

2011

# ANNUAL REPORT

VOLUME 1

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# 01

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Chairman's Statement

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## CHAIRMAN'S STATEMENT

*The Company is inside and outside Ageas recognized as a leading player in bancassurance and this skill is a key asset for both Ageas and Millennium bcp*

Throughout Europe, economies and financial institutions were in 2011 faced with an extremely tough environment in which it was difficult to do business.

Together with Millennium bcp, our partner and co-shareholder of this Company, we have fiercely defended the market position of Millenniumbcp Ageas. We value the discussions we were able to have with the management of Millennium bcp in the interest of all stakeholders of the Company. The Millennium bcp network has made all possible commercial efforts to promote and sell our products and has very actively worked with us to maintain a product range that appeals to the Customer requirements. This allowed Millenniumbcp Ageas to respond within short delays to the challenging environment with new products and new marketing initiatives.

Both Millennium bcp and Ageas are committed to guide Millenniumbcp Ageas through these challenging economic circumstances, with a healthy solvency as a foundation on which to build.

Revenues at Millenniumbcp Ageas were evidently impacted by the economic reality; the Company collected 1.3 billion Euros of premiums against 2.0 billion Euros in 2010. In Non-life, the revenues were resilient and even slightly increased from 222 million Euros to 226 million Euros in 2011. The decrease in revenues can entirely be explained by the sharp drop in Life insurance from 1.7 billion Euros to 1.0 billion Euros, where Customers' preferences shifted sharply.

But we should not let the negative prevail: 2011 has been another year of success for Millenniumbcp Ageas. The Company is inside and outside Ageas recognized as a leading player in bancassurance and this skill is a key asset for both Ageas and Millennium bcp. We would like to thank the Staff and management of Millenniumbcp Ageas for the efforts they made and continue to make for the success of the Company, but also for all the time spent to introduce our partners into the details of how bancassurance could work.

Médis, the health insurance provider, celebrated in 2011 its 15th year of operations, and in that short span of time it has developed as one of the strongest brands in Portugal, with Customer satisfaction levels that are amongst the strongest in the industry.

2011 was also the year in which we said goodbye to Francisco Lino as CEO of Millenniumbcp Ageas. When we created this Company in 2005, we could rely as of the first day on the broad experience and passion of Francisco who

together with his team has created a strong insurance group that wants to offer value to all its stakeholders. We wish Francisco the very best in his further career, and we are confident that the Company he has helped to create will continue to surprise the market with its proactive approach in product development and distribution. It is encouraging to see how the team, headed by the new CEO Jan de Pooter, can rely on the full support of their shareholders and Staff to face the challenges ahead in 2012 and beyond.

With warm regards,

A handwritten signature in dark ink, appearing to read 'Bart De Smet', with a stylized, flowing script.

*Bart De Smet*

Chairman Millenniumbcp Ageas



## KEY INDICATORS

KEY INDICATORS [million Euros]	2011	2010	VAR.11/10
<b>Income Statement</b>			
Direct Written Premiums <sup>1</sup>	1,297	1,946	-33.3%
· Life	1,071	1,724	-37.9%
· Non-life	226	222	2.0%
Technical Margin <sup>2</sup>	118	257	-54.2%
Technical Margin Net of Operating Costs	3	135	-97.9%
Net Profit	16	114	-85.6%
Net Profit before VOBA ( <i>value of business acquired</i> )	36	142	-74.3%
<b>Balance Sheet</b>			
Shareholders Equity	946	1,145	-17.4%
Total Assets	11,678	13,223	-11.7%
Investments	10,913	12,460	-12.4%
<b>Ratios</b>			
Efficiency			
1. Gross Claims Ratio (Non-life)	64.5%	65.5%	-1.0pp
2. Gross Expense Ratio (Non-life)	23.9%	25.9%	-2.0pp
3. Non-life Gross Combined Ratio	88.3%	91.4%	-3.1pp
4. Life Net Operating Costs/Average of Life investments	0.84%	0.83%	0.1pp
Profitability			
1. Technical Margin/Direct Written Premiums <sup>2</sup>	9.1%	13.2%	-4.1pp
2. Average return on Investments ( <i>book value</i> )	1.8%	3.7%	-1.9pp
3. Return on Equity ( <i>ROE</i> ) <sup>3</sup>	3.4%	13.7%	-10.4 pp
Solvency			
1. Solvency Ratio	147%	183%	-37 pp
2. Shareholders Equity/Total Assets	8.1%	8.7%	-0.6 pp
3. Coverage of Insurance and Investment Contracts Liabilities <sup>4</sup>	105.4%	106.6%	-1.2 pp
<b>Other Indicators</b>			
Market Share	11.3%	11.9%	-0.6 pp
· Life	14.5%	14.2%	0.3 pp
· Non-life	5.5%	5.3%	0.2 pp
Number of Employees	464	462	0.4%

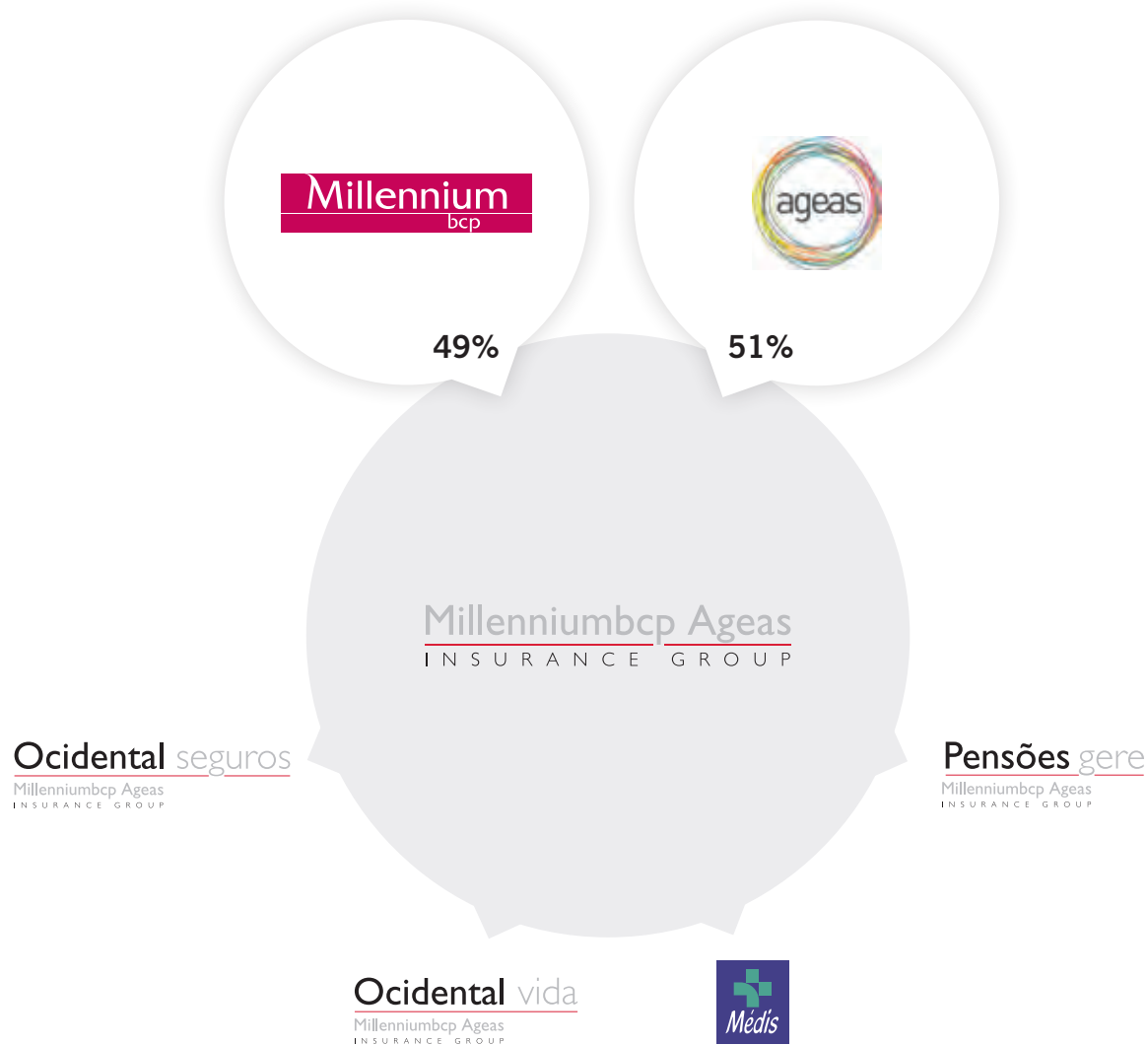
<sup>1</sup> Includes investment contracts, which under IFRS are not accounted as premiums

<sup>2</sup> Before allocation of administrative costs and VOBA

<sup>3</sup> Before VOBA (*value of business acquired*)

<sup>4</sup> Includes investments, liquid assets and interests receivable

## SHAREHOLDERS STRUCTURE





## OUR SHAREHOLDERS

### AGEAS

*Ageas is an international insurance Company with a heritage spanning more than 180 years. Ranked among the top 20 insurance companies in Europe, Ageas has chosen to concentrate its business activities in Europe and Asia, which together make up the largest share of the global insurance market. These are grouped around four segments: Belgium, United Kingdom, Continental Europe and Asia and served through a combination of wholly owned subsidiaries and partnerships with strong financial institutions and key distributors around the world. Ageas operates successful partnerships in Belgium, UK, Luxembourg, Italy, Portugal, Turkey, China, Malaysia, India and Thailand; it has subsidiaries in France, Hong Kong and UK. It is the market leader in Belgium for individual Life and Employee Benefits, as well as a leading Non-life player, through AG Insurance, and in the UK, it has a strong presence as the third largest player in private car insurance and the over 50's market. It employs more than 12,500 people and had in 2011 annual inflows of 17.2 billion Euros.*

### Ageas in 2011

2011 has been marked by the continued negative trend of the financial markets and fierce competition from bank products and sovereign states. Ageas reported inflows in 2011 of 17.2 billion Euros, 4% down on 2010, with lower inflows in Life but increasing premium levels in Non-life. The non-consolidated partnerships at 100% contributed 6.0 billion Euros. In the UK, inflows increased to over 2 billion Euros for the first time, thanks to organic growth and a successful first year of operations of Tesco Underwriting. The Asian segment equalled the outstanding inflow levels of 2010. Overall market shares remained stable or improved, especially with respect to our Non-life activities.

The Group reported a net result of 578 million Euros negative broken down in a net loss of 313 million Euros for the Insurance operations, and a net loss of 265 million Euros in the General Account. The Insurance net result includes a net impairment charge on the investment portfolio of 809 million Euros of which 627 million Euros related to impairments on the Greek sovereign exposure and 182 million Euros related to equities. Furthermore, Ageas decided to impair part of the goodwill related to AICA (Hong Kong) for an amount of 99 million Euros, taking into account the low interest rate environment and its impact on the financial situation of our local activity.

Excluding the net impact of the total impairment charges, the net Insurance result this year would have amounted to 595 million Euros, compared to 391 million Euros in 2010, positively supported by a higher total amount of net realized capital gains (167 million Euros vs. 62 million Euros), mainly realized in Belgium.

## Insurance

*Impairment charges impact Life and Non-life, improved Non-life operating performance*

Ageas reported for 2011 an **Insurance net result** after non-controlling interests of 313 million Euros negative compared to a net profit of 391 million Euros in 2010. This breaks down into a net result in Belgium of 327 million Euros negative, a net loss of 8 million Euros and 64 million Euros in Continental Europe and Asia respectively, partly offset by a net profit in the United Kingdom of 86 million Euros.

The results in Belgium and Continental Europe are marked by impairment charges on the Greek sovereign bonds of 1.3 billion Euros gross and corresponding to a net charge of 627 million Euros after profit sharing, tax and non-controlling interests, based on the fair values as at 31 December 2011. Following these impairment charges, the Greek sovereign bonds are recorded on average at 23 % of the amortized cost.

The declining financial markets also triggered impairments on equities investments across the various segments with the exception of the UK, with a total annual net impact of 182 million Euros. Continued actions to recalibrate the investments in fixed income and equities combined with some sales activity in real estate in Belgium, resulted in realized net capital gains of 167 million Euros.

The **Life net result** amounted to 425 million Euros negative compared to 377 million Euros positive in 2010. The aforementioned non-recurring impairment charges on the investment portfolio (772 million Euros) and the goodwill related to AICA (Hong Kong) affected the performance. In addition, the result in Belgium included a charge related to the contribution levied by the Belgian state on the insurance industry and amounting to 20 million Euros for the entire year. In the UK, the Life result includes a charge of 4 million Euros, related to an accelerated amortisation of deferred acquisition costs, due to higher than expected cancellations.

The **Non-life** operations improved substantially compared to last year and reported a positive **net result** of 82 million Euros compared to 2 million Euros last year. In 2011, the UK operations returned to profit (61 million Euros) and Continental Europe and Asia contributed 10 million Euros and 8 million Euros respectively. The Non-life result in Belgium came down to 3 million Euros hampered though by impairment charges related to Greek sovereign bonds (27 million Euros) and adverse weather related costs. The total weather related costs affecting the Non-life operations amounted to 37 million Euros of which 22 million Euros in Belgium, 11 million Euros in the UK and 4 million Euros in Asia. Operating performance improved substantially across all segments and especially in Motor, driven by tariff increases and operational excellence. The **Group combined ratio** amounted to 101.1 % compared to 107.3 % last year.

The net result of the **Other Insurance** segment, which includes the UK retail distribution operations, significantly improved to 30 million Euros, compared

to 12 million Euros in 2010, benefiting from the contribution and the synergies of the recently acquired activities, KFFS and Castle Cover, and including result related fees from partners.

*Lower Life inflows, Non-life inflows up across all segments*

Total gross inflows amounted to 17.2 billion Euros, 4% down on last year's level (17.9 billion Euros). This included 6.0 billion Euros (+4%) from the Asian and Continental European non-consolidated partnerships on a 100% basis, the latter including the acquired Non-life stake in AKSigorta, Turkey, as of August 2011. The UK segment inflows soared in 2011 by nearly 70% driven by the first entire year of operations of Tesco Underwriting and additional organic growth, while Asia repeated its record performance of 2010, despite a difficult start. In Belgium and Continental Europe, inflows, especially in Life, came down in line with general market trends, Non-life inflows further increased.

Life inflows, including non-consolidated partnerships at 100%, reached 12.3 billion Euros, a decline by 13% on 2010. Inflows in the consolidated entities amounted to 7.1 billion Euros compared to 9.0 billion Euros last year. The past year has been marked by fierce competition from banking products and state savings products while in Asia regulatory changes and monetary tightening in several markets were accompanied by an increased focus on lower volume but high-quality regular premium sales. Inflows in Belgium and Continental Europe came down by 12% and 36% respectively compared to 2010 levels, driven by an overall lower appetite for both traditional savings and Unit-linked products. In Asia, inflows were remarkably resilient in view of the financial turmoil in the second half of the year and the regulatory changes in many of the markets.

In Non-life Gross Written Premiums further grew to 4.9 billion Euros (+31%), reflecting the growth strategy in this area. The increase is fuelled by the UK, with an increase of more than 800 million Euros (+68%) largely due to the successful launch of Tesco Underwriting in October 2010 and positive developments in Personal and Commercial lines. In Continental Europe, the acquired stake in AKSigorta, the 3rd largest Non-life insurer in Turkey, consolidated since August 2011, contributed 177 million Euros. In Asia both partnerships, Malaysia and Thailand performed well across all lines and recorded increases of 18% and 16% respectively. The Belgian operations grew consistently in 2011 with a market share that rose to 15.7%. Inflows benefited from a mix of higher tariffs and increased volumes. Like in the UK, the Motor and Fire business performed particularly well.



<b>OVERVIEW OF GROSS INFLOW PER SEGMENT/OPERATION</b> [million Euros]	<b>2011</b>	<b>2010</b>	<b>%</b>
<b>Belgium</b>	<b>6,179</b>	<b>6,709</b>	<b>-7.9%</b>
Life	4,508	5,118	-11.9%
Non-life	1,671	1,591	5.0%
<b>UK</b>	<b>2,034</b>	<b>1,207</b>	<b>68.5%</b>
Life	51	28	82.1%
Non-life	1,983	1,179	68.2%
<b>Europe Continental</b>	<b>2,849</b>	<b>3,933</b>	<b>-27.6%</b>
Life	2,219	3,490	-36.4%
Non-life	630	443	42.2%
<b>Asia</b>	<b>6,157</b>	<b>6,094</b>	<b>1.0%</b>
Life	5,550	5,578	-0.5%
Non-life	607	516	17.6%
<b>Total</b>	<b>17,219</b>	<b>17,943</b>	<b>-4.0%</b>
<b>Life</b>	<b>12,328</b>	<b>14,214</b>	<b>-13.3%</b>
<b>Non-life</b>	<b>4,891</b>	<b>3,729</b>	<b>31.2%</b>

*Investment portfolio composition fairly stable,  
unrealized gains up on last year*

Total funds under management in the consolidated entities, excluding entities 'Held for Sale' (i.e. Ageas Life Germany) and including Non-life, came down from 78.1 billion Euros end 2010 to 70.6 billion Euros end 2011. The decrease relates largely to the exclusion of the Funds under Management of the Luxembourg Life operations, which have merged at year end with Cardif Lux International and are now excluded from the consolidation scope. On a like-for-like basis, Funds under Management increased slightly, driven by Belgium and Asia. **Life funds under management** in the consolidated activities amounted to 64.4 billion Euros. Life funds under management in the non-consolidated partnerships (Asia) increased 9% to 18.4 billion Euros. In line with the increased inflow levels, **Non-life funds under management** further increased to 6.2 billion Euros, up 16% compared to end 2010 and largely related to the growth of the UK operations.

*Further streamlining and selective strengthening  
of the Insurance portfolio*

In the course of 2011 and in line with its defined strategy, Ageas undertook further actions to streamline and strengthen its Insurance activities. In February, Continental Europe took an important step towards enlarging its Non-life activities by reaching an agreement with Haci Omer Sabanci Holding («Sabanci») to acquire a 31% stake in AKSigorta, currently the 3th largest Non-life insurer in Turkey for a total consideration of 153 million Euros. The transaction also included the conclusion of an exclusive distribution agreement with AKbank, with the objective to develop jointly the bancassurance model in

## Our Shareholders

Turkey. In November, Ageas and Sabanci, the two main shareholders of AKSigorta, announced their intention to increase their stake through the joint acquisition of 10% of the total amount of outstanding shares of AKSigorta. As per 31 December 2011, both parties already increased their stake by 2% to 33%.

At the end of March, Ageas acquired Castle Cover Limited, a UK based intermediary specialising in the over 50s insurance sector, consolidating Ageas n.º2 position in this fast growing market segment.

In the course of June, Ageas announced two additional transactions. In Luxembourg, Ageas Insurance International and BGL BNP Paribas, each holding 50% of the shares of Fortis Luxembourg Vie, signed a transaction with Cardif Lux International to merge their activities. The newly created entity is held by Ageas, BGL BNP Paribas and BNP Paribas Cardif for 33.33%, 33.33% and 33.34% respectively. Secondly, Ageas entered into an agreement with Swiss Re to transfer the run-off business of Intreinco N.V., the former reinsurance captive of the Fortis Group. This transaction also envisaged a further simplification of the corporate structure and has been completed at the end of 2011.

Finally, in early October Ageas announced an agreement on the sale of the German Life activities with Augur Capital. The transaction is expected to close by early 2012.

### General Account

The **General Account** result of 265 million Euros negative was mainly driven by the change in valuation of the legacy issues. Aside from the four legacy items, RPN(I), Royal Park Investments, the BNP call option and the Fortis Tier 1 Debt Securities, which had a combined negative impact of 271 million Euros, the General Account result also included a positive impact of 56 million Euros related to a settlement of outstanding tax issues and reducing the total negative impact of the legacy items to 215 million Euros.

### Group

Shareholders' equity at 31 December 2011 amounted to 7.8 billion Euros (3.23 Euros per share) compared to 8.4 billion Euros (3.26 Euros per share) at the end of 2010.

As at 31 December 2011, **total regulatory capital** under IFRS amounted to 8.6 billion Euros compared to 9.9 billion Euros at the end of 2010 and including 1.1 billion Euros from the General Account. The solvency excess amounts to 5.0 billion Euros, corresponding to a Group Solvency ratio of 237% compared to 282% end 2010. Total available capital of the Insurance activities amounted to 7.5 billion Euros, with minimum solvency requirements up to 3.6 billion Euros (+12%), and an Insurance solvency ratio of 207% (vs. 232% end 2010).

The IFRS solvency ratios in the business segments remained solid with Belgium at 174%, the UK at 234%, Continental Europe at 172% and Asia at 292%.

Ageas's Board of Directors will propose a **gross dividend of 8 eurocent per share** to be paid in cash, subject to approval by the shareholders at the Annual Shareholders' meeting of 25 and 26 April 2012. Despite the negative Insurance results, Ageas's Board of Directors has decided to keep the dividend stable compared to **the dividend paid over 2010, as a sign of trust and belief in the underlying quality of the assets and our business.**

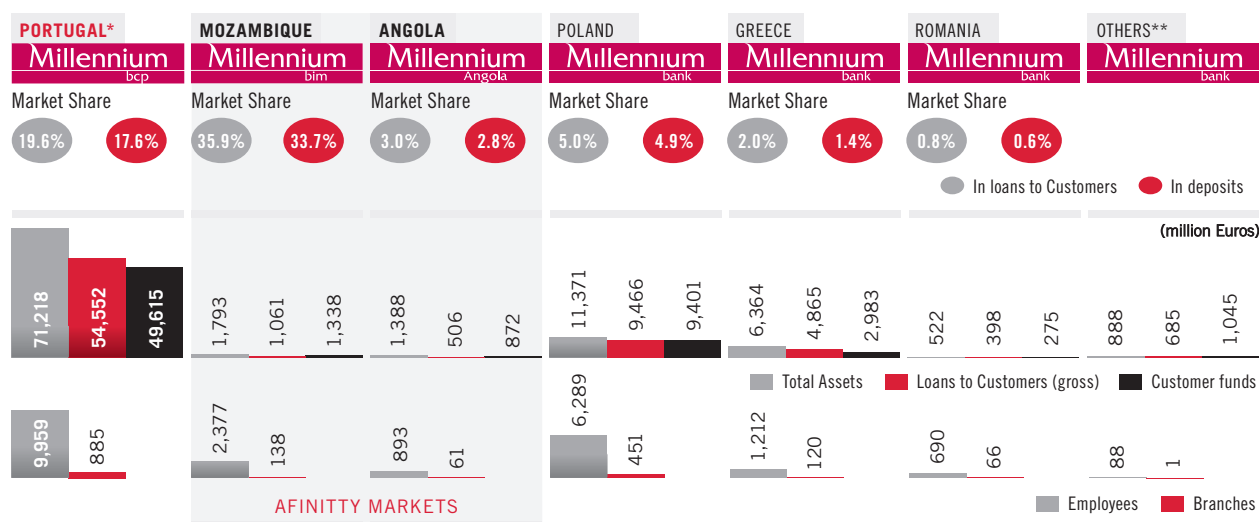


## MILLENNIUM BCP

Since its incorporation, Millennium bcp has been associated to innovation, dynamism and financial strength, and has maintained these vectors as its strategic pillars which contribute to the highest efficiency of the platform and constitute an element of key differentiation in relation to the competition. The Bank, with decision making centre located in Portugal, meets the calling: «Going further beyond, doing better and serving the Customer», guiding its action by values such as the respect for people and institutions, focus on the Customer, a mission of excellence, trust, ethics and responsibility, being a distinguished leader in various areas of financial business in the Portuguese market and a reference institution at an international level.

In Portugal, the Bank operates with the largest banking distribution network of the country, with 885 branches, and is the second bank in terms of market share, both in loans and advances to Customers (approximately 19.6%) and Customer deposits (approximately 17.6%). The Group assumes also a prominent position in Africa through its banking operations in Mozambique and Angola, and in Europe through its operations in Poland, Greece, Romania and Switzerland. Since 2010, the Bank has operated in Macau through an on shore branch, having signed, in that year, a memorandum of understanding with the Industrial and Commercial Bank of China with the objective of strengthening cooperation between the two banks, which is extended to other countries and regions beyond Portugal and China. The Bank is also presented in the Cayman Islands through bcp Bank & Trust, with a license type B. In 2011, the Bank formalised a license application for the opening of an on shore branch in the Popular Republic of China. Particular reference should also be made to the signing, in 2011, of the partnership agreement with Banco Privado Atlântico, S.A. for the constitution/acquisition of a bank in Brazil, aiming to exploring opportunities in the Brazilian market, namely in the areas of corporate finance and trade finance, through partnerships. The entry into the Brazilian market completes the last vertex of the strategic diamond of Portugal, Africa, China and Brazil.

## A leading Group focused on the Retail Business in Portugal, Poland, Mozambique and Angola



The activity in Portugal represents 76.1% of total assets, 76.3% of loans and advances to Customers (gross) and 68.4% of total Customer deposits. The international operations currently represent 48.6% of the total of 1,722 branches and 53.7% of the 21,508 Employees of the BCP Group, having accounted a contribution in 2011 of 122.7 million Euros.

The Bank offers its Customers a wide range of banking and financial products and services, from current accounts, instruments of payment, saving and investment products, to private banking, asset management and investment banking, including mortgage loans, consumer loans, commercial banking, leasing, factoring and insurance, amongst others, serving its Customers on a segmented basis. Having the largest branches network in Portugal, and a growing network in the countries in which it operates, the Bank offers, supplementary, remote banking channels (banking service by telephone and Internet), which operate as distribution points for its financial products and services of Millennium bcp.

### Business Model

As at 31 December 2011, the internal organizational model of Millennium bcp covered four business areas: Retail, Companies, Asset Management & Private Banking and Business Abroad (Europe, Africa and Other), and two support units – Processes and Banking Services and Corporate Areas.

There were five Coordination Committees, aimed at facilitating the articulation of current managerial decisions, involving the senior management of the units included in each Business Area and in the Banking Services Unit, with the mission of aligning perspectives and supporting the management decision-making process of the Executive Board of Directors.

Source: BCP. Market shares in Portugal are based on Bank of Portugal and Portuguese banks' public data. Market shares in Poland are from the National Bank of Poland. Market shares in Greece are based on Bank of Greece and Greek banks' public data. Market shares in Mozambique are based on Bank of Mozambique public data. Market shares in Angola are based on National Bank of Angola public data.

(\*) Includes Macao;

(\*\*) BCP Banque Privée, BCP Bank & Trust, Consolidation adjustments.



## Strategic Agenda 2011-13

The changes to the macroeconomic and regulatory environment in the Portuguese banking sector led to the revision of the strategy and to the consolidation of the strategic priority vectors.

Millennium bcp has redefined its corporate vision, assuming a perfect position of national leadership: i) in Portugal, where its market leadership, talent for innovation and quality service and the advantages of scale provide a solid business platform as a base for efficiency gains; ii) in Angola and Mozambique, where it is already a reference bank and where the opportunities for growth and the strong commitment to these countries favour them as the principal geographic areas with high potential to support expansion in the medium term; iii) in Africa, Brazil and China, other markets of affinity where the potential leveraging of the domestic franchise and follow-up of Customers abroad enable access to additional business opportunities, in partnership; and iv) the revaluation of the European portfolio, having already been reaffirmed, after considering various alternatives, its commitment to the organic growth of the Polish operation.

The environment of the Portuguese banking sector deteriorated significantly during 2011, as a result of the intensification of the effects of the sovereign debt crisis, increased European institutional instability, and the uncertainties regarding the mechanisms supporting the European Economic and Monetary Union and the countries under market pressure.

Regarding Portugal, attention focused on the structural imbalances of the Portuguese economy. The high levels of public and private indebtedness, in a context of low GDP growth, weak external competitiveness and aggravation of the credit risk of sovereign debt instruments led to prohibitively exorbitant funding conditions, constraining the action of the Portuguese State and leading to the request for international financial assistance. On 5 May 2011, the Portuguese Government, with the support of the main political parties, announced that it had reached a memorandum of agreement with the IMF, European Union and European Central Bank in relation to an Economic Adjustment Programme (Programme). The main implications of the Programme for the Portuguese financial sector consist of the need to: i) implement a continuous deleveraging process through reduction of the loan portfolio; ii) decrease funding from the Eurosystem during the period of the Programme; iii) achieve a Loans-to-Deposits ratio of 120% by the end of 2014; and iv) comply with the new requirements on solvency, namely a Core Tier I ratio of 9% by December 2011 and 10% by December 2012.

Furthermore, on 8 December 2011, the European Banking Authority (EBA) recommended the strengthening of capital requirements in accordance with bank exposure to sovereign debt, for precautionary reasons. The solvency requirements established by the EBA consist of a Core Tier I ratio of 9% by June 2012 (including the valuation of public debt at market prices and additional deduction to Core own funds, related to financial holdings in financial institutions) and of 10% by the end of 2012. Lastly, it should be noted the phased transition to Basel III criteria as of 1 January 2014.

On 27 July 2011, Millennium bcp announced a new strategic agenda for the period 2011-2014, based on four key areas of action: i) guaranteed solvency levels above the regulatory requirements (Core Tier I of 9% in 2011 and 10% in 2012); ii) management of the deleveraging process so as to stabilise funding requirements and structure; iii) recovery of the profitability levels of the business in Portugal, with the objective of surpassing a return on equity of 10%, after the stabilisation of the cycle; and iv) focus of the international portfolio according to its attractiveness and available funds. Under its new strategic vision and focus intended for Portugal, Africa, Asia and Brazil, all other operations in Europe would be subject to a process of assessment of different scenarios with a value to the appropriation of value.

The main initiatives of Millennium bcp in the medium term should be based on the following pillars:

### **I. Strengthening of the leadership in Portugal**

This pillar includes:

- › «Project M», aimed at the launch of a new business model which will seek higher efficiency in the approach towards the Mass Market, a new service model for the Affluent and Business segments, focusing on active and self-directed Young People, as well as on a leading multichannel platform, which should enable the reconfiguration of the branch network, concentration of capability and optimisation of resources;
- › Restructuring of the operating model, through the redesign of lean front and back office processes, adjustment of the capacity to the new model and strengthening of loan recovery capacities;
- › Specialised partnerships, aimed at the development of banking business (in real estate, leasing and factoring and investment banking, amongst others) and expansion of the current offer of non-banking products and services.

### **II. Angola and Mozambique as a platform of growth for Africa**

Millennium bcp will seek to strengthen its operating base for growth in the region, reinforcing the importance of the business in Africa through the intensification of the expansion plans in progress in Angola and Mozambique, and consideration of short term expansion to other countries, as well as the possible development of the mobile banking business.

### **III. Growth in new markets of affinity**

After the signing of a partnership agreement with Banco Privado Atlântico, in September 2011, to create a bank in Brazil in order to access the opportunities of the Brazilian market, namely in the corporate finance and trade finance areas, through partnerships, the Bank is awaiting the issue of a banking license. Moreover, Millennium bcp also plans to strengthen its physical presence in China, having, in 2011, formalised a license application for the opening of an official branch in China.

#### IV. Reassessment of the positioning of the European operations

Under its new strategic vision and focus in Portugal, Africa, Asia and Brazil, a process of strategic review of all other operations in Europe has been started, for the assessment of the creation of value of the different possible options, enabling a decision on the respective corporate holdings.

On 19 December 2011, Millennium bcp, following a process of assessment of different scenarios with a view to the creation of value relative to business in Poland, and having meticulously examined various options, restated its commitment to the organic development of Bank Millennium in Poland. From its analysis, Millennium bcp concluded that the option which is most in the interest of its Stakeholders and best fosters the creation of value is the maintenance of its stake in Bank Millennium. Hence, the Bank restated its confidence in the progress of the Polish economy and its commitment to continue to support and sustain the organic development of Bank Millennium, based on its strong position in the retail market, the low risk shown by its loan portfolio and the efficiency and productivity gains that have been achieved successfully.

The Bank is currently appraising options to restructure and/or reduce its exposure to the Greek market, having established a process of assessment of different options and opportunities, including possible participation in the process of consolidation of the Greek banking sector, relative to Millennium bank, Société Anonyme, in Greece.

Regarding Romania, the option consists of the stabilisation of the business, maintaining the objective of achieving break even in the short term.

### Results

The net income of Millennium bcp was negative by 786.2 million Euros in 2011, compared with the profit of 344.5 million Euros in 2010 (restated in accordance with the change of the accounting policy), influenced by exceptional negative factors related to the reinforcement of loan impairment charges, the recognition of impairment relative to the goodwill of Millennium bank in Greece, the increase of impairment charges for other financial assets, the effect of the partial transfer of the liabilities related to pensions for retired Employees and Pensioners to the General Social Security Scheme and the mark-to-market of Portuguese sovereign debt. These exceptional factors fundamentally reflect the persistence of an adverse national and international macroeconomic context, added to the intensification of the tensions related to sovereign debt in the Eurozone and the increased uncertainty in international financial markets.

The activity in Portugal was constrained by the exceptionally negative factors noted above, which were attenuated by the increase in net interest income, benefiting from the adjustment of the loan spreads to Customer risk profiles, by the reduction of other administrative costs, reflecting the initiatives which were implemented aimed at strict cost control relative to external supplies and services, and by the lower level of depreciation costs, in particular equipment and buildings.

The net income of the international activity was boosted by the higher level of net income achieved in most of the subsidiaries abroad, underpinned by the growth in net operating revenues induced by the higher business volumes and efficiency gains despite the investments in progress, with particular emphasis on the net income achieved by Bank Millennium in Poland, Millennium bim in Mozambique and Banco Millennium Angola.

As at 31 December 2011, total assets reached 93,545 million Euros, compared with 98,547 million Euros recorded as at 31 December 2010. Loans to Customers, before loan impairment, decreased by 6.4%, to stand at 71,533 million Euros as at 31 December 2011 (representing 76% of total assets), compared with the 76,411 million Euros recorded at the end of the previous year. This evolution was fundamentally the result of the constraints mentioned above, with consequences on lower demand and higher selectivity in credit concession. Furthermore, the contraction of the loan portfolio was also influenced by the sale of various loan operations, which accelerated the deleveraging and enabled the release of funds with a view to finance Customers. Total Customer funds reached 65,530 million Euros as at 31 December 2011, relative to the 67,596 million Euros recorded as at the same date of 2010. This evolution was determined by the behaviour of the assets under management and capitalisation products, in spite of the 3.3% increase in balance sheet Customer funds. Core Tier I came to 9.4% as at 31 December 2011, above the minimum threshold defined by the Bank of Portugal (9%), having increased 275 basis points compared to 6.7% as reported at the end of 2010. The success of the operations to reinforce Core Tier I undertaken in 2011 and the reduction of risk-weighted assets, supported by deleveraging and the optimisation and reinforcement of the collateral, contributed positively to the evolution of Core Tier I. BCP shares are listed on Euronext Lisbon and market capitalisation as at December 31, 2011, stood at 980 million Euros.

<b>MILLENNIUM BCP – FINANCIAL HIGHLIGHTS</b> (million Euros)	<b>2011</b>	<b>2010</b>	<b>CHANGE</b>
Net income	(786.2)	344.5	-328.2%
Total assets	93,545	98,547	-5.1%
Total Customer funds	65,530	67,596	-3.1%
Loans to Customers (net)	68,046	73,905	-7.9%
Market capitalisation (ordinary shares) <sup>(3)</sup>	980	2,732	-64.1%
N. of Customers (thousand)	5,385	5,165	4.3%
N. of Employees (thousand)	21,508	21,370	0.6%
Return on average equity (ROE)	-20.4%	9.8%	
Adjusted basic and diluted earnings per share (Euros)	(0.063)	0.048	
Cost to income <sup>(1) (2)</sup>	58.4%	54.1%	
Staff costs / Net operating revenues <sup>(1) (2)</sup>	31.9%	29.0%	
Core Tier I <sup>(1)</sup>	9.4%	6.7%	
Total solvency ratio <sup>(1)</sup>	9.6%	10.3%	

(1) According to Instruction no. 23/2011 from the Bank of Portugal.

(2) Excludes the impact of specific items.

(3) Market value per share adjusted from the capital increase.

The consolidated Financial Statements have been prepared under the terms of Regulation (EC) no. 1606/2002 of 19 July, and in accordance with the reporting model determined by the Bank of Portugal (Notice no. 1/2005), following the transposition into Portuguese Law of Directive no. 2003/51/EC of 18 June, of the European Parliament and of the Council.





## Report of the Board of Directors

The Board of Directors of Millenniumbcp Ageas Grupo Segurador, S.G.P.S., S. A., has the pleasure in presenting the consolidated report and accounts of the Company, regrouping all operations of the Group companies for the year ended December 31, 2011. These consolidated accounts were audited by KPMG.

## MACROECONOMIC ENVIRONMENT

### Overall Appraisal

The process of economic recovery which began in 2010 continued during the first half of 2011, notwithstanding the persistence of risks associated to the real estate market in the USA, the growing pressure on the sustainability of the public debt of the peripheral countries of the Eurozone and respective processes of economic adjustment and budgetary consolidation, the higher volatility in the emerging markets and the process of implementation of improvements in the regulation of the financial system. A significant part of these risks tended to occur in 2011, namely the increased tension in the European institutional framework, contributing to uncertainty and expectations regarding the conclusions and decisions which will be reached during 2012. The deterioration of funding conditions in interbank markets led to the greater use, by European banks, of direct funding from the ECB. These circumstances, of greater risk for economic growth in the Eurozone, combined with a reduction of inflationary pressures and dysfunctionality of monetary transfer mechanism, encouraged the ECB to review its monetary policy parameters, having lowered interest rates and adopted exceptional measures to support the liquidity of the financial system, the effects of which should be felt throughout 2012.

In April 2011, the Portuguese authorities undersigned the Economic and Financial Assistance Programme, aimed at the correction of macroeconomic imbalances (budget deficit and external deficit), the sustainability of public finance and financial stability, and the implementation of a series of structural reforms to boost long term economic growth. In compensation, the International Monetary Fund, European Commission and European Central Bank will ensure an important proportion of the public funding needs up to 2013, with it being expected that the country will gradually return to being able to meet its funding needs in the market over this period. Notwithstanding this, the consolidation of public finance will have strong repercussions on the level of disposable income of families and companies, constraining economic growth and saving capacity.

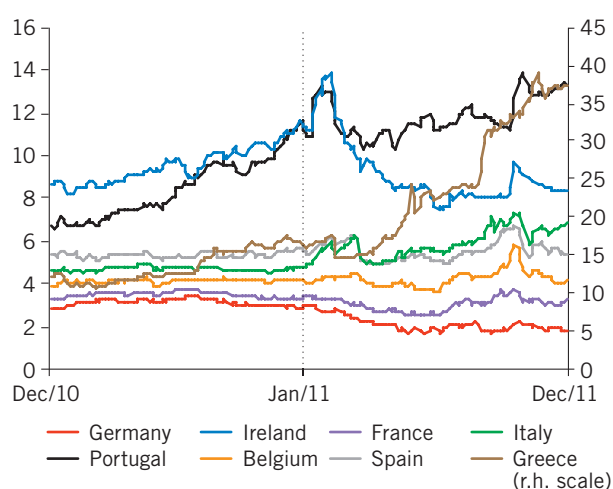
The economic and financial uncertainty has constrained the performance of the national financial system and the search for solutions to comply with the regulatory requirements on bank recapitalisation and liquidity. Particular note should be made of the added importance of attraction of stable financial funds, as well as greater selectivity in processes of loan concession and identification of the most competitive business segments, factors to be taken into account for the achievement of deleverage targets and promotion of economic growth in a context of strong funding restriction. The efficient achievement of these objectives implies a strengthening of Customers and investor trust, through the promotion of ethics and transparency in management, the involvement of all stakeholders, more effective risk management and the search for innovative proposals and processes with a view to meeting the needs arising from a new economic paradigm, reconciling financial, social and environmental objectives.

## Global Economic Environment

The global economy was affected negatively in 2011 by atypical and temporary exogenous factors, such as the natural disaster in Japan, by phenomena of systemic nature with repercussions on the evolution of market behaviour and by global political developments of impact as yet undetermined. Simultaneously with the persistence of modest consumption and investment levels in the advanced economies, due to the process of correction of the high levels of public and private debt and arising from the climate of uncertainty, there was an increase of political tension in the Middle East and North Africa and unusual instability in the European financial system, with implications on the evolution of international trade and potential growth of the world economy.

### Sovereign debt strains in the Euro area spread and become systemic

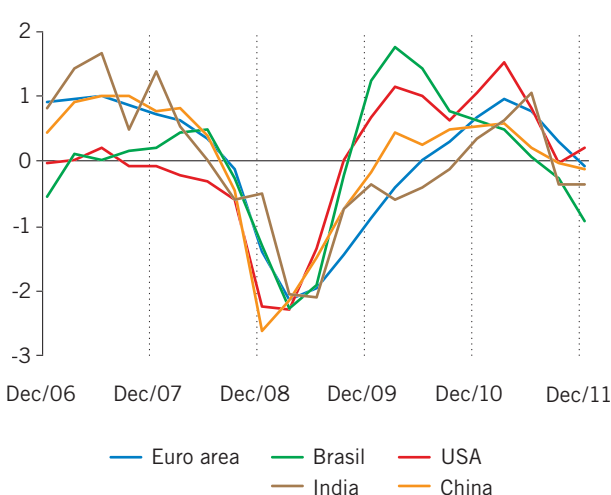
European sovereign debt  
Yields 10y Bonds (ln percentage)



Source: Datastream

### Global economic activity weakened considerably

Business Confidence Indices  
Normalized values in the period



Source: Datastream

The economic activity in European countries deteriorated over 2011, as a result of the intensification of the mechanisms of interaction between sovereign risk, the financial system and real economy, which progressively involved countries of higher economic relevance. The volatility of the financial markets increased, as a consequence of the higher European institutional instability, in view of the uncertainties on the solidity of the mechanisms supporting the Economic and Monetary Union and the deleveraging and recapitalisation requirements of the financial system. The persistent legacy of the excessive debt levels will continue to affect economic performance in 2012. The sustainability of public finance may require additional and continuous measures of budgetary consolidation, in order to compensate the negative effects of the economic cycle in the more immediate term and of the demographic challenges in the long term. It is expected that economic growth will be modest during 2012, with the persistence of some disparity of performance between the countries of the periphery of

Europe and the countries of Central and Eastern Europe, arising from the room for manoeuvre enabled by the different conditions of public finance. Employment gains are likely to be very moderate, indicating structurally high levels of unemployment. Business prospects continue poor, with very modest evolution of orders, although, in compensation, stock levels have been adjusted accordingly, which may represent a positive factor for productive activity in the long term. During 2012, the return to more robust and sustained growth will depend on expectations regarding the correction of the economic and financial imbalances and on the reactions of investors to the measures aimed at mitigating the uncertainty surrounding the future of the European Union.

The slowdown of the global economy has attenuated inflationary pressures in the emerging economies, which enabled the adoption of less restrictive monetary policies. Economic policies will be important in the correction of global macroeconomic imbalances, constituting a structural challenge for the emerging economies, since balanced solutions will have to be found for the transition from a development model based mainly on external stimulus to a system providing more continuous engines of growth based on internal demand with generalised improvement in living standards in a sustainable manner.

The IMF forecasts published in September point to global growth of 4% in 2011 and 2012, a downward revision of 0.3 and 0.5 p.p. relative to the forecasts of the end of the first semester, especially due to the higher risks regarding growth in the Eurozone (1.6% in 2011 and 1.1% in 2012) and slowdown of growth in the USA (1.5% in 2011 and 1.8% in 2012). The contagion effect of the economic and financial turbulence of the European countries to other zones will be higher the stronger the trade connections and exposure to the European financial sector. However, the IMF considers that the risks of contagion to the largest emerging economies will be limited, and forecasts growth of these economies at around 6% in 2011 and 2012.

### Prospects for the Portuguese Economy

During 2011, the structural imbalances of the Portuguese economy became preponderant. The high levels of public and private indebtedness, in a context of low economic growth, and the aggravation of the perception of the credit risk of sovereign debt instruments led to prohibitively exorbitant funding conditions, imposing the request for international financial assistance in April. Since this date, the Portuguese economic and financial context has been constrained to the implementation of the Economic and Financial Assistance Programme, under its fundamental pillars: sustainability of public accounts, implementation of structural reforms and defence of financial stability, and the sustained funding of economic activity in Portugal.

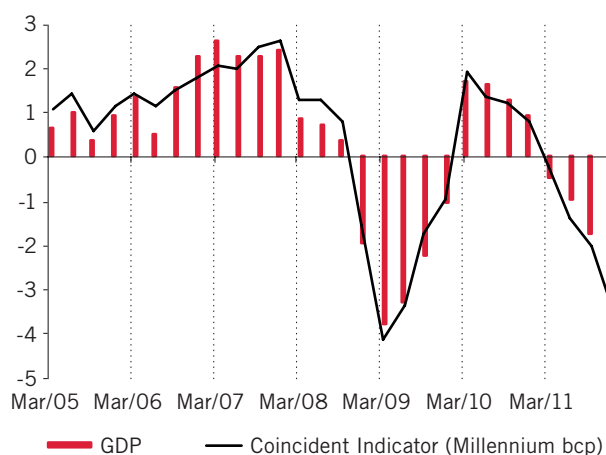
Concerning the promotion of financial stability, the economic adjustment plan establishes objectives for the reduction of the transformation ratio (loans-to-deposits ratio), the strengthening of the capital and liquidity ratios of the financial system and the reduction of funding needs from abroad. These

conditions are considered necessary to ensure the recovery of access to the international debt markets by 2013. During this adjustment period, the capacity to replace the current funding structure by stable domestic funds, i.e., less sensitive to alterations in the perception of risk by international investors, will be very limited. Therefore, the funding of the economy should continue to be ensured, essentially, through institutional means (European and ECB funds), which will evolve in accordance with the successive balance established between the deleveraging process and the adverse collateral effects on economic activity and the productive structure.

The progressive weakening of internal demand has exacerbated the recessive process into which the Portuguese economy has fallen since the first quarter. However, the contraction of economic activity in 2011, estimated at approximately 1.6%, was attenuated by the more favourable behaviour of net external demand in the beginning of the year. The budgetary consolidation necessary in 2012 in order to ensure compliance with the Economic and Financial Assistance Programme, with repercussion on private expenditure (tax and effective parafiscal load, remunerations and pensions), and the conditions of access to more restrictive funding, limit consumption and investment, leading to a higher contraction of GDP, with negative impacts on productive capacity, the evolution of employment and the financial circumstances of families and companies. The behaviour of external demand and the capacity to improve the attractiveness of Portuguese products and services have become determinant to prevent an even more negative and penalising scenario of the economic and financial adjustment process.

### Portuguese economy double-dip in the second half of 2011

GDP vs. Coincident Indicator (Millennium bcp)  
Real annual percent change



Fonte: INE and Millennium bcp

## INSURANCE SECTOR ENVIRONMENT

In 2011, the volume of direct insurance premiums and investment contracts of the Portuguese market reached 11.6 billion Euros, which is equivalent to about 7% of Portuguese GDP, representing a decline of 29% relative to the previous year.

The turnover of the insurance sector was strongly conditioned by the negative growth of 38% in Life business, where total premiums reached 7.5 billion Euros. This downturn arises, not only as a result of the current economic crisis, but also due to the effort of the banking sector in attracting savings through term-deposits at attractive yields, affecting not only the commercialisation of Capitalisation products, whose premiums fell 33%, but also the placement of Retirement Savings products, with a decline in production of about 60%.

Non-life premiums registered a negative evolution – although more moderately – in line with Life, having decreased 0.9% to 4.1 billion Euros, thus



reversing the rising trend registered in the previous year. The deterioration of the economic climate, in particular the galloping unemployment rate, conditioned the performance of Workman's Compensation, where premiums fell 4%. Personal Accidents, which registered a negative evolution of 11% in premiums sold, also contributed to the decline in the Non-life business. In contrast, a positive evolution was registered in Health and Fire, although with more modest growth rates than those registered in the previous year.

#### Direct Written Premiums and Investment Contracts – Portuguese Market [million Euros]

LINES OF BUSINESS	2011	2010	2009	2008	CHANGE 11/10	CHANGE 10/09	CHANGE 09/08
Life	7,533.3	12,171.8	10,383.9	11,004.7	-38.1%	17.2%	-5.6%
Non-life	4,132.5	4,168.5	4,131.6	4,321.0	-0.9%	0.9%	-4.4%
<b>Total</b>	<b>11,665.9</b>	<b>16,340.2</b>	<b>14,515.5</b>	<b>15,325.8</b>	<b>-28.6%</b>	<b>12.6%</b>	<b>-5.3%</b>

Source: Associação Portuguesa de Seguradores.

The year of 2011 was characterized by a fall in the level of concentration in the national insurance market, with the five main insurance groups being responsible for approximately 65% of the premiums issued, in comparison to the 73% registered at the end of 2010.

It is worth noting that, in spite of the current economic downturn in Portugal, the insurance sector remains solid and robust. This was reflected in a solvency ratio for the sector significantly above the minimum required by the regulator.

### Life Business

Life business experienced a reversal in growth rate compared to the previous year after registering a 38% decrease in premiums at the end of 2011 relative to the same period of the previous year.

In fact, there was a decrease in the relative weight of this segment in the total national insurance market in 2011, which fell to 65% relative to the 74% observed in 2010. A lower level of concentration in this segment should also be noted, since the five main insurance groups, which represented about 83% of the total Life insurance market in 2010, now represent 76% of the same market.

#### Direct Written Premiums and Investment Contracts – Portuguese Market [million Euros]

LINES OF BUSINESS	2011	2010	2009	2008	CHANGE 11/10	CHANGE 10/09	CHANGE 09/08
Savings (includes Unit-linked)	5,315.0	7,981.2	6,295.5	7,588.7	-33.4%	26.8%	-17.0%
Savings (PPRs / PPPE)	1,302.4	3,251.3	3,144.8	2,465.9	-59.9%	3.4%	27.5%
Risk and Annuities	915.9	939.3	943.6	950.2	-2.5%	-0.5%	-0.7%
<b>Total</b>	<b>7,533.3</b>	<b>12,171.8</b>	<b>10,383.9</b>	<b>11,004.7</b>	<b>-38.1%</b>	<b>17.2%</b>	<b>-5.6%</b>

Source: Associação Portuguesa de Seguradores.

In 2011, all the Life business lines register declines in the volume of premiums commercialised, with emphasis on the Retirement Savings products and Capitalisation products, not associated to investment funds, given the economic climate previously described, to which, in the case of Retirement Savings products, is added the reduction of tax incentives. As a whole, this type of products presented a total value of premiums of about 4.6 billion Euros (about 62% of the total production of this segment), which, relative to the 8.9 billion Euros registered in the same period of the previous year, represents a decrease of 48%.

## Non-life Business

The volume of Non-life insurance premiums registered a slight decrease of 0.9% relative to 2010, reaching the total value of approximately 4.1 billion Euros.

Positive attention should be drawn to the growth of premiums sold in Health and Fire, which is all the more significant since it was achieved in a particularly harsh economic climate, where access to private health care is a growing need felt by the market.

In contrast, two of the most important lines of business in this segment (Motor and Workman's Compensation) registered a decrease in the volume of premiums, which in the case of Workman's compensation has been a recurring trend over the last few years, reflecting the contraction of economic activity and the increase in the unemployment rate.

### Direct Written Premiums – Portuguese Market (million Euros)

LINES OF BUSINESS	2011	2010	2009	2008	CHANGE 11/10	CHANGE 10/09	CHANGE 09/08
Motor	1,659.0	1,671.9	1,665.6	1,809.7	-0.8%	0.4%	-8.0%
Fire	768.8	765.3	744.3	732.2	0.5%	2.8%	1.7%
Workman's Compensation	621.9	645.9	673.7	741.1	-3.7%	-4.1%	-9.1%
Health	540.5	532.2	499.7	482.8	1.5%	6.5%	3.5%
Personal Accidents	159.0	178.4	180.0	172.3	-10.9%	-0.9%	4.5%
Other	383.4	374.7	368.3	382.9	2.3%	1.8%	-3.8%
<b>Total</b>	<b>4,132.5</b>	<b>4,168.5</b>	<b>4,131.6</b>	<b>4,321.0</b>	<b>-0.9%</b>	<b>0.9%</b>	<b>-4.4%</b>

Source: Associação Portuguesa de Seguradores.

With regard to costs of claims, net of the reinsurance effect, according to national insurance market data available, with the exception of Fire, there was an increase in the claims ratio, with particular emphasis on Accidents and Health, where the increase exceeds two percentage points.

The containment of costs of claims in Fire is related to an exceptionally high claims ratio in the previous year, as a result of the floods in the Autonomous Region of Madeira.

**Claims Ratios**

<b>LINES OF BUSINESS</b>	<b>JAN-SEP 2011</b>	<b>JAN-SEP 2010</b>	<b>JAN-SEP 2009</b>	<b>JAN-SEP 2008</b>	<b>2010</b>	<b>2009</b>	<b>2008</b>	<b>2007</b>
Accidents	78.4%	75.0%	75.3%	72.4%	77.4%	76.2%	77.2%	77.8%
Health	79.8%	77.4%	75.6%	77.4%	81.7%	87.1%	82.8%	84.4%
Fire	61.0%	71.9%	51.1%	46.9%	68.7%	64.4%	46.9%	52.0%
Motor	78.4%	77.6%	70.5%	70.8%	74.1%	75.1%	70.6%	69.3%
Other	73.2%	63.7%	59.2%	58.5%	52.6%	74.4%	57.5%	71.6%
<b>Non-life</b>	<b>75.9%</b>	<b>75.5%</b>	<b>69.3%</b>	<b>68.7%</b>	<b>74.1%</b>	<b>75.6%</b>	<b>70.1%</b>	<b>71.0%</b>

**Note:** Ratios based on premiums issued. The costs with claims include the amounts paid, variation in the provision for claims and allocated management costs. Ratios are shown net of the reinsurance effect.

**MILLENNIUMBCP AGEAS – KEY EVENTS 2011**

2011 was an extremely challenging year for the entire financial sector, for both banks and the insurance sector, and especially for insurers operating above all in bancassurance, which is the case of Millenniumbcp Ageas.

During 2011, a series of latent risks materialised, embodied in serious threats of profound impact on the business: the debt crisis, need to deleverage the banking sector and economic recession caused impacts both in financial terms and on the volumes of investment products and turnover associated to credit operations, which, in the past, had been the engines of growth of banking and bancassurance operations in Portugal.

In view of the unfolding of the events which culminated in the rescue operation directed at Portugal, Millenniumbcp Ageas ensured a quick assessment of the threats and opportunities, administered the transition, controlled the emerging risks and advanced towards a strategy of growth, focused on bancassurance, as the core identity of the organization, but channeling efforts and energy into Non-life in the individuals and SME segments, without neglecting the Life business, where the Company has been distinguished as the best insurer in Portugal.

Based on the full support of the Shareholders and the dedication and enthusiasm of a team motivated by a strategy driven by the future, the strategic re-focus of Millenniumbcp Ageas was possible only because the underlying financial and business structure proved to be sufficiently robust to withstand the crisis, and since it demonstrated the necessary flexibility to embark on change towards the standards of a new reality.

Amongst the various events that marked the activity of 2011, the following were of particular relevance:

- › Sales through Millennium bcp reached 27.3 million Euros in the active sale of risk insurance, representing total growth 26% compared with the previous year, dispersed over all business lines, making 2011 the best year ever for sales not associated to credit operations. Particular note should be made of the SME segment, where the new approach through the specific Business Bancassurance channel led to 1.3 million Euros of Non-life sales, with continued very high potential growth. Regarding savings and investment products,

the turnover of Unit-linked insurance exceeded, once again, the value of the previous year, albeit not having offset the fall of the PPR (Retirement Savings Plan) and Capitalisation products;

- › The Non-life distribution channel *Ocidental – Agents & Brokers* launched in the beginning of 2008 to serve the SME segment, supported by a network of professional brokers, contributed, in 2011, to a volume of premiums of 33.9 million Euros, including approximately 1 million Euros derived from the Business Branches of Millennium bcp;
- › Médis product sales grew by 13%, contributing to a market share of 26.4%. The partnerships between Médis and other Insurers resulted in processed turnover of 11.9 million Euros, having grown by 19% in relation to the previous year;
- › In the Pension Fund management business, Pensõesgere upheld its clear position of market leadership, where the total value of the assets under its management exceeded 3.8 billion Euros. Special reference should also be made to the process of transfer to Social Security of the liabilities related to pensions in payment as at 31 December 2011, laid down in the social security scheme of substitution enforced in the collective regulation of the banking sector, ruled by Decree-Law 127/2011, of 30 December, which was reflected at Pensõesgere by the reduction of the assets under its management for a value of 2.7 billion Euros;
- › Over the year under analysis, an increase was recorded in the satisfaction of the commercial areas of Millennium bcp, which reached a score of 77, the highest ever, compared with 76.5 achieved in 2010. This result is the outcome of the continued effort which has been made by the entire organization to improve the products, processes and service offered. 2011 was also marked by the provision of a tool enabling the achievement of an immediate assessment on a daily and multidimensional basis of the service levels of each department and each business line. The transparency of the information on Customer service and its transversal provision is a strong indicator of the importance of this issue at Millenniumbcp Ageas;
- › Regarding management of the Life business, 2011 was also characterized by restructuring, where the most important aspect was the integration of the Life Underwriting area, thus aligning its management model with the other operating areas of the Company. This year was also marked by various strategic projects aimed at improving processes, enhancing productivity and cutting costs. The Life claims management project was also initiated during this year, with a view to the reorganization of the operating model and supporting platform, based on the model already under implementation in the Non-life business;
- › Pursuing the development strategy of Non-life, the Subscription and Production area was endowed with the necessary means to achieve the defined objectives, both in terms of human resources specialised in subscription, support and technical analysis, and concerning operating improvements. The number of applications for quotes grew by 70% and the number of manual transactions increased by 22.7%, in spite of the automatic procedures introduced. The 5%

- increase in annuities, largely due to the economic crisis, was offset by the 10% increase in new policies. The various studies of the portfolio resulted in the introduction of corrective measures aimed at improving technical margins;
- › Non-life Claims Platform was created in 2011, with the inclusion of Personal Accidents and Property in the claim management model designed in 2009 for the Workman's Compensation and Motor Branches based on the externalisation of a series of management support activities, consequently non-core activities. However, it is important to note that positive results were achieved, demonstrated through the increased productivity of the Non-life Claims Platform and the implementation of operating functionalities which led to the improvement of quality perceived by the Customers;
  - › The efficient management of the available resources, without lowering the effective quality of the services offered, continued to merit special attention by Médis. In terms of the management of claims of the Health branch, over the year under analysis there was an important consolidation of processes with a view to the improvement of the agreed service levels, concerning both internal and external Customers. Operating efficiency and efficacy were crucial for the achievement of the objectives, in view of the growth which took place in the volume of processes treated: over 289,000 repayments to Customers (+4% relative to 2010), with 89.2% of the expenses paid within 10 days in the last semester; over 50,000 payments to providers (manual invoicing); over 62,400 processes of prior authorisation (+11%), of which 62% were treated during the first 48 hours. These volumes were achieved with the same resource structure, where the automation of the processes greatly contributed, in particular the provision on the Médis website of a functionality to record expenses, with a view to their payment within 72 hours after receipt of the originals. This new process was well received by the Customers, and represented approximately 19% of the processed repayments by the end of the year. The Médis Line attended 495,971 telephone calls through an administrative team and 51,644 calls through a team of nurses which, with the help of a clinical triage system ensured that 1/3 of the cases were referred to health care at home, with positive impact on Customer satisfaction and claims control;
  - › Regarding the Management of the Network of Health Care Providers of Médis, special reference should be made to the reformulation of the area reserved for providers at medis.pt. This platform, which over the years has become a daily work tool for the Network providers, supported approximately 1.7 million transactions during 2011. This reformulation, which will continue in 2012, is aimed at endowing the providers with more and better functionalities with a view to further improving the efficiency of their partnership with Médis. The launch of a business intelligence tool enabled the development of a series of technical indicators which, shared with the providers, were an important means of defining consumption patterns, analysis of deviations and elimination of waste;
  - › During 2011, it was possible to maintain the premium level of individual standard Médis products. This was due to various cost control and utilisation

measures that Médis has implemented over the last few years, such as, for example, the design of the product with updated co-payments. Special reference should be made to the claims ratio of 69.2% in the health business, where this indicator is a benchmark at a European level;

- › Regarding the management of investment portfolios, over 2011 preference was given to issues of domestic Commercial Paper, which enabled endowing the portfolios with greater liquidity, and even so, capturing a very attractive interest rates. This same strategy was also replicated in terms of public debt through recurrent investment in Treasury Bills. During the third quarter, divestment began in Greek Public Debt bonds, which had been concluded by the end of the last quarter of the year, thus eliminating any exposure from the portfolios. One of the most expressive movements operated in 2011 involving all the portfolios was carried out in the last quarter of the year. The objective of this operation was to reduce the allocation to the peripheral countries, and at the same time, decrease the sensitivity of the portfolio to interest rate variations. Concerning traditional risk assets (shares, private equity & hedge funds), the portfolios maintained a conservative attitude through very low exposure and without relevant alterations;
- › In September 2011, the risk management and actuarial areas were merged, with the creation of a single area known as the «Risk and Actuarial Department», based on a structural reorganization of duties so as to optimise the existing synergies. Amongst the activities developed during the year, the following are particularly noteworthy: participation in EIOPA Stress Tests, upon the invitation of the Portuguese Insurance Institute; internal training actions on and with a view to the development of Own Risk Self Assessment (ORSA) under Solvency II, whose first step comprised the implementation of quarterly analyses known as Risk Appetite and Key Risk Report; the continued development of the different sub-projects arising from the implementation of the Solvency II scheme, including full alignment of the local plan with the Ageas Group plan, maximizing synergies in areas as complex as IT, modeling and reporting;
- › In terms of information systems, reference should be made to the continued improvement of processes with Millennium bcp, under the major objective of improvement of Customer service and automation of processes. Focus was also directed at alternative channels, through the implementation of a series of processes to support insurance on the Bank's internet channel. Also concerning the internet channel, reference should be made to the renewal of the Médis website (Customers and Providers), as well as the website of Pensõesger. The implementation of the new AIA production system was of particularly importance, which has now fully integrated the Unit-linked products, based on a more robust operating management model which will enable laying the foundations for innovation in terms of the development of Life Products, and the beginning of the implementation of the IT area of the Solvency II project. Concerning infrastructures, particular note should be made of the continuous investment in endowing Millenniumbcp Ageas so that, in the event of a disaster, it is prepared for business continuity;



- › In the area of human resources, 2011 was marked by the implementation of a restructuring plan designed to rejuvenate the Staff and prepare the Company for future challenges. The development of specific action plans arising from the outcome of the Annual Employee Satisfaction Survey proved to be a very important tool in the improvement of satisfaction and motivation levels, leading to increase the values to above 76%. Professional training now benefits from an e-learning platform, with very positive adherence levels, especially amongst recently recruited Employees. In the field of communication, a weekly newsletter was launched directed at all Employees, which discloses all the latest news about the Company, its results and other information;
- › In 2011, Médis was distinguished, once again, as a Trusted Brand and Super-brand, thus consolidating its positioning as «the» health insurance brand in Portugal. Millenniumbcp Ageas was distinguished for the first time as «Best Insurer of 2011» by the prestigious magazine «World Finance». This award recognises not only the work developed over the last few years in each Company, but also the overall result achieved by Millenniumbcp Ageas.

In spite of the circumstances, 2011 was a very positive year: Millenniumbcp Ageas grew at above market rates in Non-life, achieved good technical results, improved operating performance, managed to control costs, was distinguished by prestigious organizations, launched new strategic projects, and defined the vision which will enable it to stay on the right path in coming years. In all of the above, Millenniumbcp Ageas was sustained, once again, by the dedication of Millennium bcp and the unconditional support of Ageas.

## MISSION, VALUES AND STRATEGY

### Mission

To be the reference bancassurer in the Portuguese insurance market, leveraging competitive advantages to other high potential channels, maximizing know-how developed in permanent cooperation with Millennium bcp and capitalizing on Ageas' competencies, through the distribution and management of a full range of protection, pensions, savings and investment solutions to its Customers, supported by people and processes able to deliver service excellence.

## Values

The Group wants to be recognized by its stakeholders through a set of four values.

<b>Solidity</b>	We are a long-term partner, because the credibility and consistency are part of our corporate identity, and we project the future upon it. We manage risks prudently, once that is the identity matrix of the business where we operate on.
<b>Responsibility</b>	We listen, understand and respond to our Customers, taking risks and returning to society the necessary stability to the common progress.
<b>Innovation</b>	We have initiative and entrepreneurial spirit. We have permanently in mind that the best and most appropriate solutions are those that our Customers value, because it is through the value Customers give them that we generate value to Society.
<b>Transparency</b>	We are frontal and we act with transparency in all our activities.

These values are supported by a set of behaviours and business practices which are assumed on a day-to-day by all the organization.

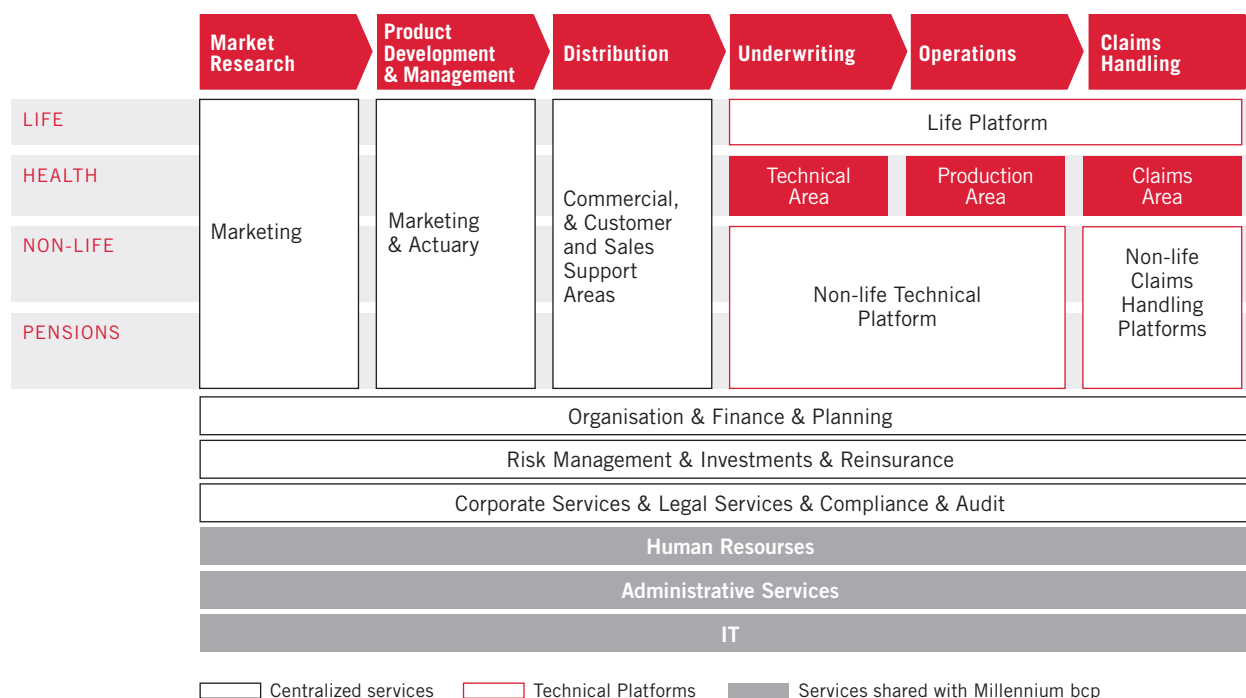
## Strategy

The strategy of the Millenniumbcp Ageas Group is based on 7 pillars, of which derives a set of objectives.

Strategic Pillars	Objectives
<b>Financial Solidity</b>	<ul style="list-style-type: none"> <li>• To be market leader in business volume</li> <li>• Ensure profitability drivers defending the product margin while balancing the portfolio</li> <li>• Maintain comfortable solvency levels</li> </ul>
<b>Protection of our franchise</b>	<ul style="list-style-type: none"> <li>• Actively manage investment portfolios, mitigating risks and maximizing return</li> <li>• Retain the portfolio, satisfying and maintaining Customers;</li> <li>• Ensure low combined ratios, in line with international best practices</li> </ul>
<b>Growth through Millennium bcp</b>	<ul style="list-style-type: none"> <li>• Grow in stand-alone sales, especially in Non-life risk products</li> <li>• Permanently deliver an innovative product offer, competitive and adjusted to the needs and expectations of the banking channel, whether individuals or companies</li> <li>• Operate simple and efficient processes</li> </ul>
<b>Develop new channels</b>	<ul style="list-style-type: none"> <li>• Promote a balanced and profitable portfolio growth beyond Millennium bcp channel</li> </ul>
<b>Quality of Service</b>	<ul style="list-style-type: none"> <li>• Assure excellence of service levels</li> </ul>
<b>Mitigate operational risk</b>	<ul style="list-style-type: none"> <li>• Minimize exposure to operational and financial risk.</li> </ul>
<b>Ensuring the involvement and accountability of Employees</b>	<ul style="list-style-type: none"> <li>• Develop skills and competencies</li> <li>• Encourage self-development and accountability as a mean of increasing engagement with the Company and enhancing career development.</li> </ul>

## ORGANIZATIONAL STRUCTURE

The continuous business rationalisation process is the key success factor for obtaining operational synergy and economies of scale whether in technical areas – Production, Claims and Reinsurance – or back-office – Organization, IT systems, Administrative, Asset Management, Financial, Human Resources, Legal Services, Internal Audit and Compliance.



## MARKETING & COMERCIAL

The year 2011 was the best year ever with regard to stand alone sales, on the banking channel, reaching a total value of 27.3 million Euros. For this achievement it was extremely important the launch of a more competitive offer of Personal Accident products, with an increasing number of contracts sold and a sales growth of 3% compared to a decrease of 11% observed in the market.

Equally important was the new offering – Business Protection – specially built for small and medium enterprises and allowing strong growth in this segment.

In Fire & Other Damage, Millenniumbcp Ageas had an outstanding performance with a growth of premiums of 6.3% when the market experienced a growth of only 0.5%. For this achievement was key cross selling actions with the extension of coverage and upgrading of capital by increasing the level of protection for Customers. These actions associated with maintaining high penetration rates in the sale of insurance related to credit, came more than offset the sharp decline experienced in mortgage loans.

**Protecção Vida**

Querido Pai,  
és o meu melhor amigo,  
gosto muito de ti.  
Beijinho Francisco

**ELES SÃO O SEU MAIOR ORGULHO.  
PROTEJA-SE, A VIDA É BELA.**

Ocidental vida  
Millennium bcp

25 ANOS

www.millenniumbcp.pt

SUBSCREVA O PROTECÇÃO VIDA ATÉ 29/04/2011 E RECEBA UM PACK "A VIDA É BELA" NO VALOR DE 29,90€ (PVP)

VÁLIDO APÓS BOA COBRANÇA DAS DUAS PRIMEIRAS MENSALIDADES

707 50 24 24  
Atendimento Personalizado 24h

As a result of the current economic situation, which implies a reduction in disposable income, is increasingly visible a higher propensity for the cancellation of insurance contracts. Given this threat, was launched in 2011 an ambitious programme of retention, which focused initially on Health insurance. This programme seeks in a first stage to communicate the added value of insurance, but also involves the attempt to reverse the decision of the Customer, which could lead to the cancellation of the policy.

The year 2011 was also marked by the launch of the online subscription of travel insurance and domestic animals – *Pétis* –. It was also initiated the extension of the online subscription to the health insurance, which is expected to be launched on the beginning of 2012. The use of telemarketing actions continued to be promoted, especially to support the sale of payment protection products which prove to be particularly adjusted to the current situation of uncertainty that derives from the degradation of the global economic situation.

**DEIXE QUE A MÉDIS CUIDE DE SI**

**PLANO DE SAÚDE MÉDIS**

OFERTA DA 12ª MENSALIDADE NO 1º ANO  
Campanha válida até 4/11/2011

A PARTIR DE 90 MÊS  
Exemplo para uma pessoa com 20 anos na Opção 1 Base

Mais do que saúde, um plano de saúde é a decisão mais inteligente.  
Contrate a sua saúde com a Médis e tenha a certeza de que a sua saúde está bem cuidada.

Médias  
Faz bem à Saúde





Aware of the importance of communication with the Customer, it was decided to launch a project that will enable the group to change radically the process of generation and delivery of documents in order to allow its Customers a more friendly and clear reading, while reducing the production cost.

During the year a continuous effort was made to communicate the benefits associated with Health insurance Médis, which allowed to increase again the number of insured persons. On communication, there was an investment in connection with our main distributor through radio campaigns with the message «Insurance is the Millennium.»

In Life insurance it should be stressed the good performance of Unit-linked products for which it was critical the continued rollout of offers with an attractive potential return, and through scheduled partial redemptions, immediate availability of their investment. Despite the sharp slowdown in sales of capitalization products, Millenniumbcp Ageas, managed to finish the year with a growth in market share (in terms of mathematical provisions) of 24.6% to 25.5%.

The sharp slowdown in the mortgages and consumer loans, has blocked the sale of Life insurance risk, which came to record a decrease of 2.8% in a context where the market fell by 1%.

The products of capitalization and PPR were conditioned by the lower priority given to the sale of these products by bancassurance channel, which was followed by the reduction of associated tax benefits.

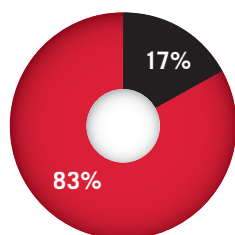
The recognition of our Millenniumbcp Ageas insurance offer, was also result on the win of two prestigious awards for Médis («Trusted Brand» which is assigned for the third time and the prize «Superbrand» for the 6th time) and the win of the award of Best Insurance Group, by the World Finance Magazine.

## FINANCIAL REVIEW

The analysis of the production volume of the Group and of the insurance market includes investment contracts, which, in accordance with the IFRS, are not recorded as insurance premiums, namely Unit-linked products (UL).

In 2011, Millenniumbcp Ageas registered a decrease in the volume of direct insurance premiums of 33.3% relative to the previous year, penalised by the performance of Life business with a decrease of 37.9%, which is still slightly lower than the market with a decrease of 38.1%. Non-life business, in contrast to the performance of the market, registered an increase of 2.0%, a fact which is even more remarkable given that it was obtained in a context of weak performance of our economy, with a recession of almost 2%. With a volume of direct insurance premiums of 1,297 million Euros and a total market share of 11.3%, Millenniumbcp Ageas has positioned itself as the second largest insurance group in the national market, thus climbing one position in the national insurance ranking.

Structure of Direct Insurance Premiums



■ Life  
■ Non-life

In the Pension Funds business, the total volume of assets at the end of 2011 came to 3,865 million Euros, with emphasis on the transfer, pursuant to Decree-Law 127/2011, of 2.7 billion Euros from the Pension Fund of Millennium bcp bank to the Social Security system. This fact led to the reduction of the market share of Pensõesgera by about 6.9 percentage points, reaching 28.3%, remaining nonetheless as the isolated leader in the national pension funds market.

## Life Business

### Direct Insurance Premiums

Life business achieved a total value of direct insurance premiums of 1,071 million Euros, corresponding to a decrease of 37.9% relative to the same period of 2010, essentially due to the lower contribution of Savings products (63 million Euros), as well as Retirement Savings Plans products (112 million Euros), with an annual decrease of 85.5% and 78.4%, respectively.

#### Evolution of Direct Insurance Premiums (Life Business) [thousand Euros]

LINE OF BUSINESS	2011	2010	2009	VAR. 11/10	VAR. 10/09
Savings	62,773	432,504	462,816	-85.5%	-6.5%
Unit-linked	732,119	585,708	975,856	25.0%	-40.0%
Retirement Savings Plan	112,081	519,544	537,350	-78.4%	-3.3%
Risk and Annuities	163,842	185,744	186,741	-11.8%	-0.5%
<b>Total</b>	<b>1,070,815</b>	<b>1,723,501</b>	<b>2,162,762</b>	<b>-37.9%</b>	<b>-20.3%</b>

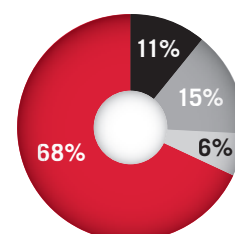
With regard to Unit-linked products, emphasis is placed on the strong recovery relative to the previous year, with sales increasing 25% to 732 million Euros, strongly driven by the dynamic sales campaigns developed by Millennium bcp throughout 2011, as well as the capability of launching attractive products, adapted to the various market segments, as was the case of «Renda Certa Especial» and «Seguro Millennium Trimestral». The result of this business line was achieved counter-cyclically to the national insurance market, which contracted 16% (also considering the capitalisation operations associated with Investment funds).

The performance achieved in 2011, in comparison with the same period of the previous year, changed the structure of the premium portfolio in this segment significantly, with the Unit-linked products having reinforced their weight in the total portfolio, from 34% at the end of 2010 to 68% at the end of 2011. In contrast, the Savings and Retirement Savings Plans products now represent about 16% of the total portfolio (in 2010 they represented 55% of the total).

In 2011, Millenniumbcp Ageas achieved the third position in the national ranking of the Life insurance market, with a market share of 14.5%, which represents an increase of 0.3 percentage points relative to the same period of the previous year.



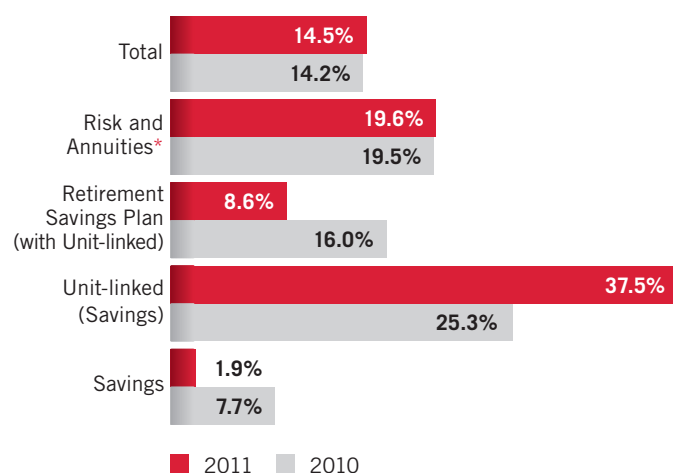
#### Structure of the Life Insurance Premium Portfolio



- Unit-linked
- Retirement Savings Plan
- Risk and Annuities
- Savings

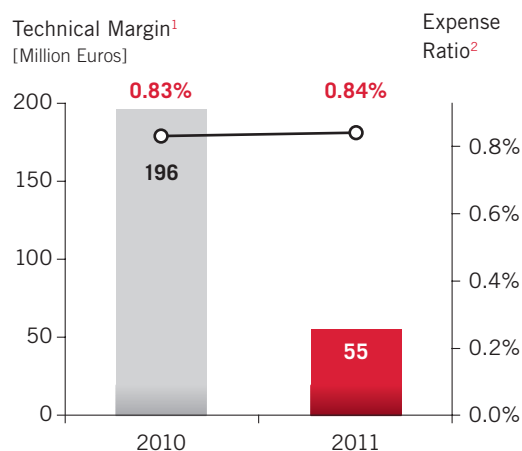


### Evolution in Life Market Share



\* Not considering the extraordinary effect of the surrender of the Annuity policy

### Technical Margin versus Expense Ratio



<sup>1</sup>) Before allocation of administrative costs.

<sup>2</sup>) «Life operating expenses»/«Life assets under management (year average)».

### Technical Analysis

The technical margin of Life business, before allocation of administrative costs, was 55 million Euros in 2011, corresponding to a decrease of 72% in comparison to the same period in 2010.

This downturn is largely the result of non-recurrent factors related with the performance of the financial markets, which led to the recording of impairments and capital losses on assets such as Greek sovereign debt and BCP shares. Excluding this effect, the technical margin would have been 159 million Euros.

The achievement of an expense ratio of 0.84%, in line with the previous year, reveals the careful and appropriate management which has enabled to minimize the adverse effects of the capital markets.

The greatest relative contribution to the results of the Company continues to be produced by Risk and Annuities products, the profitability of which is based on rigorous subscription policies and practices and a higher capacity to control costs.

In spite of the economic climate, the strong positive contribution to the margin registered by the Unit-linked and Savings products is also particularly noteworthy, notwithstanding the 12.5% decrease in the mathematical provisions.

### Pension Funds

#### Market Evolution

The year of 2011 in the pension funds market was clearly earmarked by the transfer to Social Security of a total value of 6 billion Euros from the liabilities associated with pensions in payment at 31 December 2011, as laid down in the social security scheme of substitution contained in the collective regulation of the banking sector, governed by Decree-Law 127/2011, of 30 December.

Considering this transfer as extraordinary and of an external nature, the total value of market assets fell to 13,642 million Euros, corresponding to a decrease of 31% relative to the end of 2010 and of 39% relative to 2007, when pension funds reached their historical maximum in Portugal. However, if the effect of these transfers was not considered, the total value of the pension funds would remain unchanged.

In 2011 the pension funds market continued to be conditioned by the volatility of the financial markets with markedly negative performances in European stock markets and with fixed rate bonds varying between positive and negative yields as a result of the increase in credit spreads that penalised in particular the public debt of the peripheral countries of Europe. The average return of pension funds remained at -2.3%, however, the median return, which offsets the weight of the larger funds, in spite of negative, came to -1.8%.

With regards to the Certificate of Responsibility for Retirement (CERR), following the reception, in 2010, of the letter of the ISP praising the initiative as an effective means for promotion, development and transparency in the pension funds market and authorising that these conclusions be mentioned in the text of the certificate, the first applications were evaluated and by the end of 2011, 15 Pension Plans had already been certified.



### Pensõesgere Activity

Millenniumbcp Ageas operates in the pension fund market through the management Company Pensõesgere, basing its activity on the quality of the information provided, permanent follow-up and timely response to Customer requests, having in 2011 maintained its position of leadership in the pension fund market.

At the end of 2011, Pensõesgere had 3,865 million Euros of assets under management, which represented a decrease of 42% relative to 2010, as a result of the transfer to Social Security of a total value of 2,746 million Euros from the liability of the Pension Fund of the BCP Group, in relation with pensions in payment at 31 December 2011, as laid down in the social security scheme of substitution governed by Decree-Law 127/ 2011, of 30 December. Excluding the

## ESPECIALISTS IN PENSION FUNDS SINCE 1987



**Horizonte  
Segurança**

**Risk: medium-low**  
**0% shares**  
**Time horizon: medium**



**Horizonte  
Valorização**

**Risk: medium**  
**25% – 35% shares**  
**Time horizon: medium-long**



**Horizonte  
Valorização mais**

**Risk: medium-high**  
**40% – 55% shares**  
**Time horizon: long**

value of this transfer, the decrease in assets under management would have only been 1.6%, in line with the average return of the pension funds.

Since the transfer undertaken to Social Security relative to the Pension Fund of the BCP Group represents 46% of the total values transferred by the set of pension funds involved, the market share of Pensõesgere registered a decrease of 5.9 percentage points to 29.2%. However, in spite of this significant reduction, Pensõesgere continues to be leader of the pension fund market.

During the year under analysis, various initiatives were reinforced for the development of Pensõesgere's specific computer tools aimed at improving work productivity and quality, as well as meeting the growing obligations in connection with reporting and provision of information to pension fund Participants and Beneficiaries.

At the end of 2011, the total volume of assets under management was distributed over 28 closed funds, 4 open-end funds and 5 open-end Retirement Savings Plan funds.

Total assets under management relative to the 28 closed funds came to 3,713 million Euros, which corresponded to a decline of 2,857 million Euros relative to 2010, almost entirely justified by the

transfer of part of the Pension Fund of the BCP Group to Social Security.

Regarding the open-end funds, there was an increase of 10.2 million Euros in the volume of assets under management, reaching a total of 112.5 million Euros.

Pensõesgere maintains the offer of open-end funds with different risk profiles, allowing its Associates and Participants to choose the appropriate financing for their pension plans, according to the duration of the liabilities.

In the last quarter of the year the Pensõesgere site ([www.pensoesgere.pt](http://www.pensoesgere.pt)) was completely overhauled, unveiling a brand new image. In addition to the new image, the changes also included making available an indispensable tool for Customers to monitor their Pension Plans, namely their Defined Contribution Pension Plans.

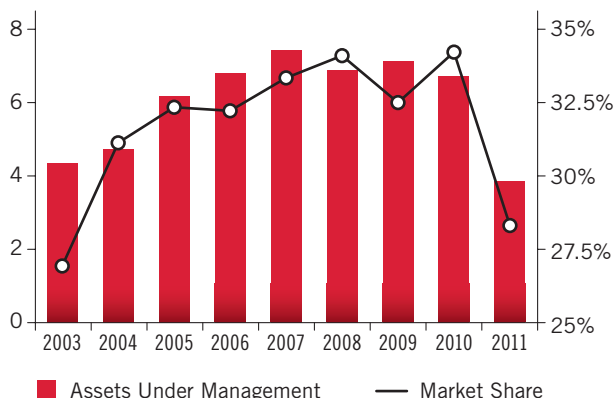
In response to the trend of increased investment options in Pension Plans, it is now easier and more intuitive for Participants to access their assets in each Pension Fund held, even when they are not managed by Pensõesgere, as well as carry out simulations on their retirement benefits.

In order to improve the operating efficiency of the archive service, through the development of a faster and more efficient access to documentation, in 2011 Pensõesgere subscribed to the digital archive on the FileNET platform for archiving the majority of documents produced or received at Pensõesgere in the course of its activity.

This feature allows Pensõesgere to operate in an increasingly efficient manner, allowing at each moment a quick consultation of the documentation of the Pension Funds required for the correct fulfilment of Employees' tasks and to minimise the risks associated to the physical archive, namely the loss of documents.

### Total Assets Under Management and Market Share

[million Euros]



In spite of the negative performances recorded in the pension fund market, the performances of the pension funds managed by PensõesGere achieve, in relative terms, much more interesting values. About 85% of the funds outperform their respective benchmarks and more than 60% of funds achieve positive performances. The average return thus came to -0.6% and, in terms of median return, it was the only entity to achieve a positive value of 0.2%.

The value of the assets managed under Retirement Savings Plan funds reached 38.6 million Euros at the end of 2011, 6.3 million Euros less in comparison to 2010. This decrease was a direct result of the option to commercialise Retirement Savings Plans/Life Insurance to the detriment of Retirement Savings Plans/Pension Funds of PensõesGere in the retail distribution networks, and because a significant part of its Customers already meet the necessary conditions for reimbursement.

Income from services rendered came to 11.1 million Euros, representing a reduction of 1% in comparison to 2010, but are not reflecting yet any decrease as a result of the reduction in assets under management.

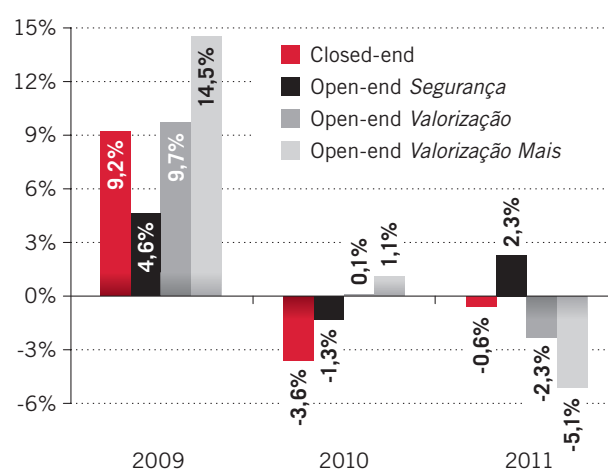
Total costs came to 5.7 million Euros, corresponding to an increase of 18.6%, as a result of a negative variation of 1 million Euros in other costs and losses. This variation was due to the confirmation that services rendered paid within the scope of management mandate contracts are exempt from VAT payment, which allowed for the recovery of VAT from previous years and contributed to a 25% reduction in costs in 2010. Operating profit fell 12.1% relative to 2010 as a result of the increase in costs.

Net income for the year stood at 4.5 million Euros, corresponding to a 6.8% decrease in comparison to 2010.

The average return on equity continues to register an interesting value with an average rate of return of 24.1%.

Shareholders' equity, as at 31 December 2011, came to 18.7 million Euros. As a result of the reduction in assets under management arising from the transfer process to Social Security, the solvency margin increased 115%, corresponding to a coverage level of 410% before dividends paid.

Annual return rates of PensõesGere Pensions Funds



## Non-life Business

### Direct Insurance Premiums

In 2011, Millenniumbcp Ageas achieved a volume of direct insurance premiums of 226 million Euros in Non-life, registering an increase of 2.0% relative to the previous year, counter-cyclically to the national insurance market, which contracted 0.9%, conditioned once again by the poor performance of our economy and intense competition among operators.

**Evolution of Direct Insurance Premiums (Non-life Business)** [thousand Euros]

LINE OF BUSINESS	2011	2010	2009	VAR. 11/10	VAR. 10/09
Motor	21,727	22,552	23,353	-3.7%	-3.4%
Workman's Compensation	6,186	6,088	6,605	1.6%	-7.8%
Fire and Other Damage	42,404	39,878	38,173	6.3%	4.5%
Health	134,604	132,714	120,843	1.4%	9.8%
Personal Accidents	13,868	13,476	12,858	2.9%	4.8%
Other Lines	7,663	7,315	5,968	4.8%	22.6%
<b>Total</b>	<b>226,452</b>	<b>222,023</b>	<b>207,800</b>	<b>2.0%</b>	<b>6.8%</b>

With exception of the Motor business, in 2011 Millenniumbcp Ageas achieved a growth above that of the national market in all the remaining Non-life business. Note should be made of the performance achieved in Fire and Other Damage, with revenues of 42 million Euros, and a growth of 6.3 %, well above that of the insurance market, which only came to 0.5 %, strongly driven by the Household product directed at the individuals segment, considered as the star product of Non-life in 2011.

In the Health business, which represents 59% of the total Non-life portfolio of Millenniumbcp Ageas, the revenues of 135 million Euros, which represent a growth of 1.4% relative to the previous year (the market grew 1.5% in this business line), enabled the market share to be maintained at levels identical to that of the same period of 2010, at 24.9%, which corresponds to the second position in the ranking of the insurance companies operating in the national market. This growth is the result of the innovation of the offer, the diversification of the distribution channels, the careful approach made to the different segments and consistent investment in the promotion of the Médis brand, the uncontested leader in its segment since its incorporation in 1996.

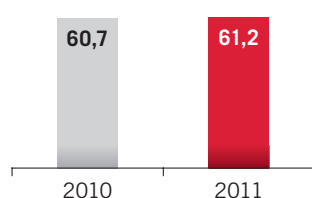
In terms of premiums issued, it should be noted that Personal Accidents registered a production growth of 2.9% relative to the previous year (the national market registered a decrease of 10.9%), which enabled a market share of 8.7% to be achieved, thus conquering the second position in the ranking of this business.

In spite of the modest position it occupies in the national Non-life insurance market, Millenniumbcp Ageas has been strengthening its market share consistently over time, which increased from 5.3% at the end of 2010 to 5.5% by the end of December 2011.

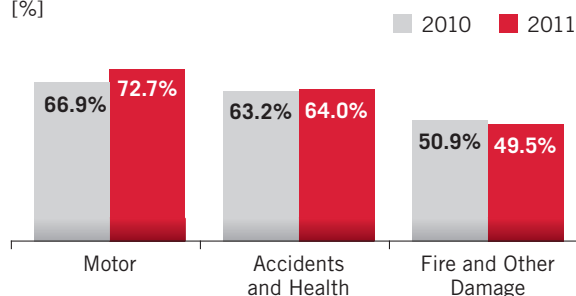
**Technical Analysis**

The technical margin of Non-life business, before the allocation of administrative costs, came to 61.2 million Euros, representing a slight increase of 1% relative to the same period of 2010.

**Evolution of the Non-life Technical Margin** (before allocation of administrative costs) [million Euros]



**Evolution of the Claims Ratio** (before allocation of administrative costs) [%]



Notwithstanding the increase in the cost of reinsurance, affecting namely Personal Accidents, Workman's Compensation and General Liability, the decrease in investment income due to non-recurring factors which called for the constitution of impairments relative to Greek sovereign debt, the increase in processed revenue, combined with a reduction of the claims ratio of 0.5 percentage points, allowed a comfortable technical rate of return (measured according to the gross premiums issued) of 25.8% to be achieved at the end of 2011.

The Non-life claims ratios, before the allocation of administrative costs, stood at 60.8%, representing a decrease relative to the values registered in 2010 (61.2%) in all businesses with the exception of Motor and Workman's Compensation. Within this scope, Millenniumbcp Ageas continues to present values without parallel in the Portuguese market, registering significantly higher claims ratios in practically all businesses.

The Non-life combined ratio, after the allocation of administrative costs, came to 88.3%, which represents a decrease of 3.1 percentage points relative to 2010, explained by the efforts made in containing operational costs and greater strictness in the application of policies related to the subscription and acceptance of risk, which resulted in the reduction of claims ratios.

## Administrative Costs

Administrative costs decreased by 5.7%, which came to 91.4 million Euros.

**Evolution of Administrative Expenses (excluding depreciation)** [thousand Euros]

	2011	2010	VAR. 11/10	STRUCTURE 2011	STRUCTURE 2010
Staff Costs	29,841	28,259	5.6%	32.6%	29.1%
Third Party Services	40,824	36,675	11.3%	44.7%	37.8%
Taxation	1,540	1,037	48.5%	1.7%	1.1%
Others	19,193	30,994	-38.1%	21.0%	32.0%
<b>Total</b>	<b>91,398</b>	<b>96,965</b>	<b>-5.7%</b>	<b>100.0%</b>	<b>100.0%</b>



The 38% reduction in the Other heading is largely explained by non-recurring costs related to the Staff restructuring programme undertaken in 2010.

In terms of Third Party Services, the increase of 11.3% is mainly due to the cost of investment in IT and consultancy stemming from the implementation of new projects, namely those related with the Solvency II programme.

### Net Income

In 2011, the consolidated net income for the year, before VOBA («value of business acquired»), came to 36.5 million Euros, comparing unfavourably to the net income of 141.9 million Euros obtained in 2010. The consolidated net income, after VOBA, stood at 16.4 million Euros.

The result obtained was strongly penalised by a set of non-recurrent factors related with the performance of the financial markets, which led to the recording of impairments and capital losses on assets such as Greek sovereign debt and BCP shares. Excluding the non-recurrent factors, the consolidated net income for the year, before VOBA, would have stood at 115.2 million Euros and the consolidated net income, after VOBA, at 95.1 million Euros.

### Solvency Ratio

As at 31 December 2011, the capital structure of the Millenniumbcp Ageas Group presented, in consolidated terms, a solvency ratio of 146.6%. As at 31 December 2010, the ratio obtained was 183.3%, indicating a decrease of 37 percentage points relative to the previous year, essentially due to the increased volatility of the financial assets portfolio which called for a substantial reinforcement of the revaluation reserve.

The solvency ratio presented was calculated in accordance with the criteria defined by the Portuguese Insurance Institute and reflects a capital structure that is both solid and adequate relative to the liabilities assumed in all the Companies that are part of the Millenniumbcp Ageas group.

### Solvency Margin [thousand Euros]

	MARGIN	CAPITAL	SURPLUS	RATIO
Ocidental Seguros	18,345	43,707	25,362	238%
Ocidental Vida	274,000	340,267	66,266	124%
Médis	23,944	36,854	12,910	154%
Pensõesgera	4,540	18,593	14,054	410%
Millenniumbcp Ageas (Consolidated)	320,828	470,214	149,385	147%

## EMBEDDED VALUE

The embedded value provides a value estimate of Life business to shareholders, excluding any value, which may be generated by future new business. Embedded value is equal to the sum of shareholder's funds plus the present value of future profits on the current portfolio under management. The results reflected here were prepared internally by the Risk and Actuarial department and certified by KMPG.

The value of the existing portfolio is determined by the present value of future profits after tax, adjusted for the cost of maintaining solvency margin at 200% of the minimum level required by current regulation. The cost of solvency margin (cost of capital) represents the cost of tax and investment charges on Required Capital, but doesn't include an opportunity cost as in traditional embedded value, which results in a higher cost of capital.

The principles established at Ageas Group for embedded value reporting have been applied and the figures obtained were based on European Embedded Value Principles, that is, allowing for cost of options and guarantees (CFOG) and non-financial risks (CNFR).

The table below shows embedded value and new business value figures for the life segment of Millenniumbcp Ageas.

[thousand Euros]	2011	2010
<b>Embedded value as of previous valuation date</b>	<b>1,036,671</b>	<b>1,133,837</b>
Restatements to the opening EV	5,857	9,747
Changes in non-economic assumptions	(32,062)	57,334
Changes in economic assumptions	128,700	(109,863)
Expected return	103,859	96,010
Value added by new business	4,891	17,126
Impact of variance	(560,022)	(167,520)
<b>EV at valuation date before dividends</b>	<b>687,984</b>	<b>1,036,671</b>
Dividends to Shareholders	—	—
<b>EV at valuation date after dividends</b>	<b>687,984</b>	<b>1,036,671</b>

The 2011 restatements to the opening embedded value reflect the impact resulting from model change from OSM to VIPiTech platform, including adjustments in profit share calculations, as decided by the Group, but with no material impact.

The very positive impact from economic assumptions change is mainly due to measures taken during the year in the several autonomous funds underlying technical provisions in order to mitigate liquidity risk arising from increasing surrender lapse rates in savings products. These actions, offset part of the expected effect related to spread widening in Sovereign and Corporate bonds. Contrary to last year, the downward movements in the risk free yield curve had a positive impact due to the fact that positive discount effect in term products is higher than the negative one in savings and annuities products.

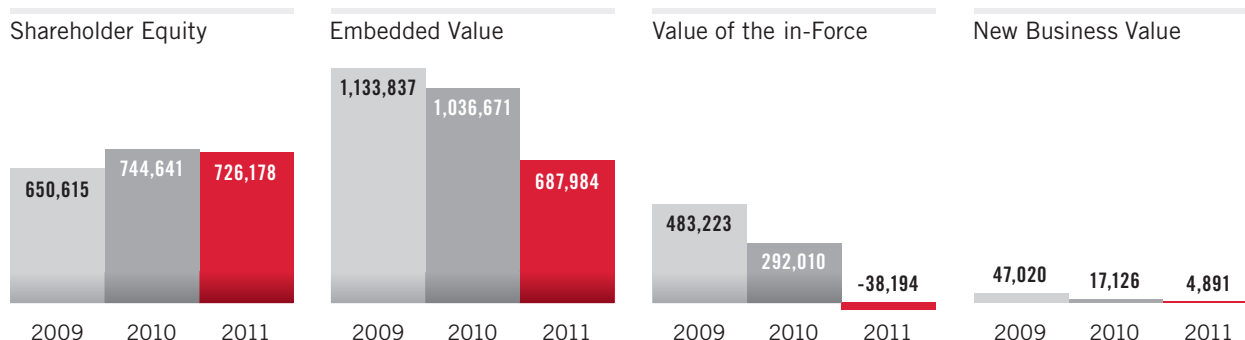
Regarding non-economic assumptions, the negative impact results from increasing lapse rates in term business linked to mortgage loans as well as increasing

surrender rates in savings driven by the portuguese economic environment. The impacts from mortality, unit costs and inflation updates almost offset each other.

Once more, the very negative economic environment regarding Sovereign and Corporate debt explains the strongly negative variance during 2011, as has already happened in 2010, that is, the quite substantial amount of unrealised capital losses of bonds portfolio underlying technical provisions implicitly generate a strong value decrease of products with guarantees (savings and annuities) drove by their cost increase as result of investment return drop under a market consistent valuation.

The new business margin kept the decreasing trend, moving from 9.3 % to 4.8% when expressed as percentage of APE (annual premium equivalent), explained by the term business and Unit-linked volume decrease as well as the very negative value performance of savings with guarantees due economic environment.

#### Embedded Value Evolution [thousand Euros]



#### Economic assumptions and market conditions

	2011		2010	
YIELD CURVE	AA EURO SWAP + 0.43%*		AA EURO SWAP + 0.20%*	
	1 yr	2.29%	1 yr	1.70%
	5 yr	2.07%	5 yr	2.78%
	10 yr	2.77%	10 yr	3.60%
	20 yr	3.03%	20 yr	3.97%
Volatilities	Short rate		Short rate	
	Shares	14.2%	Shares	17.8%
	Real estate	1.7%	Real Estate	1.6%
Inflation	2.33%**		1.95%**	
Tax rate	29.0%		29.0%	

\* These 20bp and 43bp adjustments to swap curve were decided and justified by Ageas.

\*\* Inflation rate is based on a specific swap curve, plus a spread adjustment; the 5th rate is shown.

The non-economic assumptions like mortality, surrenders, lapses and paid-up rates were based on experience investigations carried out by Millenniumbcp Ageas and based on the real data in its policies portfolio. Expenses allocation was based on recent experience, and divided between acquisition cost (new business)

and maintenance (existing portfolio). Expenses taken as extraordinary, and thus exceptional, were identified one by one and not included on unit costs calculation.

It is assumed that methods and bases for calculating mathematical reserves, profit sharing and other policy benefits, along with current legislation and income tax levels, will remain unchanged.

## NON-LIFE ACTUARIAL REVIEW

Periodic actuarial reviews are performed in order to verify the level of reserves for all Non-life products. The claim's reserves were estimated from the payments database and number of claims, using internationally accepted actuarial methods.

Apart from internal actuarial evaluations, a regular independent external certification is performed.

As the table below shows, Milleniumbcp Ageas has sufficient overall claims provisions.

<b>Results of Actuarial Evaluations versus Balance Sheet Claims Provisions</b> [thousand Euros]	<b>31-12-2011</b>	<b>31-12-2010</b>
Total Balance sheet provisions	96.367	89.907
Claims Reserves Internally Certificated <sup>(1)</sup>	85.483	80.233
Claims Reserves Best Estimate	72.154	68.138
Claims Reserves at 90% Percentile	86.120	82.874

(1) Actuarial Certification does not include expense reserve, reserves for claims receipts issued but not paid and Health PPP products.

## SOLVENCY II

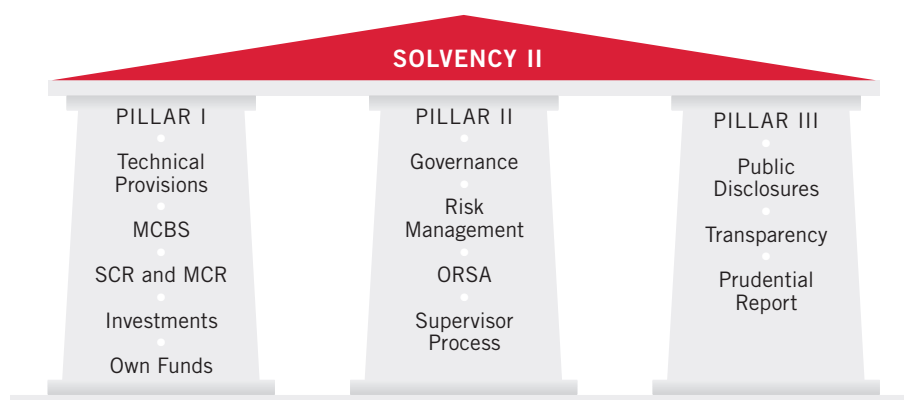
The Solvency II project represents a deep restructure of the prudential regulation for insurance and reinsurance companies operating in the European economic area. The main goals of the Solvency II project are:

- › Protection of policyholders and beneficiaries;
- › Risk management culture steeped in all functions of the insurance undertaking;
- › Sensitivity's to risk capital measures effectively undertaken;
- › Convergence of practices between insurance companies and supervisors at European level (level playing field);
- › Enhancement transparency and market discipline.

The basis of Solvency II regime were established by publishing 2009/138/CE Directive by the European Parliament and the Council by November 25, 2009 representing a significant change in the regulatory framework for the insurance and reinsurance industry.

The cornerstone, structured on three pillars, Solvency II project focuses on a global and integrated vision of the risks: quantitative requirements (Pillar I),

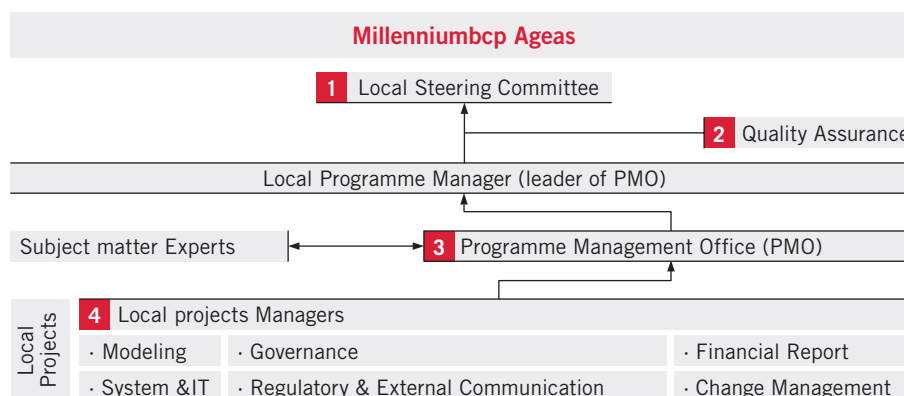
governance (Pillar II) and disclosures and market discipline (Pillar III). The three pillars can be summarized as:



The publication of the Directive *Omnibus II* (level 2) in 2012 will confirm Solvency II full implementation in 2014.

Millenniumbcp Ageas has been developing a Solvency II Programme since 2009, based on a detailed planning, with a view to ensuring a reliable, safe and timely transition to the new regime. The goal of this project, which has been developed in line with the Ageas Group, is to meet the Directive requirements and to integrate Risk Management into all Company's processes, in a proactive manner.

The Millenniumbcp Ageas Solvency II local governance structure can be summarised as follows:



In 2011 numerous measures and activities were developed by all six work streams aligned with the three pillars structure, in particular:

- › Developing of data warehouse focusing on the Quantitative report's templates (QRT), data quality, inputs for SCR calculation, thus covering the demands for pillar I,II and III;
- › Performance of the Stress Test quantitative impact study as required by ISP with subsequent analysis and internal discussion with ISP and at the Risk Committee and the Steering Solvency II Committee (Pillar I);
- › Continuous improvement of the risk modeling and quantification process;

- › Identification of risks and controls of the SCR process – Risk Control Matrix (RCM) in accordance with the Group's RCM framework;
- › Revision and updating of the internal control system, including mapping of processes, risks, and respective controls (pillar II);
- › Definition, approval and starting implementing on a set of risk policies, aligned with the development of the ORSA process (pillar II);
- › Active participation in the working groups of Portuguese Insurers Association (APS) for all matters related to the Solvency II project;
- › Regular meetings with the Local Supervisor (ISP).

The Solvency II Programme is a challenge and also an important opportunity, which will lead to significant changes in the solvency requirements, governance, reporting, etc, applicable to insurance companies, within the next few years. In this sense and in line with the Ageas Group, Millenniumbcp Ageas has been fully committed to implement the Solvency II project with a view to developing adequate initiatives for ensuring smooth transition to the new regime.

The big challenges for Millenniumbcp Ageas in 2012 are related to data management: systems, data traceability, and data quality and as well as holding an efficiently reporting timely (QRT's). The pre-IMAP process related to Market Risk as the mile stone for the use of an internal partial model for SCR calculations. Also very important will be the work around the ORSA process in particular the development and implementation of the set of risk policies.

## RISK MANAGEMENT

Millenniumbcp Ageas is a holding Company owning several insurance institutions and assuming risk is intrinsic to how the Company creates value for its Customers and shareholders.

The goal is therefore 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' approach to risk management is thus based on:

- › a **process**, carried out by an entity's board of directors, management and all Employees. It is applied during the strategy setting as well as in the every day management of the Company;
- › a set of **guiding principles**, ensuring that all significant risks are identified, assessed, monitored and managed in accordance with the Ageas Group's guidelines;
- › a **robust and formalized framework** defining, through a set of policies, the business conduct, the limits and minimum standards towards the risks pre-identified in a specific risk taxonomy. It describes the roles and responsibilities in the risk management system and sets the reporting requirements.



Within our corporate governance it is established a risk management organizational structure, interacting actively with the risk management structure of Ageas Group.

This organizational structure encompasses several committees, with the aim of monitoring risks, proposing mitigating actions and enforcing a transparent and a coherent risk-related decision-making.



This risk-management and internal-control governance of the Company lays on a «three lines of defense» mode of operation:

- › A first level, risk decision-taking, represented by the operational units, which are responsible for managing and controlling risks falling into their area;
- › A second level, control of risk, systematization of the rules, policies and monitoring of the risk management, internal-control and compliance system;
- › A third level, independent review, performed by the Internal and External Audit ensuring that the controls are effective.

This Millenniumbcp Ageas' governance structure might evolve over time in order to reflect commercial changes, regulatory environment changes, and strategic decisions.

While the main focus in 2011 was on the further development and implementation of this risk management system, the main challenge for 2012 will be a proof of concept ORSA.

The information collected through the ORSA will be used on a continuous basis by the management in its decision-making process.

It will maintain up to date a comprehensive picture of all risks Millenniumbcp Ageas is exposed to or could be exposed to in the future, the way Millenniumbcp Ageas manages these risks, and assesses the overall capital requirements needs resulting thereof.

## ASSET MANAGEMENT

2011 was the year of increasing outflows from the Life Portfolios and in particular from the PPR products. This situation has two different explanations:

- 1) traditional banking products competition;
- 2) Liquidity needs from more and more investors as disposal income has been reduced.

Therefore, economic instability from one side and government budget consolidating measures from the other played a major role in shaping portfolio management through 2011.

The need to maintain a high level of liquidity while making adjustments to new normal of market volatility and risk led to a change in the way the portfolio's were managed.

If from one side there was the need to reduce asset duration due to a change in liability profile, the historically low interest rate environment set some investment problems, especially in short duration assets.

In a way to converge the growing needs of liquidity with a conservative approach towards risk, we have agreed in new country exposure limits, translated into a capital protection approach using short dated investments out periphery which later was also used globally to reduce the fixed interest portfolio duration.

Through 2011 investments were concentrated in Commercial Paper issued by Portuguese names which was reflected in a greater liquidity while capturing a very attractive yield.

This carry trade was also replicated at Government debt through the investment in Treasury Bills.

During the 3rd Quarter was initiated the full unwind of the Greek Government Bonds holdings which was concluded in the last quarter leaving the portfolio virtually with no exposure to Greek debt.

The most important trade involving the majority of the portfolios has occurred in the last quarter of 2011. The main objective was to lower the exposure to periphery as well as the sensitivity to interest rates movements.

The implementation of trade was two fold as it reduced exposure to countries like Belgium, Spain & Italy but has also repositioning the portfolios in the yield curve, reducing substantially the duration and thus impact of a potential increase in yields in the medium term.

Still in the context of reducing portfolio volatility and in what concerns Portuguese government bonds price fluctuation some accounting measures were adopted included the set up of HTM sub-portfolios.

Concerning the traditional risky assets, such as equity, private equity & hedge Funds the already conservative approach was maintained through a low exposure with no relevant changes.

<b>INVESTMENTS PORTFOLIO</b> [Euros]	<b>2011</b>	<b>%</b>	<b>2010</b>	<b>%</b>
<b>Available for sale</b>	<b>4,525,126,848</b>	<b>100.0%</b>	<b>5,837,316,800</b>	<b>100.0%</b>
Government bonds	2,032,663,081	44.9%	2,801,926,614	48.0%
Corporate debt securities	2,158,366,801	47.7%	2,716,468,113	46.5%
Equity securities	16,483,373	0.4%	217,829	0.0%
Participation in unit funds	—	0.0%	—	0.0%
· Debt	85,537,923	1.9%	89,730,195	1.5%
· Equity	7,551,085	0.2%	—	0.0%
· Real Estate	198,426,022	4.4%	193,840,822	3.3%
· Alternative	26,098,562	0.6%	35,133,227	0.6%
<b>Held at fair value</b>	<b>4,635,086,256</b>	<b>100.0%</b>	<b>5,856,920,092</b>	<b>100.0%</b>
Government bonds	131,271,945	2.8%	44,235,455	0.8%
Corporate debt securities	4,280,101,737	92.3%	5,598,745,194	95.6%
Equity securities	2,402,957	0.1%	—	0.0%
Participation in unit funds	—	0.0%	—	0.0%
· Debt	99,258,912	2.1%	99,740,430	1.7%
· Equity	105,170,807	2.3%	102,701,740	1.8%
· Real Estate	—	0.0%	—	0.0%
· Alternative	16,879,898	0.4%	11,497,273	0.2%
<b>Held to maturity</b>	<b>670,543,275</b>	<b>100.0%</b>	<b>0</b>	<b>100.0%</b>
Government bonds	504,487,799	75.2%	—	0.0%
Corporate debt securities	166,055,476	24.8%	—	0.0%
<b>Other financial assets / (liabilities)</b>	<b>(113,996,761)</b>	<b>0.0%</b>	<b>(14,589,314)</b>	<b>0.0%</b>
Trading derivatives	98,527,808		198,985,675	
Repurchase agreement	(212,524,569)		(213,574,989)	
<b>Total</b>	<b>9,046,216,342</b>		<b>11,679,647,578</b>	

## OUR STAFF

Employee management at Millenniumbcp Ageas is under the direct responsibility of the hierarchies, which are entrusted with implementing in the field the measures for achieving the objectives defined by the organization, in terms of counselling and performance assessment, training and career management. The Corporate Support Area and its Human Resources Department provide support to the Executive Committee and to hierarchies in the definition and implementation of actions and tools to encourage the development of Employees.

The year 2011 was marked by the implementation of a Restructuring Plan designed to rejuvenate Staff and prepare the Company for future challenges. This programme has already had a strong impact in 2011, under which 16 Employees aged over 55 were retired, and 3 negotiated dismissals were undertaken, which were substituted by new Employees, the majority of which being recent graduates with an average age of 29.

The development of action plans resulting from the outcome of the Annual Employee Satisfaction Survey, which had a participation rate of 93 %, proved to

be a very important tool in the improvement of satisfaction and motivation levels, allowing employee satisfaction rates to increase to more than 76%.

Professional training, one of the key drivers of Human Resources management, has had an additional important tool available – an e-learning platform – since the beginning of the year. Employee adhesion to the platform has been very positive, namely for the newly admitted Employees that use the platform to develop and broaden their technical skills in the insurance area.

In the communication area we launched *What's New*, a weekly newsletter directed at all Employees, where all the latest news about the organization, Company results and other information are published.

At the end of 2011 a new Collective Bargaining Agreement was signed which will regulate the Insurance Sector from January 2012 onwards.

Millenniumbcp Ageas closed the year of 2011 with 462 Employees, 1 more than at the end of the previous year. The average age fell from 43 to 42 and female Employees represent 55%.

AGE GROUP	FEMALE	MALE	TOTAL
< 30	18	15	33
31-35	36	14	50
36-40	72	31	103
41-45	72	48	120
46-50	31	59	90
51-55	14	32	46
56-60	7	7	14
> 60	3	3	6
<b>Total</b>	<b>253</b>	<b>209</b>	<b>462</b>

## CORPORATE GOVERNANCE

Millenniumbcp Ageas is an insurance Group held by Ageas and by Millennium bcp. Apart from complying with laws and regulations, securing compliance with recommendations and corporate governance rules is a key area of concern of Millenniumbcp Ageas Grupo Segurador.

## GOVERNING BODIES

### General Meeting of Shareholders

Apart from its usual legal rights, the General Shareholders' Meeting elects the General Meeting's Board, the members of the Board of Directors, the members of the Board of Auditors, the Single Auditor and or the Chartered Accountant or a Chartered firm of Accountants, nominates an Audit Committee and defines the remuneration of the governing bodies, their social securities schemes and other complements.

The General Meeting's Board is constituted by a Chairman, a Deputy-Chairman and a Secretary, elected for a period of three years re-elected one or more times.

## Governance and Auditing

The governance structure consists of a Board of Directors, which delegates part of its responsibilities to an Executive Committee, a Board of Auditors and a Chartered Accountant or a Chartered Accountants Company, provided the latter is not a member of the Board of Auditors.

### Board of Directors

The Board of Directors includes a maximum of eight members elected by the General Meeting of Shareholders for a period of three years re-elected one or more times, which elect among themselves their Chairman and Deputy-Chairman. The Board of Directors meets whenever decided by its Chairman or by two other members and, at least, once every quarter.

On 31 December 2011, the Board of Directors was composed by a Chairman (Mr. Bart Karel August De Smet), a Deputy-Chairman (Mr. Vitor Manuel Lopes Fernandes) and six other members (Mr. Kurt André J De Schepper, Mr. Stefan Georges Leon Braekeveldt, Mr. Jan Adriaan de Pooter, Mr. Michel Edmond Joseph Ghislain Baise, Mr. Fernando Manuel Nobre de Carvalho and Mr. Eduardo Manuel Carmona e Silva Consiglieri Pedroso).

### Executive Committee

The Executive Committee, established by law, comprises a maximum of five members to whom powers and functions have been delegated by decision of the Board of Directors. The by-laws define the matters that may not be delegated by the Board of Directors.

Presently the Executive Committee includes Mr. Jan Adriaan de Pooter (CEO), Mr. Michel Edmond Joseph Ghislain Baise (CFO), Mr. Fernando Manuel Nobre de Carvalho and Mr. Eduardo Manuel Carmona e Silva Consiglieri Pedroso.

The Members of the Executive Committee have presently the following responsibilities:

Mr. Jan Adriaan de Pooter (CEO) – Institutional relationships (regulators, APS and other) and the following internal areas: Organization & IT; Customer and Sales Support; Internal Audit; Pensões; and Corporate Support, which includes the Corporate Affairs, the Human Resources, the Legal, the Compliance, the Technical Support and the Strategy & Performance.

Mr. Michel Edmond Joseph Ghislain Baise (CFO) – Planning and Control, Risk Management and Actuarial, Investments, Finance, Reinsurance.

Mr. Fernando Manuel Nobre de Carvalho – Commercial (Bancassurance, Médis and Corporate) and Marketing.

Mr. Eduardo Manuel Carmona e Silva Consiglieri Pedroso – Médis, Non-life back-office, Non-life technical platforms and Life back-office (Life Platform).

**Board of Auditors**

The Board of Auditors includes three effective members and a substitute elected for three years by the General Meeting of Shareholders, which also appoints the Chairman. The Board of Auditors meets under the terms of the law or whenever decided by its Chairman, by the majority of its members or by the Board of Directors.

The auditing of corporate businesses may also be performed, under the terms of the law, by a Board of Auditors and by a Chartered Accountant or a Chartered Accountant Company, provided that the latter is not a member of the Board of Auditors.

Whenever they find it convenient, the Board of Auditors or the Single Auditor can attend the meetings of the Board of Directors.

**Audit Committee**

Notwithstanding the responsibilities of the Board of Auditors, the General Meeting of Shareholders, under the by-laws, also appoints an Audit Committee to supervise the Company accounts and to assist the Board of Directors regarding its internal control responsibilities, in general.

The Audit Committee consists of three non-executive members of the Board of Directors, one of whom must be the Deputy-Chairman of the Board of Directors who will be Chairman of the Audit Committee.

**Company's Secretary**

The Board of Directors appoints a Company's Secretary, as well as its respective alternate, with the competences entrusted by law, who cannot be members of the Board of Directors.

**Remuneration****Remuneration policy of the members of the Board of Directors and Supervisory Bodies****Decision making process and remuneration structure**

The remuneration policy for the members of the Board of Directors and Audit Boards has remained practically unaltered since the incorporation of the Company, having been defined by the Remuneration Committee based on best practices and approved by the General Meeting of Shareholders.

The remuneration policy for the members of the Board of Directors and Audit Boards is structured in order to ensure the balance between the annual performance of the Company and the contribution of the members of those bodies to that performance.

This policy is materialized through a fixed remuneration component and in the possibility of attribution of a variable component. These components, and their evolution, are dependent on the degree of achievement of the objectives set out in the medium and long term business plan that is approved by the Board of



Directors and on criteria that considers individual performance, the real growth of the institution and wealth effectively created for shareholders, the protection of the interests of policyholders, insured persons, participants and beneficiaries, their long term sustainability and the risks assumed, as well as compliance with the rules applicable to the business of the institution.

#### Predetermined criteria for the assessment of the Board of Directors

The decision to attribute the variable component depends, in addition to the extent to which the annual budget is met, on the financial solidity of the Company, the solvency and rating levels, and the actual economic and competitive environment. The existence of plans for the attribution of financial instruments or options to purchase said instruments are not foreseen. The payment of the variable remuneration component is made after the clearance of the accounts for each financial year.

Directors who do not receive any remuneration may be appointed.

The directors who do not perform executive functions are not remunerated.

#### Performance assessment of Board of the Directors

The performance assessment of the executive directors is a direct result of the extent to which the annual budget is met, being the exclusive responsibility of the general meeting or of a remunerations committee nominated by the General Meeting of Shareholders.

The predetermined criterion for the performance assessment of the executive directors is the level of achievement of the annual budget.

#### Relative importance of the remuneration components of the Board of Directors

The remuneration of the executive directors includes the following components:

- a) fixed monthly remuneration, defined based on the competitive positioning within the Portuguese benchmark universe of companies and, in the case of directors from other shareholding companies, its positioning within those companies may be considered, namely in terms of the remuneration level; this component represents a sufficiently high proportion of total remuneration, so as to permit the application of a fully flexible policy in terms of the variable remuneration component, including the possibility of not paying any variable remuneration component;
- b) an annual variable remuneration, paid after the approval of the annual accounts at the General Meeting of Shareholders; the establishment of this remuneration is based on practices of shareholders, which are important players in the markets where they are present; the annual variable remuneration of the total number of executive directors must not surpass 2% of the Group's results, before VOBA (Value of Business Acquired) or Goodwill depreciation, in the financial year to which they are related and does not constitute a vested right and is deliberated annually.

Information on the deferral of payment of the variable component and criteria of attribution of variable remuneration in financial instruments of the Board of Directors

The variable remuneration, when represents more than 35 % of the annual fixed salary, is subject to mandatory deferral for a period of three years following that to which it relates, and the amount to be paid in the first year must be greater than the following. The variable remuneration is not paid in financial instruments, taking into account that the Company has only two shareholders and dispersion of their capital is against the philosophy of the constitution of the Joint Venture, this form of payment of remuneration is liable to be applied.

Other non-monetary benefits of the Board of Directors

There is no payment of annual premiums and any other non-monetary benefits.

Remuneration in the form of profit sharing or bonuses of the Board of Directors

In addition to the fixed monthly remuneration and the annual variable remuneration (which assignment depends from an annual deliberation), no remuneration in the form of profit sharing or payment of bonuses is foreseen.

Payment of any compensation to former executive directors relating to the termination of their functions during the year

The payment of any compensation to former executive members of the Board of Directors relating to the termination of their functions during the year is not foreseen.

Limits to compensation payments due to discharge without just cause of the Board of Directors

The compensation established for any form of discharge without just cause of a member of the management body will not be paid if the discharge or termination by mutual agreement results from an inadequate performance of the member of the management body.

Amounts paid for whatever reason by other companies with which there are controlling or group relationships of the Board of Directors

The executive directors are only remunerated in one of the Group companies and do not receive any additional compensation to that foreseen in this remuneration policy.

Complementary pension or early retirement regimes of the Board of Directors

Members of the management body do not benefit from any complementary pension or early retirement regimes for the performance of their functions.

Estimate of the value of the non-monetary benefits of the Board of Directors

Not applicable.

**Mechanisms that prevent the celebration of contracts that call into question the reason for existence of the variable remuneration of the Board of Directors**

Not applicable.

**Remuneration policy assessment**

The remuneration policy will be submitted to an independent internal assessment at least once a year, performed in articulation with the key functions and materialized in a specific report to be presented to the Board of Directors and to the General Meeting of Shareholders, identifying the necessary steps to correct possible failures.

The assessment will include, in particular, the review of the remuneration policy and its implementation in accordance with applicable legislation and recommendations, especially about its effect on risk management and capital of the Company.

**Consistency of remuneration policies at Group level**

The remuneration policies of the subsidiaries are consistent among themselves and its ensured the implementation for all the remunerations paid to each employee by all Group companies.

**Detailed indication of the recommendations adopted and not adopted**

The table below corresponds to the detailed indication of the recommendations adopted and not adopted in Circular 6/2010, of 1 April, of the Portuguese Insurance Regulator (ISP), containing the rationale for the non-adoption of certain recommendations by reference to the respective paragraphs of this remuneration policy.

Recommendation	Declaration of adoption	Rationale
I.4. Adoption of a remuneration policy consistent with effective risk management and control I.5. Suiting the policy to the dimension, nature and complexity of the business I.6. Adoption of a clear, transparent and adequate structure	Adopted	Decision making process and remuneration structure
II.1. Approval of the policy by the Remuneration Committee	Adopted	Decision making process and remuneration structure
II.3. Participation in the definition of the policy for people that are functionally independent have adequate technical capacity, including people that are part of the structural units responsible for key functions	Adopted	Decision making process and remuneration structure
II.4. The policy must be transparent and accessible to all Employees, subject to periodic review and submitted as an autonomous document	Adopted	Decision making process and remuneration structure and predetermined criteria for assessment
III.1. Minimum annual frequency of review undertaken by the remunerations committee III.2. Independence of the members of the remunerations committee	Adopted	Performance assessment

Recommendation	Declaration of adoption	Rationale
IV.1. The remuneration of the executive directors should include a variable component that is dependent on a performance assessment	Adopted	Predetermined criteria for assessment and Performance assessment
IV.2. Adequate balance of the remuneration components	Adopted	Relative importance of the remuneration components
IV.3. Part of the variable component should be paid in financial instruments	Not Adopted	Not applicable, considering: the characteristics of the Company and its shareholders
IV.4. Part of the variable remuneration should be deferred IV.5. Calculation of the deferral according to the weight relative to the fixed component	Adopted	information on the deferral of payment of the variable component and criteria of attribution of variable remuneration in financial instruments of the Board of Directors
IV.6. The members of the management body must not celebrate contracts that mitigate the risk inherent to the variability of the remuneration	Adopted	Mechanisms that prevent the celebration of contracts that call into question the reason for existence of the variable remuneration
IV.7. Maintenance of the actions of the institution obtained through variable remuneration schemes IV.8. Deferral period in the case of the attribution of options IV.9. Maintenance of shares after the end of the term of office	Not Adopted	Not applicable, considering: the characteristics of the Company and its shareholders
IV.10. Remuneration of the non-executive directors must not include any component that is dependent on the performance or value of the institution	Adopted	Predetermined criteria for assessment
IV.11. Compensation in the event of discharge	Adopted	Limits to compensation payments due to discharge without just cause
VI.1. Submission of the remuneration policy to an independent internal assessment	Adopted	Remuneration policy assessment
VII.1. Should be ensured consistency remuneration policies at Group level VII.2. Adoption of the recommendations for all the remunerations paid to each employee by all Group companies	Adopted	Consistency of remuneration policies at Group level

The annual value of the remunerations paid by Millenniumbcp Ageas Grupo Segurador, S.G.P.S., S.A. to the Board of Directors and Audit Board members in the economic year of 2011 is the following:

Joaquim Patrício da Silva	11.250,00 Euros
José Rodrigues de Jesus	12.000,00 Euros
António Fernando Nogueira Chaves	5.625,00 Euros
<b>Total</b>	<b>28.875,00 Euros</b>

## Remuneration Policy of the Employees

### Decision making process and remuneration structure

The remuneration policy for Employees has remained practically unaltered since the incorporation of the Company, having been defined by the shareholders based on best practices.

The remuneration of Employees comprehends the base remuneration defined for each level of the Collective Labour Agreement (CCT) and a complement that varies in accordance with the professional category, the remuneration level, the specificity and requirements of the function, the degree of seniority, individual merit and the level of responsibility attributed.

The individual differentiation, adopted for all Employees, is based on the following criteria: CCT level, the specificity and requirements of the function, the degree of seniority, individual merit and the level of responsibility attributed.

#### Relative importance of the remuneration components

This policy is materialized through a fixed remuneration component and in the possibility of attribution of a variable component. These components, and their evolution, are dependent on the degree of achievement of the objectives set out in the medium a long term business plan that is approved by the Board of Directors and on criteria that considers individual and departmental performance, the real growth of the institution and wealth effectively created for shareholders, the protection of the interests of policyholders, insured persons, participants and beneficiaries, their long term sustainability and the risks assumed, as well as compliance with the rules applicable to the activity of the institution.

The remuneration policy is structured in order to ensure the balance between the annual performance of the Company and the contribution of Employees to that same performance.

The fixed component represents a sufficiently high proportion of total remuneration, so as to permit the application of a fully flexible policy in terms of the variable component of remuneration, including the possibility of non-payment of any variable component of remuneration.

#### Information on the deferral of payment of the variable component and criteria of attribution of variable remuneration in financial instruments

Considering the characteristics of the Company and financial groups in which is integrated, the variable remuneration is not subject to any deferral or paid in financial instruments.

#### Predetermined criteria for assessment

The predetermined criteria for performance assessment is the extent to which the annual budget is met, individual and departmental performance, the real growth of the institution and the effective wealth created for the shareholders, the protection of the interests of policyholders, insured persons, participants and beneficiaries, their long term sustainability and the risks assumed, as well as compliance with the rules applicable to the activity of the institution.

The variable remuneration of the total number of Employees must not exceed 3% of the Group's results, before VOBA (Value of Business Acquired) or Goodwill depreciation, in the financial year to which they relate and does not constitute a vested right and is deliberated annually.

### Remuneration policy assessment

The remuneration policy will be submitted to an independent internal assessment at least once a year, performed in articulation with the key functions and materialized in a specific report to be presented to the Board of Directors and to the General Meeting of Shareholders, identifying the necessary steps to correct possible failures.

The assessment will include, in particular, the review of the remuneration policy and its implementation in accordance with applicable legislation and recommendations, especially about its effect on risk management and capital of the Company.

### Detailed indication of the recommendations adopted and not adopted

The table below corresponds to the detailed indication of the recommendations adopted and not adopted in Circular 6/2010, of 1 April, of the Insurance Portuguese Regulator (ISP), containing the rationale for the non-adoption of certain recommendations by reference to specific paragraphs of this remuneration policy.

Recommendation	Declaration of adoption	Rationale
I.4. Adoption of a remuneration policy consistent with effective risk management and control I.5. Suiting the policy to the dimension, nature and complexity of the business I.6. Adoption of a clear, transparent and adequate structure	Adopted	Decision making process and remuneration structure
II.2. Approval of the policy by the management body	Adopted	Decision making process and remuneration structure
II.3. Participation in the definition of the policy for people that are functionally independent have adequate technical capacity, including people that are part of the structural units responsible for key functions	Adopted	Decision making process and remuneration structure
II.4. The policy must be transparent and accessible to all Employees, subject to periodic review and submitted as an autonomous document	Adopted	Decision making process and remuneration structure and Predetermined criteria for assessment
II.5. Communication of the assessment process to Employees	Adopted	
V.1. Adequate balance of the remuneration components	Adopted	Decision making process and remuneration structure and Relative importance of the remuneration components
V2. Part of the remuneration component must be paid in financial instruments V.5. Possibility of non-payment or reduction of the deferred variable remuneration V.6. Deferral period of the variable remuneration V.7. Calculation of the deferral according to the weight relative to the fixed component	Not Adopted	Not applicable considering: the characteristics of the Company and its shareholders; the decision making process and remuneration structure; the relative importance of the remuneration components; and the Information on the deferral of payment of the variable component and criteria of attribution of variable remuneration in financial instruments
V.3. The assessment must take into consideration individual performance and the structural performance of the Employee's department, including relevant non-financial criteria V.4. Assessment criteria must be predetermined and able to be measured, based on a pluri-annual framework	Adopted	Predetermined criteria for assessment



Recommendation	Declaration of adoption	Rationale
V.8. Remuneration of Employees that perform key functions V.9. Remuneration of the actuarial function	Adopted	Decision making process and remuneration structure
VI.1. Submission of the remuneration policy to an independent internal assessment	Adopted	Remuneration policy assessment

## Decision Making Process

As part of the decision making process there are several governing bodies, commissions and units elected by the General Meeting of Shareholders or appointed by the Board of Directors, who co-operate with the Board of Directors and the Executive Committee, ensuring separation between business and operational areas.

### Risk Committee

Its function is to provide guidance to the Board of Directors and the Executive Committee on understanding and proper management of risks inherent to insurance and pension fund business, and to ensure the adequacy of capital to risk and overall operation.

The Executive Committee defines the role and responsibilities of the Risk Committee and its terms of reference, which are periodically reviewed by the Risk Committee, by the Board of Directors or by the Executive Committee according to the most current regulation and risk management principles.

### Chief Investment Officer

CIO is responsible for maximizing investment returns within the constraints of the strategic asset mix set by the ALM. The CIO is also responsible for selecting assets to invest, and providing information at the local and group level.

### Compliance officer

This officer seeks to stimulate, monitor and control observation of laws, regulations, internal rules and ethical standards that are relevant to the integrity and, hence, to the reputation of Millenniumbcp Ageas.

In terms of Corporate Governance, compliance aims to provide reasonable assurance that the Company and its Employees comply with these laws, regulations, internal rules and ethical standards.

The officer is also required to develop a confident relationship and mutual understanding with regulators and regulatory authorities in compliance matters.

### Millennium bcp Serviços, ACE

Millennium bcp Serviços is a complementary group of companies whose mission is to manage resources and services in a structure that integrates, optimises and rationalises IT, operating, administrative and procurement resources.

## Company Rules

### Code of Conduct

Independently of the legal and regulatory arrangements applying to companies in general and insurance and pension schemes in particular, the Board of Directors has approved a Code of Conduct setting out specific internal regulations that apply to Staff and members of the governing bodies in the performance of their roles.

The Code of Conduct defines the principles and the rules to be observed on insurance and pension schemes businesses, namely conflict of interest, professional secrecy and incompatibility.

### Risk control internal procedures

The Board of Directors and the Executive Committee are responsible for defining levels of risks and managing risks with the support of the transversal units, which, in terms of corporate governance, are contributing to the decision making process.

## Governing Bodies

### GENERAL MEETING OF SHAREHOLDERS

Chairman	Rui Manuel Parente Chancerelle de Machete
Deputy-Chairman	Ana Isabel dos Santos de Pina Cabral
Secretary	João José Carvalho Pereira Pascoal

### BOARD OF DIRECTORS

Chairman	Bart Karel August De Smet
Deputy-Chairman	Vitor Manuel Lopes Fernandes
Member	Kurt André J De Schepper
Member	Stefan Georges Leon Braekeveldt
Member	Jan Adriaan de Pooter
Member	Michel Edmond Joseph Ghislain Baise
Member	Fernando Manuel Nobre de Carvalho
Member	Eduardo Manuel Carmona e Silva Consiglieri Pedroso

### BOARD OF AUDITORS

Chairman	Joaquim Patrício da Silva
Member	José Rodrigues de Jesus
Member	António Fernando Nogueira Chaves
Member	Belmira Abreu Cabral

### STATUTORY AUDITORS

Efective	KPMG & Associados (SROC) Represented by: Ana Cristina Soares Valente Dourado
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**Governing Bodies****GENERAL MEETING OF SHAREHOLDERS**

Alternate	Vítor Manuel da Cunha Ribeirinho
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**AUDIT COMMITTEE**

Chairman	Vitor Manuel Lopes Fernandes
Member	Kurt André J De Schepper
Member	Stefan Georges Leon Braekeveldt

**OUTLOOK FOR 2012**

The 2011 financial year was extremely demanding. The effects of the financial and economic crisis penalised all sectors of the economy, particularly the financial sector. The liquidity crisis led to a significant change in the business model and commercial strategy of the banking sector. The main priority of banks became reducing the mismatch between resources and credit, which means attracting more funds and less credit for companies and individuals. This fact had an immediate impact on the insurance sector, namely Life, since more than 90% of this business originates from the bank channel, but also on Non-life, due to the fall in production of insurance associated with bank credit.

The Economic and Financial Assistance Programme negotiated between Portugal and the Troika (International Monetary Fund, European Commission and European Central Bank) acted as an accelerator of the entire process of change, making it absolutely clear that the business models also had to adjust rapidly to this new reality. In the particular case of the insurance sector, it means returning to the essence of the insurance business, which consists in selling risk products in both Life and Non-life lines of business. But growth in itself is not enough, it needs to be **sustainable and profitable**.

Millenniumbcp Ageas developed, at the start of 2011, a strategic assessment with the objective of identifying a number of short- and medium-term measures to prepare the Company for the new challenges and launched, in the last quarter of the year, within the scope of an initiative designated as *Vision 2015*, nine strategic projects aimed at preparing the future of Millenniumbcp Ageas in three different areas of activity:

- › **Business protection**, through innovation and improving commercial, operational and financial efficiency;
- › **Business Development**, with particular emphasis on risk products (Life and Non-life), but without neglecting the Life business;
- › **Exploring new business opportunities**, extending our business beyond that which we already do, leveraging our acquired experience with Médis partnerships or with the Agents channel.

The year of 2012 will be extremely challenging from the commercial point of view, but the resource rationalisation processes will also remain a priority, as a means of adapting the organizational structure to the new business model.

However, it is not only from the business aspect that the 2012 financial year will be demanding. As was already the case in 2011, financial solidity, expressed through solvency levels, will need to be monitored on an almost daily basis, regarding which much will depend on the evolution of the European sovereign debt crisis.

## PROPOSED DISBURSEMENT

Net income for 2011, related to all companies reporting under the consolidated accounts of Millenniumbcp Ageas Grupo Segurador, S.G.P.S., S.A., was 16,412,469.51 Euros (sixteen million, four hundred and twelve thousand, four hundred sixty nine Euros and fifty one cents).

Millenniumbcp Ageas Grupo Segurador, S.G.P.S., S.A. net income was 9,404,847.89 Euros (nine million, four hundred and four thousand, eight hundred forty-seven Euros and eighty-nine cents).

Considering the Board of Directors report and paragraph c) of Article 376/1 of the Portuguese Companies Code, it is proposed that the reported earnings for 2011, on the amount of 9,404,847.89 Euros (nine million, four hundred and four thousand, eight hundred forty-seven Euros and eighty-nine cents) be disbursed as follows:

- › 470,242.40 Euros (four hundred seventy thousand, two hundred forty two Euros and forty cents), to the legal reserve;
- › 8,934,605.49 Euros (eight million, nine hundred thirty-four thousand, six hundred and five Euros and forty nine cents), to retained earnings.

*Lisbon, February 26, 2012*

**The Board of Directors**





# 03

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**Mandatory Disclosures**

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**Shareholder Stake  
of Governing Bodies**

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**Glossary**





## MANDATORY DISCLOSURES



### Percentage of Held Investment

Ageas Insurance International, N.V. · 51%

BCP Investment B.V. · 49%

## SHAREHOLDER STAKE OF GOVERNING BODIES

SHAREHOLDERS/ /BONDHOLDERS	SECURITY	N. SECURITIES AS AT		TRANSACTIONS IN 2011			UNIT PRICE EUROS
		11/12/31	10/12/31	Acquisitions	Sales	Date	
Vitor Manuel Lopes Fernandes	BCP Shares	23,412	20,000				
	BCP Shares – [Stock Dividend]			879		11-Mai-11	
	BCP Shares – New Shares [Writes offering]			2,325		3-Jun-11	0.36
	BCP Shares – New Shares [Writes offering]			208		14-Jun-11	0.36
	BCP Inv.t.º Telecom Março 2013	20	20				
Fernando Manuel Nobre de Carvalho	BCP Shares	312,401	266,855				
	BCP Shares – [Stock Dividend]			11,736		11-Mai-11	0.00
	BCP Shares – New Shares [Writes offering]			31,023		3-Jun-11	0.36
	BCP Shares – New Shares [Writes offering]			2,785		14-Jun-11	0.36
	BCP REV CONV SOC GEN XI/10 (03/2011)	0	2		2	22-Mar-11	10,000.00
	BCP Finance CO 5,543 PCT Eur	0	340		340	13-Out-11	60,000.00
José Rodrigues Jesus	BCP Shares	16,953	16,233				
	BCP Shares – [Stock Dividend]			714		11-Mai-11	0.00
	BCP Shares – Share Writes					3-Jun-11	0.012
António Fernando Nogueira Chaves	BCP Shares	32,108	32,108				
Belmira Abreu Cabral	BCP Shares	12,030	10,369				
	BCP Share – [Stock Dividend]			456		11-Mai-11	
	BCP Shares			1,205		3-Jun-11	433.80
<b>SPOUSE/MINOR CHILDREN</b>							
Maria Teresa H. M. C. Nobre de Carvalho	BCP OB CX Subordinados 1.ºS [2008/2018]	120	120				
	BCP OB CX Millennium bcp Sub 2008 2SR	100	100				
	Millenniumbcp Valor Capital 2009		250		250	16-Mai-11	0.625
	BCP Shares	144,543					
	BCP Shares – Subsc [Aum Cp Abr 2011]			400,000		13-Mai-11	0.00
	BCP Shares – New Shares [Writes offering]			44,543		3-Jun-11	0.36
	BCP Shares				100,000	20-Jun-11	0.411
	BCP Shares				100,000	20-Jun-11	0.411
	BCP Shares				100,000	20-Jun-11	0.412
Armanda Amélia Rodrigues Jesus	BCP Shares	1,873	1,735				
	BCP Shares – [Stock Dividend]			78		11-Mai-11	
	BCP Shares – Share Writes					3-Jun-11	0.012
António Fernando Nogueira Chaves	BCP Shares	1,819	1,819				

## GLOSSARY

### A

**Acquisition cost:** cost of acquiring new and renewed insurance business, namely, commissions, underwriting, advertising and policy issue expenses.

**Amortised Cost:** the amount at which a financial asset or liability is measured at initial recognition minus principal repayments, plus or minus the cumulative amortisation/accretion of any premium/discount, and minus any write-down for impairment.

**Asset Liability Management (ALM):** is the on-going process of formulating, implementing, monitoring and revising attempt to achieve financial objectives for a given set of risk tolerances and constraints.

**Average Return on Financial Investments (Book Value):** average return on financial investments calculated considering the actual accounting principles.

### B

**Bancassurance:** sale of insurance contracts through banking distribution channel.

**Basis point (bp):** one hundredth of 1%.

### C

**Close-end Pension Funds:** may have one, or more members, since these members are tied up by the same organization. New admissions need the existing members approval. May be created by one or more organizations.

**Combined Ratio:** the sum of the Non-life loss ratio and the expense ratio

**Cost of Reinsurance:** cost of an operation whereby an insurer wishing to lower his exposure to a risk considered as excessive or dangerous, passes a portion of the risk exposure and its related premium to a reinsurer.

**Cross-selling:** strategy of using an existing Customers database of one product as prospective Customers for other products.

### D

**Derivative:** financial instrument such as a swap, a forward, a future contract and an option. This financial instrument has a value that changes in response to changes in various underlying variables. It requires little or no net initial investment, and is settled at a future date.

**Direct Written Premiums:** includes premiums received from all sources related to insurance contracts.

### E

**Earned Premiums:** book-keeping value of premiums regarded as revenue in a particular period.

**Economic Capital:** is the amount of capital that the Company requires in order to support the economic risks it faces.

**Embedded derivative:** derivative instrument that is embedded in another contract – the host contract. The host contract might be a debt or equity instrument, a lease, an insurance contract, a sale or a purchase contract.

**Embedded Value:** the estimate economic value of a specific insurance Company excluding any value which may be generated by future new business, based on the sum of shareholder's funds and the value of its current portfolio.

**Employee Benefits:** all forms of considerations given by an entity in exchange for services rendered by Employees, in addition to their pay or salary.

**Expense Ratio:** ratio resulting from the division of general expenses (administrative costs, depreciation, commissions, network fee etc.) allocated to a specific activity by earned premiums.

### F

**Fair Value:** *the amount for which an asset (liability) can be bought (incurred) or sold (settled).*

**Funds Under Management:** assets (e.g. shares, bonds and real estate) managed by a financial services provider.

**G**

**Goodwill:** represents the excess of the fair value of the assets given, liabilities incurred or assumed and equity instruments issued; usually is accounted for only in case of acquisition.

**Gross Written Premiums:** includes direct written premiums and reinsurance accepted premiums.

**I**

**IFRS:** international Financial Reporting Standards, used as a standard for all listed companies within the European Union as of 1 January 2005 to ensure transparent and comparable accounting and disclosure.

**Impairment:** a decline in value whereby the carrying amount of the asset exceeds the recoverable amount. In such a case, the carrying amount will be reduced to its recoverable amount through the income statement.

**Indemnity:** the cost of the loss replacement to a victim through the substitution, repair, or when not feasible, through monetary compensation. The amount paid by an insurance Company to a policyholder or third party, after a claim against a policy.

**Insurance Contract:** contract under which one party accepts significant insurance risk from another party (the policyholder) by agreeing to compensate the policyholder if a specified uncertain future event adversely affects the policyholder.

**Investment Contract:** Life insurance policy contract that transfers financial risk without transferring significant insurance risk.

**L**

**Loading Rate:** the average number of policies held by a Customer.

**Loss Ratio:** the ratio obtained by the division of costs incurred with claims over earned premiums.

**M**

**Market Share:** ratio calculated for the domestic market from direct insurance premiums of a Company and direct insurance premiums in the total market, over the past 12 months of operations.

**O**

**Open-end Pension Funds:** may be created by any organization legally authorised to manage pension funds. New admissions conditioned only by the approval of the managed organization.

**P**

**Penetration Rate:** the average number of policies held by a Customer and thus a benchmark of Customer loyalty to a Company.

**Profit sharing:** contractual right to receive additional benefits, as a supplement to guaranteed benefits.

**R**

**Return on Equity (ROE):** financial indicator that allows us to evaluate the financial return to the shareholders. It is calculated by the ratio between net earnings for the year and average shareholder equity for the same period.

**S**

**Shadow accounting:** In accordance with IFRS 4, 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.

**Solvency Ratio:** range of resources held by a Company (net assets) apart from those legally required to meet current obligations to insurance policyholders.

**Subordinated Loan:** loan that ranks below other loans with regard to claims on assets or earnings.

**T**

**Technical Margin:** earnings after deduction of costs related to operations, such as claims, commissions and technical provisions, acquired premium revenue net of reinsurance and investment income related to technical provisions.

**Technical Reserves:** one of the main financial guarantee required of companies operating in the insurance business. The technical reserves that must be established and maintained are: Unearned Premium Reserve; Reserve for Risks Underway; Mathematical Reserve for Life Insurance; Ageing Reserve; Loss Reserve; Profit Sharing and Equalisation Reserve.

**V**

**Value of Current Portfolio:** the value of the current portfolio is determined by the current value of future profits after tax, adjusted for the cost of maintaining a determined level of solvency margin usually expressed as percentage of the minimum required under the current regulations.

**VOBA (Value of Business Acquired):** corresponds to the estimated present value of the future cash flows from the contracts in force at the date of acquisition.

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