

Annual Report 2010

Volume 2

Millenniumbcp Ageas
INSURANCE GROUP

**Consolidated
Financial
Statements**

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Statements**

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I Consolidated financial statements

CONSOLIDATED INCOME STATEMENT

EUR	NOTE	2010				2009			
		Life	Non Life	Non technical	Total	Life	Non Life	Non technical	Total
Net premiums earned	1	1,112,807,192	194,389,295	-	1,307,196,487	1,144,021,231	178,935,779	-	1,322,957,010
· Gross premiums		1,137,887,756	230,717,121	-	1,368,604,877	1,167,721,331	213,500,350	-	1,381,221,681
· Reinsurance ceded premiums		(25,080,564)	(37,188,045)	-	(62,268,609)	(23,700,100)	(34,985,728)	-	(58,685,828)
· Change in unearned premiums		-	2,222,544	-	2,222,544	-	1,259,930	-	1,259,930
· Change in unearned reinsurance premiums		-	(1,362,325)	-	(1,362,325)	-	(838,773)	-	(838,773)
Fees on investment contracts	2	64,321,622	-	-	64,321,622	59,379,110	-	-	59,379,110
Net claims expenses	3	(577,918,164)	(138,190,202)	-	(716,108,366)	(475,928,282)	(124,457,569)	-	(600,385,851)
· Claims paid		(582,041,753)	(135,021,215)	-	(717,062,968)	(468,197,676)	(119,639,763)	-	(587,837,439)
· <i>Claims paid gross</i>		(593,649,859)	(147,633,888)	-	(741,283,747)	(482,409,220)	(126,404,272)	-	(608,813,492)
· <i>Reinsurance share of claims paid</i>		11,608,106	12,612,673	-	24,220,779	14,211,544	6,764,509	-	20,976,053
· Change in claims reserves		4,123,589	(3,168,987)	-	954,602	(7,730,606)	(4,817,806)	-	(12,548,412)
· <i>Change in claims reserves gross</i>		4,123,589	(5,043,941)	-	(920,352)	(8,209,461)	(4,325,040)	-	(12,534,501)
· <i>Reinsurers share in change in claims reserves</i>		-	1,874,954	-	1,874,954	478,855	(492,766)	-	(13,911)
Changes in other technical reserves net	4	-	(1,645,240)	-	(1,645,240)	-	(663,494)	-	(663,494)
Changes in mathematical reserves, net	4	(505,734,090)	-	-	(505,734,090)	(642,205,016)	-	-	(642,205,016)
· Changes in mathematical reserves gross		(505,778,061)	-	-	(505,778,061)	(642,366,106)	-	-	(642,366,106)
· Reinsurance share in changes in mathematical reserves		43,971	-	-	43,971	161,090	-	-	161,090
Profit sharing, net	4	(58,196,833)	(598,724)	-	(58,795,557)	(45,321,586)	(428,564)	-	(45,750,150)
Acquisitions and administrative expenses, net	5	(69,678,969)	(45,567,441)	-	(115,246,410)	(58,873,096)	(36,009,791)	-	(94,882,887)
· Acquisition expense		(61,129,705)	(35,020,346)	-	(96,150,051)	(49,902,717)	(28,086,362)	-	(77,989,079)
· Changes in deferred acquisition costs		-	575,769	-	575,769	-	132,717	-	132,717
· Administrative expenses		(18,609,345)	(25,212,004)	-	(43,821,349)	(16,141,382)	(21,750,685)	-	(37,892,067)
· Reinsurance commissions and profit sharing		10,060,081	14,089,140	-	24,149,221	7,171,003	13,694,539	-	20,865,542
Interest, dividends and other similar income	6	211,096,704	4,130,876	14,013,984	229,241,564	176,152,429	4,793,710	24,821,380	205,767,519
· From financial assets not held at fair value through profit&loss		211,096,704	4,130,876	14,081,484	229,309,064	176,266,008	4,793,710	24,466,450	205,526,168
· Other		-	-	(67,500)	(67,500)	(113,579)	-	354,930	241,351
Financial expenses	7	(23,867,406)	(781,500)	(868,018)	(25,516,924)	(32,819,049)	(920,525)	(1,719,186)	(35,458,760)
· From financial assets not held at fair value through profit&loss		(21,360,143)	(762,326)	(677,762)	(22,800,231)	(24,883,252)	(711,452)	(156,864)	(25,751,568)
· From financial liabilities not held at fair value through profit&loss		(2,507,263)	(19,174)	(190,256)	(2,716,693)	(7,935,797)	(209,073)	(1,562,322)	(9,707,192)
Net gains/(losses) from financial assets not held at fair value through profit and loss	8	(6,261,179)	879,946	1,841,833	(3,539,400)	(606,631)	25,594	(4,473,017)	(5,054,054)
· From investments available for sale		(6,261,814)	879,946	1,841,833	(3,540,035)	(712,360)	25,594	(4,473,017)	(5,159,783)
· From loans and receivables		635	-	-	635	105,729	-	-	105,729
Net gains/(losses) from financial assets and liabilities held at fair value through profit and loss	9	3,443,048	-	1,531,752	4,974,800	420,375	(12,161)	1,866,991	2,275,205
· From financial assets and liabilities held for trading		120,353,919	-	-	120,353,919	116,706,689	(12,161)	(2,136)	116,692,392
· From financial assets and liabilities held at fair value through profit and loss		(116,910,871)	-	1,531,752	(115,379,119)	(116,286,314)	-	1,869,127	(114,417,187)
Net gains/(losses) from foreign exchange	10	(46,451)	363	10,240	(35,848)	(578,571)	(3,447)	5,409	(576,609)
Impairment charges (net of reversals)	11	-	-	242,443	242,443	(633,276)	-	(923,827)	(1,557,103)
· Other		-	-	242,443	242,443	(633,276)	-	(923,827)	(1,557,103)
Other technical income / (expenses), net	12	(28,125,666)	144,861	-	(27,980,805)	(40,061,090)	109,651	-	(39,951,439)
Changes in other provisions	11	-	-	(150,000)	(150,000)	-	-	214,588	214,588
Other non technical income / (expenses)	12	-	-	8,893,582	8,893,582	-	-	8,036,605	8,036,605
Profit before tax		121,839,808	12,762,234	25,515,816	160,117,858	82,946,548	21,369,183	27,828,943	132,144,674
Current tax	25	-	-	(9,145,976)	(9,145,976)	-	-	(52,517,855)	(52,517,855)
Deferred tax	25	-	-	(36,874,835)	(36,874,835)	-	-	17,159,353	17,159,353
Profit after tax		121,839,808	12,762,234	(20,504,995)	114,097,047	82,946,548	21,369,183	(7,529,559)	96,786,172

STATEMENT OF COMPREHENSIVE INCOME

EUR	2010	2009
Profit after tax	114,097,047	96,786,172
Unrealised gains and (losses), net		
· Unrealised gains and (losses) gross	(388,812,237)	133,932,876
· Current and deferred taxes	99,761,452	(35,588,363)
	(289,050,785)	98,344,513
· Profit sharing to be attributable ("shadow") gross	42,214,458	(39,781,531)
· Current and deferred taxes	(11,186,831)	10,542,105
	31,027,627	(29,239,426)
Total comprehensive income for the year	(143,926,111)	165,891,259

I

Consolidated Financial Statements

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CONSOLIDATED BALANCE SHEET

EUR	NOTE	2010	2009
Cash and equivalents	14	154,979,246	239,238,743
Trading assets	15	198,985,675	165,754,234
Investments held at fair value through profit and loss	16	5,856,920,092	5,897,547,280
Investments available for sale	17	5,947,958,676	5,540,652,344
Loans and receivables	18	301,050,166	779,587,877
· Deposits with ceding undertakings		-	295
· Other deposits		301,050,166	779,587,582
Investment property	19	5,588,781	5,832,882
Other tangible assets	20	1,232,486	1,287,316
Inventories		18,650	19,950
Goodwill	21	315,740,469	315,740,469
Other intangible assets	21	242,895,637	270,997,609
Reinsurance reserves	22	22,102,429	22,024,445
· Reinsurers share in reserve for unearned premiums		12,135,992	13,498,317
· Reinsurers share in mathematical reserves		724,921	680,950
· Reinsurers share in claims reserves		9,241,516	7,845,178
Assets for employee benefits (long term)	23	1,538,074	1,543,016
Trade and other receivables	24	45,529,193	48,939,751
· Receivables from policyholders		15,947,026	33,001,306
· Receivables from reinsurance operations		9,445,159	6,544,737
· Other receivables		20,137,008	9,393,708
Income tax assets	25	127,665,878	25,410,665
· Current tax assets		59,031,961	24,728,356
· Deferred tax assets		68,633,917	682,309
Accrued income and deferred charges	26	1,074,816	184,881
Total assets		13,223,280,268	13,314,761,462
Technical reserves	22	5,673,278,628	5,159,652,705
· Unearned premiums reserve		42,234,510	45,032,823
· Life mathematical reserves		5,435,959,031	4,884,699,808
· Claims outstanding reserve		128,958,705	128,390,156
<i>Claims reserves life</i>		39,052,200	43,135,694
<i>Claims reserves workers' compensation</i>		18,333,215	17,888,602
<i>Claims reserves other</i>		71,573,290	67,365,860
· Profit sharing reserves		61,079,340	98,128,116
· Equalisation reserve		761,354	727,721
· Unexpired risk reserve		4,285,688	2,674,081
Investment contracts liabilities at fair value through profit and loss	27	6,018,205,238	6,044,647,299
Other financial liabilities	28	230,631,651	576,538,419
· Funds held under reinsurance agreements		17,056,662	18,259,206
· Other liabilities		213,574,989	558,279,213
Liabilities for employee benefits (long term)	23	148,009	-
Trade and other payables	29	54,474,067	123,913,055
· Due to agents, policyholders and intermediaries		22,200,359	22,441,114
· Due to reinsurers		5,679,450	6,849,832
· Other liabilities		26,594,258	94,622,109
Income tax liabilities	25	76,288,299	98,458,787
· Current tax liabilities		7,047,114	45,469,423
· Deferred tax liabilities		69,241,185	52,989,364
Deferred income and accrued charges	30	15,043,130	19,873,928
Provisions	31	10,126,789	2,666,701
Total liabilities		12,078,195,811	12,025,750,894
Share capital		1,000,002,375	1,000,002,375
Fair value reserve (gross)		(305,632,648)	40,965,131
Fair value reserve (current and deferred taxes)		77,718,861	(10,855,760)
Other reserves		7,621,014	6,708,628
Retained earnings		251,277,808	155,404,022
Profit after tax		114,097,047	96,786,172
Total equity	32	1,145,084,457	1,289,010,568
Total liabilities and equity		13,223,280,268	13,314,761,462
Earnings per share		0,6	0,5

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

EUR	FAIR VALUE RESERVE							
	Share capital	Gross	Current and Deferred taxes	Net	Legal reserve	Retained earnings	Profit after tax	Total equity
Balance as at 01 January, 2009	1,000,002,375	(53,186,214)	14,190,498	(38,995,716)	5,997,679	127,687,774	28,427,197	1,123,119,309
Transfers to reserves	-	-	-	-	710,949	27,716,248	(28,427,197)	-
Unrealised gains and (losses), net	-	133,932,876	(35,588,363)	98,344,513	-	-	-	98,344,513
Profit sharing to be attributable ("shadow"), net	-	(39,781,531)	10,542,105	(29,239,426)	-	-	-	(29,239,426)
Profit after tax	-	-	-	-	-	-	96,786,172	96,786,172
Balance as at 31 December, 2009	1,000,002,375	40,965,131	(10,855,760)	30,109,371	6,708,628	155,404,022	96,786,172	1,289,010,568
Transfers to reserves	-	-	-	-	912,836	95,873,786	(96,786,172)	(96,786,172)
Unrealised gains and (losses), net	-	(388,812,237)	99,761,452	(289,050,785)	-	-	-	(289,050,785)
Profit sharing to be attributable ("shadow"), net	-	42,214,458	(11,186,831)	31,027,627	-	-	-	31,027,627
Profit after tax	-	-	-	-	-	-	114,097,047	114,097,047
Balance as at 31 December, 2010	1,000,002,375	(305,632,648)	77,718,861	(227,913,787)	7,621,014	251,277,808	114,097,047	1,145,084,457

CONSOLIDATED CASH FLOWS STATEMENTS

EUR	2010	2009
Cash flow from operating activities		
Profit after tax	114,097,047	96,786,172
<i>Adjustment for:</i>		
· Depreciation and amortisation	30,516,735	42,287,722
· Change in technical reserves	513,625,923	734,501,775
· Change in investment contracts liabilities	(26,442,061)	727,606,058
· Change in provisions	7,460,088	264,029
· Change in reinsurance reserves	(77,984)	43,369,218
· Impairment charges on other assets	(242,443)	1,557,103
· Change in deferred and current tax assets/liabilities	(124,425,701)	27,863,558
<i>Changes in operational assets and liabilities:</i>		
· Trading assets and liabilities	(33,231,441)	(92,438,307)
· Loans and receivables	478,537,711	(133,228,308)
· Trade and other receivables	3,653,001	(10,126,064)
· Other assets and liabilities	(5,567,782)	11,707,848
· Other financial liabilities	(345,906,768)	19,059,716
· Trade and other payables	(69,438,988)	63,668,155
	542,557,337	1,532,878,675
Cash flow from investment activities		
Change in investments held at fair value through profit and loss	40,627,188	(625,701,718)
Change in investments available for sale	(665,329,490)	(1,025,544,881)
Purchase of tangible and intangible assets	(2,114,532)	(2,189,585)
	(626,816,834)	(1,653,436,184)
Net increase in cash and cash equivalents	(84,259,497)	(120,557,509)
Cash and cash equivalents at the beginning of the year	239,238,743	359,796,252
Cash and cash equivalents at the end of the year	154,979,246	239,238,743

II Notes to the Consolidated financial statements

II

Notes to the Consolidated financial statements

II.1 Accounting policies

A) BASIS OF PRESENTATION

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

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

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

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

The consolidated financial statements presented were approved by the Board of Directors on 21 February 2011.

For 2010, the Group adopted the IFRS standards and interpretations for mandatory application for the accounting periods beginning on 1 January 2010. These standards are detailed in note 41. In accordance with the transition dispositions of these standards and interpretations, comparative figures are presented in these financial statements referring to additional disclosures.

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

The consolidated financial statements are expressed in euros and have been prepared under the historical cost convention, as modified by the revaluation of

investments on behalf of policyholders, derivative contracts, financial assets and financial liabilities at fair value through profit or loss and available-for-sale financial assets. Other financial assets and liabilities and non-financial assets and liabilities are stated at amortised cost or historical cost.

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

II Notes to the Consolidated financial statements

B) BASIS OF CONSOLIDATION

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

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

All Group companies have consistently applied the accounting policies.

Investments in subsidiaries

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

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

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

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

II

Notes to the Consolidated financial statements

revalued at market value on the sale date and the gain or loss resulting from this revaluation is booked against the income statement.

As of 31 December, 2010 and 2009, the subsidiary companies included in the consolidation are as follows:

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

Goodwill and VOBA (Value of Business Acquired)

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

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

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

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

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

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

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

Balances and transactions eliminated in consolidation

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

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

C) INSURANCE AND INVESTMENT CONTRACTS

Classification

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

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

Recognition and measurement

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

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

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

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

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

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

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

D) ACQUISITION COSTS

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

E) INSURANCE POLICY AND CLAIMS RESERVES

Life mathematical reserve

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

Claims outstanding reserves

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

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

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

Reserve for bonuses and rebates (profit sharing)

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

Unexpired risk reserve

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

Ageing reserve

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

Liability adequacy test

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

Equalization reserve

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

Profit sharing to be attributable (Shadow accounting)

In accordance with the New Plan of Accounts for the insurance companies ("PCES 07"), the unrealised gains and losses on the assets covering liabilities arising out from insurance and investment contracts with discretionary participating features are attributed to policyholder, to the extent that it is expected that they will participate on those unrealised gains and losses when they became realised in accordance with the terms of the contracts and applicable legislation, by recording those amounts under liabilities (see Note 22).

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F) FINANCIAL ASSETS

Classification

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

- › Financial assets at fair value through profit or loss – This category includes: (i) financial assets held for trading, which are those acquired principally for the purpose of selling in the short term and (ii) financial assets that are designated at fair value through profit or loss at inception. This portfolio includes the investments held on behalf of policyholders.
- › Available-for-sale investments – Available-for-sale investments are non-derivative financial assets (i) intended to be held for an indefinite period of time, (ii) designated as available-for-sale at initial recognition or (iii) that are not classified in the other categories referred to above.
- › Loans and receivables – This category includes receivables related with direct, reinsurance ceded transactions arising from insurance contracts and other transactions.

Initial recognition, measurement and derecognition

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

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

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

Subsequent measurement

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

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

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

flow analysis and option pricing models and (ii) valuation assumptions based on market information.

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

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

Reclassifications between categories

In October 2008, the IASB issued a change to the IAS 39 – Reclassification of Financial Assets (Amendments to IAS 39 Financial Investments: Recognition and Measurement and IFRS 7: Financial Investments Disclosures).

This change allowed an entity to transfer financial assets from financial assets at fair value through profit and loss – trading to financial assets available for sale, to Loans and Receivables or to financial assets held-to-maturity, as long as these financial assets comply with the characteristics of an each category. The Group did not adopt this possibility.

Impairment

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

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

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

Derivative financial instruments

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

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

Embedded derivatives

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

G) FINANCIAL LIABILITIES

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

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

H) OFFSETTING FINANCIAL INSTRUMENTS

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

I) REPURCHASE TRANSACTIONS

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

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

J) REINSURANCE

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

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

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

K) FOREIGN CURRENCY TRANSACTIONS

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

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

L) PROPERTY AND EQUIPMENT

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

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

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

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

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

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

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

M) INTANGIBLE ASSETS

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

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

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

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

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

N) INVESTMENT PROPERTY

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

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

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

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

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

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O) LEASES

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

Operating leases

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

Finance leases – As lessee

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

P) CASH AND CASH EQUIVALENTS

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

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Q) PROVISIONS

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

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

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

R) INTEREST INCOME AND EXPENSE

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

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

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

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

S) FEE AND COMMISSION INCOME

Fees and commissions are recognised as follows:

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

T) EMPLOYEE BENEFITS

Defined benefit plan

In accordance with the agreement entered into with its employees, Millenniumbcp Ageas is liable for pensions, including widows and orphans benefits and permanent disability as stipulated in the 'Plano CCT – Contrato Colectivo de Trabalho da Actividade Seguradora'.

The basic retirement attributable to the employees of the Group are as stipulated by 'Plano CCT – Contrato Colectivo de Trabalho da Actividade Seguradora'.

The obligations with retirement pensions of the Group were, until August 2010, covered by a pension fund denominated 'Fundo de Pensões do Grupo Banco Comercial' under which, as long as certain conditions are complied with, complementary non-contractual retirements benefits are attributable to the employees of the Group, after due consideration to the requirements of the collective labour agreement (complementary plan). As from that date, the existing fund was split, with the assets and liabilities related to Ageas being transferred into a separate fund designated "Fundo de Pensões Aberto – Horizonte Valorização".

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

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

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

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

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

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

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

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Defined contribution plan

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

Other post-retirement obligations

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

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

Bonus to employees

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

Share based payments

As at 31 December 2010, there are no share based compensation plans in force.

U) INCOME TAXES

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

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

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

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

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

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

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V) SEGMENT REPORTING

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

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

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

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

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

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

X) EARNINGS PER SHARE

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

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II.2 Critical accounting estimates and judgments in applying accounting policies

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

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

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

Insurance reserves

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

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

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

Claims reserves do not represent an exact calculation of the liability amount, but instead represent estimates, generally using actuarial valuations. These reserve estimates are expectations of what the ultimate settlement of claims is likely to cost based on an assessment of facts and circumstances then known, a review of historical settlement patterns, estimate of trends in claims severity, frequency, legal

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

Fair value of derivatives

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

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

Impairment of available-for-sale equity investments

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

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

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

Pension and other employees' benefits

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

Changes in these assumptions could materially affect the liabilities determined.

Impairment of long-term assets

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

Considering, uncertainties regarding the determination of the net recoverable amount of tangible and intangible assets based on the available information at

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the reporting date, changes in assumptions or judgments may produce different impacts in the determination of impairment and consequently in the income of the Group.

Income taxes

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

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

Goodwill

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

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

II.3 Segmental report

CONSOLIDATED INCOME STATEMENT

EUR	2010			2009		
	Life & Pensions	Non Life	Total	Life & Pensions	Non Life	Total
Net premiums earned	1,112,807,192	194,389,295	1,307,196,487	1,144,021,231	178,935,779	1,322,957,010
· Gross premiums	1,137,887,756	230,717,121	1,368,604,877	1,167,721,331	213,500,350	1,381,221,681
· Reinsurance ceded premiums	(25,080,564)	(37,188,045)	(62,268,609)	(23,700,100)	(34,985,728)	(58,685,828)
· Change in unearned premiums	-	2,222,544	2,222,544	-	1,259,930	1,259,930
· Change in unearned reinsurance premiums	-	(1,362,325)	(1,362,325)	-	(838,773)	(838,773)
Fees on investment contracts	64,321,622	-	64,321,622	59,379,110	-	59,379,110
Net claims expenses	(577,918,164)	(138,190,202)	(716,108,366)	(475,928,283)	(124,457,568)	(600,385,851)
· Claims paid	(582,041,753)	(135,021,215)	(717,062,968)	(468,197,676)	(119,639,763)	(587,837,439)
<i>Claims paid gross</i>	(593,649,859)	(147,633,888)	(741,283,747)	(482,409,220)	(126,404,272)	(608,813,492)
<i>Reinsurance share of claims paid</i>	11,608,106	12,612,673	24,220,779	14,211,544	6,764,509	20,976,053
· Change in claims reserves	4,123,589	(3,168,987)	954,602	(7,730,607)	(4,817,805)	(12,548,412)
<i>Change in claims reserves gross</i>	4,123,589	(5,043,942)	(920,353)	(8,209,461)	(4,325,040)	(12,534,501)
<i>Reinsurers share in change in claims reserves</i>	-	1,874,955	1,874,955	478,854	(492,765)	(13,911)
Changes in other technical reserves, net	-	(1,645,240)	(1,645,240)	-	(663,494)	(663,494)
Changes in mathematical reserves, net	(505,734,090)	-	(505,734,090)	(642,205,016)	-	(642,205,016)
· Changes in mathematical reserves gross	(505,778,061)	-	(505,778,061)	(642,366,106)	-	(642,366,106)
· Reinsurance share in changes in mathematical reserves	43,971	-	43,971	161,090	-	161,090
Profit sharing, net	(58,196,833)	(598,724)	(58,795,557)	(45,321,586)	(428,564)	(45,750,150)
Acquisitions and administrative expenses, net	(69,678,969)	(45,567,441)	(115,246,410)	(58,873,096)	(36,009,791)	(94,882,887)
· Acquisition expense	(61,129,705)	(35,020,346)	(96,150,051)	(49,902,717)	(28,086,362)	(77,989,079)
· Changes in deferred acquisition costs	-	575,769	575,769	-	132,717	132,717
· Administrative expenses	(18,609,345)	(25,212,004)	(43,821,349)	(16,141,382)	(21,750,685)	(37,892,067)
· Reinsurance commissions and profit sharing	10,060,081	14,089,140	24,149,221	7,171,003	13,694,539	20,865,542
Interest, dividends and other similar income	224,234,375	5,007,189	229,241,564	199,837,436	5,930,083	205,767,519
· From financial assets not held at fair value through profit and loss	224,301,875	5,007,189	229,309,064	199,596,085	5,930,083	205,526,168
· Other	(67,500)	-	(67,500)	241,351	-	241,351
Financial expenses	(24,381,236)	(1,135,688)	(25,516,924)	(34,347,715)	(1,111,045)	(35,458,760)
· From financial assets not held at fair value through profit and loss	(21,683,717)	(1,116,514)	(22,800,231)	(24,887,830)	(863,738)	(25,751,568)
· From financial liabilities not held at fair value through profit and loss	(2,697,519)	(19,174)	(2,716,693)	(9,459,885)	(247,307)	(9,707,192)
Net gains/(losses) from financial assets not held at fair value through profit and loss	(4,418,979)	879,579	(3,539,400)	(5,556,813)	502,759	(5,054,054)
· From investments available for sale	(4,419,614)	879,579	(3,540,035)	(5,662,542)	502,759	(5,159,783)
· From loans and receivables	635	-	635	105,729	-	105,729
Net gains/(losses) from financial assets and liabilities held at fair value through profit and loss	4,974,800	-	4,974,800	2,289,502	(14,297)	2,275,205
· From financial assets and liabilities held for trading	120,353,919	-	120,353,919	116,706,689	(14,297)	116,692,392
· From financial assets and liabilities held at fair value through profit and loss	(115,379,119)	-	(115,379,119)	(114,417,187)	-	(114,417,187)
Net gains/(losses) from foreign exchange	(36,211)	363	(35,848)	(578,571)	1,962	(576,609)
Impairment charges (net of reversals)	66,167	176,276	242,443	(1,317,040)	(240,063)	(1,557,103)
· Other	66,167	176,276	242,443	(1,317,040)	(240,063)	(1,557,103)
Other technical income / (expenses), net	(28,125,666)	144,861	(27,980,805)	(40,061,093)	109,654	(39,951,439)
Changes in other provisions	(150,000)	-	(150,000)	-	214,588	214,588
Other non technical income / (expenses)	7,646,233	1,247,349	8,893,582	7,910,436	126,169	8,036,605
Profit before tax	145,410,241	14,707,617	160,117,858	109,248,502	22,896,172	132,144,674
Current tax	(2,654,888)	(6,491,088)	(9,145,976)	(45,941,810)	(6,576,045)	(52,517,855)
Deferred tax	(38,999,232)	2,124,397	(36,874,835)	17,048,655	110,698	17,159,353
Profit after tax	103,756,121	10,340,926	114,097,047	80,355,347	16,430,825	96,786,172

CONSOLIDATED BALANCE SHEET

EUR	2010				2009			
	Life	Non Life	ICO	Total	Life	Non Life	ICO	Total
Cash and equivalents	137,535,739	17,443,507	-	154,979,246	215,933,707	23,305,036	-	239,238,743
Trading assets	198,985,675	-	-	198,985,675	165,754,234	-	-	165,754,234
Investments held at fair value through profit and loss	5,856,920,092	-	-	5,856,920,092	5,897,547,280	-	-	5,897,547,280
Investments available for sale	5,791,867,846	156,090,830	-	5,947,958,676	5,388,317,890	152,334,454	-	5,540,652,344
Loans and receivables	270,543,370	30,506,796	-	301,050,166	745,633,912	33,953,965	-	779,587,877
· Deposits with ceding undertakings	-	-	-	-	-	295	-	295
· Other deposits	270,543,370	30,506,796	-	301,050,166	745,633,912	33,953,670	-	779,587,582
Investment property	5,588,781	-	-	5,588,781	5,832,882	-	-	5,832,882
Other tangible assets	1,125,959	106,527	-	1,232,486	1,154,896	132,420	-	1,287,316
Inventories	-	18,650	-	18,650	-	19,950	-	19,950
Goodwill	247,487,477	68,252,992	-	315,740,469	247,487,477	68,252,992	-	315,740,469
Other intangible assets	242,825,648	69,989	-	242,895,637	270,921,899	75,710	-	270,997,609
Reinsurance reserves	1,766,856	20,335,573	-	22,102,429	1,722,885	20,301,560	-	22,024,445
· Reinsurers share in reserve for unearned premiums	-	12,135,992	-	12,135,992	-	13,498,317	-	13,498,317
· Reinsurers share in mathematical reserves	724,921	-	-	724,921	680,950	-	-	680,950
· Reinsurers share in claims reserves	1,041,935	8,199,581	-	9,241,516	1,041,935	6,803,243	-	7,845,178
Assets for employee benefits (long term)	764,192	773,882	-	1,538,074	882,746	660,270	-	1,543,016
Trade and other receivables	23,710,897	66,618,296 (44,800,000)	-	45,529,193	29,470,827	62,468,924 (43,000,000)	-	48,939,751
· Receivables from policyholders	6,029,908	9,917,118	-	15,947,026	20,901,359	12,099,947	-	33,001,306
· Receivables from reinsurance operations	368,155	9,077,004	-	9,445,159	98,482	6,446,255	-	6,544,737
· Other receivables	17,312,834	47,624,174 (44,800,000)	-	20,137,008	8,470,986	43,922,722 (43,000,000)	-	9,393,708
Income tax assets	122,240,749	5,425,129	-	127,665,878	24,728,349	682,316	-	25,410,665
· Current tax assets	59,020,951	11,010	-	59,031,961	24,728,349	7	-	24,728,356
· Deferred tax assets	63,219,798	5,414,119	-	68,633,917	-	682,309	-	682,309
Accrued income and deferred charges	11,676	1,063,140	-	1,074,816	171,415	13,466	-	184,881
Total assets	12,901,374,957	366,705,311 (44,800,000)	13,223,280,268	12,995,560,399	362,201,063 (43,000,000)	13,314,761,462		
Technical reserves	5,535,574,180	137,704,448	-	5,673,278,628	5,025,477,226	134,175,479	-	5,159,652,705
· Unearned premiums reserve	-	42,234,510	-	42,234,510	-	45,032,823	-	45,032,823
· Life mathematical reserves	5,435,959,031	-	-	5,435,959,031	4,884,699,808	-	-	4,884,699,808
· Claims outstanding reserve	39,052,200	89,906,505	-	128,958,705	43,135,694	85,254,462	-	128,390,156
· Claims reserves life	39,052,200	-	-	39,052,200	43,135,694	-	-	43,135,694
· Claims reserves workers' compensation	-	18,333,215	-	18,333,215	-	17,888,602	-	17,888,602
· Claims reserves other	-	71,573,290	-	71,573,290	-	67,365,860	-	67,365,860
· Profit sharing reserves	60,562,949	516,391	-	61,079,340	97,641,724	486,392	-	98,128,116
· Equalisation reserve	-	761,354	-	761,354	-	727,721	-	727,721
· Unexpired risk reserve	-	4,285,688	-	4,285,688	-	2,674,081	-	2,674,081
Invest.contracts liabilities at fair value through profit/loss	6,018,205,238	-	-	6,018,205,238	6,044,647,299	-	-	6,044,647,299
Other financial liabilities	221,831,130	8,800,521	-	230,631,651	558,465,643	18,072,776	-	576,538,419
· Funds held under reinsurance agreements	8,256,141	8,800,521	-	17,056,662	8,082,733	10,176,473	-	18,259,206
· Other liabilities	213,574,989	-	-	213,574,989	550,382,910	7,896,303	-	558,279,213
Liabilities for employee benefits (long term)	-	148,009	-	148,009	-	-	-	-
Trade and other payables	87,384,110	11,889,957 (44,800,000)	-	54,474,067	154,889,349	12,023,706 (43,000,000)	-	123,913,055
· Due to agents, policyholders and intermediaries	14,793,804	7,406,555	-	22,200,359	14,997,947	7,443,167	-	22,441,114
· Due to reinsurers	2,702,789	2,976,661	-	5,679,450	4,027,444	2,822,388	-	6,849,832
· Other liabilities	69,887,517	1,506,741 (44,800,000)	-	26,594,258	135,863,958	1,758,151 (43,000,000)	-	94,622,109
Income tax liabilities	72,417,719	3,870,580	-	76,288,299	94,633,745	3,825,042	-	98,458,787
· Current tax liabilities	3,176,534	3,870,580	-	7,047,114	41,644,381	3,825,042	-	45,469,423
· Deferred tax liabilities	69,241,185	-	-	69,241,185	52,989,364	-	-	52,989,364
Deferred income and accrued charges	10,078,241	4,964,889	-	15,043,130	15,074,272	4,799,656	-	19,873,928
Provisions	3,023,397	7,103,392	-	10,126,789	1,725,941	940,760	-	2,666,701
Total liabilities	11,948,514,015	174,481,796 (44,800,000)	12,078,195,811	11,894,913,475	173,837,419 (43,000,000)	12,025,750,894		
Share capital	889,997,375	110,005,000	-	1,000,002,375	889,997,375	110,005,000	-	1,000,002,375
Fair value reserve (gross)	(297,673,909)	(7,958,739)	-	(305,632,648)	39,835,403	1,129,728	-	40,965,131
Fair value reserve (current and deferred taxes)	75,410,827	2,308,034	-	77,718,861	(10,556,382)	(299,378)	-	(10,855,760)
Other reserves	5,042,304	2,578,710	-	7,621,014	4,749,072	1,959,556	-	6,708,628
Retained earnings	176,328,225	74,949,583	-	251,277,808	96,266,109	59,137,913	-	155,404,022
Profit after tax	103,756,120	10,340,927	-	114,097,047	80,355,347	16,430,825	-	96,786,172
Total equity	952,860,942	192,223,515	- 1,145,084,457	1,100,646,924	188,363,644	- 1,289,010,568		
Total liabilities and equity	12,901,374,957	366,705,311 (44,800,000)	13,223,280,268	12,995,560,399	362,201,063 (43,000,000)	13,314,761,462		

II.4 Notes to the consolidated income statement

II Notes to the Consolidated financial statements

NOTE 1 – NET PREMIUMS EARNED

EUR	2010	2009
Gross premiums Life	1,137,887,756	1,167,721,331
Gross premiums Non Life	230,717,121	213,500,350
Gross premiums	1,368,604,877	1,381,221,681
Reinsurance ceded premiums Life	(25,080,564)	(23,700,100)
Reinsurance ceded premiums Non Life	(37,188,045)	(34,985,728)
Reinsurance ceded premiums	(62,268,609)	(58,685,828)
Change in unearned premiums Non Life	2,222,544	1,259,930
Change in unearned reinsurance premiums Non Life	(1,362,325)	(838,773)
Change in unearned premiums Non Life (net)	860,219	421,157
Premiums earned Life (net)	1,112,807,192	1,144,021,231
Premiums earned Non Life (net)	194,389,295	178,935,779
Premiums earned (net)	1,307,196,487	1,322,957,010

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

Life premiums are analysed as follows:

EUR	2010	2009
Insurance life traditional	185,744,100	186,741,317
Investment contracts with DPF	952,143,656	980,980,014
Gross premiums under IFRS 4	1,137,887,756	1,167,721,331

Premiums earned net of reinsurance ceded are analysed as follows:

EUR	2010	2009
Gross written premiums from direct insurance operations		
· Individual policies	522,866,233	521,935,688
· Group policies	615,021,523	645,785,643
	1,137,887,756	1,167,721,331
· Periodic premiums	285,728,993	278,309,226
· Single premiums	852,158,763	889,412,105
	1,137,887,756	1,167,721,331
· Contracts without profit sharing	9,847,061	9,235,803
· Contracts with profit sharing	1,128,040,695	1,158,485,528
	1,137,887,756	1,167,721,331
Reinsurance ceded result	(3,368,406)	(1,677,609)

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Notes to the Consolidated financial statements

Direct insurance non-life premiums are analysed as follows:

EUR	2010		2009	
	Gross written premiums	Earned premiums	Gross written premiums	Earned premiums
Accidents and health	160,970,643	164,203,362	146,006,566	147,469,046
Fire and other damage	39,877,668	39,638,220	38,172,950	37,619,561
Motor	22,045,504	21,818,752	22,471,837	22,906,751
Other lines	7,823,306	7,279,331	6,848,997	6,764,922
Total	230,717,121	232,939,665	213,500,350	214,760,280

Reinsurance ceded non-life premiums are analysed as follows:

EUR	2010		2009	
	Gross written premiums	Earned premiums	Gross written premiums	Earned premiums
Accidents and health	14.048.687	15.767.440	15.177.008	16.363.682
Fire and other damage	18.455.462	18.354.854	15.739.708	15.593.581
Motor	315.078	315.078	312.796	312.796
Other lines	4.368.818	4.112.998	3.756.216	3.554.442
Total	37.188.045	38.550.370	34.985.728	35.824.501

NOTE 2 – FEE ON INVESTMENT CONTRACTS

Fee on investment contracts in the amount of Euro 64,321,622 (2009: Euro 59,379,110), are calculated on a fund-by-fund basis, according to the terms of each product.

NOTE 3 – NET CLAIMS EXPENSE

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

EUR	2010			2009		
	Insurance contracts	Investment contracts	Total	Insurance contracts	Investment contracts	Total
Claims paid						
· Gross claims paid	68,367,964	524,939,893	593,307,857	64,347,261	417,772,086	482,119,347
· Reinsurance share of claims paid	(11,608,106)	-	(11,608,106)	(14,211,544)	-	(14,211,544)
	56,759,858	524,939,893	581,699,751	50,135,717	417,772,086	467,907,803
Change in claims reserves						
· Change in claims reserves gross	(4,565,543)	441,954	(4,123,589)	10,877,735	(2,668,275)	8,209,460
· Reinsurers share in change in claims reserves	-	-	-	(478,854)	-	(478,854)
	(4,565,543)	441,954	(4,123,589)	10,398,881	(2,668,275)	7,730,606
Net claims expense before cost allocation	52,194,315	525,381,847	577,576,162	60,534,598	415,103,811	475,638,409
Claims expenses (allocated)			342,002			289,873
Net claims expense Life			577,918,164			475,928,282

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

EUR	2010				
	Accident & Health	Fire & Other damage	Motor	Other lines	Total
Claims paid					
· Gross claims paid	100,949,855	19,369,289	15,617,482	1,683,250	137,619,876
· Reinsurance share of claims paid	(2,569,253)	(8,267,927)	(774,352)	(1,001,141)	(12,612,673)
	98,380,602	11,101,362	14,843,130	682,109	125,007,203
Change in claims reserves					
· Change in claims reserves gross	2,804,241	796,562	(1,013,382)	2,456,520	5,043,941
· Reinsurers share in change in claims reserves	(462,442)	(120,834)	895,629	(2,187,307)	(1,874,954)
	2,341,799	675,728	(117,753)	269,213	3,168,987
Net claims expense before cost allocation	100,722,401	11,777,090	14,725,377	951,322	128,176,190
Claims expenses (allocated)	6,291,225	1,106,196	2,559,799	56,792	10,014,012
Net claims expense Non life	107,013,626	12,883,286	17,285,176	1,008,114	138,190,202

EUR	2009				
	Accident & Health	Fire & Other damage	Motor	Other lines	Total
Claims paid					
· Gross claims paid	89,463,163	10,954,010	13,464,327	3,404,289	117,285,789
· Reinsurance share of claims paid	(2,227,694)	(3,778,185)	-	(758,630)	(6,764,509)
	87,235,469	7,175,825	13,464,327	2,645,659	110,521,280
Change in claims reserves					
· Change in claims reserves gross	4,055,761	729,407	1,305,657	(1,765,785)	4,325,040
· Reinsurers share in change in claims reserves	719,364	(284,421)	(61,744)	119,567	492,766
	4,775,125	444,986	1,243,913	(1,646,218)	4,817,806
Net claims expense before cost allocation	92,010,594	7,620,811	14,708,240	999,441	115,339,086
Claims expenses (allocated)	5,443,339	537,657	3,052,779	84,708	9,118,483
Net claims expense Non life	97,453,933	8,158,468	17,761,019	1,084,149	124,457,569

II Notes to the Consolidated financial statements

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Notes to the Consolidated financial statements

NOTE 4 – CHANGE IN MATHEMATICAL AND OTHER TECHNICAL RESERVES NET OF REINSURANCE

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

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

EUR	2009		
	Insurance contracts	Investment contracts	Total
Changes in mathematical reserves, net			
· Changes in mathematical reserves, gross	154,193	642,211,913	642,366,106
· Reinsurance share in changes in mathematical reserves	(161,090)	-	(161,090)
	(6,897)	642,211,913	642,205,016
Changes in profit sharing, net	6,368,356	38,953,230	45,321,586
Total	6,361,459	681,165,143	687,526,602

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

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

EUR	2009				
	Accident & Health	Fire & Other damage	Motor	Other lines	Total
Changes in equalisation reserve	-	71,199	-	15,668	86,867
Changes in unexpired risk reserve	738,601	86,744	42,368	(291,086)	576,627
	738,601	157,943	42,368	(275,418)	663,494
Changes in profit sharing, net	428,564	-	-	-	428,564
Total	1,167,165	157,943	42,368	(275,418)	1,092,058

NOTE 5 – NET ACQUISITIONS AND ADMINISTRATIVE EXPENSES

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

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

EUR	2009			
	Insurance contracts	Investment contracts	Unit Linked	Total
Acquisition expense – commissions	16,813,446	15,072,779	14,863,403	46,749,628
Acquisition expenses allocated	1,782,071	1,133,773	237,245	3,153,089
Administrative expenses – commissions	12,718	-	-	12,718
Administrative expenses allocated	7,820,260	6,671,622	1,636,782	16,128,664
Reinsurance commissions and profit sharing	(7,171,003)	-	-	(7,171,003)
Total	19,257,492	22,878,174	16,737,430	58,873,096

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

EUR	2010				
	Accident & Health	Fire & Other damage	Motor	Other lines	Total
Acquisition expenses – commissions	15,267,481	4,700,371	2,134,403	580,542	22,682,797
Acquisition expenses allocated	9,043,667	1,378,577	1,457,079	458,226	12,337,549
Change in deferred acquisition expenses	(210,395)	(234,126)	(111,612)	(19,636)	(575,769)
Administrative expenses – commissions	390,325	2,643	1,312	1,011	395,291
Administrative expenses allocated	17,997,421	3,880,545	2,320,138	618,609	24,816,713
Reinsurance commissions and profit sharing	(7,056,992)	(6,643,335)	25	(388,838)	(14,089,140)
Total	35,431,507	3,084,675	5,801,345	1,249,914	45,567,441

EUR	2009				
	Accident & Health	Fire & Other damage	Motor	Other lines	Total
Acquisition expenses – commissions	12,157,615	3,351,839	2,245,534	551,696	18,306,684
Acquisition expenses allocated	7,173,899	1,107,060	1,137,271	361,448	9,779,678
Change in deferred acquisition expenses	112,250	(203,675)	(40,203)	(1,089)	(132,717)
Administrative expenses – commissions	380,278	2,574	4,000	2,523	389,375
Administrative expenses allocated	15,583,288	2,066,321	3,218,717	492,984	21,361,310
Reinsurance commissions and profit sharing	(7,259,510)	(76)	(6,248,001)	(186,952)	(13,694,539)
Total	28,147,820	6,324,043	317,318	1,220,610	36,009,791

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The caption Acquisition expenses – commissions includes the amount of Euro 74,250,000 (2009: Euro 59,567,000) related with commissions paid to Grupo Banco Comercial Português, S.A., under the distribution agreement established with Millenniumbcp Ageas.

NOTE 6 – INTEREST, DIVIDENDS AND OTHER SIMILAR INCOME

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

EUR	2010	2009
From available for sale investments	222,399,565	189,070,360
From bank deposits	6,909,499	16,455,808
	229,309,064	205,526,168
From investment property	(67,500)	241,351
Total	229,241,564	205,767,519

NOTE 7 – FINANCIAL EXPENSES

The financial expenses from assets not held at fair value through profit and loss relates to the operating and administrative expenses allocated to the investment function in the amount of Euro 22,800,000 (2009: Euro 25,752,000).

Financial expenses from financial liabilities not held at fair value through profit and loss relates to the interest expense related with a repurchase agreement (REPO) of securities with Banco Comercial Português, S.A. in 2010 and 2009, in the amount of Euro 2,717,000 and Euro 9,707,000 respectively (see note 35).

NOTE 8 – NET GAINS/(LOSSES) FROM FINANCIAL ASSETS NOT HELD AT FAIR VALUE THROUGH PROFIT AND LOSS

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

EUR	2010			2009		
	Gains	(Losses)	Net	Gains	(Losses)	Net
Government bonds	20,620,397	(33,067,073)	(12,446,676)	22,982,611	(5,071,944)	17,910,667
Corporate debt securities	10,720,697	(6,173,722)	4,546,975	10,013,151	(22,991,887)	(12,978,736)
Equity securities	4,766,349	(406,683)	4,359,666	5,328,428	(15,420,142)	(10,091,714)
From Available for sale investments	36,107,443	(39,647,478)	(3,540,035)	38,324,190	(43,483,973)	(5,159,783)
From loans and receivables	635	-	635	105,729	-	105,729
Total	36,108,078	(39,647,478)	(3,539,400)	38,429,919	(43,483,973)	(5,054,054)

NOTE 9 – NET GAINS/(LOSSES) FROM FINANCIAL ASSETS AND LIABILITIES HELD AT FAIR VALUE THROUGH PROFIT AND LOSS

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

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

EUR	2009			
	Gains	(Losses)	Other income	Total
From trading	97,616,115	(24,553,657)	43,629,934	116,692,392
From held at fair value through profit and loss	589,634,938	(141,271,385)	244,041,041	692,404,594
Total	687,251,053	(165,825,042)	(519,150,807)	2,275,205

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

NOTE 10 – NET GAINS/(LOSSES) FROM FOREIGN EXCHANGE

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

EUR	2010	2009
From available for sale investments	10,239	(394,314)
From financial assets and liabilities held for trading	-	72
From loans and receivables	(46,087)	(182,367)
Total	(35,848)	(576,609)

NOTE 11 – IMPAIRMENT CHARGES ON OTHER ASSETS (NET OF REVERSALS) AND CHANGES IN OTHER PROVISIONS

Impairment charges on other assets, net of reversals, and changes in other provisions are analysed as follows:

EUR	2010	2009
From Investment property	-	1,273,633
From Trade receivables	(249,481)	293,488
From Other receivables	7,038	(10,018)
Total Impairment Charges	(242,443)	1,557,103
Change In Other Provisions	150,000	(214,588)
Total	(92,443)	1,342,515

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NOTE 12 – OTHER TECHNICAL AND NON-TECHNICAL INCOME / (EXPENSES)

Other technical income/(expenses) includes an amount of Euro 29,700,000 (2009: Euro 41,635,000) related to the amortization of the Value of Business Acquired (see note 21).

Other non-technical income/(expenses) includes an amount of Euro 11,258,000 (2009: Euro 11,667,000) related to pension funds management fees charged by Pensõesgere, S.G.F.P., S.A.

NOTE 13 – OPERATING AND ADMINISTRATIVE EXPENSES

The Operating and administrative expenses are analysed as follows:

EUR	2010	2009
Staff and related costs		
· Remuneration – management	1,240,830	1,561,003
· Remuneration – other staff	18,904,423	18,402,494
· Social security charges	3,559,936	3,280,648
· Employee benefit plans expenses	3,368,734	1,422,456
· Insurance costs	840,821	793,617
· Social costs	110,045	111,152
· Other costs	234,325	85,961
	28,259,114	25,657,331
External services and supplies	36,674,584	34,341,151
Depreciation of tangible assets		
· Investment property	266,294	330,621
· Equipment and motor vehicles	21,173	25,206
· IT equipment	111,894	102,041
	399,361	457,868
Amortisation of intangible assets		
· Software	417,625	193,489
· Value of business acquired	29,699,749	41,635,344
· Other intangible assets	-	1,022
	30,117,374	41,829,855
Other	32,031,126	31,469,831
Total	127,481,559	133,756,036

Other Operating and administrative expenses includes an amount of Euro 1,037,000 (2009: Euro 2,565,000) related with tax expenses, an amount of Euro 1,212,000 (2009: Euro 1,747,000) related with interest expenses, an amount of Euro 22,414,000 (2009: Euro 26,736,000) related with commissions and Euro 7,368,000 of changes in provisions (2009: Euro 421,000).

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

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

EUR	2010	2009
Claims incurred	10,356,013	9,408,357
Operating expenses		
· Acquisition costs	16,425,070	12,932,766
· Administrative costs	43,417,673	37,489,975
Investment expenses		
· Allocated to insurance technical account	22,122,469	25,594,703
· Allocated to insurance non technical account	677,762	156,864
Other non allocated expenses	34,482,572	48,173,371
Total	127,481,559	133,756,036

As at 31 December 2010 and 2009, the number of employees of the Group were 461 and 458, of each 448 and 450 are full time equivalents.

II.5 Notes to the consolidated balance sheet

NOTE 14 – CASH AND EQUIVALENTS

As at 31 December 2010 and 2009, this balance is analysed as follows:

EUR	2010	2009
Cash	-	4
Bank deposits	154,979,246	239,238,739
Total	154,979,246	239,238,743

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NOTE 15 – TRADING ASSETS

As at 31 December 2010 and 2009, this balance is analysed as follows:

EUR	2010		2009	
	Fair value	Notional amount	Fair value	Notional amount
Derivatives				
· Interest rate swaps	188,979,500	5,365,354	160,374,071	5,026,387,211
· Options	9,958,600	85,875,000	5,367,365	57,975,000
· FRA	47,575	41,500,000	12,798	41,500,000
Total	198,985,675	5,492,500,354	165,754,234	5,125,862,211
Of which:				
Level 1	-	-	-	-
Level 2	198,985,675	5,492,500,354	165,754,234	5,125,862,211
Level 3	-	-	-	-
	198,985,675	5,492,500,354	165,754,234	5,125,862,211

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

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

NOTE 16 – INVESTMENTS HELD AT FAIR VALUE THROUGH PROFIT AND LOSS

As at 31 December 2010 and 2009, this balance is analysed as follows:

EUR	2010			2009		
	Amortised cost	Unrealised gains/(losses)	Book value	Amortised cost	Unrealised gains/(losses)	Book value
Government bonds	44,076,810	158,645	44,235,455	73,114,710	(30,924,532)	42,190,178
Corporate debt securities	6,160,881,886	(562,136,692)	5,598,745,194	5,295,206,830	463,987,842	5,759,194,672
Equity securities and investment funds	200,378,160	13,561,283	213,939,443	80,862,185	15,300,245	96,162,430
Total	6,405,336,856	(548,416,764)	5,856,920,092	5,449,183,725	448,363,555	5,897,547,280
Of which:						
Level 1			1,678,066,172			2,460,335,054
Level 2			4,178,853,920			3,437,212,226
Level 3			-			-
			5,856,920,092			5,897,547,280

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

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

Quoted financial assets includes securities measured with stock market's quotations, provider's prices and securities admitted to quotation in organized markets.

II Notes to the Consolidated financial statements

NOTE 17 – INVESTMENTS AVAILABLE FOR SALE

As at 31 December 2010 and 2009, this balance is analysed as follows:

EUR	2010			2009		
	Amortised Cost	Unrealised gains/(losses)	Total	Amortised Cost	Unrealised gains/(losses)	Total
Government bonds	2,939,510,752	(137,584,138)	2,801,926,614	2,562,568,260	30,464,877	2,593,033,137
Corporate debt securities	2,888,458,492	(171,990,379)	2,716,468,113	2,481,692,679	44,282,920	2,525,975,599
Equity securities and investment funds	314,980,204	3,941,869	318,922,073	313,031,502	8,431,792	321,463,294
Accrued interest	110,641,876	-	110,641,876	100,180,314	-	100,180,314
Total	6,253,591,324	(305,632,648)	5,947,958,676	5,457,472,755	83,179,589	5,540,652,344
Of which:						
Level 1			5,602,294,662			5,188,096,561
Level 2			345,664,014			352,555,783
Level 3			-			-
			5,947,958,676			5,540,652,344

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

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

Quoted financial assets includes securities measured with stock market's quotations, provider's prices and securities admitted to quotation in organized markets.

Further disclosures on Investments are provided in Risk management (see note 37).

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NOTE 18 – LOANS AND RECEIVABLES

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

NOTE 19 – INVESTMENT PROPERTY

As at 31 December 2010 and 2009, this balance is analysed as follows:

EUR	2010	2009
Cost	11,116,580	11,116,580
Accumulated depreciation	(1,986,802)	(1,742,701)
Impairment	(3,540,997)	(3,540,997)
Balance at the end of the year	5,588,781	5,832,882
Fair value	6,562,000	6,562,000

The estimated lifetime of investment property is analysed as follows:

	Estimated lifetime
Building	25 years
Components	10 years

The last valuation of the property conducted by a specialized and independent entity occurred in 2009 and as a result, an impairment of 1.274.000 was recognized.

As at 31 December 2010, there were no impairment loss indications, so no additional valuation was requested.

NOTE 20 – OTHER TANGIBLE ASSETS

As at 31 December 2010 and 2009, this balance is analysed as follows:

EUR	2010	2009
Equipment		
· IT equipment	1,107,675	1,030,296
· Administrative equipment	1,111,132	1,111,132
· Other	1,727,054	1,726,196
	3,945,861	3,867,624
Accumulated depreciation	(2,713,375)	(2,580,308)
Net balance	1,232,486	1,287,316

The movements on this balance are presented as follows:

EUR	IT equipment	Administrative equipment	Other equipment	Total
Acquisition cost				
Balance as at 31 December 2009	1,030,296	1,111,132	1,726,196	3,867,624
· Acquisitions	77,379	-	858	78,237
Balance as at 31 December, 2010	1,107,675	1,111,132	1,727,054	3,945,861
Depreciation				
Balance as at 31 December 2009	873,207	1,101,812	605,289	2,580,308
· Depreciation of the year	111,895	4,715	16,457	133,067
· Other movements	-	1,230	(1,230)	-
Balance as at 31 December, 2010	985,102	1,107,757	620,516	2,713,375
Net balance as at 31 December, 2009	157,089	9,320	1,120,907	1,287,316
Net balance as at 31 December, 2010	122,573	3,375	1,106,538	1,232,486

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NOTE 21 – GOODWILL AND OTHER INTANGIBLE ASSETS

As at 31 December 2010 and 2009, this balance is analysed as follows:

EUR	Goodwill	VOBA	Other	Total
Acquisition cost				
Balance as at 31 December 2009	315,740,469	527,989,676	6,189,973	849,920,118
Acquisitions	-	-	2,015,402	2,015,402
Balance as at 31 December 2010	315,740,469	527,989,676	8,205,375	851,935,520
Accumulated Amortisation				
Balance as at 31 December 2009	-	(259,527,222)	(3,654,818)	(263,182,040)
Amortisation of the year	-	(29,699,749)	(417,625)	(30,117,374)
Balance as at 31 December 2010	-	(289,226,971)	(4,072,443)	(293,299,414)
Net intangible assets 2009	315,740,469	268,462,454	2,535,155	586,738,078
Net intangible assets 2010	315,740,469	238,762,705	4,132,932	558,636,106

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

EUR

Life & Pensions segment

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

EUR

Non Life segment

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

As described on the accounting policies, the Group as performed an impairment test on the Goodwill and Value of Business Acquired (VOBA), determining that there was no impairment loss to be recognized. The impairment test of Goodwill was performed based on the 5 years business plan for each business unit approved by the Group management taking into account a long term growth of 2%. The present value of the future cash flows was determined using a discount rate of 11% (2009: 11,4%).

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

EUR	2011	2012	2013	2014	2015	APÓS
Estimated amortisation of VOBA	28,245,997	24,373,851	22,445,973	21,245,973	19,064,102	123,386,809

NOTE 22 – TECHNICAL RESERVES, NET OF REINSURANCE

As at 31 December 2010 and 2009, this balance for life business is analysed as follows:

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

EUR	2009		
	Insurance contracts	Investment contracts	Total
Gross			
· Life mathematical reserves	203,866,903	4,680,832,905	4,884,699,808
· Claims reserves life	34,615,995	8,519,699	43,135,694
· Profit sharing reserves	3,833,129	93,808,595	97,641,724
· <i>Attributed</i>	2,384,852	45,986,860	48,371,712
· <i>To be attributable</i>	1,448,277	47,821,735	49,270,012
Total Gross	242,316,027	4,783,161,199	5,025,477,226
Reinsurance Ceded			
· Life mathematical reserve	680,950	-	680,950
· Claims reserves life	1,041,935	-	1,041,935
Total Reinsurance	1,722,885	-	1,722,885
Total (net)	240,593,142	4,783,161,199	5,023,754,341

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

As at December 2010 the Life Business technical reserves have been increased by an amount of Euro 3,087,700 (2009: Euro 802,000) due to the liability adequacy test carried out. This test was performed based on the best estimate assumptions (see note 37).

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As at 31 December 2010 and 2009, this balance is analysed as follows for non-life business:

EUR	2010				
	Accident & Health	Fire & Other damage	Motor	Other Lines	Total
Gross					
Unearned premiums reserve	28,879,072	5,419,721	4,945,783	2,989,934	42,234,510
Claims outstanding reserve	50,560,087	9,085,208	23,198,520	7,062,690	89,906,505
Profit sharing reserve	516,391	-	-	-	516,391
Equalisation reserve	-	697,228	-	64,126	761,354
Unexpired risk reserve	2,015,702	88,228	1,999,689	182,069	4,285,688
Total Gross	81,971,252	15,290,385	30,143,992	10,298,819	137,704,448
Reinsurance Ceded					
Unearned premiums reserve	9,159,270	1,242,575	-	1,734,147	12,135,992
Claims outstanding reserve	3,301,434	1,803,908	250,742	2,843,497	8,199,581
Total Reinsurance	12,460,704	3,046,483	250,742	4,577,644	20,335,573
Total (net)	69,510,548	12,243,902	29,893,250	5,721,175	117,368,875

EUR	2009				
	Accident & Health	Fire & Other damage	Motor	Other Lines	Total
Gross					
Unearned premiums reserve	32,322,187	5,414,398	4,830,644	2,465,594	45,032,823
Claims outstanding reserve	48,245,842	8,288,785	24,225,823	4,494,012	85,254,462
Profit sharing reserve	486,392	-	-	-	486,392
Equalisation reserve	-	663,595	-	64,126	727,721
Unexpired risk reserve	1,896,384	266,214	460,016	51,467	2,674,081
Total Gross	82,950,805	14,632,992	29,516,483	7,075,199	134,175,479
Reinsurance Ceded					
Unearned premiums reserve	10,878,023	1,141,966	-	1,478,328	13,498,317
Claims outstanding reserve	3,317,609	1,683,074	1,146,371	656,189	6,803,243
Total Reinsurance	14,195,632	2,825,040	1,146,371	2,134,517	20,301,560
Total (net)	68,755,173	11,807,952	28,370,112	4,940,682	113,873,919

Included in claims outstanding for Workers compensation is the amount of Euro 12,460,000 (2009: Euros 11,898,000) relating to the mathematical provision for Workers compensation.

As a result of new reserving policy for Workers Compensation, aligned with life annuities, the Non-life claims outstanding reserve includes an amount of Euro 1,168,000 (in 2009 an amount of Euro 1,134,000), booked as LAT reserve.

Claims outstanding reserve life and non-life, including reinsurance accepted, represents unsettled claims occurring before 31 December 2010, and include an amount of Euro 33,653,000 (2009: Euro 31,644,000) for incurred but not reported claims (IBNR).

Claims outstanding reserve includes an estimation of future costs related with the settlement of pending claims, both declared and non-declared, in the amount of Euro 1,872,000 (2009: Euro 2,039,000).

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

EUR	2010	2009
Unearned premiums reserve	48,587,127	50,809,671
Deferred acquisition costs	(6,352,617)	(5,776,848)
Net	42,234,510	45,032,823

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

EUR	2010	2009
Deferred acquisition costs as at 1 January	5,776,848	5,644,131
Acquisition costs of the year	6,352,617	5,776,848
Acquisition costs amortisation	(5,776,848)	(5,644,131)
Deferred acquisition costs as at 31 December	6,352,617	5,776,848

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

EUR	2010			2009		
	Life	Non Life	Total	Life	Non Life	Total
Balance as at 1 January	97,641,724	486,392	98,128,116	48,375,900	215,808	48,591,708
Amounts paid	(53,061,150)	(568,725)	(53,629,875)	(36,123,330)	(157,980)	(36,281,310)
Estimated attributable amounts	58,196,833	598,724	58,795,557	45,321,586	428,564	45,750,150
Shadow accounting	(42,214,458)	-	(42,214,458)	40,067,568	-	40,067,568
Total	60,562,949	516,391	61,079,340	97,641,724	486,392	98,128,116

Profit sharing reserves includes the shadow adjustment that corresponds to an estimation of the unrealised gains and losses on the assets covering liabilities arising out from insurance and investment contracts with discretionary participation features, to the extent that it is expected that policyholders will participate on those unrealised gains and losses when they became realised in accordance with the terms of the contracts and applicable legislation. As at 31 December 2010 the amount of shadow adjustment was set to zero due to the level of unrealized capital losses (2009: Euro 42,214,000, which Euro 1,925,000 were included in the mathematical reserves as part of the liability adequacy test).

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

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

EUR	2010	2009
Profit sharing to be attributable to policyholders, 1 January	49,270,012	15,921,059
Released, accordingly to plan	(5,332,483)	(6,718,615)
Allocated at year-end	(42,214,458)	40,067,568
Total, 31 December	1,723,071	49,270,012
Profit sharing, 1 January	48,371,712	32,454,841
Profit sharing distributed to policyholders during the year	(53,061,150)	(36,123,329)
Profit sharing assigned to policyholders – contractual	54,004,089	40,959,159
Profit sharing assigned to policyholders – commercial	5,296,018	7,966,656
Profit sharing assigned to policyholders – management decision	4,229,209	3,114,385
Profit sharing, 31 December	58,839,878	48,371,712

NOTE 23 – EMPLOYEE BENEFITS

Pensions and other post retirement obligations

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

The actuarial valuation of accrued pension and other employee benefits for the Group is performed annually, with the latest valuation performed as at 31 December 2010.

As at 31 December 2010 and 2009 the number of participants of the benefit plan was as follows:

	2010	2009
Number of participants		
· Employees	415	405
· Retired and pensioners	25	24
	440	429

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

	2010	2009
Discount rate	5.25%	5.25%
Future salary increases	2.75%	2.75%
Expected return on plan assets at 31 December	5.50%	5.50%
Future pension increases	1.75%	1.75%
Mortality table:		
· Men	TV88/90	TV73/77 rated down 1 year
· Women	TV 88/90 rated down 2 years	TV 88/90 rated down 2 years
Actuarial Method	Project Unit Credit	Project Unit Credit

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As at 31 December 2010 and 2009, employee's benefits and fair value of plan assets are analysed as follows:

EUR	2010			2009		
	Pension plans	Other benefits	Total	Pension plans	Other benefits	Total
Projected benefit obligations	(22,149,619)	(3,203,153)	(25,352,772)	(19,353,688)	(2,933,695)	(22,287,383)
Fair value of plan assets	22,526,538	-	22,526,538	20,854,497	-	20,854,497
Net recognized defined benefit obligations	376,919	(3,203,153)	(2,826,234)	1,500,809	(2,933,695)	(1,432,886)
Unrecognised actuarial (gains)/losses	4,361,105	(144,806)	4,216,299	3,156,156	(180,252)	2,975,904
Net asset/(liability)	4,738,024	(3,347,959)	1,390,065	4,656,965	(3,113,947)	1,543,018

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

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

Additionally, the Group transferred part of their pension fund liabilities through the acquisition of life insurance policies in Ocidental Vida. The number of pensioners covered by these policies amounts to 9 (2009: 9), and the total liability amounts to Euro 2,050,000 (2009: Euro 2,130,000), which is included in the life insurance reserves.

The liabilities with pensions and other post employee's benefits in 2010 and 2009, can be analysed as follows:

EUR	2010			2009		
	Pension plans	Other benefits	Total	Pension plans	Other benefits	Total
Liabilities as at 1 January	19,353,688	2,933,695	22,287,383	20,026,116	3,184,395	23,210,511
Current service cost	930,870	122,628	1,053,498	944,439	120,512	1,064,951
Interest cost	1,003,946	151,870	1,155,816	1,138,395	179,847	1,318,242
Benefits paid by the fund or by the Group	(972,227)	(34,598)	(1,006,825)	(543,630)	(30,152)	(573,782)
Actuarial (gains)/losses	(299,602)	29,558	(270,044)	(1,785,156)	(520,907)	(2,306,063)
Curtailment losses related to early retirements	1,755,497	-	1,755,497	-	-	-
Transfer between funds	377,447	-	377,447	(426,476)	-	(426,476)
Liabilities as at 31 December	22,149,619	3,203,153	25,352,772	19,353,688	2,933,695	22,287,383

The amount recognised as a cost by the Group in 2010 and 2009 is analysed as follows:

EUR	2010			2009		
	Pension plans	Other benefits	Total	Pension plans	Other benefits	Total
Current service cost	930,870	122,628	1,053,498	944,439	120,512	1,064,951
Interest cost	1,003,946	151,870	1,155,816	1,138,395	179,847	1,318,242
Expected return on plan assets	(1,113,254)	-	(1,113,254)	(1,145,395)	-	(1,145,395)
Amortisation of the unrecognised net (gains)/losses	523,065	(5,888)	517,177	173,472	11,186	184,658
Losses (gains) on curtailments (settlements)	1,755,497	-	1,755,497	-	-	-
Total benefit expenses	3,100,124	268,610	3,368,734	1,110,911	311,545	1,422,456

The changes in the fair value of the plan assets during 2010 and 2009, are analysed as follows:

EUR	2010	2009
Opening balance as at 1 January	20,854,497	20,218,077
Group contributions	3,181,183	84,666
Benefits paid by the fund	(972,227)	(543,630)
Expected return on plan assets	1,113,254	1,145,395
Actuarial gains (losses) on plan assets	(2,027,616)	376,465
Transfer between funds	377,447	(426,476)
Balance as at 31 December	22,526,538	20,854,497

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

EUR	2010			2009		
	Pension plans	Other benefits	Total	Pension plans	Other benefits	Total
Net actuarial (gains)/losses at beginning of the year	3,156,156	(180,252)	2,975,904	5,491,249	351,841	5,843,090
Actuarial (gains)/losses in relation to the DBO	(299,602)	29,558	(270,044)	(1,785,156)	(520,907)	(2,306,063)
Actuarial (gains)/losses in relation to the plan assets	2,027,616	-	2,027,616	(376,465)	-	(376,465)
Amortisation of the unrecognised net (gains)/losses	(523,065)	5,888	(517,177)	(173,472)	(11,186)	(184,658)
Net actuarial (gains)/losses at the end of the year	4,361,105	(144,806)	4,216,299	3,156,156	(180,252)	2,975,904

As at 31 December 2010 and 2009 the actuarial gains/(losses) incurred as a result of the changes in the actuarial assumptions amounted to Euro (708,000) and Euro 578,000, respectively.

The contribution to the Pension Fund made by the Group companies amounted to Euro 3,181,000 (2009: Euro 85,000) being made in cash. It refers to the transference to pension fund of the social security charges, until retirement age, of the pre-retirement employees.

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

EUR	2010			2009		
	Pension plans	Other benefits	Total	Pension plans	Other benefits	Total
Prepaid / (accrued) benefit cost as at 1 January	4,656,965	(3,113,947)	1,543,018	5,683,210	(2,832,554)	2,850,656
Net periodic benefit cost	(3,100,124)	(268,610)	(3,368,734)	(1,110,911)	(311,545)	(1,422,456)
Employer contributions and other contributions	3,181,183	34,598	3,215,781	84,666	30,152	114,818
Prepaid / (accrued) benefit cost as at 31 December	4,738,024	(3,347,959)	1,390,065	4,656,965	(3,113,947)	1,543,018

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

EUR	2010	2009	2008	2007	2006	2005
Projected benefit obligations	(25,352,772)	(22,287,383)	(23,210,513)	(19,407,784)	(15,565,226)	(15,508,050)
Fair value of plan assets	22,526,538	20,854,497	20,218,077	17,950,264	14,645,067	13,341,742
Net recognized defined benefit obligations	(2,826,234)	(1,432,886)	(2,992,436)	(1,457,520)	(920,159)	(2,166,308)
Unrecognised actuarial (gains)/losses	4,216,299	2,975,904	5,843,088	313,290	(1,184,759)	791,953
Net asset/(liability)	1,390,065	1,543,018	2,850,652	(1,144,230)	(2,104,918)	(1,374,355)

The assets of the pension fund are analysed as follows:

EUR	2010	2009
Variable income securities	82,898	1,247,262,000
Fixed income securities	13,990,262	2,841,297,000
Real State	-	383,431,000
Others	8,453,377	1,101,582,000
	22,526,538	5,573,572,000

It should be mentioned that until 31 December, 2009 the employee benefits liabilities were covered by BCP Group pension fund from which Millenniumbcp Ageas represented around 0.37%.

The securities issued by Banco Comercial Português Group and Ageas Group accounted in the portfolio of the Fund are analysed as follows:

EUR	2010	2009
Variable income securities	-	39,362,000
Fixed income securities	-	352,171,000
	-	391,533,000

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

EUR	2010	2009
Pension cost impact	19,622	19,191
Liability impact	443,573	398,709

NOTE 24 – TRADE AND OTHER RECEIVABLES

As at 31 December 2010 and 2009, this balance is analysed as follows:

EUR	2010	2009
Receivables from policyholders	18,364,547	35,820,291
Receivables from intermediaries	688,302	529,281
Receivables from reinsurance operations	10,932,241	8,031,820
	29,985,090	44,381,392
Impairment	(4,592,905)	(4,835,349)
Total trade receivables	25,392,185	39,546,043
Other receivables	20,218,388	9,417,643
Impairment	(81,380)	(23,935)
Total other receivables	20,137,008	9,393,708
Total	45,529,193	48,939,751

Receivables from policyholders includes an amount of Euro 10,800,000 (2009: Euro 28,401,000) related with uncollected premiums.

Receivables from policyholders also includes the amount of Euro 5,812,000 (2009: Euro 5,700,000) related with claims reimbursements issued in the scope of the agreement between BCP Group and the Sindicatos Bancários do Norte, Centro e Sul.

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

EUR	2010		2009	
	Trade	Other	Trade	Other
Balance at the beginning of the year	4,835,349	23,935	4,541,521	34,292
Write back for the year	(465,316)	-	(350,930)	(10,357)
Charge of the year	222,872	-	644,757	-
Transfers and other movements	-	57,445	-	-
Balance at the end of the year	4,592,905	81,380	4,835,349	23,935

NOTE 25 – INCOME TAX ASSETS AND LIABILITIES

Until 2009, the Group determined its income tax liability on the basis of a nominal rate of 26.5%. (25% corporate income tax plus 1,5% of municipal surcharge). For 2010 onwards the tax charge is determined on the basis of a nominal rate of 29% (25% corporate income tax plus 1,5% of municipal surcharge and an additional 2,5% of surcharge for taxable profits above 2me).

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

The Income tax assets and liabilities are analysed as follows:

EUR	2010	2009
Current tax assets and other taxes	59,031,961	24,728,356
· Current tax assets	34,291,052	—
· Other taxes	24,740,909	24,728,356
Deferred tax assets	68,633,917	682,309
Income tax assets	127,665,878	25,410,665
Current tax liabilities and other taxes	7,047,114	45,469,423
· Current tax assets	565,994	38,978,170
· Other taxes	6,481,120	6,491,253
Deferred tax liabilities	69,241,185	52,989,364
Income tax liabilities	76,288,299	98,458,787

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

As at 31 December 2010 and 2009, Other tax assets includes an amount of Euro 24,728,000, related with the VAT reimbursement as a result of the real estate portfolio that has been transferred from Millennium BCP – Prestação de Serviços, A.C.E., to Pensõesger – Sociedade Gestora de Fundos de Pensões, S.G.F.P., S.A., management entity of the BCP Group pension fund.

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The deferred tax assets and liabilities recognised as at the 31 December, 2010 and 2009, financial statements, are analysed as follows:

EUR	Assets		Liabilities		Net	
	2010	2009	2010	2009	2010	2009
Investment property	33,743	46,252	—	—	33,743	46,252
Intangible assets	—	—	(69,241,183)	(71,142,550)	(69,241,183)	(71,142,550)
Investments	18,235,571	11,819,268	—	—	18,235,571	11,819,268
Insurance and investment contracts liabilities	7,303,648	5,185,480	—	—	7,303,648	5,185,480
Provisions	3,232,915	986,867	—	—	3,232,915	986,867
Tax losses carried forward (life segment)	38,885,348	—	—	—	38,885,348	—
Other	942,692	797,628	—	—	942,692	797,628
Deferred tax asset / (liability)	68,633,917	18,835,495	(69,241,183)	(71,142,550)	(607,266)	(52,307,055)
Off set asset / (liability)	—	(18,153,186)	—	18,153,186	—	—
Net deferred tax asset / (liability)	68,633,917	682,309	(69,241,183)	(52,989,364)	(607,266)	(52,307,055)

The changes in deferred tax recognised in 2010 and 2009, are analysed as follows:

EUR	2010		2009	
	Recognised on income	Recognised on equity	Recognised on income	Recognised on equity
Investment property	(12,509)	—	623,499	—
Intangible assets	1,901,365	—	11,033,366	—
Investments	710,873	5,705,430	7,171,696	(11,811,492)
Insurance and investment contracts liabilities	2,118,168	—	(2,002,276)	—
Provisions	2,246,048	—	(270,326)	—
Tax losses carried forward (life segment)	(43,983,846)	82,869,191	—	—
Other	145,066	—	603,394	—
Deferred tax asset / (liability)	(36,874,835)	88,574,621	17,159,353	(11,811,492)

The income tax expense for the year ended 31 December, 2010 and 2009 is analysed as follows:

EUR	2010	2009
Current tax	(9,145,976)	(52,517,855)
Deferred tax	(36,874,835)	17,159,353
Total tax recognised in the income statement	(46,020,811)	(35,358,502)

The income taxes recognised in the fair value reserve for the year ended 31 December, 2010 and 2009 is analysed as follows:

EUR	2010	2009
Current tax	(24,851,325)	(24,851,325)
Deferred tax	102,570,186	13,995,565
Total tax in fair value reserves	77,718,861	(10,855,760)

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

EUR	2010	2009
Profit before taxes	160,117,858	132,144,674
Statutory rate	29.0%	26.5%
Income tax calculated on the statutory rate	46,434,179	35,018,339
· Autonomous taxation	111,131	107,106
· Tax rate differential	7,223,693	-
· Effect of tax rate applicable to tax losses carried forward	(7,037,415)	-
· Other permanent differences	(710,777)	233,057
	46,020,811	35,358,502

II Notes to the Consolidated financial statements

NOTE 26 – ACCRUED INCOME AND DEFERRED CHARGES

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

NOTE 27 – INVESTMENT CONTRACTS LIABILITIES AT FAIR VALUE THROUGH PROFIT AND LOSS

Investment contracts liabilities at fair value through profit and loss in the amount of Euro 6,018,205,000 (2009: Euro 6,044,647,000) relates to unit-linked contracts. These liabilities include the fair value of any guarantees or options embedded on the investment contracts.

NOTE 28 – OTHER FINANCIAL LIABILITIES

As at 31 December 2010 and 2009, this balance is analysed as follows:

EUR	2010	2009
Funds held under reinsurance agreements	17,056,662	18,259,206
Other liabilities	213,574,989	558,279,213
Total	230,631,651	576,538,419

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

The Other liabilities are related with the repurchase agreement (REPO) of fixed income securities (government bonds) with Banco Comercial Português, S.A. The assets sold and repurchased under the agreement were not derecognised as Millenniumbcp Ageas retains all the risks and rewards of the ownership of the securities (see note 35).

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Notes to the Consolidated financial statements

NOTE 29 – TRADE AND OTHER PAYABLES

As at 31 December 2010 and 2009, this balance is analysed as follows:

EUR	2010	2009
Due to agents, policyholders and intermediaries	22,200,359	22,441,114
Due to reinsurers	5,679,450	6,849,832
Trade amounts payable	27,879,809	29,290,946
Other liabilities	26,594,258	94,622,109
Total	54,474,067	123,913,055

In 2009, Other liabilities included an amount of Euro 56,349,000 related with investments acquired in the last days of the year, which were paid in the beginning of January 2010.

As at 31 December 2010 and 2009, Other liabilities includes an amount of Euro 24,728,000, related with the VAT reimbursement as a result of the real estate portfolio that has been transferred from Millennium BCP – Prestação de Serviços, A.C.E., to Pensõesger – Sociedade Gestora de Fundos de Pensões, S.G.F.P., S.A., management entity of the BCP Group pension fund.

As at 31 December 2010 the commissions payable to Banco Comercial Português, S.A in the amount of Euro 18,470,000 (2009: Euro 18,213,000) are included in the balance Due to agents.

NOTE 30 – DEFERRED INCOME AND ACCRUED CHARGES

As at 31 December 2010, deferred income and accrued charges includes an amount of Euro 6,078,000 (2009: Euro 5,372,000) related to unit linked management fees to be paid to the asset manager.

Additionally, in 2009 this balance also included an amount of Euros 6,220,000 related with a success fee to be paid to the investments portfolio managers, which was calculated based on the performance achieved. No success fee is due in 2010.

Additionally, accrued charges includes also an accrual related with the present value of the future contributions to Workers Compensation Fund (FAT) in the amount of Euro 897,000 (2009: Euro 865,000) as described on the accounting policies.

NOTE 31 – PROVISIONS

As at 31 December 2010 and 2009, the balance provisions are analysed as follows:

EUR	2010	2009
Provision for income tax	259,892	93,437
Provisions for other risks and charges – others	9,866,897	2,573,264
Total	10,126,789	2,666,701

As at 31 December 2010 and 2009, the changes in provisions are as follows:

EUR	2010	2009
Balance as at 1 January	2,666,701	2,402,672
Write back for the year	(2,147,819)	(1,952,742)
Charge of the year	9,665,352	2,159,326
Transfers and other movements	(57,445)	57,445
Balance as at 31 December	10,126,789	2,666,701

As at 31 December 2010 a restructuring plan was announced by the Executive Committee and Board of Directors and as a result a restructuring provision was recognized in the amount of Euros 9,000,000.

II Notes to the Consolidated financial statements

II.6 Notes to the Statement of changes in equity

NOTE 32 – SHARE CAPITAL, LEGAL RESERVE, RETAINED EARNINGS AND FAIR VALUE RESERVE

Share capital

As at 31 December 2010 and 2009, the authorised share capital of Millenniumbcp Ageas, Grupo Segurador, S.G.P.S., S.A., is represented by 200,000,475 shares with a face value of Euro 5 each, fully subscribed and paid by the shareholders.

The shareholders of the Group are presented as follows:

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

Legal reserve

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

Fair value reserve

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

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The gross movements during 2010 and 2009 are analysed as follows:

EUR	2010	2009
Balance as at 1 January	83,179,589	(50,753,287)
Revaluations	(391,497,758)	133,272,992
Sales	2,685,521	659,884
Balance as at 31 December	(305,632,648)	83,179,589

The fair value reserve is analysed as follows:

EUR	2010	2009
Amortised cost of Available for sale investments	6,253,591,324	5,457,472,755
Impairment	-	-
Amortised cost of Available for sale investments net of impairment	6,253,591,324	5,457,472,755
Fair value of Available for sale investments	5,947,958,676	5,540,652,344
Unrealised gains / (losses) recognised on fair value reserve	(305,632,648)	83,179,589
Current and deferred tax	77,718,861	(22,042,591)
Fair value reserve on equity (net)	(227,913,787)	61,136,998
Profit sharing to be attributable ("shadow"), net	-	(31,027,627)
Fair value reserve on equity (net)	(227,913,787)	30,109,371

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

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

The Equity as at 31 December 2009 is analysed as follows:

FAIR VALUE RESERVE								
EUR	Share capital	Gross	Current and Deferred taxes	Net	Legal reserve	Retained earnings	Profit after tax	Total equity
Issuance of capital	1,000,002,375	-	-	-	-	-	-	1,000,002,375
Unrealised gains and (losses), net	-	83,179,589	(22,042,591)	61,136,998	-	-	-	61,136,998
Profit sharing to be attributable ("shadow"), net	-	(42,214,458)	11,186,831	(31,027,627)	-	-	-	(31,027,627)
Profit after tax of the year	-	-	-	-	-	-	96,786,172	96,786,172
Retained earnings	-	-	-	-	-	155,404,022	-	155,404,022
Legal reserve	-	-	-	-	6,708,628	-	-	6,708,628
Balance as at 31 December, 2009	1,000,002,375	40,965,131	(10,855,760)	30,109,371	6,708,628	155,404,022	96,786,172	1,289,010,568

II.7 Additional information to Segment report

NOTE 33 – NON LIFE TECHNICAL MARGINS BY LINE OF BUSINESS

EUR	2010					2009				
	Accidents and health	Fire and other damage	Motor	Other lines	Total	Accidents and health	Fire and other damage	Motor	Other lines	Total
Net premiums earned	148,435,922	21,283,366	21,503,674	3,166,333	194,389,295	131,105,364	22,025,980	22,593,955	3,210,480	178,935,779
Net claims expenses	(107,013,625)	(12,883,286)	(17,285,177)	(1,008,114)	(138,190,202)	(97,453,932)	(8,158,470)	(17,761,019)	(1,084,148)	(124,457,569)
Changes in other technical reserves net	(119,318)	144,354	(1,539,673)	(130,603)	(1,645,240)	(738,601)	(157,943)	(42,368)	275,418	(663,494)
Profit sharing, net	(598,724)	-	-	-	(598,724)	(428,564)	-	-	-	(428,564)
Acquisitions/administrative expenses, net	(35,431,507)	(3,084,674)	(5,801,344)	(1,249,916)	(45,567,441)	(28,147,820)	(1,393,411)	(5,247,948)	(1,220,612)	(36,009,791)
Interest, dividends and other similar income	3,009,009	340,420	612,920	168,527	4,130,876	3,561,255	330,728	736,392	165,335	4,793,710
Financial expenses	(582,529)	(68,842)	(98,404)	(31,725)	(781,500)	(634,948)	(81,546)	(171,571)	(32,460)	(920,525)
Net gains/(losses) from financial assets	602,411	105,563	156,721	15,614	880,309	(15,498)	6,124	17,344	2,016	9,986
Other income / (expenses) technical, net	154,618	(9,757)	-	-	144,861	109,651	-	-	-	109,651
Technical margin	8,456,257	5,827,144	(2,451,283)	930,116	12,762,234	7,356,907	12,571,462	124,785	1,316,029	21,369,183
Net investment income					876,312					1,096,119
Net realised gains / (losses)					(367)					482,459
General expenses					(363,269)					(161,151)
Net other income / (expenses)					1,432,708					109,563
Non technical result					1,945,384					1,526,989
Profit before tax Non Life					14,707,618					22,896,172

	Accidents and health	Fire and other damage	Motor	Other lines	Total	Accidents and health	Fire and other damage	Motor	Other lines	Total
Gross reserves	81.971.254	15.290.384	30.143.991	10.298.819	137.704.448	82.950.804	14.632.992	29.516.482	7.075.201	134.175.479
Reinsurance share in reserves	12.460.704	3.046.483	250.742	4.577.644	20.335.573	14.195.632	2.825.040	1.146.371	2.134.517	20.301.560

NOTE 34 – LIFE TECHNICAL MARGINS BY TYPE OF PRODUCT

EUR	2010				2009			
	Insurance contracts	Investment contracts	Unit linked contracts	Total	Insurance contracts	Investment contracts	Unit linked contracts	Total
Net premiums earned	160,663,536	952,143,656	-	1,112,807,192	163,041,217	980,980,014	-	1,144,021,231
Fees on investment contracts	-	-	64,321,622	64,321,622	-	-	59,379,110	59,379,110
Net claims expenses	(52,410,543)	(525,507,621)	-	(577,918,164)	(60,725,482)	(415,202,800)	-	(475,928,282)
Changes in mathematical reserves, net	(202,424)	(505,531,666)	-	(505,734,090)	6,897	(642,211,913)	-	(642,205,016)
Profit sharing, net	(6,005,982)	(52,190,851)	-	(58,196,833)	(6,368,356)	(38,953,230)	-	(45,321,586)
Acquisitions and administrative expenses, net	(22,453,027)	(27,319,531)	(19,906,411)	(69,678,969)	(19,257,492)	(22,878,174)	(16,737,430)	(58,873,096)
Interest, dividends and other similar income	10,959,093	200,137,611	-	211,096,704	11,097,823	165,054,606	-	176,152,429
Financial expenses	(845,105)	(9,396,889)	(13,625,412)	(23,867,406)	(1,068,434)	(19,207,762)	(12,542,853)	(32,819,049)
Net gains/(losses) from financial assets	(486,290)	(5,795,428)	3,417,136	(2,864,582)	230,424	(2,788,505)	1,159,978	(1,398,103)
VOBA amortisation	(21,668,614)	(3,731,143)	(4,299,992)	(29,699,749)	(26,476,209)	(7,308,509)	(7,850,626)	(41,635,344)
Other technical income / (expenses), net	122,192	1,550,209	(98,316)	1,574,085	79,039	1,542,745	(47,530)	1,574,254
Technical margin	67,672,836	24,358,347	29,808,627	121,839,810	60,559,427	(973,528)	23,360,649	82,946,548
Net investment income				14,080,477				22,784,054
Net realised gains / (losses)				2,251,131				(4,344,550)
General expenses				(5,097,316)				(6,533,739)
Net other income / (expenses)				12,336,139				14,396,189
Non technical result				23,570,431				26,301,954
Profit before tax Life				145,410,241				109,248,502

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II.8 Other Notes

NOTE 35 – RELATED PARTY TRANSACTIONS

As at 31 December, 2010 and 2009, the remuneration of key management – Board of directors, is analysed as follows:

EUR	2010	2009
Remuneration	1,240,830	1,561,003
Contributions to pensions plans	2,295,434	115,153
	3,536,264	1,676,156

The impacts of these operations with related parties, per item, are analysed as follows:

EUR

Balance Sheet	BCP Group	Ageas Group	BCP Pensions Fund	Ageas Pensions Fund	Total
Cash and equivalents	154,979,246	-	-	-	154,979,246
Loans and receivables – other deposits	301,050,167				301,050,167
Investments available for sale	325,390,985	-	-	-	325,390,985
Investments held at fair value through profit and loss	3,533,024,309	81,040,600	-	-	3,614,064,909
Other assets	1,453,328	-	-	1,538,074	2,991,402
Total assets	4,315,898,035	81,040,600	-	1,538,074	4,398,476,709
Technical reserves	126,234,954	131,091	-	-	126,366,045
Other financial liabilities	213,574,989	-	-	-	213,574,989
Other liabilities	18,898,730	-	11,847	148,009	19,058,586
Total liabilities	358,708,673	131,091	11,847	148,009	358,999,620
Net assets / liabilities 2010	3,957,189,362	80,909,509	(11,847)	1,390,065	4,039,477,089
Net assets / liabilities 2009	4,344,902,472	72,916,993	-	1,543,016	4,419,362,481

EUR

Income statement	BCP Group	Ageas Group	BCP Pensions Fund	Ageas Pensions Fund	Total
Net premiums earned	13,211,506	-	21,525,419	-	34,736,925
Interest, dividends and other similar income	173,798,747	-	-	-	173,798,747
Net gains/(losses) from financial assets not held at fair value through profit and loss	(901,295)	-	-	-	(901,295)
Net gains/(losses) from financial assets and liabilities held at fair value through profit and loss	(449,485,126)	13,707,940	-	-	(435,777,186)
Total income	(263,376,168)	13,707,940	21,525,419	-	(228,142,809)
Changes in technical reserves net and reinsurance	(19,998,677)	(42,050)	(9,918,699)	-	(29,959,426)
Acquisition expenses	(74,250,270)	-	-	-	(74,250,270)
Operating and administrative expenses	(19,251,386)	-	4,396,545	(3,368,734)	(18,223,575)
Total expenses	(113,500,333)	(42,050)	(5,522,154)	(3,368,734)	(122,433,271)
Net Income / Expenses 2010	(376,876,501)	13,665,890	16,003,265	(3,368,734)	(350,576,080)
Net Income / Expenses 2009	213,089,072	37,406,008	16,085,180	(1,422,456)	265,157,804

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

In 2010, Millenniumbcf Fortis entered into a sale and repurchase agreement (REPO) of fixed income securities (government bonds) with Banco Comercial Português, S.A. in the amount of Euro 213,575,000 (2009: Euro 558,279,000). The assets sold and repurchased under the agreement were not derecognised as Millenniumbcf Fortis retains all the risks and rewards of the ownership of the securities.

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

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NOTE 36 – ASSETS UNDER MANAGEMENT

Pensõesgera is a pension fund management company. The assets under management as at 31 December, 2010 and 2009, are analysed as follows by type of investment:

EUR	2010	2009
Fixed income securities	3,016,468,389	3,753,670,116
Equity securities	3,151,544,683	2,789,310,491
Investment property	549,608,291	549,661,291
Total	6,717,621,363	7,092,641,898

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

EUR	2010	2009
Value as at 1 January	7,092,641,898	6,898,207,940
Net contributions	(100,470,051)	(328,972,010)
Capital gains/(losses)	(259,793,729)	605,809,263
Transfers	(14,756,755)	(82,403,295)
Value as at 31 December	6,717,621,363	7,092,641,898

NOTE 37 – RISK MANAGEMENT

A sound risk management is one of the key pillars for a strategy of sustainable profitable growth and therefore, a core competence at Millenniumbcf Ageas. As part of our corporate governance we have established a risk management organisational structure, based on the structure that Ageas Group has in place. Its primary objective is to develop and implement a risk management framework that allow 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 Millenniumbcf Ageas.

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Standardised risk taxonomy

Following Ageas Group Risk Management guidelines and principles, Millenniumbcp Ageas has the various components of the risk management function centralized under the CFO, who is also acting as Chief Risk Officer. At the same time, the Group has applied the standardised risk taxonomy of Ageas Group to manage its main risks:

Operational risk	Investment risk	Insurance risk
Event risk	Credit risk	Life Insurance risk
Business risk	Market risk	Non-Life Insurance risk
	Liquidity risk	

a) 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.

Event risk 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.

Business risk is the risk of “being on the business” and comprises the risk of losses due to changes in the structural and/or competitive environment and thus, mostly externally driven. Even so it can be mitigated by effective management practices.

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, in particular, the implementation of a framework for sound operational risk management and management control, covering all dimensions of operational risk. The operational risk and management control (ORMC) framework encompasses policies for the governance of operational risks, for the identification, assessment, measurement and reporting of those risks and for their mitigation.

POLICY ON OPERATIONAL (EVENT) RISK				
Operational risk identification, assessment, measurement/modelling, analysis, reporting, monitoring				
Operational Risk Framework Embedment and Use Scan				
Loss Data · Loss data collection and reconciliation · Benchmarking internal vs external data (ORX)	Model · OR VaR · Economic capital · Regulatory capital	Risk Self-Assessment · Assessment of operational risk exposure · Scenario Analysis · Identify risk areas and trigger management action	Key Risk Indicators · Define KRIs (and trigger levels) for risk areas · Monitor KRIs and trigger management action	Business Continuity Assessment · Assessment of BC management · Business Impact Analysis · Define Availability Limits
Product Line/Process description at Business Line/Legal Entity level				
MANAGEMENT OF OPERATIONAL (EVENT) RISK BY BUSINESS				
Risk Mitigation (avoidance, reduction/transfer, control)				
Business Continuity Management	Implementation of Management Control	Management Control Statements	Risk Transfer (Insurance, Captives,...)	

This framework helps the organisation to increase operational risk awareness, monitor operational risk effectively and measure the operational risk profile and associated fund requirements. To enable such a high-level approach, an all-encompassing Risk Management organisation and an appropriate risk mitigation policy will have to be consistently implemented together with the full integration of Millenniumbcp Ageas business' approach.

For the effective and efficient identification and management of operational risks, Millenniumbcp Ageas has already implemented a number of tools and techniques:

- › Risk Assessments are conducted periodically at the business and support functions to ensure a forward-looking view on the operational risk profile. This consists of a bottom-up risk self-assessment aiming at identifying and assessing the operational risks in the organisational and process context;
- › Business Continuity Management is a management process that identifies potential threats to an organisation and the impacts on business operations that those threats, if realised, might have, and that provides a framework for building organisational resilience with the ability to make an effective response that safeguards the interests of its stakeholders, reputation, brand and value creating activities;
- › Information Security that defines the organisational framework, management and staff responsibilities and the information security directives that apply throughout Millenniumbcp Ageas;
- › Management Control Statements: while operational risk management focuses on operational event risks, management control is mostly concerned with the business risk. Management teams sign their management control statement that is an attestation, every year-end, of the functioning of the risk management and internal control system during the year.

b) Investment Risk

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

Credit 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 corporate bonds, commercial mortgages and other securities. Along with the implementation of a credit policy that contains a set of principles, rules and guidelines from credit risk limits, we are also monitoring this risk using a "Value at Risk" (VaR), which calculates the maximum potential structural loss on a total exposure at maturity basis.

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

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

EUR				
INVESTMENTS PORTFOLIO	2010	%	2009	%
Available for sale	5,837,316,800		5,440,472,030	
Government bonds	2,801,926,614	48.0%	2,593,033,137	47.7%
Corporate debt securities	2,716,468,113	46.5%	2,525,975,599	46.4%
Equity securities	217,829	0.0%	235,323	0.0%
Participation in unit funds				
· Debt	89,730,195	1.5%	101,315,969	1.9%
· Equity	-	0.0%	3,237,640	0.1%
· Real Estate	193,840,822	3.3%	189,312,386	3.5%
· Alternative	35,133,227	0.6%	27,361,976	0.5%
Held at fair value	5,856,920,092		5,897,547,280	
Government bonds	44,235,455	0.8%	42,190,178	0.7%
Corporate debt securities	5,598,745,194	95.6%	5,759,194,672	97.7%
Participation in unit funds				
· Debt	99,740,430	1.7%	38,648,196	0.7%
· Equity	102,701,740	1.8%	41,160,116	0.7%
· Alternative	11,497,273	0.2%	16,354,118	0.3%
Other financial assets / (liabilities)	(14,589,314)		(392,524,979)	
· Trading derivatives	198,985,675		165,754,234	
· Repurchase agreement	(213,574,989)		(558,279,213)	
Total	11,679,647,578		10,945,494,331	

One of the objectives of the Group's investment policy is to mitigate the underlying credit risk through means of a diversified investment securities portfolio, in terms of industries, markets and countries.

The equity securities hold by the Group, can be analysed by type of industry as follows:

EUR				
AVAILABLE FOR SALE				
Equity securities by industry	2010		2009	
	Book value	%	Book value	%
Financial	168,542	77.4%	168,542	71.6%
Communications & Technology	47,032	21.6%	64,521	27.4%
Consumer, Non-cyclical	2,250	1.0%	2,250	1.0%
Consumer, Cyclical	5	0.0%	10	0.0%
	217,829	100.0%	235,323	100.0%

The debt securities hold by the Group, can be analysed by type of industry as follows:

Debt securities by industry	AVAILABLE FOR SALE				HELD AT FAIR VALUE			
	2010		2009		2010		2009	
	Book value	%	Book value	%	Book value	%	Book value	%
Government	2,801,926,614	50.8%	2,593,033,137	50.7%	44,235,455	0.8%	42,190,178	0.7%
Financial	2,031,924,656	36.8%	1,853,561,731	36.2%	4,027,139,928	71.4%	4,144,700,124	71.4%
Asset Backed Securities	17,745,332	0.3%	23,733,989	0.5%	78,938,998	1.4%	80,205,987	1.4%
Industrial	140,794,794	2.6%	158,265,187	3.1%	395,895,803	7.0%	489,464,738	8.4%
Utilities	149,240,258	2.7%	159,863,320	3.1%	140,840,299	2.5%	184,916,449	3.2%
Mortgage Securities	17,323,876	0.3%	30,154,140	0.6%	9,413,504	0.2%	11,360,514	0.2%
Consumer, Non-cyclical	61,546,565	1.1%	53,243,080	1.0%	127,529,321	2.3%	1,793,191	0.0%
Consumer, Cyclical	31,971,291	0.6%	16,363,250	0.3%	207,300,226	3.7%	199,490,761	3.4%
Communications	143,294,381	2.6%	106,638,306	2.1%	188,449,483	3.3%	142,559,850	2.5%
Basic materials	22,710,913	0.4%	23,072,383	0.5%	337,380,198	6.0%	409,539,594	7.1%
Diversified	69,544,627	1.3%	69,721,543	1.4%	84,951,352	1.5%	93,943,771	1.6%
Energy	30,371,420	0.6%	31,358,670	0.6%	906,082	0.0%	1,219,693	0.0%
Total	5,518,394,727	100.0%	5,119,008,736	100.0%	5,642,980,649	100.0%	5,801,384,850	100.0%

The following table outlines the investment grade for all debt securities, deposits and trade and other receivables (based on external ratings):

Debt securities by rating	AVAILABLE FOR SALE				HELD AT FAIR VALUE			
	2010		2009		2010		2009	
	Fair value	%	Fair value	%	Fair value	%	Fair value	%
AAA	921,010,870	16.7%	1,289,030,785	25.2%	54,442,847	1.0%	59,002,039	1.0%
AA	978,269,113	17.7%	735,563,261	14.4%	12,340,072	0.2%	85,028,647	1.5%
A	2,467,177,081	44.7%	2,420,943,624	47.3%	306,203,368	5.4%	3,135,337,624	54.0%
BBB	988,076,045	17.9%	671,169,281	13.1%	4,693,140,777	83.2%	2,494,814,517	43.0%
BB	124,610,887	2.3%	-	0.0%	469,992,274	8.3%	-	0.0%
B	-	0.0%	2,301,785	0.0%	5,477,764	0.1%	25,673,391	0.4%
CCC	5,152,825	0.1%	-	0.0%	9,604,556	0.2%	1,515,834	0.0%
CC	608,461	0.0%	-	0.0%	11,230,057	0.2%	-	0.0%
C	-	0.0%	-	0.0%	10,469,094	0.2%	-	0.0%
Not rated	33,489,445	0.6%	-	0.0%	70,079,840	1.2%	12,798	0.0%
Total	5,518,394,727	100.0%	5,119,008,736	100.0%	5,642,980,649	100.0%	5,801,384,850	100.0%

Government bonds	2,801,926,614	50.8%	2,593,033,137	50.7%	44,235,455	0.8%	42,190,178	0.7%
Corporate debt securities	2,716,468,113	49.2%	2,525,975,599	49.3%	5,598,745,194	99.2%	5,759,194,672	99.3%
Total	5,518,394,727	100.0%	5,119,008,736	100.0%	5,642,980,649	100.0%	5,801,384,850	100.0%

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EUR	2010		2009	
	Value	%	Value	%
Deposits				
BBB+	456,029,412	100.0%	1,018,826,620	100.0%
Trade and other receivables				
AAA	168,564	0.4%	118,212	0.2%
AA	4,003,204	8.8%	3,077,659	6.3%
A	3,030,386	6.7%	2,990,509	6.1%
Not rated	38,327,038	84.2%	42,753,076	87.4%
	45,529,193	100.0%	48,939,456	100.0%
Total	501,558,605		1,067,766,076	

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

EUR	AVAILABLE FOR SALE				
	Portugal	Luxemburg	Cayman	Total	%
Participation in unit funds by Geographical Breakdown					
Debt	-	89,730,195	-	89,730,195	28.2%
Equity	-	4,165,200	-	4,165,200	1.3%
Real Estate	193,840,822	-	-	193,840,822	60.8%
Alternative	4,884,260	-	26,083,767	30,968,027	9.7%
Total as at December 2010	198,725,082	93,895,395	26,083,767	318,704,244	100.0%
Debt	9,705,244	91,610,725	-	101,315,969	31.5%
Equity	-	3,237,640	-	3,237,640	1.0%
Real Estate	189,312,386	-	-	189,312,386	58.9%
Alternative	2,491,713	-	24,870,263	27,361,976	8.5%
Total as at December 2009	201,509,343	94,848,365	24,870,263	321,227,971	100.0%

EUR	HELD AT FAIR VALUE									
	Portugal	Luxemburg	France	Ireland	Virgin Isle	EUA	Germany	England	Total	%
Participation in unit funds by Geographical Breakdown										
Debt	389,236	71,601,592	13,999,397	13,213,558	-	-	-	536,648	99,740,431	46.6%
Equity	113,773	79,751,898	-	22,119,752	-	413,802	-	302,514	102,701,739	48.0%
Alternative	-	3,743,183	-	926,456	6,826,439	-	1,195	-	11,497,273	5.4%
Total as at December 2010	503,009	155,096,673	13,999,397	36,259,766	6,826,439	413,802	1,195	839,162	213,939,443	100.0%
Debt	2,310,401	33,205,996	-	2,640,055	-	-	-	491,744	38,648,196	40.2%
Equity	173,259	28,298,176	5,463,004	6,322,148	-	684,684	-	218,845	41,160,116	42.8%
Alternative	-	1,823,486	3,370,081	9,180,197	1,976,248	-	4,106	-	16,354,118	17.0%
Total as at December 2009	2,483,660	63,327,658	8,833,085	18,142,400	1,976,248	684,684	4,106	710,589	96,162,430	100.0%

Market risk

Market risk refers to the potential loss resulting from unfavorable market movements, namely interest rates fluctuations, change in price of securities, foreign exchange fluctuation and property 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.

Market risk is broken down into two types, ALM risk and trading risk, depending on the purpose of the position taken. Positions taken with the aim of making short-term profit pertain to trading risk; all other positions are addressed under ALM risk.

Millenniumbcp Ageas monitors and controls its ALM risk with the assistance of risk indicators, such as:

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

The Risk Committee, monitors on a quarterly basis ALM economic capital risk (Ecap) / return indicators and position, as well as the economic capital. It also reviews the strategic asset allocation of the insurance companies, and in particular the definition of optimal strategic asset allocations.

Liquidity risk

Liquidity risk is defined as the risk whereby the Company would be unable:

- › To meet cash demands of its policyholders and other contract holders without suffering unacceptable losses;
- › To realize assets to fund its financial obligations as and when they fall due in normal and in stressed circumstances.

In other words, it is the risk that Millenniumbcp Ageas, though solvent, does not meet actual or potential payments when they are 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.

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On December 31, 2010 and 2009, the projected cash flows (undiscounted) financial instruments, according to their maturity, are presented as follows:

EUR

Liquidity risk 2010	< 1 month Maturity	1-3 months Maturity	3-12 months Maturity	1-5 years Maturity	> 5 years Maturity	No maturity	Total
Interest bearing – Fixed rate	135,865,793	59,372,402	571,980,796	2,698,340,930	2,617,821,235	-	6,083,381,155
Interest bearing – Variable rate	31,976,670	17,818,295	96,978,957	427,287,615	521,747,099	-	1,095,808,637
Non-interest bearing	207,650,539	382,381,520	355,752,287	564,502,095	45,930,592	319,844,576	1,876,061,609
Investments held at fair value through profit/loss	-	492,210,062	737,429,032	2,121,982,471	2,291,359,084	213,939,443	5,856,920,092
Financial assets	375,493,002	951,782,280	1,762,141,072	5,812,113,111	5,476,858,010	533,784,019	14,912,171,493
Non financial assets	4,173,662	8,347,324	29,111,763	226,011,726	134,472,275	315,740,469	717,857,220
Total assets	379,666,664	960,129,604	1,791,252,835	6,038,124,837	5,611,330,285	849,524,488	15,630,028,713
Other financial liabilities	15,333,074	36,924,803	231,020,881	1,617,170	209,791	-	285,105,718
Liabilities on behalf policyholders	4,823,586	348,705,559	575,988,654	3,213,655,813	1,875,031,626	-	6,018,205,238
Financial liabilities	20,156,660	385,630,362	807,009,535	3,215,272,983	1,875,241,417	-	6,303,310,956
Non financial liabilities	45,635,825	32,768,518	91,748,246	1,759,282,917	5,214,432,180	-	7,143,867,685
Total liabilities	65,792,485	418,398,879	898,757,781	4,974,555,900	7,089,673,596	-	13,447,178,641

EUR

Liquidity risk 2009	< 1 month Maturity	1-3 months Maturity	3-12 months Maturity	1-5 years Maturity	> 5 years Maturity	No maturity	Total
Interest bearing – Fixed rate	189,345,640	49,940,000	292,059,478	1,731,092,755	2,517,053,878	-	4,779,491,752
Interest bearing – Variable rate	27,680,450	62,038,574	257,722,894	389,684,328	578,584,280	-	1,315,710,526
Non-interest bearing	213,946,452	54,780,334	854,828,097	683,582,025	127,408,577	321,462,544	2,256,008,029
Investments held at fair value through profit/loss	-	94,371,221	229,598,380	2,876,144,060	2,595,161,212	102,273,157	5,897,548,030
Financial assets	430,972,542	261,130,129	1,634,208,849	5,680,503,168	5,818,207,948	423,735,700	14,248,758,336
Non financial assets	3,944,951	7,889,903	30,711,185	150,390,594	134,327,279	315,740,469	643,004,381
Total assets	434,917,493	269,020,032	1,664,920,034	5,830,893,763	5,952,535,226	739,476,169	14,891,762,717
Other financial liabilities	62,172,202	54,471,245	583,348,801	-	459,226	-	700,451,474
Liabilities on behalf policyholders	8,660,343	7,489	42,769,545	3,848,186,193	2,145,023,729	-	6,044,647,299
Financial liabilities	70,832,545	54,478,734	626,118,346	3,848,186,193	2,145,482,955	-	6,745,098,773
Non financial liabilities	56,035,297	29,154,611	214,687,711	1,977,509,314	4,200,015,935	-	6,477,402,869
Total liabilities	126,867,842	83,633,345	840,806,058	5,825,695,507	6,345,498,890	-	13,222,501,642

The balances are not comparable with the accounting balances, as they include projected cash flows and are not discounted.

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

For financial assets, namely investments (excluding unit linked), discretion was taken as the contractual maturity and the maturity date is considered the nominal

value added to the projected value of the coupon payable until maturity using for floating rate notes the coupon paid in December 2010 and 2009 respectively.

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

- i) the balance sheet value of contracts “Unit Linked” were considered mature “view”;
- ii) in calculating the cash flow’s not considered premature withdrawals.

Currency risk

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

The general policy states that all foreign exchange risk should be hedged.

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

EUR

Currency risk 2010	EUR	USD	GBP	JPY	Total
Investments	11,753,070,702	37,371,640	7,247,145	7,189,281	11,804,878,768
Other assets	1,418,401,500	-	-	-	1,418,401,500
Total assets	13,171,472,202	37,371,640	7,247,145	7,189,281	13,223,280,268
Liabilities	12,078,195,811	-	-	-	12,078,195,811
Total liabilities	12,078,195,811	-	-	-	12,078,195,811

EUR

Currency risk 2009	EUR	USD	GBP	JPY	Total
Investments	11,581,607,590	16,594,788	3,322,660	2,428,820	11,603,953,858
Other assets	1,710,770,752	-	-	-	1,710,770,752
Total assets	13,292,378,342	16,594,788	3,322,660	2,428,820	13,314,724,610
Liabilities	12,025,714,042	-	-	-	12,025,714,042
Total liabilities	12,025,714,042	-	-	-	12,025,714,042

As at 31 December, 2010 and 2009, the fair value of the assets and liabilities carried at amortised cost, is presented as follows:

EUR

	2010	2009
Assets		
Cash and equivalents	154,979,246	239,238,743
Loans and receivables	301,050,166	779,587,877
Trade and other receivables	45,529,193	48,939,751
Total	501,558,605	1,067,766,371
Liabilities		
Other financial liabilities	230,631,651	576,538,419
Trade and other payables	54,474,067	123,913,055
Total	285,105,718	700,451,474

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c) Insurance Risk

The key feature of the insurance business is a transfer of risk from the policyholder to the insurance company. Whilst for the policyholder this risk may be random and unpredictable, insurance companies are able to pool such individual risks into portfolios and analyses and model the average underwriting claims and their potential variation for such portfolios. Analyzing, modeling and forecasting the average claims and their potential variation are core risk management activities and form the basis for measuring, monitoring and managing insurance risk. Uncertainty surrounding future expenses and lapse rates are also currently covered under insurance risks given their potential impact on overall claims and provisioning requirements.

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

The Non-Life insurance risk can arise due to several factors, mainly, for property and casualty (P&C) business through the uncertainty over levels of claims relating to motor, fire & property damage, third party liability and the other lines of business. For accident & health the uncertainty arises over medical and related costs, disability rates and can also include longevity risk where products pay out over the lifetime of the injured person when a claim occurs in workmen’s.

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

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

LIFE BUSINESS

EUR

Sensitivities	Impact on Fair Value at 31.12.2010	Impact on Fair Value at 31.12.2009
Risk free rates +100 bp	(39,509,045)	(35,601,694)
Risk free rates -100 bp	35,313,558	30,270,089
Market value of shares and real estate -10%	(24,931,988)	(26,261,477)
Expenses -10%	13,136,397	10,127,943
Mortality rates -5%	11,087,006	12,926,643
Lapse rates -10%	27,613,095	27,309,715

NON LIFE BUSINESS

EUR

Sensitivities	Impact on pre-tax profits at 31.12.2010	Impact on pre-tax profits at 31.12.2009
Expenses -10%	7,100,869	5,971,895
Incurred Claims +5%	(6,408,809)	(5,766,954)

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Insurance risk – Risk Management

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

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

Underwriting policy

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

Pricing

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

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

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

Reserving

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

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

Reinsurance

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

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

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

Some reinsurance companies have expressed their desire to discontinue providing unlimited covers. The reinsurance entities involved together with industry organizations are discussing with the Governments, possible solutions to this

problem. Such solutions might be in the form of limited covers or the setting up of (partially) government-sponsored solutions.

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

EUR

Line of Business	Type of Reinsurance	Range of Cover	Net Retention
Life/Disability	Surplus	4,000,000	100,000
Life catastrophe	XOL	10,000,000	300,000
Fire	Surplus	12,000,000	300,000
Fire (natural perils)	XOL	350,000,000	20,000,000
General Third Party Liability	XOL	2,450,000	50,000
Engineering	Quota Share + Surplus	2,750,000	250,000
Personal Accident	Surplus	1,500,000	75,000
Motor Liability	XOL	50,000,000	750,000
Motor Hull	XOL	4,250,000	750,000
Marine	Quota Share	1,000,000	400,000
Travel	Surplus	1,500,000	75,000
Personal Accident (catastrophe)	XOL	50,000,000	250,000
Workmen's Compensation	XOL	30,000,000	500,000

Insurance liability risk-exposure

Non-Life Insurance Risk

Non-Life insurance risk concerns the uncertainty in ultimate claims arising from property and casualty business (including motor and third party liability) and accident and health business. The time required to discover and settle claims is an important consideration. Short-tail claims, such as motor damage and property damage claims, generally are reported within a few days or weeks and are settled shortly thereafter. Resolution of long-tail claims, such as bodily injury or liability claims, can take years to complete. For long-tail claims, due to the nature of the loss, information concerning the event, such as required medical treatment, may not be readily obtainable. In addition, the analysis of long-tail losses is more difficult, requires more detailed work and is subject to greater uncertainties than short-tail losses.

Therefore Non-Life claims provisions are established for claims that have occurred but which have not yet been settled and for claims already occurred but still to be reported. In general, Millenniumbcp Ageas establishes claims provisions by product category, coverage and accident year and takes into account undiscounted prudent forecasts of payouts on reported claims and estimates of unreported claims. Allowances for claims expenses and inflation are also included.

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

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premium adequacy test and build up an unexpired risk reserve if the premium is insufficient for future costs.

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

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

LOSS RESERVES DEVELOPMENT TABLE PROPERTY AND CASUALTY

EUR

Balance sheet position as at end of year	2005	2006	2007	2008	2009	2010
Gross claim reserves – incl IBN(E)R – for unpaid claims and allocated claim expenses as at the end of the reporting year.	53,092,391	59,961,862	61,885,453	63,824,579	70,184,162	74,406,671

Cumulative payments at:

One year of development	17,898,374	21,763,715	20,603,878	26,212,709	34,129,809	
Two years of development	24,005,796	24,404,684	26,243,302	33,145,210		
Three years of development	25,314,641	27,235,730	31,052,408			
Four years of development	27,927,665	30,078,011				
Five years of development	30,616,881					

Re-estimated reserve at:

One year of development	49,167,765	54,685,321	52,871,836	58,658,157	70,412,088	
Two years of development	49,234,989	51,217,276	53,022,951	59,938,850		
Three years of development	46,468,256	49,511,959	54,068,029			
Four years of development	44,801,393	46,541,525				
Five years of development	42,843,353					

Cumulative redundancy/deficiency from the initial gross reserves in excess of the re-estimated gross reserves:

Nominal amount	10,249,038	13,420,337	7,817,423	3,885,730	-227,926	
Percentage	19,3%	22,4%	12,6%	6,1%	-0,3%	

RECONCILIATION BETWEEN THE RESERVES REPORTED IN THE BALANCE SHEET AND THE CLAIM DEVELOPMENT TABLE

2009

2010

Gross claim reserves for unpaid claims and allocated claim expenses as at the end of the reporting year	70,184,162	74,406,671
Claims held at discounted value	13,031,964	13,627,808
Unallocated Loss Adjustment expenses	2,038,336	1,872,026
Total gross claim reserves and other reserves for Non-Life	85,254,462	89,906,505

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

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

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

As at 31 December 2010 and 2009, the combined ratio of the non-life business is as follow:

	Non-Life		A&H		Motor		Fire		Other	
	2010	2009	2010	2009	2010	2009	2010	2009	2010	2009
Claims Ratio	65.5%	60.9%	67.0%	67.1%	78.7%	77.8%	53.7%	32.5%	57.7%	25.5%
Costs Ratios	25.9%	23.2%	26.0%	23.9%	27.1%	23.8%	25.1%	20.4%	22.8%	20.8%
Combine Claims/costs Ratio	91.4%	84.1%	93.0%	91.0%	105.8%	101.6%	78.8%	52.9%	80.4%	46.3%

Mortality and longevity risk

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

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

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

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

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

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

Under current regulations life insurance provisions are calculated according with the actuarial assumptions defined in each policy. For Millenniumbcp Ageas the assumptions are shown below:

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

As at 31 December 2010 and 2009, for liability adequacy test purposes, the mortality assumptions are based on best estimates derived from portfolio experience investigations. Future cash flows are evaluated through internal embedded value model and have been discounted at risk free yield curve. The mortality assumptions were:

MORTALITY TABLES	2010		2009	
	Male	Female	Male	Female
Term insurance				
· Stand Alone	70% GKM95	70% GKF95	70% GKM95	65% GKF95
· Mortgage Loans	52.5% GKM95	52.5% GKF95	52.5% GKM95	52.5% GKF95
· Personal Loans	55% GKM95	50% GKF95	55% GKM95	50% GKF95
Annuities	100% PERM2000C	100% PERF2000C	100% PERM2000C	100% PERF2000C
Savings	40% GKM95	40% GKF95	40% GKM95	40% GKF95

Disability risk

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

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

Additional information by lines of business in respect to the life and non-life business is as follows:

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Line of Business Non Life 2010	Allocated claims Claims Paid management costs	Change in claims Reserve	Claims Incurred
	(1)	(2)	(3)
			(4)=(1)+(2)+(3)
Direct Insurance			
Accident and Health	95,938,000	2,439,545	2,301,153
Fire and Other damage	19,339,902	1,106,196	741,689
Motor			
· Third Party	9,253,805	200,113	(1,278,502)
· Other	6,363,677	2,359,686	258,295
Maritime, Airline and Transportation	198,502	11,539	(31,245)
Third Party Liability	1,084,698	22,535	2,928,933
Credit and Surety Ship	375,697	97	32,646
Legal	—	—	(236,708)
Assistance	(172,910)	8,701	(242,048)
Other Lines	197,264	13,920	4,942
Total Non Life	132,578,635	6,162,332	4,479,154
Reinsurance Accepted	5,041,241	3,851,680	564,786
Total	137,619,876	10,014,012	5,043,941

EUR

Line of Business Non Life 2009	Allocated claims Claims Paid management costs	Change in claims Reserve	Claims Incurred
	(1)	(2)	(3)
			(4)=(1)+(2)+(3)
Direct Insurance			
Accident and Health	86,378,670	1,794,048	3,633,711
Fire and Other damage	10,605,425	537,657	1,127,359
Motor			
· Third Party	8,501,925	39,899	143,286
· Other	4,962,402	3,012,880	1,169,196
Maritime, Airline and Transportation	194,154	27,557	(68,701)
Third Party Liability	770,706	45,617	165,519
Credit and Surety Ship	—	77	(6)
Legal	—	—	(7,132)
Assistance	2,316,530	2,383	(1,833,846)
Other Lines	122,899	9,073	(21,620)
Total Non Life	113,852,712	5,469,193	4,307,766
Reinsurance Accepted	3,433,076	3,649,291	17,274
Total	117,285,788	9,118,484	4,325,040

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Additional information by lines of business in respect to the life and non-life business is as follows:

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

EUR				
Lines of Business 2009	Claims reserve as at 31 December 2008	Claims paid gross	Claims reserve as at 31 December 2009 in relation to 2008	Adjustments (run-off)
	(1)	(2)	(3)	(3)+(2)-(1)
Life	34,879,834	34,705,627	6,990,321	6,816,115
Non Life				
Accident and Health	44,239,895	16,791,109	24,107,371	(3,341,415)
Fire and Other damage	7,559,593	3,295,364	3,473,406	(790,823)
Motor				
· Third Party	21,626,872	4,047,950	16,244,459	(1,334,463)
· Other	1,331,058	717,827	382,365	(230,866)
Maritime, Airline and Transportation	314,177	41,810	153,392	(118,975)
Third Party Liability	2,122,226	679,644	1,849,304	406,722
Credit and Surety Ship	11	8	—	(3)
Legal	243,839	—	236,708	(7,132)
Assistance	123,947	1,826,387	27,903	1,730,344
Other Lines	1,641,564	24,786	1,562,824	(53,954)
Total Non Life	79,203,183	27,424,885	48,037,733	(3,740,565)
Total	114,083,016	62,130,512	55,028,054	3,075,550

Additional information by lines of business in respect to the life and non-life business is as follows:

II Notes to the Consolidated financial statements

EUR

Line of Business Non Life 2010	Gross premiums written	Gross premiums earned	Gross claims earned	Gross operating expenses	Reinsurance ceded result
Direct Insurance					
Accident and Health	152,277,019	155,620,415	100,678,698	30,141,356	(24,986,476)
Fire and Other damage	39,877,661	39,638,212	21,187,787	9,727,938	(3,369,960)
Motor					
· Third Party	9,025,661	9,023,023	8,175,416	2,246,351	(895,629)
· Other	13,019,843	12,795,729	8,981,658	3,554,969	459,249
Maritime, Airline and Transportation	598,212	597,541	178,796	374,562	(150,503)
Third Party Liability	3,350,092	3,264,711	4,036,166	623,429	1,283,795
Credit and Surety Ship	19,029	53,050	408,439	41,242	—
Legal	284,924	260,792	(236,708)	32,168	(250,609)
Assistance	2,710,707	2,700,416	(406,257)	434,160	(1,530,726)
Other Lines	860,343	402,821	216,126	133,194	112,331
Total Non Life	222,023,490	224,356,710	143,220,122	47,309,367	(29,328,528)
Reinsurance Accepted	8,693,631	8,582,956	9,457,707	12,347,213	19,354,925
Total	230,717,121	232,939,665	152,677,829	59,656,581	(9,973,603)

EUR

Line of Business Non Life 2009	Gross premiums written	Gross premiums earned	Gross claims earned	Gross operating expenses	Reinsurance ceded result
Direct Insurance					
Accident and Health	140,306,342	141,894,581	91,806,429	24,987,956	(23,169,126)
Fire and Other damage	38,172,932	37,619,543	12,270,441	7,641,341	(4,890,686)
Motor					
· Third Party	11,063,954	11,316,781	8,685,110	1,956,271	61,744
· Other	11,407,883	11,589,969	9,144,479	3,291,754	(312,721)
Maritime, Airline and Transportation	653,448	703,576	153,010	316,625	(256,485)
Third Party Liability	2,796,222	2,350,325	981,843	445,760	(888,571)
Credit and Surety Ship	92,945	90,319	72	39,453	(72,654)
Legal	218,144	206,176	(7,132)	24,668	(31,076)
Assistance	2,679,583	3,026,226	485,067	463,896	(1,433,610)
Other Lines	408,657	388,300	110,352	117,160	(46,030)
Total Non Life	207,800,109	209,185,797	123,629,671	39,284,883	(31,039,215)
Reinsurance Accepted	5,700,241	5,574,483	7,099,641	10,419,447	15,180,996
Total	213,500,350	214,760,280	130,729,312	49,704,330	(15,858,219)

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Notes to the Consolidated financial statements

d) Solvency requirements

The calculation of the Solvency margin is performed under the demands of the Portuguese Insurance Authority (ISP) as stated in Norm n^a 6 / 2007-R, based on the statutory financial statements as at 31 December 2010.

Millenniumbcp Ageas does a monthly follow up of its Solvency level having set a minimum of 200% of its legal demand.

As at 31 December 2010 and 2009, solvency is analysed as follows:

EUR		
Item	31 December 2010	31 December 2009
Capital	1,000,002,375	1,000,002,375
Legal and Regulatory Revaluation	(220,292,773)	36,818,000
Retained earnings	251,277,808	155,404,022
Profit After Tax	114,097,047	96,786,172
Total Equity (1)	1,145,084,457	1,289,010,569
Intangible Assets	(489,394,921)	(515,595,527)
Retirement Pensions adjust	(3,945,377)	(2,975,904)
Life Future Profits	-	28,622,768
Total (2)	(493,340,298)	(489,948,663)
Solvency Margin Available (1) + (2)	651,744,159	799,061,906
Solvency Margin Required	355,422,353	330,911,419
Excess / Shortage	296,321,810	468,150,487
Solvency Ratio	183%	241%

NOTE 38 – FAIR VALUE

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

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

Cash and due from banks

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

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

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

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

Loans and receivables (trade and other receivables)

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

II Notes to the Consolidated financial statements

NOTE 39 – CONTINGENCIES AND COMMITMENTS

Litigation

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

Guarantees

As at 31 December 2010 the total amount of banking guarantees were Euro 368,000 (2009: Euro 116,000). The guarantees were given in the scope of the claims processes.

Commitments

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

EUR				
	Up to 3 months	3-12 months	1-5 years	Total
Future lease payments	112,262	317,130	746,951	1,176,343

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Notes to the Consolidated financial statements

NOTE 40 – SEPARATE FINANCIAL STATEMENTS OF MILLENNIUMBCP AGEAS GROUP, S.G.P.S., S.A.

Millenniumbcp Ageas separate financial statements are analysed as follows:

INCOME STATEMENT [EUR]	2010	2009
Dividends	–	16,000,000
Interest income	2,722,952	2,641,103
Total income	2,722,952	18,641,103
Total expenses	(802,150)	(393,377)
Profit after tax	1,920,802	18,247,726

BALANCE SHEET [EUR]	2010	2009
Investments in subsidiaries	999,953,125	999,953,125
Other assets	91,578,306	90,071,693
Total assets	1,091,531,431	1,090,024,818
Total equity	1,091,341,022	1,089,420,220
Total liabilities	190,409	604,598
Total equity and liabilities	1,091,531,431	1,090,024,818

NOTE 41 – RECENTLY ISSUED PRONOUNCEMENTS

Standards, changes and interpretations effective since 1 January 2010

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

IAS 39 (amendment) – Financial Instruments: Recognition and measurement – Eligible hedged items

The International Accounting Standards Board (IASB) has issued an amendment to IAS 39 – Financial Instruments: Recognition and measurement – Eligible hedged items, which is for mandatory application from 1 July 2009.

This change clarifies the application of the existing principles that determine what risks or which cash-flows can be designated as a hedged item.

The Group did not obtain any impact from the adoption of this change.

IFRS 1 (amendment) – First time adoption of the International Financial Reporting Standards and IAS 27 – Consolidated and Separate Financial Statements

The changes in the IFRS 1 – First time adoption of the International Financial Reporting Standards and IAS 27 – Consolidated and Separated Financial Statements are effective from 1 July 2009.

These changes allowed entities adopting IFRS for the first time in the preparation of the individual accounts to use as deemed cost of the investments in subsidiaries, joint-ventures and associated companies, the respective fair value at the transition date to the IFRS or the carrying amount determined based on the previous accounting framework.

The Group did not obtain any impact from the adoption of this change.

IFRS 3 (amendment) – Business combinations and IAS 27 (amendment) Consolidated and separate Financial statements

The International Accounting Standards Board (IASB) has issued in January 2008 an amendment to IFRS 3 (amendment) – Business Combinations, with mandatory application for financial years beginning after 1 July 2009, although early adoption is permitted.

The main impacts of the changes to these standards are: (i) the treatment of partial acquisitions where the non-controlling interests (previously defined as non-controlling interests) will be measured at fair value (which implies also the recognition of goodwill attributable to non-controlling interests) or as an alternative allows for the attributable to non controlling interest of the fair value of the net assets acquired (as currently required) to be measured at fair value; (ii) the step acquisition that require, at the time when the goodwill is determined, the revaluation against profit and loss, of the fair value of any non-controlling interest held previously to the acquisition when control is passed; (iii) the costs directly related with the acquisition of a subsidiary will be accounted in profit and loss; (iv) the changes in the estimates of the contingent prices are accounted in profit and loss and do not affect goodwill; and (v) the changes in percentages of subsidiaries held that do not result in a loss in control are accounted as equity changes.

Additionally, following the changes to IAS 27, the accumulated losses in a subsidiary will be attributed to the non-controlling interests (recognition of negative non-controlling interests) and when a subsidiary is sold with a subsequent loss of control, the remaining non-controlling interests are measured at the fair value determined at the date of the transaction.

The Group did not obtain any impact from the adoption of this amendment.

IFRIC 12 – Service Concession Arrangements

The International Financial Reporting Interpretations Committee (IFRIC) has issued in July 2007 IFRIC 12 – Service Concession Arrangement. The EU endorsement was at 25 March 2009. This interpretation is mandatory for annual periods beginning on or after 29 March 2009. The IFRIC 12 applies to public-to-private service concession arrangements. This interpretation will be applicable only when a) the grantor controls or regulates what services the operator must provide and b) the grantor controls any significant residual interest in the infrastructure at the term of the arrangement.

Considering the nature of the contracts considered under this interpretation, the Group did not obtain any significant impact from its adoption in the financial statements.

II Notes to the Consolidated financial statements

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Notes to the Consolidated financial statements

IFRIC 17 – Distributions of Non-cash Assets to Owners

The International Financial Reporting Interpretations Committee (IFRIC) issued in November 2008, IFRIC 17 – Distributions of Non-cash Assets to Owners, with effective application date to years started after 1 July 2009, early adopting being allowed.

This interpretation intends to clarify the accounting treatment of non-cash assets distribution to owners. It establishes that non-cash assets distributions must be accounted at fair value and the difference to the distributed assets carrying amount recognized in profit and loss in the period of the distribution.

The Group did not obtain any significant impact from the adoption of this interpretation in the financial statements.

IFRIC 18 – Transfers of Assets from Customers

The International Financial Reporting Interpretations Committee (IFRIC) issued in November 2008, IFRIC 18 – Transfers of Assets from Customers, with effective application date to years started after 1 July 2009, early adoption being allowed.

This interpretation intends to clarify the accounting treatment of agreements through which an entity receives assets from customers for its own use and with the intent of establishing a future connection of the clients to a network or of granting continued access to the supply of services and goods to customers.

The interpretation clarifies:

- › The conditions in which an asset is within the scope of this interpretation;
- › The assets recognition and initial measurement;
- › The identification of the identifiable services (one or more services in exchange for the transferred asset);
- › Revenue recognition; and
- › Accounting of money transfers from customers.

The Group did not obtain any impact from the adoption of this amendment in the financial statements.

Annual Improvement Project

In May, 2008, as referred previously IASB published the Annual Improvement Project, that implied changes to the standards in force. However, the effective date of the referred changes depends on each specific standard.

- › Changes to IFRS 5 – Non-current assets held for sale and discontinued operations, effective for years starting after 1 July 2009. This change clarifies that all the assets and liabilities of a subsidiary must be classified as non-current assets held for sale in accordance with IFRS 5 if a plan for the partial sale of the subsidiary, that will imply losing the subsidiary's control, exists.

The Group did not obtain any impact from the adoption of this amendment in the financial statements.

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

IFRS 9 – Financial instruments

The International Accounting Standards Board (IASB) has issued in November 2009, IFRS 9 – Financial instruments part I: Classification and measurement, which is for mandatory application for the financial years starting on 1 January 2013, although early adoption is permitted. This standard has not yet been adopted by European Union.

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

- › The financial assets can be classified in two categories: at amortized cost or at fair value. This decision should be defined at initial recognition of the financial assets. Its classification depends on the entity, business model for managing its financial instruments and the contractual cash flows associated to each financial asset;
- › Only debt instruments could be measured at amortized cost when the contractual cash-flows represent only payments of principal and interest, which means that contains only the basic loan features, and for which an entity holds the asset to collect the contractual cash flows. All the other debt instruments are recognized at fair value; and
- › Equity instruments issued by third parties are recognized at fair value with subsequent changes recognised in the profit and loss. Although, for equity instruments an entity could make an irrevocable election at initial recognition for fair value changes to be recognized in fair value reserves. Gains and losses recognized on fair value reserves cannot be recycled to profit and loss. This is a discretionary decision, not implying that all the equity instruments should be treated on this basis. The dividends received are recognized as income for the year.

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

IFRS 7 (amendment) – Financial instruments: Disclosures

The International Accounting Standards Board (IASB) has issued in March 2009 an amendment to IFRS 7 – Financial instruments: Disclosures, for obligatory application in 1 January 2009.

This amendment to IFRS 7 requires additional information in the disclosures related to fair value measurement, namely that these amounts should be presented in three hierarchical levels defined in the interpretation and related to liquidity risk.

Given the nature of these changes the impact in the Group financial statements was exclusively related to the disclosures.

II Notes to the Consolidated financial statements

III Report and opinion of the Board of Auditors

III Report and opinion of the Board of Auditors

Financial Year 2010

Shareholders,

1.

In compliance with the legal provisions and articles of association, the Board of Auditors of MILLENNIUMBCP AGEAS – Grupo Segurador, SGPS, S.A., in the exercise of its duties, and after having analysed the Balance Sheet, the Income Statement and the other individual and consolidated financial statements and respective Notes prepared by the Board of Directors, which accompany the Management Report, for the financial year 2010, hereby submits its Report on the auditing activity undertaken and its opinion on the said financial statements.

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

2.

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

3.

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

4.

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

For the Board of Auditors, in short, given the fact that in 2010 the premiums insurance sector, including investment contracts, registered a decrease of 12.6% relative to the previous year, the following is worth highlighting:

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

- › The maintenance of its position as a solid Portuguese insurance group, having reached at the end of 2010 a global market share of 11.9% (16.3% in 2009), 14.2% in Life (20.8% in 2009) and 5.3% in Non-life (5% in 2009).
- › Maintenance of market leadership in Life mathematical provisions.

- › The position it occupies in the pension funds area represents a market share of 34.2% and a volume of assets under management of 6,718 million euros, corresponding to a decrease of 5.1% relative to the previous year;
- › An increase in shareholders' equity of 144 million euros, consequence of the continuous decrease of the revaluation reserves;
- › Consolidated net income of 114,1 million euros, +17.9% as from 2009.

4.2 In terms of the Group's consolidated production, and where the global evolution of the sector registered an increase in premium volume of +12.6% MILLENNIUMBCP AGEAS – Grupo Segurador, SGPS, S.A.:

- › reached a volume of direct insurance premiums, including investment contracts, of 1,946 million euros;
- › obtained, relative to the previous year, a decrease of 20.3% in Life business and an increase of 6.8% in Non-Life, with the evolution of the Portuguese insurance market registering a positive evolution of 17.2% and 0.9% in Life and Non-Life businesses, respectively;
- › achieved a consolidated technical margin, before the allocation of administrative costs, of 257 million euros, 11.1% above 2009's;
- › registered a consolidated solvency ratio of 183%.

5.

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

- › the Management Report, the Balance Sheet and the other individual and consolidated financial statements of the Company, for the year ending 31 December 2010;
- › the proposal for the presentation of results submitted by the Board of Directors.

Lisbon, 26 February 2011

The Board of Auditors

Joaquim Patrício da Silva (Chairman)

Jose Rodrigues de Jesus (Member)

António Fernando Nogueira Chaves (Member)

III Report and opinion of the Board of Auditors

IV Report of the Statutory Auditors

CONSOLIDATED AUDITORS' REPORT

(ISSUED BY THE STATUTORY AUDITOR)

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

Introduction

1. We have audited the consolidated financial statements of **Millenniumbcp Ageas Grupo Segurador, S.G.P.S., S.A.**, which comprise the consolidated balance sheet as at 31 December, 2010 (showing total assets of 13,223,280,268 Euros and total equity of 1,145,084,457 Euros, including consolidated net profit of 114,097,047 Euros), the consolidated statements of income, the comprehensive income, the cash flows and the changes in equity for the year then ended and the corresponding notes to the financial statements.

Responsibilities

2. The Board of Directors is responsible for the preparation of the consolidated financial statements, in accordance with generally accepted accounting principles in Portugal applicable to the Insurance Sector, established by the rule n° 4/2007 of 27 April, with the changes introduced by the rule n° 20/2007 of 31 December and by the rule n° 22/2010 – R of 16 December, both issued by the Portuguese Insurance Regulator (Instituto de Seguros de Portugal), which presents fairly the financial position of the group companies included in the consolidation, the consolidated results of its operations, the consolidated comprehensive income, the consolidated cash flows and the consolidated statement of changes in equity, as well as for the adoption of adequate accounting policies and the maintenance of an appropriate system of internal control.
3. Our responsibility is to express an independent opinion on those consolidated financial statements based on our audit.

Scope

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



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

Opinion

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

Report on Other Legal Requirements

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

Lisbon, 15 March 2011



KPMG & Associados,
Sociedade de Revisores Oficiais de Contas, S.A. (n° 189)
represented by
Ana Cristina Soares Valente Dourado (ROC n° 1011)

MILLENNIUMBCP AGEAS

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