,000k. Excluding this operation, Life premiums would have declined by 8.2% (€8,370k) compared to the previous year.

In the PPR products production fell by €2.9 million. The Guaranteed PPR partially offset this downturn, through a €5.7 million growth, accounting for 56.7% of total accumulated production as at December 31, 2010, without the Capitalisation Operation. The Unit Linked PPR products, of which emphasis is given to PPR Active Saving and PPR Investment 2009, decreased by €8.6 million (46.3%).

Capitalisation products were down €6.6 million (39.0%), the change essentially justified by the lesser contribution of capitalisation production attracted by the Assurfinance network and by the fact that a deal, in 2009, worth €2.3 million was not repeated.

Traditional products increased by €1.1 million (5.8%), with emphasis on the growth of Individual Risk products (€1.0 million), contrary to the Mixed products which fell by 14.8% (€0.5 million) compared to 2009 given the maturity of the portfolio. Annuities grew 9.0% (€0.3 million).

At the year-end the Company's production, excluding the capitalisation operation in the sum of €70,000, totalled €94,441k, and emphasis is given to the weight of the PPRs and of the Risk and Mixed Products, accounting for 67.4% and 17.9% respectively. These are strategic produces for T-Vida in terms of loyalty and high technical margins.

(thousand euros)

Total Production	2010	2009	Change 10/09 (%)
Total	**164,441**	**102,811**	**59.9%**
Insurance Contracts	**58,636**	**39,319**	**49.1%**
- Annuities	3,534	3,243	9.0%
- Other risk & mixed products	16,897	15,975	5.8%
- Capitalisation products	6,731	8,758	-23.1%
- PPR	31,474	11,343	177.5%
Investment Contracts	**105,806**	**63,492**	**66.6%**
- Capitalisation products	3,670	8,282	-55.7%
- PPR	32,135	55,210	-41.8%
- Capitalisation Operations	70,000	-	-

2.4.2 – Costs of Claims and Benefits Paid

Total costs incurred with indemnities amounted to €75,467k, an increase of 5.9% compared to 2009. The weight of Indemnities as a proportion of mathematical provisions at the start of the period stood at 8.9% (9.2% the previous year), and 2010 was marked by a large volume of maturities (€21,026k) and surrenders (€40,935k).

In PPRs the costs of indemnities amounted to €26,660k, as a result of maturing policies during the year and of the €5.0 million increase of surrenders, with a weight of 36.7% compared to the 2009 figure of 31.8%. In Traditional products indemnity costs totalled €13.987k, 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	2010	2009	Change 10/09 (%)
Total	**75,467**	**71,292**	**5.9%**
Insurance Contracts	**46,547**	**43,961**	**5.9%**
- Annuities	5,243	4,457	17.6%
- Other risk & mixed products	8,812	9,597	-8.2%
- Capitalisation products	5,462	6,754	-19.1%
- PPR	26,660	22,813	16.9%
Cost of Claims Imputed	**369**	**340**	**8.5%**
Benefits Paid on Investment Contracts	**28,920**	**27,331**	**5.8%**
- Capitalisation products	13,550	15,868	-14.6%
- PPR	15,370	11,463	34.1%

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, 2010, Mathematical Provisions and Investment Contract Liabilities were up 11.2%, essentially the result of the increase of PPR Financial liabilities (€18.6 million) and of Capitalisation operations (€67.1 million), the resultant amount of €375 million accounting for 44.4% of Mathematical provisions and Insurance and Investment Contract Liabilities.

The sale of contracts with lower technical rates allowed a reduction of the guaranteed minimum rates on PPR products and capitalisation products, down from 3.25% to 3.0% and from 2.55% to 2.36% in 2009 and 2010 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 40.3% of the total of the Mathematical Provisions and Insurance and Investment Contract Liabilities in 2010, 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 and Liabilities	2010	2009	Change 10/09 (%)
Total	**858,332**	**771,256**	**11.3%**
Mathematical Provisions	**342,735**	**332,257**	**3.2%**
- Annuities	48,020	48,393	-0.8%
- Other risk & mixed products	38,190	41,656	-8.3%
- Capitalisation products	35,004	32,641	7.2%
- PPR	221,520	209,568	5.7%
Financial Liabilities	**515,597**	**438,999**	**17.4%**
- Capitalisation products	22,776	31,723	-28.2%
- PPR	118,210	99,747	18.5%
- Capitalisation operations	374,611	307,529	21.8%

2.4.4 – Technical Balance

There was an increase of the technical balance(1) of 40.1%, to €8.5 million in 2010 (compared to €6.1 million in 2009). This increase constitutes a growth, compared to the previous year, of €2.4 million, essentially the result of the growth of premiums and the reduction of commissions which, in 2010 accounted for 2.3% of premiums (3.7% in 2009), partially offsetting the effect of the increase of the claims rate, particularly in the Guaranteed PPR (€7.9 million y-o-y).

Despite the €2.685k increase of income the financial balance(2) fell by €1,689k as a result of liabilities towards customers associated with guaranteed-rate products.

The overall balance(3) stood at €13.4 million, up €1.1 million over the previous year. Excluding the LAT effect in 2009, the change would have been equally favourable, up €1.8 million (15.6%).

(thousand euros)

Total Technical Balance	2010	2009	Change 10/09 (%)
Technical Balance(1)	**8,533**	**6,093**	**40.1**
- PPR	420	814	-48.3
- Capitalisation	82	80	2.3
- Traditional	8,031	5,199	54.5
Financial Activity Balance(2)	**4,873**	**6,262**	**-22.2**
- PPR	3,588	2,367	51.6
- Capitalisation	1,231	689	78.8
- Traditional	-339	2,821	-112.0
- Capitalisation operations	393	386	1.8
Overall Balance(3)	**13,407**	**12,355**	**8.5**

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

2.4.5 – Operating Costs

Operating costs were up 15.5% over the previous year, essentially owing to the substantial increase of Staff costs and of Third-party supplies & services.

Staff costs increased 53.1% (or €579k), largely the result of the alteration of the corporate officers' remuneration policy, with effect as from March 2009, and Profit sharing.

Third-party supplies & services increased 16.5% (or €414k) as a result of the impact of banking-channel commission costs.

Compared to last time, Taxes and Duties increased in proportion to the volume of premiums written in 2010 (impact of the Capitalisation operation undertaken in November 2010).

Changes under other costs were less significant compared to last time.

(thousand euros)

Operating Costs	2010	2009	Change 10/09 (%)
Staff costs	1,669	1,090	53.1
Third-party supplies & services	2,926	2,511	16.5
Taxes and charges	79	50	58.7
Depreciation charges for the period	2,313	2,368	-2.3
Commissions	348	332	4.9
Total	**7,335**	**6,351**	**15.5**

2.4.6 – Investments

The year under review was marked by a recovery of the global economy following the sharp slowdown in 2009, the merging economies showing greater dynamism than the developed economies. In 2010, global economic growth is set to have stood arounf 3.6%, with China and India in the lead and Europe's peripheral countries returning the worst performances of the developed economies.

Of the developed economics, the spotlight is on the German and American. In the USA, the GDP growth in 20010 is estimated at 2.9%, a remarkable recovery from the fall observed in 2009 (2.6%). At the outset his performance was the result of the cyclic factor of re-establishing inventories, followed by a recovery of household consumption and the good performance of the export sector. It is estimated that Germany, Europe's biggest economy, will have grown by about 3.6% during the year, the best figure of the past two decades. The German economy was driven by the powerful export sector, which took advantage of the fall of the euro and of the economic recovery of its trading partners, the Asian in particular.

The year was also marked by the sovereign-debt crisis of Europe's peripheral countries, namely Greece, Portugal, Ireland and Spain and, to a lesser extent, Italy and Belgium. Greece was the first victim of the financial markets, left as it was without access to borrowing on the primary bond-issue market, leading in May to financial aid by the EU and the IMF totalling €110 billion up to the end of 2013. Subsequently, the European Financial Stabilisation Fund was set up to finance countries of the Euro Area in difficulties, totalling €750 billion (€500 billion by the EU and €250 by the IMF).

This plan was put into effect for the first time in November, in the agreement secured by Ireland for financial aid for the country in the sum of €85 billion for an average term of 7 years. Throughout the year the yields of Portugal's public debt oscillated sharply, having even broken through the 7% barrier defined as the limit for the request for financial aid, though it did not call into question the country's ability to borrow on the bond market.

The European Central Bank kept its interest rate unchanged at 1% throughout the year. Owing to the sovereign-debt crisis of the peripheral countries, the ECB was obliged to maintain its liquidity-injection operations for the banks, involving unlimited sums and to make a start to a sovereign-bond purchase programme designed to normalise the market and lend it liquidity. The Euribor rates rose during the year, approaching the ECB's refi rate owing to the normalisation of the interbank market and of the liquidity conditions within European banking.

During 2010 the equity markets were subject to greater regional differences, and the disparities were more closely linked to the nationality of the companies than is customary. Europe's peripheral markets were severely penalised by the sovereign-debt crisis, with the PSI 20 index down 10% and the Spanish IBEX 35 down about 16%. On the other hand, Germany returned quite a good performance (up 16% in 2010) driven mainly by the export sector and industrial companies, which were subject to demand from the emerging markets for their goods and services.

The emerging markets (MSCI Emerging Markets up 16.4% in 010) and the USA (S&P 500 up 12.8% over the year) performed clearly better than Europe, driven by their greater economic growth and also by the considerable liquidity of the market, which was of benefit to risk assets and to these markets in particular.

T-Vida's financial policy was centred on investment in, and on rotation of, fixed-rate bonds and liquidity. Throughout the year management of the investment in the equity market, mostly via investment funds, was undertaken with a view to reducing the volatility of these investments. There was no direct investment in the equity market at the year-end.

In the bond segment preference was given to investments in fixed-rate issued on the primary market, with short maturities (3 to 5 years), the main goal being to keep the average rating of the portfolio at A2/A. During the third quarter, with the reversal of the downward trend of interest rates, the Company put an end to the interest-rate swaps begun the previous year involving the PPR-products portfolio.

The floating-rate bonds were sold in stages so as to reduce exposure per issuer and to increase the yield of the portfolio. On the other hand, the fixed-rate bond portfolio, with its heavy investment throughout the year, particularly in European debt, accounted for 60% of the total bond portfolio at the year-end.

During the last quarter of the year the liquidity level rose sharply with a view to reducing exposure to credit-market volatility and to take advantage of the high returns on term deposits paid by Portugal's main banking institutions. At the end of the year liquidity accounted for over 30% of the total portfolio (excluding Unit Linked).

(thousand euros)

Assets Under Management (2)	2010	2009	Change 10/09 (%)
Bonds	280,286	273 ,995	2.3
Equities & investment funds	10,084	13,533	-25.5
Liquidity	145,109	97,232	49.2
Unit Linked (1)	381,214	314,353	21.3
Other	35	-	-
Total	**816,728**	**699,113**	**16.8**

(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 of €2,114k (13.2%) comapred to 2009.

The year under review was also marked by net gains totalling €7,281k 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 €2,651k.

On the negative side, Equity fell by €10,901k as a result of the potential losses recorded for the whole of the bond segment, the result of the crisis of Europe's peripheral countries and of the increase of medium- and long-term interest rates.

The return on average assets (excluding the Unit Links effect) on the financial result stood at 4.4%, which compares with 4.3% for 2009.

(thousand euros)

Results of Financial Assets and Liabilities	2010	2009	Change 10/09 (%)
Income	13,159	12,492	5.3
Gains & losses	2,672	2,160	23.7
Impairments	390	346	12.5
Net gains on financial liabilities	1,351	876	54.2
Total	**17,571**	**15,874**	**10.7**

2.4.7 – Equity and Solvency Margin

Equity in 2010 fell to €66,888k, €14,179k less than in the previous year. This reduction is the result of the decline of Ancillary capital contributions by €7.5 million and by the decrease of Revaluation reserves by €9,760k to stand at -€22,734k as a result of the impact of the deterioration of the credit market.

The solvency ratio estimated as at December 2010 stood at 107.34%, compared to 192.8% for 2009. A contribution to this worse performance was made by the reduction of the constituent elements as a result of the reduction of the ancillary capital contributions and the increase of potential losses (revaluation reserves).

(thousand euros)

Equity	2010	2009	Change 10/09 (%)
Contributed capital	65,000	65,000	0.0
Other capital instruments	12,500	20,000	-37.5
Revaluation reserves	-22,734	-12,975	-75.2
Other reserves	6,943	3,776	83.9
Retained earnings	39	-	-
Net profit/(loss)	5,140	5,266	-2.4
Total	**66,888**	**81,067**	**-17.5**

2.4.8 – Internal Control

On the basis of the framework provided by Directive 2009/138/EC of the European Parliament and of the Council, of November 25th, in respect of access to insurance and reinsurance business and to its exercise (Solvency II) to be transposed by the Member States by October 31, 2010, the Consultation Papers published by EIOPA and other regulations published, the Tranquilidade Group, of which T-Vida is part, went ahead, in 2010, with the work of adaptation to the new Solvency II legislation, which implies substantial alterations to insurance business.

In this connection, several measures were developed, of which the following are underscored:

- Implementation and development of economic-capital calculation tools;
- Active involvement in the work groups of the Insurance Institute of Portugal and of the Portuguese Insurers Association about matters relating to the evolution of the Solvency II project;
- Performance of the QIS 5 – (quantitative impact study) on the application of the Solvency II rules to the calculation of the economic capital of the insurers, with subsequent analysis and internal discussion of the results at the Overall Risk Management Committee;
- Reviewing and updating the internal control system, including mapping of processes, risks, controls and improvement opportunities that had been identified;
- Systematisation and periodic monitoring of the status of implementation of the recommendations set out and approved within the scope of the internal control system;
- Responding to the stress test questionnaires under the terms requested of the Company by the Insurance Institute of Portugal;
- Definition, formalisation and monitoring of the various policies, specifically, besides other existing ones, the one connected with the Remuneration of Corporate Officers and also with the investment-risk policy;
- Creation, in accordance with the definitions of the Anti-Fraud Policy, of mechanisms for anonymous whistle-blowing in respect of potentially fraudulent situations.

In the matter of Solvency II a plan was also drawn up for the implementation of the Solvency II Roadmap, complete with details and calendar of the main measures to be undertaken during the coming two years within the Tranquilidade Group, which was communicated to the Insurance Institute of Portugal.

2.5. Proposal for the Appropriation of Results

A net profit in the sum of €5,140,468.65 was returned, for which we propose the following appropriation:

a) 10% of the Net profit for the year in the sum of €514,044.87 to Legal Reserve;
b) Payment of dividends in the sum of €4,600,000;
c) The remainder to Retained Earnings.

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

2.6. Objectives for 2011

The coming year will be a challenging one that will require greater focus on the strategic business lines (Life Risk and PPR), based on the professionalism of our business partners having relevant activity in Life business. The search for opportunities allowing an enlargement and diversification of the distribution networks and providing quick production gains will also be one of the goals defined for the year.

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

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

1. Enlargement of the base of the traditional products (risk and mixed) distributor agents. Coaching the Agents network in order to improve their counselling skills in Protection and Security Solutions, as well as the provision of a competitive offer responding to the needs of modern society will be levers fundamental to achieving the planned growth.

2. Consolidation of the Assurfinance distribution model, optimising its ability to market the Life Financial range and life insurance linked to 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.

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

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

The targets set up for 2011 are consistent with the growth prospects of the industry and of the economy.

The global economy is expected to return to growth at two speeds: the emerging-market economies, having a positive effect on international trade, and the USA and the core Euro Area, with moderate growth. Growth will remain slow or even negative in the peripheral economies of the Euro Area, with their restrictive budget policies, borrowing difficulties and the spectrum of the risk of the financial crisis. Credit will continue to be selective and the upturn of company and household confidence will be slight.

Commodity price increases may lead to the appearance of inflationary pressures and to greater uncertainty as to the recovery of the advanced economies. 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.

The sharp reduction of the tax benefits of the PPRs stemming from implementation of the restrictive measures of the 2011 Portuguese State Budget will also impact on the placement of this product and on the way in which savers view this savings instrument. There will be a need to emphasise and to demonstrate the need for each taxpayer to set aside a pension complement.

For the coming years 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.

In the field of risk management, 2011 will be marked by continuity in the transposition of the rules defined in the Solvency II Directive. To this end, T-Vida has outlined a programme of actions for the coming two years, directed at complying with the various requirements of the said directive.

For 2011 we would underscore some of the measures and/or activities to be undertaken by T-Vida, as provided for in the plan of action for the Solvency II programme to be implemented by the Company:

- Development and implementation of the Business Continuity Plan;
- Organisation of training courses in the field of Risk management and Solvency II;
- Definition and formalisation of Risk-tolerance limits;
- Development, updating and formalisation of several risk policies such as: corporate governance manual; human resources management

policy; anti-fraud policy; outsourcing policy; security and access to systems policy; investment policy; product pricing & development policy; and reinsurance policy;
- Review of the Company's Internal Control System;
- Development of an operating-loss database;
- Review of the Reporting model within the scope of risk management, internal control and compliance;
- Review of the Company's requirements in respect of the Economic Capital Models.

2.7. Closing Remarks

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

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

Lisbon, 15 March 2011

The Board of Directors

Pedro Guilherme Beauvillain de Brito e Cunha
(Chairman)

Augusto Tomé Pires Fernandes Pedroso
(Director)

António Miguel Natário Rio-Tinto
(Director)

Miguel Maria Pitté Reis da Silveira Moreno
(Director)

Nuno Miguel Pombeiro Gomes Diniz Clemente
(Director)

VALTER VINAGRE
b. 1954, Portugal,
Da série Variações para um fruto,
“S/ título #12”, 2003,
Silver Dye Bleach Print
(Ilfochrome)
43 x 45,5cm • Unique print
Courtesy by the Artist

03 Financial Statements

Balance Sheet (Assets) as at December 31, 2010 and 2009

(thousand euros)

ASSETS	Notes to the Accounts	2010 Gross Value	2010 Impairment, Depreciation / Amortisation or Adjustments	2010 Net Value	2009
Cash & cash equivalents and sight deposits	8	19,568		19,568	11,511
Investments in affiliates, associates and joint ventures					
Held-for-trading financial assets	6				
Financial assets classified in the initial recognition at fair value through profit & loss	6	379,476		379,476	312,211
Hedge derivatives	6				1,434
Available-for-sale financial assets	6	283,358	-510	282,848	278,147
Loans and Receivables		**143,876**		**143,876**	**103,657**
Deposits at cedent companies					
Other deposits	6	143,841		143,841	103,620
Loans granted	6	35		35	37
Receivables					
Other					
Investments held to maturity					
Land & Buildings					
Land & buildings held for own use					
Land & buildings held for income					
Other tangible assets					
Inventories					
Goodwill					
Other tangible assets	12	50,767	-10,702	40,065	42,134
Technical Provisions for Reinsurance Ceded		**1,008**		**1,008**	**6,430**
Provisions for unearned premiums					
Mathematical provision for life business	4	414		414	5,977
Provisions for claims	4	273		273	134
Provision for profit-sharing	4	321		321	319
Provision for rate commitments					
Portfolio stabilisation provision					
Other technical provisions					
Assets for post-employment benefits & other long-term benefits	23	27		27	36
Other Debtors for Insurance & Other Operations		**2,814**	**-313**	**2,501**	**2,313**
Receivables for direct insurance operations	13	1,961	-313	1,648	1,481
Accounts receivable for other reinsurance operations	13	79		79	431
Accounts receivable for other operations	13	774		774	401
Tax Assets		**7,385**		**7,385**	**6,394**
Current tax assets	24	433		433	197
Deferred tax assets	24	6,952		6,952	6,197
Accruals & deferrals	13	2,575		2,575	2,021
Other items of assets	13	62,245		62,245	102,172
Available-for-sale non current assets and discontinued operating units					
Total Assets		**953,099**	**-11,525**	**941,574**	**868,460**

THE ACCOUNTANT
Jorge Manuel Tavares Rosa

THE FINANCIAL & ADMINISTRATIVE MANAGER
Luís Miguel Matos de Amaral Maria Ribeiro

THE GENERAL MANAGER
Elisa Maria Silva Mendes Piteira

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

Balance Sheet (Liabilities) as at December 31, 2010 and 2009

(thousand euros)

LIABILITIES AND EQUITY	Notes	2010	2009
Liabilities			
Technical Provisions		**351,602**	**341,328**
Provisions for unearned premiums	4	1,266	999
Mathematical provision for life business	4	342,735	332,257
Provisions for Claims			
For life insurance	4	5,711	6,159
Provision for profit-sharing	4	1,890	1,724
Provision for rate commitments			
Portfolio stabilisation provision	4		189
Other technical provisions			
Financial liabilities of the deposit component of insurance contracts and of insurance contracts and transactions considered investment contracts for accounting purposes	5	515,597	438,999
Other Financial Liabilities		**177**	**158**
Hedge derivatives			
Subordinated debt			
Deposits received from reinsurers			
Other	5	177	158
Liabilities for post-employment benefits and other long-term benefits			
Other Creditors for Insurance Operations and other Operations		**2,445**	**3,120**
Accounts payable for direct insurance operations	13	1,365	1,322
Accounts payable for other reinsurance operations	13	367	473
Accounts payable for other operations	13	713	1,325
Tax Liabilities		**299**	**253**
Current tax liabilities	24	299	253
Deferred tax liabilities			
Accruals & deferrals	13	4,559	3,511
Other provisions	13	7	24
Other liabilities			
Liabilities of a group for sale classified as available-for-sale			
Total Liabilities		**874,686**	**787,393**
Equity			
Contributed capital	25	65,000	65,000
(Treasury shares)			
Other capital instruments	25	12,500	20,000
Revaluation Reserves		**-22,734**	**-12,975**
For adjustments to the fair value of financial assets	26	-23,862	-13,483
For revaluation of land & premises			
For revaluation of intangible assets			
For revaluation of other tangible assets			
For adjustments to the fair value of cash-flow hedge instruments	26	1 128	508
For adjustments to the fair value of net investment hedges in foreign currency			
For currency translation differences			
Deferred and current tax reserve	26	5,874	3,234
Other reserves	26	1,069	542
Retained earnings	35	39	
Net profit/loss) for the period		5,140	5,266
Total Equity		**66,888**	**81,067**
Total Liabilities & Equity		**941,574**	**868,460**

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Profit and Loss for the Years Ended December 31, 2010 and 2009

(thousand euros)

PROFIT AND LOSS ACCOUNT	Notes	2010 Technical Life	2010 Non-technical	2010 Total	2009
Premiums Earned Net of Reinsurance		**36,662**		**36,662**	**32,536**
Gross premiums written	14	58,637		58,637	39,319
Reinsurance premium ceded	14	-21,727		-21,727	-6,621
Provisions for unearned premiums (change)	4 e 14	-248		-248	-162
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	838		838	1,335
Costs of Claims, Net of Reinsurance	4	**-43,713**		**-43,713**	**-43,178**
Amounts paid		-44,300		-44,300	-46,579
Gross amounts		-46,995		-46,995	-47,391
Reinsurers' part		2,695		2,695	812
Provision for claims (change)		587		587	3,401
Gross amount		448		448	3,430
Reinsurers' part		139		139	-29
Other technical provisions, net of reinsurance	4	189		189	-50
Mathematical Provision of the Life Line, Net of Reinsurance	4	**7,500**		**7,500**	**10,880**
Gross amount		-9,822		-9,822	5,841
Reinsurers' part		17,322		17,322	5,039
Share of profits/(losses), net of reinsurance	4	-1,790		-1,790	-1,663
Net Operating Costs & Expenses	21	**-9,328**		**-9,328**	**-8,507**
Acquisition costs		-6,690		-6,690	-5,933
Deferred acquisition costs (change)	4	-32		-32	-37
Administrative costs		-3,120		-3,120	-3,024
Reinsurance commissions and profit sharing		514		514	487
Income	16	**13,034**	**124**	**13,158**	**12,492**
On interest on financial assets not carried at fair value through profit & loss		12,138	124	12,262	11,664
On interest on financial liabilities not carried at fair value through profit & loss					
Other	896		896	828	
Financial Costs	16	**-461**	**-2**	**-463**	**-425**
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	-461	-2	-463	-425	
Net Gains on Financial Assets & Liabilities Not Carried at fair Value through Profit & Loss		**3,468**	**68**	**3,536**	**3,886**
On available-for-sale assets	17 e 18	4,394	68	4,462	5,191
On loans & accounts receivable					
On held-to-maturity investments					
On financial liabilities carried at amortised cost	5	-1,998		-1,998	-1,305
Other	1,072		1,072		
Net Gains on Financial Assets & Liabilities Carried at fair Value through Profit & Loss		**945**		**945**	**-629**
Net gains of financial assets & liabilities held for trading	17 e 18				-285
Net gains on financial assets & liabilities classified in the initial recognition at fair value through profit & loss	5, 17 e 18	945		945	-344
Currency translation differences	19	-457		-457	-222
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	**390**	**-36**	**354**	**673**
On available-for-sale assets		390		390	346
On loans and receivables carried at amortised cost					
On investments held to maturity					
Other		-36	-36	327	
Other technical income/costs, net of reinsurance	20	-23		-23	-414
Other provisions (change)					
Other income/expenses	20		-371	-371	191
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		**7,254**	**-217**	**7,037**	**6,905**
Income tax for the period - Current tax	24		-97	-97	108
Income tax for the period - Deferred tax	24		-1,800	-1,800	-1,747
Net Profit/(Loss) For The Period		**7,254**	**-2,114**	**5,140**	**5,266**
Earnings per share (in euros)	27			**0.08**	**0.08**

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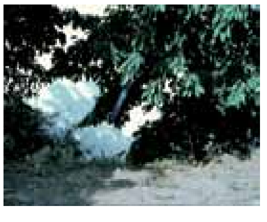
VALTER VINAGRE
b. 1954, Portugal,
Da série Variações para um fruto,
"S/ título #13", 2003,
Silver Dye Bleach Print (Ilfochrome)
102,5 x 127,5cm • Unique print
Courtesy by the Artist

04 Comprehensive Income Statement



04 Comprehensive Income Statement

Comprehensive Income Statement as at December 31, 2010 and 2009

(thousand euros)

	2010	2009
Net profit/(loss) for the period	5,140	5,266
Variation of the fair value of financial assets and hedging instruments on cash-flow hedging	-9,759	11,808
Variation of current & deferred taxes	2,640	-3,334
Total Comprehensive Income	**-1,979**	**13,740**

VALTER VINAGRE
b. 1954, Portugal,
Da série Variações para um fruto, "S/ título #15", 2003,
Silver Dye Bleach Print (Ilfochrome)
102,5 x 127,5cm • Unique print
Courtesy by the Artist

05 Statement of Changes in Equity

05 Statement of Changes in Equity

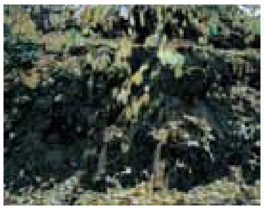
Statement of Changes in Equity as at December 31, 2010 and 2009

(thousand euros)

		Other Capital Instruments	Revaluation Reserves			Other Reserves			
	Contributed 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 Period	Total
Balance as at January 1, 2009	**65,000**	**37 500**	**-24 783**	**0**	**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		0
Transfers between equity headings not included in other lines							-13,205	13,205	0
Total Changes in Equity	**0**	**-17,500**	**11,300**	**508**	**-3,334**	**0**	**-716**	**13,205**	**3,463**
Net profit for the period								5,266	5,266
Balance as at December 31, 2009	**65,000**	**20,000**	**-13,483**	**508**	**3,234**	**542**	**0**	**5,266**	**81,067**
Reimbursement of supplementary capital contributions		-7,500							-7,500
Net gains for adjustment to the fair value of available-for sale financial assets			-10,379						-10,379
Net gains for adjustment of hedges in cash-flow hedging				620					620
Adjustments for recognition of deferred and current taxes					2,640				2,640
Increases of reserves for appropriation of profits						527	-527		0
Appropriation of profits/losses							-4,700		-4,700
Transfers between equity headings not included in other lines							5,266	-5,266	0
Total Changes in Equity	**0**	**-7,500**	**-10,379**	**620**	**2,640**	**527**	**39**	**-5,266**	**-19,319**
Net profit for the period								5,140	5,140
Balance as at December 31, 2010	**65,000**	**12,500**	**-23,862**	**1,128**	**5,874**	**1,069**	**39**	**5,140**	**66,888**

VALTER VINAGRE
b. 1954, Portugal,
Da série Variações para um fruto, "S/ título #16", 2003,
Silver Dye Bleach Print
(Ilfochrome)
102,5 x 127,5cm • Unique print
Courtesy by the Artist

06 Cash-Flow Statement



06 Cash-Flow Statement

Cash-Flow Statement as at December 31, 2010 and 2009

(thousand euros)

	2010	2009
Cash Flow from Operating Activities	**54,410**	**-32,580**
Net profit/(loss) for the period	5,140	5,266
Depreciation & amortisation charges for the year	2,313	2,368
Variation of technical provisions for direct insurance	10,274	-8,709
Variation of technical provisions for reinsurance ceded	5,422	-4,874
Variation of other provisions	-17	24
Variations of debtors for direct insurance, reinsurance and other operations	-188	5,919
Variation of other assets & liabilities for taxes	-945	5,654
Variation of other assets & liabilities	33,086	-37,677
Variation of creditors for direct insurance, reinsurance and other operations	-675	-551
Cash Flow from Investing Activities	**-34,153**	**1,319**
Variation of investments	-45,481	-10,095
Dividends received	62	97
Interest	11,269	11,745
Acquisitions of tangible & intangible assets	-3	-428
Cash Flow from Financing Activities	**-12,200**	**-5,011**
Dividend distribution	-4,700	-
Subscription of capital/Ancillary capital contributions	-7,500	-5,011
Net Variation of Cash & Cash Equivalents	**8,057**	**-36,272**
Cash & cash equivalents at the start of the period	11,511	47,783
Cash & cash equivalents at the end of the period	19,568	11,511

VALTER VINAGRE
b. 1954, Portugal,
Da série Variações para um fruto, "S/ título #20", 2003,
Silver Dye Bleach Print
(Ilfochrome)
43 x 45,5cm • Unique print
Courtesy by the Artist

VIDA

07 Notes to the Financial Statements

Notes to the Financial Statements as at December 31, 2010 and 2009

Note 1 - General Information

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

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

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

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

Note 2 - Information by Segments

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

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

The business segment constituting the object of the report is the overall business segment. Emphasis is given to the excellent 9.4% growth returned by Life Risk insurance, which has consolidated T-Vida’s strategy of focusing on Protection Solutions.

The breakdown of the main headings of the financial statements as at December 31, 2010 & 2009, is as follows:

(thousand euros)

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

(thousand euros)

2009	Total Life	Traditional	With-Profits Capitalisation	Without-Profits Capitalisation
Profit & 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	-
Returns on investments	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

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

Basis of Presentation

T-Vida's financial statements now presented refer to the year ended December 31, 2010, 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 2010, T-Vida adopted the IFRS and the mandatory-application interpretations for years as from January 1, 2010. 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, 2010, the accounting standards issued by the IASB and the IFRIC interpretations of mandatory application as from January 1, 2010.

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 2010 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 the 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 they have been prepared in accordance with the historic cost principle, with the exception of assets and liabilities carried at fair value, particularly derivative financial instruments, financial assets and liability at fair value through profit & loss, available--for-sale financial assets and real-estate held for income. Other financial assets and liabilities as well as non-financial assets and liabilities are carried at amortised cost or historic cost.

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

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

These financial statements were approved at a meeting of the Board of Directors held on March 15, 2011.

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

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

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

Subsequent measurement

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

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

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

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

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

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

Transfers between categories

In October 2008 the IASB issued 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 of impairment as a result of one or more events occurring after its initial recognition, such as: (i) for securities representing contributed capital, ongoing depreciation or significant reduction of their price, and (ii) for debt securities, where this event (or events) impact(s) on the estimated future cash flows of the financial asset or group of assets, which can be estimated reasonably.

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

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

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

Derivative financial instruments

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

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

Embedded derivatives

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

Hedge accounting

Classification criteria

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

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

Fair-value hedge

In a fair-value hedge of an asset or liability, the book value of the asset or liability, determined on the basis of the respective accounting policy, is adjusted to reflect the variation of its fair value attributable to the hedged risk. Variations of the fair value of hedges are recognised in profit & 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 its settlement to be made by paying cash or another financial asset, regardless of its legal form. Non-derivative financial liabilities include borrowings, creditors for direct insurance and reinsurance operations and other liabilities.

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

Transactions in foreign currency

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

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

Intangible assets

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

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

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

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

Leasing

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

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

Cash & cash equivalents

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

Reinsurance

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

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

Employee benefits

Pensions - Defined-benefit plan

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

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

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

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.

Bonuses

Employees' variable remunerations are recorded in costs for the period to which they refer.

Liability for holiday pay and holiday bonus

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

Income tax

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

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

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

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

Deferred tax liabilities are recognised for all temporary differences.

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

Provisions

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

Recognition of interest

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

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

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

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

Dividends received

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

Earnings per share

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

Offsetting financial instruments

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

Adjustments of receipts pending collection and of doubtful debt

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

Report by segments

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

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

The Company controls their activity through the main operational segments referred to in Note 2.

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

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

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

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

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

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

Impairment of available-for-sale financial assets

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

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

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

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

Fair value of derivative financial instruments

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

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

Income tax

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

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

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

Pensions

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

Technical provisions and liabilities relating to investment contracts

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

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

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

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

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

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

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

The provisions for claims do not represent an exact calculation of the amount of the liabilities, rather an estimate resulting from application of actuarial valuation techniques.

These estimated provisions correspond to the Company's expectation of the ultimate cost of settling claims based on an evaluation of the facts and circumstances known at the time, on a review of the historic settlement patterns, on an estimate of trends in terms of claims frequency, on theories on liability and other factors.

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

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

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

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

Accounting principals adopted in respect of insurance and investment contracts

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

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

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

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

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

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

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

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

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

Recognition of costs & income

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

Premiums

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

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

Provisions for unearned premiums

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

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

Acquisition costs

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

Mathematical provision

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

	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% e 2.5%
After March 2003	GKM 80	2.75%
After January 1, 2004 (**)	GKM 80	2% e 2.5%
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%
Mixed Insurance (*)		
Up to September 1998	GKM 80	4%
After October 1, 2008	GKM 80	3.25%

(*) Technical bases of the products in accordance with the year they were marketed
(**) Rates defined annually. The figures refer to the definition in respect of 2010

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

(thousand euros)

Products	Balance Sheet Balance		Change of Gains and Losses	
	2010	2009	2010	2009
Traditional	1,266	999	248	162
With-profits capitalisation	-	-	-	-
Total	**1,266**	**999**	**248**	**162**

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

(thousand euros)

Products	Balance Sheet Balance		Change of Gains and Losses	
	2010	2009	2010	2009
Traditional	2,536	2,990	-454	-1,287
With-profits capitalisation	3,175	3,169	6	-2,143
Total	**5,711**	**6,159**	**-448**	**-3,430**

The balance of the provision for claims includes an estimated provision in the sum of €34k (2009: €21k) in respect of claims prior to December 31, 2010, not yet reported (IBNR).

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

(thousand euros)

Businesses/ Groups of Businesses	Provision for Claims as at 31/12/2009 (1)	Claims* Paid in 2010 (2)	Provision for Claims as at 31/12/2010 (3)	Readjustments (3) + (2) - (1)
Life	6,575	3,085	2,196	-1,294

* Claims in year 2009 & earlier

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

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

(thousand euros)

Products	Balance Sheet Balance		Change of Gains and Losses	
	2010	2009	2010	2009
Traditional	273	134	139	-29
With-profits capitalisation	-	-	-	-
Total	**273**	**134**	**139**	**-29**

The evolution of the provision for profit-sharing carried under liabilities was as follows in 2010 & 2009:

(thousand euros)

	2010	2009
Balance as at January 1	**1,724**	**1,650**
Variation of profit-sharing attributed	1,790	1,663
Payments	-1,000	-1,351
Incorporation into mathematical provision	-624	-238
Balance as at December 31	**1,890**	**1,724**

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

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

The evolution of the provision for profit-sharing on reinsurance ceded carried under assets was as follows in 2010 & 2009:

(thousand euros)

	2010	2009
Balance as at January 1	**319**	**455**
Variation of profit-sharing attributed	455	436
Receipts	-453	-572
Balance as at December 31	**321**	**319**

The breakdown of the mathematical provision and the respective annual variation in the profit & loss account in 2010 & 2009 is as follows:

(thousand euros)

	2010	2009
Balance as at January 1	**332,257**	**337,772**
Changes for the year	9,854	-5,841
Incorporation of profit-sharing	624	238
Other movements	-	88
Balance as at December 31	**342,735**	**332,257**

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 and Losses	
	2010	2009	2010	2009
Traditional	414	394	20	89
With-profits capitalisation	-	5,583	17,302	4,950
Total	**414**	**5,977**	**17,322**	**5,039**

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

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

(thousand euros)

Products	Balance Sheet Balance		Change of Gains and Losses	
	2010	2009	2010	2009
Traditional	-	189	-189	50
With-profits capitalisation	-	-	-	-
Total	**-**	**189**	**-189**	**50**

Nature and Extent of Specific Insurances Risks

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

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

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

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 reinsurance programme in 2010 comprises proportional treaties – Quota-share and Excess of Loss, and non-proportional treaties - Excess of Claim and Catastrophe Cover, as per the following table:

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

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

(thousand euros)

Area of Analysis	Scenarios	Impact on Pre-tax Profit	
		2010	2009
Expenses	10% increase of operating costs, net of reinsurance	-1,016	-650
Mortality	10% decrease of the mortality of the insured	-1,133	-4,626

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

Market Risk

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

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

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

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

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

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

In 2010 the investment policy, for which the Financial Committee is responsible. was dealt with in close co-operation with the Overall Risk Management Committee, which defines the risk policy for the in vestments.

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	
		2010	2009
Currency	10% depreciation of the value of all foreign currencies against the euro	-387	-41

Equities risk

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

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	
		2010	2009
Shares	10% decrease of stock-market values	-759	-1,053

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	
		2010	2009
Real Estate (FII)	10% decrease of the values of real estate and investment funds	-249	-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	
		2010	2009
Interest rate	100 b.p.decrease of the interest-rate curve - Effect on Assets	7,280	5,436
	100 b.p.increase of the interest-rate curve - Effect on Assets	-6,896	-5,185

(thousand euros)

Area of Analysis	Scenarios	Impact on Pre-tax Profit	
		2010	2009
Interest rate	100 b.p.decrease of the interest-rate curve - Effect on Liabilities	-3,643	-4,590
	100 b.p. increase of the interest-rate curve - Effect on Liabilities	3,198	756

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)

Rating	2010		2009	
	%	Value	%	Value
AAA	3%	9,003	3%	8,870
AA	7%	26,028	16%	42,052
A	65%	230,691	56%	151,821
BBB	19%	67,233	18%	49,856
BB	6%	20,309	4%	11,442
B	0%	-	3%	8,678
CCC	0%	-	0%	-
Unrated	0%	-	0%	-
Total	**100%**	**353,264**	**100%**	**272,719**

Concentration risk

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

(thousand euros)

Sector of Activity	2010			2009		
	%	Gross Value	Impairment	%	Gross Value	Impairment
Basic resources	1%	8,866	-	1%	4,446	-
Communications	0%	-	-	5%	27,735	-
Consumables (cyclic)	0%	-	-	1%	5,354	-
Consumables (non-cyclic)	2%	10,907	-	0%	2,669	-
Energy	1%	5,949	-	1%	5,081	-85
Financial	36%	241,492	-	28%	171,614	-17,306
Funds	47%	309,569	-510	51%	312,157	-
Public debt	8%	55,138	-	2%	10,756	-
Industrial	0%	2,760	-	6%	35,700	-
Medicine	0%	-	-	0%	-	-
Technology	0%	-	-	1%	4,787	-
Public / collective services	4%	24,813	-	4%	24,364	-
Other	1%	3,340	-	1%	4,520	-
	100%	**662,834**	**-510**	**100%**	**609,183**	**-17,391**

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.

During 2010, additional procedures were defined within the scope of the Overall Risk Management Committee to mitigate this risk.

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, 2010 & 2009, is as follows:

(thousand euros)

2010	< 1 Month	1-3 Months	3-12 Months	1-5 Years	> 5 Years	Without Maturity	Total
Financial assets	19,567	157,494	99,323	104,863	124,930	322,092	828,269
Financial liabilities	177	-	-	-	-	518,042	518,219
Net	**19,390**	**157,494**	**99,323**	**104,863**	**124,930**	**-195,950**	**310,050**

(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**

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, minimum rating levels are defined and the evolution of the ratings of the portfolio entities is monitored regularly.

Operational risk and reputational 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, and it can be subdivided into the following categories:

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

As the main mitigation measures at T-Vida and in the light of the risks detailed above we would underscore the following:

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

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

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

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

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

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

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

In this connection, of T-Vida's main measures in dealing with the reputational risk the following are underscored:

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

Internal control system

The Internal 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 System 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 the granularity is greater.

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

- Identification of the relevant business units and processes, considering the associated risk;
- Documentation of significant processes, including objectives, main activities, risks and associated controls;
- Appraisal of the design of the controls and determination of the associated opportunities for improvement. 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:

- A first level represented by the various T-Vida divisions (Operational Units), which are areas responsible for risk-management operationalisation and for the respective controls;
- A second level, 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.

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

In this connection, the Company is at this time analysing the possibility of acquiring a tool of greater potential, with a greater degree of automation, which will allow access to every are of the Company in accordance with the existing profile definition.

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)

	2010	2009
Elements Constituting the Guarantee Fund	**22,211**	**34,221**
Solvency Margin to be Set Aside	**20,692**	**17,750**
Insurance not linked to investment funds (excluding complementary insurance)	19,760	16,834
Insurance linked to investment funds	666	649
Complementary insurance (including complementary insurance of insurance linked to investment funds)	266	266
Legal minimum Guarantee Funds		3,500
Excess/Insufficiency of the Solvency Margin	**1,519**	**16,472**
Solvency Margin Cover Rate	**107.34%**	**192.80%**

Business Ratios

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

(%)

	2010	2009
Claims / premiums (IFRS 4)	79.4%	111.8%
Benefits paid / deposits received (IAS 39) [a)]	80.8%	43.0%
Acquisition costs / (premiums + deposits received)	7.1%	5.8%
Administrative costs / (premiums + deposits received)	3.3%	2.9%

(a) In 2010, excluding €70,000,000 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 Links	Total
Balance as at January 1, 2009	**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**
Additional liabilities of the period, net of commissions	24,688	1,038	9,948	70,000	105,674
Amounts paid	-13,043	-5,981	-10,278	-	-29,302
Technical interest	1,744	397	1,003	-2,918	226
Balance as at December 31, 2010	**68,542**	**8,744**	**63,700**	**374,611**	**515,597**

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

(thousand euros)

	2010			2009		
	Gain	Loss	Balance	Gain	Loss	Balance
Carried at Fair Value						
Through Profit & Loss	**11,279**	**-7,930**	**3,349**	**11,423**	**-9,242**	**2,181**
Capitalisation	11,017	-7,283	3,734	10,988	-7,528	3,460
PPR	262	-647	-385	435	-1,714	-1,279
Carried at Amortised Cost	**-**	**-1,998**	**-1,998**	**-**	**-1,305**	**-1,305**
Capitalisation	-	-639	-639	-	-837	-837
PPR	-	-1,359	-1,359	-	-468	-468
Total	**11,279**	**-9,928**	**1,351**	**11,423**	**-10,547**	**876**

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)

	2010	2009
Available-for-sale financial assets	282,848	278,147
Term deposits	143,841	103,620
Financial assets classified at fair value through profit & loss	379,476	312,211
Hedge derivatives	-	1,434
Total Holdings and Financial Instruments	**806,165**	**695,412**

Appendix 1 takes into consideration €177k 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)

	2010	2009
Bonds & other fixed-income securities		
Public issuers'		
Other issuers'	80,500	10,688
Shares	-	-
Other floating-rate securities	298,976	301,523
Book Value	**379,476**	**312,211**
Acquisition value	384,384	315,269

As at December 31, 2010 & 2009, the Company held, of this type, compound financial instruments with embedded derivatives, in fixed--income securities, as follows:

(thousand euros)

Type of Risk	Book Value	
	2010	2009
Structured credit	4,036	4,576
Credit derivative	3,663	3,529
Other	-	2,583
Total	**7,699**	**10,688**

Available-For-Sale Financial Assets

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

(thousand euros)

	2010	2009
Bonds & other fixed-income securities		
Public issuers'	55,138	9,256
Other issuers'	217,626	255,358
Shares	-	2,899
Other floating-rate securities	10,084	10,634
Book Value	**282,848**	**278,147**

The breakdown of the final balance sheet figures as at December 31, 2010 & 2009, is as follows:

(thousand euros)

	Amortised or Acquisition Cost	Fair-Value Reserve	Impairment	Book Value
Bonds & other fixed--income securities				
Public issuers'	9,449	-193	-	9,256
Other issuers'	283,528	-13,410	-14,760	255,358
Shares	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**
Bonds & other fixed--income securities				
Public issuers'	59,696	-4,558	-	55,138
Other issuers'	236,944	-19,318	-	217,626
Shares	-	-	-	-
Other floating--rate securities	10,580	14	-510	10,084
Balance as at December 31, 2010	**307,220**	**-23,862**	**-510**	**282,848**

Movements under impairment losses are as follows:

(thousand euros)

	2010	2009
Balance as at January 1	**17,391**	**20,907**
Allocations for the year	510	854
Cancellations for the year for sale of assets	-16,491	-3,170
Written back during the year	-900	-1,200
Balance as at December 31	**510**	**17,391**

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

(thousand euros)

	2010	2009
Bonds & other fixed-income securities	900	1,200
Equities & other floating-rate securities	-510	-854
Total	**390**	**346**

Held-For-Trading Financial Assets

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

(thousand euros)

	2010		2009	
	Fair Value	Notional Value	Fair Value	Notional Value
Derivatives				
Currency forward	-177	4,444	-158	10,140
Book Value	**-177**	**4,444**	**-158**	**10,140**

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 currency hedge contracts for its investments in foreign currency.

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

Since, in 2010 & 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.

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

Amounts recognised in 2010 & 2009 under Equity originated directly by the hedge derivatives were as follows:

(thousand euros)

	2010	2009
Profit & loss	1,682	710
Revaluation reserve	620	508
Total Recognised under Equity	**2,302**	**1,218**
Notional value	-	61,500

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

The amounts carried under Revaluation reserve, recorded under “For adjustments of the fair value of cash-flow hedge instruments”, totalled €1,128k, and they are being prospectively derecognised in keeping with the requirements of IAS 39.

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

The Company preformed the said hedge effectiveness tests in 2009 and 2010, in both the interim and the year-end reporting, when the contracts were in the portfolio, no inefficiencies having been encountered.

Other Financial Assets

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

(thousand euros)

	2010	2009
Loans granted	35	37
Deposits with cedent companies	-	-
Other	-	-
Total of Other Financial Assets	**35**	**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)

	2010		2009	
	Fair Value	Book Value	Fair Value	Book Value
Cash & cash equivalents and sight deposits	19,568	19,568	11,511	11,511
Loans and receivables	143,876	143,876	103,657	103,657
Other debtors for insurances & other operations	2,501	2,501	2,313	2,313
Financial Assets at Amortised Cost	**165,945**	**165,945**	**117,481**	**117,481**
Financial liabilities on investment contracts	50,361	68,542	41,246	55,153
Other creditors for insurance operations and other operations	2,445	2,445	3,120	3,120
Financial Liabilities at Amortised Cost	**52,806**	**70,987**	**44,366**	**58,273**

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)

	2010				
	Level 1	Level 2	Level 3	Level 4	Total
Securities & equity paper	309,060	-	-	-	309,060
Equities & other floating--rate securities	-	-	-	-	-
Bonds & other fixed--income securities	292,986	60,278	-	-	353,264
Derivatives	-	-	-	-	-
Total Financial Assets	**602,046**	**60,278**	**-**	**-**	**662,324**
Unit Link product liabilities	-	447,055	-	-	447,055
Derivatives	-	177	-	-	177
Total Financial Liabilities	**-**	**447,232**	**-**	**-**	**447,232**

(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 Financial Assets	**516,521**	**72,271**	**-**	**3,000**	**591,792**
Unit Link product liabilities	-	383,846	-	-	383,846
Derivatives	-	158	-	-	158
Total Financial Liabilities	**-**	**384,004**	**-**	**-**	**384,004**

The description of the levels is as follows:

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

Note 8 - Cash, Cash Equivalents & Sight Deposits

The balance of this heading is as follows:

(thousand euros)

	2010	2009
Cash in hand	1	8
Deposits at credit institutions	19,567	11,503
	19,568	**11,511**

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, 2010 & 2009, is as follows:

(thousand euros)

2010	With-Profits Life Insurance	Without-Profits Life Insurance	Life Insurance and Transactions Classified as Investment Contracts	Not Allocated	Total
Cash & cash equivalents	10,046	295	165	9,062	19,568
Land & buildings	-	-	-	-	-
Investments in affiliates, associates and joint ventures	-	-	-	-	-
Held-for-trading financial assets	-	-	-	-	-
Financial assets classified in the initial recognition at fair value through profit & loss	4,036	-	375,440	-	379,476
Hedge derivatives	-	-	-	-	-
Available-for-sale financial assets	270,654	43	10,606	1,545	282,848
Loans and receivables	133,494	-	9,910	472	143,876
Held-to-maturity investments	-	-	-	-	-
Other tangible assets	-	-	-	-	-
Other assets	-	-	62,245	53,561	115,806
Total	**418,230**	**338**	**458,366**	**64,640**	**941,574**

(thousand euros)

2009	With-Profits Life Insurance	Without-Profits Life Insurance	Life Insurance and Transactions Classified as Investment Contracts	Not Allocated	Total
Cash & cash equivalentss	951	548	121	9,891	11,511
Land & buildings	-	-	-	-	-
Investments in affiliates, associates and joint ventures	-	-	-	-	-
Held-for-trading 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
Total	**352,971**	**16,693**	**417,052**	**81,744**	**868,460**

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)

	2010	2009
Other Intangible Assets	**50,767**	**50,522**
Value in force	50,000	50,000
Software	436	434
Other	331	88
Accumulated Depreciation	**-10,702**	**-8,388**
Impairments	**-**	**-**
Total	**40,065**	**42,134**

Movements in both years is as follows:

(thousand euros)

	Value in Force	Software	Other	Total
Balance as at January 1, 2009	**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**
Additions		3	242	245
Depreciation for the year	-2,172	-142		-2,314
Impairments				-
Transfers				-
Balance as at December 31, 2010	**39,678**	**138**	**249**	**40,065**

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

(thousand euros)

	2010	2009
Total Amortisation for the Year	**2,314**	**2,368**
Costs of Claims, Net of Reinsurance		
Amounts paid - Gross amounts	115	118
Net Operating Costs & Expenses		
Acquisition costs	347	355
Administrative costs	1,852	1,895
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)

	2010	2009
Gross Assets	**1,961**	**1,758**
Policyholders (receipts pending collection)	1,232	1,110
Insurance brokers	469	470
Co-insurers	260	178
Adjustments	**-313**	**-277**
Receipts pending collection	-313	-277
Doubtful debt	-	-
Net Assets	**1,648**	**1,481**

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

(thousand euros)

	2010	2009
Gross assets	**79**	**431**
Reinsurers	79	431
Reinsured		-
Adjustments	**-**	**-**
Doubtful debt		-
Net Assets	**79**	**431**

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

(thousand euros)

	2010	2009
Gross Assets	**774**	**401**
Related entities	643	195
Staff	8	-
Other amounts pending collection	123	206
Adjustments	**-**	**-**
Doubtful debt	-	-
Net Assets	**774**	**401**

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)

	2010	2009
Balance as at January 1	**277**	**604**
Allocations for the year	36	-
Use for the year	-	-327
Balance as at December 31	**313**	**277**

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

(thousand euros)

	2010	2009
Accrued Income	**2,161**	**1,592**
Financial income on reinsurance ceded	2,161	1,592
Deferred Costs	**414**	**429**
Acquisition costs	414	429
Total	**2,575**	**2,021**

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)

	2010	2009
Balance as at January 1	**102,172**	**56,615**
Deposits received	10,350	58,101
Benefits paid	-14,483	-16,659
Technical interest for the year	1,149	4,115
Portfolio outflow	-36,943	-
Balance as at December 31	**62,245**	**102, 172**

Liabilities and provisions

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

(thousand euros)

	2010	2009
Policyholders (return premiums payable)	146	303
Insurance brokers		
- Commissions payable	-	4
- Current accounts	1,039	886
Co-insurers	180	129
Total	**1,365**	**1,322**

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

(thousand euros)

	2010	2009
Reinsurers	367	473
Reinsured	-	-
Total	**367**	**473**

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

(thousand euros)

	2010	2009
Management commissions	266	627
Related entities	-	1
Other suppliers of goods & services	-	8
Other payables	447	689
Total	**713**	**1 325**

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

(thousand euros)

	2010	2009
Deferred Income	**-**	**-**
	-	-
Accrued Costs	**4,559**	**3,511**
- Staff costs (subsidies & charges)	465	240
- Acquisition costs (incentives & commissions)	1,100	1,320
- Third-party supplies & services	493	602
- Services Rendered Related Companies	580	973
- Banking channel commissions	1,921	376
Total	**4,559**	**3,511**

Note 14 - Insurance Contract Premiums

The breakdown of insurance contract premiums is as follows:

(thousand euros)

Businesses/ Groups of Businesses	Gross Premiums Written		UPR Change		Premiums Earned	
	2010	2009	2010	2009	2010	2009
Life						
Traditional	20,431	19,224	248	162	20,183	19,062
With-profits capitalisation	38,206	20,095	-	-	38,206	20,095
Total	**58,637**	**39,319**	**248**	**162**	**58,389**	**39,157**

Some amounts of the Life business line are as follows:

(thousand euros)

	2010	2009
Gross Direct Insurance Premiums Written	**58,637**	**39,319**
In respect of personal contracts	44,568	23,693
In respect of group contracts	14,069	15,626
	58,637	**39,319**
Periodic	23,242	23,148
Non-periodic	35,395	16,171
	58,637	**39,319**
On without profits contracts	27,072	6,107
On with-profits contracts	31,565	33,212
	58,637	**39,319**
Balance of Reinsurance	**-1,057**	**-312**

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 fixed-rate capitalisation insurance and products in which the investment risk is borne by the policyholder.

Are classified as investment contracts and are carried as a liability, and their subscription and management commissions are recorded and income and calculated fund by fund in accordance with the general conditions of each product.

Note 16 – Investment Income/Revenue And Expenditure

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

(thousand euros)

	2010	2009
Interest	**12,486**	**11,758**
Available-for-sale financial assets	10,044	8,892
Financial assets classified at fair value through profit & loss	896	889
Deposits, loans & other assets	1,546	1,977
Dividends	**62**	**97**
Financial assets classified at fair value through profit & loss	-	-
Available-for-sale financial assets	62	97
Derivatives	**610**	**637**
Total	**13,158**	**12,492**

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

(thousand euros)

	2010	2009
Bonds & other fixed-income securities		
Public issuers'	1,765	512
Other issuers'	9,175	9,269
Shares	62	93
Other floating-rate securities	-	4
Derivatives	610	637
Deposits	1,546	1,977
Total	**13,158**	**12,492**

The breakdown of the Financial costs heading is as follows:

(thousand euros)

	2010	2009
Costs imputed to the investments function	463	425
Total	**463**	**425**

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)

	2010			2009		
	Gain	Loss	Balance	Gain	Loss	Balance
Available-for-sale financial assets	8,762	-4,300	4,462	7,627	-2,436	5,191
Financial assets classified at fair value through profit & loss	91	-270	-179	267	-653	-386
Financial assets held for trading	-	-	-	-	-285	-285
Hedge derivatives	1,072	-	1,072	-	-	-
Total	**9,925**	**-4,570**	**5,355**	**7,894**	**-3,374**	**4,520**

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)

	2010			2009		
	Gain	Loss	Balance	Gain	Loss	Balance
Financial assets classified at fair value through profit & loss	123	-2,348	-2,225	105	-2,244	-2,139
Financial assets held for trading	-	-	-	-	-	-
Total	**123**	**-2,348**	**-2,225**	**105**	**-2,244**	**-2,139**

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)

	2010			2009		
	Gain	Loss	Balance	Gain	Loss	Balance
Available-for-sale financial assets	1,289	-1,004	285	1,064	-1,315	-251
Financial assets held for trading	273	-1,015	-742	468	-439	29
Total	**1,562**	**-2,019**	**-457**	**1,532**	**-1,754**	**-222**

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)

	2010	2009
Other Technical Income	**6**	**18**
Co-insurance management commissions	6	17
Other	-	1
Other Technical Expense	**29**	**432**
Co-insurance management commissions	7	4
Other	22	428
Value of Gains & Losses	**-23**	**-414**

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

(thousand euros)

	2010	2009
Other Non-Technical Income	**114**	**249**
Corrections & adjustments	-	1
Other gains	114	248
Other Non-Technical Expense	**485**	**58**
Donations	5	5
Gifts to customers	235	-
Sundry Subscriptions	8	-
Tax estimate insufficiency	211	-
Banking services & default interest	26	20
Other expenses	-	33
Value of Gains & Losses	**-371**	**191**

Note 21 - Sundry Costs 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, 2010 & 2009, is as follows:

(thousand euros) (%)

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

(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	-	0%	31	62%	-	0%	19	38%	50	100%
Depreciation	119	5%	355	15%	1,894	80%	-	0%	2,368	100%
Provisions for contingencies & liabilities	-	0%	-	0%	-	0%	-	0%	-	0%
Other costs	-	0%	-	0%	-	0%	332	100%	332	100%
Total	**340**	**5%**	**2,614**	**41%**	**2,972**	**47%**	**425**	**7%**	**6,351**	**100%**

Staff costs are detailed in Note 22.

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

(thousand euros)

	2010	2009
Fuel	31	24
Office material, stationery, etc.	2	3
Gift articles	12	34
Office equipment & furniture maintenance	1	1
Hardware maintenance	-	223
Operational rental of vehicles & other rentals	70	64
Travel & entertainment costs	39	22
Post	153	104
Insurance	9	9
Advertising & marketing	481	423
Outsourcing, consultancy & specialised work	232	330
Software services & development	275	169
Subscriptions to APS	4	25
Premium collection	88	94
Medical examinations	76	71
Commissions	998	348
Brokers Club	107	177
Provision of operational services	289	288
Other sundry supplies & services	59	102
Total	**2,926**	**2,511**

The breakdown of Taxes and charges is as follows:

(thousand euros)

	2010	2009
ISP charge	79	50
Total	**79**	**50**

The breakdown of Depreciation and charges is as follows:

(thousand euros)

	2010	2009
Intangible - value in force	2,172	2,223
Hardware & software	141	145
Other	-	
Total	**2,313**	**2,368**

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

(thousand euros)

	2010	2009
Safekeeping commission, securities' custody & other commissions	348	332
Total	**348**	**332**

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

(thousand euros)

	2010	2009
Acquisition costs		
Brokerage remuneration	-1,315	-1, 128
Costs imputed	-3,435	-2,614
Other acquisition costs	-1,940	-2,191
Deferred acquisition costs (change)	-32	-37
Administrative costs		
Brokerage remuneration	-52	-52
Costs imputed	-3,068	-2,972
Reinsurance commissions & profit-sharing	514	487
Total	**-9,328**	**-8,507**

Note 22 - Staff Costs

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

	2010	2009
Management	2	2
Technical personnel	13	13
Technical-administrative personnel	2	1
Total	**17**	**16**

Staff costs are detailed as follows:

(thousand euros)

	2010	2009
Remuneration - Corporate officers	675	159
Remuneration - Personnel	775	725
Charges on remuneration - Corporate officers	4	18
Charges on remuneration - Personnel	157	146
Post-employment benefits - Defined-benefit pension plans	9	5
Mandatory insurance	17	12
Social welfare costs	29	21
Training	2	4
Total	**1,669**	**1,090**

As at December 31, 2010 & 2009, the Company had no loans or advances extended to corporate officers.

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

The fees billed during 2010 by the Official Auditor within the scope of the legal audit of the accounts amounted to €17.6k.

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, 2010.

The main assumptions used in the actuarial studies as at December 31, 2010 & 2009 to determine the update value of the employees' pensions are as follows:

	2010	2009
Financial Assumptions		
Wage growth rates	3.25% - 3.75% (*)	3.25% - 3.75% (*)
Pension growth rate	0.75% - 3.75% (*)	0.75% - 3.75% (*)
Rates of return of the fund	5.15% - 4.73% (*)	5.19% - 4.74% (*)
Early-retirement pension growth rate	2.25%	2.25%
Discount rate	5.50%	5.50%
Demographic Growth Rates and Valuation Methods		
Mortality Table	GKF 95	GKF 95
Disability Table	Suisse Re 2001	Suisse Re 2001
Actuarial Valuation Method	Project Unit Credit Method	

(*) In respect of liabilities towards directors.

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

As at 31 December 2010 & 2009, the number of participants covered by the benefits plan was as follows:

	2010	2009
In service	4	4
Retired	-	-
Total	**4**	**4**

As at December 31, 2010 & 2009, the breakdown of amounts recognised in the balance sheet is as follows:

(thousand euros)

	2010	2009
Liabilities as at December 31	**-165**	**-155**
Balance of the Fund on December 31	**177**	**175**
Assets/ (liabilities) to be received from/delivered to the fund	12	20
Actuarial deviations deferred as at December 31	15	16
Net Assets/ (Liabilities) in the Balance Sheet as at December 31	**27**	**36**

The breakdown of liabilities for retirement pensions is as follows:

(thousand euros)

	2010	2009
Liabilities as at January 1	**155**	**110**
Cost of current service	7	5
Interest cost	9	6
Actuarial (gains) and losses in liabilities	-6	-7
Transfers from other funds	-	41
Liabilities as at December 31	**165**	**155**

The evolution of the value of the pension fund in 2010 & 2009 is as follows:

(thousand euros)

	2010	2009
Balance of the Fund on January 1	**175**	**123**
Real return of the fund		
Expected return of the fund	7	7
Actuarial gains & losses	-5	4
Contributions paid by fund participants	-	-
Transfers from other funds	-	41
Balance of the Fund on December 31	**177**	**175**

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

(thousand euros)

	2010	2009
Actuarial Deviations Deferred as at January 1	**16**	**28**
Actuarial (gains) & losses		
- on liabilities	-6	-7
- on the plan's assets	5	-4
Amortisation for the year	-	-1
Actuarial Deviations Deferred as at December 31	**15**	**16**

The evolution of assets receivable/ liabilities deliverable in 2010 and 2009 is as follows:

(thousand euros)

	2010	2009
(Assets)/ Liabilities Receivable or Payable as at January 1	**-20**	**-13**
Actuarial gains and losses on liabilities	-6	-7
Actuarial gains & losses of the funds	5	-4
Charges for the year:		
- Cost of current service	7	5
- Interest cost	9	6
- Expected return of the fund	-7	-7
Contributions made during the year	-	-
(Assets)/ Liabilities Receivable or Payable as at December 31	**-12**	**-20**

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

(thousand euros)

	2010	2009
Cost of current service	7	5
Interest cost	9	6
Expected return of the fund	-7	-7
Amortisation for the year	-	1
Costs for the Year	**9**	**5**

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

(thousand euros)

	2010	2009
As at January 1	**36**	**41**
Costs for the year	-9	-5
Contributions made during the year	-	-
As at December 31	**27**	**36**

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

(thousand euros)

	2010	2009
Land & buildings	8,061	8,096
Equities & other floating-rate securities	8,502	17,978
Fixed-income securities	40,575	34,080
Balances with credit institutions	1,189	2,133
Fund debtors & creditors	-64	-565
Interest receivable	819	441
Total	**59,084**	**62,163**

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 0.30% (2009: 0.28%) of the total of the fund.

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

(thousand euros)

	2010	2009	2008	2007	2006
Liabilities	-165	-155	-110	-91	-40
Balance of the funds	177	175	123	94	40
Liabilities (Under/over Financed)	**12**	**20**	**13**	**3**	**-**
Actuarial (gains)/ losses not recognised	15	16	28	5	-
Net assets/ (liabilities) recognised in the balance sheet	27	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 tax purposes is applicable whenever there is a reasonable probability that such taxes will come to be paid or recouped in the future.

Calculation of the current tax for 2010 & 2009 has been made on the basis of a nominal tax rate plus the municipal surcharge, totalling 29.00% and 26.50%, 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 years. Subsequent tax returns are subject to inspection and possible adjustment by the Tax Authorities during a period of four years.

Deferred tax assets and liabilities reported in 2010 and 2009 are detailed as follows::

(thousand euros)

	2010		2009	
	Current Tax Assets	Current Tax Liabilities	Current Tax Assets	Current Tax Liabilities
Income tax	388	-	175	-
Tax withheld at source	-	129	-	110
Value added tax	-	1	-	7
Other taxes & charges	-	147	-	114
Social security contributions	45	22	22	22
Total	**433**	**299**	**197**	**253**

The breakdown of deferred tax assets and liabilities recognised in the 2010 and 2009 balance sheets is as follows:

(thousand euros)

Headings	Assets		Liabilities		Net	
	2010	2009	2010	2009	2010	2009
Investments	1,756	2,327	-	-	1,756	2,327
Tax losses	5,196	3,870	-	-	5,196	3,870
Total	**6,952**	**6,197**	**-**	**-**	**6,952**	**6,197**

The figures for 2010 and 2009 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 2010 were recognised as follows:

(thousand euros)

2010	Fair-Value Reserve	Other Reserves	Profit & Loss	Total
Current Tax	**85**	**-**	**-97**	**-12**
Corporate Income Tax Estimate	85	-	-85	-
Autonomous tax	-	-	-12	-12
Deferred Tax	**2,555**	**-**	**-1,800**	**755**
Investments	-597	-	26	-571
Tax losses	3,152	-	-1,826	1,326
Total	**2,640**	**-**	**-1,897**	**743**

Reconciliation of the tax rate is as follows:

(thousand euros)

	2010	2009
Profit/(loss) before tax	7,037	6,905
Tax rate	29.00%	26.50%
Tax Determined on the Basis of the Official Rate	**-2,041**	**-1,830**
Dividends excluded from the taxation	-18	-24
Tax benefits	-	-3
Other income & costs excluded from taxation	175	218
Autonomous Tax	-12	-
Current + Deferred Tax	**-1,896**	**-1,639**

The impact of the alteration of the rate from 26.50% to 29.00% on the 2010 net profit in respect of the calculation of the current tax was negative in the sum of €7,000.

This alteration also had a negative effect on net profit in the sum of €6,000, calculated on the basis of the net situations subject to deferred tax assets and liabilities, of which €9,000 have to do with those situations brought forward from 2009.

Note 25 - Equity Capital

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

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 €12.5 and €20 million in 2010 & 2009 respectively, have to do with ancillary capital contributions put up by the sole equityholder.

Note 26 - Reserves

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

Legal reserve

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

Fair-value reserve

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

Deferred tax reserves

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

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

Free reserves

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

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

(thousand euros)

	2010	2009
Fair-value financial assets and hedges reserve	-22,734	-12,975
Deferred and current tax reserve	5,874	3,234
Other reserves	1,069	542
- Legal reserve	1,069	542
Reserves	**-15,791**	**-9,199**

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)

	2010	2009
Floating-rate securities	14	120
Fixed-income securities	-23,876	-13,603
Hedge derivatives	1,128	508
Fair-Value Reserve	**-22,734**	**-12,975**

The net fair value reserve as at December 31, 2010 & 2009, is as follows:

(thousand euros)

	2010	2009
Cash-flow hedge derivatives reserve	-	926
Amortised cost of available-for-sale investments	307,220	309,021
	307,220	**309,947**
Impairment	-510	-17,391
Net Amortised/Acquisition Impairment Cost	**306,710**	**292,556**
Fair value of hedges	-	1,434
Fair value of available-for-sale investments	282,848	278,147
	282,848	**279,581**
Gross revaluation reserve (Fair value - cost)	-23,862	-12,975
Cash-flow hedge derivatives reserve	1,128	-
Deferred & current taxes	5,874	3,234
Revaluation Reserve Net of Taxes	**-16,860**	**-9,741**

Movement under the net fair value reserve as at December 31, 2010 & 2009, is as follows:

(thousand euros)

	2010	2009
Balance as at January 1	**-9,741**	**-18,215**
Fair-value variations, including variation for disposals	-10,149	11,462
Impairment recognised during the year	390	346
Variation of deferred taxes and current recognised during the year	2,640	-3,334
Balance as at December 31	**-16,860**	**-9,741**

Note 27 - Earnings Per Share

Earnings per share for the years ended December 31, 2010 & 2009, are as follows:

(thousand euros)

	2010	2009
Net profit/(loss) for the period (in thousands of euros)	5,140	5,266
Number of shares (year-end)	65,000,000	65,000,000
Earnings Per Share (in euros)	**0.08**	**0.08**

Note 28 - Dividend Per Share

The Company's sole equityholder is Partran – Sociedade Gestora de Companhia de Seguros Tranquilidade, SA, to which, in 2010 and 2009, the following dividends were attributed and paid, resulting in the following dividends per share:

(thousand euros)

	2010	2009
Dividends (in euro '000s)	4,700	-
Number of shares (beginning of the period)	65,000,000	65,000,000
Earnings Per Share (in euros)	**0.07**	**-**

Note 29 - Transactions Between Related Parties

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

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

As at December 31, 2010 & 2009, 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)

	2010				2009			
	Assets	Liabilities	Costs	Income	Assets	Liabilities	Costs	Income
BAC	6,600	3	2	71	70	7	2	-
BANCO ESPÍRITO SANTO	114,127	1,988	2,892	4,033	43,343	2,668	2,500	3,533
BES FINANCE	2,690	-	-	51	-	-	-	-
BES VIDA	64,406	846	19,903	20,183	103,764	1,276	5,664	5,894
BESI	2,323	-	-	30	21,072	-	-	178
BESLEASING	-	-	5	130	11,996	-	-	203
BEST	93	4	4	-	-	346	-	-
E.S. CONTACT CENTER	-	-	38	-	-	-	-	-
E.S. FINANCIER	6,965	-	-	298	7,164	-	-	236
ESAF	-	204	204	-	-	179	179	-
ESFG	2,552	-	-	327	-	-	-	-
ESUMÉDICA	20	-	75	-	-	-	71	-
LOGO	-	4	-	-	-	-	-	-
TRANQUILIDADE	643	-	-	-	196	-	-	-
	200,419	**3,049**	**23,123**	**25,123**	**187,605**	**4,476**	**8,416**	**10,044**

Note 30 - Cash-Flow Statement

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

Note 31 - Commitments

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

(thousand euros)

	Up to 3 months	4 to 12 months	>1-5 years
Operational lease contracts	11	18	41

Note 37 – Other Information

Recently - Issued Standards and Interpretations

Adopted by the Company

In the preparation of the financial statements as at December 31, 2010, the Company adopted the following accounting standards and interpretations of mandatory application as from January 1, 2010:

Standards, amendments and interpretations effective on or as from January 1, 2010

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

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

The International Accounting Standards Board (IASB) issued an amendment to IAS 39 – Financial instruments: recognition and measurement – assets and liabilities eligible for hedging, which is of mandatory application 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 had no impacts stemming from the adoption of this standard.

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 of IAS 27 – Consolidated and separate financial statements are effective for periods 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 had no impacts stemming 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, mandatorily applicable as from January 1, 2009, early application being allowed.

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.

The Company had no impacts stemming from the adoption of this standard.

IFRIC 12 – Service concession arrangements

The International Financial Reporting Interpretations Committee (IFRIC) issued IFRIC 12 – Service Concession Arrangements in July 2007. It was adopted by the European Union on March 25, 2009. This interpretation is mandatory for periods beginning on or after March 25, 2009. IFRIC 12 applies to public-private service concession arrangements. This standard will apply only to situations where the Concessor: a) controls or governs the services provided by the operator; and b) controls the residual interests in the infrastructures when the contract expires.

In view of the nature of the contracts covered by this interpretation, there was no impact on the Company's financial statements.

IFRIC 17 - Distributions of non-cash assets to owners

In November 2008, the International Financial Reporting Interpretations Committee (IFRIC) issued IFRIC 17 – Distributions of non-cash assets to owners, with mandatory effective application for periods beginning on or after July 1, 2009, though its early adoption is allowed.

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, the difference between that and their book value being recognised in profit & loss on their distribution.

The Company had no impact on its financial statements from the adoption of this interpretation.

IFRIC 18 – Transfer of assets from customers

In November 2008, the International Financial Reporting Interpretations Committee (IFRIC) issued IFRIC 18 – Transfer of assets from customers, with mandatory effective application for periods beginning on or after July 1, 2009, though its early adoption is allowed.

This interpretation is intended to clarify the accounting treatment of agreements closed whereby an entity receives assets from customers for its own use and with a view to subsequently establishing the customers' link to a network or to granting 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);
- Recognition of income; and
- The accounting of the transfer of cash by customers.

The Company had no impact on its financial statements from the adoption of this interpretation.

Annual Improvement Project

In May 2008, as mentioned earlier, the IASB published the Annual Improvement Project, which amended certain standards that are in force. However, the effective date of the alterations varies according to the standard in question, with emphasis on:

- 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.

The Company had no impact on its financial statements from the adoption of this standard.

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

IFRS 9 - Financial instruments

In November 2009, the International Accounting Standards Board (IASB) issued IFRS 9 – Financial instruments part I; Classification and measurement, mandatorily applicable as from January 1, 2013, early application being allowed. This standard was altered in October 2010. IFRS 9 has not yet been adopted by the European Union.

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

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

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

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

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

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

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

IFRS 7 - Financial instruments disclosures - transfers of financial assets

In October 2010, the International Accounting Standards Board (IASB) issued IFRS 7 – Financial instruments: Disclosures – Transfers of financial assets, mandatorily applicable as from July 1, 2011, early application being allowed. This alteration has not yet been adopted by the European Union.

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

Appendix 1 – Inventory of Holdings and Financial Instruments

(expressed in euros)

Identification of the Securities – Designation	Quantity	Amount of par Value	% of Value Nominal	Average Acquisition Cost	Total Value Acquisition Cost	Book Value (including accrued interest) – Unit	Book Value (including accrued interest) – Total
1 - AFFILIATES, ASSOCIATES, JOINT VENTURES AND OTHER RELATED COMPANIES							
1.1 - Domestic securities							
1.1.8 - Debt securities of related companies							
BES EURO RENDA 16/04/2013		1,660,000.00	107.90%	91.5%	1,518,285.80	107.9%	1,791,140.00
BES EURO RENDA 20/05/2013 - 1ªS		1,753,000.00	106.79%	90.1%	1,579,144.44	106.8%	1,872,028.70
Subtotal	**0**	**3,413,000.00**			**3,097,430.24**		**3,663,168.70**
Total	**0**	**3,413,000.00**			**3,097,430.24**		**3,663,168.70**
2 - OTHER							
2.1 - Domestic securities							
2.1.1.3 - Investment fund units							
ES - CAPITALIZAÇÃO	236			9.27	2,184.45	8.17	1,926.19
ES - OBRIGAÇÕES EUROPA	12			9.45	114.20	11.69	141.28
ES - PLANO CRESCIMENTO	44			5.11	224.78	5.72	251.76
ES ROCK FELLER GLOBAL	10,162			141.43	1,437,150.56	140.95	1,432,273.01
ES TRADING FUND	43,000			107.97	4,642,710.00	107.84	4,637,120.00
Subtotal	**53,453**	**0.00**			**6,082,383.99**		**6,071,712.24**
2.1.2 - Debt securities							
2.1.2.1 - Public debt							
PORT OT 4,75% 06/14/19		1,250,000.00	88.69%	97.0%	1,212,837.50	91.3%	1,141,159.25
OT 5,45 SET 2013		4,500,000.00	101.71%	103.7%	4,667,850.00	103.2%	4,643,469.86
PT OT 3.35% 10/15/15		16,200,000.00	90.18%	97.2%	15,740,200.00	90.9%	14,723,647.39
PT OT 4.2% 10/15/16		7,000,000.00	91.36%	99.0%	6,932,100.00	92.2%	6,457,221.91
PT OT 4.45% 06/15/18		4,000,000.00	88.82%	95.9%	3,836,111.76	91.2%	3,649,846.58
PT OT 4.8% 06/15/20		7,500,000.00	87.57%	93.7%	7,024,000.00	90.2%	6,764,023.97
PT OT 5.15% 06/15/11		500,000.00	100.57%	103.0%	514,750.00	103.4%	516,874.04
PT OT 3.6% 10/15/14		5,045,000.00	93.85%	97.3%	4,908,094.00	94.6%	4,773,046.85
PT OT 4.35% 10/16/17		5,640,000.00	89.94%	101.4%	5,719,500.00	90.8%	5,123,700.50
Subtotal	**0**	**51,635,000.00**			**50,555,443.26**		**47,792,990.35**
2.1.2.2 - Other public issuers'							
PARPUBLICA 3,5% 07/13		2,200,000.00	93.91%	101.9%	2,242,823.90	95.6%	2,103,137.76
Subtotal	**0**	**2,200,000.00**			**2,242,823.90**		**2,103,137.76**
2.1.2.3 - Other issuers'							
BANCO BPI FLOAT 01/11		5,000,000.00	99.76%	99.7%	4,985,000.00	100.0%	4,999,225.28
BANCO BPI 3,25% 01/15/2015		2,000,000.00	87.03%	97.0%	1,940,000.00	90.2%	1,803,022.77
BANIF FINANCE 22/12/2016		2,000,000.00	80.20%	100.0%	2,000,000.00	80.2%	1,604,802.40
BCP 04/14 5,625%		1,500,000.00	85.41%	104.3%	1,564,514.96	89.3%	1,339,436.42
BCP 3,75% 10/16		2,000,000.00	80.56%	99.9%	1,998,800.00	81.4%	1,628,530.28
BCP FINANCE 6.25% 03/11		1,000,000.00	95.88%	99.0%	989,800.00	100.6%	1,006,241.51
BCP PL FLOAT 02/11		6,000,000.00	99.37%	99.0%	5,938,200.00	99.6%	5,973,326.00
BCP FINANCE 6.25 03/11		1,465,000.00	95.88%	100.8%	1,476,866.50	100.6%	1,474,143.80
BCP PL 3,75% 06/11		8,250,000.00	96.81%	98.8%	8,155,025.00	98.8%	8,154,050.24
BCPPL 2,375% 01/18/2012		1,500,000.00	92.09%	98.0%	1,470,480.00	94.3%	1,415,204.65
BES FINANCE LTD 6,25% 05/11		2,672,000.00	96.79%	101.0%	2,698,887.20	100.7%	2,690,413.01
BES AÇORES FLOAT 16/12/2011		6,550,000.00	100.00%	100.0%	6,550,025.00	100.1%	6,556,211.58
BESPL 3,875% 01/21/2015		500,000.00	81.94%	99.8%	498,936.02	85.6%	427,960.78
BESPL 5,625% 06/14		6,500,000.00	87.44%	101.6%	6,606,934.21	90.7%	5,892,639.37
BPI PL FLOAT 01/12		1,000,000.00	93.00%	96.5%	964,500.00	93.3%	933,403.97
BRISA 4.5% 12/16		4,000,000.00	93.79%	101.1%	4,045,000.00	94.1%	3,764,601.92
CIMPOR 4,5 04-05/2011		3,000,000.00	100.08%	100.9%	3,025,500.00	102.8%	3,083,027.14
CXGD 4.25% 01/27/2020		2,500,000.00	77.75%	99.6%	2,489,025.00	81.7%	2,042,127.90
CXGD 5,125% 02/14		8,500,000.00	92.24%	105.2%	8,939,050.00	96.7%	8,216,690.34
EDP FINANCE 4,625% 06/16		2,000,000.00	94.89%	104.6%	2,091,400.00	97.4%	1,948,760.36
EDP FINANCE 3,25% 03/15		2,000,000.00	92.24%	99.4%	1,988,320.00	94.8%	1,896,505.84
MONTPI 29/05/2013		2,250,000.00	79.06%	99.8%	2,244,375.00	79.2%	1,781,451.00
MONTPI 31012011		200,000.00	99.62%	98.7%	197,360.00	99.8%	199,669.52
PORTUGAL TELECOM INT FIN 5% 11/04/19		5,000,000.00	90.07%	101.4%	5,070,400.00	90.8%	4,542,341.10
Pcomercial INVESTOFFICE					15,000,000.00		15,074,400.00
Pcomercial RS HOLDING SGPS					55,000,000.00		55,272,800.00
Term dep. EUR Barclays					3,481,301.17		3,493,993.41
Term dep. EUR BBVA					17,500,000.00		17,671,097.23
Term dep. EUR BCP					7,518,760.04		7,591,389.17
Term dep. EUR BES					84,658,000.00		84,763,383.21

(expressed in euros)

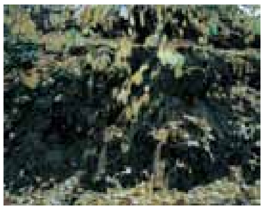
Identification of the Securities Designation		Quantity	Amount of par Value	% of Value Nominal	Average Acquisition Cost	Total Value Acquisition Cost	Book Value (including accrued interest) Unit	Book Value (including accrued interest) Total
Term dep. Eur BESI						2,100,000.00		2,106,197.92
Term dep. EUR CXGERALDEP						11,000,000.00		11,066,061.11
Term dep. EUR MG						17,056,000.00		17,148,929.45
	Subtotal	**0**	**147,387,000.00**			**291,242,460.10**		**287,562,038.68**
	Subtotal	**0**	**201,222,000.00**			**344,040,727.26**		**337,458,166.79**
	Total	**53,453**	**201,222,000.00**			**350,123,111.25**		**343,529,879.03**
2.2 - Foreign Securities								
2.2.1.3 - Investment fund units								
FIDELITY TARGET 2015 ACÇÕES		124,515			10.50	1,307,029.88	10.39	1,293,705.97
FIDELITY TARGET 2020 ACÇÕES		79,175			10.48	829,840.63	9.73	770,688.67
FIDELITY TARGET 2025 ACÇÕES		68,614			9.27	636,215.14	9.48	650,525.73
FIDELITY TARGET 2030 ACÇÕES		37,481			10.01	375,339.05	9.49	355,735.21
FIDELITY TARGET 2035 ACÇÕES		10,469			20.58	215,459.28	19.76	206,872.78
FIDELITY TARGET 2040 ACÇÕES		15,975			19.20	306,788.34	19.75	315,500.72
FUNDO ESP INV IMOB FECHADO		300,000			1,000.00	300,000,000.00	98460	295,380,000.00
STENHAM BERLIN RESIDENCIAL FUND		3,000,000			1.00	3,000,285.00	0.83	2,490,000.00
UBAM NEUBERGER BERMAN US EQUITY		3,071			488.41	1,499,999.64	496.32	1,524,283.09
	Subtotal	**3,639,300**	**0.00**			**308.170,956.96**		**302,987,312.17**
2.2.2 - Debt securities								
2.2.2.1 - Public debt								
HELLENIC REPUBLI GG 5,5 20/08/14			1,500,000.00	76.18%	109.0%	1,635,376.76	78.2%	1,172,761.64
HELLENIC REPUBLIC 4,3 20/03/12			1,500,000.00	91.58%	103.7%	1,555,989.50	94.9%	1,424,239.73
HELLENIC REPUBLIC 6,1% 08/20/15			250,000.00	75.46%	101.6%	254,000.00	81.0%	202,513.73
IRISH GOVT 4% 11/11/11			500,000.00	99.62%	103.3%	516,250.00	100.2%	500,854.73
IRISH GOVT 4,6% 04/16			1,000,000.00	85.38%	105.9%	1,059,200.00	88.6%	886,189.04
REPUBLIC OF AUSTRIA 3,2% 02/17			1,000,000.00	102.46%	105.3%	1,053,000.00	105.5%	1,055,284.93
	Subtotal	**0**	**5,750,000.00**			**6.073,816.26**		**5,241,843.80**
2.2.2.3 - Other issuers'								
ALPHA FLOAT 17/01/2012			3,000,000.00	92.00%	100.0%	3,001,200.00	92.3%	2,767,660.75
ALSTOM 2,875% 10/15			2,800,000.00	97.88%	99.8%	2,793,448.00	98.6%	2,759,925.67
ATLANTIA 3,375% 09/17			600,000.00	94.34%	99.6%	597,360.00	95.3%	571,926.82
ATLANTIA SPA 3,375% 09/17			3,000,000.00	94.34%	99.5%	2,983,620.00	95.3%	2,859,634.11
BANCA POP VERONA NOVARA 08/02/17			4,000,000.00	89.45%	99.9%	3,997,000.00	89.7%	3,586,132.44
BANCO SANTANDER 3,625% 04/17			4,000,000.00	93.07%	100.0%	3,998,160.00	95.7%	3,829,799.01
BANESTO FINANCIAL FLOAT 13			1,000,000.00	94.55%	95.5%	955,000.00	94.9%	948,854.00
BANK OF IRELAND 4% 01/28/15			1,500,000.00	79.42%	99.7%	1,495,470.00	83.1%	1,246,680.76
BANQUE PSA FINANCE 3,625% 10/11			500,000.00	101.21%	101.0%	505,000.00	102.0%	509,898.29
BBVA CAPITAL UNIPERS 13/10/2020			5,000,000.00	89.83%	99.9%	4,995,137.32	90.1%	4,505,531.53
BBVA SENIOR FINANCE 2,75% 09/12			1,000,000.00	98.13%	99.8%	998,470.00	99.0%	989,742.36
CAJA AHORROS BARCELONA 3,5% 03/16			500,000.00	92.23%	99.7%	498,565.00	94.9%	474,313.93
CAJA CASTILLA 02/11/2016			3,000,000.00	74.99%	100.0%	3,000,360.00	75.3%	2,260,026.52
CAJA MADRID 3,5% 11/14			3,000,000.00	93.17%	97.0%	2,908,500.00	93.6%	2,809,040.22
CAJA ZARAGOZA ARAGON 25/04/2019			4,000,000.00	83.11%	99.5%	3,981,460.00	83.4%	3,334,676.33
CRITERIA CAIXACORP 4,125% 11/14			3,000,000.00	97.56%	99.3%	2,978,800.00	98.0%	2,940,733.68
DEXIA MUNICIPAL AGENCY 2,75% 01/16			1,500,000.00	97.47%	100.0%	1,499,760.00	98.2%	1,473,053.34
DOURM 1 A			657,252.60	82.81%	98.6%	647,882.06	82.8%	544,491.29
EBS BUILDING SOCIETY 28/11/2016			5,000,000,00	54.00%	99.9%	4,993,150.00	54.1%	2,706,315.83
ENAGAS 4.375% 07/15			3,000,000.00	104.34%	105.4%	3,162,150.00	106.5%	3,194,110.85
ENEL FINANCE 4% 09/14/16			2,500,000.00	101.09%	103.4%	2,585,110.00	102.3%	2,556,954.04
ENI SPA 5% 01/28/16			2,500,000.00	107.95%	109.8%	2,744,975.00	112.6%	2,814,073.46
ESPIRITO SANTO FIN GRP 6.875% 10/21/19			3,700,000.00	67.63%	104.0%	3,849,110.00	69.0%	2,551,606.16
ESPIRITO SANTO FINANCIER 4.5% 05/31/11			7,000,000.00	96.86%	100.3%	7,021,616.86	99.5%	6,964,604.93
FORTUM OYJ 4,5% 06/16			2,000,000.00	107.32%	109.5%	2,189,140.00	109.7%	2,194,207.62
GAS NATURAL CAP 4,375% 11/16			1,250,000.00	94.66%	102.3%	1,278,125.00	95.4%	1,192,051.15
GAS NATURAL CAP 5,25% 7/9/2014			2,450,000.00	101.65%	105.7%	2,590,489.00	104.2%	2,552,087.18
GE CAP EUR FUND 17/05/2021			7,500,000.00	86.85%	99.1%	7,430,967.84	87.0%	6,525,261.67
GOLDMAN SACHS 30/01/2017			3,000,000.00	95.15%	99.8%	2,995,300.00	95.4%	2,861,762.10
HIPOT 5 A2			302,018.81	77.68%	97.9%	295,676.42	77.8%	234,904.08
ING BANK 3,375% 03/15			500,000.00	99.67%	99.5%	497,380.00	102.5%	512,373.56
JP MORGAN 12/10/2015			9,200,000.00	97.07%	100.1%	9,207,443.48	97.4%	8,958,343.49
KION 2006-1 A			832,732.16	68.01%	98.5%	820,628.68	68.2%	568,333.74
LEASEPLAN CORP 3,875% 09/15			2,300,000.00	99.04%	99.9%	2,297,033.00	100.2%	2,303,754.57
LLOYDS FLOAT 20 03/12/2020			5,000,000.00	80.50%	102.6%	5,131,800.47	80.7%	4,035,893.33

(expressed in euros)

Identification of the Securities / Designation	Quantity	Amount of par Value	% of Value Nominal	Average Acquisition Cost	Total Value Acquisition Cost	Book Value (including accrued interest) Unit	Book Value (including accrued interest) Total
MACQUARIE BANK 06/12/2016		1,500,000.00	95.07%	99.9%	1,497,945.00	95.2%	1,427,469.38
MAGEL 3 A		597,198.15	86.19%	98.7%	589,461.11	86.3%	515,632.35
MERRILL LYNCH 31/01/2014		2,000,000.00	96.14%	99.6%	1,991,828.57	96.4%	1,927,266.70
METRO AG 7,625% 03/15		3,000,000.00	117.40%	118.3%	3,549,600.00	123.7%	3,710,658.41
MORGAN STANLEY 13/04/2016		10,000,000.00	93.74%	99.9%	9,989,410.50	94.0%	9,404,047.50
MORGAN STANLEY 16/01/2017		2,500,000.00	92.97%	100.1%	2,501,250.00	93.3%	2,331,633.08
NATEXIS BANQUES POP 26/01/2017		2,500,000.00	91.62%	100.2%	2,505,002.50	91.9%	2,296,422.08
NATL CAPITAL INSTRUMENTS PERP		1,400,000.00	99.58%	99.7%	1,396,132.50	99.6%	1,394,329.88
PELIC 2 A		276,637.15	88.12%	99.2%	274,331.11	88.2%	243,916.53
PELICAN 3 A		889,667.84	71.00%	98.3%	874,410.73	71.1%	632,121.27
RED ELECTRICA 3,5% 10/16		1,650,000.00	98.04%	99.4%	1,639,671.00	98.9%	1,631,174.63
REPSOL 4,625% 10/14		3,000,000.00	103.43%	104.7%	3,140,700.00	104.5%	3,134,897.51
ROYAL BK SCOTLAND 49		10,000,000.00	90.63%	100.8%	10,080,000.00	91.0%	9,100,917.67
RWE FINANCE 6,25% 04/20/16		3,000,000.00	115.44%	117.8%	3,534,660.00	119.8%	3,594,286.15
SANTANDER INTL 2,875% 09/13		4,500,000.00	96.64%	99.8%	4,491,990.00	97.4%	4,385,053.11
SANTANDER ISSUANCES 23/03/2017		5,000,000.00	97.89%	99.9%	4,995,402.43	97.9%	4,895,950.34
TELEFONICA 3,661% 09/17		500,000.00	95.04%	99.8%	499,100.00	96.1%	480,495.97
TELEFONICA 3,661% 18/09/2017		4,000,000.00	95.04%	100.0%	4,000,000.00	96.1%	3,843,967.79
THAMES WATER UTC 3,25% 11/16		750,000.00	98.55%	99.9%	749,355.00	99.0%	742,566.10
THEME 4 A		921,956.51	65.00%	97.8%	901,396.86	65.2%	600,843.14
VERBUND INTL FIN 04/15 4,75%		3,000,000.00	106.97%	108.5%	3,255,000.00	110.3%	3,309,856.03
Subtotal	**0**	**161,077,463.23**			**163,381,935.44**		**150,742,264.43**
Subtotal	**0**	**166,827,463.23**			**169,455,751.70**		**155,984,108.23**
Total	**3,639.300**	**166,827,463.23**			**477,626,708.66**		**458,971,420.40**
2.3 - Trading derivatives							
Currency forwards							-176,858.58
Total	**0**	**0.00**			**0.00**		**-176,858.58**
Total	**3,692.753**	**368.049,463.23**			**827 749 819.91**		**802.324,440.85**
3 - Grand Total	**3,692.753**	**371.462,463.23**			**830 847 250.15**		**805.987,609,55**

VALTER VINAGRE
b. 1954, Portugal,
Da série Variações para um fruto, "S/ título #14", 2003,
Silver Dye Bleach Print
(Ilfochrome)
102,5 x 127,5cm • Unique print
Courtesy by the Artist

08 Disclosure of the Remuneration Policies



08 Disclosure of the Remuneration Policies

This disclosure involves the three following components:

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

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

1. Background

Following the enactment of Act 28/2009 of June 19, financial or public--interest companies, which also includes T-Vida, Companhia de Seguros, SA, must submit every year to the General Meeting a proposal as to the Remuneration Policy for the members of its management and supervisory bodies, and must also disclose it in its annual accounting documents.

Within the specific scope of insurance business, the act was subject, during 2010, to rules and regulations involving the publication of Regulatory Rule 5/2010-R by the Insurance Institute of Portugal and Circular 6/2010 by this entity, both dated April 1, enlarging the content of the act and its scope of application.

Specifically, these regulations led to a number of duties in the matter of disclosure that have to be taken into account, as well as numerous recommendations as to the process of drawing up and approving the proposal and as to its content.

In keeping with the practice implemented the previous year and with a view to ensuring fulfilment of these new obligations, this present remuneration policy is therefore formalised in respect of 2011 for the corporate officers of T-Vida, Companhia de Seguros, SA..

2. Main aspects of the regulations

As a backcloth of these regulations there is an assumption that cannot be applied equally to all financial or public-interest institutions or, in particular to T-Vida; and that is that improper remuneration policies will have led these institutions to assume excessive risks, thus causing significant losses during the financial crisis that began in 2007.

In order to endeavour to put a halt to such 'inadequacies', the regulations propose or impose:

a) The aggregate and individual remuneration of the members of the management and supervisory bodies;

b) Creation of mechanisms with a view to discouraging excessive risk-taking, allowing an alignment of the interests of these corporate officers with the medium- and long-term interests of the Company and its equityholders, based of performance assessment;

c) Creation of maximum limits for the fixed and variable parts of the remuneration, mutually in balance, the fixed component to be adequate to allowing application of a fully flexible policy as to the variable component;

d) Inclusion of mechanisms to limit the variable component in the event of the profits showing a marked deterioration of the Company's performance during the later period determined or where it can be expected during the year in progress;

e) The possibility of deferring over time payment of a part of the variable remuneration;

f) The possibility of payment of part of the variable remuneration in financial instruments.

3. Remuneration practices

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

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

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

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

The excesses alleged to have existed at other institutions did not occur at T-Vida. Additionally, taking into account the fact that T-Vida has a single equityholder, heavily involved and engaged on its management and the remarkable stability of the composition of its corporate offices, it is characterised as having adequate risk control and an absence of short-term policies that would bring about major risks for the Company.

4. Remuneration policy

4.1. Remuneration policy approval process

a) Approval

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

b) External consultants

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

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

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

4.3. Remuneration of the members of the Board of Auditors

Under Article 28 of the articles of association, the Board of Auditors comprises three members, of whom one performs the duties of chairman. Its members are remunerated through payment of a fixed monthly sum 12 times a year.

4.4. Remuneration of the Official Auditor

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

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

4.5. Remuneration of the Board of Directors

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

All members of the Board of Directors perform executive duties.

a) Remuneration

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

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

In 2010 one of the directors designated by the sole equityholder at the General Meeting performed unremunerated duties. This situation will be reviewed in 2011 so as to harmonise the remuneration criteria applicable to all members of the Board of Directors.

b) Limits of the remuneration

For 2011 the limits of the fixed part, if any variable remuneration is paid, will lie between 45% and 80% of Total Annual Remuneration.

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

In 2011 the variable remuneration to be distributed among the members of the Board of Directors will be set at approximately 4.57% of the net profit for the period.

c) Balance in the remuneration

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

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

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

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

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

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

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

Likewise, taking into account the fact that the Company has a single equityholder and its securities are not listed on regulated markets, the possibility of a part of the variable component comprising stock option in the Company has not been considered in the present remuneration policy. Consequently, there are no plans for 2011 to award shares or stock options in respect of T-Vida or any other Group company to the members of the Executive Committee.

e) Performance assessment criteria

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

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

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

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

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

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

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

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

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

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

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

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

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

5. Complementary pension or early retirement scheme

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

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

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

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

7. Table of the remuneration paid to T-Vida's corporate officers during 2010

(thousand euros)

	T-Vida		
	Fixed	Variable	Total
Board of Directors			**392.0**
Pedro Guilherme Beauvillain de Brito e Cunha (Chairman)	43.9	55.0	98.9
Augusto Tomé Pires Fernandes Pedroso	37.7	45.0	82.7
António Miguel Natário Rio-Tinto	----	45.0	45.0
Miguel Maria Pitté Reis da Silveira Moreno	37.7	45.0	82.7
Nuno Miguel Pombeiro Gomes Diniz Clemente	37.7	45.0	82.7
Board of Auditors			**37.4**
António Ricardo Espírito Santo Bustorff (Chairman)	15.4	---	15.4
João Faria Rodrigues	11.0	---	11.0
Maria Madalena França e Silva Quintanilha Mantas Moura	6.0	---	6.0
João Paulo Cunha Leite Abreu Novais	5.0	---	5.0
Total Remuneration	**194.4**	**235.0**	**429.4**

Variable remuneration attributed by T-Vida in 2010 for members of the management body totals about €235k, or some 4.46% of the individual net profit for 2009.

The remuneration paid to the chairman of the Board of Auditors, António Ricardo Espírito Santo Bustorff, includes €7,000 in respect of 2009.

The remuneration paid to member of the Board of Auditors João Faria Rodrigues includes €5,000 in respect of 2009.

João Paulo Cunha Leite Abreu Novais terminated his duties on December 31, 2009, the remuneration paid in 2010 being in respect of 2009.

Key Employee Remuneration Policy

1. Background

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

Within the specific scope of insurance business, the act was subject, during 2010, to rules and regulations involving the publication of Regulatory Rule 5/2010-R by the Insurance Institute of Portugal and Circular 6/2010 by this entity, both dated April 1, enlarging the content of the act and its scope of application.

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

With a view to ensuring fulfilment of this new obligation this remuneration policy is therefore formalised for 2011, applicable to those employees performing key duties, as defined in Point I.3(e) of Circular 6/2010, as well as those exercising an activity impacting materially of the Company's risk profile, which, for the purpose of this policy, are those set out in Point 4(b) hereunder (Bounds of the scope of application of the Remuneration Policy).

2. Main aspects of the new regulations

Publication of Insurance Institute of Portugal Standard 5/2010 of April 1, complementing the obligations provided for in Act 28/2009 of June 19, came to impose on public-interest entities, as is the case of Companhia de Seguros Tranquilidade, new obligations not only in respect of the Policy of Remuneration of the Members of the Management and Supervisory Bodies, but also in respect of the Remuneration of employees performing key functions at the Company or whose professional activity could impact in the Institution's risk profile.

More demanding in respect of the scope and content, Standard 5/2010 thus came to require that the information to be disclosed in respect of the Remuneration Policy in force at the Company should cover, in the specific case of "Key Employees", the following aspects:

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

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

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

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

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

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

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

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

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

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

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

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

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

Even though these recommendations are not of an injunctive nature, Tranquilidade's Board of Directors must, by virtue of Article 4.3 of Regulatory Rule 5/2010-R referred to earlier, send to the Insurance Institute of Portugal, each year, a declaration as to the conformity of the remuneration policy with these recommendations, from a standpoint of comply or explain.

3. Remuneration practices

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

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

- Consistency of remuneration practices is respect of the Company's strategies, results and financial capabilities;

- Alignment of remuneration practices with the annual employee performance assessment criteria;

- Alignment of remuneration practices with those of the domestic market and, in particular, of the insurance industry.

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

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

To this end, and on the basis of the annual assessment of the Tranquilidade remuneration structure, and also on the basis of the recently-created regulations, the T-Vida Board of Directors thus formalises, through this document, the remuneration policy applicable to its Key Employees, enshrining the following essential pillars:

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

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

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

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

4. Delimitation of the scope of application of the Remuneration Policy

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

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

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

c) But also to all employees having level 1 management duties (Top Managers) and Advisers of the management body, regardless of the area in which they perform their duties, since the understanding is that – besides the corporate officers – these professionals are, in the specific case of Tranquilidade, employees whose performance has a material impact on the Company's risk profile.

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

5. Remuneration policy approval process

a) Approval

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

In drawing up the proposal for the remuneration policy an active role is played by several managers of the Company's major divisions, the Personnel Division in particular. The proposal is also assessed by the Overall Risk and Internal Control Division with a view to determining its possible impact on risk management and internal control.

Lastly, the Executive Committee approves the final fixing of the remuneration.

b) Mandate of the Board of Directors

Under the law and the articles of association, fixing the remuneration of T-Vida's Key Employees is entrusted to the Board of Directors within the scope of the management of its personnel policy and of the incentives policy, with a view to meeting the Company's strategic goals.

c) Composition of the Board of Directors

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

d) External consultants

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

6. Remuneration

a) Composition of the remuneration

The remuneration comprises a fixed and a variable part. The Company's overall remuneration policy is reviewed each year by the Board of Directors by the end of May.

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

b) Limits of the remuneration

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

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

The variable part for 2011 is set to amount, on average, to 16% of the Total Annual Remuneration, while the maximum, considered individually, may not exceed 20% of the total remuneration.

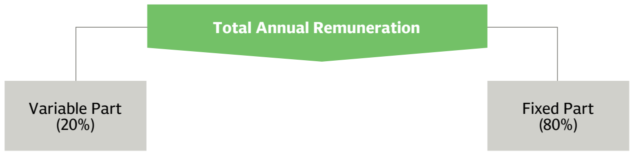
c) Balance in the remuneration

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

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

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

d) Variable component definition criteria and its time of payment



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

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

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

e) Performance assessment criteria

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

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

- Results-orientation with careful risk management;
- Team Spirit;
- Strategic Vision;
- Planning, Organisation and Control;
- Customer Orientation;
- Trading Capacity;
- Knowledge of Products and Services.

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

- Results-orientation with careful risk management;
- Team Spirit;
- Strategic Vision;
- Planning, Organisation and Control.

7. Other benefits attributed to "Key Employees"

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

a) Health insurance as defined in Clause 61 of the collective bargaining agreement for the insurance industry;

b) Life insurance as defined in Clause 64 of the collective bargaining agreement for the insurance industry;

c) With regard to employees taken on by the the Tranquilidade Group, of which T-Vida is a part, prior to June 22, 1995, payment of a pre--retirement benefit or retirement pension, under the terms of Clauses 52 et seq. of the collective bargaining agreement for the insurance industry, as stated in the next point.

8. Main characteristics of the complementary pension schemes attributed to employees

Under the terms of Clauses 51 et seq. of the collective bargaining agreement (CBA) for the insurance industry, T-Vida employees taken on by the Tranquilidade Group and, more specifically, into insurance business, up to June 22, 1995 are entitled to a retirement pension or pension complement under the terms of the said CBA and of the regulations of the pension fund known as the "Tranquilidade Pension Fund", managed by ESAF – Espírito Santo Fundos de Pensões, SA.

Key Employees taken on prior to June 22 1995 are therefore covered by this pension fund, the main characteristics of which are detailed hereunder:

a) In the event of retirement for age reasons, a pension complement corresponding to the difference between 80% of the last salary and a percentage (between 30% and 80%, depending of the number of years of contributions to social security) of the average of the salaries of the best 5 of the last 10 years;

b) In the event of retirement for disability the percentage of the last salary varies between 50% and 80% in the light of the number of years in insurance business;

c) In either case, these pensions are updated annually through application of the CPI excluding housing. Application of these formulae cannot lead to total pensions received being greater that the minimum net salary the employee would receive if he had continued in service.

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

Save decision to the contrary taken by the Board of Directors, this Remuneration Policy will also apply to the other Companhia de Seguros T-Vida employees not considered under the criteria defined in point 4 hereabove (Bounds of the scope of application of the Remuneration Policy).

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

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

Recommendation	Comply	Does Not Comply	Comments
I. General Principles			
I.1 Adoption of a remuneration policy consistent with effective risk management and control that will prevent excessive exposure to risk, will prevent potential conflicts of interests and will be coherent with the long-term objectives, values and interests of the Institution, and particularly with the growth and profitability prospects and with customer protection;	√		
I.2 Appropriateness of the Remuneration Policy (RP) in the light of the size, nature and complexity of the business, especially with regard to the risks assumed or to be assumed;	√		
I.3 Adoption of a clear, transparent and adequate structure in respect of the definition, implementation and monitoring of the RP that will objectively identify the employees involved in the process as well as their responsibilities and competences.	√		
II. Approval of the Remuneration Policy (RP)			
II.1 Approval of the RP by a Remuneration Committee or, if its existence is not viable or is not warranted (size, nature or complexity of the Institution) by the General Meeting;	√		
II.2 Approval by the Board of Directors of the RP applicable to the employees;	√		
II.3 Involvement in the definition of the RP by persons of functional independence and adequate technical capabilities, in order to avoid conflicts of interest and to allow an independent value judgement to be made;	√		
II.4 The RP shall be transparent and accessible to all the Institution's employees; The RP shall also be formalised in a separate document, duly updated, stating the changes made and the reasons therefor, and the previous versions shall be kept on file;	√		
II.5 Disclosure of the assessment process to the employees prior to the period of time covered by its application.	√		
III. Remuneration Committee (RC)			
III.1 Should one exist, the RC shall review the RP each year and its implementation, so as to allow a reasoned, independent value judgement to be made about the RP in the light of the recommendations (Circular 6/2010), particularly as to its effect on the management of the Institution's risks and capital;			Not applicable to T-Vida
III.2 The members of the RC shall be independent with regard to the management body and shall meet the requirements of competence and professional qualifications appropriate to the performance of their duties;			
III.3 Should the RC make use of external services (consultants), it should not hire a natural or corporate person who provides or has provided services, during the previous three years, to any structure dependent on the management body or to the management body itself or has a present relationship with a consultant of the institution. This recommendation is also applicable to any natural or corporate person related with them by an employment or provision of services contract;			
III.4 The RC shall inform the equityholders, each year, as to the performance of its duties and shall be present at the AGM at which the Remuneration Policy is on the agenda;			
III.5 The RC shall meet at least once a year and shall write up minutes of every meeting held.			

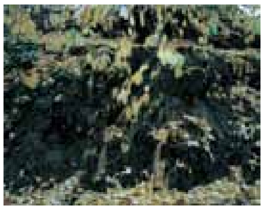
Recommendation	Comply	Does Not Comply	Comments
IV. Management Body - Executive Members			
IV.1 The remuneration shall include a variable component, its determination dependent on an assessment of performance in keeping with predetermined, measurable criteria, including non-financial criteria, that take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

Recommendation	Comply	Does Not Comply	Comments
V.2 Payment of a substantial variable part in financial instruments issued by the institution, the appreciation of which depends on the medium- and long-term performance of the institution, subject to a retention policy aligned with the long-term interests of the Institution.		X	Not applicable, on account of the equityholder structure of Companhia de Seguros T-Vida, as well as of the fact that its shares are not listed on regulated markets.
V. Employee Remuneration – Variable Remuneration Allocation Criteria			
V.3. Performance assessment must take into account not only individual performance but also the collective performance of the unit of the structure in which the employee is involved and of the institution itself. It must include relevant non-financial criteria, such as regard for the rules and procedures applicable to the business carried on, especially the internal-control rules and those relating to relations with customers;	√		
V.4 The criteria governing the attribution of the variable remuneration in the light of performance must be predetermined and measurable, based on a multi-year framework of three to five years, in order to ensure that the assessment process is based on long-term performance;		X	The criteria used are predetermined and measurable. They are not related to a multi-year framework since the understanding is that this component has little weight in the overall amount and concerns the meeting or otherwise of annual goals.
V.5 The variable remuneration, including the deferred part of this remuneration, shall be paid or shall constitute a vested right if it is sustainable in the light of the financial situation of the institution as a whole and is warranted in the light of the performance of the employee in question and of the structure unit of which he is a part. The whole of the variable remuneration shall, generally speaking, be severely reduced in the event of decrease of the performance or negative performance of the institution.	√		
V. Employee Remuneration (Key Duties)– Deferral of Variable Remuneration			
V.6. A significant part of the variable remuneration shall be deferred for a period not less that three years and its payment shall be dependent on future performance criteria, measured on the basis of criteria suited to the risk, which take into account the risks associated with the activity on the basis of which it is awarded;		X	The little weight of this component does not warrant its deferral.
V.7. The part of the variable remuneration subject to deferral under the terms of the preceding number shall be determined in growing proportion to its relative weight compared to the fixed component of the remuneration. The percentage deferred shall increase significantly in proportion to the seniority or responsibilities of the employee.		X	Not applicable in view of the response to the preceding point.
V. Employee Remuneration – Variable Remuneration Allocation Criteria			
V.8. Employees performing tasks associated with key functions shall be remunerated in the light of the achievement of the objectives associated with their duties, regardless of the performance of the areas under their control, the remuneration to provide a reward adequate to the importance of the exercise of the duties;	√		
V.9 In particular, actuarial duties and the actuary in charge shall be remunerated in a manner in keeping with their role at the institution and not in respect of its performance.	√		
VI. Assessment of the Remuneration Policy			
VI.1 The remuneration policy shall be submitted to independent internal assessment at least annually, performed by key departments of the institution in articulation with each other;	√		
VI.2 The assessment called for in the preceding number shall include, in particular, an analysis of the institution's remuneration policy and of its implementation in the light of the recommendations of this Circular, especially in respect of its effect on the management of the risks and capital of the institution;	√		
VI.3 The key functions shall present to the management body, the AGM or, if any, the remuneration committee, a report on the results of the analysis to which number VI.1 refers, retailing in particular the measures required to correct any insufficiencies in the light of these recommendations.	√		

Recommendation	Comply	Does Not Comply	Comments
VII. Financial Groups			
VII.1 The parent company of an insurance Group or financial conglomerate subject to supervision by the ISP on the basis of its consolidated situation shall ensure that all its affiliates, including those abroad, implement mutually consistent remuneration policies, based on these recommendations;			Not applicable in the specific case of Companhia de Seguros T-Vida. These recommendations will be assessed in respect of Companhia de Seguros Tranquilidade, SA..
VII.2 Adoption of these recommendations shall be ensured in respect of all remuneration paid to each employee by the those institutions that are a part of the same insurance group or financial conglomerate;			
VII.3 The key functions of the parent company shall perform at least once a year, in articulation with each other, an assessment of the remuneration practices of the affiliates abroad, in the light of the recommendations of this Circular, especially in respect of their effect on the management of the institution's risk and capital;			
VII.4. The key functions shall submit to the management body of the parent company and to its general meeting or, should one exist, to the remuneration committee, a report on the results of the assessment to which the preceding number refers, detailing in particular the measures required to correct any insufficiencies in the light of these recommendations.			

VALTER VINAGRE
b. 1954, Portugal,
Da série Variações para um fruto, "S/ título #18", 2003,
Silver Dye Bleach Print (Ilfochrome)
43 x 45,5cm • Unique print
Courtesy by the Artist

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



Legal Certification of Accounts

Introduction

1. I have audited the financial statements of T-VIDA, COMPANHIA DE SEGUROS, SA, which comprise the Balance Sheet as at December 31, 2010, (which shows a total of €941,574k and total equity in the sum of €66,888k, including a netprofit of €5,140k), the Profit & Loss Account, the Comprehensive Income Statement, the Cash-Flow Statement and the Statement of Changes in Equity for the year then ended, and the Notes to the Accounts. These financial statements have been prepared in accordance with accounting practices generally accepted for the insurance industry in Portugal.

Responsibilities

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

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

Scope

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

   - Verification, on a test basis, of the documents underlying the figures and disclosures contained in the financial statements and an evaluation of the estimates, based on judgements and criteria established by the Board of Directors, used in their preparation;

   - An appraisal of the adequacy of the accounting policies employed and of their disclosure, taking the circumstances into account;

   - Verification of the applicability of the going concern principle; and

   - An appraisal as to the adequacy, in overall terms, of the presentation of the financial statements.

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

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

Opinion

7. In my opinion, the said financial statements truly and fairly present, in all materially relevant aspects the financial situation of T-VIDA, COMPANHIA DE SEGUROS, SA, as at December 31, 2010, 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.

Report on other legal requirements

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

Lisbon, March 22nd 2011

signed
José Manuel Macedo Pereira

Board of Auditors' 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 Board of Auditors , as well as our Opinion on the Report, the Accounts and the proposal for the appropriation of profit presented by the Board of Directors of T-VIDA, COMPANHIA DE SEGUROS, SA , in respect of the year ended December 31, 2010, and also our appraisal of the respective Legal Certification of the Accounts issued in due course by the Company's Official Auditor.

Company's business and its management throughout 2010, 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.

Production volume grew by 59.9% in 2010 compared to last time. This change was the result of the capitalisation operation (OCA) undertaken in 2010 in the sum of €70,000k. Excluding this operation, Life premiums would have declined by 8.2% (€-8,370k) compared to the previous year.

T-Vida maintained its strategic line of growing in Life Assurance and, at the same time, it maintained a relevant position in the PPR-products market. In Life Assurance T-Vida's growth was driven by the Large and Medium Companies segments, in which its involvement was less consolidated. In the PPR segment, the poorer economic and financial surroundings during the last quarter severely conditions T-Vida's growth capacity.

During the year, attention is also called to the repayment to Companhia de Seguros Tranquilidade of ancillary capital contributions in the sum of €7.5 million.

The solvency ratio estimated as at December 2010 stood at 107.34%, compared to 192.8% for 2009. A contribution to this negative change was made by the reduction of the constituent elements as a result of the reduction of the ancillary capital contributions and the increase of potential losses (revaluation reserves).

The Tranquilidade Group, of which T-VIDA is a part, continued, during 2010, the work involved in adapting to the new Solvency II mechanism, which will imply substantial alterations in insurance business. In the matter of Solvency II a plan was also drawn up for the implementation of the Solvency II Roadmap, complete with details and calendar of the main measures to be undertaken during the coming two years within the Tranquilidade Group, which was communicated to the Insurance Institute of Portugal.

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

On termination of 2010 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, 2010. In due course and under Article 452.1 of the Companies Code, the Board of Auditors also appraised the Legal Certification of the 2010 Accounts, dated March 22, 2011, 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 in keeping with the respective conclusions, we are of the opinion that the General Meeting of T-VIDA, Companhia de Seguros, SA, approve:

a) the Management report dated March 15, 2011, and the other accounting documents for the year ended December 31, 2010, presented by the Board of Directors;

b) the Board of Directors' proposal for the appropriation of the 2010 net profit in the sum of €5,140,468.65 under the terms set out in point 2.5 of the Management Report referred to above.

Lisbon, March 25, 2011

The Board of Auditors

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

2010
Annual Report

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

PHOTOS
Banco Espírito Santo Collection

DESIGN AND DEVELOPMENT
Linha 21 Marketing e Publicidade

BERNHARD HEIDL
b. 1951 – Germany
“SeaZen”, 2008
Digital Chromogenic Print
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