

ANNUAL REPORT

2013

Volume 2

FINANCIAL
STATEMENTS



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2013

Volume 2

FINANCIAL
STATEMENTS

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Income statement

EUR	Note	2013				2012			
		Life	Non Life	Non technical	Total	Life	Non Life	Non technical	Total
Net premiums earned	1	593,632,031	208,165,772	–	801,797,803	285,479,350	204,064,770	–	489,544,120
Gross premiums		619,713,526	250,925,606	–	870,639,132	311,346,141	240,245,577	–	551,591,718
Reinsurance ceded premiums		(26,081,495)	(39,285,481)	–	(65,366,976)	(25,866,791)	(36,575,769)	–	(62,442,560)
Change in unearned premiums		–	(4,414,655)	–	(4,414,655)	–	2,891,711	–	2,891,711
Change in unearned reinsurance premiums		–	940,302	–	940,302	–	(2,496,749)	–	(2,496,749)
Fees on investment contracts	2	62,982,600	–	–	62,982,600	48,535,594	–	–	48,535,594
Net claims expenses	3	(835,018,125)	(146,638,883)	–	(981,657,008)	(692,665,508)	(142,121,031)	–	(834,786,539)
Claims paid		(814,072,616)	(143,366,055)	–	(957,438,671)	(712,549,480)	(139,235,134)	–	(851,784,614)
Claims paid gross		(827,700,399)	(151,199,698)	–	(978,900,097)	(726,801,369)	(148,685,280)	–	(875,486,649)
Reinsurance share of claims paid		13,627,783	7,833,643	–	21,461,426	14,251,889	9,450,146	–	23,702,035
Change in claims reserves		(20,945,509)	(3,272,828)	–	(24,218,337)	19,883,972	(2,885,897)	–	16,998,075
Change in claims reserves gross		(20,602,815)	(3,362,843)	–	(23,965,658)	20,103,828	(2,478,032)	–	17,625,796
Reinsurers share in change in claims reserves		(342,694)	90,015	–	(252,679)	(219,856)	(407,865)	–	(627,721)
Changes in other technical reserves net	4	–	(250,555)	–	(250,555)	–	(397,090)	–	(397,090)
Changes in mathematical reserves, net	4	268,942,081	–	–	268,942,081	433,485,820	–	–	433,485,820
Changes in mathematical reserves gross		268,870,488	–	–	268,870,488	433,565,396	–	–	433,565,396
Reinsurance share in changes in mathematical reserves		71,593	–	–	71,593	(79,576)	–	–	(79,576)
Profit sharing, net	4	(40,289,647)	(395,608)	–	(40,685,255)	(44,874,233)	(462,000)	–	(45,336,233)
Acquisition and administrative expenses, net	5	(64,881,675)	(46,123,105)	–	(111,004,780)	(53,764,441)	(47,324,620)	–	(101,089,061)
Acquisition expenses		(55,874,525)	(35,569,139)	–	(91,443,664)	(45,833,339)	(35,246,531)	–	(81,079,870)
Changes in deferred acquisition costs		–	468,013	–	468,013	–	(183,484)	–	(183,484)
Administrative expenses		(19,189,721)	(22,745,541)	–	(41,935,262)	(17,571,895)	(23,898,695)	–	(41,470,590)
Reinsurance commissions and profit sharing		10,182,571	11,723,562	–	21,906,133	9,640,793	12,004,090	–	21,644,883
Interest, dividends and other similar income	6	144,235,101	4,504,156	9,731,442	158,470,699	150,489,232	4,142,487	15,061,686	169,693,405
From financial assets not held at fair value through profit and loss		144,235,101	4,504,156	9,731,442	158,470,699	150,489,232	4,142,487	15,061,686	169,693,405
Financial expenses	7	(15,772,951)	(1,045,117)	(404,618)	(17,222,686)	(17,974,167)	(835,401)	(416,249)	(19,225,817)
From financial assets not held at fair value through profit and loss		(15,772,951)	(1,045,117)	(404,618)	(17,222,686)	(17,289,059)	(835,401)	(416,249)	(18,540,709)
From financial liabilities not held at fair value through profit and loss		–	–	–	–	(685,108)	–	–	(685,108)
Net gains/(losses) from financial assets not held at fair value through profit and loss	8	19,712,055	57,391	3,518,391	23,287,837	11,866,170	(99,059)	32,283	11,799,394
From investments available for sale		19,714,924	57,391	3,517,368	23,289,683	11,866,170	(99,059)	32,283	11,799,394
From investments held to maturity		(2,869)	–	1,023	(1,846)	–	–	–	–
Net gains/(losses) from financial assets and liabilities held at fair value through profit and loss	9	(3,252,842)	117,546	1,137,712	(1,997,584)	2,087,614	–	4,881,778	6,969,392
From financial assets and liabilities held for trading		124,275,910	–	–	124,275,910	313,352,713	–	–	313,352,713
From financial assets and liabilities held at fair value through profit and loss		(127,528,752)	117,546	1,137,712	(126,273,494)	(311,265,099)	–	4,881,778	(306,383,321)
Net gains/(losses) from foreign exchange	10	75,119	–	–	75,119	132,441	–	–	132,441
Impairment charges (net of reversals)	11	(17,308,016)	–	(926,478)	(18,234,494)	(76,801)	–	(1,914,844)	(1,991,645)
From investments available for sale		(5,625,901)	–	–	(5,625,901)	(76,801)	–	–	(76,801)
From investments held to maturity		(11,682,115)	–	(139,641)	(11,821,756)	–	–	–	–
Other		–	–	(786,837)	(786,837)	–	–	(1,914,844)	(1,914,844)
Other technical income / (expenses), net	12	(21,865,271)	122,478	–	(21,742,793)	(23,071,954)	116,529	–	(22,955,425)
Changes in other provisions	11	–	–	150,000	150,000	–	–	320,000	320,000
Other non technical income / (expenses)	12	–	–	3,003,545	3,003,545	–	–	4,195,907	4,195,907
Profit before tax		91,190,460	18,514,075	16,209,994	125,914,529	99,649,117	17,084,585	22,160,561	138,894,263
Current tax	26	–	–	(43,621,879)	(43,621,879)	–	–	(28,951,969)	(28,951,969)
Deferred tax	26	–	–	602,977	602,977	–	–	(15,761,230)	(15,761,230)
Profit after tax		91,190,460	18,514,075	(26,808,908)	82,895,627	99,649,117	17,084,585	(22,552,638)	94,181,064

Statement of comprehensive income

EUR	2013	2012
Items that may be reclassified to profit and loss		
Unrealised gains/ (losses)		
Unrealised gains/ (losses), gross	90,684,847	448,149,228
Current and deferred taxes	(28,215,271)	(138,449,997)
	62,469,576	309,699,231
Profit sharing to be attributed ("shadow"), gross	(3,010,369)	–
Current taxes	948,266	–
	(2,062,103)	–
	60,407,473	309,699,231
Items that will not be reclassified to profit and loss		
Actuarial gains/ (losses), net	(1,607,102)	(2,313,747)
	(1,607,102)	(2,313,747)
Total other comprehensive income	58,800,371	307,385,484
Profit after tax	82,895,627	94,181,064
Total comprehensive income for the year	141,695,998	401,566,548

Balance sheet

EUR	Note	2013	2012	2012/01/01
Cash and equivalents	14	260,222,845	139,303,695	213,549,355
Trading assets	15	189,374,495	209,580,274	98,527,808
Investments held at fair value through profit and loss	16	5,072,840,751	5,506,155,071	4,635,086,256
Investments available for sale	17	4,630,976,654	4,345,681,771	4,525,172,465
Loans and receivables	18	472,198,695	511,694,670	769,753,833
Other deposits		472,198,695	511,694,670	769,753,833
Investments held to maturity	19	623,044,374	697,845,383	670,543,275
Investment property	20	3,428,341	4,656,008	4,879,664
Other tangible assets	21	1,354,261	1,361,843	1,297,866
Inventories		18,650	18,650	18,650
Goodwill	22	315,740,469	315,740,469	315,740,469
Other intangible assets	22	169,114,777	191,519,840	215,037,765
Reinsurance reserves	23	19,227,377	18,468,161	21,672,208
Reinsurers share in reserve for unearned premiums		8,575,979	7,635,677	10,132,426
Reinsurers share in mathematical reserves		841,108	769,515	849,091
Reinsurers share in claims reserves		9,810,290	10,062,969	10,690,691
Trade and other receivables	25	26,482,419	27,495,080	37,416,649
Receivables from policyholders		17,194,939	15,473,551	14,371,789
Receivables from reinsurance operations		6,111,673	8,012,820	9,924,114
Other receivables		3,175,807	4,008,709	13,120,746
Income tax assets	26	38,106,468	47,009,079	163,714,215
Current tax assets		26,829,612	24,756,596	26,421,656
Deferred tax assets		11,276,856	22,252,483	137,292,559
Accrued income and deferred charges	27	2,161,964	1,743,604	1,900,509
Total assets		11,824,292,540	12,018,273,598	11,674,310,987
Technical reserves	23	4,471,475,701	4,675,333,789	5,091,130,205
Unearned premiums reserve		39,746,737	35,800,096	38,508,323
Life mathematical reserves		4,221,210,800	4,453,507,130	4,844,968,796
Claims outstanding reserve		157,235,261	133,850,773	152,455,830
Claims reserves life		56,503,401	35,899,587	56,089,209
Claims reserves workers' compensation		22,263,715	23,022,501	20,986,230
Claims reserves other		78,468,145	74,928,685	75,380,391
Profit sharing reserves		47,798,369	46,941,812	50,360,368
Equalisation reserve		478,207	885,923	825,902
Unexpired risk reserve		5,006,327	4,348,055	4,010,986
Investment contracts liabilities at fair value through profit and loss	28	5,616,776,023	5,786,791,790	5,266,382,493
Other financial liabilities	29	14,302,060	13,485,536	228,135,652
Funds held under reinsurance agreements		14,302,060	13,485,536	15,611,083
Other liabilities		–	–	212,524,569
Liabilities for employee benefits (long term)	24	4,785,011	4,229,192	2,940,599
Trade and other payables	30	189,275,111	47,685,239	55,845,546
Due to agents, policyholders and intermediaries		24,221,200	11,434,722	20,577,867
Due to reinsurers		9,535,571	4,778,913	7,581,069
Other liabilities		155,518,340	31,471,604	27,686,610
Income tax liabilities	26	65,505,766	130,979,303	69,525,771
Current tax liabilities		13,941,247	76,997,874	8,475,925
Deferred tax liabilities		51,564,519	53,981,429	61,049,846
Deferred income and accrued charges	31	11,236,473	12,965,392	14,705,241
Provisions	32	7,731,836	5,294,797	5,703,467
Total liabilities		10,381,087,981	10,676,765,038	10,734,368,974
Share capital		1,000,002,375	1,000,002,375	1,000,002,375
Fair value reserve (gross)		(58,598,994)	(146,273,472)	(594,422,700)
Fair value reserve (current and deferred taxes)		(14,417,137)	12,849,868	151,299,865
Other reserves		(1,220,355)	(472,318)	1,371,186
Retained earnings		434,543,043	381,221,043	381,691,287
Profit after tax		82,895,627	94,181,064	–
Total equity	33	1,443,204,559	1,341,508,560	939,942,013
Total liabilities and equity		11,824,292,540	12,018,273,598	11,674,310,987
Earnings per share		0,4	0,5	0,1

Statement of changes in equity

EUR	Share capital	Fair Value Reserve			Other reserves	Retained earnings	Profit after tax	Total equity
		Gross	Current and Deferred taxes	Net				
Balance as at 31 December, 2011	1,000,002,375	(594,422,700)	151,299,865	(443,122,835)	7,717,054	365,278,815	16,412,472	946,287,881
Change in accounting policy for actuarial gains/ (losses) recognition (note 24)	—	—	—	—	(6,345,868)	—	—	(6,345,868)
Balance as at 1 January, 2012	1,000,002,375	(594,422,700)	151,299,865	(443,122,835)	1,371,186	365,278,815	16,412,472	939,942,013
Transfers to reserves	—	—	—	—	470,243	15,942,229	(16,412,472)	—
Unrealised gains and (losses), net	—	448,149,228	(138,449,997)	309,699,231	—	—	—	309,699,231
Actuarial gains and (losses), net	—	—	—	—	(2,313,747)	—	—	(2,313,747)
Profit after tax	—	—	—	—	—	—	94,181,064	94,181,064
Balance as at 31 December, 2012	1,000,002,375	(146,273,472)	12,849,868	(133,423,604)	(472,318)	381,221,044	94,181,064	1,341,508,561
Transfers to reserves	—	—	—	—	370,370	93,810,694	(94,181,064)	—
Unrealised gains and (losses), net	—	90,684,847	(28,215,271)	62,469,576	—	—	—	62,469,576
Profit sharing to be attributed ("shadow"), net	—	(3,010,369)	948,266	(2,062,103)	—	—	—	(2,062,103)
Actuarial gains and (losses), net	—	—	—	—	(1,118,407)	(488,695)	—	(1,607,102)
Dividends paid	—	—	—	—	—	(40,000,000)	—	(40,000,000)
Profit after tax	—	—	—	—	—	—	82,895,627	82,895,627
Balance as at 31 December, 2013	1,000,002,375	(58,598,994)	(14,417,137)	(73,016,131)	(1,220,355)	434,543,043	82,895,627	1,443,204,559

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Financial Statements

Cash flows statement

EUR	2013	2012
Cash flow from operating activities		
Profit after tax	82,895,627	94,181,064
<i>Adjustment for:</i>		
Depreciation and amortisation	23,700,173	25,313,392
Change in technical reserves	(203,858,088)	(415,796,416)
Change in investment contracts liabilities	(170,015,767)	520,409,297
Change in provisions	2,437,039	(408,670)
Change in reinsurance reserves	(759,216)	3,204,047
Impairment on available for sale	5,625,901	76,801
Impairment on investment property	1,020,746	—
Impairment on investments held to maturity	11,821,756	—
Impairment charges on other assets	(233,909)	1,914,844
Change in deferred and current tax assets/liabilities	(56,570,926)	178,158,668
<i>Changes in operational assets and liabilities:</i>		
Trading assets and liabilities	20,205,779	(111,052,466)
Loans and receivables	39,495,975	258,059,163
Trade and other receivables	1,246,570	8,006,725
Other assets and liabilities	(3,198,561)	(2,608,098)
Other financial liabilities	816,524	(214,650,116)
Trade and other payables	141,589,872	(8,160,307)
	(103,780,505)	336,647,928
Cash flow from investment activities		
Change in investments held at fair value through profit and loss	433,314,320	(871,068,815)
Change in investments available for sale	(230,513,311)	489,113,123
Change in investments held to maturity	62,979,253	(27,302,108)
Net purchase/sale of tangible and intangible assets	(1,080,607)	(1,635,788)
	264,699,655	(410,893,588)
Dividends paid	(40,000,000)	—
Net increase in cash and cash equivalents	120,919,150	(74,245,660)
Cash and cash equivalents at the beginning of the year	139,303,695	213,549,355
Cash and cash equivalents at the end of the year	260,222,845	139,303,695

**NOTES TO THE
FINANCIAL
STATEMENTS**

02

Notes to the
Financial
Statements**II.1 Accounting policies****a) Basis of presentation**

Millenniumbcp Ageas Grupo Segurador, S.G.P.S., S.A., ('Millenniumbcp Ageas' or 'Group' or 'Company') is a private company established by deed in Portugal, on 28 September 2004, being held by Ageas Group (51%) and Banco Comercial Português, S.A. (49%).

The sole purpose of the Company is to operate as a holding company. It can provide administrative and management services to subsidiary and associated companies in compliance with the articles of association and applicable laws, and can also invest in other companies.

Following the contract established in July 2004 between Banco Comercial Português, S.A. and Ageas Group, Millenniumbcp Ageas acquired Ocidental – Companhia Portuguesa de Seguros, S.A., Ocidental – Companhia Portuguesa de Seguros de Vida, S.A., Pensõesger – Sociedade Gestora de Fundos de Pensões, S.A. and Médis – Companhia Portuguesa de Seguros de Saúde, S.A. The referred contract was subject to the suspensive condition of non-opposition by the Regulatory Entities. The referred authorizations by the national regulatory entities were obtained in December 2004, allowing for the execution of the contract. The shares were legally transferred in January 2005, date on which control over these subsidiaries was obtained.

For the year ended 31 December 2013, the Group's consolidated financial statements were prepared in accordance with the Plan of Accounts for the Insurance Companies ("PCES 07"), issued by the Portuguese Insurance Institute and approved by the Rule n. 4/2007, of April 27, and taking into account the subsequent changes introduced by the Rules n. 20/2007 – R, of 31 December, and n. 22/2010 – R, of 16 December. This plan of accounts introduced the International Financial Reporting Standards ('IFRS') as adopted for use in the European Union ('EU'), except the measurement criteria of IFRS 4 Insurance Contracts. IFRS comprise accounting standards issued by the International Accounting Standards Board ('IASB') and its predecessor body, as well as interpretations issued by the International Financial Reporting Interpretations Committee ('IFRIC') and its predecessor body.

As from 1 January 2013, the Group adopted the IAS 19 – Employee Benefits amended. The fundamental change with impact on the financial position of the Group was the removal of the corridor method. Under this method, actuarial gains and losses not recognized, that exceeded 10% of the greater of the present value of the liabilities and the fair value of the fund's assets, were recorded in the statement of income, for the period corresponding to the estimated remaining useful life of the employees in service. By the removal of the corridor, the actuarial gains and losses of the year are currently recognized against reserves.

In accordance with IAS 8, this accounting policy change is presented for comparative purposes as from 1 January 2012. As a result, the total amount of actuarial gains and losses deferred as of that date were transferred to equity (see notes 24, 33 and 43).

The consolidated financial statements presented were approved by the Board of Directors on 26 February 2014.

The Group adopted the IFRS and interpretations that were mandatory applicable for the accounting periods beginning on 1 January 2013, as referred in note 43.

The accounting policies set out below have been consistently applied throughout the Group entities and for all periods presented on these consolidated financial statements.

The consolidated financial statements are expressed in Euro and have been prepared under the historical cost convention, as modified by the revaluation of investments on behalf of policyholders, derivative contracts, financial assets and financial liabilities at fair value through profit or loss and available-for-sale financial assets. Other financial assets and liabilities and non-financial assets and liabilities are stated at amortised cost or historical cost.

The preparation of the financial statements, in conformity with the Plan of Accounts for the Insurance Companies requires the Board of Directors to make judgments, estimates and assumptions that affects the process of applying the Group's accounting policies and the reported amounts of income, expenses, assets and liabilities. These estimates and assumptions are based on the latest available reliable information, resulting from the assessment of the present status of, and expected, future associated benefits and obligations. Actual results may differ from these estimates. The most complex topics, those that require more judgement, or those in which the assumptions and estimates are considered having a significant impact are presented in note II.2.

b) Basis of consolidation

As from 1 January, 2010 onwards, the Group applied IFRS 3 (revised) for the accounting of business combinations. The changes in the accounting policies resulting from the application of IFRS 3 (revised) are applied prospectively.

The consolidated financial statements of Millenniumbcp Ageas Grupo Segurador, S.G.P.S., S.A. (the 'Parent Company') comprise the financial statements of Millenniumbcp Ageas and its subsidiaries ('the Group').

All Group companies have consistently applied the accounting policies.

Investments in subsidiaries

Subsidiaries are entities over which the Group exercises control. Control is presumed to exist when the Group owns more than one half of the voting rights. Additionally, control also exists when the Group has the power, directly or indirectly, to govern the financial and operating policies of the entity, so as to obtain benefits from its activities, even if its shareholding is less than 50%. Subsidiaries are fully consolidated from the date on which control is transferred to the Group until the date that control ceases.

Accumulated losses of a subsidiary attributable to non-controlling interests which exceed the equity of the subsidiary attributable to the minority

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Notes to the
Financial
Statements

interest are attributed to the Group and are taken to the income statement when incurred. If the subsidiary subsequently reports profits, such profits are recognised by the Group until the losses attributable to the minority interest previously recognised have been recovered.

As from 1 January, 2010, the due proportion of accumulated losses is attributed to non-controlling interests, implying that the Group can recognize negative non-controlling interests.

As from 1 January, 2010, on a step acquisition process resulting in the acquisition of control the revaluation of any participation previously acquired is booked against the profit and loss account, when goodwill is calculated. On a partial disposal resulting in loss of control over a subsidiary, any participation retained is revalued at market value on the sale date and the gain or loss resulting from this revaluation is booked against the income statement.

As of 31 December, 2013 and 2012, the subsidiary companies included in the consolidation are as follows:

SUBSIDIARY COMPANIES	% Share participation	Activity
Ocidental-Companhia Portuguesa de Seguros, S.A.	100%	Non life
Ocidental-Companhia Portuguesa de Seguros de Vida, S.A.	100%	Life
Pensõesgere – Sociedade Gestora de Fundos Pensões, S.A.	100%	Pensions fund management
Médis – Companhia Portuguesa de Seguros de Saúde, S.A.	100%	Health

Goodwill and VOBA (Value of Business Acquired)

Business combinations are accounted for using the purchase method of accounting. The acquisition cost corresponds to the fair value, determined at the acquisition date, of the assets given and liabilities incurred or assumed including the costs directly attributable to the acquisition, for acquisitions up to 31 December, 2009.

As from 1 January, 2010 onwards, costs directly attributable to the acquisition of a subsidiary are booked directly in the income statement.

Positive goodwill arising from acquisitions is recognised as an asset carried at acquisition cost and is not subject to amortisation. Goodwill arising on the acquisition of subsidiaries is defined as the difference between the cost of acquisition and the corresponding share of the fair value of the net assets and contingent liabilities acquired, depending on the option taken.

Negative goodwill arising on an acquisition is recognised directly in the income statement in the year the business combination occurs.

The recoverable amount of the goodwill in subsidiaries is assessed annually, regardless of the existence of any impairment triggers. Impairment losses are recognised in the income statement. The recoverable amount is determined based on the value in use of the assets, calculated using valuation methodologies supported by discounted cash flow techniques, considering market conditions, the time value of money and the business risks.

Until 31 December 2009, contingent acquisition prices were determined based on the best estimate of probable future payments, being the future changes in the estimate booked against “goodwill”. As from 1 January 2010, goodwill is no longer adjusted due to changes in the initial estimate of the contingent purchase price and the difference is booked in the income statement.

The value of business acquired (VOBA) is recognised as an intangible asset and amortised over the gross profit recognition period of the acquired policies, subject to impairment test. VOBA corresponds to the estimated present value of the future cash flows from the contracts in force at the date of acquisition.

Balances and transactions eliminated in consolidation

Inter-company balances and transactions, including any unrealised gains and losses on transactions between Group companies, are eliminated in preparing the consolidated financial statements, unless unrealised losses provides evidence of an impairment loss that should be recognised in the consolidated financial statements.

c) Insurance and Investment contracts

Classification

Millenniumbcp Ageas issues contracts that contain insurance risk, financial risk or a combination of both insurance and financial risk. A contract, under which the Group accepts significant insurance risk from another party, by agreeing to compensate that party on the occurrence of a specified uncertain future event, is classified as an insurance contract.

A contract issued by the Group without significant insurance risk, but on which financial risk is transferred with discretionary participating features is classified as investment contract recognized and measured in accordance with the accounting policies applicable to insurance contracts. A contract issued by the Group that transfers only financial risk, without discretionary participating features, is classified as an investment contract and accounted for as a financial instrument.

Recognition and measurement

Premiums from life insurance policies and investment contracts with discretionary participation features and that are considered long duration type contracts are recognised as revenue when due from the policyholder. Benefits and expenses are provided against such revenue to recognise profits over the estimated life of the policies. This matching is accomplished by the establishment of liabilities of the insurance policies and investment contracts with discretionary participation features.

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The liability corresponds to the expected discounted cash flows of the benefit payments, net of the future administration expenses that are directly related to the contract, less the expected discounted value of the theoretical premiums that would be required to meet the benefits and administration expenses based on the valuation assumptions used. The liability is based on assumptions such as the mortality, maintenance expenses or investment income established at valuation date.

For contracts with premium payments due over a significantly shorter period than the benefit period, revenues are deferred and recognised in income in proportion to the duration of insurance coverage.

For short duration type contracts (mainly non-life), premiums are recorded as written upon inception of the contract. Premiums are recognised in income as earned on a *pro rata* basis over the term of the related policy coverage. The unearned premium reserve represents the portion of the premiums written relating to the unexpired terms of the coverage.

The unit linked contracts held by the Group that transfer only financial risk, without discretionary participating features, have been classified as an investment contract and accounted for as a financial instrument. The liabilities correspond to the unit value, less the administration policy fees, surrenders charges and any withdrawals.

The unit linked contract held by the Group are classified as financial liabilities, with the respective fair value being dependent on the fair value of the underlying financial assets, derivatives and / or investment property, and have been accounted at fair value through profit and loss. Valuation techniques are used to establish the fair value at inception, and for each reporting date. The fair value of a unit linked financial liability is determined using the current unit values, that reflect the fair value of the financial assets within each investment fund, multiplied by the number of units attributable to the contract holder at the reporting date.

Unit-linked investments represent funds maintained to meet specific investment objectives of third parties that bear the investment risk. Investments are measured at fair value with the change in fair value recognised in income. Liabilities are reported at amounts owed to the third parties at the balance sheet date, including the fair value of any guarantees or embedded derivatives.

d) Acquisition costs

The non-life costs of acquiring new and renewed insurance business, mainly commissions, underwriting, agency and policy issue expenses, all of which vary with and primarily are related to the production of new business, are deferred and amortised. Deferred acquisition costs ("DAC") are periodically reviewed to ensure their recoverability based on estimates of future profits of the underlying contracts. Deferred acquisition costs are amortised over the period in which the related premiums written are earned.

e) Insurance policy and claims reserves

Life mathematical reserve

The life mathematical reserve reflects the present value of the Group's future obligations arising from life policies written and is calculated in accordance with recognised actuarial methods within the scope of applicable legislation.

Claims outstanding reserves

Claims outstanding reserves reflects the estimated outstanding liability for reported claims, and incurred but not reported claims (IBNR). Management based on experience and available data using statistical methods estimates reserves for both reported and non-reported claims. Additionally, claims reserves also include an estimation related with future indirect costs with claims settlement ("expense reserve").

The mathematical reserve relating to obligations to pay life pensions resulting from workmen's compensation claims is calculated by using actuarial assumptions, with reference to recognised actuarial methods and current labour legislation.

Claims reserves are not discounted, except life pensions arising from workers compensation claims.

Reserve for bonuses and rebates (profit sharing)

The reserve for bonuses and rebates corresponds to the amounts attributed to policyholders or beneficiaries of insurance or investment contracts, in the form of profit participation, which have not yet been specifically allocated and included in the life insurance reserve or paid to policyholders.

Unexpired risk reserve

The unexpired risks reserve represents the amount by which expected claims and administrative expenses, likely to arise after the end of the financial year, from contracts concluded before that date, exceeds the provision for unearned premiums, any expected future premiums expected to be written under those contracts and from premiums renewed on January next year.

Liability adequacy test

At each reporting date, the Group performs a liability adequacy test to the insurance and investment contracts with discretionary participating features liabilities. The assessment of the liabilities is performed using the best estimate of future cash flows under each contract, discounted at a risk free rate. The liability adequacy test is performed product by product or on an aggregate basis, when contracts are subject to broadly similar risks and managed

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as a single portfolio. Any deficiency, when detected, is recognised directly through income.

Equalization reserve

The equalization reserve is made for those lines of business that, given their nature, contain greater uncertainty as to the evolution of the claims ratio.

Profit sharing to be attributed (Shadow accounting)

In accordance with the Plan of Accounts for the insurance companies ("PCES 07"), the unrealised gains and losses on the assets covering liabilities arising out from insurance and investment contracts with discretionary participating features are attributed to policyholder, to the extent that it is expected that they will participate on those unrealised gains and losses when they became realised in accordance with the terms of the contracts and applicable legislation, by recording those amounts under liabilities.

f) Financial assets

Classification

Millenniumbcp Ageas classifies financial assets based on the business purposes of entering into these transactions, as follows:

- › Financial assets at fair value through profit or loss – This category includes: (i) financial assets held for trading, which are those acquired principally for the purpose of selling in the short term and (ii) financial assets that are designated at fair value through profit or loss at inception. This portfolio is mainly related to the investments held on behalf of policyholders (unit linked portfolio).
- › Financial assets held-to-maturity – This category includes non-derivative financial assets with fixed or determinable payments and fixed maturities that the Group has the positive intention and ability to hold until its maturity and that are not classified, at inception, as at fair value through profit or loss or as available-for-sale.

Any reclassification or sale of financial assets included in this category that does not occur close to the maturity of the assets will require the Group to reclassify the entire portfolio as financial assets available for sale and the Group will not be allowed to classify any assets under this category for the following two years.

- › Available-for-sale investments – Available-for-sale investments are non-derivative financial assets (i) intended to be held for an indefinite period of time, (ii) designated as available-for-sale at initial recognition or (iii) that are not classified in the other categories referred to above.

- › Loans and receivables – This category includes receivables related with direct and reinsurance ceded transactions arising from insurance contracts and other transactions.

Initial recognition, measurement and derecognition

Purchases and sales of: (i) financial assets at fair value through profit or loss, (ii) financial assets held to maturity, (iii) available for sale investments, and (iv) loans and receivables are recognised on trade-date – the date on which the Group commits to purchase or sell the asset.

Financial assets are initially recognised at fair value plus transaction costs except for financial assets at fair value through profit or loss, in which case transaction costs are directly recognised on the income statement.

Financial assets are derecognised when (i) the contractual rights to receive their cash flows have expired, (ii) the Group has transferred substantially all risks and rewards of ownership or (iii) although retaining some but not substantially all of the risks and rewards of ownership, the Group has transferred the control over the assets.

Subsequent measurement

Financial assets at fair value through profit or loss are subsequently carried at fair value with the respective gains and losses arising from changes in their fair value being included in the income statement in the period in which they arise.

Available-for-sale financial assets are also subsequently carried at fair value. However, gains and losses arising from changes in their fair value are recognised directly in equity, until the financial assets are derecognised or impaired, at which time the cumulative gain or loss previously recognised in equity is recognised in the income statement. Foreign exchange differences arising from equity investments classified as available-for-sale are also recognised in equity, while foreign exchange differences arising from debt investment securities are recognised in the income statement. Interest, calculated using the effective interest method and dividends are recognised in the income statement.

Held-to-maturity investments are carried at amortised cost using the effective interest rate method, net of any impairment losses recognised.

The fair values of quoted investments in active markets are based on current bid prices. For unlisted securities the Group establishes fair value by using (i) valuation techniques, including the use of recent arm's length transactions, discounted cash flow analysis and option pricing models and (ii) valuation assumptions based on market information.

Loans and receivables are subsequently measured at amortised cost using the effective interest rate method.

Financial instruments whose fair value cannot be reliably measured are carried at cost.

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The Group only reclassifies non-derivative financial assets with fixed or determinable payments and fixed maturities, from the available-for-sale financial assets category to the held-to-maturity investments category, if it has the intention and ability to hold those financial assets until maturity.

Reclassifications between these categories are made at the fair value of the assets reclassified on the date of the reclassification. The difference between this fair value and the respective nominal value is recognised in the income statement until maturity, based on the effective interest rate method. The fair value reserve at the date of the reclassification is also recognised in the income statement, based on the effective interest rate method.

During 2011, the Group adopted this possibility for a group of financial assets, as disclosed in note 19.

Impairment

The Group assesses periodically whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired if there is objective evidence of impairment as a result of one or more events that occurred after their initial recognition, such as: (i) for equity securities, a significant or prolonged decline in the fair value of the security below its cost, and (ii) for debt securities, when that event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated. In accordance with Group accounting policies, a 25% decline in the fair value of an investment in an equity security is assumed to be a significant decline in fair value and 1 year is assumed as a prolonged period that the fair value is below cost.

For held-to-maturity investments, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (considering the recovery period) discounted at the financial asset's original effective interest rate and are recognised in the income statement. For held-to-maturity investments if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment loss was recognised, the previously recognised impairment loss is reversed through the income statement.

If there is objective evidence that an impairment loss on available-for-sale financial assets has been incurred, the cumulative loss recognised in equity – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in the income statement – is taken to the income statement. If, in a subsequent period, the amount of the impairment loss decreases, the previously recognised impairment loss is reversed through the income statement up to the acquisition cost, except in relation to equity instruments, in which case the reversal is recognised in equity.

Derivative financial instruments

Derivatives are initially recognised at fair value on the date on which a derivative contract is entered into (trade date). Subsequent to initial recognition, the fair value of derivative financial instruments is re-measured on a regular basis and the resulting gains or losses on re-measurement are recognised directly in the income statement.

Fair values are obtained from quoted market prices, in active markets, if available, or are determined using valuation techniques including discounted cash flow models and options pricing models, as appropriate. When it is not possible to estimate with reliability the fair value, the instruments are recognised at acquisition cost.

Embedded derivatives

Derivatives that are embedded in other financial instruments are treated as separate derivatives when their economic characteristics and risks are not closely related to those of the host contract and the host contract is not carried at fair value through profit or loss. These embedded derivatives are measured at fair value with changes in fair value recognised in the income statement.

g) Financial liabilities

An instrument is classified as a financial liability when it contains a contractual obligation to transfer cash or another financial asset, independently from its legal form.

Non-derivatives financial liabilities include amounts due to policyholders, reinsurers and other liabilities. These financial liabilities are recognised (i) initially at fair value less transaction costs and (ii) subsequently at amortised cost, using the effective interest method.

h) Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the balance sheet when there is a legal enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously.

i) Repurchase transactions

Investments sold under repurchase agreements at a predetermined price ('repos') continue to be recognized in the balance sheet and are measured in accordance with the accounting policy for either assets held for trading or

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available-for-sale as appropriate. The proceeds from the sale of the investments are reported as liabilities to banks.

The difference between the sale and repurchase conditions is recognized on an accrual basis over the period of the transaction and is included in interest and income or expenses.

j) Reinsurance

Reinsurance contracts are reviewed to determine if significant insurance risk is transferred within the contract. Reinsurance contracts that do not transfer significant insurance risk are accounted for using the deposit method and included in loans or borrowings as a reinsurance financial asset or liability. Amounts received or paid under these contracts are accounted for as deposits using the effective interest method.

Millenniumbcp Ageas assumes and/or cedes reinsurance in the normal course of business. Reinsurance receivables mainly include balances due from both insurance and reinsurance companies for ceded insurance liabilities. Amounts recoverable from or due to reinsurers are estimated in a manner consistent with the amounts associated with the reinsured policies and in accordance with the reinsurance contract. Reinsurance is presented on the consolidated balance sheet on a gross basis unless a right of offset exists.

The accounting requirements for liabilities related to accepted reinsurance contracts with significant insurance risk are the same as those applied to direct written insurance contracts.

k) Foreign currency transactions

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated to euro at the foreign exchange rates ruling at the balance sheet date. Foreign exchange differences arising on translation are recognised in the income statement, except when qualified as cash flow hedges or net investment hedges, being accounted on equity.

Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. The translations differences on non-monetary items, such as equity securities classified as available-for-sale financial assets, are included in the fair value reserve.

l) Property and equipment

Property and equipment are stated at cost less accumulated depreciation and any accumulated impairment losses.

Subsequent costs are included in the asset's carrying amount or are recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

Depreciation on other assets is calculated using the straight-line method over their estimated useful lives, as follows:

	Life time (years)
Premises	25
Administrative equipment	8
Computer hardware	3–5
Tools and equipment	5 to 7
Furniture and fixtures	10
Motor vehicles	4
Other tangible fixed assets	4 to 8

The useful lives and depreciation method are reviewed at each balance sheet date and adjusted, if appropriate, according with the expected pattern of consumption of the economic benefits embodied in the asset.

When there is an indication that an asset may be impaired, IAS 36 requires that its recoverable amount is estimated and impairment loss recognised when the net book value of the asset exceeds its recoverable amount. Impairment losses are recognised in the income statement.

The recoverable amount is determined as the greater of the fair value less cost to sell or value in use, which is based on the net present value of future cash flows arising from the continuing use and ultimate disposal of the asset.

m) Intangible assets

The value of business acquired (VOBA) is recognised as an intangible asset and amortised over the gross profit recognition period of the acquired policies. VOBA corresponds to the estimated present value of the future cash flows from the contracts in force at the date of acquisition.

Computer software licenses acquired are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortised on the basis of their expected useful lives (three to five years).

Costs that are directly associated with the development of identifiable specific software applications by the Group, and that will probably generate future economic benefits, are recognised as intangible assets. These costs include employee costs directly associated with the development of the referred software.

Computer software development costs recognised as assets are amortised using the straight-line method over their useful lives, not exceeding usually five years.

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Costs associated with the maintenance of computer software programs are recognised as an expense when incurred.

n) Investment property

The Group classifies as investment property the property held to earn rentals or for capital appreciation or both.

Investment property is measured at cost less accumulated depreciation and any accumulated impairment losses. Depreciation is calculated using the straight-line method to write down the cost of such assets to their residual values over their estimated useful lives.

When there is an indication that an investment property may be impaired, IAS 36 requires that its recoverable amount is estimated, and an impairment loss recognised, when the net book value of the asset exceeds its recoverable amount. Impairment losses are recognised in the income statement.

The recoverable amount is determined as the greater of the fair value less cost to sell or value in use, which is based on the net present value of future cash flows arising from the continuing use and ultimate disposal of the investment property.

Subsequent expenditure is capitalised only when it is probable that it will give rise to future economic benefits in excess of the originally assessed standard of performance of the asset.

o) Leases

Millenniumbcp Ageas classifies its lease agreements as finance leases or operating leases taking into consideration the substance of the transaction rather than its legal form, in accordance with IAS 17 – Leases. A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership. All other leases are classified as operating leases.

Operating leases

Payments made under operating leases are charged to the income statement in the period to which they relate.

Finance leases – As lessee

Finance lease contracts are recorded at inception date, both under assets and liabilities, at the cost of asset leased, which is equal to the present value of outstanding lease instalments. Instalments comprise (i) an interest charge, which is recognised in the income statement and (ii) the amortisation of principal, which is deducted from liabilities. Financial charges are recognised as costs over the lease period, in order to produce a constant periodic rate of interest on the remaining balance of liability for each period.

p) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, deposits with banks with less than three months and other financial instruments with less than three months maturity from the date of acquisition.

q) Provisions

Provisions are recognised when (i) the Group has a present obligation (legal or resulting from past practices or published policies that imply the recognition of certain responsibilities), (ii) it is probable that an outflow of economic benefits will be required to settle a present legal or constructive obligation as a result of past events and (iii) a reliable estimate can be made of the amount of the obligation.

Provisions are reviewed at each balance sheet date and adjusted to reflect the best estimate, being reverted through profit and loss in the proportion of the payments that are probable.

The provisions are derecognised through their use, for the obligations for which they were initially accounted.

r) Interest income and expense

Interest income and expense are recognised in the income statement for all instruments measured at amortised cost using the effective interest method.

The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability.

When calculating the effective interest rate, the Group estimates cash flows considering all contractual terms of the financial instrument (for example, prepayment options) but does not consider future credit losses. The calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums or discounts.

Once a financial asset or a group of similar financial assets has been written down as a result of an impairment loss, interest income is recognised using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss.

s) Fee and commission income

Fees and commissions are recognised as follows:

- › Fees and commissions earned over the period in which the services are provided are recognised as income in the period the services are provided;

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- › Fees and commissions that are an integral part of the effective interest rate of a financial instrument are recognised as income using the effective interest method.

t) Employee benefits**Defined benefit plan**

In accordance with the terms of its employment contracts, the Group is responsible for pensions and disability payments as stipulated in the Collective Agreements for Insurance Activity (CCT).

Additionally, the Group assumed the responsibility with a Complementary Plan and health employment benefits.

On 23 December, 2011 a new labor agreement for the Insurance Companies – “Plano CCT – Contrato Coletivo de Trabalho da Atividade Seguradora” or “CCT” was signed. In accordance with this revised agreement, the following changes were introduced: (i) permanency premium attributable to employees, in the form of additional salary increase at every five years until the age of 50, if certain conditions are met; (ii) replacement of a defined benefit plan to a defined contribution plan, and; (iii) adoption of a defined contribution plan for all employees as from 1 January, 2012.

Regarding the Complementary Plan, the following decisions were determined by Millenniumbcp Ageas: (i) as of 1 October 2012, curtailment of the plan, with the employees maintaining the accrued benefits up to 2011, and; (ii) as of 31 October 2013, liquidation of the plan, with the settlement of the respective liability.

The basic retirements attributable to the employees of the Group are as stipulated by ‘Plano CCT – Contrato Coletivo de Trabalho da Atividade Seguradora’. The complementary benefits are attributable according to the pension plans.

The obligations with retirement pensions of the Group are covered by collective subscriptions to an Open Pension Fund, denominated by ‘Horizonte Valorização’.

The pension liability is calculated annually by the Group, as at 31 December, for each plan individually, using the projected unit credit method. This calculation is reviewed by qualified independent actuaries. The discount rate used in this calculation was determined with reference to market rates associated with high-quality corporate bonds issues, denominated in the currency in which benefits will be paid and with a maturity similar to the expiry date of the plans obligations.

The Group determines the net interest expense (income) for the period on the net defined benefit liability (asset) by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the net defined benefit liability (asset) at the beginning of the annual period, taking into account any changes in the net defined benefit liability (asset) during the period as a result of contributions and benefit payments. Consequently, the net interest expense (income) includes interest cost on the defined benefit

obligation net of a theoretical return on the plan assets, both calculated using the discount rate applied in the determination of the defined benefit obligation.

Remeasurements determined annually and resulting from (i) actuarial gains and losses arising from the differences between actuarial assumptions used and real values obtained (experience adjustments) and from changes in the actuarial assumptions, and; (ii) gains and losses arising from the difference between the theoretical return on plan assets and actual investment returns, are recognized in Other comprehensive income.

At each period, the Group recognizes as a cost in the income statement an amount that comprises (i) the service cost; (ii) net interest expense/(income); (iii) past service cost, and; (iv) the effect of settlement or curtailment occurred during the period.

As from 1 January 2013, the Group adopted the IAS 19 (2011) – Employee Benefits amended. The fundamental change with impact on the financial position of the Group was the removal of the corridor method. Under this method, actuarial gains and losses not recognized, that exceeded 10% of the greater of the present value of the liabilities and the fair value of the fund's assets, were recorded in the statement of income, for the period corresponding to the estimated remaining useful life of the employees in service. By the removal of the corridor, the actuarial gains and losses of the year are currently recognized against reserves. In accordance with IAS 8, this accounting policy change is presented for comparative purposes as from 1 January 2012. As a result, the total amount of actuarial gains and losses deferred as of that date were transferred to reserves.

The Plan is funded by annual contributions from each Group company to cover projected pension liabilities, including non-contractual benefits, where appropriate. The minimum level required is 100% regarding liability with pensioners and 95% regarding the employees in service.

At each reporting date, the Group assesses for each plan the recoverability of any excess of the fund, based on the perspective of future contributions that may be required.

Defined contribution plan

For the defined contribution plan for the complementary non-contractual retirement benefit attributable to the employees of the Group, obligations are recognised as an expense in profit and loss when they are due.

Health benefits

Millenniumbcp Ageas provides post-retirement healthcare benefits to its employees. The entitlement to these benefits is usually conditional on the employee remaining in service up to retirement age and the completion of a minimum service period.

The measurement and recognition of the Group's liability with post-retirement healthcare benefits is similar to the measurement and recognition of the pension liability described above.

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Bonus payments to employees are recognised in the income statement in the period to which they relate.

Share based payments

As at 31 December, 2013, there are no share based compensation plans in force.

u) Income taxes

Income tax for the year comprises current tax and deferred tax. Income tax is recognised in the income statement except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity. Deferred tax recognised directly in equity relating to fair value re-measurement of available-for-sale investments is subsequently recognised in the income statement when gains or losses giving rise to the deferred tax are also recognised in the income statement.

Current tax is the tax expected to be paid on the taxable profit for the year, calculated using tax rates enacted or substantially enacted at the balance sheet date in any jurisdiction.

Deferred tax is provided using the balance sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and their respective tax basis, and is calculated using the tax rates enacted or substantially enacted at the balance sheet date in any jurisdiction and that are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are recognised to the extent it is probable that future taxable profits will be available against which deductible temporary differences can be utilised (including reportable tax losses).

The Group compensates, as established in IAS 12, the deferred tax assets and liabilities if, and only if: (i) has a legally enforceable right to set off current tax assets against current tax liabilities; and (ii) the deferred tax assets and the deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realize the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

v) Operating segments

The Group determines and presents the operating segments based on the management information prepared for internal purposes.

An operating segment is a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different from those of other operating segments.

The Group is structured in accordance with the following business areas:

- › Life and Pensions
- › Non-life

On Life and Pensions segment, the information is disaggregated by the following lines of business: i) insurance contracts: life traditional, ii) investment contracts (under IFRS 4): investment contracts with discretionary participation features (DPF) and iii) investment contracts (under IAS 39): unit-linked contracts. The Pensions sub-segment is related with the pensions fund management, having no impact under insurance technical margin.

Non-life segment includes the following lines of business: Accidents and health, Fire and other hazards, Motor and Other lines of business.

x) Earnings per share

Basic earnings per share are calculated by dividing net income available to ordinary shareholders by the weighted average number of ordinary shares outstanding during the year.

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IFRS set forth a range of accounting treatments and require management to apply judgment and make estimates in deciding which treatment is most appropriate. The most significant of these accounting policies are discussed in this section in order to improve understanding of how their application affects the Group's reported results and related disclosure. A broader description of the accounting policies employed by the Group is shown in Note II.1 to the consolidated financial statements.

Because in many cases there are several alternatives to the accounting treatment chosen by Management, the Group's reported results would differ if a different treatment was chosen. Management believes that the choices made are appropriate and that the consolidated financial statements present the Group's financial position and results fairly in all material respects.

The alternative outcomes discussed below are presented solely to assist the reader in understanding the consolidated financial statements and are not intended to suggest that other alternatives or estimates would be more appropriate.

Insurance reserves

Insurance policy and claims reserves represent liabilities for future insurance policy benefits. Insurance reserves for traditional life insurance, annuities, and accident and health policies have been computed based upon mortality, morbidity, persistency and interest rate assumptions, applicable to these coverages, including adverse deviation. The assumptions considered were based on the Group experience and industry standards and may be revised if it is determined that future experience will differ substantially from that previously assumed. Insurance reserves includes (1) life mathematical reserve, (2) reserve for bonuses and rebates, (3) unearned premiums reserve, (4) unexpired risks reserve, (5) ageing reserve, (6) liability adequacy test and (7) estimated provisions for both reported and unreported claims incurred and claims expenses and (8) profit sharing to be attributable to policyholders.

When claims are made by or against policyholders, any amounts that the Group pays or expect to pay are recorded as losses. The Group establishes reserves for payment or losses for claims that arise from its insurance policies.

In determining its insurance policy and claims reserves, the Group performs a continuing review of its overall positions, reserving techniques and reinsurance coverage. Qualified actuaries periodically review the reserves. The Group maintains property and casualty loss reserves to cover the estimated ultimate unpaid liability for losses with respect to reported and unreported claims incurred as of the end of each accounting period.

Claims reserves do not represent an exact calculation of the liability amount, but instead represent estimates, generally using actuarial valuations. These reserve estimates are expectations of what the ultimate settlement of

claims is likely to cost based on an assessment of facts and circumstances then known, a review of historical settlement patterns, estimate of trends in claims severity, frequency, legal theories of liability and other factors. Variables in the reserve estimation process can be affected by both internal and external events, such as changes in claims handling procedures, economic inflation, legal trends and legislative changes. Many of these items are not directly quantifiable, particularly on a prospective basis. Additionally, there may be significant reporting time lags between the occurrence of the insured event and the moment it is actually reported to the insurer. Reserve estimates are continually reviewed in a regular ongoing process as historical loss experience develops and additional claims are reported and settled.

Fair value of derivatives and other assets and liabilities at fair value

Fair values are based on listed market prices if available; otherwise fair value is determined either by dealer price quotations (both for that transaction or for similar instruments traded) or by pricing models, based on net present value of estimated future cash flows which take into account market conditions for the underlying instruments, time value, yield curve and volatility factors. These pricing models may require assumptions or judgments in estimating their values.

Consequently, the use of a different model, assumptions or judgments in applying a particular model may have produced different financial results for a particular period.

Impairment of available-for-sale financial assets

The Group determines that available-for-sale financial assets are impaired when there has been a significant or prolonged decline in the fair value below its cost or when it has identified an event with impact on the estimated future cash flows of the assets. This determination requires judgement, based on all available relevant information, including the normal volatility of the financial instruments prices.

Therefore, for equity securities, considering the high volatility of the markets, a decline (i) over 25% in market value in relation to the acquisition cost generally is regarded by the Group as significant and (ii) that persists for more than 12 months is generally regarded as prolonged. Debt securities are considered to be impaired if there is objective evidence that one or more events have an impact on the estimated future cash flows of these assets.

In addition, valuations are generally obtained through market quotation or valuation models that may require assumptions or judgment in making estimates of fair value.

Alternative methodologies and the use of different assumptions and estimates could result in a higher level of impairment losses recognised with a consequent impact in the income statement of the Group.

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Notes to the
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Determining pension liabilities requires the use of assumptions and estimates, including the use of actuarial projections, estimated returns on investment, and other factors that could impact the cost and liability of the pension plan.

Changes in these assumptions could materially affect the liabilities determined.

Impairment of long-term assets

Tangible and intangible assets are reviewed for impairment purposes, when there is an indication that the book value is less than the recoverable.

Considering uncertainties regarding the determination of the net recoverable amount of tangible and intangible assets based on the available information at the reporting date, changes in assumptions or judgments may produce different impacts in the determination of impairment and consequently in the income of the Group.

Income taxes

Significant interpretations and estimates are required in determining the income taxes amount. Different interpretations and estimates would result in a different level of income taxes, current and deferred, recognized in the period.

In accordance with current tax legislation, Tax Authorities are entitled to review the Groups' income taxes for a period of four years or six years in case there are tax losses brought forward. As a result, it is possible that additional taxes may be assessed, mainly as a consequence of differences in interpretations of tax laws. The Group Management is confident that there will be no material tax assessments within the financial statements context.

Goodwill

Goodwill recoverable amount recognised as an asset of the Group is revised annually regardless the existence of impairment losses.

For this purpose, the carrying amount of the business units of the Group for which goodwill has been recognised is compared with the respective recoverable amount. A goodwill impairment loss is recognised when the carrying amount of the business unit exceeds the respective recoverable amount.

In the absence of an available market value, the recoverable amount is determined using cash flows/ dividends predictions, applying a discount rate that includes a risk premium appropriated to the business unit being tested.

Changes in the expected cash flows and in the discount rate may lead to different conclusions from those that led to the preparation of these financial statements.

II.3 Operating segments

Income statement

EUR	2013			2012		
	Life	Non Life	Total	Life	Non Life	Total
Net premiums earned	593,632,031	208,165,772	801,797,803	285,479,350	204,064,770	489,544,120
Gross premiums	619,713,526	250,925,606	870,639,132	311,346,141	240,245,577	551,591,718
Reinsurance ceded premiums	(26,081,495)	(39,285,481)	(65,366,976)	(25,866,791)	(36,575,769)	(62,442,560)
Change in unearned premiums	–	(4,414,655)	(4,414,655)	–	2,891,711	2,891,711
Change in unearned reinsurance premiums	–	940,302	940,302	–	(2,496,749)	(2,496,749)
Fees on investment contracts	62,982,600	–	62,982,600	48,535,594	–	48,535,594
Net claims expenses	(835,018,125)	(146,638,883)	(981,657,008)	(692,665,508)	(142,121,031)	(834,786,539)
Claims paid	(814,072,616)	(143,366,055)	(957,438,671)	(712,549,480)	(139,235,134)	(851,784,614)
Claims paid gross	(827,700,399)	(151,199,698)	(978,900,097)	(726,801,369)	(148,685,280)	(875,486,649)
Reinsurance share of claims paid	13,627,783	7,833,643	21,461,426	14,251,889	9,450,146	23,702,035
Change in claims reserves	(20,945,509)	(3,272,828)	(24,218,337)	19,883,972	(2,885,897)	16,998,075
Change in claims reserves gross	(20,602,815)	(3,362,843)	(23,965,658)	20,103,828	(2,478,032)	17,625,796
Reinsurers share in change in claims reserves	(342,694)	90,015	(252,679)	(219,856)	(407,865)	(627,721)
Changes in other technical reserves net	–	(250,555)	(250,555)	–	(397,090)	(397,090)
Changes in mathematical reserves, net	268,942,081	–	268,942,081	433,485,820	–	433,485,820
Changes in mathematical reserves gross	268,870,488	–	268,870,488	433,565,396	–	433,565,396
Reinsurance share in changes in mathematical reserves	71,593	–	71,593	(79,576)	–	(79,576)
Profit sharing, net	(40,289,647)	(395,608)	(40,685,255)	(44,874,233)	(462,000)	(45,336,233)
Acquisition and administrative expenses, net	(64,881,675)	(46,123,105)	(111,004,780)	(53,764,441)	(47,324,620)	(101,089,061)
Acquisition expenses	(55,874,525)	(35,569,139)	(91,443,664)	(45,833,339)	(35,246,531)	(81,079,870)
Changes in deferred acquisition costs	–	468,013	468,013	–	(183,484)	(183,484)
Administrative expenses	(19,189,721)	(22,745,541)	(41,935,262)	(17,571,895)	(23,898,695)	(41,470,590)
Reinsurance commissions and profit sharing	10,182,571	11,723,562	21,906,133	9,640,793	12,004,090	21,644,883
Interest, dividends and other similar income	153,362,862	5,107,837	158,470,699	164,804,428	4,888,977	169,693,405
From financial assets not held at fair value through profit and loss	153,362,862	5,107,837	158,470,699	164,804,428	4,888,977	169,693,405
Financial expenses	(16,067,062)	(1,155,624)	(17,222,686)	(18,280,772)	(945,045)	(19,225,817)
From financial assets not held at fair value through profit and loss	(16,067,062)	(1,155,624)	(17,222,686)	(17,595,664)	(945,045)	(18,540,709)
From financial liabilities not held at fair value through profit and loss	–	–	–	(685,108)	–	(685,108)
Net gains/(losses) from financial assets not held at fair value through profit and loss	23,155,912	131,925	23,287,837	12,063,331	(263,937)	11,799,394
From investments available for sale	23,157,758	131,925	23,289,683	12,063,331	(263,937)	11,799,394
From investments held to maturity	(1,846)	–	(1,846)	–	–	–
Net gains/(losses) from financial assets and liabilities held at fair value through profit and loss	(2,115,131)	117,547	(1,997,584)	6,969,392	–	6,969,392
From financial assets and liabilities held for trading	124,275,910	–	124,275,910	313,352,713	–	313,352,713
From financial assets and liabilities held at fair value through profit and loss	(126,391,041)	117,547	(126,273,494)	(306,383,321)	–	(306,383,321)
Net gains/(losses) from foreign exchange	75,119	–	75,119	132,441	–	132,441
Impairment charges (net of reversals)	(18,488,175)	253,681	(18,234,494)	(61,590)	(1,930,055)	(1,991,645)
From investments available for sale	(5,625,901)	–	(5,625,901)	(76,801)	–	(76,801)
From investments held to maturity	(11,821,756)	–	(11,821,756)	–	–	–
Other	(1,040,518)	253,681	(786,837)	15,211	(1,930,055)	(1,914,844)
Other technical income / (expenses), net	(21,865,271)	122,478	(21,742,793)	(23,071,954)	116,529	(22,955,425)
Changes in other provisions	150,000	–	150,000	–	320,000	320,000
Other non technical income / (expenses)	3,790,301	(786,756)	3,003,545	4,140,964	54,943	4,195,907
Profit before tax	107,365,820	18,548,709	125,914,529	122,892,822	16,001,441	138,894,263
Current tax	(37,680,379)	(5,941,500)	(43,621,879)	(22,304,112)	(6,647,857)	(28,951,969)
Deferred tax	600,845	2,132	602,977	(17,205,261)	1,444,031	(15,761,230)
Profit after tax	70,286,286	12,609,341	82,895,627	83,383,449	10,797,615	94,181,064

Balance sheet

EUR	2013				2012			
	Life	Non Life	ICO	Total	Life	Non Life	ICO	Total
Cash and equivalents	238,861,921	21,360,924	–	260,222,845	121,995,084	17,308,611	–	139,303,695
Trading assets	189,374,495	–	–	189,374,495	209,580,274	–	–	209,580,274
Investments held at fair value through profit and loss	5,069,233,899	3,606,852	–	5,072,840,751	5,506,155,071	–	–	5,506,155,071
Investments available for sale	4,445,663,869	185,312,785	–	4,630,976,654	4,157,875,053	187,806,718	–	4,345,681,771
Loans and receivables	441,175,496	31,023,199	–	472,198,695	480,122,735	31,571,935	–	511,694,670
Other deposits	441,175,496	31,023,199	–	472,198,695	480,122,735	31,571,935	–	511,694,670
Investments held to maturity	623,044,374	–	–	623,044,374	697,845,383	–	–	697,845,383
Investment property	3,428,341	–	–	3,428,341	4,656,008	–	–	4,656,008
Other tangible assets	1,233,988	120,273	–	1,354,261	1,230,954	130,889	–	1,361,843
Inventories	–	18,650	–	18,650	–	18,650	–	18,650
Goodwill	247,487,477	68,252,992	–	315,740,469	247,487,477	68,252,992	–	315,740,469
Other intangible assets	168,926,663	188,114	–	169,114,777	191,519,840	–	–	191,519,840
Reinsurance reserves	1,320,494	17,906,883	–	19,227,377	1,591,595	16,876,566	–	18,468,161
Reinsurers share in reserve for unearned premiums	–	8,575,979	–	8,575,979	–	7,635,677	–	7,635,677
Reinsurers share in mathematical reserves	841,108	–	–	841,108	769,515	–	–	769,515
Reinsurers share in claims reserves	479,386	9,330,904	–	9,810,290	822,080	9,240,889	–	10,062,969
Trade and other receivables	5,385,550	44,396,869	(23,300,000)	26,482,419	4,557,764	63,437,316	(40,500,000)	27,495,080
Receivables from policyholders	3,335,852	13,859,087	–	17,194,939	2,601,295	12,872,256	–	15,473,551
Receivables from reinsurance operations	–	6,111,673	–	6,111,673	67,402	7,945,418	–	8,012,820
Other receivables	2,049,698	24,426,109	(23,300,000)	3,175,807	1,889,067	42,619,642	(40,500,000)	4,008,709
Income tax assets	33,323,335	4,783,133	–	38,106,468	41,797,896	5,211,183	–	47,009,079
Current tax assets	26,829,612	–	–	26,829,612	24,756,596	–	–	24,756,596
Deferred tax assets	6,493,723	4,783,133	–	11,276,856	17,041,300	5,211,183	–	22,252,483
Accrued income and deferred charges	65,748	2,096,216	–	2,161,964	244,358	1,499,246	–	1,743,604
Total assets	11,468,525,650	379,066,890	(23,300,000)	11,824,292,540	11,666,659,492	392,114,106	(40,500,000)	12,018,273,598
Technical reserves	4,324,812,511	146,663,190	–	4,471,475,701	4,535,643,988	139,689,801	–	4,675,333,789
Unearned premiums reserve	–	39,746,737	–	39,746,737	–	35,800,096	–	35,800,096
Life mathematical reserves	4,221,210,800	–	–	4,221,210,800	4,453,507,130	–	–	4,453,507,130
Claims outstanding reserve	56,503,401	100,731,860	–	157,235,261	35,899,587	97,951,186	–	133,850,773
Claims reserves life	56,503,401	–	–	56,503,401	35,899,587	–	–	35,899,587
Claims reserves workers' compensation	–	22,263,715	–	22,263,715	–	23,022,501	–	23,022,501
Claims reserves other	–	78,468,145	–	78,468,145	–	74,928,685	–	74,928,685
Profit sharing reserves	47,098,310	700,059	–	47,798,369	46,237,271	704,541	–	46,941,812
Equalisation reserve	–	478,207	–	478,207	–	885,923	–	885,923
Unexpired risk reserve	–	5,006,327	–	5,006,327	–	4,348,055	–	4,348,055
Invest.contracts liabilities at fair value through profit/loss	5,616,776,023	–	–	5,616,776,023	5,786,791,790	–	–	5,786,791,790
Other financial liabilities	8,428,131	5,873,929	–	14,302,060	8,270,889	5,214,647	–	13,485,536
Funds held under reinsurance agreements	8,428,131	5,873,929	–	14,302,060	8,270,889	5,214,647	–	13,485,536
Liabilities for employee benefits (long term)	1,201,997	3,583,014	–	4,785,011	1,170,871	3,058,321	–	4,229,192
Trade and other payables	189,690,493	22,884,618	(23,300,000)	189,275,111	72,710,380	15,474,859	(40,500,000)	47,685,239
Due to agents, policyholders and intermediaries	13,132,359	11,088,841	–	24,221,200	2,695,129	8,739,593	–	11,434,722
Due to reinsurers	3,815,484	5,720,087	–	9,535,571	2,004,777	2,774,136	–	4,778,913
Other liabilities	172,742,650	6,075,690	(23,300,000)	155,518,340	68,010,474	3,961,130	(40,500,000)	31,471,604
Income tax liabilities	60,477,641	5,028,125	–	65,505,766	125,017,556	5,961,747	–	130,979,303
Current tax liabilities	8,913,122	5,028,125	–	13,941,247	71,036,127	5,961,747	–	76,997,874
Deferred tax liabilities	51,564,519	–	–	51,564,519	53,981,429	–	–	53,981,429
Deferred income and accrued charges	6,347,738	4,888,735	–	11,236,473	8,105,195	4,860,197	–	12,965,392
Provisions	4,923,291	2,808,545	–	7,731,836	2,043,629	3,251,168	–	5,294,797
Total liabilities	10,212,657,825	191,730,156	(23,300,000)	10,381,087,981	10,539,754,298	177,510,740	(40,500,000)	10,676,765,038
Share capital	889,997,375	110,005,000	–	1,000,002,375	889,997,375	110,005,000	–	1,000,002,375
Fair value reserve (gross)	(60,042,209)	1,443,215	–	(58,598,994)	(145,843,224)	(430,248)	–	(146,273,472)
Fair value reserve (current and deferred taxes)	(13,991,389)	(425,748)	–	(14,417,137)	12,725,096	124,772	–	12,849,868
Other reserves	2,023,346	(3,243,701)	–	(1,220,355)	2,195,397	(2,667,715)	–	(472,318)
Retained earnings	367,594,416	66,948,627	–	434,543,043	284,447,101	96,773,942	–	381,221,043
Profit after tax	70,286,286	12,609,341	–	82,895,627	83,383,449	10,797,615	–	94,181,064
Total equity	1,255,867,825	187,336,734	–	1,443,204,559	1,126,905,194	214,603,366	–	1,341,508,560
Total liabilities and equity	11,468,525,650	379,066,890	(23,300,000)	11,824,292,540	11,666,659,492	392,114,106	(40,500,000)	12,018,273,598

II.4 Notes to the income statement

Note 1 – Net premiums earned

EUR	2013	2012
Gross premiums Life	619,713,526	311,346,141
Gross premiums Non Life	250,925,606	240,245,577
Gross premiums	870,639,132	551,591,718
Reinsurance ceded premiums Life	(26,081,495)	(25,866,791)
Reinsurance ceded premiums Non Life	(39,285,481)	(36,575,769)
Reinsurance ceded premiums	(65,366,976)	(62,442,560)
Change in unearned premiums Non Life	(4,414,655)	2,891,711
Change in unearned reinsurance premiums Non Life	940,302	(2,496,749)
Change in unearned premiums Non Life (net)	(3,474,353)	394,962
Premiums earned Life (net)	593,632,031	285,479,350
Premiums earned Non Life (net)	208,165,772	204,064,770
Premiums earned (net)	801,797,803	489,544,120

Life insurance premiums include contracts with significant insurance risk, as well as contracts without significant insurance risk with discretionary participating features (DPF).

Life premiums are analysed as follows:

EUR	2013	2012
Insurance life traditional	181,958,669	172,558,091
Investment contracts with DPF	437,754,857	138,788,050
Gross premiums under IFRS 4	619,713,526	311,346,141

Premiums earned net of reinsurance ceded are analysed as follows:

EUR	2013	2012
Gross written premiums from direct insurance operations		
Individual policies	149,697,293	91,668,845
Group policies	470,016,233	219,677,296
	619,713,526	311,346,141
Periodic premiums	228,032,059	247,843,240
Single premiums	391,681,467	63,502,901
	619,713,526	311,346,141
Contracts without profit sharing	166,948,062	134,789,613
Contracts with profit sharing	452,765,463	176,556,528
	619,713,526	311,346,141
Reinsurance ceded result	(2,542,242)	(2,273,541)

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Direct insurance non-life premiums are analyzed as follows:

EUR	2013		2012	
	Gross written premiums	Earned premiums	Gross written premiums	Earned premiums
Accidents and health	174,088,055	171,773,081	167,854,486	170,760,637
Fire and other hazards	44,969,912	44,680,636	44,503,584	44,031,312
Motor	23,651,232	22,134,583	20,530,173	20,166,935
Other lines	8,216,407	7,922,651	7,357,334	8,178,404
Total	250,925,606	246,510,951	240,245,577	243,137,288

Reinsurance ceded non-life premiums are analysed as follows:

EUR	2013		2012	
	Gross written premiums	Earned premiums	Gross written premiums	Earned premiums
Accidents and health	14,922,804	14,250,094	11,161,645	13,211,917
Fire and other hazards	19,754,259	19,395,621	21,193,592	21,200,907
Motor	492,750	492,750	357,750	357,750
Other lines	4,115,668	4,206,714	3,862,782	4,301,944
Total	39,285,481	38,345,179	36,575,769	39,072,518

Note 2 – Fee on investment contracts

Fee on investment contracts in the amount of Euro 62,983,000 (2012: Euro 48,536,000), are calculated on a fund-by-fund basis, in accordance with the terms of each product.

Note 3 – Net claims expense

Net claims expenses from the life insurance business are analysed as follows:

EUR	2013			2012		
	Insurance contracts	Investment contracts	Total	Insurance contracts	Investment contracts	Total
Claims paid						
Gross claims paid	62,162,436	765,094,877	827,257,313	67,473,113	658,639,899	726,113,012
Reinsurance share of claims paid	(13,627,783)	—	(13,627,783)	(14,251,889)	—	(14,251,889)
	48,534,653	765,094,877	813,629,530	53,221,224	658,639,899	711,861,123
Change in claims reserves						
Change in claims reserves gross	9,787,929	10,814,886	20,602,815	(9,148,470)	(10,955,358)	(20,103,828)
Reinsurance share in claims reserves	342,694	—	342,694	219,856	—	219,856
	10,130,623	10,814,886	20,945,509	(8,928,614)	(10,955,358)	(19,883,972)
Net claims expense before cost allocation	58,665,276	775,909,763	834,575,039	44,292,610	647,684,541	691,977,151
Claims expenses (allocated)			443,086			688,357
Net claims expense Life			835,018,125			692,665,508

Net claims expenses from non life insurance business are analysed as follows:

EUR	2013				
	Accident & Health	Fire & Other damage	Motor	Other lines	Total
Claims paid					
Gross claims paid	106,938,111	21,389,336	13,305,155	104,201	141,736,803
Reinsurance share of claims paid	(2,702,130)	(5,424,834)	(3,621)	296,942	(7,833,643)
	104,235,981	15,964,502	13,301,534	401,143	133,903,160
Change in claims reserves					
Change in claims reserves gross	1,448,840	60,619	1,604,010	249,374	3,362,843
Reinsurers share in change in claims reserves	1,368,750	(1,390,497)	202,988	(271,256)	(90,015)
	2,817,590	(1,329,878)	1,806,998	(21,882)	3,272,828
Net claims expense before cost allocation	107,053,571	14,634,624	15,108,532	379,261	137,175,988
Claims expenses (allocated)	5,617,229	1,566,577	2,064,024	215,065	9,462,895
Net claims expense Non life	112,670,800	16,201,201	17,172,556	594,326	146,638,883

EUR	2012				
	Accident & Health	Fire & Other damage	Motor	Other lines	Total
Claims paid					
Gross claims paid	107,107,861	16,313,854	14,259,583	1,134,491	138,815,789
Reinsurance share of claims paid	(2,235,434)	(6,623,255)	(3,083)	(588,374)	(9,450,146)
	104,872,427	9,690,599	14,256,500	546,117	129,365,643
Change in claims reserves					
Change in claims reserves gross	1,461,756	2,581,934	(1,539,655)	(26,003)	2,478,032
Reinsurers share in change in claims reserves	98,272	(106,415)	(213,662)	629,670	407,865
	1,560,028	2,475,519	(1,753,317)	603,667	2,885,897
Net claims expense before cost allocation	106,432,455	12,166,118	12,503,183	1,149,784	132,251,540
Claims expenses (allocated)	6,005,838	1,497,833	2,153,456	212,364	9,869,491
Net claims expense Non life	112,438,293	13,663,951	14,656,639	1,362,148	142,121,031

Note 4 – Changes in mathematical and other technical reserves net

Change in mathematical and other technical reserves from life business are analysed as follows:

EUR	2013		
	Insurance contracts	Investment contracts	Total
Changes in mathematical reserves, net			
Changes in mathematical reserves, gross	2,546,284	(271,416,772)	(268,870,488)
Reinsurance share in changes in mathematical reserves	(71,593)	–	(71,593)
	2,474,691	(271,416,772)	(268,942,081)
Changes in profit sharing, net	5,805,389	34,484,258	40,289,647
Total	8,280,080	(236,932,514)	(228,652,434)

EUR	2012		
	Insurance contracts	Investment contracts	Total
Changes in mathematical reserves, net			
Changes in mathematical reserves, gross	(2,358,629)	(431,206,767)	(433,565,396)
Reinsurance share in changes in mathematical reserves	79,576	–	79,576
	(2,279,053)	(431,206,767)	(433,485,820)
Changes in profit sharing, net	6,120,356	38,753,877	44,874,233
Total	3,841,303	(392,452,890)	(388,611,587)

Change in other technical reserves from non-life is analysed as follows:

EUR	2013				
	Accident & Health	Fire & Other damage	Motor	Other lines	Total
Changes in equalisation reserve	–	(408,995)	–	1,278	(407,717)
Changes in unexpired risk reserve	530,570	(120,803)	356,164	(107,659)	658,272
	530,570	(529,798)	356,164	(106,381)	250,555
Changes in profit sharing, net	395,608	–	–	–	395,608
Total	926,178	(529,798)	356,164	(106,381)	646,163

EUR	2012				
	Accident & Health	Fire & Other damage	Motor	Other lines	Total
Changes in equalisation reserve	–	60,022	–	–	60,022
Changes in unexpired risk reserve	156,738	83,004	(11,044)	108,370	337,068
	156,738	143,026	(11,044)	108,370	397,090
Changes in profit sharing, net	462,000	–	–	–	462,000
Total	618,738	143,026	(11,044)	108,370	859,090

Note 5 – Net acquisition and administrative expenses

Net acquisition and administrative expenses from life insurance business are analysed as follows:

EUR	2013			
	Insurance contracts	Investment contracts	Unit Linked	Total
Acquisition expenses – commissions	20,509,914	15,440,053	17,280,144	53,230,111
Acquisition expenses allocated	1,142,150	1,191,062	311,202	2,644,414
Administrative expenses – commissions	9,937	–	–	9,937
Administrative expenses allocated	7,347,489	7,354,843	4,477,452	19,179,784
Reinsurance commissions and profit sharing	(10,182,571)	–	–	(10,182,571)
Total	18,826,919	23,985,958	22,068,798	64,881,675

EUR	2012			
	Insurance contracts	Investment contracts	Unit Linked	Total
Acquisition expense – commissions	19,491,308	11,164,219	11,975,447	42,630,974
Acquisition expenses allocated	1,533,116	1,493,766	175,483	3,202,365
Administrative expenses – commissions	9,516	–	–	9,516
Administrative expenses allocated	8,092,989	7,862,239	1,607,151	17,562,379
Reinsurance commissions and profit sharing	(9,640,793)	–	–	(9,640,793)
Total	19,486,136	20,520,224	13,758,081	53,764,441

Net acquisition and administrative expenses from non life insurance business are analysed as follows:

EUR	2013				
	Accident & Health	Fire & Other damage	Motor	Other lines	Total
Acquisition expenses – commissions	16,814,696	5,404,963	2,266,735	649,266	25,135,660
Acquisition expenses allocated	6,960,697	1,621,531	1,549,295	301,956	10,433,479
Change in deferred acquisition expenses	(194,112)	(118,277)	(194,336)	38,712	(468,013)
Administrative expenses – commissions	338,209	7,839	7,770	4,049	357,867
Administrative expenses allocated	14,581,473	5,093,411	2,086,312	626,478	22,387,674
Reinsurance commissions and profit sharing	(7,086,902)	(4,373,727)	–	(262,933)	(11,723,562)
Total	31,414,061	7,635,740	5,715,776	1,357,528	46,123,105

EUR	2012				
	Accident & Health	Fire & Other damage	Motor	Other lines	Total
Acquisition expenses – commissions	16,262,327	5,296,674	1,897,314	632,754	24,089,069
Acquisition expenses allocated	7,497,081	1,601,952	1,512,716	545,713	11,157,462
Change in deferred acquisition expenses	319,846	(90,953)	(22,073)	(23,336)	183,484
Administrative expenses – commissions	327,481	6,969	7,406	3,104	344,960
Administrative expenses allocated	15,485,461	5,412,271	2,015,562	640,441	23,553,735
Reinsurance commissions and profit sharing	(4,340,990)	(7,414,248)	–	(248,852)	(12,004,090)
Total	35,551,206	4,812,665	5,410,925	1,549,824	47,324,620

The caption Acquisition expenses – commissions includes the amount of Euro 72,493,000 (2012: Euro 60,504,000) related with commissions paid to Grupo Banco Comercial Português, S.A., under the distribution agreement established with Millenniumbcp Ageas.

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Interest, dividends and other similar income are analysed as follows:

EUR	2013	2012
From available for sale investments	117,984,316	135,332,405
From investments held to maturity	29,606,643	30,234,058
From bank deposits	10,879,740	4,126,942
Total	158,470,699	169,693,405

Note 7 – Financial expenses

The financial expenses from assets not held at fair value through profit and loss relates to the operating and administrative expenses allocated to the investment function in the amount of Euro 17,223,000 (2012: Euro 18,541,000).

In 2012, the financial expenses from financial liabilities not held at fair value through profit and loss, in the amount of Euro 685,000, were related to the interest expense arising from the securities repurchase agreements (REPO) established with Banco Comercial Português, S.A., which matured in March 2012. In 2013, there were no REPO agreements in force (see note 36).

Note 8 – Net gains/(losses) from financial assets not held at fair value through profit and loss

Net gains/(losses) from financial assets not held at fair value through profit and loss are analysed as follows:

EUR	2013			2012		
	Gains	(Losses)	Net	Gains	(Losses)	Net
Government bonds	14,672,498	(10,592,332)	4,080,166	6,363,694	(402,691)	5,961,003
Corporate debt securities	20,509,817	(4,438,709)	16,071,108	10,988,473	(5,709,452)	5,279,021
Equity securities	5,226,446	(2,088,037)	3,138,409	1,863,435	(1,304,065)	559,370
From available for sale investments	40,408,761	(17,119,078)	23,289,683	19,215,602	(7,416,208)	11,799,394
From investments held to maturity	1,229	(3,075)	(1,846)	–	–	–
Total	40,409,990	(17,122,153)	23,287,837	19,215,602	(7,416,208)	11,799,394

Note 9 – Net gains/(losses) from financial assets and liabilities held at fair value through profit and loss

Net gains/(losses) from financial assets and liabilities held at fair value through profit and loss are analysed as follows:

EUR	2013			
	Gains	(Losses)	Other income	Total
From trading	11,250,131	(15,350,718)	128,376,497	124,275,910
From held at fair value through profit and loss	735,793,737	(516,859,726)	(345,207,505)	(126,273,494)
Total	747,043,868	(532,210,444)	(216,831,008)	(1,997,584)

EUR	2012			
	Gains	(Losses)	Other income	Total
From trading	4,331,133,248	(4,230,218,463)	212,437,928	313,352,713
From held at fair value through profit and loss	667,376,447	(36,803,626)	(936,956,142)	(306,383,321)
Total	4,998,509,695	(4,267,022,089)	(724,518,214)	6,969,392

The “Other net income” presented above includes investment income, as well as the change in liabilities held at fair value through profit and loss arising from unit linked contracts.

Note 10 – Net gains/(losses) from foreign exchange

Net gains/(losses) from foreign exchange, in the amount of Euro 75,000, relates with loans and receivables (2012: Euro 132,000).

Note 11 – Impairment charges (net of reversals) and Changes in other provisions

Impairment charges (net of reversals) and changes in other provisions are analysed as follows:

EUR	2013	2012
From investments available for sale	5,625,901	76,801
From investment property	1,020,746	–
From investments held to maturity	11,821,756	–
From trade receivables	(233,909)	1,964,125
From other receivables	–	(49,281)
Total impairment charges	18,234,494	1,991,645
Change in other provisions	(150,000)	(320,000)
Total	18,084,494	1,671,645

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The impairment charges on the held to maturity portfolio relates to corporate debt securities. The losses were estimated with reference to the fair value of 78% as of 31 December 2013, in accordance with an option allowed by IAS 39 Financial Instruments: Recognition and Measurement. The loss of Euro 11,822,000 includes the amount of Euro 4,600,000, which was reclassified from the fair value reserve accounted for as of the date of the reclassification of these assets from the available for sale category, not yet amortized at the date of the loss recognition (see note 19).

Note 12 – Other technical and non-technical income/(expenses)

Other technical income/(expenses) includes an amount of Euro 22,446,000 (2012: Euro 24,374,000) related to the amortization of the Value of Business Acquired (see note 22).

Other non-technical income/(expenses) includes an amount of Euro 8,375,000 (2012: Euro 8,229,000) related to pension funds management fees charged by Pensõesgere, S.G.F.P., S.A.

Note 13 – Operating and administrative expenses

The operating and administrative expenses are analysed as follows:

EUR	2013	2012
Staff and related costs		
Remuneration – management	1,356,030	1,240,826
Remuneration – other staff	18,123,555	18,600,958
Social security charges	3,617,505	3,686,029
Employee benefit plans expenses	1,409,426	3,663,544
Insurance costs	850,878	888,186
Social costs	146,927	115,169
Other costs	812,655	461,932
	26,316,976	28,656,644
External services and supplies	37,581,024	39,164,310
Depreciation of tangible assets		
Investment property	206,921	223,656
Equipment and motor vehicles	8,334	7,202
IT equipment	110,838	95,139
	326,093	325,997
Amortisation of intangible assets		
Software	928,107	613,544
Value of business acquired	22,445,973	24,373,851
	23,374,080	24,987,395
Other	21,278,045	19,974,831
Total	108,876,218	113,109,177

Other operating and administrative expenses includes an amount of Euro 1,849,000 (2012: Euro 1,586,000) related with tax expenses, an amount of Euro 1,425,000 (2012: Euro 1,709,000) related with interest expenses, an amount of Euro 15,417,000 (2012: Euro 16,768,000) related with commission expenses and Euro 2,587,000 of changes in provisions (2012: positive amount of Euro 89,000).

Commissions are mainly related with the group securities portfolio management performed by F&C.

The operating and administrative expenses were allocated to claims management, acquisition, administrative and investment functions, as follows:

EUR	2013	2012
Claims incurred	9,905,981	10,557,848
Operating expenses		
Acquisition costs	13,077,893	14,359,827
Administrative costs	41,567,458	41,116,114
Investment expenses		
Allocated to insurance technical account	16,818,068	18,124,460
Allocated to insurance non technical account	404,618	416,249
Other non allocated expenses	27,102,200	28,534,679
Total	108,876,218	113,109,177

As at 31 December 2013 and 2012, the Group's employees were, respectively, 477 and 475.

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II.5 Notes to the balance sheet

Note 14 – Cash and equivalents

Cash and equivalents relates to bank deposits in the amount of Euro 260,223,000 (2012: Euro 139,304,000).

Note 15 – Trading assets

As at 31 December 2013 and 2012, this balance is analysed as follows:

EUR	2013		2012	
	Fair value	Notional amount	Fair value	Notional amount
Derivatives				
Swaps	189,160,751	6,151,786,476	207,373,354	7,149,403,705
Options	–	–	2,001,735	40,975,000
FRA	213,744	41,500,000	205,185	41,500,000
Total	189,374,495	6,193,286,476	209,580,274	7,231,878,705
Of which:				
Level 1	–	–	–	–
Level 2	189,374,495	6,193,286,476	209,580,274	7,231,878,705
Level 3	–	–	–	–
	189,374,495	6,193,286,476	209,580,274	7,231,878,705

As referred in IFRS 13, financial assets held for trading are valued in accordance with the following fair value measurement levels:

- › Level 1: financial instruments measured in accordance with quoted market prices or providers;
- › Level 2: financial instruments measured in accordance with internal valuation techniques based on observable market inputs;
- › Level 3: financial instruments measured in accordance with valuation techniques based on inputs not based on observable data that have significant impact in the instruments valuation.

Note 16 – Investments held at fair value through profit and loss

As at 31 December, 2013 and 2012, this balance is analysed as follows:

EUR	2013			2012		
	Amortised cost	Unrealised gains/(losses)	Book value	Amortised cost	Unrealised gains/(losses)	Book value
Government bonds	763,443,638	18,980,446	782,424,084	212,274,662	50,659,190	262,933,852
Corporate debt securities	3,691,431,297	171,009,730	3,862,441,027	4,432,371,986	570,353,185	5,002,725,171
Equity securities and investment funds	399,031,806	28,943,834	427,975,640	213,407,958	27,088,090	240,496,048
Total	4,853,906,741	218,934,010	5,072,840,751	4,858,054,606	648,100,465	5,506,155,071
Of which:						
Level 1			2,059,568,726			1,349,795,751
Level 2			3,013,272,025			4,156,359,320
Level 3			–			–
			5,072,840,751			5,506,155,071

As at 31 December 2013, additional information per level can be presented as follows:

EUR	Level 1	Level 2
Government bonds	782,424,084	–
Corporate debt securities	849,169,002	3,013,272,025
Equity securities and investment funds	427,975,640	–
	2,059,568,726	3,013,272,025

As referred in IFRS 13, financial assets held at fair value through profit and loss are valued in accordance with the following fair value measurement levels:

- › Level 1: financial instruments measured in accordance with quoted market prices or providers;
- › Level 2: financial instruments measured in accordance with internal valuation techniques based on observable market inputs;
- › Level 3: financial instruments measured in accordance with valuation techniques based on inputs not based on observable data that have significant impact in the instruments valuation.

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Note 17 – Investments available for sale

As at 31 December, 2013 and 2012, this balance is analysed as follows:

EUR	2013				2012			
	Amortised Cost	Unrealised gains/ (losses)	Impairment	Total	Amortised Cost	Unrealised gains/ (losses)	Impairment	Total
Government bonds	1,860,892,376	3,456,195	–	1,864,348,571	1,485,025,687	(9,689,375)	–	1,475,336,312
Corporate debt securities	2,361,819,284	31,845,429	(65,214)	2,393,599,499	2,509,875,971	6,493,371	–	2,516,369,342
Equity securities and investment funds	266,969,342	30,602,785	(7,201,658)	290,370,469	274,634,054	12,093,262	(1,640,971)	285,086,345
Accrued interest	82,658,115	–	–	82,658,115	68,889,772	–	–	68,889,772
Total	4,572,339,117	65,904,409	(7,266,872)	4,630,976,654	4,338,425,484	8,897,258	(1,640,971)	4,345,681,771
<i>Of which:</i>								
Level 1				4,593,485,077				4,160,652,497
Level 2				37,491,577				185,029,274
Level 3				–				–
				4,630,976,654				4,345,681,771

As at 31 December 2013, additional information per level can be presented as follows:

EUR	Level 1	Level 2
Government bonds	1,892,008,800	–
Corporate debt securities	2,411,213,358	37,384,038
Equity securities and investment funds	290,262,919	107,539
	4,593,485,077	37,491,577

As referred in IFRS 13, financial assets available for sale are valued in accordance with the following fair value measurement levels:

- › Level 1: financial instruments measured in accordance with quoted market prices or providers;
- › Level 2: financial instruments measured in accordance with internal valuation techniques based on observable market inputs;
- › Level 3: financial instruments measured in accordance with valuation techniques based on inputs not based on observable data that have significant impact in the instruments valuation.

Note 18 – Loans and receivables

Other deposits relates to interest bearing deposits with Banco Comercial Português, S.A.

Note 19 – Investments held to maturity

The held to maturity portfolio corresponds to the securities transferred in 2011 from the available for sale category, in accordance with IAS 39 Financial Instruments: Recognition and Measurement, and is analysed as follows:

EUR	31 December, 2013			31 December, 2012			AS OF THE DATE OF RECLASSIFICATION			
	Book value under HTM	Market value	Fair value reserve amortised until 31 Dec 13	Book value under HTM	Market value	Fair value reserve amortised until 31 Dec 12	Book value reclassified out the available for sale (a)	Fair value reserve	Future cash flows (b)	Effective interest rate (c)
Government bonds	475,043,690	561,459,455	61,206,762	516,562,713	606,745,174	36,382,512	481,346,191	(174,089,431)	893,264,338	10.3%
Corporate debt securities	137,497,605	144,536,890	14,768,316	169,733,017	172,910,062	5,914,872	163,903,867	(23,378,682)	217,372,176	6.2%
Total	612,541,295	705,996,345	75,975,078	686,295,730	779,655,236	42,297,384	645,250,058	(197,468,113)	1,110,636,514	
Accrued income	10,503,079			11,549,653						
Total	623,044,374			697,845,383						

(a) Corresponding to the market value as of the reclassification date and to the value reclassified into the HTM

(b) Total amount of undiscounted capital and interest income; future interest income calculated based on forward rates from the yield curve as of the reclassification date

(c) Effective rate based on forward rates from the yield curve as the reclassification date; maturity as the minimum of call date, if applicable, or asset maturity date

The held to maturity portfolio is detailed as follows:

EUR	2013				
	Cost	Fair value reserve	Impairment	Accrued income	Total
Government bonds	587,926,358	(112,882,669)	–	9,957,053	485,000,742
Corporate debt securities	157,929,727	(8,610,365)	(11,821,756)	546,026	138,043,632
Total	745,856,085	(121,493,034)	(11,821,756)	10,503,079	623,044,374
EUR	2012				
	Cost	Fair value reserve	Impairment	Accrued income	Total
Government bonds	654,269,632	(137,706,919)	–	10,930,963	527,493,676
Corporate debt securities	187,196,827	(17,463,810)	–	618,690	170,351,707
Total	841,466,459	(155,170,729)	–	11,549,653	697,845,383

If the reclassifications described previously had not occurred, the additional amounts recognised on fair value reserves would be as follows:

EUR	2013	2012	2011
Fair value reserve, gross	93,455,050	93,359,506	(107,427,692)
Fair value reserve, deferred tax	(29,438,341)	(27,074,257)	26,856,923
	64,016,709	66,285,249	(80,570,769)

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As at 31 December, 2013 and 2012, this balance is analysed as follows:

EUR	2013	2012
Cost	11,116,580	11,116,580
Accumulated depreciation	(2,683,671)	(2,476,750)
Impairment depreciation	(5,004,568)	(3,983,822)
Balance at the end of the year	3,428,341	4,656,008
Fair value	3,504,800	5,355,000

The estimated lifetime of the investment property is analysed as follows:

	Estimated lifetime
Building	34 years
Components	10 years

As at July 2013, an independent valuation was performed, in order to assess the fair value of the investment property. As a result of this valuation, a net impairment loss in the amount of Euro 1,021,000 was recognised.

Note 21 – Other tangible assets

As at 31 December, 2013 and 2012, this balance is analysed as follows:

EUR	2013	2012
Equipment		
IT equipment	1,053,344	949,782
Administrative equipment	1,092,270	1,092,270
Other equipment	1,739,071	1,731,043
	3,884,685	3,773,095
Accumulated depreciation	(2,530,424)	(2,411,252)
Net balance	1,354,261	1,361,843

The movements on this balance are presented as follows:

EUR	IT equipment	Administrative equipment	Other equipment	Total
Acquisition cost				
Balance as at 31 December 2012	949,782	1,092,270	1,731,043	3,773,095
Acquisitions	103,562	–	8,028	111,590
Balance as at 31 December, 2013	1,053,344	1,092,270	1,739,071	3,884,685
Depreciation				
Balance as at 31 December 2012	693,472	1,089,948	627,832	2,411,252
Depreciation of the year	110,838	–	8,334	119,172
Other movements	–	526	(526)	–
Balance as at 31 December, 2013	804,310	1,090,474	635,640	2,530,424
Net balance as at 31 December, 2012	256,310	2,322	1,103,211	1,361,843
Net balance as at 31 December, 2013	249,034	1,796	1,103,431	1,354,261

Note 22 – Goodwill and other intangible assets

As at 31 December 2013, and 2012, this balance is analysed as follows:

EUR	Goodwill	VOBA	Other	Total
Acquisition cost				
Balance as at 31 December 2012	315,740,469	527,989,676	10,741,843	854,471,988
Acquisitions	–	–	969,017	969,017
Balance as at 31 December 2013	315,740,469	527,989,676	11,710,860	855,441,005
Accumulated Amortisation				
Balance as at 31 December 2012	–	(341,846,819)	(5,364,860)	(347,211,679)
Amortisation of the year	–	(22,445,973)	(928,107)	(23,374,080)
Balance as at 31 December 2013	–	(364,292,792)	(6,292,967)	(370,585,759)
Net intangible assets 2012	315,740,469	186,142,857	5,376,983	507,260,309
Net intangible assets 2013	315,740,469	163,696,884	5,417,893	484,855,246

Goodwill relates to the acquisition of Ocidental – Companhia Portuguesa de Seguros de Vida, S.A., Ocidental – Companhia Portuguesa de Seguros, S.A., Pensões-gere – Sociedade Gestora de Fundos de Pensões, S.A., and Medis – Companhia Portuguesa de Seguros de Saúde, S.A., and at acquisition date was allocated as follows:

Life & Pensions segment [EUR]	
Ocidental – Companhia Portuguesa de Seguros de Vida, S.A.	233,127,409
Pensões-gere – Sociedade Gestora de Fundos de Pensões, S.A.	14,360,068
	247,487,477
Non Life segment [EUR]	
Ocidental – Companhia Portuguesa de Seguros, S.A.	64,074,457
Medis – Companhia Portuguesa de Seguros de Saúde, S.A.	4,178,535
	68,252,992
	315,740,469

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As described on the accounting policies, the Group has performed an impairment test on the Goodwill and Value of Business Acquired (VOBA), determining that there were no impairment losses to be recognized. The impairment test of Goodwill was performed based on the 3 years business plan for each business unit approved by the Group Management and taking into account a long term growth of 2%. The present value of the future cash flows was determined using an average discount rate of 12.8% (2012: average of 14%).

The remaining balance of the Value of Business Acquired (VOBA) is expected to be amortised as follows:

EUR	2014	2015	2016	2017	2018	Thereafter
Estimated amortisation of VOBA	21.245.973	19.064.102	18.144.767	17.137.696	15.989.223	72.115.123

Note 23 – Technical reserves, net of reinsurance

As at 31 December 2013, and 2012, this balance for life business is analysed as follows:

EUR	2013		
	Insurance contracts	Investment contracts	Total
Gross			
Life mathematical reserves	191,329,798	4,029,881,002	4,221,210,800
Claims reserves life	37,069,405	19,433,996	56,503,401
Profit sharing reserves	716,300	46,382,010	47,098,310
Attributed	716,300	43,371,641	44,087,941
To be attributed	–	3,010,369	3,010,369
Total Gross	229,115,503	4,095,697,008	4,324,812,511
Reinsurance Ceded			
Life mathematical reserve	841,108	–	841,108
Claims reserves life	479,386	–	479,386
Total Reinsurance	1,320,494	–	1,320,494
Total (net)	227,795,009	4,095,697,008	4,323,492,017
EUR	2012		
	Insurance contracts	Investment contracts	Total
Gross			
Life mathematical reserves	188,783,515	4,264,723,615	4,453,507,130
Claims reserves life	27,280,476	8,619,111	35,899,587
Profit sharing reserves	775,730	45,461,541	46,237,271
Attributed	769,262	45,461,541	46,230,803
To be attributed	6,468	–	6,468
Total Gross	216,839,721	4,318,804,267	4,535,643,988
Reinsurance Ceded			
Life mathematical reserve	769,515	–	769,515
Claims reserves life	822,080	–	822,080
Total Reinsurance	1,591,595	–	1,591,595
Total (net)	215,248,126	4,318,804,267	4,534,052,393

In accordance with IFRS 4, the insurance contracts issued by the Group, for which there is only a transfer of financial risks, with no discretionary profit sharing, are classified as investment contracts.

Additionally, in accordance with IFRS 4, a liability adequacy test was carried out by the Group. As a result, as of 31 December 2013, the technical reserves have been decreased by the amount of Euro 14,500,000 (2012: increase of Euro 7,056,000). This test was performed based on the best estimate assumptions (see note 38).

As at 31 December, 2013 and 2012, this balance is analysed as follows for non-life business:

EUR	2013				
	Accident & Health	Fire & Other damage	Motor	Other Lines	Total
Gross					
Unearned premiums reserve	24,003,143	6,153,150	6,880,853	2,709,591	39,746,737
Claims outstanding reserve	57,711,061	13,948,807	22,633,267	6,438,725	100,731,860
Profit sharing reserve	700,059	–	–	–	700,059
Equalisation reserve	–	412,803	–	65,404	478,207
Unexpired risk reserve	2,084,218	6,817	2,621,688	293,604	5,006,327
Total Gross	84,498,481	20,521,577	32,135,808	9,507,324	146,663,190
Reinsurance Ceded					
Unearned premiums reserve	5,918,288	1,467,390	–	1,190,301	8,575,979
Claims outstanding reserve	1,702,638	4,631,056	506,047	2,491,163	9,330,904
Total Reinsurance	7,620,926	6,098,446	506,047	3,681,464	17,906,883
Total (net)	76,877,555	14,423,131	31,629,761	5,825,860	128,756,307

	2012				
	Accident & Health	Fire & Other damage	Motor	Other Lines	Total
Gross					
Unearned premiums reserve	21,882,282	5,982,150	5,558,541	2,377,123	35,800,096
Claims outstanding reserve	56,270,587	13,885,900	20,933,085	6,861,614	97,951,186
Profit sharing reserve	704,541	–	–	–	704,541
Equalisation reserve	–	821,797	–	64,126	885,923
Unexpired risk reserve	1,553,647	127,620	2,265,525	401,263	4,348,055
Total Gross	80,411,057	20,817,467	28,757,151	9,704,126	139,689,801
Reinsurance Ceded					
Unearned premiums reserve	5,245,578	1,108,752	–	1,281,347	7,635,677
Claims outstanding reserve	3,071,387	3,240,559	709,035	2,219,908	9,240,889
Total Reinsurance	8,316,965	4,349,311	709,035	3,501,255	16,876,566
Total (net)	72,094,092	16,468,156	28,048,116	6,202,871	122,813,235

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Claims outstanding reserve for Workers compensation includes the amount of Euro 13,738,000 (2012: Euro 13,973,000) related to the mathematical reserves.

In accordance with IFRS 4, a liability adequacy test for Workers compensation was carried by the Group, in alignment with the test performed for life annuities. As a result, as of 31 December 2013, the technical reserves of this segment include the amount of Euro 2,894,000 (2012: Euro 3,702,000) booked as LAT reserve. This test was performed based on the best estimate assumptions (see note 38).

Claims outstanding reserve life and non-life, including reinsurance accepted, represents unsettled claims occurring before 31 December 2013, and includes an amount of Euro 32,953,000 (2012: Euro 34,550,000) for incurred but not reported claims (IBNR).

Claims outstanding reserve includes an estimation of future costs related with the settlement of pending claims, both declared and non-declared, in the amount of Euro 2,358,000 (2012: Euro 2,187,000).

The unearned premiums reserve is net of deferred acquisition costs as follows:

EUR	2013	2012
Unearned premiums reserve	45,634,416	41,219,762
Deferred acquisition costs	(5,887,679)	(5,419,666)
Net	39,746,737	35,800,096

The movements on the deferred acquisition costs are analysed as follows:

EUR	2013	2012
Deferred acquisition costs as at 1 January	5,419,666	5,603,149
Acquisition costs of the year	5,887,679	5,419,666
Acquisition costs amortisation	(5,419,666)	(5,603,149)
Deferred acquisition costs as at 31 December	5,887,679	5,419,666

The profit sharing reserves corresponds to the amounts attributed to policyholders or beneficiaries of insurance contracts, in the form of profit participation, which have not yet been specifically allocated and included in the life mathematical reserve.

EUR	2013			2012		
	Life	Non Life	Total	Life	Non Life	Total
Balance as at 1 January	46,237,271	704,541	46,941,812	49,242,557	1,117,811	50,360,368
Amounts paid	(42,438,977)	(400,090)	(42,839,067)	(47,879,519)	(875,270)	(48,754,789)
Estimated attributable amounts	40,289,647	395,608	40,685,255	44,874,233	462,000	45,336,233
Shadow accounting	3,010,369	—	3,010,369	—	—	—
Total	47,098,310	700,059	47,798,369	46,237,271	704,541	46,941,812

Profit sharing reserves includes the shadow adjustment that corresponds to an estimation of the unrealised gains and losses on the assets covering

liabilities arising out from insurance and investment contracts with discretionary participation features, to the extent that it is expected that policyholders will participate on those unrealised gains and losses, when they became realised, in accordance with the terms of the contracts and applicable legislation. As at 31 December, 2013 the shadow adjustment amounts to Euro 3,010,000.

In accordance with regulations and contractual terms in place, profit sharing calculations have been performed for each product and/or policy, when applicable. In some cases, Management can decide to attribute more than the minimum required due to strategic and/or commercial reasons, for instance, up-front guaranteed rates have been attributed to some new business.

The amounts attributed or to be attributed to policyholders are shown in the table below:

EUR	2013	2012
Profit sharing to be attributed to policyholders, 1 January	6,468	46,641
Release, accordingly to plan	(6,468)	(40,173)
Accounted, accordingly to plan	3,010,369	–
Total, 31 December	3,010,369	6,468
Profit sharing attributed to policyholders, 1 January	46,230,803	49,195,916
Distributed to policyholders during the year	(42,438,977)	(47,879,519)
Assigned to policyholders – contractual	40,296,115	41,558,021
Assigned to policyholders – commercial	–	3,356,385
Total, 31 December	44,087,941	46,230,803
Total Profit sharing, 31 December	47,098,310	46,237,271

Note 24 – Employee benefits

Pensions and other post retirement obligations

In accordance with the terms of its employment contracts, the Group is responsible for pensions and disability payments as stipulated in the Collective Agreements for Insurance Activity (CCT).

Additionally, the Group assumed the responsibility with a Complementary Plan and health employment benefits.

On 23 December, 2011 a new labor agreement for the Insurance Companies – “Plano CCT – Contrato Coletivo de Trabalho da Atividade Seguradora” or “CCT” was signed.

In accordance with this revised agreement, the following changes were introduced: (i) permanency premium attributable to employees, in the form of additional salary increase at every five years until the age of 50, if certain conditions are met; (ii) replacement of a defined benefit plan to a defined contribution plan, and; (iii) adoption of a defined contribution plan for all employees as from 1 January, 2012.

Regarding the Complementary Plan, the following decisions were determined by Millenniumbcp Ageas: (i) as of 1 October 2012, curtailment of the

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plan, with the employees maintaining the accrued benefits up to 2011, and; (ii) as of 31 October 2013, liquidation of the plan, with the settlement of the respective liability.

The obligations with retirement pensions of the Group are funded by collective subscriptions to an Open Pension Fund, denominated by 'Horizonte Valorização'.

On this basis, Group companies will, annually, fund the pension fund in order to cover its benefits. The amount will be determined in accordance with the actuarial valuation performed each year, and funding will be performed annually.

The actuarial valuation of accrued pension and other employee benefits for the Group is performed annually, with the latest valuation performed as at 31 December, 2013.

As at 31 December, 2013 and 2012 the number of participants of the benefit plan was as follows:

	2013	2012
Number of participants		
Employees	441	419
Retired and pensioners	61	53
	502	472

The actuarial assumptions used in the calculation of the present value of the employee's benefits are as follows:

	2013	2012
Discount rate	3.50%	4.00%
Future salary increases	2.50%	2.50%
Expected return on plan assets at 31 December	3.50%	4.00%
Future pension increases	1.50%	1.50%
Mortality table:		
Men	TV88/90	TV88/90
Women	TV 88/90 rated down 2 years	TV 88/90 rated down 2 years
Actuarial Method	Project Unit Credit	Project Unit Credit

As mentioned in note II.1 t), as from 1 January 2013, the Group adopted the IAS 19 (2011) – Employee Benefits amended. As a result of the accounting policy change, the Group no longer uses the corridor method, and currently recognizes directly in equity the actuarial gains/ (losses) of the year. In accordance with IAS 8, this accounting policy change is presented for comparative purposes as from 1 January 2012, therefore the total amount of actuarial gains and losses deferred as of that date were transferred to reserves.

As at 31 December, 2013 and 2012, employee's benefits and fair value of plan assets are analysed as follows:

EUR	2013				2012			
	Pension plans	Other post employment benefits	Other long term benefits	Total	Pension plans	Other post employment benefits	Other long term benefits	Total
Projected benefit obligations	(19,617,623)	(4,680,193)	(429,396)	(24,727,212)	(33,772,792)	(4,192,781)	(545,191)	(38,510,764)
Fair value of plan assets	19,942,201	–	–	19,942,201	34,281,572	–	–	34,281,572
Net asset/(liability)	324,578	(4,680,193)	(429,396)	(4,785,011)	508,780	(4,192,781)	(545,191)	(4,229,192)

Additionally, the Group transferred part of their pension fund liabilities through the acquisition of life insurance policies in Ocidental Vida. The number of pensioners covered by these policies amounts to 9 (2012: 9), and the total liability amounts to Euro 1,853,000 (2012: Euro 1,932,000), which is included in the life insurance reserves.

Other long term benefits relates to the 'permanency premium' considered in the revised labour agreement for the Insurance Companies – "Plano CCT".

The liabilities with pensions and other post employee's benefits in 2013 and 2012 can be analysed as follows:

EUR	2013				2012			
	Pension plans	Other post employment benefits	Other long term benefits	Total	Pension plans	Other post employment benefits	Other long term benefits	Total
Liabilities as at 1 January	33,772,792	4,192,781	545,191	38,510,764	28,015,241	3,136,959	431,319	31,583,519
Current service cost	50,196	173,350	73,804	297,350	38,705	129,542	45,418	213,665
Interest cost	1,324,084	166,017	19,871	1,509,972	1,445,174	163,062	22,644	1,630,880
Plan amendment	–	(276,097)	–	(276,097)	–	–	–	–
Settlement of Complementary Plan	318,711	–	–	318,711	–	–	–	–
Benefits paid by the fund or by the Group	(1,414,565)	(87,040)	(66,356)	(1,567,961)	(992,281)	(85,265)	–	(1,077,546)
Actuarial (gains)/losses	1,925,217	488,267	(143,114)	2,270,370	2,647,456	819,874	45,810	3,513,140
Complementary Plan settlement effect	(17,092,471)	–	–	(17,092,471)	–	–	–	–
Curtailement losses related to early retirements	733,659	22,915	–	756,574	2,618,497	28,609	–	2,647,106
Liabilities as at 31 December	19,617,623	4,680,193	429,396	24,727,212	33,772,792	4,192,781	545,191	38,510,764

The plan amendment of other post employment benefits corresponds to the impact of the change in the Portuguese retirement age, in accordance with the Decree-law 167-E/2013.

The amount recognised as a cost by the Group in 2013 and 2012 is analysed as follows:

EUR	2013				2012			
	Pension plans	Other post employment benefits	Other long term benefits	Total	Pension plans	Other post employment benefits	Other long term benefits	Total
Current service cost	50,196	173,350	73,804	297,350	38,705	129,542	45,418	213,665
Net Interest on net defined benefit liability	263,288	166,017	19,871	449,176	196,435	163,062	22,644	382,141
Plan amendment	–	(276,097)	–	(276,097)	–	–	–	–
Actuarial (gains)/losses	–	–	(143,114)	(143,114)	–	–	45,810	45,810
Settlement of Complementary Plan	318,711	–	–	318,711	–	–	–	–
Curtailment losses related to early retirements	733,659	22,915	–	756,574	2,618,497	28,609	–	2,647,106
Total benefit expenses	1,365,854	86,185	(49,439)	1,402,600	2,853,637	321,213	113,872	3,288,722

The changes in the fair value of plan assets during 2013 and 2012 are analysed as follows:

EUR	2013	2012
Opening balance as at 1 January	34,281,572	28,642,920
Group contributions	2,444,206	4,228,611
Benefits paid by the fund	(1,414,565)	(992,281)
Expected return on plan assets	1,060,796	1,248,739
Actuarial gains (losses) on plan assets	662,663	1,153,583
Complementary Plan settlement effect	(17,092,471)	–
Balance as at 31 December	19,942,201	34,281,572

The net actuarial (gains)/losses in 2013 and 2012, recognised in other comprehensive income, are analysed as follows:

EUR	2013			2012		
	Pension plans	Other post employment benefits	Total	Pension plans	Other post employment benefits	Total
Net actuarial (gains)/losses at the beginning of the year	8,015,722	643,893	8,659,615	6,521,849	(175,981)	6,345,868
Actuarial (gains) / losses in relation to the DBO	1,429,934	494,856	1,924,790	2,647,456	819,874	3,467,330
Actuarial (gains) / losses in relation to the plan assets	(662,663)	–	(662,663)	(1,153,583)	–	(1,153,583)
Net actuarial (gains)/losses at the end of the year	8,782,993	1,138,749	9,921,742	8,015,722	643,893	8,659,615

As at 31 December 2013 and 2012, the actuarial (gains)/losses incurred as a result of the changes in actuarial assumptions amounted to Euro 2,906,000 and Euro 4,579,000, respectively.

The Group's contribution to the pension fund amounted to Euro 2,444,000 (2012: Euro 4,229,000), being made in cash. Additionally, the Group has also contributed with an amount of Euro 506,000 (2012: Euro 177,000) to the complementary defined contribution plan started in 2012.

The development of prepaid/(accrued) benefit cost is analysed as follows:

EUR	2013				2012			
	Pension plans	Other post employment benefits	Other long term benefits	Total	Pension plans	Other post employment benefits	Other long term benefits	Total
Prepaid / (accrued) benefit cost as at 1 January	508,780	(4,192,781)	(545,191)	(4,229,192)	7,149,528	(3,312,940)	(431,319)	3,405,269
Net periodic benefit cost	(1,365,854)	(86,185)	49,439	(1,402,600)	(2,853,637)	(321,213)	(113,872)	(3,288,722)
Net Actuarial (gains)/losses	(1,262,554)	(488,268)	–	(1,750,822)	(8,015,722)	(643,893)	–	(8,659,615)
Benefits paid by the Group	–	87,041	66,356	153,397	–	85,265	–	85,265
Employer contributions and other contributions	2,444,206	–	–	2,444,206	4,228,611	–	–	4,228,611
Prepaid / (accrued) benefit cost as at 31 December	324,578	(4,680,193)	(429,396)	(4,785,011)	508,780	(4,192,781)	(545,191)	(4,229,192)

The pension fund assets are analysed as follows:

EUR	2013	2012
Variable income securities	5,152,698	8,293,018
Fixed income securities	13,397,305	21,682,034
Real State	300,607	587,065
Others	1,091,591	3,719,455
	19,942,201	34,281,572

Health benefit cost has an impact in pension costs. Considering this impact, Millenniumbcp Ageas produced a sensitivity analysis to a positive one percent variation in health benefit costs (from 6.25% to 7.25%), whose impact is analysed as follows:

EUR	2013	2012
Pension cost impact	31,001	27,736
Liability impact	748,831	670,845

The sensitivity analyses to the discount rate, future salary increase and future pension increase is analysed as follows:

EUR	Impact of financial assumptions change	
	-1.00%	+1.00%
Discount rate	3,821,941	(3,013,796)
Future pension increase	(2,377,766)	2,814,216
Future salary increase	(574,864)	693,250
EUR	Mpact of demographic assumptions change	
	+1 year	
Change to mortality table	919,042	

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As at 31 December, 2013 and 2012 this balance is analysed as follows:

EUR	2013	2012
Receivables from policyholders	17,920,171	17,135,291
Receivables from intermediaries	2,690,129	2,352,073
Receivables from reinsurance operations	9,596,194	11,132,798
	30,206,494	30,620,162
Impairment	(6,899,882)	(7,133,791)
Total trade receivables	23,306,612	23,486,371
Other receivables	3,182,333	4,015,235
Impairment	(6,526)	(6,526)
Total other receivables	3,175,807	4,008,709
Total	26,482,419	27,495,080

Receivables from policyholders includes an amount of Euro 10,176,000 (2012: Euro 8,809,000) related with uncollected premiums.

Receivables from policyholders also includes the amount of Euro 6,378,000 (2012: Euro 7,089,000) related with claims reimbursements issued in the scope of the agreement between BCP Group and the Sindicatos Bancários do Norte, Centro e Sul.

The changes occurred in impairment losses of receivables from trade and other receivables are analysed as follows:

EUR	2013		2012	
	Trade	Other	Trade	Other
Balance at the beginning of the year	7,133,791	6,526	5,169,666	55,807
Write back for the year	(301,941)	–	(252)	(49,281)
Charge of the year	68,032	–	1,964,377	–
Balance at the end of the year	6,899,882	6,526	7,133,791	6,526

Note 26 – Income tax assets and liabilities

The Group has determined the tax charges for the year on the basis of a nominal rate of 31.5% (25% corporate income tax plus 6.5% of municipal and state surcharges). Additionally, following the endorsement by the Portuguese Government of the Decree-law n. 83/2013 and Law n.2/2014, the same nominal rate of 31.5% has been applied by the Group in determining the deferred tax associated with existing temporary differences as of 31 December, 2013.

The Portuguese Tax Authorities are entitled to review the annual tax return of the Group subsidiaries for a period of four years or six years in case there are tax losses brought forward. Hence, it is possible that some additional taxes may be assessed, mainly as a result of differences in interpretation of the tax law. However, the Board of Directors of the Group subsidiaries are confident

that there will be no further material tax assessments within the context of the financial statements.

The income tax assets and liabilities are analysed as follows:

EUR	2013	2012
Current tax assets and other taxes	26,829,612	24,756,596
Current tax assets	2,101,596	–
Other taxes	24,728,016	24,756,596
Deferred tax assets	11,276,856	22,252,483
Income tax assets	38,106,468	47,009,079
Current tax liabilities and other taxes	13,941,247	76,997,874
Current tax liabilities	1,100,730	68,533,893
Other taxes	12,840,517	8,463,981
Deferred tax liabilities	51,564,519	53,981,429
Income tax liabilities	65,505,766	130,979,303

As at 31 December, 2013 and 2012, other tax assets includes an amount of Euro 24,728,000, related with a VAT reimbursement arising from a real estate portfolio transfer from Millennium BCP – Prestação de Serviços, A.C.E., to Pensõesgera – Sociedade Gestora de Fundos de Pensões, S.G.F.P., S.A., management entity of the BCP Group pension fund.

Other tax liabilities includes taxes payable to the State and insurance taxes payable to the Portuguese Insurance Institute, namely taxes on policies, “FAT”, “Serviço Nacional de Bombeiros” and “Instituto Nacional de Emergência Médica”.

The deferred tax assets and liabilities recognised in the financial statements as at 31 December, 2013 and 2012 are analysed as follows:

EUR	Assets		Liabilities		Net	
	2013	2012	2013	2012	2013	2012
Intangible assets	–	–	(51,564,519)	(53,981,429)	(51,564,519)	(53,981,429)
Investments	(7,298,854)	1,605,684	–	–	(7,298,854)	1,605,684
Insurance and investment contracts liabilities	11,812,508	15,367,673	–	–	11,812,508	15,367,673
Provisions	3,362,484	2,350,815	–	–	3,362,484	2,350,815
Other	3,400,718	2,928,311	–	–	3,400,718	2,928,311
Deferred tax asset / (liability)	11,276,856	22,252,483	(51,564,519)	(53,981,429)	(40,287,663)	(31,728,946)
Off set asset / (liability)	–	–	–	–	–	–
Net deferred tax asset / (liability)	11,276,856	22,252,483	(51,564,519)	(53,981,429)	(40,287,663)	(31,728,946)

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The changes in deferred tax recognised in 2013 and 2012, are analysed as follows:

EUR	2013		2012	
	Recognised on income	Recognised on equity	Recognised on income	Recognised on equity
Investment property	–	–	(16,872)	–
Intangible assets	2,416,910	–	7,068,417	–
Investments	400,877	(9,305,415)	459,582	(28,254,587)
Insurance and investment contracts liabilities	(3,555,165)	–	3,125,024	–
Provisions	1,011,669	–	211,962	–
Tax losses carried forward (life segment)	–	–	(27,443,956)	(63,955,842)
Other	328,686	143,721	834,613	–
Deferred tax asset / (liability)	602,977	(9,161,694)	(15,761,230)	(92,210,429)

The income tax expense for the year ended 31 December, 2013 and 2012 is analysed as follows:

EUR	2013	2012
Current tax	(43,621,879)	(28,951,969)
Deferred tax	602,977	(15,761,230)
Total tax recognised in the income statement	(43,018,902)	(44,713,199)

The taxes recognised in equity for the year ended 31 December, 2013 and 2012 are analysed as follows:

EUR	2013	2012
Unrealized gains/losses from available for sale		
Current tax	(36,817,792)	(71,090,893)
Deferred tax	22,400,655	83,940,761
	(14,417,137)	12,849,868
Actuarial gains/losses		
Deferred tax	143,721	–
	(14,273,416)	12,849,868

The reconciliation of the income tax rate is analysed as follows:

EUR	2013	2012
Profit before taxes	125,914,529	138,894,262
Statutory rate	31,5%	29,0%
Income tax calculated on the statutory rate	39,663,077	40,279,336
Autonomous taxation	124,675	122,566
Effect of changes in taxes rates on temporary differences	4,092,422	–
Additional local income taxes	–	3,758,673
Other permanent differences	(861,272)	552,624
	43,018,902	44,713,199

Note 27 – Accrued income and deferred charges

As at 31 December 2013 accrued income and deferred charges includes an amount of Euro 1,724,000 (2012: Euro 1,499,000) related to the service provided by Accenture regarding the claims management of non-life (excluding health) and life risk segments.

Note 28 – Investment contracts liabilities at fair value through profit and loss

Investment contracts liabilities at fair value through profit and loss in the amount of Euro 5,616,776,000 (2012: Euro 5,786,792,000) relates to unit-linked contracts. These liabilities include the fair value of any guarantees or options embedded on the investment contracts.

In accordance with IFRS criteria, the investment contracts liabilities at fair value through profit and loss are classified as Level 2. The valuation of these liabilities is performed by the Group considering the fair value of the underlying assets.

Note 29 – Other financial liabilities

Other financial liabilities, in the amount of Euro 14,302,000 (2012: Euro 13,486,000), relates to funds held under reinsurance agreements, which represents the value of guarantees received from reinsurers, arising from the acceptance of reinsurance risks and premiums.

Note 30 – Trade and other payables

As at 31 December, 2013 and 2012, this balance is analysed as follows:

EUR	2013	2012
Due to agents, policyholders and intermediaries	24,221,200	11,434,722
Due to reinsurers	9,535,571	4,778,913
Trade amounts payable	33,756,771	16,213,635
Other liabilities	155,518,340	31,471,604
Total	189,275,111	47,685,239

Due to agents balance includes the amount of Euro 17,700,000 (2012: Euro 7,524,000) related with commissions payable to Grupo Banco Comercial Português, S.A., under the distribution agreement established with Millenniumbcp Ageas.

As at 31 December, 2013 and 2012, other liabilities includes an amount of Euro 24,728,000, related with a VAT reimbursement arising from a real estate portfolio transfer from Millennium BCP – Prestação de Serviços, A.C.E., to Pensõesgera – Sociedade Gestora de Fundos de Pensões, S.G.F.P., S.A., management entity of the BCP Group pension fund.

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Additionally, other liabilities includes the amount of Euro 126,500,000 (2012: Euro 1,500,000) related with unsettled payments arising from securities purchases at the end of the year.

Note 31 – Deferred income and accrued charges

As at 31 December, 2013 deferred income and accrued charges includes an amount of Euro 3,737,000 (2012: Euro 4,799,000) related to unit linked management fees to be paid to the asset manager.

Additionally, accrued charges includes an accrual related with the present value of the future contributions to Workers Compensation Fund (FAT) in the amount of Euro 975,000 (2012: Euro 977,000) as described on the accounting policies.

Note 32 – Provisions

As at 31 December, 2013 and 2012, the provisions balance is analysed as follows:

EUR	2013	2012
Provision for income tax	93,437	93,437
Provisions for other risks and charges – others	7,638,399	5,201,360
Total	7,731,836	5,294,797

As at 31 December 2013 and 2012, the changes in provisions are as follows:

EUR	2013	2012
Balance as at 1 January	5,294,797	5,703,467
Net charge of the year – OpAdmExp	2,587,039	(88,670)
Write back for the year – Other	(150,000)	(320,000)
Balance as at 31 December	7,731,836	5,294,797

As a result of the undergoing restructuring process through pre-retirement benefits, as of 31 December 2013, the Group has a provision recognised in the amount of Euro 3,800,000 (2012: Euro 4,638,000). The net charge of the year includes the amount of Euro 801,000 (2012: Euro 2,647,000) transferred to the Group Pension Fund, regarding the employees that have accepted the pre-retirement (see note 24).

II.6 Notes to the Statement of changes in equity

Note 33 – Share capital, fair value reserve, retained earnings and other reserves

Share capital

As at 31 December, 2013 and 2012, the authorised share capital of Millenniumbcp Ageas, Grupo Segurador, S.G.P.S., S.A., is represented by 200,000,475 shares with a face value of Euro 5 each, fully subscribed and paid by the shareholders.

The shareholders of the Group are presented as follows:

	% Share capital
Ageas Insurance International, N.V.	51
Banco Comercial Português, S.A. (*)	49
	100

(*) Through BCP Investment BV which is owned 100% by Banco Comercial Português, S.A.

Fair value reserve (gross)

The fair value reserve corresponds to: (i) the accumulated fair value changes of financial instruments categorized as available for sale, in accordance with the accounting policy presented in note II.1 f), and; (ii) the accumulated losses of the held to maturity portfolio, recognized in fair value reserves as of the date of the reclassification from the available for sale category, that will be amortized until the maturity of the securities transferred (see note 19).

The movements of the fair value reserve of financial instruments categorized as available for sale, during 2013 and 2012, are analysed as follows:

EUR	2013	2012
Balance as at 1 January	8,897,258	(410,933,395)
Revaluations	56,667,755	420,693,042
Sales	339,396	(862,389)
Balance as at 31 December	65,904,409	8,897,258

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The fair value reserve of financial instruments categorized as available for sale can be detailed as follows:

EUR	Note	2013	2012
Amortised cost	17	4,572,339,117	4,338,425,484
Impairment	17	(7,266,872)	(1,640,971)
Amortised cost, net of impairment		4,565,072,245	4,336,784,513
Fair value	17	4,630,976,654	4,345,681,771
Unrealised gains/(losses) recognised as fair value reserve		65,904,409	8,897,258
Profit sharing to be attributed ("shadow")	23	(3,010,369)	—
Fair value reserve, net of shadow adjustment		62,894,040	8,897,258
Fair value reserve of held to maturity portfolio	19	(121,493,034)	(155,170,730)
Total fair value reserve as of 31 December		(58,598,994)	(146,273,472)

Other reserves

Fair value reserve (current and deferred taxes)

The fair value reserve (current and deferred taxes) or tax reserve relates to the tax movements arising from temporary differences recognized in equity, which are determined in accordance with the requirements described in note II.1 u). Additionally, as in accordance with the Portuguese tax legislation, unrealized gains and losses on financial instruments backing life insurance liabilities with profit sharing are taxable, the current tax associated with those changes in fair value are also recognized in the tax reserve.

Legal reserve

Under Portuguese legislation, Millenniumbcp Ageas is required to established a legal reserve of 5% of net statutory profit earned each year, until this reserve corresponds to 20% of share capital.

Retained earnings

As of 3 January 2013, the Board of Directors has approved the distribution of retained earnings to shareholders, in the amount of Euro 40,000,000. The impact of this distribution was accounted for as of 31 January 2013.

The equity as at 31 December, 2013 is analysed as follows:

EUR	Share capital	Fair value reserve			Other reserves	Retained earnings	Profit after tax	Total equity
		Gross	Current and deferred taxes	Net				
Issuance of capital	1,000,002,375	—	—	—	—	—	—	1,000,002,375
Unrealised gains and losses AFS, net	—	65,904,409	(45,738,662)	20,165,747	—	—	—	20,165,747
Profit sharing to be attributed ("shadow"), net	—	(3,010,369)	948,266	(2,062,103)	—	—	—	(2,062,103)
Unrealised gains and losses AFS transferred to HTM, net	—	(121,493,034)	30,373,259	(91,119,775)	—	—	—	(91,119,775)
Profit after tax of the year	—	—	—	—	—	—	82,895,627	82,895,627
Retained earnings	—	—	—	—	—	434,543,043	—	434,543,043
Legal reserve	—	—	—	—	8,557,667	—	—	8,557,667
Actuarial gains and losses, net	—	—	—	—	(9,778,022)	—	—	(9,778,022)
Balance as at 31 December, 2013	1,000,002,375	(58,598,994)	(14,417,137)	(73,016,131)	(1,220,355)	434,543,043	82,895,627	1,443,204,559

The equity as at 31 December, 2012 is analysed as follows:

EUR	Share capital	Fair value reserve			Other reserves	Retained earnings	Profit after tax	Total equity
		Gross	Current and deferred taxes	Net				
Issuance of capital	1,000,002,375	—	—	—	—	—	—	1,000,002,375
Unrealised gains and losses AFS, net	—	8,897,258	(25,942,814)	(17,045,556)	—	—	—	(17,045,556)
Unrealised gains and losses AFS transferred to HTM, net	—	(155,170,730)	38,792,682	(116,378,048)	—	—	—	(116,378,048)
Profit after tax of the year	—	—	—	—	—	—	94,181,064	94,181,064
Retained earnings	—	—	—	—	—	381,221,044	—	381,221,044
Legal reserve	—	—	—	—	8,187,297	—	—	8,187,297
Actuarial gains and losses, net	—	—	—	—	(8,659,615)	—	—	(8,659,615)
Balance as at 31 December, 2012	1,000,002,375	(146,273,472)	12,849,868	(133,423,604)	(472,318)	381,221,044	94,181,064	1,341,508,561

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II.7 Additional information to Operating segments

Note 34 – Non life technical margins by line of business

EUR	2013					2012				
	Accidents and health	Fire and other hazards	Motor	Other lines	Total	Accidents and health	Fire and other hazards	Motor	Other lines	Total
Net premiums earned	157,522,987	25,285,015	21,641,833	3,715,937	208,165,772	157,548,720	22,830,405	19,809,185	3,876,460	204,064,770
Net claims expenses	(112,670,800)	(16,201,201)	(17,172,556)	(594,326)	(146,638,883)	(112,438,292)	(13,663,949)	(14,656,639)	(1,362,151)	(142,121,031)
Changes in other technical reserves net	(530,570)	529,798	(356,164)	106,381	(250,555)	(156,738)	(143,026)	11,044	(108,370)	(397,090)
Profit sharing, net	(395,608)	–	–	–	(395,608)	(462,000)	–	–	–	(462,000)
Acquisition/administrative expenses, net	(31,414,061)	(7,635,740)	(5,715,776)	(1,357,528)	(46,123,105)	(35,551,206)	(4,812,665)	(5,410,925)	(1,549,824)	(47,324,620)
Interest, dividends and other similar income	3,279,694	468,486	573,625	182,351	4,504,156	3,017,026	372,692	552,081	200,688	4,142,487
Financial expenses	(644,062)	(131,759)	(208,803)	(60,493)	(1,045,117)	(520,192)	(109,888)	(150,949)	(54,372)	(835,401)
Net gains/(losses) from financial assets	114,472	22,405	29,021	9,039	174,937	(104,577)	2,027	2,772	719	(99,059)
Other income / (expenses) technical, net	125,082	(2,604)	–	–	122,478	116,742	(213)	–	–	116,529
Technical margin	15,387,134	2,334,400	(1,208,820)	2,001,361	18,514,075	11,449,483	4,475,383	156,569	1,003,150	17,084,585
Net investment income					603,682					746,491
Net realised gains / (losses)					74,534					(164,878)
General expenses					(152,722)					(118,017)
Net other income / (expenses)					(490,860)					(1,546,740)
Non technical result					34,634					(1,083,144)
Profit before tax non Life					18,548,709					16,001,441
EUR	2013					2012				
	Accidents and health	Fire and other hazards	Motor	Other lines	Total	Accidents and health	Fire and other hazards	Motor	Other lines	Total
Gross reserves	84,498,481	20,521,577	32,135,808	9,507,324	146,663,190	80,411,059	20,817,468	28,757,150	9,704,126	139,689,803
Reinsurance share in reserves	7,620,926	6,098,446	506,047	3,681,464	17,906,883	8,316,966	4,349,310	709,035	3,501,255	16,876,566

Note 35 – Life technical margins by type of product

EUR	2013				2012			
	Insurance contracts	Investment contracts	Unit linked contracts	Total	Insurance contracts	Investment contracts	Unit linked contracts	Total
Net premiums earned	155,877,174	437,754,857	–	593,632,031	146,691,299	138,788,051	–	285,479,350
Fees on investment contracts	–	–	62,982,600	62,982,600	–	–	48,535,594	48,535,594
Net claims expenses	(59,006,480)	(776,011,645)	–	(835,018,125)	(44,842,356)	(647,823,152)	–	(692,665,508)
Changes in mathematical reserves, net	(2,474,691)	271,416,772	–	268,942,081	2,279,053	431,206,767	–	433,485,820
Profit sharing, net	(5,805,389)	(34,484,258)	–	(40,289,647)	(6,120,356)	(38,753,877)	–	(44,874,233)
Acquisition and administrative expenses, net	(18,826,919)	(23,985,958)	(22,068,798)	(64,881,675)	(19,486,136)	(20,520,224)	(13,758,081)	(53,764,441)
Interest, dividends and other similar income	8,810,317	135,424,784	–	144,235,101	6,979,536	143,509,696	–	150,489,232
Financial expenses	(755,282)	(6,481,829)	(8,535,840)	(15,772,951)	(746,827)	(8,053,460)	(9,173,880)	(17,974,167)
Net gains/(losses) from financial assets	8,405	(772,487)	(9,602)	(773,684)	(348,369)	12,304,590	2,053,203	14,009,424
VOBA amortisation	(19,616,613)	(2,495,117)	(334,243)	(22,445,973)	(20,352,953)	(2,659,618)	(1,361,280)	(24,373,851)
Other technical income / (expenses), net	84,699	496,003	–	580,702	163,309	1,138,588	–	1,301,897
Technical margin	58,295,221	861,122	32,034,117	91,190,460	64,216,200	9,137,361	26,295,556	99,649,117
Net investment income				9,272,822				14,495,449
Net realised gains / (losses)				3,276,120				4,898,686
General expenses				(4,908,120)				(4,459,062)
Net other income / (expenses)				8,534,538				8,308,632
Non technical result				16,175,360				23,243,705
Profit before tax life				107,365,820				122,892,822

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II.8 Other Notes

Note 36 – Related party transactions

As at 31 December, 2013 and 2012, the remuneration of key management – Board of directors, is analysed as follows:

EUR	2013	2012
Remuneration	1,356,030	1,240,826
Contributions to pensions plans	16,193	12,367
	1,372,223	1,253,193

The impacts of the transactions with related parties, per item, are analysed as follows:

BALANCE SHEET [EUR]	BCP Group	Ageas Group	BCP Pensions Fund	Pensions Fund	Total
Due from banks	260,222,845	–	–	–	260,222,845
Loans and receivables – other deposits	472,198,695	–	–	–	472,198,695
Investments available for sale	180,394,131	–	–	–	180,394,131
Investments held to maturity	20,385,627	–	–	–	20,385,627
Investments held at fair value through profit and loss	2,956,348,602	74,762,260	–	–	3,031,110,862
Other assets	107,419	27,685	–	–	135,104
Total assets	3,889,657,319	74,789,945	–	–	3,964,447,264
Insurance and investment contracts liabilities	106,029,958	–	–	–	106,029,958
Other liabilities	18,309,168	586,200	27,622	4,355,614	23,278,604
Total liabilities	124,339,126	586,200	27,622	4,355,614	129,308,562
Net assets / liabilities 2013	3,765,318,193	74,203,745	(27,622)	(4,355,614)	3,835,138,702
Net assets / liabilities 2012	4,226,436,986	86,864,340	(27,622)	(3,684,001)	4,309,589,703
INCOME STATEMENT [EUR]	BCP Group	Ageas Group	BCP Pensions Fund	Pensions Fund	Total
Net premiums earned	21,407,604	–	32,079,582	–	53,487,186
Interest income and Dividends	112,945,202	4,747,502	–	–	117,692,704
Net gains/(losses) from financial assets not held at fair value through profit and loss	222,011	–	–	–	222,011
Net gains/(losses) from financial assets and liabilities held at fair value through profit and loss	112,494,231	24,909,645	–	–	137,403,876
Other income	–	119,976	–	–	119,976
Total income	247,069,048	29,777,123	32,079,582	–	308,925,753
Changes in insurance and investment contracts liabilities (net)	(19,732,428)	–	(16,935,138)	–	(36,667,566)
Acquisition expenses (net)	(72,493,393)	–	–	–	(72,493,393)
Operating and administrative expenses	(13,782,793)	(986,700)	(77,294)	(1,452,039)	(16,298,826)
Total expenses	(106,008,614)	(986,700)	(17,012,432)	(1,452,039)	(125,459,785)
Net Income / Expenses 2013	141,060,434	28,790,423	15,067,150	(1,452,039)	183,465,968
Net Income / Expenses 2012	457,525,606	36,952,428	16,063,887	(3,174,850)	507,367,071

Transactions with Banco Comercial Português Group, comprises mainly investments, fees due to BCP for selling insurance products through its network and fees for shared services due to Millennium BCP Prestação de Serviços, A.C.E.

The related party transactions were made on terms equivalent to those that prevail in an arm's length transactions.

Note 37 – Assets under management

Pensõesgere is a pension fund management company. The assets under management as at 31 December, 2013 and 2012 are analysed as follows, by type of investment:

[EUR]	2013	2012
Equity securities	2,076,938,822	1,913,895,754
Fixed income securities	1,821,438,885	1,763,754,649
Investment property	467,217,159	512,050,715
Total	4,365,594,866	4,189,701,118

The roll forward of the year of the assets under management, is analysed as follows:

[EUR]	2013	2012
Value as at 1 January	4,189,701,118	3,864,546,840
Net contributions	(79,958,571)	195,839,758
Capital gains/(losses)	257,046,784	168,201,719
Transfers	(1,194,465)	(38,887,199)
Value as at 31 December	4,365,594,866	4,189,701,118

Note 38 – Risk management

“Insurance is the equitable transfer of the risk of a loss, from one entity to another in exchange for payment. It is a form of risk management primarily used to hedge against the risk of a contingent, uncertain loss”

— source Wikipédia.

For Millenniumbcp Ageas assuming risk is intrinsic to how the company creates value for its customers, shareholders, regulators and rating agencies. The strategy is to ensure that value is added to the business through the acceptance, warehousing, and transformation of risks that can be understood and effectively managed within a well-designed risk management system. Millenniumbcp Ageas sees a sound risk management as key in ensuring sustainable profitable growth and therefore, a core competence.

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Statements**Millenniumbcp Ageas Risk Governance**

Within Millenniumbcp Ageas corporate governance, it is in place a risk management organizational structure fully aligned with the risk management structure of Ageas Group.

Millenniumbcp Ageas risk management is based on a process, guiding principles and a robust and formalized framework. All the Enterprise Risk Management is defined through a set of policies, namely for the business conduct and also the limits and minimum standards towards the risks pre-identified. It contains also the description of the roles and responsibilities in the risk management system and sets the reporting requirements.

The risk management function at Millenniumbcp Ageas is centralized under the Chief Risk Officer (CRO) being at the same time the Chief Financial Officer (CFO).

Risk Taxonomy

To ensure a consistent and comprehensive approach aiming risk identification, assessment, monitoring and response within Millenniumbcp Ageas, it is in place a *Risk Taxonomy* whereby it defines the different categories of risks that might affect all its companies.

The risk taxonomy is divided into four broad categories:



Financial, Operational and Insurance risks are quantified within Solvency II Pillar I requirements, and Strategic risks are quantified within Solvency II Pillar II requirements.

Strategic Risks

Strategic Risks cover external and internal factors that can impact Millenniumbcp Ageas' ability to meet its current business objectives and also to position it and achieving ongoing growth and value creation. This includes changes in the external environment including regulatory, economic, competitive landscape or geopolitical environment.

Strategic Risks are managed via Key Risk Reporting (KRR), a process that also contributes to elaborate and implement the appropriate response at a Strategic Level. The KRR is the output of the identification and assessment process of the major key risks across Millenniumbcp Ageas that can impact negatively the realization of the key strategic objectives. Additionally, there are other key processes ongoing that are involved on the overall Strategic Risks Management.

Financial Risks

Millenniumbcp Ageas Financial Risk Governance

One of the core category risks within our Organization is the financial. Stems from the risk of loss or of adverse changes in the fluctuations in the level and in the volatility of market prices of assets, liabilities and other financial instruments, *market risks* or, possible losses due to unexpected default of the counterparties and debtors, *default risk* or, the risk of being unable to meet short term financial demands, *liquidity risk*.

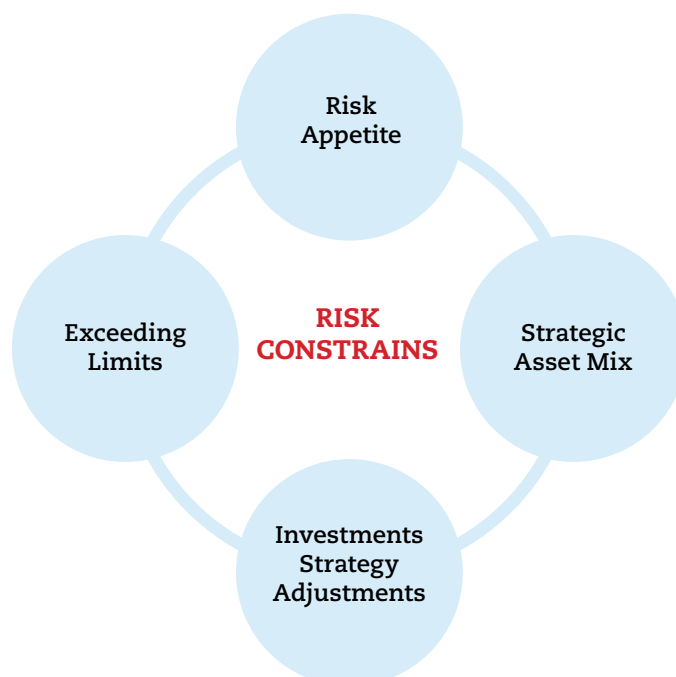
The governance regarding financial Risks at Millenniumbcp Ageas are plain defined and can be resumed as follows:

- › Administration board of Millenniumbcp Ageas provides a final approval of the Investment Strategy;
- › Investment decisions at Millenniumbcp Ageas and all of its subsidiaries are responsibility of the Chief Financial Officer (CFO) and of the Investment Department. Further to that, the CFO has responsibilities in managing Financial Risks using the Risk Committee, the Asset Management Committee (AMC is a sub-committee of the Risk Committee) and the Tactical Investment committee;
- › The Risk and Actuarial Department:
 - Is in charge for the Strategic Asset Allocation (SAA) as well as the reporting on the Financial risks exposure of Millenniumbcp Ageas;
 - Proposes new Investment Strategies (outcome of SAA) and provides related information to the Risk Committee and to the Executive Committee;
 - Reports on adherence to the Investment Strategy and relevant policies;
 - Supports action (including risk mitigation) taken where necessary, especially to avoid or rectify limit breaches (i.e. soft limits) – Risk Appetite.
- › The Investment Function:
 - Operational Management of investments;
 - Develops the Investment Strategy (tactical allocation), which complies with risk constraints, regulation and SAA. Investment function provides clear guidance to asset managers which is delegated to an external asset manager (F&C Portugal) and monitors the relationship with them, their decisions and actions, in order to maximize return, through the AMC;
 - Reports on the exposure limits set by the AMC/Risk Committee or by Regulators.
- › The Risk Committee:
 - Is responsible for approving the Risk Constraints, monitoring adherence to them.
- › The Risk Officer Function:
 - Provides the Risk Appetite Constrains and the aggregate risk constraints;
 - Provides an opinion on the appropriateness on the risk policies;
 - Is a member of the RC/AMC Committee;
 - Gives an opinion on the overall Investment Strategy before it is approved by the Board.

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Management of Financial Risks in Millenniumbcp Ageas is built around four key elements:



Millenniumbcp Ageas Financial Risks

Financial Risks, according with the Millenniumbcp Ageas risk taxonomy is divided into the following categories:



Default Risk

The *Default Risk* reflects possible losses due to unexpected default of the counterparties and debtors with an additional coverage on the investment default. The scope of the *Default Risk* category includes risk-mitigating contracts, such as reinsurance arrangements, securitisations and derivatives, and receivables from intermediaries, but also defaults on investment assets (bonds, equities, etc.).

Given the potential for overlap between spread risk and default risk coverage, the risk taxonomy of Millenniumbcp Ageas is elaborated in a way to insure that all credit related risks are identified and covered by one or the other risk type and there is no double counting.

It is possible that a single counterparty or highly correlated counterparties may create risks in both Spread Risk and Default Risk. For example it is possible to have Market Risk exposure to a re-insurer via bonds or equity held and Counterparty Default Risk via re-insurance protection

Market Risk

The assets and liabilities of Millenniumbcp Ageas are managed in order to maximize the shareholder value, provide for growth that is sound, enhance profitability, serve customer needs, and to protect Millenniumbcp Ageas from any disastrous financial consequences arising from changes in interest rates, foreign exchange, spreads, equities, etc. The risk of loss or of adverse change in the financial situation resulting, directly or indirectly, from fluctuations in the level and in the volatility of market prices of assets, liabilities and financial instruments is defined at Millenniumbcp Ageas as *Market risk*.

To reduce the *Market Risk*, Millenniumbcp Ageas uses diversification as one of the mitigation actions, consequently the investment securities portfolio, is monitored in terms of ratings, industries, markets and countries.

As part of the *Market Risk*, currency risk arises from changes in the level or volatility of relevant currency exchange rates when there is a mismatch between the relevant currency of the assets and liabilities.

Any financial product is denominated in a specific currency and exchange rate risk stems from a change of the exchange rate of a currency to the reference currency of Millenniumbcp Ageas (Euro).

Millenniumbcp Ageas states that all foreign exchange risk should be hedged. Only the Unit Linked products are currently exposed to currency risk.

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The following table indicates the overall investments securities available for sale, held at fair value through profit and loss, held to maturity as well as trading portfolios, by type of security (excluding accrued interest):

INVESTMENTS PORTFOLIO [EUR]	2013	%	2012	%
Available for sale	4,630,976,654	100.0%	4,345,681,771	100.0%
Government bonds	1,892,008,788	40.9%	1,495,843,123	34.4%
Corporate debt securities	2,448,597,396	52.9%	2,564,752,305	59.0%
Equity securities	43,673,623	0.9%	17,623,156	0.4%
Participation in unit funds				
Debt	66,283,874	1.4%	61,562,607	1.4%
Equity	9,876,645	0.2%	—	0.0%
Real Estate	170,536,328	3.7%	196,873,917	4.5%
Alternative	—	0.0%	9,026,663	0.2%
Held at fair value	5,072,840,751	100.0%	5,506,155,071	100.0%
Government bonds	782,424,084	15.4%	262,933,852	4.8%
Corporate debt securities	3,862,441,027	76.1%	5,002,725,171	90.9%
Participation in unit funds				
Debt	199,492,866	3.9%	115,978,060	2.1%
Equity	184,908,567	3.6%	104,542,075	1.9%
Real Estate	2,131,053	0.0%	1,225,653	0.0%
Alternative	41,443,154	0.8%	18,750,260	0.3%
Held to maturity	623,044,374	100.0%	697,845,383	100.0%
Government bonds	485,000,743	77.8%	527,493,676	75.6%
Corporate debt securities	138,043,631	22.2%	170,351,707	24.4%
Other financial assets / (liabilities)	189,374,495		209,580,274	
Trading derivatives	189,374,495		209,580,274	
Total	10,516,236,274		10,759,262,499	

As at 31 December, 2013 and 2012, the fair value of the assets and liabilities carried at amortised cost, is presented as follows:

ASSETS [EUR]	2013	2012
Cash and equivalents	260,222,845	139,303,695
Loans and receivables	472,198,695	511,694,670
Trade and other receivables	26,482,419	27,495,080
Investments held to maturity	623,044,374	697,845,383
Total	1,381,948,333	1,376,338,828
LIABILITIES [EUR]		
Other financial liabilities	14,302,060	13,485,536
Trade and other payables	189,275,111	47,685,239
Total	203,577,171	61,170,775

The equity securities held by Millenniumbcp Ageas types of industry are as follows:

EQUITY SECURITIES BY INDUSTRY [EUR]	Available for sale			
	2013		2012	
	Book value	%	Book value	%
Financial	38,983,873	89.3%	17,620,156	100.0%
Consumer, Non-cyclical	4,689,750	10.7%	3,000	0.0%
	43,673,623	100.0%	17,623,156	100.0%

The debt securities held by Millenniumbcp Ageas, can be analyzed by type of industry as follows:

EQUITY SECURITIES BY INDUSTRY [EUR]	Available for Sale				Held at Fair Value				Held to maturity			
	2013		2012		2013		2012		2013		2012	
	Book value	%	Book value	%	Book value	%	Book value	%	Book value	%	Book value	%
Government	1,892,008,788	43.6%	1,495,843,123	36.8%	782,424,084	16.8%	262,933,852	5.0%	485,000,743	77.8%	527,493,676	75.6%
Financial	1,552,551,025	35.8%	1,937,998,570	47.7%	3,238,609,357	69.7%	3,745,798,538	71.1%	20,385,627	3.3%	19,578,382	2.8%
Asset Backed Securities	16,390,003	0.4%	5,032,687	0.1%	91,816	0.0%	12,843,969	0.2%	–	0.0%	–	0.0%
Industrial	115,974,692	2.7%	149,745,716	3.7%	210,713,781	4.5%	417,165,041	7.9%	50,436,162	8.1%	64,309,128	9.2%
Utilities	341,700,955	7.9%	169,670,458	4.2%	32,819,901	0.7%	33,111,859	0.6%	–	0.0%	–	0.0%
Mortgage Securities	15,858,391	0.4%	12,413,679	0.3%	–	0.0%	7,492,859	0.1%	–	0.0%	–	0.0%
Consumer, Non-cyclical	53,794,312	1.2%	54,756,247	1.3%	39,695,015	0.9%	38,170,208	0.7%	–	0.0%	–	0.0%
Consumer, Cyclical	78,466,786	1.8%	62,766,232	1.5%	5,181,600	0.1%	103,603,429	2.0%	–	0.0%	–	0.0%
Communications	183,080,928	4.2%	113,161,653	2.8%	65,755,745	1.4%	203,147,024	3.9%	–	0.0%	8,782,214	1.3%
Basic materials	9,024,419	0.2%	–	0.0%	178,665,050	3.8%	358,555,843	6.8%	10,495,986	1.7%	22,390,720	3.2%
Diversified	8,540,038	0.2%	23,147,111	0.6%	90,878,511	2.0%	82,836,401	1.6%	56,725,856	9.1%	55,291,263	7.9%
Energy	73,215,847	1.7%	36,059,952	0.9%	30,251	0.0%	–	0.0%	–	0.0%	–	0.0%
	4,340,606,184	100.0%	4,060,595,428	100.0%	4,644,865,111	100.0%	5,265,659,023	100.0%	623,044,374	100.0%	697,845,383	100.0%

The following table outlines the investment grade for all debt securities (based on external ratings or equivalent):

DEBT SECURITIES BY RATING [EUR]	Available for Sale				Held at Fair Value				Held to maturity			
	2013		2012		2013		2012		2013		2012	
	Book value	%	Book value	%	Book value	%	Book value	%	Book value	%	Book value	%
AAA	510,494,975	11.8%	571,752,662	14.1%	426,361	0.0%	810,748	0.0%	–	0.0%	–	0.0%
AA	736,508,198	17.0%	803,619,902	19.8%	637,207	0.0%	3,693,114	0.1%	–	0.0%	–	0.0%
A	531,683,511	12.2%	383,425,399	9.4%	34,719,397	0.7%	11,988,965	0.2%	–	0.0%	–	0.0%
BBB	787,522,686	18.1%	688,448,619	17.0%	240,924,832	5.2%	633,580,921	12.0%	10,495,986	1.7%	28,491,937	4.1%
BB	1,556,964,356	35.9%	1,357,403,959	33.4%	1,515,317,952	32.6%	1,237,966,893	23.5%	514,263,016	82.5%	563,629,686	80.8%
B	165,765,437	3.8%	220,626,632	5.4%	2,805,258,679	60.4%	3,339,164,591	63.4%	98,285,372	15.8%	103,042,763	14.8%
CCC	2,910,731	0.1%	6,051,601	0.1%	47,369,755	1.0%	25,861,659	0.5%	–	0.0%	–	0.0%
CC	–	0.0%	–	0.0%	–	0.0%	4,152	0.0%	–	0.0%	–	0.0%
C	48,756,290	1.1%	29,266,654	0.7%	210,928	0.0%	12,587,980	0.2%	–	0.0%	2,680,997	0.4%
Not rated	4,340,606,184	100.0%	4,060,595,428	100.0%	4,644,865,111	100.0%	5,265,659,023	100.0%	623,044,374	100.0%	697,845,383	100.0%
Government bonds	1,892,008,788	43.6%	1,495,843,123	36.8%	782,424,084	16.8%	262,933,852	5.0%	485,000,743	77.8%	527,493,676	75.6%
Corporate debt securities	2,448,597,396	56.4%	2,564,752,305	63.2%	3,862,441,027	83.2%	5,002,725,171	95.0%	138,043,631	22.2%	170,351,707	24.4%
Total	4,340,606,184	100.0%	4,060,595,428	100.0%	4,644,865,111	100.0%	5,265,659,023	100.0%	623,044,374	100.0%	697,845,383	100.0%

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For deposits and trade and other receivables (based on external ratings or equivalent) the figures are as follows (the amounts associated with the ratings refer only to the reinsurers who have debtor balance):

EUR	2013		2012	
	Value	%	Value	%
Deposits				
B	732,421,540	100.0%	650,998,365	100.0%
Trade and other receivables				
AA	2,891,422	10.9%	3,491,459	12.7%
A	2,536,129	9.6%	3,317,908	12.1%
BBB	684,014	2.6%	1,203,341	4.4%
Not rated	20,370,854	76.9%	19,482,372	70.9%
	26,482,419	100.0%	27,495,080	100.0%
Total	758,903,959		678,493,445	

The participation in unit funds held by Millenniumbcp Ageas can be analyzed by type and geographic breakdown, as follows:

PARTICIPATION IN UNIT FUNDS BY GEOGRAPHICAL BREAKDOWN [EUR]	AVAILABLE FOR SALE			
	Portugal	Luxemburg	Total	%
Debt	–	66,283,874	66,283,874	26.9%
Equity	1,811,565	8,065,080	9,876,645	4.0%
Real Estate	170,536,328	–	170,536,328	69.1%
Total as at December 2013	172,347,893	74,348,954	246,696,847	100.0%
Debt	–	61,562,607	61,562,607	23.0%
Real Estate	196,873,917	–	196,873,917	73.6%
Alternative	2,346,823	6,679,840	9,026,663	3.4%
Total as at December 2012	199,220,740	68,242,447	267,463,187	100.0%

PARTICIPATION IN UNIT FUNDS BY GEOGRAPHICAL BREAKDOWN [EUR]	HELD AT FAIR VALUE									
	Portugal	Luxemburg	France	Ireland	Virgin Isle	EUA	England	Germany	Total	%
Debt	421,731	177,733,166	5,970,672	14,825,586	–	–	541,711	–	199,492,866	46.6%
Equity	114,491	170,472,829	–	9,666,610	–	311,366	4,343,271	–	184,908,567	43.2%
Real Estate	–	2,131,053	–	–	–	–	–	–	2,131,053	0.5%
Alternative	–	22,608,051	–	8,918,763	7,398,722	–	419,484	2,098,134	41,443,154	9.7%
Total as at December 2013	536,222	372,945,099	5,970,672	33,410,959	7,398,722	311,366	5,304,466	2,098,134	427,975,640	100.0%
Debt	426,079	105,962,985	3,154,454	5,809,988	–	–	624,554	–	115,978,060	48.2%
Equity	105,626	72,305,781	–	25,640,332	–	495,208	5,995,128	–	104,542,075	43.5%
Real Estate	–	1,225,653	–	–	–	–	–	–	1,225,653	0.5%
Alternative	–	11,919,721	–	628,988	5,784,460	–	417,091	–	18,750,260	7.8%
Total as at December 2012	531,705	191,414,140	3,154,454	32,079,308	5,784,460	495,208	7,036,773	–	240,496,048	100.0%

Within this category of risk is also included the *Market Risk Concentration*. This can arise due to large aggregate investment in a single counterparty or in a number of positively correlated counterparties (i.e. tendency to default under

similar circumstances) with the potential to produce a significant amount of capital loss.

Liquidity Risk

Is the risk of expected and unexpected cash demands by policyholders, and other contract holders that cannot be met without suffering losses or without endangering the business franchise due to constraints on liquidating assets.

In order to monitor the *Liquidity Risk*, Millenniumbcp Ageas approach lies on a combination of managing funding resources as well as maintaining a buffer of highly marketable assets (according to the investment rules).

The presented figures should not be compared with the accounting balances figures, as they include projected cash flows that are not discounted.

As at December 31, 2013 and 2012, the projected cash flows (undiscounted) for the financial instruments, according to their maturity, are presented as follows:

LIQUIDITY RISK 2013 (EUR)	<1 month Maturity	1-3 months Maturity	3-12 months Maturity	1-5 years Maturity	> 5 years Maturity	No Maturity	Total
Interest bearing – Fixed rate	221,048,441	540,811,607	1,264,384,121	2,079,491,820	1,090,617,833	–	5,196,353,822
Interest bearing – Variable rate	15,819,970	12,940,596	72,631,753	223,909,279	37,820,338	–	363,121,936
Non-interest bearing	168,174,446	179,449,438	403,399,183	76,101,043	121,154,345	290,370,470	1,238,648,925
Investments held at fair value through profit/loss	21,343,158	157,689,145	1,058,543,232	2,383,449,482	1,859,309,363	427,975,640	5,908,310,020
Financial assets	426,386,015	890,890,786	2,798,958,289	4,762,951,624	3,108,901,879	718,346,110	12,706,434,703
Non financial assets	2,805,907	5,611,813	27,497,614	102,573,934	22,807,445	387,855,593	549,152,306
Total assets	429,191,922	896,502,599	2,826,455,903	4,865,525,558	3,131,709,324	1,106,201,703	13,255,587,009
Other financial liabilities	35,317,177	20,426,615	13,891,826	133,733,180	185,085	23,288	203,577,171
Liabilities on behalf policyholders	26,963,901	209,716,673	739,360,447	2,733,734,670	1,907,000,332	–	5,616,776,023
Financial liabilities	62,281,078	230,143,288	753,252,273	2,867,467,850	1,907,185,417	23,288	5,820,353,194
Non financial liabilities	52,355,557	188,537,635	679,654,201	1,759,004,104	2,465,637,407	–	5,145,188,904
Total liabilities	114,636,635	418,680,923	1,432,906,474	4,626,471,954	4,372,822,824	23,288	10,965,542,098

LIQUIDITY RISK 2012 [EUR]	<1 month Maturity	1-3 months Maturity	3-12 months Maturity	1-5 years Maturity	> 5 years Maturity	No Maturity	Total
Interest bearing – Fixed rate	186,471,381	312,562,335	974,989,939	2,369,218,719	900,076,937	–	4,743,319,310
Interest bearing – Variable rate	19,974,959	134,706,991	110,289,782	370,378,734	33,668,946	–	669,019,411
Non-interest bearing	575,899,974	85,615,911	314,048,597	40,944,374	21,538,550	285,086,343	1,323,133,749
Investments held at fair value through profit/loss	21,272,354	351,448,122	1,069,669,917	3,051,340,227	1,988,955,684	240,496,048	6,723,182,353
Financial assets	803,618,667	884,333,359	2,468,998,235	5,831,882,055	2,944,240,117	525,582,391	13,458,654,824
Non financial assets	2,828,044	5,656,087	27,280,224	115,634,209	29,761,194	403,844,815	585,004,573
Total assets	806,446,711	889,989,446	2,496,278,459	5,947,516,264	2,974,001,312	929,427,206	14,043,659,397
Other financial liabilities	(34,876,550)	21,132,072	45,463,855	29,385,091	55,313	10,994	61,170,775
Liabilities on behalf policyholders	18,502,673	239,529,359	996,151,545	2,955,515,245	1,577,092,969	–	5,786,791,790
Financial liabilities	(16,373,878)	260,661,431	1,041,615,400	2,984,900,336	1,577,148,281	10,994	5,847,962,565
Non financial liabilities	57,381,437	42,469,475	914,096,876	2,296,594,814	2,523,523,460	–	5,834,066,062
Total liabilities	41,007,559	303,130,906	1,955,712,276	5,281,495,150	4,100,671,742	10,994	11,682,028,627

The attainment of the projected cash flows of financial instruments is based on the principles and assumptions existing in Millenniumbcp Ageas to manage and control liquidity in the course of its business with the necessary adjustments relating to the disclosure requirements applicable.

For financial assets, namely investments (excluding unit linked), discretion was taken as the contractual maturity and the maturity date is considered the nominal value added to the projected value of the coupon payable until maturity using for floating rate notes the coupon paid in December 2013 and 2012 respectively.

With regard to liabilities, the calculation of the projected cash flows of the mathematical provision of life (non-financial liabilities) and financial liabilities from the deposit component of insurance contracts and investment contracts were considered the following assumptions:

- i) The balance sheet value of contracts “Unit Linked” was considered mature “view”;
- ii) In the calculation of the cash flows were not considered the premature withdrawals.

Insurance Liability Risk

Millenniumbcp Ageas Insurance risks Governance

Millenniumbcp Ageas manages insurance risks through a combination of its underwriting policy, pricing, provisioning and reinsurance.

The Governance structure for Insurance risk is briefly summarized as follows:

- › Management (as part of the first line of defence) is responsible for ensuring appropriate processes are in place to manage insurance risks in that the processes support the achievement of strategic business objectives;
- › The establishment by the management of an Insurance Risk Policy and their respective minimum standards. In case of limit breaches, an escalation process to the Risk Officer should be in place to inform on the breach and on the mitigating actions that will be taken;

- › The Risk Function is responsible to define the Risk Appetite constraints and the aggregate risk constraints, for evaluating and managing insurance risks within the policies and guidelines set at Millenniumbcp Ageas level;
- › The Risk Function must have an aggregated view on the risks underwritten;
- › The Risk Committee is responsible for approving the Risk Constraints, regularly assesses the adequacy of premium rates and technical reserves;
- › Management needs to develop a business plan / budget within the risk. Controls need to be undertaken to ensure risks remain within stated objectives;
- › In case of limit breaches, an escalation process to the Risk Officer should be in place.

Across the organisation several departments are involved in the insurance risk management, such as Risk and Actuarial Department, Underwriting, Reinsurance and Investments.

Underwriting and Pricing

Underwriting is one of the most important parts of the insurance process being set as part of the overall management of insurance risk. An insurance contract transfers risk from the policyholders to the insurance company. The process by which applicants are segmented according to the level of expected claims and risks and for deriving an appropriate price for accepting the risk is the underwriting process. Following this description, pricing covers the expected level of risk and includes a margin for unexpected deviations thereof.

A range of indicators and statistical analysis tools are used to refine underwriting standards in order to improve loss experience and/or ensure pricing is adjusted appropriately.

The result of the underwriting process should provide for appropriately priced insurance policies covering both the expected and unexpected risks. How much the policyholder needs to pay for obtaining a predetermined coverage (premium) is referred to the pricing of an insurance contract.

The appropriateness of pricing is tested using techniques and key performance indicators appropriate for a particular portfolio, on both an a priori basis (e.g. profit testing) and an a posteriori basis (e.g. embedded value, combined ratios).

The factors taken into consideration in the pricing of insurance change by product, according to the coverage and benefits offered, however, in general include:

- › Expected claims of the policyholders and related expected benefit payments and their timing;
- › The level and nature of variability associated with the expected benefits. This includes analysis of claims statistics as well as consideration of the evolution of jurisprudence, the economic environment and demographic trends;
- › Other costs of producing the relevant product, such as distribution, marketing, policy administration, and claim administration costs;
- › Financial conditions, reflecting the time value of money;
- › Solvency capital requirements;
- › Target levels of profitability;
- › Insurance market conditions, notably competitor pricing of similar products.

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The adequacy of insurance liabilities is reviewed at each reporting date and required increases in liabilities are immediately recorded and recognised in the income statement. The liability adequacy testing (LAT) is in line with IFRS requirements. The LAT is defined and implemented to provide assurance to Millenniumbcp Ageas' management that sufficient assets are held to back liabilities on best-estimate, economic basis with also a high degree of confidence.

Additionally, the appointed actuaries assess the adequacy of the insurance charges and reserves regularly, and independent external entity certifies the Non-Life provisions regularly.

Reinsurance

Where appropriate, Millenniumbcp Ageas enters into reinsurance contracts to limit exposure to underwriting losses. This reinsurance may be on a policy by policy basis (facultative reinsurance), namely where the level of cover required by the policyholder exceeds internal underwriting limits or, on portfolio basis (treaty reinsurance) i.e. when individual policyholder exposures are within local limits but where an unacceptable risk of accumulation of claims exists at group level, namely due to weather related events (catastrophe disasters). The latter events are mostly weather related or manmade. The selection of reinsurance companies is based primarily on security and support provided.

To enable the group to benefit from aggregate buying power, diversification and best practice reinsurance strategy is coordinated centrally. This allows local businesses the flexibility to set their own risk appetite based on local considerations while ensuring the group buys reinsurance based on group level capacity and diversification.

The major objective of reinsurance is to mitigate the impact of major earthquakes, windstorms or floods, large single claims where claims limits are high and to mitigate the impact of several claims triggered by a single event.

The maximum risk exposure per event after reinsurance and after deductibles per segment and product line is summarized below:

NON LIFE & HEALTH (EUR)

Line of Business	Type of Reinsurance	Range of Cover	Net Retention
Fire & Earthquake	Surplus	14,950,000	350,000
Fire (Natural Perils)	CAT excess of loss	256,000,000	20,000,000
General Third Party Liability (per risk / event)	Excess of loss	2,450,000	50,000
Engineering	Quota Share + Surplus	2,750,000	250,000
Motor Liability	Excess of loss	49,500,000	500,000
Motor Hull	Excess of loss	4,500,000	500,000
Marine Hull&Cargo	Quota share	2,000,000	600,000
Marine (per risk / event)	CAT excess of loss	1,800,000	200,000
Personal Accident (per risk / event)	Excess of loss	49,850,000	150,000
Workmen's Compensation (per risk / event)	Excess of loss	29,600,000	400,000
Health Business (Munich)	Quota share	1,000,000	200,000
Health Business (Acunsa)	Quota share	Ilimited	0%

LIFE [EUR]

Line of Business	Type of Reinsurance	Range of Cover	Net Retention
Life/Disability	Surplus	4,400,000	110,000
Life Catastrophe	CAT excess of loss	15,000,000	330,000

GMillenniumbcp Ageas Insurance Risks

Accepting risks through insurance contracts must be subject to sound risk management principles. The amount of insurance risk that Millenniumbcp Ageas is willing to accept must be in line with the risk appetite and strategy defined.

The risk accepted through the insurance contracts, are classified under Millenniumbcp Ageas taxonomy of Specific Insurance Risks.

Insurance risk refers to all risks inherent to the insurance business, excluding any components that are covered under Financial or operational risks. In line with the Millenniumbcp Ageas risk taxonomy, the insurance risk can be divided into the following categories:

- › Life insurance liability risk;
- › Non-life insurance liability risk;
- › Health insurance liability risk.

Life Underwriting Risks

The Life insurance liability risk is divided into two big blocs: Life underwriting risk and Catastrophe risk.

Claims relating to Term insurance and Annuity products are sensitive to changes in the mortality rates. Observed decreases in mortality rates with respect to the pricing mortality are referred to as longevity risk, while increases are referred to as mortality risk. Unexpected increases in mortality rates will lead to higher than expected claims for term products but lower claims for annuity products, while decreases in mortality rates (longevity risk) will have the opposite impact. Given the long-term nature of life business, unexpected changes in lapse rates or on-going expenses can also have a significant impact.

Life-catastrophe risk is the risk of loss, or of adverse change in the value of insurance liabilities, resulting from the significant uncertainty of pricing and provisioning assumptions related to extreme or exceptional events.

One of the life insurance risks, Longevity Risk, arises when unexpected decreases in mortality rates lead to higher than expected claims for annuity products. Longevity risk is managed through pricing, underwriting policy, by regularly reviewing the mortality tables used for pricing and establishing provisions, by limitation of the contract period and by re-pricing at renewal. Where longevity is found to be improving faster than assumed in the mortality tables additional provisions are established and, whenever possible, the tables are updated.

Given the continuing expected increase in life expectancy of the population insured, the risk of unexpected increase, other quite important life insurance risk, mortality risk, in the business on a portfolio level is not considered significant at this stage. There is however a risk of mortality “disaster” caused by epidemic diseases, a major event such as an industrial accident or terrorist

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attack. Mortality risk of this type is mitigated through underwriting policy and close monitoring of mortality tables, but also through several excess-of-loss and catastrophe reinsurance treaties.

The main actuarial assumptions used in the calculation of the present value of Workmen's Compensation mathematical reserves are the following:

	Redeemable pensions	Non redeemable pensions
Mortality table	TD 88/90	35% TV 88/90 65% TV 73/77
Discount rate	5.25%	3.5%
Management fees	2.4%	4.0%

Regarding Workmen's Compensation, a liability adequacy testing is applicable to non-redeemable pensions. The assumptions taken into consideration are the same as referred above, where discount rate corresponds to the risk free yield curve.

Under current regulations life insurance provisions are calculated according with the actuarial assumptions defined in each policy.

For Millenniumbcp Ageas the assumptions are shown below:

	Mortality table	Technical rate
Term insurance	PM 60/64 or GKM 80	3% or 4%
Annuities*	TV 73/77, GKF 80, GKF 95	2.75%, 3%, 3.5%
Savings with DPF	PF 60/64 or GKF 80	0%, 2%, 2.4%, 3%, 3.25% or 4%

(*) The mathematical provision for each policy in force cannot be lower than the amount calculated with TV 73/77 and 3.5% discount rate.

For liability adequacy test purposes, the mortality assumptions are based on best estimates derived from portfolio experience investigations as at 31 December 2013 and 2012. Future cash flows are evaluated through internal embedded value model and have been discounted at risk free yield curve. The mortality assumptions were:

	2013		2012	
	Male	Female	Male	Female
Term insurance				
Stand Alone	70% GKM95	70% GKF95	70% GKM95	70% GKF95
Mortgage Loans	50% GKM95	47,5% GKF95	50% GKM95	47,5% GKF95
Personal Loans	50% GKM95	45% GKF95	50% GKM95	45% GKF95
Annuities	100% PERM2000C	100% PERF2000C	100% PERM2000C	100% PERF2000C
Savings	40% GKM95	45% GKF95	40% GKM95	40% GKF95

Disability risk covers the uncertainty in claims due to disability rates higher than expected and can arise, for example, within the portfolios of health business, workmen's compensation, personal accidents and term business.

The incidence of disability as well as the recovery from disability is influenced by several factors such as economic environment, governmental intervention, medical advances and costs as well as standards used for disability assessment. This risk is managed through regular review of historical claims patterns, expected future trends and adjusting pricing, provisioning and underwriting policy appropriately. Millenniumbcp Ageas also mitigates disability risk through medical selection strategies and appropriate reinsurance coverage.

Regular sensitivity analyses are developed at Millenniumbcp Ageas in order to analyze the fair value of the insurance liabilities. The fair value is determined as the net present value of expected cash flows, taking into account embedded options such as profit-sharing. The valuation is performed on the basis of the market consistent principles. Contractual cash flows are discounted at the risk free rate, whereas non-contractual cash flows such as profit sharing are valued with risk-neutral principles.

The table below provides further information on sensitivities to both, market and insurance risks on the fair value of equity, i.e., the fair value of all assets minus the fair value of all liabilities:

LIFE BUSINESS (EUR)

Sensitivities	Impact on Fair Value at 31.12.2013	Impact on Fair Value at 31.12.2012
Risk free rates +100 bp	13,997,895	28,493,744
Risk free rates -100 bp	(35,766,833)	(55,021,179)
Market value of shares and real estate -10%	(23,449,822)	(25,912,935)
Expenses -10%	11,460,913	12,129,076
Mortality rates -5%	8,149,541	8,698,677
Lapse rates -10%	15,628,230	15,968,503

Non-Life and Health Underwriting Risks

The Non-Life and Health underwriting risk shall reflect the risk arising from the Non-Life insurance obligations, in relation to the perils covered and the processes used in the conduct of business.

The Non-Life and Health insurance risk can arise from the uncertainty over the level of losses related with motor, fire & property damage, third party liability, accident and the other lines of business.

The time required to report and settle claims is an important factor to take into account in the analysis of volatility/severity of their costs. Short-tail claims (i.e. claims with short term resolution), such as motor damage and property damage claims generally are reported within a few days or weeks and are settled shortly thereafter. Resolution of long-tail claims, such as bodily injury or liability claims, can take years to complete. For long-tail claims, due to the nature of the loss, information concerning the event, such as required medical treatment, may not be readily obtainable. In addition, the analysis of long-tail losses is more difficult, requires more detailed work and is subject to greater uncertainties than short-tail losses. For workers Compensation products, in case of claims generating a permanent disability or death, payments are due

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for the lifetime of the injured person or family. In this case the main risk is the longevity risk which is a similar to life type of risk.

Non-life and Health claims provisions are established for claims that have occurred but which have not yet been settled and for claims already occurred but still to be reported. In general, Millenniumbcp Ageas establishes claims provisions by claim, coverage and damage type, taking into account the projections of the undiscounted payments and also the estimate of claims not yet reported. It is also considered the cost of the future inflation.

Unexpired Risk is the risk related to those claims for which premiums have been received but the risk has not yet expired, and is covered by unearned premium reserves within the technical provisions. However, unearned premiums could prove to be insufficient to cover expected insured events during the remaining contract period. As a result at each reporting date, Millenniumbcp Ageas performs a premium adequacy test and builds up an unexpired risk reserve if the premium is insufficient for future costs.

The adequacy of provisions is tested at least quarterly, in line with group policy and is regularly certified by independent external actuaries. Any adjustments resulting from changes in provisions estimates are reflected in current results of operations. Additionally, whenever adequate, underwriting and pricing policies may be reviewed.

The claims provision development table below provides information on the historical adequacy of the claims provision.

BALANCE SHEET POSITION AS AT END OF YEAR								
(EUR)	2006	2007	2008	2009	2010	2011	2012	2013
Gross claim reserves – incl IBN(E)R – for unpaid claims and allocated claim expenses as at the end of the reporting year.	59,961,862	61,885,453	63,824,579	70,184,162	74,406,671	78,628,226	78,089,708	81,741,939
<i>Cumulative payments at:</i>								
One year of development	21,763,715	20,603,878	26,212,709	34,129,809	32,068,910	35,727,056	31,200,616	
Two years of development	24,404,684	26,243,302	33,145,210	41,448,744	38,527,958	40,412,517		
Three years of development	27,235,730	31,052,408	36,871,536	45,013,046	41,366,513			
Four years of development	30,078,011	34,211,856	39,361,682	46,961,354				
Five years of development	32,453,105	38,716,340	40,564,543					
Six years of development	36,512,397	37,705,548						
Seven years of development	35,442,925							
<i>Re-estimated reserve at:</i>								
One year of development	54,685,321	52,871,836	58,658,157	70,412,088	65,179,098	66,628,765	62,067,709	
Two years of development	51,217,276	53,022,951	59,938,850	66,506,977	61,822,175	63,648,636		
Three years of development	49,511,959	54,068,029	56,852,726	62,898,759	60,137,207			
Four years of development	46,541,525	51,117,267	54,022,251	61,955,879				
Five years of development	44,408,121	51,151,708	53,219,522					
Six years of development	45,269,328	48,262,130						
Seven years of development	42,562,847							
Cumulative redundancy/deficiency from the initial gross reserves in excess of the re-estimated gross reserves:								
Nominal amount (d)	17,399,015	13,623,323	10,605,057	8,228,283	14,269,464	14,979,591	16,021,999	
Percentage	29.0%	22.0%	16.6%	11.7%	19.2%	19.1%	20.5%	

RECONCILIATION BETWEEN THE RESERVES REPORTED IN THE BALANCE SHEET AND THE CLAIMS DEVELOPMENT TABLE (EUR)	2012	2013
Gross reserves for unpaid claims and allocated claims expenses as at the end of the reporting year (a)	78,089,708	81,741,939
Claims held at discounted value (b)	17,674,815	16,631,564
Unallocated Loss Adjustment expenses	2,186,663	2,358,357
Total gross claims reserves and other reserves for Non-Life	97,951,186	100,731,857

To mitigate the claims risk, the insurance business applies selection and underwriting policies based on their historical claims experience and modeling. This is done by type of client segment and class of business enhanced with knowledge of or expectations regarding future developments of claims frequency and severity. The risk of unexpectedly large claims is reduced through policy limits, concentration management and risk transfer agreements specifically catered for it, e.g. reinsurance.

Millenniumbcp Ageas contributes to the diversification of non-life and Health insurance business and geographies of Ageas Group, reducing the risk at group level.

The combined ratio is the sum of the claims ratio and the costs ratio. The costs ratio results from the division of general expenses (administrative costs, depreciation, commissions, network fee etc.) allocated to a specific activity by

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earned premiums. The claims ratio results by the division of costs incurred with claims (loss reserves plus claims cost allocation) over earned premiums.

As at 31 December 2013 and 2012, the combined ratio of the non-life and Health business was as follow:

	Non-Life		A&H		Motor		Fire		Other	
	2013	2012	2013	2012	2013	2012	2013	2012	2013	2012
Claims Ratio	62.7%	62.2%	66.4%	67.1%	76.7%	73.8%	51.5%	46.3%	7.2%	16.2%
Costs Ratios	23.7%	24.3%	22.5%	23.2%	26.7%	26.9%	27.1%	28.0%	20.0%	22.3%
Combine Claims/costs Ratio	86.4%	86.5%	88.9%	90.3%	103.4%	100.7%	78.7%	74.3%	27.1%	38.4%

The Millenniumbcp Ageas regularly performs sensitivity analyzes to major cost items that result from its business activity, considering the possible effect to the impacts in the profit before taxes:

NON LIFE BUSINESS [EUR]

Sensitivities	Impact on pre-tax profits at 31.12.2013	Impact on pre-tax profits at 31.12.2012
Expenses -10%	6,882,269	6,985,012
Incurred Claims +5%	(6,858,799)	(6,612,577)

Operational risk

Operational risk denotes the risk of loss arising from inadequate or failed internal processes, personnel or systems, or from external events.

From governance prospective, the Risk and Actuarial Department is supported by a dedicated committee called ORIC (Operational Risk and Internal Control) which is focussing on the effectiveness and further improvement of the Operational Risk management across the company.

Operational Risk at Millenniumbcp Ageas is managed accordingly to the three lines of defence structure, with responsibilities for each line well defined. Additionally, the Operational Risk and Internal Control Committee was established to manage Operational Risk in the Company. Moreover, Millenniumbcp Ageas adopted a Top-Down and Bottom-Up approach. These two approaches are synergetic, when implemented jointly, they allow for a global risk perception through the major operational risks that are included in the Risk Reporting and discussed in the Risk Committee while keeping attention and focus on the Company's processes through the Business Process Management, and thus enhancing the global risk management environment.

In order to have assurance, at all times, that underlying causes and exposures to operational risk are identified, assessed and addressed by Millenniumbcp Ageas, the operational risk management has been set as core component of the ERM framework of the Company.

In particular, it encompasses company-wide processes such as:

- › Loss Data Collection: Ensure there is awareness within the organisation about the incurred losses (in terms of amount and frequency). While the

framework is yet in initial state of development, there is a commitment from both Local and Ageas Group Risk Management to encourage of such operational risk management tools;

- › Risk Reporting: Conducted periodically to ensure a forward-looking view on the risk profile of the Company which includes the most important operational risks. The approach consists in a Top-Down risk self-assessment aiming to identify and assess the risks faced by the organisation;
- › Business Continuity Management: A management process that identifies potential threats for the integrity of key business operations. More importantly, it provides a framework for building organisational resilience with the ability to make an effective response that safeguards the interests of its stakeholders, reputation, brand and value creating activities;
- › Information Security: Defines the organisational framework, management and staff responsibilities and the information security directives that apply throughout Millenniumbcp Ageas;
- › Management Control Statements: while operational risk management focuses on operational event risks, management control is mostly concerned with the business risk. Management teams sign their management control statement in a confirmation, every year-end, of the functioning of the risk management and internal control system during the year;
- › Business Process Management (BPM): the goal is to establish a strong internal control environment, enabling the operational risks to be managed from a Bottom-Up perspective. Therefore, through the internal control BPM, the Company:
 - identifies and documents all the processes across the Company, keeping them updated;
 - identifies and evaluates main risks associated with the processes;
 - establishes and evaluates which controls are in place to mitigate those risks;
 - defines Key Risks and performance indicators to monitor those processes, and;
 - ensures the updating of all processes on a regular basis namely risks and controls.

This framework is supported by a specific Operational Risk policy (inspired by the respective policy from Ageas Group). It sets the high level principles for the identification, measurement, monitoring and reporting of operational risks faced in the execution of day-by-day business activities by Millenniumbcp Ageas.

Furthermore, this policy defines the roles and responsibilities of the business units and committees and provides a governance structure in which the management of operational risks can take place. The policy defines the interaction between the Group Ageas and Millenniumbcp Ageas regarding operational risk and prescribes reporting requirements.

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Additional information in respect to life and non life business, by line of business, is as follows:

LINE OF BUSINESS NON LIFE 2013 <small>(EUR)</small>	Gross premiums written	Gross premiums earned	Gross claims earned	Gross operating expenses	Reinsurance ceded result
Direct Insurance					
Accident and Health	161,772,148	159,597,954	102,173,482	27,333,285	(26,304,947)
Fire and Other hazards	44,969,912	44,680,636	23,009,119	12,009,468	(8,208,706)
Motor					
Third Party	14,673,329	13,541,889	9,878,060	2,269,138	(202,988)
Other	8,977,903	8,592,694	7,095,129	3,446,638	(489,129)
Maritime, Airline and Transportation	39,157	40,983	34,073	22,076	(2,521)
Third Party Liability	2,560,904	2,526,619	247,098	572,443	(1,354,893)
Credit and Surety Ship	5,111	5,303	(21,841)	3,259	–
Legal	368,576	360,568	–	40,010	(127,057)
Assistance	3,609,955	3,407,315	(252,151)	404,531	(2,091,930)
Other Lines	684,178	674,747	255,876	127,300	(84,830)
Total Non Life	238,609,699	234,335,823	142,724,432	46,678,989	(39,175,237)
Reinsurance Accepted	12,315,907	12,175,128	11,838,110	11,167,678	20,477,278
Total	250,925,606	246,510,951	154,562,542	57,846,667	(18,697,959)

LINE OF BUSINESS NON LIFE 2012 <small>(EUR)</small>	Gross premiums written	Gross premiums earned	Gross claims earned	Gross operating expenses	Reinsurance ceded result
Direct Insurance					
Accident and Health	155,979,101	158,848,552	102,425,177	28,871,122	(28,174,073)
Fire and Other hazards	44,503,584	44,031,312	20,453,781	12,226,912	(6,992,997)
Motor					
Third Party	12,340,714	11,894,073	7,683,102	2,132,647	211,248
Other	8,189,459	8,272,862	7,190,282	3,278,278	(352,253)
Maritime, Airline and Transportation	961,986	792,289	184,484	516,270	(259,165)
Third Party Liability	2,587,716	3,282,309	688,653	725,141	(1,764,406)
Credit and Surety Ship	5,146	5,123	19,225	10,867	–
Legal	376,646	385,974	–	42,930	(67,130)
Assistance	2,642,342	2,913,328	235,751	305,234	(1,837,180)
Other Lines	783,499	799,381	192,742	198,234	(166,509)
Total Non Life	228,370,192	231,225,203	139,073,195	48,307,635	(39,402,465)
Reinsurance Accepted	11,875,385	11,912,086	12,090,116	11,021,074	21,376,318
Total	240,245,577	243,137,289	151,163,311	59,328,709	(18,026,147)

Additional information in respect to life and non life business, by line of business, is as follows:

LINE OF BUSINESS NON LIFE 2013 [EUR]	Claims Paid (1)	Allocated claims management costs (2)	Change in claims Reserve (3)	Claims Incurred (4)=(1)+(2)+(3)
Direct Insurance				
Accident and Health	99,283,837	1,822,186	1,067,460	102,173,482
Fire and Other hazards	21,384,380	1,566,577	58,162	23,009,119
Motor				
Third Party	7,525,466	1,058,678	1,293,916	9,878,060
Other	5,779,689	1,005,347	310,094	7,095,129
Maritime, Airline and Transportation	345,717	42,917	(48,975)	339,659
Third Party Liability	580,842	82,181	(415,925)	247,098
Credit and Surety Ship	162	9,485	(31,488)	(21,841)
Legal	—	—	—	—
Assistance	(999,725)	14,379	733,196	(252,151)
Other Lines	177,206	66,103	12,567	255,876
Total Non Life	134,077,574	5,667,851	2,979,006	142,724,432
Reinsurance Accepted	7,659,229	3,795,044	383,837	11,838,110
Total	141,736,803	9,462,895	3,362,843	154,562,542

LINE OF BUSINESS NON LIFE 2012 [EUR]	Claims Paid (1)	Allocated claims management costs (2)	Change in claims Reserve (3)	Claims Incurred (4)=(1)+(2)+(3)
Direct Insurance				
Accident and Health	99,400,370	1,908,827	1,115,980	102,425,177
Fire and Other hazards	16,300,672	1,497,833	2,655,276	20,453,781
Motor				
Third Party	8,851,432	1,097,301	(2,265,631)	7,683,102
Other	5,408,151	1,056,155	725,976	7,190,282
Maritime, Airline and Transportation	153,950	39,675	(9,142)	184,484
Third Party Liability	630,982	77,529	(19,858)	688,653
Credit and Surety Ship	12,178	8,126	(1,079)	19,225
Legal	—	—	—	—
Assistance	(158,994)	13,454	381,292	235,751
Other Lines	496,376	73,581	(377,215)	192,742
Total Non Life	131,095,116	5,772,482	2,205,598	139,073,195
Reinsurance Accepted	7,720,671	4,097,010	272,434	12,090,116
Total	138,815,788	9,869,492	2,478,032	151,163,311

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Additional information in respect to life and non life business, by line of business, is as follows:

LINES OF BUSINESS 2013 [EUR]	Claims reserve as at 31 December 2012 (1)	Claims paid gross (2)	Claims reserve as at 31 December 2013 in relation to 2012 (3)	Adjustments (run-off) (3)+(2)-(1)
Life	35,899,587	37,598,305	17,484,090	19,182,808
Non Life				
Accident and Health	56,270,590	23,434,200	24,144,716	(8,691,675)
Fire and Other hazards	13,885,899	4,906,614	5,038,066	(3,941,219)
Motor				
Third Party	18,654,740	2,464,027	13,392,157	(2,798,555)
Other	2,278,345	968,733	854,081	(455,531)
Maritime, Airline and Transportation	248,684	58,843	155,034	(34,808)
Third Party Liability	4,792,240	285,842	3,438,312	(1,068,085)
Credit and Surety Ship	32,892	793	976	(31,123)
Legal	—	—	—	—
Assistance	8,643	(4,407,215)	2,803	(4,413,055)
Other Lines	1,779,155	48,175	1,676,798	(54,181)
Total Non Life	97,951,187	27,760,011	48,702,943	(21,488,233)
Total	133,850,774	65,358,316	66,187,033	(2,305,424)

LINES OF BUSINESS 2012 [EUR]	Claims reserve as at 31 December 2011 (1)	Claims paid gross (2)	Claims reserve as at 31 December 2012 in relation to 2011 (3)	Adjustments (run-off) (3)+(2)-(1)
Life	56,089,209	53,041,576	14,809,480	11,761,847
Non Life				
Accident and Health	54,739,832	25,910,665	28,540,038	(289,133)
Fire and Other hazards	11,312,876	5,121,457	4,968,688	(1,222,731)
Motor				
Third Party	21,082,256	4,321,586	12,999,698	(3,760,972)
Other	1,919,886	1,099,190	335,002	(485,693)
Maritime, Airline and Transportation	246,337	21,810	162,215	(62,312)
Third Party Liability	4,812,271	411,785	3,705,108	(695,379)
Credit and Surety Ship	33,971	13,125	32,646	11,799
Legal	—	—	—	—
Assistance	57,657	(3,891,293)	2,583	(3,946,367)
Other Lines	2,161,535	376,235	1,695,431	(89,868)
Total Non Life	96,366,622	33,384,559	52,441,408	(10,540,655)
Total	152,455,831	86,426,134	67,250,888	1,221,192

Solvency requirements

The Solvency I r is determined under the requirements of the Portuguese Insurance Authority (ISP) as stated in standard rule n.6/2007-R, based on the statutory financial statements as at 31 December 2013.

Millenniumbcp Ageas monitors on a monthly basis the Solvency I ratio having a 200% operational target.

As at 31 December 2013 and 2012, the Solvency I figures can be detailed as follows:

ITEM [EUR]	31 december 2013	31 december 2012
Capital	1,000,002,375	1,000,002,375
Legal and Regulatory Revaluation	(74,236,485)	(133,895,922)
Retained earnings	434,543,043	381,221,043
Profit After Tax	82,895,627	94,181,064
Net profit Distribution	(65.000.000)	(40.000.000)
Total Equity (1)	1,378,204,560	1,301,508,560
Intangible Assets	(433,290,726)	(453,278,880)
Total (2)	(433,290,726)	(453,278,880)
Solvency Margin Available (1) + (2)	944,913,834	848,229,680
Solvency Margin Required	298,349,645	310,163,531
Excess / Shortage	646,564,189	538,066,149
Solvency Ratio	317%	273%

Note 39 – Fair value

Fair value is based on market prices, whenever available. If market prices are not available, fair value is estimated through numerical models based on cash-flow discounting techniques. On this basis, the fair value estimated is influenced by assumptions used in those valuation models, that necessarily incorporate some uncertainty level, and reflect exclusively the value attributed to the different financial instruments.

The main methods and assumptions used in estimating the fair value for the assets and liabilities of the Group are presented as follows:

Cash and due from banks

Considering the short maturity of these financial instruments, the amount in the balance sheet is a reasonable estimate of its fair value.

Financial assets and liabilities held at fair value through profit and loss, financial assets and liabilities held for trading and financial assets available for sale

These financial instruments are accounted for at fair value, which is based in market prices, whenever available. If market prices are not available, fair value is estimated through numerical models based on cash-flow discounting techniques using market interest rate curves, adjusted by factors like credit risk and liquidity risk, determined in accordance with the market conditions and time frame. The interest rate curves are based on information disclosed by financial information providers, such as Reuters or Bloomberg.

In case of unquoted equities, these are recognised at historical cost when no market prices are available and it is not possible to determine reliably its fair value.

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Considering the short maturity of these financial instruments, the amount in the balance sheet is a reasonable estimate of its fair value.

Financial assets held to maturity

These financial instruments are accounted at amortised cost, net of impairment. Fair value is based on market prices, whenever these are available. If market prices are not available, fair value is estimated through numerical models based on cash-flow discounting techniques using market interest rate curves, adjusted by factors like credit risk and liquidity risk, determined in accordance with the market conditions and time frame. The interest rate curves are based on information disclosed by financial information providers, such as Reuters or Bloomberg.

Note 40 – Contingencies and commitments**Litigation**

Millenniumbcp Ageas Group companies are involved in legal proceedings in Portugal, involving claims by and against them, which arise in the ordinary course of their business in connection with their activities as insurance, employers and taxpayers. It is not feasible to predict or determine the ultimate outcome of the pending or threatened proceedings. Management does not believe that the outcome of these proceedings will have a material adverse effect on the consolidated financial position or results of Millenniumbcp Ageas, after consideration of any applicable reserves.

Guarantees

As at 31 December, 2013 the total amount of banking guarantees were Euro 145,000 (2012: Euro 197,000). The guarantees were given in the scope of the claims processes.

Commitments

Millenniumbcp Ageas Group companies entered into operating leases of vehicles. Payments made under such leases are charged to income statement over the period of the lease. Future minimum lease payments on non-cancellable operating leases are as follows:

EUR	Up to 3 months	3 -12 months	1 – 5 years	Total
Future lease payments	176,664	506,339	862,472	1,545,475

Note 41 – Separate financial statements of Millenniumbcp Ageas Group, S.G.P.S., S.A.

Millenniumbcp Ageas separate financial statements are analysed as follows:

INCOME STATEMENT [EUR]	2013	2012
Dividends	240,500,000	4,500,000
Interest income	1,266,066	4,143,244
Total income	241,766,066	8,643,244
Total expenses	(634,860)	(1,235,848)
Profit after tax	241,131,206	7,407,396

BALANCE SHEET [EUR]	2013	2012
Investments in subsidiaries	999,953,125	999,953,125
Other investments	145,115,346	–
Other assets	184,382,972	108,687,701
Total assets	1,329,451,443	1,108,640,826
Total equity	1,309,255,145	1,108,153,266
Total liabilities	20,196,298	487,560
Total equity and liabilities	1,329,451,443	1,108,640,826

Note 42 – Exposure to Government bonds from European countries subject to bailout

The Group exposure to Government bond from European countries subject to bailout is analysed as follows:

FROM DIRECT INVESTMENT EXPOSURE

	2013					
COUNTRY [EUR]	Book value	Fair value	Fair value reserve	Interest income rate %	Maturity	Valuation level
Portugal						
Investments available for sale						
Level 1	1,021,377,193	1,021,377,193	(2,967,083)	4.0%	5,1	L1
Investments held at fair value	781,466,483	781,466,483	19,025,804	4.2%	6,2	L1
Held to maturity	485,000,743	571,416,509	–	4.1%	5,9	L1
Total	2,287,844,419	2,374,260,185	16,058,721	4.1%	5,7	

FROM INDIRECT EXPOSURE

	2013					
COUNTRY [EUR]	Book value	Fair value	Gains and losses	Interest income rate %	Maturity	Valuation level
Portugal						
Investments held at fair value	131,439,341	131,439,341	5,752,392	4.6%	4,9	L2
Total	131,439,341	131,439,341	5,752,392	4.6%	4,9	

FROM DIRECT INVESTMENT EXPOSURE

COUNTRY [EUR]	2012					
	Book value	Fair value	Fair value reserve	Interest income rate %	Maturity	Valuation level
Portugal						
Investments available for sale						
Level 1	693,032,669	693,032,669	(19,390,027)	3.7%	4,0	L1
Level 2	7,264,205	7,264,205	(2,868,956)	5.3%	4,7	L2
Investments held at fair value	261,124,937	261,124,937	41,014,137	4.6%	5,8	L1
Held to maturity	527,493,676	617,147,038	–	4.2%	6,3	L1
Total	1,488,915,487	1,578,568,849	18,755,154	4.1%	5,2	

FROM INDIRECT EXPOSURE

COUNTRY [EUR]	2012					
	Book value	Fair value	Gains and losses	Interest income rate %	Maturity	Valuation level
Portugal						
Investments held at fair value	130,182,295	130,182,295	–	4.6%	5,9	L2
Total	130,182,295	130,182,295	–	4.6%	5,9	

Note 43 – Recently issued pronouncements

The recently issued pronouncements already adopted by the Group in the preparation of the financial statements are the following:

IAS 19 Revised – Employee Benefits

The IASB issued, on 16th June 2011, amendments to “IAS 19 – Employee Benefits”, effective (with retrospective application) for annual periods beginning on, or after, 1st January 2013. These amendments were endorsed by EU Commission Regulation 475/2012, 5th June.

As a result of IAS 19 (2011), the Group has changed its accounting policy with respect to the basis for determining the income or expense related to its defined benefit plans, as well as to the recognition of actuarial deviations.

Under IAS 19 (2011), the Group:

- a) Determines the net interest expense (income) on the net defined benefit liability (asset) for the period, by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the then-net defined benefit liability (asset), taking into account any changes in the net defined benefit liability (asset) during the period as a result of contributions and benefit payments.
Consequently, the net interest on the net defined benefit liability (asset) now comprises: (i) interest cost on the defined benefit obligation; (ii) interest income on plan assets; and (iii) interest on the effect on the asset ceiling.
- b) Recognizes actuarial gains and losses in Other Comprehensive Income.

Presentation of Items of Other Comprehensive Income – Amendments to IAS 1 – Presentation of Financial Statements

The IASB issued, on 16th June 2011, amendments to “IAS 1 – Presentation of Financial Statements”, effective (with retrospective application) for annual periods beginning on, or after, 1st January 2012. These amendments were endorsed by EU Commission Regulation 475/2012, 5th June.

As a result of the amendments to IAS 1, the Group has modified the presentation of items of OCI in its statement of profit or loss and OCI, to separately present items that would be reclassified to profit or loss in the future from those that would never be. Comparative information has been re-presented on the same basis.

IFRS 7 (Amended) – Financial Instruments: Disclosure – Offsetting Financial Assets and Financial Liabilities

The IASB issued, on 16th December 2011, amendments to “IFRS 7 – Financial Instruments: Disclosure – Offsetting Financial Assets and Financial Liabilities”, effective (with retrospective application) for annual periods beginning on, or after, 1st January 2013. These amendments were endorsed by EU Commission Regulation 1256/2012, 11th December.

The Group had no impact from the adoption of these changes.

Improvements to IFRS (2009-2011)

The annual improvements cycle 2009-2011, issued by IASB on 17th May 2012, and endorsed by EU Commission Regulation 301/2013, 27th March, introduce amendments, with effective date for annual periods beginning on, or after, 1st January 2013, to the standards IFRS 1, IAS 1, IAS 16, IAS 32, IAS 34 and IFRIC 2.

IAS1 – Presentation of Financial Statements

This improvement clarifies the difference between voluntary additional comparative information and the minimum required comparative information. Generally, the minimum required comparative information is the information disclosed in the previous period.

IAS 16 – Property Plant and Equipment

This improvement clarifies that major spare parts and servicing equipment that meet the definition of property, plant and equipment are not inventory.

IAS 32 – Financial Instruments, Presentation and IFRIC 2

These improvements clarify that income taxes arising from distributions to equity holders are accounted for in accordance with IAS 12 Income Taxes, avoiding any interpretation that may mean any other application.

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Notes to the
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Statements**IAS 34- Interim Financial Reporting**

The amendments align the disclosure requirements for total segment assets with total segment liabilities in interim financial statements. This clarification also ensures that interim disclosures are aligned with annual disclosures in relation to the changes of profit and loss account and other comprehensive income.

The Group had no significant impact from the adoption of these improvements.

IFRS 13 – Fair Value Measurement

The IASB issued, on 12th May 2011, “IFRS 13 fair value Measurement”, effective (with prospective application) for annual periods beginning on, or after, 1st January 2013. These amendments were endorsed by EU Commission Regulation 1255/2012, 11th December.

In accordance with the transitional provisions of IFRS 13, the Group has applied the new definition of fair value, prospectively. The change had no significant impact on the measurements of the Group’s assets and liabilities, but the Group has included new disclosures in the financial statements, which are required under IFRS 13. These new disclosure requirements are not included in the comparative information. However, to the extent that these disclosures were required by other standards before the effective date of IFRS 13, the Group has provided the relevant comparative disclosures under those standards.

IFRIC 20 – Stripping Costs in the Production Phase of a Surface Mine

The International Financial Reporting Interpretations Committee (IFRIC) issued, on 19th October 2011, “IFRIC 20 – Stripping Costs in the Production Phase of a Surface Mine”, effective (with retrospective application) for annual periods beginning on, or after, 1st January 2013. These amendments were endorsed by EU Commission Regulation 1255/2012, 11th December.

Given the nature of the Group’s operations, this interpretation had no impact on the financial statements.

The Group decided to opt for not having an early application of the following standards endorsed by EU but not yet mandatory effective:

IAS 32 (Amended) – Financial Instruments: Presentation – Offsetting Financial Assets and Financial Liabilities

The IASB issued, on 16th December 2011, amendments to “IAS 32 – Financial Instruments: Presentation – Offsetting Financial Assets and Financial Liabilities”, effective (with retrospective application) for annual periods beginning on, or after, 1st January 2014. These amendments were endorsed by EU Commission Regulation 1256/2012, 11th December.

The IASB amended to IAS 32 add application guidance to address the inconsistent application of the standard in practice. The application guidance clarifies

that the phrase ‘currently has a legal enforceable right of set-off’ means that the right of set-off must not be contingent on a future event, and must be legally enforceable in the normal course of business, in the event of default and in the event of insolvency or bankruptcy of the entity and all of the counterparties.

The application guidance also specifies the characteristics of gross settlement systems in order to be considered equivalent to net settlement.

The Group is not expecting a significant impact from the adoption of the amendment to IAS 32, taking into consideration the accounting policy already adopted.

IAS 27 (Revised) – Separate Financial Statements

The IASB issued, on 12th May 2011, amendments to “IAS 27 – Separate Financial Statements”, effective (with prospective application) for annual periods beginning on, or after, 1st January 2014. These amendments were endorsed by EU Commission Regulation 1254/2012, 11th December.

Taking in consideration that IFRS 10 addresses the principles of control and the requirements relating to the preparation of consolidated financial statements, IAS 27 was amended to cover exclusively separate financial statements.

The amendments aimed, on one hand, to clarify the disclosures required by an entity preparing separate financial statements so that the entity would be required to disclose the principal place of business (and country of incorporation, if different) of significant investments in subsidiaries, joint ventures and associates and, if applicable, of the parent. The previous version required the disclosure of the country of incorporation or residence of such entities.

On the other hand, it was aligned the effective dates for all consolidated standards (IFRS 10, IFRS 11, IFRS 12, IFRS 13 and amendments to IAS 28).

The Group expects no impact from the adoption of this amendment on its financial statements.

IFRS 10 Consolidated Financial Statements

The IASB issued, on 12th May 2011, “IFRS 10 Consolidated Financial Statements”, effective (with retrospective application) for annual periods beginning on, or after, 1st January 2013. These amendments were endorsed by EU Commission Regulation 1254/2012, 11th December, which allows a delayed on mandatory application for 1st January 2014.

IFRS 10, withdraw one part of IAS 27 and SIC 12, and introduces a single control model to determine whether an investee should be consolidated.

The new concept of control involves the assessment of power, exposure to variability in returns and a linkage between the two. An investor controls an investee when it is exposed, or has rights, to variability of returns from its involvement with the investee and is able to affect those returns through its power over the investee (facto control).

The investor considers whether it controls the relevant activities of the investee, taking into consideration the new concept. The assessment should

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be done at each reporting period because the relation between power and exposure to the variability of returns may change over the time.

Control is usually assessed over a legal entity, but also can be assessed over only specified assets and liabilities of an investee (referred to as 'silo').

The new standard also introduce other changes such as: i) accounting requirements for subsidiaries in consolidation financial statements that are carried forward from IAS 27 to this new standards and, ii) enhanced disclosures requirements, including specific disclosures for consolidated and unconsolidated structured entities.

The Group is assessing the introduction of this standard, however does not expect any significant impact.

IFRS 11 – Joint Arrangements

The IASB issued, on 12th May 2011, "IFRS 11 *Joint arrangements*", effective (with retrospective application) for annual periods beginning on, or after, 1st January 2013. These amendments were endorsed by EU Commission Regulation 1254/2012, 11th December, which allows a delayed on mandatory application for 1st January 2014.

IFRS 11 withdraw IAS 31 and SIC 13, defines "joint control" by incorporating the same control model as defined in IFRS 10, and requires an entity that is part of a "join arrangement" to determine the nature of the joint arrangement ("joint operations" or "joint ventures") by assessing its rights and obligations.

IFRS 11 removes the option to account for joint ventures using the proportionate consolidation. Instead, joint arrangements that meet the definition of "joint venture" must be account for using the equity method (IAS 28).

The Group is assessing the introduction of this standard, however does not expect any significant impact.

IAS 28 (Revised) – Investments in Associates and Joint Ventures

The IASB issued, on 12th May 2011, "IAS 28 *Investments in Associates and Joint Ventures*", effective (with retrospective application) for annual periods beginning on, or after, 1st January 2013. This amendment was endorsed by EU Commission Regulation 1254/2012, 11th December, which allows a delayed on mandatory application for 1st January 2014.

As a consequence of the new IFRS 11 and IFRS 12, IAS 28 has been renamed as IAS 28 Investments in Associates and Joint ventures, and describes the application of the equity method to investments in joint ventures and associates.

The Group expects no impact from the adoption of this amendment on its financial statements.

IFRS 12 – Disclosures of Interest in Other Entities

The IASB issued, on 12th May 2011, "IFRS 12 *Disclosures of Interests in Other Entities*", effective (with retrospective application) for annual periods beginning on,

or after, 1st January 2013. This amendment was endorsed by EU Commission Regulation 1254/2012, 11th December, which allows a delayed on mandatory application for 1st January 2014.

The objective of this new standard is to require an entity to disclose information that enables users of its financial statements to evaluate: (a) the nature of, and risks associated with, its interests in other entities; and (b) the effects of those interests on its financial position, financial performance and cash flows.

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

The Group is still assessing the full impact of the new IFRS 12 in align with IFRS 10 and IFRS 11.

Investment Entities – Amendments to IFRS 10, IFRS 12 and IAS 27 (issued by IASB on 31st October 2012)

The amendments apply to a particular class of business that qualifies as investment entities. The IASB uses the term ‘investment entity’ to refer to an entity whose business purpose is to invest funds solely for returns from capital appreciation, investment income or both. An investment entity must also evaluate the performance of its investments on a fair value basis. Such entities could include private equity organizations, venture capital organizations, pension funds, sovereign wealth funds and other investment funds.

The amendments provide an exception to the consolidation requirements in IFRS 10 and require investment entities to measure particular subsidiaries at fair value through profit or loss, rather than consolidate them. The amendments also set out disclosure requirements for investment entities.

The amendments are effective from 1st January 2014 with early adoption permitted. This option allows investment entities to apply the *Investment Entities* amendments at the same time the entities first apply the remaining criteria of IFRS 10. This amendment was endorsed by EU Commission Regulation 1174/2013, 20th November.

The Group is still assessing the impacts of these amendments.

IAS 36 (Revised) – Recoverable Amount Disclosures for Non-Financial Assets

The IASB issued this amendment on 29th May 2013, effective (with retrospective application) for annual periods beginning on, or after, 1st January 2014. This amendment was endorsed by EU Commission Regulation 1374/2013, 19th December.

The objective of the amendment is to clarify that the scope of the disclosures of information about the recoverable amount of assets, where that amount is based on fair value less costs of disposal, is limited to impaired assets.

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Notes to the
Financial
Statements**IAS 39 (Revised) – Novation of Derivatives and Continuation of Hedge Accounting**

The IASB issued this amendment on 27th June 2013, effective (with retrospective application) for annual periods beginning on, or after, 1st January 2014. This amendment was endorsed by EU Commission Regulation 1375/2013, 19th December.

The objective of the amendment is to provide relief in situations where a derivative, which has been designated as a hedging instrument, is novated from one counterparty to a central counterparty as a consequence of laws or regulations. Such a relief means that hedge accounting can continue irrespective of the novation which, without the amendment, would not be permitted.

Recently issued pronouncements that are not yet effective for the Group:

IAS 19 (Revised) – Defined Benefit Plans: Employee Contributions

The IASB issued this amendment on 21th November 2013, effective (with retrospective application) for annual periods beginning on, or after, 1st July 2014.

The amendment clarifies the guidance on attributing contributions made by employees or other third parties, linked to service and requires entities to attribute the contributions linked to service in accordance with paragraph 70 of IAS 19 (2011). Therefore, such contributions are attributed using plan's contribution formula or on a straight line basis.

The amendment addresses the complexity by introducing a practical expedient that allows an entity to recognize employee or third party contributions linked to service that are independent of the number of years of service (for example a fixed percentage of salary), as a reduction in the service cost in the period in which the related service is rendered.

IFRIC 21 Levies

The IASB issued this interpretation on 20th May 2013, effective (with retrospective application) for annual periods beginning on, or after, 1st January 2014.

IFRIC 21 defines a levy as an outflow from an entity imposed by a government in accordance with legislation. It confirms that an entity recognizes a liability for a levy when – and only when – the triggering event specified in the legislation occurs. IFRIC 21 is not expected to have any effect on the Group's financial statements.

Improvements to IFRS (2010-2012)

The annual improvements cycle 2010-2012, issued by IASB on 12th December 2013, introduces amendments with effective date on, or after, 1st July 2014, to the standards IFRS 2, IFRS 3, IFRS 8, IFRS 13, IAS 16, IAS 24 and IAS 38.

IFRS 2 – Definition of vesting condition

The amendment clarifies the definition of ‘vesting conditions’ in Appendix A of IFRS 2 Share-based Payment, by separating the definition of performance condition and service condition from the definition of vesting condition to make the description of each condition clear.

IFRS 3 – Accounting for contingent consideration in a business combination

The objective of this amendment is to clarify certain aspects of accounting for contingent consideration in a business combination, namely: classification of contingent consideration in a business combination and subsequent measurement, taking into account if such contingent consideration is a financial instrument or a non-financial asset or liability.

IFRS 8 – Aggregation of operation segments and reconciliation of the total of the reportable segments’ assets to entity’s assets

The amendment clarifies the criteria for aggregation of operating segments and requires entities to disclose those factors that are used to identify the entity’s reportable segments when operating segments have been aggregated.

To achieve consistency, reconciliation of the total of the reportable segments’ assets to the entity’s assets should be disclosed, if that amount is regularly provided to the chief operating decision maker.

IFRS 13 – Short-term receivables and payables

IASB amends the basis of conclusion in order to clarify that, by deleting IAS 39AG79, in applying IFRS 3, IASB did not intend to change the measurement requirements for short-term receivables and payables with no interest, that should be discount if such discount is material, noting that IAS 8.8 already permits entities not apply accounting policies set out in accordance with IFRSs when the effect of applying them is immaterial.

IAS 16 & IAS 38 – Revaluation method – proportionate restatement accumulated depreciation or amortization

In order to clarify the calculation of the accumulated depreciation or amortization at the date of the revaluation, IASB amended paragraph 35 of IAS 16 and paragraph 80 of IAS 38 to clarify that: (i) the determination of the accumulated depreciation (or amortization) does not depend on the selection of the valuation technique; and (ii) the accumulated depreciation (or amortization) is calculated as the difference between the gross and the net carrying amounts.

IAS 24 – Related Party Transactions – Key management personal services

In order to address the concerns about the identification of key management personal (KMP) costs, when KMP services of the reporting entity are provided by entities (management entity e.g. in mutual funds), IASB clarifies that, the disclosure of the amounts incurred by the entity for the provision of KMP services that are provided by a separate management entity shall be disclosed but it is not necessary to present the information required in paragraph 17.

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Notes to the
Financial
Statements**Improvements to IFRS (2011-2013)**

The annual improvements cycle 2011-2013, issued by IASB on 12th December 2013, introduce amendments, with effective date on, or after, 1st July 2014, to the standards IFRS 1, IFRS 3, IFRS 13 and IAS 40.

IFRS 1 – meaning of “effective IFRS”

IASB clarifies that if a new IFRS is not yet mandatory but permits early application, that IFRS is permitted, but not required, to be applied in the entity's first IFRS financial statements.

IFRS 3 – Scope exceptions for joint ventures

The amendment excludes the formation of all types of joint arrangements as defined in IFRS 11 Joint Arrangements from the scope of IFRS 3. The scope exception only applies to the financial statements of the joint venture or the joint operation itself.

IFRS 13 – Scope of paragraph 52 – portfolio exception

Paragraph 52 of IFRS 13 includes a scope exception for measuring the fair value of a group of financial assets and financial liabilities on a net basis. This is referred to as the portfolio exception. The objective of this amendment was to clarify that the portfolio exception applies to all contracts within the scope of IAS 39 Financial Instruments: Recognition and Measurement or IFRS 9 Financial Instruments, regardless of whether they meet the definitions of financial assets or financial liabilities as defined in IAS 32 Financial Instruments: Presentation.

IAS 40 – interrelationship with IFRS 3 when classify property as investment property or owner-occupied property

The objective of this amendment was to clarify that judgment is needed to determine whether the acquisition of investment property is the acquisition of an asset, a group of assets or a business combination in the scope of IFRS 3 and that this judgment is based on the guidance in IFRS 3.

IFRS 9 Financial instruments (issued in 2009 and revised in 2010)

IFRS 9 (2009) introduces new requirements for the classification and measurement of financial assets. IFRS 9 (2010) introduces additions relating to financial liabilities. IFRS 9 (2013) introduces the hedging requirements. The IASB currently has an active project of additional disclosures requirements limited amendments to the classification and measurement requirements of IFRS 9 and new requirements to address the impairment of financial assets.

The IFRS 9 (2009) requirements represent a significant change from the existing requirements in IAS 39 in respect of financial assets. The standard contains two primary measurement categories for financial assets: amortized cost and fair value. A financial asset would be measured at amortized cost if it is held within a business model whose objective is to hold assets in order to

collect contractual cash flows, and the asset's contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal outstanding. All other financial assets would be measured at fair value. The standard eliminates the existing IAS 39 categories of held-to-maturity, available-for-sale and loans and receivables.

For an investment in an equity instrument that is not held for trading, the standard permits an irrevocable election, on initial recognition, on an individual share-by-share basis, to present all fair value changes from the investment in OCI. No amount recognized in OCI would ever be reclassified to profit or loss at a later date. However, dividends on such investments would be recognized in profit or loss, rather than OCI, unless they clearly represent a partial recovery of the cost of the investment.

Investments in equity instruments in respect of which an entity does not elect to present fair value changes in OCI would be measured at fair value with changes in fair value recognized in profit or loss.

The standard requires derivatives embedded in contracts with a host that is a financial asset in the scope of the standard not to be separated; instead, the hybrid financial instrument is assessed in its entirety for whether it should be measured at amortized cost or fair value.

IFRS 9 (2010) introduces a new requirement in respect of financial liabilities designated under the fair value option to generally present fair value changes that are attributable to the liability's credit risk in OCI rather than in profit or loss. Apart from this change, IFRS 9 (2010) largely carries forward without substantive amendment the guidance on classification and measurement of financial liabilities from IAS 39.

IFRS 9 (2013) introduces new requirements for hedge accounting that align hedge accounting more closely with risk management. The requirements also establish a more principles-based approach to hedge accounting and address inconsistencies and weaknesses in the hedge accounting model in IAS 39.

The mandatory effective date of IFRS 9 is not specified but will be determined when the outstanding phases are finalized.

The Group has started the process of evaluating the potential effect of this standard but is waiting for the finalization of the limited amendments before the evaluation can be completed. Given the nature of the Group's operations, this standard is expected to have a pervasive impact on the Group's financial statements.

**REPORT AND
OPINION OF
THE BOARD
OF AUDITORS**

03

Report and Opinion
of the Board
of Auditors

Dear Shareholders of
Millenniumbcp Ageas - Grupo Segurador, SGPS, S.A.

In compliance with the legal provisions, we, members of the Board of Auditors of Millenniumbcp Ageas - Grupo Segurador, SGPS, S.A., in the exercise of our duties, hereby present the Report of our auditing activity as well as an opinion on the Management Report, Financial Statements and Income Statement presented by the Board of Directors for the financial year ending 31 December, 2013.

In the Report and Opinion now presented, the Board of Auditors covers the results of the analysis and examination undertaken to the individual and consolidated financial statements, which represent the total annual activity of the set of companies that makes up the universe of Millenniumbcp Ageas – Grupo Segurador, SGPS, S.A.

Through contacts held with the Board of Directors, as well as clarifications and information collected from the competent bodies, the Board of Auditors accompanied the Company's activity and the business' management and checked the financial information produced throughout the year 2013, having carrying out the analyses deemed necessary.

After closing the accounts, we analysed the accounting documents, namely the Management Report prepared by the Board of Directors, as well as the financial statements presented, which comprise the Balance Sheet, the Income Statement and the Statement of Comprehensive Income, the Statement of cash flows and the Statement of changes in equity and related explanatory notes.

The Board of Auditors also examined the Legal Certification of Accounts, issued by the Chartered firm of Accountants, and also obtained from them all the information required to perform its supervisory activities.

The Management Report, elaborated by the Board of Directors, describes the evolution of the Company's activity in an environment of crisis and recession. The Report describes the key events that characterized the set of activities of the Group in the insurance and pension fund management sectors along this financial year, which led it to maintaining a relevant position among the insurance companies and a leadership position in the pension funds market.

For the Board of Auditors, and bearing in mind that in 2013 the insurance industry recorded a significant growth of about 20% over the previous year, strongly influenced by the recovery of the Life insurance business and with the reversing of the trend of the last two years, the following indicators should be highlighted:

- i) From the perspective of the Group's positioning in the specific market in which it operates:
- it strengthened its position in the Portuguese insurance market as the third largest insurance group, having reached at the end of 2013 an overall market share of 13.2% (9.1% in 2012) in terms of premium volume of direct insurance, with a market share of 16.1% (11% in 2012) in Life insurance and a market share of 6.2% in Non-Life insurance (5.7% in 2012);
 - it maintained its leadership position in the area of Pension Funds, representing a market share of 29.2% and a volume of assets under management of 4,366 million euros, compared with 4,190 million euros in the previous year.
- ii) In terms of consolidated inflow, Millenniumbcp Ageas - Grupo Segurador, SGPS, S.A., recorded:
- an increase in production above the domestic market, both in Life and in Non-Life insurance;
 - a volume of 1,725 million euros in direct insurance premiums and investment contracts, representing an increase of 74% compared to 2012 (991 million euros);
 - an increase over the previous year, of 94.8% in Life insurance and 4.5% in Non-Life insurance. It should be noted that the evolution of the national insurance market grew by 33.5% in Life insurance and decreased by 3.2% in Non-Life insurance;
 - a consolidated technical margin, before allocation of administrative costs, of 214 million euros, with a decrease of 5% over the previous year, having been penalized by the negative impact of non-current factors related to unfavourable developments in financial markets, which led to a recognition of impairment of about 17 million euros in Life insurance.
- iii) Regarding the capital structure and results, it achieved:
- a solvency ratio of 317%, on a consolidated basis and after distributing profits in the amount of 65 million euros, well above the minimum required by the Insurance Institute of Portugal;
 - a consolidated net profit of 83 million euros, unfavourably compared to the 94 million euros recorded in 2012; note that the results of 2013 were penalized by a set of non-recurring factors relating to the evolution of financial markets, which forced the recognition of impairments whose impact on net profit was 13 million euros (net of taxes).

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Report and Option of the Board of Auditors

The Board of Directors and relevant departments always provided the documentation and clarifications we required, which led to concluding that:

- i) The Financial Statements provide a good understanding of the financial position and results of the Company;
- ii) The accounting policies and adopted valuation criteria are appropriate;
- iii) The Management Report presents the evolution of the business and the position of the Company in accordance with the legal and statutory provisions.

As a result of this work, it is our opinion that the Annual General Meeting of the Company should approve:

- i) the Management Report and Financial Statements for the year ending 31 December, 2013.
- ii) the proposed appropriation of results contained in said Management Report.

Finally, we must highlight and thank the excellent cooperation of the Board of Directors and the services with which we held contact.

Lisbon, 17 March, 2014

The Board of Auditors

Virgílio Luis de Sousa Repolho (Chairman)

José Rodrigues de Jesus (Member)

Belmira Abreu Cabral (Alternate Member)

**REPORT OF
THE STATUTORY
AUDITORS**



**KPMG & Associados - Sociedade de Revisores
Oficiais de Contas, S.A.**
Edifício Monumental
Av. Praia da Vitória, 71 - A, 11º
1069-006 Lisboa
Portugal

Telephone: +351 210 110 000
Fax: +351 210 110 121
Internet: www.kpmg.pt

CONSOLIDATED AUDITORS' REPORT

(ISSUED BY THE STATUTORY AUDITOR)

(This Report is a free translation to English from the Portuguese version)

Introduction

1. We have audited the consolidated financial statements of **Millenniumbcp Ageas Grupo Segurador, S.G.P.S., S.A.**, which comprise the consolidated balance sheet as at 31 December, 2013 (showing total assets of 11,824,292,540 Euros and total equity of 1,443,204,559 Euros, including consolidated net profit of 82,895,627 Euros), the consolidated statements of income, the comprehensive income, the cash flows and the changes in equity for the year then ended and the corresponding notes to the financial statements.

Responsibilities

2. The Board of Directors is responsible for the preparation of the consolidated financial statements, in accordance with generally accepted accounting principles in Portugal applicable to the Insurance Sector, established by the rule nº 4/2007 of 27 April, with the changes introduced by the rule nº 20/2007 of 31 December and by the rule nº 22/2010 – R of 16 December, both issued by the Portuguese Insurance Regulator (Instituto de Seguros de Portugal), which presents fairly the financial position of the group companies included in the consolidation, the consolidated results of its operations, the consolidated comprehensive income, the consolidated cash flows and the consolidated statement of changes in equity, as well as for the adoption of adequate accounting policies and the maintenance of an appropriate system of internal control.
3. Our responsibility is to express an independent opinion on those consolidated financial statements based on our audit.

Scope

4. We conducted our audit in accordance with the Technical Standards and Guidelines issued by the Portuguese Institute of Statutory Auditors ('Ordem dos Revisores Oficiais de Contas'), which require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. Accordingly, our audit included the:
 - verification that the financial statements of the companies included in the consolidation have been properly audited;
 - verification of the consolidation procedures;

- evaluation of the appropriateness of the accounting principles used and of their disclosure, taking into account the applicable circumstances;
 - assessing the applicability of the going concern principle; and
 - assessing the overall adequacy of the consolidated financial statements presentation.
5. Our audit also included the verification of the consistency of the consolidated financial information included in the Annual Report of the Board of Directors with the consolidated financial statements.
6. We believe that our audit provides a reasonable basis for our opinion.

Opinion

7. In our opinion, the referred consolidated financial statements present fairly, in all material respects, the consolidated financial position of **Millenniumbcp Ageas Grupo Segurador, S.G.P.S., S.A.**, as at 31 December 2013, the consolidated results of its operations, the consolidated comprehensive income, the consolidated cash flows and the consolidated statement of changes in equity for the year then ended, in accordance with generally accepted accounting principles in Portugal applicable to the Insurance Sector, established by the rule n° 4/2007 of 27 April, with the changes introduced by the rule n° 20/2007 of 31 December and by the rule n° 22/2010 – R of 16 December, both issued by the Portuguese Insurance Regulator (Instituto de Seguros de Portugal).

Report on Other Legal Requirements

8. It is also our opinion that the consolidated financial information included in the Board of Directors report is consistent with the consolidated financial statements.

Lisbon, 14 March 2014

KPMG & Associados,
Sociedade de Revisores Oficiais de Contas, S.A. (n° 189)
represented by
Maria Inês Rebelo Filipe (ROC n° 1445)

MILLENNIUMBCP AGEAS

Tagus Park – Edifício 10
2744-005 Porto Salvo
Portugal
T: 21 004 24 90
F: 21 006 68 65