

ESFG

1Q08 Earnings Highlights

A not friendly environment...

SNAPSHOT

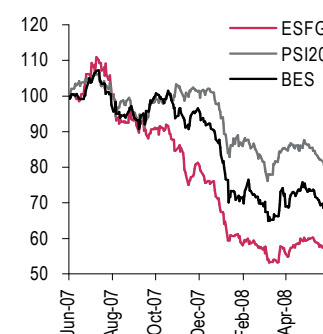
Buy (High Risk)

Target_{YE08} (€): 35.30

	2006	2007	2008E	2009E
Activity Indicators				
Total Assets (€mn)	61,872	71,308	77,017	84,890
Book Value (€mn)	783	1,356	1,433	1,565
Banking Income - BES (€mn)	1,695	1,969	2,002	2,179
Ins. Net Earned Premiums (€mn)	554	360	368	385
Net Income (€mn)	304	205	183	210
EPS (€)	5.23	3.53	3.14	3.61
Ratios				
RoE (%)	0.5	0.2	0.1	0.1
Core Capital - BES (%)	7.0	6.6	6.9	7.1
Comb. Ratio - Tranquilidade (%)	na	na	na	na
Comb. Ratio - T-Vida (%)	na	na	na	na
Market Multiples				
P / E (x)	4.8	6.8	5.7	0.8
P / BV (x)	1.9	1.0	0.7	0.1
Dividend Yield (%)	2.3	2.8	3.6	4.7

Source: Millennium investment banking

Price (€): 17.86
 Upside: 98%
 No. Shares (mn): 57.9
 Market Cap (€ mn): 1,033
 Avg Daily Vol 3m (k): 60.7
 Reuters: ESF.LS
 Bloomberg: ESF PL
 Prices as at 10-06-2008



- ESFG released its 1Q08 earnings today before the market opening. A conference call was held in the afternoon;
- 1Q08 earnings were very much as expected as BES already released 1Q08 figures. The insurance earned premiums net of reinsurance went up by 10% Y-o-Y and 4% above our estimates, mainly due to Life premiums as non-life premiums decreased slightly with weaker motor premiums (Tranquilidade went down by 3.5% vs. the market -4.7%);
- Regarding Consolidated Net Claims grew by 12% to €62Mn above our estimate of €58Mn. The main reason was related with claims related with floods and liability adequacy test on workers compensation mathematical reserves, following the decrease in Gov bond yields. The combined ratio in Tranquilidade went up from 95%, one year ago to 99.4%, mainly due to the increase on the claim's ratio, as the expense ratio and solvency margin were kept at manageable levels;
- On the conference call the CEO of Traquilidade mention that the size of portfolio was €740Mn, of which €50Mn are equities and €130Mn real estate in Portugal;
- Taking in consideration the very tough environment, the cost side are the critical variable to avoid major problems in the future.

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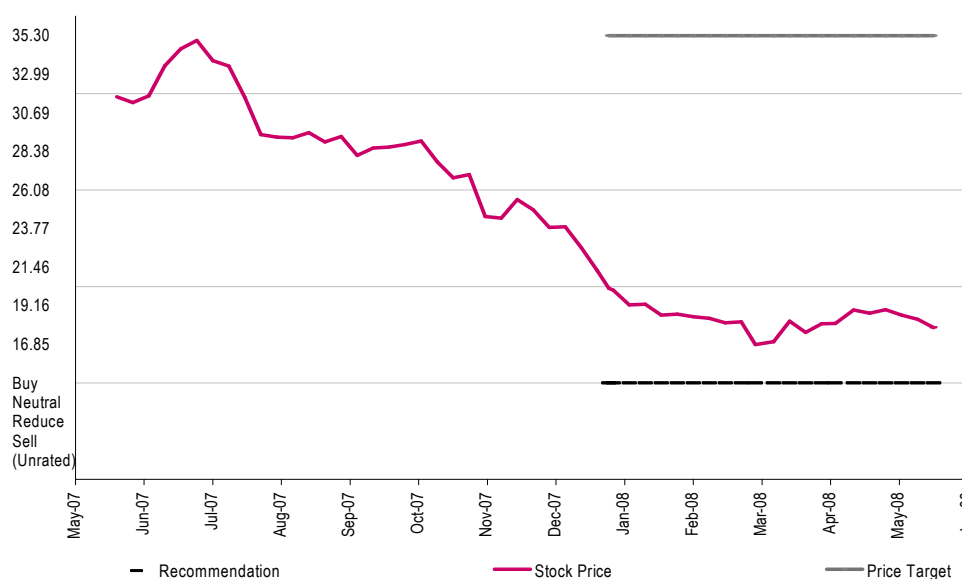
Income Statement - Consolidated

€ million	1Q07	1Q08	YoY	1Q08E	Dev
Net interest income	234.0	268.8	15%	266.3	1%
Dividend income	5.5	19.2	nm	17.8	8%
Net fees and commissions	168.2	153.0	-9%	141.7	8%
Net gains from financial assets and fx	80.9	53.0	-35%	51.6	3%
Earned insurance premiums, net	80.1	87.8	10%	84.5	4%
Other operating income	10.7	11.3	6%	35.0	-68%
Operating income	579.4	593.1	2%	596.9	-1%
Staff costs	-141.9	-155.2	9%	-156.9	-1%
General & Admins	-101.5	-114.8	13%	-112.4	2%
D&A	-20.1	-23.9	19%	-27.8	-14%
Net claims and net chg on tech. res.	-55.4	-62.0	12%	-58.0	7%
Provisions	-66.4	-69.8	5%	-69.2	1%
Insurance commissions	-5.4	-6.2	14%	-7.2	-14%
Other operating expenses	0.0	0.0	nm	0.0	nm
Operating expenses	-390.7	-431.8	11%	-431.5	0%
Gain on disposal of investments	0.2	0.1	-17%	0.0	nm
Share of profit of associates	7.8	13.0	66%	13.0	1%
Profit before tax	196.7	174.5	-11%	178.4	-2%
Taxes	-49.3	-23.2	-53%	-21.8	7%
Minorities	-104.6	-111.0	6%	-105.6	5%
Net income	42.9	40.3	-6%	51.0	-21%

Source: Company data and Millennium investment banking

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