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→ CHAIRMAN'S STATEMENT

The cornerstones
of our strategy are
our partnerships
with leading
players

Since I became CEO of Fortis in June 2009, I am proud and deeply honoured to lead Fortis Group at such a critical time. We are a solid insurance group, with a medium-sized position in the European market and a leading position in our Belgian home market. The announcement of our updated strategy to the markets in September 2009, which was very positively welcomed by the market, incorporates our overall vision for Fortis as a focused insurance group with a sound capital position and the strategic opportunities to grow our business in the future.

The cornerstones of our strategy are our partnerships with leading players, of which our Joint Venture Millenniumbcp Fortis is one of the most outstanding examples. We are really happy and proud to be able to work since already five years with such a solid and loyal partner as Millennium BCP and look forward to continue working together to create value for the customers and stakeholders of this leading Portuguese insurance group. Within the insurance world, Millenniumbcp Fortis is clearly seen as an international benchmark for distributing insurance solutions to banking customers.

We are now building a new Fortis based on strong credentials: a track record in business and a solid foundation from which to grow irrespective of the current market conditions. Our story is compelling for all stakeholders including customers and shareholders, and importantly it must also be compelling to our strategic partners. As CEO of Fortis Group, I wish our partners to feel excited and energised by the new strategy in order to deliver the kind of results we believe we can achieve in the future. A new name and brand positioning of what is today still known as Fortis will be introduced before the summer of 2010 to underpin our ambitions.

Our partnership has been successful in 2009, for which I wish to express a heartfelt gratitude. We sincerely wish to continue this partnership and we look forward to rely on your continued support in the future.

Yours sincerely,

Bart De Smet
Chairman of the Board of Directors

KEY INDICATORS

Key Indicators [Euro Millions]	2009	2008	Var. 09/08
Income Statement			
Direct Written Premiums ⁽¹⁾	2,371	2,426	-2.2%
– Life	2,163	2,238	-3.4%
– Non-Life	208	188	10.5%
Technical Margin ⁽²⁾	232	144	59.9%
Technical Margin Net of Operating Costs	104	14	664.5%
Net Profit	97	28	240.5%
Net Profits before VOBA (<i>value of business acquired</i>)	127	63	102.8%
Balance Sheet			
Shareholders Equity	1,289	1,123	14.8%
Total Assets	13,315	11,612	14.7%
Investments	12,623	10,797	16.9%
Ratios			
Efficiency			
1 – Gross Claims Ratio (Non-Life)	60.9%	54.7%	6.2 pp
2 – Gross Expense Ratio (Non-Life)	23.2%	25.7%	-2.5 pp
3 – Non-Life Gross Combined Ratio	84.1%	80.3%	3.7 pp
4 – Life Net Operating Costs / Average of Life investments	0.80%	0.83%	-0.04 pp
Profitability			
1 – Technical Margin / Direct Written Premiums ⁽²⁾	9.8%	5.9%	3.8 pp
2 – Average Return on Investments (<i>book value</i>)	3.4%	0.6%	2.8 pp
3 – Return on Equity (ROE) ⁽³⁾	9.3%	5.6%	3.7 pp
Solvency			
1 – Solvency Ratio	241.5%	206.0%	35.5 pp
2 – Shareholders Equity / Total Assets	9.7%	9.7%	0.0 pp
3 – Coverage of insurance and Investment Contracts Liabilities ⁽⁴⁾	112.7%	110.8%	1.8 pp
Other Indicators			
Market Share	16.3%	15.8%	0.5 pp
– Life	20.7%	20.3%	0.4 pp
– Non-Life	5.0%	4.4%	0.7 pp
Numbers of Employees	458	454	0.9%

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

(2) Before allocation of administrative costs and VOBA.

(3) Before VOBA (*value of business acquired*) amortization both, in Net Profit and Equity.

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

→ **SHAREHOLDERS STRUCTURE**

Millennium
bcp

(49%)

FORTIS 

(51%)

Millenniumbcp Fortis
INSURANCE GROUP

Ocidental seguros

Millenniumbcp Fortis
INSURANCE GROUP

Ocidental vida

Millenniumbcp Fortis
INSURANCE GROUP



Pensões gere

Millenniumbcp Fortis
INSURANCE GROUP

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A Look Back Over 2009

Summary

2009 was a year of mixed emotions and mixed fortunes. It was also a year of significant change culminating in an opportunity for a new start. The April 2009 approval by the shareholders of the revised transaction with BNP Paribas, Fortis Bank and the Belgian state after months of uncertainty was a key defining moment and one which allowed the company to move forward as an international insurance company. Fortis moved swiftly to install a strengthened Board of Directors, an enhanced governance model, and a new management team under the leadership of Bart De Smet. A strategic plan was developed focusing on Europe and Asia, leveraging Fortis's strengths in partnerships, and work began on streamlining the company's existing portfolio against strict criteria. Despite the environment, Fortis maintained business momentum, reporting a solid financial performance and confirming a decision to reintroduce the dividend. Fortis is now focused on rebuilding the company in a disciplined way, delivering maximum value for shareholders.

A difficult beginning but important progress made

2009 will be remembered as a roller-coaster year for Fortis. It was a year of significant change, a game of two halves and a period of high emotion. It was a year when Fortis was finally able to start a new chapter. While still addressing the issues from the past, Fortis was able to look forward once more.

The year began with a continuation of the uncertainty that plagued Fortis in the prior 12 months.

The Court of Appeal in Brussels ruled in mid-December 2008 that the decisions of the Board in early October 2008 and the agreements entered into should be submitted to an Expert Committee appointed to investigate the circumstances and conditions in which the transactions were concluded and that a General Meeting of Shareholders of Fortis SA/NV should be held.

The Expert Committee published its interim report at the end of January. This led to the negotiation of a new agreement with BNP Paribas, the Belgian state and Fortis Bank. The Expert Committee's conclusions were presented to the General Meeting of Shareholders of Fortis SA/NV on 11 February. The report confirmed that the decisions taken in September and October 2008 had been logical and reasonable in the circumstances, and that they did not violate the corporate interest of the Fortis companies involved. The revised transaction was submitted for approval to the shareholders' meeting of Fortis SA/NV on 11 February, but was rejected.

At the meeting held on the same day, the shareholders of Fortis SA/NV appointed Jozef De Mey, Georges Ugeux and Jan Zegeering Hadders as non-executive directors. On 13 February, the shareholders of Fortis N.V. appointed Jozef De Mey, Georges Ugeux and Jan Zegeering Hadders as non-executive directors of Fortis N.V. On the same day, Jozef De Mey was appointed Chairman and formed, together with Karel De Boeck, CEO, and Jan Zegeering Hadders, the new Board of Directors of Fortis; Mr Ugeux subsequently resigned.

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Fortis negotiated long and hard for the best transaction for shareholders

Following the rejection by the General Meeting of Shareholders of Fortis SA/NV of the revised transaction on 11 February, Fortis resumed discussions with BNP Paribas and the Belgian state, negotiating hard for improved terms. A third, further improved agreement was finally reached on 6 March for submission to the shareholders. Under this revised transaction, Fortis would sell 25% of Fortis Insurance Belgium to Fortis Bank. In addition, RPI would buy a somewhat larger structured credit portfolio from Fortis Bank. At the same time, Fortis's exposure was limited to an equity investment of 760 million euros (45% of the equity of RPI). Fortis also retained the opportunity to benefit from a potential upside of these assets at a future date. Furthermore, Fortis would no longer be required to make an upfront payment of 2.35 billion euros related to the settlement of the CASHES financial instrument (as this was replaced by an interest payment mechanism), and would have the benefit of a cash-settled option granted by the Federal Participation and Investment Corporation (SFPI/FPIM), linked to the BNP Paribas shares owned by the SFPI/FPIM (replacing the 'Coupon 42' mechanism).

Coupon 42

The publication of the law of 22 December 2009 concerning tax and various provisions (Belgian Law Gazette 31 December 2009) effectively rendered 'Coupon 42' valueless, since the chapter confirming the existence of Coupon 42 and its specific treatment was removed from the law (Article 91).

'Coupon 42' has been removed from shareholders' custody accounts and from the shareholders' register for holders of registered shares. Shareholders who still hold physical shares may detach and destroy 'Coupon 42', since it no longer has any value.

Shareholder approval and a new dawn for Fortis

The General Meetings of Shareholders of Fortis SA/NV and Fortis N.V. were held on 28 and 29 April 2009 respectively in Ghent and Utrecht. After a very long and protracted process, shareholders of Fortis SA/NV and Fortis N.V. finally voted in favour of the revised transaction with the Belgian state and BNP Paribas.

Approval of these transactions and their subsequent closing on 12 May marked a new beginning for the company and the starting point for defining a strategy for the future.

Strengthened Board with greater accountability

The Board of Directors was further strengthened at the same shareholders' meetings by the appointment of Frank Arts, Guy de Selliers de Moranville, Roel Nieuwdorp, Lionel Perl and Shaoliang Jin, who were appointed non-executive directors. They joined the Board alongside Jozef De Mey, Karel De Boeck and Jan Zegering Hadders. Guy de Selliers de Moranville was subsequently appointed Vice-Chairman of Fortis.

The newly structured Board implemented a new governance model, illustrating its clear intention to strengthen the company's corporate governance principles. This included the composition of the Audit & Risk Committee and Remuneration Committee, and the installation of a new Corporate Governance Committee. The main tasks of the latter are to develop a proactive and transparent dialogue with shareholders, to ensure that the Board operates effectively and in full compliance with its fiduciary responsibilities

and, lastly, that the proposed management structure ensures a competent and motivated senior management team.

A solid commercial and financial performance

Fortis posted a net profit in the first quarter of 13 million euros for its insurance operations, despite a negative impact on the investment portfolio of some 96 million euros. Gross inflows showed double-digit growth, with the commercial franchise staging a very encouraging rebound – especially in Belgium – following a difficult final quarter in 2008. Expenses declined and overall solvency remained strong. Given the uncertainty in the first quarter of the year, this was an encouraging result, demonstrating the ongoing support of a loyal distribution and customer base.

Fortis Insurance Belgium changed its name to AG Insurance in June, while Fortis began working on its new corporate brand strategy. This is part of the repositioning of the group and culminated in the new name “ageas”, which will be put to the shareholders’ meetings for approval in April 2010, with a view to global implementation during the course of the year.

In May, the Board of Fortis announced its decision to resume dividend payments for the 2009 financial year. On 25 September, Fortis announced its intention to distribute 40–50% of the net profit of its insurance activities as a dividend to its shareholders. In addition, and in line with European Commission requirements, it will propose to its shareholders a distribution in the form of a dividend of any gains from the exercise or monetisation – partially or in full – of the option on the BNP Paribas shares.

New leadership for a new Fortis

On 15 June, Bart De Smet was appointed the new CEO of Fortis. A highly experienced insurance professional, Bart De Smet was considered the ideal candidate to take Fortis forward as a stand-alone insurance group. He replaced Karel De Boeck, to whom Fortis owes a debt of gratitude for his personal contribution towards achieving the terms of an acceptable transaction with BNP Paribas and the Belgian state, and for his excellent work during many years at Fortis.

In the weeks that followed, Fortis further strengthened the management team, appointing Bruno Colmant as Deputy CEO and Kurt De Schepper as Chief Risk Officer together with Bart De Smet to form the Executive Committee. At the same time a newly structured Management Committee was announced, composed of the three members of the Executive Committee plus Patrick Depovere, CFO, and the heads of the four future business segments: Steven Braekeveldt, CEO Continental Europe; Antonio Cano, CEO AG Insurance; Barry Smith, CEO United Kingdom, and Dennis Ziengs, CEO Asia. The new structure is fully operational since 1 January 2010.

With key appointments made and the strategic planning process in full swing, Fortis was back in business mode and fully focused on delivering value for its customers and shareholders.

The company reported a half-year group net profit of 886 million euros, including an insurance net profit of 228 million euros. Inflows in insurance were in line with the same period in 2008. Considering market conditions, this represented a solid performance that continued in the third quarter and led to a full-year net profit of 456 million euros, generating a full-year net profit of 1,191 million euros for the group.

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A clear strategy focused on partnerships in Europe and Asia

A promising new insurance partnership with Tesco in the UK was also announced, representing some 500 new jobs in the UK and expected to generate more than 570 million euros of additional annual gross written premiums. This transaction was quickly followed by a strategic partnership in Italy with BNP Paribas Assurance and UBI Banca. The decision to partner with UBI Banca, a leader in Non-Life insurance distribution via banks in Italy, will allow Fortis to deploy its growth plans in this important market.

The conclusions of Fortis's strategic review were announced on 25 September and presented at an Investor Day. The key elements were that Fortis, as an international insurance group, plans to excel in partnerships with leading local distribution partners in Europe and Asia. This is a core competence of Fortis, making it the foundation of the company's growth. Fortis will continue to capitalise on its strong market positions in stable and cash-generative core markets in which it is a leader, while at the same time seeking a presence in a number of selected high-growth potential markets. The review also concluded that it would be necessary to streamline the current portfolio against specific performance-related criteria. Fortis reaffirmed its clear intention to carefully manage the General Account with a view to maximising value. Finally, around half of the capital held in the General Account, amounting to 1.3 billion, was confirmed as 'discretionary'¹ providing both a prudential buffer, but also representing available resources for potential investments.

The decision to withdraw from the Luxembourg Non-Life market and to discontinue operations in Russia reflects the swift execution of the announced strategy.

Fortis ended the year in a stronger position than it started. The company performed well in very difficult circumstances. It has made a significant number of important changes to the way it operates, put in place a strong management team, announced its strategy and is now in execution mode.

In summary, 2009 was a mixed year. The turning point was the closing of the transactions approved by the shareholders at the end of April 2009. Since that time Fortis has been firmly focused on its future as an international insurance company, moving full steam ahead to deliver value to shareholders.

¹ Fortis defines discretionary capital as the lower of the available cash and the total capital of General Account, corrected for (contingent) illiquid assets and existing investment commitments. The calculation of the discretionary capital of the General Account is as follows:

Total Capital (equity plus FRESH)	4.0 billion Euros
Illiquid investments (RPI, call option BPN loan 2011)	(1.4 billion Euros)
Contingent asset (related to Fortis Bank loan 2011)	(1.0 billion Euros)
Investments committed (Tesco)	(0.3 billion Euros)
Discretionary capital	1.3 billion Euros

Key Figures

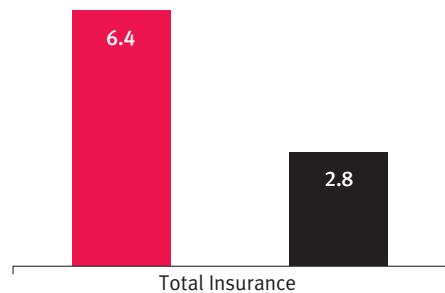
Total gross inflow [EUR bn]	FY 09	FY 08	Change
AG Insurance	6.9	6.3	9%
Life	5.4	4.8	11%
Non-Life	1.5	1.5	3%
Fortis Insurance International *	8.9	8.4	7%
Life	7.4	6.8	9%
Non-Life	1.5	1.6**	(3%)
Total inflow*	15.8	14.6	8%
Of which non-consolidated jv's	3.8	3.0	26%
Life	3.4	2.7	27%
Non-Life	0.4	0.3	13%
Funds under management	73.0	65.9	11%
AG Insurance	48.4	44.7	8%
Fortis Insurance International	24.7	21.2	17%
Vida	68.0	61.6	11%
Não Vida	5.0	4.3	16%
Net profit Insurance after minorities	456	6	
Net profit General	736	(616)	

* Including non-consolidated joint ventures at 100%

** At constant exchange rates +4%

Strong capital position [EUR bn]

EUR 3.6 bn above Minimum



Solvency ratio 231%

- Solvency Capital (Actual)
- Required Regulatory Minimum

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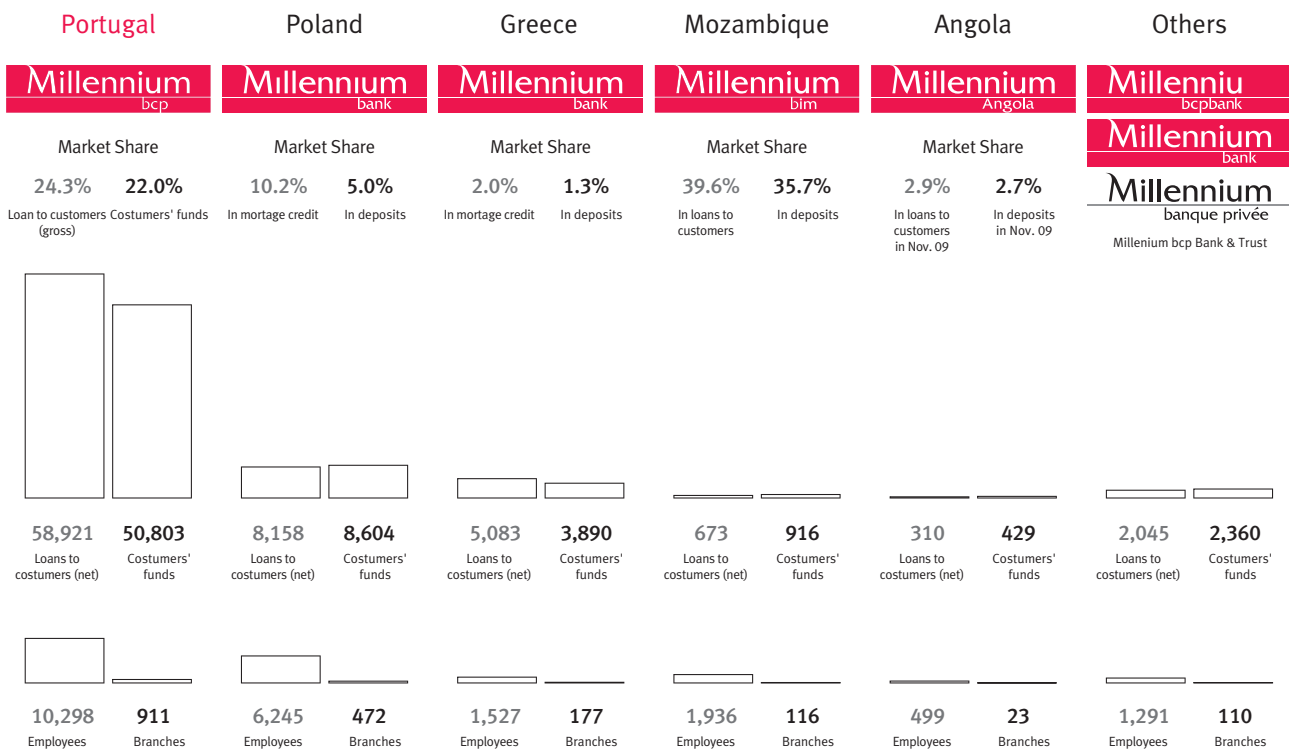


Millennium bcp is Portugal's biggest private-owned bank. It has its decision centre in Portugal and holds an outstanding position within the Portuguese financial market: it is the second bank in market share, both in loans to customers (about 24%) and in total customers' funds (about 22%), and it has the country's largest banking distribution network, with a total of 911 branches. It is also a reference institution in Europe and Africa, involving its banking operations in Poland, Greece, Mozambique, Angola, Switzerland and Romania, as well as the United States of America. All these operations trade under the Millennium brand.

The Group focuses on retail distribution in Portugal, Poland, Greece, Mozambique and Angola. Its business in Portugal accounts for 76% of total assets, 78% of net loans to customers, 76% of total customers' funds, and 95% of net income. International operations account for almost 53% of the Group's approximately 21.8 thousand employees and for circa of 50% of the total of 1,809 branches.

A leading Group focused on the retail business in Portugal, Poland Greece, Mozambique and Angola [December 2009]

[Euro millions]



49.6% of our branches are located outside Portugal
52.8% of our staff works abroad

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

The Group offers a wide range of banking products and related services, namely current accounts, means of payment, savings and investment products, mortgage loans, consumer credit, commercial banking, leasing, factoring, insurance, private banking and asset management, investment banking, among others, serving its customers on a segmented basis.

Organisational Model

The organisational model at year-end is based on five business units – Retail Banking and Companies; Corporate and Investment Banking; Private Banking and Asset Management; Business in Europe; and Other International Business, besides two support units – Banking Services and Corporate Areas.

Five of these seven areas have Coordination Committees, the aim of which is to simplify the articulation of day-to-day management decisions, involving the top management of the units included in each business unit and support unit, whose mission is to align perspectives and to provide support to the Executive Board of Directors (EBD) in decision-taking.

Strategic Priorities for 2009: Main measures implemented

In a particularly adverse context and under the pressure of many exogenous variables, Millennium bcp considered that, following a period of institutional stabilisation, the launch of new strategic priorities was justified for 2009. The Millennium bcp management priorities for 2009 were based on three fundamental pillars: Soundness and Trust; Commitment and Performance; and Sustainability and Value. Six vectors of priority action were established, directed at “Strengthening Commitment Towards the Future”. These areas of operation involve a number of initiatives that can be summed up as:

1. Capital ratios and liquidity position strengthening

Risk management is a fundamental priority for the bank, one that has been strengthened through the following measures:

- more comprehensive process of identification, appraisal and management of risks;
- increase of the sustainability and mitigation of the risks of the Pension Fund;
- perfecting the methods of preventive identification of signs of impairment;
- implementation of loan recovery models for Retail and for large customers and/or major risks;
- greater automation of customer risk assessment and of credit decisions through broadening of the coverage of the TRIAD model;
- increased reporting of internal and market risks through the perfecting of internal information on.

2. Internal control and risk systems management improvement

Taking into account the increase of the liquidity risk over the past two years and the necessary prudence in capital management, in addition to the Bank of Portugal’s recommendations for the Tier I capital ratio, the bank decided to strengthen its measures directed at integrated, prudent management of these factors, with emphasis on:

- integrated planning and control of capital and liquidity, and implementation of management based on the return/risk ratio;
- development of a cash-management strategy in articulation with the business areas;

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- liquidity management focused on taking advantage of opportunities to access alternative sources of fund-taking, optimisation of the cost of funding and increase of attracting and retaining customers' balance-sheet funds;
- transition to the IRB methodologies (Basel II), the Bank of Portugal having granted authorisation to adopt the standard method for operational risk and the internal models method for general market risks in calculating capital requirements;
- efforts to quickly meet all the requirements established by the Bank of Portugal within the scope of the adoption of the advanced (IRB) methodologies to calculate capital requirements for credit risk, under Basel II, given that the Bank of Portugal's authorisation process is not yet finalised;
- development of the process of economic capital assessment and allocation (Pillar 2 – ICAAP);
- optimisation of risk-weighted assets (RWAs) through divestment of non-core assets and increase of adequate guarantees;

3. Deep commitment to clients and maximization of funds and results

To ensure more profound commitment to customers, the following measures were implemented:

- programmes of approach to the customer base in all transactions;
- plan to attract balance-sheet funds in the various segments, Retail in particular, in all countries;
- stricter management of leakage/ commercial exemptions, including commissions, in all networks;
- consistent adjustment of price lists to reflect the real cost of the credit risk and liquidity (risk-based pricing);
- plan to attract customers in all the countries.

4. Acceleration of cost reduction and organizational streamlining

The bank plans to continue and to increase efforts to reduce operating costs, especially through a transverse plan to cut staff costs, in an ongoing effort to reduce administrative costs in Portugal and to reduce significantly the costs of the various operations abroad, adapting the structure to production volumes within the new context of the market.

5. Adjustment of business models and materialization of growth opportunities

In Portugal adjustments were made to the Private Banking model and its strategy in light of new business opportunities and under way is the revision of the business and organisational model of Corporate and Investment Banking.

In international operations, we would point out the implementation of the expansion plan in Angola, involving a partnership with Sonangol/Banco Privado Atlântico (BPA), several measures to optimise the margin and to attract customers in the African operations, and the strategic review of growth in Europe, with a particular focus on individuals and SMEs, leveraged by the brand and the branch network as distribution platforms.

6. Talent management and employee mobility

The increase of the commitment to employees called for the launch and strengthening of performance-oriented measures, responsibilities and professional enhancement.

During 2009 several measures of strategic scope were implemented with a view to materialising the management priorities established for 2009, with emphasis on:

Soundness and Trust	<p>Focus on risk management:</p> <ul style="list-style-type: none"> • Capital ratios strengthened Tier I capital ratio of 9.2% and Core Tier I of 7,1%, calculated based on IRB methods (pro forma) Euro 1 billion debt issue in subordinated perpetual securities in 2009 • Liquidity position strengthened Four long term debt issues reaching 5.6 billion euros Consolidated commercial gap control in main operations Increase of eligible assets for 10.6 billion euros • Internal control and risk management systems improvement
Commitment and Performance	<p>Faster cost reduction and organization streamlining:</p> <ul style="list-style-type: none"> • 7.8% operating costs reduction: -5.1% in Portugal and -12.2% in international operations <p>Commitment to Customers, funds and profits maximization</p> <ul style="list-style-type: none"> • Ongoing repricing process with an expected impact in the next few years • Beginning of the leakage management process in 2Q09 • Clients satisfaction at record level since the launching the single branch; Group's clients over 5 million for the first time
Sustainability and Value	<p>Business models adjustment and growth opportunities completion:</p> <ul style="list-style-type: none"> • Business model adjustment for Poland, Romania and Private Banking • Angola partnership conclusion and expansion in Mozambique • Capital allocation discipline <p>Talent management and employees mobility</p> <ul style="list-style-type: none"> • New assessment and performance system and new incentive system in Portugal

Vision for 2010-12: Focus and transformation

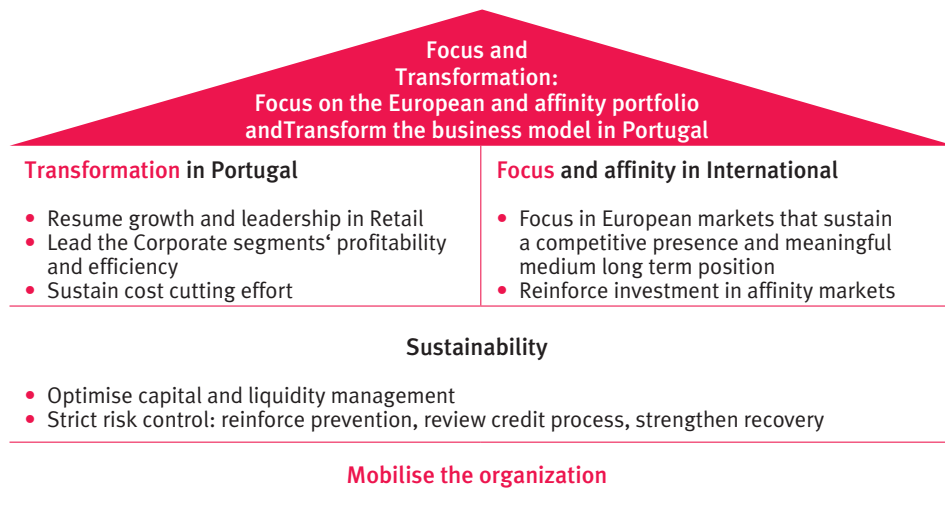
During the presentation of 3rd quarter 2009 results the bank announced its vision for the 2010-12 period, having adopted as the overall theme at the corporate and business level a vision of "Focus and Transformation". This is materialised in the focus on the European portfolio and on affinity markets, and on transformation of the business model in Portugal.

Millennium bcp is a bank undergoing transformation: institutionally stable, commercially resilient, focused on risk control, on efficiency, on innovation and on customer service. Transformation is both necessary and motivating; it is necessary to regain the path to growth and value creation, and motivating in the sense that it provides the rallying cry for the involvement of management and other personnel. Transformation of the business model in Portugal involves returning to growth and leadership in Retail, ensuring profitability and efficiency in the Companies segment and sustaining the cost-cutting effort.

The strategy of focus and affinity in international operations involves a focus on those European markets that will allow a competitive presence and a significant position in the medium and long term, and continuity of investment in affinity markets.

The bank's vision for 2010-12 also rests on a third pillar: Sustainability, which is the optimisation of capital and liquidity management and the strengthening of risk control, seeking to increase prevention, revise the credit decision process and strengthen loan recovery.

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Financial Results

Millennium bcp's consolidated net income stood at Euro 225.2 million in 2009, compared to Euro 201.2 million in 2008. The evolution of net income, excluding the impacts previously mentioned, was positively influenced by the reduction in operating costs and by the rise in equity accounted earnings, despite the drop in net interest income, reflecting the increase in the cost of funding and the more narrow spreads on customer deposits, and by the evolution in loan impairment charges (net of recoveries), as a result of the coverage of impairment indicators in the loan portfolio, as well as other provisions.

Net income in Portugal reached Euro 213.8 million in 2009 compared to Euro 116.7 million in 2008. This evolution reflects the growth of net operating revenues, led by higher net trading income – which includes in 2008 the impairment losses determined by the devaluation of Banco BPI, S.A. shares, which have since been sold. The growth of net income also benefited from the savings in operating costs, in particular the 15.5% reduction in other administrative costs, driven by the improvement in operating efficiency.

Net income from the international activity was determined by the evolution in net operating revenues and in the loan impairment charges in most international operations, led by the additional volume of loans to customers and by the need for coverage of impairment indicators in the loans portfolio. Net income from the international activity was favourably influenced by savings in operating costs, benefiting from the effort to streamline the organisational structure, highlighting the activity in Poland, which more than offset the increase in operating costs at Banco Millennium Angola and Millennium bim in Mozambique, related with the organic growth strategy in these markets.

In accordance with International Financial Reporting Standards (IFRS) the Group had at December 31, 2009 total assets of 95,550 million euros and total customers' funds amounting to 67,002 million euros. Loans to customers (net, excluding securitised credit) amounted to 75,191 million euros. The consolidated solvency ratio, calculated in accordance with Bank of Portugal rules, stood at 11.5% (Tier I at 9.3%). BCP shares are listed on Euronext Lisbon and market capitalisation as at December 31, 2009, stood at 4.0 billion euros.

Millennium bcp – Indicators Summary

Financial Highlights Million of euros	2009	2008	Change
Net income	225.2	201.2	11.9%
Total assets	95,550	94,424	1.2%
Total customer' funds ⁽¹⁾⁽²⁾	67,002	65,803	1.8%
Loans to customers (net) ⁽¹⁾	75,191	74,756	0.6%
Market capitalisation	3,967	3,826	3.7%
N. of employees (Portugal)	10,298	10,583	-2.7%
N. of employees (foreign activity)	11,195	11,686	-4.2%
Return on average equity (ROE)	4.6%	4.5%	
Earnings per share (euros)	0.03	0.03	
Operating costs/Net operating revenues ⁽³⁾⁽⁴⁾	63.6%	58.6%	
Operating costs/Net operating revenues (Portugal) ⁽³⁾⁽⁴⁾	60.2%	54.0%	
Tier I solvency ratio ⁽³⁾	9.3%	7.1%	
Total solvency ratio ⁽³⁾	11.5%	10.5%	

(1) Adjusted from the consolidation of Millennium bank Turkey.

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

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

(4) Excludes the impact of specific items.

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

In accordance with the agreement established to the sale of 95% of Millennium Bank AS in Turkey and in accordance with IFRS 5, as at 31 December 2009, the total assets and liabilities of this subsidiary company will be presented, respectively, in the item of "Non current assets held for sale" and "Non current liabilities held for sale" in the Consolidated Balance sheet, while the total expenses and income for the year will be represented line by line in the consolidated income statement. Until the date of sale, Group continues to consolidate, in reserves and income, any changes occurred in the net assets of Millennium bank Turkey.

In accordance with the business area restructuring in 2009, the subsidiary companies Millennium Banque Privée Switzerland and Millennium bcp Bank & Trust Cayman are no longer considered as complementary commercial networks of the activity in Portugal and will be included in the foreign business activity. To ensure comparability, the breakdown of the consolidated information, between activity in Portugal and international activity, was recalculated for the 2008

→ **REPORT OF THE BOARD OF DIRECTORS**

The Board of Directors of Millenniumbcp Fortis Grupo Segurador, S.G.P.S., S. A., has the pleasure in presenting the consolidated report and accounts of the company, regrouping all operations of the Group companies for the year ended December 31, 2009. These consolidated accounts were audited by KPMG.

Macroeconomic Environment

Overall assessment

During the past two years the global economy has undergone one of the most troubled periods since the Great Depression of the 1930s, with its devastating consequences on production, on employment and, consequently, on banking business. As a result of the public policies to support the economic activity and the financial systems, the first signs of stabilisation of economic activity appeared, during the second half of 2009,. Nonetheless, owing to the extent of the damage caused previously, this recovery might be insufficient to avoid the first global economic recession in several decades.

Though more positive, the outlook for the global economy in 2010 is still faced with several challenges. For the shift of the aids of public policies to the support of the private sector is subject to risks. The solidity of public finances as a fundamental element of confidence in the state and the commitment to price stability over time, crucial to investment decisions, constitute natural limits to new stimuli. On the other hand, alteration of household preferences and company strategies, with a markedly more conservative orientation, provide prospects of a slower upturn than in other periods of reversal of the economic cycle. Additionally, the degree of uncertainty is not negligible as to the timeliness and form of and reaction to the probable removal of the business stimulus measures.

The Portuguese economy was also affected by the global crisis. The estimate is that gross domestic product will have dropped by about 3% in real terms in 2009 and, for 2010, the expectation is one of very limited growth. Major financing requirements in addition to chronic problems of competitiveness continue to be relevant risk factors.

Despite a certain recovery of the climate of confidence, the regular functioning of the financial markets has only partly been re-established, particularly in the interbank markets, and the credit cycle is not seen to be favourable as a result of small turnover and deterioration of loan quality. This demanding background for the Portuguese financial institutions, on a par with its overall situation of deficit in the international capital markets, imposes strict evaluation of the liquidity risk and of the use of capital, imposing a pursuit of efficiency gains, while emphasizing preservation of profits, fundamental to reinforcing the solvency of the institutions.

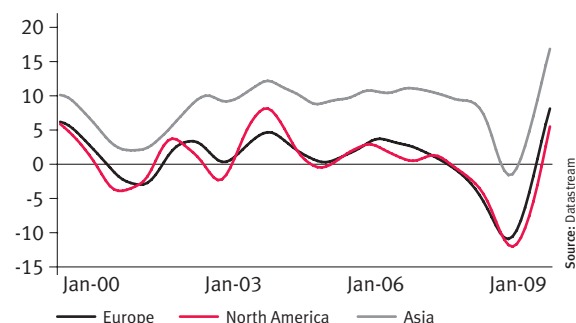
By virtue of the apparent success of public policies directed at avoiding the economic and social meltdown that began to come about, the more recent economic indicators signal a reversal of the cycle of global recession. Policies stimulating spending allowed accumulated stocks to be disposed of, with obvious repercussions on the upturn of production and on world trade.

Differentiated economic upturn in function of the impact of the crisis on the countries' financial condition

This alteration to the course of activity has led to an upward revision of economic growth scenarios for 2010. On the other hand, it has brought about heavy costs for public finances. Faced with the reasonable limits of public policies this suggests that any sus-

Inflexion point in the global recessionary cycle

OCDE leading indicators
yoy % change



→ **REPORT OF THE BOARD OF DIRECTORS**

tained economic recovery will depend on the capacity of private initiative as the main engine of growth, a phenomenon more probable in those countries in which the financial condition of households and companies is seen to be more solid.

The European economies were particularly affected during this global recession. There are several countries and financial institutions that, owing to the pursuit of development and business models not based on economic fundamentals, are now going through a period of painful adjustment.

Risks still relevant to the materialisation of the growth scenarios

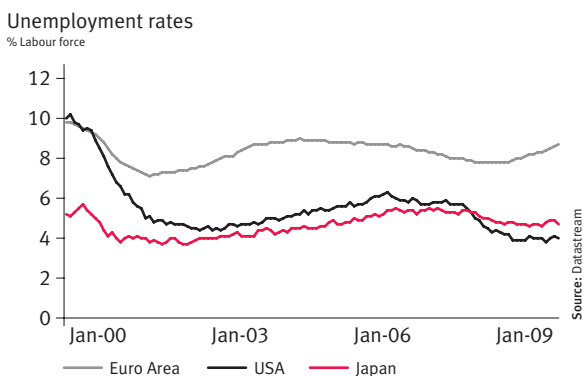
The more acute stage of the crisis seems to have passed, though relevant risks persist for the near future. Of these, emphasis is given to a slowdown of economic activity as a result of a defective transition from public drive to private initiative and as a result of the end to the temporary effects currently enacted. This risk is greater in those countries having higher debt levels, less autonomy of domestic demand and greater vulnerability to external financial conditions, factors that tend to act and to mutually strengthen themselves at the same time.

In a different sense, the dynamism of the emerging economies, some of which have major insufficiencies in accessing natural resources, may bring renewed tensions to the raw-materials markets and, consequently interfere in the recovery process of countries at a more retarded stage of the economic cycle, especially those more dependent on primary resources from abroad.

Lastly, economic, financial and social difficulties constitute fertile ground for the exacerbation of protectionism, despite institutional opposition within the G20. In a scenario of weak growth and latent social pressure one cannot ignore the risk of protection practices by local constituents, to the detriment of processes of free trade and aid for financially weaker countries.

Reduction of the deflationary risk, but still-moderate inflationary pressures

Sharp increase in unemployment levels



The inflation rate of the leading economies is at an historically low level owing to the combination of basic statistical effects related with oil-price performance and manufacturing over-capacity. The use of installed capacity, though showing some signs of recovery in recent months, continues low. Jobless rates rose sharply in most countries notwithstanding the public measures to defend and stimulate employment. For these reasons the pressures underlying prices are set to remain moderate.

Portugal less affected by the crisis, though with limited recovery potential

The Portuguese economy was affected by the global crisis and the gross domestic product is estimated to have fallen by about 3% in real terms as a result of the downturn of public and private investment spending. On the assumption of better performance of

the economies of the main trading partners, 2010 is expected to see a very moderate GDP growth. The potential growth would appear to be conditioned by the absence of structural reform having a relatively fast impact.

Private consumption slowed significantly, though the reduction of interest rates to abnormally low levels and the intense deflationary process contributed to a mitigation of the impact of lower employment on household finances. Nonetheless, the actual or expected budget restrictions are clear to see in consumer preferences, more selective in their spending, particularly in purchases of greater value. The jobless rate rose to nearly 10%, one of the highest figures of the recent past, on a par with an increase of structural unemployment. The higher jobless rates were seen among the less-qualified and among youths looking for their first job, reflecting the little flexibility prevalent in the employment market. The 2009 inflation rate was negative (-0.8%), the lowest annual price variation since the 1960s. The breakdown of inflation shows the influence of energy prices in this process. For 2010 this aggregate is not expected to perform as well, despite the fact that the final effect is set to be mitigated by the modest evolution of the prices of other items.

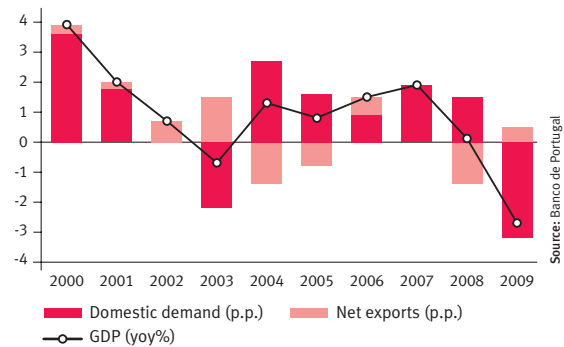
The intense decline of domestic demand was reflected in a sharp downturn of imports and for this reason, notwithstanding the very adverse background in the main export markets for Portuguese products and services, the contribution made by net foreign demand to GDP growth was positive in 2009.

The slight recovery of private saving, allied to better terms of trade than in 2008, provided a reduction of the foreign deficit. Nevertheless, it is still very high and some of its elements are somewhat rigid as a result of the energy deficit and of the accumulation of debt in recent years, and no favourable alterations are on the horizon for 2010. Therefore, the mere reduction of the trade deficit (excluding energy goods) may be insufficient to achieve a better balance of the foreign accounts. Another step will have to be taken in evolving to a surplus under the non-energy headings, though this would certainly require a profound alteration of spending habits (consumption and investment) that have prevailed in recent years, besides the desired reduction of the relative costs.

State intervention, in tune with the Community programmes and dictated by the course of economic activity, leaves behind a legacy of weak public finances that limit economic policy options for the coming years. Since any re-establishment of lower figures for the public deficit will be hard to achieve with the context of the reverse cycle and taking into account the government's orientation towards public investment in infrastructure, it is likely that compensatory measures will have to be adopted under other headings, through a review of fiscal parameters, of the criteria governing the award of grants and a new commitment to measures to rationalise public expenses and to combat tax fraud.

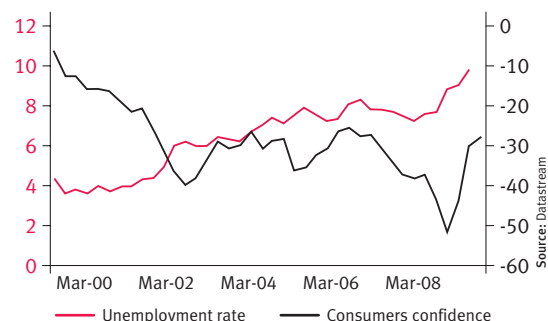
Material decrease in Portuguese GDP in 2009

GDP and growth components
% yoy change and contributions in p.p.



Confidence levels harmed by high unemployment levels

Households confidence and unemployment rate
Indices and as a percentage of the labour force



REPORT OF THE BOARD OF DIRECTORS

Insurance Sector Environment

In Portugal, the volume of direct written premiums and investment contracts in 2009 showed a decrease in the insurance business in comparison with the previous year, conditioned by a macro-economic recession, both at international and national level, namely due to the poor aggregates' dynamism such as private consumption, investment, income and employment, and due to an intense competition between the operators of this business sector. In fact, in 2009 the insurance market fell around 5% and reached about 14.6 billion euros, equivalent to 8.8% of the Portuguese GDP. This ratio, compared to the GDP, which expresses the penetration of insurance in the economy, maintained a high level (9.2% in 2008).

Direct Written Premiums and Investment Contracts - Portugal Market [Euros Millions]							
Lines of Business	2009	2008	2007	2006	Change 09/08	Change 08/07	Change 07/06
Life	10,427.0	11,004.7	9,369.3	8,761.5	-5.2%	17.5%	6.9%
Non-Life	4,131.6	4,321.0	4,381.6	4,361.3	-4.4%	-1.4%	0.5%
Total	14,558.6	15,325.8	13,750.9	13,122.9	-5.0%	11.5%	4.8%

Source: Associação Portuguesa de Seguradores.

The drop in the business volume of the insurance sector was largely dependent upon the downturn of about 5% of the Life business, in which the total premiums reached approximately 10.4 billion euros. The main influence for this evolutionary picture in Life comes from the growth rate of its main component, the Saving Products – their premiums or contributions fell by 16,5% (close to 6.3 billion euros).

In the Non-Life Business, much due to the influence of the general behaviour of the economy and possibly to some tariff adjustments, the overall picture also indicates the downturn of the volume of premiums (in fact, for the second consecutive year), having reached in 2009 4.1 billion euros with a decrease of more than 4%. This behaviour crossed almost all Non-Life lines of business and continues to be strongly influenced by the decline in the Motor and Workman's Compensation premium revenues, lines of business especially penalized by the macro-economic climate and the strong competition in the insurance sector. It should be noted, however, that some other lines have positive growth, such as Health and Fire and Other Damages, both representing about 30% of the total Non-Life business.

As for the costs of direct insurance claims in Non-Life, there is in the third quarter an increase of about 3.7%, the result of an acceleration of the amounts paid and a decrease of the variation in the provision for claims.

Both factors, the decline in revenue and increased cost of claims, had the corresponding impact on the net claims ratio of reinsurance regarding the Non-Life business with an increase of 7.1 percentage points in September 2009.

In the year 2009, although the degree of concentration in the national insurance market has been high, it decreased in comparison with the previous year, therefore not maintaining the trend of recent years, and the five largest insurance groups accounted for about 70% of the issued premiums, comparing to the 74% registered in late 2008.

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

Life Business

The Life business experienced a reversal in the growth rate that had been happening since 2007, registering a significant decrease in premiums and investment contracts, compared to the previous year. However, at the end of 2009, it maintained a relative weight of about 72% of the total direct written premiums of the Portuguese market.

In 2009, all lines of business showed more modest growths than those registered in 2008, and even the Saving Products, especially in the Unit-Linked (excluding PPR Unit-Linked products), and the Risk and Annuities products decrease the issued premiums for the abovementioned reasons.

It should be noted that lately, with the transfer of supervision and regulation powers to the CMVM, there has been an increase of imposed requirements for the marketing of Unit-Linked, which began in late 2008 to be more generally classified as “complex financial products” (Decree Law No. 211-A, Nov 2008), by requiring them, on the one hand, to be identified as such on the information to investors and in advertisements and, on the other hand, the prior approval of the relevant advertisements by the supervisor.

In Life, one should highlight the excellent performance of the Retirement Saving Products, which for the second consecutive year continued to present a remarkable growth rate with a double-digit percentage, that confirms, as was apparent in 2008, the existence of some changes in attitude within the Portuguese population:

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

Thus, in recent years, there has been a significant increase in the relative weight of the Retirement Savings Plans (PPR), including PPR Unit-Linked products, in the total Life premiums, which rose from 22% in 2006 to 30% at the end of 2009. Moreover, in a particularly volatile environment of low liquidity in the economy, retirement insurance and Saving Products with capital and guaranteed return rates are becoming refuge products for Portuguese savers, who in these periods were averse to other types of financial products with higher risk.

Direct Written Premiums and Investment Contracts - Portugal Market [Euro Millions]							
Ramos	2009	2008	2007	2006	Change 09/08	Change 08/07	Change 07/06
Savings (includes Unit-Linked)	6,336.0	7,588.6	6,835.2	6,009.2	-16.5%	11.0%	13.7%
Savings (PPRs / PPPE)	3,147.6	2,465.9	1,698.2	1,961.3	27.6%	45.2%	-13.4%
Risk & Annuities	943.4	950.2	835.9	791.0	-0.7%	13.7%	5.7%
Total	10,427.0	11,004.7	9,369.3	8,761.6	-5.2%	17.5%	6.9%

Source: Associação Portuguesa de Seguradores.

In the Life business, one continues to experience a high degree of concentration around the five main operators in the national market. There was, however, a decrease compared to prices in 2008. In fact, the five main insurance groups, which accounted for about 86% of the total Life insurance market in 2008, represent now, in 2009, about 81% of that market, a value close to the one registered in 2007.

REPORT OF THE BOARD OF DIRECTORS

Non-Life Business

Compared to 2008, the volume of direct written premiums in Non-Life business showed a decrease of about 4.4%. This behaviour arises as a result of the recession in 2009 and reinforces the negative growth trend (1.4%) that had already been felt in 2008.

Direct Written Premiums - Portugal Market [Euro Millions]							
Lines of Business	2009	2008	2007	2006	Change 09/08	Change 08/07	Change 07/06
Motor	1,665.6	1,809.7	1,943.9	2,004.1	-8.0%	-6.9%	-3.0%
Fire	744.3	732.2	705.9	688.9	1.7%	3.7%	2.5%
Workman's Compensation	673.7	741.1	762.5	773.6	-9.1%	-2.8%	-1.4%
Health	499.7	482.8	440.5	408.4	3.5%	9.6%	7.8%
Personnal Accidents	180.0	172.3	169.2	168.3	4.5%	1.8%	0.5%
Other	368.3	382.9	359.6	317.9	-3.8%	6.5%	13.1%
Total	4,131.6	4,321.0	4,381.6	4,361.3	-4.4%	-1.4%	0.5%

Source: Associação Portuguesa de Seguradores.

In the Non-Life business, the decrease in the volume of direct written premiums of the largest branch – Motor – continued, being now around 8%, which reflects the trend felt in recent years concerning the decrease of the average premium charged to customers and the reduction in car sales.

In the Workman's Compensation insurance the decrease in premiums (-9.1%), already taking place since 2007, accentuated largely due to the decline in economic activity; this sector's relative weight in Non-Life total continued to decrease, being exceeded in 2009 by the Fire line of business that increased slightly, mainly due to the good performance observed in Multiple Risks sub-lines of business.

In the Non-Life business the growth of Health (around 3.5%) continued to stand out. This evolution fits a trend already with several years of existence, which can be explained by the increasing concern of the population about access to health care and the versatility, range and affordability of such insurance, which is increasingly becoming a serious alternative to the services provided by public health systems.

Regarding claims cost net of reinsurance, there was a 4% increase in the third quarter of 2009 and in comparison with the same period of the previous year.

Claims Ratios							
Ramos	Jan-Set 2009	Jan-Set 2008	Jan-Set 2007	Jan-Set 2006	2008	2007	2006
Accidents	75.9%	75.3%	72.4%	67.9%	77.7%	77.2%	77.8%
Health	82.5%	75.6%	77.4%	77.7%	83.7%	82.8%	84.4%
Fire	58.8%	51.1%	46.9%	46.7%	53.3%	46.9%	52.0%
Motor	80.1%	70.5%	70.8%	69.5%	69.4%	70.6%	69.3%
Other	73.8%	59.2%	58.5%	54.4%	66.7%	57.5%	71.6%
Non-Life	76.4%	69.3%	68.7%	66.9%	70.9%	70.1%	71.0%

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

This increase is visible in several lines of business, but more evident in the main ones, especially in Fire and Health with natural reflex in the increase of claims rates.

Millenniumbcp Fortis – Key Events 2009

2009 was an extremely demanding year from the point of view of the macroeconomic environment, the instability of the financial markets and competitive pressures of the insurance market. Within the context of volatile and scarce liquidity in the economy, the evolution of the insurance sector has been constrained, once again, by the weak performance of our economy and the intense competition between operators. In spite of this context, Millenniumbcp Fortis has achieved the main strategic objectives it had defined, managing not only to invert the decline in results faced in the particularly difficult year of 2008, but also to do so in the context of strengthening financial solidity and improving the quality of the service provided to the Customers. Amongst the various events, which marked the activity of 2009, the following were of particular importance:

- The excellent sales performance, based on a Customer and Multichannel segmented approach, permitted the clear surpassing of the market's performance in the Life and Non-Life business, with the Non-Life business being especially noteworthy with a growth of premiums of 10.5% (the market registered -4.4%) as well as the strengthening of the market share in Life to 20.7%;
- 2009 was the best year ever for Millenniumbcp Fortis in terms of volume of Retirement Savings Plans (PPR), with 537 million euros, largely as a result of the product being positioned as a suitable solution for both investment and retirement, as well as the continuous sales strategy which was implemented, thus eliminating the traditional dependence on seasonality which characterises this product. The production of capitalisation products reached 462.8 million euros (growth of 63%), with various series having been launched during the year, where innovation made the difference. Twenty-seven Unit-Linked insurance products were also marketed, with a time-to-market of only 3 days, which permitted attaining a total of 975.8 million euros of premiums in this business line, in spite of the market contingencies. Regarding Risk insurance (Life and Non-Life), particular focus was given to active sales products, with the sales of new contracts of the bank channel having grown by 10%. Also noteworthy was the launching of the new Motor Vehicle offer, which contributed to growth of 19% in this branch, compared to the previous year;
- The new Non-Life distribution channel – Occidental – Agents & Brokers – launched in the beginning of 2008 for the SME segment, supported by a network of professional mediators has already contributed, in 2009, with a volume of premiums of 22.5 million euros, corresponding to a growth of 247% in relation to the previous year;
- Also at the sales level, it is important to note the contribution of the Distribution Agreements – partnerships between Médis and other Insurers – whose processed revenue reached 6.5 million euros in 2009, representing a growth of 56% in comparison to the previous year;
- The index on quality as perceived by our Customers relative to the products and services provided increased from 71.5 to 71.8, reflecting the continuous effort dedicated to this issue by the entire organisation. Contributing to these results was the compliance with service levels (95% of the requests were carried out within the agreed service level in an average time of 2.3 days), the reduction of the number of complaints and increased levels of satisfaction of our internal Customers from 70.8 to 75.4. Also noteworthy was the decision to create an Ombudsman for our Customers through adherence to a service provided by an independent ombudsman's office sponsored by APS and DECO, amongst others;

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- At the operational level and regarding the management of information systems, particular note should be made of the initiatives associated to the maximisation of growth through the bank channel, namely the development of new products provided through the “front end” of the bank (e.g. the new Motor Vehicle, Health and Personal Accidents offer, the different Retirement Savings Plan and Unit-Linked capitalisation products, as well as credit protection products). Regarding the alternative distribution channels, note should be made of the provision of the Mediation Portal for Agents & Brokers, with a range of innovative and differentiating functionalities (e.g. financial management, provision of quotations, workflow of different requests, claims and portfolio management, thus providing an indispensable work tool in this channel). Also in this strategic axis, it is important to mention the evolution of the new *Médis* website and the developments made to provide the different partners with all the necessary instruments for marketing and the after-sales service;
- Still in terms of the information systems, particular note should be made of the start-up of the implementation of a new application system to support the Life business, which will enable a qualitative leap at all levels of the business chain and which, in the future, will certainly be a differentiating factor in relation to the main competitors, and the development of the Motor Vehicle fleet management application which permits the management of this type of business in a more effective manner, fostering its development;
- In the risk management area, the Business Continuity Plans have been adjusted so as to respond to a potential Pandemic scenario. During the second half of 2009 the Solvency II project was started, namely, with the preparation of GAP Analyses and the Implementation Plan;
- In the area of Human Resources management, note should be made of two initiatives: the implementation of a new system for the assessment of individual performance, focused on the establishment and control of individual objectives as the fundamental assessment criterion and the implementation of a new model of functions, which clarifies the role of each Employee in the organisation and is a fundamental tool for the operationalisation of other processes related to human resources management;
- Ocidental Vida was awarded the prize of “best large Life insurance company” in Portugal by the magazine “Exame”, as market recognition of the work that it has been doing;
- In the Pensions Fund management business, Pensõesgere has maintained the leadership of the market and has over 7 thousand million euros of assets under management. The first global customer satisfaction survey carried out on Pensõesgere Customers was also important, which was used as a baseline for the continuous monitoring of Customer satisfaction and for the launching of higher quality projects.

Mission, Values And Strategy

Mission

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

Values

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

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

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

Strategy

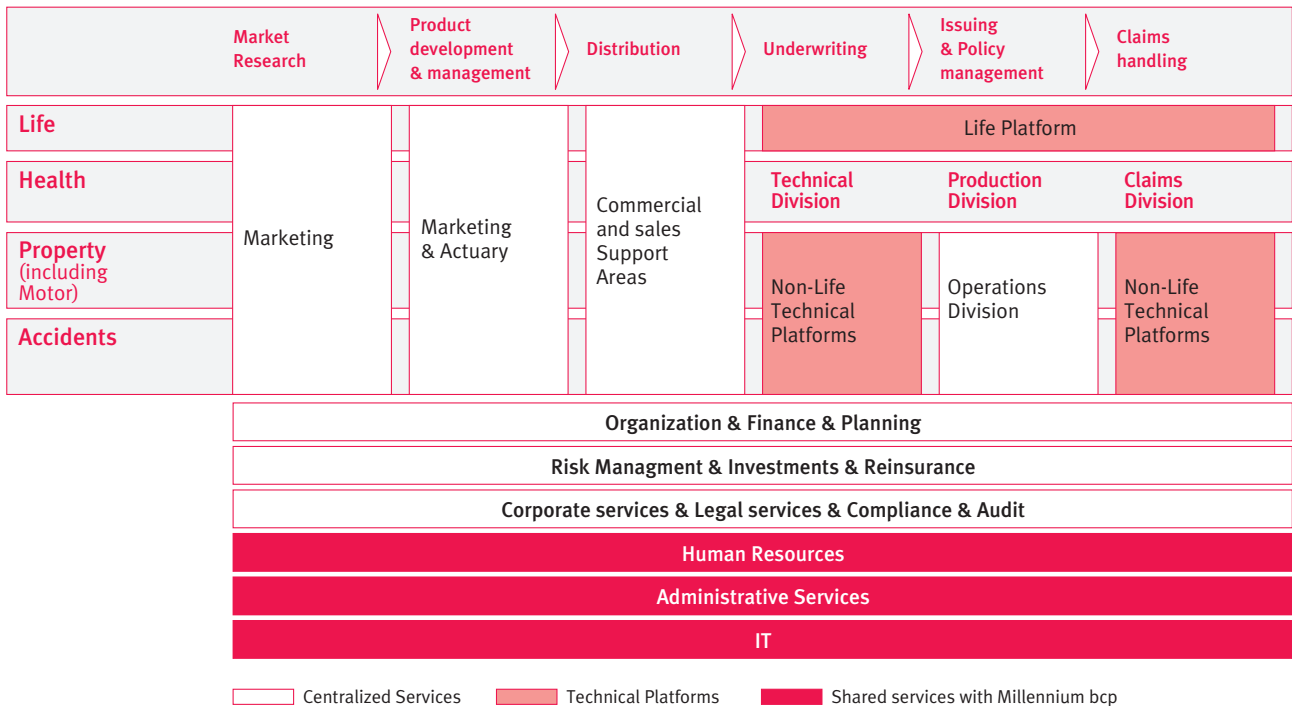
The strategy of the Millenniumbcp Fortis Group is based on 8 pillars, of which derives a set of objectives.

Strategic Pillars	Objectives
Increase financial strength	<ul style="list-style-type: none"> • Being leader of the market in volume of business; • Improve the drivers of profitability defending margins and balance the portfolio; • Maintain solvency levels.
Maximize growth through Millennium bcp	<ul style="list-style-type: none"> • Increase the effectiveness of campaigns and ensure the continuity of sales outside that period; • Develop stand-alone sales; • Simplify the product offer and business processes.
Develop alternative channels	<ul style="list-style-type: none"> • Balance the portfolio and increase profitability by developing alternative distribution channels (e.g. SME Agents Channel and Médis Direct).
Develop new products	<ul style="list-style-type: none"> • Anticipate 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"> • Improve the relationship with the Clients 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; • Increase control over the IT support by reducing the response time (e.g. Implementation of a new IT system to support the Life business).
Mitigate operational risk	<ul style="list-style-type: none"> • Minimize exposure to operational and financial risk.
Ensuring the involvement and accountability of Employees	<ul style="list-style-type: none"> • Develop skills and competencies; • Encourage self-development and accountability as a mean of enhancing the career development.

REPORT OF THE BOARD OF DIRECTORS

Organisational Structure

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



Marketing & Comercial



In 2009 the Portuguese insurance market registered 5% negative growth in premiums, due to economic contraction and negative effects on families income and companies low performances. Within this economic environment Millenniumbcf Fortis outperformed market by far, growing 10.5% in Non-Life and decreasing only 3.4% in Life. These results positioned Millenniumbcf Fortis as 2nd in overall insurance market, mainly due to Life Business, where “Ocidental Vida” gained 0.4 pp market-share. The solidity and the performance of “Ocidental Vida” were distinguished in 2009 (based on 2008’s indicators) with the award for “Best Large Insurance Life Company” given by “Exame” Magazine.

The results reflect the excellent business performance in 2009, where historic values were achieved, namely with PPR products (including PPR Unit-Liked products): 537 million euros marked the best year ever. By positioning PPR, from day one, not only as a retirement solution but also as an investment one, both for individuals and companies, two objectives were successfully achieved: continuous sales throughout the year – in Bancassurance up to 46% PPR sales occurred in the 1st four months,

breaking for the 1st time the traditional late season effect – and, at the same time, significant volumes were captured.

Providing excellence in product and service and also launching innovative solutions in PPR such as “Solução Especial Investimento”, “Nova Solução Investimento” and “Solução Investimento Reforma”, allowed to achieve sales up to 237.5 million euros.

The innovation of this product, also occurred in the component channels, through the launch of PPR.net – the first product sold exclusively in the Internet – available through the website millenniumbcp.pt, which resulted in the sale of 1.5 million of premiums in about a month.

Savings presented the most outstanding performance of the financial products with +63% growth in premiums, achieving 462,8 million euros, which compares with a market growth of only 6.5%. Launching competitive and diversified series, for individuals and companies, like “Poupança 112”, “115”, “120” and “Poupança 125”, combined with a commercial approach driven by Customer segmentation and Customer fulfilment needs, like for example “Jovem Aforro” or “Poupança Vida”, assured the fundamental pillars for the high performance achieved.

Millenniumbcp Fortis assumed Market leadership in Unit-Linked products (excluding PPR Unit-Liked products), with 35% market share, gaining two ranking positions to its direct competitors. 975.8 million euros of premiums were the result of matching an attractive offer with a 3 days time-to-market delivery, well illustrated by the 27 Unit-Liked products launched throughout the year.

Investment insurance penetration rates in Millenniumbcp Customers’ funds kept its growing path with a 1.3 pp increase. The commercial strategy implemented, since the beginning of the year, placed insurance products in the bank portfolio global funds offer “Cabaz de Recursos”, in every commercial cycle, what proved to deliver results.

Globally, investment insurance performance is even more impressive since it was achieved without any visibility campaigns carried out in the media or in Millenniumbcp Branches, except for PPR.

As expected, due to the negative economic environment, 2009’s credit slowdown led to low performances in Bank underlying products, namely in Mortgage and Personal Loans products. As a consequence the associated insurance sales dropped 34%, insurance penetration rates were best at European benchmark levels. By pursuing the strategy, initiated in 2008, of leveraging stand-alone sales, associated sales negative results were minimized through 21% increase in stand-alone sales and also the increase of Life Risk Stand-alone average premium. Successful campaigns like “Protecção Vida”, resulted in sales of 13,621 policies, a growth of 6.4%.

In general all lines of Non-Life business grew in premiums, due to a highly dynamic commercial year. Health remained the most representative, where Healthcare (Médis) insurance grew 15%, Health grew 10%, and Millenniumbcp Fortis reinforced its market share in 1.4 pp, shortening the distance to market leader, who lost 1.5 pp.



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Strategy to add value through branding & communication was reinforced with the conclusions of the “Médís Brand Audit”, a market survey promoted by *Nielsen Company* and held with all Médís stakeholders (Market, Customers, Distributors, In-Network Healthcare Providers) that ranked Médís as perceived Market leader, with excellent satisfaction and recommendation indexes.

The 360° Médís communication plan comprehended a look & feel refreshment of Médís website public pages (in 2010 Customers pages will be renewed), the launch of a new brand, concept and website especially designed for children – Médís Kids –, and keeping a proximity relationship with in-network Providers, for example by having the “IV National Meeting of Médís Primary Care Physicians”. 2009 was the launching year for Prize Médís award to promote science research and a new media campaign in September.



The campaign spot reached remarkable awareness levels, becoming top 3 in television awareness (insurance), entering a market space dominated by Direct Insurer who invest highly on media. The campaign leveraged up sales, with a continuous trend until the end of the year: 48% of full year sales were done in the last four months. Regarding recognition, Médís was once again distinguished with the awards for Superbrand (4th time) and Trusted Brand by *Seleções do Readers Digest* (2nd time), highlighting superior brand quality and notoriety levels.

With innovation as a constant lever, new products were launched like, for example, Pétis – a complete protection solution for cats and dogs – that surpassed 1,000 policies sold in six months.

A new offer was also launched in Motor, contributing for the 23.4 million euros achieved, in premiums, an increase of 18.6%.

Regarding associated sales, a new Payment Protection Plan linked to Mortgage was launched, fully integrated with the Bank subscription application, contributing to this line of business reinforcement and adding value to each Mortgage operation.



Fire & Other Risks, although highly dependent on associated sales, showed a remarkable growth of 8% in direct premiums premiums. With an average premium increase of 6% in sales linked to mortgage and 14% in sales linked to Leasing, which were conquered through successful high valued coverage promotion, Customers’ protection needs were met and business line performance exceeded.

In Life and Non-Life business, insurance penetration rate in Millenniumbcp customer base kept growing consistently; Regardless, potential growth remains high, particularly in risk products.



Aiming to assure global Portuguese Market coverage, Millenniumbcp Fortis continued developing a multi-channel strategy through 2009, by focusing on consolidating Bancassurance business and simultaneously exploiting new distribution channels. The objective is to conquer new Customers, that otherwise would not have access to Millenniumbcp Fortis value proposition, by diversifying commercial approach.

New channels weight in global business was already visible in 2009: the Agents & Brokers Network – especially created

to explore the small and medium companies segment – gained solidity and volume, achieving 22.5 million euros (an increase of 247%). To promote this network a new brand was launched – Ocidental Agentes & Corretores – whose strategy stands on excelling service and strong proximity relationship between distributors and Millenniumbcp Fortis, with high growth ambition.

On the other hand, Médis proposal attractiveness leveraged partnerships agreements – in 2009 a new market player agreement was concluded – and also stimulated cross promotion opportunities, with proven success. Total premiums in 2009 for Médis Distributive Agreements & Direct business was 28.7 million euros, with strong growth potential.

With operational excellence always as main driver, it should be emphasized the historic satisfaction levels attributed by Millennium bcp internal customers to the insurance departments.

In 2009, within an adverse economic environment, Millenniumbcp Fortis consolidated its market share position, demonstrating its strength and commercial dynamism.

The permanent focus remains on achieving profitability by attracting and retaining business, and providing for excellent service to leverage satisfaction and loyalty of internal and external Customers.

Employee Benefits

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

The strong market presence and commercial dynamism of Millennium bcp *Corporate* and Companies network allowed to generate a business volume in terms of new premiums and contributions 39.8 million euros. The total value of new production was divided as follows: 2.5 million euros in Pension Funds; 31.5 million euros in Savings products; 3.3 million euros in Life insurance and 0.9 million euros in Health insurance.

The prominent position or leadership in the markets it serves, the global view of the customer through the integrated offer of *employee benefit* products and the consolidation of a global offer with Non-Life insurance, allow us to forecast for 2010 an offer consolidation of global insurance and pension fund solutions for companies.



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Open-end Pension Funds

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

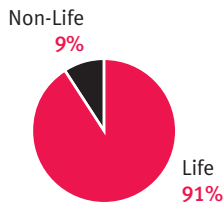
HORIZONTE SEGURANÇA	HORIZONTE VALORIZAÇÃO	HORIZONTE VALORIZAÇÃO MAIS
<p>The Fund is suitable for those who want a safe investment – “low risk” investments policy (0% in equities). This fund’s investors have a short investment time horizon. This is a fund designed for investors who are close to retirement age or near the time of repayment.</p> <p>Net return in 2009: 5.05%</p>	<p>The Fund is appropriate for those wishing to invest with some exposure to equities – balanced investment policy (30% in equities). Investors in this fund have a medium investment time horizon. This is a fund intended for investors with medium term retirement dates.</p> <p>Net return in 2009: 10.01%</p>	<p>The Fund is suitable for those who want to invest with higher return – higher risk investment policy. This is a fund aimed at investors who prefer risk assets due to its potential return, which can be expected in investment funds with high maturity and high exposure to equities – up to 50% (long time horizon).</p> <p>Net return in 2009: 14.88%</p>

Financial Review

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

In 2009, Millenniumbcp Fortis continued to present evolutions above the average of the Portuguese insurance market in both Life and Non-Life business, with a volume of direct insurance premiums of 2,371 million euros and a total market share of 16.3%, representing a 0.5 percentage point increase in comparison to the same period of 2008.

Breakdown of Direct Insurance Premiums



In the Life business, the volume of direct insurance premiums stood at 2,163 million euros. Particular note should be made of the excellent evolution of the Retirement Savings Plans (PPR), including PPR Unit-Linked products, as well as of the Capitalisation products not linked to investment funds, illustrating investment policies which are suitable to the level of demand and needs of savers who, during periods of less liquidity in the economy show greater propensity to choose lower risk products.

In the Non-Life businesses, there has been a notable increase in direct insurance premiums of 10.5% compared to the previous year, a fact which is even more remarkable given that the insurance market decreased by 4.4%, conditioned, once again, by the weak performance of our economy and intense competition among operators.

The Pension Funds business registered also a positive performance in 2009, the total volume of assets under management reached 7,093 million euros, corresponding to an increase of 3% in comparison to 2008, allowing Millenniumbcp Fortis to maintain its position of leadership in this business segment, with a market share of 32.5%.

Life Business

Direct Insurance Premiums

The Life business achieved premiums of 2,163 million euros, corresponding to a decrease of 3.4% in comparison to the same period of 2008, essentially due to the lower contribution of the Unit-Linked products (excluding PPR Unit-Linked products) with 976 million euros and Risk and Annuity products (187 million euros), with an annual decrease of 20.8% and 11.2%, respectively. However, the leadership of Millenniumbcp Fortis is impressive in the Risk and Annuity product market as well as for Unit-Linked products.

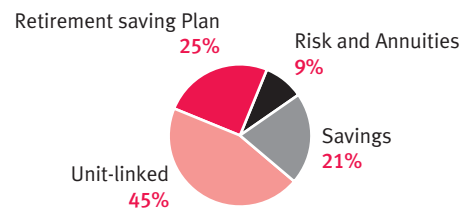
Evolution of Direct Insurance Premiums [Thousand Euros]

Line of Business	2009	2008	2007	Var. 09/08	Var. 08/07
Savings	462,816	283,580	463,860	63.2%	-38.9%
Unit-Linked	975,856	1,235,053	857,473	-21.0%	44.0%
Retirement Savings Plan	537,350	509,331	245,026	5.5%	107.9%
Risk and Annuities	186,741	210,231	174,035	-11.2%	20.8%
Total	2,162,762	2,238,194	1,740,395	-3.4%	28.6%

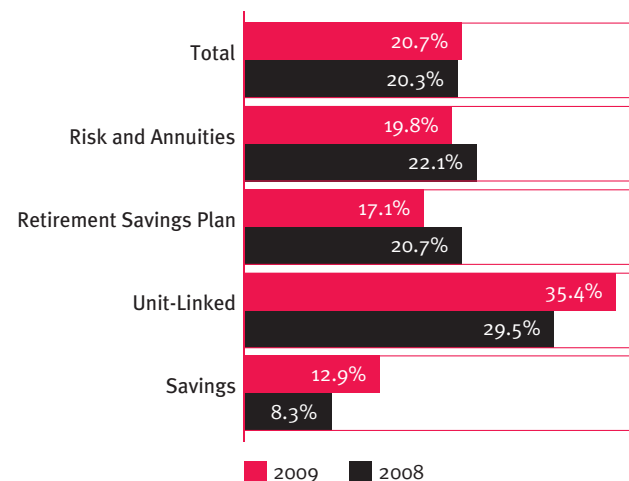
Notwithstanding the fall in the volume of premiums referred to above, it is important to mention the excellent performance shown by the Retirement Savings Plans (PPR), including PPR Unit-Linked products, which reached their highest value ever (537 million euros), as a consequence of the sales effort made since the beginning of 2009 and the capacity to develop attractive products over the year, adapted to the different market segments. The success achieved demonstrates that it is possible to attenuate the historical natural seasonality of this type of product, induced by the tax deductions associated to them. The Capitalisation products not linked to investment funds presented very significant growth (63.2%), having reached 463 million euros in 2009. Contributing to this was the sale of new products, such as has been the case of the star product "Poupança 115" and product "Jovem Aforro" aimed, as the name indicates, at the younger segment of savers, with both products having been strongly driven by the dynamic sales campaigns developed by Banco Millennium bcp.

In 2009, Millenniumbcp Fortis was positioned as the second largest insurance group in terms of Life insurance premiums (it was third in 2008), with a market share of 20.7%, representing an increase of approximately 0.4 percentage points in relation to the same period of the previous year.

Breakdown of the Life Insurance Premium Portfolio

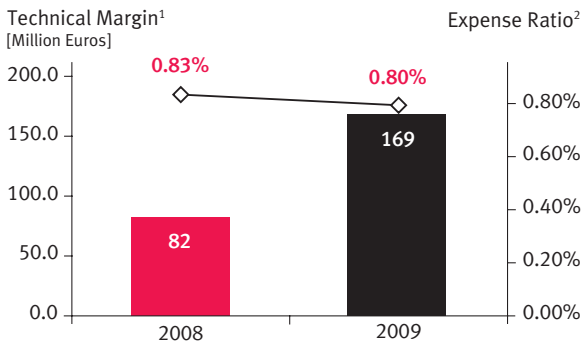


Evolution of Life Market Share



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Technical Margin vs Expense Ratio



1) Before allocation of administrative costs.
2) "Life operating expenses" / "Life assets under management Investments (year average)".

Technical Analysis

The technical margin of the Life business, before the allocation of administrative costs, stood at 169 million euros in 2009, representing growth of 107% compared with the same period of 2008, when the technical margin was strongly penalised by the negative impact of the losses resulting from the financial crisis.

The achievement of an expense ratio of 0.8%, combined with significant growth of the technical margin, reveals the careful and appropriate management, which has enabled the adverse effects of the macroeconomic circumstances to be minimised.

The greatest relative contribution to the results of the company continues to be rendered by Risk products, the profitability of which is based on rigorous subscription

policies and practices and a higher capacity to control costs, with this business line having represented approximately 58% of the total technical margin of the Life business by the end of 2009.

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

Pension Funds

Market Evolution

During 2009, the pension funds market was marked by the recovery in the financial markets, which permitted absorbing a significant part of the negative results registered in 2008. The pension funds, generally speaking, appreciated sharply, representing the best results since 1998.

The total value of the assets stood at 21,852 million euros, presenting growth of 7.7% compared with 2008. However, this value is still approximately 500 million euros less than the value registered in 2007.

Regarding the legislative framework of the pension funds, there were no alterations with significant impact on the activity; the process of the regulation of the current legislation established by Decree-Law 12/2006 was continued.

In this context, reference should be made of the publication of Regulatory Standard 8/2009-R, of 4th June, Governance mechanisms relative to pension funds – Risk management and internal control – which seek to foster a culture of guidelines for risk management in the entire organisational structure of the entities managing the pension funds, and which have been instituted as key functions in their governance systems, namely the risk management function, the actuarial function, the compliance function and the internal audit function.

On 16th of September 2009, the Assembly of the Republic published Law 110/2009, Code of the Contribution Regimes of the Social Security and Pension System, which, through the revocation of over forty legislative items, creates a new standardised and coherent framework for all social security contribution regimes.

The new Contribution Code, by enlarging the base of incidence of contributions to social security to cover most forms of remunerations, with the exception of contributions to pension funds and other complementary retirement regimes (provided that they are not the object of early availability), is an indirect stimulus to strengthen the demand for pension funds. However, the approval of the suspension of its enforcement

by one year has delayed, at least for another year, this window of opportunity for the pension fund market.

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 maintained its position of leadership in the market in 2009 with a 32.5% market share.

As a result of its action, in 2009 Pensõesgere showed a positive performance by reaching 7,093 million euros of assets under management, representing growth of 2.8%, which compares with the decrease of 7.1% registered in 2008.

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

During the year under analysis, various initiatives were strengthened for the development of the specific information technology tools of Pensõesgere for the purpose of improving work productivity and quality, as well as enabling response to the growing quantity of information provided to the Participants and Beneficiaries of the pension funds. In 2009, individual statements were sent to most of the Participants of the pension funds with information on rates of return, financing levels and the value of the respective “rights in progress”.

Following the certification in 2008 as “GIPS Compliant” (Global Investment Performance Standards), a re-verification process was carried out in 2009 to safeguard this classification.

The first global Customer satisfaction survey carried out during the month of April 2009, which permitted gaining a clearer view of the way the interlocutors of Pensõesgere in their customer companies perceive the services provided and what their expectations are. Not only did this initial study permit making a quantitative assessment, but it also allowed for the establishment of a baseline for the continuous monitoring of Customer satisfaction and for the launching of higher quality projects.

At the end of 2009, the total volume of assets under management, distributed through 31 closed funds, 4 open-end funds and 5 open-end Retirement Savings Plan funds, reached 7,093 million euros, corresponding to an increase of 193 million euros in comparison to 2008 (2.8% growth).

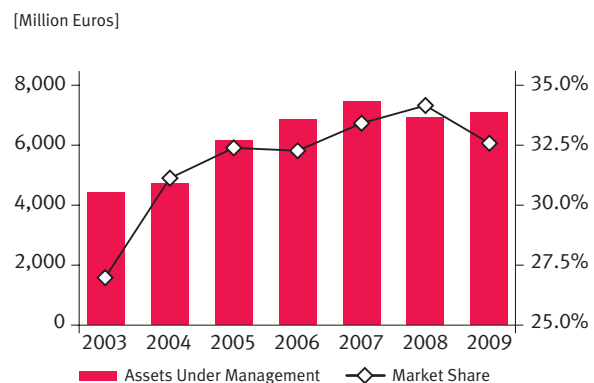
The total of the 31 closed funds stood at 6,961 million euros, corresponding to an increase of 200 million euros compared with 2008.

Regarding the open-end funds, the volume of assets under management stood at 83 million euros which, in spite of the capture of some new Customers and the good appreciations, represents a reduction of 5.5 million euros compared with 2008, as a result of the loss of one Customer.

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

The strong recovery of the financial markets, noted with particular incidence as of the end of the first quarter of 2009, permitted the pension funds to register very interesting

Total Assets under Management and Market Share



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performance values, both in absolute terms and relative terms, when compared with the respective benchmarks.

According to available information, the rates of return of most of the funds managed by Pensõesgera also compare favourably with those observed in the pension funds of the other market operators, for equivalent risk classes.

The value of the assets managed under Retirement Savings Plan funds reached 49.2 million euros by the end of 2009. This decrease was due to the fact that Pensõesgera

does not currently have any active sales protocol with the retail distribution networks, and because a significant part of its Customers already meet the necessary conditions for reimbursement.

Income from provision of services came to 11.7 million euros, representing a reduction of 2.8% in comparison to 2008, as a result of the decreased income from the management of Retirement Savings Plans and activities of other services rendered.

Operating costs came to 6.3 million euros, corresponding to a decrease of 1.1% relative to 2008. The reduction of operating costs resulted from the 10.3% decrease in staff costs and 26.0% decrease in taxes, but was substantially wiped out by the costs of third party supplies and services, fundamentally due to asset management, which increased by 8.6%.

Net Income for the year stood at 4.8 million euros, which compares with 4.3 million euros in 2008, representing growth of 11.5%.

The average return on equity continues to present an interesting value with an average rate of return of 28.7%, representing an increase of 1.3% compared with the value registered in 2008.

As at 31 December 2009, equity capital amounted to 17.0 million euros and the solvency margin presented a coverage level of 219%.

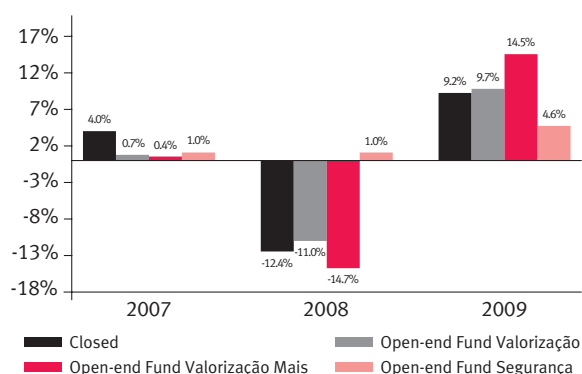
Non-Life Business

Direct Insurance Premiums

In 2009, Millenniumbcp Fortis achieved a volume of direct insurance premiums of 207,8 million euros in the Non-Life business, representing an increase of 10.5% in relation to the previous year. This increase was once again obtained in a context of negative real growth in the national insurance market.

Evolution of Direct Insurance Premiums (Thousand Euros)					
Line of Bussiness	2009	2008	2007	Var. 09/08	Var. 08/07
Motor	23,353	19,698	22,023	18.6%	-10.6%
Workman's Compesation	6,605	5,183	4,763	27.4%	8.8%
Fire and Other Damage	38,173	35,247	32,577	8.3%	8.2%
Health	120,843	110,129	97,333	9.7%	13.1%
Personal Accidents	12,858	12,811	12,356	0.4%	3.7%
Other Lines	5,968	5,033	4,810	18.6%	4.6%
Total	207,800	188,101	173,862	10.5%	8.2%

Annual Rates of Return of Pension Funds from Pensõesgera



In 2009 Millenniumbcp Fortis registered growth above that of the national market in the main Non-Life businesses, with the Health business being, once again, of particular importance, with revenue of 121 million euros, which represents an increase of 10% compared with the previous year (the Health market grew by 3%), thus permitting a strengthening of its market share in this business to 24.2% (in December 2008 it was 22.8%) and the maintenance of the second place in the ranking of the insurers operating in the national market. This above average growth is the result of the innovation of the offer, the diversification of the distribution channels, the careful approach made to the different segments and consistent investment in the promotion of the Médis brand, the uncontested leader in its segment since its start up in 1996.

The start-up of the new business channel aimed at the small and medium-sized enterprise segment, based on a carefully selected network of agents and brokers, contributed decisively to the growth in the volume of Non-Life premiums, namely in the Health, Motor and Workman's Compensation businesses.

In spite of the modest position it occupies in the national Non-Life insurance market, Millenniumbcp Fortis has been strengthening its market share consistently over time, which increased from 4.4% at the end of 2008 to 5.0% by the end of December 2009.

Technical Analysis

The technical margin of the Non-Life business, before the allocation of administrative costs, amount to 62.5 million euros, remaining in line with the value registered in the same period of 2008.

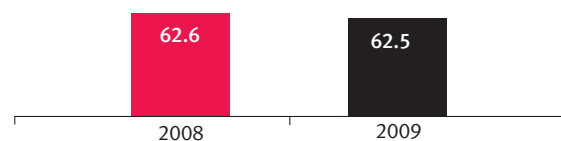
In spite of the increased processed revenue and increased income of the technical reserves, the technical rate of return (measured according to the gross premiums issued) decreased from 32.7% in 2008 to 29.3% in 2009. This reduction was mainly due to the increase in reinsurance costs and claims ratios.

In fact, the average of the Non-Life claims ratios, before the allocation of administrative costs, stood around 56.6%, presenting an increase relative to the value registered in 2008 (51.4%). However, they continue to present values without parallel on the Portuguese market (which has significantly higher claims rates in all businesses).

The Non-Life combined ratio, after the allocation of administrative costs, came to 84.1%, particularly as a result of the efforts made in containing operating costs and greater strictness in the application of policies related to the subscription and acceptance of risk.

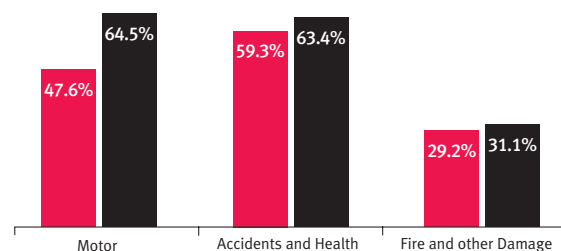
Evolution of the Non-Life Technical Margin

(Before allocation of administrative costs)
[Million Euros]



Evolution of the Claims Ratio

(Before allocation of administrative costs)



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Administrative Costs

Administrative costs increased by 1.7%, to stand at 91.5 million euros.

Evolution of Administrative Expenses (excluding depreciation) [Thousand Euros]					
	2009	2008	Var. 09/08	Structure 2009	Structure 2008
Staff Costs	25,657	24,526	4.6%	28.1%	27.3%
Third Party Services	34,341	33,246	3.3%	37.5%	37.0%
Taxation	2,565	3,398	-24.5%	2.8%	3.8%
Commissions and Financial Services	28,904	28,732	0.6%	31.6%	32.0%
Total	91,468	89,903	1.7%	100.0%	100.0%

It is important to note that the increase of approximately 3% in the Third Party Supplies and Services heading is due, essentially, to the costs arising from the new Workman's Compensation and Motor Claims Management Platform, but which was more than compensated for by the lower reinsurance costs in these business lines.

The decrease in the Taxes and Rates heading was not only the result of the 3.4% decrease in revenue from the Life business but also, in the Non-Life business, due to the new legislation (ISP standard 15) relative to the exclusion of the contributions to the Motor Guarantee Fund from costs.

Net Income

In 2009, the consolidated net income for the year, before VOBA ("value of business acquired") amount to 127.4 million euros, comparing very favourably with the net income of 62.8 million euros obtained in 2008, which had been strongly constrained by the crisis in the financial markets. The consolidated net income, after VOBA, stood at 96.8 million euros.

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

Solvency Ratio

As at 31 December 2009, the capital structure of the Millenniumbcp Fortis Group presented, in consolidated terms, a solvency ratio of 241%. As at 31 December 2008, the ratio stood at 206%, indicating an increase of 36 percentage points in relation to the previous year.

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

Solvency Margin [Thousand Euros]				
	Margem	Capitais	Excesso	Rácio
Ocidental Seguros	16,606	43,305	26,699	261%
Ocidental Vida	286,228	654,169	367,941	229%
Médias	20,310	30,061	9,752	148%
Pensõesgere	7,768	17,012	9,245	219%
Millenniumbcp Fortis (Consolidated)	330,911	799,062	468,150	241%

Embedded Value

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

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

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

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

[Euro thousands]	2009	2008
Embedded value as of previous valuation date	995,414	1,016,442
Restatements to the opening EV	(3,109)	(75)
Changes in non-economic assumptions	1,991	(12,142)
Changes in economic assumptions	4,128	(31,959)
Expected return	47,498	50,901
Value added by new business	47,020	52,575
Impact of variance	40,895	(80,329)
EV at valuation date before dividends	1,133,837	995,414
Dividends to Shareholders	-	-
EV at valuation date after dividends	1,133,837	995,414

The 2009 restatements to the opening embedded value reflect inflation assumption amendments as agreed and suggested by the reviewer, with no relevant impact.

The impact of change in economic assumptions is due to risk free yield curve movements and volatility changes. The 2009 positive impact is mainly explained by the effect of using Portuguese real estate index from APFIPP instead of Belgium data to establish real estate volatility. The 2008 negative impact was due to year-end downward movement in the risk free yield curve, despite the positive effect in term business and Unit-Linked portfolios due to discounting.

The positive impact from real mortality rates update was almost offset by unit costs and inflation modelling changes. The 2008 negative impact of non-economic assumptions is mainly due to increasing surrender rates observed in the savings portfolio, while a general downward or flat trend during 2009 was experienced.

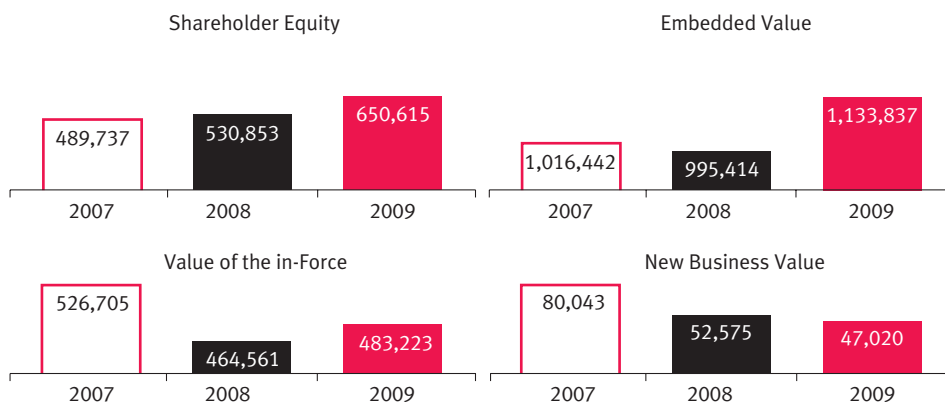
Whilst the very negative stock markets performance explains the strongly negative variance during 2008, the 2009 variance is mainly explained by the combination of two factors: additional unrealized capital gains generated by yield curve and spreads variations and non-occurrence of the asset mix rebalancing assumed by the model.

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The new business margin slightly decreases from 21.2% to 19.7% when expressed as percentage of APE (annual premium equivalent), explained by the term business and Unit-Linked volume decrease, despite the relative value recovering of savings with guarantees.

Embedded Value Evolution

[Thousand Euros]



Economic assumptions and market conditions

	2009	2008
Yield curve	AA Euro swap + 0,20%*	AA Euro swap + 0,50%*
	1 ano	1 ano
	5 anos	5 anos
	10 anos	10 anos
	20 anos	20 anos
Volatilities	Short rate	Short rate
	Shares	Shares
	Real estate	Real estate
Inflation	2.45%**	1.50%
Tax rate	26.5%	26.5%

* These 20bp and 50bp adjustments to swap curve were decided and justified by Fortis IR&V
** Inflation rate is based on a specific swap curve, plus a spread adjustment; the 5th rate is shown.

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

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

Non-Life Actuarial Review

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

Apart from internal actuarial evaluations, Towers Watson Insurance Consulting, using the same data as that used by the actuarial department, supplied an independent external actuarial certificate. TW's best estimates besides being undiscounted are also allowing for explicit inflation, which results in a very prudent approach.

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

Results of Actuarial Evaluations versus Balance Sheet Claims Provisions [Euro thousands]		
	31-12-2009	31-12-2008
Balance sheet provisions	85,254	79,203
Claims Reserves Certificated by Towers Watson ⁽¹⁾	75,194	70,416
Claims Reserves Best Estimate	63,741	57,850
Claims Reserves at 90% Percentile	77,849	72,641

(1) External Actuarial Certification does not include first expense reserve and reserves for claims receipts issued but not paid for all products and second Health PPP products.

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

Risk Management

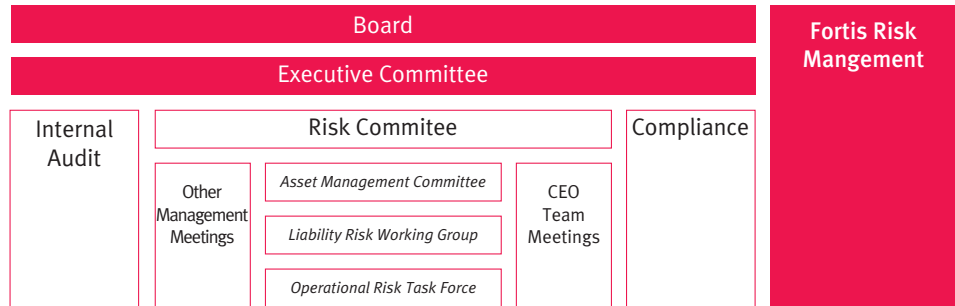
As an insurance institution we consider that a sound risk management is one of the key pillars for a strategy of sustainable profitable growth and therefore, one of our core competences. As part of our corporate governance we have established a risk management organisational structure, based on the structure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

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

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

REPORT OF THE BOARD OF DIRECTORS

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



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

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

Operational risk

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

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

Investment risk

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

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

Along with the implementation of a credit policy that contains a set of principles, rules and guidelines for credit risk limits, Millenniumbcp Fortis is monitoring this risk using a "Value at Risk" (VaR), which calculates the maximum potential structural loss on a total exposure at maturity basis. In 2009, the VaR moved between a maximum of 1.21% and a minimum of 0.95% with an average of 1.11%.

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

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

itable in the business it runs, and that a certain level of Market risk is acceptable in order to deliver benefits to both policyholders and shareholders.

Along with the definition and implementation of a strategic assets allocation, Millenniumbcf Fortis is monitoring this risk with the help of indicators such as “cash flow gap analysis”, “duration of equity”, “earnings at risk” and a “Value at Risk” (VaR), which calculates the maximum potential structural loss for Millenniumbcf Fortis on a fair value basis. In 2009, the VaR moved between a maximum of 11.5% and a minimum of 6.2% with an average of 8.4%.

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

Insurance Risk

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

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

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

Asset Management

Through 2009 the Life with profit portfolios continue to privilege the guaranteed capital format launched in 2008, bringing more flexibility and greater response to market conditions. The products were available in a range of maturities, which enabled a competitive offer once combined with the investments opportunities in the market.

In fact, the growing liquidity in the capital markets as attested by a record issuance of corporate bonds through 2009, has permitted the access to a diversity of investments bearing very attractive spreads albeit the low yield environment due to a very accommodative monetary policy.

As such, even though we had an increase in credit risk, the use of assets with a similar cash flow as the liabilities did result in an effective reduction of AL mismatch with positive implications on the flexibility of the offer available in each commercial cycle.

By capturing the unusual high risk premiums, courtesy of the current economic cycle, it has improved the long term sustainability of the investments and made the portfolios somewhat more robust to changes in the profile of the liabilities.

In the remaining Life products, management was focus on minor adjustments optimising spreads and interest rates.

→ REPORT OF THE BOARD OF DIRECTORS

Equities

Due to a still fragile macro economic environment with undesirable consequences at risky asset evolution, Millenniumbcp Fortis maintained the equity allocation virtually to zero in 2009.

This approach has permitted an increase in risk in other and strongly correlated asset class such as Corporate Bonds.

Fixed Income

Following the risk reduction in equities the allocation to Corporate Bonds was progressively increased which led to a reshaping of the risk profile on the fixed income component by reducing the weight of Government Bonds.

Domestic issuers and financial sector were privileged, as they were the most penalised through 2008.

On the other hand Millenniumbcp Fortis was regular participant in the primary market where it was possible to benefit from strong tightening of credit spreads due to heavy demand and abundant liquidity.

Investments portfolio [Euro Thousands]	2009	%	2008	%
Available for sale *	5,440,472	100.0%	4,368,470	100.0%
Government bonds	2,593,033	47.7%	2,399,385	54.9%
Corporate debt securities	2,525,976	46.4%	1,551,469	35.5%
Equity securities	235	0.0%	738	0.0%
Participation on unit funds	-	0.0%	-	0.0%
Debt	101,316	1.9%	95,111	2.2%
Equity	3,238	0.1%	108,953	2.5%
Real Estate	189,312	3.5%	187,127	4.3%
Alternative	27,362	0.5%	25,687	0.6%
Held at fair value	5,897,547	100%	5,271,846	100%
Government bonds	42,190	0.7%	3,462	0.1%
Corporate debt securities	5,759,195	97.7%	5,198,003	98.6%
Equity securities	-	0.0%	-	0.0%
Participation in unit funds	-	0.0%	-	0.0%
Debt	38,648	0.7%	44,449	0.8%
Equity	41,160	0.7%	19,381	0.4%
Real Estate	-	0.0%	245	0.0%
Alternative	16,354	0.3%	6,305	0.1%
Other financial assets/(liabilities)	(392,525)		(422,484)	0.0%
Trading derivatives	165,754	0.0%	73,316	0.0%
Repurchase agreement	(558,279)	0.0%	(495,800)	0.0%
Total	10,945,494		9,217,831	
Investment property	5,833		7,437	
Deposits with ceding undertakings	0		7	
Cash and equivalents	239,239		359,796	
Other deposits	779,588		646,352	
Total	11,970,154		10,231,423	

* Excluding accrued interests

Our Staff

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

The group defined in its Balanced Scorecard two objectives related with Human Resources Management: the first refers to the need to leverage the involvement of employees, by increasing their levels of satisfaction and motivation and thereby increasing productivity; the second is related with the development of strategic skills, by enriching human capital and consequently allowing a sustained growth of the organization's results.

Each year an anonymous survey is sent to all employees in order to increase staff involvement, measure their satisfaction degree at various levels of the organisation (e.g. leadership, departments, company and area) and also to identify main concerns. The survey had a response rate of 88% and allowed to define specific action plans to be implemented by each department in 2009 and also to support the development of the Human Resources plan for 2010.

REPORT OF THE BOARD OF DIRECTORS

A new individual performance appraisal system has been implemented in 2009, which is based on the definition and assessment of objectives as criteria for measuring the performance of employees. This new system is based on the following objectives:

- Introduce greater transparency and objectivity to this process through uniform, clear and shared evaluation criteria;
- Enable a fair performance differentiation of all employees by instigating a culture based on meritocracy;
- Effectively enhance the development of employees through the creation of Personal Development Plans based on concrete and achievable actions set up and monitored by their hierarchies.

The first annual cycle of this process comes to an end in February 2010 and will conclude the process that, in 2009, went through two critical steps: setting the 2009 objectives and performing a mid-term meeting between employees and their hierarchies, which is a moment of formal performance feedback.

Before introducing the new performance appraisal system, the group implemented at the beginning of the year a new model of functions that is seen as a structuring tool for other processes of Human Resources Management. With this new model the role assigned to each employee in the organization has been simplified and clarified, and conditions have been created to interact more effectively with careers management.

Millenniumbcp Fortis concluded the financial year of 2009 with a total of 458 employees, which corresponds to an increase of 4 employees in comparison to the position at the end of 2008. At the end of the year, the average age of employees was 42 years, with females representing 54% of the total workforce.

Employees by Gender and Age			
Age range	Female Gender	Male Gender	Total
< 30	15	9	24
31-35	54	23	77
36-40	77	41	118
41-45	50	55	105
46-50	24	46	70
51-55	13	27	40
56-60	12	9	21
> 60	1	2	3
Total	246	212	458

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 the Board of Auditors, and or the Chartered Accountant or a Chartered firm of Accountants, nominates

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

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

Governance and Auditing

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

Board of Directors

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

On 31 December 2009, the Board of Directors was composed by a Chairman (Mr. Bart Karel August De Smet), a Deputy-Chairman (Mr. Nelson Ricardo Bessa Machado) and five other members (Mr. Stefan Georges Leon Braekeveldt, Mr. Martin Nanno Kok, Mr. Francisco Alexandre Robles Monteiro Lino, Mr. Jan Adriaan de Pooter, Mr. Michel Edmond Joseph Ghislain Baise and Mr. Fernando Manuel Nobre de Carvalho).

Executive Committee

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

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

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

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

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

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

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

Board of Auditors

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

REPORT 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.

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

Audit Committee

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

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

Company's Secretary

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

Remuneration

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

The remuneration policy of the members of the Board of Directors and Audit Boards is structured in order to ensure a balance between the annual performance of the company and the contribution of the members of those boards to that performance. This policy is expressed as a fixed remuneration component and the possibility of the attribution of a variable component. These components, and their respective evolution, are based on the degree of accomplishment of the objectives considered in the Business Plan which is approved annually by the Board of Directors and on criteria which consider individual performance, the real growth of the institution and the wealth effectively created for the shareholders, the protection of the interests of insurance policyholders, persons insured, participants and beneficiaries, the company's long term sustainability and the risks assumed, as well as compliance with the rules applicable to the activity of the institution.

The decision on the attribution of the variable component depends, apart from the degree of fulfilment of the annual budget, on factors related to the financial solidity of the company, such as the solvency and rating levels, and the actual economic and competitive environment. There are no plans to attribute shares or share purchase options. The variable component of the remuneration is paid after the calculation of the accounts of each economic year.

The annual value of the remunerations paid by Millenniumbcp Fortis Grupo Segurador, S.G.P.S., S.A. to the Board of Directors and Audit Board members in the economic year of 2009 is the following:

Joaquim Patrício da Silva	11,250.00 Euros
José Rodrigues de Jesus	12,000.00 Euros
António Fernando Nogueira Chaves	5,625.00 Euros
Total	28,875.00 Euros

Decision Making Process

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

Risk Committee

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

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

Chief Investment Officer

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

Compliance officer

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

→ REPORT OF THE BOARD OF DIRECTORS

Risk control internal procedures

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

Governing Bodies

General Meeting of Shareholders

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

Conselho de Administração

Chairman	Bart Karel August De Smet
Deputy-Chairman	Nelson Ricardo Bessa Machado
Member	Stefan Georges Leon Braekeveldt
Member	Martin Nanno Kok
Member	Francisco Alexandre Robles Monteiro Lino
Member	Jan Adriaan de Pooter
Member	Michel Edmond Joseph Ghislain Baise
Member	Fernando Manuel Nobre de Carvalho

Board of Auditors

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

Statutory Auditors

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

Audit Committee

Chairman	Nelson Ricardo Bessa Machado
Member	Stefan Georges Leon Braekeveldt
Member	Martin Nanno Kok

Outlook For 2010

As we predicted, 2009 was extremely demanding in terms of business management. The effects of the economic and financial crisis continued to affect all economic sectors and strongly conditioned the whole business. The rationalization of resources remained a top priority for companies as a way to offset the reduction in business volume.

As it had already happened in 2008, in 2009 Millenniumbcp Fortis, despite all the constraints already mentioned throughout this Report, managed to reach the main pre-determined goals for its fifth year of activity, reflected in the solid and sustained production growth, the strengthening of the technical results, the improvement of service levels, the control of operating costs and the increase of the Group's profitability and financial soundness.

The slight economic recovery forecasted for 2010 might be the start of a new cycle, but we think that the effects of the global crisis will continue, the economic growth will be insufficient, the economic liquidity will remain weak and the financial markets should remain volatile. Therefore, 2010 will undoubtedly be another extremely difficult and demanding year in terms of management, but it will also be another year of opportunities for those who are better prepared, and we believe that this is the case of Millenniumbcp Fortis.

The main strategic objectives that Millenniumbcp Fortis proposes to achieve in 2010 are included in the outline of the medium and long-term plan defined in 2005 based on four pillars: Growth; Productivity; Quality and Profitability.

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

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

Productivity – The main objective is to develop processes, automatisms and levels of control that constantly maintain an improved level of service and consequently increase the efficiency and effectiveness of the different areas of the company. One of the main priorities for 2010 will be to continue the consolidation and redefinition of processes and support tools in both front and back-office areas, in particular the implementation of a new IT system to support the Life business and the consolidation of the technical platforms.

At the end of 2009 a program, referred to as **M4**, was launched across the organization, which will be developed during the course of 2010, in order to improve productivity, profitability, service levels and motivation.

Quality – The quality improvement of the service provided to both External and Internal Customers will continue as one of the top priorities. The objective will be, by using methods and practices common to Millennium bcp, to monitor and control the quality of the service provided in a coordinated attempt to progressively increase their levels of satisfaction and loyalty. The satisfaction indicators, both for external and internal Customers, developed in a very favourable manner in 2009, but we know that we can and must continue to improve.

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

→ REPORT OF THE BOARD OF DIRECTORS

Proposed Disbursement

Net income for 2009, related to all companies reporting under the consolidated accounts of Millenniumbcp Fortis Grupo Segurador, S.G.P.S., S.A., was 96,786,172.00 euros (ninety six million, seven hundred eighty six thousand, one hundred seventy two euros).

Millenniumbcp Fortis Grupo Segurador, S.G.P.S., S. A. net income was 18,247,726.15 euros (eighteen million, two hundred forty seven thousand, seven hundred twenty six euros and fifteen cents).

Considering the Board of Directors report and paragraph c) of Article 376/1 of the Portuguese Companies Code, it is proposed that the reported earnings for 2009, on the amount of EUR 18,247,726.15 (eighteen million, two hundred forty seven thousand, seven hundred twenty six euros and fifteen cents) be disbursed as follows:

- EUR 912,386.31 (nine hundred twelve thousand three hundred eighty six euros and thirty one cents), to the legal reserve;
- EUR 17,335,339.84 (seventeen million, three hundred thirty five thousand, three hundred thirty nine euros and eighty four cents), to retained earnings.

Lisbon, February 19, 2010

The Board of Directors

→ MANDATORY DISCLOSURES*Percentage of Held Investment*

Fortis Insurance International, N.V. – 51%
BCP Investment B.V. – 49%.

→ SHAREHOLDER STAKE OF GOVERNING BODIES

Shareholder / Bondholder	Security	Number of securities at		Transactions in 2009			Unit Price Euros
		31/12/2009	31/12/2008	Acquisitions	Alienations	Date	
Nelson Ricardo Bessa Machado	BCP Shares	259,992	259,992				
Francisco Alexandre Robles Monteiro Lino	BCP Shares	36,950	36,950				
	Bonds BCP Super Invst. Mill II/12/10	4,000	4,000				
	BCP Bonds Cx. Super Af. Mill 4 ^a /2013	3,700	3700				
Pedro Manuel Renda Duarte Turras	Acções BCP	1,990	1,990				
Fernando Manuel Nobre de Carvalho	BCP Shares		366,779				
	BCP Shares			6,000		26-Feb-09	0.63
	BCP Shares				4,000	5-Aug-09	0.81
	BCP Shares				2,000	17-Aug-09	0.90
	BCP Shares	366,779					
	BCP Finance CO 5,543 PCT Eur	340		340		30-Jan-09	40.00
José Rodrigues Jesus	BCP Shares	16,239	16,239				
António Fernando Nogueira Chaves	BCP Shares	92,108	92,108				
Belmira Abreu Cabral	BCP Shares	10,369	10,369				
Spouse / Sons or Daughters (minors)							
Maria Teresa H. M. C. Nobre de Carvalho	BCP OB CX Subordinadas 1 ^o S(2008/2018)	120	0	120		16-Mar-09	50.00
	BCP OB CX Millennium bcp Sub 2008 2SR	100	0	100		13-Mar-09	50.00
	Millenniumbcp Valor Capital 2009	250	0	250		26-Jun-09	1,000.00
Armanda Amélia Rodrigues Jesus	BCP Shares	1,795	1,795				
Maria da Cruz M. Maia Nogueira Chaves	BCP Shares	1,819	1,819				

→ GLOSSARY

- A** **Acquisition cost:** cost of acquiring new and renewed insurance business, namely, commissions, underwriting, advertising and policy issue expenses.
- Amortised Cost:** the amount at which a financial asset or liability is measured at initial recognition minus principal repayments, plus or minus the cumulative amortisation/accretion of any premium/discount, and minus any write-down for impairment.
- Asset Liability Management (ALM):** is the on-going process of formulating, implementing, monitoring and revising attempt to achieve financial objectives for a given set of risk tolerances and constraints.
- Average Return on Financial Investments (Book Value):** average return on financial investments calculated considering the actual accounting principles.
- B** **Bancassurance:** sale of insurance contracts through banking distribution channel.
- Basis point (bp):** one hundredth of 1%.
- C** **Close-end Pension Funds:** may have one, or more members, since these members are tied up by the same organisation. New admissions need the existing members approval. May be created by one or more organisations.
- Combined Ratio:** the sum of the Non-Life loss ratio and the expense ratio
- Cost of Reinsurance:** cost of an operation whereby an insurer wishing to lower his exposure to a risk considered as excessive or dangerous, passes a portion of the risk exposure and its related premium to a reinsurer.
- Cross-selling:** strategy of using an existing customers database of one product as prospective customers for other products.
- D** **Derivative:** financial instrument such as a swap, a forward, a future contract and an option. This financial instrument has a value that changes in response to changes in various underlying variables. It requires little or no net initial investment, and is settled at a future date.
- Direct Written Premiums:** includes premiums received from all sources related to insurance contracts.
- E** **Earned Premiums:** book-keeping value of premiums regarded as revenue in a particular period.
- Economic Capital:** is the amount of capital that the company requires in order to support the economic risks it faces.
- Embedded derivative:** derivative instrument that is embedded in another contract – the host contract. The host contract might be a debt or equity instrument, a lease, an insurance contract, a sale or a purchase contract.
- Embedded Value:** the estimate economic value of a specific insurance company excluding any value which may be generated by future new business, based on the sum of shareholder's funds and the value of its current portfolio.
- Employee Benefits:** all forms of considerations given by an entity in exchange for services rendered by employees, in addition to their pay or salary.
- Expense Ratio:** ratio resulting from the division of general expenses (administrative costs, depreciation, commissions, network fee etc.) allocated to a specific activity by earned premiums.
- F** **Fair Value:** the amount for which an asset (liability) can be bought (incurred) or sold (settled).
- Funds Under Management:** assets (e.g. shares, bonds and real estate) managed by a financial services provider.

→ GLOSSARY

- G Goodwill:** represents the excess of the fair value of the assets given, liabilities incurred or assumed and equity instruments issued; usually is accounted for only in case of acquisition.
- Gross Written Premiums:** includes direct written premiums and reinsurance accepted premiums.
- I IFRS:** international Financial Reporting Standards, used as a standard for all listed companies within the European Union as of 1 January 2005 to ensure transparent and comparable accounting and disclosure.
- Impairment:** a decline in value whereby the carrying amount of the asset exceeds the recoverable amount. In such a case, the carrying amount will be reduced to its recoverable amount through the income statement.
- Indemnity:** the cost of the loss replacement to a victim through the substitution, repair, or when not feasible, through monetary compensation. The amount paid by an insurance company to a policyholder or third party, after a claim against a policy.
- Insurance Contract:** contract under which one party accepts significant insurance risk from another party (the policyholder) by agreeing to compensate the policyholder if a specified uncertain future event adversely affects the policyholder.
- Investment Contract:** Life insurance policy contract that transfers financial risk without transferring significant insurance risk.
- L Loading Rate:** the average number of policies held by a Client.
- Loss Ratio:** the ratio obtained by the division of costs incurred with claims over earned premiums.
- M Market Share:** ratio calculated for the domestic market from direct insurance premiums of a company and direct insurance premiums in the total market, over the past 12 months of operations.
- O Open-end Pension Funds:** may be created by any organisation legally authorised to manage pension funds. New admissions conditioned only by the approval of the managed organisation.
- P Penetration Rate:** the average number of policies held by a Client and thus a benchmark of Client loyalty to a company.
- Profit sharing:** contractual right to receive additional benefits, as a supplement to guaranteed benefits.
- R Return on Equity (ROE):** financial indicator that allows us to evaluate the financial return to the shareholders. It is calculated by the ratio between net earnings for the year and average shareholder equity for the same period.
- S Shadow accounting:** In accordance with IFRS 4, the unrealised gains and losses on the assets covering liabilities arising out from insurance and investment contracts with discretionary participating features are attributed to policyholder, to the extent that it is expected that they will participate on those unrealised gains and losses when they became realised in accordance with the terms of the contracts and applicable legislation, by recording those amounts under liabilities.
- Solvency Ratio:** range of resources held by a company (net assets) apart from those legally required to meet current obligations to insurance policyholders.

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

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

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

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

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

