

ESPÍRITO SANTO FINANCIAL GROUP S.A.

Société Anonyme

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Espírito Santo Financial Group S.A. informa sobre os resultados da suas subsidiárias na área dos seguros nos primeiros nove meses de 2007



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FOR IMMEDIATE RELEASE

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**ESPÍRITO SANTO FINANCIAL GROUP ANNOUNCES THE RESULTS OF ITS
INSURANCE SUBSIDIARIES FOR THE FIRST NINE MONTHS OF 2007**

LUXEMBOURG/PORTUGAL – November 15, 2007 – Espírito Santo Financial Group S.A. (“ESFG”) (Euronext Lisbon: esf), announced today the un-audited results, according to IAS, of its insurance subsidiaries for the first nine months of 2007.

HIGHLIGHTS

- Tranquilidade’s and T-Vida’s aggregate net profits grew 8.6% to 20.0 million Euros in the first nine months of 2007. Aggregate gross written premiums increased by 14.4% to 319.2 millions Euros¹;
- Tranquilidade’s individual gross profit grew 15.1% to 23.2 million Euros on a comparable basis, in the first nine months of 2007. Net profit for the period decreased 9.7% to 16.9 million Euros on a comparable basis (excluding capital gains from the sale of 25% in BES Vida, occurred in June 2006), due to the end of the tax shield;
- Tranquilidade’s combined ratio remained at a good level, 98.9%, and the claims ratio decreased from 67.4% to 65.4% in the first nine months of 2007;
- T-Vida (the life subsidiary set up in August 2006, focusing on the life non-*bancassurance* business), reached an individual net profit of 3.1 million Euros in the period.

¹ T-Vida’s premiums include amounts delivered under IAS39 and premiums under IFRS4



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TRANQUILIDADE'S INDIVIDUAL ACCOUNTS

Tranquilidade's individual gross profit grew 15.1% on a comparable basis to 23.2 million Euros in the first nine months of 2007. Net profit for the period decreased 9.7% to 16.9 million Euros on a comparable basis (excluding capital gains from the sale of 25% in BES Vida, occurred in June 2006), due to the effect of the end of the tax shield.

Gross written premiums increased by 0.5% to 274.0 million Euros, in an overall stagnant market which decreased by 0.1% in the same period. The behaviour of the market reflects a slowdown in the economy and an increase in competition mainly in motor business, which led to deterioration in tariffs.

Tranquilidade's market share reached 8.4%, with particularly strong growth in strategic lines of business such as health, which grew 25.8% (market 8.2%), workers compensation insurance, which grew 3.6% (market -1.4%) and motor, which declined by 0.1% (market -2.5%).

The claims' ratio decreased from 67.4% to 65.4% in the first nine months of 2007 due mainly to an improvement in health and claim's costs in workers compensation policies.

Tranquilidade's general costs increased 4.4% by the end of September 2007. This was due to non recurrent costs related to an institutional campaign following the launch of the new rebranding of the company and by costs related to retention and loyalty programmes that were launched in the first half of 2007. As a consequence, the ratio of costs to written premiums increased from 23.4% to 24.3%.

Tranquilidade's financial results grew 40.6% in the first nine months of 2007, due to the improvement of long term interest rates as well as the good performance of the equity markets in the company's portfolio.

Tranquilidade's combined ratio reached 98.9% in September 2007. The solvency ratio reached 290%. Shareholder's equity reached 213.5 million Euros in September 2007, showing a 15.6% decrease over the September 2006 figure due to dividends paid to shareholders.

Business Highlights:

Out of the top six insurance companies with more than 5% market share, Tranquilidade is the only one that grew in non-life, in spite of the negative overall market growth.

The customer retention and loyalty programme started in 2007 in the motor retail business, continued to produce quite considerable results, with a further improvement in the churn rate compared to December 2006.

Facing a stagnant and competitive market, Tranquilidade launched a three year cost reduction program, with the purpose of achieving a better containment of its costs structure.

The *Assurfinance* programme continued to provide excellent results, enabling Tranquilidade to consolidate its relationship with its agents and to capture new banking clients for BES by selling mortgages, personal loans and credit cards to its client base. Tranquilidade's agents accounted for 17.4% of the total mortgages and 22.6% of new banking clients for BES in the period.

The implementation of Tranquilidade's strategic plan continues to provide positive results, with the capture of new top performance agents as well as high value customers. It also resulted in an



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increase in the client's equipment ratio and a decrease in the churn rate. For the last quarter of 2007 the main initiatives are:

- The establishment of a brand new state-of-the-art web based information and customer relationship management system, designed to strengthen the relationship with agents;
- The development of a retail campaign emphasizing cross selling, targeting new business in health and home insurance;
- The build up of a campaign for commercial lines, with new products, new tariffs and market leads.

Main Operating Indicators and Variables (Tranquilidade Individual Accounts)

€ millions	Sep 2006	Sep 2007	Var.
Balance Sheet			
Investments	726.7	705.2	-3.0%
Net Assets	970.1	951.1	-2.0%
Shareholders Equity	252.9	213.5	-15.6%
Unearned premium reserve	96.3	98.1	1.9%
Claims reserves (gross)	506.5	519.6	2.6%
Claims reserves (net of reinsurance)	468.3	483.9	3.3%
Technical reserves (gross)	607.5	625.2	2.9%
Profit and Loss Account			
Gross written premiums (GWP)	272.7	274.0	0.5%
Net written premiums (NWP)	232.5	237.1	2.0%
Gross Claims	166.9	160.5	-3.8%
Financial Results	18.7	26.3	40.6%
General costs	63.9	66.7	4.4%
Net profits ¹	154.5	16.9	-89.1%
Claims ratio (gross)	61.5%	59.5%	-2.0 p.p.
Claims ratio (net of reinsurance)	67.4%	65.4%	-2.0 p.p.
Combined ratio	98.6%	98.9%	0.3 p.p.
Solvency ratio ¹	411.0%	290.0%	-121 p.p.

¹ 2006 value includes capital gains from the sale of 25% BES Vida.

T-VIDA INDIVIDUAL ACCOUNTS

T-Vida, the life subsidiary set up in August 2006, focusing on the life non-*bancassurance* business, reached a net profit of 3.1 million Euros for the period, up from 1.3 million Euros for the 5 months of operation in 2006. The net profits for 2007 result from a combination of good technical and financial results.

T-Vida achieved total premiums of 45.2 million Euros (considering products treated under IFRS 4 and IAS 39) at the end of September 2007, with risk and PPR (pension plans) products representing 32.5% and 57.6% of total premiums, respectively. These product lines are the key strategic focus of the company's business development and are expected to be the main source of T-Vida's profitability for the coming years.

T-Vida obtained market leadership in PPR and ranks 4th in risk products among all comparable insurance companies (those that do not distribute through banking channels).



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T-Vida's total market share reached 2.8% for PPR and 2.4% for risk products at the end of September 2007.

Part of T-Vida's success is due to the expansion in the above mentioned *Assurfinance* programme, as T-Vida issued all the life insurance policies linked with mortgages and other bank products sold by agents operating the programme.

The Company policy of reducing guaranteed rates in the mathematical reserves portfolio, resulted in a decline in such rates from 3.08% in August 2006 to 2.88% in September 2007 in PPR and from 3.28% to 2.96% in capitalisation products.

Business Highlights:

- T-Vida now occupies the 3rd place in non-banking life insurers, from a 6th place at the beginning of the year. T-Vida's number of clients grew 23.1% in the same period.
- T-Vida's plan for last quarter include the launching of new products such as a new investment plan established with Fidelity International, a pension plan with a high return rate and a new risk product for individuals and small businesses.

Main Operating Indicators and Variables (T-Vida Individual Accounts)

€ millions	Sep 2006	Sep 2007	Var.
Balance Sheet			
Investments	389.8	411.8	5.6%
Net Assets	466.4	497.4	6.6%
Shareholders Equity	69.5	69.1	-0.6%
Mathematical provisions	338.0	347.5	2.8%
Investment contracts	43.6	58.1	33.3%
Profit and Loss Account			
Gross written premiums (GWP)	5.4	33.6	N/A
Costs of claims	4.8	27.8	N/A
Mathematical provisions (variation)	-0.3	5.6	N/A
Financial results	7.9	15.3	N/A
Operational costs	0.6	4.3	N/A
Net profit	-0.3	3.1	N/A
Other			
Premiums	1.0	11.6	N/A
Amounts delivered IAS 39			
Premiums IFRS 4	5.4	33.6	N/A
Total premiums in Portugal	6.4	45.2	N/A
Claims			
Amounts under IAS 39	0.3	2.8	N/A
Claims IFRS 4	4.8	27.8	N/A
Total claims in Portugal	5.1	30.6	N/A