

# **Annual Report 2010**

**Volume 1**

**Millenniumbcp Ageas**  
INSURANCE GROUP

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*year after year  
with honourable  
and prestigious  
awards, despite the  
economically difficult  
and demanding  
climate*

## Chairman's Statement

2010 saw the launch of a new name in the insurance market and the birth of the Ageas brand, turning Millenniumbcp Fortis into Millenniumbcp Ageas. This was also a year that signalled a fresh chapter in Ageas's history, built on a new strategy and a new organisation focused on delivering insurance solutions to customers in selected markets across Europe and Asia.

Despite the extremely demanding circumstances due to a turbulent economic environment in the Southern markets and the impact of adverse weather conditions on our performance, Millenniumbcp Ageas reports an extremely positive full year of operations where the set objectives were achieved.

Management of the portfolio of Southern European bonds remains a top priority for Ageas and one that continues to be closely monitored by the Management team and the Board of Ageas, aiming at offering a solid support to Millenniumbcp Ageas.

Environmental events are unfortunately impossible to predict with any certainty in the future and their increasing frequency is impossible to ignore, necessitating a constant review of our intake, policies and pricing.


Millenniumbcp Ageas is granted year after year with honourable and prestigious awards, despite the economically difficult and demanding climate, and the different brands of Millenniumbcp Ageas, especially Médis and Ocidental Vida, are recognised as Trusted Brand, Superbrand and Best Large Life Insurance Company. This latter award is based on the outstanding performance of the company, supported by key financial and economic indicators such as solvency, solidity, efficiency and profitability, supported by a strong growth in premium volumes. I wish to congratulate Millenniumbcp Ageas's Management with these awards, testifying their hard work and commitment.

The company's success of cross selling with Millenniumbcp Bank Customers, next to an innovative product strategy, commitment to service excellence, efficient asset management, rigorous risk and capital management and overall efficiency are key elements to the company's success.

In summary, Millenniumbcp Ageas can feel satisfied about its business performance and confident about its future. However, the economic environment and the impact of climate change will continue to receive our utmost attention because of the potential impact this has on our future growth plans and on our profits.

I would like to thank each of you for your trust, continuous efforts and dedication in our partnership, making these results possible. I look forward to continue making our collaboration work each year more and better in order to deliver on our promises.

Yours sincerely,



Bart De Smet

Chairman of the Board of Directors

## Key Indicators

KEY INDICATORS [EURO MILLIONS]	2010	2009	VAR, 2010/2009
<b>Income Statement</b>			
Direct Written Premiums <sup>1</sup>	1,946	2,371	-17.9%
· Life	1,724	2,163	-20.3%
· Non-Life	222	208	6.8%
Technical Margin <sup>2</sup>	257	232	11.1%
Technical Margin Net of Operating Costs	135	104	29.0%
Net Profit	114	97	17.9%
Net Profit before VOBA (value of business acquired)	142	127	11.4%
<b>Balance Sheet</b>			
Shareholders Equity	1,145	1,289	-11.2%
Total Assets	13,223	13,315	-0.7%
Investments	12,460	12,623	-1.3%
<b>Ratios</b>			
Efficiency			
1. Gross Claims Ratio (Non-Life)	65.5%	60.9%	4.7 pp
2. Gross Expense Ratio (Non-Life)	25.9%	23.2%	2.7 pp
3. Non-Life Gross Combined Ratio	91.4%	84.1%	7.3 pp
4. Life Net Operating Costs/Average of Life investments	0.83%	0.80%	0.03 pp
<b>Profitability</b>			
1. Technical Margin <sup>2</sup> / Direct Written Premiums	13.2%	9.8%	3.5 pp
2. Average Return on Investments (book value)	3.7%	3.4%	0.3 pp
3. Return on Equity (ROE) <sup>3</sup>	13.7%	12.8%	0.9 pp
<b>Solvency</b>			
1. Solvency Ratio	183%	241%	-58 pp
2. Shareholders Equity / Total Assets	8.7%	9.7%	-1.0 pp
3. Coverage of Insurance and Investment Contracts Liabilities <sup>4</sup>	106.6%	112.7%	-6.1 pp
<b>Other Indicators</b>			
Market Share	11.9%	16.3%	-4.4 pp
· Life	14.2%	20.8%	-6.7 pp
· Non-Life	5.3%	5.0%	0.3 pp
Number of Employees	462	458	0.9%

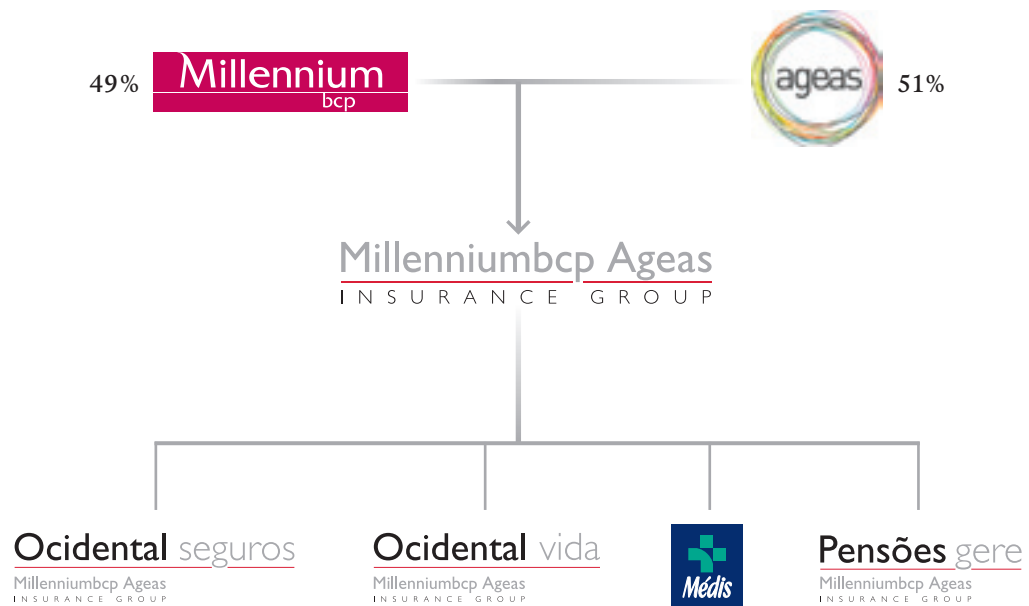
<sup>1</sup> Includes investment contracts, which under IFRS are not accounted as premiums

<sup>2</sup> Before allocation of administrative costs and VOBA (value of business acquired)

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

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

## Shareholders Structure



## Our Shareholders

### AGEAS



#### Company Profile Ageas

Ageas is an international insurance company with a heritage spanning more than 180 years. Ranked among the top 20 insurance companies in Europe, Ageas has chosen to concentrate its business activities in Europe and Asia, which together make up the largest share of the global insurance market. They are grouped around four segments: Belgium, United Kingdom, Continental Europe and Asia. It is an undisputed leader in the Belgian market for individual life and employee benefits, as well as a leading non-life player, through AG Insurance. Internationally Ageas has a strong presence in the UK, where it is the second largest player in private car insurance. The company also has subsidiaries in France, Germany and Hong Kong. Ageas has a track record in developing partnerships with strong financial institutions and key distributors in different markets around the world and successfully operates partnerships in Luxembourg, Italy, Portugal, China, Malaysia, India and Thailand. Ageas employs more than 13,000 people and has annual inflows of almost EUR 18 billion.

#### Ageas in 2010

2010 is the year in which the former Fortis became Ageas. While Ageas is a new name in the market, it is one that has quickly achieved brand recognition as an international insurance company in the markets in which it operates.

More broadly, however, 2010 has also been a year in which the financial markets have continued to feel the full effect of the fall-out from the financial crisis. The focus of attention shifted to Europe where concerns about the sustainability of certain European economies were exacerbated by opportunistic moves against the Euro. The economic crisis that has engulfed Europe, fuelled by fears of rising government deficits and levels of debt, resulted in a major lack of confidence in Europe. And economic contagion spread quickly from Greece to other countries within the Euro-zone, in particular the other economies of Southern Europe.

Ageas's 2010 results are marked by solid growing inflow levels, driven by an excellent first half of the year, and encouraging Insurance net results despite the turbulent economic environment and the adverse weather conditions throughout the year. A comparison with the net result performance in 2009 is difficult because of the changed scope and a positive non-recurring tax impact in 2009. The Group net result amounts to EUR 223 million and breaks down into a net insurance profit of EUR 391 million and a net negative result of the General Account of EUR 168 million.

#### Inflow levels fairly stable at EUR 6.7 billion (vs. EUR 6.9 billion in 2009)

- › Life gross inflow at EUR 5.1 billion, down 4% on last year due to lower inflows via the bank channel;
- › Non-Life gross written premiums at EUR 1.6 billion, up 5%;



- › Inflows 2nd half at EUR 3.2 billion vs. EUR 3.5 billion in first half.

**Net profit after non-controlling interests at EUR 264 million (vs. EUR 366 million in 2009)**

- › Non-controlling interests at EUR 91 million compared to EUR 69 million in 2009 and positive non-recurring tax benefit of EUR 94 million in 2009;
- › Net capital gains of EUR 29 million related to restructuring of the investment portfolio;
- › Net negative impact of EUR 25 million related to exceptional weather related claims.

**Life Funds under management at EUR 48.2 billion (vs. EUR 45.4 billion end 2009) or +6%**

- › Increase driven by new intakes and lower lapse rates.

**Overall combined ratio at 107.4%**

- › Combined ratio, excluding Workmen's Compensation at 104.3% (vs. 102.5% in 2009);
- › Second half combined ratio at 107.6%, nearly stable on the first half.

**Net loss of EUR 168 million (vs. EUR 705 million net profit in 2009)**

- › Result impacted by a EUR 203 million non-cash charge related to the MCS conversion and the legal disputes with the Dutch State, a lower valuation of the call option and the fair value of RPN(I);
- › Staff and other operating and administrative expenses halved to EUR 58 million;
- › EUR 405 million non-recurring positive impact from the recognition of deferred tax assets.

**Value call option on BNP Paribas shares at EUR 609 million, EUR 271 million lower than end 2009**

**Fair value of RPN(I) liability at EUR 465 million, EUR 149 million up on end 2009**

**Positive net result impact related to Royal Park Investments of EUR 131 million**

- › Value equity investment increased to EUR 933 million

Ageas will propose a gross dividend in cash for 2010 of EUR 8 eurocent per share which corresponds to a pay-out ratio of 50% of the net result of the Insurance operations. This decision is in line with Ageas's dividend policy to pay 40 to 50% of the net annual result of the Insurance operations.

### **Details by business segment**

Since 2010 Ageas reports along the lines of the four insurance business segments: Belgium, United Kingdom, Continental Europe and Asia. Hereafter a short business description of the new segments:

OVERVIEW GROSS IN FLOW LEVELS BY SEGMENT [EURO MILLIONS]	FY 10	FY 09	%
<b>Belgium</b>	<b>6,709</b>	<b>6,867</b>	<b>-2%</b>
· Life	5,119	5,362	-4%
· Non-Life	1,591	1,515	5%
<b>United Kingdom<sup>1</sup></b>	<b>1,207</b>	<b>913</b>	<b>32%</b>
· Life	27	10	178%
· Non-Life	1,179	903	31%
<b>Continental Europe</b>	<b>3,933</b>	<b>3,941</b>	<b>0%</b>
· Life	3,490	3,706	-6%
· Non-Life	444	235	88%
<b>Asia<sup>2</sup></b>	<b>6,093</b>	<b>4,070</b>	<b>50%</b>
· Life	5,578	3,689	51%
· Non-Life	515	381	35%
<b>Total</b>	<b>17,943</b>	<b>15,791</b>	<b>14%</b>
<b>· Life</b>	<b>14,214</b>	<b>12,757</b>	<b>11%</b>
<b>· Non-Life</b>	<b>3,729</b>	<b>3,034</b>	<b>23%</b>

<sup>1</sup> Retail distribution not reported at inflow level.

<sup>2</sup> All entities at 100%.

### Belgium

The Belgian insurance activities, operating since June 2009 under the name of AG Insurance, have a longstanding history. Total gross inflows in 2010 amounted to EUR 6.7 billion and the company serves more than 2.5 million customers. 75% to 80% of total inflow relates to Life insurance while 20 to 25% to Non-Life. It offers a comprehensive range of Life and Non-Life products sold to private individuals and SMEs. It operates a multichannel strategy with distribution via more than 3,000 independent brokers and via the bank channels of BNP Paribas Fortis Bank and its subsidiaries. AG Employee Benefits is the dedicated business unit selling group life and health care products, mainly to larger enterprises. BNP Paribas Fortis owns 25% of AG Insurance.

### United Kingdom

Ageas's business in the UK is a leading national provider of Non-Life insurance solutions and a related Life protection business. The UK business has a strong presence in the Personal lines market and is continuing to expand its Commercial lines proposition. The split is around 82% Personal lines, 16% Commercial lines and 2% Life Protection. The UK business is the affinity partner of a number of very strong brands including Tesco Bank, John Lewis Partnership, Age UK and Toyota (GB) Limited. The UK business adopts a multi-channel distribution strategy across brokers, affinity partners and own distribution. Its 100% owned subsidiaries include RIAS which has over a million customers in the growing +50 age market segment, Ageas Insurance Solutions which provides white label solutions to affinity partners, outsourcing services as well as direct internet promotion of its own brands and Kwik Fit Insurance Services. The successful start-up of Tesco Underwriting, the partnership with Tesco Bank and the integration of the acquired business of Kwik Fit Insurance Services will further strengthen Ageas's respective market positions in the UK.

### *Continental Europe*

Continental Europe consists of the European insurance activities, excluding Belgium and the United Kingdom. It includes five countries and is a mix of leading positions in mature markets such as Portugal and Luxembourg and smaller positions in France and Germany or the new partnership in Non-Life in Italy. In 2010, about 89% of total inflows were Life related complemented with a Non-Life activity in Portugal and Italy. As part of the strategic review in 2009, the Continental Europe segment took a number of initiatives to align its portfolio which led to the decision to sell the Non-Life activities in Luxembourg, the Turkish and Ukrainian Life operations and to place the Russian operations in run-off.

### *Asia*

Ageas is active in five countries in Asia with its regional office based in Hong Kong and the subsidiary in Hong Kong being fully-owned. The other activities are organised in the form of partnerships with leading local partners and financial institutions in China, Malaysia, Thailand and India. In terms of reporting, Ageas reports on a consolidated basis on Hong Kong while the other stakes are accounted for as associates.

### **FTEs**

Ageas employed 11,707 FTEs on 31 December 2010, compared to 10,613 FTEs end 2009. The increase is mainly related to the recent acquisition and new partnership in the UK. The total breaks down as 5,705 at AG Insurance in Belgium, 4,327 in the United Kingdom, 1,270 in the Continental Europe and 320 in Asia. The FTEs of the latter two segments also include the regional staff based in Brussels and Hong Kong respectively. Ageas's General Account segment, in casu the Corporate Centre employed 85 FTEs end 2010.

### **Capital position**

Ageas's total available capital amounted to EUR 8.6 billion on 31 December 2010 and exceeded the total consolidated regulatory minimum requirements of the insurance operations by EUR 5.6 billion, including the General Account. Total solvency ratio stood at 227%, compared with a 234% ratio end 2009. The increase of the legally required minimum capital for the insurance operations relates to the evolution of the business and the newly acquired business.

The solvency ratio of the Belgian operations declined to 198% as a result of higher intangible assets following investments within its real estate portfolio. The solvency ratio in the United Kingdom increased to 389%. The high ratio is due to the start-up of Tesco Underwriting, fully capitalized but only starting to underwrite as of mid October. In Continental Europe, total solvency came down to 211%, mainly as a result of decreasing solvency margins in Portugal.

The total available capital of the General Account amounts to EUR 1.8 billion, compared to EUR 2.3 billion end 2009. The decrease can be explained by capital transfers to the operating companies to fund the acquisition of Kwik Fit Insurance Services and the start-up of Tesco Underwriting.

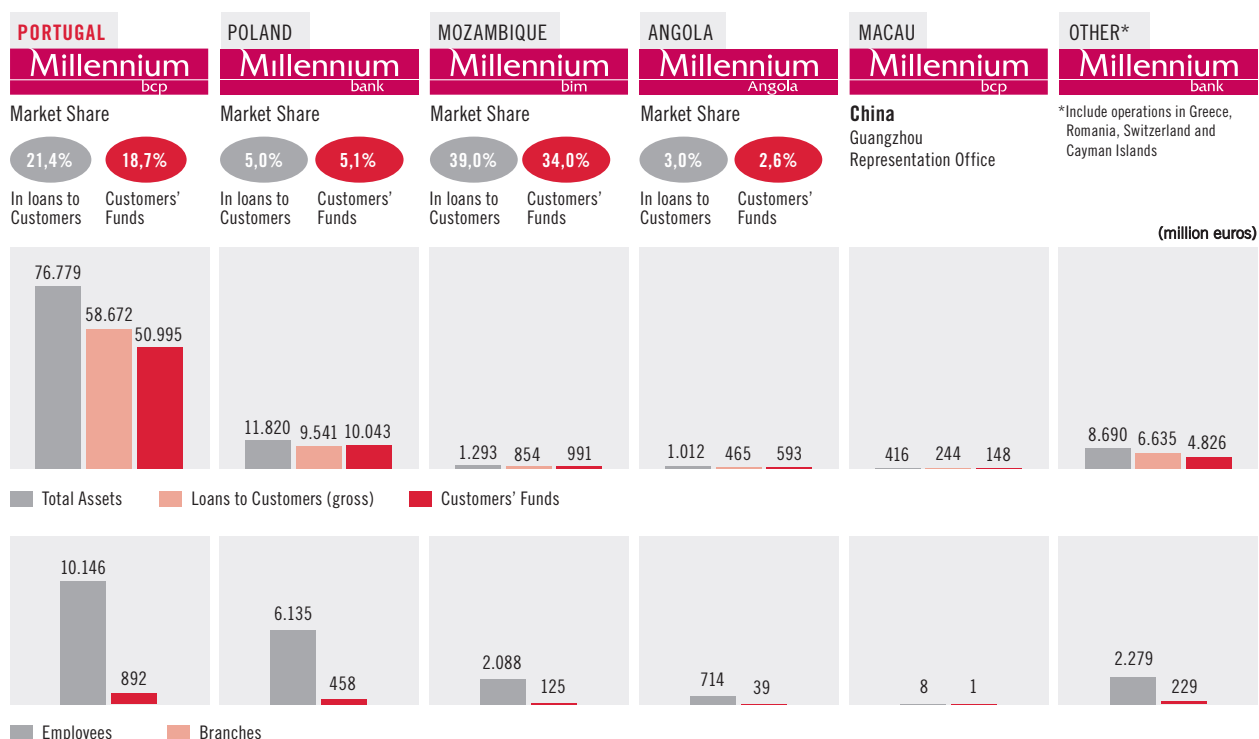
## MILLENNIUM BCP

**Millennium**  
bcp

Millennium bcp celebrated, in 2010, its 25th anniversary since its foundation. The life of BCP to date represents a success story over the course of a quarter of a century, during which it became Portugal's biggest privately-owned bank and a reference institution in various areas in the different markets where it operates, namely: Portugal, Poland, Greece, Romania, Switzerland, Mozambique, Angola and Macau. All these operations trade under the Millennium brand.

Millennium bcp, with decision centre located in Portugal and with an outstanding position within the Portuguese financial market, is the second bank in market share, both in loans to customers (about 22%) and in total customer funds (about 19%), having the country's largest banking distribution network, with a total of 892 branches, serving more than 2.5 million customers in Portugal. The Bank maintains focused on Retail distribution in Portugal and on the international markets that will allow a competitive presence and a significant position in the medium and long term, with special emphasis on Poland, Mozambique, Angola and Macau (China), where the Bank initiated its operations in 2010, through a branch with an onshore license.

**Source BCP:** Market shares in Portugal are based on Bank of Portugal and Portuguese banks' public data. Market shares in Poland are from the Polish Banks Association and Polish Asset Manager Association. Market shares in Mozambique are based on Bank of Mozambique public data. Market shares in Angola are based on National Bank of Angola public data.

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


Its business in Portugal accounts for 77% of total assets, 77% of loans to customers (net) and 76% of total customer funds, being responsible for 83% of net income in 2010. A boost from the contribution of international operations to the Group's net income is expected over the next few years. These operations already account

for 48.9% of the total 1,744 branches and 52.5% of the 21,370 thousand employees of the BCP Group.

The Group offers a wide range of related banking and financial products and services to its customers, ranging from current accounts, means of payment, savings and investment products, to mortgage loans, consumer credit, commercial banking, leasing, factoring, insurance and to private banking and asset management and investment banking, among others, serving its customers on a segmented basis. With the biggest branch network in Portugal and a growing network in other countries in which it operates, the Bank also provides remote banking channels (telephone banking and Internet banking services), which also act as distribution points for Millennium products and services.

### **Business Model**

As at 31 December 2010, the organisational model is based on six business areas – Retail Banking, Companies and Specialised Credit Banking, Corporate and Investment Banking, Private Banking and Asset Management, European Banking, Other International Business, and two support units: Banking Services and Corporate Areas.

Five of these eight business areas and support units have coordination committees, which goal is to simplify the articulation of day-to-day management, involving the top management of the units included in each Business Areas and in the Banking Service Unit, with the mission to align perspectives and to provide support to the Executive Board of Directors in decision-making.

### **Strategic priorities for 2010: Main initiatives**

In 2010, the deepening of the international financial crisis, particularly intense in Europe, combined in the Portuguese case with the needed for the adjustment of structural imbalances, namely the worsening of the budgetary situation and the continuous and significant deterioration of the economy foreign position, within a context of high levels of public and private debt and of low GDP growth in the last decade, in addition to the deteriorating expectations of the participants in international financial markets regarding the sustainability of the public finances in Portugal, has been reflected in a strong increase of the sovereign debt risk premium, reaching historically high levels, which have compromised the funding capacity of Portuguese banks in the wholesale financing market, highlighting the urgent need to deleverage their balance sheets.

Millennium bcp reacted to the crisis in sovereign debt markets primarily through i) a defensive positioning in funding management, ii) the increase in assets eligible for discount within the European Central Bank, iii) the deceleration of the growth in the loan portfolio along with an effort to increase customer funds, seeking to control the commercial gap, iv) an effort to reprice and increase commission fees, in order to improve the revenue base, which together with the cost control initiatives, resulted in the improvement of results; and v) to optimise the risk-weighted assets, seeking to reach a Tier I ratio of around 10%. Millennium bcp's Strategic Agenda for 2010 was therefore adjusted, with the implementation of initiatives under the following three vectors:

Increase trust	Overcoming financial and economic crisis	Focus and sustainability
<ul style="list-style-type: none"> <li>• Reinforce customers relationship</li> <li>• Strengthening capital ratios through the reduction of RWAs, Better Capital</li> <li>• Commercial gap control</li> <li>• Improved results</li> </ul>	<ul style="list-style-type: none"> <li>• Credit re-pricing</li> <li>• Expand customer funds</li> <li>• Reinforcing collateral in credit operations</li> <li>• Significant increase in ECB eligible assets</li> <li>• Launch of an innovative Bank based on the ActivoBank platform</li> </ul>	<ul style="list-style-type: none"> <li>• Organisational simplification</li> <li>• Cost containment</li> <li>• Effective collection of services commissions</li> <li>• Focus on the International Portfolio</li> <li>• Sale of the Turkish and US operations</li> <li>• Licence to operate onshore in Macau</li> </ul>

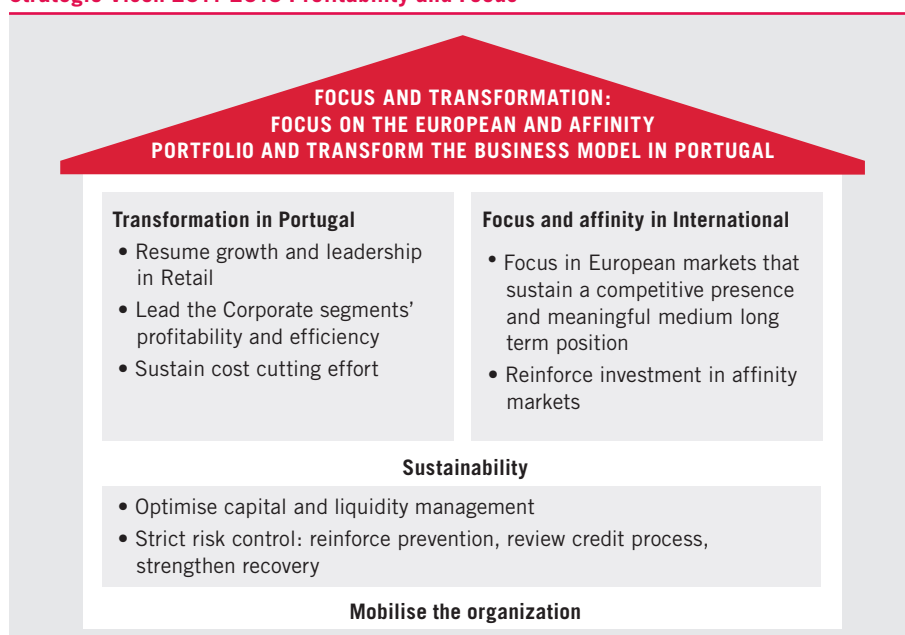
### Strategic Vision 2011-2013 Profitability and Focus

The Bank adapted its vision for the 2011-2013 period, naming it “Profitability and Focus”. Millennium bcp elected as main objective the “Profitability” of the operation in Portugal, within the various business segments, supported by an ongoing effort to contain costs. Simultaneously, the Bank is also focused on risk control, efficiency, innovation and customer service.

The “Focus” strategy and affinity with international operations is reflected in the focus on European markets that ensure a competitive presence and a significant position in the medium and long-term and the commitment to affinity markets (Angola and Mozambique).

The Bank’s vision for 2011-2013 is also based on a third pillar: “Sustainability”, which is based on the optimisation of capital management and liquidity and in the reinforcement of risk control, seeking to improve prevention, review credit concession and boost recovery.

### Strategic Vision 2011-2013 Profitability and Focus



### Strategic guidelines for 2011-2013

In the 2011-13 period, the main strategic guidelines to be implemented form part of three guiding vectors:

- › Financial: so as to maintain the growth trend of the Bank's consolidated income initiated in 2008;
- › Organisational: so as to maintain Employees' engagement, focus on innovation and on discipline as a competitive advantage in the market;
- › Business: in order to simplify and align the business model, focusing on business areas and the Bank's strategic markets.

### Strategic Vision for the medium term

#### Strategic guidelines for 2011-13: Profitability and Focus

FINANCIAL	Sustain recovery of Net Interest Income and Commissions
	Maintain Costs contention efforts
	Reinforce Capital & Liquidity positions
ORGANISATIONAL	Strengthen rigorous Culture and Image
	Motivate and involve Employees
	Promote Innovation as a main competitive advantage
BUSINESS	Maintain Information disclosure and transparency
	Organization streamlining
	Retail reorganization
	Business model alignment
	Focus on core International Markets

### Results

Millennium bcp's consolidated net income was up 34% to Euro 301.6 million in 2010, from Euro 225.2 million in 2009, sustained by the increase in the international activity (+353%). The evolution in net income in 2010 was favourably influenced by the performance in net interest income (+14%), net commissions (+11%) and net trading income (+90%), partially offset by the reinforcement of impairment charges for loan losses (net of recoveries) and for other impairment and provisions.

Net income from the activity in Portugal stood at Euro 249.8 million in 2010, compared to Euro 213.8 million in 2009, reflecting the growth in net operating revenues, sustained by net interest income, net commissions, net trading income and higher level of dividends received, together with the effect from the change in the fiscal framework in the activity in Portugal. Net income was also influenced by the operating costs control, by the reinforcement of impairment charges for loan losses (net of recoveries) and by the accounting of goodwill impairment, which is associated with the subsidiary company in Greece.

Contribution increase from the international operations, growing from 5% in 2009 to 17% in 2010. Net income from the international activity amounted to Euro 51.8 million in 2010, compared to Euro 11.4 million in 2009, favourably influenced



by the performance in net operating revenues, boosted by the increase in net interest income and net commissions, despite the higher operating costs, in particular in the subsidiary companies in Angola and Mozambique, associated with the strategy of organic growth implemented in these markets, in Bank Millennium in Poland, mainly influenced by the exchange rate appreciation of the Zloty against the Euro, and by the impact of the depreciation of the residual value of assets excluded from the process of sale of Millennium bcpbank in the United States of America.

In accordance with International Financial Reporting Standards (IFRS), the Group had at December 31, 2010 total assets of Euro 100,010 million, which compares with Euro 95,550 million at December 31, 2009. Total customer funds, on a comparable basis, reached Euro 67,596 million as at 31 December 2010, up by 1.6%, from Euro 66,516 million on the same date in 2009, benefiting from the increases in balance sheet customer funds, influenced by the rise in debt securities and capitalisation products. In contrast, loans to customers (gross), on a comparable basis, reached Euro 76,411 million as at 31 December 2010, a slight reduction of 0.7% on the same date in 2009. At the end of 2010, consolidated Core Tier I, calculated in accordance with IRB approach and Bank of Portugal rules, reached 6.7%, a favourable evolution from the end of the previous year, in accordance with the standard method (6.4%), with the ratios Tier I and Total standing at 9.2% and 10.3% (9.3% and 11.5% respectively at the end of 2009). BCP shares are listed on Euronext Lisbon and market capitalisation as at December 31, 2010, stood at Euro 2.7 billion.

### Millennium bcp – Financial highlights

FINANCIAL HIGHLIGHTS (MILLION OF EUROS)	2010	2009	CHANGE
Net income	301,6	225,2	33.9%
Total assets	100,010	95,550	4.7%
Total customer' funds <sup>(1)(2)</sup>	67,596	66,516	1.6%
loans to customers (net) <sup>(1)</sup>	73,905	74,789	1.2%
Market capitalisation	2,732	3,967	-31.1%
N. of customers (thousands)	5,197	5,086	2.2%
N. of employees	21,370	21,493	-0.6%
Return on average equity (ROE)	6.1%	4.6%	
Earnings per share (euros)	0,04	0,03	
Operating costs/Net operating revenues <sup>(3)(4)</sup>	56.3%	63.6%	
Operating costs/Net operating revenues (Portugal) <sup>(3)(4)</sup>	51.3%	60.2%	
Tier I solvency ratio <sup>(3)</sup>	9.2%		
Total solvency ratio <sup>(3)</sup>	10.3%		

- <sup>1</sup> Adjusted from the consolidation of Millennium bank Turkey.
- <sup>2</sup> Amounts due to customers (including securities), assets under management and capitalisation insurance.
- <sup>3</sup> According to rule 16/2004 from the Bank of Portugal.
- <sup>4</sup> Excludes the impact of specific items.

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





## **Report of the Board of Directors**

The Board of Directors of Millenniumbcp Ageas Grupo Segurador, S.G.P.S., S. A., has the pleasure in presenting the consolidated report and accounts of the company, regrouping all operations of the Group companies for the year ended December 31, 2010. These consolidated accounts were audited by KPMG.

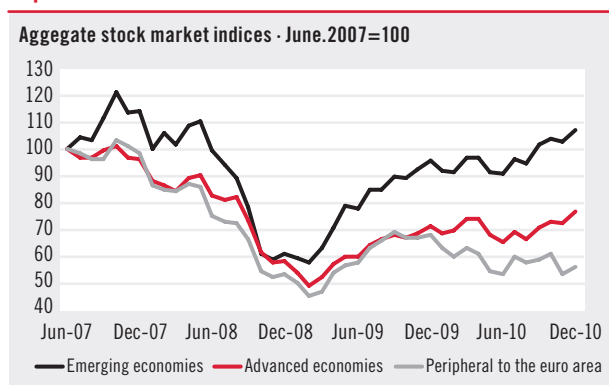
## Report of the board of directors

## Macroeconomic Environment

### OVERALL ASSESSMENT

The world economy recorded a more favourable performance in 2010 and the process of economic recovery is expected to continue, even if at a more moderate pace, over the course of 2011. The price of raw materials increased significantly, with an impact on the development of inflation rates. Financial markets displayed less volatile behaviour, but the differentiation by issuer according to their credit risk, namely in terms of sovereign risk, intensified.

#### Recovery of the global economy fosters a partial improvement in confidence levels



Source: Datastream

Note: indices of the euro area weighted by the Country

The intensity of the crisis that continues to affect several sovereign states of the periphery of Europe, including Portugal, required external assistance to stabilise economies and support financial systems, first in Greece and more recently in Ireland. Despite the availability of exceptional financing to these countries, a climate of uncertainty and recurring tension subsists.

The significant change in the funding conditions and streams of the Portuguese economy, resulting from fears relative to the sustainability of long-term debt, the difficulties of the fiscal consolidation process and the scepticism of investors regarding growth potential, has

made the reduction of the levels of indebtedness of the public sector and of private agents an immediate priority. The return to a recession is projected for 2011, despite the positive expected contribution to growth from net foreign demand. In subsequent years, the return to a more normalised context will depend in good measure on the reach and success of the corrective measures now being implemented.

This environment is extremely adverse for business volumes, the quality of credit and the cost of resources of the Portuguese banking sector, and takes on a new dimension in view of the need to reverse the climate of distrust regarding the financial capacity of the Portuguese State and the private sector. Given the external constraints and domestic difficulties, in current management terms it is imperative to continue the strict control of costs and selectivity in investment expenditure, reflecting the commitment to a correct allocation of scarce resources, the preservation of profitability and the support of employment stability as a confidence-building factor.

### GLOBAL ECONOMIC ENVIRONMENT

Global economic activity resumed a growth path in 2010, particularly in highly export-oriented countries. Emphasis is given to the vigour of developing economies, whose GDP growth rate corresponded to almost three times the average value registered in advanced countries. The estimated world economic growth for 2010 is about 4.5%.

The initial phase and uncertainty about the sustainability and vigour of the economic recovery has conditioned the evolution of the labour market. In fact, there has been no significant reduction of unemployment, which remains at historically high values and shows an increase in the structural component.

The continuity of the recovery cycle is projected for 2011, with less intensity than in 2010 and still characterised by some disparities. In the identification of risks for the economic scenarios relative to 2011, the developments of the sovereign crisis of the Member States of the Euro Area and its international repercussions stand out consensually.

This factor is not exclusive to Europe. The USA is also in a situation of excessive indebtedness, such that concerns with its long-term budgetary leeway and respective impacts on the world economy subsist. A number of other risks also exist, namely the sustainability of the growth process of Asian countries; bottleneck phenomena in the supply of primary raw materials; and international tensions resulting from a deficient coordination of economic policies at a global level, which may manifest themselves more concretely in foreign exchange markets or in free trade.

The return of inflationary pressures reemphasizes the need for coordination of policies and for global commitments.

Deflationary fears eased and led to inflationary pressures related with the evolution of the price of primary raw materials, the increase in direct taxation on consumption and less favourable cyclical developments.

The reversal of the recessionary cycle and one-off natural catastrophes gave rise to an ascending pressure on raw material prices. In some cases, higher price levels than those before the crisis were observed, namely with respect to food, of dramatic consequences for those countries and populations with least resources. The adoption of more efficient solutions in the production and use of scarce resources and greater coordination and consistency of global policies are increasingly important in the worldwide geo-strategic balance.

## Report of the board of directors

### IMF Economic Forecasts

	2009	2010 (E)	2011 (F)	2012 (F)
World	-0,6	5,0	4,4	4,5
Advanced econ	-3,4	3,0	2,5	2,5
Emerging econ	2,6	7,1	6,5	6,5
USA	-2,6	2,8	3,0	2,7
Euro Area	-4,1	1,8	1,5	1,7
China	9,2	10,3	9,6	9,5
Brazil	-0,6	7,5	4,5	4,1
South Africa	-1,7	2,8	3,4	3,8

Fonte: IMF, Jan. 2011

## PROSPECTS FOR THE PORTUGUESE ECONOMY

The Portuguese economy presented a similar behaviour to the average pattern of the Euro Area: growth of activity; increased inflation and inertia in employment. However, the worsening of funding conditions, of the State and of private agents, required additional measures of public finance correction, in the recurring reviews of the budget plans and in the State Budget for 2011, conditioning factors of the financial situation of families and companies. Other exogenous factors also appear to be less favourable for 2011, namely the cost of funding and of international raw materials. In this sense, the return to a recession is projected for 2011, following the growth rate of about 1.4% estimated for 2010.

The change in the conditions of access to foreign funding represents a break with the regime of economic growth and institutional relationship that has characterised the participation of Portugal in the Euro Area since 1999. Notwithstanding

### Recovery of economic activity in Portugal not reflected in the evolution of employment

#### GDP, employment and apparent labour productivity

Real % change year-on-year and contributions in p.p.



Source: INE, own Calculations

the adjustment already undertaken in 2010, almost exclusively supported by the private sector, the funding needs of the Portuguese economy remain substantial. Taking into account the change in the propensity of non-resident investors to finance Portugal, and in spite of the existence of funding alternatives of an extraordinary nature, it will be difficult to avoid a period of strong downturn in domestic demand.

One of the main reasons underlying the worsening of the country-risk concerns the benchmark of low productivity and competitiveness in Portugal over the last decade, which is incompatible with the sustainability of

the existing indebtedness and scenarios of an ageing population. Improving levels of productivity in a structural way requires farsighted policies and, even when successful, implies relatively long adjustment periods. As such, gains in competitiveness depend, for the most part, on a price policy and remuneration of factors adjusted to the underlying reality, i.e. that contributes towards the reduction of the external disequilibrium of the country.

The reversal of the trend of basic raw material prices, with emphasis on oil prices, and the effects of the change in taxation on consumption led to an increase in the inflation rate in 2010, to 1.4%. These factors will also influence the behaviour of prices in 2011, raising the inflation rate to levels above 2%. The purchasing power of families diminishes, in addition to the effects of the public support rationalisation measures.

The low trend growth and the need to restore higher levels of productivity and profitability have fostered a reduction of staff numbers and raised the unemployment rate to unusually high levels, close to 11%. The social drama of unemployment is further complicated by its persistence, since more than half of those unemployed constitute long-term unemployment. The exclusion from active employment contributed to the widening gap between skills and needs demanded.

## Insurance Sector Environment

In 2010, direct written premiums and investment contracts in Portugal registered a significant growth of 12.6% relative to the previous year, exceeding 16.3 billion euros, equivalent to approximately 9% of Portuguese GDP.

Insurance sector premiums were, once again, driven by the expansion of 17.2% in Life business, where total premiums exceeded 12 billion euros. Savings products exerted a significant influence on this evolution, whose premiums increased 26.6% (reaching almost 8.0 billion euros).

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The evolution registered in Life business led to an increase in the weight of this segment in the total portfolio, which increased to 74% relative to the 72% registered in the same period of the previous year.

The production of direct insurance in Non-Life business registered a slight increase, having reached 4.2 billion euros, up 0.9% on the previous year, thus reversing the downward trend of the last few years. It is important to highlight the growth in the Health, Fire & Other Risks and Motor lines of business, in contrast to the Workman's Compensation line that continued to decrease relative to 2009 (-4.1%), although at a less pronounced pace than the previous year (-9.1%), justified by a macroeconomic, at both national and international level, namely due to the weak dynamism of macroeconomic aggregates such as private consumption, investment, income and employment, as well as intense competition between operators of this business sector.

In 2010 there was an increase in concentration in the national insurance market, reversing the trend registered in 2009, with the five main insurance groups being responsible for approximately 73% of the premiums issued, in comparison to 70% registered at the end of 2009.

### Direct Written Premiums and Investment Contracts – Portugal Market (EURO MILLIONS)

LINES OF BUSINESS	2010	2009	2008	2007	VAR.10/09	VAR.09/08	VAR.08/07
Life	12,173.4	10,383.9	11,004.7	9,369.3	17.2%	-5.6%	17.5%
Non-Life	4,168.5	4,131.6	4,321.0	4,371.6	0.9%	-4.4%	-1.4%
<b>Total</b>	<b>16,341.9</b>	<b>14,515.5</b>	<b>15,325.8</b>	<b>13,750.9</b>	<b>12.6%</b>	<b>-5.3%</b>	<b>11.5%</b>

Source: Associação Portuguesa de Seguradores.

Despite the stagnation of economic activity that has taken place, we can state that the insurance sector is based on a solid and robust model, and is overcoming this challenging situation without financial support from the State, with no cases of insolvency and maintaining a solvency ratio well above the 100% required by the regulator.

## LIFE BUSINESS

The growth of Life business was, indeed, very strong during the course of 2010, having remained above 30% since March. However, from September onwards, there was a reversal in the monthly growth rate trend of the business, which decreased to 17.2% in December. This growth rate is even more remarkable when analysed within the general context of the Portuguese economy, whose GDP grew at a rate below 2%.

This growth has been driven by the development of savings products, in particular those not associated to investment funds. Overall, this type of products registered a total amount of premiums of about 8.0 billion euros, corresponding to a growth rate of 26.6% relative to the 6.3 billion registered in the same period of the previous year. In a particularly volatile environment of low liquidity in the economy, saving products with guaranteed capital and return rates have become refuge products for Portuguese savers, averse to other types of financial products with higher risk.

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In Life business, one should also highlight the performance of the Retirement Savings products (PPRs) that continues to present a positive growth rate, confirming the existence of a progressive change in attitude within the Portuguese population regarding retirement:

- › there is greater awareness that the retirement awarded by Social Security is not enough to maintain the standards of income and of living equivalent to the period of active life;
- › the prudence applied to the management of insurance companies is perceived by the population, inspiring credibility and security.

Unit-Linked products registered a decrease relative to 2009, with demand having been strongly conditioned by investors' diminished appetite, in the current economic and financial climate, for products with low liquidity and/or without guaranteed capital.

**Direct Written Premiums and Investment Contracts – Portugal Market (EURO MILLIONS)**

LINES OF BUSINESS	2010	2009	2008	2007	VAR. 10/09	VAR. 09/08	VAR. 08/07
Savings (includes Unit-Linked)	7,969.4	6,295.5	7,588.6	6,835.2	26.6%	-17.0%	11.0%
Savings (PPRs / PPPE)	3,252.5	3,144.8	2,465.9	1,698.2	3.4%	27.5%	45.2%
Risk & Annuities	951.5	943.6	950.2	835.9	0.8%	-0.7%	13.7%
<b>Total</b>	<b>12,173.4</b>	<b>10,383.9</b>	<b>11,004.7</b>	<b>9,369.3</b>	<b>17.2%</b>	<b>-5.6%</b>	<b>17.5%</b>

Source: Associação Portuguesa de Seguradores.

In Life business, similarly to what occurred in the overall market, a high degree of concentration around the five main operators in the national market continues to be evident. In fact, the five main insurance groups, which represented approximately 81% of the total Life insurance market in 2009, represented 83% of this market by 2010.

## NON-LIFE BUSINESS

Non-Life business registered a year-on-year growth of 0.9%, with total direct written premiums reaching approximately 4.2 billion euros.

In Non-Life business the growth of Health (around 7%) continued to stand out. This evolution is in line with previous years trend that has been several years in the making, which can be explained by the increasing concern of the population with access to health care and the versatility, range and affordability of such insurance, which is increasingly becoming a complement to the services provided by public health care systems.

One of the main lines of business in Non-Life – Workman's Compensation – continues to register a decrease in the volume of direct written premiums, currently at 4.1%, whose evolution is strongly conditioned by the performance of our economy and by the strong competition in the insurance sector. On the other hand, the Motor business registered, for the first time since 2007, a slight increase in its volume of premiums (0.4%).

As for the costs incurred with net claims after reinsurance in Non-Life, there was a decrease of about 2.7% in the third quarter, resulting from a slight acceleration of the amounts paid and the variation in the provision for claims (64.5%), both compensated for by a recovery in terms of costs incurred with reinsurance ceded claims (37.4%).

The net claims ratio of reinsurance regarding Non-Life business thus registered, relative to September 2009, a recovery of 1 percentage point, justified by the decrease in costs incurred with net claims after reinsurance and by the slight recovery of premiums.

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### Direct Written Premiums – Portugal Market (EURO MILLIONS)

LINES OF BUSINESS	2010	2009	2008	2007	VAR. 10/09	VAR. 09/08	VAR. 08/07
Motor	1,671,9	1,665,6	1,809,7	1,943,9	0.4%	-8.0%	-6.9%
Fire & Other Risks	765,3	744,3	732,2	705,9	2.8%	1.7%	3.7%
Workman's Compensation	645,9	673,7	741,1	762,5	-4.1%	-9.1%	-2.8%
Health	532,2	499,7	482,8	440,5	6.5%	3.5%	9.6%
Personal Accidents	178,4	180,0	172,3	169,2	-0.9%	4.5%	1.8%
Other	374,7	368,3	382,9	359,6	1.8%	-3.8%	6.5%
<b>Total</b>	<b>4,168,5</b>	<b>4,131,6</b>	<b>4,321,0</b>	<b>4,381,6</b>	<b>0.9%</b>	<b>-4.4%</b>	<b>-1.4%</b>

Source: Associação Portuguesa de Seguradores.

This decrease in costs incurred with claims is evident in practically all lines of business, being reflected in the reduction of claims ratios. In contrast to this downward trend, the Fire & Other Risks line of business registered an increase of 14 percentage points in its net claims ratio of reinsurance, largely due to the claims incurred in February 2010 in the Autonomous Region of Madeira.

### Claims Ratios

LINES OF BUSINESS	JAN-SET 2010	JAN-SET 2009	JAN-SET 2008	JAN-SET 2007	2009	2008	2007	2006
Accidents	74.5%	75.9%	75.3%	72.4%	75.7%	77.6%	77.2%	77.8%
Health	77.1%	82.5%	75.6%	77.4%	87.1%	82.8%	82.8%	84.4%
Fire & Other Risks	72.9%	58.8%	51.1%	46.9%	64.4%	53.7%	46.9%	52.0%
Motor	77.3%	80.1%	70.5%	70.8%	75.1%	69.3%	70.6%	69.3%
Other	63.3%	73.8%	59.2%	58.5%	74.4%	66.3%	57.5%	71.6%
<b>Non-Life</b>	<b>75.3%</b>	<b>76.4%</b>	<b>69.3%</b>	<b>68.7%</b>	<b>75.5%</b>	<b>70.8%</b>	<b>70.1%</b>	<b>71.0%</b>

Note: Ratios based on premiums issued. Claims experience includes amounts paid, variations in provisions for claims and allocation of associated administrative expenditure. Rates are shown net of reinsurance impact.

## Millenniumbcp Ageas – Key Events 2010

The year of 2010 was an extremely difficult and demanding year at every level. The maintenance of the recessionary economic environment, the continual rise in unemployment, the increasing pressure from financial markets, namely with respect to sovereign debt of the peripheral European countries, and the lack of liquidity in markets, are only a few of the factors that have imposed serious constraints on the



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growth and solidity of the insurance market. In spite of this panorama, the final assessment of 2010 for Millenniumbcp Ageas was extremely positive and, overall, the objectives set were achieved. Amongst the several events that marked the activity of 2010, the following were of particular relevance:

- › At the sales level, overall sales of Retirement Savings Plans (PPR) maintained a good performance. With reference to capitalisation products, it is important to highlight the 45% growth in plans with scheduled contributions. In Unit-Linked products, the Private Banking network registered a four-fold increase in the amounts subscribed in comparison with the previous year, which means that the 2010 financial year was also, in this area, the best year ever. Insurance penetration rates in the Millennium bcp customer database remained at levels of excellence, representing international benchmarks. The sales of Médis products grew more than 10%, to reach around 27% market share, more than 455,000 customers, a 97% level of satisfaction, and leadership in its segment in terms of brand awareness and memory to be achieved at year-end. It is important to highlight, given the particularly difficult current economic climate for companies, the successes of the relaunch of EuroNegócio, the specialised support model in the Business segment, and the double-digit growth in Corporate bancassurance;
- › The new Non-Life distribution channel – Ocidental – Agents & Brokers – launched at the start of 2008 for the SME segment, supported by a network of professional agents has already contributed, in 2010, with a volume of premiums of 35.5 million euros, corresponding to a growth of 9.1% in comparison with the previous year;
- › Also at the sales level, it is important to note the contribution of the Distribution Agreements – partnerships between Médis and other Insurers – whose premiums reached 10.1 million euros in 2010, representing a growth of 64% in comparison with the previous year;
- › The degree of satisfaction of our Customers relative to products and services provided grew in 2010 from 71.8% to 73.0%. Contributing to this result was the permanent focus of all company areas on Customer service which made it possible to improve the speed of response to requests (from 2.3 working days in 2009 to 1.7 in 2010) and complaints (from 3.0 working days in 2009 to 2.7 in 2010), as well as the quality of the service provided;
- › At the start of 2010, a project was launched to add more dynamism and improve the performance of the technical and operational areas. This project, known as “M4”, is based on four key intervention vectors: Customer service, profitability, productivity and motivation. The project is based on the strong involvement of all employees, through the submission of improvement ideas initially involving the creation of an ideas database with a high participation index (455 ideas submitted), through the collaboration in the implementation of initiatives created through the ideas collected. One of the most important characteristics of “M4” is its communicational component, with special emphasis on the web page created in the Millenniumbcp Ageas portal, through which all employees can follow the progress of the project (evolution of initiatives and results obtained). To support the project, a team was assigned to add dynamism to, organise and

monitor the initiatives, as well as update information on the project. Still within the scope of the “M4” project, the restructuring of the Non-Life back-office areas was concluded, which resulted in the centralisation of the technical areas and claims management areas, which will enable future productivity and efficiency gains to be achieved;

- › In terms of Non-Life claims management, 2010 was the year of operational stabilisation and consolidation of the procedures within the scope of the claims management model that is based on the outsourcing of a set of management support, non-core activities. From a financial point of view, 2010 was a year of significant savings in terms of platform costs, resulting from economies of scale and from the renegotiation of outsourcing contracts. This model, which is unique and innovative in the insurance market, was implemented in 2009 in the Motor and Workman’s Compensation businesses. The centralisation of Non-Life claims management, with the exception of Health, in one single area, allowed the model to be extended to the other lines of business, namely Personal Accidents, Protection Plans and Property, generating economies of scale and promoting productivity and synergy gains;
- › In terms of claims management of Health business, the demands of some businesses in portfolio, composed of tailor-made customer solutions, with pre-negotiated circuits and levels of service, led the area to focus even more intensely on operational efficiency and efficacy, aimed at meeting the agreed business conditions, some of which are supported by personalised management. The service levels reached (80% of costs incurred outside the Médis Network paid within 10 days) are one of the pillars of satisfaction of the insured universe and of Customers. Also in relation to the treatment and processing of the manual billing that Médis Providers send for payment, the structure was adjusted with a view to an improved response and optimisation of resources, aimed at meeting the agreed payment deadlines (85% of invoices paid within 30 days), as well as the conference of the same;
- › In terms of information systems, it is worth mentioning the multiple initiatives to reinforce the automation and webisation of processes shared with Millennium bcp that allow the Bank’s branches to conclude the entire sales process in a single contract, presenting the proposal to the Customer, closing the deal, issuing the policy and charging the premium. Amongst the various activities conducted throughout the year, the following should also be highlighted: i) the Vida/AIA Project, whose objective involves implementing a new IT support to fully manage the Life business, which will enable a qualitative leap at all levels of the business chain and which, in the future, will certainly be a differentiating factor in relation to the main competitors; ii) the IValue Project whose objective is to improve the quality of the management information that supports the decision making process;
- › In the risk management area, continuing the Solvency Regime II implementation project initiated in the second half of 2009, the local plan was aligned with the Ageas group plan, with the objective of maximising synergies. In addition, the detailed plan was developed, and the resources and investment analysis was

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undertaken. In the last quarter of 2010, and in accordance with the established planning, some sub-projects were initiated, within the scope of Governance, IT and Modelling workstreams;

- › In the area of Human Resources management, note should be made of two initiatives: within the scope of training, the development of an e-learning platform that will enable employees, through a simple and easily accessible tool, to develop and enrich their technical skills within the scope of the insurance activity and the approval of a restructuring programme, to be implemented from 2011 onwards, aimed at the rejuvenation of staff;
- › Ocidental Vida was once again awarded the prize of “Best Large Life Insurance Company” in Portugal by the magazine “Exame”, as market recognition of the work that has been undertaken over the last few years;
- › In the Pension Funds management business, Pensõesgera maintained market leadership, with the total value of assets under management having exceeded 6.7 million euros. It is also worth mentioning all the preparatory work undertaken to adapt the Pensõesgera services to the new regulatory requirements, namely financial reporting, risk management and internal control.

## Mission, Values And Strategy

### MISSION

To be the leading insurance company for the Portuguese insurance market by leveraging Millennium bcp’s branding and multi-channel sales network and capitalising on Ageas’ product development capabilities: offering a full range of innovative and best solutions to its customers through service excellence in terms of people and processes.

### VALUES

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

<b>Strength (Stability)</b>	We are credible, now and in the future. We are a solid partner, providing to our staff opportunities, challenges and enlarged prospects.
<b>Responsibility (Credibility)</b>	We listen, understand and respond to customers and society needs. We understand that to achieve it, our Employees are crucial and therefore we offer them the means to grow and develop their talents in full.
<b>Innovation (Creativity)</b>	We strive for better and more appropriate solutions. We encourage people to use their initiative and develop their entrepreneurial spirit.
<b>Straightforward (Pragmatism)</b>	We are frontal and act with transparency.

These values are supported by a set of behaviours and business practices, which are assumed on a day-to-day by its Employees.

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### STRATEGY

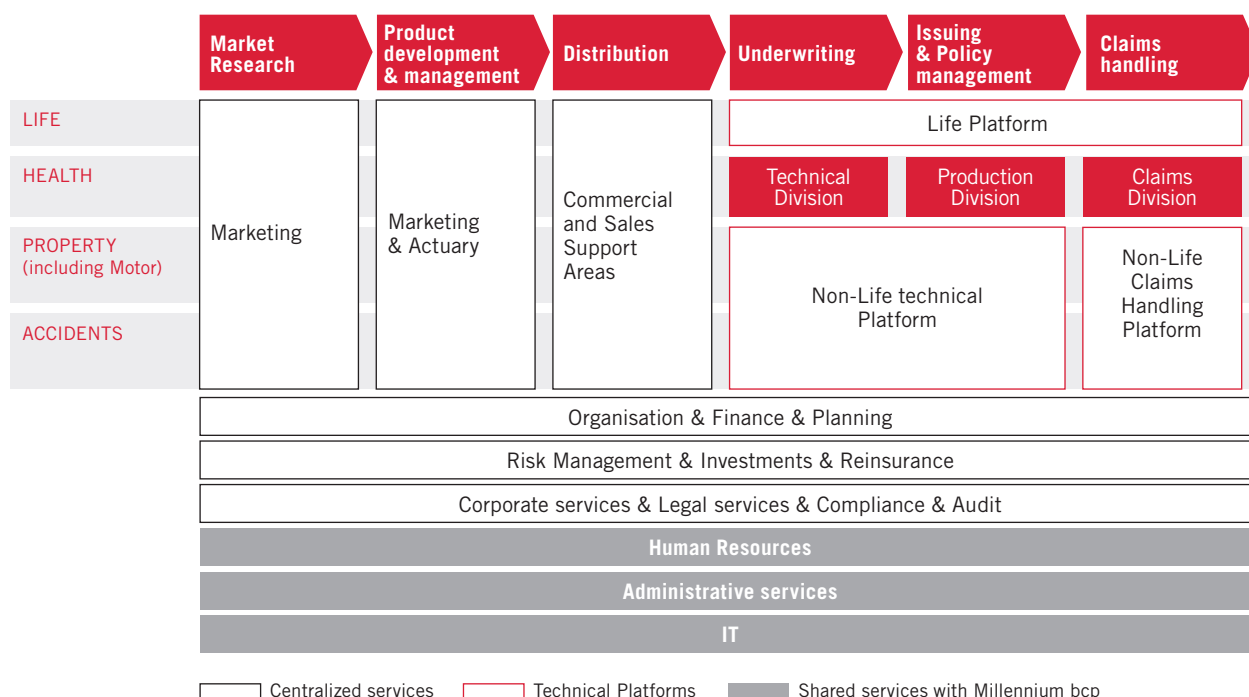
The strategy of the Millenniumbcp Ageas Group is based on 8 pillars, of which derives a set of objectives.

STRATEGIC PILLARS	OBJECTIVES
<b>Increase financial strength</b>	<ul style="list-style-type: none"> <li>• Being leader of the market in volume of business;</li> <li>• Improve the drivers of profitability defending margins and balance the portfolio;</li> <li>• Maintain solvency levels.</li> </ul>
<b>Maximize growth through Millennium bcp</b>	<ul style="list-style-type: none"> <li>• Increase the effectiveness of campaigns and ensure the continuity of sales outside that period;</li> <li>• Develop stand-alone sales;</li> <li>• Simplify the product offer and business processes.</li> </ul>
<b>Develop alternative channels</b>	<ul style="list-style-type: none"> <li>• Balance the portfolio and increase profitability by developing alternative distribution channels (e.g. Ocidental Agents and Brokers channel).</li> </ul>
<b>Develop new products</b>	<ul style="list-style-type: none"> <li>• Anticipate the market needs by launching innovative products that promote sales and serve new market segments.</li> </ul>
<b>Improve quality of service</b>	<ul style="list-style-type: none"> <li>• Improve the relationship with the Clients through lean processes, supported by excellent service levels.</li> </ul>
<b>Align IT with company objectives</b>	<ul style="list-style-type: none"> <li>• Increase productivity and control operating costs;</li> <li>• Increase control over the IT support by reducing the response time (e.g. Implementation of a new IT system to support the Life business).</li> </ul>
<b>Mitigate operational risk</b>	<ul style="list-style-type: none"> <li>• Minimize exposure to operational and financial risk.</li> </ul>
<b>Ensuring the involvement and accountability of Employees</b>	<ul style="list-style-type: none"> <li>• Develop skills and competencies;</li> <li>• Encourage self-development and accountability as a mean of enhancing the career development.</li> </ul>

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### ORGANISATIONAL STRUCTURE

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



### Marketing & Comercial

In spite of the negative economic context, Millenniumbcp Ageas succeeded once again in registering a positive performance in Non-Life, in contrast with that of the market, with the premium volume growing 6.8%. Comparatively, the Portuguese market grew only 0.9%, once again below GDP growth, although still an improvement on previous years. In Life, the total growth of premium volume was negative, as a result of the programmed deceleration of the volumes of Unit-Linked Products initiated in 2009.

The financial year of 2010 continued to be marked by product-market innovation. Overall, the weight of new products in the business generated by the various channels came to 43.7%, measured by the volume of new premiums in products launched in the last 12 months, be it in Life or Non-Life business.

The subscriptions to retirement savings plans (PPR), measured by the volumes of new contracts and reinforcements of existing contracts, remained in line with those of the previous year, but the volume of premiums decreased about 3% overall, as a result of the expected decline in the volumes of scheduled contribution contracts. Taking into consideration the alterations to the tax allowances of PPR arising

from the Stability and Growth Pact (SGP), in force from 2011 onwards, this tax benefit was used as by Millenniumbcp Ageas as a communication lever at the end of 2010.

Nonetheless, the product positioning of Millennium-bcp Ageas, directed at the needs of clients with a view to constituting long-term retirement savings, enabled the appeal of the PPR as a pension complement to stand on its own without depending on the tax allowances, with the volume of subscriptions having been balanced throughout the financial year, reducing the dependence on the launch of special series. Among new products and new series of products already known, 13 new PPR solutions were launched during the course of 2010.

The PPR available at Millennium bcp benefited from multimedia promotion campaigns, with an emphasis on radio and promotion in the main football stadiums during the various professional championships, which benefitted from extensive television coverage.

The *ppr.net*, an innovative and exclusive product of the Internet channel of Millennium bcp, became appealing to Bank clients once again: in spite of only having been available for short periods (only in January and December), it contributed decisively to the growth of approximately 500% of the sales of PPR through the millenniumbcp.pt portal.

Also noteworthy was the development of an exclusive PPR for the Private Banking network of Millennium bcp, launched in 2 series, which contributed markedly to the record volume of subscriptions in this Bank network.

In Savings products, after the year of 2009 marked by strong growth, the evolution of volumes was in line with expectations and above the average of the last 5 years. “*Poupança 112*”, one of the star products of the previous year, returned with a new series in January meriting the preference of Millennium bcp clients, as well as the latest “*Puro Capital*”. Focus was also maintained on the presentation of segmented, innovative and appealing solutions to constitute regular savings. Clients acknowledged it, with the volumes of scheduled contribution plans having grown more than 45%.

In Unit-Linked products, the programmed deceleration of volumes begun in 2009 was maintained in 2010. Nonetheless, Millennium-bcp Ageas continued to innovate and present solutions adapted to the profile of clients and market circumstances. Among new products and new series of products already known, 14 new Unit-linked solutions were launched during the course of 2010.

It is worth underlining the demand registered in this line of products in the Private Banking network, which enabled a four-fold increase in the amounts subscribed, in comparison with the previous year, making 2010 the best year ever.

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In spite of the expected decrease in the volume of loans and the increase in spreads, the penetration rate of insurance associated to credit operations remained at levels of excellence, constituting international benchmarks. Overall, the volume of new premiums decreased 20% relative to 2009. The launch and increasing importance of the new PPP associated to mortgage loans (+ 130.6% relative to the previous year), and the very positive evolution of Motor Insurance associated to financing operations (+78.6% relative to 2009) is also noteworthy.

In stand-alone risk products, the focus on the strategic pillars of product-market innovation and multi-channel distribution continued to produce visible results. The number of campaigns with commercial objectives in Millennium bcp was an important boost for the evolution of the stand-alone risk business, in spite of the adverse economic context and the increase in penetration of insurance in the market and in the Bank's Customer base. In addition to the commercial dynamism of Millennium bcp, the continued product innovation and diversification of channels enabled the total volumes of new stand-alone risk products (Life and Non-Life) to be maintained.

The new premiums of Personal Accidents grew 25.3%, due to the combined effect of the recognised quality of the product offer, and the commercial dynamism of Millennium bcp. The sales of Médis products registered a significant value, enabling the increasing market share trend to be maintained. Considering direct written premiums and reinsurance accepted, Médis achieved, at the end of the year, a 26,6% market share (+1.2 p.p. YoY), more than 455,000 Clients, a 97% satisfaction level measured by an independent survey conducted by The Nielsen Company, the leadership in its segment in terms of brand notoriety and brand recall, and was awarded Superbrand for the 5th consecutive year.

Every year since 2005, Médis has been launching new products or solutions within the existing product range, always focused on innovation and on the needs of the various market segments. The year of 2010 was no exception, with the launch of the product "Vintage",

directed at the senior segment. The promotion of the Médis brand was ensured by a carefully thought-out presence in several traditional media, on the Internet and, once again and with a strong media coverage, at selected sports events with a high return on investment. In addition to the positive evolution of the premium volume and of brand awareness, Médis registered its best results ever in 2010.

In stand-alone Fire & Other Risks (F&OR) products, 2010 was once again a year of growth, be it in the individual customers segment or in the SME segment.



In relation to the previous year, the volume of new premiums grew 11.4%. F&OR product maintained, once again, the distinction by the main Portuguese consumer organisation, being classified as one of the best in the national market.

With regards to stand-alone risk products, *Pétis* product, pet insurance with Third Party Liability and vet expenses component, registered a growth in premium volume of 163.9% year on year, proving that, even in an adverse economic context, products innovation and communication produce results. *Pétis* is a product with enormous potential, and one of the focus points for the development of multi-channel business over the next few years.

In the Motor business, which has not been a strategic priority in terms of promotion of Millenniumbcp Ageas products within the Bank, the Company registered a decrease of 6.3% in premium volume. However, the reformulation of the offer initiated in 2010 envisages an inversion of this trend over the next few years, based on product innovation and adjustment to the needs of Millennium bcp Clients.

Finally, it is worth highlighting, given the particularly difficult current economic climate for companies, the relaunch of EuroNegócio through an adaptation and increased flexibility of solutions for small businesses, the success of the specialised support model in the Business segment, and the double-digit growth in Corporate bancassurance. The consolidation of the business channel directed at the SME segment, based on a carefully selected network of agents and brokers, contributed as expected to the increase in market share of Ocidental Seguros in Non-Life. A fact that merits recognition in a concentrated, mature and competitive market and in such a challenging year as 2010.

## EMPLOYEE BENEFITS

The commercial approach to the Millennium bcp *Corporate* and Companies network was carried out by the Corporate bancassurance business area, distributing in an integrated way Pension Funds from Pensõesger, Property and Health insurances from Ocidental Seguros and Life insurances from Ocidental Vida, involving both the Companies and their Staff as Customers.

The strong market presence and commercial dynamism of Millennium bcp *Corporate* and Companies network allowed to generate a business volume in terms of new premiums and contributions 28,3 million euros. The total value of new pro-

## Report of the board of directors





## Report of the board of directors

duction was divided as follows: 3.0 million euros in Pension Funds; 22,3 million euros in Life Savings products; 1,4 million euros in Health insurance and 1,6 million euros in Corporate non-life insurance.

The prominent position or leadership in the markets it serves, the global view of the customer through the integrated offer of *employee benefit* products and the consolidation of a global offer with Non-Life insurance, allow us to forecast for 2011 an offer consolidation of global insurance and pension fund solutions for companies.

### Open – end Pension Funds

Pensõesgere has three Open-End Pension Funds that are distinguishable by the greater or lesser exposure to higher risk assets – equities.

#### HORIZONTE SEGURANÇA

The Fund is suitable for those who want a safe investment – “low risk” investment policy (0% in equities). This Fund’s investors have a short investment time horizon. This is a Fund designed for investors who are close to retirement age or near the time of repayment.

#### HORIZONTE VALORIZAÇÃO

The Fund is appropriate for those wishing to invest with some exposure to equities – balanced investment policy (30% in equities). Investors in this fund have a medium investment time horizon. This is a fund intended for investors with medium term retirement dates.

#### HORIZONTE VALORIZAÇÃO

The fund is suitable for those who want to invest with higher return – higher risk in investment policy. This is a fund aimed at investors who prefer risk assets due to its potential return, which can be expected in investment funds with high maturity and high exposure to equities – up to 50% (long time horizon).

## Financial Review

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

In 2010, Millenniumbcp Ageas registered a decrease in the volume of direct insurance premiums of 17.9% relative to the previous year, penalised by the performance of Life business (-20.3%), since Non-Life business, in contrast to the performance of the market, continued to grow strongly at 6.8%. With a volume of direct insurance premiums of 1,946 million euros and a total market share of 11.9%, Millenniumbcp Ageas has positioned itself in the national market as the third largest insurance group.

In Life business, the volume of direct insurance premiums stood at 1,724 million euros. The commercial strategy relative to Retirement Savings Plans (PPR), as well as Capitalisation products not linked to investment funds, adjusted to the level of demand and needs of savers who, during periods of less liquidity in the economy, show greater propensity to choose lower risk products, was prudently conditioned by greater control over growth, in order to ensure an adequate level of exposure to risk. In Non-Life business, there has been a notable increase in direct insurance premiums of 6.8%, a fact that is even more remarkable given the weak growth of the market in this business, penalised once again by the poor perfor-

mance of our economy (nominal growth of 0.9%) and intense competition among operators.

In 2010, the Pension Funds business registered a decrease of 5.1% relative to 2009, having reached a total volume of assets under management of 6,718 million euros; however, the decrease of 10.4% in the overall business sector allowed Pensõesgera to strengthen its market share to 34.2%, which corresponds to an increase of 1.7% relative to 2009.

## LIFE BUSINESS

### Direct Insurance Premiums

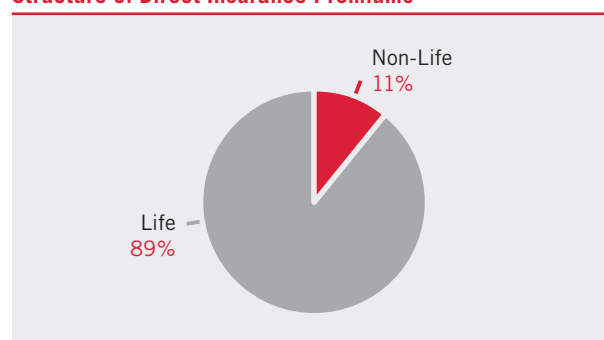
Life business achieved premiums of 1,724 million euros, corresponding to a decrease of 20.3% relative to the same period of 2009, essentially due to the lower contribution of Unit-Linked products (586 million euros), as well as Savings products (433 million euros), with an annual decrease of 40% and 6.5%, respectively. However, the leadership of Milenniumbcp Ageas in the Risk and Annuity product market, as well as the maintenance of the 2nd position in the Life business ranking, is noteworthy.

Evolution of Direct Insurance Premiums (THOUSAND EUROS)

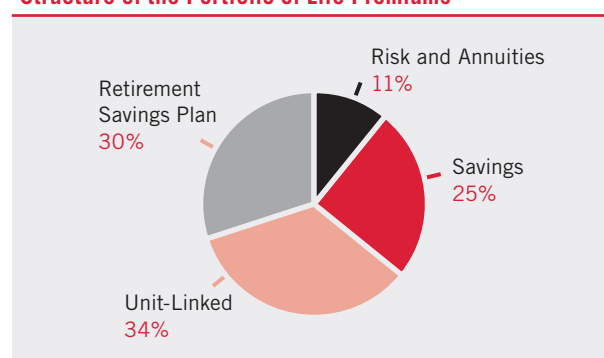
LINE OF BUSINESS	2010	2009	2008	VAR.10/09	VAR.09/08
Savings	432,504	462,816	283,580	-6.5%	63.2%
Unit-Linked	585,708	975,856	1,235,053	-40.0%	-21.0%
Retirement Savings Plan	519,544	537,350	509,331	-3.3%	5.5%
Risk and Annuities	185,744	186,741	210,231	-0.5%	-11.2%
<b>Total</b>	<b>1,723,501</b>	<b>2,162,762</b>	<b>2,238,194</b>	<b>-20.3%</b>	<b>-3.4%</b>

Notwithstanding the fall in the volume of premiums referred to above, it is important to mention the good performance shown by the Retirement Savings Plans (PPR), which exceeded, for the third consecutive year, 500 million euros, having reached 520 million years in 2010, as a consequence of the sales effort made since the beginning of 2010 and the capacity to develop attractive products over the course of the year, adapted to the different market segments. The result achieved confirms that it is possible to attenuate the historical natural seasonality of this type of product, induced by the tax deductions associated to them, and still obtain a high volume of premiums. The Capitalisation products not linked to investment funds presented a slight slowdown relative to the previous year (in 2009 a very significant growth of 63.2% was registered), having reached 433 million euros in 2010. Contributing to this was the sale of new products, such as the case of the product “Puro Capital” and of already existing products

Structure of Direct Insurance Premiums

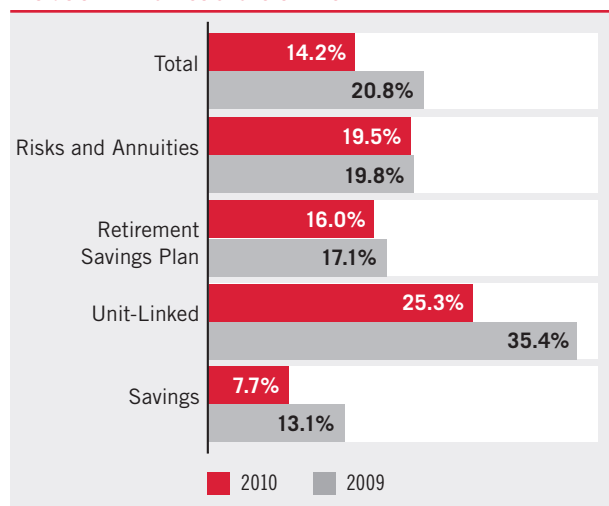


Structure of the Portfolio of Life Premiums



## Report of the board of directors

### Evolution in Market Share of Life



such as “*Poupança 112*”, both having been strongly driven by the dynamic sales campaigns developed by Banco Millennium bcp.

In 2010, Millenniumbcp Ageas maintained its position as the second largest insurance group in terms of Life Insurance premiums, with a market share of 14.2%, representing an increase of 6.7 percentage points in relation to the same period of the previous year.

### Technical Analysis

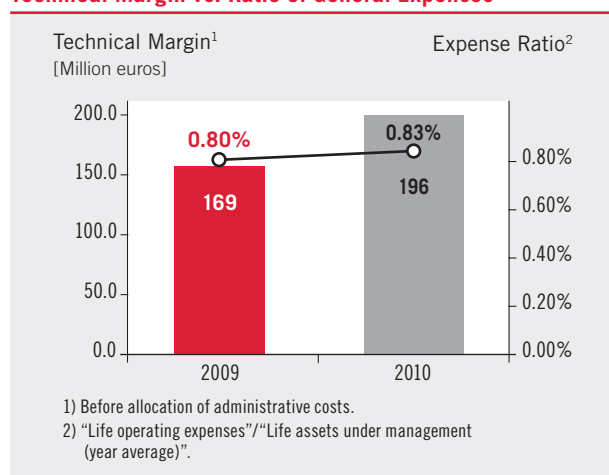
The technical margin of Life business, before allocation of administrative costs, was 196 million euros in 2010, corresponding to an increase of 16% in comparison to the same period in 2009.

The achievement of an expense ratio of 0.83%, combined with significant growth of the technical margin, reveals the careful and appropriate management, which has enabled the adverse effects of the macroeconomic circumstances to be minimised.

The greatest relative contribution to the results of the company continues to be rendered by Risk products, the profitability of which is based on rigorous subscription policies and practices and a higher capacity to control costs, with this business line having represented approximately 52% of the total technical margin of Life business by the end of 2010.

In spite of the economic climate, the strong positive contribution to the margin registered by the Unit-Linked and Savings products is also particularly noteworthy, essentially due to the increase in the mathematical provisions.

### Technical Margin vs. Ratio of General Expenses



## PENSION FUNDS

### Market Evolution

During 2010, the pension funds market was marked by the resurgence of volatility in financial markets and by marked differences in performances, which were more based on the geographical origins of the securities than the differences between asset classes, with emphasis on the considerable instability in sovereign debt financial markets, with specific reference to the countries of Mediterranean Europe. The pension funds, generally speaking, presented positive performances but were of a modest and insufficient average value to meet immediate pension payments.

The total value of market assets fell to 19,642 million euros, corresponding to a decrease of 10.4% relative to the end of 2009. This considerable decrease of assets under management was strongly influenced by the transfer of the Portugal Tele-

## Report of the board of directors

com and Marconi pension funds to Social Security. However, if the effect of these transfers would not be considered, the total value of the pension funds would still present a reduction of 2%.

Regarding the legislative framework of the pension funds, there were no alterations with significant impact on the activity; the regulatory process of the current legislation established by Decree-Law 12/2006 has almost been concluded, with emphasis on the publication of the following regulations:

Regulatory Standard 7/2010-R, of 4 June, dedicated to the financial reporting of pension funds, establishes a comprehensive and standardised system on the content of financial statements of the Annual Reports of each pension fund in order to ensure public disclosure of relevant financial information and the adoption of the general principles established in the International Accounting Standards (IAS) at the accounting framework level.

Regulatory Standard 12/2010, of 22 July, dedicated to the financing of health benefit plans through pension funds, in which a set of principles and rules is developed enabling the operationalisation of the financing of health benefit plans through pension funds. This is one of the last matters that, following the publication of Decree-Law 12/2006, had not yet been regulated but which had no applicability in 2010.

Within the scope of the Regulatory Standard 8/2009-R on risk management and internal control, the document presenting the technical guidelines for the implementation of the Standard, which are presented in a “comply or explain” logic, was prepared by the Working Group consisting of the ISP and market and Auditors’ representatives and sent for public consultation.

A relevant fact in the pension funds market is the conclusion of the negotiation process that led to the integration of bank clerks in the General Social Security Regime and the extinction of the Caixa de Abono de Família dos Empregados bancários, which culminated with the publication in 2011 of Decree-Law no. 1-A/2011, of 3 January.

With this new regime, the substitution regime of social protection contained in the collective bargaining instruments applicable in the sector continues to be applied, but the value of the retirement pension paid by the social security regime for the contributory period after 1 January 2011 shall be deducted from the value of the old-age pension under this regime. This retirement scheme for the banking sector will accelerate the process of reduction of the value of assets under management of the pension funds of the banking sector, which collectively represent about 80% of the pension funds market in Portugal.

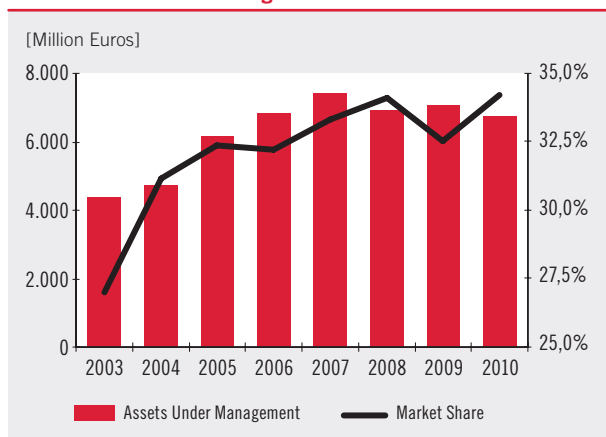
The economic crisis brought about by the high government deficit and by the high values of government and private debt, led to the application of restrictive measures with successive Stability and Growth Pacts and which culminated, in the State Budget for 2011, with reductions in civil servant’s salaries and in tax benefits, namely those applicable to individual contributions to Pension Funds and PPR.

After a few changes that postponed part of the measures of greatest impact to 2014, the new Social Security Contribution Code was finally published. By enlarging

## Report of the board of directors

the base of incidence of contributions to social security to cover most forms of remunerations, it may constitute an indirect stimulus to strengthen the demand for pension funds.

### Total Assets Under Management and Market Share



In order to strengthen the visibility and notoriety of pension funds, in a market in which it is difficult to expect tax benefits or equivalent stimulus measures, two initiatives were launched by APFIPP – Portuguese Association of Investment Funds, Pensions and Assets – aimed at encouraging savings: The Savings Barometer, which is being developed together with the Portuguese Catholic University and the Certificate of Responsibility for Retirement (CERR), which is an initiative valued by the Portuguese Insurance Institute aimed at distinguishing good practices in the definition of defined contribution pension plans promoted by companies.

### Pensõesger Activity

Millenniumbcp Ageas operates in the pension fund market through the management company Pensõesger, basing its activity on the quality of the information provided, permanent follow-up and timely response to Customer requests, having in 2010 strengthened its position of leadership in the pension fund market.

At the end of 2010, Pensõesger had 6,718 million euros of assets under management, which represented a decrease of 5.1% relative to 2009, due to the combined result of the reduced value of performances and the high level of maturity of pension funds that it manages. However, the decrease of 10.4% in the overall business sector allowed Pensõesger to strengthen its market share to 34.2%, which corresponds to an increase of 1.7% relative to 2009.

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

Within the scope of the implementation of Standard 8/2009-R, the preparatory works contemplated in the proposed timetable presented to the Portuguese Institute of Insurance in 2009 were developed, in order to ensure the timely and consistent production of the first annual report on the organisational structure and the risk management and risk control systems of Pensõesger to be sent to ISP at the start of 2010.

Following a request for binding information submitted to the Portuguese Tax Authorities (DGCI), it was confirmed that services rendered paid within the scope of several management mandate contracts, which Pensõesger has directly or through some pension funds under its management, are exempt from VAT payment. This fact, in addition to an additional contribution, corresponding to recovery of tax paid, has a strong impact on the cost structure, substantially reducing the taxes heading.

Under an integrated philosophy of making full use of Group synergies, Pensõesgera maintained its relations with the banking networks of Millennium bcp companies – Corporate and Companies – through concerted action towards the promotion of business in the “*Employee Benefits*” area.

At the end of 2010, the total volume of assets under management was distributed over 28 closed funds, 4 open-end funds and 5 open-end Retirement Savings Plan funds.

The total assets under management of the 28 closed funds stood at 6,570.4 million euros, corresponding to an increase of 390.5 million euros relative to 2009.

Regarding the open-end funds, there was an increase of 19.8 million euros in the volume of assets under management, reaching a total of 102.3 million euros.

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

After a year (2009) characterised by a recovery in performances of pension funds, 2010 was marked by the strong volatility of markets, which particularly penalised the pension funds with more defensive investment profiles managed by Pensõesgera, more exposed to the fixed rate assets class.

However, and taking into account the characteristics and short maturities of variable rate bonds that are part of the portfolios of those funds, that class of assets is expected, contrary to what happened in 2010, to make a proportionally more positive contribution in 2011.

The value of the assets managed under Retirement Savings Plan funds reached 44.9 million euros at the end of 2010, 4.3 million euros less in comparison to 2009. This decrease was a direct result of the option to commercialise Retirement Savings Plans/Health Insurance of Pensõesgera in the retail distribution networks, and because a significant part of its Customers already meet the necessary conditions for reimbursement.

## Economic and Financial Situation

Income from provision of services came to 11.3 million euros, representing a reduction of 3.5% in comparison to 2009, as a result of the reduction in assets under management.

Total costs came to 4.8 million euros, corresponding to a decrease of 25% relative to 2009, which enabled operating results to increase 14.1% relative to the budget and 6.2% relative to 2009.

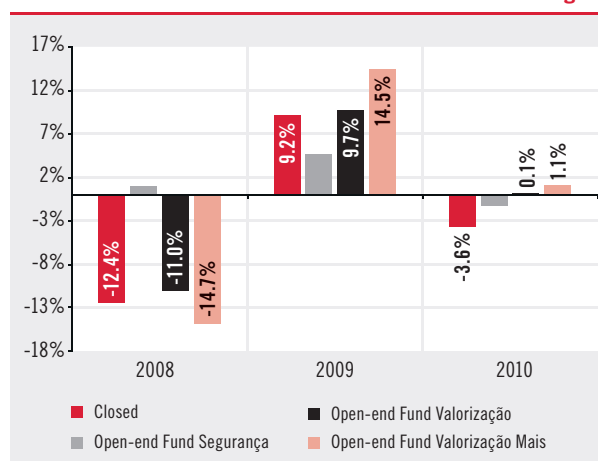
Net income for the year stood at 4.8 million euros, which is in line with the value registered in 2009.

The average return on equity continues to present an interesting value with an average rate of return of 24.6%.

As at 31 December 2010, equity capital amounted to 21.8 million euros and the solvency margin ratio amounted to 200%.

## Report of the board of directors

Annual Rates of Return of Pension Funds from Pensõesgera





## Report of the board of directors

### NON-LIFE BUSINESS

#### Direct Insurance Premiums

In 2010, Millenniumbcp Ageas achieved a volume of direct insurance premiums of 222 million euros in Non-Life, registering an increase of 6.8% relative to the previous year, a fact that is even more remarkable given the stagnation registered in the insurance market (0.9% growth), conditioned once again by the poor performance of our economy and intense competition among operators.

Evolution of Direct Insurance Premiums (THOUSAND EUROS)

LINE OF BUSINESS	2010	2009	2008	VAR.10/09	VAR.09/08
Motor	22,552	23,353	19,698	-3.4%	18.6%
Workman's Compensation	6,088	6,605	5,183	-7.8%	27.4%
Fire & Other Risks	39,878	38,173	35,247	4.5%	8.3%
Health	132,714	120,843	110,129	9.8%	9.7%
Personal Accidents	13,476	12,858	12,811	4.8%	0.4%
Other Lines	7,315	5,968	5,033	22.6%	18.6%
<b>Total</b>	<b>222,023</b>	<b>207,800</b>	<b>188,101</b>	<b>6.8%</b>	<b>10.5%</b>

In 2010 Millenniumbcp Ageas registered growth above that of the national market in the main Non-Life businesses, with the Health business being, once again, of particular importance, with revenue of 133 million euros, which represents an increase of 10% compared with the previous year (the Health market grew by 7%), thus permitting a strengthening of its market share in this business to 24.9% (in December 2009 it was 24.2%) and the maintenance of the second place in the ranking of the insurers operating in the national market. This above average growth is the result of the innovation of the offer, the diversification of the distribution channels, the careful approach made to the different segments and consistent investment in the promotion of the Médis brand, the uncontested leader in its segment since its incorporation in 1996.

The business channel directed at the small and medium-sized enterprise segment, based on a carefully selected network of agents and brokers, has been increasing its contribution to the growth in the volume of Non-Life premiums, namely in the Health business. Regarding the other businesses, a new approach to this Customer segment was initiated by Banco Millennium bcp, deemed as having strong development potential.

In spite of the modest position it occupies in the national Non-Life insurance market, Millenniumbcp Ageas has been consistently reinforcing its market share from 5.0% at the end of 2009 to 5.3% by the end of December 2010.

#### Technical Analysis

The technical margin of Non-Life business, before the allocation of administrative costs, amount to 61,0 million euros, presenting a slight decrease of 2% relative to the same period of 2009.

In spite of the increased processed revenue, the increased income of the technical reserves and the decrease in reinsurance cost, the technical rate of return (measured according to the gross premiums issued) decreased from 29.3% in 2009 to 26.5% in 2010. This reduction was mainly due to the increase in claims ratios, partly conditioned by the various natural catastrophes (such as the floods in Madeira or the tornado in Tomar) that affected the country during 2010.

In fact, the Non-Life claims ratios, before the allocation of administrative costs, stood at 61.2%, presenting an increase relative to the values registered in 2009 (56.6%). However, they continue to present values without parallel in the Portuguese market, which presents significantly higher claims ratios in practically all businesses.

The Non-Life combined ratio, came to 91.4%, which represents an increase of 7 percentage points relative to 2009. Despite the efforts made in containing operational costs and greater strictness in the application of policies related to the subscription and acceptance of risk, these were however insufficient to compensate the increased claims ratios.

## ADMINISTRATIVE COSTS

Administrative costs increased by 6.0%, to stand at 96.7 million euros.

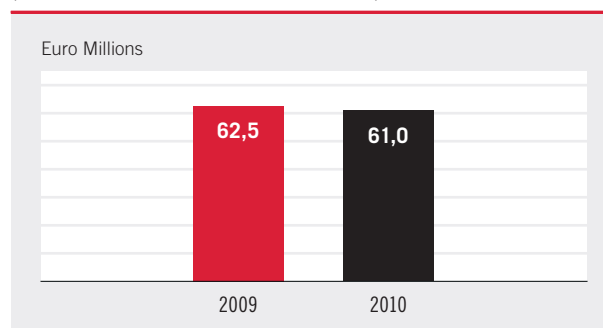
### Evolution of Administrative Expenses (excluding depreciation) (THOUSAND EUROS)

	2010	2009	VAR. 10/09	STRUCTURE 2010	STRUCTURE 2009
Staff Costs	28,259	25,657	10.1%	29.1%	28.1%
Third Party Services	36,675	34,341	6.8%	37.8%	37.5%
Taxation	1,037	2,565	-59.6%	1.1%	2.8%
Commissions and Financial Services	30,994	28,904	7.2%	32.0%	31.6%
<b>Total</b>	<b>96,965</b>	<b>91,468</b>	<b>6.0%</b>	<b>100.0%</b>	<b>100.0%</b>

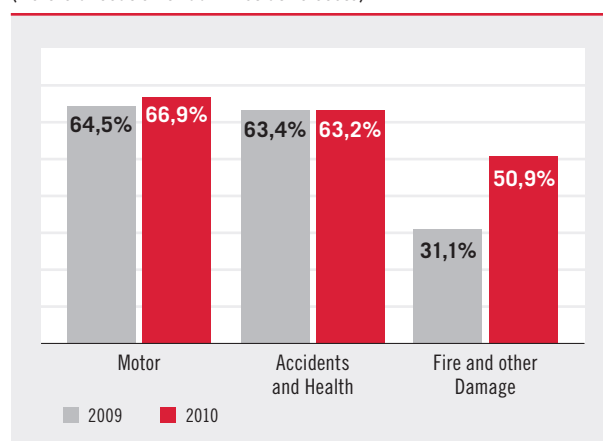
The increase of approximately 7% in the Third Party Supplies and Services heading is essentially due to the cost of IT investment resulting from the implementation of new projects.

The decrease in the Taxes and Rates heading was not only the result of the decrease in revenue from the Life business but also, and above all, due to a correction of VAT stemming from the exemption attributed to the fund management of Pensõesgere.

### Non-Life technical Margin (Before allocation of administrative costs)



### Non Life Claims Ratios (Before allocation of administrative costs)





## Report of the board of directors

### NET INCOME

In 2010, the consolidated net income for the year, before VOBA (“value of business acquired”) came to 141.9 million euros, comparing very favourably to the net income of 127.4 million euros obtained in 2009. The consolidated net income, after VOBA, stood at 114.1 million euros.

The excellent technical performance of the business during the financial year under analysis, the adoption of a prudent policy relative to investment management, the diversification of the offer of products and the strict control of operating costs enabled Millenniumbcp Ageas to achieve the best Net Income ever.

### SOLVENCY RATIO

As at 31 December 2010, the capital structure of the Millenniumbcp Ageas Group presented, in consolidated terms, a solvency ratio of 183.3%. As at 31 December 2009, the ratio obtained was 241.5%, indicating a decrease of 58 percentage points relative to the previous year, essentially due to the increased volatility of the assets portfolio, which caused a substantial decrease of the revaluation reserve.

The solvency ratio presented was calculated in accordance with the criteria defined by the Portuguese Insurance Institute and reflects a capital structure that is both solid and adequate relative to the liabilities undertaken.

#### Solvency Margin [THOUSAND EUROS]

	MARGIN	CAPITAL	SURPLUS	RATIO
Ocidental Seguros	17,771	43,931	26,159	247%
Ocidental Vida	307,302	496,928	189,626	162%
Médis	22,957	32,417	9,460	141%
Pensõesgere	7,393	14,796	7,404	200%
Millenniumbcp Ageas (consolidated)	355,422	651,460	296,038	183%

### Embedded Value

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

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

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

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

(EURO THOUSANDS)	2010	2009
<b>Embedded value as of previous valuation date</b>	<b>1,133,837</b>	<b>995,414</b>
Restatements to the opening EV	9,747	(3,109)
Changes in non-economic assumptions	57,334	1,991
Changes in economic assumptions	(109,863)	4,128
Expected return	96,010	47,498
Value added by new business	17,126	47,020
Impact of variance	(167,520)	40,895
<b>EV at valuation date before dividends</b>	<b>1,036,671</b>	<b>1,133,837</b>
Dividends to Shareholders	-	-
<b>EV at valuation date after dividends</b>	<b>1,036,671</b>	<b>1,133,837</b>

The 2010 restatements to the opening embedded value reflect economic assumptions amendments as decided by the Group with no material impact. The 2009 restatements to the opening embedded value reflect inflation assumption amendments as agreed and suggested by the reviewer.

The 2010 very negative impact from economic assumptions change is due to downward movements in the risk free yield curve and spread widening in Sovereign and Corporate debt during the year.

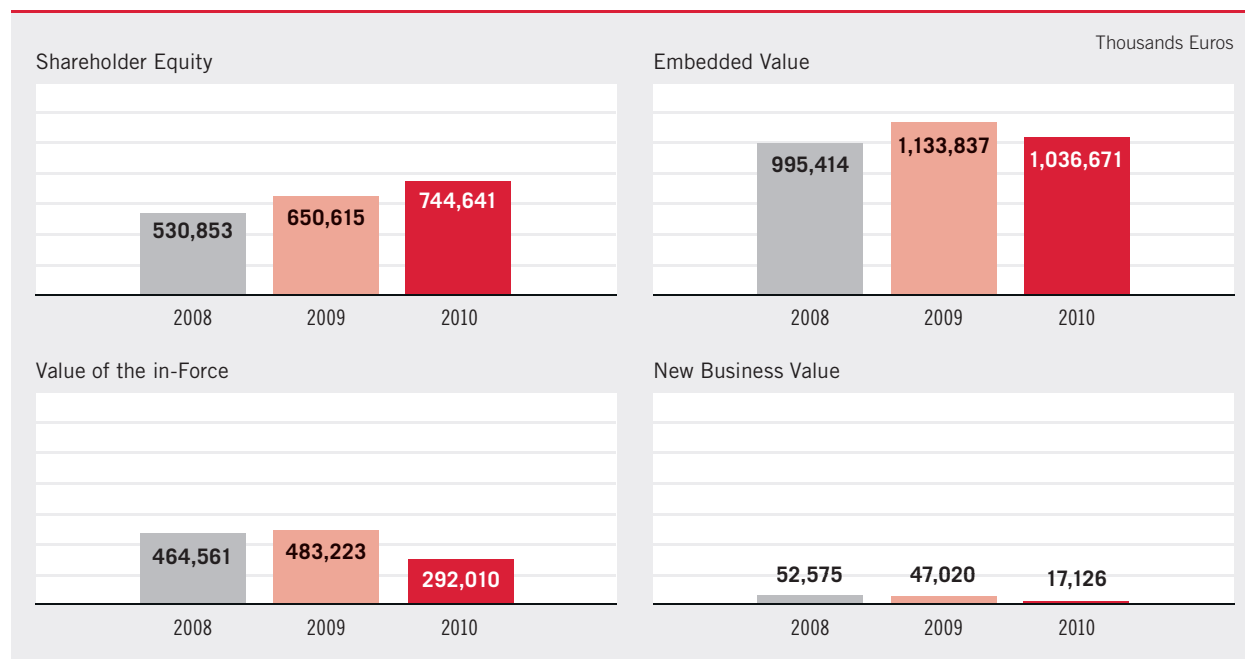
Regarding non-economic assumptions, the very positive impact is the combined result of: i) lower lapse rates particularly in yearly renewable term linked to mortgage loans, ii) using actual asset mix rather than long term asset mix in the calculations due to actual constraints regarding new/additional investments in risky assets (shares and real estate), iii) higher tax rate and iv) required capital increase from 150% to 200% of the minimum margin requirements. The impacts from mortality, unit costs and inflation updates offset each other.

Once more the very negative economic environment regarding Sovereign and Corporate debt explains the strongly negative variance during 2010 reflecting the huge increase of unrealised capital losses of bonds portfolio underlying technical provisions. The 2009 variance is mainly explained by the combination of two factors: additional unrealized capital gains generated by yield curve and spreads variations and non-occurrence of the asset mix rebalancing assumed by the model.

The new business margin strongly decreases from 19.7% to 9.3% when expressed as percentage of APE (annual premium equivalent), explained by the term business and Unit-Linked volume decrease as well as the very negative value performance of savings with guarantees due economic environment.

## Report of the board of directors

## Embedded Value Evolution



## ECONOMIC ASSUMPTIONS AND MARKET CONDITIONS

	2010		2009	
Yield curve	AA Euro swap + 0.20%*		AA Euro swap + 0.20%*	
	1 yr	1.70%	1 yr	1.51%
	5 yr	2.78%	5 yr	3.01%
	10 yr	3.60%	10 yr	3.78%
	20 yr	3.97%	20 yr	4.26%
Volatilities	Short rate	0.03%	Short rate	0.9%
	Shares	17.8%	Shares	26.3%
	Real estate	1.6%	Real estate	1.4%
<b>Inflation</b>	<b>1.95%**</b>		<b>2.45%**</b>	
<b>Tax rate</b>	<b>29.0%</b>		<b>26.5%</b>	

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

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

The non-economic assumptions like mortality, surrenders, lapses and paid-up rates were based on experience investigations carried out by Millenniumbcp Ageas and based on the real data in its policies portfolio. Expenses allocation was based on recent experience, and divided between acquisition cost (new business) and maintenance (existing portfolio). Expenses taken as extraordinary, and thus exceptional, were identified one by one and not included on unit costs calculation.

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

## Non-Life Actuarial Review

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

Apart from internal actuarial evaluations, a regular independent external certification is performed. External estimates besides being undiscounted are also allowing for explicit inflation, which results in a very prudent approach.

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

Results of Actuarial Evaluations versus Balance Sheet Claims Provisions	31-12-2010	31-12-2009
Total Balance sheet provisions	89,907	85,254
Claims Reserves Internally Certificated <sup>1</sup>	80,233	75,194
Claims Reserves Best Estimate	68,138	63,741
Claims Reserves at 90% Percentile	82,874	77,849

## Report of the board of directors

<sup>1</sup> Actuarial Certification does not include expense reserve, reserves for claims receipts issued but not paid and Health PPP products.

## Solvency II

With the publication of the Directive 2009/138/EC by the European Parliament and the Council on the 25th November 2009 it were established the basis for the Solvency II Regime, which represents a significant change in the regulatory framework applicable to the Insurance and Reinsurance Business. This change will mostly be reflected on governance, financial requirements and provision of information, entailing very significant consequences for the management and business planning of Insurance Companies. This new directive will not only lead to changes in capital requirements, but also change the existing risk culture, with a consequent impact on strategic decisions.

The ambition of Millenniumbcp Ageas is to implement a complete Solvency II programme, according to the requirements of the aforementioned Directive, while simultaneously aligning the organisation's strategy, business processes, technology and employee knowledge, with a view to establishing a sound and prudent Risk Management strategy. In this context, implementation of this standard constitutes a strategic initiative.

In this sense, Millenniumbcp Ageas has been developing a Solvency II Programme since 2009, based on an implementation plan that shall be completed in 2012, with a view to ensuring a reliable, safe and timely transition to the new regime. The objectives of this plan, which has been developed in line with the Ageas Group, are to meet Directive requirements and to integrate Risk Management in company processes, in a proactive manner. For these purposes, the plan has been divided into six integrated workstreams.

## Report of the board of directors

1	Modelling	2	Governance	3	Financial Reporting
4	IT Systems	5	Regulatory & External Communication	6	Change Management & Internal Communication

### 1) MODELLING

The objectives of Modelling are to develop internal models, partial or total, and calculate capital requirements according to the Solvency II regime, for each company.

### 2) GOVERNANCE

The objectives of the Governance workstream is to adjust the Company's Internal Control and Risk Management framework to the Solvency II Directive and to develop the Company's Own Risk and Solvency Assessment framework.

### 3) FINANCIAL REPORTING

The Financial Reporting workstream includes the design, preparation and issuing of the various external reports and disclosures required by the Solvency II Directive. It also includes classification of companies' own funds.

### 4) SYSTEMS & IT

The objective of the Systems & IT workstream is to establish the system architecture and the IT infrastructure, as well as the data management processes and procedures, and data quality, in order to meet Solvency II requirements.

### 5) REGULATION AND EXTERNAL COMMUNICATIONS

The objective of the Regulation and External Communications workstream is to development of communication activities with the various stakeholders (Regulatory Entities, Rating Agencies, Shareholders, Insurance Policy Holders and the Market), in a structured and consistent manner.

### 6) CHANGE MANAGEMENT AND INTERNAL COMMUNICATIONS

The objectives of the Change Management and Internal Communications workstream are to develop the required communications and training activities for implementation of the Solvency II Directive, to adjust business processes to this Directive

and to implement a risk management culture, in line with the best international practices.

The Solvency II Programme is an important European initiative, which should lead to significant changes in the solvency requirements applicable to insurance companies, within the next few years. In this sense and in line with the Ageas Group, Millenniumbcp Ageas has participated actively in public consultations and forums organised to analyse the various proposals presented by European bodies with a view to developing adequate initiatives for ensuring correct transition to the new regime.

## Report of the board of directors

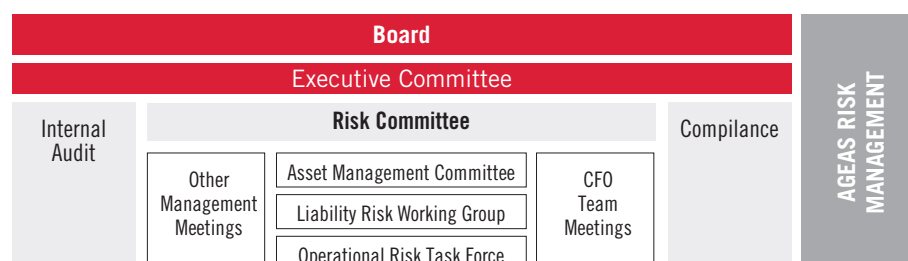
### Risk Management

As an insurance institution we consider that a sound risk management is one of the key pillars for a strategy of sustainable profitable growth and therefore, one of our core competences. As part of our corporate governance we have established a risk management organizational structure, based on the structure that Ageas Group has in place. Its primary objective is to develop and implement a risk management framework that allows us to ensure that we achieve an appropriate balance between risk and return and to secure and preserve the trust and confidence of customers, shareholders, regulators, rating agencies and other stakeholders. The risk management framework resides at all levels within Millenniumbcp Ageas.

Our risk management organization is designed to enable us to pursue our risk strategy and to ensure:

- › Clear responsibility and accountability;
- › Independence of the risk management function;
- › Transparent and coherent risk-related decision-making throughout Millenniumbcp Ageas, covering all aspects of our risk taxonomy.

Our risk organisation calls on a number of committees, with the aim of monitoring, proposing actions and enforcing the implementation of the policies defined.



Our governance structure and policies are regularly reviewed to reflect the changing commercial and regulatory environment, as well as our own organisational structure.

The main inherent risks faced by Millenniumbcp Ageas can be broken down into the following categories:

## Report of the board of directors

### STRATEGIC RISK

Strategic risks cover all external and internal factors that can impact Millenniumbcp Ageas' ability to meet its business plan, so as to achieve constant growth and value creation. These include changes in the external environment, including regulatory, economic, or competitive landscape or how people (customers or employees) behave. It may also be the result of incorrect management decision making, or due to loss of reputational or franchising value.

### OPERATIONAL RISK

All companies including financial institutions are subject to Operational risk resulting from the uncertainty inherent to all business undertakings and decisions. For the purpose of reporting and monitoring, Operational risk can be broken down in two categories, Event and Business risk. The first comprises the risk of losses due to inadequate or failed internal processes, people and systems or from external events. This definition includes legal and compliance risk, but excludes strategic and reputational risk. The second comprises the risk of losses due to changes in the structural and/or competitive environment and thus mostly externally driven.

The operational risk function of Millenniumbcp Ageas, within the Risk Management department, continues implementing the international best practises in Operational risk management and introducing Ageas principles and methodologies.

### INVESTMENT RISK

Investment Risk has three components, credit, market and liquidity risk.

*Credit risk* is to be understood as the risk arising from an obligor's failure to meet the terms of any contract or to otherwise fail to perform as agreed. In the context of Millenniumbcp Ageas this risk arises mainly through our investments in bonds, commercial mortgages and other securities.

Along with the implementation of a credit policy that contains a set of principles, rules and guidelines for credit risk limits, Millenniumbcp Ageas is monitoring this risk using a "Value at Risk" (VaR), which calculates the maximum potential structural loss on a total exposure at maturity basis. In 2010, the VaR moved between a maximum of 1.41% and a minimum of 1.20% with an average of 1.29%.

Millenniumbcp Ageas is also exposed to credit risk through our use of reinsurance, for which it is verified if the placement is carried out with providers that meet our counterparty credit standards.

*Market risk* refers to the potential loss resulting from unfavourable market movements, namely interest rates fluctuations, change in price of securities, foreign exchange fluctuations and real estate prices. Millenniumbcp Ageas recognizes that such risk is inevitable in the business it runs, and that a certain level of Market risk is acceptable in order to deliver benefits to both policyholders and shareholders.



## Report of the board of directors

Along with the definition and implementation of a strategic assets allocation, Millenniumbcp Ageas is monitoring this risk with the help of indicators such as “cash flow gap analysis”, “duration of equity”, “earnings at risk” and a “Value at Risk” (VaR), which calculates the maximum potential structural loss for Millenniumbcp Ageas on a fair value basis. In 2010, the VaR moved between a maximum of 10.0% and a minimum of 6.8% with an average of 7.9%.

*Liquidity risk* is the risk that Millenniumbcp Ageas, though solvent, does not meet actual or potential payments when they fall due, either because it does not have sufficient resources available or it cannot be met without suffering unacceptable losses. Managing this risk is a combination of managing funding resources while maintaining a buffer of highly marketable assets, which is part of our investment policy.

### INSURANCE RISK

Insurance Risk refers to all other risks inherent to the insurance activity, excluding any components that are covered under Investment or Operational risks. The Insurance risk can be divided into two different classes, the Life insurance risk and the Non-life insurance risk. The Life insurance risk includes, but is not limited, to mortality risk, longevity risk, morbidity risk and disability risk. The Non-life insurance risk includes, but is not limited, to variability of future claims and the uncertainty concerning the development of existing claims.

The appointed actuaries assess the adequacy of the insurance charges and provisions regularly, and an independent external entity certifies the Non-life provisions annually.

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

## Asset Management

2010 was a particularly difficult year for portfolios with main allocation to Government Bonds. While in the first half of the year pressure gathered on Greek public debt, with the final outcome a bailout by EU/ IMF, the second half of 2010 saw contagion spreading to the remaining periphery countries, with yields soaring to historical levels.

Ireland showed increased vulnerability to a worsening financial crisis and albeit having already fulfilled its funding needs for 2010, it was unable to stop yields from climbing to unsustainable levels after the Irish banks bailout increased budget deficit to more than 30% of GDP. Ireland was then forced to ask for a EU / IMF bailout as well, thus enabling better levels of funding.

2010 ended casting a shadow over the capacity of Portugal and Spain to fund themselves exclusively in the market with the later, per its dimension, being the worst concern of EU decision makers.

## Report of the board of directors

A EU single speech was impossible over the year and divergent opinions were heard as Euroland governments became trapped within their own countries election calendars. The political stand off, together with the start of EU legislation talks on burden sharing by bondholders of bailed out Government and Financial Institutions, increased pressure on peripheral institutions, virtually closing market access for Portuguese, Greek & Irish banks.

Through most of 2010 the only external source of funding for the financial institutions of those periphery countries was the ECB, with the consequent negative impact on credit going forward.

Hence, a heavy burden is now set over Portuguese, Spanish, Irish and Greek economies as austerity measures were introduced in order to re-establish confidence and solve budget imbalances on deficit and debt, with unpredictable social and economic effects.

There were also announcements of budget cuts in some core countries like Germany and France but on a lighter tone.

Last year was also challenging for equities, as performances were unusually not correlated even in indexes within the same geography, the better example being the Stoxx 50 (-5.8%) and Stoxx (+2.7%). Different performances within countries also highlighted that Euro economies are engaged in different gears as the Ibex posted -18.8% and the Dax showed a positive return of 14.3%.

### ACTIVITY AND POSITIONING

Millenniumbcp Ageas followed in 2010 the same pattern started in 2009.

The management of riskier asset classes like equities was done through a tactical and dynamic approach with the use of very liquid instruments and remained restricted to the European market.

Real Estate investments were unchanged from previous year, corresponding to a strong Portuguese Market bias through indirect investment. As so, it was possible to avoid global RE market volatility as observed in markets such as Spain, UK and the US.

Alternative Investments also without relevant changes through the year, focus remaining on a conservative approach with the main asset, a long / short equity fund.

Investments in Fixed Income, which represent more than 90% of the assets and are a natural source of liability management, had to incorporate a different risk/reward perspective resulting from the new Sovereign reality of budget deficits and public debt burdens.

On Credit, uncertainty with bondholders "burden sharing" legislation, as well as new Regulation from Basel III and Solvency II had direct impact on financials, the biggest Credit Class.

Currently, the Euro Government bond backdrop represents not only challenges but also opportunities. In fact, the rating reviews that occurred through the year led to a global deterioration of the credit quality of the Euro Government index,

with sovereigns such as Greece falling below investment grade and with Portugal and Ireland approaching the danger zone of the BBB spectrum.

The corresponding yield dispersion now available at the Euro Government Index should, more than before, be regarded with a binary approach (risk/ reward).

Recognising that the problems facing the southern European countries have different origins, it is also recognised that the outcome should also be different. Liquidity and solvency are different themes currently blended in the same reality.

Hence, operating in the context of the Portuguese economy, we recognised better value in Portuguese domestic debt versus other countries, such as Greece and Ireland.

Investments were therefore focused on Portuguese securities, mainly Government but also financials bonds. Exposure to Greece was reduced, with Irish exposure now close to zero as a consequence.

We understand the challenges and risks embedded in current market levels, although we believe in the capacity of the Portuguese economy to generate enough growth to fully repay its liabilities on the long run. Accordingly, to mitigate the risks, we kept these investments on the short end of the curve and were able to earn an adequate remuneration.

## Report of the board of directors

INVESTMENTS PORTFOLIO (EURO THOUSANDS)	2010	%	2009	%
<b>Available for sale*</b>	<b>5,837,317</b>	<b>100.0%</b>	<b>5,440,472</b>	<b>100.0%</b>
Government bonds	2,801,927	48.0%	2,593,033	47.7%
Corporate debt securities	2,716,469	46.5%	2,525,976	46.4%
Equity securities	218	0.0%	235	0.0%
Participation in unit funds	—	0.0%	—	0.0%
· Debt	89,730	1.5%	101,316	1.9%
· Equity	—	0.0%	—	0.0%
· Real Estate	193,841	3.3%	189,312	3.4%
· Alternative	35,133	0.6%	27,362	0.5%
<b>Held at fair value</b>	<b>5,856,920</b>	<b>100%</b>	<b>5,897,547</b>	<b>100%</b>
Government bonds	44,235	0.8%	42,190	0.7%
Corporate debt securities	5,598,745	95.6%	5,759,195	97.7%
Equity securities	—	0.0%	—	0.0%
Participation in unit funds	—	0.0%	—	0.0%
· Debt	99,740	1.7%	38,648	0.6%
· Equity	102,702	1.8%	41,160	0.7%
· Real Estate	—	0.0%	—	0.0%
· Alternative	11,497	0.2%	16,354	0.3%
<b>Other financial assets/(liabilities)</b>	<b>(14,589)</b>		<b>(392,525)</b>	<b>0.0%</b>
· Trading derivatives	198,936	0.0%	165,754	0.0%
· Repurchase agreement	(213,575)	0.0%	(558,279)	0.0%
<b>Total</b>	<b>11,679,648</b>		<b>10,945,494</b>	
Investment property	5,589		5,833	
Deposits with ceding undertakings	—		0	
Cash and equivalents	154,979		239,239	
Other deposits	301,041		779,588	
<b>Total</b>	<b>12,141,257</b>		<b>11,970,154</b>	

\* Excluding accrued interests

## Report of the board of directors

### Our Staff

The Human Resources Management at Millenniumbcp Ageas is based on a model in which the key actors are the hierarchies that have the responsibility to implement on the ground the measures for achieving the objectives set by the organization in this area. Within this model, the Corporate Support Area and its Human Resources Department give support to the Executive Committee and to hierarchies in the design and implementation of actions and tools to encourage the development of employees.

2010 was a year of consolidation of operations and tools that were implemented in the last two years with the aim of boosting the involvement of employees and the skills development and improving their level of motivation and satisfaction. We refer in particular to the involvement of employees in the monitoring and analysis of indicators of the Balanced Scorecard, the development of action plans for improving motivation and satisfaction resulting from the outcome of the Annual Employee Satisfaction Survey, the conclusion of the evaluation cycle through the new assessment model (SAID) and also the improvement of the incentive scheme.

In a group where internal mobility is assumed as one of the main drivers of the Human Resources management, training has an added dimension. Among the measures implemented in 2010, we highlight the development of an e'learning platform, whose implementation is scheduled for early 2011, enabling employees to develop and enrich their expertise in the insurance sector.

Millenniumbcp Ageas, concluded the year 2010 with 461 employees, three more than at the end of last year. The average age was approximately 43 years and female employees represent 54%.

With the aim of bringing "new blood" to the company, encouraging their development and creating the foundation for future growth, Millenniumbcp Ageas developed and approved a restructuring program, which will be implemented from January 2011 onwards, which aims is to rejuvenate the staff and to prepare the company for future challenges.

#### AGE DISTRIBUTION 2010

Age group	Female	Male	Total
< 30	11	9	20
31-35	48	22	70
36-40	69	33	102
41-45	64	52	116
46-50	29	54	83
51-55	14	29	43
56-60	12	11	23
> 60	2	2	4
<b>Total</b>	<b>249</b>	<b>212</b>	<b>461</b>

## Corporate Governance

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

## Report of the board of directors

## Governing Bodies

### GENERAL MEETING OF SHAREHOLDERS

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

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

### GOVERNANCE AND AUDITING

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

### Board of Directors

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

On 31 December 2010, the Board of Directors was composed by a Chairman (Mr. Bart Karel August De Smet), a Deputy-Chairman (Mr. Nelson Ricardo Bessa Machado) and five other members (Mr. Kurt André J De Schepper, Mr. Stefan Georges Leon Braekeveldt, Mr. Francisco Alexandre Robles Monteiro Lino, Mr. Jan Adriaan de Pooter, Mr. Michel Edmond Joseph Ghislain Baise and Mr. Fernando Manuel Nobre de Carvalho).

## Report of the board of directors

### Executive Committee

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

Presently the Executive Committee includes Mr. Francisco Alexandre Robles Monteiro Lino (CEO), Mr. Jan Adriaan de Pooter (Deputy CEO), Mr. Michel Edmond Joseph Ghislain Baise (CFO) and Mr. Fernando Manuel Nobre de Carvalho.

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

Mr. Francisco Alexandre Robles Monteiro Lino (CEO) – institutional relations (regulators, APS and other), Corporate Support, Human Resources, Legal, Compliance, Internal Audit, and Pensõesger.

Mr. Jan Adriaan de Pooter (Deputy CEO) – Médis, Organisation & IT, Non-Life Back-office, Non-Life Technical Platforms and Life Back-office (Life Platform).

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

Mr. Fernando Manuel Nobre de Carvalho – Commercial (*Bancassurance*, Médis and SME – Agentes & Brokers channel), Sales Support and Marketing.

### Board of Auditors

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

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

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

### Audit Committee

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

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

### Company's Secretary

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

## REMUNERATION

### Report of the board of directors

#### Remuneration policy of the members of the Board of Directors and Supervisory Bodies

##### *Decision making process and remuneration structure*

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

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

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

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

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

Directors who do not receive any remuneration may be appointed.

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

##### *Performance assessment of Board of the Directors*

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

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

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

The remuneration of the executive directors includes the following components:



## Report of the board of directors

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

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

The variable remuneration is not subject to any deferral or paid in financial instruments. Taking into account that the company has only two shareholders and dispersion of their capital is against the philosophy of the constitution of the Joint Venture, this form of payment of remuneration is liable to be applied.

### *Other non-monetary benefits of the Board of Directors*

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

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

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

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

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

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

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

## Report of the board of directors

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

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

### *Complementary pension or early retirement regimes of the Board of Directors*

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

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

Not applicable.

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

Not applicable.

### *Remuneration policy assessment*

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

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

### *Consistency of remuneration policies at Group level*

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

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

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

RECOMMENDATION	DECLARATION OF ADOPTION	RATIONALE
I.4. Adoption of a remuneration policy consistent with effective risk management and control	Adopted	Decision making process and remuneration structure
I.5. Suiting the policy to the dimension, nature and complexity of the business		
I.6. Adoption of a clear, transparent and adequate structure		
II.1. Approval of the policy by the Remuneration Committee	Adopted	Decision making process and remuneration structure

RECOMMENDATION	DECLARATION OF ADOPTION	RATIONALE
II.3. Participation in the definition of the policy for people that are functionally independent have adequate technical capacity, including people that are part of the structural units responsible for key functions	Adopted	Decision making process and remuneration structure
II.4. The policy must be transparent and accessible to all Employees, subject to periodic review and submitted as an autonomous document	Adopted	Decision making process and remuneration structure and Predetermined criteria for assessment
III.1. Minimum annual frequency of review undertaken by the remunerations committee	Adopted (when applicable)	Performance assessment
III.2. Independence of the members of the remunerations committee		
IV.1. The remuneration of the executive directors should include a variable component that is dependent on a performance assessment	Adopted	Predetermined criteria for assessment and Performance assessment
IV.2. Adequate balance of the remuneration components	Adopted	Relative importance of the remuneration components
IV.3. Part of the variable component should be paid in financial instruments	Not Adopted	Not applicable, considering: the characteristics of the company and its shareholders; the decision making process and remuneration structure; the relative importance of the remuneration components; and the information on the deferral of payment of the variable component and criteria of attribution of the variable remuneration in financial instruments
IV.4. Part of the variable remuneration should be deferred		
IV.5. Calculation of the deferral according to the weight relative to the fixed component		
IV.7. Maintenance of the actions of the institution obtained through variable remuneration schemes		
IV.8. Deferral period in the case of the attribution of options		
IV.9. Maintenance of shares after the end of the term of office		
IV.6. The members of the management body must not celebrate contracts that mitigate the risk inherent to the variability of the remuneration	Adopted	Mechanisms that prevent the celebration of contracts that call into question the reason for existence of the variable remuneration
IV.10. Remuneration of the non-executive directors must not include any component that is dependent on the performance or value of the institution	Adopted	Predetermined criteria for assessment
IV.11. Compensation in the event of discharge	Adopted	Limits to compensation payments due to discharge without just cause
VI.1. Submission of the remuneration policy to an independent internal assessment	Adopted	Remuneration policy assessment
VII.1. Should be ensured consistency remuneration policies at Group level	Adopted	Consistency of remuneration policies at Group level
VII.2. Adoption of the recommendations for all the remunerations paid to each employee by all Group companies		

The annual value of the remunerations paid by Millenniumbcp Ageas Grupo Segurador, S.G.P.S., S.A. to the Board of Directors and Audit Board members in the economic year of 2010 is the following:

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

## Remuneration Policy of the Employees

## Report of the board of directors

### *Decision making process and remuneration structure*

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

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

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

### *Relative importance of the remuneration components*

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

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

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

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

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

### *Predetermined criteria for assessment*

The predetermined criteria for performance assessment is the extent to which the annual budget is met, individual and departmental performance, the real growth of the institution and the effective wealth created for the shareholders, the protection of the interests of policyholders, insured persons, participants and beneficiaries,

## Report of the board of directors

their long term sustainability and the risks assumed, as well as compliance with the rules applicable to the activity of the institution.

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

### *Remuneration policy assessment*

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

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

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

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

RECOMMENDATION	DECLARATION OF ADOPTION	RATIONALE
I.4. Adoption of a remuneration policy consistent with effective risk management and control	Adopted	Decision making process and remuneration structure
I.5. Suiting the policy to the dimension, nature and complexity of the business		
I.6. Adoption of a clear, transparent and adequate structure		
II.2. Approval of the policy by the management body	Adopted	Decision making process and remuneration structure
II.3. Participation in the definition of the policy for people that are functionally independent have adequate technical capacity, including people that are part of the structural units responsible for key functions	Adopted	Decision making process and remuneration structure
II.4. The policy must be transparent and accessible to all Employees, subject to periodic review and submitted as an autonomous document	Adopted	Decision making process and remuneration structure and Predetermined criteria for assessment
II.5. Communication of the assessment process to Employees	Adopted	
V.1. Adequate balance of the remuneration components	Adopted	Decision making process and remuneration structure and Relative importance of the remuneration components
V.2. Part of the remuneration component must be paid in financial instruments	Not Adopted	Not applicable considering: the characteristics of the company and its shareholders; the decision making process and remuneration structure; the relative importance of the remuneration components; and the Information on the deferral of payment of the variable component and criteria of attribution of variable remuneration in financial instruments
V.5. Possibility of non-payment or reduction of the deferred variable remuneration		
V.6. Deferral period of the variable remuneration		
V.7. Calculation of the deferral according to the weight relative to the fixed component		

RECOMMENDATION	DECLARATION OF ADOPTION	RATIONALE
V.3. The assessment must take into consideration individual performance and the structural performance of the Employee's department, including relevant non-financial criteria	Adopted	Predetermined criteria for assessment
V.4. Assessment criteria must be predetermined and able to be measured, based on a pluri-annual framework		
V.8. Remuneration of employees that perform key functions	Adopted	Decision making process and remuneration structure
V.9. Remuneration of the actuarial function		
VI.1. Submission of the remuneration policy to an independent internal assessment	Adopted	Remuneration policy assessment

## DECISION MAKING PROCESS

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

### Risk Committee

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

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

### Chief Investment Officer

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

### Compliance officer

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

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

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

## Report of the board of directors

### Millennium bcp Serviços, ACE (Servibanca)

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

## COMPANY RULES

### Code of Conduct

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

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

### Risk control internal procedures

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

## GOVERNING BODIES

### GENERAL MEETING OF SHAREHOLDERS

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

### BOARD OF DIRECTORS

<b>Chairman</b>	Bart Karel August De Smet
<b>Deputy-Chairman</b>	Nelson Ricardo Bessa Machado
<b>Member</b>	Kurt André J De Schepper
<b>Member</b>	Stefan Georges Leon Braekeveldt
<b>Member</b>	Francisco Alexandre Robles Monteiro Lino
<b>Member</b>	Jan Adriaan de Pooter
<b>Member</b>	Michel Edmond Joseph Ghislain Baise
<b>Member</b>	Fernando Manuel Nobre de Carvalho

### BOARD OF AUDITORS

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



**ROC**

<b>Effective</b>	KPMG & Associados (SROC)
	Represented by: Ana Cristina Soares Valente Dourado
<b>Alternate</b>	Vitor Manuel da Cunha Ribeirinho

**STATUTORY AUDITORS**

<b>Chairman</b>	Nelson Ricardo Bessa Machado
<b>Member</b>	Kurt André J De Schepper
<b>Member</b>	Stefan Georges Leon Braekeveldt

**Report  
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## Outlook for 2011

As we predicted, 2010 was extremely demanding in terms of business management. The effects of the economic and financial crisis continued to affect all economic sectors and strongly conditioned the whole business. The rationalization of resources remained a top priority for companies as a way to offset the reduction in business volume.

As it had already happened in 2009, in 2010 Millenniumbcp Ageas, despite all the constraints already mentioned throughout this Report, managed to reach the main predetermined goals.

The effects of the global crisis will continue, the economic growth will be insufficient, the economic liquidity will remain weak and the financial markets should remain volatile. Therefore, 2011 will undoubtedly be another extremely difficult and demanding year in terms of management.

The main strategic objectives that Millenniumbcp Ageas proposes to achieve in 2011 are included in the outline of the medium and long-term plan defined in 2005 based on four pillars: Growth; Productivity; Quality and Profitability.

**Growth** – The main objective will continue to further increase the penetration rates in the Millennium bcp customer database. The focus will remain on offering new and renewed Life and Non-Life Insurance products and including new Customer segments with a view to constantly improving the value proposal.

Regarding Agents and Brokers channel, the objective continues to aim at winning critical mass, thus actively contributing to the diversification of the global structure of Millenniumbcp Ageas' portfolio.

**Productivity** – The main objective is to develop processes, automatisms and levels of control that constantly maintain an improved level of service and consequently increase the efficiency and effectiveness of the different areas of the company. One of the main priorities for 2011 will be to continue the consolidation of processes and support tools in both front and back-office areas, in particular the implementation of a new IT system to support the Life business and the consolidation of the technical platforms.

## Report of the board of directors

**Quality** – The quality improvement of the service provided to both External and Internal Customers will continue as one of the top priorities. The objective will be, by using methods and practices common to Millennium bcp, to monitor and control the quality of the service provided in a coordinated attempt to progressively increase their levels of satisfaction and loyalty. The satisfaction indicators, both for external and internal Customers, developed in a very favourable manner in 2010, but we know that we can and must continue to improve.

**Profitability** – This is a consequence of the three previous pillars, aimed at guaranteeing attractive and sustained levels of return to our shareholders.

## Proposed Disbursement

Net income for 2010, related to all companies reporting under the consolidated accounts of Millienniumbcp Ageas Grupo Segurador, S.G.P.S., S.A., was 114,097,047.00 euros (one hundred fourteen million, ninety seven thousand and forty seven euros).

Millenniumbcp Ageas Grupo Segurador, S.G.P.S., S. A. net income was 1,920,802.08 euros (one million, nine hundred twenty thousand, eight hundred two euros and eight cents).

Considering the Board of Directors report and paragraph c) of Article 376/1 of the Portuguese Companies Code, it is proposed that the reported earnings for 2010, on the amount of 1,920,802.08 euros (one million, nine hundred twenty thousand, eight hundred two euros and eight cents) be disbursed as follows:

- › 96,040.10 euros (ninety six thousand forty euros and ten cents), to the legal reserve;
- › 1,824,761.98 euros (one million, eight hundred twenty four thousand, seven hundred sixty one euros and ninety eight cents), to retained earnings.

Lisbon, February 21, 2011

**The Board of Directors**

## Mandatory Disclosures

**Report  
of the board  
of directors**

### PERCENTAGE OF HELD INVESTMENT

Ageas Insurance International, N.V. – 51%

BCP Investment B.V. – 49%.

## Shareholder Stake of Governing Bodies

Shareholder/Bondholder	Security	Number of securities at		Transactions in 2010			Unit Price Euros
		10/12/31	09/12/31	Aquisitions	Alienations	Date	
Nelson Ricardo Bessa Machado	BCP shares	259,992	259,992				
Francisco Alexandre Robles Monteiro Lino	BCP shares	36,950	36,950				
	Bonds BCP Super Invt. Millen. II/12/10		4,000		4,000	29/Dez/10	50,00
	BCP Bonds Cx. Super Af. Mill 4º/2013	3,700	3,700				
Fernando Manuel Nobre de Carvalho	BCP shares	266,855	366,779				
	BCP shares				15,000	26/Jul/10	0,65
	BCP shares				9,000	24/Set/10	0,61
	BCP shares				6,000	24/Set/10	0,61
	"Levantamento por transferência"				69,924	28/Dez/10	0,60
	BCP VER CONV SOC GEN XI/10 (02/2011)	2	0	2		22/Nov/10	10,000,00
	Subscription BCP Finance CO 5,543 PCT Eur	340	340				
José Rodrigues Jesus	BCP shares	16,239	16,239				
António Fernando Nogueira Chaves	BCP shares	92,108	92,108				
Belmira Abreu Cabral	BCP shares	10,369	10,369				
<b>Cônjuge / Descendentes Menores</b>							
Maria Teresa H. M. C. Nobre de Carvalho	BCP OB CX Subordinadas 1ªS (2008/2018)	120	120				
	BCP OB CX Millennium bcp Sub 2008 2SR	100	100				
	Millenniumbcp Valor Capital 2009	250	250				
Armanda Amélia Rodrigues Jesus	BCP shares	1,795	1,795				
Maria da Cruz M. Maia Nogueira Chaves	BCP shares	1,819	1,819				

## Glossary

## Report of the board of directors

### A

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

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

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

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

### B

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

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

### C

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

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

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

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

### D

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

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

### E

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

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

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

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

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

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

## F

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

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

## G

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

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

## I

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

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

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

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

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

## L

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

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

**M**

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

**O**

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

**P**

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

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

**R**

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

**S**

**Shadow accounting:** In accordance with IFRS 4, the unrealised gains and losses on the assets covering liabilities arising out from insurance and investment contracts with discretionary participating features are attributed to policyholder, to the extent that it is expected that they will participate on those unrealised gains and losses when they became realised in accordance with the terms of the contracts and applicable legislation, by recording those amounts under liabilities.

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

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

**T**

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

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



**V**

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

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









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