

2011

ANNUAL REPORT

VOLUME 2

CONSOLIDATED
FINANCIAL
STATEMENTS

2011

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ÍNDICE

01

5 Consolidated Financial Statements

- 6 Consolidated income statement
- 7 Consolidated statement of comprehensive income
- 8 Consolidated balance sheet
- 9 Consolidated statement of changes in equity
- 9 Consolidated cash flows statements

02

11 Notes to the Consolidated financial statements

- 12 II.1 Accounting policies
- 29 II.2 Critical accounting estimates and judgments in applying accounting policies
- 32 II.3 Operating segments
- 34 II.4 Notes to the consolidated income statement
- 34 Note 1 – Net premiums earned
- 35 Note 2 – Fee on investment contracts
- 35 Note 3 – Net claims expense
- 36 Note 4 – Changes in mathematical and other technical reserves net of reinsurance
- 37 Note 5 – Net acquisitions and administrative expenses
- 39 Note 6 – Interest, dividends and other similar income
- 39 Note 7 – Financial expenses
- 39 Note 8 – Net gains/(losses) from financial assets not held at fair value through profit and loss
- 40 Note 9 – Net gains/(losses) from financial assets and liabilities held at fair value through profit and loss
- 40 Note 10 – Net gains/(losses) from foreign exchange
- 40 Note 11 – Impairment charges (net of reversals) and Changes in other provisions
- 41 Note 12 – Other technical and non-technical income / (expenses)

41	Note 13 – Operating and administrative expenses
43	II.5 Notes to the consolidated balance sheet
43	Note 14 – Cash and equivalents
43	Note 15 – Trading assets
44	Note 16 – Investments held at fair value through profit and loss
44	Note 17 – Investments available for sale
45	Note 18 – Loans and receivables
45	Note 19 – Investments held to maturity
46	Note 20 – Investment property
46	Note 21 – Other tangible assets
47	Note 22 – Goodwill and other intangible assets
48	Note 23 – Technical reserves, net of reinsurance
52	Note 24 – Employee benefits
56	Note 25 – Trade and other receivables
57	Note 26 – Income tax assets and liabilities
59	Note 27 – Accrued income and deferred charges
59	Note 28 – Investment contracts liabilities at fair value through profit and loss
59	Note 29 – Other financial liabilities
60	Note 30 – Trade and other payables
60	Note 31 – Deferred income and accrued charges
61	Note 32 – Provisions
62	II.6 Notes to the Statement of changes in equity
62	Note 33 – Share capital, legal reserve, retained earnings and fair value reserve
64	II.7 Additional information to Operating segments
64	Note 34 – Non life technical margins by line of business
65	Note 35 – Life technical margins by type of product

66	II.8 Other Notes
66	Note 36 – Related party transactions
67	Note 37 – Assets under management
67	Note 38 – Risk management
89	Note 39 – Fair value
90	Note 40 – Contingencies and commitments
91	Note 41 – Separate financial statements of Millenniumbcp Ageas Group, S.G.P.S., S.A.
91	Note 42 – Exposure to Government bonds from European countries subject to bailout
92	Note 43 – Recently issued pronouncements

03

97 Report and Opinion of the Board of Auditors

04

101 Report of the Statutory Auditors

01

Consolidated Financial Statements

CONSOLIDATED INCOME STATEMENT

EUR	Note	2011				2010			
		Life	Non Life	Non technical	Total	Life	Non Life	Non technical	Total
Net premiums earned	1	312,100,782	203,294,567	—	515,395,349	1,112,807,192	194,389,295	—	1,307,196,487
Gross premiums		338,652,381	237,258,790	—	575,911,171	1,137,887,756	230,717,121	—	1,368,604,877
Reinsurance ceded premiums		(26,551,599)	(36,436,312)	—	(62,987,911)	(25,080,564)	(37,188,045)	—	(62,268,609)
Change in unearned premiums		—	4,475,655	—	4,475,655	—	2,222,544	—	2,222,544
Change in unearned reinsurance premiums		—	(2,003,566)	—	(2,003,566)	—	(1,362,325)	—	(1,362,325)
Fees on investment contracts	2	63,024,243	—	—	63,024,243	64,321,622	—	—	64,321,622
Net claims expenses	3	(955,618,482)	(142,617,242)	—	(1,098,235,724)	(577,918,164)	(138,190,202)	—	(716,108,366)
Claims paid		(938,574,316)	(139,382,317)	—	(1,077,956,633)	(582,041,753)	(135,021,215)	—	(717,062,968)
· Claims paid gross		(952,336,652)	(151,225,590)	—	(1,103,562,242)	(593,649,859)	(147,633,888)	—	(741,283,747)
· Reinsurance share of claims paid		13,762,336	11,843,273	—	25,605,609	11,608,106	12,612,673	—	24,220,779
Change in claims reserves		(17,044,166)	(3,234,925)	—	(20,279,091)	4,123,589	(3,168,987)	—	954,602
· Change in claims reserves gross		(17,044,166)	(4,653,184)	—	(21,697,350)	4,123,589	(5,043,941)	—	(920,352)
· Reinsurers share in change in claims reserves		—	1,418,259	—	1,418,259	—	1,874,954	—	1,874,954
Changes in other technical reserves net	4	—	210,152	—	210,152	—	(1,645,240)	—	(1,645,240)
Changes in mathematical reserves, net	4	648,356,754	—	—	648,356,754	(505,734,090)	—	—	(505,734,090)
Changes in mathematical reserves gross		648,232,584	—	—	648,232,584	(505,778,061)	—	—	(505,778,061)
Reinsurance share in changes in mathematical reserves		124,170	—	—	124,170	43,971	—	—	43,971
Profit sharing, net	4	(54,439,062)	(601,419)	—	(55,040,481)	(58,196,833)	(598,724)	—	(58,795,557)
Acquisitions and administrative expenses, net	5	(64,366,734)	(46,201,762)	—	(110,568,496)	(69,678,969)	(45,567,441)	—	(115,246,410)
Acquisition expense		(57,540,610)	(34,243,681)	—	(91,784,291)	(61,129,705)	(35,020,346)	—	(96,150,051)
Changes in deferred acquisition costs		—	(749,467)	—	(749,467)	—	575,769	—	575,769
Administrative expenses		(16,676,169)	(23,448,397)	—	(40,124,566)	(18,609,345)	(25,212,004)	—	(43,821,349)
Reinsurance commissions and profit sharing		9,850,045	12,239,783	—	22,089,828	10,060,081	14,089,140	—	24,149,221
Interest, dividends and other similar income	6	194,437,868	5,057,318	18,609,528	218,104,714	211,096,704	4,130,876	14,013,984	229,241,564
From financial assets not held at fair value through profit&loss		194,437,868	5,057,318	18,609,528	218,104,714	211,096,704	4,130,876	14,081,484	229,309,064
Other		—	—	—	—	—	—	(67,500)	(67,500)
Financial expenses	7	(24,410,036)	(1,010,444)	(1,964,825)	(27,385,305)	(23,867,406)	(781,500)	(868,018)	(25,516,924)
From financial assets not held at fair value through profit&loss		(21,544,464)	(1,010,444)	(1,962,170)	(24,517,078)	(21,360,143)	(762,326)	(677,762)	(22,800,231)
From financial liabilities not held at fair value through profit&loss		(2,865,572)	—	(2,655)	(2,868,227)	(2,507,263)	(19,174)	(190,256)	(2,716,693)
Net gains/(losses) from financial assets not held at fair value through profit and loss	8	(10,259,028)	325,523	(1,359,277)	(11,292,782)	(6,261,179)	879,946	1,841,833	(3,539,400)
From investments available for sale		(10,705,634)	325,523	(1,359,277)	(11,739,388)	(6,261,814)	879,946	1,841,833	(3,540,035)
From loans and receivables		446,606	—	—	446,606	635	—	—	635
Net gains/(losses) from financial assets and liabilities held at fair value through profit and loss	9	5,641,345	—	(695,433)	4,945,912	3,443,048	—	1,531,752	4,974,800
From financial assets and liabilities held for trading		155,287,751	—	—	155,287,751	120,353,919	—	—	120,353,919
From financial assets and liabilities held at fair value through profit and loss		(149,646,406)	—	(695,433)	(150,341,839)	(116,910,871)	—	1,531,752	(115,379,119)
Net gains/(losses) from foreign exchange	10	(863,995)	—	—	(863,995)	(46,451)	363	10,240	(35,848)
Impairment charges (net of reversals)	11	(102,300,981)	(1,120,443)	(2,549,307)	(105,970,731)	—	—	242,443	242,443
From investments available for sale		(102,300,981)	(1,120,443)	(1,555,293)	(104,976,717)	—	—	—	—
Other		—	—	(994,014)	(994,014)	—	—	242,443	242,443
Other technical income / (expenses), net	12	(26,046,067)	176,368	—	(25,869,699)	(28,125,666)	144,861	—	(27,980,805)
Changes in other provisions	11	—	—	—	—	—	—	(150,000)	(150,000)
Other non technical income / (expenses)	12	—	—	6,457,402	6,457,402	—	—	8,893,582	8,893,582
Profit before tax		(14,743,393)	17,512,618	18,498,088	21,267,313	121,839,808	12,762,234	25,515,816	160,117,858
Current tax	26	—	—	(8,123,820)	(8,123,820)	—	—	(9,145,976)	(9,145,976)
Deferred tax	26	—	—	3,268,979	3,268,979	—	—	(36,874,835)	(36,874,835)
Profit after tax		(14,743,393)	17,512,618	13,643,247	16,412,472	121,839,808	12,762,234	(20,504,995)	114,097,047

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

EUR	2011	2010
Profit after tax	16,412,472	114,097,047
Unrealised gains and (losses), net		
Unrealised gains and (losses), gross	(288,790,052)	(388,812,237)
Current and deferred taxes	73,581,004	99,761,452
	(215,209,048)	(289,050,785)
Profit sharing to be attributable ("shadow") gross	–	42,214,458
Current and deferred taxes	–	(11,186,831)
	–	31,027,627
Total comprehensive income for the year	(198,796,576)	(143,926,111)

CONSOLIDATED BALANCE SHEET

EUR	Note	2011	2010
Cash and equivalents	14	213,549,355	154,979,246
Trading assets	15	98,527,808	198,985,675
Investments held at fair value through profit and loss	16	4,635,086,256	5,856,920,092
Investments available for sale	17	4,525,172,465	5,947,958,676
Loans and receivables	18	769,753,833	301,050,166
Investments held to maturity	19	670,543,275	—
Investment property	20	4,879,664	5,588,781
Other tangible assets	21	1,297,866	1,232,486
Inventories		18,650	18,650
Goodwill	22	315,740,469	315,740,469
Other intangible assets	22	215,037,765	242,895,637
Reinsurance reserves	23	21,672,208	22,102,429
Reinsurers share in reserve for unearned premiums		10,132,426	12,135,992
Reinsurers share in mathematical reserves		849,091	724,921
Reinsurers share in claims reserves		10,690,691	9,241,516
Assets for employee benefits (long term)	24	3,836,588	1,538,074
Trade and other receivables	25	37,416,649	45,529,193
Receivables from policyholders		14,371,789	15,947,026
Receivables from reinsurance operations		9,924,114	9,445,159
Other receivables		13,120,746	20,137,008
Income tax assets	26	163,714,215	127,665,878
Current tax assets		26,421,656	59,031,961
Deferred tax assets		137,292,559	68,633,917
Accrued income and deferred charges	27	1,900,509	1,074,816
Total assets		11,678,147,575	13,223,280,268
Technical reserves	23	5,091,130,205	5,673,278,628
Unearned premiums reserve		38,508,323	42,234,510
Life mathematical reserves		4,844,968,796	5,435,959,031
Claims outstanding reserve		152,455,830	128,958,705
· Claims reserves life		56,089,209	39,052,200
· Claims reserves workers' compensation		20,986,230	18,333,215
· Claims reserves other		75,380,391	71,573,290
Profit sharing reserves		50,360,368	61,079,340
Equalisation reserve		825,902	761,354
Unexpired risk reserve		4,010,986	4,285,688
Investment contracts liabilities at fair value through profit and loss	28	5,266,382,493	6,018,205,238
Other financial liabilities	29	228,135,652	230,631,651
Funds held under reinsurance agreements		15,611,083	17,056,662
Other liabilities		212,524,569	213,574,989
Liabilities for employee benefits (long term)	24	431,319	148,009
Trade and other payables	30	55,845,546	54,474,067
Due to agents, policyholders and intermediaries		20,577,867	22,200,359
Due to reinsurers		7,581,069	5,679,450
Other liabilities		27,686,610	26,594,258
Income tax liabilities	26	69,525,771	76,288,299
Current tax liabilities		8,475,925	7,047,114
Deferred tax liabilities		61,049,846	69,241,185
Deferred income and accrued charges	31	14,705,241	15,043,130
Provisions	32	5,703,467	10,126,789
Total liabilities		10,731,859,694	12,078,195,811
Share capital		1,000,002,375	1,000,002,375
Fair value reserve (gross)		(594,422,700)	(305,632,648)
Fair value reserve (current and deferred taxes)		151,299,865	77,718,861
Other reserves		7,717,054	7,621,014
Retained earnings		365,278,815	251,277,808
Profit after tax		16,412,472	114,097,047
Total equity	33	946,287,881	1,145,084,457
Total liabilities and equity		11,678,147,575	13,223,280,268
Earnings per share		0,1	0,6

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

EUR	Share Capital	FAIR VALUE RESERVE			Legal reserve	Retained earnings	Profit after tax	Total equity
		Gross	Current and Deferred taxes	Net				
Balance as at 01 January, 2010	1,000,002,375	40,965,131	(10,855,760)	30,109,371	6,708,628	155,404,022	96,786,172	1,289,010,568
Transfers to reserves	—	—	—	—	912,386	95,873,786	(96,786,172)	—
Unrealised gains and (losses), net	—	(388,812,237)	99,761,452	(289,050,785)	—	—	—	(289,050,785)
Profit sharing to be attributable ("shadow"), net	—	42,214,458	(11,186,831)	31,027,627	—	—	—	31,027,627
Profit after tax	—	—	—	—	—	—	114,097,047	114,097,047
Balance as at 31 December, 2010	1,000,002,375	(305,632,648)	77,718,861	(227,913,787)	7,621,014	251,277,808	114,097,047	1,145,084,457
Transfers to reserves	—	—	—	—	96,040	114,001,007	(114,097,047)	—
Unrealised gains and (losses), net	—	(288,790,052)	73,581,004	(215,209,048)	—	—	—	(215,209,048)
Profit after tax	—	—	—	—	—	—	16,412,472	16,412,472
Balance as at 31 December, 2011	1,000,002,375	(594,422,700)	151,299,865	(443,122,835)	7,717,054	365,278,815	16,412,472	946,287,881

CONSOLIDATED CASH FLOWS STATEMENTS

EUR	2011	2010
Cash flow from operating activities		
Profit after tax	16,412,472	114,097,047
<i>Adjustment for:</i>		
Depreciation and amortisation	29,269,883	30,516,735
Change in technical reserves	(582,148,423)	513,625,923
Change in investment contracts liabilities	(751,822,745)	(26,442,061)
Change in provisions	(4,423,322)	7,460,088
Change in reinsurance reserves	430,221	(77,984)
Impairment on available for sale	104,976,717	—
Impairment on investment property	442,826	—
Impairment charges on other assets	551,189	(242,444)
Change in deferred and current tax assets/liabilities	(42,810,865)	(124,425,701)
<i>Changes in operational assets and liabilities:</i>		
Trading assets and liabilities	100,457,867	(33,231,441)
Loans and receivables	(468,703,667)	478,537,711
Trade and other receivables	7,561,355	3,653,002
Other assets and liabilities	(3,178,786)	(5,567,782)
Other financial liabilities	(2,495,999)	(345,906,768)
Trade and other payables	1,371,479	(69,438,988)
	(1,594,109,798)	542,557,337
Fluxos de caixa de atividades de investimento		
Change in investments held at fair value through profit and loss	1,221,833,836	40,627,188
Change in investments available for sale	1,102,600,446	(665,329,490)
Change in investments held to maturity	(670,543,275)	—
Purchase of tangible and intangible assets	(1,211,100)	(2,114,532)
	1,652,679,907	(626,816,834)
Net increase in cash and cash equivalents	58,570,109	(84,259,497)
Cash and cash equivalents at the beginning of the year	154,979,246	239,238,743
Cash and cash equivalents at the end of the year	213,549,355	154,979,246

02

Notes to the Consolidated financial statements

II.1 ACCOUNTING POLICIES

a) Basis of presentation

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

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

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

For the year ended 31 December, 2011, the Group's consolidated financial statements were prepared in accordance with the New Plan of Accounts for the Insurance Companies ("PCES 07") issued by the Portuguese Insurance Institute and approved by the Rule n. 4/2007 of April 27 and taking into account the subsequent changes introduced by Rule n. 20/2007 – R of 31 December and Rule n. 22/2010 – R of 16 December. This Plan of accounts introduced the International Financial Reporting Standards ('IFRS') as adopted for use in the European Union ('EU'), except the measurement criteria of IFRS 4 Insurance Contracts. IFRS comprise accounting standards issued by the International Accounting Standards Board ('IASB') and its predecessor body, as well as interpretations issued by the International Financial Reporting Interpretations Committee ('IFRIC') and its predecessor body.

The consolidated financial statements presented were approved by the Board of Directors on 27 February, 2012.

For 2011, the Group adopted IFRS 7 – Financial Instruments: Disclosures – Transfer of financial assets and Annual Improvement project issued in May, 2010. These standards and interpretations were mandatory applicable for the accounting periods beginning on 1 January, 2011. These standards are detailed in note 43. In accordance with the transition dispositions of these standards and interpretations, comparative figures are presented in these financial statements referring to additional disclosures.

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

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

The preparation of the financial statements, in conformity with the New Plan of Accounts for the Insurance Companies requires the Board of directors' to make judgments, estimates and assumptions that affects the process of applying the Group's accounting policies and the reported amounts of income, expenses, assets and liabilities. These estimates and assumptions are based on the latest available reliable information, resulting from the assessment of the present status of, and expected, future associated benefits and obligations. Actual results may differ from these estimates.

b) Basis of consolidation

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

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

All Group companies have consistently applied the accounting policies.

Investments in subsidiaries

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

Accumulated losses of a subsidiary attributable to non-controlling interests which exceed the equity of the subsidiary attributable to the minority interest are attributed to the Group and are taken to the income statement when incurred. If the subsidiary subsequently reports profits, such profits are recognised by the Group until the losses attributable to the minority interest previously recognised have been recovered.

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

As from 1 January, 2010, on a step acquisition process resulting in the acquisition of control the revaluation of any participation previously acquired is booked against the profit and loss account, when goodwill is calculated. On a

parcial disposal resulting in loss of control over a subsidiary, any participation retained is revalued at market value on the sale date and the gain or loss resulting from this revaluation is booked against the income statement.

As of 31 December, 2011 and 2010, the subsidiary companies included in the consolidation are as follows:

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

Goodwill and VOBA (Value of Business Acquired)

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

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

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

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

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

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

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

Balances and transactions eliminated in consolidation

Inter-company balances and transactions, including any unrealised gains and losses on transactions between Group companies, are eliminated in preparing the

consolidated financial statements, unless unrealised losses provides evidence of an impairment loss that should be recognised in the consolidated financial statements.

c) Insurance and Investment contracts

Classification

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

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

Recognition and measurement

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

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

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

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

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

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

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

d) Acquisition costs

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

e) Insurance policy and claims reserves

Life mathematical reserve

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

Claims outstanding reserves

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

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

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

Reserve for bonuses and rebates (profit sharing)

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

Unexpired risk reserve

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

Ageing reserve

The ageing reserve corresponds to the present value of the Group's future obligations arising from health policies after deduction of future premiums. It is calculated only for contracts covering more than one year and with levelled premiums.

Liability adequacy test

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

Equalization reserve

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

Profit sharing to be attributable (Shadow accounting)

In accordance with the New Plan of Accounts for the insurance companies ("PCES 07"), the unrealised gains and losses on the assets covering liabilities arising out from insurance and investment contracts with discretionary participating features are attributed to policyholder, to the extent that it is expected that they will participate on those unrealised gains and losses when they became realised in accordance with the terms of the contracts and applicable legislation, by recording those amounts under liabilities (see Note 23).

f) Financial assets**Classification**

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

- › Financial assets at fair value through profit or loss – This category includes: (i) financial assets held for trading, which are those acquired principally for the purpose of selling in the short term and (ii) financial assets that are designated at fair value through profit or loss at inception. This portfolio includes the investments held on behalf of policyholders.
- › Available-for-sale investments – Available-for-sale investments are non-derivative financial assets (i) intended to be held for an indefinite period of time, (ii) designated as available-for-sale at initial recognition or (iii) that are not classified in the other categories referred to above.
- › Loans and receivables – This category includes receivables related with direct, reinsurance ceded transactions arising from insurance contracts and other transactions.
- › The financial assets held-to-maturity – This category includes non-derivative financial assets with fixed or determinable payments and fixed maturity, that the Group has the intention and capacity to maintain until the maturity of the assets and that were not included in the category of financial assets at fair value through profit and loss or financial assets available for sale. These financial assets are initially recognised at fair value and subsequently measured at amortized cost. The interest is calculated using the effective interest rate method and recognised in Net interest income.

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

Initial recognition, measurement and derecognition

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

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

Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or the Group has transferred substantially all risks and rewards of ownership or the Group has not retained control of the assets.

Subsequent measurement

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

Available-for-sale financial assets are also subsequently carried at fair value. However, gains and losses arising from changes in their fair value are recognised

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

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

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

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

Reclassifications between categories

In October 2008, the IASB issued a change to IAS 39 – Reclassification of Financial Assets (Amendments to IAS 39 Financial Instruments: Recognition and Measurement and IFRS 7: Financial Instruments Disclosures). This change allowed an entity to transfer financial assets from financial assets at fair value through profit and loss – trading to financial assets available for sale, to Loans and Receivables – Loans represented by securities or to financial assets held-to-maturity, as long as the requirements described in the Standard are met, namely:

- › If a financial asset, at the date of reclassification present the characteristics of a debt instrument for which there is no active market; or
- › When there is some event that is uncommon and highly improbable that will occur again in the short term, that is, the event can be classified as a rare circumstance.

The Group adopted this possibility for a group of financial assets, as disclosed in note 19. Transfer of financial assets recognized in the category of financial assets available-for-sale to Loans and receivables – Loans represented by securities and financial assets held-to-maturity are permitted.

Transfers from and to Financial assets and financial liabilities at fair value through profit and loss by decision of the entity ("Fair value option") are prohibited.

Impairment

The Group assesses periodically whether there is objective evidence that a financial asset or group of financial assets is impaired. If there is objective evidence of impairment, the recoverable amount of the asset is determined and impairment losses are recognised through the income statement.

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

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

Regarding financial assets held to maturity, the impairment losses are recognised in profit and loss when the net present value, calculated based on the original interest rate, is lower than the book value.

Derivative financial instruments

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

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

Embedded derivatives

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

g) Financial liabilities

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

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

h) Offsetting financial instruments

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

i) Repurchase transactions

Investments sold under repurchase agreements at a predetermined price ('repos') continue to be recognized in the balance sheet and are measured in accordance with the accounting policy for either assets held for trading or available-for-sale as appropriate. The proceeds from the sale of the investments are reported as liabilities to banks.

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

j) Reinsurance

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

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

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

k) Foreign currency transactions

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

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

l) Property and equipment

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

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

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

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

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

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

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

m) Intangible assets

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

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

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

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

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

n) Investment property

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

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

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

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

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

o) Leases

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

Operating leases

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

Finance leases – As lessee

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

p) Cash and cash equivalents

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

q) Provisions

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

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

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

r) Interest income and expense

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

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

When calculating the effective interest rate, the Group estimates cash flows considering all contractual terms of the financial instrument (for example, pre-payment options) but does not consider future credit losses. The calculation includes all fees and points paid or received between parties to the contract that

are an integral part of the effective interest rate, transaction costs and all other premiums or discounts.

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

s) Fee and commission income

Fees and commissions are recognised as follows:

- › Fees and commissions earned over the period in which the services are provided are recognised as income in the period the services are provided;
- › Fees and commissions that are an integral part of the effective interest rate of a financial instrument are recognised as income using the effective interest method.

t) Employee benefits

Defined benefit plan

In accordance with the agreement entered into with its employees, Millennium-bcp Ageas is liable for pensions, including widows and orphans benefits and permanent disability as stipulated in the ‘Plano CCT – Contrato Coletivo de Trabalho da Atividade Seguradora’.

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

In accordance with this revised agreement, some changes were introduced, which can be briefly presented as follows: (i) a new single bonus will be paid to the employees, during the first quarter of 2012; (ii) a new permanency premium to be attributed to employees, in the form of accitional salary increase every five years until the age of 50, if certain conditions are met; (iii) replacement of the current defined benefit plan to a defined plan, as for employees hired until 1995; and (iv) adoption of a defined plan for all employees as from 1 January, 2013.

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

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

The Group’s net obligation in respect of pension plans (defined benefit pensions plan) is calculated, separately for each plan, annually at each balance sheet date.

The current service costs plus the unwinding of the discount on the plan liabilities less the expected return on plan assets are charged to operating expenses.

The Group’s net obligation in respect of defined benefit pension plans is calculated, using the projected unit credit, separately for each plan by estimating

the amount of future benefit that employees have earned in return for their service in the current and prior periods; that benefit is discounted in order to determine its present value, and the fair value of any plan assets is deducted. The discount rate is the yield at balance sheet date by reference to interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid and that have maturity dates approximating the terms of the Group's obligations.

Under the 'corridor' method, accumulated actuarial gains and losses at the beginning of the year that exceed 10% of the greater of the present value of the defined benefit obligation or the fair value of plan assets, are recognized in the income statement over the remaining average service lives of the employees participating in the plan.

Costs arising from early retirements, as well as the corresponding actuarial gains and losses are recognized in the income statement in the year in which the early retirement is approved and announced.

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

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

Defined contribution plan

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

Other post-retirement obligations

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

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

Bonus to employees

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

Share based payments

As at 31 December, 2011, there are no share based compensation plans in force.

u) Income taxes

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

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

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

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

Deferred tax assets are recognised when there is a reasonable expectation to obtain future tax profits, which absorb deductible temporary differences for taxation purposes (including reportable tax losses).

The Group compensates, as established in IAS 12, paragraph 74 the deferred tax assets and liabilities if, and only if: (i) has a legally enforceable right to set off current tax assets against current tax liabilities; and (ii) the deferred tax assets and the deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realize the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

v) Operating segments

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

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

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

- › Life insurance and Pensions
- › Non-life insurance

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

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

x) Earnings per share

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

II.2 CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS IN APPLYING ACCOUNTING POLICIES

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

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

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

Insurance reserves

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

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

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

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

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

Fair value of derivatives

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

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

Impairment of available for-sale equity investments

The Group determines that available-for-sale equity investments are impaired when there has been a significant or prolonged decline in the fair value below its cost. This determination of what is significant or prolonged requires judgement. In accordance with Group accounting policies, 25% decline in the fair value of an investment in an equity security is assumed to be a significant decline in fair value and 1 year is assumed as a prolonged period that the fair value is below cost.

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

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

Pension and other employees' benefits

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

Changes in these assumptions could materially affect the liabilities determined.

Impairment of long-term assets

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

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

Income taxes

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

In accordance with current tax legislation, Tax Authorities are entitled to review the Groups' income taxes for a period of 4 years. As a result, it is possible that additional taxes may be assessed, mainly as a consequence of differences in interpretations of tax laws. The Group Management is confident that there will be no material tax assessments within the financial statements context.

Goodwill

On an annual basis, regardless of whether there is any indication of impairment, the Group performs an evaluation of the recoverable amount of the consolidation differences, based on the value in use or the fair value less costs to sell. According with IAS 36, the value in use should be determined based on the evaluation of the future estimated cash-flows, using all available information, which requires the use of judgment.

The assumptions made for these assessments may change with the change in economic and market conditions.

II.3 OPERATING SEGMENTS

Consolidated Income statement

EUR	2011			2010		
	Life & Pensions	Non Life	Total	Life & Pensions	Non Life	Total
Net premiums earned	312,100,782	203,294,567	515,395,349	1,112,807,192	194,389,295	1,307,196,487
Gross premiums	338,652,381	237,258,790	575,911,171	1,137,887,756	230,717,121	1,368,604,877
Reinsurance ceded premiums	(26,551,599)	(36,436,312)	(62,987,911)	(25,080,564)	(37,188,045)	(62,268,609)
Change in unearned premiums	–	4,475,655	4,475,655	–	2,222,544	2,222,544
Change in unearned reinsurance premiums	–	(2,003,566)	(2,003,566)	–	(1,362,325)	(1,362,325)
Fees on investment contracts	63,024,243	–	63,024,243	64,321,622	–	64,321,622
Net claims expenses	(955,618,482)	(142,617,242)	(1,098,235,724)	(577,918,164)	(138,190,202)	(716,108,366)
Claims paid	(938,574,316)	(139,382,317)	(1,077,956,633)	(582,041,753)	(135,021,215)	(717,062,968)
· Claims paid gross	(952,336,652)	(151,225,590)	(1,103,562,242)	(593,649,859)	(147,633,888)	(741,283,747)
· Reinsurance share of claims paid	13,762,336	11,843,273	25,605,609	11,608,106	12,612,673	24,220,779
Change in claims reserves	(17,044,166)	(3,234,925)	(20,279,091)	4,123,589	(3,168,987)	954,602
· Change in claims reserves gross	(17,044,166)	(4,653,184)	(21,697,350)	4,123,589	(5,043,942)	(920,353)
· Reinsurers share in change in claims reserves	–	1,418,259	1,418,259	–	1,874,955	1,874,955
Changes in other technical reserves, net	–	210,152	210,152	–	(1,645,240)	(1,645,240)
Changes in mathematical reserves, net	648,356,754	–	648,356,754	(505,734,090)	–	(505,734,090)
Changes in mathematical reserves gross	648,232,584	–	648,232,584	(505,778,061)	–	(505,778,061)
Reinsurance share in changes in mathematical reserves	124,170	–	124,170	43,971	–	43,971
Profit sharing, net	(54,439,062)	(601,419)	(55,040,481)	(58,196,833)	(598,724)	(58,795,557)
Acquisitions and administrative expenses, net	(64,366,734)	(46,201,762)	(110,568,496)	(69,678,969)	(45,567,441)	(115,246,410)
Acquisition expense	(57,540,610)	(34,243,681)	(91,784,291)	(61,129,705)	(35,020,346)	(96,150,051)
Changes in deferred acquisition costs	–	(749,467)	(749,467)	–	575,769	575,769
Administrative expenses	(16,676,169)	(23,448,397)	(40,124,566)	(18,609,345)	(25,212,004)	(43,821,349)
Reinsurance commissions and profit sharing	9,850,045	12,239,783	22,089,828	10,060,081	14,089,140	24,149,221
Interest, dividends and other similar income	211,817,011	6,287,703	218,104,714	224,234,375	5,007,189	229,241,564
From financial assets not held at fair value through profit and loss	211,817,011	6,287,703	218,104,714	224,301,875	5,007,189	229,309,064
Other	–	–	–	(67,500)	–	(67,500)
Financial expenses	(24,732,136)	(2,653,169)	(27,385,305)	(24,381,236)	(1,135,688)	(25,516,924)
From financial assets not held at fair value through profit and loss	(21,863,909)	(2,653,169)	(24,517,078)	(21,683,717)	(1,116,514)	(22,800,231)
From financial liabilities not held at fair value through profit and loss	(2,868,227)	–	(2,868,227)	(2,697,519)	(19,174)	(2,716,693)
Net gains/(losses) from financial assets not held at fair value through profit and loss	(11,587,700)	294,918	(11,292,782)	(4,418,979)	879,579	(3,539,400)
From investments available for sale	(12,034,306)	294,918	(11,739,388)	(4,419,614)	879,579	(3,540,035)
From loans and receivables	446,606	–	446,606	635	–	635
Net gains/(losses) from financial assets and liabilities held at fair value through profit and loss	4,945,912	–	4,945,912	4,974,800	–	4,974,800
From financial assets and liabilities held for trading	155,287,751	–	155,287,751	120,353,919	–	120,353,919
From financial assets and liabilities held at fair value through profit and loss	(150,341,839)	–	(150,341,839)	(115,379,119)	–	(115,379,119)
Net gains/(losses) from foreign exchange	(863,995)	–	(863,995)	(36,211)	363	(35,848)
Impairment charges (net of reversals)	(103,913,735)	(2,056,997)	(105,970,731)	66,167	176,276	242,443
From investments available for sale	(103,494,021)	(1,482,697)	(104,976,717)	–	–	–
Other	(419,714)	(574,300)	(994,014)	66,167	176,276	242,443
Other technical income / (expenses), net	(26,046,067)	176,368	(25,869,699)	(28,125,666)	144,861	(27,980,805)
Changes in other provisions	–	–	–	(150,000)	–	(150,000)
Other non technical income / (expenses)	6,435,716	21,686	6,457,402	7,646,233	1,247,349	8,893,582
Profit before tax	5,112,507	16,154,805	21,267,313	145,410,241	14,707,617	160,117,858
Current tax	(2,916,152)	(5,207,668)	(8,123,820)	(2,654,888)	(6,491,088)	(9,145,976)
Deferred tax	2,732,683	536,296	3,268,979	(38,999,232)	2,124,397	(36,874,835)
Profit after tax	4,929,038	11,483,433	16,412,472	103,756,121	10,340,926	114,097,047

Consolidated balance sheet

EUR	2011				2010			
	Life	Non Life	ICO	Total	Life	Non Life	ICO	Total
Cash and equivalents	195,878,433	17,670,922	—	213,549,355	137,535,739	17,443,507	—	154,979,246
Trading assets	98,527,808	—	—	98,527,808	198,985,675	—	—	198,985,675
Investments held at fair value through profit and loss	4,635,086,256	—	—	4,635,086,256	5,856,920,092	—	—	5,856,920,092
Investments available for sale	4,353,567,011	171,605,454	—	4,525,172,465	5,791,867,846	156,090,830	—	5,947,958,676
Loans and receivables	753,436,726	16,317,107	—	769,753,833	270,543,370	30,506,796	—	301,050,166
Investments held to maturity	670,543,275	—	—	670,543,275	—	—	—	—
Investment property	4,879,664	—	—	4,879,664	5,588,781	—	—	5,588,781
Other tangible assets	1,139,768	158,098	—	1,297,866	1,125,959	106,527	—	1,232,486
Inventories	—	18,650	—	18,650	—	18,650	—	18,650
Goodwill	247,487,477	68,252,992	—	315,740,469	247,487,477	68,252,992	—	315,740,469
Other intangible assets	214,988,313	49,452	—	215,037,765	242,825,648	69,989	—	242,895,637
Reinsurance reserves	1,891,026	19,781,182	—	21,672,208	1,766,856	20,335,573	—	22,102,429
Reinsurers share in reserve for unearned premiums	—	10,132,426	—	10,132,426	—	12,135,992	—	12,135,992
Reinsurers share in mathematical reserves	849,091	—	—	849,091	724,921	—	—	724,921
Reinsurers share in claims reserves	1,041,935	9,648,756	—	10,690,691	1,041,935	8,199,581	—	9,241,516
Assets for employee benefits (long term)	2,127,505	1,709,083	—	3,836,588	764,192	773,882	—	1,538,074
Trade and other receivables	14,046,329	65,670,320	(42,300,000)	37,416,649	23,710,897	66,618,296	(44,800,000)	45,529,193
Receivables from policyholders	2,564,988	11,806,801	—	14,371,789	6,029,908	9,917,118	—	15,947,026
Receivables from reinsurance operations	—	9,924,114	—	9,924,114	368,155	9,077,004	—	9,445,159
Other receivables	11,481,341	43,939,405	(42,300,000)	13,120,746	17,312,834	47,624,174	(44,800,000)	20,137,008
Income tax assets	154,962,830	8,751,385	—	163,714,215	122,240,749	5,425,129	—	127,665,878
Current tax assets	26,185,775	235,881	—	26,421,656	59,020,951	11,010	—	59,031,961
Deferred tax assets	128,777,055	8,515,504	—	137,292,559	63,219,798	5,414,119	—	68,633,917
Accrued income and deferred charges	14,232	1,886,277	—	1,900,509	11,676	1,063,140	—	1,074,816
Total assets	11,348,576,653	371,870,922	(42,300,000)	11,678,147,575	12,901,374,957	366,705,311	(44,800,000)	13,223,280,268
Technical reserves	4,950,300,562	140,829,643	—	5,091,130,205	5,535,574,180	137,704,448	—	5,673,278,628
Unearned premiums reserve	—	38,508,323	—	38,508,323	—	42,234,510	—	42,234,510
Life mathematical reserves	4,844,968,796	—	—	4,844,968,796	5,435,959,031	—	—	5,435,959,031
Claims outstanding reserve	56,089,209	96,366,621	—	152,455,830	39,052,200	89,906,505	—	128,958,705
· Claims reserves life	56,089,209	—	—	56,089,209	39,052,200	—	—	39,052,200
· Claims reserves workers' compensation	—	20,986,230	—	20,986,230	—	18,333,215	—	18,333,215
· Claims reserves other	—	75,380,391	—	75,380,391	—	71,573,290	—	71,573,290
Profit sharing reserves	49,242,557	1,117,811	—	50,360,368	60,562,949	516,391	—	61,079,340
Equalisation reserve	—	825,902	—	825,902	—	761,354	—	761,354
Unexpired risk reserve	—	4,010,986	—	4,010,986	—	4,285,688	—	4,285,688
Investment contracts liabilities at fair value through profit/loss	5,266,382,493	—	—	5,266,382,493	6,018,205,238	—	—	6,018,205,238
Other financial liabilities	221,165,326	6,970,326	—	228,135,652	221,831,130	8,800,521	—	230,631,651
Funds held under reinsurance agreements	8,640,757	6,970,326	—	15,611,083	8,256,141	8,800,521	—	17,056,662
Other liabilities	212,524,569	—	—	212,524,569	213,574,989	—	—	213,574,989
Liabilities for employee benefits (long term)	112,493	318,826	—	431,319	—	148,009	—	148,009
Trade and other payables	85,585,564	12,559,982	(42,300,000)	55,845,546	87,384,110	11,889,957	(44,800,000)	54,474,067
Due to agents, policyholders and intermediaries	12,705,789	7,872,078	—	20,577,867	14,793,804	7,406,555	—	22,200,359
Due to reinsurers	4,765,600	2,815,469	—	7,581,069	2,702,789	2,976,661	—	5,679,450
Other liabilities	68,114,175	1,872,435	(42,300,000)	27,686,610	69,887,517	1,506,741	(44,800,000)	26,594,258
Income tax liabilities	65,989,327	3,536,444	—	69,525,771	72,417,719	3,870,580	—	76,288,299
Current tax liabilities	4,939,481	3,536,444	—	8,475,925	3,176,534	3,870,580	—	7,047,114
Deferred tax liabilities	61,049,846	—	—	61,049,846	69,241,185	—	—	69,241,185
Deferred income and accrued charges	8,847,905	5,857,336	—	14,705,241	10,078,241	4,964,889	—	15,043,130
Provisions	1,332,000	4,371,467	—	5,703,467	3,023,397	7,103,392	—	10,126,789
Total liabilities	10,599,715,670	174,444,024	(42,300,000)	10,731,859,694	11,948,514,015	174,481,796	(44,800,000)	12,078,195,811
Share capital	889,997,375	110,005,000	—	1,000,002,375	889,997,375	110,005,000	—	1,000,002,375
Fair value reserve (gross)	(577,618,821)	(16,803,879)	—	(594,422,700)	(297,673,909)	(7,958,739)	—	(305,632,648)
Fair value reserve (current and deferred taxes)	146,426,740	4,873,125	—	151,299,865	75,410,827	2,308,034	—	77,718,861
Other reserves	5,138,344	2,578,710	—	7,717,054	5,042,304	2,578,710	—	7,621,014
Retained earnings	279,988,304	85,290,511	—	365,278,815	176,328,225	74,949,583	—	251,277,808
Profit after tax	4,929,041	11,483,431	—	16,412,472	103,756,120	10,340,927	—	114,097,047
Total equity	748,860,983	197,426,898	—	946,287,881	952,860,942	192,223,515	—	1,145,084,457
Total liabilities and equity	11,348,576,653	371,870,922	(42,300,000)	11,678,147,575	12,901,374,957	366,705,311	(44,800,000)	13,223,280,268

II.4 NOTES TO THE CONSOLIDATED INCOME STATEMENT

Note 1 – Net premiums earned

EUR	2011	2010
Gross premiums Life	338,652,381	1,137,887,756
Gross premiums Non Life	237,258,790	230,717,121
Gross premiums	575,911,171	1,368,604,877
Reinsurance ceded premiums Life	(26,551,599)	(25,080,564)
Reinsurance ceded premiums Non Life	(36,436,312)	(37,188,045)
Reinsurance ceded premiums	(62,987,911)	(62,268,609)
Change in unearned premiums Non Life	4,475,655	2,222,544
Change in unearned reinsurance premiums Non Life	(2,003,566)	(1,362,325)
Change in unearned premiums Non Life (net)	2,472,089	860,219
Premiums earned Life (net)	312,100,782	1,112,807,192
Premiums earned Non Life (net)	203,294,567	194,389,295
Premiums earned (net)	515,395,349	1,307,196,487

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

Life premiums are analysed as follows:

EUR	2011	2010
Insurance life traditional	163,841,719	185,744,100
Investment contracts with DPF	174,810,662	952,143,656
Gross premiums under IFRS 4	338,652,381	1,137,887,756

Premiums earned net of reinsurance ceded are analysed as follows:

EUR	2011	2010
Gross written premiums from direct insurance operations		
Individual policies	112,669,223	522,866,233
Group policies	225,983,158	615,021,523
	338,652,381	1,137,887,756
Periodic premiums	277,075,109	285,728,993
Single premiums	61,577,272	852,158,763
	338,652,381	1,137,887,756
Contracts without profit sharing	124,640,540	9,847,061
Contracts with profit sharing	214,011,841	1,128,040,695
	338,652,381	1,137,887,756
Reinsurance ceded result	(2,815,048)	(3,368,406)

Direct insurance non-life premiums are analyzed as follows:

EUR	2011		2010	
	Gross written premiums	Earned premiums	Gross written premiums	Earned premiums
Accidents and health	165,464,807	170,612,831	160,970,643	164,203,362
Fire and other hazards	42,403,926	42,239,842	39,877,668	39,638,220
Motor	21,008,563	20,719,741	22,045,504	21,818,752
Other lines	8,381,494	8,162,031	7,823,306	7,279,331
Total	237,258,790	241,734,445	230,717,121	232,939,665

Reinsurance ceded non-life premiums are analysed as follows:

EUR	2011		2010	
	Gross written premiums	Earned premiums	Gross written premiums	Earned premiums
Accidents and health	12,164,352	14,027,772	14,048,687	15,767,440
Fire and other hazards	19,372,106	19,498,614	18,455,462	18,354,854
Motor	326,160	326,160	315,078	315,078
Other lines	4,573,694	4,587,332	4,368,818	4,112,998
Total	36,436,312	38,439,878	37,188,045	38,550,370

Note 2 – Fee on investment contracts

Fee on investment contracts in the amount of Euro 63,024,243 (2010: Euro 64,321,622), are calculated on a fund-by-fund basis, according to the terms of each product.

Note 3 – Net claims expense

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

EUR	2011			2010		
	Insurance contracts	Investment contracts	Total	Insurance contracts	Investment contracts	Total
Claims paid						
Gross claims paid	68,957,465	883,096,610	952,054,075	68,367,964	524,939,893	593,307,857
Reinsurance share of claims paid	(13,762,336)	–	(13,762,336)	(11,608,106)	–	(11,608,106)
	55,195,129	883,096,610	938,291,739	56,759,858	524,939,893	581,699,751
Change in claims reserves						
Change in claims reserves gross	6,431,351	10,612,815	17,044,166	(4,565,543)	441,954	(4,123,589)
	6,431,351	10,612,815	17,044,166	(4,565,543)	441,954	(4,123,589)
Net claims expense before cost allocation	61,626,480	893,709,425	955,335,905	52,194,315	525,381,847	577,576,162
Claims expenses (allocated)			282,577			342,002
Net claims expense Life			955,618,482			577,918,164

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

EUR	2011				Total
	Accident & Health	Fire & Other damage	Motor	Other lines	
Claims paid					
Gross claims paid	105,004,520	18,669,657	15,253,989	3,331,007	142,259,173
Reinsurance share of claims paid	(2,970,020)	(8,070,433)	36,152	(838,972)	(11,843,273)
	102,034,500	10,599,224	15,290,141	2,492,035	130,415,900
Change in claims reserves					
Change in claims reserves gross	4,117,799	2,223,347	(197,026)	(1,490,936)	4,653,184
Reinsurers share in change in claims reserves	162,691	(1,330,236)	(244,631)	(6,083)	(1,418,259)
	4,280,490	893,111	(441,657)	(1,497,019)	3,234,925
Net claims expense before cost allocation	106,314,990	11,492,335	14,848,484	995,016	133,650,825
Claims expenses(allocated)	5,402,442	1,385,494	1,986,611	191,870	8,966,417
Net claims expense Non life	111,717,432	12,877,829	16,835,095	1,186,886	142,617,242
EUR	2010				Total
	Accident & Health	Fire & Other damage	Motor	Other lines	
Claims paid					
Gross claims paid	100,949,855	19,369,289	15,617,482	1,683,250	137,619,876
Reinsurance share of claims paid	(2,569,253)	(8,267,927)	(774,352)	(1,001,141)	(12,612,673)
	98,380,602	11,101,362	14,843,130	682,109	125,007,203
Change in claims reserves					
Change in claims reserves gross	2,804,241	796,562	(1,013,382)	2,456,520	5,043,941
Reinsurers share in change in claims reserves	(462,442)	(120,834)	895,629	(2,187,307)	(1,874,954)
	2,341,799	675,728	(117,753)	269,213	3,168,987
Net claims expense before cost allocation	100,722,401	11,777,090	14,725,377	951,322	128,176,190
Claims expenses(allocated)	6,291,225	1,106,196	2,559,799	56,792	10,014,012
Net claims expense Non life	107,013,626	12,883,286	17,285,176	1,008,114	138,190,202

Note 4 – Changes in mathematical and other technical reserves net of reinsurance

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

EUR	2011		Total
	Insurance contracts	Investment contracts	
Changes in mathematical reserves, net			
Changes in mathematical reserves, gross	(12,971,154)	(635,261,430)	(648,232,584)
Reinsurance share in changes in mathematical reserves	(124,170)	—	(124,170)
	(13,095,324)	(635,261,430)	(648,356,754)
Changes in profit sharing, net	8,031,399	46,407,663	54,439,062
Total	(5,063,925)	(588,853,767)	(593,917,692)

EUR	2010		Total
	Insurance contracts	Investment contracts	
Changes in mathematical reserves, net			
Changes in mathematical reserves, gross	246,395	505,531,666	505,778,061
Reinsurance share in changes in mathematical reserves	(43,971)	–	(43,971)
	202,424	505,531,666	505,734,090
Changes in profit sharing, net	6,005,982	52,190,851	58,196,833
Total	6,208,406	557,722,517	563,930,923

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

EUR	2011				Total
	Accident & Health	Fire & Other damage	Motor	Other lines	
Changes in equalisation reserve	–	64,549	–	–	64,549
Changes in unexpired risk reserve	(618,792)	(43,612)	276,879	110,824	(274,701)
	(618,792)	20,937	276,879	110,824	(210,152)
Changes in profit sharing, net	601,419	–	–	–	601,419
Total	(17,373)	20,937	276,879	110,824	391,267

EUR	2010				Total
	Accident & Health	Fire & Other damage	Motor	Other lines	
Changes in equalisation reserve	–	33,633	–	–	33,633
Changes in unexpired risk reserve	119,318	(177,987)	1,539,674	130,602	1,611,607
	119,318	(144,354)	1,539,674	130,602	1,645,240
Changes in profit sharing, net	598,724	–	–	–	598,724
Total	718,042	(144,354)	1,539,674	130,602	2,243,964

Note 5 – Net acquisitions and administrative expenses

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

EUR	2011			Total
	Insurance contracts	Investment contracts	Unit Linked	
Acquisition expenses - commissions	20,491,000	18,294,558	16,043,789	54,829,347
Acquisition expenses allocated	1,153,458	1,165,415	392,390	2,711,263
Administrative expenses - commissions	9,545	–	–	9,545
Administrative expenses allocated	7,581,438	7,013,994	2,071,192	16,666,624
Reinsurance commissions and profit sharing	(9,850,045)	–	–	(9,850,045)
Total	19,385,396	26,473,967	18,507,371	64,366,734

EUR	2010			
	Insurance contracts	Investment contracts	Unit Linked	Total
Acquisition expense - commissions	21,625,265	17,778,997	17,637,923	57,042,185
Acquisition expenses allocated	2,140,221	1,729,730	217,569	4,087,520
Administrative expenses - commissions	8,385	—	—	8,385
Administrative expenses allocated	8,739,239	7,810,803	2,050,918	18,600,960
Reinsurance commissions and profit sharing	(10,060,081)	—	—	(10,060,081)
Total	22,453,029	27,319,530	19,906,410	69,678,969

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

EUR	2011				Total
	Accident & Health	Fire & Other damage	Motor	Other lines	
Acquisition expenses - commissions	15,917,946	5,110,013	2,034,380	505,521	23,567,860
Acquisition expenses allocated	7,580,625	1,381,176	1,297,989	416,031	10,675,821
Change in deferred acquisition expenses	737,538	17,028	(17,230)	12,131	749,467
Administrative expenses - commissions	389,429	6,502	4,737	2,082	402,750
Administrative expenses allocated	15,428,017	5,166,551	1,846,739	604,340	23,045,647
Reinsurance commissions and profit sharing	(5,080,919)	(6,989,215)	—	(169,649)	(12,239,783)
Total	34,972,636	4,692,055	5,166,615	1,370,456	46,201,762

EUR	2010				Total
	Accident & Health	Fire & Other damage	Motor	Other lines	
Acquisition expenses - commissions	15,267,481	4,700,371	2,134,403	580,542	22,682,797
Acquisition expenses allocated	9,043,667	1,378,577	1,457,079	458,226	12,337,549
Change in deferred acquisition expenses	(210,395)	(111,612)	(234,126)	(19,636)	(575,769)
Administrative expenses - commissions	390,325	1,312	2,643	1,011	395,291
Administrative expenses allocated	17,997,421	2,320,138	3,880,545	618,609	24,816,713
Reinsurance commissions and profit sharing	(7,056,992)	25	(6,643,335)	(388,838)	(14,089,140)
Total	35,431,507	8,288,811	597,209	1,249,914	45,567,441

The caption Acquisition expenses – commissions includes the amount of Euro 72,749,000 (2010: Euro 74,250,000) related with commissions paid to Group Banco Comercial Português, S.A., under the distribuion agreement established with Millenniumbcp Ageas.

Note 6 – Interest, dividends and other similar income

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

EUR	2011	2010
From available for sale investments	191,467,277	222,399,565
From investments held to maturity	17,712,646	–
From bank deposits	8,924,791	6,909,499
	218,104,714	229,309,064
From investment property	–	(67,500)
Total	218,104,714	229,241,564

Note 7 – Financial expenses

The financial expenses from assets not held at fair value through profit and loss relates to the operating and administrative expenses allocated to the investment function in the amount of Euro 24,517,000 (2010: Euro 22,800,000).

Financial expenses from financial liabilities not held at fair value through profit and loss relates to the interest expense related with a repurchase agreement (REPO) of securities with Banco Comercial Português, S.A. in 2011 and 2010, in the amount of Euro 2,868,000 and Euro 2,717,000 respectively (see note 36).

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

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

EUR	2011			2010		
	Gains	(Losses)	Net	Gains	(Losses)	Net
Government bonds	37,462,186	(43,696,714)	(6,234,528)	20,620,397	(33,067,073)	(12,446,676)
Corporate debt securities	5,043,395	(17,163,876)	(12,120,481)	10,720,697	(6,173,722)	4,546,975
Equity securities	7,285,229	(669,608)	6,615,621	4,766,349	(406,683)	4,359,666
From Available for sale investments	49,790,810	(61,530,198)	(11,739,388)	36,107,443	(39,647,478)	(3,540,035)
From loans and receivables	446,606	–	446,606	635	–	635
Total	50,237,416	(61,530,198)	(11,292,782)	36,108,078	(39,647,478)	(3,539,400)

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

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

EUR	2011			
	Gains	(Losses)	Net	Total
From trading	95,740,731	(203,452,299)	262,999,319	155,287,751
From held at fair value through profit and loss	1,849,070,906	(2,335,522,758)	336,110,013	(150,341,839)
Total	1,944,811,637	(2,538,975,057)	599,109,332	4,945,912

EUR	2010			
	Gains	(Losses)	Net	Total
From trading	(253,868,628)	290,162,646	84,059,901	120,353,919
From held at fair value through profit and loss	1,441,055,476	(1,989,472,239)	433,037,644	(115,379,119)
Total	1,187,186,848	(1,699,309,593)	517,097,545	4,974,800

Other income / expense includes investment income, as well as the change in liabilities held at fair value through profit and loss arising from unit link contracts.

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

Net gains/(losses) from foreign exchange are analysed as follows:

EUR	2011	2010
From available for sale investments	—	10,239
From loans and receivables	(863,995)	(46,087)
Total	(863,995)	(35,848)

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

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

EUR	2011	2010
From Investments available for sale	104,976,717	—
From Investment property	442,826	—
From Trade receivables	576,761	(249,481)
From Other receivables	(25,573)	7,038
Total impairment charges	105,970,731	(242,443)
Change in other provisions	—	150,000
Total	105,970,731	(92,443)

Impairment charges from investments available for sale includes an amount of Euro 52,618,000 related to Greek sovereign debt, which was completely sold as of 31 December, 2011 (see note 42).

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

Other technical income/(expenses) includes an amount of Euro 28,246,000 (2010: Euro 29,700,000) related to the amortization of the Value of Business Acquired (see note 22).

Other non-technical income/(expenses) includes an amount of Euro 11,117,000 (2010: Euro 11,258,000) related to pension funds management fees charged by Pensõesger, S.G.F.P., S.A.

Note 13 – Operating and administrative expenses

The Operating and administrative expenses are analysed as follows:

EUR	2011	2010
Staff and related costs		
Remuneration - management	1,590,884	1,240,830
Remuneration - other staff	18,352,441	18,904,423
Social security charges	3,211,768	3,559,936
Employee benefit plans expenses	5,160,705	3,368,734
Insurance costs	835,064	840,821
Social costs	121,129	110,045
Other costs	568,629	234,325
	29,840,620	28,259,114
External services and supplies	40,824,092	36,674,584
Depreciation of tangible assets		
Investment property	266,292	266,294
Equipment and motor vehicles	16,233	21,173
IT equipment	62,491	111,894
	345,016	399,361
Amortisation of intangible assets		
Software	678,871	417,625
Value of business acquired	28,245,997	29,699,749
	28,924,868	30,117,374
Other	20,733,678	32,031,126
Total	120,668,274	127,481,559

Staff and related costs already includes the impact of the new Insurance CCT, namely the 'Prémio de assinatura' and 'Prémio de permanência' (see note 24).

Other Operating and administrative expenses includes an amount of Euro 1,540,000 (2010: Euro 1,037,000) related with tax expenses, an amount of Euro 1,675,000 (2010: Euro 1,212,000) related with interest expenses, an amount of

Euro 21,942,000 (2010: Euro 22,414,000) related with commissions expenses and a positive amount of Euro 4,423,000 of changes in provisions (2010: expenses of Euro 7,368,000).

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

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

EUR	2011	2010
Claims incurred	9,248,994	10,356,013
Operating expenses		
Acquisition costs	13,387,084	16,425,070
Administrative costs	39,712,271	43,417,673
Investment expenses		
Allocated to insurance technical account	22,554,908	22,122,469
Allocated to insurance non technical account	1,962,170	677,762
Other non allocated expenses	33,802,847	34,482,572
Total	120,668,274	127,481,559

As at 31 December 2011 and 2010, the number of employees of the Group were 464 and 461, of each 456 and 448 are full time equivalents.

II.5 NOTES TO THE CONSOLIDATED BALANCE SHEET

Note 14 – Cash and equivalents

Cash and equivalents includes bank deposits on the amount of Euro 213,549,000 (2010: Euro 154,979,000).

Note 15 – Trading assets

As at 31 December 2011 and 2010, this balance is analysed as follows:

EUR	2011		2010	
	Fair value	Notional amount	Fair value	Notional amount
Derivatives				
Swaps	91,398,719	6,885,020,259	188,979,500	5,365,125,354
Options	7,005,682	69,025,000	9,958,600	85,875,000
FRA	123,407	41,500,000	47,575	41,500,000
Total	98,527,808	6,995,545,259	198,985,675	5,492,500,354
Of which:				
Level 1	–	–	–	–
Level 2	98,527,808	6,995,545,259	198,985,675	5,492,500,354
Level 3	–	–	–	–
	98,527,808	6,995,545,259	198,985,675	5,492,500,354

As referred in IFRS 7, financial assets held for trading are valued in accordance with the following fair value measurement levels:

Level 1: financial instruments measured in accordance with quoted market prices or providers.

Level 2: financial instruments measured in accordance with internal valuation techniques based on observable market inputs.

Level 3: financial instruments measured in accordance with valuation techniques based on inputs not based on observable data that have significant impact in the instruments valuation.

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

As at 31 December, 2011 and 2010, this balance is analysed as follows:

EUR	2011			2010		
	Amortised cost	Unrealised gains/(losses)	Book value	Amortised cost	Unrealised gains/(losses)	Book value
Government bonds	45,479,268	(11,341,069)	34,138,199	44,076,810	158,645	44,235,455
Corporate debt securities	4,641,661,072	(264,425,589)	4,377,235,483	6,160,881,886	(562,136,692)	5,598,745,194
Equity securities and investment funds	451,925,411	(228,212,837)	223,712,574	200,378,160	13,561,283	213,939,443
Total	5,139,065,751	(503,979,495)	4,635,086,256	6,405,336,856	(548,416,764)	5,856,920,092
Of which:						
Level 1			1,031,507,702			1,678,066,172
Level 2			3,603,578,554			4,178,853,920
Level 3			—			—
			4,635,086,256			5,856,920,092

As referred in IFRS 7, financial assets held at fair value through profit and loss are valued in accordance with the following fair value measurement levels:

Level 1: financial instruments measured in accordance with quoted market prices or providers.

Level 2: financial instruments measured in accordance with internal valuation techniques based on observable market inputs.

Level 3: financial instruments measured in accordance with valuation techniques based on inputs not based on observable data that have significant impact in the instruments valuation.

Note 17 – Investments available for sale

As at 31 December, 2011 and 2010, this balance is analysed as follows:

EUR	2011				2010			
	Amortised Cost	Unrealised gains/(losses)	Impairment	Total	Amortised cost	Unrealised gains/(losses)	Total	
Government bonds	2,161,509,352	(158,782,302)	—	2,002,727,050	2,939,510,752	(137,584,138)	2,801,926,614	
Corporate debt securities	2,357,779,121	(251,553,314)	—	2,106,225,807	2,888,458,492	(171,990,379)	2,716,468,113	
Equity securities and investment funds	385,841,873	(597,779)	(51,146,375)	334,097,719	314,980,204	3,941,869	318,922,073	
Accrued interest	82,121,889	—	—	82,121,889	110,641,876	—	110,641,876	
Total	4,987,252,235	(410,933,395)	(51,146,375)	4,525,172,465	6,253,591,324	(305,632,648)	5,947,958,676	
Of which:								
Level 1				4,315,713,304			5,602,294,662	
Level 2				209,459,161			345,664,014	
Level 3				—			—	
				4,525,172,465			5,947,958,676	

As referred in IFRS 7, financial assets available for sale are valued in accordance with the following fair value measurement levels:

Level 1: financial instruments measured in accordance with quoted market prices or providers.

Level 2: financial instruments measured in accordance with internal valuation techniques based on observable market inputs.

Level 3: financial instruments measured in accordance with valuation techniques based on inputs not based on observable data that have significant impact in the instruments valuation.

During the second and the fourth quarters, the Group has reclassified from the available for sale financial assets an amount of Euros 645,250,000 to Held to maturity investments (see note 19), in accordance with IAS 39 Financial Instruments: Recognition and Measurement.

Note 18 – Loans and receivables

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

Note 19 – Investments held to maturity

The investments held to maturity portfolio is analysed as follows:

EUR	2011	2010
Government bonds	493,586,702	–
Corporate debt securities	165,262,340	–
Total	658,849,042	–
Accrued interest income	11,694,233	–
Total	670,543,275	–

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

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

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

During the second and the fourth quarters, the Group has reclassified from the available for sale financial assets an amount of Euro 645,250,000 to Held to maturity investments, in accordance with IAS 39 Financial Instruments: Recognition and Measurement, as follows:

EUR	AS OF THE DATE OF RECLASSIFICATION					AS AT 31 DECEMBER 2011		
	Amortised cost	Fair value reserve	Book value reclassified out the available for sale (a)	Future cash flows (b)	Effective interest rate (c)	Book value under HTM	Market value	Fair value reserve amortised until 31 Dec 11
Government bonds	655,435,622	(174,089,431)	481,346,191	893,264,338	10.3%	493,586,702	403,570,655	12,678,367
Corporate debt securities	187,282,549	(23,378,682)	163,903,867	217,372,716	6.2%	165,262,340	147,850,695	1,300,442
Total	842,718,171	(197,468,113)	645,250,058	1,110,637,054		658,849,042	551,421,350	13,978,809
						11,694,233		
						670,543,275		

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

EUR	2011
Fair value reserve, gross	(107,427,692)
Fair value reserve, deferred tax	26,856,923
	(80,570,769)

Note 20 – Investment property

As at 31 December, 2011 and 2010, this balance is analysed as follows:

EUR	2011	2010
Cost	11,116,580	11,116,580
Accumulated depreciation	(2,253,094)	(1,986,802)
Impairment	(3,983,822)	(3,540,997)
Balance at the end of the year	4,879,664	5,588,781
Fair value	5,355,000	6,562,000

The estimated lifetime of investment property is analysed as follows:

	Estimated lifetime
Building	25 anos
Components	10 anos

As at 31 December, 2011 in order to assess the recoverable amount of the Investment property, an independent valuation was performed. An impairment loss of Euro 443,000 was recognised, as the recoverable amount estimated was lower than the net book value.

Note 21 – Other tangible assets

As at 31 December, 2011 and 2010, this balance is analysed as follows:

EUR	2011	2010
Equipment		
IT equipment	1,254,381	1,107,675
Administrative equipment	1,092,270	1,111,132
Other	1,743,314	1,727,054
	4,089,965	3,945,861
Accumulated depreciation	(2,792,099)	(2,713,375)
Net balance	1,297,866	1,232,486

The movements on this balance are presented as follows:

EUR	IT equipment	Administrative equipment	Other equipment	Total
Acquisition cost				
Balance as at 31 December 2010	1,107,675	1,111,132	1,727,054	3,945,861
Acquisitions	127,844	—	16,260	144,104
Other movements	18,862	(18,862)	—	—
Balance as at 31 December, 2011	1,254,381	1,092,270	1,743,314	4,089,965
Depreciation				
Balance as at 31 December 2010	985,102	1,107,757	620,516	2,713,375
Depreciation of the year	62,491	—	16,233	78,724
Other movements	18,860	(18,335)	(525)	—
Balance as at 31 December, 2011	1,066,453	1,089,422	636,224	2,792,099
Net balance as at 31 December, 2010	122,573	3,375	1,106,538	1,232,486
Net balance as at 31 December, 2011	187,928	2,848	1,107,090	1,297,866

Note 22 – Goodwill and other intangible assets

As at 31 December 2011, and 2010, this balance is analysed as follows:

EUR	Goodwill	VOBA	Other	Total
Acquisition cost				
Balance as at 31 December 2010	315,740,469	527,989,676	8,205,377	851,935,522
Acquisitions	—	—	1,066,996	1,066,996
Balance as at 31 December 2011	315,740,469	527,989,676	9,272,373	853,002,518
Accumulated Amortisation				
Balance as at 31 December 2010	—	(289,226,971)	(4,072,445)	(293,299,416)
Amortisation of the year	—	(28,245,997)	(678,871)	(28,924,868)
Balance as at 31 December 2011	—	(317,472,968)	(4,751,316)	(322,224,284)
Net intangible assets 2010	315,740,469	238,762,705	4,132,932	558,636,106
Net intangible assets 2011	315,740,469	210,516,708	4,521,057	530,778,234

The goodwill is related with the acquisition of Ocidental – Companhia Portuguesa de Seguros de Vida, S.A., Ocidental – Companhia Portuguesa de Seguros, S.A., Pensõesger – Sociedade Gestora de Fundos de Pensões, S.A., and Medis – Companhia Portuguesa de Seguros de Saúde, S.A., and at acquisition date was allocated as follows:

LIFE & PENSIONS SEGMENT [EUR]

Ocidental – Companhia Portuguesa de Seguros de Vida, S.A.	233,127,409
Pensõesger – Sociedade Gestora de Fundos de Pensões, S.A.	14,360,068
	247,487,477

NON LIFE SEGMENT [EUR]

Ocidental – Companhia Portuguesa de Seguros, S.A.	64,074,457
Medis – Companhia Portuguesa de Seguros de Saúde, S.A.	4,178,535
	68,252,992
	315,740,469

As described on the accounting policies, the Group as performed an impairment test on the Goodwill and Value of Business Acquired (VOBA), determining that there was no impairment loss to be recognized. The impairment test of Goodwill was performed based on the 4 years business plan for each business unit approved by the Group management taking into account a long term growth of 2%. The present value of the future cash flows was determined using an average discount rate of 13.7% (2010: 11%).

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

EUR	2012	2013	2014	2015	2016	Thereafter
Estimated amortisation of VOBA	24,373,851	22,445,973	21,245,973	19,064,102	18,144,767	105,242,042

In the scope of the implementation of the new life technical system – AIA, Ocidental Vida applied for SIFIDE – Sistema de Incentivos à I&D Empresarial for the years 2008, 2009 and 2010, being the estimated benefit of Euros 78,000, 2,091,000 and 1,325,000 respectively. The Company is waiting for the result of the agreement. For 2011 the process is under analysis of Agencia de Inovação S.A.

Note 23 – Technical reserves, net of reinsurance

As at 31 December 2011, and 2010, this balance for life business is analysed as follows:

EUR	2011		Total
	Insurance contracts	Investment contracts	
Gross			
Life mathematical reserves	191,142,144	4,653,826,652	4,844,968,796
Claims reserves life	36,514,741	19,574,468	56,089,209
Profit sharing reserves	431,163	48,811,394	49,242,557
· Attributed	424,695	48,771,221	49,195,916
· To be attributable	6,468	40,173	46,641
Total Gross	228,088,048	4,722,212,514	4,950,300,562
Reinsurance Ceded			
Life mathematical reserve	849,091	–	849,091
Claims reserves life	1,041,935	–	1,041,935
Total Reinsurance	1,891,026	–	1,891,026
Total (net)	226,197,022	4,722,212,514	4,948,409,536

EUR	2010		Total
	Insurance contracts	Investment contracts	
Gross			
Life mathematical reserves	204,113,298	5,231,845,733	5,435,959,031
Claims reserves life	30,090,548	8,961,652	39,052,200
Profit sharing reserves	916,869	59,646,080	60,562,949
· Attributed	821,429	58,018,449	58,839,878
· To be attributable	95,440	1,627,631	1,723,071
Total Gross	235,120,715	5,300,453,465	5,535,574,180
Reinsurance Ceded			
Life mathematical reserve	724,921	–	724,921
Claims reserves life	1,041,935	–	1,041,935
Total Reinsurance	1,766,856	–	1,766,856
Total (net)	233,353,859	5,300,453,465	5,533,807,324

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

As at December, 2011 the Life Business technical reserves have been increased by an amount of Euro 13,227,000 (2010: Euro 3,088,000) due to the liability adequacy test carried out. This test was performed based on the best estimate assumptions (see note 38).

As at 31 December, 2011 and 2010, this balance is analysed as follows for non-life business:

EUR	2011				Total
	Accident & Health	Fire & Other damage	Motor	Other Lines	
Gross					
Unearned premiums reserve	24,468,586	5,600,832	5,217,376	3,221,529	38,508,323
Claims outstanding reserve	54,739,834	11,312,876	23,002,141	7,311,770	96,366,621
Profit sharing reserve	1,117,811	–	–	–	1,117,811
Equalisation reserve	–	761,776	–	64,126	825,902
Unexpired risk reserve	1,396,910	44,615	2,276,568	292,893	4,010,986
Total Gross	81,723,141	17,720,099	30,496,085	10,890,318	140,829,643
Reinsurance Ceded					
Unearned premiums reserve	7,295,850	1,116,067	–	1,720,509	10,132,426
Claims outstanding reserve	3,169,660	3,134,144	495,373	2,849,579	9,648,756
Total Reinsurance	10,465,510	4,250,211	495,373	4,570,088	19,781,182
Total (net)	71,257,631	13,469,888	30,000,712	6,320,230	121,048,461

EUR	2010				
	Accident & Health	Fire & Other damage	Motor	Other Lines	Total
Gross					
Unearned premiums reserve	28,879,072	5,419,721	4,945,783	2,989,934	42,234,510
Claims outstanding reserve	50,560,087	9,085,208	23,198,520	7,062,690	89,906,505
Profit sharing reserve	516,392	—	—	—	516,392
Equalisation reserve	—	697,228	—	64,126	761,354
Unexpired risk reserve	2,015,702	88,228	1,999,689	182,069	4,285,688
Total Gross	81,971,253	15,290,385	30,143,992	10,298,819	137,704,449
Reinsurance Ceded					
Unearned premiums reserve	9,159,270	1,242,575	—	1,734,147	12,135,992
Claims outstanding reserve	3,301,434	1,803,908	250,742	2,843,497	8,199,581
Total Reinsurance	12,460,704	3,046,483	250,742	4,577,644	20,335,573
Total (net)	69,510,549	12,243,902	29,893,250	5,721,175	117,368,876

Included in claims outstanding for Workers compensation is the amount of Euro 13,055,000 (2010: Euro 12,460,000) relating to the mathematical provision for Workers compensation.

As a result of new reserving policy for Workers Compensation, aligned with life annuities, the Non-life claims outstanding reserve includes an amount of Euro 2,477,000 (in 2010 an amount of Euro 1,168,000), booked as LAT reserve.

Claims outstanding reserve life and non-life, including reinsurance accepted, represents unsettled claims occurring before 31 December, 2011, and includes an amount of Euro 35,391,000 (2010: Euro 33,653,000) for incurred but not reported claims (IBNR).

Claims outstanding reserve includes an estimation of future costs related with the settlement of pending claims, both declared and non-declared, in the amount of Euro 2,206,000 (2010: Euro 1,872,000).

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

EUR	2011	2010
Unearned premiums reserve	44,111,472	48,587,127
Deferred acquisition costs	(5,603,149)	(6,352,617)
Net	38,508,323	42,234,510

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

EUR	2011	2010
Deferred acquisition costs as at 1 January	6,352,617	5,776,848
Acquisition costs of the year	5,603,149	6,352,617
Acquisition costs amortisation	(6,352,617)	(5,776,848)
Deferred acquisition costs as at 31 December	5,603,149	6,352,617

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

EUR	2011			2010		
	Life	Non Life	Total	Life	Non Life	Total
Balance as at 1 January	60,562,949	516,392	61,079,341	97,641,724	486,392	98,128,116
Amounts paid	(65,759,454)	0	(65,759,454)	(53,061,150)	(568,725)	(53,629,875)
Estimated attributable amounts	54,439,062	601,419	55,040,481	58,196,833	598,725	58,795,558
Shadow accounting	0	0	0	(42,214,458)	0	(42,214,458)
Total	49,242,557	1,117,811	50,360,368	60,562,949	516,392	61,079,341

Profit sharing reserves includes the shadow adjustment that corresponds to an estimation of the unrealised gains and losses on the assets covering liabilities arising out from insurance and investment contracts with discretionary participation features, to the extent that it is expected that policyholders will participate on those unrealised gains and losses when they became realised in accordance with the terms of the contracts and applicable legislation. As at 31 December, 2011 and 2010 the amount of shadow adjustment was set to zero due to the level of unrealized capital losses.

Accordingly to regulations and contractual terms in place, profit sharing calculation has been performed for every product and/or policy, when applicable. In some cases the management decided to attribute more than the minimum required due to strategic and/or commercial reasons, for instance, up-front guaranteed rates have been attributed to some new business.

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

EUR	2011	2010
Profit sharing to be attributable to policyholders, 1 January	1,723,071	49,270,012
Released, accordingly to plan	(1,676,430)	(5,332,483)
Allocated at year-end	—	(42,214,458)
Total, 31 December	46,641	1,723,071
Profit sharing, 1 January	58,839,878	48,371,712
Profit sharing distributed to policyholders during the year	(65,759,454)	(53,061,150)
Profit sharing assigned to policyholders - contractual	31,186,844	54,004,089
Profit sharing assigned to policyholders - commercial	24,928,648	5,296,018
Profit sharing assigned to policyholders – management decision	—	4,229,209
Profit sharing, 31 December	49,195,916	58,839,878

Note 24 – Employee benefits**Pensions and other post retirement obligations**

In accordance with the terms of its employment contracts, the Group is responsible, for pensions and disability payments as stipulated in the Collective Agreements for Insurance Activity. Additionally, the Group assumed the responsibility with a Complementary Plan and health employment benefits.

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

In accordance with this revised agreement, some changes were introduced, which can be briefly presented as follows: (i) a new single bonus will be paid to the employees, during the first quarter of 2012; (ii) a new permanency premium to be attributed to the employees, in the form of additional salary increase every five years until de age of 50, if certain conditions are met; (iii) replacement of the current defined benefit plan to a defined contribution plan, as for employees hired until 1995; and (iv) adoption of a defined contribution plan for all employees as from 1 January, 2013.

Although the transfer of funds will only occur in 2012, as a result of the change in the labor agreement, the Group account for the impact of the settlement of the Defined benefit plan as established by the CCT (basic plan). Following a decision of the Board, the settlement of the liability will be performed taking into account a discount rate of 4%. As a result, a loss of Euro 1,136,000 was recognized.

Following the decision of the Executive Board of Directors dated 23 November 2006, the employee admitted until 22 September 2006 maintain, for Complementary Plan terms, the benefits established under the Plan – (Defined benefit), being funded by the Collective subscription N.º 72 to Open Pension Fund ‘Horizonte Valorização’.

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

The actuarial valuation of accrued pension and other employee benefits for the Group is performed annually, with the latest valuation performed as at 31 December, 2011.

As at 31 December, 2011 and 2010 the number of participants of the benefit plan was as follows:

	2011	2010
Number of participants		
Employees	419	415
Retired and pensioners	42	25
	461	440

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

	2011	2010
Discount rate	5.25%	5.25%
Future salary increases	2.75%	2.75%
Expected return on plan assets at 31 December	5.25%	5.50%
Future pension increases	1.75%	1.75%
Mortality table:		
Men	TV88/90	TV88/90
Women	TV 88/90 rated down 2 years	TV 88/90 rated down 2 years
Actuarial Method	Project Unit Credit	Project Unit Credit

As at 31 December, 2011 and 2010, employee's benefits and fair value of plan assets are analysed as follows:

	2011				2010		
EUR	Pension plans	Other post employment benefits	Other long term benefits	Total	Pension plans	Other benefits	Total
Projected benefit obligations	(28,015,241)	(3,136,959)	(431,319)	(31,583,519)	(22,149,619)	(3,203,153)	(25,352,772)
Fair value of plan assets	28,642,920	—	—	28,642,920	22,526,538	—	22,526,538
Net recognized defined benefit obligations	627,679	(3,136,959)	(431,319)	(2,940,599)	376,919	(3,203,153)	(2,826,234)
Unrecognised actuarial (gains)/losses	6,521,849	(175,981)	—	6,345,868	4,361,105	(144,806)	4,216,299
Net asset/(liability)	7,149,528	(3,312,940)	(431,319)	3,405,269	4,738,024	(3,347,959)	1,390,065

Additionally, the Group transferred part of their pension fund liabilities through the acquisition of life insurance policies in Ocidental Vida. The number of pensioners covered by these policies amounts to 9 (2010: 9), and the total liability amounts to Euro 2,012,000 (2010: Euro 2,050,000), which is included in the life insurance reserves.

In 2011 the Other long term benefits relates to the 'Permanency premium' considered in the new labor agreement for the Insurance Companies – "Plano CCT – Contrato coletivo de trabalho da Atividade Seguradora".

The liabilities with pensions and other post employee's benefits in 2011 and 2010 can be analysed as follows:

EUR	2011				2010		
	Pension plans	Other post employment benefits	Other long term benefits	Total	Pension plans	Other post employment benefits	Total
Liabilities as at 1 January	22,149,619	3,203,153	—	25,352,772	19,353,688	2,933,695	22,287,383
Current service cost	325,828	131,311	—	457,139	930,870	122,628	1,053,498
Interest cost	1,143,812	165,897	—	1,309,709	1,003,946	151,870	1,155,816
Past service cost	—	—	431,319	431,319	—	—	—
Benefits paid by the fund or by the Group	(1,156,863)	(58,460)	—	(1,215,323)	(972,227)	(34,598)	(1,006,825)
Actuarial (gains)/losses	1,206,376	(35,115)	—	1,171,261	(299,602)	29,558	(270,044)
Effect of the settlement of the CCT Plan	1,033,164	—	—	1,033,164	—	—	—
Curtailment losses related to early retirements	2,863,305	180,173	—	3,043,478	1,755,497	—	1,755,497
Transfer between funds	450,000	(450,000)	—	—	377,447	—	377,447
Liabilities as at 31 December	28,015,241	3,136,959	431,319	31,583,519	22,149,619	3,203,153	25,352,772

The amount recognised as a cost by the Group in 2011 and 2010 is analysed as follows:

	2011				2010		
	Pension plans	Other post employment benefits	Other long term benefits	Total	Pension plans	Other post employment benefits	Total
EUR							
Current service cost	325,828	131,311	—	457,139	930,870	122,628	1,053,498
Interest cost	1,143,812	165,897	—	1,309,709	1,003,946	151,870	1,155,816
Expected return on plan assets	(1,063,932)	—	—	(1,063,932)	(1,113,254)	—	(1,113,254)
Past service cost	—	—	431,319	431,319			
Amortisation of the unrecognised net (gains)/losses	282,552	(3,940)	—	278,612	523,065	(5,888)	517,177
Effect of the settlement of the CCT Plan	1,135,699	—	—	1,135,699	—	—	—
Losses (gains) on curtailments (settlements)	2,863,305	180,173	—	3,043,478	1,755,497	—	1,755,497
Transfer between funds	450,000	(450,000)	—	—			
Total benefit expenses	5,137,264	23,441	431,319	5,592,024	3,100,124	268,610	3,368,734

The changes in the fair value of the plan assets during 2011 and 2010 are analysed as follows:

EUR	2011	2010
Opening balance as at 1 January	22,526,538	20,854,497
Group contributions	7,548,769	3,181,183
Benefits paid by the fund	(1,156,864)	(972,227)
Expected return on plan assets	1,063,932	1,113,254
Actuarial gains (losses) on plan assets	(1,339,455)	(2,027,616)
Transfer between funds	—	377,447
Balance as at 31 December	28,642,920	22,526,538

The development of net actuarial losses for the year is analysed as follows:

EUR	2011				2010			
	Pension plans	Other post employment benefits	Other long term benefits	Total	Pension plans	Other post employment benefits	Total	
Net actuarial (gains)/losses at beginning of the year	4,361,105	(144,806)	—	4,216,299	3,156,156	(180,252)	2,975,904	
Actuarial (gains)/losses in relation to the DBO	2,239,540	(35,115)	—	2,204,425	(299,602)	29,558	(270,044)	
Actuarial (gains)/losses in relation to the plan assets	1,339,455	—	—	1,339,455	2,027,616	—	2,027,616	
Amortisation of the unrecognised net (gains)/losses	(282,552)	3,940	—	(278,612)	(523,065)	5,888	(517,177)	
Effect of the settlement of the CCT Plan	(1,135,699)	—	—	(1,135,699)				
Net actuarial (gains)/losses at the end of the year	6,521,849	(175,981)	—	6,345,868	4,361,105	(144,806)	4,216,299	

As at 31 December 2011 and 2010 the actuarial gains/(losses) incurred as a result of the changes in the actuarial assumptions amounted to Euro (624,000) and Euro (708,000), respectively.

The contribution to the Pension Fund made by the Group companies amounted to Euro 7,549,000 (2010: Euro 3,181,000) being made in cash.

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

EUR	2011				2010			
	Pension plans	Other post employment benefits	Other long term benefits	Total	Pension plans	Other post employment benefits	Total	
Prepaid / (accrued) benefit cost as at 1 January	4,738,024	(3,347,959)	—	1,390,065	4,656,965	(3,113,947)	1,543,018	
Net periodic benefit cost	(5,137,264)	(23,441)	(431,319)	(5,592,024)	(3,100,124)	(268,610)	(3,368,734)	
Employer contributions and other contributions	7,548,768	58,460	—	7,607,228	3,181,183	34,598	3,215,781	
Prepaid / (accrued) benefit cost as at 31 December	7,149,528	(3,312,940)	(431,319)	3,405,269	4,738,024	(3,347,959)	1,390,065	

The evolutions of employee's benefits and fair value of plan assets for the last five years are analysed as follows:

EUR	2011	2010	2009	2008	2007	2006
Projected benefit obligations	(31,583,519)	(25,352,772)	(22,287,383)	(23,210,513)	(19,407,784)	(15,565,226)
Fair value of plan assets	28,642,920	22,526,538	20,854,497	20,218,077	17,950,264	14,645,067
Net recognized defined benefit obligations	(2,940,599)	(2,826,234)	(1,432,886)	(2,992,436)	(1,457,520)	(920,159)
Unrecognised actuarial (gains)/losses	6,345,868	4,216,299	2,975,904	5,843,088	313,290	(1,184,759)
Net asset/(liability)	3,405,269	1,390,065	1,543,018	2,850,652	(1,144,230)	(2,104,918)

The assets of the pension fund are analysed as follows:

EUR	2011	2010
Variable income securities	—	82,898
Fixed income securities	17,297,697	13,990,262
Others	11,345,223	8,453,377
	28,642,920	22,526,538

Health benefit cost has an impact in pension costs. Considering this impact, Millenniumbcp Ageas produced a sensitivity analysis to a positive one percent variation in health benefit costs (from 6.5% to 7.5%), whose impact is analysed as follows:

EUR	2011	2010
Pension cost impact	20,727	19,622
Liability impact	501,913	443,573

Note 25 – Trade and other receivables

As at 31 December, 2011 and 2010 this balance is analysed as follows:

EUR	2011	2010
Receivables from policyholders	16,860,595	18,364,547
Receivables from intermediaries	893,779	688,302
Receivables from reinsurance operations	11,711,195	10,932,241
	29,465,569	29,985,090
Impairment	(5,169,666)	(4,592,905)
Total trade receivables	24,295,903	25,392,185
Other receivables	13,176,553	20,218,388
Impairment	(55,807)	(81,380)
Total other receivables	13,120,746	20,137,008
Total	37,416,649	45,529,193

Receivables from policyholders includes an amount of Euro 7,544,000 (2010: Euro 10,800,000) related with uncollected premiums.

Receivables from policyholders also includes the amount of Euro 7,519,000 (2010: Euro 5,812,000) related with claims reimbursements issued in the scope of the agreement between BCP Group and the Sindicatos Bancários do Norte, Centro e Sul.

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

EUR	2011		2010	
	Trade	Other	Trade	Other
Balance at the beginning of the year	4,592,905	81,380	4,835,349	23,935
Write back for the year	–	(25,573)	(465,316)	–
Charge of the year	576,761	–	222,872	–
Transfers and other movements	–	–	–	57,445
Balance at the end of the year	5,169,666	55,807	4,592,905	81,380

Note 26 – Income tax assets and liabilities

For 2011 and 2010 onwards the tax charge is determined on the basis of a nominal rate of 29% (25% corporate income tax plus 1,5% of municipal surcharge and an additional 2,5% of surcharge for taxable profits above 2me).

The Portuguese Tax Authorities are entitled to review the annual tax return of the Group subsidiaries for a period of four years or six years in case there are tax losses brought forward. Hence, it is possible that some additional taxes may be assessed, mainly as a result of differences in interpretation of the tax law. However, the Boards of Directors of the Group subsidiaries are confident that there will be no further material tax assessments within the context of the financial statements.

The Income tax assets and liabilities are analysed as follows:

EUR	2011	2010
Current tax assets and other taxes	26,421,656	59,031,962
· Current tax assets	1,693,162	34,291,053
· Other taxes	24,728,494	24,740,909
Deferred tax assets	137,292,559	68,633,916
Income tax assets	163,714,215	127,665,878
Current tax liabilities and other taxes	8,475,925	7,047,114
· Current tax liabilities	–	565,994
· Other taxes	8,475,925	6,481,120
Deferred tax liabilities	61,049,846	69,241,185
Income tax liabilities	69,525,771	76,288,299

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

As at 31 December, 2011 and 2010, Other tax assets includes an amount of Euro 24,728,000, related with the VAT reimbursement as a result of the real estate portfolio that has been transferred from Millennium BCP – Prestação de Serviços, A.C.E., to Pensõesger – Sociedade Gestora de Fundos de Pensões, S.G.F.P., S.A., management entity of the BCP Group pension fund.

The deferred tax assets and liabilities recognised as at the 31 December, 2011 and 2010, in the financial statements, are analysed as follows:

EUR	ASSETS		LIABILITIES		NET	
	2011	2010	2011	2010	2011	2010
Investment property	16,872	33,743	—	—	16,872	33,743
Intangible assets	—	—	(61,049,846)	(69,241,185)	(61,049,846)	(69,241,185)
Investments	29,400,689	18,235,571	—	—	29,400,689	18,235,571
Insurance and investment contracts liabilities	12,242,649	7,303,648	—	—	12,242,649	7,303,648
Provisions	2,138,853	3,232,915	—	—	2,138,853	3,232,915
Tax losses carried forward (life segment)	91,399,798	38,885,348	—	—	91,399,798	38,885,348
Other	2,093,699	942,691	—	—	2,093,699	942,691
Deferred tax asset / (liability)	137,292,559	68,633,916	(61,049,846)	(69,241,185)	76,242,713	(607,269)
Off set asset / (liability)	—	—	—	—	—	—
Net deferred tax asset / (liability)	137,292,559	68,633,916	(61,049,846)	(69,241,185)	76,242,713	(607,269)

The changes in deferred tax recognised in 2011 and 2010, are analysed as follows:

EUR	2011		2010	
	Recognised on income	Recognised on equity	Recognised on income	Recognised on equity
Investment property	(16,871)	—	(12,509)	—
Intangible assets	8,191,339	—	1,901,365	—
Investments	1,023,625	10,141,493	710,873	5,705,430
Insurance and investment contracts liabilities	4,939,001	—	2,118,168	—
Provisions	(1,094,062)	—	2,246,048	—
Tax losses carried forward (life segment)	(10,925,061)	63,439,511	(43,983,846)	82,869,191
Other	1,151,007	—	145,066	—
Deferred tax asset / (liability)	3,268,979	73,581,004	(36,874,835)	88,574,621

The income tax expense for the year ended 31 December, 2011 and 2010 is analysed as follows:

EUR	2011	2010
Current tax	(8,123,820)	(9,145,976)
Deferred tax	3,268,979	(36,874,835)
Total tax recognised in the income statement	(4,854,841)	(46,020,811)

The income taxes recognised in the fair value reserve for the year ended 31 December, 2011 and 2010 is analysed as follows:

EUR	2011	2010
Current tax	(24,851,325)	(24,851,325)
Deferred tax	176,151,190	102,570,186
Total tax in fair value reserves	151,299,865	77,718,861

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

EUR	2011	2010
Profit before taxes	21,267,313	160,117,858
Statutory rate	29.0%	29.0%
Income tax calculated on the statutory rate	6,167,521	46,434,179
Effect of change on tax rate	—	7,223,693
Effect of tax rate applicable to tax losses carried forward	(1,731,104)	(7,037,415)
Other permanent differences	(42,642)	(710,777)
	4,854,841	46,020,811

Note 27 – Accrued income and deferred charges

As at 31 December 2011 accrued income and deferred charges includes an amount of Euro 1,473,000 (2010: Euro 1,060,000) related to the service provided by Accenture regarding the claims management of Workmen's Compensation and Motor lines of business.

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

Investment contracts liabilities at fair value through profit and loss in the amount of Euro 5,266,382,000 (2010: Euro 6,018,205,000) relates to unit-linked contracts. These liabilities include the fair value of any guarantees or options embedded on the investment contracts.

Note 29 – Other financial liabilities

As at 31 December, 2011 and 2010, this balance is analysed as follows:

EUR	2011	2010
Funds held under reinsurance agreements	15,611,083	17,056,662
Other liabilities	212,524,569	213,574,989
Total	228,135,652	230,631,651

Funds held under reinsurance agreements represent the value of guarantees received from reinsurers, arising from the acceptance of reinsurance risks and premiums.

The Other liabilities are related with the repurchase agreement (REPO) of fixed income securities (government bonds) with Banco Comercial Português, S.A. The assets sold and repurchased under the agreement were not derecognised as Millenniumbcp Ageas retains all the risks and rewards of the ownership of the securities (see note 36).

Note 30 – Trade and other payables

As at 31 December, 2011 and 2010, this balance is analysed as follows:

EUR	2011	2010
Due to agents, policyholders and intermediaries	20,577,867	22,200,359
Due to reinsurers	7,581,069	5,679,450
Trade amounts payable	28,158,936	27,879,809
Other liabilities	27,686,610	26,594,258
Total	55,845,546	54,474,067

As at 31 December, 2011 and 2010, Other liabilities includes an amount of Euro 24,728,000, related with the VAT reimbursement as a result of the real estate portfolio that has been transferred from Millennium BCP – Prestação de Serviços, A.C.E., to Pensõesger – Sociedade Gestora de Fundos de Pensões, S.G.F.P., S.A., management entity of the BCP Group pension fund.

As at 31 December, 2011 the commissions payable to Banco Comercial Português, S.A in the amount of Euro 17,274,000 (2010: Euro 18,470,000) are included in the balance Due to agents.

Note 31 – Deferred income and accrued charges

As at 31 December, 2011 deferred income and accrued charges includes an amount of Euro 5,739,000 (2010: Euro 6,078,000) related to unit linked management fees to be paid to the asset manager.

Additionally, accrued charges includes an accrual related with the present value of the future contributions to Workers Compensation Fund (FAT) in the amount of Euro 866,000 (2010: Euro 897,000) as described on the accounting policies.

Note 32 – Provisions

As at 31 December, 2011 and 2010, the balance provisions are analysed as follows:

EUR	2011	2010
Provision for income tax	93,437	259,892
Provisions for other risks and charges - others	5,610,030	9,866,897
Total	5,703,467	10,126,789

As at 31 December 2011 and 2010, the changes in provisions are as follows:

EUR	2011	2010
Balance as at 1 January	10,126,789	2,666,701
Write back for the year	(4,423,322)	(2,147,819)
Charge of the year	–	9,665,352
Transfers and other movements	–	(57,445)
Balance as at 31 December	5,703,467	10,126,789

As at 31 December, 2010 a restructuring plan was announced by the Executive Committee and Board of Directors and as a result a restructuring provision was recognized in the amount of Euros 9,000,000. As at 31 December, 2011 the write back for the year of this provision includes the amount of Euro 3,213,000, used for early retirements, and the amount of Euro 1,076,000 related to other adjustments.

II.6 NOTES TO THE STATEMENT OF CHANGES IN EQUITY

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

Share capital

As at 31 December, 2011 and 2010, the authorised share capital of Millenniumbcp Ageas, Grupo Segurador, S.G.P.S., S.A., is represented by 200,000,475 shares with a face value of Euro 5 each, fully subscribed and paid by the shareholders.

The shareholders of the Group are presented as follows:

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

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

Legal reserve

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

Fair value reserve

The fair value reserves corresponds to the accumulated fair value changes of financial instruments available for sale, in accordance with the accounting policy presented in note II.1.

The gross movements during 2011 and 2010 are analysed as follows:

EUR	2011	2010
Balance as at 1 January	(305,632,648)	83,179,589
Revaluations	(97,880,947)	(391,497,758)
Sales	(7,419,800)	2,685,521
Balance as at 31 December	(410,933,395)	(305,632,648)

The fair value reserve is analysed as follows:

EUR	2011	2010
Amortised cost of Available for sale investments	4,987,252,235	6,253,591,324
Impairment	(51,146,375)	–
Amortised cost of Available for sale investments net of impairment	4,936,105,860	6,253,591,324
Fair value of Available for sale investments	4,525,172,465	5,947,958,676
Unrealised gains / (losses) recognised on fair value reserve	(410,933,395)	(305,632,648)
Current and deferred tax	105,427,538	77,718,861
Fair value reserve on equity (net)	(305,505,857)	(227,913,787)

The Equity as at 31 December, 2011 is analysed as follows:

EUR	Share capital	FAIR VALUE RESERVE			Legal reserve	Retained earnings	Profit after tax	Total equity
		Gross	Current and Deferred taxes	Net				
Issuance of capital	1,000,002,375	—	—	—	—	—	—	1,000,002,375
Unrealised gains and losses AFS, net	—	(410,933,396)	105,427,539	(305,505,857)	—	—	—	(305,505,857)
Unrealised gains and losses AFS transferred to HTM, net	—	(183,489,304)	45,872,326	(137,616,978)	—	—	—	(137,616,978)
Profit after tax of the year	—	—	—	—	—	—	16,412,472	16,412,472
Retained earnings	—	—	—	—	—	365,278,815	—	365,278,815
Legal reserve	—	—	—	—	7,717,054	—	—	7,717,054
Balance as at 31 December, 2011	1,000,002,375	(594,422,700)	151,299,865	(443,122,835)	7,717,054	365,278,815	16,412,472	946,287,881

The Equity as at 31 December, 2010 is analysed as follows:

EUR	Share capital	FAIR VALUE RESERVE			Legal reserve	Retained earnings	Profit after tax	Total equity
		Gross	Current and Deferred taxes	Net				
Issuance of capital	1,000,002,375	—	—	—	—	—	—	1,000,002,375
Unrealised gains and losses AFS, net	—	(305,632,648)	77,718,861	(227,913,787)	—	—	—	(227,913,787)
Profit after tax of the year	—	—	—	—	—	—	114,097,047	114,097,047
Retained earnings	—	—	—	—	—	251,277,808	—	251,277,808
Legal reserve	—	—	—	—	7,621,014	—	—	7,621,014
Balance as at 31 December, 2010	1,000,002,375	(305,632,648)	77,718,861	(227,913,787)	7,621,014	251,277,808	114,097,047	1,145,084,457

Notes to the
Consolidated
financial
statements

II.7 ADDITIONAL INFORMATION TO OPERATING SEGMENTS

Note 34 – Non life technical margins by line of business

EUR	2011					2010				
	Accidents and health	Fire and other hazards	Motor	Other lines	Total	Accidents and health	Fire and other hazards	Motor	Other lines	Total
Net premiums earned	156,585,059	22,741,228	20,393,581	3,574,699	203,294,567	148,435,922	21,283,366	21,503,674	3,166,333	194,389,295
Net claims expenses	(111,717,432)	(12,877,829)	(16,835,095)	(1,186,886)	(142,617,242)	(107,013,625)	(12,883,286)	(17,285,177)	(1,008,114)	(138,190,202)
Changes in other technical reserves net	618,792	(20,937)	(276,879)	(110,824)	210,152	(119,318)	144,354	(1,539,673)	(130,603)	(1,645,240)
Profit sharing, net	(601,419)	–	–	–	(601,419)	(598,724)	–	–	–	(598,724)
Acquisitions/administrative expenses, net	(34,972,636)	(4,692,055)	(5,166,615)	(1,370,456)	(46,201,762)	(35,431,507)	(3,084,674)	(5,801,344)	(1,249,916)	(45,567,441)
Interest, dividends and other similar income	3,707,879	412,426	700,804	236,209	5,057,318	3,009,009	340,420	612,920	168,527	4,130,876
Financial expenses	(712,835)	(89,362)	(156,593)	(51,654)	(1,010,444)	(582,529)	(68,842)	(98,404)	(31,725)	(781,500)
Net gains/(losses) from financial assets	258,164	19,814	32,935	14,610	325,523	602,411	105,563	156,721	15,614	880,309
Impairment changes net of reversals	(861,343)	(80,586)	(132,492)	(46,022)	(1,120,443)	–	–	–	–	–
Other income / (expenses) technical, net	187,209	(10,841)	–	–	176,368	154,618	(9,757)	–	–	144,861
Technical margin	12,491,438	5,401,858	(1,440,354)	1,059,676	17,512,618	8,456,257	5,827,144	(2,451,283)	930,116	12,762,234
Net investment income					1,230,384					876,312
Net realised gains / (losses)					(392,859)					(367)
General expenses					(1,651,638)					(363,269)
Net other income / (expenses)					(543,700)					1,432,707
Non technical result					(1,357,813)					1,945,383
Profit before tax Non Life					16,154,805					14,707,617
	Accidents and health	Fire and other hazards	Motor	Other lines	Total	Accidents and health	Fire and other hazards	Motor	Other lines	Total
Gross reserves	81,723,142	17,720,100	30,496,084	10,890,317	140,829,643	81,971,254	15,290,384	30,143,991	10,298,819	137,704,448
Reinsurance share in reserves	10,465,510	4,250,211	495,373	4,570,088	19,781,182	12,460,704	3,046,483	250,742	4,577,644	20,335,573

Note 35 – Life technical margins by type of product

EUR	2011				2010			
	Insurance contracts	Investment contracts	Unit linked contracts	Total	Insurance contracts	Investment contracts	Unit linked contracts	Total
Net premiums earned	137,290,120	174,810,662	–	312,100,782	160,663,536	952,143,656	–	1,112,807,192
Fees on investment contracts	–	–	63,024,243	63,024,243	–	–	64,321,622	64,321,622
Net claims expenses	(61,831,672)	(893,786,810)	–	(955,618,482)	(52,410,543)	(525,507,621)	–	(577,918,164)
Changes in mathematical reserves, net	13,095,324	635,261,430	–	648,356,754	(202,424)	(505,531,666)	–	(505,734,090)
Profit sharing, net	(8,031,399)	(46,407,663)	–	(54,439,062)	(6,005,982)	(52,190,851)	–	(58,196,833)
Acquisitions and administrative expenses, net	(19,385,396)	(26,473,967)	(18,507,371)	(64,366,734)	(22,453,027)	(27,319,531)	(19,906,411)	(69,678,969)
Interest, dividends and other similar income	10,549,530	183,888,338	–	194,437,868	10,959,093	200,137,611	–	211,096,704
Financial expenses	(830,542)	(10,072,560)	(13,506,934)	(24,410,036)	(845,105)	(9,396,889)	(13,625,412)	(23,867,406)
Net gains/(losses) from financial assets	1,505,141	(112,403,852)	3,116,052	(107,782,659)	(486,290)	(5,795,428)	3,417,136	(2,864,582)
VOBA amortisation	(21,018,990)	(3,088,598)	(4,138,409)	(28,245,997)	(21,668,614)	(3,731,143)	(4,299,992)	(29,699,749)
Other technical income / (expenses), net	192,101	2,071,141	(63,312)	2,199,930	122,192	1,550,209	(98,318)	1,574,083
Technical margin	51,534,217	(96,201,879)	29,924,269	(14,743,393)	67,672,836	24,358,347	29,808,625	121,839,808
Net investment income				17,987,542				14,080,477
Net realised gains / (losses)				(4,271,024)				2,251,131
General expenses				(5,867,382)				(5,097,316)
Net other income / (expenses)				12,006,764				12,336,139
Non technical result				19,855,900				23,570,431
Profit before tax Life				5,112,507				145,410,239

II.8 OTHER NOTES

Note 36 – Related party transactions

As at 31 December, 2011 and 2010, the remuneration of key management – Board of directors, is analysed as follows:

EUR	2011	2010
Remuneration	1,590,884	1,240,830
Contributions to pensions plans	27,080	2,295,434
	1,617,964	3,536,264

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

BALANCE SHEET [EUR]	BCP Group	Ageas Group	BCP Pensions Fund	Ageas Pensions Fund	Total
Due from banks	213,549,355	–	–	–	213,549,355
Loans and receivables - other deposits	769,753,833	–	–	–	769,753,833
Investments available for sale	210,207,082	–	–	–	210,207,082
Investments held at fair value through profit and loss	2,907,055,964	54,898,572	–	–	2,961,954,536
Other assets	122,408	448,491	–	3,836,588	4,407,487
Total assets	4,100,688,642	55,347,063	–	3,836,588	4,159,872,293
Insurance and investment contracts liabilities	102,891,087	–	–	–	102,891,087
Other financial liabilities	212,524,569	–	–	–	212,524,569
Other liabilities	18,040,720	1,365,571	27,622	–	19,433,913
Total liabilities	333,456,376	1,365,571	27,622	–	334,849,569
Net assets / liabilities 2011	3,767,232,266	53,981,492	(27,622)	3,836,588	3,825,022,724
Net assets / liabilities 2010	3,957,189,362	80,909,509	(11,847)	1,390,065	4,039,477,089

INCOME STATEMENT [EUR]	BCP Group	Ageas Group	BCP Pensions Fund	Ageas Pensions Fund	Total
Net premiums earned	(6,537,186)	–	23,314,133	–	16,776,947
Interest income and Dividends	167,232,847	–	–	–	167,232,847
Net gains/(losses) from financial assets not held at fair value through profit and loss	(14,749,202)	–	–	–	(14,749,202)
Net gains/(losses) from financial assets and liabilities held at fair value through profit and loss	(138,043,354)	(20,554,983)	–	–	(158,598,337)
Other income	–	448,491	–	–	448,491
Total income	7,903,105	(20,106,492)	23,314,133	–	11,110,746
Changes in insurance and investment contracts liabilities (net) and reinsurance	3,702,849	–	(10,781,703)	–	(7,078,854)
Acquisitions expenses (net)	(72,748,555)	–	–	–	(72,748,555)
Operating and administrative expenses	(18,496,927)	(1,365,571)	4,841,822	(5,160,705)	(20,181,381)
Total expenses	(87,542,633)	(1,365,571)	(5,939,881)	(5,160,705)	(100,008,790)
Net Income / Expenses 2011	(79,639,528)	(21,472,063)	17,374,252	(5,160,705)	(88,898,044)
Net Income / Expenses 2010	(376,876,501)	13,665,890	16,003,265	(3,368,734)	(350,576,080)

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

In 2011, Millenniumbcp Fortis entered into a sale and repurchase agreement (REPO) of fixed income securities (government bonds) with Banco Comercial Português, S.A. in the amount of Euro 212,525,000 (2010: Euro 213,575,000). The assets sold and repurchased under the agreement were not derecognised as Millenniumbcp Fortis retains all the risks and rewards of the ownership of the securities.

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

Note 37 – Assets under management

Pensõesger is a pension fund management company. The assets under management as at 31 December, 2011 and 2010, are analysed as follows by type of investment:

EUR	2011	2010
Equity securities	2,835,331,930	3,016,468,389
Fixed income securities	504,362,867	3,151,544,683
Investment property	524,852,043	549,608,291
Total	3,864,546,840	6,717,621,363

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

EUR	2011	2010
Value as at 1 January	6,717,621,363	7,092,641,898
Net contributions	(55,127,982)	(100,470,051)
Capital gains/(losses)	(51,395,742)	(259,793,729)
Transfers	(2,746,550,799)	(14,756,755)
Value as at 31 December	3,864,546,840	6,717,621,363

The amount of Euro 2.746.550.799 relates to the BCP Pension Fund responsibilities transference to the Social Security, in accordance with the terms of the decree-law 127/2011.

Note 38 – Risk management

Millenniumbcp Ageas is an insurance institution, and assuming *risk* is intrinsic to how the company creates value for its customers, shareholders, regulators and rating agencies. 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 sees a sound risk management as key in ensuring sustainable profitable growth and therefore, a core competence.

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

Millenniumbcp Ageas approach to risk management is based on a process, guiding principles, and 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.

Millenniumbcp Ageas has the various components of the risk management function centralized under the Chief Financial Officer (CFO) being at the same time the Chief Risk Officer (CRO).

The main risks within the Millenniumbcp Ageas' risk taxonomy, were defined with the objective of ensuring a consistent and comprehensive approach to risk identification, assessment, monitoring and response across all its companies.

The risk taxonomy is divided into four broad categories where the first three are quantified within Solvency II Pillar I requirements;



Strategic Risk

Strategic risks can be an important driver of the overall Risk Profile of the Company and as such are analysed from rather qualitative prospective inspired by pillar II of the Solvency II standards.

Strategic risks cover external and internal factors that can impact Millenniumbcp Ageas' ability to meet its current business plan and also to position itself for achieving ongoing growth and value creation. This includes changes in the external environment including regulatory, economic environment, competitive landscape or the way people (customers or staff) behave.

At Millenniumbcp Ageas, Strategic Risks are managed through the Business Planning process. The identification of key strategic risks is done via the Key Risk Reporting, process which also contributes in elaborating and implementing the appropriate response at a Strategic Level.

Other key processes that are involved in the overall Strategic Risk Management are the following: Strategic Review, Risk Appetite, Capital Management Planning, Product Approval.

Financial Risk

Financial risks are divided into two different categories: Counterparty defaults risks and Market Risk.

Counterparty Default risk

The *Counterparty Default risk* reflects possible losses due to unexpected default of the counterparties and debtors. The scope of the counterparty default risk category includes risk-mitigating contracts, such as reinsurance arrangements, securitisations and derivatives, and receivables from intermediaries.

This does not include the risk of losses arising from defaults on assets bought for investment purposes – this risk is defined as a investment default risk rather than counterparty default risk and is covered within the Spread Risk part of Market Risk.

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

The ambition of Millenniumbcp Ageas is to monitor this risk within the Risk Appetite framework and the capital management process under the Solvency II requirements.

Market risk

Market risk means the risk of loss or of adverse change in the financial situation resulting, directly or indirectly, from fluctuations in the level and in the volatility of market prices of assets, liabilities and financial instruments.

Millenniumbcp Ageas recognizes that such risk is inevitable in the business, and that a certain level of market risk is acceptable in order to deliver benefits to both policyholders and shareholders.

For Millenniumbcp Ageas the risks are arising mainly through investments in corporate bonds, equity securities, investment funds and other securities.

The diversification is one of the mitigation actions in order to reduce the investment risk, therefore the investment securities portfolio, are monitored in terms of ratings, industries, markets and countries.

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

INVESTMENTS PORTFOLIO [EUR]	2011	%	2010	%
Available for sale	4,525,172,465	100.0%	5,947,958,676	100.0%
Government bonds	2,029,533,475	44.8%	2,854,640,375	48.0%
Corporate debt securities	2,161,541,300	47.8%	2,774,352,589	46.6%
Equity securities	16,484,099	0.4%	217,085	0.0%
Participation in unit funds			—	
Debt	85,537,923	1.9%	89,774,578	1.5%
Equity	7,551,085	0.2%	9,049,460	0.2%
Real Estate	198,426,022	4.4%	193,840,822	3.3%
Alternative	26,098,562	0.6%	26,083,767	0.4%
Held at fair value	4,635,086,256	100%	5,856,920,092	100%
Government bonds	34,138,199	0.7%	44,235,455	2.4%
Corporate debt securities	4,377,235,483	94.4%	5,598,745,194	93.9%
Equity securities	2,402,957	0.1%	—	0.0%
Participation in unit funds				
Debt	99,258,912	2.1%	99,740,430	1.7%
Equity	105,170,807	2.3%	102,701,740	1.8%
Alternative	16,879,898	0.4%	11,497,273	0.2%
Held to maturity	670,543,275	100%	—	0%
Government bonds	504,487,799	75.2%	—	0.0%
Corporate debt securities	166,055,476	24.8%	—	0.0%
Other financial assets / (liabilities)	(113,996,761)	100%	(14,589,314)	—
Trading derivatives	98,527,808		198,985,675	
Repurchase agreement	(212,524,569)		(213,574,989)	
Total	9,716,805,235		11,790,289,455	

As at 31 December, 2011 and 2010, the fair value of the assets and liabilities carried at amortised cost, is presented as follows:

EUR	2011	2010
Assets		
Cash and equivalents	213,549,355	154,979,246
Loans and receivables	769,753,833	301,050,166
Trade and other receivables	37,416,649	45,529,193
Investments held to maturity	670,543,275	—
Total	1,691,263,112	501,558,605
Liabilities		
Other financial liabilities	228,135,652	230,631,651
Trade and other payables	55,845,546	54,474,067
Total	283,981,198	285,105,718

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

EQUITY SECURITIES BY INDUSTRY [EUR]	Available for Sale			
	2011		2010	
	Book value	%	Book value	%
Financial	16,465,226	99.9%	167,792	77.3%
Communications & Technology	16,613	0.1%	47,033	21.7%
Consumer, Non-cyclical	2,250	0.0%	2,250	1.0%
Consumer, Cyclical	10	0.0%	10	0.0%
	16,484,099	100.0%	217,085	100.0%

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

DEBT SECURITIES BY INDUSTRY [EUR]	Available for Sale				Held at Fair Value				Held to maturity			
	2011		2010		2011		2010		2011		2010	
	Book value	%	Book value	%	Book value	%	Book value	%	Book value	%	Book value	%
Government	2,029,533,475	48.4%	2,850,570,636	50.6%	34,138,199	0.8%	44,235,455	0.8%	504,487,799	75.2%	—	0.0%
Financial	1,587,207,039	37.9%	2,075,542,775	36.9%	3,133,680,902	71.0%	4,030,146,615	71.4%	18,837,223	2.8%	—	0.0%
Asset Backed Securities	6,611,866	0.2%	17,884,986	0.3%	13,321,432	0.3%	78,859,664	1.4%	—	0.0%	—	0.0%
Industrial	129,406,897	3.1%	154,650,144	2.7%	397,604,889	9.0%	395,895,803	7.0%	62,817,696	9.4%	—	0.0%
Utilities	149,242,569	3.6%	153,156,481	2.7%	26,199,396	0.6%	140,840,299	2.5%	—	0.0%	—	0.0%
Mortgage Securities	11,487,926	0.3%	17,367,722	0.3%	7,383,560	0.2%	9,413,504	0.2%	—	0.0%	—	0.0%
Consumer, Non-cyclical	48,064,006	1.1%	62,149,354	1.1%	120,635,051	2.7%	127,529,321	2.3%	—	0.0%	—	0.0%
Consumer, Cyclical	66,659,757	1.6%	33,313,183	0.6%	123,198,237	2.8%	207,300,226	3.7%	353,487	0.1%	—	0.0%
Communications	124,970,073	3.0%	146,615,891	2.6%	168,448,094	3.8%	188,449,482	3.3%	8,513,628	1.3%	—	0.0%
Basic materials	1,053,399	0.0%	22,873,606	0.4%	315,492,230	7.2%	337,380,198	6.0%	21,562,348	3.2%	—	0.0%
Diversified	6,585,500	0.2%	64,241,175	1.1%	71,271,691	1.6%	84,951,352	1.5%	53,971,093	8.0%	—	0.0%
Energy	30,252,268	0.7%	30,627,013	0.5%	—	0.0%	906,082	0.0%	—	0.0%	—	0.0%
	4,191,074,775	100.0%	5,628,992,964	100.0%	4,411,373,682	100.0%	5,645,908,002	100.0%	670,543,275	100.0%	—	0.0%

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

DEBT SECURITIES BY RATING [EUR]	Available for Sale				Held at Fair Value				Held to maturity			
	2011		2010		2011		2010		2011		2010	
	Fair value	%	Fair value	%	Fair value	%	Fair value	%	Fair value	%	Fair value	%
AAA	1,443,799,588	34.4%	941,385,297	16.5%	2,875,581	0.1%	13,312,232	0.2%	–	0.0%	–	0.0%
AA	390,926,737	9.3%	1,097,203,865	19.3%	5,597,484	0.1%	15,500,615	0.3%	–	0.0%	–	0.0%
A	580,399,789	13.8%	2,548,440,315	45.2%	58,619,784	1.3%	357,701,418	6.0%	–	0.0%	–	0.0%
BBB	656,987,952	15.6%	889,073,844	16.2%	820,137,679	18.6%	4,732,742,759	84.2%	41,341,074	6.2%	–	0.0%
BB	1,006,534,560	24.0%	113,185,184	2.0%	3,425,573,633	77.7%	419,869,003	7.5%	629,202,201	93.8%	–	0.0%
B	83,115,764	2.0%	–	0.1%	35,231,691	0.8%	5,461,585	0.0%	–	0.0%	–	0.0%
CCC	–	0.0%	5,316,845	0.1%	1,071,614	0.0%	9,604,471	0.2%	–	0.0%	–	0.0%
CC	826,053	0.2%	762,049	0.0%	1,451,314	0.0%	11,230,057	0.2%	–	0.0%	–	0.0%
C	–	0.0%	–	0.0%	6,599,850	0.1%	10,469,093	0.2%	–	0.0%	–	0.0%
Not rated	28,484,332	0.7%	33,625,565	0.6%	54,215,053	1.2%	70,016,769	1.3%	–	0.0%	–	0.0%
Total	4,191,074,775	100.0%	5,628,992,964	100.0%	4,411,373,682	100.0%	5,645,908,002	100.0%	670,543,275	100.0%	0	0.0%
Government bonds	2,029,533,475	48.4%	2,854,640,375	50.7%	34,138,199	0.8%	44,235,455	0.8%	504,487,799	75.2%	0	0.0%
Corporate debt securities	2,161,541,300	51.6%	2,774,352,589	49.3%	4,377,235,483	99.2%	5,601,672,547	99.2%	166,055,476	24.8%	0	0.0%
Total	4,191,074,775	100.0%	5,628,992,964	100.0%	4,411,373,682	100.0%	5,645,908,002	100.0%	670,543,275	100.0%	0	0.0%

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

EUR	2011		2010	
	Value	%	Value	%
Deposits				
B	983,303,188	100,0%	456,029,412	100,0%
Trade and other receivables				
AAA	219,951	0,6%	168,564	0,4%
AA	4,419,230	11,8%	4,003,204	8,8%
A	5,092,435	13,6%	3,030,386	6,7%
Not rated	27,685,033	74,0%	38,327,038	84,2%
	37,416,649	100,0%	45,529,193	100,0%
Total	1,020,719,837		501,558,605	

The participation in unit funds hold by the Group can be analyzed by type and geographic breakdown, as follows:

PARTICIPATION IN UNIT FUNDS BY GEOGRAPHICAL BREAKDOWN [EUR]	AVAILABLE FOR SALE				
	Portugal	Luxemburg	Cayman	Total	%
Debt	–	85,537,923	–	85,537,923	26.9%
Equity	2,423,625	5,127,460	–	7,551,085	2.4%
Real Estate	198,426,022	–	–	198,426,022	62.5%
Alternative	–	–	26,098,562	26,098,562	8.2%
Total as at December 2011	200,849,647	90,665,383	26,098,562	317,613,593	100.0%
Debt	282,728	89,730,195	–	90,012,923	31.0%
Equity	85,904	73,930	–	159,833	0.1%
Real Estate	174,266,911	–	–	174,266,911	60.0%
Alternative	–	–	26,083,767	26,083,767	9.0%
Total as at December 2010	174,635,543	89,804,124	26,083,767	290,523,435	100.0%

PARTICIPATION IN UNIT FUNDS BY GEOGRAPHICAL BREAKDOWN [EUR]	HELD AT FAIR VALUE									
	Portugal	Luxemburg	France	Ireland	Virgin Isle	EUA	Germany	England	Total	%
Debt	387,133	77,240,840	14,956,726	6,151,523	–	–	–	522,691	99,258,912	44.9%
Equity	91,272	76,161,143	–	18,582,687	–	478,760	5,708,746	4,148,198	105,170,807	47.5%
Alternative	–	10,736,640	–	–	6,143,258	–	–	–	16,879,898	7.6%
Equity	478,405	164,138,623	14,956,726	24,734,210	6,143,258	478,760	5,708,746	4,670,889	221,309,617	100.0%
Debt	389,236	71,601,592	13,999,397	13,213,558	–	–	–	536,648	99,740,431	46.6%
Equity	113,773	79,751,898	–	22,119,752	–	413,802	–	302,514	102,701,739	48.0%
Alternative	–	3,743,183	–	926,456	6,826,439	–	1,195	–	11,497,273	5.4%
Equity	503,009	155,096,673	13,999,397	36,259,766	6,826,439	413,802	1,195	839,162	213,939,443	100.0%

As part of the Market risk, *Liquidity risk* is the risk that expected and unexpected cash demands of policyholders, and other contract holders cannot be met without suffering losses or without endangering the business franchise due to constraints on liquidating assets.

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

As at December 31, 2011 and 2010, the projected cash flows (undiscounted) for the financial instruments, according to their maturity, are presented as follows:

LIQUIDITY RISK 2011 [EUR]	< 1 month Maturity	1-3 months Maturity	3-12 months Maturity	1-5 years Maturity	> 5 years Maturity	No maturity	Total
Interest bearing - Fixed rate	284,008,718	144,687,051	1,128,741,099	2,566,988,994	1,212,976,621	—	5,337,402,484
Interest bearing - Variable rate	10,713,003	59,466,158	60,049,117	332,857,691	360,200,681	—	823,286,650
Non-interest bearing	773,225,259	71,971,489	220,443,038	65,155,994	1,052,708	224,453,952	1,356,302,441
Investments held at fair value through profit/loss	160,208,126	499,716,994	267,469,490	2,467,279,560	1,342,542,396	334,112,640	5,071,329,206
Financial assets	1,228,155,106	775,841,693	1,676,702,744	5,432,282,240	2,916,772,406	558,566,592	12,588,320,781
Non financial assets	3,053,494,32	6,106,988,63	29,544,766,96	237,402,249,74	31,007,922,77	420,982,511,58	728,097,934
Total assets	1,231,208,600	781,948,682	1,706,247,511	5,669,684,490	2,947,780,329	979,549,103	13,316,418,715
Other financial liabilities	18,742,360	13,623,690	228,179,449	23,747,695	99,540	19,785	284,412,519
Liabilities on behalf policyholders	9,219,527	180,420,081	449,961,242	3,222,871,853	1,403,909,790	—	5,266,382,493
Financial liabilities	27,961,887	194,043,771	678,140,691	3,246,619,548	1,404,009,330	19,785	5,550,795,012
Non financial liabilities	65,182,975	36,245,108	248,633,606	3,123,701,690	2,643,169,513	—	6,116,932,892
Total liabilities	93,144,863	230,288,879	926,774,297	6,370,321,237	4,047,178,843	19,785	11,667,727,904

LIQUIDITY RISK 2010 [EUR]	< 1 month Maturity	1-3 months Maturity	3-12 months Maturity	1-5 years Maturity	> 5 years Maturity	No maturity	Total
Interest bearing - Fixed rate	135,865,793	59,372,402	571,980,796	2,698,340,930	2,617,821,235	—	6,083,381,155
Interest bearing - Variable rate	31,976,670	17,818,295	96,978,957	427,287,615	521,747,099	—	1,095,808,637
Non-interest bearing	207,509,413	382,307,777	355,705,393	564,488,539	45,922,264	319,838,705	1,875,772,091
Investments held at fair value through profit/loss	—	492,210,062	737,429,032	2,121,982,471	2,291,359,084	213,939,443	5,856,920,092
Financial assets	375,351,876	951,708,536	1,762,094,178	5,812,099,555	5,476,849,682	533,778,148	14,911,881,975
Non financial assets	(185,212)	(370,424)	12,698,705	205,866,797	124,990,570	315,740,469	658,740,905
Total assets	375,166,664	951,338,112	1,774,792,883	6,017,966,352	5,601,840,252	849,518,617	15,570,622,880
Other financial liabilities	21,137,038	47,570,570	234,499,439	2,229,311	289,202	—	305,725,559
Liabilities on behalf policyholders	4,823,586	348,705,559	575,988,654	3,213,655,813	1,875,031,626	—	6,018,205,238
Financial liabilities	25,960,624	396,276,129	810,488,093	3,215,885,124	1,875,320,828	—	6,323,930,797
Non financial liabilities	45,635,825	32,768,518	91,748,246	1,759,282,917	5,214,432,180	—	7,143,867,685
Total liabilities	71,596,449	429,044,646	902,236,339	4,975,168,041	7,089,753,008	—	13,467,798,482

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

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

For financial assets, namely investments (excluding unit linked), discretion was taken as the contractual maturity and the maturity date is considered the nominal value added to the projected value of the coupon payable until maturity using for floating rate notes the coupon paid in December 2011 and 2010 respectively.

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

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

The *Currency risk* arises from changes in the level or volatility of relevant currency exchange rates when there is a mismatch between the relevant currency of the assets and liabilities.

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

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

The Group consolidated balance sheet figures by currency, is analysed as follows:

CURRENCY RISK 2011 [EUR]	EUR	USD	GBP	JPY	Total
Investments	10,552,254,572	29,775,110	6,991,089	4,231,081	10,593,251,853
Other assets	1,084,895,722	–	–	–	1,084,895,722
Total assets	11,637,150,294	29,775,110	6,991,089	4,231,081	11,678,147,575
Liabilities	10,731,859,694	–	–	–	10,731,859,694
Total liabilities	10,731,859,694	–	–	–	10,731,859,694

CURRENCY RISK 2010 [EUR]	EUR	USD	GBP	JPY	Total
Investments	7,710,182,224	37,365,817	7,247,679	7,189,281	7,761,985,001
Other assets	5,461,295,267	–	–	–	5,461,295,267
Total assets	13,171,477,491	37,365,817	7,247,679	7,189,281	13,223,280,268
Liabilities	12,078,195,811	–	–	–	12,078,195,811
Total liabilities	12,078,195,811	–	–	–	12,078,195,811

Millenniumbcp Ageas Market Risk Governance

The roles and responsibilities related to Market Risk (and financial risk management) in Millenniumbcp Ageas are plain defined and can be resumed as follows:

- › Administration board of Millenniumbcp Ageas provides a final approval of the Investment Strategy (SAA, etc.);
- › Investment decisions at Millenniumbcp Ageas and all of its subsidiaries are a responsibility of the Chief Financial Officer (CFO) and of the Investment Department. Further to that the CFO has responsibilities in managing market risk which he can delegate to the Asset Management Committee (AMC is a sub-committee of the Risk Committee);

- › The operational management of investments is a responsibility of the Investment Function and the Asset Management Committee at Millenniumbcp Ageas. This activity might be delegated to external asset managers through investment mandates as currently done with F&C Portugal. A contract between Millenniumbcp Ageas and F&C Portugal defines the specific services they provide;
- › The Risk Department:
 - Is in charge with the ALM Ecap analysis and the Strategic Asset Allocation as well as reporting on the market risk exposure of Millenniumbcp Ageas;
 - Proposes new Investment Strategies (outcome of SAA) and provides related information to the Risk Committee and to the CFO;
 - Reports on adherence to the Investment strategy and relevant policies;
 - Supports action (including risk mitigation) taken where necessary, especially to avoid or rectify limit breaches (i.e. soft limits).
- › The Investment Function:
 - Supports the work of the AMC;
 - Develops the Investment Strategy (tactical allocation), which complies with risk constraints, and SAA. In case this responsibility is delegated to external asset manager (F&C Portugal) the Investment function provides clear guidance to asset managers and monitors the relationship with them, their decisions and actions, in order to maximize return;
 - Reports on the exposure limits set by the AMC/Risk Committee or by local Regulators.
- › The Risk Committee:
 - Is responsible for approving the Risk Constraints, monitoring adherence to them (i.e. Hard limits)
 - In the beginning of the year the Risk Officer function will take place;
 - Proposes the Risk Appetite Constraints and the aggregate risk constraints;
 - Provides an opinion on the appropriateness of the local market risk policy;
 - Is a member of the AMC Committee;
 - Gives an opinion on the overall Investment Strategy and ensures that the Group has given an opinion on the proposed Investment Strategy before it is approved by the local Board.

Management of Market Risk in Millenniumbcp Ageas is built around four key elements:

- › Setting risk constraints related to Risk Appetite and other risk controls;
- › Carrying out strategic asset mix studies to determine the optimum investment strategy and limits taking into account the risk constraints;
- › Taking action to avoid actual exposure exceeding the limits;
- › Taking action in response to developments in economies and markets, i.e., adjusting the investment strategy and limits if needed.

Under these principles Millenniumbcp Ageas monitors and controls its market risks based on specific risk indicators, such as:

- i) **Cash-Flow gap analysis**, which illustrates the profile of the interest rates exposure over time and is used to quantify and compare interest rate sensitive asset and liability exposures by different time buckets. The cash flow gap highlights the mismatch between asset and liability exposures at different maturities.
- ii) **Interest rate sensitivity of the fair value of equity**, which indicates how much the market value of all assets and liabilities changes when each individual point on the yield curve changes by one basis point. Stress tests of +/- 100bp are applied to the fair value.
- iii) **'Duration of equity'**, used as a key indicator for the interest rate risk: it reflects the value sensitivity to a small parallel interest rate shift.
- iv) **The 'earnings at risk'** being an indicator that simulates the effect of changes in interest rates on future results.
- v) **Economic capital**, thought the 'Value-at-Risk' (VaR) methodology, which calculates the maximum potential structural loss on a fair value basis for Ageas resulting from different possible market fluctuations, based on a horizon of one year and a reliability interval of 99.97%.

Insurance Liability Risk

"Insurance is a form of risk management primarily used to hedge against the risk of a contingent, uncertain loss. Insurance is defined as the equitable transfer of the risk of a loss, from one entity to another, in exchange for payment. An insurer is a company selling the insurance; the insured, or policyholder, is the person or entity buying the insurance policy. The amount to be charged for a certain amount of insurance coverage is called the premium. Risk management, the practice of appraising and controlling risk, has evolved as a discrete field of study and practice" source (Wikipedia, free encyclopedia).

Insurance companies accept, as a key feature, risks through the insurance contracts, which are classified under taxonomy of Specific Insurance Risks.

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

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

Life Underwriting Risks

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

Claims relating to Term insurance and Annuity products are sensitive to changes in the mortality rates. Observed decreases in mortality rates with respect to the pricing mortality are referred to as longevity risk, while increases are referred to as mortality risk. Unexpected increases in mortality rates will lead to higher than expected claims for term products but lower claims for annuity products, while decreases in mortality rates (longevity risk) will have the opposite

impact. Given the long-term nature of life business, unexpected changes in lapse rates or on-going expenses can also have a significant impact.

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

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

Given the continuing expected increase in life expectancy of the population insured, the risk of unexpected increase, other quite important life insurance risk, mortality risk, in the business on a portfolio level is not considered significant at this stage. There is however a risk of mortality “disaster” caused by epidemic diseases, a major event such as an industrial accident or terrorist attack. Mortality risk of this type is mitigated through underwriting policy and close monitoring of mortality tables, but also through several excess-of-loss and catastrophe reinsurance treaties.

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

	Redeemable pensions	Non redeemable pensions
Mortality table	TD 88/90	35% TV 88/90 65% TV 73/77
Discount rate	5.25%	2.61%
Management fees	2.4%	4.0%

Regarding Workmen’s Compensation, a liability adequacy testing is applicable to non-redeemable pensions. The assumptions taken into consideration are the same as referred above, where discount rate corresponds to the 10-year risk free rate, with a maximum of 3.5%.

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

For Millenniumbcp Ageas the assumptions are shown below:

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

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

For liability adequacy test purposes, the mortality assumptions are based on best estimates derived from portfolio experience investigations as at 31 December

2011 and 2010. Future cash flows are evaluated through internal embedded value model and have been discounted at risk free yield curve. The mortality assumptions were:

	2011		2010	
	Male	Female	Male	Female
Term insurance				
Stand Alone	70% GKM95	70% GKF95	70% GKM95	70% GKF95
Mortgage Loans	52.5% GKM95	50% GKF95	52.5% GKM95	52.5% GKF95
Personal Loans	55% GKM95	50% GKF95	55% GKM95	50% GKF95
Annuities	100% PERM2000C	100% PERF2000C	100% PERM2000C	100% PERF2000C
Savings	40% GKM95	40% GKF95	40% GKM95	40% GKF95

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

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

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

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

Life Business [EUR]

SENSITIVITIES	Impact on Fair Value at 31.12.2011	Impact on Fair Value at 31.12.2010
Risk free rates +100 bp	52,617,880	(39,509,045)
Risk free rates -100 bp	(68,194,562)	35,313,558
Market value of shares and real estate -10%	(37,261,673)	(24,931,988)
Expenses -10%	11,957,489	13,136,397
Mortality rates -5%	9,335,125	11,087,006
Lapse rates -10%	20,038,206	27,613,095

Non-Life and Health Underwriting Risks

The *Non-Life Underwriting risk* reflects the risk arising from non-life insurance obligations, in relation to the perils covered and the costs of meeting the claims.

The Non-Life insurance risk can arise due to the uncertainty over levels of claims relating to motor, fire & property damage, third party liability, accident and the other lines of business.

For Health and Workmen's Compensations, the uncertainty of costs is also related with variations in medical costs. Disability rates may also be included in the longevity risk when products pay out for the lifetime, such as, pensions for Workmen's Compensation and some Health insurance policies.

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

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

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

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

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

EUR		BALANCE SHEET POSITION AS AT END OF YEAR					
		2006	2007	2008	2009	2010	2011
Gross claim reserves - incl IBN(E)R - for unpaid claims and allocated claim expenses as at the end of the reporting year.		59,961,862	61,885,453	63,824,579	70,184,162	74,406,671	78,628,226
Cumulative payments at:							
	One year of development	21,763,715	20,603,878	26,212,709	34,129,809	32,068,910	
	Two years of development	24,404,684	26,243,302	33,145,210	41,448,744		
	Three years of development	27,235,730	31,052,408	36,871,536			
	Four years of development	30,078,011	34,211,856				
	Five years of development	32,453,105					
Re-estimated reserve at:							
	One year of development	54,685,321	52,871,836	58,658,157	70,412,088	65,179,098	
	Two years of development	51,217,276	53,022,951	59,938,850	66,506,977		
	Three years of development	49,511,959	54,068,029	56,852,726			
	Four years of development	46,541,525	51,117,267				
	Five years of development	44,408,121					
Cumulative redundancy/deficiency from the initial gross reserves in excess of the re-estimated gross reserves:							
	Nominal amount (d)	15,553,742	10,768,186	6,971,854	3,677,185	9,227,573	
	Percentage	25.9%	17.4%	10.9%	5.2%	12.4%	

Reconciliation between the reserves reported in the balance sheet and the claim development table

	12/31/10	12/31/11
Gross claim reserves for unpaid claims and allocated claim expenses as at the end of the reporting year (a)	74,406,671	78,628,226
Claims held at discounted value (b)	13,627,808	15,532,515
Unallocated Loss Adjustment expenses	1,872,026	2,205,880
Total gross claim reserves and other reserves for Non-Life	89,906,505	96,366,621

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

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

The combined ratio is the sum of the claims ratio and the costs ratio. The costs ratio results from the division of general expenses (administrative costs, depreciation, commissions, network fee etc.) allocated to a specific activity by earned premiums. The claims ratio results by the division of costs incurred with claims (loss reserves plus claims cost allocation) over earned premiums.

As at 31 December 2011 and 2010, the combined ratio of the non-life business was as follow:

	Non-Life		A&H		Motor		Fire		Other	
	2011	2010	2011	2010	2011	2010	2011	2010	2011	2010
Claims Ratio	64.5%	65.5%	67.1%	67.0%	82.3%	78.7%	52.7%	53.7%	24.9%	57.7%
Costs Ratios	23.9%	25.9%	23.0%	26.0%	25.0%	27.1%	27.6%	25.1%	18.7%	22.8%
Combine Claims/costs Ratio	88.3%	91.4%	90.2%	93.0%	107.3%	105.8%	80.4%	78.8%	43.6%	80.4%

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

Non Life Business [EUR]

SENSITIVITIES	Impact on pre-tax profits (€m) at 31.12.2011	Impact on pre-tax profits (€m) at 31.12.2010
Expenses -10%	6,767	7,101
Incurred Claims +5%	(6,683)	(6,409)

Insurance risk – Risk Management

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

The Actuarial department is responsible for evaluating and managing insurance risks within the policies and guidelines set at Millenniumbcp Ageas level. The Risk Committee regularly assesses the adequacy of premium rates and technical reserves. Moreover, insurance risk is managed together with other risks including ALM. Therefore, other departments, such as Risk Management, Reinsurance and Investments are also involved in the process.

Underwriting policy

Underwriting policies are set at local level as part of the overall management of insurance risk and involve review procedures by actuarial personnel, in which actual loss experience is examined. A range of indicators and statistical analysis tools are used to refine underwriting standards in order to improve loss experience and/or ensure pricing is adjusted appropriately.

Pricing

Millenniumbcp Ageas sets premiums at a level that will ensure premiums combined with investment income earned on them, exceed the total amount of claims and costs of handling the claims and managing the business. The premium setting on policies (pricing) is performed using statistical analysis based on internal and external historical data. The appropriateness of pricing is tested using techniques and key performance indicators appropriate for a particular portfolio, on both an a priori basis (e.g. profit testing) and an a posteriori basis (e.g. embedded value, combined ratios).

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

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

Reserving

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

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

Reinsurance

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

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

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

Some reinsurance companies have expressed their desire to discontinue providing unlimited covers. The reinsurance entities involved together with industry

organizations are discussing with the Governments, possible solutions to this problem. Such solutions might be in the form of limited covers or the setting up of (partially) government-sponsored solutions.

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

Non Life & Health [EUR]

LINE OF BUSINESS	Type of Reinsurance	Range of Cover	Net Retention
Fire	Surplus	15,000,000	300,000
Fire (natural perils)	XOL	400,000,000	20,000,000
General Third Party Liability	XOL	2,450,000	50,000
Engineering	Quota Share + Surplus	2,750,000	250,000
Personal Accident	Surplus	1,500,000	75,000
Motor Liability	XOL	50,000,000	750,000
Motor Hull	XOL	4,250,000	750,000
Marine	Quota Share	1,000,000	200,000
Travel	Surplus	1,500,000	75,000
Personal Accident (catastrophe)	XOL	50,000,000	250,000
Workmen's Compensation	XOL	30,000,000	500,000
Health Business (Munich)	Quota Share	1,000,000	20%
Health Business (Acunsa)	Quota Share	Ilimited	0%

Life [EUR]

LINE OF BUSINESS	Type of Reinsurance	Range of Cover	Net Retention
Life/Disability	Surplus	4,000,000	100,000
Life catastrophe	XOL	15,000,000	300,000

Operational risk

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

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

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

- › **Loss Data Collection:** Ensure there is awareness within the organization about the incurred losses (in terms of amount and frequency). While the framework is yet in initial state of development, there is a commitment from both Local and Ageas Group Risk Management to encourage of such operational risk management tools;
- › **Key Risk Reporting:** Conducted periodically to ensure a forward-looking view on the risk profile of the Company, with a focus on operational risk. The approach consists of a bottom-up risk self-assessment aiming at identifying and assessing the risks faced by the organisation;

- › **Business Continuity Management:** A management process that identifies potential threats for the integrity of key business operations. More importantly, it provides a framework for building organisational resilience with the ability to make an effective response that safeguards the interests of its stakeholders, reputation, brand and value creating activities;
- › **Information Security:** Defines the organisational framework, management and staff responsibilities and the information security directives that apply throughout Millenniumbcp Ageas;
- › **Management Control Statements:** while operational risk management focuses on operational event risks, management control is mostly concerned with the business risk. Management teams sign their management control statement in a confirmation, every year-end, of the functioning of the risk management and internal control system during the year;
- › Other processes related more to the Internal Control also form sound basis for operational risk management.

This framework is supported by a specific Operational Risk policy (inspired by the respective policy from Ageas Group). It sets the high level principles for the identification, measurement, monitoring and reporting of operational risk faced in the execution of day-by-day business activities by Millenniumbcp Ageas. As next steps these principles are to be translated into detailed processes that need to be followed within the business lines.

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

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

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

LINE OF BUSINESS NON LIFE 2011 [EUR]	Claims Paid	Allocated claims management costs	Change in claims Reserve	Claims Incurred
	(1)	(2)	(3)	(4)=(1)+(2)+(3)
Direct Insurance				
Accident and Health	98,786,074	1,759,566	2,776,065	103,321,705
Fire and Other hazards	18,667,791	1,385,494	2,288,339	22,341,624
Motor				
Third Party	8,655,863	1,023,407	393,944	10,073,215
Other	6,598,126	963,204	(590,970)	6,970,360
Maritime, Airline and Transportation	287,828	39,545	32,106	359,480
Third Party Liability	852,545	72,219	(404,537)	520,227
Credit and Surety Ship	—	6,916	1,320	8,236
Legal	—	—	—	—
Assistance	2,008,573	11,455	(1,660,023)	360,004
Other Lines	182,061	61,735	540,198	783,994
Total Non Life	136,038,863	5,323,541	3,376,441	144,738,845
Reinsurance Accepted	6,220,310	3,642,876	1,276,743	11,139,929
Total	142,259,173	8,966,417	4,653,184	155,878,774

LINE OF BUSINESS NON LIFE 2010 [EUR]	Claims Paid	Allocated claims management costs	Change in claims Reserve	Claims Incurred
	(1)	(2)	(3)	(4)=(1)+(2)+(3)
Direct Insurance				
Accident and Health	95,938,000	2,439,545	2,301,153	100,678,698
Fire and Other hazards	19,339,902	1,106,196	741,689	21,187,787
Motor				
Third Party	9,253,805	200,113	(1,278,502)	8,175,416
Other	6,363,677	2,359,686	258,295	8,981,658
Maritime, Airline and Transportation	198,502	11,539	(31,245)	178,796
Third Party Liability	1,084,698	22,535	2,928,933	4,036,166
Credit and Surety Ship	375,697	97	32,646	408,439
Legal	—	—	(236,708)	(236,708)
Assistance	(172,910)	8,701	(242,048)	(406,257)
Other Lines	197,264	13,920	4,942	216,126
Total Non Life	132,578,635	6,162,332	4,479,154	143,220,122
Reinsurance Accepted	5,041,241	3,851,680	564,786	9,457,707
Total	137,619,876	10,014,012	5,043,941	152,677,829

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

LINES OF BUSINESS 2011 [EUR]	Claims reserve as at 31 December 2010	Claims paid gross	Claims reserve as at 31 December 2011 in relation to 2010	Adjustments (run-off)
Life	39,052,200	48,162,926	17,304,900	26,415,626
Non Life				
Accident and Health	50,560,087	24,219,562	26,270,195	(70,332)
Fire and Other hazards	9,085,208	6,286,852	4,569,026	1,770,671
Motor				
Third Party	20,721,431	4,091,370	14,286,845	(2,343,215)
Other	2,477,090	1,355,414	375,711	(745,963)
Maritime, Airline and Transportation	214,231	203,039	166,273	155,081
Third Party Liability	5,216,808	616,543	3,987,010	(613,255)
Credit and Surety Ship	32,651	975	32,646	970
Legal	—	—	—	—
Assistance	(22,337)	(3,151,196)	4,770	(3,124,088)
Other Lines	1,621,337	39,999	1,576,734	(4,603)
Total Non Life	89,906,505	33,662,559	51,269,212	(4,974,733)
Total	128,958,705	81,825,485	68,574,112	21,440,893

LINES OF BUSINESS 2010 [EUR]	Claims reserve as at 31 December 2009	Claims paid gross	Claims reserve as at 31 December 2010 in relation to 2009	Adjustments (run-off)
Life	43,135,694	34,842,400	16,033,366	7,740,072
Non Life				
Accident and Health	48,245,844	21,812,439	30,021,515	3,588,109
Fire and Other hazards	8,288,784	5,023,313	4,176,190	910,719
Motor				
Third Party	21,959,983	4,343,160	14,537,516	(3,079,307)
Other	2,265,839	1,383,915	415,492	(466,432)
Maritime, Airline and Transportation	245,476	97,919	153,377	5,821
Third Party Liability	2,287,820	971,992	4,620,843	3,305,014
Credit and Surety Ship	6	375,715	32,646	408,355
Legal	236,708	—	—	(236,708)
Assistance	107,608	1,863,296	(38,010)	1,717,678
Other Lines	1,616,394	54,681	1,553,480	(8,233)
Total Non Life	85,254,462	35,926,430	55,473,049	6,145,016
Total	128,390,156	70,768,829	71,506,415	13,885,088

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

LINE OF BUSINESS NON LIFE 2011 [EUR]	Gross premiums written	Gross premiums earned	Gross claims earned	Gross operating expenses	Reinsurance ceded result
Direct Insurance					
Accident and Health	154,658,369	160,144,723	103,321,705	28,610,523	(26,371,628)
Fire and Other hazards	42,403,926	42,239,842	22,341,624	11,681,226	(3,052,024)
Motor					
Third Party	11,012,344	10,810,976	10,073,215	2,107,720	247,045
Other	9,996,220	9,908,765	6,970,360	3,058,896	(364,726)
Maritime, Airline and Transportation	574,589	588,170	359,480	428,984	(64,443)
Third Party Liability	3,705,387	3,536,916	520,227	631,554	(2,165,302)
Credit and Surety Ship	5,554	6,536	8,236	13,736	–
Legal	375,552	359,448	–	39,870	(33,656)
Assistance	2,952,320	2,920,785	360,004	352,991	(1,748,175)
Other Lines	768,092	750,176	783,994	72,972	438,947
Total Non Life	226,452,352	231,266,336	144,738,845	46,998,472	(33,113,963)
Reinsurance Accepted	10,806,438	10,468,108	11,139,929	11,443,074	20,175,399
Total	237,258,790	241,734,445	155,878,774	58,441,545	(12,938,564)

LINE OF BUSINESS NON LIFE 2010 [EUR]	Gross premiums written	Gross premiums earned	Gross claims earned	Gross operating expenses	Reinsurance ceded result
Direct Insurance					
Accident and Health	152,277,019	155,620,415	100,678,698	30,141,356	(24,986,476)
Fire and Other hazards	39,877,661	39,638,212	21,187,787	9,727,938	(3,369,960)
Motor					
Third Party	9,025,661	9,023,023	8,175,416	2,246,351	(895,629)
Other	13,019,843	12,795,729	8,981,658	3,554,969	459,249
Maritime, Airline and Transportation	598,212	597,541	178,796	374,562	(150,503)
Third Party Liability	3,350,092	3,264,711	4,036,166	623,429	1,283,795
Credit and Surety Ship	19,029	53,050	408,439	41,242	–
Legal	284,924	260,792	(236,708)	32,168	(250,609)
Assistance	2,710,707	2,700,416	(406,257)	434,160	(1,530,726)
Other Lines	860,343	402,821	216,126	133,194	112,331
Total Non Life	222,023,490	224,356,710	143,220,122	47,309,367	(29,328,528)
Reinsurance Accepted	8,693,631	8,582,956	9,457,707	12,347,214	19,354,925
Total	230,717,121	232,939,665	152,677,829	59,656,582	(9,973,603)

Solvency requirements

The Solvency I margin is achieved under the demands of the Portuguese Insurance Authority (ISP) as stated in standard rule n.6/2007-R, based on the statutory financial statements as at 31 December 2011.

Millenniumbcp Ageas monitors on a monthly basis the Solvency I level having a set 200% as an operational target.

As at 31 December 2011 and 2010, the solvency I figures can be detailed as follows:

ITEM [EUR]	31 December 2011	31 December 2010
Capital	1,000,002,375	1,000,002,375
Legal and Regulatory Revaluation	(435,405,781)	(220,292,773)
Retained earnings	365,278,815	251,277,808
Profit After Tax	16,412,472	114,097,047
Total Equity (1)	946,287,881	1,145,084,457
Intangible Assets	(469,728,388)	(489,394,921)
Retirement Pensions adjust	(6,345,868)	(3,945,377)
Total (2)	(476,074,256)	(493,340,298)
Solvency Margin Available (1) + (2)	470,213,626	651,744,159
Solvency Margin Required	320,828,333	355,422,353
Excess / Shortage	149,385,293	296,321,810
Solvency Ratio	147%	183%

Note 39 – Fair value

Fair value is based on market prices, whenever available. If market prices are not available, fair value is estimated through internal models based on cash-flow discounting techniques, using the risk free rate plus a credit spread attributable to the issuer.

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

Cash and due from banks

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

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

These financial instruments are accounted for at fair value, which is based in market prices, whenever these are available. If market prices are not available, fair value is estimated through internal models based on cash-flow discounting techniques, using the risk free rate plus a credit spread attributable to the issuer.

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

Loans and receivables (trade and other receivables)

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

Financial assets held to maturity

These financial instruments are accounted at amortised cost net of impairment. Fair value is based on market prices, whenever these are available. If market prices are not available, fair value is estimated through numerical models based on cash-flow discounting techniques, using the interest rate curve adjusted for factors associated, predominantly the credit risk and liquidity risk, determined in accordance with the market conditions and time frame.

Note 40 – Contingencies and commitments**Litigation**

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

Guarantees

As at 31 December, 2011 the total amount of banking guarantees were Euro 267,000 (2010: Euro 368,000). The guarantees were given in the scope of the claims processes.

Commitments

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

EUR	Up to 3 months	3 -12 months	1 - 5 years	Total
Future lease payments	96,049	256,369	413,144	765,563

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

Millenniumbcp Ageas separate financial statements are analysed as follows:

INCOME STATEMENT [EUR]	2011	2010
Dividends	7,000,000	—
Interest income	3,403,646	2,722,952
Total income	10,403,646	2,722,952
Total expenses	(998,798)	(802,150)
Profit after tax	9,404,848	1,920,802

BALANCE SHEET [EUR]	2011	2010
Investments in subsidiaries	999,953,125	999,953,125
Other assets	101,219,286	91,578,570
Total assets	1,101,172,411	1,091,531,695
Total equity	1,100,745,870	1,091,341,022
Total liabilities	426,541	190,673
Total equity and liabilities	1,101,172,411	1,091,531,695

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

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

From direct investment exposure [EUR]		2011				
COUNTRY	Book value	Fair value	Fair value reserve	Interest income rate %	Maturity	Valuation level
Portugal						
Investments available for sale						
Level 1	386,300,859	386,300,859	(159,027,055)	4.0%	5,2	L1
Level 2	25,427,822	25,427,822	(11,493,728)	3.8%	3,7	L2
Investments held at fair value	32,125,752	32,125,752	(15,751,787)	4.2%	5,0	L1
Held to maturity	504,487,799	414,471,752	—	4.2%	7,3	L1
Total	948,342,233	858,326,186	(186,272,571)	4.1%	6,2	

From indirect exposure [EUR]

COUNTRY	2011					
	Book value	Fair value	Gains and losses	Interest income rate %	Maturity	Valuation level
Portugal						
Investments held at fair value	57,638,192	57,638,192	(46,445,575)	4.7%	7,1	L2
Total	57,638,192	57,638,192	(46,445,575)	4.7%	7,1	
Greece						
Investments held at fair value	39,495,554	39,495,554	(109,746,385)	4.2%	3,8	L2
Total	39,495,554	39,495,554	(109,746,385)	4.2%	3,8	

From direct investment exposure [EUR]

COUNTRY	2010					
	Book value	Fair value	Gains and losses	Interest income rate %	Maturity	Valuation level
Portugal						
Investments available for sale						
Level 1	1,399,702,808	1,399,702,808	(127,255,320)	3.5%	5,9	L1
Level 2	35,343,231	35,343,231	(1,126,310)	3.8%	4,7	L2
Investments held at fair value	28,828,551	28,828,551	(4,252,446)	4.4%	7,1	L1
Total	1,463,874,590	1,435,046,039	(132,634,076)	3.5%	5,9	
Greece						
Investments available for sale	89,273,551	89,273,551	(18,775,522)	4.6%	2,7	L1
Total	89,273,551	89,273,551	(18,775,522)	4.6%	2,7	

From indirect exposure [EUR]

COUNTRY	2010					
	Book value	Fair value	Gains and losses	Interest income rate %	Maturity	Valuation level
Greece						
Investments held at fair value	108,072,747	108,072,746	(41,058,503)	3.7%	4,8	L2
Total	108,072,747	108,072,746	(41,058,503)	3.7%	4,8	

It should be mentioned that until year end, the position on Greek sovereign debt on the available for sale portfolio was completely sold, with realized losses of Euro 4,700 on realized losses. The impairment losses recognized during the year amounted to Euro 52,618,000 (see note 11).

Note 43 – Recently issued pronouncements

Standards, changes and interpretations effective since 1 January 2011

The new standards and interpretations that have been issued that are already effective and that the Group has applied on its Financial Statements can be analyzed as follows:

IFRS 7 – Financial instruments: Disclosures – Transfer of financial assets

The International Accounting Standards Board (IASB) has issued in October 2010, *IFRS 7 – Disclosures – Transfer of financial assets*, with mandatory application for financial years beginning after 1 July 2011, although early adoption is permitted.

The changes required related with the disclosures of transactions involving transfer of financial assets, namely financial assets securitization, intent to allow financial statements users to assess the risk and the impacts in the financial statements arising from those transactions.

Annual Improvement Project

In May, 2010, IASB published the Annual Improvement Project that implied 11 changes to 7 standards. The changes effective date, the early adoption possibility and the transitional requirements are defined in each standard. The majority of the changes were mandatorily applicable as of 1 January, 2011.

The adoption of these changes did not cause any major impact for the Group.

Standards, changes and interpretations issued but not effective for the Group

IFRS 9 – Financial instruments

The International Accounting Standards Board (IASB) has issued in November 2009, IFRS 9 – Financial instruments part I: Classification and measurement, which is mandatorily applicable for the financial years starting on 1 January 2015, although early adoption is permitted. In October, 2010, this standard was changed. This standard has not yet been adopted by European Union.

This standard is part of phase I of the IASB's comprehensive project to replace IAS 39 and relates to matters of classification and measurement of financial assets. The main issues considered are as follows:

- › The financial assets can be classified in two categories: at amortized cost or at fair value. This decision should be determined at initial recognition of the financial assets. The classification depends on the entity, business model for managing the financial instruments and the contractual cash flows associated to each financial asset;
- › Only debt instruments for which the contractual cash-flows represent only payments of principal and interest, which means that they contain only the basic loan features, and for which an entity holds the asset to collect the contractual cash flows, can be measured at amortized cost,. All the other debt instruments are recognized at fair value;
- › Equity instruments issued by third parties are recognized at fair value with subsequent changes recognised in the profit and loss. However, for equity instruments an entity could make an irrevocable option at initial recognition for fair value changes to be recognized in fair value reserves. This is a discretionary decision, not implying that all the equity instruments should be treated on this basis. Gains and losses recognized on fair value reserves cannot be recycled to profit and loss. The dividends received are recognized as income for the year;
- › There is no exemption that allows unquoted equity investments and related derivatives to measure at cost. However, guidance is provided on the limited circumstances in which the cost of such an instrument may be an appropriate approximation of fair value;

- › Changes in fair value attributable to own credit risk of financial liabilities classified as fair value through profit or loss, shall be recognised in Other comprehensive income. The remaining fair value changes related to these financial liabilities shall be recognised through profit or loss. The amounts recognised in Other comprehensive income shall not be reclassified/transferred to profit and loss.

The Group is evaluating the impact from the application of this standard.

IFRS 10 – Consolidated Financial Statements

The International Accounting Standards Board (IASB) has issued in May 2011, IFRS 10 – *Consolidated Financial statements*, with mandatory application for financial years beginning after 1 January 2013, although early adoption is permitted.

This IFRS defines the principle of control and establishes control as the basis for determining which entities are consolidated in the consolidated financial statements, and supersedes IAS 27 Consolidated and Separate Financial Statements and SIC-12 Consolidation – Special Purposes Entities.

An investor controls an investee when it is exposed or has rights to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. “*De facto*” control is explicitly included by this standard.

The major changes introduced by this standard are as follows:

- i) a single control model is applied whether an investee should be consolidated and
- ii) enhance disclosures about involvement with unconsolidated entities.

The Group is evaluating the impact from the application of this standard.

IFRS 11 – Joint Arrangements

The International Accounting Standards Board (IASB) has issued in May 2011, IFRS 11 – *Joint Arrangements*, with mandatory application for financial years beginning after 1 January 2013, although early adoption is permitted.

This standard supersedes IAS 31 Interest in Joint Ventures, maintaining the same definition of joint arrangements. However, two types of joint arrangements were introduced: (i) joint operations and (ii) joint ventures.

The major changes introduced by this standard are as follows:

- i) an entity shall determine the type of joint arrangements in which it is involved by considering its rights and obligations. An entity shall assess its rights and obligations by considering the structure and legal form of the arrangement, the contractual terms agreed to by the parties to the arrangement and, when relevant, other facts and circumstances;
- ii) mandatory application of the equity method to a joint venture, eliminating the option of the proportionate consolidation method.

The Group is evaluating the impact from the application of this standard.

IFRS 12 – Disclosures of Interests in Other Entities

The International Accounting Standards Board (IASB) has issued in May 2011, IFRS 12 – *Disclosures of Interests in Other Entities*, with mandatory application for financial years beginning after 1 January 2013, although early adoption is permitted.

The objective of this standard is to require an entity to disclose information regarding its involvement with consolidated entities (subsidiaries) and those that are not consolidated, namely:

- i) the nature of, and risks associated with, its interest in other entities, and
- ii) the effects of those interests on its financial position, financial performance and cash flows.

The Group is evaluating the impact from the application of this standard.

IFRS 13 – Fair Value Measurement

The International Accounting Standards Board (IASB) has issued in May 2011, IFRS 13 – *Fair Value Measurement*, with mandatory application for financial years beginning after 1 January 2013, although early adoption is permitted.

This standard presents a revised concept of fair value and determines new disclosures requirements. The main aspects considered are as follows:

- i) principles of fair value,
- ii) appropriate valuations techniques and fair value hierarchy and (iii) additional disclosure requirements.

The Group is evaluating the impact from the application of this standard.

IAS 27 (2011) – Separate Financial Statements

The International Accounting Standards Board (IASB) has issued in May 2011, IAS 27 – *Separate Financial Statements*, with mandatory application for financial years beginning after 1 January 2013, although early adoption is permitted.

IAS 27 (2011) carries forward the existing accounting and disclosure requirements of IAS 27 (2008) for separate financial statements, with some minor clarifications, as follows:

- i) an entity that prepares separate financial statements shall follow all relevant IFRS standards, and
- ii) disclosure requirements.

The Group is evaluating the impact from the application of this standard.

IAS 28 – Investments in Associates and Joint Ventures

The International Accounting Standards Board (IASB) has issued in May 2011, IAS 28 – *Investments in Associates and Joint Ventures*, with mandatory application for financial years beginning after 1 January 2013, although early adoption is permitted.

This standard replaced IAS 28 (2003) and describes the accounting treatment to be adopted by the investor in associates and joint ventures, defining the accounting requirements for applying the equity method for both associates and joint ventures.

IFRS 11 determines in which type of joint arrangements an entity is involved, and if an interest in a joint arrangement exists, an entity shall apply the equity method in the consolidated financial statements, in accordance with IAS 28 (revised in 2011), except if any exemptions are applicable, such as defined.

IFRS 12 describes the disclosure requirements.

The Group is evaluating the impact from the application of this standard.

IFRS 7 (changed) – Disclosures – Offsetting of financial assets and liabilities

The International Accounting Standards Board (IASB) has issued in May 2011, *IFRS 7 – Disclosures – Offsetting of financial assets and liabilities*, with mandatory application for financial years beginning after 1 January 2013, although early adoption is permitted.

This standard changed the disclosure requirements for the users of financial statements to be able to assess the effect/potential effect of the net presentation of the financial assets and liabilities in the financial position of an entity.

The Group is evaluating the impact from the application of this standard.

IAS 32 (changed) – Offsetting of financial assets and liabilities

The International Accounting Standards Board (IASB) has issued in May 2011, an amendment to *IAS 32 – Offsetting of financial assets and liabilities*, with mandatory application for financial years beginning after 1 January 2014, although early adoption is permitted.

This change replaced the AG38 paragraph of IAS 32 by the new AG38A-AG38F paragraphs, regarding the required conditions to be met in order to present the net position of the financial assets and liabilities in the financial position of an entity, as follows:

- i) the entity currently has a legally enforceable right to set off the recognized amounts, and
- ii) the entity has the intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

The Group is evaluating the impact from the application of this standard.

03

Report and Opinion of the Board of Auditors

FINANCIAL YEAR 2011**Shareholders,****1.**

In compliance with the legal provisions and articles of association, the Board of Auditors of MILLENNIUMBCP AGEAS – Grupo Segurador, SGPS, S.A., in the exercise of its duties, and after having analysed the Balance Sheet, the Income Statement and the other individual and consolidated financial statements and respective Notes prepared by the Board of Directors, which accompany the Management Report, for the financial year 2011, hereby submits its Report on the auditing activity undertaken and its opinion on the said financial statements.

In the report and opinion presented, the Board of Auditors includes the results of the analysis and examination undertaken of the individual and consolidated financial statements that represent the total annual activity of the set of companies that make up the universe of MILLENNIUMBCP AGEAS – Grupo Segurador, SGPS, S.A.

2.

The Board of Auditors accompanied, on a regular basis, the activity of MILLENNIUMBCP AGEAS – Grupo Segurador, SGPS, S.A., through contacts it held periodically with the Board of Directors and Company departments, having always obtained all the information required to carry out its supervisory activities.

3.

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

4.

The Management Report elaborated by the Board of Directors describes the evolution of the Company's activity, in a environment of accented Portuguese structural imbalances. The Report describes in detail the key events that characterized the set of activities of the Group in the insurance and pension fund management sectors along this year financial, which lead to the maintenance of a relevant position among the insurance and of a leadership position in the pension funds industries.

For the Board of Auditors, in short, given the fact that in 2011 the inflow of the insurance sector, including investment contracts, registered a decrease of 29% relative to the previous year, the following is worth highlighting:

4.1

From the perspective of the company's positioning in the specific market in which it operates:

- › The maintenance of its position as a solid Portuguese insurance group, having reached at the end of 2011 a global market share of 11.3% (11.9% in 2010), 14.5% in Life (14.2% in 2010) and 5.5% in Non-life (5.3% in 2010);
- › The Maintenance of market leadership in the pension funds area represents a market share of 28.3% and a volume of assets under management of 3,865 million euros, comparing with 6,718 in the previous year;

4.2

In terms of the consolidated inflow of group, where the overall market recorded a decrease in premium volume by 29%, MILLENNIUMBCP AGEAS – Grupo Segurador, SGPS, S.A.:

- › Reached a volume of inflow, considering direct insurance premiums and inflow from investment contracts, of 1,297 million;
- › Obtained, over the previous year, a decrease in Life Inflow of 37.9% and an increase of 2.0% in Non Life premiums. In the same period, the Portuguese insurance market decreased 38% and 0.9%, respectively in Life and Non-Life;
- › Achieved a consolidated technical margin, before allocation of administrative costs, of 118 million euros, a decreased of 54% comparing with 2010;
- › Registered a consolidated solvency ratio of 147%.

4.3

Regarding the capital structure and results:

- › A reduction of 199 million euros in the shareholders' equity;
- › A net profit of 16.4 million euros, which compares with 114.1 million euros reported in 2010, mainly due to no recurring factors.

5.

In view of the above, the Board of Auditors is of the opinion that the General Shareholders' Meeting of MILLENNIUMBCP AGEAS – Grupo Segurador, SGPS, S.A., should approve:

- › the Management Report, the Balance Sheet and the other individual and consolidated financial statements of the Company, for the year ending 31 December 2011;
- › the proposal for the presentation of results submitted by the Board of Directors.

Lisbon, 29 February 2012

The Board of Auditors

Joaquim Patrício da Silva (Chairman)

Jose Rodrigues de Jesus (Member)

António Fernando Nogueira Chaves (Member)

04

Report of the Statutory Auditors

CONSOLIDATED AUDITORS' REPORT

(ISSUED BY THE STATUTORY AUDITOR)

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

Introduction

1. We have audited the consolidated financial statements of **Millenniumbcp Ageas Grupo Segurador, S.G.P.S., S.A.**, which comprise the consolidated balance sheet as at 31 December, 2011 (showing total assets of 11,678,147,575 Euros and total equity of 946,287,881 Euros, including consolidated net profit of 16,412,472 Euros), the consolidated statements of income, the comprehensive income, the cash flows and the changes in equity for the year then ended and the corresponding notes to the financial statements.

Responsibilities

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

Scope

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



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


Opinion

7. In our opinion, the referred consolidated financial statements present fairly, in all material respects, the consolidated financial position of **Millenniumbcp Ageas Grupo Segurador, S.G.P.S., S.A.**, as at 31 December 2011, the consolidated results of its operations, the consolidated comprehensive income, the consolidated cash flows and the consolidated statement of changes in equity for the year then ended, in accordance with generally accepted accounting principles in Portugal applicable to the Insurance Sector, established by the rule nº 4/2007 of 27 April, with the changes introduced by the rule nº 20/2007 of 31 December and by the rule nº 22/2010 – R of 16 December, both issued by the Portuguese Insurance Regulator (Instituto de Seguros de Portugal).

Report on Other Legal Requirements

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

Lisbon, 12 March 2012


KPMG & Associados,
Sociedade de Revisores Oficiais de Contas, S.A. (nº 189)
represented by
Ana Cristina Soares Valente Dourado (ROC nº 1011)

MILLENNIUMBCP AGEAS

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