Annual Report and Accounts 2012

VIDA

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01. Corporate Officers

01. Corporate Officers

General Meeting

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

Board of Directors

Chairman
Pedro Guilherme Beauvillain de Brito e Cunha
Member
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
Member
João de Faria Rodrigues
Maria Madalena França e Silva Quintanilha Mantas Moura
Alternate Member
José Silva Duque

Official Auditor

José Manuel Macedo Pereira
Alternate
Sociedade de Revisores Oficiais de Contas Amável Calhau, Ribeiro da Cunha e Associados

Peter de Brito e Cunha
Chairman

Tomé Pedroso

Miguel Rio-Tinto

Miguel Moreno

Nuno Clemente

Board of Directors

Directors' Report

02. Directors' Report

To the Members of T-Vida Companhia de Seguros, S.A.,

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, S.A. (hereinafter T-Vida or Company), in respect of 2012.

2.1. Macroeconomic Framework

The year under review was marked by a slowdown of global economic activity and a downturn of the GDP in the Eurozone. The major contributions to this were the restrictive fiscal policies and the private-sector deleveraging in the leading developed economies, the cooling-off of demand and fears of a hard landing in China, and the uncertainty associated with the debt crisis in the Eurozone. This last factor was particularly noticeable in the first half of the year due to political and fiscal instability in Greece and also to a growing contagion of the crisis to economies such as Spain or Italy.

2.1.1. International Economic Situation

In the Eurozone, despite the slowdown in economic activity and the downturn of GDP, the second half of the year was, however, marked by stabilisation of the financial markets and a retreat of fears of fragmentation of the Eurozone, in this case expressed in a significant reduction of the spreads on the public debt of the peripheral economies against Germany.

Besides some progress towards greater financial and fiscal integration, this improvement resulted primarily from the creation by the ECB, of the Outright Monetary Transactions, which opened up the way to the possibility of buying unlimited debt of Eurozone economies, complementing a possible formal financial assistance programme, the ESM (European Stability Mechanism).

The greater risk propensity globally also resulted from the effects of highly expansionary monetary policies by major central banks, in a context of low inflationary pressures. Emphasis is given to the increase of quantitative easing by the US Federal Reserve, through the so-called QE3, besides the ECB's long-term financing operations and the quantitative easing by the central banks of England and Japan.

After a final cut of 25 bps in July, the ECB maintained its refi rate unchanged at 0.75% up to the year-end. Over the year as a whole the 3-month Euribor fell from 1.356% to 0.187% and the euro rose 1.8% against the dollar, to EUR/USD 1.32.

In the US the S&P500 index gained 13.4%. In Europe, the DAX and CAC40 recorded annual gains of 29.1% and 15.2%, respectively. Although performing less favourably over the year as a whole (up 2.9% and down 4.7%, respectively), the PSI-20 and IBEX gained 8.7% and 5.95%, respectively, in the 4th quarter.

Reflecting the general sentiment throughout the year, crude prices (Brent) fell between the 1st and 2nd quarters from USD 123.8 to USD 97/barrel, recovering as from the summer to close the year at USD 111.9/barrel, an increase of about 4% compared to the price at the end of 2011.

The United States GDP grew 2% in 2012, a slight increase over the previous year, although the pattern of activity proved uneven throughout the year. Private consumption grew moderately, with a trend of improving household sentiment. Productive investment weakened, reflecting low business confidence and considerable uncertainty about the fiscal framework. Exports were relatively lively in the first six months of the year, losing momentum in the second half of the year, particularly due to the Eurozone crisis.

The effects were seen not only in North American foreign trade, and the uncertainties that have permeated the region – private sector involvement in the pardon of Greek debt, parliamentary elections in Greece, French presidential elections, the fall of the Dutch government, instability in the Spanish financial system and the rumours of a bail-out request by this country – certainly contributed to the appreciation of the dollar during the first half and to the recovery of Treasuries (seen as a refuge asset). The greater stability of the Eurozone following the strong commitment of the ECB to the defence of the euro weakened the momentum of the dollar and interrupted the gains of the fixed-rate market in the second half of the year.

The housing market, one of the most affected by the recession that sharply weakened household wealth and private consumption, showed signs of recovery in 2012. The labour market, in turn, likewise behindhand in recovering, also improved, although without the dynamism required to allow a speedy drop of the jobless rate. From 1st to the 2nd half, net job creation increased from 14 thousand jobs per month on average, to 160 thousand per month, reducing the unemployment rate from 8.3% to 7.8% of the active population, between the beginning and end of 2012.

The lack of a strong upturn in activity and persistent resistance to a rapid drop of the unemployment rate led the monetary authority to strengthen its expansionary policy in a context of well-contained inflationary expectations and in a year when presidential elections conditioned the effect of fiscal policy. In June the Federal Reserve decided to extend the Twist Operation until the end of the year, lengthening the average maturity of the assets held in its balance sheet, ensuring that the Fed Funds rate remain between 0% and 0.25% up to the end of 2014.

2.1.2. Domestic Economic Situation

In Portugal, the economic situation in 2012 was mainly marked by the implementation of the economic and financial adjustment programme. The ongoing deleveraging in the private sector, coupled with a strongly restrictive fiscal policy and the cooling of activity in the Eurozone, contributed to a real downturn of the GDP by 3.2%, with significant declines in consumption and investment and an increase of unemployment to close to 16% of the active population.

Household spending fell 5.6%, reflecting the sharp drop in disposable income (3.6% in real terms) and the increase of savings to slightly more than 11% of disposable income. In a context of increasing uncertainty about fiscal policy and the prospects for development of the activity, the economic agents cut back their expenditure and increased their respective savings, driven by a sense of caution. Private consumption was also penalised by a relatively high inflation (2.8% in average annual terms), driven by the increase of indirect taxes.

Investment, in turn, again fell sharply, down 15.2% (down 13.8% the previous year) across all sectors of the economy. This aggregate was penalised not only by tight financing conditions, but also by a decrease in demand for credit by households and businesses alike. The deleveraging effort and, in the case of companies, the negative outlook for demand were been instrumental to this.

Though continuing a trend of slowdown, particularly towards the end of the year, exports continued to perform well, with and annual growth of over 3% in real terms. Sales abroad were naturally penalised by recessive situation in the Eurozone (especially in Spain), but returned double-digit growth to markets outside the European Union.

This performance, combined with a sharp drop in imports (over 7%) and an increase in domestic savings, resulted in a marked improvement of the external balance, from a shortfall of 5.1% of GDP in 2011 to a surplus of 0.8% of GDP at end-2012. All sectors contributed to this performance, with households and the financial sector increasing their net financing capacity and the non-financial companies and local and central government reducing their net borrowing requirements.

The public deficit is expected to have stood close to the (revised) target of 5% of the GDP in 2012, despite the significant deviation of revenue compared to budgeted figures (about €880 million in the case of central government and Social Security). A contribution to this will have been made by a decline in expenditure sharper than initially planned, partly the result of additional savings connected with spending on wages, acquisition of goods and services, investment spending and net interest expense. With regard to the extraordinary measures, but on the revenue side, budget execution in 2012 benefited primarily from a non-recurring revenue associated with the concession of the public airport management services to the firm ANA. Government debt also maintained an upward trend, to stand at 120% of the GDP, 12 p.p. more than in 2011.

The positive assessments of the implementation of the adjustment programme and the stabilising action of the ECB contributed to a gradual improvement of the financial conditions faced by the Portuguese economy, seen in a significant reduction of public-debt yields and credit spreads, and also in the reopening of the wholesale debt markets for companies and banks alike.

The yield on 10-year Treasury Bonds peaked at 17.4% in late January 2012, closing the year at around 7% (and with the downward trend continuing at the beginning of 2013). The greater openness of foreign investors to the Portuguese economy was reflected also in the good results of the privatisation programme implemented, with total revenues of around €5.5 billion euros, above expectations.

2.1.3. Insurance Market

After the unparalleled downturn of direct insurance production in 2011, which dropped to a figure lower than in 2005, it continued to decline, though less sharply, during 2012. Premiums written amounted to €10,911 million, a decline of €831 million (7.1%) from the preceding year.

The negative performance of the insurance market was mainly due to the downturn in Life insurance, although Non-Life production also fell. With premiums of €6,924 million and a negative growth rate of 8.9%, the Life segment again lost weight in total production (74.5% in 2010 to 64.7% in 2011 and 63.5% in 2012).

The fall in household disposable income, with the consequent reduction in the volume of savings contributed to the decline of products having a more financial and saving-for-retirement component. PPR (Retirement Savings Plans) production, which, in addition to these factors, was also affected by the reduction of tax incentives, was lower than the previous year by 14.1%. The performance of risk products was more in line with the overall performance of economic activity (down 2.0% compared to 2011).

The production of the Non-Life segment also decreased, more so in those segments more sensitive to macroeconomic variables. Premium volume amounted to €3,987 million (down 3.8% from the previous year), though Health segment performed well (up 2.2%), reflecting growing consumer interest in this type of protection. The Multi-risk business lines (up 1.7%), especially Home insurance, continued to see an increase of production, reflecting growing sensitivity to risk management and protection in times of uncertainty.

With a remarkable drop in production, Workmen's Compensation (down 10.6%) reflected not only the reduction of employment and containment of the wage bill of the economy, but also a further reduction of pricing. Production of Motor insurance also fell sharply (down 5.4%), the result of household and company need to cut costs and also of the reduction of the average premium driven by competitive pressure.

The weight of insurance business as a proportion of the GDP fell from 6.86% in 2011 to 6.40% in 2012. The Life segment represents 4.06% of the GDP and the Non-Life 2.34% (4.44% and 2.42% in 2011, respectively).

Despite the reduction in insurance production, and according to the provisional accounts of the insurance industry, net profits were very good. The industry as a whole generate pre-tax profits of around €876 million, which was subject to a tax burden of nearly €334 million (effective rate higher than 38%), resulting in an overall net profit in the order of €540 million , compared with about €10 million in 2011.

A major contribution to this result was made by the recovery of the capital markets in 2012, particularly in the debt segment. The financial component will have amounted to €720 million (€313 million in 2011) and the technical component to -€180 million (-€303 million in 2011). It should be noted that the 2012 result is influenced by an extraordinary operation involving the assignment of a life-risk portfolio in the sum of €240 million. Excluding the effect of this extraordinary operation the industry's overall result would amount to €380 million.

The Life segment, more sensitive to financial-market volatility, benefited most from this evolution, generating a technical-account result higher than the previous year by €800 million.

The Non-Life segment, too, contributed to the good performance development of results in 2012, with an increase of €40 million in the technical-account result, making good use of the evolution of the financial component.

2.2. Relevant Facts in 2012

The year under review 2012 was particularly adverse for Life insurance, especially for business lines with a major capitalisation and PPR component. Despite greater saver sensitivity for saving, the context of highly competitive environment surrounding fund taking, short-term funds in particular, coupled with the elimination of tax deduction of Life insurance premiums or the strong limitation of PPR tax benefits, led to an 8.9% decrease of insurance business. T-Vida showed a contrary trend, its business growing 89.9% by volume, the result of the significant increase in Capitalisation insurance production.

It continued its strategic line of growth in Life Risk insurance, risk, creating the conditions to be dynamic and to continue to gain market share in this area in 2013. During the last four months it recreated its range of Life Welfare products and strengthened its distribution capabilities by selecting a set of business partners with the profile and willingness required to sell this type of insurance. In this area it also drew up new forms of distribution, notably telephone sales, having achieved very satisfactory results since 2011.

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

With regard to the stock of policies, the maturity of some products and the search by savers for higher rates in the short term led to the cancellation of a significant number of policies, and the stock stood at 133,701 as at December 31, 2012.

2.3. Key Variables and Business Indicators

(thousand euros)

	2012	2011	CHG 12/11 %
Balance Sheet			
Investments	721,421	796,869	-9.5
Net assets	865,913	902,978	-4.1
Equity	65,174	62,895	3.6
Investment contract mathematical provisions & liabilities	725,522	737,933	-1.7
Gains & Losses			
Total production	89,577	47,166	89.9
Premiums earned, net of reinsurance	31,341	31,722	-1.2
Costs of claims, net of reinsurance	60,331	62,284	-3.1
Mathematical provision, net of reinsurance	28,653	30,026	-4.6
Share of income, net of reinsurance	2,135	1,698	25.8
Operating costs	6,476	6,923	-6.5
Financial result	-5,334	15,727	-133.9
Technical balance (1)	6,565	8,206	-20.0
Overall balance (2)	11,884	9,819	21.0
Net income	4,530	3,013	50.3
Indicators (%)			
Technical balance/ total production	7.3	17.4	-10.1 p.p.
Operating costs/ total production	7.2	14.7	-7.4 p.p.
Operating costs/ invest. cont. math. provisions & liabilities	0.9	0.9	0.0 p.p.
Solvency margin mover rate	136.4	116.7	19.7 p.p.
Claims/ premiums (IFRS 4)	180.2	182.4	-2.2 p.p.
Benefits paid/ deposits received (IAS 39)	42.8	259.6	-216.8 p.p.
Acquisition costs/ (premiums + deposits received)	7.1	12.5	-5.4 p.p.
Administrative costs/ (premiums + deposits received)	3.4	6.6	-3.2 p.p.
Other Indicators			
Nº Employees (3)	19	17	11.8
Nº Policies	133,701	139,465	-4.1

(1) Technical balance net of reinsurance.
(2) Technical balance + balance of financial activity.
(3) Employees belonging to the permanent staff.

2.4. T-Vida's Business in 2012

2.4.1. Total Production

In 2012 there was a significant change in the Insurer's production, the result of the context of the insurance market, coupled with the need for growth and solidification of the business.

Production totalled €89,577k, up 89.9% (€42,411k), from last time. This change was driven by the significant increase of production in the financials, in particular in the Capitalisation products, which grew by €46,349k.

The PPR products made a negative contribution, recording an 18.4% downturn (€3,839k). It should be pointed out that the new products subscribed in the 2nd half of 2012 have improved the performance of the Guaranteed PPRs compared to last time.

Annuities decreased by 9.2% (€404k), and Universal Life decreased by 13.9% (€389k), since this is a type of product little sold and of long maturity.

The Life Risk business line grew 4.9% gaining ground in production, with a weight of 16.1% at the year-end. This growth is particularly important given the high technical margins that this type of product provides, making a significant contribution to the Company's profit.

(thousand euros)

	2012	2011	CHG 12/11 %
Total Production	**89,577**	**47,166**	**89.9%**
Insurance Contracts	**33,744**	**34,373**	**-1.8%**
- Annuities	3,992	4,396	-9.2%
- Other risk & universal life	16,854	16,549	1.8%
- Capitalisation products	2,463	4,484	-45.1%
- PPR	10,435	8,944	16.7%
Investment Contracts	**55,833**	**12,793**	**336.4%**
- Capitalisation products	49,243	873	5540.6%
- PPR	6,590	11,920	-44.7%

2.4.2. Costs of Claims and Benefits Paid

The total cost of indemnities amounted to €84,692k, a decrease of 49.3% compared to 2011. This decrease is the result of the impact of the redemption of the OCA, amounting to €71,249k in 2011 and also by the significant reduction of redemptions in Guaranteed PPRs and Unit-Links PPRs.

The weight of the indemnities in the light of the mathematical provisions at the beginning of the period was 11.7% (compared to 13.0% the previous year), and 2012 was a year of a high values of maturities (€15,121k) and a lesser volume of redemptions (€50,964, down 23.7% from last time).

In the PPRs, the cost of claims and benefits paid amounted to €19,233k (up 31.9%), caused by the €14,551 decrease of redemptions (26.0%), which have a weight of 49.1% in total cost of claims, compared to 58.5% in 2011. Claims under Capitalisation products decreased by €513k as a

result of a decrease in maturities and redemptions of Financial products. In the Traditional products the costs of indemnities totalled €15,958k (up 16.9%), mainly due to the high claims rate Risk and Annuities products.

(thousand euros)

	2012	2011	CHG 12/11 %
Costs of Claims & Benefits Paid	**84,692**	**167,143**	**-49.3%**
Insurance Contracts	**60,803**	**62,687**	**-3.0%**
- Annuities	6,391	5,255	21.6%
- Other risk & universal life	9,568	8,393	14.0%
- Capitalisation products	5,876	6,094	-3.6%
- PPR	38,602	42,590	-9.4%
Benefits Paid on Investment Contracts	**23,889**	**104,456**	**-77.1%**
- Capitalisation products	4,656	4,951	-6.0%
- PPR	19,233	28,256	-31.9%
- Capitalisation operations	-	71,249	-

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, 2012, the mathematical provisions and liabilities of investment contracts decreased 1.7% (€12,411k), a reduction due essentially to the decrease of the mathematical provisions of the PPRs (€22,218k) and to the deterioration of the Financial Liabilities of the Capitalisation Operation (down €24,410k), to stand at €278,552k (€302,962k in 2011), accounting for 38.4% (41.1% in 2011) of the mathematical provisions and liabilities of insurance and investment contracts.

The sale of contracts with lower technical rates gave rise to a smaller variation of the average of the guaranteed minimum rates of the PPRs, with a variation between 2011 and 2012 from 3.06% to 3.08%; however, in the capitalisation products, the variation was greater due to new products in 2012, with their higher technical rates.

It should be pointed out that the strategy employed at T-Vida of considering the PPR product to be strategic to the long-term return, accounting for 59.8% (68.3% in 2011) of the total of the mathematical provisions and insurance and investment contract liabilities in 2012, allowed the Company to maintain its leadership of the segment of Insurers that do not operate the banking channel.

(thousand euros)

	2012	2011	VAR 12/11 %
Investment Contracts Mathematical Provisions & Liabilities	**725,522**	**737,933**	**-1.7%**
Mathematical Provisions	**286,545**	**313,242**	**-8.5%**
- Annuities	48,038	48,700	-1.4%
- Other risk & universal life	34,223	35,763	-4.3%
- Capitalisation products	32,163	34,440	-6.6%
- PPR	172,121	194,339	-11.4%
Financial Liabilities	**438,977**	**424,691**	**3.4%**
- Capitalisation products	65,227	19,007	243.2%
- PPR	95,198	102,722	-7.3%
- Capitalisation operations	278,552	302,962	-8.1%

2.4.4. Technical Balance

There was a decrease of the technical balance(1) from €8,206k in 2011 to €6,565k in 2012. Compared to the previous year, is a decrease of €1,641k (20.0%), essentially the result of the increase of the claims rate in the Risk products.

The financial balance(2) showed an increase of €3,706k (229.8%), the result of the good performance of income allocated, the returns on financial reinsurance and the decrease of liabilities to customers associated with guaranteed-rate products.

The overall balance(3) stood at €11,884k, an increase of €2,065k (21.0%) over the previous year

(thousand euros)

	2012	2011	CHG 12/11 %
Total Technical Balance (1)	**6,565**	**8,206**	**-20.0**
- PPR	250	450	-44.5
- Capitalisation	-196	142	-237.8
- Traditional	6,511	7,614	-14.5
Financial Activity Balance (2)	**5,319**	**1,613**	**229.8**
- PPR	4,840	-936	-617.1
- Capitalisation	418	834	-49.8
- Traditional	-311	1,307	-123.8
- Capitalisation operations	372	408	-8.9
Overall Balance (3)	**11,884**	**9,819**	**21.0**

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

2.4.5. Operating Costs

Operating costs decreased 6.5% (€447k), y-o-y, mainly due to the substantial reduction of third-party supplies & services.

Staff costs were up 33.6% (€435k), due primarily to personnel restructuring costs incurred in the last quarter of 2012 that were not incurred in 2011. This change is also due to the strengthening of the Life team, the Actuarial services, Accounting and Processes.

Third-party supplies & services fell by 23.3% (€679k). Despite the increase under advertising (cost of Telemarketing activities) and specialised IT work, there was a marked decrease in the cost of commissions of the banking channel and of the provision of services contract with BES-Vida.

Compared to last time, costs of taxes and levies increased compared to the volume of premiums recorded in 2012 (impact of guaranteed Capitalisation products subscribed since July 2012).

Depreciation decreased by 7.8% y-o-y, due to the alteration of the depreciation criteria (now depreciated over 5 years rather 3 years as in previous years).

The cost of Commissions fell by 12.0% because, in the 1st half, there was a reduction of the portfolio under ESAF management (decrease of Bonds).

(thousand euros)

Operating Costs	2012	2011	CHG 12/11 %
Staff costs	1,729	1,294	33.6
Third-party supplies & services	2,239	2,918	-23.3
Taxes and charges	43	23	84.9
Depreciation charges for the period	2,188	2,372	-7.8
Commissions	278	316	-12.0
Total	**6,476**	**6,923**	**-6.5**

2.4.6. Investments

Over 2012 as a whole, the financial markets ended up by performing fairly well, better than expected considering the risks that were awaited and the environment of little global economic growth.

The sovereign-debt crisis in Europe persisted, spreading to the economies of Central Europe, and there was even concern as to the continuity of the euro, while uncertainty remained as to the conduct of fiscal policy in the USA. These facts, allied to others of a similar nature, gave rise to periods of high volatility, which, however, did not prevent strong performance of financial assets, riskier assets in particular.

The support provided by the central banks, through expansionary, unconventional policies, determined a significant reduction of the risks, ultimately driving the sharp appreciation of the financial assets. In the USA, the Federal Reserve (Fed) once again implemented additional bond-purchase plans (quantitative easing), and keeping interest-rate expectations at virtually zero till mid-2015. Towards the year-end the Fed announced a strengthening of the expansionary stance of monetary policy, linking future decisions on interest rates to the unemployment rate (below 6.5%) and to the inflation rate (inflation expectations within a time horizon of two years under 2.5%). Throughout the year, in the Eurozone, the European Central Bank (ECB) implemented measures to combat the public--debt crisis in the Eurozone, particularly through the interest-rate cut to 0.75%, the provision of liquidity to banks with a three-year maturity (LTROs) in March and through the bond-purchase plan with maturities up to three years (Outright Monetary Transactions) announced in September.

On the bond markets, 2012 was again marked by the European debt crisis. In March, Greece successfully made a voluntary swap of bonds held by private creditors in order to reduce the debt burden, with the goal of reaching a debt to GDP ratio of 120% by 2020. However, near the end of the year this goal seemed difficult to achieve and lower rates and longer maturities were agreed for repayment of the loans with the official creditors (European Union and International Monetary Fund), in order to make the country's long-term debt sustainable. Spain, too, also came under the spotlight of the markets and, in June, made a request for financial support to recapitalise its banking industry. Needs were determined in the sum of about €54 billion, significantly less than the €100 billion originally foreseen, Banco Bankia accounting for much of the recapitalisation effort. Contrary to expectations at the beginning of the second half, the recapitalisation of the Spanish financial sector avoided a bail-out request by the Kingdom of Spain, for the country was able to finance itself in the markets successfully.

The equity markets had a good year in 2012 despite the European debt crisis and the weak economic dynamics in Europe. The markets showed similar gains, with the Eurostoxx 50 (Europe) index up by about 13%, a performance better than that of the USA (S&P500 up 11%), where, throughout the year, the dynamics of the economic activity were better. Emerging markets rose 15% (MSCI Emerging Markets), driven especially by the demand for risk assets. This similar performance of different regions was largely the result of the strongly expansionary policies of central banks, which sharply increased the liquidity of the financial markets, leading to positive returns on shares despite the generally unfavourable macroeconomic environment.

In 2013, global economic growth is expected to remain slightly positive. Macroeconomic indicators, especially in Europe, are set to continue to be influenced by the process of fiscal consolidation and by the deleveraging process. The significant narrowing of spreads, particularly in the peripheral countries in 2012 limits the potential return in 2013.

At T-Vida, the investment strategy implemented in 2012 did not change significantly compared to that of the previous year. The investment policy focused mainly on investment in fixed-rate bonds and short-term investments, maximising the return on investments, directed primarily at the financial solvency of the company and consequently of the economic group.

Given the considerable macroeconomic uncertainty seen in late 2011 in respect of the Eurozone, the company adopted a well-though-out strategy during the first quarter of 2012, with emphasis on investment in short--term placements, taking advantage of the high interest rates associated therewith, and in bonds and treasury bills maturing in 2012.

This position was progressively altered over the first half. During this period, the company played an active role in the primary market, benefiting from the attractive premium on new issues. Complementing this, it extended slightly the maturity of its exposure to certain issuers to take advantage of the favourable yield-curve slope of the debt. These operations also allowed the credit level of the bond portfolio to be mitigated by investing in core issuers.

At the end of the first half, with the heightening of sovereign debt crisis in several peripheral European countries, particularly Spain, the credit market entered a period of greater volatility, the company's strategy having been adjusted accordingly. In this way gains were realised on securities that had appreciated significantly, especially those issued in 2012 on the primary market. In the first half, a number of transactions were carried out to protect the portfolio from a phase of greater uncertainty.

The statements by the ECB president to the effect that the central bank would do whatever it took to preserve the euro, accompanied by a decline of the interest rate to an historic low of 0.75%, lent new stimulus to the market, a momentum further increased by the third Quantitative Easing programme by the Federal Reserve in the USA.

In this environment of very low interest rates and support by the central banks, demand for attractive returns was very beneficial for risk assets. This climate of risk appetite extended to the bond market that, in the wake of the sharp fall of interest rates implicit in the public debt of the peripheral countries, led to strong gains on the bond market.

Throughout the year the company actively managed this component and invested in liquid securities of Portuguese issuers, notably by buying fixed-rate corporate and public-debt bonds. This strategy proved to be the right one, allowing the company to increase realised and potential gains, particularly due to the gains achieved on Portuguese public debt.

At the same time, the investment strategy has continued to maintain a particular focus on liquidity management, despite the 24.3% decrease of exposure (€21,902k) towards the end of the year. Throughout the year, the Company kept its liquidity level steadily above 15% of the total portfolio. Through this procedure it took advantage of the leveraged return on existing term deposits, and used it occasionally as protection against the volatility of the financial markets.

The Company reduced its exposure (by 12.3%) to floating-rate bonds in order to protect profitability from the low interest rates of the money market reduced exposure per issuer. In terms of fixed-rate bonds, which were actively managed, investment also fell, by 2.0% (€4,790k). Additionally, and as protection against possible interest-rate hikes, the average maturity of the bonds was kept under 4 years. At the end of the year, the average rating of the bond portfolio was higher than that of Portugal, with a focus on the financial sector and government.

The Company had a practically immaterial exposure to the equity market (directly or via investment funds), amounting at the year-end to less than 2% of the total portfolio without Unit Links. Transactions throughout the year, and in the year-end balance sheet, mainly involved the North American equity markets.

Investment in alternative assets, particularly private equity and cash funds at the year-end totalled €11,615k. No transactions were carried out involving hedge funds or products of similar characteristics. There are just positions in the real estate sector in Unit Links.

(thousand euros)

Assets Under Management [1]	2012	2011	CHG 12/11 %
Bonds	**295,471**	**308,813**	**-4.3%**
Fixed-rate	234,553	239,343	-2.0%
Floating-rate	60,918	69,470	-12.3%
Equities & Investment Funds	**17,594**	**5,919**	**197.2%**
Equities	999	-	-
Mutual Funds	16,595	3,489	375.6%
Real-estate Funds	-	2,430	-100.0%
Liquidity	68,200	90,102	-24.3%
Other	34	34	0.0%
Unit Links [2]	284,453	308,842	-7.9%
Total	**665,752**	**713,710**	**-6.7%**
Total w/ Unit Link	**381,299**	**404,868**	**-5.8%**
Repo operations	35,787	47,594	-24.8%
Held-to-maturity assets	79,224	107,679	-26.4%

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

The investment portfolio, without Links Unit, showed a decrease of €23,569k (5.8%) compared to 2011. This was due mainly to the reimbursement of supplementary capital contributions that was processed.

During the year, the Company decreased the net value carried under repo operations, closing the year with an amount allocated to these operations of approximately €35,787k.

In the wake of Regulatory Standard 4/2011-R, of June 2, issued by the ISP, T-Vida ended 2012 with €79,224 (down 26.4%) under Investments held to maturity.

(thousand euros)

Financial Results [1]	2012	2011	CHG 12/11 %
Income	14,728	16,923	-13.0%
Gains & losses	2,950	873	237.9%
Impairments/ written back	-	-2,128	-100.0%
Gains/ losses unit links	-23,012	59	-39103.4%
Total	**-5,334**	**15,727**	**-133.9%**
Total w/ Unit Link	**17,678**	**15,668**	**12.8%**

(1) Amounts determined from a management standpoint.
Includes costs and income from financial repo operations, valuation of financial liabilities and derecognition of contingent liabilities.

Financial results for 2012 show a y-o-y decrease of €21,061k (133.9%), and this difference occurred mainly under Gains & Losses of Unit Links. Excluding the Unit Links effect, 2012 returned a growth over the previous year totalling €2,010k (12.8%). The previous year, 2011, had been marked by an impairment of the Greek public debt in the sum of €2,068k.

In 2012 net gains were realised on the sale of fixed-rate bonds in the sum of €4,552k. On the other hand, the strategy of reducing nominal exposure to floating-rate bonds led to a realised book loss totalling €2,219k.

Attention is drawn to the 13.0% decrease of income generated, due to lower interest rates and to the smaller average investment portfolio.

The return on average assets (excluding the Unit Links effect) over the financial result stood at 4.6%, which compares with 3.7% for 2011. If we add the change recorded in the Fair Value Reserve, the return is 9.4% (2011: 3.0%). In 2012, the reduction of potential losses amounted to €18,288k.

2.4.7. Equity and Solvency Margin

In 2012 equity increased to €65,174k, €2,279k more than the previous year. This growth is the result of increase of the revaluation reserves by €18,288k, to stand at -€7,486k, because of the impact of the performance of the credit market. The increase of net income also contributed to the growth of equity in the sum of €1,517k.

The solvency ratio estimated in December 2012 (excluding the effect of dividend distribution) stood at 136%, compared with 116% in 2011. The reduction of the required solvency margin, due to the reduction of insurance not linked to investment funds (excluding supplementary insurance), contributed to this good performance.

(thousand euros)

Equity	2012	2011	CHG 12/11 %
Equity capital	65,000	65,000	-
Other capital instruments	-	12,500	-
Revaluation reserves	-7,486	-25,774	71.0
Other reserves	3,053	8,090	-62.3
Retained earnings	77	66	17.0
Net income	4,530	3,013	50.3
Total	**65,174**	**62,895**	**3.6**

2.4.8. Risk Management, Internal Control System and Compliance

Based on the framework provided by Directive 2009/138/EC of the European Parliament and the Council of November 25 concerning insurance and reinsurance business (Solvency II), the Tranquilidade Group, of which T-Vida forms part, continued, during 2012, the work of adapting to the new Solvency II mechanism, which will require substantial changes in the insurance business.

It can be expected, however, that this Directive may come to be substantially amended, both in its scope, and also regarding the deadline for its transposition, with the publication of the Omnibus II Directive during 2013.

This notwithstanding, several measures were implemented during 2012, of which the following are highlighted:

- Further development of methodologies for calculating economic capital, using specific tools to do so;
- Active involvement in the work groups of the Insurance Institute of Portugal and of the Portuguese Insurers Association about matters relating to the evolution of the Solvency II project;
- Analysis, systematisation and in-house disclosure of pre-consultation papers, with emphasis on the documents relating to Quantitative Report Templates (QRT), Own Risk and Solvency Assessment (ORSA) and Solvency Financial Condition Report (SFCR);
- Reviewing and updating the internal control system, including mapping of processes, risks, controls and improvement opportunities that had been identified;
- Systematisation and periodic monitoring of the status of implementation of the recommendations set out and approved within the scope of the internal control system;
- Definition, formalisation and monitoring of various policies, in particular, in addition to existing policies, the access controls and management policy and the investment management policy;
- Monitoring events reported to the Company through whistle-blowing of fraudulent situations and preparation of additional procedures to control the operational risk related with fraud.

In the matter of Solvency II, the measures called for in the previously--defined Solvency II (Roadmap) programme were also tracked and monitored.

2.5. Proposal for the Appropriation of Profit

A net profit in the sum of €4,529,748.78 was returned, for which we propose the following appropriation:

a) 10% of the Net profit for the year in the sum of €452,974.88 to Legal Reserve;
b) Payment of dividends in the sum of €4,050,000.00;
c) The remainder to Retained Earnings.

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

2.6. Goals for 2013

For 2013 T-Vida will continue its strategy of total focus on the traditional life business: Welfare Risk and attracting programmed medium- and long-term savings. The opportunities arising with the internationalisation of Portuguese companies, with the frequent mobility of people looking for new opportunities in different countries, associated with the professionalisation of our business partners will allow us to achieve results in business lines fundamental to the profitable progress of the business.

Additionally, the industrialisation of the direct sale of Life Risk and the development of new ways of approaching the large- and medium-sized companies segment will continue to fast provide fast gains in production Life Risk production.

In programmed savings, despite the considerable reduction of tax advantages/ benefits of the capitalisation insurance and PPRs in particular, we consider that they continue to be attractive as a fine instrument for attracting medium-/long-term savings, so we intend to continue increasing the number of customers with this type of product.

The innovation of the Offer, as well as the 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.

The basis of T-Vida's operations will continue to involve ensuring the loyalty of its customer base and complementing the service of excellence provided to Tranquilidade's agents and brokers, based on the following pillars:

1. Selective enlargement of the Agents' base that distribute Traditional, Life Risk and medium- and long-term Savings products. Coaching the Agents network in order to improve their counselling skills in Protection and Security Solutions, as well as the provision of a competitive offer responding to the needs of modern society will be levers fundamental to achieving the planned growth.

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

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

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

The targets set up for 2013 are consistent with the growth prospects of the industry and of the economy.

Within the scope of overall risk management the measures begun in 2012 will be pursued during 2013, directed at adequate implementation of the rules established by the Solvency II Directive, which is expected to be substantially altered both in its scope and in its implementation deadline, with the publication of the Omnibus Directive during the year.

For 2013, we would specifically underscore the following measures/ activities:

- Monitoring the Solvency II implementation programme and its adaptation to the new regulatory requirements planned for 2013;
- Active involvement in the Quantitative Impact Study focused on issues related with insurance products with long-term guarantees (Long Term Guarantee Assessment - LTGA);
- Implementation of the procedures imposed by the FATCA (Foreign Account Tax Compliance Act) mechanism and formalisation of the respective accession before the North American Tax Authority;
- Formalisation of Risk-tolerance Limits;
- Development and formalisation of several risk policies, such as outsourcing policy, security and access to premises policy; pricing and product development policy, and ORSA policy;
- Adaptation of existing tools in terms of the economic capital calculation requirements.

2.7. Closing Remarks

The Board of Directors wishes to express its gratitude to the equityholders 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 Board of Auditors and of the Official Auditor, while we also express our thanks to the Insurance Supervisory Authority and the Portuguese Insurers Association for their co-operation in various fields of their sphere of competence.

Lisbon, February 5, 2013

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)

VIDA

03. Financial Statements

03. Financial Statements

Balance Sheet (Assets) as at December 31, 2012 and 2011

(thousand euros)

ASSETS	Notes to the Accounts	December 31, 2012 Gross Value	Impairment, Depreciation/ Amortisation or Adjustments	Net Value	December 31, 2011
Cash & cash equivalents and sight deposits	8	5,856		5,856	5,588
Investments in affiliates, associates and joint ventures					
Financial assets held for trading	6				
Financial assets classified in the initial recognition at fair value through profit or loss	6	281,305		281,305	315,583
Hedge derivatives	6				
Available-for-sale assets	6	228,468		228,468	200,625
Loans and Receivables		**132,424**		**132,424**	**172,982**
Deposits at cedent companies					
Other deposits	6	112,631		112,631	134,731
Loans granted	6	34		34	34
Receivables					
Other	6	19,759		19,759	38,217
Held-to-maturity investments	6	79,224		79,224	107,679
Land & Buildings					
Land & buildings held for own use					
Land & buildings held for income					
Other tangible assets					
Inventories					
Goodwill					
Other intangible assets	12	50,979	-14,743	36,236	37,903
Technical Provisions for Reinsurance Ceded		**1,499**		**1,499**	**1,419**
Provisions for unearned premiums					
Mathematical provision for life business	4	505		505	586
Provisions for claims	4	252		252	155
Provision for profit-sharing	4	742		742	678
Provision for rate commitments					
Portfolio stabilisation provision					
Other technical provisions					
Assets for post-employment benefits & other long-term benefits	23	84		84	
Other Debtors for Insurance & Other Operations		**3,638**	**-145**	**3,493**	**2,446**
Accounts receivable for direct insurance operations	13	1,880	-145	1,735	2,048
Accounts receivable for other reinsurance operations	13	66		66	238
Accounts receivable for other operations	13	1,692		1,692	160
Tax Assets		**1,529**		**1,529**	**6,856**
Current tax assets	24	44		44	229
Deferred tax assets	24	1,485		1,485	6,627
Accruals & deferrals	13	2,065		2,065	1,078
Other items of assets	13	93,730		93,730	50,819
Available-for-sale non-current assets and discontinued operating units					
Total Assets		**880,801**	**-14,888**	**865,913**	**902,978**

THE ACCOUNTANT
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Pedro Manuel Borges Medalhas da Silva

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Alexandre Miguel Varela Simões Lopes

THE GENERAL MANAGER
Elisa Maria Silva Gaião Mendes Piteira

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Balance Sheet (Liabilities and Equity) as at 31 December 2012 and 2011

(thousand euros)

LIABILITIES & EQUITY	Notes to the Accounts	December 31, 2012	December 31, 2011
LIABILITIES			
Technical Provisions		**296,770**	**323,097**
Provisions for unearned premiums	4	1,511	1,467
Mathematical provision for life business	4	285,039	313,242
Provisions for Claims			
For life insurance	4	7,778	6,152
Provision for profit-sharing	4	2,442	2,236
Provision for rate commitments			
Portfolio stabilisation provision			
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	439,748	424,691
Other Financial Liabilities		**56,103**	**85,811**
Hedge derivatives			
Subordinated debt			
Deposits received from reinsurers			
Other	5	56,103	85,811
Liabilities for post-employment benefits and other long-term benefits	23		5
Other Creditors for Insurance Operations and Other Operations		**1,929**	**2,247**
Accounts payable for direct insurance operations	13	1,321	1,481
Accounts payable for other reinsurance operations	13	287	538
Accounts payable for other operations	13	321	228
Tax Liabilities		**2,541**	**271**
Current tax liabilities	24	2,541	271
Deferred tax liabilities			
Accruals & deferrals	13	3,647	3,785
Other provisions	13	1	176
Other liabilities			
Liabilities of a group for sale classified as available-for-sale			
Total Liabilities		**800,739**	**840,083**
EQUITY			
Equity capital	25	65,000	65,000
(Treasury shares)			
Other capital instruments	25		12,500
Revaluation Reserves		**-7,486**	**-25,774**
For adjustment of the fair value of financial assets	26	-7,754	-26,302
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	268	528
For adjustments to the fair value of net investment hedges in foreign currency			
For currency translation differences			
Deferred and current tax reserve	26	1,169	6,533
Other reserves	26	1,884	1,557
Retained earnings	35	77	66
Net income for the period		4,530	3,013
Total Equity		**65,174**	**62,895**
Total Liabilities & Equity		**865,913**	**902,978**

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Profit and Loss Account as at December 31, 2012 and 2011

(thousand euros)

PROFIT & LOSS ACCOUNT	Notes to the Accounts	December 31, 2012 Technical Life	Non--Technical	Total	December 31, 2011
Premiums Earned Net of Reinsurance		**31,341**		**31,341**	**31,722**
Gross premiums written	14	33,744		33,744	34,373
Ceded reinsurance premiums	14	-2,359		-2,359	-2,450
Provisions for unearned premiums (change)	4 & 14	-44		-44	-201
Provisions for unearned premiums, reinsurers' part (change)					
Commissions on insurance contracts and transactions considered investment contracts or provision of services contracts for accounting purposes	15	1,384		1,384	659
Costs of Claims, Net of Reinsurance	**4**	**-60,330**		**-60,330**	**-62,284**
Amounts paid		-58,801		-58,801	-61,653
Gross amounts		-59,274		-59,274	-62,174
Reinsurers' part		473		473	521
Provision for claims (change)		-1,529		-1,529	-631
Gross amount		-1,626		-1,626	-513
Reinsurers' part		97		97	-118
Other technical provisions, net of reinsurance	4			-	
Mathematical Provision of the Life Line, Net of Reinsurance	**4**	**28,654**		**28,654**	**30,026**
Gross amount		28,735		28,735	29,854
Reinsurers' part		-81		-81	172
Share of profits/ (losses), net of reinsurance	4	-2,135		-2,135	-1,698
Net Operating Costs & Expensess	**21**	**-8,483**		**-8,483**	**-8,220**
Acquisition costs		-6,285		-6,285	-5,874
Deferred acquisition costs (change)	4	-20		-20	-26
Administrative costs		-3,029		-3,029	-3,107
Reinsurance commissions and profit sharing		851		851	787
Income	**16**	**15,449**	**222**	**15,671**	**19,551**
On interest on financial assets not carried at fair value through profit & loss		14,996	222	15,218	17,962
On interest on financial liabilities not carried at fair value through profit or loss					
Other		453		453	1,589
Financial Costs	**16**	**-1,164**	**-20**	**-1,184**	**-1,674**
On interest on financial assets not carried at fair value through profit or loss					
On interest on financial liabilities not carried at fair value through profit or loss					
Other		-1,164	-20	-1,184	-1,674
Net Gains on Financial Assets & Liabilities Not Carried at Fair Value Through Profit or Loss	**17 & 18**	**-409**	**215**	**-194**	**-7,440**
On available-for-sale assets		2,043	215	2,258	-6,063
On loans & accounts receivable					
On investments held to maturity					107
On financial liabilities carried at amortised cost	5	-2,712		-2,712	-2,084
On others		260		260	600
Net Gains on Financial Assets & Liabilities Carried at Fair Value Through Profit or Loss		**1,704**		**1,704**	**5,492**
Net gains of financial assets & liabilities held for trading	17 & 18				7,511
Net gains on financial assets & liabilities classified in the initial recognition at fair value through profit or loss	5, 17 & 18	1,704		1,704	-2,019
Currency translation differences	19	66		66	-10
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)			**-94**	**-94**	**-1,866**
On available-for-sale assets	6				-2,128
On loans and receivables carried at amortised cost					
On investments held to maturity					
On others	13		-94	-94	262
Other technical income/costs, net of reinsurance	20	115		115	-8
Other provisions (change)					
Other income/expenses	20		292	292	-183
Negative goodwill recognised immediately in profit or loss					
Gains & losses on associates and joint ventures carried using the equity method					
Gains & losses on non-current assets (or disposal groups) classified as held for sale					
Net Income Before Tax		**6,192**	**615**	**6,807**	**4,067**
Corporation tax for the period - Current tax	24		-989	-989	-59
Corporation tax for the period - Deferred tax	24		-1,288	-1,288	-995
Net Income For The Period		**6,192**	**-1,662**	**4,530**	**3,013**
Earnings per share (in euros)	27			0.07	0.05

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04. Statement of Comprehensive Income

04. Statement of Comprehensive Income

Statement of Comprehensive Income as at December 31, 2012 and 2011

(thousand euros)

	2012	2011
Net income for the period	4,530	3,013
Variation of the fair value of financial assets and hedging instruments on cash-flow hedging	18,288	-3,040
Change in current & deferred taxes	-5,364	659
Actuarial differences recognised in reserves	25	-10
Total Comprehensive Income	**17,479**	**622**

05. Statement of Changes in Equity

05. Statement of Changes in Equity

Statement of Changes in Equity as at December 31, 2012 and 2011

(thousand euros)

		Other Capital Instruments	Revaluation Reserves			Other Reserves				
	Equity Capital	Supplementary Capital Contributions	For Adjustments to the Fair Value of Available-for-Sale Financial Assets	For Hedges in Cash-Flow Hedging	**Deferred and Current Tax Reserve**	Legal Reserve	Other Reserves	**Retained Earnings**	**Net Income for the Period**	**Total**
Balance as at January 1, 2011	**65,000**	**12,500**	**-23,862**	**1,128**	**5,874**	**1,069**	**-15**	**39**	**5,140**	**66,873**
Net gains for adjustment to fair value of available-for sale financial assets			-2,440							-2,440
Net gains for adjustment of hedges in cash-flow hedging				-600						-600
Adjustments for recognition of deferred and current taxes					659					659
Actuarial differences recognised in reserves							-10			-10
Increases of reserves for appropriation of profits						513		-513		0
Distribution of profits								-4,600		-4,600
Transfers between equity headings not included in other lines								**5,140**	**-5,140**	**0**
Total Changes in Equity	**0**	**0**	**-2,440**	**-600**	**659**	**513**	**-10**	**27**	**-5,140**	**-6,991**
Net income for the period									3,013	3,013
Balance as at December 31, 2011	**65,000**	**12,500**	**-26,302**	**528**	**6,533**	**1,582**	**-25**	**66**	**3,013**	**62,895**
Reimbursement of supplementary capital contributions		-12,500								-12,500
Net gains for adjustment to fair value of available-for sale financial assets			18,548							18,548
Net gains for adjustment of hedges in cash-flow hedging				-260						-260
Adjustments for recognition of deferred and current taxes					-5,364					-5,364
Actuarial differences recognised in reserves							25			25
Increases of reserves for appropriation of profits						302		-302		0
Distribution of profits								-2,700		-2,700
Transfers between equity headings not included in other lines								3,013	-3,013	0
Total Changes in Equity	**0**	**-12,500**	**18,548**	**-260**	**-5,364**	**302**	**25**	**11**	**-3,013**	**-2,251**
Net income for the period									4,530	4,530
Balance as at December 31, 2012	**65,000**	**0**	**-7,754**	**268**	**1,169**	**1,884**	**0**	**77**	**4,530**	**65,174**

06. Statement of Cash Flows

06. Statement of Cash Flows

Statement of Cash Flows as at December 31, 2012 and 2011

(thousand euros)

	2012	2011
Cash Flow from Operating Activities	**-74,517**	**72,406**
Net income for the period	4,530	3,013
Depreciation & amortisation charges for the period	2,188	2,372
Change in technical provisions for direct insurance	-26,327	-28,505
Change in technical provisions for reinsurance ceded	-80	-411
Change in other provisions	-175	168
Change in debtors for direct insurance, reinsurance & other operations	-1,049	56
Change in other tax assets & liabilities	7,597	501
Change in other assets & liabilities	-60,883	95,409
Change in creditors for direct insurance, reinsurance & other operations	-318	-197
Cash Flow from Investing Activities	**89,985**	**-81,786**
Variation of investments	75,470	-100,966
Interest	15,036	19,390
Acquisitions of tangible & intangible assets	-521	-210
Cash Flow from Financing Activities	**-15,200**	**-4,600**
Dividend distribution	-2,700	-4,600
Subscription of capital/ Ancillary capital contributions	-12,500	-
Net Change in Cash & Cash Equivalents & Sight Deposits	**268**	**-13,980**
Cash & cash equivalents at the start of the period	5,588	19,568
Cash & cash equivalents at the end of the period	5,856	5,588

07. Notes to the Financial Statements

07. Notes to the Financial Statements

Notes to the Financial Statements as at December 31, 2012 and 2011

Note 1 - General Information

T-Vida, Companhia de Seguros, S.A. (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, S.A..

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

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

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

Note 2 - Information by Segments

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

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

The operating segments reported are in keeping with a business-lines framework typology. Emphasis is given to the good performance of life risk insurance (up 2.8%), against a background of a sharp downturn of the credit market, which has consolidated T-Vida's strategy directed at Protection/ Welfare solutions.

The breakdown of the main headings of the financial statements as at December 31, 2012 & 2011, is as follows:

(thousand euros)

2012	Total Life	Traditional	With-Profits Capitalisation	Without-Profits Capitalisation
Profit & Loss Headings				
Gross premiums written	33,744	20,819	12,925	-
Commissions on investment contracts	1,384	-	-	1,384
Gross premiums earned	33,700	20,775	12,925	-
Returns on investments	15,646	5,957	8,861	828
Gross cost of claims	60,900	16,092	44,808	-
Change in mathematical provision	28,735	3,773	24,962	-
Profit-sharing	-2,135	-1,265	-870	-
Gross operating costs	9,334	4,603	2,364	2,367
Balance of reinsurance	-1,019	-1,019	-	-
Technical result	6,192	7,641	-1,294	-155
Balance Sheet Headings				
Assets allocated to representation of technical provisions and financial liabilities on investment contracts	736,563	129,226	272,013	335,324
Technical provisions	296,770	88,971	207,799	-
Financial liabilities on investment contracts	439,748	-	-	439,748

(thousand euros)

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

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, 2012, 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 IFRS.

In 2012, T-Vida adopted the IFRS and the mandatory-application interpretations for years as from January 1, 2012. These standards are detailed in Note 37. In accordance with the transitory provisions of these standards and interpretations, comparative figures are presented in respect of the new disclosures required.

Recently issued accounting standards and interpretations that have not yet come into force and 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 or loss, available-for-sale financial assets and rental properties. Other financial assets and liabilities as well as non--financial assets and liabilities are carried at amortised cost or historic cost.

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

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

These financial statements were approved at a meeting of the Board of Directors held on February 5, 2013.

Main 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 or 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 or 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;
  - Financial assets that are designated as available-for-sale at the time of their initial recognition;
  - Financial assets that do not fall within the other categories.
- Loans and receivables, which includes sums receivable related with direct insurance operations, reinsurance ceded and transactions related with insurance contracts and other transactions.
- Financial assets held to maturity, which includes non-derivative financial assets with fixed or determinable payments and fixed maturity for which the Company has the intent and ability to hold to maturity and were not assigned to any other category of financial assets. Any reclassification or sale of financial assets recognised in this category that is not undertaken close to maturity requires the Company to reclassify this entire portfolio as available-for-sale financial assets and the Company will, during two years, be unable to classify any financial asset in this category.

Recognition, initial measurement and derecognition

Acquisitions & disposals of: (i) financial assets at fair value through profit or 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 where classified as financial assets at fair value though profit or loss, in which case these costs are recognised in profit or loss.

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

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

Subsequent measurement

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

Held-for-sale financial assets are likewise carried at fair value, though any changes are recognised under reserves until such time as the investments are derecognised or an impairment loss is recognised, when the accumulated amount of the potential gains and losses is recorded under reserves and transferred to profit or loss.

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

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

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

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

Transfers between categories

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

This alteration came to allow an enterprise to transfer financial assets at fair value through profit or loss to the available-for-sale financial assets portfolio, to Loans and receivables or to financial assets held to maturity, provided such financial assets meet the characteristics of each category.

Additionally, transfers of financial assets recognised in the available-for--sale financial assets category to the categories of Loans and advances to customers - Securitised credit and Financial assets held to maturity are permitted.

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

Impairment

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

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

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

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

The fair value of derivative financial 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 operation start-date and over the life of the operation;
- For hedging of cash flows it must be highly probable that they will occur.

Fair-value hedge

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

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

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

Cash-flow hedge

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

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

Assets ceded with repurchase agreement

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

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

Financial liabilities

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

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

Transactions in foreign currency

Transactions in foreign currency are translated at the exchange rate ruling on the transaction date. 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 is the estimated present value of the future cash flows of contracts in force on the acquisition date.

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

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

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

Where there is an indication that an asset might be impaired, IAS 36 requires that its recoverable value be estimated, and an impairment loss recognised in the event that the net value of an asset exceeds its recoverable value.

Impairment losses are recognised in the income statement.

Leasing

The Company classifies existing lease transactions as operating 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 operating leases, payments made by the Company in the light of operating lease contracts 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 recorded as deposits using the effective interest-rate method.

In the course of its business T-Vida 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 ceded-reinsurance treaties.

The accounting principles applicable to liabilities related with reinsurance accepted within the scope of insurance contracts that involve significant insurance risks are treated in a manner identical to that of direct insurance contracts.

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 CBA Plan under the Insurance Business Collective Bargaining Agreement (CBA).

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

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

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

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

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 market rates associated with bonds of companies having a good rating, denominated in the currency in which the benefits are to be paid and having a maturity similar to the end-date of the plan's obligations.

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

Actuarial gains and losses are recognised with a contra-entry under reserves.

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.

On each reporting date 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.

Defined contribution plan

For defined contribution plans, the liabilities relating to the benefit attributable to the Company's employees are recognised as cost for the year when they fall due.

As at December 31, 2012, the Company has a contributory defined--contribution plan for employees in service taken on by June 22, 1995, as well as for all workers who meet the conditions set out in the new Collective Bargaining Agreement, making annual contributions taking into account the individual remuneration of each employee.

Length-of-service bonus

The length-of-service bonus is 50% of the salary when the employee completes one or more multiples of 5 years with the Company. The length-of-service bonus is determined using the same methodology and assumptions as those of post-employment benefits.

Any actuarial deviations are recorded and taken to profit or loss when incurred.

Bonuses

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

Liability for holiday pay and holiday bonus

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

Income tax

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

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

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

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

Deferred tax liabilities are recognised for all temporary differences.

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

Provisions

Provisions are recognised where (i) the Company has a present, 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 or loss are recorded under specific headings of gains & losses.

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

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

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

Dividends received

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

Earnings per share

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

Offsetting financial instruments

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

Adjustments of receipts pending collection and of doubtful debt

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

Report by operating segments

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

A business operating 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 its business through the major operating 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.

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

Pensions & other employee benefits

Determination of pension liabilities requires the use 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 by or against policyholders, any sum paid or expected to be paid by the Company is recognised as a loss in profit or 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 policies 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 or loss, which depends on the fair value of the financial assets, derivatives and/ or investment property that form part of the collective unit-linked investment fund. Valuation techniques are used to determine the fair value of the issue date and on each balance sheet date.

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

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

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

Recognition of costs & income

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

Premiums

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

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

Provisions for unearned premiums

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

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

Acquisition costs

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

Mathematical provision

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

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

(*) Technical bases of the products in accordance with the year they were marketed.
(**) Rates defined annually. The figures refer to the definition in respect of 2012.

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

As of the balance-sheet date, the Company performs an assessment of the adequacy of the liabilities stemming from the discretionary with-profits insurance contracts and investment contracts Assessment of the adequacy 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.

Changes in direct insurance and reinsurance technical provisions

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

(thousand euros)

Products	Balance Sheet Balance		Change in Gains & Losses	
	2012	2011	2012	2011
Traditional	1,511	1,467	44	201
With-profits capitalisation	-	-	-	-
Total	**1,511**	**1,467**	**44**	**201**

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

(thousand euros)

Products	Balance Sheet Balance		Change in Gains & Losses	
	2012	2011	2012	2011
Tradicionais	3,445	2,662	783	126
With-profits capitalisation	4,333	3,490	843	315
Total	**7,778**	**6,152**	**1,626**	**441**

The balance of the provision for claims includes an estimated provision in the sum of €139k (2011: €35k) in respect of claims prior to December 31, 2012, not yet reported (IBNR).

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

(thousand euros)

Businesses/ Groups of Businesses	Provision for Claims as at 31.12.2011 (1)	Claims* Paid in 2012 (2)	Provision for Claims* as at 31.12.2012 (3)	Readjustments (3) + (2) - (1)
Life	2,662	1,872	1,113	323

* Claims incurred in 2011 and 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 the provision for reinsurance ceded claims reflected under assets and the respective annual change in the profit & loss account is as follows:

(thousand euros)

Products	Balance Sheet Balance		Change in Gains & Losses	
	2012	2011	2012	2011
Traditional	252	155	97	-118
With-profits capitalisation	-	-	-	-
Total	**252**	**155**	**97**	**-118**

The evolution of the provision for profit-sharing carried under liabilities was as follows in 2012 & 2011:

(thousand euros)

	2012	2011
Balance as at January 1	**2,236**	**1,890**
Change of profit-sharing attributed	2,135	1,698
Payments	-1,397	-991
Incorporation into mathematical provision	-532	-361
Balance as at December 31	**2,442**	**2,236**

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 2012 & 2011:

(thousand euros)

	2012	2011
Balance as at January 1	**678**	**321**
Change of profit-sharing attributed	833	784
Receipts	-769	-427
Balance as at December 31	**742**	**678**

The breakdown of the mathematical provision and the respective annual change in the profit & loss account in 2012 & 2011 is as follows:

(thousand euros)

	2012	2011
Balance as at January 1	**313,242**	**342,735**
Change for the year	-28,735	-29,854
Incorporation of profit-sharing in results	532	361
Balance as at December 31	**285,039**	**313,242**

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

(thousand euros)

Products	Balance Sheet Balance		Change in Gains & Losses	
	2012	2011	2012	2011
Traditional	505	586	-81	172
With-profits capitalisation	-	-	-	-
Total	**505**	**586**	**-81**	**172**

Nature and Extent of Specific Insurances Risks

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

In Life 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 increase of the disability rate compared to the expected level;
- Catastrophic Risk: risk of losses through occurrence of a catastrophic event affecting Life insurance contracts.

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

Succinctly, the more relevant control mechanisms are:

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

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

The reinsurance programme in 2012 comprises Proportional Treaties, in Quota-share and Excess of Loss, and a Non-Proportional Treaty in Excess of Losses for 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)
Assistance	Share
Credit protection	Share
Health	Share
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	
		2012	2011
Expenses	10% increase of operating costs, net of reinsurance	-938	-898
Mortality	10% decrease of the mortality of the insured	-2,711	-4,946

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

Market-risk management lies within the scope of the Financial Policy, under the 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 draw up tolerance indicators based on the models and to monitor variations of the indicators;
- To draw up 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 policy established for risk management, internal control and compliance. In this connection the management of the sundry risks to which the Company is subject is also monitored, and plans of action are proposed to the Board of Directors as and where warranted.

For this purpose, it should also be pointed out that Investment Policy in force at the Company is defined by the Finance Committee, in conjunction with the limits set by the Overall Risk Management Committee, and there is therefore effective segregation of competence in this matter.

Exchange-rate risk

The exchange-rate risk stems from the volatility of exchange rates against the euro. In 2012 there are no assets/ liabilities subject to this risk.

Equities risk

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

The sensitivity analysis is as follows:

(thousand euros)

Area of Analysis	Scenarios	Impact on Reserves at Fair Value Before Tax	
		2012	2011
Equities	10% decrease of stock-market values	-1,759	-349

Real-estate risk

The real-estate risk is caused by the volatility of real-estate market prices. The exposure to this risk arises solely from real estate investment funds, and at the end of 2012 T-Vida had no assets exposed to this risk.

The sensitivity analysis is as follows:

(thousand euros)

Area of Analysis	Scenarios	Impact on Reserves at Fair Value Before Tax	
		2012	2011
Real estate (FII)	10% decrease in the value of real estate and real estate funds	-	-243

Interest-rate risk

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

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

(thousand euros)

Area of Analysis	Scenarios	Impact on Reserves at Fair Value Before Tax	
		2012	2011
Interest rate	100 b.p. decrease of the interest-rate curve - effect on assets	7,535	7,104
	100 b.p. increase of the interest-rate curve - effect on assets	-6,996	-6,813

(thousand euros)

Area of Analysis	Scenarios	Impact on Pre-Tax Income	
		2012	2011
Interest rate	100 b.p. decrease of the interest-rate curve - effect on liabilities	-999	-1,265
	100 b.p. increase of the interest-rate curve - effect on liabilities	928	1,213

Spread risk

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

(thousand euros)

Rating	2012		2011	
	%	Value	%	Value
AAA	10%	29,623	13%	40,629
AA	4%	12,384	8%	24,836
A	13%	40,026	19%	58,031
BBB	11%	31,914	23%	70,360
BB	56%	168,460	37%	115,675
B	5%	14,642	0%	1,110
CCC	0%	1,112	0%	1,041
Total	**100%**	**298,161**	**100%**	**311,682**

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

Concentration risk

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

(thousand euros)

Sector of Activity	2012			2011		
	%	Gross Amount	Impairment	%	Gross Amount	Impairment
Basic resources	1%	6,082	-	0%	-	-
Communications	3%	15,687	-	2%	12,721	-
Consumables (cyclic)	1%	5,303	-	0%	-	-
Consumables (non-cyclic)	1%	3,551	-	0%	2,842	-
Energy	0%	999	-	0%	101	-
Financial	23%	134,793	-	22%	138,992	-
Funds	49%	289,837	-	50%	312,775	-570
Public debt	19%	109,669	-	21%	134,685	-2,068
Industrial	1%	6,703	-	1%	5,358	-
Medicine	0%	-	-	0%	-	-
Technology	1%	3,192	-	0%	206	-
Public/ collective services	1%	7,777	-	3%	16,489	-
Other	1%	5,404	-	0%	2,356	-
Total	**100%**	**588,997**	**-**	**100%**	**626,525**	**-2,638**

The figures include the Financial assets held for trading, Financial assets classified in the initial recognition at fair value through profit or loss, Hedge derivatives, Assets held for sale and Investments held-to--maturity.

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

Liquidity risk

The liquidity risk stems from the possibility that there will not be assets of sufficient liquidity to meet cash-flow requirements to fulfil its obligations to policyholders and other creditors as they fall due.

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

The breakdown of the maturities of financial assets and liabilities as at December 31, 2012 & 2011, is as follows:

(thousand euros)

2012	< 1 Month	1-3 Months	3-12 Months	1-5 Years	> 5 Years	Without Maturity	Total
Financial assets	26,455	55,904	87,768	188,014	70,536	302,093	730,770
Financial liabilities	557	1,800	55,675	-	-	439,748	497,780
Net	**25,898**	**54,104**	**32,093**	**188,014**	**70,536**	**-137,655**	**232,990**

(thousand euros)

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

Credit risk

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

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

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

Operational risk and reputational risk

Operational risk is the risk of major losses stemming from inadequacy or failures in processes, people or systems, or external events, within the scope of the Company's day-to-day business, and it can be subdivided into the following categories:

- Intentional professional malpractice (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 systems failures;
- Risks related with business processes.

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

- Implementation of internal and external fraud prevention policies and procedures:
- Implementation of measures related with security in access to the premises;
- Implementation of measures related with security in accessing databases and 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 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, subscription or claims 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 can be defined as a set of control activities directed at compliance with the policies and procedures defined for the Company. As such, the Internal Control System consists of implementation of control activities for the risks of failure to comply with established policies and procedures, particularly with regard to operations and compliance.

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

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

- Identification of the relevant business units and processes, considering the associated risk;
- Documentation of significant processes, including objectives, main activities, risks and associated controls;
- Appraisal of the design of the controls and determination of the associated opportunities for improvement. These improvements may involve a strengthening of existing controls or implementation of new 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, consisting of the Overall Risk and Internal Control Division, plays a supervisory role, its main responsibilities being systematisation of the rules, policies and monitoring of the risk--management, internal-control and compliance system;
- A third level, consisting of the Internal Audit Division and the External Audit, is charged with independent auditing in the field of risk management, its main goal being to ensure that the controls are effective.

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

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

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

Additionally, T-Vida keeps 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 taking corrective measures or defining new controls to prevent or reduce the likelihood of occurrence of similar new incidents in the future.

Solvency

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

(thousand euros)

	2012	2011
Elements Constituting the Guarantee Fund	**24,888**	**22,143**
Solvency Margin to Be Set Aside	**18,240**	**19,100**
Insurance not linked to investment funds (excluding complementary insurance)	17,283	18,203
Insurance & operations related to investment funds	504	544
Complementary insurance (including complementary insurance of insurance linked to investment funds)	453	353
Legal minimum Guarantee Funds	3,700	3,500
Excess/ Insufficiency of the Solvency Margin	**6,648**	**3,043**
Solvency Margin Cover Rate	**136.4%**	**115.9%**

Business Ratios

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

(%)

	2012	2011
Claims/ premiums (IFRS 4)	180.3%	181.5%
Benefits paid/ deposits received (IAS 39)	42.8%	255.9%
Acquisition costs/ (premiums + deposits received)	7.1%	12.4%
Administrative costs/ (premiums + deposits received)	3.4%	6.6%

a) Excludes €71.249 million for the capitalisation operation redemption in 2011.

Adequacy of Premiums and Provisions

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

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

Note 5 – Liabilities for Investment Contracts and Other Financial Liabilities

Movements under liabilities for investment contracts are as follows:

(thousand euros)

	Financial Without Profit-Sharing	Unit Links	PPR Unit Links	OCA's Unit Link	Total
Balances as at January 1, 2011	**68,542**	**8,744**	**63,700**	**374,611**	**515,597**
Additional liabilities of the period, net of commissions	9,603	905	2,272	-	12,780
Amounts paid	-16,209	-1,996	-14,966	-71,249	-104,420
Technical interest	2,037	-212	-691	-400	734
Balances as at December 31, 2011	**63,973**	**7,441**	**50,315**	**302,962**	**424,691**
Additional liabilities of the period, net of commissions	54,722	189	892	-	55,803
Amounts paid	-12,663	-1,190	-9,731	-	-23,584
Technical interest	2,712	859	3,677	-24,410	-17,162
Balances as at December 31, 2012	**108,744**	**7,299**	**45,153**	**278,552**	**439,748**

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

(thousand euros)

	2012			2011		
	Gain	Loss	Balance	Gain	Loss	Balance
Carried at Fair Value Through Profit or Loss	**29,869**	**-5,381**	**24,488**	**4,954**	**-4,402**	**552**
Capitalisation	24,628	-300	24,328	2,410	-1,798	612
PPR	5,241	-5,081	160	2,544	-2,604	-60
Carried at Amortised Cost	**-**	**-2,712**	**-2,712**	**-**	**-2,084**	**-2,084**
Capitalisation	-	-1,181	-1,181	-	-555	-555
PPR	-	-1,531	-1,531	-	-1,529	-1,529
Total	**29,869**	**-8,093**	**21,776**	**4,954**	**-6,486**	**-1,532**

The breakdown of Other financial liabilities is as follows:

(thousand euros)

	2012	2011
Other financial liabilities		
Repurchase agreements - Amounts payable	55,546	85,811
Other	557	-
Book Value	**56,103**	**85,811**

As at December 31, 2012, the figures for Others are in respect of financial transactions pending settlement, taking their value dates into account.

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)

	2012	2011
Available-for-sale financial assets	228,468	200,625
Term deposits	112,631	134,731
Financial assets classified at fair value through profit or loss	281,305	315,583
Held-to-maturity financial assets	79,224	107,679
Total Holdings and Financial Instruments	**701,628**	**758,618**

Financial Assets at Fair Value Through Profit or 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 that (i) these financial assets are managed and their performance measured on the basis of their fair value, and/ or that (ii) these assets contain embedded derivative instruments.

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

(thousand euros)

	2012	2011
Bonds & other fixed-income securities		
Public issuers'	865	1,334
Other issuers'	7,198	7,963
Equities	-	-
Other floating-rate securities	273,242	306,286
Book Value	**281,305**	**315,583**
Acquisition value	311,238	323,358

In 2012 and 2011, 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	
	2012	2011
Structured credit	1,814	2,837
Credit derivative	3,560	3,591
Total	**5,374**	**6,428**

Available-for-Sale Financial Assets

The breakdown of this type of asset is as follows:

(thousand euros)

	2012	2011
Bonds & other fixed-income securities		
Public issuers'	48,812	45,217
Other issuers'	162,062	149,489
Equities	999	-
Other floating-rate securities	16,595	5,919
Book Value	**228,468**	**200,625**

Included in 2012 are investments sold with repurchase agreements, revalued in accordance with the available-for-sale assets accounting policy, in the sum of €21,188k (2011: €56,735k).

The breakdown of the final balance sheet figures as at December 31, 2012 & 2011, is as follows:

(thousand euros)

	Amortised or Acquisition Cost	Fair-Value Reserve	Impairment	Book Value
Bonds & other fixed-income securities				
Public issuers'	47,414	-129	-2,068	45,217
Other issuers'	170,322	-20,833	-	149,489
Equities	-	-	-	-
Other floating-rate securities	6,957	-468	-570	5,919
Balance as at December 31, 2011	**224,693**	**-21,430**	**-2,638**	**200,625**
Bonds & other fixed-income securities				
Public issuers'	48,419	393	-	48,812
Other issuers'	166,391	-4,329	-	162,062
Equities	994	5	-	999
Other floating-rate securities	16,776	-181	-	16,595
Balance as at December 31, 2012	**232,580**	**-4,112**	**-**	**228,468**

Movements under impairment losses are as follows:

(thousand euros)

	2012	2011
Balance as at January 1	**2,638**	**510**
Allocations for the period	-	2,128
Cancellations for the period for sale of assets	-2,638	-
Written back during the period	-	-
Balance as at December 31	**-**	**2,638**

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

(thousand euros)

	2012	2011
Bonds & other fixed-income securities	-	-2,068
Equities & other floating-rate securities	-	-60
Total	**-**	**-2,128**

Held-to-Maturity Investments

The breakdown of this type of asset is as follows:

(thousand euros)

	2012	2011
Bonds & other fixed-income securities		
Public issuers'	59,992	86,066
Other issuers'	19,232	21,613
Book Value	**79,224**	**107,679**
Book value (without accrued interest)	77,792	106,165
Acquisition value	77,011	104,021
Market value	82,533	89,355

Included in 2012 are investments sold with repurchase agreements, revalued in accordance with the Held-to-maturity investments accounting policy, in the sum of €37,538k (2011: €47,339k).

The breakdown of the final balance sheet figures as at December 31, 2012 & 2011, is as follows:

(thousand euros)

	Amortised or Acquisition Cost	Impairment	Book Value
Bonds & other fixed-income securities			
Public issuers'	86,066	-	86,066
Other issuers'	21,613	-	21,613
Balance as at December 31, 2011	**107,679**	**-**	**107,679**
Bonds & other fixed-income securities			
Public issuers'	59,992	-	59,992
Other issuers'	19,232	-	19,232
Balance as at December 31, 2012	**79,224**	**-**	**79,224**

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

(thousand euros)

		On Transfer Date								
			Fair-Value Reserve							
	Acquisition Value	Book Value	Positive	Negative	Value of Future Cash Flows [a]	Effective Rate [b]	Market Value (year-end)		Accumulated Amortised Fair Value Reserve (year-end)	
							2011	2012	2011	2012
Of Available-for-sale Financial Assets	98,387	93,400	-	-6,096	119,639	0.1	77,391	72,801	-1,224	-2,455

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

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

(thousand euros)

	2012	2011
Available-for-Sale Financial Assets		
Impact on equity		
- For adjustments to the fair value of financial assets	2,773	-18,260
- Reserve for deferred taxes	-804	5 295
Total	**1,969**	**-12,965**

Hedge Derivatives

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

In this specific case, the contracts closed were intended to swap floating interest rate for fixed interest rate to provide protection against alterations of the time structure or volatility of the interest rates used in the formation of the interest rate 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 2012 & 2011 under Equity originated directly by the hedge derivatives were as follows:

(thousand euros)

	2012	2011
Gains & losses	260	600
Revaluation reserve	-260	-600
Total Recognised Under Equity	**-**	**-**
Notional value	-	-

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

The amounts carried under Revaluation reserve, recorded under "For adjustments of the fair value of cash-flow hedge instruments", totalled €268k as at December 31, 2012, and they are being prospectively derecognised in keeping with the requirements of IAS 39.

Other Financial Assets

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

(thousand euros)

	2012	2011
Loans	34	34
Resale agreements - Receivables	19,759	38,217
Total of Other Financial Assets	**19,793**	**38,251**

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)

	2012		2011	
	Fair Value	Book Value	Fair Value	Book Value
Cash & cash equivalents and sight deposits	5,856	5,856	5,588	5,588
Loans and receivables	132,424	132,424	172,982	172,982
Held-to-maturity investments	82,533	79,224	89,355	107,679
Other debtors for insurance & other operations	3,493	3,493	2,446	2,446
Financial Assets at Amortised Cost	**224,306**	**220,997**	**270,371**	**288,695**
Financial liabilities on investment contracts	96,973	108,744	52,381	63,973
Other financial liabilities	56,103	56,103	85,811	85,811
Other creditors for insurance operations and other operations	1,929	1,929	2,247	2,247
Financial Liabilities at Amortised Cost	**155,005**	**166,776**	**140,439**	**152,031**

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 that they are short-term items, the balance of all other assets and liabilities as of the reporting 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 prescribed in IFRS 7, is as follows:

(thousand euros)

	2012			
	Level 1	Level 2	Level 3	**Total**
Securities & equity paper	289,837	-	-	289,837
Equities & other floating-rate securities	999	-	-	999
Bonds & other fixed-income securities	196,492	22,445	-	218,937
Derivatives	-	-	-	-
Total Financial Assets	**487,328**	**22,445**	**-**	**509,773**
Unit-linked product liabilities	-	331,004	-	331,004
Derivatives	-	-	-	-
Total Financial Liabilities	**-**	**331,004**	**-**	**331,004**

(thousand euros)

	2011			
	Level 1	Level 2	Level 3	**Total**
Securities & equity paper	312,205	-	-	312,205
Equities & other floating-rate securities	-	-	-	-
Bonds & other fixed-income securities	148,934	55,069	-	204,003
Derivatives	-	-	-	-
Total Financial Assets	**461,139**	**55,069**	**-**	**516,208**
Unit-linked product liabilities	-	360,718	-	360,718
Derivatives	-	-	-	-
Total Financial Liabilities	**-**	**360,718**	**-**	**360,718**

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 assumptions or adjustments having a significant impact on the measurement of the instrument.

Exposure to Sovereign Debt

As at December 31, 2012 & 2011, the Company's exposure to the sovereign debt of countries of the European Union subject to bail-out is as follows:

(thousand euros)

Issuer/ Portfolio	December 31, 2012					
	Book Value	Fair Value	Fair-Value Reserve	Average Interest Rate (%)	Average Maturity Years	Valuation Level
Portugal						
Available-for-sale financial assets	28,833	28,833	389	3.1%	2	1
Financial assets at fair value through profit or loss	865	865	-	1.9%	1	1
Held-to-maturity investments	52,962	54,382	-	4.2%	4	1
	82,660	**84,079**	**389**			
Greece						
Available-for-sale financial assets			-			
Held-to-maturity investments	-	-	-	-	-	-
	-	-	-			
Ireland						
Available-for-sale financial assets	-	-	-	-	-	-
Held-to-maturity investments	936	1,083	-	4.6%	3	1
	936	**1,083**	**-**			
Total	**83,596**	**85,162**	**389**			

(thousand euros)

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

Note 8 - Cash, Cash Equivalents & Sight Deposits

The balance of this heading is as follows:

(thousand euros)

	2012	2011
Cash	1	1
Deposits at credit institutions	5,855	5,587
Total	**5,856**	**5,588**

Note 11 - Allocation of Investments and Other Assets

In accordance with current legal provisions, the Company is obliged to allocate investments and other assets for 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, 2012 & 2011, is as follows:

(thousand euros)

	2012				
	With-Profits Life Insurance	Without-Profits Life Insurance	Life Insurace and Transactions Classified as Investment Contracts	Not Allocated	Total
Cash & cash equivalents	634	5	332	4,885	5,856
Land & buildings	-	-	-	-	-
Investments in affiliates, associates and joint ventures	-	-	-	-	-
Financial assets held for trading	-	-	-	-	-
Financial assets classified in the initial recognition at	3,550	-	277,755	-	281,305
Fair value through profit & loss	-	-	-	-	-
Hedge derivatives	221,561	45	3,519	3,343	228,468
Available-for-sale financial assets	116,866	-	8,943	6,615	132,424
Loans and receivables	76,469	-	1,542	1,213	79,224
Held-to-maturity investments	-	-	-	-	-
Other tangible assets	-	-	-	138,636	138,636
Other Assets	**419,080**	**50**	**292,091**	**154,692**	**865,913**

(thousand euros)

	2011				
	With-Profits Life Insurance	Without-Profits Life Insurance	Life Insurace and Transactions Classified as Investment Contracts	Not Allocated	Total
Cash & cash equivalents	4,195	4	535	854	5,588
Land & buildings	-	-	-	-	-
Investments in affiliates, associates and joint ventures	-	-	-	-	-
Financial assets held for trading	-	-	-	-	-
Financial assets classified in the initial recognition at	2,837	-	312,746	-	315,583
Fair value through profit & loss	-	-	-	-	-
Hedge derivatives	188,445	32	4,499	7,649	200,625
Available-for-sale financial assets	170,461	-	-	2,521	172,982
Loans and receivables	104,482	-	1,648	1,549	107,679
Held-to-maturity investments	-	-	-	-	-
Other tangible assets	-	-	50,819	49,702	100,521
Other Assets	**470,420**	**36**	**370,247**	**62,275**	**902,978**

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 is as follows:

(thousand euros)

	2012	2011
Other Intangible	**50,979**	**50,973**
Value in force	50,000	50,000
Software	542	436
Other	437	537
Accumulated Depreciation	**-14,743**	**-13,070**
Impairments	**-**	**-**
Total	**36,236**	**37,903**

Movements in both years is as follows:

(thousand euros)

	Value in Force	Software	Other	Total
Balance as at January 1, 2011	**39,678**	**138**	**249**	**37,996**
Additions	-	-	210	210
Depreciation for the year	-2,234	-138	-	-2,372
Impairments	-	-	-	-
Transfers	-	-	-	-
Balance as at December 31, 2011	**37,444**	**-**	**459**	**37,903**
Additions	-	232	289	521
Depreciation for the year	-2,078	-110	-	-2,188
Impairments	-	-	-	-
Transfers	-	308	-308	-
Balance as at December 31, 2012	**35,366**	**430**	**440**	**36,236**

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

(thousand euros)

	2012	2011
Total Amortisation for the Year	**2,188**	**2,372**
Costs of Claims, Net of Reinsurance		
Amounts paid - Gross amounts	110	119
Net Operating Costs & Expenses		
Acquisition costs	328	356
Administrative costs	1,750	1,897
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)

	2012	2011
Gross Assets	**1,880**	**2,099**
Policyholders (receipts pending collection)	1,335	1,155
Insurance brokers	328	759
Co-insurers	217	185
Adjustments	**-145**	**-51**
Receipts pending collection	-145	-51
Doubtful debt	-	-
Net Assets	**1,735**	**2,048**

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

(thousand euros)

	2012	2011
Gross Assets	**66**	**238**
Reinsurers	66	238
Reinsured	-	-
Adjustments	**-**	**-**
Doubtful debt	-	-
Net Assets	**66**	**238**

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

(thousand euros)

	2012	2011
Gross Assets	**1,692**	**160**
Related entities	-	56
Staff	8	24
Other receivables	1,684	80
Adjustments	**-**	**-**
Doubtful debt	-	-
Net Assets	**1,692**	**160**

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)

	2012	2011
Adjustment of Receipts Pending Collection		
Balance as at January 1	**51**	**313**
Allocations for the period	94	-
Use for the year	-	-262
Balance as at December 31	**145**	**51**

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

(thousand euros)

	2012	2011
Accrued Income	**1,872**	**656**
Financial income on reinsurance ceded	1,872	656
Deferred Costs	**193**	**422**
Acquisition costs	193	422
Total	**2,065**	**1,078**

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, S.A., their breakdown being as follows:

(thousand euros)

	2012	2011
Balance as at January 1	**50,819**	**62,245**
Deposits received	50,004	2,723
Benefits paid	-11,579	-13,405
Technical interest for the period	4,485	-744
Balance as at December 31	**93,730**	**50,819**

Liabilities and provisions

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

(thousand euros)

	2012	2011
Policyholders (return premiums payable)	257	164
Insurance brokers		
- Commissions payable	-	-
- Current accounts	935	1 148
Co-insurers	129	169
Total	**1,321**	**1,481**

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

(thousand euros)

	2012	2011
Reinsurers	287	538
Reinsured	-	-
Total	**287**	**538**

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

(thousand euros)

	2012	2011
Related entities	117	3
Other suppliers of goods & services	33	-
Staff	-	14
Other payables	171	211
Total	**321**	**228**

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

(thousand euros)

	2012	2011
Deferred Income	**-**	**-**
	-	-
Accrued Costs	**3,647**	**3,785**
- Staff costs (subsidies & charges)	177	253
- Acquisition costs (incentives & commissions)	873	972
- Third-party supplies & services	255	830
- Services rendered related companies	389	-
- Banking channel commissions	1,953	1,730
Total	**3,647**	**3,785**

The balance of Liabilities under Other provisions in 2012 and 2011, is in respect of provisions for taxes.

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	
	2012	2011	2012	2011	2012	2011
Life						
Traditional	20,819	20,945	44	201	20,775	20,744
With-profits capitalisation	12,925	13,428	-	-	12,925	13,428
Total	**33,744**	**34,373**	**44**	**201**	**33,700**	**34,172**

Some amounts of the Life business line are as follows:

(thousand euros)

	2012	2011
Gross Direct Insurance Premiums Written	**33,744**	**34,373**
In respect of personal contracts	24,984	24,136
In respect of group contracts	8,760	10,237
	33,744	**34,373**
Periodic	24,903	24,075
Non-periodic	8,841	10,298
	33,744	**34,373**
On without-profits contracts	13,340	18,353
On with-profits contracts	20,404	16,020
	33,744	**34,373**
Balance of Reinsurance	**-1,019**	**-1,088**

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)

	2012	2011
Interest	**15,671**	**19,551**
Available-for-sale financial assets	4,927	6,296
Financial assets classified at fair value through profit or loss	463	1,589
Held-to-maturity financial assets	4,992	3,701
Deposits, loans & other assets	5,289	7,965
Dividends	**-**	**-**
Financial assets classified at fair value through profit or loss	-	-
Available-for-sale financial assets	-	-
Derivatives	**-**	**-**
Total	**15,671**	**19,551**

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

(thousand euros)

	2012	2011
Bonds & other fixed-income securities		
Public issuers'	4,285	3,075
Other issuers'	6,087	9,993
Equities	-	-
Other floating-rate securities	-	-
Derivatives	-	-
Deposits	5,299	6,483
Total	**15,671**	**19,551**

The breakdown of Financial costs is as follows:

(thousand euros)	2012	2011
Costs imputed to the investments function	-377	-404
Interest on repurchase agreements	-807	-1,270
Total	**-1,184**	**-1,674**

Note 17 - Gains & Losses Realised on Investments

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

(thousand euros)	2012			2011		
	Gain	Loss	Balance	Gain	Loss	Balance
Financial - Not at Fair Value Through Profit or Loss	**5,915**	**-3,657**	**2,258**	**1,180**	**-7,136**	**-5,956**
Available-for-sale financial assets	5,915	-3,657	2,258	1,073	-7,136	-6,063
Held-to-maturity investments	-	-	-	107	-	107
Financial - At Fair Value Through Profit or Loss	**803**	**-1,077**	**-274**	**8,186**	**-149**	**8,037**
Financial assets classified at fair value through profit or loss	543	-1,077	-534	75	-149	-74
Financial assets held for trading	-	-	-	7,511	-	7,511
Hedge derivatives	260	-	260	600	-	600
Total	**6,718**	**-4,734**	**1,984**	**9,366**	**-7,285**	**2,081**

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

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

(thousand euros)	2012			2011		
	Gain	Loss	Balance	Gain	Loss	Balance
Financial assets classified at fair value through profit or loss	1,604	-23,854	-22,250	-	-2,497	-2,497
Financial assets held for trading	-	-	-	-	-	-
Total	**1,604**	**-23,854**	**-22,250**	**-**	**-2,497**	**-2,497**

Note 19 - Gains & Losses on Currency Translation Differences

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

The balance is broken down as follows:

(thousand euros)	2012			2011		
	Gain	Loss	Balance	Gain	Loss	Balance
Available-for-sale financial assets	334	-247	87	-	-	-
Financial assets held for trading	161	-182	-21	7	-17	-10
Total	**494**	**-429**	**66**	**7**	**-17**	**-10**

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)	2012	2011
Other Technical Income	**128**	**13**
Co-insurance management commissions	1	13
Unit linked waivers	127	-
Other Technical Expense	**13**	**21**
Co-insurance management commissions	4	8
Other	9	13
Value of Gains & Losses	**115**	**-8**

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

(thousand euros)	2012	2011
Other Non-Technical Income	**597**	**99**
Corrections & adjustments	-	19
Other gains	597	80
Other Non-Technical Expense	**305**	**282**
Penalties	1	-
Gifts for clients	1	2
Tax estimate insufficiency	61	-
Banking services & default interest	33	43
Other expenses	209	237
Value of Gains & Losses	**292**	**-183**

Note 21 - Sundry Costs by Function and Nature of Expense

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

- Claims Function: Claims costs - Amounts paid gross;
- Acquisition Function: Operating costs and expenses – Acquisition costs;
- Administrative Function: Operating costs and expenses – Administrative costs;
- Investment Function: Financial costs - Other.

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

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

The breakdown of these expenses and their distribution using the classification based on their function as at December 31, 2012 & 2011, is as follows:

(thousand euros) (%)

2012	Cost of Claims		Acquisition Costs		Administrative Costs		Cost of Investments		Total	
Staff costs	156	9%	830	48%	691	40%	52	3%	1 729	100%
Third-party supplies & services	94	4%	1,602	72%	512	23%	31	1%	2 239	100%
Taxes	-	0%	26	62%	-	0%	16	38%	42	100%
Depreciation	110	5%	328	15%	1,750	80%	-	0%	2,188	100%
Provisions for contingencies & liabilities	-	0%	-	0%	-	0%	-	0%	-	0%
Other costs	-	0%	-	0%	-	0%	278	100%	278	100%
Total	**360**	**6%**	**2,786**	**43%**	**2,953**	**46%**	**377**	**6%**	**6,476**	**100%**

(thousand euros) (%)

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

Staff costs are detailed in Note 22.

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

(thousand euros)

	2012	2011
Fuel	41	32
Office material, stationery, etc.	1	1
Gift articles	6	19
Office equipment & property maintenance	-	11
Hardware maintenance	36	57
Operational rental of vehicles & other rentals	66	35
Travel & entertainment costs	71	42
Post	89	92
Insurance	2	8
Advertising & marketing	434	547
Outsourcing, consultancy & specialised work	126	161
Software services & development	229	341
Subscriptions to APS	11	27
Premium collection	94	86
Medical examinations	66	75
Commissions	431	763
Brokers club	141	98
Provision of operational services	228	295
Other sundry supplies & services	167	228
Total	**2,239**	**2,918**

The breakdown of Taxes and charges is as follows:

(thousand euros)

	2012	2011
ISP charge	42	23
Total	**42**	**23**

The breakdown of Depreciation charges is as follows:

(thousand euros)

	2012	2011
Intangible - value in force	2,078	2,234
Hardware & software	110	138
Total	**2,188**	**2,372**

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

(thousand euros)

	2012	2011
Securities' custody & management and other commissions	278	316
Total	**278**	**316**

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

(thousand euros)

	2012	2011
Acquisition costs		
Brokerage remuneration	-1,089	-1,007
Costs imputed	-2,786	-3,132
Other acquisition costs	-2,410	-1,735
Deferred acquisition costs (change)	-20	-26
Administrative costs		
Brokerage remuneration	-76	-75
Costs imputed	-2,953	-3,032
Reinsurance commissions & profit-sharing	851	787
Total	**-8,483**	**-8,220**

Note 22 - Staff Costs

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

	2012	2011
Senior managers	1	1
Managers	2	2
Co-ordinators	1	1
Technicians	15	13
Total	**19**	**17**

Staff costs are detailed as follows:

(thousand euros)

	2012	2011
Remuneration - Corporate officers	349	215
Remuneration - Personnel	957	834
Charges on remuneration - Corporate officers	15	15
Charges on remuneration - Personnel	207	170
Post-employment benefits - Defined-benefit pension plans	-64	7
Mandatory insurance	17	16
Social welfare costs	23	33
Other staff costs	225	4
Total	**1,729**	**1,294**

As at December 31, 2012 & 2011, 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 2012 by the Official Auditor within the scope of the legal audit of the accounts amounted to €18k.

Note 23 - Obligations Involving Employee Benefits

Retirement pensions

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

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

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

Since the deviations have been recognised in reserves, the Company will have no additional impact on profit or loss and reserves as a result of actual liquidation of the plan.

The actuarial valuation of the retirement pensions and health benefits is performed annually at T-Vida, the most recent one with reference to December 31, 2012.

The main assumptions used in the actuarial studies as at December 31, 2012 & 2011, to determine the updated value of the employees' pensions are as follows:

	2012	2011
Financial Assumptions		
Wage growth rates	0%- 2.5% (*)	3.25% - 3.75% (*)
Pension growth rate	0% - 2.5% (*)	0.75% - 3.75% (*)
Rates of return of the fund	3.26%-4.25% (*)	5.40% - 4.94% (*)
Early-retirement pension growth rate	1.00%	2.25%
Discount rate	3.26%-4.25% (*)	5.50%
Demographic Assumptions 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 2012 & 2011, the number of participants covered by the benefits plan was as follows:

	2012	2011
In service	4	4
Pensioners	-	-
Total	**4**	**4**

As at December 31, 2012 & 2011, the breakdown of amounts recognised in the balance sheet is as follows:

(thousand euros)

	2012	2011
Net Assets/ (Liabilities) Recognised in the Balance Sheet		
Liabilities as at December 31	-	-181
Balance of the fund on December 31	84	176
Net Assets/ (Liabilities) in the Balance Sheet as at December 31	**84**	**-5**

The breakdown of liabilities for retirement pensions is as follows:

(thousand euros)

	2012	2011
Liabilities as at January 1	**181**	**165**
Alteration of the plan	-181	-
Cost of current service	-	7
Interest cost	-	9
Actuarial (gains) and losses on liabilities	-	-
Liabilities as at December 31	**-**	**181**

The evolution of the value of the pension fund in 2012 & 2011 is as follows:

(thousand euros)

	2012	2011
Balance of the Fund on January 1	**176**	**177**
Alteration of the plan	-117	-
Real return of the fund		
Expected return of the fund	-	9
Actuarial gains & losses	25	-10
Balance of the fund on December 31	**84**	**176**

The evolution of actuarial deviations recognised in the reserve is as follows:

(thousand euros)

	2012	2011
Deviations Recognised in Reserves as at 1 January	**25**	**15**
Actuarial (gains) & losses		
on liabilities	-	-
on the plan's assets	-25	10
Deviations Recognised in Reserves as at 31 December	**-**	**25**

The evolution of assets receivable/ liabilities deliverable in 2012 and 2011 is as follows:

(thousand euros)

	2012	2011
(Assets)/ Liabilities Receivable or Payable as at January 1	**5**	**-12**
Alteration of the plan	-64	-
Actuarial gains & losses on liabilities	-	-
Actuarial gains & losses of the funds	-25	10
Charges for the year:		
- Cost of current service	-	7
- Interest cost	-	9
- Expected return of the fund	-	-9
(Assets)/ Liabilities Receivable or Payable as at December 31	**-84**	**5**

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

(thousand euros)

	2012	2011
Cost of current service	-	7
Interest cost	-	9
Expected return of the fund	-	-9
Alteration of the plan	-64	-
Costs for the Period	**-64**	**7**

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

(thousand euros)

	2012	2011
Land & buildings	7,934	7,935
Equities & other floating-rate securities	12,315	12,645
Fixed-income securities	36,235	34,253
Balances with credit institutions	2,001	1,449
Fund debtors & creditors	584	-226
Interest receivable	1,033	595
Amount transferable on cut-off of the plan	-5,658	-
Total	**54,444**	**56,651**

The values of assets disclosed above are entirely related to the Pension Fund of the Tranquilidade Group and BES-Vida, which associate T-Vida accounts for about 0.15% (2011: 0.31%) of the total of the fund.

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

(thousand euros)

	2012	2011	2010	2009	2008
Liabilities	-	-181	-165	-155	-110
Balance of the funds	84	176	177	175	123
Liabilities (Under)/ Over Financed	**84**	**-5**	**12**	**20**	**13**

Note 24 - Income Tax

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

Calculation of the current tax for 2012 and 2011 has been made on the basis of a nominal tax rate plus the municipal surcharge, totalling 29.00%, the nominal rate approved on the balance-sheet date. The Company has been subject to annual inspections by the DGCI (Directorate General of Taxation), whose latest report refers to 2008 and contains no significant adjustments to the tax returns submitted till then. Subsequent tax returns are subject to inspection and possible adjustment by the Tax Authorities during a period of four years.

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

(thousand euros)

Period	Brought Forward	Used	Carried Forward	Last Year for Use
2008	31,447	-31,447	-	2014
2010	5,317	-584	4,733	2014
2011	768	-	768	2015
Total	**37,532**	**-32,031**	**5,501**	

The breakdown of current tax assets and liabilities reported in 2012 and 2011 is as follows:

(thousand euros)

	2012		2011	
	Current Tax Assets	Current Tax Liabilities	Current Tax Assets	Current Tax Liabilities
Corporation tax	-	2,150	210	-
Tax withheld at source	-	223	1	146
Value added tax	-	-	-	-
Other taxes & levies	-	124	-	105
Social security contributions	44	44	18	20
Total	**44**	**2,541**	**229**	**271**

The breakdown of deferred tax assets and liabilities recognised in the 2012 and 2011 balance sheets is as follows:

(thousand euros)

Headings	Assets		Liabilities		Net	
	2012	2011	2012	2011	2012	2011
Investments	110	1,195	-	-	110	1,195
Tax losses	1,375	5,432	-	-	1,375	5,432
Total	**1,485**	**6,627**	**-**	**-**	**1,485**	**6,627**

The 2011 figures include amounts related to the deferral for 5 years of the tax impacts resulting from the transition to the IFRS, a process that came to an end at the end of 2012.

Current and deferred taxes in 2012 were recognised as follows:

(thousand euros)

2012	Fair-Value Reserve	Gains & Losses	Total
Current Tax	**-1,509**	**-989**	**-2,498**
Corporation tax estimate	-1,509	-969	-2,478
Autonomous tax		-20	-20
Deferred Tax	**-3,855**	**-1,288**	**-5,143**
Investments	-1,064	-22	-1,086
Tax losses	-2,791	-1,266	-4,057
Total	**-5,364**	**-2,277**	**-7,641**

Reconciliation of the tax rate is as follows:

(thousand euros)

	2012	2011
Pre-tax income	6,807	4,067
Tax rate	29.00%	29.00%
Tax Determined on the Basis of the Official Rate	**-1,974**	**-1,179**
Tax benefits	4	-
Other income & costs excluded from taxation	-490	21
Deferred tax	203	174
Autonomous tax	-20	-70
Current + Deferred Tax	**-2,277**	**-1,054**

Note 25 - Contributed Capital

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

The amounts recorded in Other equity instruments in the sum of €12.5 million in 2011 are in respect of ancillary capital contributions put up by the sole equityholder, which were repaid in 2012.

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 reserves

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

Deferred tax reserves

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

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

Free reserves

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

Actuarial deviations reserve

According to one of the options provided for in IAS 19 - Employee Benefits, T-Vida recognises actuarial gains against reserves.

The breakdown of the reserves as at December 31, 2012 & 2011, is as follows:

(thousand euros)

	2012	2011
Fair-value of financial assets and hedges reserve	-7,486	-25,774
Deferred and current tax reserve	1,169	6,533
Other reserves	1,884	1,557
- Legal reserve	1,884	1,582
- Actuarial deviations reserve	-	-25
Reserves	**-4,433**	**-17,684**

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)

	2012	2011
Floating-rate securities	-177	-468
Fixed-income securities	-7,577	-25,834
Hedge derivatives	268	528
Fair-Value Reserve	**-7,486**	**-25,774**

The net fair value reserve as at December 31, 2012 & 2011, is as follows:

(thousand euros)

	2012	2011
Cash-flow hedge derivatives reserve	-	-
Amortised cost of available-for-sale investments	232,580	224,693
	232,580	**224,693**
Impairment	-	-2,638
Amortised/ acquisition cost net of impairment	232,580	222,055
Fair value of hedges	-	-
Fair value of available-for-sale investments	228,468	200,625
	228,468	**200,625**
Gross revaluation reserve (fair value - cost)	-4,112	-21,430
Cash-flow hedge derivatives reserve	268	528
Revaluation reserve for securities transferred to held-to-maturity investments	-3,642	-4,872
Deferred & current taxes	1,169	6,533
Revaluation Reserve Net of Taxes	**-6,317**	**-19,241**

Movement under the net fair value reserve as at December 31, 2012 & 2011, is as follows:

(thousand euros)

	2012	2011
Balance as at January 1	**-19,241**	**-16,860**
Changes in fair value, including variations on disposal	18,288	-912
Impairment recognised during the year	-	-2,128
Changes of deferred taxes and current recognised during the year	-5,364	659
Balance as at December 31	**-6,317**	**-19,241**

Note 27 – Earnings per Share

Earnings per share for the years ended December 31, 2012 & 2011, are as follows:

	2012	2011
Net income for the period (in thousands of euros)	4,530	3,013
Number of shares (year-end)	65,000,000	65,000,000
Earnings Per Share (in euros)	**0.07**	**0.05**

Note 28 – Dividend per Share

The Company's sole equityholder is Companhia de Seguros Tranquilidade, S.A., to which, in 2012 and 2011, the following dividends were attributed and paid, resulting in the following dividends per share:

	2012	2011
Dividend (in thousands of euros)	2,700	4,600
Number of shares (beginning of the period)	65,000,000	65,000,000
Dividend Per Share (in euros)	**0.04**	**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, 2012 & 2011, 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)

	2012				2011			
	Assets	Liabilities	Costs	Income	Assets	Liabilities	Costs	Income
BAC	63	2	-	-	-	3	-	162
BANCO ESPÍRITO SANTO	84,343	57,339	2,622	3,143	118,887	87,464	3,129	12,835
BES FINANCE	-	-	-	456	-	-	-	63
BES VIDA	96,953	228	228	1,311	51,475	-	295	538
BESI	389	-	-	198	5,638	-	-	155
BESLEASING	-	-	-	-	-	-	-	-
BEST	160	36	-	-	50	4	-	-
E.S. CONTACT CENTER	-	-	-	-	-	-	77	-
E.S. FINANCIER	6,848	-	-	-	6,279	-	-	392
E.S. FINANTIAL PORTUGAL	3,102	-	-	240	-	-	-	101
ESCC	-	17	25	-				
ESAF	-	154	153	-	-	182	182	-
ESFG	-	-	-	-	3,101	-	-	194
ESUMÉDICA	9	6	66	-	3	47	75	-
LOGO	-	2	-	-	-	3	-	-
TRANQUILIDADE	127	117	-	-	63	-	-	-
Total	**191,994**	**57,901**	**3,094**	**5,348**	**185,496**	**87,703**	**3,757**	**14,440**

Note 30 - Statement of Cash Flows

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

Note 31 - Commitments

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

(thousand euros)

	Up to 3 Months	4 to 12 Months	>1-5 Years
Operating lease contracts	8	24	32

Note 37 – Other Information

Recently-Issued Standards and Interpretations

Standards, amendments and interpretations effective on or after January 1, 2012

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

IFRS 7 (Amended) - Financial instruments: disclosures - transfers of financial assets

The International Accounting Standards Board (IASB) issued on October 7, 2010, amendments to the "IFRS 7 - Financial Instruments: Disclosures - Transfers of financial assets ", with effective date of application for periods beginning on or after July 1, 2011. These changes were adopted by European Commission Regulation 1205/2011 of November 22.

The amendments require an improvement in the disclosure of information about transfers of financial assets enabling users of the financial statements:

- To understand the relationship between a transferred financial asset that has not been derecognised for accounting in all its fullness and the associated liability, and
- To assess the nature of the continuing involvement and the risks associated with the derecognised financial assets.

The changes also came to require additional disclosures if a disproportionate amount of transfer transactions of financial assets occurs towards the end of the period.

The Company did not have any significant impact from the adoption of these amendments.

IAS 12 (Amendment) - Deferred tax - recovery of underlying assets

The IASB issued on December 20, 2010, an amendment to "IAS 12 - Deferred Taxes - Recovery of Underlying Assets" (and repealed "SIC 21 - Income Taxes - Recovery of Revalued Non-depreciable assets"), with effective date of application for periods beginning on or after January 1, 2012. These amendments were adopted by European Commission Regulation 1255/2012 of December 11.

Following the amendment to IAS 12, deferred taxes relating to investment properties are to be measured assuming that the book value of investment properties recorded on the basis of the fair value model in accordance with "IAS 40 - Investment Properties" will be fully recovered through the sale. Previously, one could assume that the book value of the investment property would be recovered by the sale or use, depending on the intention of the governing body.

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

The Company decided not to opt for early application of the following standards and/or interpretations adopted by the European Union

Presentation of items in other comprehensive income - amendment of IAS 1 - presentation of financial statements

The IASB issued on June 16, 2011, amendments to "IAS 1 - Presentation of Financial Statements", with effective application (retrospective) for periods beginning on or after July 1, 2012. This amendment was adopted by European Commission Regulation (EU) 475/2012, of June 5.

The amendment allows an entity to continue to present two separate statements, an income statement and a comprehensive income statement (the latter beginning with the results and including other comprehensive income), but imposes:

- Separate presentation of items of other comprehensive income that may be reclassified to profit or loss and of those that cannot be reclassified to profit or loss;
- An entity presenting the items of other comprehensive income before the tax effect must also allocate the tax effect to the two subcategories listed in the preceding point; and
- Alter the name "Statement of comprehensive income" to "Statement of income and other comprehensive income", even though another name may be used.

The changes affect only the presentation and have no impact on the financial position or performance of the Company.

IAS 19 (Amendment) - Employee benefits

The IASB issued on June 16, 2011, amendments to "IAS 19 - Employee Benefits", with effective application (retrospective) for periods beginning on or after January 1, 2013. These amendments were adopted by European Commission Regulation (EU) 475/2012 of June 5, 2012.

The IASB made a number of changes to IAS 19. This set of changes ranges from fundamental changes such as the removal of the option for the corridor mechanism and the concept of expected returns on the plan's assets to simple clarifications and text readjustment.

Additionally, the changes will impact on the net expense of the benefit because the expected return on plan's assets will be calculated using the same interest rate applicable to the discount of the defined-benefit obligation. This situation will have no impact on the Company's financial statements.

IFRS 7 (Amended) - Financial instruments: disclosures - offsetting financial assets and liabilities

The IASB has issued on December 16, 2011, amendments to "IFRS 7 - Financial Instruments: Disclosures - Offsetting financial assets and liabilities", with effective date of application (retrospective) for periods beginning on or after January 1, 2013. These amendments were adopted by European Commission Regulation 1255/2012 of December 11.

The amendments now require an entity to disclose information about the amounts offset in the statement of financial position and the nature and extent of offsetting rights and similar agreements (e.g., collateral).

The new disclosures apply to all recognised financial instruments that are offset in accordance with IAS 32 Financial Instruments: Presentation. The disclosures are also applicable to recognised financial instruments that are subject to a master offset agreement or similar agreement, whether they have or have not been offset in accordance with IAS 32.

The Company expects that the adoption of the amendments to the IFRS will come to require more extensive disclosures about offset rights.

IAS 32 (Amended) - Financial instruments: presentation - offsetting between financial assets and liabilities

The IASB issued on December 16, 2011, amendments to "IFRS 7 - Financial Instruments: Disclosures - Offsetting financial assets and liabilities", with effective date of application (retrospective) for periods beginning on or after January 1, 2014. These amendments were adopted by European Commission Regulation 1255/2012 of December 11.

The changes introduced now add implementation guidelines to resolve inconsistencies in practical application. The new guidelines clarify that the phrase "current legally enforceable right to offset " means that the right to offset may not be contingent, in the light of future events, and must be legally enforceable in the normal course of business, in the event of default and of insolvency or bankruptcy of the entity and all counterparties.

These implementing guidelines also specify the characteristics of the gross settlement systems so as to be equivalent settlement on a net basis.

The Company does not expect any significant impact from the adoption of these amendments.

IAS 27 (Amended) - Separate financial statements

The IASB issued on May 12, 2011, amendments to "IAS 27 - Separate Financial Statements", with effective date of application (prospectively) for periods beginning on or after January 1, 2014. These amendments were adopted by European Commission Regulation 1255/2012 of December 11.

Mindful of the review process of the definition of the consolidation perimeter, IAS 27 (amended) will only regulate separate accounts. The changes aimed, firstly, to clarify the disclosures required by an entity preparing separate financial statements, now required to disclose the main place (and country of its registered office) where the business of the more significant subsidiaries, associates and joint ventures takes place and, if applicable, of the parent company.

The previous version required only disclosure of the country or residence or seat of such entities. On the other hand, the date of entry into force and the need to adopt all the consolidation rules simultaneously were aligned (IFRS 10, IFRS 11, IFRS 12, IFRS 13 and amendments to IAS 28).

This change will have no impact on financial statements.

IFRS 10 – Consolidated financial statements

The IASB issued on May 12, 2011, amendments to "IAS 27 - Separate Financial Statements", with effective date of application (retrospective) for periods beginning on or after January 1, 2013. This standard was adopted by European Commission Regulation 1254/2012 of December 11, having allowed it to be imperatively applicable after January 1, 2014.

IFRS 10 repeals part of IAS 27 and SIC 12, and introduces a single control model that determines whether an investment must be consolidated. The new control concept involves the evaluation of power, the exposure to variability in returns and the connection between the two. An investor controls an investee when it is exposed (or has rights) to the variability in the returns generated by its involvement with the investee and may take possession of them through the power held over the investee (*de facto control*).

The investor considers to what extent it controls the relevant business of the investee, taking into account the new control concept. The evaluation must be made in each reporting period since the relationship between power and exposure to variability in the returns can change over time.

Control is usually assessed on the legal entity, but it can also be evaluated on specific assets and liabilities of an investee (referred to as "silos").

The new standard introduces other changes such as: i) the requirements for subsidiaries within the scope of the consolidated financial statements of transfer from IAS 27 to this standard and ii) increase the disclosures required, including specific disclosures about the structured entities, whether or not consolidated.

The Company does not expect any impact on its financial statements.

IFRS 11 - Joint arrangements

The IASB issued on May 12, 2011, amendments to "IAS 11 - Joint Arrangements", with effective date of application (retrospective) for periods beginning on or after January 1, 2013. This standard was adopted by European Commission Regulation 1254/2012 of December 11, having allowed it to be imperatively applicable after January 1, 2014.

This new standard, which repeals IAS 31 and SIC 13, defines "joint control", introducing the control model defined in IFRS 10 and requires an entity that is a party to a "joint agreement" determine the type of joint arrangement in which is involved ("joint operation" or "joint venture"), evaluating their respective rights and obligations, and account them accordingly.

IFRS 11 removes the option of proportionate consolidation for jointly--controlled entities. In turn, jointly-controlled entities that meet the criteria of "joint venture" must be accounted for using the equity method (IAS 28).

The Company does not expect any impact on its financial statements.

IAS 28 (Amendment) - Investments in associates and joint ventures

The IASB has issued on May 12, 2011, amendments to "IAS 28 - Investments in Associates and Joint Ventures", with effective date of application (prospective) for periods beginning on or after January 1, 2013. These amendments were adopted by European Commission Regulation 1254/2012 of December 11, having allowed them to be imperatively applicable after January 1, 2014.

As a result of the new IFRS 11 and IFRS 12, IAS 28 has been amended and is now designated IAS 28 - Investments in Associates and Joint Ventures, and it governs the application of the equity method applicable both to joint ventures and to associates.

The Company does not expect any impact on its financial statements.

IFRS 12 - Disclosure of interests in other entities

The IASB issued on May 12, 2011, amendments to "IFRS 12 - Disclosure of Interests in Other Entities", with effective date of application (retrospective) for periods beginning on or after January 1, 2013. This standard was adopted by European Commission Regulation 1254/2012 of December 11, having allowed it to be imperatively applicable after January 1, 2014.

The aim of the new standard is to require an entity to disclose information that helps users of financial statements to assess: a) the nature and risks associated with investments in other entities and b) the effects of such investments on the financial position, performance and cash flows.

IFRS 12 includes disclosure requirements for all forms of investment in other entities, including joint arrangements, associates, special purpose vehicles and other off-balance sheet vehicles.

The Company is still assessing the impact of full implementation of IFRS 12 in line with the adoption of IFRS 10 and IFRS 11.

IFRS 13 – Fair value measurement

The IASB issued on May 12, 2011, amendments to "IFRS 13 – Fair value measurement", with effective date of application (retrospective) for periods beginning on or after January 1, 2013. This standard was adopted by European Commission Regulation 1255/2012 of December 11.

IFRS 13 provides a single source of guidance on how to obtain measurement of fair value and replaces all the guidelines currently dispersed throughout the IAS/IFRS. With limited exceptions, IFRS 13 is applied when the fair-value measurement or its disclosure is required or permitted by other IAS/ IFRS.

The Company is currently reviewing its methodology for determining the fair value for the purpose of determining the impact of this standard, if any.

Although most of the disclosures required by IFRS 13 relating to financial assets and liabilities were in force, the adoption of IFRS 13 will require the Company to provide additional disclosures. These include disclosure of the fair value hierarchy for non-financial assets/liabilities, and disclosures about fair value categorised as level 3.

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

Investment Entities - Amendments to IFRS 10, IFRS 12 and IAS 27 (issued on October 31, 2012)

The changes made apply to a particular class of businesses that are qualified as "investment entities". The IASB defines the term "investment entity" as an entity whose business purpose is to invest funds with the goal of obtaining a capital gain, income or both. An investment entity must also evaluate its performance in the investment at fair value. Such entities may include private equity , venture capital or development capital organisations, pension funds, health funds and other investment funds.

The amendments provide for elimination of the duty of consolidation under IFRS 10, and require such entities to measure the subsidiaries in question at fair value through profit or loss rather than consolidating them. The changes also define a set of disclosures applicable to such investment entities.

The changes apply to periods beginning on or after January 1, 2014, with voluntary early adoption. This option enables investment entities to apply the new changes when IFRS 10 come into force on January 1, 2013.

The Company does not expect any impact of the application of this amendment on its financial statements.

Improvements to IFRS (2009-2011)

The annual improvements of the 2009-2011 cycle issued by the IASB on May 17, 2012 introduced amendments, with effective date of the application (retrospective) for periods beginning on or after January 1, 2013 to IFRS 1 , IAS 1, IAS 16, IAS 32, IAS 34 and IFRIC 2.

- IAS 1 - Presentation of financial statements
  The improvements clarify the difference between voluntary additional comparative information and the minimum comparative information required. Generally, the minimum comparative information required is relative to the previous period.

- IAS 16 Property, plant and equipment
  IAS 16 was amended to clarify the concept of service equipment that may meet the definition of tangible fixed assets and is therefore not accounted for in inventories.

- IAS 32 Financial Instruments and IFRIC 2
  These standards have been adjusted to clarify that taxes related to the distribution of dividends to equityholders follow the treatment recommended in "IAS 12 - Income Taxes", thus avoiding any interpretation that could mean a different application.

- IAS 34 - Interim financial report
  The amendments to IAS 34 allows an alignment of the disclosure requirements for the total assets of the segments with the total liabilities, in interim periods. These improvements also allow the interim information to be consistent with the annual information regarding the modifications to the designation of the income statement and other comprehensive income.

The Company will not be affected by the adoption of these changes.

IFRS 9 - Financial instruments (issued in 2009 and amended in 2010)

IFRS 9 (2009) introduced new requirements for the classification and measurement of financial assets. IFRS 9 (2010) introduced additional requirements related to financial liabilities. IASB currently has a project under way to make limited changes to the classification and measurement contained in IFRS 9 and new requirements for dealing with the impairment of financial assets and hedge accounting.

The requirements of IFRS 9 (2009) constitutes a significant change from the current requirements of IAS 39 in respect of financial assets. The standard contains two primary measurement categories for financial assets: amortised cost and fair value. A financial asset is measured at amortised cost if it is held within the business model whose objective is to hold the asset in order to collect the contractual cash flows and the terms of its cash flows give rise to collections, on specified dates, related only to the nominal amount and interest in force. All other financial assets are measured at fair value. The standard eliminates the existing categories currently in IAS 39, "held to maturity", "available for sale" and "accounts receivable and payable".

For an investment in equity instruments that is not held for trading, the standard allows an irrevocable designation, on initial recognition, on an instrument-by-instrument basis, of presentation of the fair--value movements in other comprehensive income (OCI). No amount recognised in OCI shall be reclassified to profit or loss at any future date. However, dividends generated by such investments are recognised as income in profit or loss rather than OCI, unless they clearly represent partial recovery of the investment cost.

Investments in equity instruments, the entity which fails to designate the presentation of fair-value movements in OCI shall be measured at fair value with movements recognised in profit or loss.

The standard requires that derivatives embedded in contracts whose host (master contract) is a financial asset within the scope of application of the standard shall not be separated; on the contrary, the hybrid financial instrument is assessed in its entirety in order to determine whether it is measured at amortised cost or at fair value.

IFRS 9 (2010) introduces a new requirement applicable to financial liabilities designated at fair value, by option, and comes to enforce the separation of the change in fair value component attributable to the credit risk of the entity and its presentation in OCI rather than in profit or loss. Except for this change, IFRS 9 (2010) transposes in general the classification and measurement guidelines contained in IAS 39 for financial liabilities, with no substantial changes. IFRS 9 becomes effective for annual periods beginning on or after January 1, 2015, early adoption permitted being permitted. The IASB decided to introduce limited changes to IFRS 9 in order to accommodate the practical issues and other aspects.

The Company made a start to a process of assessment of the potential effects of this standard but is awaiting the outcome of the announced changes, before completing the its assessment. Given the nature of the Company's business it can be expected that this standard will have a material impact on its financial statements.

Appendix 1 – Inventory of Holdings and Financial Instruments

(expressed in euros)

Identification of the Securities / Designation	Quantity	Amount of par Value	% of par Value	Average Acquisition Price	Total Acquisition Price	Book Value (Including Accrued Interest) Unit	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	101.64%	101.0%	1,675,770.00	104.6%	1,735,829.72
BES EURO RENDA 20/05/2013 - 1ªS		1,753,000.00	101.52%	90.1%	1,579,144.44	104.0%	1,823,794.91
BES PL 5.875% 11/15		16,700,000.00	102.48%	100.3%	16,746,050.00	103.3%	17,256,958.72
BES PL 5.875% 11/15 FVO		200,000.00	102.82%	102.6%	205,200.00	103.7%	207,342.16
BESPL 3.875% 01/21/2015		500,000.00	97.63%	99.8%	498,936.02	101.3%	506,413.32
BESPL 5.625% 06/14 FVO		100,000.00	100.76%	99.5%	99,500.00	104.0%	103,978.89
BESPL 5.625% 06/14 HTM		6,500,000.00	94.35%	89.3%	5,803,373.69	97.6%	6,344,790.94
Subtotal	**0**	**27,413,000.00**			**26,607,974.15**		**27,979,108.66**
1.2 - Foreign Securities							
1.2.8 - Debt securities of related companies							
ES FINANCIAL 8% 07/26/13 HTM		3,000,000.00	99.93%	100.0%	3,000,000.00	103.4%	3,101,819.67
ESPIRITO SANTO FINANCIER 7% 05/31/13		6,500,000.00	101.25%	99.8%	6,483,750.00	105.4%	6,848,017.12
Subtotal	**0**	**9,500,000.00**			**36,913,000.00**		**9,949,836.79**
Total	**0**	**36,913,000.00**			**36,091,724.15**		**37,928,945.45**
2 - OTHER							
2.1 - Domestic securities							
2.1.1 - Capital instruments and unit trusts							
2.1.1.1 - Equities							
GALP ENERGIA	85,000			11.70	994,289.68	11.75	998,750.00
Subtotal	**85,000**	**0.00**			**994,289.68**		**998,750.00**
2.1.1.3 - Investment fund units							
BANCO BIC TESOURARIA	272,188			5.51	1,500,000.00	5.60	1,525,231.82
ES TRADING FUND	10,000			104.80	1,048,000.00	104.28	1,042,800.00
Subtotal	**282,188**	**0.00**			**2,548,000.00**		**2,568,031.82**
Subtotal	**367,188**	**0.00**			**3,542,289.68**		**3,566,781.82**
2.1.2 - Debt securities							
2.1.2.1 - Public debt							
BT 0% 02/22/13 FVO		350,000.00	99.83%	97.3%	340,511.09	99.8%	349,405.00
BT 0% 03/21/14		2,500,000.00	96.83%	96.2%	2,404,712.48	96.8%	2,420,750.00
BT 0% 03/21/14 FVO		250,000.00	96.83%	95.9%	239,874.26	96.8%	242,075.00
BT 0% 03/21/14 REPO		2,750,000.00	96.83%	96.2%	2,645,183.73	96.8%	2,662,825.00
PT OT 3.35% 10/15/15		4,250,000.00	98.26%	96.1%	4,082,250.00	99.0%	4,206,085.27
PT OT 3.35% 10/15/15 HTM		9,450,000.00	94.01%	92.3%	8,723,974.85	94.7%	8,950,989.89
PT OT 3.35% 10/15/15 HTM REPO		6,750,000.00	94.02%	93.9%	6,335,407.75	94.7%	6,393,721.12
PT OT 3.35% 10/15/15 REPO		2,500,000.00	98.26%	97.0%	2,424,228.09	99.0%	2,474,167.80
PT OT 3.6% 10/15/14		2,045,000.00	100.28%	98.2%	2,007,594.00	101.0%	2,066,154.54
PT OT 3.6% 10/15/14 HTM		2,000,000.00	96.95%	96.0%	1,920,749.58	97.7%	1,954,256.87
PT OT 3.6% 10/15/14 HTM REPO		3,000,000.00	96.95%	96.8%	2,904,822.65	97.7%	2,931,424.55
PT OT 4.2% 10/15/16		7,825,000.00	98.22%	95.2%	7,445,487.50	99.1%	7,754,655.40
PT OT 4.2% 10/15/16 HTM REPO		7,000,000.00	94.08%	94.0%	6,577,819.01	95.0%	6,647,367.91
PT OT 4.35% 10/16/17		500,000.00	96.45%	101.2%	506,136.06	97.4%	486,778.77
PT OT 4.35% 10/16/17 HTM REPO		5,140,000.00	92.58%	92.5%	4,753,277.92	93.5%	4,805,072.79
PT OT 4.45% 06/15/18 HTM		2,000,000.00	91.39%	91.3%	1,825,679.10	93.9%	1,877,039.72
PT OT 4.45% 06/15/18 HTM REPO		2,000,000.00	91.39%	91.3%	1,825,712.30	93.9%	1,877,072.55
PT OT 4.75% 06/14/19 HTM		500,000.00	90.92%	90.8%	454,131.29	93.6%	467,793.11
PT OT 4.75% 06/14/19 HTM REPO		750,000.00	90.92%	90.8%	681,209.17	93.6%	701,697.76
PT OT 4.8% 06/15/20 HTM		500,000.00	89.67%	89.6%	447,902.98	92.3%	461,610.10
PT OT 4.8% 06/15/20 HTM REPO		7,000,000.00	89.67%	89.6%	6,270,828.36	92.3%	6,462,726.49
PT OT 5.45% 09/13 HTM		4,500,000.00	100.47%	100.6%	4,527,046.85	101.9%	4,587,659.56
PT OT 6.4% 02/15/16 FVO		250,000.00	103.79%	83.7%	209,250.00	109.4%	273,451.57
PT OT 6.4% 02/15/16 HTM REPO		2,500,000.00	99.83%	99.8%	2,495,322.81	105.4%	2,635,611.62
Subtotal	**0**	**76,310,000.00**			**72,049,111.83**		**73,690,392.39**
2.1.2.2 - Other public issuers'							
PARPUBLICA 3.5% 07/13		5,000,000.00	98.75%	98.8%	4,942,000.00	100.4%	5,021,883.56
PARPUBLICA 3.5% 07/13 HTM		2,200,000.00	98.67%	94.9%	2,088,248.47	100.4%	2,207,849.30
Subtotal	**0**	**7,200,000.00**			**7,030,248.47**		**7,229,732.86**

(expressed in euros)

Identification of the Securities	Quantity	Amount of par Value	% of par Value	Average Acquisition Price	Total Acquisition Price	Book value (Including Accrued Interest)	
Designation						Unit	Total
2.1.2.3 - Other issuers'							
BANCO BPI 3.25% 01/15/2015		2,000,000.00	93.10%	92.8%	1,856,700.51	96.2%	1,924,366.71
BANCO BPI 3.25% 01/15 REPO		100,000.00	98.27%	98.6%	98,568.16	101.4%	101,385.80
BANIF FINANCE 22/12/2016		2,000,000.00	55.56%	100.0%	2,000,000.00	55.6%	1,111,916.50
BCP 04/14 5.625% HTM		1,500,000.00	93.74%	89.7%	1,346,196.61	97.7%	1,465,089.23
BCP 3.75% 10/16 HTM		2,000,000.00	87.00%	83.9%	1,678,404.64	87.9%	1,757,574.16
BCP 9.25% 10/14		1,600,000.00	106.50%	106.5%	1,704,000.00	108.5%	1,736,032.88
BRISA 4.5% 12/16		4,000,000.00	100.37%	100.8%	4,033,473.71	100.7%	4,027,741.92
BRISA 6.875% 04/18		2,500,000.00	105.31%	99.5%	2,487,525.00	107.0%	2,675,205.13
CXGD 4.25% 01/20 REPO		500,000.00	91.93%	99.8%	498,855.66	95.9%	479,307.38
CXGD 4.25% 01/27/2020		2,000,000.00	91.93%	99.7%	1,993,476.03	95.9%	1,917,229.51
CXGD 4.375% 05/13		3,000,000.00	99.75%	99.8%	2,992,900.00	102.5%	3,075,924.66
CXGD 5.125% 02/14		8,500,000.00	100.88%	102.6%	8,718,248.07	105.3%	8,950,488.39
CXGD 5.625% 12/15		3,000,000.00	102.78%	99.7%	2,989,920.00	103.2%	3,095,732.88
EDP FINANCE 3.25% 03/15		2,000,000.00	100.03%	99.7%	1,994,259.28	102.6%	2,052,143.84
EDP FINANCE 4.625% 06/16		2,000,000.00	102.61%	102.9%	2,057,487.92	105.2%	2,103,198.36
EDP FINANCE 5.75% 09/17		1,000,000.00	107.10%	99.5%	994,720.00	108.7%	1,086,910.96
EDP FINANCE 5.75% 09/17 FVO		500,000.00	107.10%	99.7%	498,250.00	108.7%	543,455.48
EDP FINANCE 5.875% 02/16		1,500,000.00	105.85%	99.6%	1,494,643.64	111.2%	1,668,200.08
EDP FINANCE 5.875% 02/16 FVO		100,000.00	105.85%	98.9%	98,900.00	111.2%	111,213.34
PORTUGAL TELECOM 5.625% 02/16 FVO		100,000.00	105.33%	97.2%	97,200.00	110.4%	110,354.61
PORTUGAL TELECOM 5.875% 04/18		9,500,000.00	103.26%	99.5%	9,449,577.02	104.5%	9,923,908.23
PORTUGAL TELECOM INT FIN 5% 11/04/19 HTM		5,000,000.00	91.97%	91.3%	4,566,935.08	92.8%	4,638,145.59
Term Dep. EUR BES					30,959,822.00		30,976,804.82
Term Dep. EUR MG					24,777,480.31		24,953,295.68
Term Dep. EUR CXGERALDEP					18,250,000.00		18,251,901.04
Term Dep. EUR BCP					10,783,519.91		10,783,519.91
Term Dep. EUR Barclays					5,000,000.00		5,122,787.50
Term Dep. EUR BBVA					22,500,000.00		22,542,008.70
Subtotal	**0**	**54,400,000.00**			**165,921,063.55**		**167,185,843.29**
Subtotal	**0**	**137,910,000.00**			**245,000,423.85**		**248,105,968.54**
Total	**367,188**	**137,910,000.00**			**248,542,713.53**		**251,672,750.36**
2.2 - Foreign Securities							
2.2.1 - Capital instruments and unit trusts							
2.2.1.3 - Investment fund units							
DBX S&P 500 EUR HEDGED ETF	137,000			21.86	2,994,236.62	21.33	2,922,347.00
ES RENDIMENTO PLUS	999,999			7.48	7,477,992.53	7.46	7,459,892.53
EUROFIN SICAV SIF	2,735			1,000.02	2,735,333.92	961.62	2,630,299.96
FIDELITY TARGET 2015 ACÇÕES	77,754			10.50	816,156.67	11.31	879,392.09
FIDELITY TARGET 2020 ACÇÕES	63,604			10.47	665,652.76	10.33	657,024.57
FIDELITY TARGET 2025 ACÇÕES	68,323			9.28	633,799.56	9.89	675,784.67
FIDELITY TARGET 2030 ACÇÕES	35,435			10.00	354,336.89	9.83	348,217.29
FIDELITY TARGET 2035 ACÇÕES	10,351			20.50	212,148.46	20.45	211,667.73
FIDELITY TARGET 2040 ACÇÕES	12,849			19.19	246,624.79	20.44	262,634.79
FUNDO ESP INV IMOB FECHADO	300,000			1,000.00	300,000,000.00	900.69	270,207,270.00
UBAM NEUBERGER BERMAN US EQUITY	1,872			545.50	1,021,001.97	542.24	1,014,900.31
Subtotal	**1,709,921**	**0.00**			**317,157,284.17**		**287,269,430.94**
2.2.2 - Debt securities							
2.2.2.1 - Public debt							
BUNDES 1.75% 06/14/13		11,000,000.00	100.71%	100.9%	11,094,930.00	101.7%	11,183,029.45
BUNDES OBL 2.25% 04/10/2015 HTM		500,000.00	100.77%	100.8%	503,968.32	102.4%	512,003.03
BUNDESOBL 2.25% 04/10/2015 HTM REPO		500,000.00	100.77%	100.8%	503,968.32	102.4%	512,003.03
IRISH GOVT 4.6% 04/16 HTM		1,000,000.00	90.36%	90.1%	901,440.21	93.6%	935,968.13
LUXEMBOURG GOVT 3.75% 12/04/13		1,500,000.00	103.22%	105.6%	1,584,000.00	103.5%	1,552,490.96
NETHERLANDS GOVT 1.75% 01/13		2,000,000.00	100.04%	100.9%	2,018,879.25	101.7%	2,034,425.58
NETHERLANDS GOVT 2.5% 01/17 HTM REPO		1,250,000.00	99.39%	99.4%	1,242,254.38	101.8%	1,272,402.45
NETHERLANDS GOVT 3.25% 07/15 HTM REPO		1,250,000.00	102.53%	102.6%	1,282,571.96	104.0%	1,300,378.91
NETHERLANDS GOVT 4.25% 07/13		5,000,000.00	102.21%	106.2%	5,308,000.00	104.2%	5,208,640.41
Subtotal	**0**	**24,000,000.00**			**24,440,012.44**		**24,511,341.95**
2.2.2.2 - Other public issuers'							
EFSF 2.75% 12/16 HTM		500,000.00	99.73%	99.7%	498,609.79	99.9%	499,605.28
EFSF 2.75% 12/16 HTM REPO		2,000,000.00	99.73%	99.7%	1,994,439.14	99.9%	1,998,421.06
PARPUBLICA 4.191% 10/14		1,750,000.00	98.53%	96.9%	1,696,525.00	99.4%	1,739,659.75
Subtotal	**0**	**4,250,000.00**			**4,189,573.93**		**4,237,686.09**

(expressed in euros)

Identification of the Securities — Designation	Quantity	Amount of par Value	% of par Value	Average Acquisition Price	Total Acquisition Price	Book value (Including Accrued Interest) — Unit	Book value (Including Accrued Interest) — Total
2.2.2.3 - Other issuers'							
AIR FRANCE - KLM 6.25% 01/18		1,900,000.00	104.38%	99.5%	1,889,569.00	104.7%	1,988,655.82
AMADEUS CAP MARKT 4.875% 07/16 FVO		200,000.00	109.07%	99.5%	198,986.00	111.3%	222,650.38
BANCA POP VERONA 6,375% 31/05/2021		3,878,000.00	97.42%	99.3%	3,849,264.02	101.2%	3,923,049.61
BANCO SANTANDER 3.625% 04/17		4,000,000.00	102.09%	100.1%	4,003,104.26	104.8%	4,190,623.01
BANK OF IRELAND 4% 01/28/15		1,500,000.00	99.70%	99.9%	1,497,810.34	103.4%	1,550,834.84
BASF 1.5% 10/18		3,000,000.00	101.97%	102.0%	3,059,970.00	102.3%	3,070,199.18
BBVA 3.5% 12/17		2,000,000.00	100.19%	100.0%	2,000,000.00	100.4%	2,008,746.30
BBVA CAPITAL UNIPERS 13/10/2020		5,000,000.00	92.39%	99.9%	4,995,137.32	92.5%	4,625,175.76
BBVA SENIOR FINANCE 3% 08/22/13		300,000.00	100.44%	99.9%	299,583.00	101.5%	304,547.14
CAJA AHORROS BARCELONA 3.5% 03/16		500,000.00	99.84%	99.7%	498,565.00	102.5%	512,399.93
CARREFOUR 1.875% 12/17		1,000,000.00	100.09%	99.6%	996,130.00	100.2%	1,001,516.44
DAIMLER 1.75% 01/20		3,000,000.00	99.83%	99.4%	2,982,630.00	100.0%	3,000,653.43
DOURM 1 A		553,732.49	72.14%	98.6%	545,837.85	72.2%	399,524.92
ENAGAS FIN 4.25% 10/17 FVO		200,000.00	104.81%	99.8%	199,602.00	105.8%	211,652.03
FINANCE FOR DANISH IND 2.125% 03/13		1,000,000.00	100.28%	100.4%	1,003,721.51	101.9%	1,019,352.47
GE CAPITAL EUR FUND FLOAT 05/17/21 REPO		7,500,000.00	92.18%	99.3%	7,445,684.53	92.2%	6,917,013.33
GOLDMAN SACHS 30/01/2017		2,000,000.00	94.85%	99.8%	1,995,240.53	94.9%	1,898,811.00
GOLDMAN SACHS FLOAT 01/30/17 REPO		1,000,000.00	94.85%	99.8%	997,664.93	94.9%	949,405.50
HIPOT 5 A2		239,395.23	73.00%	97.9%	234,367.93	73.0%	174,826.40
IBM CORP 1.375% 11/19/19		3,000,000.00	98.81%	98.9%	2,968,200.00	99.0%	2,968,926.57
JP MORGAN 12/10/2015		7,700,000.00	96.92%	100.1%	7,705,698.91	97.1%	7,473,063.89
KFW 1.75% 08/04/14		1,000,000.00	102.56%	100.8%	1,008,058.79	103.3%	1,032,743.84
KION 2006-1 A		502,224.10	60.00%	98.5%	494,924.46	60.1%	301,712.89
LLOYDS FLOAT 20 03/12/2020		2,500,000.00	72.38%	102.7%	2,567,696.46	72.5%	1,813,706.74
LTR INVEST FLOAT 2016		3,000,000.00	100.00%	100.0%	3,000,075.17	100.1%	3,002,944.00
MAGEL 3 A		503,690.40	69.66%	98.7%	497,164.81	69.7%	351,063.42
METRO FINANCE 2.25% 05/18		2,500,000.00	101.84%	99.5%	2,487,200.00	102.0%	2,549,082.19
MORGAN STANLEY 13/04/2016		2,000,000.00	94.92%	99.9%	1,997,837.13	95.1%	1,901,017.22
MORGAN STANLEY 16/01/2017		2,500,000.00	93.65%	100.1%	2,501,250.00	93.8%	2,344,525.00
MORGAN STANLEY FLOAT 04/13/16 REPO		8,000,000.00	94.92%	99.9%	7,991,703.07	95.1%	7,604,068.89
NATL CAPITAL INSTRUMENTS PERP		1,400,000.00	98.29%	99.7%	1,396,132.50	98.3%	1,376,188.20
PELIC 2 A		218,926.83	82.84%	99.2%	217,101.86	82.9%	181,407.89
PELICAN 3 A		777,602.83	62.00%	98.3%	764,267.54	62.0%	482,221.93
ROYAL BK SCOTLAND 49		10,000,000.00	98.61%	100.8%	10,080,000.00	98.8%	9,881,109.76
SANTANDER ISSUANCES 23/03/2017		5,000,000.00	83.13%	99.9%	4,995,402.43	83.1%	4,156,732.22
SOCIETE GENERALE 1% 12/19/17		4,000,000.00	99.85%	99.8%	3,991,340.00	99.9%	3,995,235.07
TELECOM ITALIA 4% 01/21/20		1,000,000.00	101.33%	99.2%	991,840.00	101.4%	1,014,425.89
THEME 4 A		678,024.95	60.71%	97.8%	662,905.00	60.8%	411,961.23
UNICREDIT 3.375% 01/18		1,850,000.00	100.88%	99.7%	1,844,209.50	101.1%	1,869,664.23
VOLKSWAGEN INTL FIN 2.125% 01/19/15 FVO		300,000.00	102.69%	99.7%	298,968.00	104.7%	314,114.06
XSTRATA FINANCE 2.375% 11/18		3,000,000.00	100.12%	99.6%	2,988,240.00	100.4%	3,011,648.63
Subtotal	**0**	**100,201,596.84**			**100,143,083.85**		**96,007,201.25**
Subtotal	**0**	**128,451,596.84**			**128,772,670.22**		**124,756,229.29**
Total	**1,709,921**	**128,451,596.84**			**445,929,954.39**		**412,025,660.23**
Total	**2,077,108**	**266,361,596.84**			**694,472,667.92**		**663,698,410.59**
3 - GRAND TOTAL	**2,077,108**	**303,274,596.84**			**730,564,392.07**		**701,627,356.04**

VIDA

08. Disclosure of the Remuneration Policies

08. Disclosure of the Remuneration Policies

This disclosure involves the following 3 components:

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

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

1. Remuneration Policy

1.1. 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.

1.2. 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.

1.3. Remuneration of the members of the Board of Auditors

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

1.4. 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.

1.5. 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 that attributed to its chairman, all members of the Board of Directors earn the same fixed remuneration. Only the variable part may differ.

b) Limits of the remuneration

The variable part of the remuneration shall account for at most 55% of the Total Annual Remuneration.

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

c) Balance in the remuneration

The variable part of the remuneration will amount to a maximum of 55% of the total remuneration, its exact amount oscillating, 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 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.

Taking into account the characteristics inherent in the remuneration structure in force for the members of the Board of Directors, the maximum amounts considered and the risk-tolerance levels established, 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 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 a stock option has not been considered in this remuneration policy. Consequently, there are no plans to award T-Vida shares or stock options or those of any other Group company to the members of the Board of Directors.

e) Performance assessment criteria

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

- Net Income for the period;
- Return on equity;
- Combined ratio.

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

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

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

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

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

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

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

i) Contractual limitations to the compensation payable on unfair dismissal of a director 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.

2. Complementary Pension or Early Retirement Scheme

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

3. 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.

4. Table of the Remuneration Paid to T-Vida's Corporate Officers During 2012

(thousand euros)

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

The above table did not take into account amounts paid by Companhia de Seguros Tranquilidade, by way of fixed or variable remuneration, to the members of the governing bodies that, by virtue of the cost-allocation process in force at the Tranquilidade Group, are recorded in the T-Vida accounts.

Key Employee Remuneration Policy

1. Scope of Application of the Remuneration Policy

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

a) To those employees who perform key functions, understood to be all those who perform management duties within the scope of the risk-management and internal-control systems (Co-ordinator Manager, Assistant Manager, Service Manager or Head 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 to the Chief Actuary, as stated in the recommendation of point V.9 of Insurance Institute of Portugal Circular 6/2010 of April 1;

c) To all employees occupying 1st level management posts (Top Managers) and Board of Directors' Advisers, regardless of the area in which they work,

because it is understood that – besides the members of the governing bodies – these professionals, in the specific case of T-Vida, employees whose performance has a material impact on the Company's risk profile.

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

2. 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 the general manager and sundry senior staff 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 capital required.

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

b) Mandate of the Board of Directors

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

c) Composition of the Board of Directors

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

d) External consultants

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

3. 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 on 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 in the Company to approximately 85% of the Total Annual Remuneration.

In individual terms, the weight of the variable remuneration to be considered for each year shall not exceed 30% of the total 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.

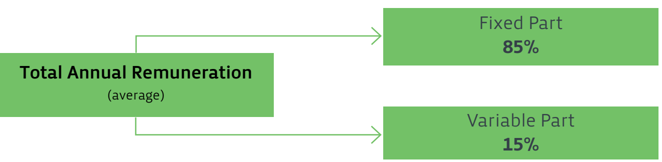
c) Balance in the remuneration

The fixed part is on average, for all the Company's employees, about 85% of the total remuneration, the remaining 15% awarded 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 vary, 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 Annual Variable Remuneration (AVR) is related to short-term performance and will have, on average, a weight of approximately 15% of the Total Annual Remuneration.

The maximum AVR 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;

Bearing in mind the characteristics inherent in the remuneration structure in force, the maximum considered and the established risk-tolerance levels, it was not considered necessary to defer a portion of the AVR, which is paid in full on one occasion in cash after approval of the accounts for the year 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 AVR comprising a stock option in the Company has not been considered in the present remuneration policy. Consequently, there are no plans to award shares or stock options in respect of shares in Tranquilidade or any other Group company.

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;
- Negotiating ability;
- Knowledge of the 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.

4. Other Benefits Attributed to “Key Employees”

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

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

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

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

5. Broadening the Scope of this Remuneration Policy.

Save decision to the contrary taken by the Board of Directors, this Remuneration Policy shall also apply to the other Companhia de Seguros T-Vida employees not considered under the criteria defined in point 1 hereabove (Scope of application of the Remuneration Policy).

Appendix I – Statement 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 of April 1, adopted and not adopted.

	Recommendation	Complies	Does Not Comply	Comments
I.	**General Principles**			
I.1	Adoption of a remuneration policy (RP) 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 of 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 and its implementation each year, 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 shall 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.			
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, real growth of the institution, wealth actually created, protection of the customers interests, long-term sustainability, risks assumed and compliance with the rules applicable to the business;		✗	At this stage, the assessment criteria are based solely on the following management indicators: - Net income for the period; - Return on Equity; - Combined ratio taking also into account at all times the adequacy of the equity to the level of risk and the technical provisions set aside. No non-financial criteria are used in the assessment of the performance of the Executive Directors.
IV.2	Adequacy of the fixed and variable components, the fixed component to account for a sufficiently high proportion of 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, appreciation of which is dependent on medium- and long-term performance.		✗	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.

	Recommendation	Complies	Does Not Comply	Comments
IV.	**Management Body – Executive Members (continuation)**			
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 the increasing proportion of its weight relative to the fixed component;		X	Not applicable in view of the response to point IV.4.
IV.6	Absence of contracts concluded 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 on the benefit generated by the shares in question;		X	Not applicable in view of the response to point IV.3
IV.8	Where 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 - Indemnities in the Event of Dismissal**			
IV.11	Definition of adequate legal instruments to ensure that the compensation established 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.	✓		
V.2	Substantial payment of a 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**			
V3.	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 award 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.	**Key Employee Remuneration – Deferral of Variable Remuneration**			
V.6.	A significant part of the variable remuneration shall be deferred for a period not less than 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 reply to the preceding point.

Recommendation		Complies	Does Not Comply	Comments
V.	**Employee Remuneration – Variable Remuneration Allocation Criteria (continuation)**			
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 of the capital of the institution.	✓		
VI.3	The key departments shall present to the management body and the AGM or, if any, the remuneration committee, a report on the results of the assessment to which number VI.1 refers, detailing in particular the measures required to correct any insufficiencies in the light of these recommendations.	✓		
VII.	**Financial Groups**			
VII.1	The parent company of an insurance group or financial conglomerate subject to supervision by the ISP on the basis of its consolidated situation shall ensure that all its affiliates, including those abroad, implement mutually consistent remuneration policies, based on these recommendations.			Not applicable in the specific case of T-Vida Companhia de Seguros, S.A.. These recommendations are assessed in respect of Companhia de Seguros Tranquilidade, SA.
VII.2	Adoption of these recommendations shall be ensured in respect of all remuneration paid to each employee by 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.			

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

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, 2012, (which shows a total of €865,913k and total equity in the sum of €65,174k, including a net profit of €4,530k), the Profit & Loss Account, the Statement of Comprehensive Income, the Statement of Cash Flows 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

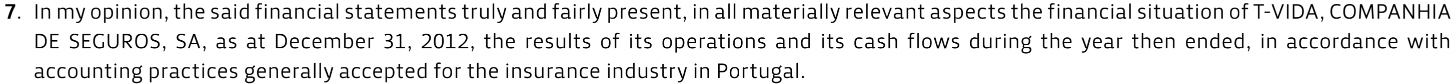
4. My audit was performed in accordance with the Technical Rules and Auditing Directives of the Association of Official Auditors, which require that it be so planned and performed as to obtain an acceptable degree of certainty as to whether the financial statements contain any materially relevant distortions. 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, 2012, 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 12, 2013

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, 2012, and also our appraisal of the respective Legal Certification of the Accounts issued in due course by the Company's Official Auditor.

The Board of Auditors regularly monitored the Company's business and its management throughout 2012, 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.

In 2012 production grew by 89.9% over the previous year. This change was driven by the significant increase in marketing financial products, capitalisation products in particular.

The solvency ratio estimated as at December 2012 stood at 136%. compared to 116% for 2011. The reduction of the required solvency margin, due to the reduction of insurance not linked to investment funds (excluding supplementary insurance), contributed to this good performance.

The Tranquilidade Group, of which T-Vida is a part, continued, during 2012, 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 the measures called for in the respective programme's previously-defined implementation plan (Roadmap) were tracked and monitored.

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

On termination of 2012 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, 2012.

In due course and under Article 452.1 of the Companies Code, the Board of Auditors also appraised the Legal Certification of the 2012 Accounts, dated March 12, 2013, 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 February 5, 2013, and the other accounting documents for the year ended December 31, 2012, presented by the Board of Directors; and

b) the Board of Directors' proposal for the appropriation of the 2012 net profit in the sum of €4,529,748.78, under the terms set out in point 2.5 of the Management Report referred to above.

Lisbon, March 15, 2013

The Board of Auditors

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

VIDA