

Annual Report 2007

Millenniumbcp Fortis
INSURANCE GROUP

VOLUME I

□ INDEX

5 Chairman's Statement

7 Key Indicators

9 Shareholders Structure

11 Our Shareholders

11 Fortis

17 Millennium bcp

23 Report of the Board of Directors

24 Macroeconomic Environment

26 Insurance Sector Environment

28 Millenniumbcp Fortis – Key Events 2007

29 Mission, Values and Strategy

31 Organisational Structure

31 Marketing & Commercial

34 Financial Review

41 Embedded Value

43 Non-Life Actuarial Review

44 Risk Management

46 Asset Management

47 Our Staff

48 Corporate Governance

52 Governing Bodies

53 Outlook for 2008

53 Proposed Disbursement

55 Mandatory Disclosures

57 Shareholder Stake of Governing Bodies

59 Glossary

□ CHAIRMAN'S STATEMENT

2007 was another successful year for Millenniumbcp Fortis. We continued along the path of sustained growth initiated with the start-up of the joint venture at the beginning of 2005. Once again, we achieved practically all our objectives we had defined for the financial year. Within the space of three years, we have seen our profit grow by an average of 25% per year. This is a particularly remarkable situation as this result was achieved during a period of slow-down in the economic growth, of significant changes in the business environment and a strong instability in financial markets, particularly in 2007.

The levels of profitability rendered to our shareholders, measured through return on equity (ROE), register approximately 12%. This can be very favourably compared with the best international benchmarks and was only possible due to the capacity we demonstrated in providing our Clients with solutions which they recognise as innovative and highly competitive. We concluded 2007 with a share of 14% of the Portuguese insurance market, representing a progress of 1.5 percentage points as compared to the same period of the previous year. This performance was based on a strong growth rate of premiums which was over three times greater than that of the market. Contributing decisively to this was the expansion of the products we offer, with the weight of new products in total products reaching 44% in 2007. In the market of pension funds management we managed to strengthen our position of leadership, and we are currently responsible for approximately one third of the total amount of national assets under management, which has made us the reference company in a market with a strong potential for growth.

The market recognised the performance we have achieved by awarding Ocidental Seguros the best Non-Life insurer prize by "Exame", one of the most prestigious magazines published in Portugal.

Everything that has already been achieved in this short space of time proves that the strategy followed has been the most appropriate one, but it also "forces us" to be even more ambitious in the future, with an additional responsibility of demonstrating that we can achieve even better results for our Shareholders and Clients. The challenge for the future is simple: continue to demonstrate that we know how to make full use of opportunities and create value through the intrinsic competitiveness of our solutions.

This challenge is not new and we know how to deal with it. However, we expect that 2008 will be particularly demanding. Since the beginning of this year the environment continues to be marked, at an international level, by the volatility of the capital markets and, at a domestic level, by a macroeconomic environment characterised by weak growth associated with low levels of consumer confidence. The increasing commercial aggressiveness observed in the Portuguese insurance sector with the entry of new competitors and the sophistication of the distribution models raise the level of difficulty posed by new challenges.

I am fully confident that over the next few years we will win and continue to be market leaders as well as grow in a sustainable manner. Firstly, because throughout these last three years we have established excellent foundations for growth, such as the launch in early 2008 of an innovative and competitive offer of products for the corporate segment of Non-Life business. Secondly, because we are fortunate in having a group of highly competent employees, who are also extremely motivated and driven to grow! On behalf of the other Members of the Board, I would like to thank all of them for their contribution to these excellent results.

Peer van Harten

Chairman of the Board of Directors

□ KEY INDICATORS

Key Indicators [Euro Millions]	2007	2006	Var. 07/06
Income Statement			
Direct Written Premiums ⁽¹⁾	1,914	1,626	17.7%
– Life	1,740	1,458	19.3%
– Non-Life	174	168	3.8%
Technical Margin ⁽²⁾	223	205	8.5%
Technical Margin Net of Operating Costs	97	71	36.2%
Net Profit	87	70	23.9%
Net Profit before VOBA (<i>value of business acquired</i>)	125	111	12.0%
Balance Sheet			
Shareholders Equity	1,063	1,081	-1.6%
Total Assets	10,981	10,511	4.5%
Investments	10,139	9,571	5.9%
Ratios			
Efficiency			
1 – Gross Claims Ratio (Non-Life)	50.6%	51.5%	-0.9 bp
2 – Gross Expense Ratio (Non-Life)	25.1%	26.5%	-1.5 bp
3 – Gross Combined Ratio (Non-Life)	75.7%	78.0%	-2.3 bp
4 – Life Net Operating Costs/Average of Life investments	0.75%	0.78%	-0.02 bp
Profitability			
1 – Technical Margin / Direct Written Premiums ⁽²⁾	11.6%	12.6%	-1.0 bp
2 – Average Return on Investments (<i>book value</i>)	4.4%	3.7%	0.7 pp
3 – Return on Equity (ROE) ⁽³⁾	11.6%	10.4%	1.2 pp
Solvency			
1 – Solvency Ratio	177.3%	169.7%	7.7 bp
2 – Shareholders Equity/Total Assets	9.7%	10.3%	-0.6 bp
3 – Coverage of Insurance and Investment Contracts Liabilities ⁽⁴⁾	104.0%	105.3%	-1.3 bp
Other Indicators			
Market Share	13.9%	12.4%	1.5 bp
– Life	18.6%	16.6%	1.9 bp
– Non-Life	4.0%	3.8%	0.1 bp
Number of Employees	454	467	-2.8%

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

(2) Before allocation of administrative costs.

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

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

□ SHAREHOLDERS STRUCTURE

FORTIS 

[51%]

Millennium
bcp

[49%]

Millenniumbcp Fortis
INSURANCE GROUP

Ocidental seguros
Millenniumbcp Fortis
INSURANCE GROUP

Ocidental vida
Millenniumbcp Fortis
INSURANCE GROUP



Pensões gere
Millenniumbcp Fortis
INSURANCE GROUP

□ OUR SHAREHOLDERS



Profile

Fortis is an international provider of banking and insurance services to personal, business and institutional customers. The company delivers a total package of financial products and services through its own high-performance channels and via intermediaries and other partners.

Fortis is a leader in financial services in the Benelux region – one of Europe's wealthiest. Building on that leadership, Fortis has developed an extensive European footprint in the retail banking market, operating through a variety of distribution channels. Fortis offers financial services to companies, institutional clients and high net worth individuals and provides integrated solutions to the enterprise and the entrepreneur. Its unique expertise has made the group a regional and in some cases global leader in niche markets, such as energy, commodities and transportation, and fund administration. The group successfully combines its banking and insurance skills in growth markets in Europe and Asia, and excels in bancassurance in several countries, like Belgium, Portugal and Malaysia.

Fortis ranks among Europe's top 20 financial institutions, with a market capitalisation of 40 billion euros at year-end 2007. Together with ABN AMRO, Fortis has a presence in over 50 countries and a dedicated, professional workforce of more than 85,000. All this makes Fortis a leader in financial services in Europe, a top 3 private banker and a top tier asset manager.

Fortis' growth strategy

- Strengthen its competitive position by focusing on the customer and optimising cross-selling
- Enhance its support functions to increase efficiency and facilitate controlled growth
- Roll out its core competences built in Benelux to new markets
- Accelerate growth through smart add-on acquisitions
- Concentrate on Europe while pursuing selective growth in Asia and North America

Fortis' vision

In a more complex yet more convergent world, innovation, speed and agility will be as crucial as scale, track record and reach. Fortis will stand out as a professional international financial services brand, recognised for its ability to deliver superior and sustainable stakeholder value by constantly anticipating and surpassing the needs of customers, investors, employees, partners and communities wherever it does business.

Fortis' mission

Fortis provides compelling customer solutions creatively.

One of Europe's most dynamic and sustainable financial services brands, Fortis delivers specialised, innovative and pragmatic customer solutions, across a network of channels and by leveraging its operational and entrepreneurial expertise.

Fortis' values

The core values that underlie Fortis' professional and sustainable approach to all its stakeholders are integrity, honesty and innovation.

□ OUR SHAREHOLDERS

Fortis' financial targets for 2004–2011

- Compound annual growth rate (CAGR) of net profit per share of at least 15%; this translates into 12% CAGR (2006–2011) based on a 2006 cycle-neutral profit base
- RARORAC and return on equity of 18.5%
- Operating leverage of at least 250 basis points
- 30% of net profit generated outside Benelux by 2009
- Cash dividend at least stable or growing in line with long-term EPS growth

Update on ABN AMRO

Having received certainty in October 2007 about obtaining the required minimum of outstanding shares of ABN AMRO, the consortium – Royal Bank of Scotland (RBS), Banco Santander and Fortis – declared its offer to acquire the assets of ABN AMRO wholly unconditional. This marked the start of the next stage of the transaction: the transition and integration of the ABN AMRO assets acquired by the consortium banks. On 2 November

2007 the consortium announced that it owned 99% of the shares of ABN AMRO.

Five months after the approval of the offer, Fortis remains fully convinced of the excellent strategic fit. The transaction strengthens Fortis' market leadership position in its Benelux home market. It will propel the combined asset management and private banking activities to a top tier position in Europe and will contribute to sound and stable earnings profile at Fortis.

Fortis Strategy

Together with ABN AMRO, Fortis will cement its position as a leading financial institution in the Netherlands and in the Benelux region.

For **Fortis Retail Banking**, customers will benefit from an even stronger product portfolio through a wider branch network with nationwide coverage and full-service SME banking.

Fortis' rigorously client-centric strategy at Retail Banking reflects the fact that customer satisfaction is the single most important factor in **sustaining profitable growth**. An important part of this strategy entails continuously **aligning its services and distribution channels** with what Fortis' customers want. In addition, the group aims to grow in both mature and developing markets by pursuing a segmented customer approach towards mass retail clients, affluent individuals, professionals and small businesses.

- In mature markets where Fortis is market leader, like Belgium, Luxembourg and – once ABN AMRO has been integrated – the Netherlands, Fortis Retail Banking will continue to serve its customers by tailoring its product range to each segment, selectively deepening relationships, fine-tuning its service culture and offering integrated, multi-channel accessibility.
- In fast-growing segments and developing markets, Fortis Retail Banking will leverage our existing and new positions to achieve growth. Fortis is rapidly rolling out its consumer finance activities in Germany. In Poland, Fortis is expanding its consumer finance and mass retail operations while focusing on the SME market and upscale individual customers. Turkey, meanwhile, is being transformed into a full-fledged retail franchise. And finally, Fortis Retail Banking has developed a postal distribution franchise in Ireland through its joint venture with An Post.

Combining **Fortis Investments** with the asset management activities of ABN AMRO will produce a global asset manager in terms of reach and scale, with an established footprint worldwide. This winning combination will also offer access to high-growth markets and capabilities in high-growth product areas. To ensure that Fortis at Asset Management are ready to leverage this growth, Fortis is implementing a fast track integration process firmly focused on client retention and aimed at retaining key investment and sales staff. At the same time, this will confirm its stable image among clients.

As part of its focused growth strategy, Fortis at Private Banking will build on its client-driven approach designed to offer the most appropriate and innovative solutions. Joining forces with ABN AMRO will allow Fortis to benefit from a deeper geographical footprint in Europe and Asia where it can roll out our full service offering to high-growth markets. This will give Fortis the chance to leverage its best practices and local market strengths into the international network. And it will help Fortis create one international private bank – one that works with an integrated network harmonised across borders and a dedicated platform and systems.

Fortis will continue to pursue its successful pan-European ‘enterprise and entrepreneur’ approach, cross-selling with Merchant Banking’s medium-sized and large companies. Other growth drivers are upgrading of retail clients, Fortis’ brokerage activities and its wealth management proposition. Fortis’ strategy of developing its business on all these fronts simultaneously is designed to ensure steady growth in the future.

Fortis’ strategy at Merchant Banking is to pursue focused growth by building on its client-centric approach and leveraging its core competences and strengths. In practice, this means combining its key client relationships and strong product franchises with identified growth opportunities. A central element of Fortis’ strategy is international expansion: targeted development of its client and product skills is Fortis’ number one priority. Three key levers will allow Fortis Merchant Banking to achieve its objectives: revenue growth, cost efficiency and risk management.

Fortis Merchant Banking will achieve **revenue growth** by fine-tuning client-focused segmentation and offering tailored services in order to raise cross-selling. Fortis’ efforts will focus on the following growth drivers:

- Fortis Merchant Banking will improve **cost efficiency** by continuously optimising its back-office operations and IT infrastructure, and by raising the productivity of its front-office staff;
- Fortis Merchant Banking will further improve its **risk management** organisation, processes, methods and tools and ensure controlled growth in risk-weighted commitments in order to actively manage its risk exposure.

Fortis insurance strategy is aimed at growing the business by applying the principle ‘optimise locally by sharing globally’, i.e. share proven skills across borders and businesses. To this end, Fortis has established one global organisation, which includes knowledge communities to enhance the cross-border exchange of know-how and to help the company pursue a common approach within individual fields of expertise. The company’s strategy focuses on extending multi-channel distribution, product market innovation and operational excellence. Finally, Fortis Insurance will continue to invest in selected new markets in Europe and in Asia.

In Belgium, Fortis Insurance wants to **strengthen its market leadership position by exploiting its multiple distribution channels**, focusing on **innovation and pursuing profitable growth**.

In the Netherlands, Fortis Insurance’s focus is on profitable top-line growth and boosting market share through **multi-channel distribution and product innovation**. The company is adapting its organisation to new regulations and stricter supervision and a more critical attitude among stakeholders towards the insurance industry. Plus the group is facing the challenge of stiffer competition and changing customer preferences and purchasing behaviour.

In the rest of the world, Fortis has **successfully entered new markets** and has reinforced existing market positions, both organically and through acquisitions. The result of all this has been impressive revenue and profit growth in Asia and in several markets in Europe. Fortis has drawn on its knowledge and expertise to transfer skills throughout the company, promote product innovation and improve distribution methods.

□ OUR SHAREHOLDERS

Fortis's Operating Model

Fortis' Operating model implements its strategy in an efficient and consistent way across the company. The enhanced model, featuring three client-centric businesses, gives Fortis critical mass and a stronger platform for international growth. It increases cross-selling opportunities and improves corporate ability to drive synergies and best practices throughout the company's banking and insurance operations. The three core business of Fortis are: Retail Banking, Merchant & Private Banking and Insurance.

Retail Banking

Fortis wants to be the favoured bank among retail customers, self-employed people, members of independent professions and small businesses. It has established a solid client-centric service model and culture to help achieve that goal. Fortis Retail Banking differentiated customer approach and its multi-channel strategy are designed to deepen the relationship with its customers, benefiting them and their business.

Fortis boasts an extensive pan-European footprint, with a presence in markets that cover an equivalent of more than half of European Union gross domestic product. Operating through a variety of distribution channels in the Benelux countries, Fortis delivers services and advice on every aspect of banking, saving, investment, credit and insurance to a clearly segmented customer base.

With over 18,000 employees, Fortis Retail Banking offers more than six million customers a wide range of integrated financial and insurance solutions via an array of proprietary and large third-party distribution channels. Its proprietary channels include over 1,800 branches or credit shops in more than 350 cities, 2,500 Selfbank terminals and ATMs, online banking, telephone banking and call centres. Third-party distribution covers independent brokers (in Germany, Poland and the Netherlands), non-financial outlets (post offices in Belgium and Ireland and car dealers) and consumer finance co-branding deals (e.g. Base and Jetair in Belgium, ANWB Royal Dutch Touring Club, Bijenkorf and Worldwide Fund for Nature in the Netherlands).

Asset Management & Private Banking

Fortis wants to become a leading international asset gatherer through its asset management activities for institutional, private and retail clients and Fortis' private bank offering entrepreneurs and their enterprises top-of-the-line products and services.

Since 1 January 2008, Asset Management and Private Banking have been regrouped into one business. In combination with the new top management structure, this will allow Fortis to maximise the benefits from the integration of Fortis and ABN AMRO and to better service the needs of its growing customer base.

Fortis Investments is the asset manager of Fortis and has 133 billion Euros in assets under management with over 50% of its revenues generated by third party clients. Fortis has a global presence, with sales offices and 21 dedicated investment centres in Europe, the US and Asia. Fortis offers international investment solutions, while meeting the requirements and needs of local investors, both institutional and wholesale retail. Fortis is a client-driven organisation using a disciplined investment process to satisfy its clients' varied needs.

Fortis Private Banking offers integrated and international asset and liability management solutions to high net worth individuals, their businesses and their advisers. With offices in 17 countries, Fortis helps its clients consolidate, preserve and transfer their wealth.

Merchant Banking

Fortis wants to achieve double-digit profit growth by further leveraging its core client relationships, by becoming Europe's leading cross-border bank serving enterprises, and by expanding in identified customer and product niches and in selected geographies. At the same time, Fortis plans to maintain tight control of our risk exposure.

Fortis at Merchant Banking provides a wide range of financial products and services to medium-sized enterprises, large international companies and institutional clients based in the Benelux region and elsewhere in Europe, and in selected areas of North America and Asia. Fortis' solid regional or global position in several products and skills means Fortis is well placed to capture growth.

In combination with ABN AMRO, Fortis Merchant Banking will offer internationally active medium-sized enterprises a distinctive integrated network of Business Centres in 19 countries. One global account manager with access to the combined businesses will serve these clients' interests in the countries where they are active.

Insurance

Fortis aims to be the preferred supplier of insurance and savings products to its customers. Drawing on the skills and expertise of local insurance companies in Europe and beyond, Fortis pursues a multi-channel distribution strategy aimed at growing its insurance activities, both organically and through joint ventures and acquisitions. At the same time, Fortis will continue to maintain tight risk control and cost awareness, investing in those projects Fortis Insurance believes will accelerate the group's growth.

Fortis occupies a top 10 position in Europe's insurance market, with market leadership in the Benelux countries and strong positions in the bancassurance and broker channels. The group leverages its skills in distribution, operations and products from its home markets in the Benelux region and has established leading positions in selected European and Asian markets. Fortis' top-line growth in recent years has given the group attractive new business margins in Life and a healthy combined ratio in Non-Life.

Stable financial results

Fortis delivers a full-year 2007 net profit before divestment of CaiFor of 3.0 billion Euros. This is based on a prudent approach to impairments; using stringent assumptions on super senior CDO's with subprime exposure. The impact on net profit of these impairments amounts to 1.5 billion Euro.

Underlying profit of acquired ABN AMRO activities up 17% to 1,355 million Euros. The net contribution of these activities to Fortis' results amounted to 179 million Euros for the 76 days we consolidated. The transition and integration process is fully on track, assumptions regarding synergies and profit contribution have been confirmed.

□ OUR SHAREHOLDERS

Net profit attributable to shareholders reaches 3,994 million Euros, 8% lower than in 2006 and including a realised capital gain of 947 million Euros on the sale of CaiFor. In line with a conservative approach, an impairment of 2.4 billion Euros pretax was taken on our super senior CDO subprime portfolio, mainly impacting the Banking segment result.

Net profit Banking

Full-year net profit clocked in at 1,768 million Euros, down 44% on the previous year. Fortis applied a prudent approach to impairments, using stringent assumptions on the super senior CDO subprime exposure. The impact on net profit of these impairments amounted to 1.5 billion Euros (2.4 billion Euros pre-tax).

Total subprime related impairments amounted to 2.7 billion Euros (1.7 billion Euros after tax). Excluding these, net profit in 2007 would have been 3.5 billion Euros, up 11% compared with 2006. This result reflects a strong underlying performance on vigorous commercial activity throughout the year.

Solid income growth more than offset the increase in expenses, the latter being mainly driven by investments in growth and an 8% rise in the number of FTEs. Excluding the impact of the US CDO subprime portfolio, the credit loss ratio stood at 5 basis points.

Net profit Insurance

Fortis Insurance posted strong net profit and reinforced its solid market positions in Europe and Asia, while maintaining its focus on profitable growth and cost control.

Net profit before divestments came in at 1,587 million Euros, up 12% in a challenging market environment. A solid business performance on the back of a continued focus on profitability and higher capital gains was affected by natural disasters, turmoil on the global capital markets and additional liabilities related to unit-linked policies in Dutch insurances.

FORTIS			
Financial Highlights	2007	2006	Change
Net income (in EUR million)	3,994	4,351	-8.2%
Total assets (in EUR billion)	871	775	12.4%
Assets under management (in EUR billion)	445	422	5.6%
Market capitalisation (in EUR billion)	40	42	-5.7%
Employees (headcount)	62,010	56,886	9.0%
Return on equity	17.1%	22.0%	
Earnings per share (in EUR)	2.30	2.83*	
Cost/income ratio (Banking)	61.9	60.8%	
Tier I ratio (Banking)	9.5	7.1%	
Total capital ratio (Banking)	10.1	11.1%	
Combined ratio (Insurance)	100.0%	96.1%	

* On an adjusted basis

Fortis is publishing its annual results in 2007 in accordance with International Financial Reporting Standards (IFRS), including International Accounting Standards and Interpretations, as at 31 December 2007 and as adopted by the European Union. For purposes of comparison, Fortis has published a set of pro forma results for 2005, taking account of the existing hedging strategies.

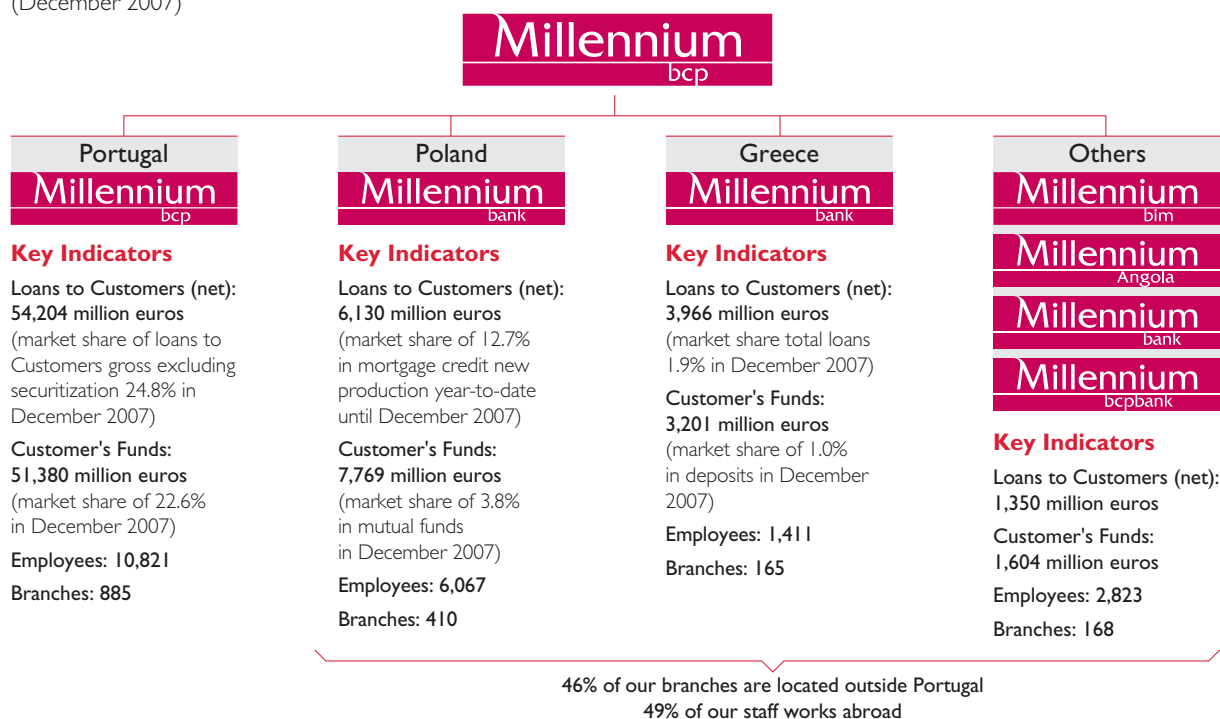
Millennium bcp

Millennium bcp (Banco Comercial Português) is a bank that has its decision centre in Portugal and is multi-domestic as far as the geography of its business and the value generated are concerned. It is the largest privately owned bank in Portugal with a market share of more than 24% in credit and 22% in customer funds, and it has the country's largest banking distribution network, with a total of 885 branches. It is also an institution of renown in Europe and Africa through its operations in Poland, Greece, Romania, Switzerland and Turkey, and in Mozambique and Angola, besides its operations in the USA, all of which operate under the Millennium brand.

The business in Portugal accounts for 82% of total assets, 80% of total customer funds, 83% of loans and advances to customers and 80% of net income on a comparable basis. The new international operations are providing a growing contribution as a result of strategic options taken at the right time. International operations already account for 48.8% of the Group's total of more than 21 thousand Employees and for 45.6% of the total number of 1,628 branches. The growth of the Polish operations, now with over 400 branches, the clear leadership of the Mozambican market and the start of operations in Romania in 2007 should also be underscored.

Group Structure

A leading group focused on retail distribution in Portugal, Poland and Greece
(December 2007)



Source: BCP. Market shares in Portugal are based on Portuguese Banking Association and Portuguese bank's 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 bank's public data.

The Group offers a wide range of banking products and related financial services, namely demand accounts, payment means, savings and investment products, mortgage-loans, consumer credit, commercial banking, leasing, factoring, insurance, private banking and asset management, among others, and its customers are served on a segmented basis. While it has the biggest branch network

□ OUR SHAREHOLDERS

in Portugal and a growing network in the countries in which it operates, the Group also provides remote banking channels (telephone and Internet banking) that also act as distribution points for Millennium products and services.

Banco Comercial Português was created in 1985 in the wake of the deregulation of the Portuguese banking system, which allowed private-capital commercial banks to be established. Since its foundation Banco Comercial Português has been outstanding for its dynamism, innovation, competitiveness, profitability and financial strength. It has been the clear leader in several areas of financial business in Portugal and a benchmark institution at international level in the distribution of financial products and services. The Bank has undergone several stages of growth and has been involved in the acquisition, restructuring and integration of several financial institutions in Portugal. Banco Comercial Português's growth catalysed the evolution of the Portuguese banking system, which became one of the most developed, modern and innovative in Europe. Banco Comercial Português shares are listed on Euronext Lisbon and its market capitalisation stood at 10.5 billion Euros as at December 31, 2007.

As at December 31, 2007, and in accordance with IFRS, the Group's total assets amounted to 88,166 million Euros and total customer funds at 63,953 million. Loans and advances to customers totalled 65,650 million Euros. The consolidated Solvency Ratio calculated in accordance with Bank of Portugal rules was 9.6% (tier I was 5.5%). The long-term rating notations on Banco Comercial Português were high: Aa3 Moody's / A S&P / A+ Fitch, all with a stable outlook, with the exception of the S&P outlook which was negative.

Millennium bcp strategy

In February 2008, a new strategic vision was defined for the 2008-2010 period. Millennium bcp aspires to be a reference bank in client service, based on innovative distribution platforms, with growth focused on retail and more than 2/3 of capital allocated to retail and businesses, in high potential markets, which have expected volumes growth above 10% and superior efficiency levels, translating in cost-to-income at reference levels and efficient capital-management.

The Millennium bcp's strategic priorities are now based on five pillars:

- I. Refocus on Clients, to stimulate commercial activity and improve service levels – Strengthen client acquisition efforts with retention and relationship mechanisms to sustain market share gains, especially in an increasingly competitive market;
- II. Expand retail operations in higher potential markets – Focus on the historically most profitable segment, where Millennium bcp execution skills are strongest across all geographies;
- III. Reinforce pricing, risk and capital discipline – Improve capital allocation efficiency, key for value creation and minimization of impact from increasing cost of funding and financing in a more challenging market context;
- IV. Simplifying the Bank in order to reach superior efficiency levels – Aggressively simplify the Banks structure and procedures to enable it to operate under a much lower cost base;
- V. Strengthen institutional reputation – Reinforce the Bank's image of credibility to a level coherent with its position as a pioneer of modern and client-oriented banking in Portugal

Millennium 2010 Programme, initially launched in June 2007, was also revised, and is now focusing on 12 operational initiatives. The commitment with the discipline of its execution is critical. The several initiatives are grouped by strategic priority. In the wake of the presentation of the Millennium 2010 Programme, new financial targets were announced for the 2007-10 period, with emphasis on the on double-digit average annual growth of revenue, a cost-to-income ratio in Portugal of less than

48% in 2010 and below 52% on a consolidated basis, a Core Tier I ratio greater than 6%, doubling of Poland and Greece aggregate profits and earnings above 1,000 million Euros by 2010.

Organizational model

The organizational model as at December 31, 2007, is based on five business units – Retail Banking, Corporate and Investment Banking, Companies, Private Banking and Asset Management and Foreign Business, and two support units – Banking Services and Corporate Areas.

Business Areas

The strategic approach of Retail Banking in Portugal is centered on “mass market” customers, who appreciate a value proposition based on innovation and speed, and “prestige” and “business” customers, who as a result of their specific interests, financial assets or income require a value proposition based on innovation and personalisation and a dedicated account manager. Within the scope of the Group’s cross-selling strategy, Retail Banking acts as a distribution channel for financial products and services of Millennium bcp as a whole.

The Corporate and Investment Banking segment includes the Corporate network in Portugal, dedicated to corporate and institutional customers with an annual turnover in excess of Euro 100 million, providing a complete range of value added products and services, and includes the Investment Banking business, which is undertaken essentially by Millennium investment banking. This company specialises in capital markets, in providing strategic and financial advisory, specialised financial services – project finance, corporate finance, securities brokerage and equity research – and in structuring risk-hedging derivatives products.

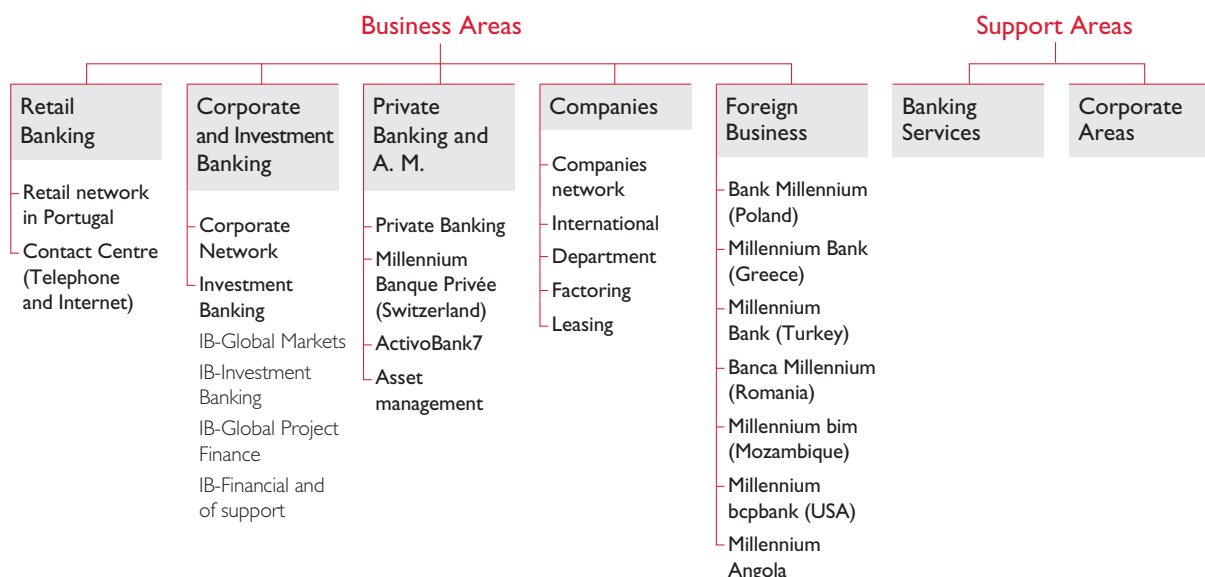
The Private Banking and Asset Management activity comprises the Private Banking network in Portugal, Millennium Banque Privée, a private banking platform incorporated under Swiss law, ActivoBank7, an online universal Bank which maintains a focus on brokerage and on the selection and counselling of long-term investment products, and the subsidiary companies specialising in the asset management business.

The Companies segment comprises the Companies network in Portugal, which covers the financial needs of companies with an annual turnover between 7.5 million and 100 million Euros, focused on innovation and on an overall offer of traditional banking products complemented by specialised financing. It integrates also the International Division.

The Foreign Business comprises the several operations carried out outside Portugal, namely in Poland, Greece, Turkey, Romania, Mozambique, Angola and United States. In Poland the Group is represented by a universal bank, and in Greece by an operation based on the innovation of products and services. The activity in Turkey is performed through an operation focused on providing financial advice, and in Romania it is represented by a greenfield operation, which started its activity in 2007, focusing on the following segments: mass market and business, companies and affluent. All these operations develop their activities under the same commercial brand of Millennium bank. The Group is also represented in Mozambique by Millennium bim, a universal bank targeting both companies and individual customers, in Angola by Millennium Angola, a bank focused on individual customers and public and private sector companies and institutions, and in the United States by Millennium bcpsbank, a local bank that serves the local population, namely, the Portuguese speaking community.

□ OUR SHAREHOLDERS

Business and Support Areas



Financial Income

Consolidated net income in 2007 was lower than the year before and was negatively impacted by costs related to the Tender Offer for BPI, the accounting impact of the impairment charges booked related with the stake in BPI, restructuring costs, and provisions for contingencies, which exceeded gains from the sale in the last quarter of 2007 of financial stakes in EDP and in Banco Sabadell. However, on a comparable basis, operating profit grew 9.6% compared with 2006, reflecting the ability of the Group to generate higher business volumes, as well as the continued efforts of cost control initiatives.

Despite the adverse environment that influenced the performance of the Bank in 2007, there was a sustained growth in business volumes across several areas. In Portugal, it should be highlighted the performance of mortgage loans and loans to companies, which increased approximately 9%, and also the growth of Customer funds which increased 7% compared to the previous year, and increased in the last three quarters, with on-balance customer funds growing, in absolute terms, more than loans to customers.

The growing contribution of international operations which rose 40% on a comparable basis is worth mentioning. The earnings of Bank Millennium in Poland, which grew more than 50% compared to the previous year, and the performance of Millennium Bank in Greece, with net income increasing 47%. These operations benefited from a remarkable commercial dynamism in both loans and Customer funds, as well as from their branch network expansion plans. It should also be underscored the profitability of Millennium bim in Mozambique and the launch, in October 2007, of a greenfield operation in Romania, a country that joined the European Union in 2007 and whose economy and banking sector have considerable growth and convergence potential.

The Bank's own funds were significantly influenced by the adverse impacts of the last quarter of 2007, with the "Tier I" ratio standing at 5.5% at the end of the year. In order to reinforce capital levels and finance current organic expansion plans both in Portugal and Internationally, the Executive Board of Directors has proposed to the Supervisory Board and to the Senior Board a Euro 1.3 billion rights issue reserved for Shareholders. This proposal has been favorably received by both Boards and the rights issue has been fully underwritten by Merrill Lynch and Morgan Stanley.

MILLENNIUM BCP Financial Highlights [Euro Million]	2007	2006	Change
Net income	563.3	787.1	-28.4%
Net income (excluding specific items)	586.8	624.0	-6.0%
Total assets	88,166	79,045	11.5%
Total customer' funds	63,953	57,239	11.7%
Loans to customers (net)	65,650	56,670	15.8%
Market capitalisation	10,545	10,112	4.3%
N. of employees (Portugal)	10,821	10,876	-0.5%
N. of employees (foreign activity)	10,301	8,449	21.9%
Return on average equity (ROE)	13.7%	22.0%	
Earnings per share (euros)	0.14	0.20	
Operating costs/Net operating revenues	60.3%	61.2%	
Operating costs/Net operating revenues (Portugal)	57.3%	58.2%	
Tier I solvency ratio	5.5%	7.3%	
Total solvency ratio	9.6%	11.9%	

BCP's financial statements were prepared 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.1/2005), following the adoption by the Portuguese legal system of the European Commission Directive 2003/51/EC from 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, 2007. These, and the consolidated accounts, were audited by KPMG.

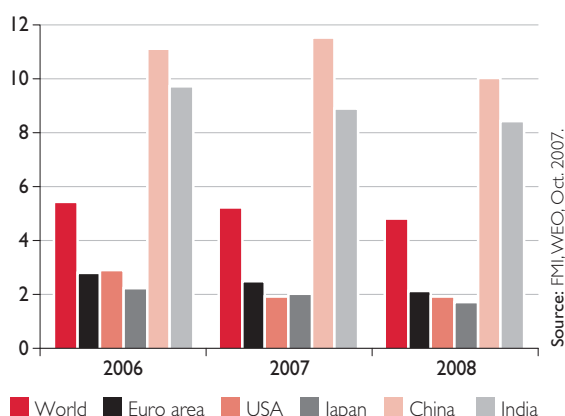
□ REPORT OF THE BOARD OF DIRECTORS

Macroeconomic Environment

Economic and Financial Environment

After several years of a favourable economic environment, marked by continued robust real world GDP growth rates, by the extraordinary development of financial markets and instruments, notably in the credit segment, and by greater integration of world markets during the 1st half of 2007, several signs started to emerge that pointed to a change of the underlying environment. The process of risk repricing, that took place during the Summer months of 2007, severely affected the performance of the global financial markets and fostered heightened uncertainty of economic developments into 2008. The ongoing fears that the deteriorating financial conditions could contribute, at a

Economic Activity (Real GDP growth rate)



later stage, to a further retrenchment in the confidence climate, prompted some governments and central banks to adopt special measures aimed at counter weighing the setting in of a vicious circle of growing risk aversion and to helping restoring markets' intermediation function. Notwithstanding the small exposure of the Portuguese economy to these developments, the high level of economic integration and financial openness raises the challenge of the consolidation of the progress already achieved in terms of the public deficit, the country's competitiveness and convergence dynamics within the European Union.

Within a context of rising inflation risks – stemming from higher demand pressures and rigidity of short term supply of raw materials, namely food

and energy – and facing the dilemma of either condescending to investors' complacency or running the risk of precipitating the global economy into recession, the monetary authorities of the developed economies opted for a pragmatic approach designed to mitigate the worsening liquidity conditions. Central Banks cut refinancing rates (as in the US and UK), relaxed the requirements for lending money to financial institutions and injected unusually large sums of liquidity into open market transactions.

In the US, the Federal government implemented a plan of action for the mortgage-loan business aimed at reducing the risk of a substantial increase of credit delinquencies during 2008; the Federal Reserve submitted to hearing proposals for stronger regulation governing the granting of mortgage loans; and, at industry level, initiatives were taken to contain the effects of the sharp losses in the value of structured-credit assets, especially with a view to limiting a potential forced sale of these assets by institutional investors.

In the coming months, the success of these measures will be determinant to the resumption of a climate of greater confidence among investors and to mitigate the current capital markets tension. However, it is unlikely to avert the prospective slowdown of economic activity. Indeed, there has been a stream of downward revisions of the economic growth forecasts for 2008 for the US, where the risk to the future developments of the real-estate sector and its influence on private consumption behaviour is bigger. Our scenario is one of similar economic growth in the US and the Euro area, with real GDP up by about 2%, though qualitatively different, as for the Euro area this performance is in line with the potential growth of the economy whereas, in the case of the US, this figure is clearly below. For the global economy, the effects may not be as acute, benefiting from the good performance of the developing economies.

Implications for the Domestic Economies

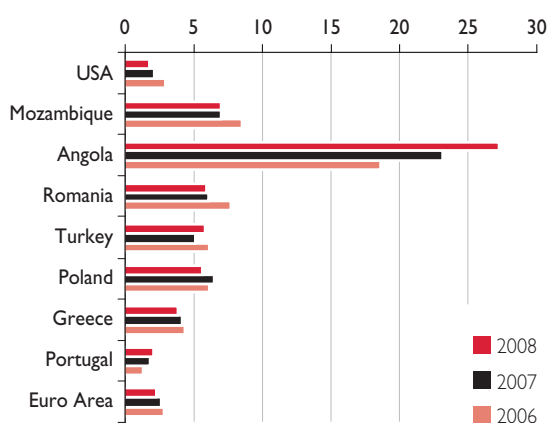
Portugal

The year under review was positive for the Portuguese economy in several areas: a downward inflation rate; lower public deficit in terms of GDP; and stronger real GDP growth. The economic data available for the third and fourth quarters – real GDP growth of 1.8% in the third quarter and stability of the coincident indicator – are compatible with an average annual growth of nearly 2%. It is worth highlighting the greater contribution of domestic demand to GDP growth, particularly through corporate investment. Growth of private consumption continues to run very mildly as a result of the stagnation of labour markets and of the hurdles hanging on household budgets, especially to meet debt-servicing. Improved competitiveness has been reflected in a recovery of export market shares, though the more moderate performance of Portugal's export markets is set to lead to a slowdown of foreign demand.

The more challenging working conditions of the capital markets are a major constraint, particularly for economic regions of considerable commercial and financial openness such as Portugal. In a scenario of a sharper slowdown of global growth, the evolution of exports may be less dynamic than expected and the lending standards are likely to be tightened, thereby hampering a greater willingness for investment spending. The increased credit risk, as seen by the enlargement of spreads between market interests rates, such as the Euribor, and the ECB key lending rate, is akin to a tightening of monetary conditions, which is all the more relevant to countries where most of the loans are carried out at variable interest rates, as is the case of Portugal. This phenomenon, together with the appreciation of the European currency – a by-product of the evolution of the interest-rate spread between the US and the Euro area – and the rise of oil prices, suggests that the monetary conditions facing the Portuguese economy remain moderately adverse to growth.

There are however some factors that might help to cushion the economy from this more adverse environment, namely: (i) the fact that the Portuguese property market in recent years has not boomed, unlike the developments recorded in other European countries where house prices have risen sharply, and therefore is less exposed to a downward adjustment; (ii) the exposure of the national banking system to the complex financial structures related with the subprime crisis is not deemed to be significant; (iii) the expectation that the markets will return to their normal functioning conditions as the current year advances, as a result of the lagged impact of the measures taken by the authorities and of the release of the financial institutions' annual reports, which should help to reduce the information asymmetry problems and allow for a more fair differentiation of the risk among counterparties; (iv) the resilience of the emerging economies, their ability to support world trade and, given the huge build up in domestic savings over the recent years, their capacity to act as a source of funds to strengthen banks capital (as recently demonstrated by the participation by Asian and Middle Eastern investors in the share capital Western financial institutions); and (v) the impressive improvement of the labour markets in the Euro area (hitting the lowest unemployment rate of the past 15 years), making unlikely for private consumption to weaken significantly over the coming quarters.

Economic activity in the domestic operations (Growth rate of real GDP, %)



Source: European Commission and IMF Outlook, Autumn 2007.

□ REPORT OF THE BOARD OF DIRECTORS

For 2008, we are pencilling a scenario of real GDP growth in Portugal similar to that seen in 2007, that is, with real GDP growing roughly 2%, while admitting that, at present, the risks lie mainly on the downside.

Insurance Sector Environment

In Portugal, the insurance sector presented a 5% growth in direct written premiums during 2007, a fact mainly justified by the increase of approximately 7% in Life, added to slow progress of Non-Life, which presented its lowest growth rate since, at least, 1980.

Direct Written Premiums [Euro Millions]

Lines of Business	2007	2006	2005	Change 07/06	Change 06/05
Life	9,369.3	8,761.5	9,136.3	6.9%	-4.1%
Non-Life	4,379.9	4,361.3	4,307.9	0.4%	1.2%
Total	13,749.2	13,122.9	13,444.2	4.8%	-2.4%

Source: Associação Portuguesa de Seguradores.

After having decreased in 2006 and during the first quarters of 2007, the Life premiums recovered during the third quarter of the year to a positive growth rate, with the volume of accumulated premiums over the year being 7% greater than that of the same period of the previous year. This growth in Life results essentially from the expansion in Capitalisation insurance products not linked to investment funds, which has lately compensated the decrease in contributions to insurance linked to investment funds and Retirement Savings Plans ("PPR").

In Non-Life, direct written premiums show stagnation, and negative real growth, if the effect of the inflation rate is discounted. This continues to show the consistent trend of deceleration of the previous years, reflecting the combination of difficulties in the recovery of our economy with the downwards tariff adjustments which, due to competitive pressure, are occurring in some important lines of business, namely in the Motor and Workman's Compensation.

Also showing relative stagnation, although with moderate growth, are costs associated to direct insurance claims in Non-Life. These costs grow significantly in Workman's Compensation, Health and other smaller lines of business (such as Goods in Transit, General Liability and Other) whereas in Fire and Other Damage and Motor there is a negative evolution. In the last two lines of business, there has, however, been an increase in the claims paid, which are compensated by lower variations in the respective claims provisions.

In comparison to the same period in 2006, the Non-Life claims ratio net of reinsurance increased by 1.8 percentage points in 2007.

2007 showed a turnaround in the trend registered in 2006, in the increased concentration in the national insurance market, with the five main insurance groups being responsible for approximately 69% of the premiums issued, in comparison to 68% registered at the end of 2006.

Life Review

Life Insurance premiums presented a positive growth of 7% in comparison with the same period after a decrease of 4% in 2006, explained not so much by the fall in the volume of the premiums during the year, but by the fact that 2005 had been a year characterised by exceptional growth in

terms of Capitalisation products motivated by the Community Savings Directive which has proved to be a strong attraction for the allocation of investments by non residents.

A 32% growth was also exceptional in the Saving products not linked to investment funds, while traditional products (Risk and Annuities) maintained the same trend of growth registered in 2006 of approximately 5%. The exception to the growth trend is in Retirement Savings Products ("PPR"), presenting a decrease of 13% in 2007, to which contributed the general economic context and restrictions in family budgets observed over the year.

Direct Written Premiums [Euro Millions]

Lines of Business	2007	2006	2005	Var. 07/06	Var. 06/05
Savings (includes Unit-Linked)	6,840.2	6,009.4	6,673.3	13.8%	-9.9%
Retirement Savings Plan ("PPR")	1,698.2	1,961.3	1,714.2	-13.4%	14.4%
Risk & Annuities	830.9	790.8	748.9	5.1%	5.6%
Total	9,369.3	8,761.5	9,136.3	6.9%	-4.1%

Source: Associação Portuguesa de Seguradores.

The relative weight of this segment in the total national insurance market, stabilised again at 68% (as occurred in 2005) after a moderate inflection in 2006 (67%).

In contrast to what has been observed in 2006, the trend for concentration returned as registered over the past few years in Life, around the five main operators on the national market. In fact, the five main insurance groups, which represented approximately 79% of the total Life insurance market in 2006, by 2007, represented 81% of this market.

Non-Life Review

The volume of direct written premiums in the Non-Life business presented, in comparison to 2006, a 0.4% growth, which discounting the effect of the forecast inflation rate for 2007, of approximately 2%, reflects negative real growth in this segment. This behaviour emerges as a consequence of the modest economic growth recorded in 2007, allied to tariff adjustments in various lines of business, especially in those which have reached greater levels of claim ratios over the past few years.

Direct Written Premiums [Euro Millions]

Lines of Business	2007	2006	2005	Change 07/06	Change 06/05
Motor	1,944.4	2,003.4	1,997.4	-2.9%	0.3%
Workman's Compensation	761.4	773.6	778.8	-1.6%	-0.7%
Fire	707.1	688.9	684.5	2.6%	0.6%
Health	440.4	408.4	372.4	7.8%	9.7%
Personal Accidents	169.2	168.3	160.3	0.5%	5.0%
Other	357.4	318.7	314.6	12.2%	1.3%
Total	4,379.9	4,361.3	4,307.9	0.4%	1.2%

Source: Associação Portuguesa de Seguradores.

Non-Life once again showed positive growth in direct written premiums in Health, close to 8%, in contrast to the very reduced expansion in the activity of this sector. This evolution is part of a trend which has occurred over various years, explained by the insufficiencies and inefficiencies in

□ REPORT OF THE BOARD OF DIRECTORS

the public health sector, the growing concern of the population with access to health care and the versatility, coverage and accessibility of this type of insurance.

The two most important lines of business in this segment (Motor and Workman's Compensation) presented an increase in the claims ratio, thus inverting the trend observed during the previous year. Some of the smaller lines of business (Goods in Transit, General Liability and Other) also joined this scenario of greater claims ratios with the consequent reduction in the profitability, which already presented negative real growth in terms of premiums.

Claims Ratios

Lines of Business	Jan-Sep 2007	Jan-Sep 2006	Jan-Sep 2005	2006	2005
Accidents	72.4%	67.9%	68.5%	77.8%	71.4%
Health	77.4%	77.7%	77.0%	84.4%	85.2%
Fire	46.9%	46.7%	43.0%	52.0%	43.1%
Motor	70.8%	69.5%	70.1%	69.3%	70.3%
Other	58.5%	54.5%	48.9%	71.6%	56.1%
Total Non-Life	68.7%	66.9%	66.7%	71.0%	68.4%

Note: Rates calculated on the premiums issued. The costs with claims include the amounts paid, variation in the provision for claims and allocated management costs. The rates presented are net of the reinsurance effect.

Millenniumbcp Fortis – Key Events 2007

- Three initiatives deserves to be mentioned at organisational level: the review, approval and publication of all internal standards, which resulted from an exhaustive work initiated in 2006; the publication of the company's Mission Statements, an important tool made available to all Employees containing standardised and structured information on the mission and functions of all areas; and the restructuring of the Intranet of Millenniumbcp Fortis with a view to make it an efficient and dynamic internal communication tool;
- In relation with commercial activities, several initiatives marked the 2007 financial year, namely: the widening and restructuring of the offer of financial products that allowed new products to contribute to 44% of the production and to increase commissions rates; the innovation that was also focused on broadening new customer segments and especially on Private Banking solutions; the sustained growth of the penetration rate in the customer data base and resources of the Millennium bcp at levels comparable to the best international benchmarks; the launching of a new offer of Médias products for SMEs; and the reformulation of the offer of Personal Accident plans (to be publicly launched with the campaign of the 2nd commercial cycle of 2008);
- In the field of operating processes, the focus remained on the development and automation of processes with a view to increasing the efficiency and productivity at all levels of the organisational structure; the following initiatives are to be specially mentioned: the redevelopment of processes and tools associated with the selling activities and their interaction with the respective distribution channels, which considerably increased the penetration rate in content coverage associated to the building insurance linked to mortgage loans; the introduction of innovative measures of controlling cancellations; the use of a new tool for managing requests and claims; the development of a new budgeting and consolidation tool whose implementation will be concluded in 2008; and the assessment of IT business support systems;

- In terms of customer service levels, the year was earmarked by the results achieved by all areas of the Company, which showed sustained improvements in both service levels and quality; these were finally acknowledged in the internal customer satisfaction surveys carried by the Bank Millennium bcp, which registered record values of satisfaction with Millenniumbcp Fortis;
- In the risk management area, it is important to mention two initiatives whose objective is to respond to the requirements contained in Standard 14/2005 of the Portuguese Insurance Institute: the development of a Business Continuity Management (BCM) including the definition of the coordinating and support structure and of the Business Continuity Plans (BCP); and a project related to risk management and internal control – Process Management – that included mapping and describing the main processes and identifying risks and their impacts.
The development of these initiatives was made possible through closely cooperating and sharing best practices with Millennium bcp and Fortis with a view to consolidating prevention and organisational efficiency;
- With regard to new projects, it is important to mention the Non-Life Corporate Business project, developed during 2007 and which will be launched during the first quarter of 2008. Its objective is to turn the company into a benchmark player on the Non-Life Insurance company market, through the Agent and Broker channel;
- Human Resources management launched in 2007 several initiatives that aimed at improving the motivation and satisfaction of Employees. Among the different initiatives concluded within the year, special mention is to be made, for its importance and its cross-departmental approach, to the “Management with Values” programme whose aim is to see adopted within the company, in a more consistent and structured manner, behaviours and practices considered as critical for the growth of both the Company and its Employees;
- Ocidental Seguros was awarded the prize of best Non-Life insurance company in Portugal by the magazine Exame, as market recognition of the work that it has been doing, Household and Life Risk Insurance associated with mortgage loans were also recognised by DECO (Consumer Defender Organisation) as the best purchase option on the Portuguese market;
- Standard & Poors (S&P) and Fitch Ratings international rating agencies confirmed the “A+” rating for the insurance companies subsidiaries of Millenniumbcp Fortis; the rating is supported by the strong competitive position of the Group on the Portuguese insurance market as well as its high profitability and strong financial stability.

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.

□ REPORT OF THE BOARD OF DIRECTORS

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. These behaviours and practices are clarified and discussed internally, and in 2007 were the subject of a specific training involving all the Employees.

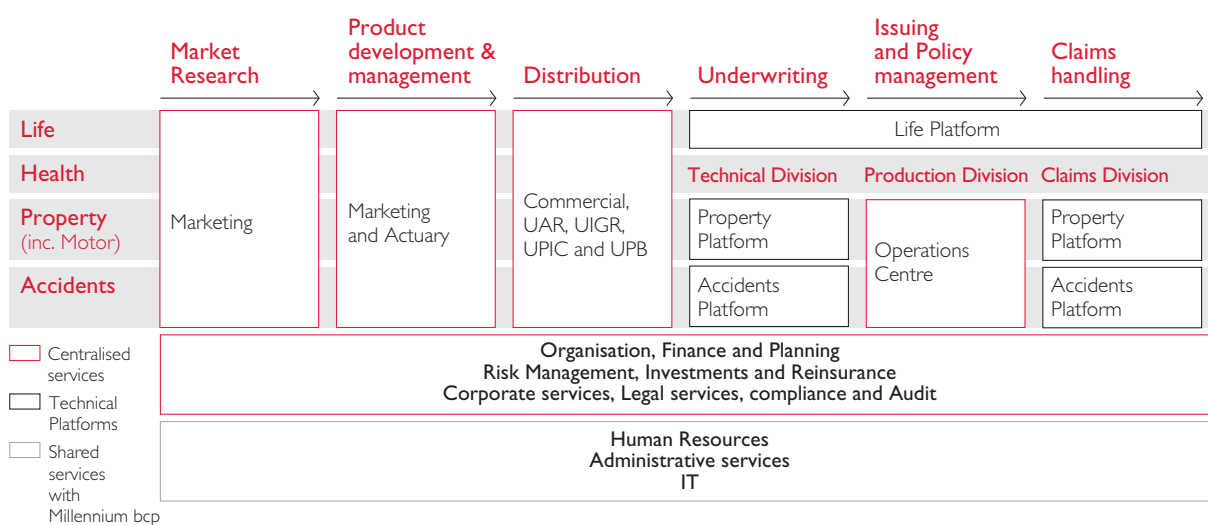
Strategy

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.
Maximize growth through Millennium bcp	<ul style="list-style-type: none"> • Simplifying the product offer and business processes to decrease the time of sale and increase the penetration rate; • Increasing the effectiveness of campaigns and ensure the continuity of sales outside that period.
Develop alternative channels	<ul style="list-style-type: none"> • Increasing profitability developing alternative distribution channels; • Implement an operating model for the new alternative channels.
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"> • Increase productivity and control operating costs, developing appropriate tools; • Increasing control over the IT support, reducing the response time.
Mitigate operational risk	<ul style="list-style-type: none"> • Minimize exposure to operational and financial risk, incorporating the risk management in the analysis Millenniumbcp Fortis processes.
Ensuring the involvement and accountability of Employees	<ul style="list-style-type: none"> • Develop skills and competencies; • Clarify and disseminate the company values; • Encourage self-development and accountability as a mean of enhancing the career development.

Organisational Structure

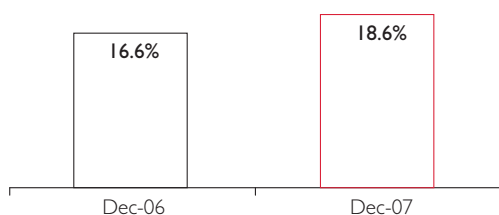
Business rationalisation and restructuring are a key success factor for obtaining operational synergy and economies of scale arising from strategic concentration whether in technical areas – Production, Claims, Reinsurance and Asset Management – or back office – Organisation, IT systems, Administrative,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



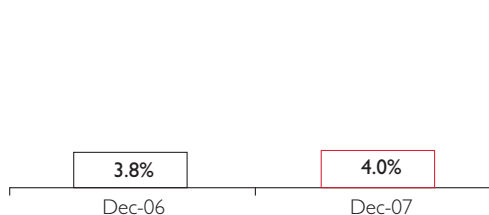
Marketing & Commercial

In 2007, the strong commitment to the strategic areas of innovation and quality of service delivered results. The total direct written premiums increased by 17.7%, more than three times of that registered by the market. Growth was 19.3% in Life and 3.8% in Non-Life, whereas market increases for the same aggregates registered 6.9% and 0.4%, respectively.

Market Share Life



Market Share Non-Life



In the Life business, throughout the year under analysis, the turnover of Unit-Linked (UL) products and Capitalisation registered strong growth, which compensated for the decrease in sales of Retirement Savings Plan products ("PPR"), in line with market trends in 2007.

□ REPORT OF THE BOARD OF DIRECTORS

Although for financial products no visibility campaigns were carried out in the media or in Millennium bcp branches, these products showed remarkable commercial dynamism, as a result of the company's strong emphasis on innovation and quality of service. In fact, during the year, 12 new products were launched, with the Company now offering a vast range of solutions, adaptable to the risk profile and return expectations of all Customer segments of Millennium bcp, including Private Banking.

With respect to Unit-Linked, premium volume grew by 64%. This performance was supported by a complete offer based on three pillars, and also benefiting from the improvement in time-to-market for new products, with a continuous supply of products throughout the entire year under analysis, as well as in tailor made investment solutions for Clients with particular needs in the management of their financial assets.

In Capitalisation, premiums increased by 13%. The star was the new *Poupança 125*, a product with a guaranteed rate increased with profit sharing, which after its introduction gave rise to almost double the rate of sales of this line of products.

The products on offer related to Retirement Savings Plans ("PPR") are now based on three solutions: *PPR Capital Garantido*, a product which guarantees good upside potential in the medium-long term, as a result of the management flexibility simply enabled by the guarantee of capital; *Vantagem PPR*, a solution with a minimum guaranteed rate of 3% increased by profit sharing; *Reforma*, a product designed to complement the guarantees of Social Security, built around a Retirement Savings Plan, with the possibility of adding broad protection solutions.

With this wider range of investment solutions, Millenniumbcp Fortis offers the most balanced set of products in the entire market, in an environment in which the main competitors are mainly focused on one of these lines (Unit-Linked, Capitalisation or Retirement Savings Plan), and is in a clear position of leadership regarding potential business development.

The quality of our product offer was also reflected in the reinvestment rate registered in 2007: 6 out of every 10 Customers holding financial products chose, most of which after 8 years of permanency, to reapply their assets for an equal period in one of the many solutions available in the new products offered.

In addition to the innovation and improvement in services, which led to the excellent results in the evolution of premium income, there must also be added the exceptional commitment of Millennium bcp in the pursuit of its commercial objectives.

The premiums volume associated to banking products grew by 9% in comparison to the same period in 2006, as a consequence of the combination of three factors: increase in the number of new policies, increase in the average premium and improved penetration rates.

In fact, the sustained leadership of Millenniumbcp Fortis' bancassurance activity has been the result of continued efforts towards the implementation of all of the opportunities adding value and providing protection to each customer, through cross-selling initiatives. As a consequence of this strategy, it has been possible to present record levels of risk insurance penetration associated to banking events (with records constituting international benchmarks), in which Life risk insurance products associated to mortgage credit and personal credit are of particular importance.

Regarding active sales products, the performance of the year under analysis was also significant, with an increase of 9% observed in new policies, benefiting from the positive effect of the very visible campaigns placed in the Branches of Millennium bcp.

This performance is even more remarkable when placed within an economic context of the deteriorating economic conditions faced by families, following the rise in interest rates and increased inflation, which combine to reduce the propensity to purchase the more complex and more expensive protection solutions.

Particularly notable are the *Médis* products, with a 9% premium growth, 1% more than the market. The Health segment has been, over the last decade and a half, the most dynamic of the Non-Life business, with an annual average growth rate always above two digits. However, as a result of the increase in the number of people insured and erosion in disposable income of private individuals over the last 5 years, the market stopped growing above 10% in 2006, while it grew even less in 2007.

Even so, as a consequence of the renewal of products offered, the pursuit of a successful multi-channel strategy and the investment in the brand's image, sales of *Médis* products have remained above those of the main competitors. Also to be highlighted is the commercialisation of *Médis* products offered in the corporate and institutional segment through the main insurance brokers in Portugal and the establishment of distribution partnerships with other players in the insurance market, which attracted approximately 35,000 new Customers in 2007 and retained 99% of the businesses in this channel's portfolio.

Also of importance in Non-Life business is the positive evolution in the active sales of property products, following the upselling effort on Millennium bcp's Customer base currently with outstanding mortgage credit.

Operative excellence and operational efficiency have been a fundamental part of the strategic vectors of Millenniumbcp Fortis. Throughout the year under analysis, the satisfaction registered by both internal and external Customers has evolved positively. In particular, regarding internal Customers, 2007 registered historical values. This was due to the strong efforts made within the organisation, in process improvement, in the integration on front-ends of operational solutions, in the implementation of measures to retain customers, in the quality of the attendance of the Call Centres and in the *eyes on the customer* philosophy which concentrates effort of the commercial network and supporting areas in providing excellent service quality.

In terms of the development of market opportunities, the foundations were laid for the start-up of a new business channel directed towards the Small and Medium Enterprise segment, that will sell through a carefully selected network of agents and brokers, following a remarkably successful course of action carried out by *Médis* since 2005.

2007 was also marked by the awarding of the prize "Best Non-Life Insurer" to Ocidental Seguros by the magazine *Exame* (referring to 2006), and the confirmation by International rating agencies Standard & Poor's and Fitch Ratings of the rating scores (IFS – Insurer Financial Strength) of "A+" by the insurers Ocidental Vida, Ocidental Seguros and *Médis*. The strong competitive positioning of the Group in the Portuguese insurance market, as well as the high levels of profitability and strong financial solidity supported these ratings. These awards were also given in light of various distinctions attributed to the Companies of Millenniumbcp Fortis, after the two *SuperBrand* awards to *Médis* in 2005 and 2006, and in the context of its recognition by the most representative consumer defence organisation in Portugal on the quality of the products available on the market.



□ REPORT OF THE BOARD OF DIRECTORS

Employee Benefits Area

The marketing of Employee Benefits to Millennium bcp Corporate and Companies network is part of an integrated offer approach of Pension Funds from Pensõesger, 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 655 million Euros, earmarked by the transfer of one pension fund contract. Overall new business amounted to 617 million Euros from Pension Funds; 34 million Euros from savings products; 4 million Euros from life insurance and 634,000 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 re-entry in the non life market, with the integrated approach through the bank and the brokers, are set to generate positive trends in 2008, in the global offer both in insurances and pension funds and a reinforcement of the commercial activity, namely in the Non-Life insurance market.

Open-end Pension Funds

Pensõesger has 3 Open-end Funds with different investment policies. According to the Pension Plan, the companies or the employees can choose the appropriated Fund(s) and switch contributions and accumulated savings.

• “HORIZONTE SEGURANÇA”

Open-end Fund with a “low risk” investment policy – **0% in equities** and around **50% in fixed rate bonds** plus 40% in indexed rate.

• “HORIZONTE VALORIZAÇÃO”

Open-end Fund 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**.

• “HORIZONTE VALORIZAÇÃO MAIS”

Open-end 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 was prepared in accordance with the standards issued by the Portuguese regulator (ISP).

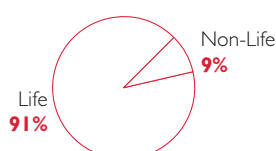
The Group’s consolidated financial statements were prepared in accordance with the International Financial Reporting Standards. According to these standards, direct insurance premiums relative to Life products without profit sharing, namely the Unit-Linked products, are not registered as insurance premiums.

In 2007, Millenniumbcp Fortis showed a growth rate significantly above that of the domestic market in both Life and Non-Life businesses, positioning itself at the second place in the ranking

of insurance companies operating in the domestic market, with a volume of direct insurance premiums of 1,914 million Euros and a total market share of 13.9%

In Life, which represents 91% of the volume of premiums of the insurer, the increase in premiums in comparison to the previous year was 19%; this was made possible thanks to an increase of 64% in the Unit-Linked products. Also noteworthy

Structure of Direct Insurance Premiums



thy was the fact that the market presented a 4% decrease for this business. In Non-Life, the increase in direct insurance premiums of 4% in relation to the previous year was particularly important, a fact which is even more remarkable given that market growth in this segment was close to zero, or a decrease in real terms once the effect of inflation is taken into account.

The Pension Funds business was, once again, notable for its positive performance, with the total volume of assets under management having reached 7 428 million Euros, corresponding to an increase of 9% in comparison to 2006. Therefore Millenniumbcp Fortis reinforced its leadership position in this business segment with a Market Share of 33.3% in 2007 (32.2% in 2006).

Life Business

Direct Insurance Premiums

Life achieved a total value of direct insurance premiums of 1,740 million Euros, corresponding to an increase of 19.3% in comparison to 2006.

This performance, especially in the case in the Unit-Linked products and other Savings products, was the result of the excellent contribution of 12 new investment products launched during 2007 – Unit-Linked, Savings and Retirement Savings Plan (“PPR”).

Direct Insurance Premiums Evolution [Euro Thousands]

Lines of Business	2007	2006	Var.
Savings	463,860	410,100	13.1%
Unit-Linked	857,473	524,216	63.6%
Retirement Savings Plan (“PPR”)	245,026	355,674	-31.1%
Risk and Annuities	174,035	168,373	3.4%
Total	1,740,395	1,458,363	19.3%

Structure of the Portfolio of Life Premiums

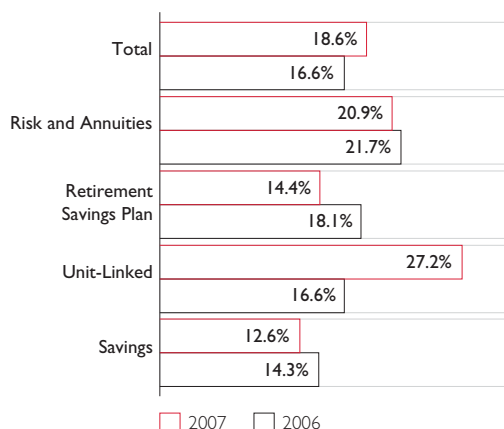


Regarding the Retirement Savings Plan products (“PPR”), it can be said that the recovery evident towards the end of the year, supported by the launching of a new product based on an especially attractive rate, was not sufficient to compensate for the fall in premiums income which occurred over the year, registering a decrease of 31.1% in comparison to the premiums registered during the same period in 2006.

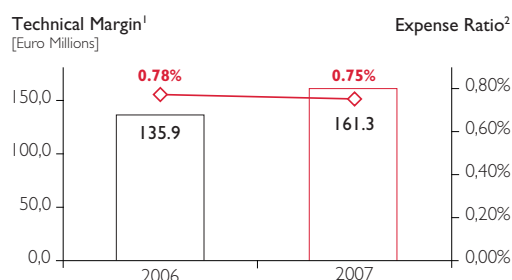
The Risk and Annuities products registered a growth of 3.4% in relation to the same period in 2006, allowing Millenniumbcp Fortis to maintain its market leadership in this segment, with a share of 20.9% of the total amount of insurers operating in the national market.

REPORT OF THE BOARD OF DIRECTORS

Evolution in Market Share of Life



Technical Margin vs. Ratio of General Expenses



1) Before allocation of administrative costs.

2) "Life operating expenses" / "Life assets under management (year average)".

In 2007, Millenniumbcp Fortis was positioned as the second largest insurance group in terms of Life Insurance premiums, with a market share of 18.6% representing an increase of 2 percentage points in relation to the previous year.

Technical Analysis

The technical margin, before allocation of administrative costs, was 161 million Euros in 2007, corresponding to an increase of 18.7% in comparison to the same period in 2006.

This improvement was strongly influenced by the Risk and Annuities products, which showed growth in insurance premiums allied to a reduction in claims ratio. At the end of 2007, this line of business represented approximately 61% of the total Life technical margin (63% in 2006).

The Unit-Linked products also contributed positively to this margin, with an increase of 29.4% in comparison to 2006.

Notwithstanding the increase observed in distribution costs, the expense ratio was down to 0.75% (0.78% in December 2006), thanks to the growth of 8% in average life investments.

Pension Funds Business

Market Evolution

2007 was earmarked by the publication of a very important set of laws and regulations, of direct or

indirect relevance to the management of pension funds, which, overall, offer more solidity, governability and reliability to the various participants in this market.

After the publication of Decree-Law number 12/2006, of 20th January, which represented an important milestone in the pension fund management business, some changes occurred in 2007, of which the following are of particular interest (i) the appointment of the representatives of the participants and beneficiaries in pension plans resulting from collective negotiation will from now on be the responsibility of the respective unions involved; (ii) information on pension plans and the pension fund, which should be provided by the management entity upon the request of the Participants, will from now on have to be sent to all Participants on an annual basis.

In the area of supervision, various initiatives relative to the "better regulation" of the financial sector were carried out by the National Council of Financial Supervisors ("CNSF – Conselho Nacional de Supervisores Financeiros"). The CNSF consists of the Bank of Portugal, Portuguese Securities Market Commission ("CMVM") and Insurance Regulator (ISP), and identifies matters, which shall be subject to joint supervision, of which we highlight issues related to individual adherence to open pension funds. The supervision of conduct in accordance with CMVM Regulation number 8/2007, namely the existence of a simplified prospectus, the establishment of the rules on information in advertising actions and the definition of rules on commercialisation will now be the responsibility of the CMVM.

Following the publication of Decree-Law number 12/2006, ISP produced norms (i) establishing the structure for the governance of pension funds, in order that these structures favour the strengthening of qualifications and independence (ii) regulating the “Advisory Board” and Ombudsman (iii) adopting the best international practices concerning policy on investment funds and the composition and evaluation of assets.

An important set of legislation was published in the area of social security, whose regulation and perspectives are of crucial importance for the contextualisation and development of pension fund activity, following the general principles established in 2006 in the Social Concertation Agreement signed between the government and social partners:

- Decree-Law number 53-B/-2006, of 29th December, which substituted the benchmark of the National Minimum Salary by SSRR (Social Support Reference Rate) for the determination of pensions and their respective annual updates and predetermination of the updating coefficients in a regressive manner according to the salary level and GDP growth rate, making these updates independent of the phase of the political cycle;
- the New Act on Social Security – Law number 4/2007, of 16th January, which prepared the subsequent regulation, established in Decree-Law number 187/2007, of 10th May, which regulates the protection regime in case of invalidity and old age of the General Social Security Regime and which introduces new concepts and rules, such as the sustainability factor, acceleration of the period of passing onto the new form of calculation of pensions, flexibility in terms of retirement age, prohibition of accumulation of early retirement pensions with other types of situations, establishment of a maximum pension value equal to 12 times the SSRR for the part of the pension resulting from the application of the old calculation formula, distinction, in the social protection regime for invalidity, between relative invalidity and absolute invalidity and incentives for active aging.

At the end of 2007, was also approved by the Council of Ministers the regulation of a complementary regime of a public nature for individual accounts of defined contribution, financed by voluntary contributions and managed by the Institute of Management of Social Security Capitalisation Funds, which will thus function in competition with private operators.

Regarding tax benefits, the State Budget for 2007 presents few novelties, with the positive exception of the reduction from 20% to 15% on taxable annuities whose payment is made by the owner or has already been subject to income taxation (under IRS) and the inclusion, in the Corporate Income Tax Code (“Código do IRC”), of the possibility to accept contributions as a tax cost when the same company has different pension plans, provided that this differentiation results from company restructuring processes.

In 2007, the Portuguese pension fund market grew by approximately 5.4%, with a total volume of assets of approximately 22,295 million Euros.

Open pension funds, excluding Retirement Savings Plans, Retirement Savings Plan/E and Personal Equity Plans, with a variation of 11%, registered the greatest increase. Closed pension funds grew by 5.2% and finally the Retirement Savings Plan and Retirement Savings Plan/E funds increased by 3.5%.

The estimated average profitability of the market stood around 3.3%.

Pensõesgere Activity

Millenniumbcp Fortis operates in the pension fund market through the management company Pensõesgere, basing its activity on the quality of the information provided, permanent follow-up and timely response to Customer requests, having in 2007 strengthened its position of leadership through an increase of approximately 1% of market share.

□ REPORT OF THE BOARD OF DIRECTORS

As a result of its action, in 2007 Pensõesgere showed a positive commercial performance with a growth of 9.1% in assets under management, which was above that of the average evolution of the market of 5.4%, contributing to the achievement of a market share of 33.3%.

Under an integrated philosophy of making full use of Group synergies, Pensõesgere intensified its relations with the banking networks – Corporate and Companies – 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.

A number of initiatives were also implemented in the areas of operational risk management in which Pensõesgere had a pioneering role with the companies of the Millenniumbcp Fortis Group:

- Internal Control Project in which, with the coordination of an external consultant, the different tasks were analysed in great detail, and led to the presentation of various proposals for improvement;
- Preparation of the Business Recovery Plan to be implemented in situations of crisis. In addition to the various iterations this procedure has undergone aimed at its fine-tuning, a business recovery exercise was also carried out. In this exercise, which followed after a test of the evacuation of the Building, the measures established in the Business Recovery Plan were tested for the first two days of activity after the incident. This test resulted in strengthening awareness amongst the Employees and a set of teachings which allowed for the fine-tuning of Pensõesgere’s Business Recovery Plan;
- Internal Audit on processes related to the subscription and technical management of the business, in which in addition to some recommendations for improvement, it was noted that Pensõesgere was well qualified in its role as a leader in the pension fund market.

In order to consolidate Pensõesgere’s market positioning, and in spite of having externalised the function of investment management, an analysis, adjustment and verification process was initiated for Pensõesgere to be qualified in the market as “GIPS Compliant” (Global Investment Performance Standards), a process which should be concluded during the first quarter of 2008.

Total Assets Under Management and Market Share

[Euro Millions]



At the end of 2007, the total volume of assets under management, distributed through 34 closed funds, 4 open funds and 5 open Retirement Savings Plan funds, reached 7,428 million Euros, corresponding to an increase of 612 million Euros in comparison to 2006, or a 9% growth.

The total of the 34 closed funds came to 7,275 million Euros, corresponding to an increase of 602 million Euros, which was almost totally obtained by the closed pension funds excluding the BCP Group which grew by 52% in 2007.

Also particularly noteworthy was the process of consolidation of the pension fund of the EDP Group through a single management entity, Pensõesgere. As well as strengthening its reputation and size measured through growth in market share, the new management model for this pen-

sion fund, which involves the coordination of activity of 10 national and international investment management entities, also strengthened Pensõesger's intervention capacity in an increasingly complex and demanding market.

The volume of assets under management in open funds came to 85.7 million Euros, representing 27% growth, which was above the market average of 11% in these funds. This positive evolution was the result of the attraction of new Customers and the contributions made.

The value of assets managed under Retirement Savings Plan funds reached 67.5 million Euros by the end of 2007, being 7.4 million Euros lower than the value registered in 2006. This decrease results from the fact that Pensõesger does not currently have any active commercialisation protocol with the retail distribution networks, as occurred formerly.

To complement its activity, Pensõesger prepared Receipts and Social Benefits Statements – “Extractos de Recebimentos e Regalias Sociais” (ERRS) – for the company Employees.

In 2007, total income and total costs stood at 14,331 thousand Euros and 6,501 thousand Euros, respectively, corresponding to a net income of 5,842 thousand Euros, representing an increase of 1.9% in comparison to the net income of the previous year.

Average Return on Equity (ROE) came to 40.17%.

Non-Life Business

Direct Insurance Premiums

In Non-Life, Millenniumbcp Fortis achieved a volume of direct insurance premiums of 174 million Euros in 2007, representing an increase of 3.8% in comparison to the previous year, this growth was once again, and for the third consecutive year, obtained in a context of negative real growth in the national insurance market.

[Euro Thousands]

Lines of Business	2007	2006	Var.
Motor	22,023	24,984	-11.9%
Workman's Compensation	4,763	4,808	-0.9%
Fire and Other Damage	32,577	30,229	7.8%
Health	97,333	89,140	9.2%
Personal Accidents	12,356	13,528	-8.7%
Other	4,810	4,885	-1.5%
Total	173,862	167,574	3.8%

In Non-Life, growth was once again positive in direct insurance premiums of Health, of about 9%. This growth has been possible over the last few years due to the existence of a carefully selected network of agents and brokers, which has been carried out with considerable success since 2005.

In spite of the modest position it occupies in the national Non-Life insurance market, Millenniumbcp Fortis has once again strengthened its market share from 3.8% at the end of 2006 to 4.0% by the end of December 2007. In the Health segment, the Group maintained the 2nd place in the ranking of insurers operating in the domestic market.

□ REPORT OF THE BOARD OF DIRECTORS

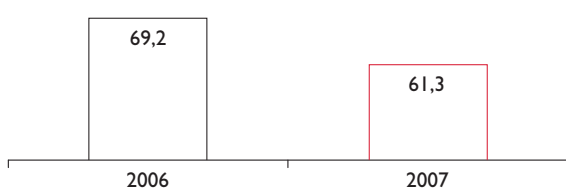
Technical Analysis

The technical margin, before the allocation of administrative costs, came to 61.3 million Euros, registering a decrease of 11% in comparison to 2006. The Accident and Health margin was mainly responsible for this reduction with 4.8 million Euros less in relation to the margin after the allocation of administrative costs.

Non-Life Technical Margin

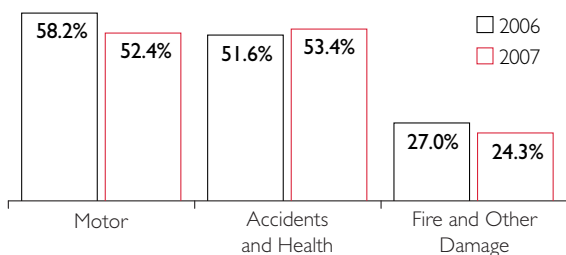
(before allocation of administrative expenses)

[Euros millions]



Non-Life Claims Ratios

(Before allocation of administrative expenses)



Essentially contributing to this decrease was the release of the Provision for Unexpired Risks in the value of 10.3 million Euros in 2006, caused by the fall in the claims ratio and the decrease in the cost of reinsurance. Therefore in 2007, in spite of the increase in gross premiums issued and progress in the claims ratio, there was a decrease of 7.9 million Euros in the Non-Life technical margin.

The Non-Life claims ratio, before the allocation of administrative costs, remained at the historically low level of 47.3%, once again representing a decrease in the values registered in 2006 (47.6%). As shown in the graph below, only Accident and Health presented deterioration in the claims ratio in 2007.

The Non-Life combined ratio, after the allocation of administrative costs registered 75.7%, particularly as a result of the efforts made in containing operating costs and of greater strictness in the application of policies related to subscription and acceptance of risk.

Administrative Costs

Administrative costs registered a decrease of 2.2%, at 80.4 million Euros. This fall was the result of a decrease in staff costs, justified by a reduction in the number of Employees from 467 in 2006 to 454 in 2007. Also noteworthy was the reduce of approximately 1.3 million Euros in terms of costs related to consulting.

Administrative Expenses Evolution (excluding depreciation) [Euro Thousand]

Items	2007	2006	Var. 07/06
Staff Costs	24,052	24,834	-3.1%
Third Part Services	35,512	36,213	-1.9%
Taxation	2,793	2,674	4.5%
Commissions and Financial Services	17,997	18,417	-2.3%
Total	80,354	82,138	-2.2%

Net Income

Consolidated net income after consolidation adjustments, IFRS and before VOBA (Value of Business Acquired) came to the total of 125 million Euros in 2007, representing an increase of 12% in comparison to the previous year.

The Group's positive performance in 2007 benefited from the combination of factors such as:

- maintenance of a historically low claims ratio (47.3%) in the Non-Life business;
- expense ratio of 0.75% in Life;
- significant growth in the technical margin of the unit-linked and risk products.

Solvency Ratio

As at 31st December 2007, the capital structure of the Millenniumbcp Fortis Group presented, in consolidated terms, a solvency ratio of 177.3%. As at 31st December 2006, the ratio obtained was 169.2%, thus showing an increase of 8.2 percentage points in comparison to the previous year.

The solvency ratio presented was calculated in accordance with the criteria defined by the ISP and reflects a capital structure, which is appropriate to the responsibilities assumed.

Solvency Margin [Euro Thousand]

	Margin	Capital	Surplus	Ratio
Ocidental Seguros	14,146	21,658	7,512	153.1%
Ocidental Vida	240,520	365,267	124,747	151.9%
Médis	16,615	27,504	10,889	165.5%
Pensõesgere	8,103	12,191	4,088	150.4%
Millenniumbcp Fortis (Consolidated)	279,383	495,471	216,088	177.3%

Embedded Value (EV)

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).

□ REPORT OF THE BOARD OF DIRECTORS

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

Embedded Value (EV) (Euro thousands)

	2007	2006
Embedded value as of previous valuation date	896,462	648,666
Restatements to the opening EV	10,315	135,603
Changes in non-economic assumptions	15,660	4,102
Changes in economic assumptions	(15,862)	15,338
Expected return	43,769	28,940
Value added by new business	80,043	64,149
Impact of variance	13,043	27,664
EV at valuation date before dividends	1,043,430	924,462
Dividends to Shareholders	(26,988)	(28,000)
EV at valuation date after dividends	1,016,442	896,462

The 2007 restatements to the opening embedded value reflect only model changes as agreed and suggested by the reviewer. The 2006 restatements are explained by the impacts of including the Pensõesgerere business, that is, the value related to pension funds management fees, of moving to IFRS shareholder equity and the change to market consistent modelling.

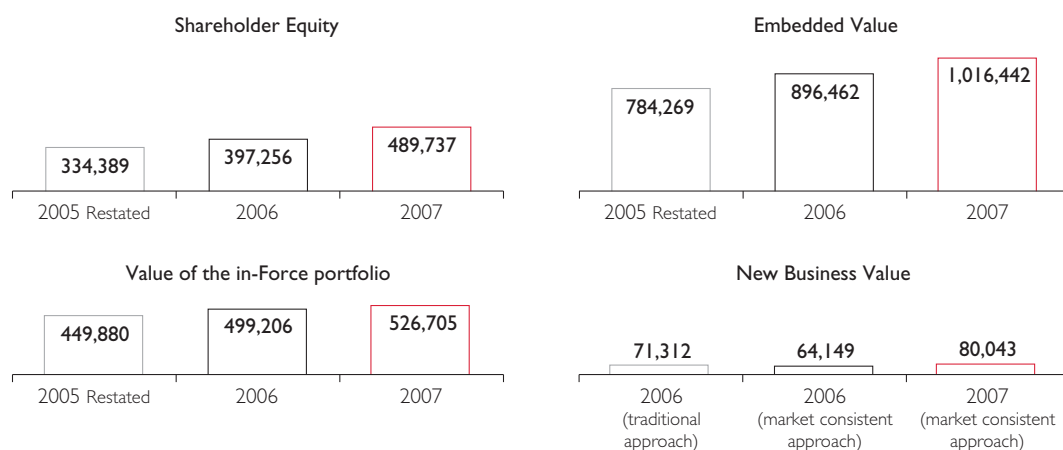
The impact of change in economic assumptions is due to risk free yield curve movements and volatility changes, and from this we can see that after a certain level the impact of upward movements in the risk free yield curve is negative.

The impact of changes in 2007 non-economic assumptions is mainly explained by the positive impact on CFOG due to the new Portuguese accounting rules for insurance from 1 January 2008 onwards. There are also other smaller effects from expenses, lapses and asset mix changes. The 2006 impact is quite small with positive contributions from mortality, asset mix and tax changes and negative from lapses, required capital increase and investment costs.

The new business margin moved from 33% to 41% when expressed as percentage of APE (annual premium equivalent) despite the overall volume increase.

Embedded Value Evolution

[Euro Thousands]



Economic assumptions and market conditions

Economic assumptions and Market conditions	2007		2006	
Yield curve	AA Euro swap		AA Euro swap	
	1 yr	4.65%	1 yr	4.05%
	5 yr	4.56%	5 yr	4.12%
	10 yr	4.72%	10 yr	4.19%
	20 yr	4.91%	20 yr	4.30%
Volatilities	Short rate	0.7%	Short rate	0.7%
	Shares	27.5%	Shares	22.7%
	Real estate	10.0%	Real estate	10.1%
Inflation		1.90%		1.90%
Tax rate		26.5%		26.5%

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 claim's 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, supplied an independent external actuarial certificate. For this year, Watson Wyatt's best estimates besides being undiscounted are also allowing for explicit inflation, which results in a more prudent approach.

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

Results of Actuarial Evaluations versus Balance Sheet Claims Provisions	31-12-2007	31-12-2006
Balance sheet provisions	76,563	75,275
Claims Reserves Best Estimate	63,405	61,001
Claims Reserves at 90% Percentile	78,172	75,161

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.

□ REPORT OF THE BOARD OF DIRECTORS

Risk Management

Sound risk management is one of the key pillars for a strategy of sustainable profitable growth and therefore, a core competence at Millenniumbcp Fortis. As part of our overall corporate governance framework we have established a risk management organisational structure, based on the structure that Fortis Group has in place. Its primary objective is to protect the Group from events that hinder the achievement of our objectives, our financial performance, or cause us to fail to exploit opportunities. Consequently, Millenniumbcp Fortis centralized the various components of the risk management function under the Chief Financial Officer, who is also acting as Chief Risk Officer and is chairing the Risk Committee. It has been established a number of policies that deal with the management of both financial and non-financial risks and set out our risk appetite. Additionally, Millenniumbcp Fortis is operating a number of oversight committees, to monitor, propose actions and to enforce the implementation of the policies.

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

The Risk Committee membership is composed by all company's internal risk-related functions, and by representatives from Fortis Insurance International Risk Management. It meets at least four times a year and makes recommendations to be formally approved by the Executive Committee and the Board, through acknowledging and sanctioning the minutes of the Risk Committee meetings. The main responsibilities of the risk committee include monitoring of the overall risks and solvency of the insurance business, setting risk policies and analyse the recommendations proposed by its three sub-committees, the Asset Management Committee, the Liability Risk Working Group and the Operational Risk Task Force.

The risk management team, which reports to the Chief Risk Officer, is responsible for the development and implementation of a risk management framework, for supporting the work of the risk committee and its subcommittees and for recommending further developments in risk methodologies.

Millenniumbcp Fortis uses the standardized risk taxonomy of Fortis to manage its main risks:

Standardised Risk Taxonomy



Operational risk

All companies including financial institutions are subject to Operational risk because of the uncertainty inherent in all business 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 reputation 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. In particular, Millenniumbcp Fortis continued performing control risk self-assessment exercises and defining measures to mitigate the detected risks. Moreover, Millenniumbcp Fortis is finalising its business continuity plan.

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 corporate bonds, commercial mortgages and other securities, that we hold for the benefit of both our policyholders and shareholders. We manage this risk through the implementation of a credit policy that contains a set of principles, rules, guidelines and procedures for identifying, measuring and reporting.

Millenniumbcp Fortis is also exposed to Credit risk through our use of reinsurance, but as to that, it's verified that all reinsurance arrangements are placed with providers who meet our counterparty credit standards.

Market risk is the potential for loss resulting from unfavourable market movements, namely interest rates fluctuations, change in price level of securities, foreign exchange fluctuation and property prices. These fluctuations create risks which impact on the structural positions of the insurance activities (ALM risk). We recognise that such risk is inevitable in the business we run, and that a certain level of Market risk is acceptable in order to deliver benefits to both policyholders and shareholders.

Millenniumbcp Fortis monitors and controls its ALM risk with the help of indicators such as "cash flow gap analysis" that highlights the mismatch between asset and liability exposure at different maturities, "duration of equity" which is a key indicator for the interest rate risk, "earnings at risk", an indicator of the sensitivity of future net income to adverse changes in interest rates or market prices and, the "Value-at-Risk" (VaR), which is a statistical estimation that quantifies the maximum possible loss for a given probability and time horizon. For calculations of economic capital (Ecap), the VaR figures are computed, based on a horizon of one year and a reliability interval of 99.97%.

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

The table below shows the evolution of the ALM Ecap/Fair Value and the Duration of equity for which there are established risk limits of <40% and >-6, respectively.

[Euro Millions]	Q4 2006	Q4 2007
Ecap	140	167
Ecap/Fair Value	10.80%	12.58%
Duration	1,2	1,71

Liquidity risk is the risk that Millenniumbcp Fortis, though solvent, does not meet actual or potential payments or collateral posting obligations when they are due, either because it does not have sufficient resources available, or it cannot be met without suffering unacceptable losses. Managing

□ REPORT OF THE BOARD OF DIRECTORS

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 to 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 provisions annually.

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

Asset Management

Fortis guidelines regarding ALM and Risk Management continued to be implemented through 2007.

Although Fortis guidelines were not substantially changed, fine tuning regarding asset allocation limits in equity and alternative investments were introduced to allow better portfolio management

Internal Risk modelling was used to certificate the changes made.

Even considering a challenging environment, with increased volatility across all asset classes and a credit crisis in H2, interesting returns were obtained, due to careful monitoring and conservative approach to credit in portfolio management.

In fact, the crisis that hit hard the structured credit market, and that quickly deployed to the whole financial world, had only a marginal impact in the Company Insurance Portfolios.

Equity

This was the second year in a row where Equity increased its weight in a consolidated level.

European Equity remains the core exposure, but we highlight the Portuguese equity slight increase, as well as its significant contribution to the overall class performance.

Fixed Rate

Our concern to keep in line with the responsibility profile was adamant all year long. Even so, we managed to implement a tactical positioning that resulted in underweight long term and overweight short term duration vis a vis the investment allocation guidelines.

Credit Risk continues without significant changes, focused on quality with near 40% allocation on AAA rating. Our conservative credit stance allowed us to minimize the impact of the credit crunch on our asset pool value.

Alternative Investments

Although more diversified and less volatile, Hedge Funds had less positive returns due to one “single strategy” HF devaluation, with a significant impact in this asset class. However, the Class low global weight, 1.5%, limited overall damage.

Real Estate

Real Estate exposure increased in 2007 due to new FII investments. We achieved wider diversification, geographically through a Global Fund of Funds and specialized due to a Tourism and Residential projects Fund.

Investments Portfolio (Excluding Unit Linked Products and Accrued Interests)				
[Euro Thousands]	2007	%	2006	%
Available for sale	4,215,646	100.0%	3,904,637	100.0%
Government bonds	2,029,738	48.1%	2,261,765	57.9%
Corporate debt securities	1,536,319	36.4%	1,106,576	28.3%
Equity securities	24,084	0.6%	22,329	0.6%
Participation in unit funds				
Debt	96,682	2.3%	96,161	2.5%
Equity	290,435	6.9%	190,193	4.9%
Real Estate	176,252	4.2%	147,245	3.8%
Alternative	62,130	1.5%	61,353	1.6%
Treasury	-	0.0%	19,008	0.5%
Deposits with ceding undertakings	7	0.0%	7	0.0%
Held at fair value (through net income)	42,104		37,424	
Trading assets / (liabilities)	1,608		373	
Total	4,259,358		3,942,434	
Investment property	7,760		8,647	
Due from banks	141,400		86,400	
	4,408,518		4,037,481	

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.

□ REPORT OF THE BOARD OF DIRECTORS

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 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.

Employee performance is evaluated through a process of accompaniment and evaluation, in which the hierarchy guides the employee aimed at improving his/her performance and professional development. In 2007, the Executive Committee approved a new incentive system, which will be applied in 2008. This alteration aims to reinforce the link between the performance demonstrated and consequent reward, increasing the transparency associated to the procedure. The system is structured on the definition of performance indicators, at a departmental and individual level, for which objectives were defined for 2008.

In 2007, the Group decided to provide a broader programme to all Employees with the objective of explaining in detail and discussing its underlying values and business behaviours. This programme, designated as “Management with Values”, was held during the last quarter of 2007 and involved 24 workshops.

As is normal practice in the Group, an annual survey on employee satisfaction was carried out in early 2007, which had a high rate of participation (87%), with a positive evolution in the most important indicators. In September, and within the sphere of the “Management with Values” programme, a follow-up was made of the Employee Satisfaction survey, with a motivation index of 72 being registered, confirming the trend towards improvement indicated in the more recent surveys.

Millenniumbcp Fortis concluded the financial year of 2007 with a total of 454 Employees, corresponding to a real decrease of 13 Employees in comparison to the position at the end of 2006. 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	24	8	32
31-35	67	27	94
36-40	75	48	123
41-45	34	69	103
46-50	20	40	60
51-55	14	15	29
56-60	5	6	11
> 60	0	2	2
Total	239	215	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 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 Braekveldt, Mr. Joseph Peter Maria Baeten, 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 and IT and Organisation.

Mr. Pedro Manuel Renda Duarte Turras – Médis Saúde, Workman's Compensation, Personal Accidents, Property Plataform, Other Platforms and Operations Centre.

Mr. Jan Adriaan de Pooter – Marketing and Commercial.

□ REPORT OF THE BOARD OF DIRECTORS

Board of Auditors

The Board of Auditors is elected for three years, by the General Shareholders' meeting. Whenever he finds it convenient, the Board of Auditors can attend the meetings of the Board of Directors.

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

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 Millennium-bcp 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	Joseph Peter Maria Baeten
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	Orlando Manuel Girão da Silva Barrão

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 2008

The 2007 financial year was extremely difficult and demanding for Millenniumbcp Fortis. On the one hand, a rather unfavourable external environment caused by unstable international financial markets and a national economic climate associated with a growth below the European average, which restricted the development of the insurance sector. On the other, at the institutional level, this year was also marked by some changes made at our two shareholders.

It was within this framework that Millenniumbcp Fortis managed to achieve its main pre-established objectives for its third 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 main strategic objectives that Millenniumbcp Fortis proposes to achieve in 2008 are included in the outline of the medium and long-term plan based on four pillars: Growth; Productivity; Quality and Profitability.

Growth – The main objective is to considerably increase the penetration rates in the Millenniumbcp customer data base, thereby reinforcing its leading position on the Portuguese market in the area of bancassurance and recovering its market leadership in Life Insurance. In 2008, 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. With regard to Agents and Brokers, 2008 will be the breakthrough year for the Non-Life Corporate Business Project whose main objectives are to increase the different global structure of the Millenniumbcp Fortis customers portfolio and turn the company into a national reference player on the Non-Life Insurance company market.

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. This process of productivity improvement is to be maintained permanently and to cover the entire spectrum of Millenniumbcp Fortis Group. It will continue to be one of the main priorities for the 2008 financial year and will remain focused on consolidating and redefining processes and support tools in both front and back-office areas.

Quality – The main objective is to considerably improve the quality of the service provided to both External and Internal Customers by using methods and practices common to the Millenniumbcp for monitoring and controlling the quality of the service provided in a coordinated attempt to progressively increase their levels of satisfaction and fidelity. The satisfaction indicators, both for external and internal Customers, will continue to develop in a very favourable manner in 2007, but we know that we can and must continue to improve.

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

Proposed Disbursement

Net income for 2007, related to all companies reporting under the consolidated accounts of Millenniumbcp Fortis Grupo Segurador, S.G.P.S., S.A., in accordance with the accounting principles established by the Instituto de Seguros de Portugal was EUR 87.522.341,03 (eighty seven million, five hundred twenty two thousand, three hundred forty one Euros and three Euro cents). In accordance the International Financial Reporting Standards (IFRS), 2006 net income at Millenniumbcp Fortis

□ REPORT OF THE BOARD OF DIRECTORS

Grupo Segurador, S.G.P.S., S. A. was EUR 87,296,596.74 (eighty seven million, two hundred ninety six thousand, five hundred ninety six Euros and seventy-four Euro cents).

Millenniumbcp Fortis Grupo Segurador, S.G.P.S., S. A. net income was EUR 31,176,012.14 (thirty one million, one hundred and seventy six thousand, twelve Euros and fourteen 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 2007, amounting to EUR 31,176,012.14 (thirty one million, one hundred and seventy six thousand, twelve Euros and fourteen Euro cents) be disbursed as follows:

- EUR 1,558,800.61 (one million, five hundred fifty eight thousand, eight hundred Euros and sixty one Euro cents), to the legal reserve;
- EUR 29,617,211.53 (twenty nine million, six hundred and seventeen thousand, two hundred eleven Euros and fifty three Euro cents), to retained earnings.

Lisbon, February 29, 2008

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 2007			Unit Price Euros
		31-12-2007	31-12-2006	Acquisitions	Alienations	Date	
Nelson Ricardo Bessa Machado	BCP shares	200,000	259,774		29,774	29-May-07	3,560
					30,000	27-Jun-07	4,180
Francisco Alexandre Robles Monteiro Lino	BCP shares	36,950	38,640		1,690	28-Sep-07	2,960
Pedro Manuel Renda Duarte Turras	BCP shares	1,531	185,531				
					100,000	2-Jan-07	2,810
					34,000	25-Apr-07	3,050
José Rodrigues Jesus	BCP shares	12,444	12,444		50,000	26-Apr-07	3,100
António Fernando Nogueira Chaves	BCP shares	72,255	72,255				
Spouse/ Sons or Daughters (minors)							
Maria Paula Silva A R Bessa Machado	BCP shares	0	1,280				
					1,280	29-May-07	3,550
Armanda Amélia Rodrigues Jesus	BCP shares	1,381	1,381				



□ GLOSSARY

A 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 channels.

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 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.

D 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 Value: the estimate economic value of a specific insurance company inferred from its future economic value, based on the sum of shareholder's funds and the value of its current portfolio.

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

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

I 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.

L 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 organization.

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

- 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 Solvency Ratio:** range of resources held by a company (net assets) apart from those legally required to meet current obligations to insurance policy holders.
- 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 solvency margin at the minimum required under the current regulations.
- VOBA:** corresponds to the estimated present value of the future cash flows from the contracts in force at the date of acquisition.