

Annual Report

Millenniumbcp Fortis
INSURANCE GROUP

2008

volume 1

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□ CHAIRMAN'S STATEMENT

The key to the continued success Millenniumbcp Fortis is the dedication of its two shareholders for the development of our company.

2008 was clearly a tumultuous year in which many things happened we could not have guessed beforehand. The world is going through a profound financial crisis and every day we discover new elements that demonstrate how severely our economies are impacted by the dramatic changes. We can truly say that we are living interesting and historical years.

2008 has been extremely tough for the insurance sector with strong financial negative impact at solvency, top line and bottom line levels.

In these extremely difficult circumstances and in a market that is perceived as a mature market, I'm proud to announce that Millenniumbcp Fortis was able to grow its Life premium income with 28.6%, where the market grew with 17.5%. In Non-Life, our company realised 8.2% growth in premium income, where the market decreased 1.3%. In 2008, we once again strengthened our overall market share from 13.9% to 15.8% which makes us stand out in the market.

After a record high of 125 million euros in 2007, Millenniumbcp Fortis realised in 2008 a net profit of 63 million euros before VOBA, resulting in a Return on Equity of 5.6%.

With a solvency ratio of 206% at the end of the year, Millenniumbcp gives prove of its financial strength.

The key to the continued success Millenniumbcp Fortis is the dedication of its two shareholders for the development of our company. Our joint challenge is to provide to our customers outstanding products and service. Our bancassurance distribution model is recognised as an international benchmark and it remains the cornerstone of our strategy going forward. Through constant product innovation Millenniumbcp is able to offer its customers insurance solutions that respond to their needs, even in these difficult but challenging economic circumstances. Newly launched products were in 2008 responsible for 60% of total new premiums.

In pension funds we further strengthened our leadership position as we currently manage over one third of total national assets under management. This illustrates we are the reference company in a market with a strong potential for growth.

In 2008, we also launched a new distribution channel to provide the SME customers of Millenniumbcp through a network of agents and brokers with Non-Life insurance solutions. This initiative resulted in a stronger market position in Non-Life, where we benefit from an 80.3% combined ratio, and an enhanced level of cross-selling on the SME customer base of Millenniumbcp.

We recognise that 2009 started as challenging as 2008 ended, and therefore we commit to make all the necessary efforts be it in marketing, sales, financial management, cost control or operational strategies to achieve another year of good performance.

Since its creation in 2005, Millenniumbcp Fortis has year after year demonstrated its capability to strengthen its market position. I congratulate the management and employees of the company on their joint commitment to make Millenniumbcp Fortis an even better and stronger company that faces the market and its challenges with confidence.

Peer van Harten

Chairman of the Board of Directors

KEY INDICATORS

KEY INDICATORS [Euro Millions]	2008	2007	Var. 08/07
Income Statement			
Direct Written Premiums ⁽¹⁾	2,426	1,914	26.7%
– Life	2,238	1,740	28.6%
– Non-Life	188	174	8.2%
Technical Margin ⁽²⁾	144	221	-34.8%
Technical Margin Net of Operating Costs	14	96	-85.7%
Net Profit	28	87	-67.4%
Net Profit before VOBA (<i>value of business acquired</i>)	63	125	-49.6%
Balance Sheet			
Shareholders Equity	1,123	1,063	5.7%
Total Assets	11,612	11,082	4.8%
Investments	10,797	10,255	5.3%
Ratios			
Efficiency			
1 – Gross Claims Ratio (Non-Life) ⁽³⁾	54.7%	50.6%	4.0 pp
2 – Gross Expense Ratio (Non-Life)	25.7%	25.5%	0.2 pp
3 – Non-Life Gross Combined Ratio	80.3%	76.1%	4.3 pp
4 – Life Net Operating Costs/Average of Life investments	0.83%	0.75%	0.08 pp
Profitability			
1 – Technical Margin/Direct Written Premiums ⁽²⁾	5.9%	11.6%	-5.6 pp
2 – Average Return on Investments (<i>book value</i>)	0.6%	4.4%	-3.9 pp
3 – Return on Equity (<i>ROE</i>) ⁽⁴⁾	5.6%	11.2%	-5.6 pp
Solvency			
1 – Solvency Ratio	206.0%	177.3%	28.6 pp
2 – Shareholders Equity/Total Assets	9.7%	9.6%	0.1 pp
3 – Coverage of Insurance and Investment Contracts Liabilities ⁽⁵⁾	110.8%	106.0%	4.9 pp
Other Indicators			
Market Share	15.8%	13.9%	1.9 pp
– Life	20.3%	18.6%	1.8 pp
– Non-Life	4.4%	4.0%	0.4 pp
Number of Employees	454	454	0.0%

(1) Includes investment contracts, which under IFRS are not accounted as premiums.

(2) Before allocation of administrative costs and VOBA

(3) After allocation of administrative costs

(4) Before VOBA (*value of business acquired*).

(5) Includes investments, liquid assets and interests receivable.

□ SHAREHOLDERS STRUCTURE

Millennium
bcp

(49%)

FORTIS 

(51%)

Millenniumbcp Fortis
INSURANCE GROUP

Occidental seguros

Millenniumbcp Fortis
INSURANCE GROUP

Occidental vida

Millenniumbcp Fortis
INSURANCE GROUP

Pensões gere

Millenniumbcp Fortis
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2008: a turbulent year for Fortis

The year 2008 was marked by a global financial crisis of unprecedented proportions which has had a devastating impact on economies around the world.

Fortis, like many other financial institutions, was confronted with a systemic financial crisis of steadily growing and unprecedented proportions.

Faced with this mounting turmoil and the need for immediate, resolute action, and given the role and responsibilities of the governments, Fortis had to safeguard the interests of all its stakeholders by ensuring the continued operation of its large banking and insurance units. This could only be achieved in the prevailing market conditions by agreeing to sell its main banking and insurance activities to strong parties.

Subject to shareholders approving the revised transactions with the Belgian State and BNP Paribas at the upcoming shareholders' meetings on 8 and 9 April, **Fortis will become an international insurance company with a dominant home base activity in Belgium and a set of strong international insurance activities across Europe and Asia, which together represent a sizeable franchise and a solid platform for growth and value creation in the future.**

Fortis's insurance business in Belgium

Fortis Insurance Belgium supplies a comprehensive range of Life and Non-Life policies. It operates a multi-channel strategy by selling its products to private individuals and to small and medium-sized enterprises (SMEs) via independent intermediaries and through its bancassurance channel: Fortis Bank branches and the Belgian Post Office Bank.

Fortis Employee Benefits is the dedicated business unit selling group Life and Health-care products mainly to larger enterprises.

Despite the global financial crisis, Fortis Insurance Belgium (FIB) was able to defend its market leadership position, with a total market share in terms of inflow of 22.1% at 2008 year-end. FIB strengthened its number two position in Non-Life and remained number one in retail Life and employee benefits. Life market share, in terms of funds under management, stood at 28%, which was in line with 2007.

In 2008 Fortis Insurance Belgium successfully continued its role as product innovator in the Belgian market.

Non-Life added to its successful 'Pack' range with several new packs for the retail and SME segments. The unique BA Max coverage was launched as well. By the end of 2008 more than 420,000 drivers benefited from a free extension of basic third-party liability coverage, as all zero-claim drivers were automatically covered for bodily injury. VIP Modulis was introduced in the SME market. This concept offers attractive and exclusive benefits to companies that carry out their banking transactions at Fortis Bank and arrange their insurance with Fortis Insurance Belgium's broker channel.

At Individual Life, nine tranches of the Smart Invest Bon (a structured unit-linked product with capital guarantee) were issued in response to the rapidly changing financial market environment. Group Life continued to pursue growth in the fast growing market of sector-wide pension and health care plans. Fortis Insurance Belgium's innovative approach was highly appreciated by the market. It received three Non-Life Decavi awards in 2008 (Best Fire Insurance, Best TPL Motor Insurance and Best SME Concept) as well as

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the Decavi Innovation Award 2008 for 'Pension@Work', a concept that was launched in June to exploit the untapped potential in the group Life SME market.

The ICMA broker survey voted Fortis Insurance Belgium the best insurance service provider for the fifth consecutive year in 2008. The survey, which was held in September-October in the midst of the Fortis turmoil, reflects the brokers' great appreciation of Fortis Insurance Belgium's continuous eagerness to improve service, flexibility and innovation.

Fortis Insurance Belgium continued to focus on operational excellence in 2008. The merger of the bancassurance and broker Non-Life IT-platform, which successfully took place in May 2008, will enhance cost synergies and shorten time-to-market for new products. Besides this, Fortis Insurance Belgium decided to gradually review the quality of its operations by applying lean methodology. Some lean projects were successfully launched in 2008, and more will follow in the near future.

Fortis Insurance International's activities spread across Europe and Asia

Fortis Insurance International's total premium income in 2008 – adjusted for the present composition of the business – amounted to over EUR 8 billion. Of this, 64% related to Life insurance and 36% to Non-Life. Fortis Insurance International today employs more than 4,700 people.

Fortis Insurance International focused its efforts in 2008 on strengthening the distribution reach and expanding the product offering of its companies. The improved reach of the distribution platform is exemplified by India where IDBI Fortis started operations in March 2008 through the banking networks of its joint venture partners and the company's agency channel. In Thailand, the Non-Life activities of Muang Thai and Phatra Insurance merged to create the fifth largest Non-Life company of the country. In Malaysia, Fortis's joint venture started distribution through a direct channel.

Millennium bcp Fortis in Portugal was able, through very active product development, to respond to the changing economic environment. Millennium bcp Fortis also initiated the sale of Non-Life products to SMEs via its broker channel. In Turkey, Fortis Emeklilik ve Hayat further expanded its bancassurance channel and launched a new agency channel, focused on servicing top tier agents. Lastly, Fortis launched in July 2008 a life company in the UK that offers innovative protection products.

Europe

In Europe, Fortis Insurance International (FII) occupies prominent positions – through wholly owned subsidiaries – in the UK (Non-Life, Life), France (Life) and Luxembourg (Non-Life):

- In the UK, FII leads the market for car insurance. Fortis Insurance UK also continues to be recognised for its customer service ethos and innovation. In 2008 it was the first insurer to receive a Gold Standard Award for its financial strength, the way it conducts its business, services its customers, delivers fair value and is trusted by Clients and consumers;
- In Portugal, the joint venture with Millennium bcp (Life, Non-Life) is the country's biggest bancassurance insurance company;
- In Luxembourg, Fortis is the second largest general insurer and also offers Life insurance through a joint venture;
- Branches were recently opened in several new markets, i.e. Germany, Turkey, Russia and Ukraine. FII sells Life insurance in those countries. These activities are on a modest scale at the moment, but their potential is considerable.

Asia

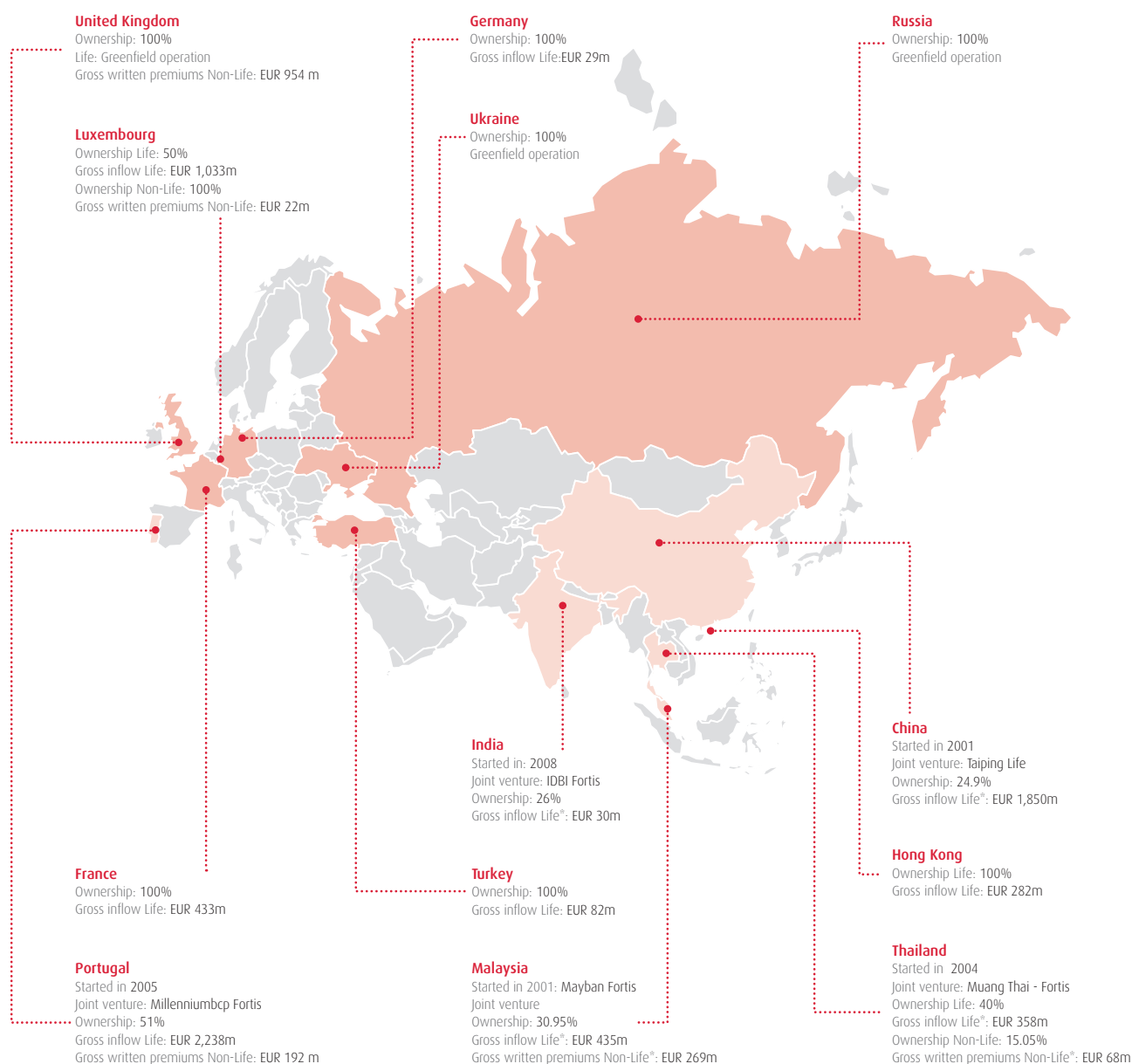
In Asia, Fortis has successfully opted for selective growth and is present in five countries. Fortis has been active for some time in China, Malaysia, Thailand and Hong Kong, and recently started up in India too. Fortis provides its Clients in those countries with a wide product offering via various distribution channels.

With the exception of Hong Kong, it operates in these countries through joint ventures with local distribution partners:

- TaiPing Life, in which Fortis has a 24.9% stake, is China's seventh largest life insurer. Products are distributed through TaiPing Life's national network of almost 600 branches and over 52,000 insurance agents, and through distribution agreements with several major Chinese banks;
- Mayban Fortis, a joint venture formed in 2001, is active in Malaysia's Life and Non-Life insurance markets and, partly thanks to Maybank's extensive network, is the main provider of takaful (Islamic) insurance. Fortis has a 31% stake in Mayban Fortis;
- Muang Thai Life, the third biggest life insurer in Thailand, has also successfully developed takaful products for the Thai market. In the Thai Non-Life market, Muang Thai Insurance ranks fifth. Distribution is via a rapidly growing network of approximately 12,500 agents, as well as through bank branches. Fortis currently has a 40% stake in the life-insurance joint venture and a 15% stake in the Non-Life joint venture;
- In Hong Kong, Fortis has only a modest (no. 12) ranking at the moment, but the takeover and integration of Pacific Century Insurance Holdings, now renamed 'Fortis Insurance Company (Asia) Limited', has given us a sound basis for growth in the region;
- In India, IDBI Fortis is our life-insurance joint venture with Industrial and Development Bank of India and Federal Bank. It started up at the beginning of 2008. Fortis owns 26% of the shares in the new company. IDBI Fortis sells life insurance through the partners' extensive networks and through agents. Other distribution channels will be added later.

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Fortis Insurance International in 2008



* Based on 100%

Net result Fortis

Fortis's 2008 net result was a loss of EUR 28 billion due to the EUR 27.4 billion negative result of discontinued operations. The loss on the discontinued operations was caused by the sale of the banking activities.

The total gross inflow of the insurance activities, including non-consolidated joint-ventures, ended at EUR 14.6 billion. The gross inflow of the consolidated life companies is down 11% to EUR 8.9 billion, due to the financial turmoil, especially affecting the sales in Belgium.

The gross written premium income of the consolidated Non-Life companies arrived at EUR 2.7 billion, up 4% in constant currencies. The non-consolidated JV's performed excellent with a growth of 12% to EUR 3.0 billion, driven by strong sales in China.

The insurance activities reported a total net profit of EUR 6 million, including a negative impact from write-downs on the investment portfolio of EUR 639 million after tax.

Fortis Insurance's strategy is to continuously enhance customer centricity by adapting the product portfolio and aligning the multi-distribution strategy with changing customer needs. Other goals are to attain a fortified insurance organisation by improving operational excellence in all countries by expanding the business internationally.

Key figures [Euro Millions]	FY 2008	FY 2007	H2 2008	H1 2008	H2 2007
Net profit					
Fortis Insurance Belgium	6	522	(242)	248	237
Fortis Insurance International	0	40	(70)	70	3
General (excl. eliminations)	(628)	(446)	(326)	(302)	(433)
Eliminations	13	(32)	(104)	117	(5)
Result Discontinued operations	(27,390)	3,910	(28,895)	1,505	1,410
Net profit attributable to shareholders	(27,999)	3,994	(29,637)	1,638	1,212
Weighted average number of ordinary shares [in Million]	2,296	1,736	2,396	2,195	1,818
EPS [in EUR]	(12,20)	2,30	(12,37)	0,75	0,67
Before Discontinued operations	(0,27)	0,05	(0,31)	0,06	(0,11)
Net equity per share [in EUR]	2,75	15,08	2,75	12,48	15,8

Net result Fortis Insurance Belgium

Insurance Belgium [Euro Millions]	2008	2007
Gross inflow		
Life	4,817	6,151
Non-Life	1,465	1,367
Operating costs	(405)	(389)
Net profit	6	522
Combined ratio (Non-Life)	100.9%	100.4%
FTEs (year-end)	5,542	5,298

The 2008 net profit after tax amounted to EUR 6 million, compared with EUR 522 million in 2007. The impact of the financial markets crisis on the 2008 result amounted to EUR 534 million net-of-tax, mainly affecting the Life results.

Total gross premium inflow declined by 16% to EUR 6.3 billion. Gross inflow at Life was EUR 4.8 billion in 2008, 22% lower than the previous year, as a result of fierce competition from high yielding bank deposits and the uncertainty surrounding Fortis. A 7% increase Non-Life premium inflow to EUR 1.5 billion could not compensate for the decrease at Life. Despite the drop in inflow, Fortis Insurance Belgium was able to remain market leader in Life insurance, while strengthening its runner-up position in Non-Life.

Funds under management of the Life activities remained almost unchanged at EUR 42 billion, also reflected in a stable market share of 28%.

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Net result Fortis Insurance International

The net result was breakeven in 2008, compared with a profit of EUR 40 million in 2007. A profit of EUR 65 million on Non-Life activities was offset by a loss of EUR 65 million on Life activities. The latter was depressed by a EUR 105 million after tax impact of investment losses and valuation write-downs in the investment portfolio.

Insurance International [Euro Millions]	2008	2007
Gross inflow ¹		
Life	4,102	3,911
Non-Life	1,228	1,360
Operating costs	(393)	(462)
Net profit	0	40
Combined ratio (Non-Life)	97.5%	115.7%
FTEs (year-end)	4,814	4,485

¹ Excluding non-consolidated companies

Commercial performance held up well despite the difficult market conditions, especially in the second half of the year. Total gross inflow at consolidated companies and non-consolidated joint ventures reached EUR 8.3 billion, compared with EUR 8.0 billion in the previous year. Gross inflow at the consolidated companies was 1% higher at EUR 5.3 billion thanks to the successful implementation of multi-channel developments and further product innovation. Gross inflow at the non-consolidated joint ventures increased by 12% to EUR 3 billion, with China the main contributor, but also driven by further geographic diversification.

Capital position

Fortis core equity at the end of 2008 amounted to EUR 7.9 billion. The core equity exceeds the total minimum requirement of the Insurance activities by EUR 5.4 billion. The core equity of the insurance operations stood at EUR 4.7 billion, while total available capital at the insurance entities amounted to EUR 5.1 billion, 202% of legally required minimum. The solvency ratio of Fortis Insurance Belgium amounted to 189%. For Fortis Insurance International this ratio was 240% at the end of 2008.

Millennium bcp

Millennium bcp is a bank that has its decision centre in Portugal and is Portugal's largest privately-owned bank, playing an important part in the Portuguese financial market. It is the country's second bank in terms of market share, both in loans to customers (about 26%) and in total customers' funds (about 24%). It has the country's largest banking distribution network, with 918 branches, and is also a reference institution in Europe and in Africa through its operations in Poland, Greece, Mozambique, Angola, Romania and Switzerland, and also in Turkey and the United States of America. All the operations operate under the Millennium brand.

The Group focuses on Retail distribution in Portugal, Poland, Greece and Mozambique. Its business in Portugal accounts for 78% of total assets, 80% of net loans to customers, 79% of total customers' funds and 78% of net profit, excluding specific items. The new operations are making a growing contribution as a result of strategic options, taken at an opportune moment, to diversify sources of income. International operations already account for 53% of the Group's more than 22 thousand employees and 49% of the total of 1,803 branches. Emphasis is given to the growth of Bank Millennium in Poland, which already has 490 branches and a market share of about 5%, both in deposits and in loans to customers (Bank Millennium ranks second in mortgage loans), to the clear leadership of Millennium bim in the Mozambican market, and to the operation in Greece, with its 178 branches, 32% of which have been in existence for less than three years. We would also highlight the

A leading Group focused in the Retail business in Portugal, Poland, Greece and Mozambique (December 2008)

[Euro Millions]



49% of our branches are located outside Portugal
53% of our staffworks abroad

Source: BCP. Market shares in Portugal are based on Portuguese Banking Association and Portuguese banks' public data. Market shares in Poland are from the Polish Banks Association and Polish Asset Managers Association. Market shares in Greece are based on Bank of Greece and Greek banks' public data. Market shares in Mozambique are based on Bank of Mozambique public data.

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growth of business in Romania where 65 branches have been opened since the start of operations in 2007. Lastly, were completed, in February 2009, the financial transactions related to the strategic agreement. established with Sonangol - Sociedade Nacional de Combustíveis de Angola, Empresa Pública (Sonangol) and Banco Privado Atlântico S.A. (BPA), as a result Banco Millennium Angola will be prepared to carry out its business plan, with plans to invest more than 200 million USD over the next three years to expand the retail branch network and create more than 1.000 jobs in Angola.

The Group offers a wide range of banking products and services and related services, namely current accounts, payment means, savings products, investment products, mortgage loans, consumer credit, commercial banking, leasing, factoring, insurance, private banking and asset management, among others, serving its customer base in a segmented manner. While having Portugal's largest branch network and a growing network in those countries in which it operates, the Group also provides remote banking channels (telephone banking and Internet banking services), which also act as distribution points for Millennium products and services.

Banco Comercial Português (BCP) was created in 1985 in the wake of the deregulation of the Portuguese banking system, which came to allow the establishment of privately-owned banks. Since its incorporation, Banco Comercial Português has stood out for its dynamism, innovation, competitiveness, profitability and financial strength, making its mark as the clear leader in various areas of financial business in Portugal and as a reference institution at international level in the distribution of financial products and services. The Bank has surpassed several growth thresholds and has played a part in the acquisition, restructuring and integration of several financial institutions in Portugal.

The growth of Banco Comercial Português catalysed the evolution of the Portuguese banking system to become one of the most developed, modern and innovative in Europe. Banco Comercial Português shares are admitted to listing on Euronext Lisbon and its market capitalisation stood at 3.8 billion euros as at December 31, 2008.

In accordance with the International Financial Reporting Standards (IFRS), the Group had at December 31 2008 total assets of 94,424 million euros and total customers' funds in the sum of 66,264 million euros. Loans to customers (net, excluding credit represented by securities) amounted to 72,372 million euros. The solvency ratio, calculated in accordance with Bank of Portugal rules stood at 10.5% (Tier I at 7.1%).

Millennium bcp's current strategy is focused on Retail and is centred on strengthening its pricing, risk and capital discipline, and on achieving greater efficiency, a relevant position within the Portuguese financial system, strength of the domestic franchise, and selective expansion of its international operations, seeking to diversify its sources of income and growth prospects in markets with greater potential for banking system's development. The good quality of its assets and its capital ratios has continued to warrant high ratings by the leading rating agencies – Standard & Poor's, Moody's and Fitch Ratings. Banco Comercial Português has high long-term ratings: "Aa3" Moody's; "A" Standard & Poor's (S&P); and "A+" Fitch, all with a stable outlook, with the exception of S&P, whose outlook is negative.

Millennium bcp Strategy

During the first half of 2008, the activity of the Bank focused mainly in the stabilisation of the institution and the alignment of its shareholder base, in the strengthening of the institutional reputation and financial condition. The latter was reinforced with the 1.3 billion euros rights issue successfully concluded in April 2008 and by several medium term debt issues in a total amount of 2.25 billion euros.

In the second half of 2008, the profound deterioration of the international financial crisis than begun in the Summer of 2007 changed the marked context and the banking sector environment in a meaningful way, conditioning the actions of the Bank and of other financial institutions, creating new challenges to management and to business models of the banking sector.

In a context of high uncertainty and deep market crisis, the Bank redefined its Strategic Agenda for the short term, implementing crisis management measures aimed at immediate results and improvements. The actions in 2008, and specially in the second half of the year, were refocused on the following strategic vectors:

- I) Strengthening risk management, with greater focus on liquidity and capital management;
- II) Implementing measures to improve profitability, namely:
 - Reinforcement and deepening of initiatives aiming operating costs reduction and streamlining the organisation;
 - Focus of commercial action in the attraction of Clients and balance sheet customers' funds and the reestablishment of Clients' high confidence levels;
 - Strengthening the measures to sustain the operating income base;
 - Expansion of the high potential retail market operations.
- III) Focus the international portfolio, considering the eventual divestment in selected operations.

The banking sector and the Bank face an uncertain context regarding the future and are under pressure from multiple exogenous variables, namely from world economic growth and growth in the countries where it operates, facing interest rates and asset prices pressure, overall uncertainty in the light of the high losses reported by international financial institutions and shortness of capital and liquidity. Millennium bcp considers that, after a period of stabilisation of the Bank, new priorities should be set for 2009, considering that the Millennium 2010 Programme was designed in market conditions that were completely distinct from the current reality.

The new priorities of Millennium bcp for 2009 are based on three fundamental pillars: Soundness and Trust; Commitment and Performance; Sustainability and Value, defining six priority action vectors that aim to "Reinforce the Commitment, Towards the Future".

Priorities for 2009

Reinforce the commitment

Soundness and Trust	1. Proactive and rigorous risk management
	2. Integrated and prudent liquidity and capital management
Commitment and Performance	3. Deep commitment to clients and maximization of balance sheet customers' funds and value
	4. Acceleration of cost reduction and organizational streamlining
Sustainability and Value	5. Adjustment of business models and materialization of growth opportunities
	6. Talent management and employees mobilization

In line with priorities for 2009, the key principles of the Bank's strategy over the long term emerge.

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Five key principles for a new Program “Rumo ao Futuro”

“Commitment to clients”	Bank with long-lasting relationships – focus on relationships (more than on products and transactions), proximity and frequent contact with clients, long term commitment
“Effective risk management”	Bank with strong risk management and capital optimization capabilities – effective use of capital and liquidity, proactive risk perspective, strengthening of credit decision processes, rigorous operational risk control
“Simplicity and efficiency”	Leaner, simpler and more cost-effective bank – along organizational structure, internal processes, relationship with clients, business lines, and even product and services offer
“Diversified international presence”	Bank with options – portfolio with operations where the Bank can “make a difference” and add value, which contribute to growth, risk diversification and value creation for the Group in the long term
“Focus on capabilities”	Bank focused on its capabilities – bank focused on its distinctive capabilities, which may constitute competitive advantages: retail/commercial banking, well sized distribution branch network, employees experience and know-how across geographies

Organisational Model

The organisational model at the year-end is based on five business units – Retail Banking, Corporate and Companies, Private Banking and Asset Management, Investment Banking and Business in Europe, and two support areas – Banking Services and Corporate Areas. Four of the five areas have Coordination Committees headed by two members of the Board of Directors on whom the main responsibilities of each area are delegated, the exception being Investment Banking, since it has its own particular governance model. The overall co-ordination of operations in Africa and America has been taken over directly by the BCP Directors responsible for these operations as it was considered that the specifics of the markets in which they operate warrant individualised treatment and, consequently, that they would not benefit from integration into Coordination Committees. The Chairman of the Executive Board of Directors was responsible for the Bank’s strategic programme for 2008-10, known as Millennium 2010 and by the launch of the new strategic agenda.

Business Areas

Commercial Banking is the core business in the Group’s activity, both in terms of volumes and contribution to results. The Commercial Banking activity includes Millennium bcp’s network in Portugal, operating as a distribution channel targeting the segments of Retail Banking and Corporate and Companies, focusing the activity on satisfying customers’ financial needs, both for individuals and companies. Commercial Banking also includes the segment of Foreign Business, operating through several banking operations in markets with affinity to Portugal and in markets of recognised growth potential, in Europe and in other regions.

The strategic approach of Retail Banking in Portugal was to target “Mass market” customers, who appreciate a value proposition based on innovation and speed, as well as Affluent and Small businesses customers, whose specific characteristics, financial assets or income imply a value proposition based on innovation and personalisation, requiring a dedicated Account Manager. Retail Banking also includes ActivoBank7, a universal Bank, focusing on brokerage and on the selection and advisory of long-term investment products. Within the scope of the cross-selling strategy, Retail Banking also acts as a distribution channel for financial products and services of the Millennium bcp business as a whole.

The Corporate and Companies segment includes: (i) the Corporate network in Portugal, targeting corporate and institutional customers with an annual turnover in excess of 100 million euros, providing a complete range of value added products and services; (ii) the Companies network in Portugal, which covers the financial needs of companies with an annual turnover between 7.5 million euros and 100 million euros, focused on innovation and on offering a wide range of traditional banking products complemented by specialised financing; and (iii) the activity of the Bank’s International Division.

The Investment Banking business is undertaken essentially by Millennium Investment Banking, a company specialised in capital markets, providing strategic and financial advisory, specialised financial service – Project finance, Corporate finance, Securities brokerage and Equity research – as well as in structuring risk-hedging derivatives products.

The Private Banking and Asset Management activity comprises the Private Banking network in Portugal, Millennium Banque Privée, a private banking platform incorporated under Swiss law, and subsidiary companies specialised in the asset management business.

The Foreign Business comprises the operations outside Portugal, namely in Poland, Greece, Turkey, Romania, Mozambique, Angola and United States. The Group is represented by a universal bank in Poland and by an operation based on the innovation of products and services in Greece. The activity in Turkey is performed through an operation focused on financial advising, and in Romania, it is represented through a greenfield operation launched in 2007, focused on Mass market and Businesses, Companies and Affluent. All the above operations develop their activities under the same commercial brand of Millennium. The Group is represented in Mozambique by Millennium bim, a universal bank targeting both companies and individual customers, in Angola by Millennium Angola, a bank focused on individuals and public and private sector companies and institutions, and in the United States by Millennium bcpsbank, a local bank that serves the local population, in particular the Portuguese community.

Financial Income

Millennium bcp’s consolidated net income stood at 201.2 million euros in 2008, down from 563.3 million euros in 2007, mostly conditioned by the evolution of net trading income and by the higher impairment charges for loan losses, associated with the considerable uncertainty and volatility seen in the markets during 2008. Consolidated net income includes the booking of specific items, in particular, the impact of impairment losses related with the depreciation of shares in BPI, in the sum of 232.6 million euros (net of tax), despite the agreement signed by the Group for the sale of 9.69% of Banco BPI’ share capital. As a result of the execution of this agreement Banco Comercial Português will no longer have a qualified holding in Banco BPI, S.A.. Specific items booked also included the impacts of the reduction in the variable remuneration already accrued in 2007, in the sum of 13.2 million euros (net of tax), and of the restructuring costs related

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with the early retirement of employees, in the sum of 5.7 million euros (net of tax). Excluding specific items, consolidated net income in 2008 totalled 426.2 million euros, down 27.4% from 2007, and return on equity (ROE) stood at 8.3% in 2008.

Consolidated net income in 2008 reflects the reduction in net trading income, determined by the performance of capital markets, and the increase in impairment charges for loans losses (net of recoveries), driven by the revaluation of financial collaterals and the identification of impairment indicators in the loans portfolio. These impacts were partially offset by the favourable performance of net interest income, supported by the sustained growth in business volumes, both of loans to customers and of customers' funds, and by the increase of net commissions, as well as the reduction in operating costs, influenced by cost control in Portugal. Excluding specific items, the evolution of net income, between 2007 and 2008, was positively influenced by the performance of operating income, which includes net interest income, dividends from equity instruments, net commissions, net trading income and other net operating income, that achieved 2,851.0 million euros in 2008, up by 7.7% from 2,647.7 million euros in 2007.

Consolidated net income in 2008 was sustained by the positive results determined both in Portugal and in international activity. Excluding specific items, net income in Portugal totalled 332.3 million euros, 29.9% down from 2007. This evolution was influenced by the higher impairment charges for loan losses and by the reduction in net commissions and in other net operating income, partially offset by the favourable impact of the increases in net interest income and in net trading income, as well as by the control of operating costs. In the international business, net income in 2008 was supported by superior levels of income, driven by the growths in net interest income and in net trading income, reflecting the increase in business volumes achieved by most operations abroad. This was insufficient, however, to offset higher operating costs incurred, essentially related with the expansion plans that were implemented in several countries. The net income of the international business, excluding the impact of the Romanian operation (launched in October 2007), fell by 4.8%, between 2007 and 2008.

Loans to customers, excluding loans represented by securities transferred from financial assets available for sale, totalled 73,849 million euros as of 31 December 2008 up by 10.4% from 66,873 million euros at 31 December 2007. The increase in loans to customers was boosted by both the activity in Portugal and the international activity, benefiting from the 10.1% increase in loans to companies and the 10.8% rise in loans to individuals, which was supported by the 11.9% growth in mortgage loans. Total customers' funds reached to 66,264 million euros as of 31 December 2008, a 3.6% increase from 63,953 million euros in 2007. The favourable performance of total customers' funds was boosted by the increase of 13.9% in balance sheet customers' funds, highlighting the growth of 14.4% in customers' deposits, which more than offset the reduction of 21.6% in off-balance sheet customers' funds, determined by the evolution of assets under management.

The solvency ratio, calculated in accordance with Bank of Portugal rules, stood at 10.5% at the end of 2008, showing an improvement from the ratio of 9.6% calculated as at December 31, 2007. The Core Tier I ratio improved over the same period, up from 4.5% to 5.8%, as did the Tier I, up from 5.5% to 7.1%. The improvement of the solvency ratios essentially reflects the positive impacts of the rights issue in April 2008, of the regulatory changes introduced by the Bank of Portugal and of the organic generation of capital, partially offset by higher capital requirements related with the pension fund, by the deferrals related with the transition to the IFRS and by the increase of the weighted risks associated with the growth of the business and with the adoption of the Basel II Standard methods.

Millennium bcp

Financial Highlights [Euro Millions]	2008	2007	Change
Net income	201.2	563.3	-64.3%
Net income (excluding specific items)	426.2	586.8	-27.4%
Total assets	94,424	88,166	7.1%
Total customer' funds ⁽¹⁾	66,264	63,953	3.6%
Loans to customers (net) ⁽²⁾	72,372	65,650	10.2%
Market capitalisation	3,826	10,545	-63.7%
Number of employees (Portugal)	10,667	10,821	-1.4%
Number of employees (foreign activity)	11,922	10,301	15.7%
Return on average equity (ROE)	8.3%	14.2%	
Earnings per share (euros)	0.03	0.13	
Operating costs/Net operating revenues ⁽³⁾⁽⁴⁾	58.6%	60.3%	
Operating costs/Net operating revenues (Portugal) ⁽³⁾⁽⁴⁾	53.7%	57.3%	
Tier I solvency ratio ⁽³⁾⁽⁵⁾	7.1%	5.5%	
Total solvency ratio ⁽³⁾⁽⁵⁾	10.5%	9.6%	

(1) Amounts due to customers (including securities), assets under management and capitalisation insurance

(2) Excludes loans represented by securities transferred from financial assets available for sale.

(3) According to rule 16/2004 from the Bank of Portugal

(4) Excludes the impact of specific items

(5) Indicators for 31 December 2008 determined in the scope of Basel II. Indicators for 31 December 2007 determined in scope of Basel I.

BCP's financial statements were prepared in accordance with International Financial Reporting Standards (IFRS) as endorsed by the European Union, in compliance with Regulation (EC) 1606/2002, of July 19th and in accordance with the reporting statements defined by the Bank of Portugal (Notice n.º 1/2005 following the adoption by the Portuguese legal system of the European Commission Directive 2003/51/EC of June 18th of the European Parliament and Council.

□ REPORT OF THE BOARD OF DIRECTORS

The Board of Directors of Millenniumbcp Fortis Grupo Segurador, S.G.P.S., S. A., has pleasure in presenting the consolidated report and accounts of the company, regrouping all operations of the Group companies for the year ended December 31, 2008. These consolidated accounts were audited by KPMG.

Macroeconomic Environment

International Economy

The year under review will definitively be associated with the propagation of the North American sub prime mortgage market crisis to other market segments, countries and economic sectors. Financial instability became the common denominator in the markets and the deterioration of economic activity spread to high-growth countries. The effects of globalisation, though in reverse, amplified the adjustments and precipitated the global economy into a climate of uncertainty and risk aversion that is both complex and hard to eradicate. The worsening of the situation at dizzying speed and the enrooting of a vicious circle of increasing negative stimuli between the financial sector and economic activity led to co-ordinated intervention by governments, central banks and other economic agents through an unprecedented adoption of policies to stimulate activity and to support the financial markets, which are set to begin to produce effects during the coming year. Nevertheless, they are not likely to prevent a year of dismal world growth performance and of deflationary pressures, within a very complex set at a social, political and institutional level.

Following several years of consistent economic growth the global economy is faced with the risk of recession and deflation. The main economies are set to record a GDP contraction in the order of 1% to 2% in real terms in 2009, while the developing economies will see a substantial reduction of their contribution to global economic growth. Measured by historic standards, the real growth of the global GDP is expected to be mediocre. In a climate marked by a reduction of availability of funds and of a high degree of risk aversion, economies more dependent on capital flows in the form of portfolio investment, foreign direct investment or public transfers will tend to find it harder to sustain the previous growth rates.

Real GDP growth rate Performance and Projections [Deviation in %]	2007	2008	2009
World	5.00	3.70	2.20
Developed Economies	2.60	1.40	-0.03
USA	2.00	1.40	-0.70
EMU	2.60	1.20	-0.50
Japan	2.10	0.50	-0.20
Economies in Development	8.00	6.60	5.10
China	11.90	9.70	8.50
India	9.30	7.80	6.30
Russia	8.10	6.80	3.50
Brazil	5.40	5.20	3.00

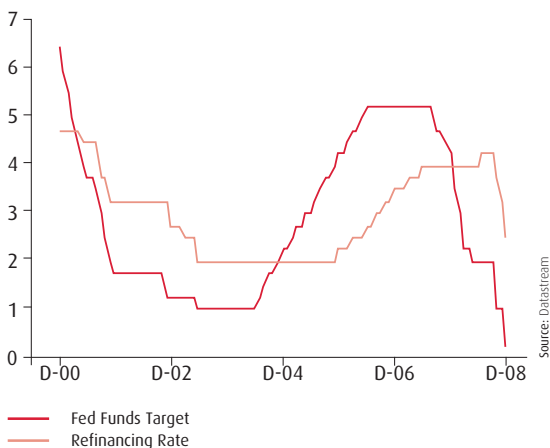
Source: FMI, November

Economic policy throughout the fourth quarter of 2008 was clearly directed at supporting economic activity, with direct intervention in the more vulnerable sectors. With the end of concerns as to inflationary pressures and faced with an intense rate of deterioration of activity, central banks cut their interests rates sharply. In the USA and Japan interest rates fell to around 0% and, in other countries, a like path may well be followed, or, at least, rates may be lowered substantially.

REPORT OF THE BOARD OF DIRECTORS

Interests Rate aggressive decline

Refinancing rate evolution in EUA (Fed Funds target) and in Euro area (refinancing rate) [in %]



On the other hand, the hampered monetary transmission mechanism imposed the adoption of innovative measures. Confronted with relevant systemic risks and in order to attenuate the shortage of interbank market liquidity, central banks reformatted their action in the scope, form, terms and amounts of liquidity injection, and they extended their intervention to other markets, including direct acquisition of longer-term debt securities and greater monetary issuance. The growing integration of the financial markets required greater coordination of measures taken and implementation of cross border assistance programmes, both in the provision of liquidity in foreign currency and in direct financial aid for macroeconomic stabilisation purposes in several European and Asian countries.

Recession at the end of 2008, risks for 2009 and hopes for 2010

The closing months of 2008 were marked by one of the periods of greater financial market instability in recent decades, accompanied by an unusual synchronisation of the sharp downturn of economic activity in most countries, felt to a particular extent in world trade. As a result of the suddenness of these movements, the adjustment of production plans and the concomitant review of business strategies are likely to be intense in the early months of 2009, with negative effects on employment levels, immediately limiting any improvement of the economy. The action of automatic stabilisers, the decline of raw-material prices, the aggressive interest-rate cuts and the direct intervention measures in weaker segments of the economy, are likely to contribute to an economic recovery and to normalisation of the conduct of the financial markets in time, though they are not risk-free and involve major and unusual challenges for the exit strategies for the greater State interventionism in the private sector.

A background of weak economic growth, relatively disseminated and bearing a risk of deterioration, is propitious to increased competition and, possibly, to frequent geopolitical friction given the appeal for greater state intervention in the economy. Under these circumstances, foreign trade, exchange-rate policy and foreign aid could again come to play a prominent part in the economic and political world order.

Weakness of some European economies

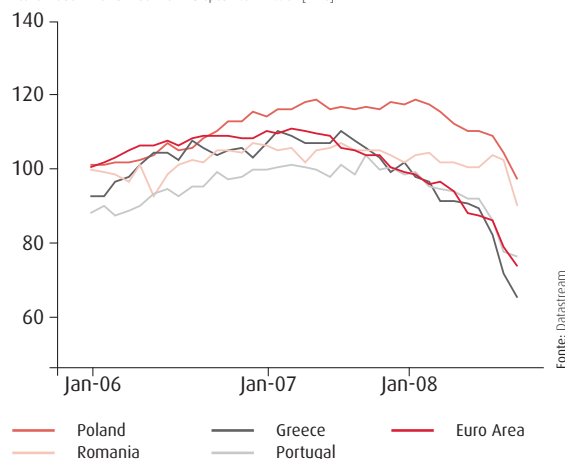
The main European economies experienced a very sharp slowdown at the end of the summer as the downturn of global trade flows intensified and global financial conditions worsened on the international markets. Economic conditions at the end of 2008, as measured by the economic indicators available, tumbled to levels seen 20 years ago. At the same time, the current and prospective inflation indicators showed that the risk had changed to one of price deflation. Under these conditions, the European Central Bank reversed its strategy and cut its refinancing rate on several occasions, lowering it from 4.25% in July to 2.5% at the year-end, a trend that is expected to continue during the first half. For 2009, there are major limitations to the growth of domestic demand, export markets are weak and competition is increasing. With a private sector conditioned in its

response to act as growth driver, the main impulse lies in public spending and investment, in keeping with the stimulus plans that have been negotiated in support of the financial markets in each Member State.

Domestic economies were negatively affected by the unfavourable global economy, with its indirect effects on foreign demand directed at companies, and by the more restrictive financial conditions confronted, further enhanced by the structural economic weaknesses of some of these countries: in Portugal and in Greece, hindering the regular financing of large foreign deficits; in the Eastern European economies by the reversal of short-term portfolio investment strategies; in the African economies by the alteration of the favourable conditions seen in recent years in the commodity markets.

Sudden contraction from European economic activity

Economic Sentimental Index from European Commission [in %]



Portuguese Economy

The Portuguese economy returned poor growth in 2008, with a practically stagnant GDP, in real terms, compared to the previous year. Growth has been very dependent on foreign drive and conditioned by the high debt levels of the private sector, the little budgetary leeway and the considerable dependence on foreign energy. The gains of competitiveness achieved in recent years are proving insufficient to counteract the fall in foreign demand, despite the effort to diversify exports, both in terms of export markets and in the composition of goods and services exported. Therefore, the capacity to develop a process of autonomous economic upturn appears rather limited. On the other hand, direct exposure to complex financial instruments is small and economic growth, though weak, was relatively diversified in terms of sectors, and for this reason the risk of undergoing a specific adjustment is smaller than that confronted by other countries.

Real GDP growth rate Performance and Projections (Deviation in %)	2008	2009	2010
EU27	1.40	0.20	1.10
Portugal	0.50	0.10	0.70
Poland	5.40	3.80	4.20
Greece	3.10	2.50	2.60
Romania	8.50	4.70	5.00
Turkey	3.40	2.70	3.90
Africa	5.40	4.60	5.80
Mozambique	6.00	6.30	6.40
Angola	15.80	11.10	11.30

Source: European Commission and World Bank, November

The most likely scenario is one of recession, in line with the average performance expected for the Euro Area. The main risk stems from the capacity of the financial system to maintain its level of accessing funds in the global market place to overcome the shortfall of domestic saving, in order to soften the inevitable transition to a more balanced situation in terms of the financing of the domestic needs. As in the Euro Area, inflationary

REPORT OF THE BOARD OF DIRECTORS

pressures are likely to be moderate during 2009, reflecting, at one and the same time, the lower energy prices and a context of ample manufacturing slack, leading to relatively high unemployment rates.

Insurance Sector Environment

In 2008, the volume of direct insurance premiums in the Portuguese market grew significantly in relation to the previous year, increasing by more than 11% and reached 15 thousand million euros, equivalent to 9.1% of Portuguese GDP.

This ratio relative to GDP, which reflects the penetration of insurance activities in the economy, achieved its highest value ever, exceeding the average level in the European Union, which registered 8.7% in 2007.

Direct Written Premium [Euro Millions]

Lines of Business	2008	2007	2006	2005	Change 08/07	Change 07/06	Change 06/05
Life	11,011.7	9,369.3	8,761.5	9,136.3	17.5%	6.9%	-4.1%
Non-Life	4,323.8	4,381.6	4,361.3	4,307.9	-1.3%	0.5%	1.2%
Total	15,335.5	13,750.9	13,122.9	13,444.2	11.5%	4.8%	-2.4%

Source: Associação Portuguesa de Seguradores.

The performance of the insurance sector was, once again, driven by the expansion of the Life business by approximately 18%, where total premiums reached 11 thousand million euros. The Retirement Savings Plan products ("PPR") contributed very positively to this evolution, with their premiums or contributions increasing by 45% (to close to 2.5 thousand million euros).

In contrast to the Life business, the premiums of the Non-Life, which reached 4.3 thousand million euros, fell by more than 1%, strongly influenced by its greatest lines of business, Motor and Workman's Compensation, which actually showed negative developments. Both were constrained by the weak performance of the Portuguese economy and intense competition between operators in this activity sector.

Costs related to Non-Life direct insurance claims registered growth of approximately 2% up to the end of the third quarter of the year, resulting from a slight acceleration of the amounts paid and decrease in the variation of the provision for claims. The corresponding impact on the net rate of reinsurance claims of the Non-Life business was an aggravation of 0.8 percentage points up to September 2008.

The trend registered in 2007 was reinforced in 2008, thus increasing the degree of concentration in the national insurance market, with five of the largest insurer groups accounting for approximately 74% of the premiums issued, in comparison to 69% registered at the end of 2007.

Life Business Review

The segment intensified the growth rate of the previous year, achieving a relative weight of approximately 72% of the total direct insurance premiums of the Portuguese market by the end of 2008.

Although all lines of business registered notable growth in direct insurance premiums, the growth rate witnessed in retirement savings plan products clearly indicates some changes of attitude on the part of the Portuguese population:

- there is greater awareness that the pensions attributed by the Social Security are not sufficient to ensure the income levels and living standards equivalent to those of the period of active life;
- the prudence applied to the management of the insurers is perceived by the population, inspiring credibility and trust in these institutions.

Also contributing to the expansion of the retirement savings plan products was the successive series of events which marked 2008 and surpassed the expectations of most economic agents due to their sheer dimension, affecting the financial sector in a particularly serious manner and progressively extending its impact to all countries and sectors of activity. In this context of adversity, the retirement savings plan insurance contract was increasingly perceived as a good investment choice, combining the offered guarantees of stability and security, with the fact that they do not remove the choice of the assets being available to the customers who choose this option.

The growth registered for capitalisation products in the order of 11% and for traditional products (Risk and Annuities) was also exceptional, which exacerbated the trend for growth registered in 2007, to approximately 14%.

Direct Written Premiums [Euro Millions]

Lines of Business	2008	2007	2006	2005	Change 08/07	Change 07/06	Change 06/05
Savings (includes Unit-Linked)	7,597.2	6,835.1	6,009.3	6,673.3	11.1%	13.7%	-9.9%
Savings (PPRs/PPRE)	2,465.0	1,698.2	1,961.3	1,714.2	45.2%	-13.4%	14.4%
Risk & Annuities	949.5	835.9	791.0	748.9	13.6%	5.7%	5.6%
Total	11,011.7	9,369.3	8,761.5	9,136.3	17.5%	6.9%	-4.1%

Source: Associação Portuguesa de Seguradores.

The trend registered over the last few years was maintained relative to the concentration of activity around the five main operators of the national market. In fact, the five main insurance groups, which represented approximately 81% of the total Life insurance market in 2007, represented 86% of the same market by 2008.

Non-Life Business Review

The volume of direct insurance premiums in the Non-Life segment showed a decrease of 1.3% in comparison to 2007. This behaviour arises as a consequence of the economic evolution with negative real growth of the GDP.

Direct Written Premiums [Euro Millions]

Lines of Business	2008	2007	2006	2005	Change 08/07	Change 07/06	Change 06/05
Motor	1,809.7	1,943.9	2,003.4	1,997.4	-6.9%	-3.0%	0.3%
Workman's Compensation	741.1	762.5	773.6	778.8	-2.8%	-1.4%	-0.7%
Fire	731.7	705.9	688.9	684.5	3.7%	2.5%	0.6%
Health	486.8	440.5	408.4	372.4	10.5%	7.8%	9.7%
Personal Accidents	172.0	169.2	168.3	160.3	1.7%	0.5%	5.0%
Other	382.4	359.6	318.7	314.6	6.3%	12.9%	1.3%
Total	4,323.8	4,381.6	4,361.3	4,307.9	-1.3%	0.5%	1.2%

Source: Associação Portuguesa de Seguradores.

REPORT OF THE BOARD OF DIRECTORS

In the Non-Life business there was a decrease in the volume of direct insurance premiums of the largest branch – Motor – now in the order of 7%, reflecting the trend of the decreased average premium collected from customers and reduction in sales in the automobile sector, although almost 1/3 of this decrease is explained simply by the legislative alteration in the accounting of the contribution to the Automobile Guarantee Fund (“FGA”), which was previously included in the premium and is currently collected as a parafiscal-tax rate, through legal imperative.

More serious, albeit of a lesser dimension, was the decrease observed in Workman’s Compensation (-3%), partly reflecting the reduction in economic activity, but which, in all likelihood, was not accompanied by decreased costs related to claims, which will imply renewed aggravation of the already high rate of its claims.

Health insurance remained dynamic, presenting close to 11% of growth of premiums. This evolution is part of a trend which has occurred over various years, explained by the insufficiencies and inefficiencies in the public health system, the growing concern of the population on access to health care and the versatility, coverage and accessibility of this type of insurance.

Regarding the rest, many other Non-Life lines of business performed quite satisfactorily, in some this was not dissociated to the actual economic difficulties which tend to stimulate the demand for protection via insurance. This is the case of credit insurance, an instrument which protects companies against the risk of default by their debtors, whose premiums grew by more than 47% in relation to the previous year.

Costs related to Non-Life direct insurance claims grew by approximately 2% up to the third quarter of 2008 in comparison to the same period of the previous year. This aggravation is most evident in the Fire and Other Damage business. In the Motor business the claims rate remains contained (-0.3 percentage points), but this is less the case now than up to the 2nd quarter (-3.3 percentage points).

Claims Ratios

Lines of Business	Jan-Sep 2008	Jan-Sep 2007	Jan-Sep 2006	Jan-Sep 2005	2007	2006	2005
Accidents	75.4%	72.4%	67.9%	68.5%	77.2%	77.8%	71.4%
Health	76.5%	77.4%	77.7%	77.0%	82.8%	84.4%	85.2%
Fire	50.9%	46.9%	46.7%	43.0%	46.9%	52.0%	43.1%
Motor	70.5%	70.8%	69.5%	70.1%	70.6%	69.3%	70.3%
Other	59.6%	58.5%	54.4%	48.9%	57.5%	71.6%	56.1%
Total	69.5%	68.7%	66.9%	66.7%	70.1%	71.0%	68.4%

Note: Ratios based on premiums issued. Claims cost includes claims paid, loss reserves and allocation of administrative costs. Rates are shown net of reinsurance impact.

Millenniumbcp Fortis – Key Events 2008

In a context of great adversity, it can be said that the main strategic objectives which Millenniumbcp Fortis proposed achieving in 2008 were reached. This was an extremely positive year from a commercial perspective and at the technical level of the business, but heavily penalising at the financial level, due to the crisis in the financial markets. Amongst the various events marking the activities of 2008, the following were of particular importance:

- The excellent commercial performance, reflected in the growth of the volume of premiums greatly above the market average, both in Life (growth of 28.6% versus 17.5% in the market), as well as Non-Life (growth of 8.2% versus a market decrease of 1.3%);

- The commercial activity of 2008 was notable due to the historic values of performance in Unit-linked and Retirement Savings Plan (PPR) products. The sales of Unit-linked products reached a record value greater than 1,200 million euros, an increase of 44% in comparison to the previous year, as a result of the development of solutions, designed in accordance with the profiles of the different customer segments, which enabled making the most of the evolution in debt markets over the year. In PPR, this was the best year ever, a consequence not only of the focus on continuous sale throughout the year, but also of the extraordinary success of the “Special Investment Solution” product, which reached sales close to 220 million euros. Relative to Non-Life products, the focus on innovation and the diversification of the distribution channels also resulted in the achievement of an excellent commercial performance, in particular the growth clearly above the market average of the sales of Médis products, a leading and uncontested brand in the market for Health insurance, and Personal Accident products;
- In early 2008, Millenniumbcp Fortis launched a new distribution channel “SME – Agents & Brokers” for Non-Life products through a network of professional agents and brokers. During its startup year, this new channel, directed at Corporate customers, reached 7.8 million euros of gross written premiums, through a network of 102 agents;
- At the organisational level, the IT development team of the insurance reporting functionally to Millennium bcp was incorporated in the Organisation and IT Department of Millenniumbcp Fortis, contributing to greater coordination and alignment of actions with business priorities. In 2008, relevant projects were developed in practically all areas of the organisation, of which the new portal for the new distribution channel “SME – Agents & Brokers” and the project for the replacement of the application systems supporting the Life business were of particular importance. In the applications area, there was a significant increase of efforts towards IT development, with the implementation of a set of new solutions in the process supporting product sale through the technological platform of the Branches of Millennium bcp;
- Regarding the management of the operational processes, focus was maintained on the development and automation of operations for the purpose of increasing efficiency and productivity: the operational procedures for the sales of Personal Accident and Health products (Médis) underwent renovations in the branches of Millennium bcp. These new processes, completely integrated in the bank’s sales platform permit, on the one hand, automatic subscription, immediate issue of the policy, debit of the first premium, delivery of the particular conditions to the Customer and digital sending of the insurance proposal to the company’s archives, and on the other hand, reduction of the time needed to issue a policy, of the physical paper flow and of the number of error associated to these processes. Also particularly noteworthy was the continued effort made towards portfolio retention with the implementation of new measures aimed at reducing cancellations;
- Despite the unfavourable context of the financial markets, namely in the second half of the year, the response capacity of all internal areas regarding the prompt and clear provision of information to internal and external Customers, enabled maintaining high levels of Customer satisfaction. The improved quality of service over these last years is very evident in the evolution of the index on the bank’s overall satisfaction with the services provided by Millenniumbcp Fortis, which increased from approximately 60% in early 2005, to 71.4% by the end of 2008.

□ REPORT OF THE BOARD OF DIRECTORS

- Regarding risk management, continuity was given to the Business Continuity Management project, with the review of the Business Continuity Plans and the beginning of the test phase. Simultaneously, consolidation was made of the various models used in risk management, aimed and taking into consideration the principles of Solvency II;
- During the second half of 2008, developments were made to set up a new claims handling platform for Motor and Workmen's Compensation business. The new Platform started activity on 1st January 2009 and its organisational model is based on the outsourcing of a series of activities supporting the management of claims. With a single applicational solution for the management of all Non-Life claims, this Platform has an operational model shared between the Insurer and its strategic Partner, with unequivocally defined functions and responsibilities, with the analytical and decision-making functions remaining under the Insurer and the supporting and administrative functions being the responsibility of the Partner.
- Regarding the Human Resources management, 2008 was also marked by various activities with impact on Employee motivation and satisfaction. Amongst the various actions carried out in this area, of particular interest, due to its importance and cross-cutting nature, was the "Leading with Values" programme, directed towards intermediate-level management, aimed at the adoption of more consistent and structured corporate behaviour and practices inside the company, considered critical for the growth of the company and its Employees;
- In the Pension Fund management business, it is especially noteworthy that Pensões-gere has maintained its position of market leadership. The "GIPS Compliant" (Global Investment Performance Standards) analysis and verification process was concluded, which permitted distinguishing and consolidating our position in a market increasingly more competitive and characterised by unstable economic and financial conditions.

Mission, Values And Strategy

Mission

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

Values

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

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

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

Strategy

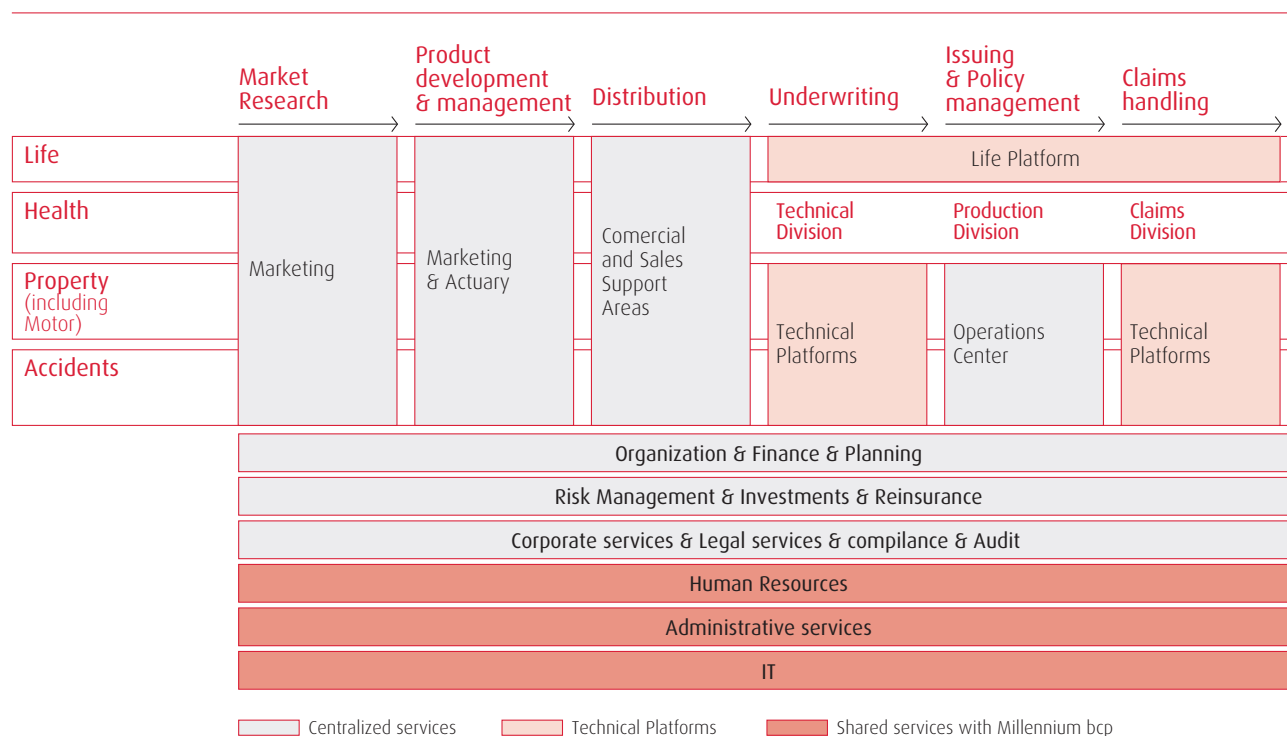
The strategy of the Millenniumbcp Fortis Group is based on 8 pillars, of which derives a set of objectives.

Strategic Pillars	Objectives
Increase financial strength	<ul style="list-style-type: none"> • Being leader of the market in volume of business; • Improve the drivers of profitability defending margins and balance the portfolio; • Maintain solvency levels.
Maximize growth through Millennium bcp	<ul style="list-style-type: none"> • Increasing the effectiveness of campaigns and ensure the continuity of sales outside that period; • Develop stand-alone sales; • Simplify the product offer and business processes.
Develop alternative channels	<ul style="list-style-type: none"> • Balancing the portfolio and increasing profitability by developing alternative distribution channels (e.g. SME Agents Channel and Médis Direct).
Develop new products	<ul style="list-style-type: none"> • Anticipating the market needs by launching innovative products that promote sales and serve new market segments.
Improve quality of service	<ul style="list-style-type: none"> • Improving the relationship with the Client through lean processes, supported by excellent service levels.
Align IT with company objectives	<ul style="list-style-type: none"> • Increasing productivity and control operating costs by developing appropriate tools; • Increasing control over the IT support by reducing the response time.
Mitigate operational risk	<ul style="list-style-type: none"> • Minimize exposure to operational and financial risk.
Ensuring the involvement and accountability of Employees	<ul style="list-style-type: none"> • Develop skills and competencies; • Encourage self-development and accountability as a mean of enhancing the career development.

REPORT OF THE BOARD OF DIRECTORS

Organisational Structure

Business rationalisation and restructuring are key success factors for obtaining operational synergy and economies of scale arising from strategic concentration whether in technical areas – Production, Claims, Reinsurance and Asset Management – or back office – Organisation, IT systems, Administrative, Financial, Accounting, Human Resources, Legal Services, Internal Audit and Compliance.



Marketing & Comercial

Depending on the perspective, 2008 has been described as the worst economic year since World War II, or since the Great Depression of the early thirty's of last century. The turmoil that started within the banking sector in the US affected the financial markets and rapidly spread out globally, igniting an economic crisis that is already confirmed as a worldwide recession and that may well deepen into a depression in some of the most developed countries.

Even with such negative economic environment, Millenniumbcp Fortis managed to grow top-line strongly, outperforming market both in Life and in Non-Life. Total premium volume increased by 26.7%, more than doubling market score of 11.5%. Growth was 28.6% in Life and 8.2% in Non-Life, while market evolution for the same aggregates was 17.5% and 1.3% negative, respectively.

Historical performance records in investments products earmarked the year 2008. Millenniumbcp Fortis has in that line of business a vast and balanced offer and built on its proven innovation capabilities to come up with product solutions that coped with market conditions.

Again with no visibility campaigns carried out in the media or in Millennium bcp branches, Unit-linked products showed remarkable commercial dynamism. This line of business reached record sales ever, with volume of 1,235 million euros, an increase of 44% over 2007. Key success factors were product-market innovation, a segment multi-flavour

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driver to grow stand-alone risk business: 2008 registered 3 times more campaigns than 2007. Average premium growth of 8% was a major turnaround from 2007 (-6.9%). This result is directly associated to product innovation (Personal Accidents + 32%; Life Risk +3%). Global lapse rate slightly increased 2,4pp, mainly due to economic environment (lower disposable income).

Personal Accidents sales grew 50%, due to improvements in product offer and to the commercial dynamism of the Bank, with good campaign results.

Life Risk stand-alone sales grew 40%, again as a result of product innovation and commercial commitment from Millenniumbcp.

Health grew above market (+13%, compared to market 9%), with multi-channel distribution and Médias

brand strength positively contributing to this result. Médias has always ranked first against all competitors in brand notoriety, normally doubling main challenger best scores. One of main functional associations to Médias brand keeps being market leadership, with all the available sources, including market-standard surveys from Marktest, keep pointing Médias as leader, despite ranking second overall. To maximise brand performance, Médias has kept aspirations attributes high, but still improving emotional bond to the brand. Médias was again and for the third consecutive time awarded *Superbrand*, a distinction that pays tribute to the strongest and most valuable brands in Portugal.

To meet ambitious growth goals of Millenniumbcp Fortis, the best alternative to stretch business in Non-Life corporate business was to develop new distribution channels, directed to new segments, avoiding any overlapping of customers and redundant costs. An agents & brokers channel addressing the Non-Life corporate market was found to be the right way to increase premium volumes and results in the medium term. The first results appeared along 2008, with Non-Life volumes of nearly 7.8 million euros, mostly concentrated on health. The potential of this new channel is high, as well as its commercial ambition, with a service portal available from 2009 on and the agents starting to be more strongly linked to the company.

Improving service to reach operation excellence was one of 2008 strategic levers. As a consequence of an improved alignment between front & back-offices and of the settlement of even more ambitious service levels, satisfaction records of both internal and end Customers did not inflect the rising trend. The combined effect of service levels attained by the Call Centre and the increased focus of commercial structure in supporting sales effort of the bank kept internal satisfaction levels of the branches at a historically high level.

Employee Benefits

The marketing of Employee Benefits to Millennium bcp Corporate and Companies network is part of an integrated offer approach of Pension Funds from Pensõesgera, Health insurance cover from Ocidental Seguros and Life insurance products from Ocidental Vida, targeting the companies and their staff.

The strong market presence and commercial success of Millennium bcp Corporate and Companies networks, generated new business premiums and contributions of 40.2 million Euros. Overall new business amounted to 0.3 million Euros from Pension Funds, 34 million Euros from Savings products, 3 million Euros from Life insurance and 0.6 million Euros from Health insurance.

An outstanding top ranked position in the market, a global Client vision through the integrated offer of employee benefits solutions and the consolidation of a global offer in the Non-Life market, are set to generate positive trends in 2009, both in insurance and pension funds.

Open-end Pension Funds

Pensõesgera has 3 Open End Pension Funds with different investment policies.

According to the Pension Plan, the companies or the employee can chose the appropriated Fund(s) and switch contributions and accumulated savings.

"HORIZONTE SEGURANÇA"	"HORIZONTE VALORIZAÇÃO"	"HORIZONTE VALORIZAÇÃO MAIS"
Open-end Pension Fund with a "low risk" investment policy – 0% in equities and around 50% in fixed rate bonds plus 40% in indexed rate. For those employers or employees risk averse or participants closer to retirement.	Open-end Pension Fund that caters to those looking for balanced investment policy, with some exposure to equities but most assets invested in bonds – around 70% bonds and 25% in equities.	Open-end Pension Fund designed for those who want to go after the bigger rewards (and risks) associated with a higher exposure to equities markets – around 40% in equities.

Financial Review

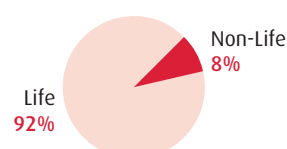
The analysis of the production volume of the Group and of the Insurance market includes investment contracts, namely Unit-Linked (UL) which, in accordance with the IFRS rules, are not accounted for insurance premiums.

In 2008, Millenniumbcp Fortis presented premiums growth rates significantly above the Portuguese market in both Life and Non-Life business, with a volume of direct insurance premiums of 2,426 million Euros and a total market share of 15.8%, representing a 1.9 percentage points (pp) increase in comparison to the same period of 2007.

In Life business, the direct insurance premiums amounted to 2,238 million Euros, registering an impressive growth rate of 28.6% in comparison to the previous year. The evolution of the Retirement Savings Plan products ("PPR"), whose premiums more than doubled in comparison to the previous year, and the evolution of the Unit-Linked products with a significant increase of 44%, are worthy of mention. Also noteworthy was the fact that the market presented increases of 45% and 22% for the same line of businesses, respectively. In Non-Life business, the increase in direct insurance premiums of 8.2% compared to the previous year was particularly important, a fact which is even more remarkable given that the insurance market suffered a decrease of 1.3%, conditioned by the weak performance of Portuguese economy and intense competition among operators.

With regards to the Pension Funds business, total assets under management reached 6,898 million Euros, corresponding to a decrease of 7.1% in comparison to 2007. Despite this decrease, Millenniumbcp Fortis reinforced its leadership position in this

Breakdown of Direct Insurance Premiums



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business segment, with a market share of 34.1%, in 2008 (about 1 percentage point more in relation to 2007), which was only possible because the average evolution of the market registered a decline of 9.5% in the total volume of assets under management.

Life Business

Direct Insurance Premiums

Life premiums amounted to 2,238 million Euros, corresponding to an increase of 28.6% in comparison to 2007. The main contribution to this performance were the Unit-Linked products (1,235 million Euros) followed by the Retirement Savings Plan products ("PPR") (509 million Euros) and the Savings Products (284 million Euros).

Direct Insurance Premiums Evolution [Euro Thousands]

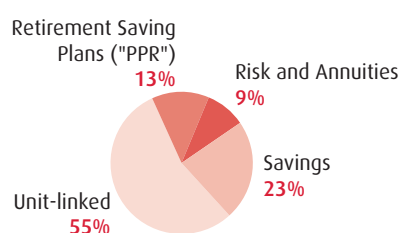
Lines of Business	2008	2007	2006	Var. 08/07	Var. 07/06
Savings	283,580	463,860	410,100	-38.9%	13.1%
Unit-Linked	1,235,053	857,473	524,216	44.0%	63.6%
Retirement Savings Plan	509,331	245,026	355,674	107.9%	-31.1%
Risk and Annuities	210,231	174,035	168,373	20.8%	3.4%
Total	2,238,194	1,740,395	1,458,363	28.6%	19.3%

For the first time in the history of Millenniumbcp Fortis, Unit-Linked premiums surpassed the value of 1,000 million Euros, reflecting the investment in the product development area over the previous three years, which allowed adequate investment solutions in line with market demands to be offered to Customers from each segment, at any time. As a result, despite the economic slowdown registered in the second half of the year, the excellent performance in the first few months of 2008 still enabled the company to achieve a new sales record.

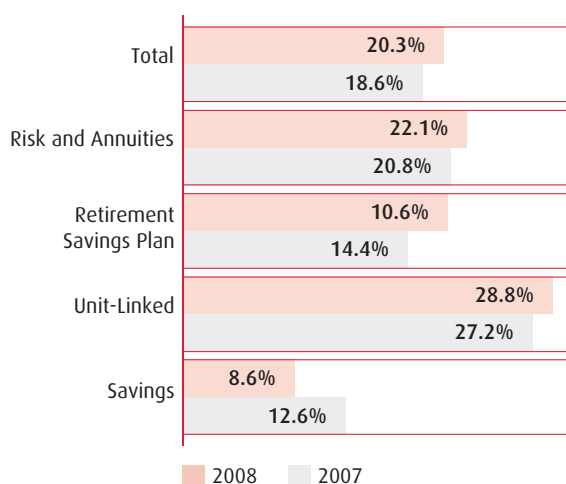
The volume of Retirement Savings Plan product ("PPR") premiums achieved its highest value ever, resulting from the commercial effort since the start of 2008 and the capacity to develop attractive products, adapted to each market segment. From November onwards, and with the objective of responding to the adversities of a new economic context, the launch of the "Solução Especial Investimento" product became the primary driver of sales growth, having been perceived as an excellent investment option, combining guarantees of stability and security to the fact that it does not limit the ability of those who choose to invest in them to withdraw their assets.

The Risk and Annuities products registered a growth of 20.8% in relation to the same period in 2007, allowing Millenniumbcp Fortis to maintain its market leadership in this segment, with a share of 22.1% of the total amount of insurers operating in the domestic market.

Breakdown of Life Premiums Portfolio



Evolution of Life Market Share



In 2008, Millenniumbcp Fortis was positioned as the third largest insurance group in terms of Life Insurance premiums, with a market share of 20.3%, representing an increase of 2 pp in relation to the previous year.

Technical Review

Life technical margin, before allocation of administrative costs, amounted to 82 million Euros in 2008, strongly penalised by the negative impact of the losses resulting from the financial crisis. Excluding this effect, the technical margin would have reached 207 million Euros, corresponding to an increase of 29% in comparison to the same period in 2007.

As previously mentioned, the crisis that affected financial markets, particularly in the second half of the year, strongly influenced the financial component of the business, which affected the evolution of results negatively.

The achievement of an expense ratio of 0.83%, allied to a significant growth of the technical margin, if we exclude the extraordinary impact of the financial function, reveals the careful and adequate management that enabled the adverse effects of the capital markets to be minimised.

The major relative contribution towards the results of the company continues to be rendered by Risk products, whose profitability is based on rigorous subscription policies and practices and a superior cost control capability.

Despite the economic climate, the strong positive contribution towards the financial margin registered by the Unit-Linked products, with a growth rate of 38% in relation to 2007, is also particularly noteworthy.

Pension Funds Business

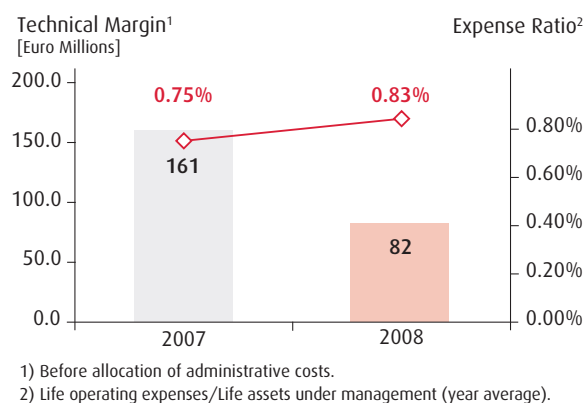
Market Evolution

Pension Funds business in 2008 was also affected by the strong crisis and instability of the financial sector in particular, with the activity affected by the losses in stock markets and the widening of credit spreads, which only have a parallel in the great depression of 1929/1933.

Pension Funds, in overall, presented negative profitability rates which, despite the 1.2 billion Euros of contributions net of pensions paid, resulted in a reduction in the value of assets under management to 20,241.8 million Euros, corresponding to a decrease of 9.5%.

In terms of legislation, no major changes occurred during 2008 as in 2006 and 2007 the new framework legislation was implemented. As a result, the only rule issued during 2008 was the Regulatory Standard 18/2008 of 23 December, which defines the set of financial and statistical reports to be submitted by the Pension Funds Companies to the Portuguese Insurance Regulator (ISP). Additionally, within the scope of social security, the amendment of article 33 of Decree-Law 187/2007, which brought into effect a few changes to the calculation rules applicable to the beneficiaries who joined the system before 31 December 2001.

Technical Margin vs Ratio of Operating Costs



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Total Assets Under Management and Market Share

[Euro Millions]



Pensõesgere Activity

Millenniumbcp Fortis operates in the Pension Funds market through the management company Pensõesgere, basing its activity on the quality of the information provided, permanent follow-up and timely response to Customer requests.

Despite the 7.1% decrease in assets under management, resulting from the evolution of financial markets, the performance of Pensõesgere in 2008 was positive, which allowed it to reinforce the leadership position it already has in the market with a market share of 34.1%. It is also worth mentioning that the movement of market share reinforcement has been consistent and has, since 2003, corresponded to an increase of 7.1 pp in market share.

Under an integrated philosophy of making full use of Group synergies, Pensõesgere maintained its relations

with the corporate bank networks of Millennium bcp – Corporate and “Empresas” – through concerted action towards the promotion of business in the Employee Benefits area.

During the year under analysis various initiatives were launched for the development of Pensõesgere’s specific computer tools aimed at improving work productivity and quality, as well as enabling response to the growing quantity of information provided to pension fund Participants and Beneficiaries. These processes have also been reflected in improved information provided through personalised Internet access.

To consolidate the market positioning of Pensõesgere, and despite having outsourced the investment management function, the “GIPS Compliant” (“Global Investment Performance Standards”) analysis and verification process was concluded, with 6 alternative investment composites having been defined to present to the market, three of which correspond to the offer provided by open-end pension funds.

At the end of 2008, the total assets under management, distributed through 33 closed-end funds, 4 open-end funds and 5 open Retirement Savings Plan funds, reached 6,898 million Euros.

The total of the 33 closed-end funds amounted to 6,760 million Euros, corresponding to a decrease of 514 million Euros, justified by reductions of the amounts in funds under management, in general, resulting from the negative profitability registered.

The volume of assets under management in open funds amounted to 85.5 million Euros, representing a value in line with the previous year, corresponding to a slight increase in its relative weight.

Pensõesgere maintains the offer of open-end funds with different risk profiles, allowing associates to choose the appropriate financing for their pension plans, according to the maturity of responsibilities.

The strong instability in financial markets, particularly from the summer of 2008 onwards, resulted in a general reduction in the profitability rates of pension funds.

According to available information, despite the profitability rates of the funds in general managed by Pensõesgere having registered negative values, these compare positively with the values of the pension funds of the remaining market competitors, in terms of comparable risk classes.

The assets managed under Retirement Savings Plan funds reached 52.1 million Euros by the end of 2008, being 15.4 million Euros lower than the amount under management in 2007. This decrease results from the fact that Pensõesgere does not currently have any

sales distribution agreement with the distribution networks, and additionally the majority of its Clients already have the fulfilment criteria to surrender.

Management fees amounted to 12.0 million Euros, representing a reduction of 7.5%, in line with the reduction of assets under management.

Operating costs amounted to 6.4 million Euros, in line with 2007. The financial expenses amounted to 0.9 million euros, corresponding to an increase of 583% in comparison to 2007, reflecting essentially impairments and losses in the company's investment portfolio.

Net Income for the year amounted to 4.3 million Euros, corresponding to a decrease of 26.2% in relation to the 5.8 million Euros in 2007.

Non-Life Business

Direct Insurance Premiums

In 2008, Millenniumbcp Fortis achieved a volume of direct insurance premiums of 188.1 million Euros in Non-Life business, representing an increase of 8.2% in relation to the previous year. This increase was once again, and for the fourth consecutive year, obtained in a context of negative real growth of the national insurance market.

Direct Insurance Premiums Evolution [Euro Thousands]

Lines of Business	2008	2007	2006	Var. 08/07	Var. 07/06
Motor	20,232	22,023	24,984	-8.1%	-11.9%
Workman's Compensation	5,183	4,763	4,808	8.8%	-0.9%
Fire and Other Damage	35,247	32,577	30,229	8.2%	7.8%
Health	110,129	97,333	89,140	13.1%	9.2%
Personal Accidents	12,811	12,356	13,528	3.7%	-8.7%
Other Lines	4,498	4,810	4,885	-6.5%	-1.5%
Total	188,101	173,862	167,574	8.2%	3.8%

The 13% growth in Health insurance premiums is, on a positive note, worthy of mention. This growth, which resulted from innovation of the offer, the diversification of the distribution channels, the careful approach to the various segments (Companies in particular) and the consistent commitment to the promotion of the Médis brand, consolidated the company as the uncontested leader in notoriety in its segment over more than a decade.

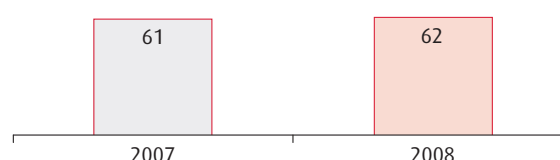
Despite the modest position that it occupies in the Non-Life Portuguese insurance market, Millenniumbcp Fortis reinforced again its market share of 4.0% at the end of 2007 to 4.4% at the end of 2008. In the Health business, The Group maintained the second place in the ranking of insurance companies operating in the Portuguese market with a market share of 22.6%.

Technical Review

Non-Life technical margin, before allocation of administrative costs, amounted to 62 million Euros, also penalised by the negative impact of the losses resulting from the financial crisis. Excluding this effect, the technical margin would have reached 67 million Euros, corresponding to an increase of 10% in comparison to the same period in 2007.

Despite the increase in premiums, the decrease in reinsurance cost and the good performance in terms

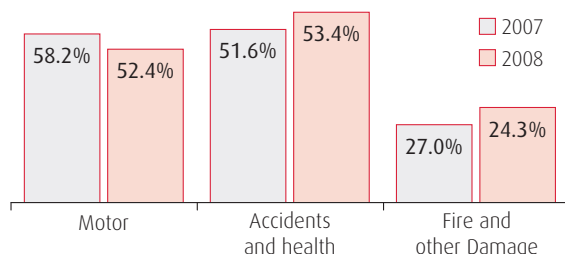
Non-Life Technical Margin (before allocation of administrative costs) [Euro Millions]



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Claims Ration Evolution

(Before Allocation of administrative costs and gross of reinsurance)



of claims, the increase in technical margin in relation to the previous year was strongly limited by the sharp reduction of income from technical reserves, resulting from the international financial crisis, which forced the company to realize losses to avoid impairments.

The Non-Life claims ratios, before the allocation of administrative costs, remained at historically low levels (51.4%). Although they have registered slight increases in relation to the values presented in 2007 (47.3%), they continue to register values without parallel in the Portuguese market (which presents significantly higher claims rates in all lines of business).

The Non-Life combined ratio, after the allocation of administrative costs, amounted to 80.3%, particularly as a result of the efforts made in containing the operating costs and a strict underwriting policies.

Administrative Costs

Administrative costs amounted to 89.9 million Euros, corresponding to an increase of 11.9%.

Administrative Expenses Evolution (excluding depreciation) [Euro Thousands]

	2008	2007	Var. 08/07	Structure 2008	Structure 2007
Staff Costs	24,526	24,052	2.0%	27.3%	29.9%
Third Part Services	33,246	31,893	4.2%	37.0%	39.7%
Taxation	3,398	2,793	21.7%	3.7%	3.5%
Commissions and Financial Services	28,732	21,616	32.9%	32.0%	26.9%
Total	89,902	80,354	11.9%	100.0%	100.0%

It is worth highlighting that the increase of about 4% in the Third Party Services item is due to the costs of the new Workman's Compensation and Motor Claims Platform (0.6 million Euros), the new Life IT system (0.6 million Euros) and the launch of the business channel directed at the SME segment (0.2 million Euros).

Regarding the Commissions item, the financial services commissions of Unit-Linked products that reached their maturity justify the increase.

The increase in the Taxation item is essentially due to the 28.6% increase in Life revenue.

Net Profit

In 2008, the consolidated net income before VOBA ("value of business acquired") amounted to 63 million Euros. The crisis that affected financial markets, particularly in the second half of the year, strongly influenced the financial component of the business, which affected the evolution of the net income result. Excluding the impact of financial losses as a result of the financial markets crisis, the net result before VOBA would have reached 158.4 million Euros, which represents an increase of 27% in comparison to the same period in 2007. The consolidated net income, after VOBA, amounted to 28.4 million Euros. The excellent technical performance of the business in the financial year under analysis, the adoption of a prudent policy at the level of investment management, the diversifica-

tion of the offer of products and the rigorous control of operating costs still enabled the negative impact of the financial component in the income account to be mitigated.

Solvency Margin

As at 31 December 2008, the capital structure of the Millenniumbcp Fortis Group presented, in consolidated terms, a solvency ratio of 206.0%. As at 31 December 2007, the solvency ratio was 177.3%, which indicates an increase of 29 pp in relation to the previous year.

The solvency ratio presented was calculated in accordance with the criteria defined by the Portuguese Regulator (ISP) and reflects a capital structure that is both solid and adequate for the responsibilities assumed.

Solvency Margin⁽¹⁾ [Euro Thousands]				
	Margin	Capital	Surplus	Ratio
Occidental Seguros	14,854	25,991	11,136	175%
Occidental Vida	251,599	482,118	230,519	192%
Médias	17,483	27,715	10,232	159%
Pensõesgere	7,573	12,205	4,631	161%
Millenniumbcp Fortis (Consolidated)	291,510	600,294	308,784	206%

Note: (1) Solvency margin after dividend proposal for individual companies in 2008.

Embedded Value

Embedded value provides an estimate of value to shareholders of Life business, excluding any value, which may be generated by future new production. Embedded value is equal to the sum of shareholder's funds plus the present value of future profits on the current portfolio under management. The results reflected here were prepared internally by the Actuarial department and certified by an independent external actuarial firm, Towers Perrin-Tillinghast.

The value of the existing portfolio is determined by the present value of future profits after tax, adjusted for the cost of maintaining solvency margin at 150% of the minimum level required by current regulation. The cost of solvency margin (cost of capital) represents the cost of tax and investment charges on Required Capital, but doesn't include an opportunity cost as in traditional embedded value, which results in a higher cost of capital.

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

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

Embedded Value (EV) [Euro Thousands]	2008	2007
Embedded value as of previous valuation date	1,016,442	896,462
Restatements to the opening EV	(75)	10,315
Changes in non-economic assumptions	(12,142)	15,660
Changes in economic assumptions	(31,959)	(15,862)
Expected return	50,901	43,769
Value added by new business	52,575	80,043
Impact of variance	(80,329)	13,043
EV at valuation date before dividends	995,414	1,043,430
Dividends to Shareholders	-	(26,988)
EV at valuation date after dividends	995,414	1,016,442

The restatements to the opening embedded value reflect only model changes as agreed and suggested by the reviewer, which impact is only relevant for 2007 valuation.

The impact of change in economic assumptions is due to risk free yield curve movements and volatility changes. From this we can see that the impact of 2008 year-end downward movement in the risk free yield curve is really destroying value, despite the positive effect in term business portfolio due to discounting, but the upward movement registered during 2007 had also a negative impact.

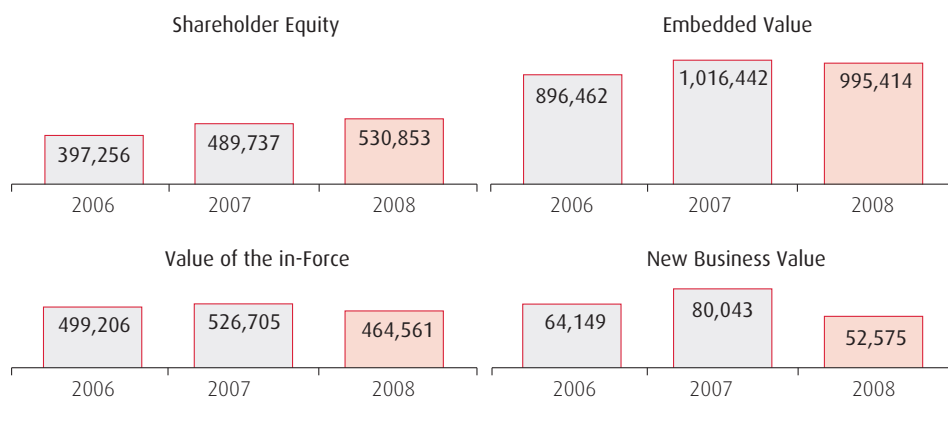
The negative impact of non-economic assumptions is mainly due to increasing surrender rates observed in the savings portfolio during 2008. The impact of changes in 2007 non-economic assumptions is explained by the positive impact on CFOG due to the new Portuguese accounting rules for insurance from 1 January 2008 onwards.

The very negative stock markets performance during 2008 explains the strongly negative variance during the year.

Despite the overall volume increase, the new business margin moved from 41% to 21% when expressed as percentage of APE (annual premium equivalent), explained by the term business volume decrease and negative value performance of savings with guarantees.

Embedded Value Evolution

[Euro thousands]



Economic assumptions and market conditions	2008		2007	
Yield curve	AA Euro swap + 0.50%*		AA Euro swap	
	1 yr	3.17%	1 yr	4.65%
	5 yr	3.73%	5 yr	4.56%
	10 yr	4.23%	10 yr	4.72%
	20 yr	4.35%	20 yr	4.91%
Volatilities	Short rate	0.8%	Short rate	0.7%
	Shares	37.7%	Shares	27.5%
	Real estate	9.7%	Real estate	10.0%
Inflation	1.50%		1.90%	
Tax rate	26.5%		26.5%	

* This 50bp adjustment to swap curve was decided and justified by Fortis IR&V

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

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

Non-Life Actuarial Review

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

Apart from internal actuarial evaluations, Watson Wyatt insurance consulting, B.V., using the same data as that used by the actuarial department of Millenniumbcp Fortis, supplied an independent external actuarial certificate. Watson Wyatt's best estimates besides being undiscounted are also allowing for explicit inflation, which results in a very prudent approach.

As the table below shows, Millenniumbcp Fortis has sufficient overall claims reserves.

Results of Actuarial Evaluations versus Balance Sheet Claims Reserves [Euro thousands]	31-12-2008	31-12-2007
Balance sheet reserves	79,203	76,563
Claims Reserves Best Estimate	66,637	63,405
Claims Reserves at 90% Percentile	81,427	78,172

The actuarial certification performed by Watson Wyatt also concluded that on a corporate level the reserves are sufficient at 95% level, assuming zero correlation between the lines of business.

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Risk Management

As an insurance institution we consider that a sound risk management is one of the key pillars for a strategy of sustainable profitable growth and therefore, one of our core competences. As part of our corporate governance we have established a risk management organisational structure, based on the structure that Fortis 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 Millenniumbcp Fortis.

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

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

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



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

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

Operational risk

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

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

Investment risk

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

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

Along with the implementation of a credit policy that contains a set of principles, rules and guidelines for credit risk limits, Millenniumbcp Fortis is monitoring this risk using a "Value at Risk" (VaR), which calculates the maximum potential structural loss on a total exposure at maturity basis. In 2008, the VaR moved between a maximum of 0.83% and a minimum of 0.75% with an average of 0.79%.

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

Market risk refers to the potential loss resulting from unfavourable market movements, namely interest rates fluctuations, change in price of securities, foreign exchange fluctuations and real estate prices. Millenniumbcp Fortis recognises 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.

Along with the definition and implementation of a strategic asset allocation, Millenniumbcp Fortis is monitoring this risk with the help of indicators such as "cash flow gap analysis", "duration of equity", "earnings at risk" and a "Value at Risk" (VaR), which calculates the maximum potential structural loss for Millenniumbcp Fortis on a fair value basis. In 2008, the VaR moved between a maximum of 16.8% and a minimum of 8.0% with an average of 13.1%.

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

Insurance Risk

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

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

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

□ REPORT OF THE BOARD OF DIRECTORS

Asset Management

The financial markets registered in 2008 a difficult end to an unprecedented year in terms of volatility. In addition to the serious turbulence caused to the banking sector, a broadening of corporate risk spreads and a collapse in the price of raw materials took place, a scenario diametrically opposite to that of the record prices, which had been reached in just the previous quarter. The final result was a generalised fall in confidence levels and a series of defaults by key companies in their sectors/markets.

The central banks and Governments took aggressive measures in terms of monetary and fiscal policy, increasing liquidity in the banking sector and providing tax benefits, for the purpose of stimulating consumption.

The guiding assumptions of investment policy continued valid, although the serious and successive events of 2008 have led to adjustments in the level of risk balancing and in product design.

In fact, the impossibility of creating income in a stable manner has led to an alteration in the level of products on offer, so as to promote guaranteed capital and income at the end of the lifecycle of each product, against a previously known guaranteed annual rate.

In terms of Investment Policy, in order to minimise the impact of the strong devaluation of assets, risk control measures were adopted through the dynamic coverage of share positions and reduction of exposure in Risky Assets.

The good quality of portfolio credit risk, consequent of the conservative investment policy of the last few years, has not only enabled mitigating the impact of the devaluation which has taken place in corporate bonds, but has also limited the impairments occurred in 2008.

The rapid and sometimes irrational increase in credit spreads occurred in 2008, mainly at the end of the year, have partly compensated the decrease in interest rates, which has enabled maintaining an offer of products with very interesting rates.

Shares

In 2008, the low initial exposure, strong devaluation and inexistence of rebalancing led to share positioning being marginal at the end of 2008. Even so, despite the year's average exposure not having exceeded 5%, the impact on portfolios proved to be important, negatively affecting the final result.

As a consequence, a decision was made to adopt a risk reduction strategy through the near elimination of exposure to this class. Hence, by the end of 2008 investments were only maintained in the European market and marginally in the North American market.

Bonds

In 2008 Millenniumbcp Fortis maintained an attitude in conformity with the liability profile of each product with increased exposure at a fixed rate as a refuge asset. Within this class, investments were selectively made in corporate issued debt, thus benefiting from the exponential increase in credit spreads. In this manner it was possible to materially increase the investment yield of the portfolio while maintaining the good quality of the credit risk.

The main bankruptcies registered during the year, namely in the financial sector, had only an indirect impact via the broadening of credit spreads, since Millenniumbcp Fortis did not hold positions in those entities. However, it was necessary to recognise some situations of imparity due to the sequential devaluation, which had taken place.

Alternative investments

The marginal exposure to this component reduced the potential negative impact of the worst year on record in the Hedge Funds industry. Even so, the positions held in single strategy funds obtained positive yields, but were unfortunately annulled by the unfavourable performance of the Funds of Funds.

Real Estate

Exposure to the Real Estate Sector remained practically unaltered. This component, despite some geographical concentration, contributed positively to yields in 2008. Depending on market opportunities, Millenniumbcp Fortis can increase the exposure to this sector.

Investments Portfolio [Euro Thousands]	2008	%	2007	%
Available for sale *	4,368,470	100.0%	4,215,648	100.0%
Government bonds	2,399,385	54.9%	2,029,738	48.1%
Corporate debt securities	1,551,469	35.5%	1,536,329	36.4%
Equity securities	738	0.0%	24,084	0.6%
Participation in unit funds				
Debt	95,111	2.2%	96,680	2.3%
Equity	108,953	2.5%	290,435	6.9%
Real Estate	187,127	4.3%	176,252	4.2%
Alternative	25,687	0.6%	62,130	1.5%
Held at fair value (through net income)	5,271,845		5,636,664	
Other financial assets/(liabilities)	(422,484)		(99,003)	
Trading derivatives	73,316		(99,003)	
Repurchase agreement	(495,800)		-	
Total	9,217,831		9,753,309	
Investment property	7,437		7,760	
Deposits with ceding undertakings	7		7	
Cash and equivalents	359,796		186,933	
Other deposits	646,352		142,719	
	10,231,423		10,090,728	

* Excluding Accrued Interests

Our Staff

Direct hierarchies are responsible for human resources management at Millenniumbcp Fortis whose policy is based on five strategic vectors: Competence, Accountability, Mobility, Merit and Recognition and Valorisation.

The direct hierarchy is responsible for accompanying and evaluating employee performance, the identification of training needs, management of internal mobility procedures, and for the decisions underlying career progression.

The professional development of each employee is fostered both through training sessions as well as through a policy of strong incentive to rotation of positions within the group. Internal mobility is considered a powerful tool aimed at allowing employees

REPORT OF THE BOARD OF DIRECTORS

to acquire a richer and more diversified experience, a broader vision of the group and its businesses and enhanced empathy with the rest of the organisational units.

In 2008, the group launched a new incentive scheme aiming at reinforcing the link between the performance demonstrated and consequent reward, thereby increasing the transparency associated to the procedure. The system is structured on the definition of performance indicators, at a departmental and individual level, and on a qualitative assessment based on professional characteristics considered critical by the group.

In line with the change in the incentive scheme, the group has begun in the last quarter the implementation process of a new system of individual performance assessment, which will be launched in April of 2009. This new system reinforces the importance of defining individual objectives and personal development plans to increase employee's competencies.

In 2008, the group launched two training programs with particular impact in the Group. The program "Liderar com Valores" involved all middle management and has focused on competences and attitudes considered most critical for those who are responsible for leading other employees. The program "Envolver pela Comunicação" has been targeted to all sales consultants in the bancassurance area, aiming at sharing best practices and increasing the communication, negotiation and planning skills of this functional group.

Millenniumbcp Fortis concluded the financial year of 2008 with a total of 454 Employees, keeping unchanged the staff number in comparison to the position at the end of 2007. At the end of the year, the average age of employees was 40 years, with the female sex representing 53% of the total workforce.

Workforce (W/M) by Age

Age	Female	Male	Total
< 30	16	8	24
31-35	64	27	91
36-40	81	41	122
41-45	39	64	103
46-50	17	46	63
51-55	17	18	35
56-60	8	6	14
> 60	0	2	2
Total	242	212	454

Corporate Governance

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

Governing Bodies

General Meeting of Shareholders

Apart from its usual legal rights, the General Shareholders' Meeting elects the General Meeting's Board, the members of the Board of Directors, the members of its Board of Auditors of Auditors of Auditors and a Chartered Accountant or a Chartered firm of

Accountants, nominates an Audit Committee, and defines the remuneration of the governing bodies, their social securities schemes and other complements.

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

Governance and Auditing

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

Board of Directors

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

Presently the Board of Directors of Millenniumbcp Fortis includes a Chairman (Mr. Petrus Bernardus Gerardus van Harten], a Deputy-Chairman (Mr. Nelson Ricardo Bessa Machado) and five other members (Mr. Stefan Georges Leon Braekeveldt, Mr. Martin Nanno Kok, Mr. Francisco Alexandre Robles Monteiro Lino, Mr. Michel Edmond Joseph Ghislain Baise, Mr. Pedro Manuel Renda Duarte Turras and Mr. Jan Adriaan de Pooter).

Executive Committee

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

Presently the Executive Committee includes Mr. Francisco Alexandre Robles Monteiro Lino (CEO), Mr. Michel Edmond Joseph Ghislain Baise (CFO), Mr. Pedro Manuel Renda Duarte Turras and Mr. Jan Adriaan de Pooter.

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

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

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

Mr. Pedro Manuel Renda Duarte Turras – Médis, SME - Agentes & Brokers channel, "Workman's Compensation, Personal Accidents, Property Plataform, Other Non-Life Platforms, Operations Centre and Organisation and IT.

Mr. Jan Adriaan de Pooter – Commercial (bancassurance) and Marketing.

Board of Auditors

The Board of Auditors is elected for three years, by the General Shareholders' meeting, which also appoint the Chairman. The Board of Auditors meets under the terms of the law or whenever decided by its Chairman, by the majority of its members or by the Board of Auditors.

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

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

REPORT OF THE BOARD OF DIRECTORS

Audit Committee

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

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

Company's Secretary

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

Remuneration

The General Shareholders' Meeting sets the remuneration of the governing bodies, social security schemes and other complements.

Decision Making Process

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

Risk Committee

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

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

Chief Investment Officer

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

Compliance officer

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

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

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

Millennium bcp Serviços, ACE (Servibanca)

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

Company Rules

Code of Conduct

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

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

Risk control internal procedures

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

□ REPORT OF THE BOARD OF DIRECTORS

Governing Bodies

General Meeting of Shareholders

Chairman	Rui Manuel Parente Chancerelle de Machete
Deputy-Chairman	Maria Manuela Machado Costa Farelo Athaíde Marques
Secretary	João José Carvalho Pereira Pascoal

Board of Directors

Chairman	Petrus Bernardus Gerardus van Harten
Deputy-Chairman	Nelson Ricardo Bessa Machado
Member	Stefan Georges Leon Braekeveldt
Member	Martin Nanno Kok
Member	Francisco Alexandre Robles Monteiro Lino
Member	Michel Edmond Joseph Ghislain Baise
Member	Pedro Manuel Renda Duarte Turras
Member	Jan Adriaan de Pooter

Board of Auditors

Chairman	Joaquim Patrício da Silva
Member	José Rodrigues de Jesus
Member	António Fernando Nogueira Chaves
Member	Francisco Manuel Correia Coelho de Campos

Statutory Auditors

Effective	KPMG & Associados (SROC) Represented by: Ana Cristina Soares Valente Dourado
Alternate	Vítor Manuel da Cunha Ribeirinho

Audit Committee

Chairman	Nelson Ricardo Bessa Machado
Member	Petrus Bernardus Gerardus van Harten
Member	Stefan Georges Leon Braekeveldt

Outlook For 2009

Despite a fairly complex external environment, Millenniumbcp Fortis was able to achieve its main pre-established objectives for its fourth year of activity, namely the solid and sustained growth in production, excellent technical performance, reduction in operating costs and increased profits and financial stability of the Group.

The economic and financial environment of 2009 could be even more demanding than that of 2008: the economic crisis is a crisis on a global scale, which is just beginning, and the financial crisis is far from its end. We believe that 2009 may be a year of opportunities for those best prepared, and we are convinced that this will be the case of Millenniumbcp Fortis.

The main strategic objectives that Millenniumbcp Fortis proposes to achieve in 2009 are included in the outline of the medium and long-term plan defined in 2005 based on four pillars: Growth; Productivity; Quality and Profitability.

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

Regarding Agents and Brokers, 2009 will be a key year to gain critical mass and in this way contribute in an active manner to the diversification of the global structure of the portfolio of Millenniumbcp Fortis.

Productivity – The main objective is to develop processes, automatisms and levels of control that constantly maintain an improved level of service and consequently increase the efficiency and effectiveness of the different areas of the company. One of the main priorities for 2009 will be to continue the consolidation and redefinition of processes and support tools in both front and back-office areas, in particular the implementation of a new IT system to support the Life business and the consolidation of the new claims handling platforms of Motor and Workman's Compensation.

Quality – The quality improvement of the service provided to both External and Internal Customers will continue as one of the top priorities. The objective will be, by using methods and practices common to Millennium bcp, to monitor and control the quality of the service provided in a coordinated attempt to progressively increase their levels of satisfaction and loyalty. The satisfaction indicators, both for external and internal Customers, will continue to develop in a very favourable manner in 2008, but we know that we can and must continue to improve.

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

□ REPORT OF THE BOARD OF DIRECTORS

Proposed Disbursement

Net income for 2008, related to all companies reporting under the consolidated accounts of Millenniumbcp Fortis Grupo Segurador, S.G.P.S., S.A. was EUR 28,427,197.26 (twenty eight million, four hundred twenty seven thousand, one hundred ninety seven Euros and twenty six Euro cents).

Millenniumbcp Fortis Grupo Segurador, S.G.P.S., S. A. net income was EUR 14,218,983.07 (fourteen million, two hundred and eighteen thousand, nine hundred eighty three Euros and seven Euro cents).

In terms of the Board of Directors report and paragraphs b) of Number 1 of Article 376 of the Companies Act, we propose that reported earnings for 2008, amounting to EUR 14,218,983.07 (fourteen million, two hundred and nineteen thousand, nine hundred eighty three Euros and seven Euro cents) be disbursed as follows:

- EUR 710,949.15 (seven hundred and ten thousand, nine hundred and forty nine Euros and fifteen Euro cents), to the legal reserve;
- EUR 13,508,033.92 (thirteen million, five hundred and eight thousand, thirty three Euros and ninety two Euro cents), to retained earnings.

Lisbon, February 26, 2009

The Board of Directors

□ MANDATORY DISCLOSURES

Percentage of Held Investment

Fortis Insurance International, N.V. - 51%

Seguros e Pensões Gere S.G.P.S., S.A. - 49%.

SHAREHOLDER STAKE OF GOVERNING BODIES

Shareholder /Bondholder	Security	Number of securities at		Transactions in 2008			Unit Price Euros
		12/31/08	12/31/07	Acquisitions	Disposals	Date	
Nelson Ricardo Bessa Machado	BCP shares	259.992	200.000		2 ^(b)	15/Abr/08	0,250
	Subscrição BCP AC/RP 2008			59.992 ^(a)		24/Apr/08	1,200
Francisco Alexandre Robles Monteiro Lino	BCP shares	36.950	36.950		36,950 ^(b)		0,245
	Bonds BCP Super Invt. Millen. II/12/10	4.000	4.000				
	BCP Bonds Cx TOP 6 May 2006	0	1.800				
	Levantamento p/reembolso				1,800 ^(c)	9/May/08	
	BCP Bonds Cx. Super Af. Mill 4ª/2013	3.700	0	3.700		17/Jun/08	50,000
Pedro Manuel Renda Duarte Turras	BCP shares	1.990	1.531				
	Subscription BCP AC/RP 2008			459		24/Apr/08	1,200
José Rodrigues Jesus	BCP shares	16.239	12.444				
	Subscription BCP NOM/P.REG			3.732		24/Apr/08	1,200
	Subscription BCP NOM/P.REG			63		29/Apr/08	1,260
António Fernando Nogueira Chaves	BCP shares	92.108	72.255				
	Subscrição BCP NOM/P.REG			19.853		24/Apr/08	1,200
Spouse/Sons or Daughters (minors)							
Armanda Amélia Rodrigues Jesus	BCP shares	1.795	1.381				
	Subscription BCP NOM/P.REG			414		24/Apr/08	1,210
Maria da Cruz Moura Maia Nogueira Chaves	BCP shares	1.819	1.400				
	Subscription BCP NOM/P.REG			419		24/Apr/08	1,200

(a) Subscription of share increase of BCP.

(b) Sale of subscription rights of share capital increase of BCP.

(c) Reimbursement

□ GLOSSARY

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

□ GLOSSARY

- G Goodwill:** represents the excess of the fair value of the assets given, liabilities incurred or assumed and equity instruments issued; usually is accounted for only in case of acquisition.
- Gross Written Premiums:** includes direct written premiums and reinsurance accepted premiums.
- I IFRS:** international Financial Reporting Standards, used as a standard for all listed companies within the European Union as of 1 January 2005 to ensure transparent and comparable accounting and disclosure.
- Impairment:** a decline in value whereby the carrying amount of the asset exceeds the recoverable amount. In such a case, the carrying amount will be reduced to its recoverable amount through the income statement.
- Indemnity:** the cost of the loss replacement to a victim through the substitution, repair, or when not feasible, through monetary compensation. The amount paid by an insurance company to a policyholder or third party, after a claim against a policy.
- Insurance Contract:** contract under which one party accepts significant insurance risk from another party (the policyholder) by agreeing to compensate the policyholder if a specified uncertain future event adversely affects the policyholder.
- Investment Contract:** Life insurance policy contract that transfers financial risk without transferring significant insurance risk.
- L Loading Rate:** the average number of policies held by a Client.
- Loss Ratio:** the ratio obtained by the division of costs incurred with claims over earned premiums.
- M Market Share:** ratio calculated for the domestic market from direct insurance premiums of a company and direct insurance premiums in the total market, over the past 12 months of operations.
- O Open-end Pension Funds:** may be created by any organisation legally authorised to manage pension funds. New admissions conditioned only by the approval of the managed organisation.
- P Penetration Rate:** the average number of policies held by a Client and thus a benchmark of Client loyalty to a company.
- Profit sharing:** contractual right to receive additional benefits, as a supplement to guaranteed benefits.
- R Return on Equity (ROE):** financial indicator that allows us to evaluate the financial return to the shareholders. It is calculated by the ratio between net earnings for the year and average shareholder equity for the same period.

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

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

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

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

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

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

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