ESPIRITO SANTO INVESTMENT BANK

2013

ANNUAL REPORT

www.espiritosantoib.com

INDEX

Management Report

Joint Message from the Chairman of the Board of Directors and the Chief Executive Officer 1

1. Governance 4

Corporate Bodies and Executive Committee 4

Senior Managing Directors 6

Product Divisions, Departments and Units 6

Branches, Subsidiaries and Representative Offices 10

Executive Committee 12

Principles and Values 16

Organisational Chart 17

2. Earnings Distribution Proposal 18

3. Declaration of Conformity 19

4. Global Strategy of the Bank and Main Developments in 2013 21

Development Strategy 21

Company Events 23

Economic Environment 24

Consolidated Financial Highlights 26

Financial Overview 27

Rating 30

5. Activity Review 31

Investment Banking Business 31

Client Origination 32

Private Solutions 37

Capital Markets 38

Equities 47

Fixed Income 50

Corporate Finance 52

Mid-Cap Financial Advisory 59

Project Finance and Securitisation 60

Acquisition Finance and Other Lending 64

Treasury 68

Asset Management 70

Private Equity 72

6. Human Resources 74

7. Integrated Risk Management 77

Consolidated Financial Statements and Notes to the Financial Statements

Consolidated Financial Statements....114
Notes to the Consolidated Financial Statements....119
- Report and Opinion of the Supervisory Board....220
- Statutory Audit and Auditor's Report....223
- Auditors' Report....225

Individual Financial Statements and Notes to the Financial Statements

Individual Financial Statements....228
Notes to the Individual Financial Statements....233
- Report and Opinion of the Supervisory Board....309
- Statutory Audit and Auditor's Report....312
- Auditors' Report....314

Annexes

I - Shares and Bonds held by the Members of the Board of Directors and the Supervisory Bodies....318
II - Shareholder....319
III - Adoption of the Financial Stability Forum (FSF) and Committee of European Banking Supervisors (CEBS) recommendations on Transparency of Information and Valuation of Assets....320
IV - Corporate Governance Structures and Practices....324
V - Bank of Portugal Reference Indicators....326
VI - Remuneration of the Board of Directors and Supervisory Board Members and Relevant Staff (Senior Managing Directors and Control Functions Staff)....328
VII - Statement on the Remuneration Policy of the Board of Directors and Supervisory Board Members....332
VIII- Excerpts from minutes of the Annual General Meeting held on May 2nd, 2014....346

Joint Message from the Chairman of the Board of Directors and the Chief Executive Officer

Overall, 2013 ended on a positive note with economic activity gradually recovering, most noticeably in the main developed economies but also in Europe's peripheral countries, which also resumed positive growth in the second half of the year. However, a climate of uncertainty and volatility in the markets persisted during the year, fuelled by fears about economic deceleration in the emerging economies, particularly in China, political and social tensions in various regions of the globe, including Portugal, and doubts concerning the unfolding of the economic and financial crisis in the Eurozone.

Espírito Santo Investment Bank's ("the Bank") activity in 2013 was globally positive even if the economic and financial context was often unfavourable, at both local and international levels. The Bank intensified its involvement in some of the main emerging markets, leading several transactions in Mexico, Poland and Brazil which cushioned the downturn in activity in the more developed markets. Its participation in Portugal's privatisations programme and in the sovereign's return to the international long-term bond markets and also the buoyancy of the Capital Markets business area (completion of more than 50 transactions for a total amount of EUR 15 billion) helped compensate for lower growth in certain business areas more exposed to the adverse market conditions. Banking income, amounting to EUR 246.9 million, was 5.5% lower than in 2012, while operating costs dropped by 2.3%. The year's Net Income totalled EUR 7.1 million, being sharply penalised by an increase in credit impairments.

In Portugal, the Bank was a major player in the Capital Market business area, leading several senior debt issues by large Portuguese companies and reaching the 1st place in the Portuguese Debt Capital Markets ranking (by Bookrunner Parent). The Bank also played a very prominent role in the privatisations process, concluding the advisory services to the Portuguese State on the sale of 100% of ANA – Aeroportos de Portugal, S.A. to Vinci Concessions, and acting as Co-Lead Manager on the sale, through an IPO, of 70% of CTT - Correios de Portugal, S.A. share capital, the Portuguese mail service. In the Mergers & Acquisitions business area we were again market leader, and maintained a relevant position in equities trading on the NYSE Euronext Lisbon.

The Bank's performance and initiatives drew attention and recognition from several international entities, resulting in the following awards:

> Best Investment Bank in Portugal, from Global Finance magazine

> Best M&A House in Portugal, from EMEA Finance magazine

> Best Investment Bank in Portugal, from Euromoney magazine

Throughout the year we pursued our international expansion that accounted for 59% of consolidated banking income, while consistently adjusting our development model to suit market conditions. We focused our activity on less capital and liquidity intensive businesses and on the development of operating partnerships, under which we sought to share resources and Clients. In 2013, Espírito Santo Investment Bank entered a strategic joint venture in Southeast Asia with RHB, one of the three largest banks in the region, which should provide broad equities coverage in Asia and a strong complement to the platforms in India and Hong Kong. In Turkey, the Bank established a strategic joint venture with Global Securities, expanding coverage to 50 local listed companies and providing access to local execution.

In Spain, we leveraged our growing international presence and close cooperation with the structures of Banco Espírito Santo to pursue penetration efforts in the corporate segment, viewing the intensification of cross-border business and the development of Capital Markets and Mergers & Acquisitions activities. Despite the restraints in the Spanish market during the year, we maintained 2nd place on the Iberian M&A ranking and were placed among the Top 10 in the Spanish brokerage market.

In Brazil we achieved a positive performance. The Capital Markets division was very dynamic, especially on the debt front, allowing the Bank to rank among the Top 10 in ANBIMA Long-Term Fixed-Income Origination League Table for 2013. We advised Portugal Telecom on its ongoing merger with Oi while playing a relevant advising role on various Project Finance transactions, particularly in the energy and transport infrastructure sectors. We also continued to develop our more recent business areas, namely Wealth Management and Private Equity. In the latter the highlight was the conclusion of the subscription of the 2bCapital Fund, which reached BRL 405 million.

In the United Kingdom, we hold 100% of Espírito Santo Investment Holding Ltd. since May 2013. We focused on the full integration of this unit, a work that involved resizing the businesses and the teams, concentrating the Pan-European Brokerage activity (research and trading of UK and continental Europe shares) in a smaller number of industry sectors, selling non-core businesses (Reinsurance) and launching new activities (Market Making and Proprietary Trading). In addition, we concluded several Capital Markets transactions during the year.

In Poland, we concentrated on cross-border Mergers & Acquisitions and Capital Markets activities, while continuing to support our local and international Clients, mainly through the issuance of bank guarantees. We consolidated our credentials in this market, where we achieved 3rd place in the ranking of IPOs by value, namely through our participation in the sale of 12.25% of the largest Polish bank PKO Bank Polski share capital, which was the major accelerated bookbuilding deal in the history of the Warsaw Stock Exchange (PLN 5,243 million), and in the IPO of Energa, the largest in the last two years (PLN 2,405 million).

In the United States, we worked during the year on the development of advisory and distribution activities reinforcing our role in this market as a distribution platform for products originated in other regions where the Bank is present.

In Mexico, we strengthened our presence through the creation of Lusitania Capital, a non-banking subsidiary firm with the capacity to provide advisory services and financial support to projects in local currency. This new subsidiary represents a very important strategic step that will allow the Bank to increase its local Client base and boost the Project Finance activity in this market, where in 2013 we participated in several financing transactions in local currency. We also participated in a number of Capital Markets transactions, namely leading a USD 500 million bond issue by TV Azteca.

In India, we expanded our scope of activity to Mergers & Acquisitions and Capital Markets businesses, aiming to leverage the local deal origination capacity through our international distribution platforms, namely London.

In Hong Kong, where we operate through a broker, we are studying alternatives to extend the scope of our presence.

In Africa, we continued to strive for a stronger presence in some of the main markets in the region, particularly in Angola, were we operate through an Investment Banking Office within BESA and intend to establish a local broker dealer, and in Mozambique, where we aim to develop investment banking activities under a partnership with Moza Banco.

Our vision for 2014 is moderately optimistic. It is based on the expected recovery of the global economy, of which some signs are already visible, and international investors' growing interest in the Iberian Peninsula, which should lead to encouraging business opportunities. We will pursue the implementation of our strategy, pooling our efforts into the growth of our international activity, promoting business opportunities in the markets where we are present and supporting our Clients in their drive for international expansion.

We wish to thank our Clients for their preference, which we will strive to maintain and reward with differentiated and innovative services. To our Employees, a word of recognition for their commitment and professionalism, which we are aware, is of the utmost importance in the current context.

Finally, we wish to express our appreciation to the Supervisory Board and our Auditors for their contribution to the increasingly high standards in accounting and management information reporting and also to the Bank of Portugal, the Portuguese Securities Market Commission and the supervision authorities in the countries where we are present, for their constant cooperation and the trust placed in Espírito Santo Investment Bank.

José Maria Espírito Santo Silva Ricciardi
(Vice-Chairman of the Board of Directors and Chief Executive Officer)

Ricardo Espírito Santo Silva Salgado
(Chairman of the Board of Directors)

1. GOVERNANCE

Corporate Bodies and Executive Committee

CORPORATE BODIES

GENERAL MEETING BOARD

Chairman
Daniel Proença de Carvalho

Secretary
José Miguel Alecrim Duarte

BOARD OF DIRECTORS

Chairman
Ricardo Espírito Santo Silva Salgado

Vice-Chairmen
José Maria Espírito Santo Silva Ricciardi
Francisco Ravara Cary
Rafael Caldeira de Castel-Branco Valverde
Miguel António Igrejas Horta e Costa
Ricardo Abecassis Espírito Santo Silva

Other Members
Alan do Amaral Fernandes
Amílcar Carlos Ferreira de Morais Pires
Bernard Marcel Fernand Basecqz
Christian Georges Jacques Minzolini
Diogo Luís Ramos de Abreu
Duarte José Borges Coutinho Espírito Santo Silva
Félix Aguirre Cabanyes
Frederico dos Reis de Arrochela Alegria
João Filipe Espírito Santo de Brito e Cunha
José Manuel Pinheiro Espírito Santo Silva
Luis Miguel Pina Alves Luna Vaz
Moses Dodo[1]
Nicholas Mark Finegold
Paulo José Lameiras Martins
Pedro Mosqueira do Amaral
Phillipe Gilles Fernand Guiral
Tiago Vaz Pinto Cyrne de Castro

[1] On March 14th, 2014 Moses Dodo resigned his position as member of the Board of Directors and member of the Executive Committee.

EXECUTIVE COMMITTEE

Chief Executive Officer (CEO)
José Maria Espírito Santo Silva Ricciardi

Deputy Chief Executive Officer (Deputy CEO)
Francisco Ravara Cary

Other Members
Rafael Caldeira de Castel-Branco Valverde
Miguel António Igrejas Horta e Costa
Ricardo Abecassis Espírito Santo Silva
Alan do Amaral Fernandes
Christian Georges Jacques Minzolini
Diogo Luís Ramos de Abreu
Félix Aguirre Cabanyes
Frederico dos Reis de Arrochela Alegria
Luis Miguel Pina Alves Luna Vaz
Moses Dodo[2]
Paulo José Lameiras Martins
Tiago Vaz Pinto Cyrne de Castro

Senior Managing Directors with a seat on the Executive Committee
José Luís de Saldanha Ferreira Pinto Basto
Pedro Miguel Cordovil Toscano Rico

Executive Committee Secretary
Patrícia Salgado Goldschmidt Catanho Meneses

SUPERVISORY BOARD

Permanent Members
José Manuel Macedo Pereira (Chairman)
Tito Manuel das Neves Magalhães Basto
Mário Paulo Bettencourt de Oliveira

Deputy Member
Paulo Ribeiro da Silva

STATUTORY AUDITORS

Amável Calhau, Ribeiro da Cunha e Associados –
Sociedade de Revisores Oficiais de Contas
represented by
Amável Alberto Freixo Calhau

[2] On March 14th, 2014 Moses Dodo resigned his position as member of the Board of Directors and member of the Executive Committee.

Senior Managing Directors

Aníbal Paçó
Bartlomiej Dmitruk
Carlos Ferreira Pinto
Carlos Nogueira
Carolina Ibañez
Dipesh Patel
Fernando Castro Solla
Filipa Schubeius
Garreth Hodgson
João Arantes e Oliveira
João Baptista Pereira
José Gabriel
José Martins Soares
José Miguel Rego
Krzysztof Rosa
Leonor Dantas
Lourenço Vieira de Campos
Lucas Martínez
Luís Sousa Santos
Luís Vasconcelos
Maria Luísa Baroni
Mércia Bruno
Miguel Guiomar
Nuno Cardoso
Patrícia Goldschmidt
Paulo Araújo
Pedro Costa
Pedro Ventaneira
Ricardo Domenech
Rodrigo Carvalho
Rui Baptista
Rui Borges de Sousa
Rui Marques
Rui Trindade de Sousa
Sílvia Costa

Product Divisions, Departments and Units

PRODUCT DIVISIONS

CLIENT ORIGINATION
Pedro Toscano Rico (Portugal)
Carolina Ibañez (Spain)
Miguel Lins (Brazil)
John Millar (United Kingdom)
Bartlomiej Dmitruk (Poland)
Nuno Cardoso (United States of America and Mexico)
George Mathew (India)
Jorge Ramos (Angola)

PRIVATE SOLUTIONS
Lourenço Vieira de Campos

CORPORATE FINANCE
Leonor Dantas / Luís Vasconcelos (Portugal)
José Miguel Rego (Spain)
Maria Luísa Baroni (Brazil)
John Millar / Paulo Barradas (United Kingdom)
Lukasz Pawlowski (Poland)
Maria Luísa Baroni / Daniel Pyne (United States of America)
George Mathew (India)

MID-CAP FINANCIAL ADVISORY
Leonor Dantas

ACQUISITION FINANCE AND OTHER LENDING
Rui Baptista / Pedro Ruas (Portugal)
Rui Baptista / Gonzalo de Liñán Amusátegui (Spain)
Alan Fernandes (Brazil)
Rui Baptista / Bartlomiej Dmitruk (Poland)
Nuno Cardoso (United States of America and Mexico)

PROJECT FINANCE AND SECURITISATION
Luís Sousa Santos (Portugal and Poland)
Carlos Álvarez Fernández (Spain)
Alan Fernandes (Brazil)
Robin Earle (United Kingdom)
Nuno Cardoso (United States of America and Mexico)

CAPITAL MARKETS
Sílvia Costa (Portugal and Spain)
Miguel Guiomar (Brazil)
John Millar (United Kingdom)
Tara Cemlyn-Jones (International)
Maciej Jacenko / Krzysztof Rosa (Poland)
Miguel Guiomar / Dennis Holtzapffel / Rodrigo Carvalho (United States of America and Mexico)
George Mathew (India)

FIXED INCOME
Carlos Ferreira Pinto (Portugal) – Global Coordinator
Sílvia Nadelar (Spain)
Roberto Simões (Brazil)
Marcus Ashworth (United Kingdom)
Krzysztof Rosa (Poland)
Garreth Hodgson (United States of America and Mexico)

TREASURY
Carlos Nogueira (Portugal)
Roberto Simões (Brazil)
Krzysztof Rosa (Poland)

CAPITAL STRUCTURE ADVISORY
Cristina Frazão (Portugal, Spain and Poland)

GLOBAL LOAN SYNDICATION
Lucas Martinez Vuillier (Europe)
Thomas Friebel (Americas)

GLOBAL MARKETS
Rui Borges de Sousa (Portugal and Spain)
Roberto Simões (Brazil)
Gonçalo Mendes de Almeida (United Kingdom)
Krzysztof Rosa (Poland)

EQUITIES
João Baptista Pereira (Portugal and Spain)
Rui Marques (Brazil)
Dipesh Patel (United Kingdom)
Szymon Ozog (Poland)
Garreth Hodgson (United States of America)
George Mathew (India)
Nick Paulson-Ellis / Rui Marques (Emerging Markets - United Kingdom)
Research
Will Draper (Equity Research - Europe)
Filipe Rosa (Equity Research – Portugal and Spain)
Catarina Pedrosa (Equity Research – Brazil)
Konrad Księżopolski (Equity Research - Poland)
Saikiran Pulavarthi e Chirag Talati (Equity Research - India)
José Martins Soares (Cross Asset Research)

ASSET MANAGEMENT
Fernando Castro Solla (Discretionary Management - Portugal and Spain)
Paulo César Werneck (Asset Management - Brazil)
Domingos Espírito Santo Pereira Coutinho / José Carlos Mendes (Wealth Management - Brazil)

PRIVATE EQUITY
João Arantes e Oliveira

DEPARTMENTS

COMPLIANCE
Patrícia Salgado Goldschmidt

CORPORATE COMMUNICATION AND IMAGE
Pedro Pereira Santos

ACCOUNTING
Pedro Ventaneira
Delfina Mendes

INFORMATION AND DOCUMENTATION
Paula Ramalhete

INFORMATION AND MANAGEMENT REPORTING SYSTEM
Pedro Ventaneira
António Pacheco

INFORMATION TECHNOLOGY
Rui Trindade de Sousa

LEGAL
Patrícia Salgado Goldschmidt

OPERATIONS
João Pereira da Silva

ORGANISATIONAL RESOURCES
José Gabriel

CORPORATE DEVELOPMENT
José Pinto Basto

HUMAN RESOURCES
José Gabriel
Aníbal Paçó

RISK – CREDIT RISK ANALYSIS
Filipa Schubeius
Rui Brigantim Pereira

RISK – RISK CONTROL
Pedro Ventaneira
Luís Pereira

UNITS

PROJECT MANAGEMENT OFFICE & CHANGE MANAGEMENT
Rui Trindade de Sousa

Branches, Subsidiaries and Representative Offices

BRANCHES

SPAIN
Félix Aguirre Cabanyes
Ricardo Domenech Zamora

LONDON
Rafael Caldeira de Castel-Branco Valverde
Aníbal Jorge Campos Paçó

NEW YORK
Moses Dodo[3]
Nuno David Fernandes Cardoso

POLAND
Christian Georges Jacques Minzolini
Krzysztof Rosa
Bartlomiej Dmitruk

CAYMAN ISLANDS (BRANCH OF BES INVESTIMENTO DO BRASIL)
Ricardo Abecassis Espírito Santo Silva
Mércia Carmeline Alves Bruno

SUBSIDIARIES

BES INVESTIMENTO DO BRASIL, S.A. – BANCO DE INVESTIMENTO (BRAZIL)
Ricardo Abecassis Espírito Santo Silva

BES SECURITIES DO BRASIL, S.A. – CORRETORA DE CÂMBIOS E VALORES MOBILIÁRIOS (BRAZIL)
Ricardo Abecassis Espírito Santo Silva

BESAF - BES ACTIVOS FINANCEIROS, LTDA. (BRAZIL)
Ricardo Abecassis Espírito Santo Silva

ESPÍRITO SANTO SERVIÇOS FINANCEIROS DTVM (BRAZIL)
Ricardo Abecassis Espírito Santo Silva

ESPÍRITO SANTO CAPITAL - SOCIEDADE DE CAPITAL DE RISCO, S.A. (PORTUGAL)
Francisco Ravara Cary
João Carlos Mendes Reis Arantes e Oliveira

ESPÍRITO SANTO INVESTMENT P.L.C. (IRELAND)
Tiago Vaz Pinto Cyrne de Castro
John Patrick Andrew Madigan

ESPIRITO SANTO INVESTMENT HOLDING LTD (UNITED KINGDOM)
Luís Miguel Pina Alves Luna Vaz

[3] On March 14th, 2014 Moses Dodo resigned his position as member of the Board of Directors and member of the Executive Committee.

EXECUTION NOBLE LIMITED (UNITED KINGDOM)
Luís Miguel Pina Alves Luna Vaz

EXECUTION NOBLE (HONG KONG) LIMITED
Luís Miguel Pina Alves Luna Vaz

ESPÍRITO SANTO SECURITIES INDIA PRIVATE LIMITED (INDIA)
Luís Miguel Pina Alves Luna Vaz
George Mathew Verghese

LUSITANIA CAPITAL, S.A.P.I. DE C.V., SOFOM, E.N.R. (MEXICO)
Moses Dodo[4]
Nuno David Fernandes Cardoso
Hugo Antonio Villalobos Velasco
Tiago Vaz Pinto Cyrne de Castro

REPRESENTATIVE OFFICES

MEXICO CITY
Hugo Antonio Villalobos Velasco

GERMANY
Mário Vieira de Carvalho

[4] On March 14th, 2014 Moses Dodo resigned his position as member of the Board of Directors and member of the Executive Committee.

Executive Committee

José Maria Espírito Santo Silva Ricciardi

Chief Executive Officer (CEO)
Chairman of the Global Management Committee
Legal
Compliance
Human Resources
Organisational Resources
Information and Management Reporting System

Francisco Ravara Cary

Deputy Chief Executive Officer (Deputy CEO)
Chief Financial Officer
Chairman of Assets and Liabilities Committee (ALCO)
Chairman of Global Credit and Risk Committee
Treasury
Risk Control and Credit Risk
Accounting
Private Equity including Espírito Santo Capital – Sociedade de Capital de Risco, S.A. and associated companies

Rafael Caldeira de Castel-Branco Valverde

Senior Country Officer for Portugal
Chairman of the Portugal Geography Committee
Acquisition Finance and Other Lending
Portugal Client Origination
London Client Origination
Information and Documentation
Private Solutions
London Branch

Miguel António Igrejas Horta e Costa

Corporate Communication and Image
Institutional Relations
Premium Clients

Ricardo Abecassis Espírito Santo Silva

Senior Country Officer for Brazil
Chairman of Brazil Geography Committee
Joint Chairman of the Americas Credit and Risk Committee
Wealth Management
Brazil Client Origination
Espírito Santo Investimentos, S.A.
BES Investimento do Brasil, S.A. – Banco de Investimento and respective subsidiaries

Christian Georges Jacques Minzolini

Senior Country Officer for Poland
Chairman of Poland Geography Committee
Corporate Development
Warsaw Branch

Diogo Luís Ramos de Abreu

Capital Structure Advisory

Paulo José Lameiras Martins

Corporate Finance
Mid-Cap Financial Advisory

Luis Miguel Pina Alves Luna Vaz

Capital Markets
Equities
Fixed Income
Asset Management
Espirito Santo Investment Holding Ltd, Execution Noble Limited Company, Execution Noble Limited and respective subsidiaries

Tiago Vaz Pinto Cyrne de Castro

Chief Operations Officer
Chairman of Operational Committee
Operations
Information Technology
Operational Risk
Project Management Office & Change Management (PMO&CM)
Espírito Santo Investment, plc

ESPIRITO SANTO INVESTMENT BANK

Félix Aguirre Cabanyes

Senior Country Officer for Spain
Chairman of Spain Geography Committee
Madrid Branch
Spain Client Origination

Moses Dodo[5]

Senior Country Officer for United States of America
New York Branch
Chairman of the United States of America Committee
Joint Chairman of the Americas Credit and Risk Committee
Global Loan Syndication

Frederico dos Reis de Arrochela Alegria

Global Markets

Alan do Amaral Fernandes

Project Finance and Securitisation

[5] On March 14th, 2014 Moses Dodo resigned his position as member of the Board of Directors and member of the Executive Committee.

Senior Managing Directors with a seat on the Executive Committee

José Luís de Saldanha Ferreira Pinto Basto

Head of Corporate Development Department
Head of Global Loan Syndicaton

Pedro Miguel Cordovil Toscano Rico

Head of Portugal Client Origination Division

Principles and Values

Espírito Santo Investment Bank business is built upon the following set of Principles and Values:

Ownership
Our Managers and Employees identify with the Bank's mission and corporate values and have a strong sense of belonging to a team. Our people have a sense of ownership in the Bank's activities and participate intensely in its successes and failures. This involves a strong sense of responsibility in terms of performance and risks in relation to both the Bank and its Clients.

Client Orientation
We strive to maintain and develop Clients' trust by means of our professional attitude, and our intense focus on their need. We delight in exceeding expectations, by defining strategies to maximise value and establish true partnerships.

Excellence
We provide quality services and innovative and creative solutions. We constantly seek perfection by paying close attention to detail towards obtaining results that exceed expectations.

People Orientation
We treat Employees with dignity, respecting individual knowledge and skills. We continuously provide opportunities for personal and professional growth.

Learning Organisation
We practice an attitude of continuous learning and innovation, and promote the diversity of ideas and the sharing of information. We are constantly engaged in the search for greater knowledge, and strive to make the Bank a source of distinctive know-how and thought leadership.

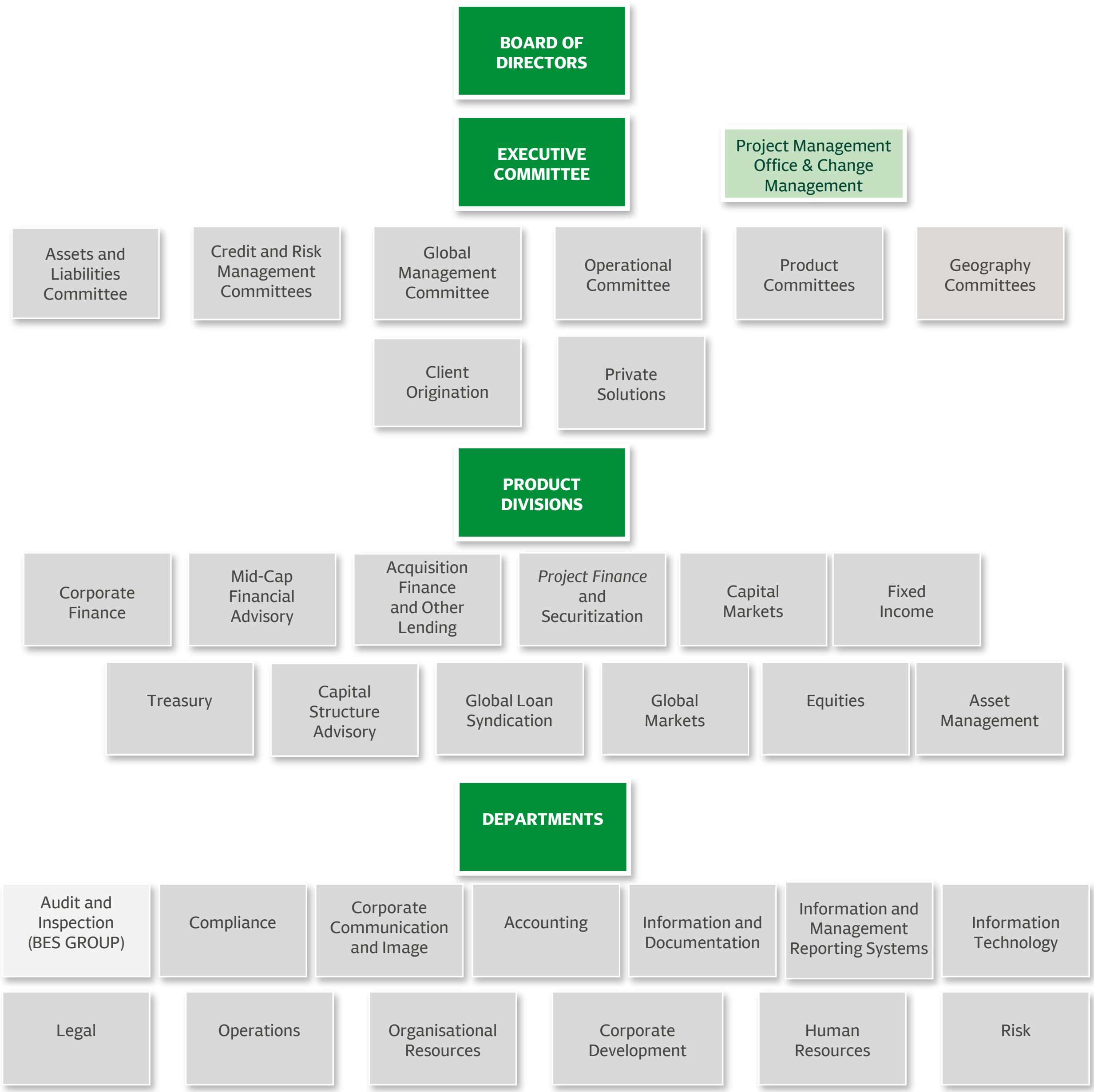
Passion to Win
We are determined to keep growing and improving, using exceptional levels of energy and motivation.

Communication
We express our opinions and points of view objectively and clearly, while at the same time providing others with the space to affirm and express themselves. We aim to enhance the value of information through assertiveness and active listening, and create a non-hierarchical and open-door organization that values people at every level and embodies transparency.

Think and Act Internationally
We stay abreast of global trends and use this knowledge to assess and estimate how global events may impact local business. At the same time, we respect the differences between the regions where the Bank operates, and honour the cultural practices in each.

Ethics and Transparency
We continuously align our corporate thought and behaviour to respond appropriately to the need for human solidarity and respect for human dignity. We respect local regulations and implement corporate rules when developing businesses, and always behave ethically in the best interests of the Bank. We maintain a high level of transparency in terms of annual reports, financial accounts and other corporate documents, and ensure that Employees, the Shareholder, Regulators, Clients and the market in general are provided with adequate information.

Organisational Chart



Note: The functions of the Global Management Committee and Operational Committee are currently performed by the Executive Committee.

2. EARNINGS DISTRIBUTION PROPOSAL

Considering that the individual income statement of Banco Espírito Santo de Investimento, S.A. for the year ended on December 31st, 2013 showed a net loss of EUR 2,548,231.29 (two million five hundred forty eight thousand two hundred thirty one euros and twenty nine cents) the Board of Directors submits to the Annual General Meeting the following proposal for the distribution of the year's results:

> TO OTHER RESERVES AND RETAINED EARNINGS: EUR -2,548,231.29 (net loss of two million five hundred forty eight thousand two hundred thirty one euros and twenty nine cents)

3. DECLARATION OF CONFORMITY

In accordance with Article 245, number 1, paragraph c, of the Portuguese Securities Code, the Members of the Board of Directors of Banco Espírito Santo de Investimento, S.A. hereby declare that, to the best of their knowledge:

a) The individual financial statements of Banco Espírito Santo de Investimento, S.A. for the year ended on December 31st, 2013 were prepared in accordance with the legally applicable accounting standards and the Portuguese legislation, as set forth in Article 245, number 3, of the Portuguese Securities Code;

b) The consolidated financial statements of Banco Espírito Santo de Investimento, S.A. for the year ended on December 31st, 2013 were prepared in accordance with the legally applicable accounting standards and with Regulation (EC) no. 1606/2002 of the European Parliament and of the Council, of July 19th, as set forth in Article 245, number 3, of the Portuguese Securities Code;

c) The financial statements referred to in paragraphs a) and b) above give a true and fair view of Banco Espírito Santo de Investimento, S.A. and consolidated companies' assets, liabilities, equity and earnings;

d) The Management Report describes faithfully Banco Espírito Santo de Investimento, S.A. and consolidated companies' business evolution, performance and financial position for the year ended on December 31st, 2013, and includes a description of the main risks and uncertainties that could affect the business.

Lisbon, March 20th, 2014

Ricardo Espírito Santo Silva Salgado
(Chairman of the Board of Directors)

José Maria Espírito Santo Silva Ricciardi
(Vice-Chairman of the Board of Directors and Chief Executive Officer)

Francisco Ravara Cary
(Vice-Chairman of the Board of Directors and Deputy Chief Executive Officer)

Rafael Caldeira de Castel-Branco Valverde
(Vice-Chairman of the Board of Directors and Executive Board Member)

Miguel António Igrejas Horta e Costa
(Vice-Chairman of the Board of Directors and Executive Board Member)

Ricardo Abecassis Espírito Santo Silva
(Vice-Chairman of the Board of Directors and Executive Board Member)

Alan do Amaral Fernandes
(Executive Board Member)

Amílcar Carlos Ferreira de Morais Pires
(Member)

Bernard Marcel Basecqz
(Member)

Christian Georges Jacques Minzolini
(Executive Board Member)

Diogo Luís Ramos de Abreu
(Executive Board Member)

Duarte José Borges Coutinho Espírito Santo Silva
(Member)

Félix Aguirre Cabanyes
(Executive Board Member)

Frederico dos Reis de Arrochela Alegria
(Executive Board Member)

João Filipe Espírito Santo de Brito e Cunha
(Member)

José Manuel Pinheiro Espírito Santo Silva
(Member)

Luís Miguel Pina Alves Luna Vaz
(Executive Board Member)

Nicholas Mark Finegold
(Member)

Paulo José Lameiras Martins
(Executive Board Member)

Pedro Mosqueira do Amaral
(Member)

Philippe Gilles Fernand Guiral
(Member)

Tiago Vaz Pinto Cyrne de Castro
(Executive Board Member)

4. GLOBAL STRATEGY OF THE BANK AND MAIN DEVELOPMENTS IN 2013

Development Strategy

Espírito Santo Investment Bank[6] is the investment banking financial institution of the Banco Espirito Santo Group (BES Group). Its strategy has been to progressively consolidate its position in the domestic market while increasingly expanding its international activity, focusing on markets where BES Group also holds a relevant presence and on emerging markets with critical mass and growth potential.

The Bank's business expansion plan is supported by its single shareholder, Banco Espírito Santo, and is part of BES Group's international development strategy, which targets markets with economic and cultural affinities with Portugal and high growth potential.

The Bank's first international expansion phase, in 1999-2000, targeted the Spanish and Brazilian markets, with the objective to follow and promote the large flow of investment of its main Clients in these markets.

Looking to tap the growing capital and investment flows between Latin America, Europe, Africa and Asia, as from 2005 the Bank extended its reach to new emerging markets with strong growth potential, namely Poland (2005), Mexico (2010), Hong Kong (2010) and India (2012).

The need to create distribution platforms for the products and services originated in the various markets led the Bank to establish a presence in the American market, where it opened a Branch in New York (2009), and to reinforce its penetration in the United Kingdom, where in 2010 it acquired a 51% stake in Execution Noble (which was already operating indirectly in Hong Kong), and gradually increased it to 100%.

While benefiting from its integration in BES Group, the Bank will continue to adapt its development model to market conditions, privileging less capital- and liquidity-intensive businesses, seeking moderate growth in the Credit portfolio and faster balance sheet rotation, and focusing on the development of operational partnerships under which it may share resources and Clients.

The main drivers of the development strategy are:

Expansion of the international activity
The Bank intends to intensify its operations in the regions where its presence is more recent (Mexico, India) and develop the newly established commercial partnerships in Turkey, in Malaysia (South Africa in the near future). In addition, the Bank has been developing business opportunities in Angola and Mozambique through specialised teams based on the local units of the BES Group, without a direct and regulated presence in these markets.

[6] All references to "Espirito Santo Investment Bank" or "the Bank" are deemed to refer to Banco Espirito Santo de Investimento, S.A. and/or any of its subsidiaries or branches, taken together or separately.

Consolidation of the existing operations

In the other geographies (Portugal, Spain, Brazil, United Kingdom, Poland, United States) the Bank has been expanding its activity mainly in less capital-intensive business areas (essentially Capital Markets and Mergers & Acquisitions) and promoting its integrated cross-border offer of investment banking services.

Privileging structuring capacity

The balance sheet deleveraging undertaken by the main Portuguese financial groups, together with the difficulty of obtaining funding at a competitive cost, led the Bank to devise a new approach to the credit related business areas, especially Project Finance and Other Lending. At present these business areas mostly provide advisory services, seeking to arrange financing facilities with third-party funding or for subsequent market syndication or sale on the secondary market within a timeframe of less than 24 months.

Cost control, especially in the so-called mature geographies

To maximise return on investment, the Bank has sought to streamline its costs structure, especially in the so-called more mature geographies (Portugal, Spain, United States and United Kingdom). This criteria is predominantly based on the growth prospects of those markets as a whole rather than on the nature of the Bank's presence, as development prospects in the United States and the United Kingdom are still high. In the new geographies, the objective is to set up lighter structures and whenever possible build on the existing resources to develop cross-border businesses.

Company Events

> In February 2013 the share capital of Espírito Santo Serviços Financeiros DTVM was increased by BRL 6,000,000.00 (six million reais) to BRL 12,300,000.00 (twelve million three hundred thousand reais).

> In February 2013 Lusitania Capital, S.A.P.I. de C.V., SOFOM, E.N.R. was set up in Mexico. The new subsidiary will develop investment banking activities in the Mexican market.

> In March 2013 the share capital of BESAF – BES Activos Financeiros Ltda. was increased by BRL 4,000,000.00 (four million reais) to BRL 12,650,000,00 (twelve million six hundred and fifty thousand reais).

> In March 2013 the Corporate Bodies of the Bank were elected for the 2013/2016 four-year period.

> In April 2013 the subsidiary Espírito Santo Securities India Private Limited was granted a merchant banking license, authorising it to develop investment banking services in the Indian market, particularly Mergers & Acquisitions.

> In May 2013 the Bank became the sole (indirect) shareholder of Espírito Santo Investment Holding Ltd.

> In July 2013 R Consult Participações Ltda. and R Invest Ltda. were incorporated into Espírito Santo Serviços Financeiros DTVM, in accounting terms.

> In August 2013 ESSI Comunicações, SGPS, S.A. was merged by incorporation into Banco Espírito Santo de Investimento, S.A., in accounting terms.

Economic Environment

2013 was marked by a recovery of global economic activity that was most noticeable in the main advanced economies. The United States economy accelerated in the second half of the year, driven by the rebound of the labour and housing markets, the waning of fiscal risks and strong monetary policy stimuli – a fed funds target rate close to zero and an aggressive quantitative easing policy. In the full year the US GDP grew by 1.9%, but registered an annualised quarterly increase of 3.2% in the fourth quarter. The good performance of the advanced economies was also supported by a recovery of activity in Europe, underpinned by strong monetary stimuli and progress in the deleveraging of companies and families in the United Kingdom (which also grew by 1.9% in 2013) and a sharp abatement of the systemic risks associated to the sovereign debt crisis in the Eurozone. Though registering an annual drop of 0.4%, the Eurozone GDP resumed positive quarterly growth in the second quarter, supporting expectations for an increase of around 1% in 2014.

The recovery of economic activity in the Eurozone was extensive to the peripheral economies, which also resumed positive growth in the second half of the year. Spain and Portugal's GDP still shrank (-1.2% and -1.4%, respectively, in the full year) due to the contraction of activity in the earliest part of the year, but the second half already saw a recovery of confidence indicators, an expansion of activity and a stabilisation of financial conditions. Poland, while not immune to the still relatively weak performance of the Eurozone, remained an exception in the European context, posting annual growth of 1.6% in 2013 (after growing by 2% in 2012), with activity rebounding as from the first quarter. The Central Bank made five cuts in the benchmark interest rate in the first half of the year, slashing it from 4% to 2.5%. In this context the PLN retreated by 1.7% against the EUR.

In the US and Europe, the rebound of growth and confidence in a context of expansionary monetary policies was particularly favourable for the equity markets. In the US, the S&P500 and Nasdaq indices gained 29.6% and 38.3%, while in Europe the DAX, CAC and IBEX advanced by 25.5%, 18% and 21.4%, respectively. In light of persisting 'deflationary' risks, in November the ECB cut the rate on the main refinancing operations from 0.5% to 0.25%; even so the 3-month Euribor rose by 6 bps in the fourth quarter and 10 bps in the year, to 0.287%, mainly reflecting the shrinking of liquidity through an increase in banks' reimbursements of LTROs *(long term refinancing operations).* The EUR gained close to 4.5% to the USD, reaching EUR/USD 1.379. The absence of inflationary pressures was sustained by the stability of oil prices, with the Brent retreating by 1% in 2013, to USD 110.8/barrel.

With activity picking up and the Federal Reserve signalling a reduction in quantitative easing, the yields on the 10-year Treasuries and *Bunds* rose in 2013 from 1.758% to 3.029%, and from 1.316% to 1.929%, respectively. Expectations of a hike in market interest rates in the US economy, of a rise in the USD and of a squeeze on access to liquidity led to increased volatility in the financial markets as from May, which was particularly penalising for the emerging markets. In Brazil, the BRL lost around 13% against the USD and 17% against the EUR while the Bovespa index retreated by 15.5%. With a dynamic domestic demand and faced with inflationary pressures (an inflation rate of close to 6%), the Brazilian Central Bank lifted the SELIC interest rate from 7.25% to 10% in 2013 (and to 10.5% at the beginning of 2014). The Brazilian economy grew by 2.3% in 2013, but all the while growth expectations for 2014 steadily deteriorated (to close to 2%).

The emerging markets were further penalised by fears about a slowdown of economic activity in China, especially during the first half of the year. The stabilisation measures implemented allowed the Chinese economy to grow by 7.7% in 2013, the same as in 2012, but the year ended with fresh signs of a cooling of activity and the Chinese authorities seeking to establish a more balanced, less credit-driven growth pattern. In India the INR lost around 15% to the euro and 11.5% to the USD, reflecting the more volatile scenario in the emerging markets and also the reduction of benchmark interest rates in the first half of the year, from 8% to 7.25%. However, the Central Bank's credible reaction to the deterioration of external financial conditions, namely including a new interest rate hike to 7.75% still in 2013 (and again to 8% in early 2014), lessened the markets' pressure on the Indian economy. The Sensex index climbed by 9% in a year when GDP grew by 4.5%. The increased volatility of the emerging markets, though stressing the risks on the outlook, did not affect much Angola's performance. Angola's GDP grew by 5.6% in 2013, up from 5.2% in 2012, having benefited from an increase in oil production in a context of stable energy commodities' prices.

In Portugal, the good performance of exports and the stabilising trend of domestic demand supported the expansion and an upturn of economic activity as from the second quarter. Even so growth remained constrained by the deleveraging process under way across the various sectors. GDP fell by 1.4% in the year, but is expected to grow by just over 1% in 2014. From the first to the fourth quarter of 2013 the unemployment rate retreated from 17.7% to 15.3% of the labour force. The recovery of economic activity and the fiscal consolidation measures implemented contributed to lower the general government deficit (adjusted for the Troika criteria) to around 4.5% of GDP, which is below the target of 5.5%. Portugal returned to the capital markets in December with a debt exchange operation (EUR 6.6 billion), immediately followed in early 2014 by 5- and 10-year syndicated bond issues for an overall total of EUR 6.25 billion. After hitting a high of 7.5% in July, the yield on the 10-year treasury bonds closed the year at 6.13%, continuing to subside in the first months of 2014, to below 5% level. The PSI-20 index climbed by ca. 16% in 2013.

10-year Treasury Bonds yields

Source: Bloomberg (as of March 18th, 2014)

Consolidated Financial Highlights

(EUR thousands)

Consolidated Income Statement	2013	2012	Change
Consolidated Banking Income	**246,899**	**261,267**	**(5.5%)**
Fees and Commissions Income	102,274	101,110	1.2%
Net Interest Income and Market Results	144,625	160,157	(9.7%)
Total Operating Expenses	**(171,976)**	**(176,053)**	**(2.3%)**
Staff Costs	(104,880)	(111,399)	(5.9%)
General and Administrative Expenses	(60,370)	(58,876)	2.5%
Depreciation and Amortisation	(6,726)	(5,778)	16.4%
Operating Income	**74,923**	**85,214**	**(12.1%)**
Impairment and Provisions	(59,497)	(46,201)	28.8%
Profit before Income Tax	**15,426**	**39,013**	**(60.5%)**
Income Tax	(8,063)	(18,471)	(56.3%)
Non-controlling interests	(301)	1,486	N/A
Consolidated Net Profit	**7,062**	**22,028**	**(67.9%)**

(EUR thousands)

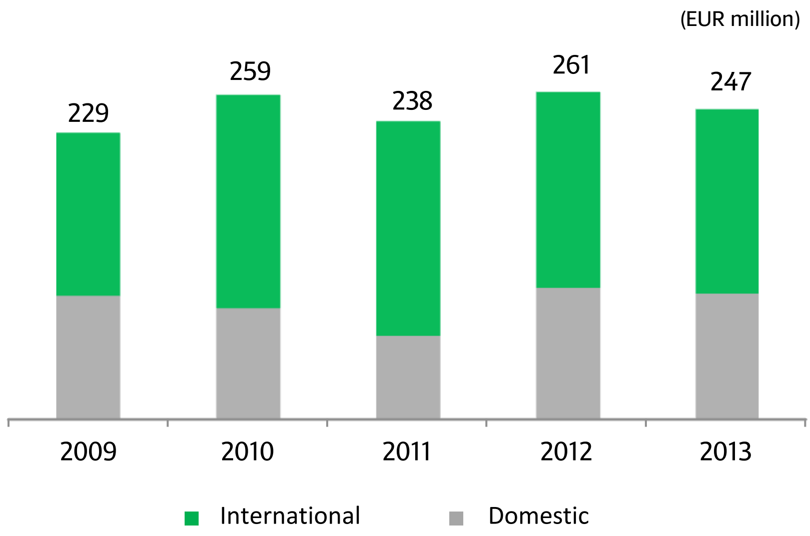
Consolidated Balance Sheet	2013	2012	Change
Financial assets held for trading	1,604,606	2,439,729	(34.2%)
- Securities	1,025,938	1,560,951	(34.3%)
Available-for-sale-financial assets	783,352	485,917	61.2%
Loans and advances to banks	433,623	243,755	77.9%
Loans and advances to costumers	1,946,582	2,187,524	(11.0%)
Held-to-maturity investments	314,329	107,202	193.2%
Other assets	879,307	1,017,736	(13.6%)
Total Assets	**5,961,799**	**6,481,863**	**(8.0%)**
Share Capital	326,269	326,269	0.0%
Share premium and other equity instruments	12,527	12,527	0.0%
Reserves	221,753	269,649	(17.8%)
Net Profit	7,062	22,028	(67.9%)
Non-controlling interests	51,884	75,532	(31.3%)
Total Equity	**619,495**	**706,005**	**(12.3%)**
Financial liabilities held for trading	480,688	751,715	(36.1%)
Deposits from banks	1,680,584	2,020,686	(16.8%)
Due to costumers	1,054,389	967,374	9.0%
Debt securities issued	1,449,549	1,382,888	4.8%
Other liabilities	677,094	653,195	3.7%
Total Liabilities	**5,342,304**	**5,775,858**	**(7.5%)**
Total Equity and Liabilities	**5,961,799**	**6,481,863**	**(8.0%)**

Financial Overview

The Bank's activity and results in 2013 were penalised by the macroeconomic context, particularly by the slowdown of activity in Brazil and Spain.

Banking Income totalled EUR 246.9 million, 5.5% less than in 2012. Fees and Commissions remained at 2012 level, as the buoyancy of the Capital Markets business area (completion of more than 50 transactions for a total amount of EUR 15 billion) and the Bank's participation in Portugal's privatisation programme helped to compensate for lower growth in business areas more exposed to the adverse context. Net Interest Income dropped by 13.0% year-on-year, to EUR 82.3 million, as a result of the increase in funding costs and the reduction of the Loan Portfolio. Capital Markets results decreased by 5%, to EUR 62.4 million.

Consolidated Banking Income

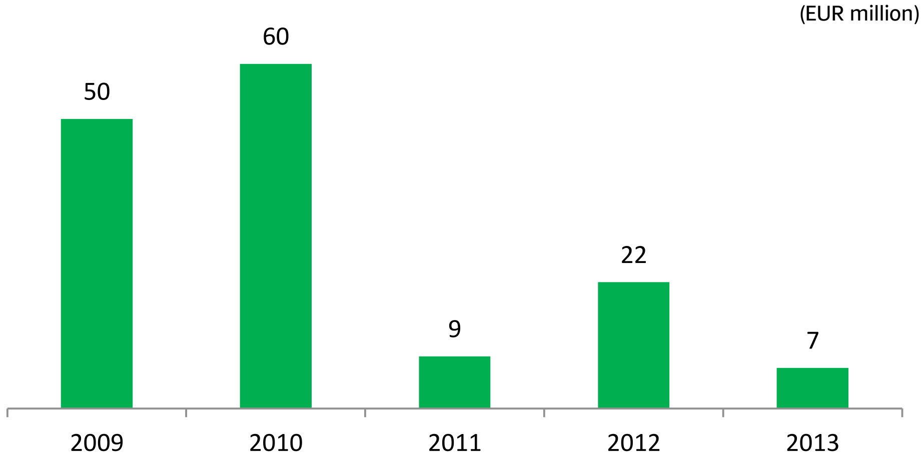


Source: Espírito Santo Investment Bank

Total Operating Costs decreased by 2.3% year-on-year to EUR 172.0 million due to lower Staff Costs. This reduction derived from the reshaping of certain activities to a new business environment, particularly in Brazil and in the United Kingdom where competition for talent is high. Additionally, this cost optimisation was influenced by the programme currently under way at Banco Espírito Santo Group to gradually rationalise and reduce operating costs over the 2013-2015 period in a total amount of EUR 100 million (3% in 2013, 5% in 2014 and 6% in 2015). The reduction in Operating Costs helped to mitigate the negative impact from a lower Banking Income in the Cost to Income ratio (70% in 2013 vs. 67% in 2012).

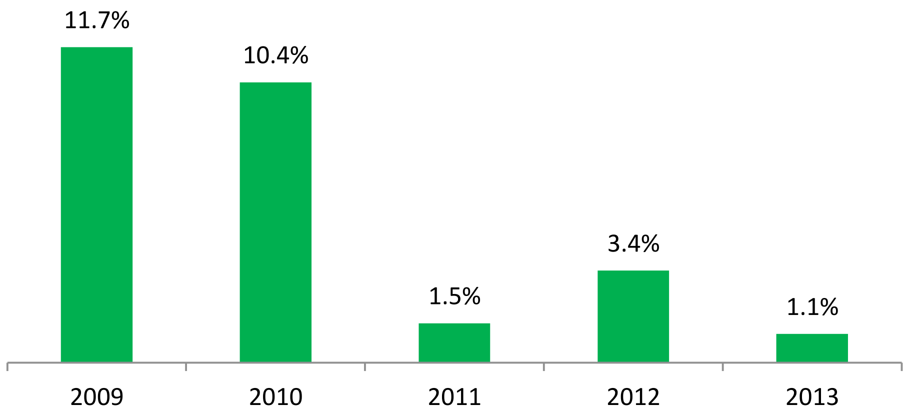
The Net Income for the year, EUR 7.1 million, was sharply penalised by the increase in credit impairment and provision charges, which were up by 28.8% year-on-year.

Consolidated Net Profit



Source: Espírito Santo Investment Bank

Return on Equity (ROE)

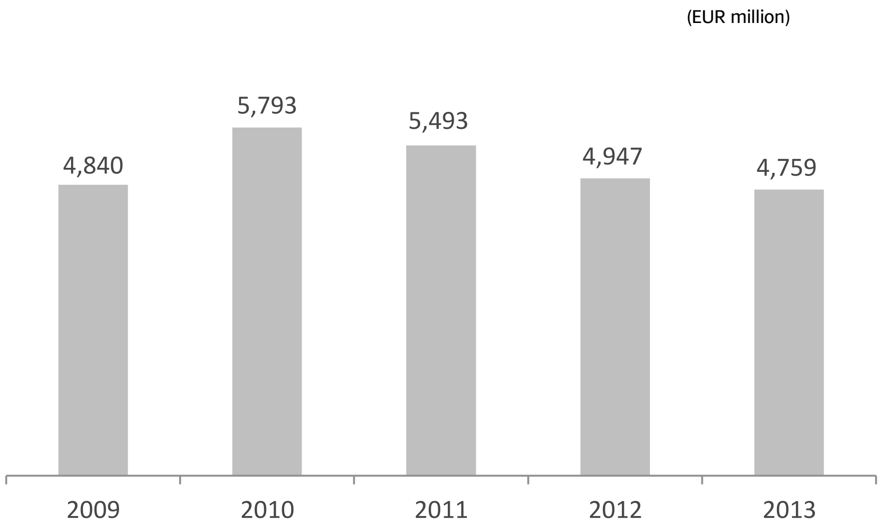


Source: Espírito Santo Investment Bank

Total Assets decreased by 8%, to EUR 6 billion, as a result of lower Financial Assets Held for Trade and Loan Portfolio.

Risk Weighted Assets dropped by 3.8%, to EUR 4,759 million, due to a reduction in market risk.

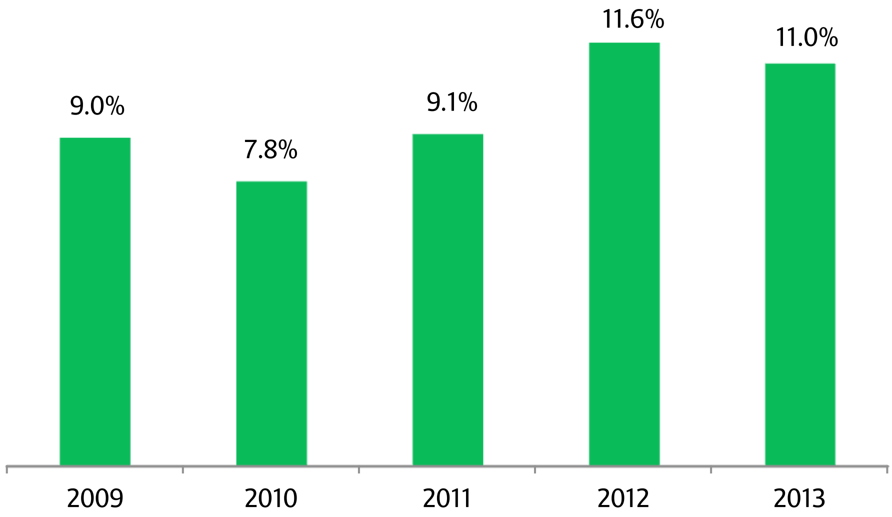
Risk Weighted Assets



Source: Espírito Santo Investment Bank

The capital ratios slightly deteriorated in 2013 with the Core TIER I ratio dropping by 57 bps to 11.03% and the Solvency ratio by 96 bps, to 11.09%. Basic Own Funds were impacted by BRL devaluation against EUR, since the Bank has an important capital investment in Brazil.

Core TIER I



Source: Espírito Santo Investment Bank

Rating

On March 7th, 2013 Standard & Poor's (S&P) affirmed the long-term rating of the Republic of Portugal at BB, raising the outlook from negative to stable. As a result, on March 12th, 2013 S&P revised the ratings of the Portuguese banks, affirming the BB-/B rating of Banco Espírito Santo de Investimento, S.A., with negative outlook.

On March 27th, 2013 Moody's affirmed the long-term rating of the Republic of Portugal at Ba3, maintaining the negative outlook.

On July 5th, 2013 S&P affirmed the long-term rating of the Republic of Portugal at BB but revised its outlook from stable to negative, following the ministerial resignations. On July 26th, 2013 S&P affirmed the ratings of Banco Espírito Santo and Banco Espírito Santo de Investimento at BB-/B (long- and short-term), maintaining the negative outlook.

On November 8th, 2013 Moody's affirmed the long-term rating of the Republic of Portugal at Ba3, revising the outlook from negative to stable. On December 10th, 2013 Moody's affirmed the long-term rating of Banco Espírito Santo at Ba3, maintaining the negative outlook.

On January 17th, 2014 S&P affirmed the long-term rating of the Republic of Portugal at BB, removing it from creditwatch negative but maintaining the negative outlook. Portugal's rating had been put on creditwatch on September 19th, 2013 due to the deterioration of the political environment. The negative outlook reflects the social and political risks associated with the deleveraging efforts by Portugal's private and public sectors, as well as uncertainties related to Portugal's exit from the Troika programme, scheduled for May 2014. On the same date S&P removed the long- and short-term ratings of Banco Espírito Santo and Banco Espírito Santo de Investimento from creditwatch negative, but maintained the negative outlook. Both bank's ratings had been put on creditwatch negative on September 20th, 2013, in line with the sovereign rating.

As regards the Bank's subsidiaries, on February 26th, 2013 Moody's affirmed the ratings of BES Investimento do Brasil at A2.br/BR-2 (Brazilian local scale) and Ba3/Not Prime (local currency deposits), with negative outlook. The rating on the external debt issue in foreign currency was also affirmed at Ba3/Not Prime.

On March 28th, 2013 S&P affirmed the ratings of BES Investimento do Brasil at BB-/B (global scale) and brA/brA-2 (Brazilian local scale), both with negative outlook. The rating on the external debt issue in foreign currency was kept at BB-.

On January 23rd, 2014 S&P affirmed the short- and long-term ratings of BES Investimento do Brasil at BB-/B (global scale) and brA/brA-2 (Brazilian local scale), removing them from creditwatch negative. The negative outlook reflects the parent company's outlook, indicating that any downgrade will have effects on the rating of the Brazilian subsidiary.

5. ACTIVITY REVIEW

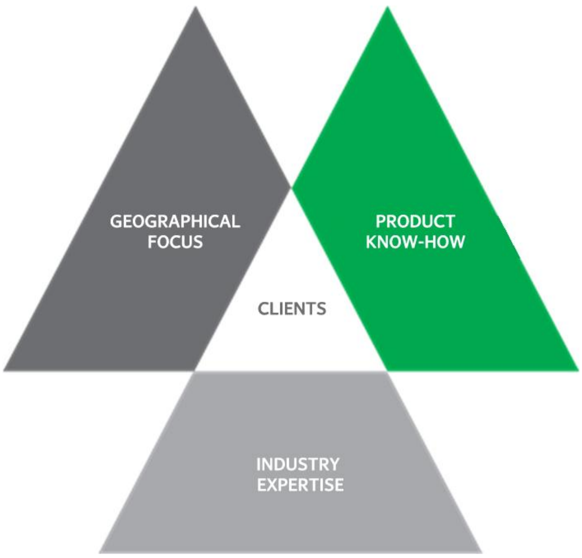
Investment Banking Business

Espirito Santo Investment Bank´s main objective is to provide services to large and medium-sized Corporate Clients, Institutional Clients, and in some specific segments, Private Clients. The Bank's main source of revenues is derived from commissions from advisory services, brokerage and securities placement and from revenues generated by structured credit underwriting and asset and risk management.

The Bank has adopted in the various geographies where it operates a matrix-based team structure with the Client origination teams working closely together with the product and execution teams.

Business Teams

- > Client Relationship
- > Deal Origination
- > Wholesale cross-selling with BES Group



Product Teams

- > Capital Markets
- > Equities
- > Fixed Income
- > Corporate Finance
- > Mid-Cap Financial Advisory
- > Capital Structure Advisory
- > Project Finance and Securitisation
- > Acquisition Finance and Other Lending
- > Treasury
- > Asset Management
- > Private Equity

Client Origination

The Client Origination Team strives to originate transactions for all the Bank's product areas. It works closely with corporate Clients to identify their needs and projects, supported by its extensive knowledge of the national and international market opportunities.

The Client Origination Team is specialised by industry sectors in a proactive and innovative approach aimed at developing sustainable and lasting Client relationships.

While keeping focused on the Portuguese investment banking market, where it continues to cement its leadership, the Bank further reinforced its direct international presence in 2013, originating cross-border opportunities for its Clients.

The commitment and professionalism of the Bank's staff supported the efficiency and effectiveness of its commercial and product teams, a performance reflected in the significant deal flow and existing pipeline.

Client origination by Geography

Portugal | Spain | Brazil | United Kingdom

Edinburgh | India | Poland | USA | Angola

Client Origination by Sector

Cluster 1	Cluster 2	Cluster 3	Cluster 4	Cluster 5	Cluster 6	Mid-caps
Transports & Infrastructure	Capital Goods	Electricity, Oil & Gas	Telecoms, Media & Technology	Construction	Real Estate	All the Sectors
Public Sector	Distribuiton	Pulp & Paper	Chemical	Building Materials	Tourism	
Environment	Packaging	Auto	Sports & Leisure	Road Concessions		
Health Care		Forestry		Banking & Insurance		
Metals and Mining						

CLIENT RELATIONSHIP - PORTUGAL

Though marked by sharp swings in political and economic sentiment, 2013 was a positive year for Espirito Santo Investment Bank as it supported its Portuguese and cross-border Clients in several relevant investment transactions, maintained a prominent role in the Portuguese Privatisations Programme – whose success was proof of the markets' and international investors' improved perception about Portugal -, and took part in most of the issues launched in the Portuguese Capital Markets.

Its brand and reputation are valuable assets for the Bank, allowing it not only to identify foreign investors with an interest in Portugal but also to support the Portuguese companies in their internationalisation efforts. The Bank's international platform, focused in the origination and execution of cross-border operations, and the coordination with Banco Espírito Santo Group's different business areas in tracking opportunities and jointly arranging transactions, were also key factors for success and for achieving the Client's objectives.

CLIENT RELATIONSHIP - SPAIN

2013 saw a very slow resurgence of activity during the first half and a more dynamic recovery in the second half, especially in the Capital Markets and Mergers & Acquisitions (M&A) businesses.

Despite the still prevailing scarcity of Banks financing, a number of M&A transactions were completed, not only in the Real Estate sector but also amongst industrials. Underpinned by the growing interest of international investors in the Spanish market, cross-border transactions continued to reinforce their weight in the Bank's activity, both in terms of completed deals and mandates.

The Capital Markets activity was mostly concentrated on the debt side, though a number of equity transactions were also concluded. Following the European trend, 2013 was a record year in terms of bonds issues and of number of new issuers in Spain. The Bank successfully closed a number of bond issues.

Industry expertise and the vast network of contacts built over the last years with companies in this market were crucial for detecting business opportunities in 2013. In 2014 the Client Origination Team in Spain will continue to concentrate on the reinforcement of its skills and on the origination of new business opportunities, in coordination with the various teams of BES Group.

CLIENT RELATIONSHIP – BRAZIL

During 2013 the Client Origination Team in Brazil remained focused on the corporate segment, enhancing its relationship with the Clients through growing industry expertise. The Bank's diversified offer of products and services allowed it to stand out from the competition, consolidate its image, deepen the relationship with the existing Clients and attract new Clients.

At the same time the Team continued to support foreign companies looking to expand their business to Brazil, backed by BES Group's growing international presence. Through the International Premium Unit (UIP), in 2013 the Bank concluded several operations in the areas of Treasury and Risk Management, Capital Markets, Project Finance, Acquisition Finance and Other Lending, and Corporate Finance.

Although the economy is expected to slow down in 2014 (Presidential Elections and the FIFA World Cup), Brazil still has large investment needs, especially in the infrastructure sectors, which should generate opportunities for the Bank in the Project Finance and Capital Markets business areas.

Tracking new business opportunities and further cementing the relationship with the Corporate Clients – a growing and increasingly sophisticated segment – are the main objectives for 2014.

CLIENT RELATIONSHIP – UNITED KINGDOM

2013 was marked by the acquisition, in May, of the remaining 31.59% of Espírito Santo Investment Holding Ltd. share capital which now operates under the Espirito Santo Investment Bank exclusive brand name. This ended a cycle of incorporation and integration of Execution Noble into the Bank.

Despite the adverse economic environment in the high potential origination markets (which has limited the flow of cross-border opportunities and restrained the growth of the platform in the United Kingdom), the number of active Clients registered a significant increase, showing that there is critical mass in the mid-cap private equity segment in which the team decided to focus its strategy. The Bank obtained several M&A mandates, as well as, as from the second half of the year, mandates for Capital Markets deals, an area which seems to be finally taking off.

Given the emerging signs economic and financial recovery in Iberia and banking on the work developed in 2013 to deepen the relationship with the Client base and to integrate the UK platform with the other operations of the Bank in the world, it should be possible in 2014 to tap into the flow of cross-border opportunities and to achieve a significant increase in deal execution and Client retention rates.

CLIENT RELATIONSHIP - POLAND

During 2013 the Client Origination Team in Poland continued to focus on the development of commercial relationships with corporate Clients as well as with public entities. The Team maintained a close working relationship with the product divisions on the continuous improvement of the efficiency and efficacy of the services provided through the identification of the Clients' needs and the design of tailor-made propositions combining standard solutions such as loans and guarantees with bespoke financial products. In addition, the Bank's geographical expansion also supports the development of transactions at international levels.

In 2013 the Bank closed several different types of deals such as IPOs, follow-on offerings, accelerated bookbuildings (ABBs) and bond issues for important Polish Clients.

CLIENT RELATIONSHIP – UNITED STATES OF AMERICA AND MEXICO

In 2013 the Client Origination Team in the United States focused its activity on supporting the Bank´s Clients with operations or interests in the Americas, particularly in North America and Spanish Latin America.

In particular the team emphasised the provision of a global service to Clients from other geographies where the Bank is present.

The Client Origination Team strives to achieve the following main objectives:

> Widen the North- and Latin-American Client base by leveraging the Bank's specific expertise as a factor of differentiation and generation of business opportunities;

> Strengthen ties with Portuguese companies based in the US with a view to developing cross-selling opportunities and position the Bank in the US as the "go to bank" for all their investment banking needs;

> Support the initiatives taken by Portuguese Institutions' official representatives to promote Portugal within the North-American financial community.

With regard to Spanish Latin America, the team concentrated on:

> Positioning the Bank as the reference institution in investment banking in the strategic triangle: Iberia, Africa and Latin America.

> Strongly reinforcing the Bank's activity in the Mexican market, capitalising on the opening of its subsidiary Lusitania Capital, which enabled the execution of credit operations in Mexican pesos.

> Supporting the initiatives to promote Portugal with the Mexican business community and in particular assist the official representatives of Portuguese Institutions in their visits to Mexico.

The Client Origination Team consolidated its activity in the US and in Spanish Latin America, being instrumental in the origination of new Project Finance, Capital Markets, M&A and financial advisory operations.

Working together with the different Product areas and Client Origination teams from the other regions where the Bank is present, the US team called on a great number of North-American institutional investors to present investment opportunities in the strategic triangle, from which resulted several cross-border mandates.

In addition, and in response to requests from Clients from other geographies, the team engaged in industry-specific market research, for which it called on the more relevant players.

In Mexico the Client Origination Team stepped up the process of introducing the Bank and developing commercial relationships, fulfilling an ambitious Client acquisition plan that involved more than two hundred commercial actions.

This programme was remarkably successful, namely originating various transactions for the Bank in the areas of Project Finance, Capital Markets and M&A, including the completion of its 20th deal in Mexico in a two years' time.

The Client Origination Team organised a work meeting intended to promote Portugal between Mr. Paulo Portas, the Portuguese Vice-Prime Minister, and several Mexican entrepreneurs and representatives from some of the largest Mexican companies. AICEP, Portugal's trade and investment agency and the Portuguese Embassy in Mexico, also participated in this initiative, which was on the agenda of the Vice-Prime Minister's official visit to Mexico in June.

The Client Origination team was also part of the delegation of entrepreneurs who accompanied the Portuguese Prime Minister Mr. Pedro Passos Coelho's official visit to Mexico, taking the opportunity to sign, on behalf of the Bank, an agreement to create a Portuguese Business Centre in Mexico City which will provide banking, legal and tax support to the Portuguese companies entering this market.

Finally, the Client Origination team continued to work in the organisation and promotion of the Portugal-Mexico Business Club event, held in Mexico City under the aegis of the Portuguese Embassy in Mexico.

CLIENT RELATIONSHIP - ANGOLA

Investment banking operations in Angola are developed through the Investment Banking Office (IBO) jointly created with Banco Espírito Santo Angola (BESA). While assisting BESA's corporate division, the IBO provides support to Espírito Santo Investment Bank's international Clients with businesses in Angola.

The IBO provides a comprehensive range of specialised financial services, including the organisation of medium- and long-term structured finance for the government and public-sector companies involved in the 2013-2017 National Reconstruction Programme, as well as for private-sector entities and projects, namely in the real estate, financial services, mining, manufacturing, building materials, energy, transport and logistics, distribution, beverages, food and agriculture sectors.

Keeping abreast of the fast development of Corporate & Investment Banking (CIB) services in Angola, Espírito Santo Investment Bank, together with BESA, will submit a licensing application to open a non-banking financial institution in the country (a *Sociedade Distribuidora de Valores Mobiliários* ("SDVM") to broaden the coverage of the Angolan market by means of a local presence.

The aim is to tap opportunities to provide Capital Markets and Financial Advisory services capable of stimulating cross-border activities, leveraging on the Bank's presence in other geographies (specifically Portugal, Brazil and the emerging markets).

Private Solutions

2013 started on a note of improving investor confidence and consequently greater predisposition for risk-taking. The market's positive developments and the strengthening of investor confidence allowed the Bank to broaden its offer of investment solutions under a joint approach with Banco Espírito Santo's Private Banking and subsequently to extend it to other business units of the Group, namely in the international area.

This favourable context, which initially fostered a pipeline of potentially interesting deals, saw a reversal in the second half of the year, with signs of political instability in Portugal reawakening investors' fears about the country's economic and financial recovery. In this climate of greater uncertainty and instability several investment decisions were postponed, reviving demand for lower-risk assets.

The political crisis that flared up in June was solved and the last months of 2013 and beginning of 2014 are proving quite positive for Portugal's image in the world, as reflected by the gradual decline of debt yields and investors' appetite for portuguese debt. If this improving climate and outlook for positive growth in 2014 are maintained, one could expect a rapid shift in demand from the Bank's Client base towards other classes of assets, namely the so-called real assets which still offer much better risk versus return opportunities when compared to the traditional assets.

In this context, the Private Solutions Division will face 2014 with optimism, supported by the Banco Espírito Santo/ Espírito Santo Investment Bank joint model for promoting and distributing the investment opportunities identified.

Capital Markets

Market Background

EQUITY CAPITAL MARKETS

In the primary market, the amount of share and equity-linked offerings at global level reached approximately USD 797 billion in 2013, which represents a year-on-year increase of 27% and the highest annual amount since 2010. This was mostly driven by a 40% increase in the amount of Initial Public Offers (IPOs), but also by a 17% rise in the amount of follow-on offers. More than half (57%) of global primary market activity resulted from financial sector (20%), real estate sector (13%), energy sector (13%) and industrial sector (11%) transactions. IPOs in 2013 reached USD 165 billion, with the emerging economies representing 34% of the total.

In the EMEA region (Europe, Middle East, and Africa), share and equity-linked offerings amounted to USD 234 billion, climbing by 87% when compared to the previous year. IPOs in the region amounted to USD 38 billion (+120% YoY), capital increases totalled USD 33 billion (+2% YoY) and equity-linked offerings reached USD 30 billion (+56% YoY).

In Brazil, equity offerings on the Bovespa registered a sharp increase in 2013, with companies and their shareholders raising BRL 23.8 billion, which compares with BRL 14.3 billion in 2012. However, one should note that this amount was sharply influenced by BB Seguridade's IPO, which accounted for 50% of the total.

DEBT CAPITAL MARKETS

Primary market investment grade issues in EUR reached EUR 768 billion in 2013, a slight increase over 2012 (EUR 756 billion). A context of historically low interest rates, inducing the offer of new issues, led investors to seek for higher returns boosting peripheral countries' and high-yield debt issues. In this context, primary market high-yield issues in EUR reached EUR 40.6 billion in the year, their highest volume ever.

Investment grade debt issues in USD also attained an unprecedented level in 2013, increasing by 5% year-on-year, to USD 949 billion. High-yield issues in USD remained practically flat, totalling USD 322 billion.

In **Brazil** local debt issues volume totalled BRL 127.3 billion in 2013, 22% below 2012 (BRL 163.9 billion). Most of the securities (84.2%) were distributed under restricted placement efforts (legal basis ICVM 476), reflecting the issuers' and financial institutions' great appetite for this type of bonds as well as the concentration of issues in a few institutional investors. Debentures were the most widely used instrument in 2013 (46.7% of the total), followed by Promissory Notes (33.5%), "FIDCs" – Asset Backed Securities (9.9%) and "CRIs" - Certificates of Real Estate Receivables (9.9%).

For the international fixed income business 2013 was a more challenging year than 2012. Total issues volume reached USD 38.1 billion, which is 36% less than in the previous year (USD 51.5 billion), with investment grade issuers accounting for approximately 75% of the total volume of new issues.

The volume of FIDCs and CRIs issued in the Brazilian market in 2013 reached BRL 20.4 billion, a 21.7% increase over 2012, when the total was BRL 16.7 billion.

In Spanish Latin America investment grade issuers also preferentially targeted the international Capital Markets, especially during the first three quarters of the year. Total debt issues volume in the region increased by 20% year-on-year, to USD 77 billion, with investment grade issuers accounting for 68% of new issues volume.

The Activity of Espírito Santo Investment Bank

In 2013 Espírito Santo Investment Bank maintained a high level of activity in the various regions where it operates, namely Portugal, Spain, the United Kingdom, Poland, Brazil and Mexico, closing more than 50 transactions for a total of approximately EUR 15 billion.

In **Portugal**, the Bank played a prominent role in the reopening of the debt market to corporate and financial issuers and also to the Portuguese Republic, acting as Joint Lead Manager in Portugal's successful return to the market in January 2013, with a 5-year EUR 2.5 billion issue.

In addition, the Bank also acted as Joint Lead Manager on the bond issues by BES (5-year EUR 500 million) and REN (5-year EUR 300 million), the first international bond issues made in 2013 by a Portuguese Bank and a Portuguese corporate issuer, respectively.

Throughout the year the Bank maintained a leading position in most of the senior debt issues by the main Portuguese companies, namely acting as Joint Lead Manager on the bond issues by Portugal Telecom (EUR 1 billion), EDP Finance (EUR 600 million) and ESFIL (EUR 200 million), and as Sole Lead Manager on the bond issues by Galp (5-year EUR 110 million) and Sonae Investimentos (5-year EUR 50 million). The Bank also acted as Joint Bookrunner on BES's EUR 750 million subordinated debt issue.

On the Public Bond Offerings side, Espírito Santo Investment Bank acted as Global Coordinator on the 3-year EUR 175 million issue by Mota–Engil and as Joint Global Coordinator on EUR 45 million issue by Benfica SAD.

As a result of its role in the Portuguese Debt Capital Markets, the Bank led Dealogic's ranking of Portuguese Debt Capital Markets by Bookrunner Parent, both by volume (with a market share of 15.5%) and number of transactions.

In **Spain**, the Bank acted as Joint Bookrunner on the high-yield bond issue by Empark (EUR 385 million) and as Co-Lead Manager on the high-yield bond issue by NH Hoteles (EUR 250 million).

Portugal
PT Internacional Finance B.V.
4.625% Notes
Due 2020
€ 1,000,000,000
Joint Lead Manager
2013
ESPIRITO SANTO INVESTMENT BANK

Portugal
4.875% Notes
Due 2020
€ 750,000,000
Joint-Bookrunner
2013
ESPIRITO SANTO INVESTMENT BANK

Portugal
EDP Finance B.V.
4.125% Notes
Due January 2021
€ 600,000,000
Joint Lead Manager
2013
ESPIRITO SANTO INVESTMENT BANK

Portugal
BANCO ESPIRITO SANTO
4.75% Notes
Due 2018
€ 500,000,000
Joint Lead Manager
2013
ESPIRITO SANTO INVESTMENT BANK

Portugal
REN Redes Energéticas Nacionais
4.125% Notes
Due 2018
€ 300,000,000
Joint Lead Manager
2013
ESPIRITO SANTO INVESTMENT BANK

Spain
empark
6.75% Senior Secured Notes
Due 2019
€235,000,000
Senior Secured Floating Rate Notes
Due 2019
€150,000,000
Joint Bookrunner
2013
ESPIRITO SANTO INVESTMENT BANK

Portugal
BANCO ESPIRITO SANTO
Tier 2 Subordinated Notes
€ 750,000,000
Joint Bookrunner
2013
ESPIRITO SANTO INVESTMENT BANK

Portugal
MOTA-ENGIL
Public Bond Offering
€ 175,000,000
Global Coordinator
2013
ESPIRITO SANTO INVESTMENT BANK

Portugal
ESFIL - Espírito Santo Financière S.A.
5.25% Notes
Due 2015
€ 200,000,000
Joint Lead Manager
2013
ESPIRITO SANTO INVESTMENT BANK

Regarding equity and equity-linked transactions, the Bank acted as Joint Bookrunner on the bonds exchangeable into BES shares issue by ESFG (EUR 200 million), as Co-Lead Manager on the privatisation, through an IPO, of 70% of the share capital of CTT (EUR 579 million) and as Sole Bookrunner on the placement of a block of shares corresponding to 1.9% of REN's share capital (EUR 23 million).

In **Poland**, the Bank significantly enhanced its credentials in the local market, taking part in 5 transactions, namely acting as Joint Bookrunner on two large-scale deals:

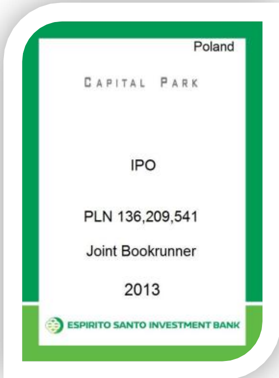
> Sale of the existing shares of the largest Polish bank PKO Bank Polski, which was the major accelerated bookbuilding deal in the history of the Warsaw Stock Exchange (PLN 5,243 million); and

> IPO of Energa, a Polish electricity utility (PLN 2,406 million), the largest IPO in the Warsaw Stock Exchange in the last two years.

Moreover, the Bank acted for the first time in Poland as Global Coordinator on the accelerated bookbuilding of the Kruk shares (PLN 252 million), and also as Sole Arranger on the private placement of Marvipol shares (PLN 35 million).

In December, the Bank acted as Joint Bookrunner on the IPO of Capital Park (PLN 136 million), the second largest IPO on the Warsaw Stock Exchange in 2013.

As a result, the Bank reached 3rd place in the Polish IPO ranking by value in 2013 published by Parkiet, a Polish daily financial newspaper.



In the **United Kingdom**, the Bank led the following transactions, acting as:

> Joint Bookrunner, Joint Broker & Nominated Adviser on the placement of new shares of IQE Plc (USD 26.4 million) as partial financing for the USD 75 million acquisition of Kopin Wireless;

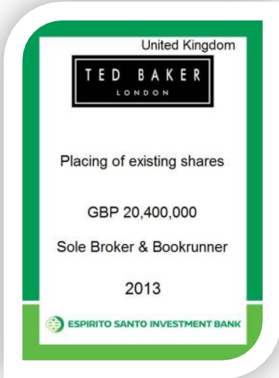
> Joint Broker & Bookrunner on the capital increase of Vertu Motors Plc (GBP 50 million) to finance the acquisition of three 3 Albert Farnell Land Rover dealerships from the Co-Operative Group, as well as to fund future acquisition opportunities;

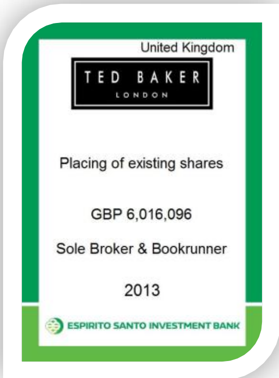
> Sole Broker & Bookrunner on the placement of existing shares held by the CEO and founder of Ted Baker (GBP 20.4 million);

> Joint Bookrunner on the placement, through accelerated bookbuilding, of existing shares held by the Employee Fund of Sports Direct.com (GBP 112.2 million);

> Sole Broker & Bookrunner on the placement, through accelerated bookbuilding, of existing shares held by the Employee Fund of Ted Baker (GBP 6.0 million);

> Co-Lead Manager on the IPO of Just Retirement Group (GBP 343.2 million), with market cap of GBP 1,125.0 million at the time of listing.





In **Brazil**, the Bank's Capital Markets division increased its activity during 2013, closing more than 12 transactions, particularly in the debt market

On the equities market, the Bank acted as Joint Bookrunner on the Follow-on offering of BHG – Brazil Hospitality Group, in the amount of BRL 355 million.

The Bank participated in six debentures and promissory notes issues, acting as:

> Joint Bookrunner on the issue of infrastructure debentures by Rodovias do Tietê (BRL 1,065 million), an innovative transaction as it was the first issue of debentures to be placed on the international market in accordance with Reg-S/ 144A;

> Joint Bookrunner on the issue of infrastructure debentures by Santo Antônio Energia (BRL 420 million);

> Joint Bookrunner on the issue of infrastructure debentures by IE Madeira (BRL 350 million);

> Sole Lead Manager on the issue of debentures by Unidas (BRL 120 million);

> Sole Lead Manager on the issue of debentures by Abengoa Brasil (BRL 75 million);

> Joint Bookrunner on the issue of promissory notes by Luft (BRL 100 million).

Due to its strong performance, the Bank reached the Top 10 ranking for Long-Term Fixed-Income Origination in the local market in 2013 by ANBIMA.

On the international fixed income segment, the Bank pursued its strategy of taking new issuers to the market, acting as:

> Joint Bookrunner on the inaugural bond issue by Andrade Gutierrez (USD 500 million);

> Sole Lead Manager on the inaugural bond issue by OMNI (USD 30 million);

> Arranger of the notes programme by Supersul (Yamada Group) (USD 500 million).

In addition, the Bank participated in structured transactions, namely acting as:

> Joint Bookrunner on the Asset Backed Securities (“FIDC”) issue by OMNI’s (BRL 118 million), the first transaction executed in the Brazilian market under the Brazilian Securities Market Commission (CVM)’s new regulations;

> Lead Manager on the Certificates of Real Estate Receivables (“CRIs”) issue by Gaia Sec (Suzano), the first CRI transaction structured by the Bank (BRL 100 million).

Benefiting from its presence in **New York** and **Mexico**, the Bank has been strategically expanding its activity into other Latin American countries besides Brazil. As a result, the Bank led for the first time International Fixed-Income issues in Mexico, acting as:

> Sole Bookrunner on the Euro Commercial Paper issue by Famsa Group (USD 50 million);

> Sole Bookrunner on the inaugural bond issue by Crediamigo (USD 30 million);

> Joint Bookrunner on the USD 500 million bond issue by TV Azteca.

In **India,** the Bank was authorized to develop merchant banking activities in 2013, extending its scope of investment banking services to Capital Markets transactions.

Outlook

The outlook for the Capital Markets activity is positive: the new deals' pipeline is growing; however, the level at which it will translate into new transactions will clearly depend on the sustainability of the market recovery during 2014.

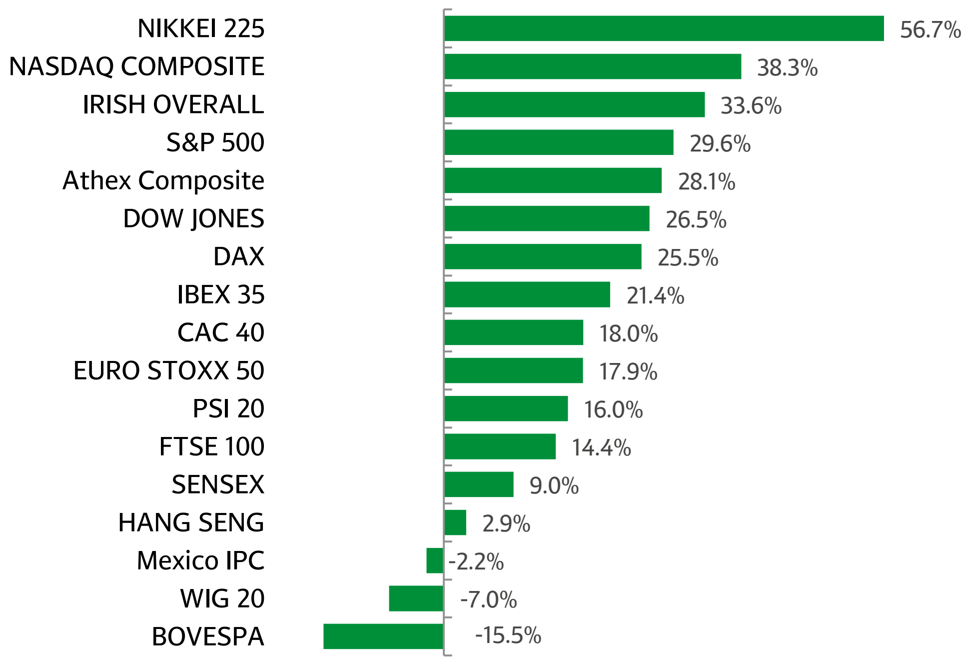
The Bank will continue to concentrate its efforts on maintaining the leading position in the Capital Markets business in Portugal, on consolidating its position in the more mature regions such as Spain, the United Kingdom, Poland and the United States of America, and on expanding its activity in the emerging markets of Brazil, Mexico and India.

Equities

Market Background

The main equity markets in the developed countries registered significant gains in 2013, underpinned by the Central Banks' injections of liquidity and, in Europe, by the ECB's intervention with its programme of purchase of public debt securities (the OMT – Outright Monetary Transactions), which dispelled a scenario of break-up of the Eurozone, contributing to the normalisation of market conditions and consequently to an improvement in global sentiment and the subsiding of volatility. This sentiment also pervaded the peripheral Eurozone economies, which saw a gradual shrinking of the risk premium demanded by investors.

Leading stock market performances in 2013



Source: Bloomberg (local currency)

The Activity of Espírito Santo Investment Bank

In **Portugal** and **Spain** the year was marked by an optimistic outlook resulting from a general return of investor confidence, something the market had not seen since 2007, which translated into a positive performance of the main stock market indices in both countries. The Spanish IBEX 35 gained 21.4%, with only 3 of its 35 stocks devaluating in the year, while the Portuguese PSI 20 rose by 16%.

The trading volumes posted a strong growth (ca. 40%) in the Euronext Lisbon and were kept at the 2012 level in the BME - Bolsas Y Mercados Españoles. Espirito Santo Investment Bank trading volumes in both markets decreased, negatively impacting its market share in Portugal (from 11.9% in 2012 to 6.7% in 2013) and in Spain (from 4.8% in 2012 to 4.1% in 2013). Lower volumes resulted from the fact that a number of

Clients, namely large global banks, became direct members of the Portuguese and Spanish stock exchanges but did not have a significant impact in the Bank's revenues.

Excluding this effect the Bank's trading volume recovered especially in the second half of the year, driven by greater integration with the United Kingdom team.

The **United Kingdom** saw a significant upsurge in the market and strong interest from investors, particularly as from the second half of 2013. A sharp increase in Capital Markets transactions rekindled an interest for investment in stocks and in turn boosted secondary market commissions. The average daily volume of transactions in Europe increased by ca. 25% but the increase in commissions was not so high due to the compression of margins.

As the market improved the Bank realigned its teams in the United Kingdom in order to reinforce its coverage of shares in key sectors. An effort was also made to streamline the cost basis so as to accommodate the structural pressures in the equity markets and ensure the necessary operational flexibility to benefit from an expected recovery in trading volumes.

The Bank also established several strategic partnerships in markets having strong complementarity with its geographical areas of operation. In addition to South-Africa, in 2013 Espírito Santo Investment Bank entered into a strategic joint venture in Turkey with Global Securities, which allowed it to expand coverage to 50 listed companies in this country and have access to local execution capacity. In Southeast Asia, the Bank entered into another strategic partnership, with RHB, one of the three largest banks in the region. With a broad coverage of shares in Asia (ca. 150 listed companies) and a team of 64 analysts in Singapore, Malaysia, Hong Kong, Thailand and Indonesia, this new partnership will strongly complement the Bank's platforms in India and Hong Kong.

In Poland the equity market had a mixed performance in 2013: the blue-chip index (WIG20) fell by 7%, while the general index (WIG), the mid-cap index (mWIG40) and the small-cap index (sWIG80) rose by 8%, 31% and 37%, respectively. Taking the WIG20 as a reference, the Polish market performed worse than the average for the largest developed markets but better than the comparable regional markets (Russia and Turkey). Trading volumes in the Warsaw Stock Exchange increased by 26%, mainly underpinned by the investment funds and pension funds' keen appetite for equities. However, fears about the impending reform of pension funds pressured the equity market in the fourth quarter, penalising its performance in 2013.

The Bank maintained its strategy of selling its Polish equities research product to both local and international funds, through its London and New York platforms, allowing for a significant increase in the secondary market commissions. The research team increased to 57 the number of companies covered in Central Europe and reached 4th place in Parkiet's (daily Polish newspaper) ranking of best research brokers, based on institutional investors' votes.

In **Brazil** the equity market had a negative performance in 2013, with the Bovespa index being one of the worst performers in the world (15.5% fall in BRL and 28% in USD). Average daily trading volumes in the Bovespa Stock Exchange was BRL 7.3 billion, remaining practically flat compared to BRL 7.2 billion in 2012. With high frequency trading becoming increasingly prominent and in a highly concentrated market (the 10 largest players held a combined market share of 64% in 2013), BES Securities do Brasil reached the 23rd place in the Bovespa ranking with a market share of close to 1%.

In addition to its business of cash equities brokerage, BES Securities do Brasil has been gaining market share in other segments, reaching 1st position in the forward market ranking, with a market share of 12%.

In the futures market, BES Securities do Brasil improved its position in the ranking to 19th, from 22nd in 2012, and hit the first position in cattle futures and the 3rd in commodities futures.

In **India**, after operating in the brokerage business for six quarters, the Bank made significant progress within a volatile macroeconomic context. The opening of 25 new accounts of institutional Clients boosted revenues, which have been rising as the Client base expands. The Bank's research team already covers more than 100 listed Indian companies.

Outlook

The Bank is confident that its wider distribution capacity and high level of integration of the main regions where it operates will benefit from the expected economic recovery in 2014, contributing to increased activity next year.

The fact that Europe is surfacing as the preferred region for global fund managers - with Iberia in particular being pointed out as one of the most attractive areas in Europe for investment alongside the United Kingdom - shows a comeback of investors' interest to the markets where the Bank operates which could give a significant spur to activity in 2014.

Fixed Income

The Activity of Espírito Santo Investment Bank

Risk Management for Corporate Clients

In 2013, the Risk Management activity for Corporate Clients in **Iberia** continued to be conditioned by restrained access to credit, concerns about spreads, and reduced activity on interest rates' hedging. A swap restructuring process was successfully completed in Portugal resulting in significant savings for the Bank with collaterals for longer-term project finance operations.

As financial managers increasingly lost their appetite for interest-rate hedging, an additional effort was made to structure risk-hedging solutions related to other assets, namely commodities and exchange rates. Towards the end of the year, as the first signs of an economic recovery emerged and interest rates gradually rose, requests for hedging proposals registered a significant increase.

The narrowing of sovereign and Banks' spreads should be extended to corporates, generating an increase in the lending activity and contributing to the normalisation of interest-rate hedging market.

Risk Management for Institutional Clients

In 2013 there was an increase in **Iberian** investors' demand for structured products, from both private banking and institutional Clients. This resulted from an improvement of confidence on the economic recovery, the increasingly low rates paid for term deposits and the narrowing of credit spreads.

The amount of structured debt products issued by the Bank in 2013 registered an increase of nearly 35% over 2012. While products indexed to the credit and stock markets remained the most sought for, there was an increase in demand for equity-linked products, a trend that had already been anticipated given the improvement in the macroeconomic scenario.

A regular and consistent secondary market service indicates that structured products can be an alternative to direct investment in financial assets, or to traditional placements, while increasing the diversification of investors' portfolios. The number of deals on the secondary market increased, even if volume registered a small decline.

Risk Management / Structuring - Brazil

In Brazil the Bank kept the focus of its strategy on 4 main pillars: (i) increase the flow and the portfolio of the International Premium Unit (IPU); (ii) close ties with Clients with potential for engaging in derivatives transactions; (iii) set up support structures to the operations of BES Investimento do Brasil's branch in the Cayman Islands; and (iv) structure transactions to optimise Asset and Liability Management (ALM).

Activity in 2013 was very positive, with revenues increasing above expectations. In a climate of fierce competition, improved coordination between the Global Markets and Risk Management teams, and the increase in the volume of foreign exchange operations, especially with the IPU Clients, positively impacted results.

Hedging derivatives transactions increased, especially as from May, when the BRL sharply devaluated. Although concentrated in few Clients, these transactions generated interesting returns for the Bank.

In addition, access to collaterised loans provided the funds required to expand the loan portfolio in the Cayman Islands, at favourable spreads.

Despite the expected uncertainty in the Brazilian market in 2014, the Bank will maintain its strategy and the focus of its activity, which have induced significant developments over the last two years.

Trading & Sales

2013 was a year of strong commercial activity. The year saw a marked increase in secondary market business in **Iberia** driven by the growing participation of international Clients and the placement of new primary market issues from Europe and Latin America, namely: Republic of Portugal 5-year notes (EUR 2.5 billion), Portugal Telecom 7-year notes (EUR 1 billion), REN 5-year notes (EUR 300 million), BES 5-year notes (EUR 500 million), GALP 5-year notes (EUR 110 million), EDP 7-year notes (EUR 750 million), Andrade Gutierrez 5-year notes (USD 500 million) and TV AZTECA 7-year notes (USD 500 million).

The restructuring of the flow trading business at the start of the year significantly enhanced the product offer, resulting in the opening of dozens of new accounts of Institutional Clients from Europe and the United States.

In **Brazil**, the Bank actively participated in the placement of debentures issued by Santo Antônio Energia (BRL 420 million), IE Madeira (BRL 350 million), Rodovias do Tietê (BRL 1,065 million and Unidas (BRL 120 million), and the Asset Backed Securities (“FIDC”) issued by Omni (BRL 118 million).

Finally, the Bank reinforced its structured products team with the objective of increasing the activity in the Wealth Management segment.

Corporate Finance

Market Background

In 2013 global M&A activity increased by 4% in number of announced transactions and by 7% in value, to USD 2,366 billion.

In Europe the M&A market grew by 8% in number of announced transactions and by 9% in value, to USD 973 billion, according to Bloomberg data.

In 2013 cross-border transactions represented 45% of total announced transactions at global level (50% in 2012). In Europe, cross-border transactions remained the main driver of the M&A market, accounting for 76% of the total value of announced transactions (83% in 2012).

Announced Transactions Worldwide

Source: Bloomberg.

In contrast to the two previous years, M&A activity in **Iberia** had a good performance in 2013. According to Bloomberg data, the Iberian M&A market grew by 36% in number of announced transactions and by 7% in value, to USD 60 billion. Portugal saw an 11% decrease in the value of announced deals to USD 17 billion, but the number of deals increased by 53%. The Spanish market grew by 32% in number and by 15% in value of announced deals, to USD 43 billion.

The M&A market in **Brazil** saw a 15% reduction in number of announced deals, to 592, but a 17% increase in value, to USD 78.8 billion, according to Bloomberg data. Domestic operations continued to predominate, but cross-border deals already accounted for 44% of the total. The moderate growth of the Brazilian M&A market reflects the deceleration of the Brazilian economy and the climate of uncertainty prevailing in the capital markets. Nevertheless, Brazil continued to be the leader in Latin America by volume of M&A transactions.

In 2013 the M&A business in the **United Kingdom** registered a marginal increase of 2% in both number and value of announced transactions, totalling USD 380 billion. Sluggish capital markets and difficult access to finance continue to account for the market's stagnation in volume, with the number of deals remaining close to their level in 2008. Private equity M&A deals (accounting for 19% of the total value), transactions involving companies in financial distress and strategic opportunities were once again the drivers of the M&A market in the United Kingdom which, all in all, is essentially an international market, with cross-border transactions accounting for 89% of the total announced transactions in value and 63% in number, according to Bloomberg data.

In 2013 economic activity in **Poland** cooled down, being sharply penalised by the performance of the Eurozone countries and posted the lowest growth rate since 2009. In this context the number of announced deals remained flat year-on-year, while increasing by 11% in value, to USD 10 billion, according to Bloomberg data.

In 2013 the **United States** M&A market grew by 11% in number of announced transactions and by 18% in value, to USD 1,320 billion (Bloomberg data). The macroeconomic scenario in the US and the recovery observed in 2013 were the main drivers of this performance.

The Activity of Espírito Santo Investment Bank

In 2013 Espírito Santo Investment Bank acted as advisor on 12 M&A transactions, for a total value of approximately EUR 19 billion.

In a very tough macroeconomic environment, Espírito Santo Investment Bank maintained in 2013 the leadership of the Portuguese M&A market by number and value of concluded transactions, and ranked in 2nd place in Iberia (by value of concluded transactions). This performance confirms its position as a reference player in the provision of investment banking services in the region.

BLOOMBERG – Ranked by value of concluded transactions - 1.1.2013 – 31.12.2013

(EUR million)

PORTUGUESE TARGET		
1	**Espírito Santo Investment Bank**	**8,786**
2	Barclays	7,741
3	Caixa Banco de Investimento	5,075
4	BPI	5,010
5	Goldman Sachs	4,352
6	BCP	4,352
7	Citi	3,440
8	Société Generale	3,080
9	Rothschild	3,080
10	Credit Suisse	3,080

Note: Information provided on January 9, 2014
Source: Bloomberg

(EUR million)

IBERIAN TARGET		
1	Barclays	10,648
2	**Espírito Santo Investment Bank**	**8,787**
3	Goldman Sachs	7,278
4	Citi	5,823
5	Caixa Banco de Investimento	5,075
6	BPI	5,010
7	BCP	4,352
8	Rothschild	3,679
9	Credit Suisse	3,581
10	Société Generale	3,317

Source: Bloomberg
Note: Information provided on January 9, 2014

Notwithstanding its generalist approach, Espírito Santo Investment Bank maintained a strong presence in the energy and telecommunication sectors in **Iberia**, as well as a prominent role in the ongoing privatisations programme in Portugal, where it concluded the advisory services provided to Chinese investors on the acquisition of 49% of EDP - Renováveis Portugal, S.A. and to the Portuguese State on the sale of 100% of ANA – Aeroportos de Portugal, S.A. to Vinci Concessions. In addition the Bank also advised ZON on its merger process with Optimus, which created the second largest telecoms operator in Portugal, and concluded the advisory services to Naturgas Energia on the sale of a natural gas transmission company in Spain (Naturgas Energia e Transporte).

Main transactions in which Espírito Santo Investment Bank was involved in Iberia in 2013 included:

In **Brazil**, the Bank's M&A activity in 2013 broadly followed the trend of previous years, providing advisory services to domestic deals and transactions on Brazilian assets involving international investors from regions where the Bank is present, namely Portugal and Spain. In particular, Espirito Santo Investment Bank advised PT on its merger process with OI, an ongoing operation at the end of 2013.

In 2013 Espírito Santo Investment Bank placed in 8th position in the ranking of announced deals, by value (Bloomberg data).

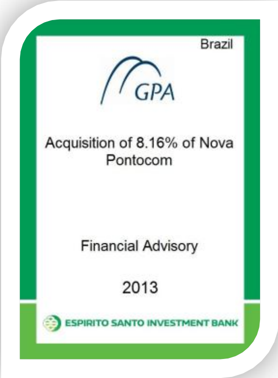
BLOOMBERG – Ranked by value of announced transactions - 1.1.2013 – 31.12.2013

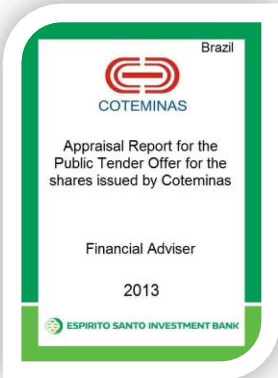
(EUR million)

Brazilian TARGET		
1	BTG Pactual	33,016
2	Credit Suisse	22,684
3	Morgan Stanley	20,841
4	Santander	19,836
5	Merrill Lynch	18,507
6	Bradesco	15,657
7	Barclays	15,654
8	**Espírito Santo Investment Bank**	**14,393**
9	Itau	13,610
10	Goldman Sachs	6,309

Source: Bloomberg

The most significant transactions in which the Bank was involved in Brazil in 2013 included:

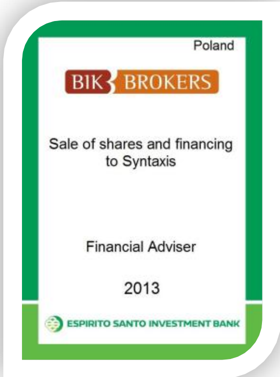




In 2013 EspíritoSanto Investment Bank consolidated its M&A activity in **Poland**, where its local team worked during the year on various deals, namely in the financial, construction, telecommunications, renewable energies and manufacturing sectors. The Bank is today a top-line player in the Polish market.

Although Polish companies generally show little interest in investing abroad due to their small scale and strong growth potential at home, some signs of change are starting to emerge. The change of the Polish legislation on pension funds, scheduled for 2014, will put some pressure on alternative financing sources to the capital markets, driving an increase in cross-border transactions.

From the activity developed by the Bank in 2013, the advisory services provided on the sale of assets by BIK Brokers, an auto insurance broker, to Syntaxis should be highlighted.



The Bank's M&A team in the **United Kingdom** is particularly well positioned to attract the interest of international investors in both the mature and the emerging markets where the Bank is present, and promoting cross-border deals, especially in the middle market segment.

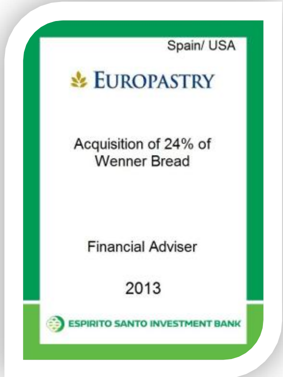
Espírito Santo Investment Bank significantly enhanced its brand awareness within potential Clients resulting from the Bank's institutional marketing actions targeting potential investors as well as its participation in internationally recognised deals.

Main operations concluded in 2013 in which the Bank participated included:

The M&A activity in the **United States of America** was mainly concentrated on cross-border transactions with Europe, India and Latin America, namely Brazil and Mexico, where increasing interest and a growing number of opportunities are expected to emerge.

In 2013 the Bank's team originated several mandates, both from European investors searching for opportunities in the US, and from Mexican and American companies looking for investment opportunities in Latin America and Europe.

Projects in pipeline for 2014 relate to sectors as diverse as food, energy, construction and manufacturing. The advisory services provided to a Spanish company on an acquisition in the US should be highlighted.



Outlook

The sustained growth of the Mergers & Acquisitions activity in the last months of 2013 and early 2014 marks a turning point in the trend of recent years and raises expectations that 2014 could be a year of recovery in the business at world level. Industrial investors are favouring a new cycle of investments, following a better economic outlook, while Private Equity firms are renewing their interest in South European assets.

The Bank will continue to target those sectors which have proven to be more resilient to the economic downturn and where it has developed strong and well tested competencies, namely energy, telecommunications and infrastructures.

Geographically, the Bank will continue to target cross-border transactions in the markets where it operates, banking on the growth potential of the emerging markets and harnessing value opportunities arising in the more mature markets, namely taking part and providing advisory services in the ongoing privatisation programmes.

Mid-Cap Financial Advisory

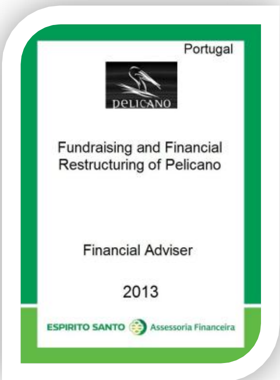
Espirito Santo Assessoria Financeira was created in 2004, in partnership with the Mid-Cap Corporate Division of Banco Espírito Santo, with the aim of providing investment banking services to the mid-cap corporate segment.

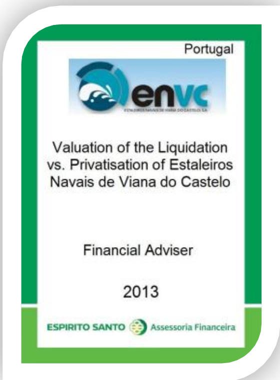
The investment banking services provided to this market segment include financial advisory services for mergers and acquisitions and for financial restructuring processes, as well as pure financial consulting services, namely valuations and economic and financial feasibility studies.

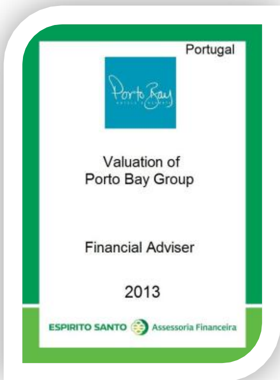
Commercial efforts are primarily undertaken by Banco Espirito Santo's Corporate Banking Centres, which are important sources of business for Espirito Santo Assessoria Financeira. The business opportunities tracked by these Centres permit to schedule a plan of visits where the services provided are presented to potential Clients, viewing the origination of financial advisory mandates.

In order to expand its business sourcing channels, Espírito Santo Assessoria Financeira has established a cooperation agreement with the Private Banking Division of Banco Espírito Santo. The aim is to offer financial advisory services that will support private banking Clients in the development of their investment projects as well as in the acquisition or disposal of equity holdings.

Business and revenues in 2013 were in line with expectations. A total of eight mandates were originated and the following transactions were completed:







Espírito Santo Assessoria Financeira's objectives for 2014 reflect its expectation that the level of activity achieved in 2013 could be maintained despite the difficult economic environment in Portugal. As a result of the work developed in previous years, 2014 should see increased interaction with the heads of Banco Espírito Santo's Corporate Centres and Private Banking Division, as well as a careful selection and prioritisation of Clients and business opportunities, permitting to optimise human and technical resources engaged in this business area. Internal cooperation with Espírito Santo Investment Bank's Client Origination and Corporate Finance Divisions will also be emphasised in order to benefit from synergies in the offer of services and in the origination of business opportunities.

Project Finance and Securitisation

The Activity of Espírito Santo Investment Bank

The Bank's Project Finance activity continued to be constrained by the slow recovery of the global economy, while in Portugal, Spain and the United Kingdom it was particularly hindered by restrictions on access to credit and the absence of new projects in the infrastructure sector.

However, the Bank's presence in countries such as Brazil and Mexico, together with its strong relationship with the Portuguese and Spanish companies, allowed it to diversify the portfolio of projects, resulting in a more balanced distribution of results and an overall more consistent performance of this business area.

The Bank's organisational structure in this business area is being redefined, emphasising the coordination between Portugal and Brazil in order to optimise the teams and their respective skills and offer a distinctive service to the Clients. The Bank has achieved its purpose of supporting the Portuguese and Spanish companies in their expansion projects into various countries.

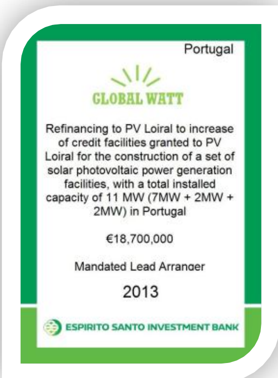
Despite the adverse climate in **Portugal** in 2013, some positive signs emerged on the liquidity front, supporting a brighter outlook for the coming years, namely for the infrastructure sector, even if no new projects have yet been announced. The Bank's activity was adversely affected by delays in the negotiations involving the European Investment Bank, the Portuguese Government and the national banks concerning the adjustment of the financing programme to infrastructure projects and by projects' sponsors' decision to wait for a more defined macroeconomic and financial scenario, impacting the implementation of a number of projects in pipeline.

The Bank concluded three transactions in 2013, namely in the photovoltaic energy, wind energy and road concessions sectors:

> PV Loiral – refinancing and expansion of the solar energy projects portfolio in Portugal, with 11 MW installed capacity, for a total of EUR 18.7 million;

> GCAC Tharsis and Energía Limpia Invest – structuring of a EUR 18.75 million financing for Naturener USA wind power generation projects;

> ASCENDI – structuring of a EUR 471 million financing related to the company's equity holdings in road concessions in Portugal, Brazil, Spain, Mexico and Mozambique.



In **Spain**, the macroeconomic scenario remained influenced by the financial crisis and the struggle to control the public deficit. In the infrastructure sector, the Central Government focused on projects already under private administration and only one-off projects were developed by the regional governments. Given the existing restrictions on liquidity, the flow of new opportunities remained limited, both in infrastructure and renewable energy sectors.

The Bank's activity in Spain mainly focused on the management of the existing projects in portfolio, while efforts were stepped up to originate cross-selling opportunities, banking on the local relationship with Spanish companies. This strategy resulted in several business opportunities for the teams in Brazil and the United States, namely to support Spanish companies in those countries.

In the **United Kingdom**, the Bank focused on developing partnerships and analysing renewable energy projects in Scotland (onshore and offshore wind power and energy efficiency projects). Over the last few years the Bank has entered into partnerships with local groups aiming to expand its origination capacity and to increase the advisory and structuring business.

The infrastructure investment plan, currently being assessed in the United Kingdom, represents an opportunity for the Bank given the expertise and capabilities of its teams in Europe.

The endeavours made with investors in German, France and Scandinavia to conclude the fund raising process for the Sequoia debt fund should also be emphasized.

In **Brazil** the project finance activity experienced strong growth in 2013, underpinned by the various auctions taking place during the year for road, airport, wind power, transmission lines, water and sewage concessions, which will result in investments of around BRL 130 billion over the next five years.

There was also an increase in the number of initiatives taken by Federal, State and Municipal Governments to structure social Public-Private Partnerships, especially to build hospitals, schools and prisons, in which the Bank actively participated.

Underpinned by the ViaBahia's road project financing (approved in 2012 with the first disbursements in 2013) and the financing operations to medium-sized companies, the volume of credit through the onlending of funds of Banco Nacional de Desenvolvimento Econômico e Social (BNDES) increased in 2013. The disbursements already approved by the BNDES for the Viracopos Airport and ATTEND projects will occur in 2014.

The Project Finance team in Brazil also increased its participation in the issuance of guarantees for technologic research and development projects financed through long-term funds of Financiadora de Estudos e Projetos – FINEP (the Federal Government's funding authority for studies and projects) and also in the structuring of Project Bonds (issues of debentures to finance long-term projects, namely by Concessionária Rodovias do Tietê, Interligação Elétrica Madeira and Santo Antônio Energia).

The Bank reinforced its support to Iberian companies' investment projects in Brazil, providing advisory and financial structuring services to their local subsidiaries.

The Bank is perceived as a local player with a differentiated international structure, as it grants funding in local currency, acts as intermediary in various long-term funding schemes and is keenly aware of the risks presented by the market.

In the **United States** and **Mexico** the project finance activity was also constrained by the Portuguese macroeconomic scenario and the Bank lost competitiveness, particularly in North-America. However, a strong recovery in the second half of the year allowed the Bank to meet the established targets.

During the year the Bank concentrated on the origination and structuring of deals in Latin America, particularly in Mexico, where its growing presence benefits from the:

> Numerous opportunities in the infrastructure, renewable energy and oil&gas sectors;

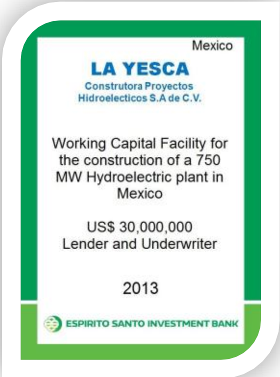
> Diversity of investors in the infrastructure sectors with high flexibility in the financing structures and terms;

> The possibility to provide finance in local currency (through Lusitania Capital); and

> Solid and growing regular customer base.

The Bank's activity also extended to countries such as Colombia, Peru, Panama and Uruguay, where it can act together with multi-lateral agents and syndicate deals with other financial entities.

2013 ended with the conclusion of 5 transactions and a robust pipeline for the coming years that reinforces the expansion of the Bank on the region.



The Bank has mostly sought to take part in transactions where it acts as financial arranger, through banking syndicates and/or the development of capital market structures, and in medium-sized projects for Clients of BES Group, to whom its financial advisory and structuring expertise make a difference.

Outlook

The outlook for the Project Finance activity in the regions where the Bank operates is positive, reflecting a stronger pipeline underpinned by the improvement of liquidity conditions.

The Project Finance division will pay particular attention to expansion into new geographical areas, focusing in particular on the Portuguese-speaking African countries, namely Angola and Mozambique, taking advantage from the expected growth in natural resources related business opportunities and the development of infrastructure and energy projects.

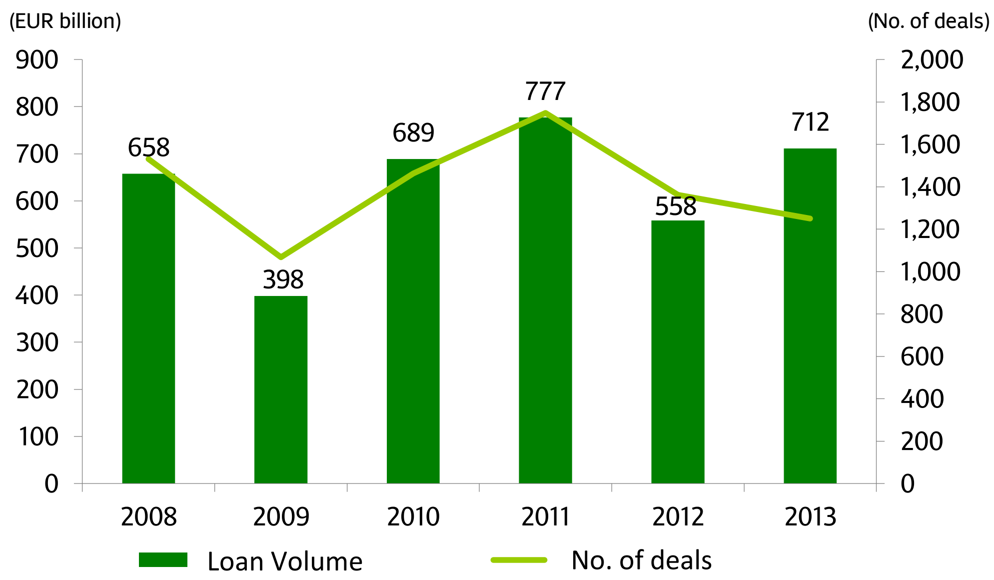
In Brazil, despite the current economic difficulties, the outlook for 2014 is also positive, given the huge potential for development spawned by the programme for the upgrading of infrastructures. In the railways and ports sectors the auction processes have not yet begun and there is a large number of other projects awaiting development, namely in the roads sector (at least another five already announced by the Federal Government), in power generation (where annual needs are of around 3,000 MW), and in urban mobility (namely in Brasília, Goiânia and other Brazilian cities).

Acquisition Finance and Other Lending

Market Background

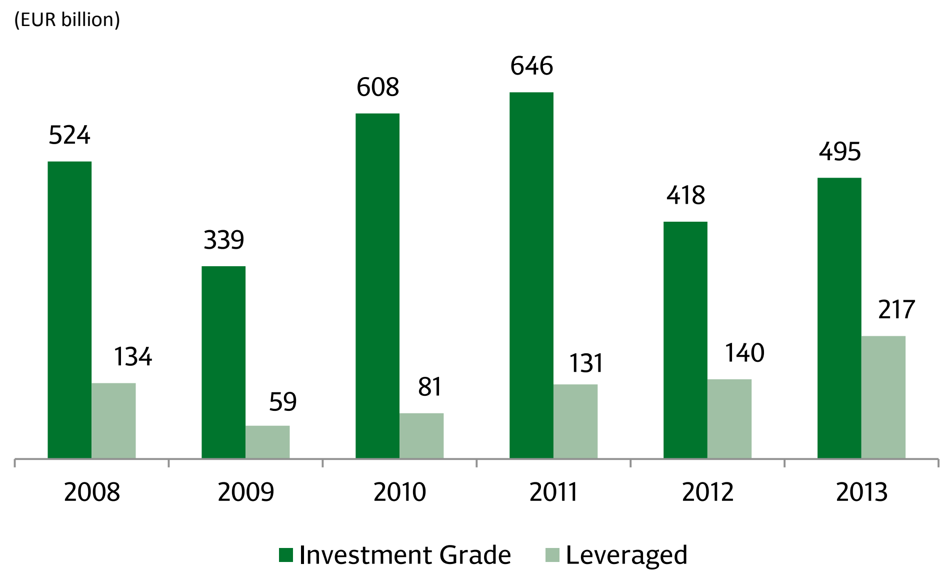
2013 marked a turnaround in the acquisition finance activity in the European market, with syndicated loan volume growing by 27.5% year-on-year.

Syndicated Loan Volume in Europe



Source: Dealogic

Syndicated Loan Volume Evolution by Rating Profile (Europe)



Source: Dealogic

In **Portugal** economic activity was in counter-cycle to this trend. Economic stagnation and uncertainty about the model for financing the State, as the end of the assistance programme agreed with the EU, the ECB and the IMF was approaching, severely constrained investment and M&A transactions. In this context, Banks concentrated on refinancing transactions and on providing support to exporters, mainly to medium-sized companies.

In **Spain**, one year and a half after the banking bailout approved by the Eurogroup, that translated into heavy provisions and several merger, acquisition and integration processes, the financial sector is now stronger and more consolidated. The improvement of economic activity and a healthier financial system have permitted a two-fold increase in foreign investment in Spain, which reached EUR 40 billion in 2013.

While being affected by the cooling of the European economy, on which it relies for its exports, Poland maintained its growth path in 2013 and GDP is expected to accelerate in the next two years.

The Activity of Espírito Santo Investment Bank

In **Iberia**, the Bank acted as Mandated Lead Arranger on the following transactions in 2013:

> EUR 21.2 million financing to Arena Atlântida – Gestão de Recintos de Espectáculos, S.A. for the acquisition of Meo Arena;

> USD 27 million financing to Vinair Aeroserviços, S.A.;

> EUR 211.5 million financing to Sodim, S.G.P.S., S.A. for the acquisition of Cimigest and Cimipar shares;

> EUR 30 million financing to Empark, S.A. for working capital needs in connection to a high-yield bond issue.

The Bank also acted as Financial Advisor on the financial restructuring of SAG - SGPS, S.A..

The Bank's activity in **Poland** has been mostly concentrated on the issuance of bank guarantee lines. In 2013 these operations totalled more than PLN 300 million.

Taking advantage of the existing liquidity in the market in 2013, the **Other Lending** activity in **Brazil** stepped up its interaction with Clients, proposing better structured funding alternatives while consolidating the Bank's position as a player standing out from the competition. As a result the structured credit business expanded and the Bank intervened more in syndicated loans and club deals.

The Other Lending division closed a total of 144 structured deals in 2013, corresponding to an overall lending volume of BRL 1.23 billion, an average amount per transaction of BRL 8.5 million. The structured credit activity in USD, conducted through BESI Brasil's subsidiary in the Cayman Islands, also grew in 2013. This business plays a strategic role in strengthening the Bank's relations with major groups in Latin America, both Brazilian and Iberian.

Outlook

In Iberia, the prospects for 2014 are for a recovery, even if modest, in the Acquisition Finance business, which should benefit from the anticipated resurgence of the Mergers & Acquisitions market as well as from greater availability of credit. In Poland the business is also expected to grow at a higher pace.

In the Other Lending activity in Brazil, the Bank will maintain its focus on the origination and structuring of operations for existing Clients so as to foster cross-selling with the other business areas and consolidate its image as a distinctive structuring player.

Treasury

Market Background

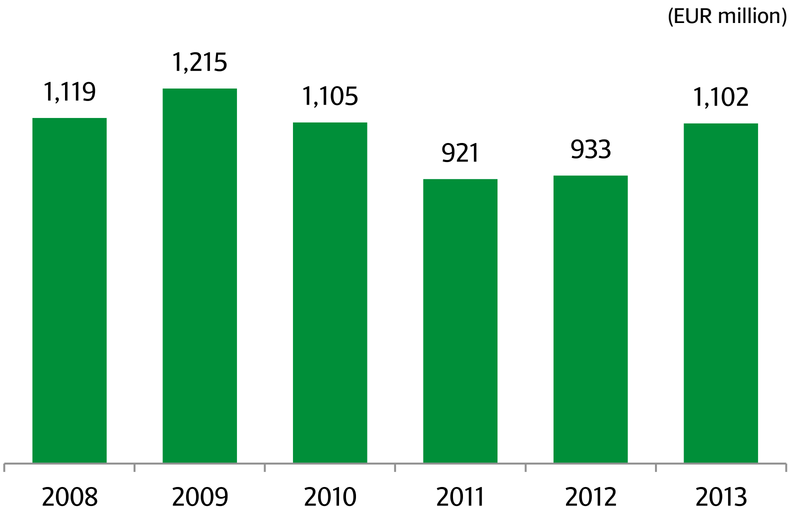
The financial institutions in the Eurozone, and in particular those in the peripheral countries, once again benefitted from a more flexible ECB's policy on eligible assets and liquidity supply via repos. By lowering the main benchmark rate to 0.25% through two 25 basis points cuts, respectively in May and November, and through its unprecedented move of signalling that benchmark interest rates would stay low for a long period of time, the ECB decisively contributed to a general improvement in sovereign debt yields and to an increase in investors' risk appetite towards the end of the year.

2013 marked the return of the Republic of Portugal to the medium and long-term debt markets, successfully pricing two syndicated issues: a 5-year EUR 2.5 billion bond with a coupon of 4.35% in January and a 10-year EUR 3 billion paying a coupon of 5.65% in May. However, the ensuing political crisis triggered by the resignation of the Ministers for Finance and Foreign Affairs, which threatened to bring down the Government, drove up the rates on the Portuguese Republic 10-year debt to close to 7.5% during the month of July. Still, once the political situation stabilised and following the Troika's positive reviews of the Economic and Financial Adjustment Programme, the yield on the 10-year treasury bonds subsided to 6% towards the end of the year.

The Activity of Espírito Santo Investment Bank

In **Portugal**, Espírito Santo Investment Bank continued to be restrained in its capacity to tap the markets. A full return of the Portuguese banks to funding from the international debt markets will continue to depend on an improvement in market sentiment.

EMTN Programme/ Total Outstanding Amount (issue value)



Source: Espírito Santo Investment Bank.

Debt issued in the form of Medium Term Notes (MTNs) totalled EUR 1,102 million as of December 31st, 2013, an increase of 18% over December 31st, 2012. The EMTN Programme remained a fundamental tool in the Bank's funding strategy.

As of December 31st, 2013, the Treasury portfolio amounted to EUR 623 million, of which approximately EUR 390 million corresponded to sovereign debt (at market value).

In **Brazil,** the Bank remained focused on the diversification of its funding sources and the improvement of its funding profile. A positive perception about the developments in the Eurozone crisis and the measures implemented in Portugal enabled the Bank to close new funding operations, with longer maturities. The increase in fundraising supported the business areas without restrictions and accelerated the external debt issue's repurchases, initiated in 2012.

The Cayman Islands Branch managed to obtain the funding required to increase its credit portfolio with interesting margins, enhancing the business's profitability.

Outlook

In Portugal, the amount of debt to be issued in 2014 under the EMTN programme (as well as debt issuance in general) should remain broadly in line with the 2013 level. However, this amount could be increased if market conditions improve. The Bank will maintain its focus on serving the Clients and improving its funding profile.

In Brazil the Bank plans to tap the local market in 2014 through the issuance of *Letras Financeiras* (Bank bonds), the ideal instrument to support its activity, thus materialising the work carried out with institutional investors over the last two years.

Asset Management

Discretionary Management

The Discretionary Management business in Iberia was developed in a context of upsurge of the world equity markets, which outperformed their historical averages. After a first half of the year with high volatility, the subsequent stabilisation of systemic risk and the improvement of indicators for the Eurozone buoyed investor confidence, especially in the South European markets, permitting a strong recovery in the second half.

This improvement in the markets had a double positive effect on the business, leading on the one hand to a considerable increase in portfolios' return in 2013 (14% for normal profile and 20% for more aggressive profile) due to their exposure to the Eurozone, and on the other to a 35% year-on-year increase in Assets under Management, to EUR 212 million at the end of 2013, fuelled by a considerable amount of new inflows into Funds under Management, only possible in a climate of normalisation of investor confidence.

March saw the launch of a new unit-linked insurance product with a more aggressive profile, in cooperation with BES Vida and BES Private, for distribution in the Private Investe platform. At year-end it had already reached EUR 7 million in Assets under Management.

Discretionary Management's priority for 2014 is to promote the return of investors to peripheral Europe risk assets, viewing, on the one hand, to further expand the Client base in Portugal and Spain, and on the other to maximise portfolios' profitability. The development of relations with Espírito Santo Wealth Management is another priority for next year, with the aim of furthering the growth of international distribution in this business.

Fund Management

The volume of Assets under Management in Brazil totalled BRL 2.46 trillion at the end of 2013. Net inflow of new money was the lowest since 2008, reaching BRL 59.7 billion in 2013 and was penalised by risk aversion and competition from treasury products (which are exempt from income tax on individuals). Funds raised were mainly channelled to pension plans, with fixed income and multi-market products showing the largest reduction in new inflows.

At the end of 2013 BESAF – BES Activos Financeiros had total Assets under Management of BRL 844 million, a year-on-year reduction of 16% that is largely explained by the closing of exclusive corporate funds. Even so the revenue generated by this business increased during the year.

In the course of 2013 BESAF acquired 63 new Clients from all segments, signed contracts with 8 new distributors and 3 new institutional Clients and pursued its strategy of promoting its open-end funds, notably the 'FIA Dividendos', 'BES FIX Inflation' and 'Crédito Privado'.

Today BESAF has a close relationship with the largest fund allocators in Brazil.

BESAF pursued its strategy of product offer diversification and to this end established a partnership with ESV – Espírito Santo Venture Capital that led to the creation of two new products: (i) an investment fund for start-ups under a strategic joint-venture with Microsoft Ventures, and (ii) another fund, still being structured, to invest in the Strategy and Technology segment, developed in partnership with the Brazilian Government's Ministry of Defence. These new products were developed under the aegis of the Brazilian Government's programme of incentive to entrepreneurship and innovation.

The process of merging the activities of BESAF and Espírito Santo Serviços Financeiros DTVM was started at the end of 2013, viewing the creation of synergies and a more focused strategic approach to the needs of the local and international Clients.

In 2014 we will maintain our current market strategy, focused on the search for new distributors, family offices and private and institutional Clients, and on the placement of structured products.

Wealth Management

According to ANBIMA, the Brazilian Financial and Capital Markets Association, the Brazilian private banking sector grew by 9.5% in 2013, with Assets under Management reaching BRL 577 billion, in spite of the difficulties arising in the domestic market at both economic and social and political levels.

Assets under Management in BES DTVM's Wealth Management business remained flat in 2013, at BRL 1.2 billion, while the number of active Clients at year-end reached 360.

In 2013 BES DTVM's portfolio management was capital-protection oriented, with a consequent improvement in performance. The strategy of investing in assets with no correlation with the Ibovespa proved right and permitted to reach positive nominal results in the equity portfolios, despite the Bovespa index's 15.5% fall in 2013. The use of products and operations with associated tax benefits established a solid and growing profitability basis, contributing to maximise portfolios' returns.

The climate of uncertainty in the macroeconomic domestic scenario should continue to weigh on the markets' performance in 2014. The FIFA World Cup and the Presidential Elections make 2014 an atypical year for Brazil and therefore the investment strategy should continue to privilege a more defensive positioning entailing higher diversification of risk in the investment portfolios.

Private Equity

The Activity of Espírito Santo Investment Bank

2013 was marked by the final closing of the 2bCapital fund targeting the Brazilian market, the conclusion of the investment period of the ESIF Fund, two new investments in the later stage segment in Portugal and also the significant increase in divestments as a result of an improvement in macroeconomic conditions and increased portfolio's maturity.

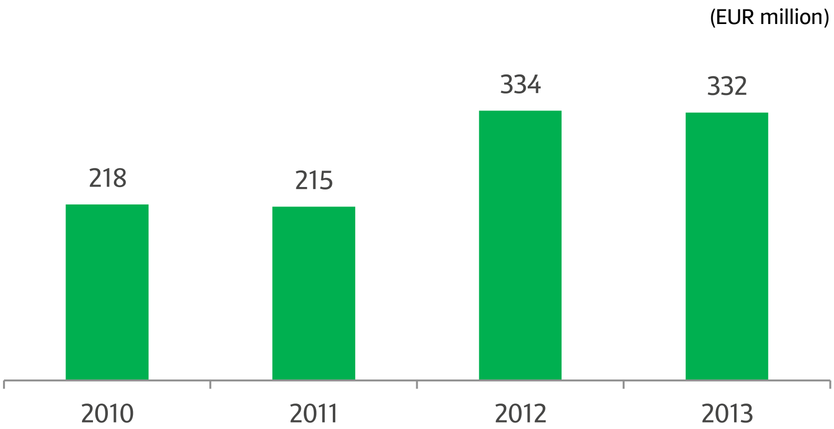
During the year 162 investment opportunities were analysed, mostly on the later stage segment (36% less than in 2012). Total investment in 2013 amounted to approximately EUR 5.5 million, namely in the capital increases of Epedal and Ramos Ferreira (both new investments) and in the follow-on offering of Globalwatt (construction of two new solar power plants increasing total capacity by 4 MW, to 19 MW).

It should also be highlighted that the two first investments by the 2bCapital fund (BRL 135 million), have been approved and should be concluded by the end of the first quarter of 2014.

The amount of divestment registered a sharp increase, including the sale of all the holdings in Cades, Panicongelados and the BRB Group. Dividends received from the subsidiaries Rodi, Globalwatt, Amal, Iberwind, Logic, Sicame and TLCI Group increased significantly, translating the portfolio's growing maturity and its good operational performance.

Funds under management remained flat, at EUR 332 million, with the increase in the value of the 2bCapital Fund offsetting the amount of divestment in the year. Although this had been announced in June, it was not possible to conclude in 2013 the launch of a new later-stage fund, despite all the work done. Its launch is now scheduled for the first quarter of 2014.

Funds under Management



Source: Espírito Santo Capital.

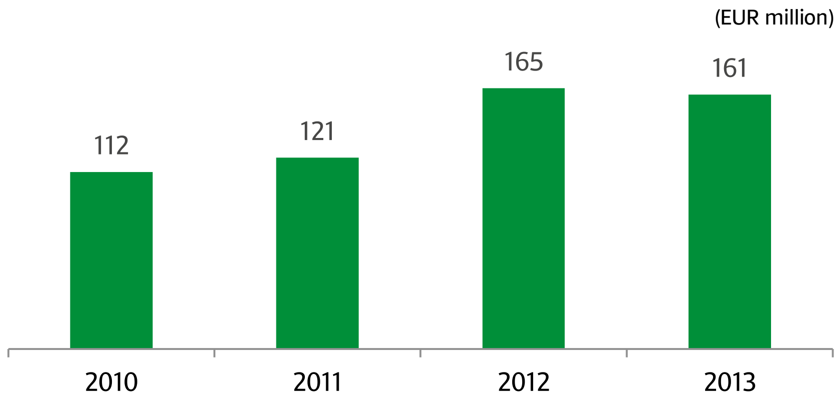
INVESTMENT PORTFOLIO AND FINANCIAL HIGHLIGHTS

During the year the Bank pursued its regular activity of monitoring the subsidiaries with a focus on value creation and of providing information to the investors. Hence the valuation of the portfolios was concluded in June and December, according to the methodologies defined for each sector, and regular meetings with investors were held at the end of each semester. At the end of the year the overall market value of the investment portfolios was EUR 160.9 million.

Overall the subsidiaries in the investment portfolios had a positive performance and in most cases proved resilient to the adverse economic cycle, often making up for the sluggishness of the domestic market with the exhaustive coverage of the various market segments, entering concentration processes or developing a presence abroad, either through permanent structures or through exports.

The year's results, a net loss of EUR 0.8 million, was adversely impacted by the devaluation of the BRL and the recognition of impairments in the proprietary portfolio. Equity amounted to EUR 44.6 million at the end of the year.

Portfolio Market Value



Source Espírito Santo Capital.

Outlook

After three very gloomy years, the second half of 2013 signalled a turning point in **Portugal**, with a general improvement in the economic climate. This perspective, which was already gaining some momentum in the first half of the year as liquidity conditions in the financial system and companies' access to credit improved, enabled the resumption of divestments, which should become stronger in 2014. In this context it was possible to initiate several divestment processes during 2013 and new divestments are expected to take place in the first half of 2014.

In Spain, however, the uncertainty resulting from the current unclear situation of the renewable energy sector's regulatory framework has had very negative consequences on investment. The parameters for this industry's remuneration to be defined by the Spanish State are eagerly awaited, as this will permit to have a clearer picture of their impact on the investment portfolio valuation.

In addition, competition in the sector has also intensified, particularly over investments in later-stage SMEs, as new players enter the market and there is a general increase in funds available for investment.

In **Brazil**, key macroeconomic indicators have deteriorated across the board during the reporting year, with growth slowing down, inflation increasing and the BRL sharply devaluating. This combined with investors' recent aversion for the emerging markets raises some fears about 2014, even if we continue to believe that the private equity sector will maintain a strong dynamics and that the investment fundamentals of the 2bCapital fund will remain valid.

6. HUMAN RESOURCES

Headcount	Dec-13	Dec-12	Change	% Change
TOTAL GROUP	**800**	**842**	**-42**	**-5,0%**
PORTUGAL	**253**	**255**	**-2**	**-0,8%**
Banco Espírito Santo de Investimento	240	242	-2	
Espírito Santo Capital	13	13	0	
SPAIN	**100**	**107**	**-7**	**-6,5%**
Branch	100	107	-7	
UNITED KINGDOM	**120**	**140**	**-20**	**-14,3%**
Branch	6	9	-3	
Execution Noble	114	131	-17	
POLAND	**55**	**52**	**3**	**5,8%**
Branch	55	52	3	
IRELAND	**3**	**3**	**0**	**0,0%**
Espírito Santo Investment plc	3	3	0	
BRAZIL	**183**	**203**	**-20**	**-9,9%**
BES Investimento do Brasil	131	134	-3	
BES Securities do Brasil	25	35	-10	
BESAF	16	20	-4	
ES Serviços Financeiros DTVM	11	14	-3	
USA	**40**	**44**	**-4**	**-9,1%**
Branch	40	44	-4	
MEXICO	**3**	**0**	**3**	
Mexico City Representative Office	3	0	3	
INDIA	**33**	**28**	**5**	**17,9%**
Espírito Santo Securities India Private Limited	33	28	5	
HONG KONG	**10**	**10**	**0**	**0,0%**
Execution Noble (Hong Kong) Limited	10	10	0	

Source: Espírito Santo Investment Bank.
Note: Does not include temporary staff and trainees

HEADCOUNT

The Bank pursued In 2013 the reorganisation of its activities, resulting in a 5% reduction in the number of Employees mainly in the United Kingdom (Espírito Santo Investment Holding Ltd) and in Brazil. In the Polish Branch and in Espírito Santo Securities India Private Ltd the headcount increased as planned, following the expansion of the business.

TRAINING

The Bank continued to invest in the training of its staff, a key asset for attaining operational excellence. Despite the containment of expenditure and strictness in the allocation of financial resources during 2013, various Employees took part in training initiatives both in Portugal and in the various countries where the Bank operates. The Bank also supports the participation of its staff in MBAs, Post-Graduation studies, Graduation and Masters Degrees, and in other training courses for Executives.

Under the partnership with the BES University, in 2013 two Employees of the Bank attended the Executive Master course jointly organised by Banco Espírito Santo and the Portuguese Catholic University.

TALENT MANAGEMENT

The current scenario is extremely challenging for the Human Resources area and never before has it been so important to manage human capital, in such unusual conditions. The paradigm of people management is changing: internal resources are increasingly scarce and more and more Employees seek experiences in the international markets as a way of career development. The culture of expatriation, necessary but expensive, has given way to a culture of mobility, which seeks to maximise the production capacity of institutions through the allocation of Employees to the geographical areas where business is growing faster, thus restraining new admissions while developing the existing human capital.

The Talent Management team works together with the Human Resources Departments of the various international units to promote Employee mobility according to the needs of new projects, and offering Employees the opportunity to contact different cultures and different ways of working, thus contributing to their professional and personal development.

On the other hand, the financial system crisis has led to an increase in legislation and control mechanisms of fixed and variable remuneration, and therefore the Talent Management Division, as well as the Legal and Compliance Departments, are now involved in the design, implementation and compliance of the remuneration policy.

During the year the Talent Management team coordinated a wage survey covering all the geographies where the Bank is present.

RELATIONSHIP WITH THE UNIVERSITIES AND TRAINEESHIPS

In 2013 the Banco Espírito Santo Group and the Universidade Nova de Lisboa (UNL) signed a cooperation agreement under which BES Group became the main Corporate Partner of this university. Espírito Santo Investment Bank joined Banco Espírito Santo in this initiative.

The Bank believes in the work which is being developed by the Portuguese universities, namely in Economics, Business Management and Finance, and has become the Corporate Partner of the UNL's Brazil-Europe Masters. This programme is offered by UNL in collaboration with two highly regarded international business schools (the Fundação Getúlio Vargas in São Paulo and the Cass Business School in London), with classes in São Paulo, London and Lisbon, and is designed to train students with the skills which the Bank looks for in the market. As a result of this partnership the Bank has already admitted students to its offices in London and plans to offer two paid traineeships after conclusion of the Master.

In Portugal the Bank pursued its programme of 'working life induction' traineeships for recent graduates from the best universities in the country. Under this programme, 96 traineeships took place in 2013 (72 in Portugal, 3 in Spain, 20 in the United Kingdom and 1 in Brazil), mainly focusing in front office activities, namely in Corporate Finance and in Capital Markets.

SOCIAL RESPONSIBILITY INITIATIVES

The Bank has invited its employees to take part in its social responsibility initiatives:

> Banco Alimentar "Papel por Alimentos" solidarity and environmental campaign – each tonne of used paper donated is exchanged for EUR 100 of food;

> Blood and bone marrow donations – campaign developed with Banco Espírito Santo, and the Instituto Português do Sangue - Centro de Histocompatibilidade do Sul;

> Kanimambo Mission (Mozambique) – collection of items for a health programme for the protection of people with albinism and hypopigmentation (sunscreen, sun glasses, hats, caps).

> "Banco do Livro Escolar" – individual donations of basic and secondary education school books;

> Collection and distribution of food, clothes and shoes – an initiative addressed to the users of the Comunidade Vida e Paz and the homeless who frequent the area around the headquarters of Espírito Santo Investment Bank.

> "Banco do Bebé" – campaign under the title "Achar querido não chega" to offer layettes and baby food to needy families.

In 2013 the Bank sponsored and made donations to various organisations, namely to:

> Associação Novo Futuro – donation and food purchases in the Rastrillo 2013 Solidarity Market

> Liga Portuguesa Contra o Cancro

> Associação para a Integração e Apoio ao Deficiente Jovem Adulto

> Voz do Operário

7. INTEGRATED RISK MANAGEMENT

The objective of the Risk Management function is to identify, assess, monitor and report all the material risks to which BES Group is subject, both internally and externally, so that such risks remain within the limits approved at the level of each institution and therefore do not affect that institution's or the Group's financial solvency.

The risk management function operates independently from the business areas, providing advice on risk management to the decision-takers of the Bank.

Efficient risk management and control have always played a fundamental role in the balanced and sustained growth of BES Group, contributing to optimise risk/return across the various business lines while simultaneously providing a consistently conservative risk appetite in terms of solvency and liquidity.

Matching the regulatory vision with the economic perspective implicit in the New Capital Accord - whose principles underlie the Group's rationale and practices – creates new opportunities and encourages the work developed by the risk management areas.

Governance and Risk Management Principles

> Independence of the risk function from the business units

> Management involvement at senior level through specialised committees

> Three Lines of Defense approach

> Integrated vision of risk

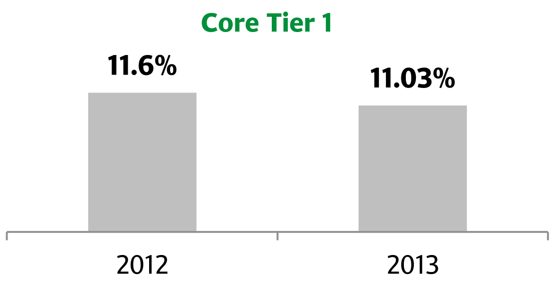
> Specialised technical structures

Background

The economic recession that persisted in 2013 in Portugal inevitably impacted the activity developed by the Group, with consequences in terms of the main risks to which it is exposed:

Solvency	Capital Ratios

- > Core Tier I of 11.03%, comfortably above the Bank of Portugal's minimum requirement (10%).
- > Risk weighted assets dropped by 4%, to EUR 4,759 million, reflecting the Group's risk management policy.
- > The ICAAP exercise carried out in 2013 with reference to 31 Dec. 2012 concluded that the Bank has a conservative risk appetite ensuring high solvency levels equivalent to a minimum rating target of A (debt holder perspective).

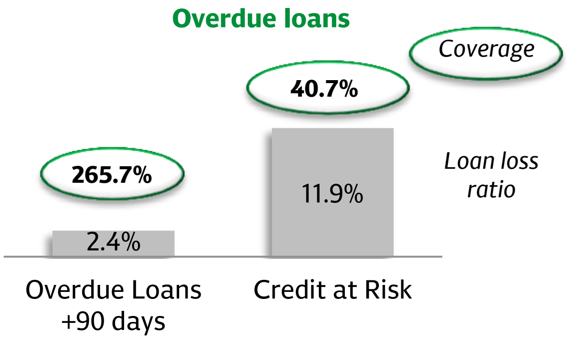


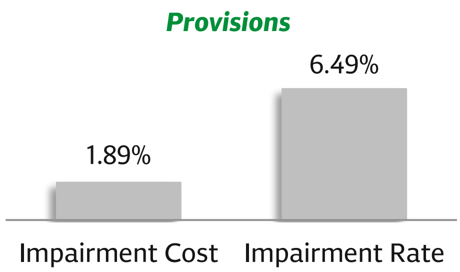
(EUR million)

Risk-weighted Assets	2013	2012
Credit risk	3,714	3,643
Market risk	593	832
Operational risk	452	472
Total	**4,759**	**4,947**

Credit	Overdue loans and provisions

- > The overdue loans (>90 days) ratio increased to 2.4% (Dec. 12: 0.7%) and the credit at risk ratio reached 11.9% (Dec.12: 9.8%).
- > Due to the increase in overdue loan levels, credit provisions were reinforced by EUR 37.9 million (1.89%), which compares with EUR 32.9 million (1.45%) in 2012.
- > Provisions on the balance sheet, after adding EUR 30.6 million, increased by 7% YoY, which left unchanged the prudent coverage ratios: the coverage of overdue loans (>90 days) and credit at risk were 265.7% and 40.7%, respectively, while the average provisioning rate 6.49% (Dec.12: 5.39%).





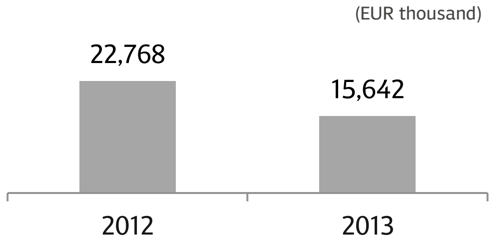
Source: Espírito Santo Investment Bank

Market | Reduction of market volatility

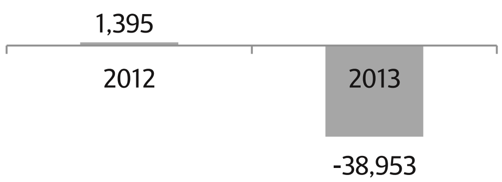
> Consolidated Value at Risk (VaR) in the trading book and concerning trading positions in commodities and FX positions totalled EUR 15.6 million in December 2013, which is EUR 7.1 million less than in December 2012.

> The Group's banking book exposure to interest rate risk, assuming a parallel yield curve shift of 200 bps, shows a EUR 38.9 million negative impact, which compares with a EUR 1.4 million positive impact in December 2012.

Value at Risk



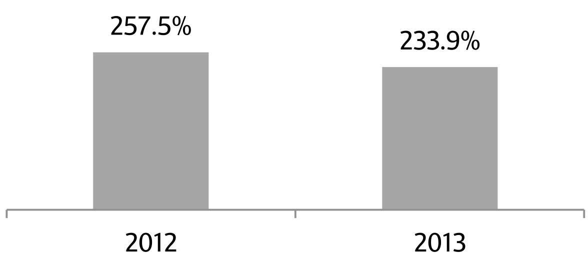
Interest Rate Risk



Liquidity | Prudent management of liquidity risk

> The reduction of the Loan to Deposits ratio, to 233.89%, largely resulted from an 11% reduction in the loan portfolio.

Loan to Deposits ratio



Source: Espírito Santo Investment Bank

Organisation

The risk appetite is determined at BES Group level. The Executive Committee of Espírito Santo Investment Bank is responsible for establishing general principles of risk management and control and guaranteeing that the Bank has the necessary skills and resources to meet the established objectives.

Risk management goals/objectives and responsibilities are defined according to the "Three Lines of Defense" system, which clearly defines the delegation of powers and communication channels formally adopted in BES Group's policies. This segregation of functions is fundamental to align incentives and control and manage risk:

DEFENSE LINES	GOALS	RESPONSABILITIES
1st **Risk Taking Business Units**	Maximise risk adjusted return with the established limits	**Business Units** • The Business Units are risk takers in their daily activity through the performance of business and the approval of operations, with delegated powers, limits and the Group's policies. • Responsible for the risks assumed (upside and downside).
2nd **Risk Control**	Keep the Group within risk limits through the measurement and monitoring of risks	**Global Risk Department** • Propose risk appetite and risk limits. • Identifies and monitors risk, reporting excesses. • Develops risk assessement models and tools. • Has no responsibility for taking
3rd **Audit**	Ensure the effectiveness and adequacy of risk control through mechanisms of regular verification of key processes	**Internal Audit Department** • Independent review of compliance with rules, policies and regulations • Has no responsability for risk taking measurement

The Risk Management Function is independent, supervising all the risks to which BES Group's various Units are exposed. The structure of the relevant Committees for the Bank's risk management is summarized below:

Risk control and supervision roles are carried out by the Bank's Executive Committee, which delegates the setting of rules and procedures and the approval of transactions and risk limits to the Credit and Risk Management Committee, and the definition and monitoring of balance sheet and liquidity management policies to the Assets and Liabilities Committee (ALCO).

At operational level, Espírito Santo Investment Bank's risk analysis and control teams work closely and in coordination with BES's Global Risk Department (GRD), which centralises the risk function of BES Group. This area, which is independent from the business areas, consistently incorporates risk and capital concepts within the Bank's strategy and business decisions.

The Risk function comprises three distinct units, namely Risk Control, Credit Risk Analysis, and Operational Risk Analysis, entailing the following tasks:

> Identify, assess, monitor and report the different types of risk assumed, thus managing the overall risk exposure, ensuring compliance with internal and regulatory rules, and promoting and monitoring mitigation actions;

> Implement the risk policies outlined by the Executive Committee, while harmonising principles, concepts and methodologies across all the Bank's units ;

> Support the Bank's value creation objectives through the development and monitoring of methodologies and models to identify and quantify the various categories of risk, namely liquidity ratios, as well as support tools for the structuring, pricing and approval of operations, and also internal models for performance assessment and for optimising the capital allocation;

> Determine, monitor and report regulatory capital requirements for credit, market and operational risks;

> Develop the internal capital adequacy assessment process (ICAAP);

> Monitor the Bank's internationalisation strategy, collaborating on the design of organisation solutions and in the monitoring and reporting of the risk exposure of the various international entities.

Regulatory Framework

Basel III

The Basel II rules, first presented by the Basel Banking Supervision Committee in 2010, represent a global regulatory change for the financial system. Their purpose is to strengthen financial institutions and prevent new financial crises in the future. Banks will have a transitory period (up to January 1st, 2019) to comply with the approved rules. The Basel III rules have established the following regulatory framework at the end of the transitory period.

> Minimum Core Tier 1 of 7%, i.e. 4.5% minimum common equity and 2.5% capital conservation buffer;

> Minimum Tier 1 of 8.5%, i.e. 6.0% minimum and 2.5% capital conservation buffer;

> Total solvency ratio of 10.5%;

> Introduction of a countercyclical buffer, ranging from 0% to 2.5% of common equity, under conditions to be defined by the national regulatory authorities;

> Transitory period defined for the absorption of deductions to capital not eligible under BIS III and for the new deductions to capital;
> Liquidity coverage ratio (LCR) of 100%;

> Definition of the short and long term leverage and liquidity ratios (Net Stable Funding Ratio) in certain conditions, to be defined

The Basel Committee's agenda also includes the following steps in the near future:

> Fundamental review of the rules applicable to the trading book of financial institutions;

> Fundamental review of the treatment of securitisations within the scope of the Basel regulations;

> Review of the "major exposures" regime";

> Review of the standard approach for calculating capital requirements and capital adequacy.

BES Group closely follows the work and development process of the future regulatory framework so as to be able to determine and plan for the impacts of the final rules on the Group, namely with regard to market and liquidity risk, as explained below.

Market Risk

Main changes in 2013:

> At European level, the implementation of the CRR/CRD IV (Credit Requirements Regulation / Credit Requirements Directive), which transposed into European regulation the main components of Basel III, will have residual impact on the measurement of capital requirements for market risk;

> Concerning the document of the Bank of International Settlements (BIS) for a Fundamental Review of the Trading Book, we note the following main changes/updates (included in the second consultative document):

i. Review of the boundary between the trading book and banking book, making it more objective;

ii. A shift in the measure of risk from value-at-risk (VaR) to expected shortfall (ES) and calibration based on a period of significant financial stress;

iii. The incorporation of market liquidity risk, through the introduction of "liquidity horizons" in the market risk metric;

iv. Review of the two approaches (standardised approach and internal models-based**),** establishing a closer relation between the two and requiring mandatory calculation of the standardised approach by all banks.

Liquidity Risk

The last year was rife with consultations and monitoring on the subject of liquidity risk, with the regulators issuing a series of papers with a significant impact on the institutions' business model and management of risk.

To prepare for the entry into force of CRD IV in January 2014, the entire liquidity framework has been strengthened, namely through the introduction of two minimum standards for funding liquidity risk that aim to achieve two separate but complementary objectives. First, the Liquidity Coverage Ratio (LCR) was created to achieve short-term resilience of a banks' liquidity risk appetite by ensuring that it has sufficient high quality liquid assets to survive a significant stress scenario lasting for one month. The second requirement, aimed to reduce funding risk over a longer time horizon, is addressed by requiring banks to fund their activities with more stable sources of funding so as to mitigate the risk of future funding stress scenarios. The Net Stable Funding Ratio (NSFR) was developed for this purpose. In addition, a set of other liquidity monitoring metrics was also defined, namely concerning funding concentration, definition of unencumbered assets and balance sheet structure.

Recovery and Resolution Plans

In 2012 the Bank of Portugal approved legislation on recovery and resolution plans. This legislation aims, in the first case, at identifying measures which can be adopted to correct a situation of stress where the financial strength of an institution is seriously damaged, and in the second, at the possibility of carrying out an orderly resolution of an institution.

BES Group has in place robust mechanisms to ensure the recovery of imbalances caused by stress/severe events that impact its solvency or liquidity.

7.1 Credit Risk

Credit risk is the potential financial loss arising from the failure of an obligor or counterparty to honour its contractual obligation. As the major risk to which the Bank is exposed within the scope of its lending activities, credit risk management and control are supported by a robust system that permits to identify, assess, quantify and report risk.

A. Management Practices

Credit portfolio management is carried out as an ongoing process that requires the interaction between the various teams responsible for the management of risk during the different stages of the credit process. This approach has resulted in continuous improvements in the following areas:

> The credit risk modelling system, with a consequent reduction in subjective criteria in the assessment of credit;

> The inclusion of behavioural warning signals in the rating systems;

> The decision procedures and workflows, namely the independence of the risk management function, the delegation of powers according to rating levels, and the systematic adjustment of prices, maturities and the guarantees/collaterals provided by the clients;

> The information systems that produce the various elements required for credit risk assessment, by making these data available to all the intervenients in the credit process;

> The independence of the process of formalisation/execution of credit transactions vis-à-vis the origination structure.

As a result of the vast set of initiatives taken over the previous years, combined with the near full coverage of credit exposures by internal rating classification, the Bank's credit approval process is now supported by the widespread use of risk-adjusted return metrics.

The use of rating classifications for purposes of establishing portfolio ceilings that limit credit approvals by both product and rating levels, and in particular restrict the amounts lent when higher risks are involved, is now a broadbased practice. Portfolio ceilings are used to monitor the evolution of the risk appetite of the various credit portfolios.

Compliance with the established ceilings is monitored on a regular basis. The resulting information is distributed to the business areas and to the Credit and Risk Committee..

In line with BES Group's practices, Espírito Santo Investment Bank has in place a strict lending policy that mitigates risk at the various stages of the credit process - origination, monitoring and recovery.

Origination	Monitoring	Recovery
> Restrictive limits on new credit > Increase in loan collaterals required > Price adjusted to risk > High coverage of rating exposures > Automatic availability of supporting information to credit decisions, namely in the front office	> Senior management strongly involved in monitoring process > Credit risk information automatically available to the business areas > Credit follow-up actions (prior to default) > Guarantee management processes and controls	> Early recovery steps > Monitoring of borrowers and assets received as guarantee > Credit recovery process adjusted to business sector, recovery, and divestment areas

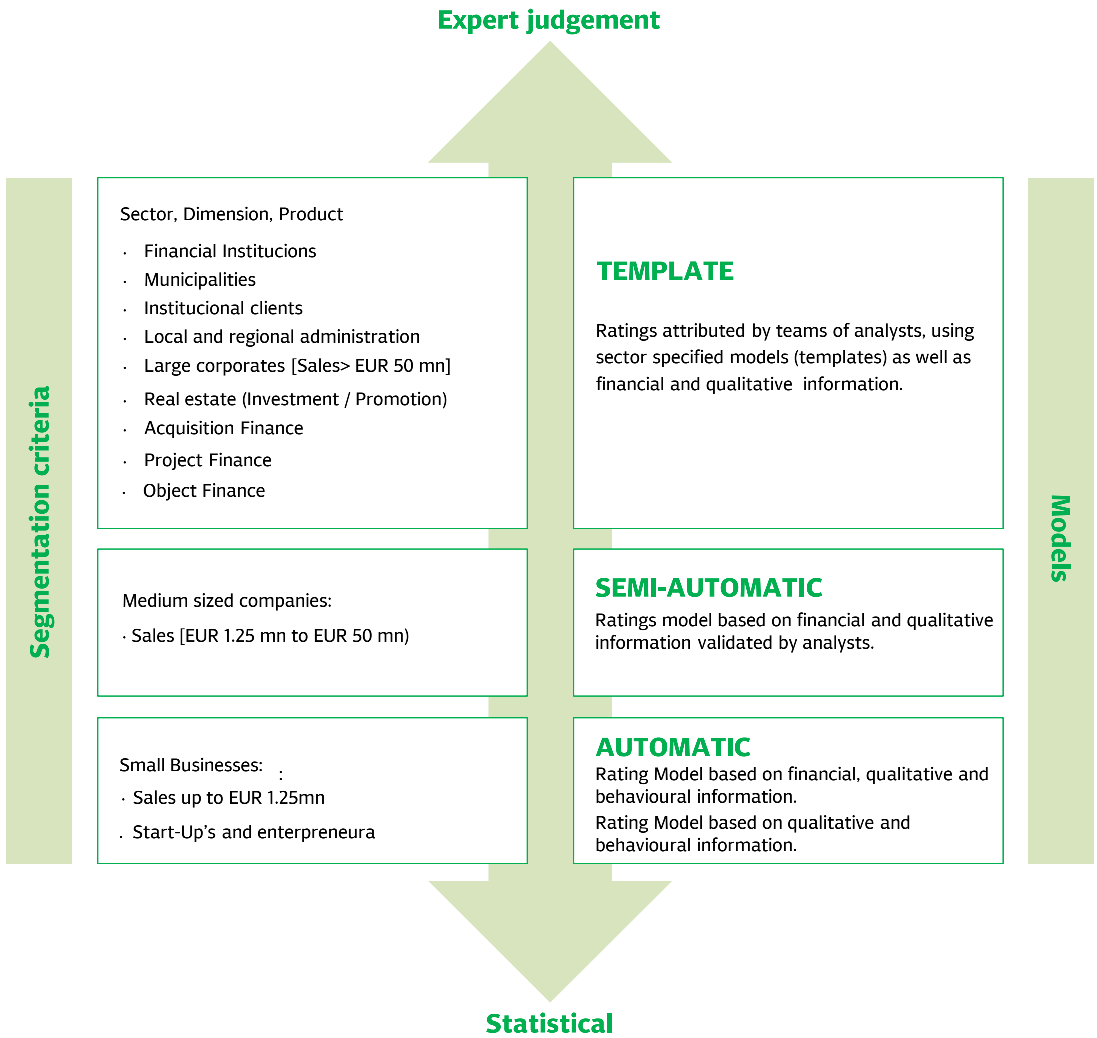
A.1. Risk Rating Systems

In line with the specific characteristics of BES Group's various client segments, different internal risk rating systems and risk parameters were developed for both corporate and individual clients.

In accordance with the rules on minimum regulatory capital requirements (Basel II) and following the best risk management practices, the internal risk rating systems are validated on a regular basis by the Independent Validation Unit. In 2013 the internal validation exercise applied to the various rating models for the main credit portfolios confirmed that these models were robust and well calibrated for assessing credit risk.

Rating Models for Corporate Credit Portfolios

Corporate Credit portfolios are approached differently according to client size and industry sector, using different models specifically adapted to project finance, commodity finance, object finance, acquisition finance and construction finance.



For Large Corporates, Financial Institutions, Institutional Clients, Local and Regional Administration, and Specialised Finance (i.e. project finance, object finance, commodity finance and acquisition finance) credit ratings are assigned by a rating desk. The Rating Desk, composed of specialised analysts organised into multi-sector teams, validates at central level the ratings submitted by the credit risk analysts geographically spread through BES Group's various units.

To assign internal risk ratings to these risk segments, classified as low default portfolios, these teams use expert-based rating systems (templates) that include quantitative and qualitative variables strongly linked to the industry sector in question. Except for Specialised Finance, the rating methodology used by the Rating Desk includes a risk analysis of the maximum consolidation scope, identifying the status of each subsidiary within the respective conglomerate.

Ratings are validated daily by a Rating Committee formed by members of the Board of Directors and members of the various specialised teams.

For the medium sized segment (companies with turnover between EUR 1.25 million and EUR 50 million, except when in sectors classified as specific risk segments, such as real estate development), BES Group uses statistical rating models, which combine economic and financial data with behavioural and qualitative data.

Finally, in the Real Estate sector (property developers, in particular small and medium-sized firms), given its characteristics, ratings are assigned centrally by a specialised team, using specific models that combine quantitative and technical variables (property valuations conducted by specialised units) with qualitative variables. This team is also responsible for making the risk analyses included in specialised credit proposals (Construction Finance).

LGD Models

When a client fails to pay its liabilities, the Bank will not necessarily lose the entire claim, even if the risk is not reduced through collateral. Loss Given Default (LGD) measures the total economic loss when a debtor defaults on a loan. Hence the calculation of LGD also takes into account all the cash flows generated after default, including inflows from (partial) payments by the client or from foreclosure of collateral, recovery costs, administrative costs and the cost incurred through the financial effect of discounted cash flows.

Since 2004 BES Group calculates LGD parameters based on internal data concerning the main products offered to its individual clients – mortgage loans, consumer loans, credit cards, overdrafts and loan accounts – as well as the portfolios of Small Businesses and Independent Professionals included in the Retail portfolios. Such parameters are used in risk management, impairment calculations and calculation of regulatory capital requirements for credit risk.

Finally, BES Group also makes internal estimates of recovery rates for medium-sized and large companies portfolios, which are used in these segments' business processes.

The LGD parameters for corporate clients (including in this case both the LGD parameters for Small Businesses and Independent Professionals used in the calculation of regulatory capital, and the estimated recovery rates for Medium-sized and Large Companies) were updated in 2013. This ensures that the parameters used internally by BES Group are in line with its current recovery processes and policies and take into account the latest economic projections.

Independent Validation of the Models

The various credit risk models developed by and implemented within BES Group are subject to independent internal validation, as required from institutions that use the IRB method.

The validation methodologies developed cover the various parameters foreseen in the Basel accords (PD, LGD and EAD/CCF), using quantitative validation methods, namely statistical tests, as well as qualitative methods, of which the main tool is the test on the internal use of risk models (use test).

As a rule the models are validated on an annual basis by a dedicated specialised team, the GRD's Independent Validation Unit, which works in close cooperation with the area that develops the models, naturally safeguarding the required independence between risk model development and validation functions.

The validation works are compiled into validation reports whose conclusions are approved by the Models Committee.

A.2 Exposure and Limits Approvals

All transactions involving credit or market risk, as well as the risk limits framework for each Espírito Santo Investment Bank business unit (in Portugal, Spain, Poland, the United States, Mexico, Brazil, and Ireland), are approved by the Credit and Risk Management Committee. This committee has the following specific responsibilities:

> Approve and review the Global Risk Policy for all the geographies where the Bank is present;

> Set global and regional risk exposure and tolerance limits, based on solvency and risk/return optimisation;

> Monitor all the relevant risk parameters for the Bank's activity;

> As applicable, delegate approval powers to the business units within pre-established risk appetite, taking into account ratings as well as total and partial limits for each rating bucket by maturity, sector, country and other criteria;

> Analyse and approve or reject the transactions submitted by each business unit and/or geography, ensuring they comply with the risk appetite established (defined?) by the Executive Committee, and subject to current legal and regulatory requirements as well as best market practices;

> Approve changes to individual and aggregate limits in accordance with the business areas and products.

This ensures that the maximum exposure limits approved per counterparty, rating and sector are attributed taking into account the specific features of markets, products, currencies and maturities.

The approval of limits is preceded by an in-depth analysis of the markets, particularly regarding their liquidity, to ensure that the Bank's strategic objectives can be reached at both individual and consolidated level.

A.3. A Credit Risk Monitoring

The credit risk monitoring and control activities aim to quantify and control the evolution of credit risk and to allow early definition and implementation of particular measures to deal with specific situations where there is a deterioration of risk – with a view to mitigating potential loses -, as well as to outline global strategies for credit portfolio management.

In this context, and with the central aim of complying with risk management standards, the credit risk monitoring function and its implementation are objectively considered as one of the top priorities of the risk management and control system. This function comprises the following main processes:

> Daily and weekly portfolio monitoring;

> Monitoring of clients with impairment triggers;

> Global analysis of the credit portfolio risk appetite.

Daily and weekly portfolio monitoring

Espírito Santo Investment Bank's teams in each business unit work closely with the risk management team in Portugal and with BES's Global Risk Department to ensure risk monitoring and control routines are properly implemented. This involves the following processes:

> Daily collection, preparation, control and reporting to the different business areas of information on loans, securities portfolios, derivatives and other products' positions and use level of approved limits;

> Weekly risk reporting on each category of risk, namely the risk appetite of the Bank's loan portfolio by type of instrument, the total exposure by instrument, country, rating, industry sector, maturity, margin, capital requirements, new/recent approvals by the Credit and Risk Management Committee, limits exceeded, impairment signs, among others;

> Preparation of support material for external and internal reporting on credit and counterparty risk.

Monitoring of Clients with impairment triggers

To strengthen monitoring and control of the loan portfolio, an Experts' Committee was created for the specific purpose of assessing impaired loans, on both an individual and portfolio basis. The Committee uses credit risk model information combined with the analysis, among others, of:

> The Client's overall exposure and whether it has overdue loans;

> The economic and financial viability of the Client's business and capacity to generate sufficient funds for future debt service;

> The existence of preferential creditors;

> The existence, nature and estimated value of collaterals;

> The Client's exposure to the financial sector;

> The estimated amount and timing of recoveries.

A loan made to a Client or a loan portfolio is considered to be impaired, when: (i) there is objective evidence of impairment resulting from one or more events occurred after its initial recognition; (ii) the event or events have an impact on the recovery rate of the future cash flows of the loan or loan portfolio, as far as this can be reasonably estimated.

Global analysis of the risk appetite of credit portfolios

Credit portfolio management is an ongoing process that requires interaction among the various teams responsible for the management of risk during the different stages of the credit process. The risk appetite of credit portfolios, specifically in what concerns to the evolution of credit exposure and the monitoring of credit losses, is reported on a monthly basis to the Executive Committee and to BES's Risk Committee.

A.4. Credit Recovery Process

The entire credit recovery process is built based on the concept of "integrated client". To support credit recovery and restructuring, Espírito Santo Investment Bank's Capital Structure Advisory Division advises on and implements corporate liabilities management solutions. The division also works on loan restructurings aiming to minimize impairments and maximize the credit recovery rate.

A.5. Concentration Risk

Concentration risk arises from the possibility of an exposure or group of exposures producing sufficiently large losses to undermine an institution's solvency. In particular, there is credit concentration risk when different counterparties share common or interrelated risk factors the deterioration of which may cause a simultaneous adverse effect on the credit quality of each of those counterparties.

The Bank has established limits for the largest individual exposures and for exposures by sector. The regular monitoring of these limits, together with that of regulatory limits, namely for Large Exposures, reinforces the Bank's monitoring and follow-up framework for credit risk concentration.

The impact of concentration risk is incorporated in the economic capital model for credit risk.

B. Credit Risk Analysis

B.1. Credit Portfolio

Breakdown of the Loan Portfolio

Gross Loans contracted by 11%, underpinned by reductions in Project Finance and Acquisition Finance of 21% and 15%, respectively, and a 24% increase in Other Loans.

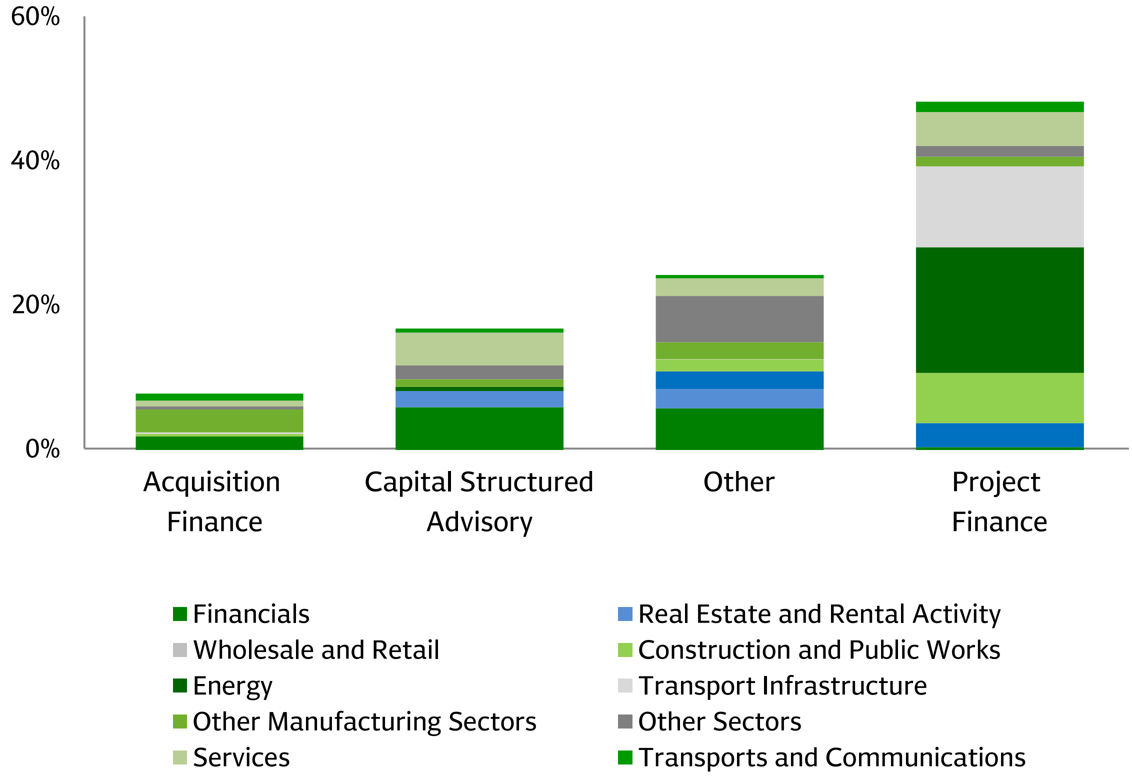
(EUR thousand)

	Dec-13	Dec-12	Change
Gross loans portfolio	**2,004,915**	**2,264,360**	**-11%**
Project Finance	990,391	1,252,801	-21%
Acquisition Finance	513,951	606,417	-15%
Other loans	500,573	405,142	+24%

Note: Not considering interests and overdue loans
Source: Espírito Santo Investment Bank.

The breakdown of the loan portfolio by industry sector reflects the Bank's lending strategy developed over the last few years in the various regions where it operates, which mainly focuses on project finance in the transportation infrastructure and energy sectors.

Loan Portfolio breakdown by sector and business area

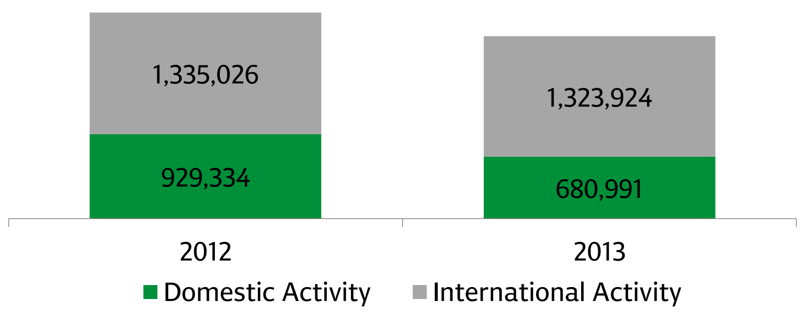


Source: Espírito Santo Investment Bank.

In terms of the geographic breakdown of the loan portfolio, the international activity's share of the total increased to 66%, from 59% in 2012, as a result of a 27% contraction in the domestic portfolio.

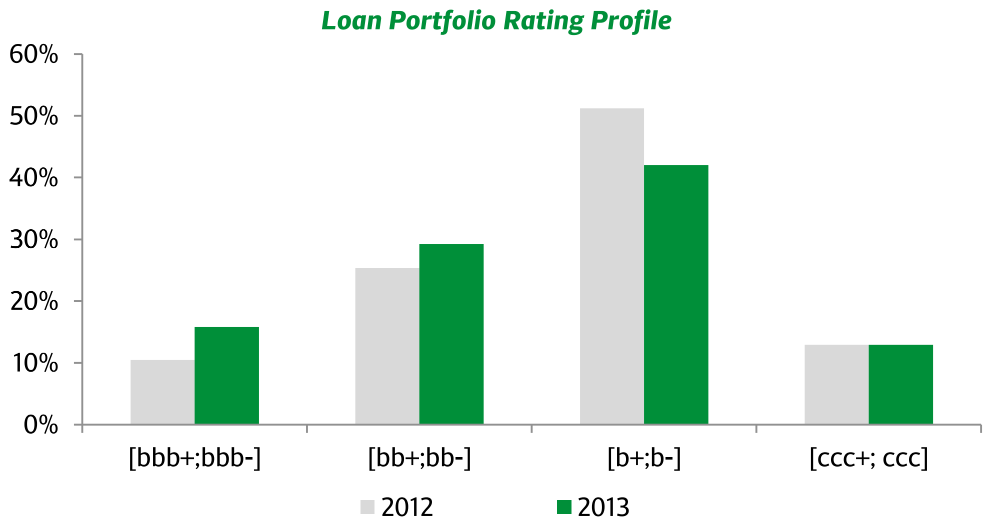
Loan Portfolio Geographic Breakdown

(EUR thousand)



Source: Espírito Santo Investment Bank.

Espírito Santo Investment Bank uses internal rating systems to support credit decisions and credit risk monitoring. The average probability of default given by these ratings reflects the current context of economic slowdown which affected both the corporate segments and the Project Finance and Acquisition Finance activities.



Source: Espírito Santo Investment Bank.

Credit Quality

A consistent effort to improve risk management policies and procedures allowed to lessen the impacts of the domestic and international economic situation. Even so, such impacts are visible in the behaviour of the overdue loan ratios, which the Bank largely offset through a significant reinforcement of credit provisions.

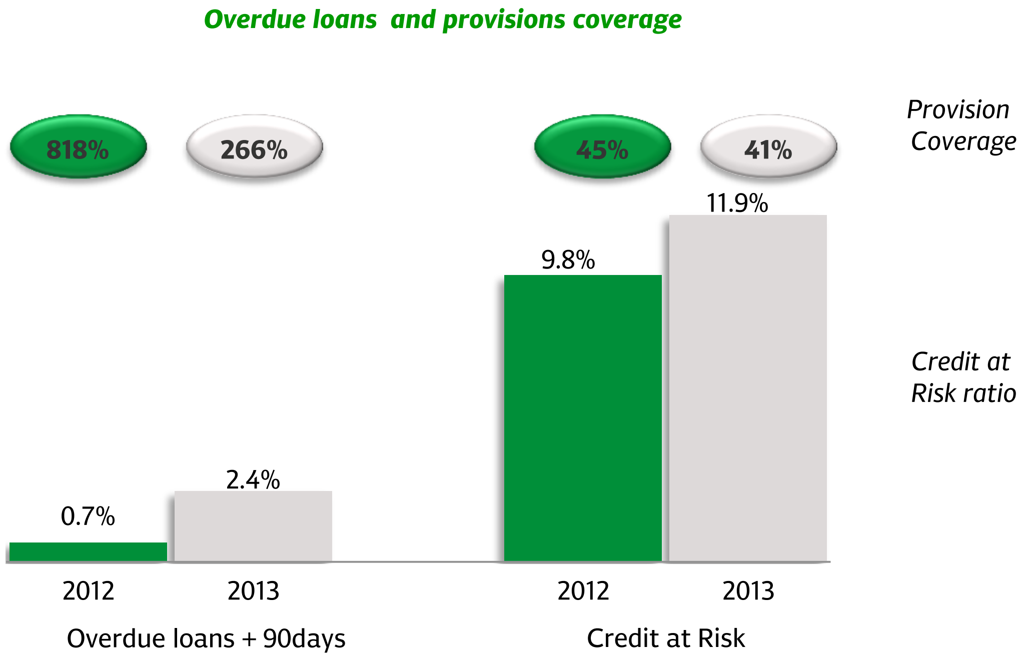
(EUR thousand)

			Change	
	2013	2012	absolute	relative
Gross loans	2,027,742	2,294,500	-266,758	-12%
Overdue loans and interests	48,975	15,064	33,911	225%
Credit provisions	130,135	122,040	8,095	7%
Overdue loans and interests / Gross loans	2.42%	0.65%	1.77%	272%
Credit provisions / Overdue loans and interests	265.7%	810.2%	-544.4%	-67%
Credit at Risk (1)	246,152	227,149	19,004	8%

(1) According to Instruction 23/2011 of Bank of Portugal. Credit at risk includes: a) total value of credit with capital or interest past due by 90 days or more; b) other restructured credit, where the principal or interest payments were past due by more than 90 days and have been capitalized or refinanced without full coverage by collaterals or the interest fallen due have not yet been fully paid by the debtor; and c) credits of an insolvent or bankrupt debtor.

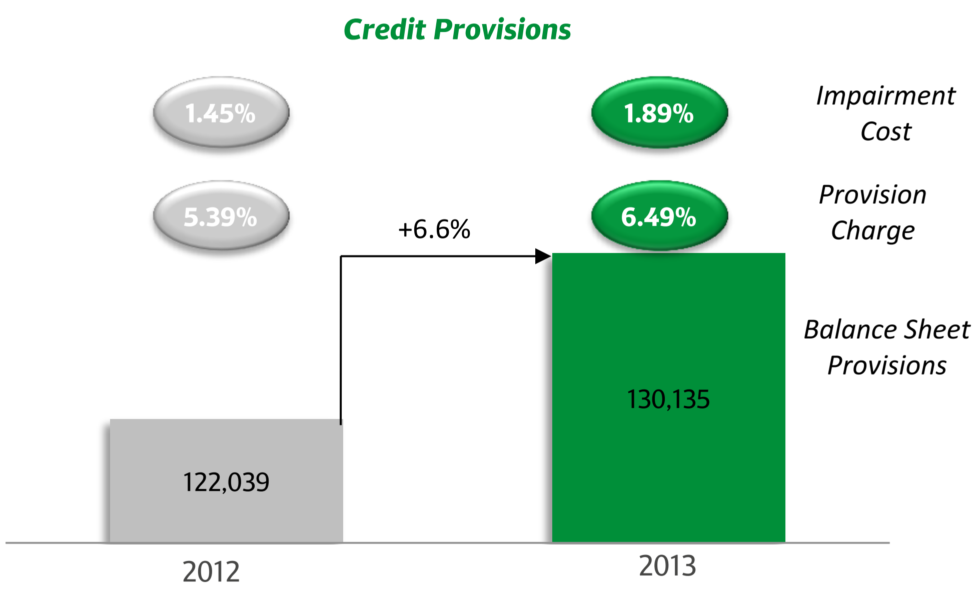
Source: Espírito Santo Investment Bank.

The overdue loans ratio increased to 2.42% (from 0.65% in Dec. 12). The credit at risk ratio reached 11.9%, standing at 7% after allocation of provisions.



Source Espírito Santo Investment Bank.

Credit provisions were reinforced by EUR 37.9 million, which represents a 15% year-on-year increase in the provision charge (EUR 32.9 million in 2012). The impairment cost was 1.89%, which compares with 1.45% in the previous year. As a result, the credit provisions/gross customer loans ratio increased from 5.39% in December 2012 to 6.49% in December 2013. In addition, we also note the use of provisions amounting to EUR 30.6 million as a result of write-offs.



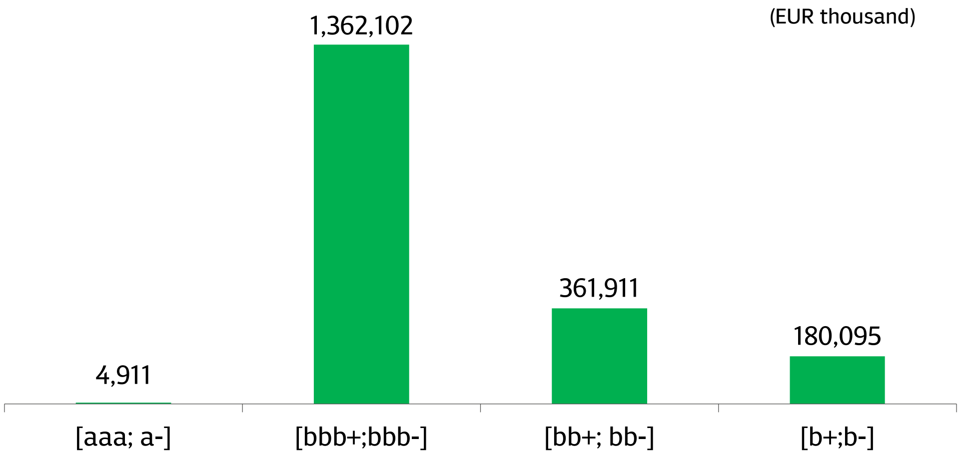
Source: Espírito Santo Investment Bank.

B.2. Fixed-income portfolio

At the end of 2013 the fixed income portfolio amounted to EUR 1,996.5 million, having dropped by less than 1% from EUR 2,014 million in 2012.

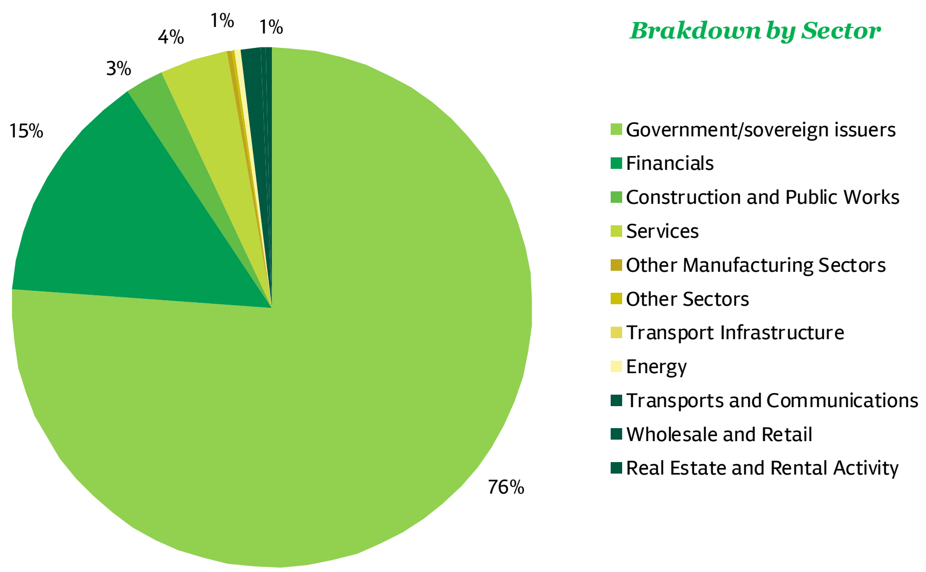
Reflecting the characteristics of BES Investimento do Brasil's portfolio, essentially made up of Brazilian Treasury Notes and Brazilian Central Bank Notes (issued and funded in local currency), and those of the Treasury portfolio of Espírito Santo Investment Bank in Lisbon (essentially Portuguese treasury bonds and Spanish regional government treasury bonds), in 2013 the risk profile of the Bank's fixed income portfolio maintained its concentration in investment grade issuers. At the end of de 2013, approx. 68% of the portfolio (74% in 2012) had "bbb-" or higher ratings (investment grade ratings).

Rating Profile



Source: Espírito Santo Investment Bank.

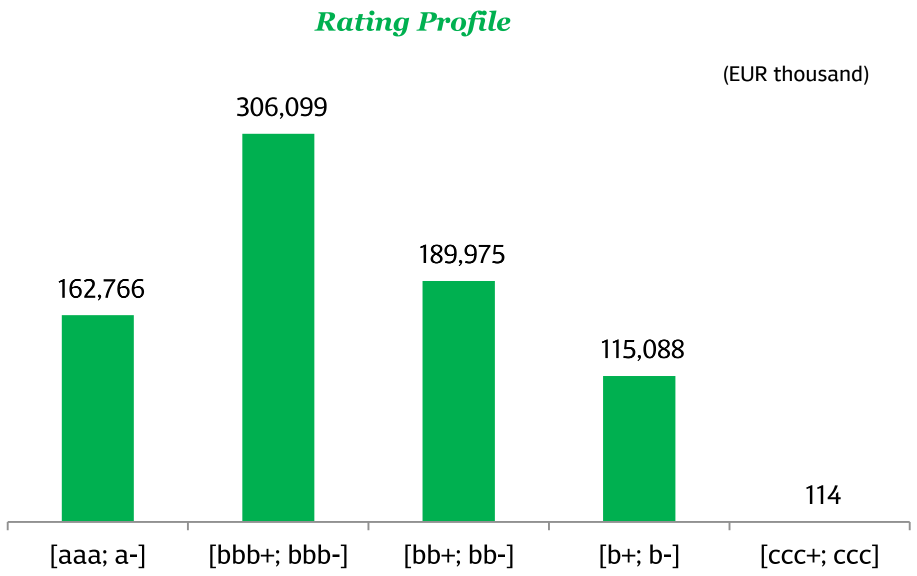
In terms of the breakdown by sector, ca. 76% of the fixed-income portfolio (73% in 2012) consisted of securities of government/sovereign issuers from Brazil, Portugal and Spain.



Source: Espírito Santo Investment Bank.

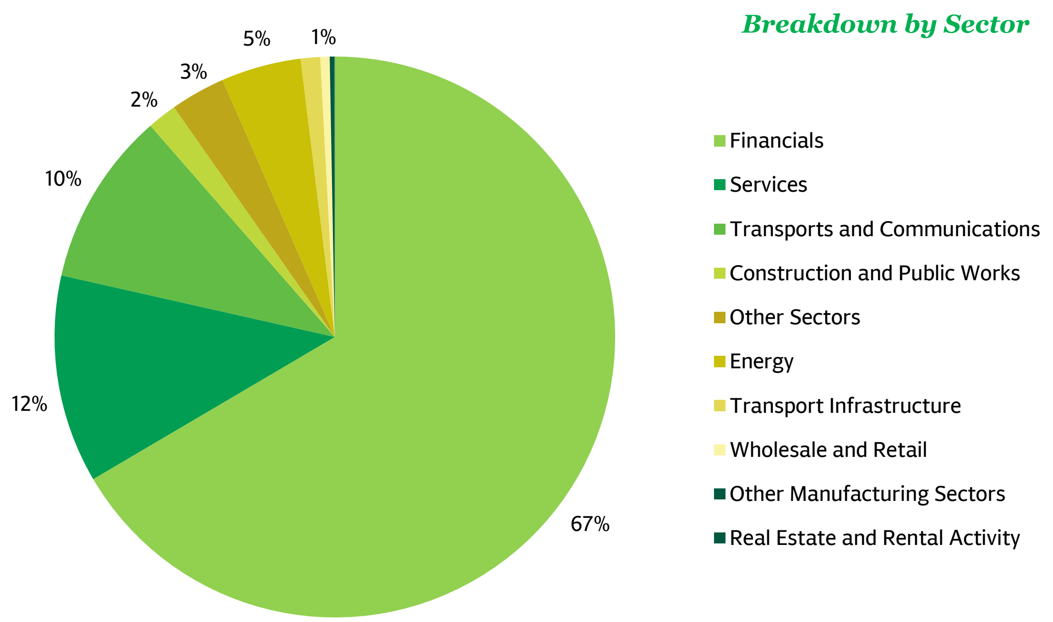
B.3. Derivatives Portfolio - Counterparty Risk

The counterparty risk exposure in the Bank's portfolio of interest rate, exchange rate, and equity derivatives decreased by 27% year-on-year, to EUR 830.7 million at the end of 2013. From the total exposure to derivative instruments, approximately 56% (45% in 2012) related to counterparties with investment grade rating.



Source: Espírito Santo Investment Bank.

In terms of the breakdown by counterparty risk sector, 67% (55% in 2012) of the global exposure related to transactions with financial sector counterparties.



Source: Espírito Santo Investment Bank.

At the end of 2013 the Bank only had a residual exposure to credit derivatives EUR 8.0 million vs. EUR 4.5 million in 2012). The risk is calculated based on the notional value of the underlying contracts and the risk of the underlying reference issuer, when the Bank is selling protection, or of the counterparty risk, when the Bank is buying protection (from financial institutions).

B.4. Exposure to Emerging Markets

At the end of 2013 the net foreign currency exposure to emerging markets, as determined in compliance with the Bank of Portugal's assessment criteria for country risk, was EUR 2,479 million, representing 41.55% of consolidated assets (35.28% on December 31st, 2012).

(EUR thousand)

Countries	BoP Risk Ratio	Dec-13 Gross Exposure	Dec-13 Provisions	Dec-13 Guarantees & Othre Deductions	Dec-13 Net Exposure	Dec-12 Net Expoosure
Asia-Pacific						
China	0.00%	0	0	0	0	3
Japan	0.00%	99	0	0	99	179
India	10.00%	2,929	0	0	2,929	0
Macao	0.00%	0	0	0	0	45
Hong Kong	0.00%	23	0	0	23	0
Latin America						
Mexico	0.00%	39,635	0	0	39,635	27,814
Bahamas	10.00%	890	0	0	890	0
Chile	0.00%	10,299	0	0	10,299	26,451
Brazil	0.00%	2,275,056	-1,762	0	2,273,294	2,140,200
Peru	10.00%	262	0	-26	236	0
Panama	0.00%	10,190	0	0	10,190	0
Colombia	10.00%	1,533	0	-2,900	-1,367	1,026
Europa						
Hungary	0.00%	13	0	0	13	6
Poland	0.00%	139,470	0	0	139,470	87,981
Africa						
Angola	10.00%	3,745	-298	0	3,447	2,900
Total Exposureto Emerging Markets		**2,484,144**	**-2,060**	**-2,926**	**2,479,151**	**2,286,605**
Total Exposure / Consolidated Net		**41.63%**	**-0.03%**	**-0.05%**	**41.55%**	**35.28%**
Exposure Funded in Local Currency		**2,230,523**	**0**	**0**	**2,230,523**	**1,814,893**
Exposure Funded in Local Currency / Total Exposure		**89.79%**	**0.00%**	**0.00%**	**89.97%**	**79.37%**

Source: Espírito Santo Investment Bank.

The main emerging economies remained strong and posting GDP growth during 2013. Espírito Santo Investment Bank operates in several emerging countries, i.e. Brazil, Mexico, Poland and India, where its activity was in line with local economic growth.

7.2. Market Risk

Market risk is the possible loss resulting from an adverse change in the value of a financial instrument due to fluctuations in interest rates, foreign exchange rates, share prices, commodity prices, real estate prices, volatility and credit spreads.

Market Risk is monitored on a short-term perspective (10 days) for the trading book and on a medium-term perspective (1 year) for the banking book.

7.2.1. Trading Book Risk

A. Management Practices

The main measure of market risk is the estimation of potential losses under adverse market conditions, for which Value at Risk (VaR) methodology is used. VaR is calculated using the Monte Carlo simulation, with a 99% confidence level and an investment period of 10 business days. Volatilities and correlations are historical, based on an observation period of one year..

The identification, valuation, monitoring and control of market risk are the responsibility of a specific unit, the Market Risk Control unit, which works in full independence from the Bank's business areas.

In functional terms, the Market Risk Control unit reports directly to an Executive Board Member, as well as to the Executive Committee in general.

In organisational terms, Market Risk Control functions are spread geographically among the Bank's different business units, which have the appropriate skills and resources to evaluate the specific activities and risks incurred by each company of the Espírito Santo Investment Bank Group.

The Market Risk Control unit is responsible for analysing the relevant factors for each type of risk using statistical techniques, measuring market volatility, analysing depth and liquidity indicators, and simulating the transactions concerned under different market conditions to establish adequate limits for each business area. In addition to the technical analysis for setting appropriate limits, the Market Risk Control unit also takes into account the track record and experience of the business area concerned and its strategic objectives to ensure that the limits reflect the Bank's guidelines for each category of risk.

The proposed limits are submitted for approval to the Credit and Risk Management Committee (CRMC) of each business geography and subsequently to the Global Credit and Risk Management Committee in Lisbon. The limits are reviewed at least annually or whenever required by strategic reasons or market conditions.

To give a clear picture of the risks incurred and to provide the whole organisation with clear messages regarding the desired risk appetite, a wide range of risk assessment measures are used, complemented by position, stop loss, and concentration limits.

Risk assessment measures used include VaR (Value at Risk), the BPV (Basis Point Value) sensitivity measure, and Greeks (Vega and Rho). VaR is calibrated using back testing analysis. The Bank's different market risk positions are also subject to simulated extreme scenarios at the BES Group level. These simulations are based on the most positive and the most negative 10-day shifts occurred in the last 20 years.

The way in which the risk assessment and control methodologies, described above, are implemented is adapted to include the specific markets' features in which each geographical business entity operates.

VaR assessment is further improved through back testing exercises, which compare the losses foreseen by VaR with actual losses. These tools permit to fine-tune the model's accuracy and improve its predictive capacity.

As a complement to the VaR model, stress testing is also carried out at BES Group level, permitting to assess the impact of extreme scenarios.

When the bank trades in over-the-counter (OTC) financial instruments, theoretical risk assessment models are applied, which are subsequently used to manage and control positions in accordance with the Bank's approved limits. Back testing and price testing are used regularly to (i) improve the calibration of existing models and test their suitability for the instruments concerned; (ii) assess the reasonableness, independence and consistency of the data used in the models; (iii) check the consistency of the algorithms used; and (iv) compare results with those of other market participants.

B. Market Risk Analysis

Espírito Santo Investment Bank's value at risk (VaR) on December 31st, 2013, relating to trading positions in equities, interest rate instruments, volatility, credit spreads, commodities, as well as FX positions (except the FX position in equities in the available for sale portfolio and in the portfolio of assets at fair value) totalled EUR 15.6 million, which compares with EUR 22.8 million on December 31st, 2012.

Value at Risk - 99% at 10 days

(EUR thousand)

	2013				2012
	December	Annual average	Maximum	Minimum	December
Foreign exchange risk	982	1,573	3,314	632	707
Interest rate risk	1,739	2,365	1,956	1,256	2,592
Shares	859	1,365	2,599	726	1,777
Credit spread risk	13,429	15,987	22,505	12,848	19,801
Covariance	-1,368	-1,894	-3,065	-858	-2,109
Total	**15,642**	**19,396**	**27,310**	**14,604**	**22,768**

Source Espírito Santo Investment Bank.

The main risk driver in VaR is the credit spread risk. The decrease in VaR relative to December 2012 mainly comes from a reduction in sovereign bonds' credit spread risk.

The main risk factor to which the Bank was exposed at the end of 2013 was Brazil credit spread risk.

7.2.2. Banking book risks

Other risks in the banking book arise from adverse movements in interest rates, credit spreads, and in the market value of equity securities and real estate in non-trading exposures in the balance sheet.

7.2.2.1. Interest Rate Risk

Interest Rate Risk may be understood in two different but complementary ways, namely as the effect on the net interest margin, or as the impact on capital resulting from interest rate movements that affect the institution's banking book.

Fluctuations in market interest rates can affect a bank's net interest margin by altering the amount of income and costs associated to interest rate products, as well as by impacting on the value of the underlying assets, liabilities and off-balance sheet instruments.

The banking book exposure to interest rate risk is calculated in compliance with the Bank for International Settlements (BIS) methodology, classifying all interest rate sensitive assets, liabilities and off balance sheet items, excluding those from trading, using repricing tenors.

The model used is similar to the duration model, using a stress testing scenario corresponding to a parallel shift of 200 basis points in the yield curve for all interest rate levels (Bank of Portugal Instruction 19/2005).

Interest rate risk measurement basically consists in determining the effect of changes in interest rates on equity and net interest income. On December 31st, 2013 interest rate risk had a EUR 38.9 million negative impact on the Bank's shareholders' equity, which compares with a EUR 1.4 million positive impact at the end of 2012.

7.2.2.2. Credit Spread Risk

The credit spread, which reflects the ability of an issuer to meet its obligations up to their maturity, is one of the factors considered in the assets' valuation. It shows the difference between the interest rate of a risky asset and the interest rate of a risk-free asset in the same currency.

The credit spread risk of an asset derives from the respective issuer's credit spread volatility. This risk is measured based on a VaR at 99% with a holding period of one year, in addition to the analysis of stress-test scenarios.

Securities held to maturity are not included in the calculation of the credit spread risk.

7.2.2.3. Risk of Equity instruments and other Variable Income Securities

The Bank is also subject to other types of risk in the banking book, namely the risk of Equity Holdings and the risk of Mutual Funds. These risks may broadly be described as the probability of a loss resulting from an adverse change in the market value of these financial instruments.

The risk of equity holdings and mutual funds, which arises from the respective market prices and equity indexes, is measured based on a VaR at 99%, considering a holding period of one year. This includes the FX risk in equities in the available for sale portfolio and in the portfolio of assets at fair value.

7.2.2.4. Real Estate Risk

Real estate risk arises from adverse changes in the market value of real estate assets where the Bank has exposure to, in the balance sheet, through investment funds and through its subsidiary Cominvest.

7.2.3. Pension Fund Risk

The pension fund risk stems from the possibility of the value of the fund's liabilities (the obligations of the fund) exceeding the value of its assets (the fund's investments). When that occurs the Bank must cover the difference and incur in the respective loss (contributions to the fund).

The Bank's pension fund risk is measured based on the estimated value of assets and liabilities with a timeframe of one year.

The Fund's estimated return corresponds to the maximum losses which the Fund may incur in a period of one year. This return is determined by calculating, for a confidence interval of 99%, the 1-year VaR of the Pension Fund's assets portfolio at the reference date.

The responsibilities are updated based on the projected current cost within one year.

To quantify the pension fund risk the Bank uses the same models and methodologies used to determine the material risks incurred by its assets.

7.3. Operational Risk

Operational risk may be defined as the probability of occurrence of events with a negative impact on earnings or capital resulting from inadequate or negligent application of internal procedures, information systems, staff behaviour, or external events. Legal risk is also included in this definition. Operational risk is therefore considered as the sum of the operational, information systems, compliance and reputational risks.

A. Management Practices

Operational risk is managed through a set of procedures that standardise, systematise and regulate the frequency of actions (aimed at?) the identification, monitoring, control and mitigation of this risk. The priority in operational risk management is to identify, assess?, and mitigate or eliminate risk sources, even if these have not resulted in financial losses.

The management methodologies in place are supported by the principles and approaches to operational risk management issued by the Basel Committee and those underlying the Risk Assessment Model implemented by the Bank of Portugal, which is a result of the best practices in this area.

The operational risk management model is supported by a structure within the organisation exclusively dedicated to its design, monitoring and maintenance. This structure works in close coordination with the elements indicated below, whose active participation is crucial:

> Operational risk representatives from the departments, branches and subsidiaries integrated within the scope of operational risk management, who are responsible for the day-to-day management of operational risk in their units, where they must guarantee that the established procedures are implemented;

> The Compliance Department, which plays an important role in guaranteeing that the processes are well documented, detecting specific risks and verifying the controls implemented, ascertaining the rigour of control design and identifying required steps for improvement and full effectiveness, while maintaining continuous reporting to and from the operational risk management;

> The Internal Audit Department (BES Group), which tests the effectiveness of risk management and controls, identifies required steps for improvement and assesses their implementation;

> The Security Management and Coordination Department (BES Group), with responsibility for data security, the safety of people and property, and business continuity.

The Compliance Department is responsible for implementing the operational risk management practices in accordance with the established methodologies, including the following:

> Identification and reporting of operational risk events. This database not only considers loss-events but also events with positive impacts or others with no accounting impacts (near-misses).

> Implementation of procedures to monitor the registration of events in order to verify the effectiveness of the identification/mitigation processes implemented in each subsidiary and branch and at the same time ensure the collection and consistency of the information on events with financial impacts.

> Regularly carrying out self-assessment analysis to identify the larger risks and corresponding mitigation actions;

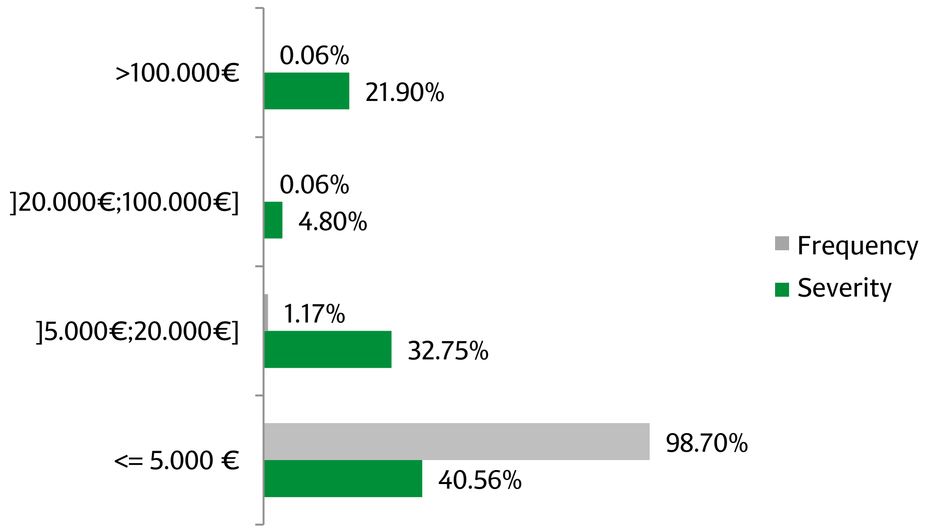
> Monitoring of risk factors through key risk indicators (KRIs);

> Calculation of capital requirements in accordance with the Standardised Approach (this is performed by the Management Information Department).

B. Operational Risk Analysis

An analysis of BES Group's operational risk appetite shows that events with low financial impact are quite frequent while events with a material financial impact are very few.

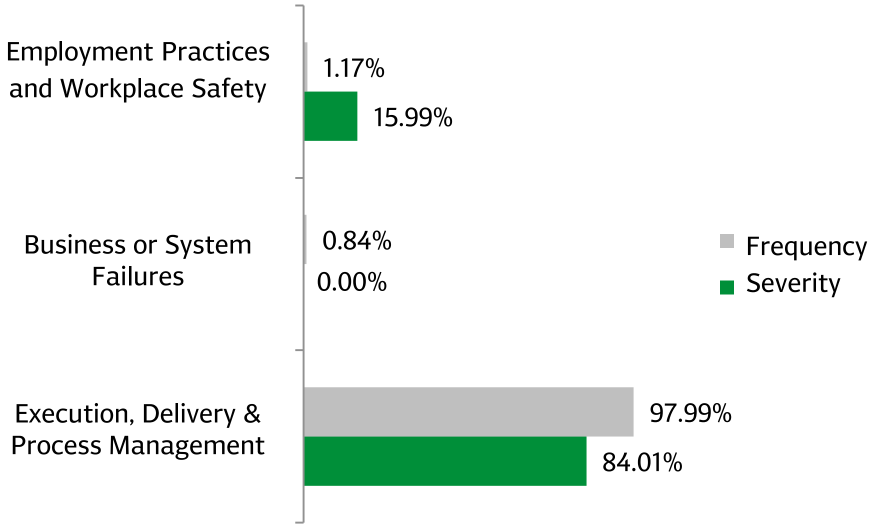
In 2013, 98.7% of the events had a financial impact below EUR 5,000, representing 40.56% of the total impact, while incidents with an impact above EUR 100,000 represented 21.9% of the total.



Source: Espírito Santo Investment Bank.

The operational risk events identified are duly reported so as to permit their full and systematic categorization and the monitoring of follow-up mitigation actions. Every event is classified in accordance with the risk categories defined in the Bank of Portugal's Risk Assessment Model, by business lines and Basel Risk types.

In 2013 the "Execution, delivery & process management" events registered the highest scores in terms of both frequency and lost amount, representing 84% of the total loss in the year.



Source: Espírito Santo Investment Bank.

7.4. Liquidity Risk

Liquidity risk arises from an institution's present or future inability to face its liabilities as they mature without incurring in excessive losses.

Liquidity risk may be divided into two types:

> Market liquidity risk – the impossibility of selling an asset due to lack of liquidity in the market, leading to the widening of the bid/offer spread or the application of a haircut to its market value.

> Funding liquidity risk – the impossibility to obtain market funding to finance assets and/or refinance debt coming to maturity, in the desired currency. This can lead to a sharp increase in the cost of funding or to the requirement of collaterals in exchange for funding. Difficulties in (re)financing may lead to the sale of assets, even if incurring significant losses. The risk of re(financing) should be reduced through an adequate diversification of funding sources and maturities.

Banks are subject to liquidity risk due to their business of transformation of maturities (providing long term loans and receiving short term deposits) and therefore a prudent management of liquidity risk is crucial.

A. Management Practices

The structure established by BES Group to manage liquidity risk clearly identifies duties and processes with the objective of ensuring full coordination between all the participants in liquidity risk management and the effectiveness of management controls.

The liquidity risk management structure is prepared to respond to new challenges, as the scarcity of wholesale funding and the increasingly frequent and demanding changes in regulations on liquidity and funding.

BES Group has defined liquidity indicators, internal stress scenarios and management decision processes. These liquidity indicators provide an accurate measure of the liquidity risks to which the Group is subject and also measure the impact of the liquidity scarcity on the Group's profitability.

A.1. Liquidity Risk Appetite

BES Group's Liquidity Risk Appetite is defined in accordance with two complementary variables:

> Survival Horizons under stress situations; and

> Liquidity Ratios.

The survival horizons considered take into account the severity of the scenario and the mitigation actions. Moderate and severe stress scenarios were considered, with impact at three levels: bank specific, market-wide and combined.

The liquidity ratios identified to define the Group's Liquidity Risk Appetite are organised into the following categories:

> Regulatory Ratios, including the Basel III liquidity ratios;

> Balance sheet liquidity profile;

> Concentration of short-term wholesale funding;

> Available indebtedness;

> Maturity mismatches.

A.2. Policy on Limits

This process involves the definition of a set of limits/targets, calibrating them and distributing them to the external units, including to Espírito Santo Investment Bank, monitoring them, and in case they are exceeded, reporting that to the management and setting a path for convergence towards the established targets.

The proposals concerning the methodology for the establishment of limits, which must also consider a path towards convergence within BES Group and its vision for long-term liquidity, are submitted to BES Group's Liquidity and Capital Committee, for approval.

A.3. Contingency Plan

BES Group's Contingency Plan is proportional to the nature, scale and complexity of its business and allows to manage liquidity needs in a crisis/stress scenario. The purpose of the Liquidity Contingency Plan is to mitigate, as far as possible, the impact of a liquidity crisis/shock, namely through the definition of a set of procedures aimed at:

> Describing in detail BES Group's response to a liquidity problem, namely with regard to timely identification, warning procedures and principles for managing a liquidity crisis situation;

> Understanding the potential impact of a liquidity crisis on the various stakeholders;

> Establishing essential management information;

> Establishing a mechanism to anticipate liquidity crises;

> Identifying types and potential sources of liquidity crises;

> Establishing principles on the use of last resource funding in case all BES Group's efforts at an effective resolution of a liquidity crisis fail.

B. Liquidity Risk Analysis

While the markets have not yet returned to a normal situation in terms of liquidity risk and the wholesale market was not fully operational during 2013, towards the end of the year and beginning of 2014 there was an improvement in market sentiment about the European peripheral countries.

In this context BES Group satisfied its funding needs mainly through the growth of deposits.

In accordance with the defined management structure for liquidity risk, stress scenarios with different degrees of severity (moderate and severe), different time horizons and different areas of impact (market-wide, bank specific, and combined) are simulated at BES Group level.

As an example, the market-wide scenario may simulate the closure of the wholesale market, while the BES Group-specific scenario may simulate various degrees of run-off for the retail and non-retail customer deposits.

7.5. Solvency

7.5.1. Internal Capital Adequacy Assessment Process (ICAAP)

In addition to the regulatory perspective, the Bank also considers its risks and available financial resources ("Risk Taking Capacity" or "RTC") from an economic perspective in order to conduct a self-assessment exercise of internal capital adequacy, as foreseen in Pillar 2 of Basel II and Bank of Portugal Notice 15/2007.

Risks and RTC are estimated from a perspective of settlement where the Bank's intention is to protect its capacity to redeem senior debt and deposits. The confidence interval used to estimate the risks in this perspective is in line with the risk appetite defined. In the ICAAP exercise conducted in 2013, and as it had already done in 2012 and 2011, BES Group opted for focusing only on the settlement perspective, without taking into account the going concern perspective. The reason for taking this approach was the fact that, in view of the new regulatory capital requirements (minimum Core Tier I ratio of 9% in 2011 and 10% in 2012) and consequent changes in the business model, which namely entailed the deleveraging process underway, the going concern perspective, which assumes that the previous model is maintained, was not applicable at present. The Bank thus focused on the settlement perspective.

In order to quantify the risks, BES Group has developed several economic capital models that estimate the maximum potential loss over a period of one year based on a predefined confidence level. These models cover the various types of risk to which the Bank is exposed, namely credit risk, market risk (trading book and banking book), real estate risk, pension fund risk, operational risk, reputational risk, strategy risk and business risk.

The amount of the economic capital requirements for each risk is aggregated, taking into account inter-risk diversification effects. In addition to calculating economic capital requirements, the main risk factors are subject to stress tests in order to identify any weaknesses or risks which the internal models failed to uncover/unveil.

The capital adequacy analysis carried out at the end of each year is complemented by a forward looking analysis of capital requirements (risks) and available financial resources over a three-year timeframe, taking into account the funding and capitalisation plan.

In line with its business strategy, the main risks to which Espírito Santo Investment Bank is subject are credit risk, the market risk in the trading book and the market risk in the banking book. The credit risk implicit in the banking relations with the Clients derives from the Bank's core business, with a significant contribution from the international area, representing 55% of the total (44% in 2012). The trading book's market risk mainly comes from the portfolio of fixed-income securities issued by the Government of Brazil, while the banking book's market risk derives from the credit spread risk of obligations/bonds, essentially due to the need to maintain liquid assets on the balance sheet.

The results of the ICAAP exercise conducted with respect to December 31^{st}, 2012, which were delivered to the Bank of Portugal in August 2013, concluded that Espírito Santo Investment Bank's regulatory capital is sufficient to cover the risks incurred, from either the regulatory or the economic perspective.

7.5.2. Regulatory Solvency

Espírito Santo Investment Bank's solvency ratios are calculated under the Basel II regulations. From the first quarter of 2009 onwards the Bank has been authorised by the Bank of Portugal to use the Internal Ratings Based (IRB) approach for credit risk and the Standardised Approach – TSA method for operational risk.

Under the Portuguese banking regulations (Bank of Portugal Notice 3/2011) the Portuguese banks should report a Core Tier I ratio of 10%. On the other hand, since June 30th, 2012, European banks, including Portuguese banks, should post a Core Tier I of 9%, calculated according to the definition established by the European Banking Authority (EBA).

Solvency	Dec-13	Dec-12
Core Tier I ratio	11.03%	11.63%
Tier I ratio	10.96%	11.61%
Solvency ratio	11.09%	12.05%

Note: according to BoP criteria
Source: Espírito Santo Investment Bank.

Regulatory Capital

The information on regulatory capital is provided in Note 43 to the Consolidated Financial Statements.

Risk Weighted Assets

As of December 31st, 2013, Risk Weighted Assets totalled EUR 4,759 million, of which EUR 3,714 million (78% of the total) corresponded to credit and counterparty risk, EUR 593 million to market risk and EUR 452 million to operational risk.

(EUR thousand)

Variables		Dec-13 (*IRB*)	Dec-12 (*IRB*)
Net Assets	**A**	**5,961,799**	**6,481,863**
Risk index	**B/A**	**79.82%**	**76.33%**
Risk-weighted Assets	**B**	**4,758,724**	**4,947,401**
Banking book		3,713,826	3,643,135
Trading book		592,947	831,899
Settlement risk		39	19
Operational risk		451,911	472,348
Total own funds	**C**	**527,836**	**596,144**
Basic own funds (Tier I)	**D**	**521,325**	**574,442**
Core Tier I	**E**	524,856	575,484
Other		-3,532	-1,042
Complementary own funds and deductions		6,512	21,702
Core Tier I ratio	**E/B**	**11.03%**	**11.63%**
Tier I ratio	**D/B**	**10.96%**	**11.61%**
Solvency ratio	**C/B**	**11.09%**	**12.05%**

Source: Espírito Santo Investment Bank.

Credit and Counterparty Risk

As mentioned before, Espírito Santo Investment Bank uses the Internal Ratings Based (IRB) approach for most exposures subject to credit risk, in accordance with the rules set out in Bank of Portugal's Notice 5/2007.

Credit and Counterparty risk weighted assets show a slight increase of EUR 70.7 million in 2013.

(EUR thousand)

	Dec-13		Dec-12	
	Risk-weighted Assets	Risk weight	Risk-weighted Assets	Risk weight
Central Authorities and Central Banks	40,329	6%	51,273	8%
Institutions	405,695	25%	429,194	33%
Corporates	2,685,585	81%	2,679,704	82%
Retail	338	15%	493	68%
Shares	109,015	215%	144,076	245%
Other	472,864	66%	338,395	45%
Total	**3,713,826**	**58%**	**3,643,135**	**58%**

Source: Espírito Santo Investment Bank.

In 2013 the European Parliament and the Council approved Regulation (EU) no. 575/2013 which transposed into Community rules the prudential regulatory framework designated as “Basel III”, which shall apply as from January 2014, for the calculation of credit risk weighted assets.

Market Risk

Capital requirements for market risk are calculated using the standardised method. As of December 31st, 2013 the capital requirements for risk weighted assets amounted to EUR 593 million, with the main contributors being Interest Rate/Debt Instruments Risk (90% of the total) and Equity Instruments Risk (6% of the total).

Annual change in Risk-weighted Assets

(EUR thousand)

	Dec-13	Dec-12	Change
Debt Instruments			
Specific risk	130,792	522,876	-392,084
General risk	401,312	225,874	175,438
Equity instruments			
Specific risk	15,098	33,950	-18,853
General risk	21,379	34,408	-13,029
Foreign exchange risk	24,327	14,791	9,535
Commodity risk	0	0	0
Settlement risk	39	19	20
Total	**592,947**	**831,918**	**-238,971**

Source: Espírito Santo Investment Bank.

The reduction in requirements in 2013 mainly resulted from a decrease in the specific interest rate risk, which was in part offset by an increase in general interest rate risk.

Operational Risk

Capital requirements for operational risk are determined under the Standardised Approach as the average over three years of the sum of the risk-weighted relevant indicators calculated each year across the regulatory business lines.

In 2013 risk-weighted assets decreased by EUR 20.4 million year-on-year as a result of the lower contribution of Commercial banking (medium sized and large corporates).

Operational Risk (Bank of Portugal)

(EUR thousand)

	Dec-13		Dec-12	
	Capital Requirements	*RWA*	Capital Requirements	*RWA*
Total GBESI	**36,153**	**451,911**	**37,788**	**472,348**
Coporate Finance	8,734	109,179	8,421	105,258
Trading and Sales	13,372	167,147	12,055	150,690
Retail brokerage	809	10,108	845	10,557
Commercial banking	12,465	155,814	15,757	196,958
Retail banking	99	1,241	0	0
Payment and settlement	-4	-54	-4	-54
Agency services	0	0	0	0
Asset Management	678	8,475	715	8,939

Source: Espírito Santo Investment Bank.

ESPIRITO SANTO INVESTMENT BANK

CONSOLIDATED FINANCIAL STATEMENTS AND NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

These consolidated financial statements are a free translation to English from the original Portuguese version. In case of doubt, or misinterpretation the Portuguese version will prevail.

2013 ANNUAL REPORT

1. Consolidated Financial Statements

Consolidated Income Statement for the years ended 31 December 2013 and 2012

(in thousands of euro)

	Notes	31.12.2013	31.12.2012
Interest and similar income	5	342 615	342 182
Interest expense and similar charges	5	260 348	247 643
Net interest income		**82 267**	**94 539**
Dividend income		437	625
Fee and commission income	6	126 280	126 661
Fee and commission expenses	6	(24 006)	(25 551)
Net gains / (losses) from financial assets at fair value through profit or loss	7	34 755	55 333
Net gains / (losses) from available-for-sale financial assets	8	52 760	57 080
Net gains / (losses) from foreign exchange differences	9	(15 283)	(37 148)
Net gains / (losses) from the sale of other assets	10	(49)	(3 300)
Other operating income and expense	11	(10 636)	(7 069)
Operating income		**246 525**	**261 170**
Staff costs	12	104 880	111 399
General and administrative expenses	14	60 370	58 876
Depreciation and amortisation	25 and 26	6 726	5 778
Provisions net of reversals	34	19 411	8 104
Loans impairment net of reversals and recoveries	21	37 875	32 855
Impairment on other financial assets net of reversals and recoveries	19, 20 and 22	1 801	4 627
Impairment on other assets net of reversals and recoveries	28	410	615
Operating expenses		**231 473**	**222 254**
Share of profit of associates	27	374	97
Profit before income tax		**15 426**	**39 013**
Income tax			
Current tax	35	14 653	17 584
Deferred tax	35	(6 590)	887
		8 063	**18 471**
Profit for the year		**7 363**	**20 542**
Attributable to equity holders of the Bank		**7 062**	**22 028**
Attributable to non-controlling interest	39	**301**	**(1 486)**
		7 363	**20 542**
Basic Earnings per Share (in Euro)	15	0.10	0.42
Diluted Earnings per Share (in Euro)	15	0.10	0.42

The following notes form an integral part these consolidated financial statements.

The Chief Accountant

The Board of Directors

Consolidated Statement of Comprehensive Income for the years ended 31 December 2013 and 2012

(in thousands of euro)

	31.12.2013	31.12.2012
Profit for the period		
Attributable to equity holders of the Bank	7 062	22 028
Attributable to non-controlling interest	301	(1 486)
	7 363	**20 542**
Other comprehensive income for the period		
Items that wont be reclassified into the Income Statement		
Long-term benefit	(9 511)	(2 329)
	(9 511)	**(2 329)**
Items that may be reclassified into the Income Statement		
Exchange differences	(42 972)	(32 903)
Other comprehensive income appropriate from associates	14	(623)
	(42 958)	**(33 526)**
Available-for-sales financial assets		
Gains / (losses) arising during the period	44 530	63 847
Reclassification adjustments for gains / (losses) included in the profit or loss	(51 039)	(52 110)
Deferred taxes	1 056	(2 637)
Exchange differences	(1 173)	(512)
	(6 626)	**8 588**
Total comprehensive income/(loss) for the period	**(51 732)**	**(6 725)**
Attributable to equity holders of the Bank	**(42 904)**	**947**
Attributable to non-controlling interest	**(8 828)**	**(7 672)**
	(51 732)	**(6 725)**

The following notes form an integral part these consolidated financial statements.

Consolidated Balance Sheet as at 31 December 2013 and 2012

(in thousands of euro)

	Notes	31.12.2013	31.12.2012
Assets			
Cash and deposits at central banks	16	4 836	1 202
Deposits with banks	17	65 493	40 717
Financial assets held for trading	18	1 604 606	2 439 729
Available-for-sale financial assets	19	783 352	485 917
Loans and advances to banks	20	433 623	243 755
Loans and advances to customers	21	1 946 582	2 187 524
Held-to-maturity investments	22	314 329	107 202
Derivatives for risk management purposes	23	72 228	60 022
Non-current assets held for sale	24	17 946	1 159
Other tangible assets	25	19 310	17 904
Intangible assets	26	73 622	74 349
Investments in associates	27	52 124	51 073
Current income tax assets		15 029	3 323
Deferred income tax assets	35	62 178	53 703
Other assets	28	496 541	714 284
Total Assets		**5 961 799**	**6 481 863**
Liabilities			
Deposits from central banks	29	151 907	151 087
Financial liabilities held for trading	18	480 688	751 715
Deposits from banks	30	1 680 584	2 020 686
Due to customers	31	1 054 389	967 374
Debt securities issued	32	1 449 549	1 382 888
Financial liabilities associated to transferred assets	33	22 982	29 665
Derivatives for risk management purposes	23	54 089	57 031
Provisions	34	37 371	22 392
Current income tax liabilities		11 560	18 135
Deferred income tax liabilities	35	18 911	25 053
Subordinated debt	36	55 152	66 058
Other liabilities	37	325 122	283 774
Total Liabilities		**5 342 304**	**5 775 858**
Equity			
Share capital	38	326 269	326 269
Share premium	38	8 796	8 796
Other equity instruments	38	3 731	3 731
Fair value reserve	39	(3 596)	2 968
Other reserves, retained earnings and other comprehensive income	39	225 349	266 681
Profit for the year attributable to equity holders of the Bank		7 062	22 028
Total Equity attributable to equity holders of the Bank		**567 611**	**630 473**
Non-controlling interest	39	51 884	75 532
Total Equity		**619 495**	**706 005**
Total Equity and Liabilities		**5 961 799**	**6 481 863**

The following notes form an integral part these consolidated financial statements.

The Chief Accountant

The Board of Directors

Consolidated Statement of Changes in Equity for the years ended 31 December 2013 and 2012

(in thousands of euro)

	Capital	Share premium	Other equity instruments	Fair value reserve	Other reserves, retained earnings and other comprehensive income	Profit for the year attributable to equity holders of the Bank	Total equity attributable to equity holders of the Bank	Non-controlling interest	Total equity
Balance as at 31 December 2011	**226 269**	**8 796**	**3 731**	**(5 779)**	**285 018**	**9 061**	**527 096**	**79 322**	**606 418**
Other comprehensive income									
Changes in fair value, net of taxes	-	-	-	9 259	-	-	9 259	(159)	9 100
Actuarial gains / (losses) from defined benefit obligations, net of tax	-	-	-	-	(2 329)	-	(2 329)	-	(2 329)
Other comprehensive income appropriate from associates	-	-	-	-	(623)	-	(623)	-	(623)
Exchange differences, net of taxes	-	-	-	(512)	(26 876)	-	(27 388)	(6 027)	(33 415)
Profit for the year	-	-	-	-	-	22 028	22 028	(1 486)	20 542
Total comprehensive income in the year	**-**	**-**	**-**	**8 747**	**(29 828)**	**22 028**	**947**	**(7 672)**	**(6 725)**
Capital increase	100 000	-	-	-	-	-	100 000	-	100 000
Transfer to reserves	-	-	-	-	9 061	(9 061)	-	-	-
Reimbursment of other equity instruments	-	-	-	-		-	-	-	-
Interest of other equity instruments, net of taxes (See Note 38)	-	-	-	-	(225)	-	(225)	-	(225)
Other changes in non-controlling interest (See Note 39)	-	-	-	-	2 655	-	2 655	3 882	6 537
Balance as at 31 December 2012	**326 269**	**8 796**	**3 731**	**2 968**	**266 681**	**22 028**	**630 473**	**75 532**	**706 005**
Other comprehensive income									
Changes in fair value, net of taxes	-	-	-	(5 391)	-	-	(5 391)	(62)	(5 453)
Actuarial gains / (losses) from defined benefit obligations, net of tax	-	-	-	-	(9 511)	-	(9 511)	-	(9 511)
Other comprehensive income appropriate from associates	-	-	-	-	14	-	14	-	14
Exchange differences, net of taxes	-	-	-	(1 173)	(33 905)	-	(35 078)	(9 067)	(44 145)
Profit for the year	-	-	-	-	-	7 062	7 062	301	7 363
Total comprehensive income in the year	**-**	**-**	**-**	**(6 564)**	**(43 402)**	**7 062**	**(42 904)**	**(8 828)**	**(51 732)**
Transfer to reserves	-	-	-	-	22 028	(22 028)	-	-	-
Interest of other equity instruments, net of taxes (See Note 38)	-	-	-	-	(317)	-	(317)	-	(317)
Other changes in non-controlling interest (See Note 39)	-	-	-	-	(19 641)	-	(19 641)	(14 820)	(34 461)
Balance as at 31 December 2013	**326 269**	**8 796**	**3 731**	**(3 596)**	**225 349**	**7 062**	**567 611**	**51 884**	**619 495**

The following notes form an integral part these consolidated financial statements.

ESPIRITO SANTO INVESTMENT BANK

Consolidated Cash Flow Statement for the years ended 31 December 2013 and 2012

(in thousands of euro)

	Notes	31.12.2013	31.12.2012
Cash flows from operating activities			
Interest and similar income received		301 278	407 581
Interest expense and similar charges paid		(240 985)	(272 235)
Fees and commission received		122 891	126 420
Fees and commission paid		(22 585)	(14 194)
Cash payments to employees and suppliers		(164 624)	(171 546)
		(4 025)	**76 026**
Changes in operating assets and liabilities:			
Deposits with central banks		(3 632)	679
Deposits from central banks		(8 253)	78 681
Financial assets / liabilities held for trading		591 348	(432 396)
Loans and advances to banks		(187 859)	1 017
Deposits from banks		(349 366)	(434 380)
Loans and advances to customers		176 952	10 176
Due to costumers		51 273	119 305
Derivatives for risk management purposes		7 500	28 527
Other operating assets and liabilities		215 275	51 812
Net cash from operating activities before income tax		**489 213**	**(500 553)**
Income taxes paid		(29 927)	(4 722)
		459 286	**(505 275)**
Cash flows from investing activities			
Acquisition of subsidiaries and associates		(1 067)	(16 473)
Sale of subsidiaries and associates		26	3 764
Dividends received		437	625
Acquisition of available-for-sale financial assets		(922 695)	(684 317)
Sale of available-for-sale financial assets		723 257	566 074
Held to maturity investments		(230 110)	543 783
Acquisition of tangible and intangible assets		(9 726)	(7 991)
Sale of tangible and intangible assets		-	1 201
		(439 878)	**406 666**
Cash flows from financing activities			
Capital increase		-	100 000
Capital subsidiaries increase		1 518	8 585
Capital subsidiaries decrease		(16 999)	-
Bonds issued		366 926	310 331
Bonds paid		(334 267)	(330 934)
Subordinated debt paid		(10 315)	(23 188)
Interest from other equity instruments		(317)	(225)
Dividends paid on ordinary shares		(1 176)	(971)
Net cash from financing activities		**5 370**	**63 598**
Net changes in cash and cash equivalents		**24 778**	**(35 011)**
Cash and cash equivalents at the beginning of the year		40 724	75 735
Cash and cash equivalents at the end of the year		65 502	40 724
		24 778	**(35 011)**
Cash and cash equivalents includes:			
Cash	16	9	7
Deposits with banks	17	65 493	40 717
Total		**65 502**	**40 724**

The following notes form an integral part these consolidated financial statements.

2. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
Banco Espírito Santo de Investimento, S.A.

NOTE 1 – ACTIVITY AND GROUP STRUCTURE

Banco Espírito Santo de Investimento, S.A. (Bank or BESI) is an investment bank headquartered in Portugal, Rua Alexandre Herculano, no. 38 in Lisbon. The Bank is authorized by the Portuguese authorities, central banks and other regulatory authorities, to operate in Portugal and in the countries where its international branches are located.

The company was established in February 1983 as a foreign investment in Portugal under the name FINC – Sociedade Portuguesa Promotora de Investimentos, S.A.R.L. During 1986 the company was integrated into the Espírito Santo Group under the designation of Espírito Santo – Sociedade de Investimentos, S.A..

In order to enlarge the scope of its business, the company obtained permission from the Portuguese authorities to operate as an investment bank. This involved the publication of Order-in-Council no. 366/92, 23 November, published in the Diário da República – Series II – no. 279, 3 December. The activity as an investment bank started under the name Banco ESSI, S.A., on 1 April, 1993.

During 2000, Banco Espírito Santo, S.A. (BES) acquired all of the share capital of BES Investimento in order to reflect in its consolidated financial statements all the synergies generated by both institutions. BESI currently operates through its headquarters in Lisbon, branches in London, Warsaw, New York and Madrid and through its subsidiaries in Brazil, Ireland, Poland, United Kingdom, India, China and Mexico.

BESI financial statements are consolidated by Banco Espírito Santo, S.A., headquartered at Avenida da Liberdade, no. 195, Lisbon and by Espírito Santo Financial Group, S.A. (ESFG), with headquarters in Luxembourg.

Group companies where the Bank has a direct or indirect holding greater or equal to 20%, over which the Bank exercises control or has significant influence, and that were included in the consolidated financial statements, are as follows:

	Established	Acquired	Headquartered	Activity	% economic interest	Consolidation method
Banco Espírito Santo de Investimento, SA (BESI)	**1983**	**-**	**Portugal**	**Investment bank**	100%	**Full consolidation**
Espírito Santo Investments PLC	1996	1996	Ireland	Non-bank finance company	100%	Full consolidation
Cominvest- SGII, S.A.	1993	1993	Portugal	Real estate	49%	Full consolidation (b)
ESSI Investimentos SGPS, SA	1998	1998	Portugal	Holding company	100%	Full consolidation
Salgar Investments	2007	2007	Spain	Services provider	42%	Equity method
ESSI SGPS, SA	1997	1997	Portugal	Holding company	100%	Full consolidation
Espírito Santo Investment Sp, Z.o.o.	2005	2005	Poland	Services provider	100%	Full consolidation
Espírito Santo Securities India	2011	2011	India	Brokerage house	75%	Full consolidation
Lusitania Capital, S.A.P.I. de C.V., SOFOM, E.N.R.	2013	2013	Mexico	Non-bank finance company	100%	Full consolidation
MCO2 - Sociedade gestora de Fundos de Investimento Mobiliário, S.A.	2008	2008	Portugal	Asset management - investment funds	25%	Equity method
Espírito Santo Capital - Sociedade de Capital de Risco, SA (ESCAPITAL)	1988	1996	Portugal	Venture capital fund	100%	Full consolidation
SES Iberia	2004	2004	Spain	Asset management - investment funds	50%	Full consolidation
2bCapital Luxembourg S.C.A SICAR	2011	2011	Luxembourg	Investment fund	42%	Equity method
Fundo Espírito Santo IBERIA I	2004	2004	Portugal	Venture capital fund	46%	Equity method
HLC - Centrais de Cogeração, S.A.	1999	1999	Portugal	Services provider	24%	Equity method
Coporgest, SA	2002	2005	Portugal	Imobiliário / Financeiro	25%	Equity method
Synergy Industry and Technology, S.A.	2006	2006	Spain	Services provider	15%	Equity method (a)
WindPart, Lda	2013	2013	Portugal	Holding company	20%	Full consolidation (b)
Espírito Santo Investment Holding, Limited	2010	2010	United Kingdom	Holding company	100%	Full consolidation
Execution Noble & Company Limited	1990	2010	United Kingdom	Advisory on investments	100%	Full consolidation
Execution Noble (Hong Kong) Limited	2005	2010	China	Brokerage house	100%	Full consolidation
Execution Noble Limited	2000	2010	United Kingdom	Brokerage house	100%	Full consolidation
Noble Advisory India Private Ltd	2008	2010	India	Research Services Provider	100%	Full consolidation
Execution Noble Research	2003	2010	United Kingdom	Research Services Provider	100%	Full consolidation
Clear Info-Analytic Private Ltd	2004	2010	India	Research Services Provider	100%	Full consolidation
Espírito Santo Investimentos, SA	1996	1999	Brazil	Holding company	100%	Full consolidation
BES Investimento do Brasil, SA	2000	2000	Brazil	Investment Bank	80%	Full consolidation
FI Multimercado Treasury	2005	2005	Brazil	Investment fund	80%	Full consolidation
BES Activos Financeiros, Ltda	2004	2004	Brazil	Asset management	40%	Full consolidation (b)
Espírito Santo Serviços Financeiros DTVM, SA	2009	2010	Brazil	Asset management	80%	Full consolidation
BES Securities do Brasil, SA	2000	2000	Brazil	Brokerage house	80%	Full consolidation
Gespar Participações, Ltda.	2001	2008	Brazil	Holding company	80%	Full consolidation
Fundo FIM BES Moderado	2004	2009	Brazil	Investment fund	80%	Full consolidation
Fundo BES Absolute Return	2002	2009	Brazil	Investment fund	79%	Full consolidation
2BCapital, SA	2005	2005	Brazil	Venture capital fund	45%	Equity method
2B Capital Luxembourg General Partners S.à r.l.	2011	2011	Luxembourg	Asset management - investment funds	45%	Equity method

a) The percentage in the table above represents the Group's economic interest. These companies were accounted for following the equity method, as the Group exercises a significant influence over them, in accordance with the accounting policy described in Note 2.2.
b) These companies were fully consolidated as the Group exercises control over their activities.

In 2013, the Bank has started a simplification plan for the Group. Under this process several measures were already taken, including the sale and merge of investments, with no significant impact in the financial statements. The simplification process should proceed during 2014 and the Group has not identified until now any resulting impact from this process.

The main changes in the BESI Group structure that occurred in 2013 are highlighted as follows:

Subsidiaries

- In February 2013, ESSI SGPS, participated in the set up of Lusitania Capital, S.A.P.I de C.V., SOFOM, E.N.R., which corresponded to an investment of Mexican peso 50 thousand;
- In February 2013, BES Investimento do Brasil, SA participated in Espírito Santo Serviços Financeiros DTVM SA capital increase, which corresponded to an investment of real 6 000 thousand;
- In March 2013, BES Investimento do Brasil, SA participated in BES Activos Financeiros, Ltda capital increase, which corresponded to an investment of real 2 000 thousand;
- In March 2013, ESSI SGPS, SA participated in Espírito Santo Securities India capital increase, which corresponded to an investment of rupee 121 967 thousand;
- In April 2013, ESSI SGPS, S.A. acquired 31.6% of Espírito Santo Investment Holding Limited for an amount of pounds 17 125 thousand, holding since this date 100% of the company´s share capital;
- In May 2013, ESSI SGPS, S.A. subscribed integrally the capital increase of Espírito Santo Investment Holding Limited in the amount of pounds 10 000 thousand;
- In July 2013, took place the merger of R Invest Ltda and R Consult Participações Ltda into Espírito Santo Serviços Financeiros DTVM;
- In July 2013, ESSI SGPS, SA subscribed integrally the capital increase of Lusitania Capital, S.A.P.I. de C.V. in the amount of Mexican peso 950 thousand;
- In July 2013, BES Investimento do Brasil acquired 0.38% of Espírito Santo Serviços Financeiros DTVM for an amount of real 431 thousand, holding since that date 100% of the company's share capital;
- In August 2013, took place the merger of ESSI Comunicações, S.A. into Banco Espírito Santo de Investimento, S.A..
- In December 2013, Espírito Santo Capital, Sociedade de Capital de Risco, SA participated in the set up of WindPart, Lda, through the delivery in kind of the owned shares of Iberwind – Desenvolvimentos e Projectos, SA..

Associates (see Note 27)

- In December 2013, Banco Espírito Santo de Investimento, SA and Espírito Santo Capital, Sociedade de Capital de Risco, SA, participated in Coporgest capital increase through the exchange of loans in the amount of euro 50 thousand and euro 200 thousand, respectively. Additionally, Coporgest reimbursed loans granted by these companies in the amount of euro 37 thousand and euro 112 thousand, respectively;
- In December 2013, Banco Espírito Santo and Espírito Santo Capital, Sociedade de Capital de Risco sold its shareholdings in Apolo Films, S.L., BRB International and Prosport – Comercializaciones Desportivas, S.A..

During 2013 and 2012, the move ments regarding acquisitions and disposals of investments in subsidiaries and associates are presented as follows:

(in thousands of euro)

	31.12.2013						
	Acquisitions			Disposals			
	Acquisition cost (a)	Other investments (b)	Total	Disposal value (a)	Other reimbursements (c)	Total	Gain /(losses) from sales/disposals
Subsidiaries							
Fundo BES Absolute Return	-	-	-	3	-	3	-
Fundo FIM BES Moderado	-	-	-	27	-	27	-
Espírito Santo Investment Holding, Limited	20 281	11 714	31 995	-	-	-	-
Lusitania Capital, S.A.P.I. de C.V., SOFOM, E.N.R.	-	59	59	-	-	-	-
Espírito Santo Serviços Financeiros DTVM, SA	207	1 842	2 049	-	-	-	-
BES Activos Financeiros, Ltda	-	614	614	-	-	-	-
Espírito Santo Securities India	-	1 753	1 753	-	-	-	-
R Consult Participações, Ltda	-	-	-	-	143	143	-
R Invest, Ltda	-	-	-	-	23	23	-
ESSI Comunicações SGPS, SA	-	-	-	-	50	50	-
FI Multimercado Treasury	55	-	55	-	-	-	-
WindPart, Lda	-	959	959	-	-	-	-
	20 543	**16 941**	**37 484**	**30**	**216**	**246**	**-**
Associates							
Fundo Espírito Santo IBERIA I	1 067	-	1 067	-	73	73	-
Coporgest, SA	-	-	-	-	149	149	-
Apolo Films, SL	-	-	-	13	-	13	-
BRB Internacional, S.A.	-	-	-	13	-	13	-
	1 067	**-**	**1 067**	**26**	**222**	**248**	**-**
Total	**21 610**	**16 941**	**38 551**	**56**	**438**	**494**	**-**

(a) In case of BES Absolute Return and FIM BES Moderado the acquisition and sale values refer to subscriptions and redemptions, respectively.
(b) Share capital increases, shares premiuns and loans to companies.
(c) Share capital decreases, shares premiuns and loans to companies.

(in thousands of euro)

	31.12.2012						
	Acquisitions			Disposals			
	Acquisition cost (a)	Other investments (b)	Total	Disposal value (a)	Other reimbursements (c)	Total	Gain /(losses) from sales/disposals
Subsidiaries							
Fundo FIM BES Moderado	21 375	-	21 375	22 283	-	22 283	-
Fundo BES Absolute Return	8 171	-	8 171	8 035	-	8 035	-
Espírito Santo Securities India	-	4 094	4 094	-	-	-	-
Espírito Santo Investment Holding, Limited	914	-	914	-	-	-	-
ESSI Fin, SGPS, S.A.	-	-	-	-	421	421	-
Espírito Santo Investment Sp, Z.o.o.	-	-	-	-	1 221	1 221	-
	30 460	**4 094**	**34 554**	**30 318**	**1 642**	**31 960**	**-**
Associates							
2bCapital Luxembourg S.C.A SICAR	-	16 473	16 473	-	30	30	-
Fin Solutia - Consultoria e Gestão de Créditos, SA	-	-	-	1 225	-	1 225	(7)
Polish Hotel Company (PHC)	-	-	-	2 509	-	2 509	2 509
	-	**16 473**	**16 473**	**3 734**	**30**	**3 764**	**2 502**
Total	**30 460**	**20 567**	**51 027**	**34 052**	**1 672**	**35 724**	**2 502**

(a) In case of BES Absolute Return and FIM BES Moderado the acquisition and sale values refer to subscriptions and redemptions, respectively.
(b) Share capital increases, shares premiuns and loans to companies.
(c) Share capital decreases, shares premiuns and loans to companies.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1. Basis of preparation

In accordance with Regulation (EC) no. 1606/2002, of 19 July from the European Council and Parliament, and its adoption into Portuguese Law through Decree-Law no. 35/2005, of 17 February and Regulation no. 1/2005 from the Bank of Portugal, Banco Espírito Santo de Investimento, S.A. ("BESI" or "the Bank") is required to prepare its consolidated financial statements in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union ("EU").

IFRS comprise accounting standards issued by the International Accounting Standards Board ("IASB") and its predecessor body as well as interpretations issued by the International Financial Reporting Interpretations Committee ("IFRIC") and its predecessor body.

The consolidated financial statements for year ended 31 December 2013 were prepared in accordance with the IFRS effective and adopted by the EU until 31 December 2013.

The accounting policies applied by the Group in the preparation of its consolidated financial statements for the year ended 31 December 2013 are consistent with the ones used in the preparation of the annual consolidated financial statements as at and for the year ended 31 December 2012.

Additionally, as described in Note 44, in the preparation of the financial statements as at 31 December 2013, the Group adopted the accounting standards issued by the IASB and IFRIC interpretations, effective since 1 January 2013. The accounting policies adopted by the Bank in the preparation of the Consolidated Financial Statements are in accordance with those described in that note. The adoption of these standards and interpretations by the Bank had no material effect in the Group's Consolidated Financial Statements.

The accounting standards and interpretations recently issued but not yet effective and that the Group has not yet adopted in the preparation of its Financial Statements can also be analysed in Note 44.

These individual financial statements are expressed in thousands of euro, rounded to the nearest thousand, and have been prepared under the historical cost convention, except for the assets and liabilities accounted at fair value, namely, derivative contracts, financial assets and financial liabilities at fair value through profit or loss, available-for-sale financial assets, recognised assets and liabilities that are hedged, in a fair value hedge, in respect of the risk that is being hedged.

The preparation of financial statements in conformity with IFRS requires the application of judgment and the use of estimates and assumptions by management that affects the process of applying the Bank's accounting policies and the reported amounts of income, expenses, assets and liabilities. Actual results in the future may differ from those reported. The areas involving a higher degree of judgement or complexity or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 3.

These consolidated financial statements were approved in the Board of Directors meeting held on 20 March 2014.

2.2. Basis of consolidation

These consolidated financial statements comprise the financial statements of BES and its subsidiaries ("the Group" or "BESI Group"), and the results attributable to the Group from its associates.

These accounting policies have been consistently applied by the Group companies, during all the periods covered by the consolidated financial statements.

Subsidiaries

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

Accumulated losses of a subsidiary are attributed proportionally to the owners of the parent and to the non-controlling interest even if this results in non-controlling interest having a deficit balance.

In a business combination achieved in stages (step acquisition) where control is obtained, the Group remeasures its previously held non-controlling interest in the acquiree at its acquisition date fair value and recognises the resulting gain or loss in the income statement when determining the respective goodwill. At the time of a partial sale, from which arises a loss of control of a subsidiary, any remaining non-controlling interest retained is remeasured to fair value at the date the control is lost and the resulting gain or loss is recognised against the income statement.

Associates

Associates are entities over which the Group has significant influence over the company's financial and operating policies but not its control. Generally when the Group owns more than 20% of the voting rights it is presumed that it has significant influence. However, even if the Group owns less than 20% of the voting rights, it can have significant influence through the participation in the policy-making processes of the associated entity or the representation in its executive board of directors.

Investments in associates are accounted for under the equity method from the date on which significant influence is transferred to the Group until the date that significant influence ceases. The book value of the investments in associates includes the value of the respective goodwill determined on acquisition and is presented net of impairment losses.

In a step acquisition that results in the Group obtaining significant influence over an entity, any previously held stake in that entity is remeasured to fair value through the income statement when the equity method is first applied.

If the Group's share of losses of an associate equals or exceeds its interest in the associate, including any long-term interest, the Group discontinues the application of the equity method, except when it has a legal or constructive obligation of covering those losses or has made payments on behalf of the associate.

Gains or losses on sales of shares in associate companies are recognised in the income statement even if that sale does not result in the loss of significant influence.

Investment funds managed by the Group

As part of the asset management activity, the Group manages investment funds on behalf of the holders of the participation units. The financial statements of these funds are not consolidated by the Group except in the cases where control is exercised over its activity based on the criteria established by SIC – 12. Control is presumed to exist when the Group owns more than 50% of the participation units of the fund.

Goodwill

Goodwill resulting from business combinations that occurred until 1 January 2004 was offset against reserves, according to the option granted by IFRS 1, adopted by the Group on the date of transition to the IFRS.

Goodwill resulting from business combinations that occurred from 1 January 2004 until 31 December 2009 was accounted under the purchase method. The acquisition cost was measured as the fair value, at the acquisition date, of the assets and equity instruments given and liabilities incurred or assumed plus any costs directly attributable to the acquisition.

Goodwill represents the difference between the cost of acquisition and the fair value of the Group's share of identifiable net assets, liabilities and contingent liabilities acquired.

For acquisitions on or after 1 January 2010, in accordance with IFRS 3 – Business Combinations, the Group measures goodwill as the fair value of the consideration transferred including the fair value of any previously held non-controlling interests in the acquire, less the net recognised amount (generally fair value) of the identifiable assets acquired and liabilities assumed, all measured as of the acquisition date. Transaction costs are expensed as incurred.

At the acquisition date, the non-controlling interests are measured at their proportionate interest in the fair value of the net identifiable assets acquired and of the liabilities assumed, without the correspondent portion of goodwill. As a result, the goodwill recognised in these consolidated financial statements corresponds only to the portion attributable to the equity holders of the Bank.

In accordance with IFRS 3 – Business Combinations, goodwill is recognised as an asset at its cost and is not amortised. Goodwill relating to the acquisition of associates is included in the book value of the investment in those associates determined using the equity method. Negative goodwill is recognised directly in the income statement in the period the business combination occurs.

The recoverable amount of the goodwill recognised as an asset is reviewed annually, regardless of whether there is any indication of impairment. Impairment losses are recognised directly in the income statement. The recoverable amount corresponds to the higher of its fair value less costs to sell and its value in use. In determining value in use, estimated futures cash flows are discounted using a rate that reflects market conditions, time value and business risks.

Transactions with non-controlling interest

Acquisitions of non-controlling interest, that did not result in a change in control, are accounted for as transactions with equity holders in their capacity as equity holders and therefore no goodwill is recognised as a result of such a transaction. Any difference between the consideration paid and the amount of non-controlling interest acquired is accounted for as a movement in equity. Similarly, sales of non-controlling interest and dilutions from which does not result a loss of control, are accounted for as transactions with equity holders in their capacity as equity holders and therefore no gain or loss is recognised in the income statement. Any difference between the sale proceeds and the recognised amount of non-controlling interest in the consolidated financial statements is accounted for as a movement in equity.

Gains or losses on a dilution or on sale of a portion of an interest in a subsidiary, from which results a loss of control, are accounted for by the Group in the income statement.

Foreign currency translation

The financial statements of each of the Group entities are prepared using their functional currency which is defined as the currency of the primary economic environment in which that entity operates.
The consolidated financial statements are prepared in euro, which is BESI's functional and presentation currency.

The financial statements of each of the Group entities that have a functional currency different from the euro are translated into euro as follows:

- Assets and liabilities are translated into the functional currency using the exchange rate prevailing at the balance sheet date;
- Income and expenses are translated into the functional currency at approximate rates of the rates ruling at the dates of the transactions;
- The exchange differences resulting from the translation of the equity at the beginning of the period using the exchange rates at the beginning of the period and at the balance sheet date are accounted for against reserves net of deferred taxes. Similarly, regarding the subsidiaries and associates results, the exchange differences arising from the translation of income and expenses at the rates ruling at the dates of the transactions and at the balance sheet date are accounted for against reserves. When the entity is sold such exchange differences are recognised in the income statement as a part of the gain or loss on sale.

Balances and transactions eliminated in consolidation

Inter-company balances and transactions, including any unrealised gains and losses on transactions between Group companies, are eliminated in preparing the consolidated financial statements, unless unrealised losses provide evidence of an impairment loss that should be recognised in the consolidated financial statements.

Unrealised gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment loss.

2.3. Foreign currency transactions

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated to euro at the foreign exchange rates ruling at the balance sheet date. Foreign exchange differences arising on translation are recognised in the income statement.

Non-monetary assets and liabilities in a foreign currency that are measured at historical cost are translated using the exchange rate at the date of the transaction. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated to euro at the foreign exchange rates ruling at the dates the fair value was determined. The resulting exchange differences are accounted for in the income statement, except if related to equity instruments classified as available-for-sale, which are accounted for in equity, within the fair value reserve.

2.4. Derivative financial instruments and hedge accounting

Classification

Derivatives for risk management purposes includes (i) hedging derivatives and (ii) derivatives used to manage the risk of certain financial assets and financial liabilities designated at fair value through profit or loss that were not classified as being hedging derivatives.

All other derivatives are classified as trading derivatives.

Recognition and measurement

Derivatives are initially recognised at fair value on the date on which a derivative contract is entered into (trade date). Subsequent to initial recognition, the fair value of derivative financial instruments is re-measured on a regular basis and the resulting gains or losses on re-measurement are recognised directly in the income statement, except for derivatives designated as hedging instruments. The recognition of the resulting gains or losses of the derivatives designated as hedging instruments depends on the nature of the risk being hedged and of the hedge model used.

Fair values are obtained from quoted market prices, in active markets, if available or are determined using valuation techniques, including discounted cash flow models and options pricing models, as appropriate.

Derivatives traded in organised markets, namely futures and some options, are recognised as trading derivatives, being marked to market on a daily basis and the resulting gains or losses are recognised directly in the income statement. Once the fair value changes on these derivatives are settled daily through the margin accounts held by the Group, these derivatives do not present any fair value on the balance sheet. The margin accounts are included under the caption Other assets (see Note 28) and comprise the minimum collateral mandatory for open positions.

Hedge accounting

- Classification criteria

Hedge accounting is used for derivative financial instruments designated as hedging instruments, provided the following criteria are met:

(i) At the inception of the hedge, the hedge relationship is identified and documented, including the identification of the hedged item and of the hedging instrument and the evaluation of the effectiveness of the hedge;
(ii) The hedge is expected to be highly effective, both at the inception of the hedge and on an ongoing basis;
(iii) The effectiveness of the hedge can be reliably measured, both at the inception of the hedge and on an ongoing basis;
(iv) For cash flows hedges, the cash flows are highly probable of occurring.

- Fair value hedge

In a fair value hedge, the book value of the hedged asset or liability, determined in accordance with the respective accounting policy, is adjusted to reflect the changes in its fair value that are attributable to the risks being hedged. Changes in the fair value of the derivatives that are designated as hedging instruments are recorded in the income statement, together with any changes in the fair value of the hedged asset or liability that are attributable to the risk being hedged.

If the hedge no longer meets the criteria for hedge accounting, the derivative financial instrument is transferred to the trading portfolio and the hedge accounting is discontinued prospectively. The cumulative adjustment to the carrying amount of a hedged item for which the effective interest rate method is used is amortised to the income statement over the period to maturity.

- Cash flow hedge

When a derivative financial instrument is designated as a hedge of the variability in highly probable future cash flows, the effective portion of changes in the fair value of the hedging derivatives is recognised in equity. Amounts accumulated in equity are recycled to the income statement in the periods in which the hedged item will affect the income statement. The gain or loss relating to the ineffective portion is recognised immediately in the income statement.

When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss recognised in equity at that time is recognised in the income statement when the hedged transaction also affects the income statement. When a hedged transaction is no longer expected to occur, the cumulative gain or loss reported in equity is recognised immediately in the income statement and the hedging instrument is reclassified for the trading portfolio.

During 2013 and 2012, the BESI Group did not owned any hedging instrument that could be classified as cash flow hedge.

Embedded derivatives

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

These embedded derivatives are measured at fair value with changes in fair value recognised in the income statement.

2.5. Loans and advances to customers

Loans and advances to customers include loans and advances originated by the Group, which are not intended to be sold in the short term. Loans and advances to customers are recognised when cash is advanced to borrowers.

Loans and advances to customers are derecognised from the balance sheet when (i) the contractual rights to receive their cash flows have expired, (ii) the Group has transferred substantially all risks and rewards of ownership or (iii) although retaining some but not substantially all of the risks and rewards of ownership, the Group has transferred the control over the assets.

Loans and advances to customers are initially recorded at fair value plus transaction costs and are subsequently measured at amortised cost, using the effective interest rate method, less impairment losses.

Impairment

The Group assesses, at each balance sheet date, whether there is objective evidence of impairment within its loan portfolio. Impairment losses identified are recognised in the income statement, and are subsequently reversed through the income statement if, in a subsequent period, the amount of the impairment losses decreases.

A loan or a loan portfolio, defined as a group of loans with similar credit risk characteristics, is impaired when: (i) there is objective evidence of impairment as a result of one or more events that occurred after its initial recognition and (ii) that event (or events) has an impact on the estimated future cash flows of the loan or of the loan portfolio, that can be reliably estimated.

The Group first assesses whether objective evidence of impairment exists individually for each loan. In this assessment the Group uses the information that feeds the credit risk models implemented and takes into consideration the following factors:

- the aggregate exposure to the customer and the existence of non-performing loans;
- the viability of the customer's business model and its capability to trade successfully and to generate sufficient cash flow to service their debt obligations;
- the extent of other creditors' commitments ranking ahead of the Group;
- the existence, nature and estimated realisable value of collaterals;
- the exposure of the customer within the financial sector;
- the amount and timing of expected recoveries.

When loans have been individually assessed and no evidence of loss has been identified, these loans are grouped together on the basis of similar credit risk characteristics for the purpose of evaluating the impairment on a portfolio basis (collective assessment). Loans that are assessed individually and found to be impaired are not included in a collective assessment for impairment.

If an impairment loss is identified on an individual basis, the amount of the impairment loss to be recognised is calculated as the difference between the book value of the loan and the present value of the expected future cash flows (considering the recovery period), discounted at the original effective interest rate. The carrying amount of impaired loans is reduced through the use of an allowance account. If a loan has a variable interest rate, the discount rate for measuring the impairment loss is the current effective interest rate determined under the contract rules.

The changes in the recognised impairment losses attributable to the unwinding of discount are recognised as interest and similar income.

The calculation of the present value of the estimated future cash flows of a collateralised loan reflects the cash flows that may result from foreclosure less costs for obtaining and selling the collateral.

For the purposes of a collective evaluation of impairment, loans are grouped on the basis of similar credit risk characteristics, taking in consideration the Group's credit risk management process. Future cash flows in a group of loans that are collectively evaluated for impairment are estimated on the basis of the contractual cash flows of the loans in the Group and historical loss experience. The methodology and assumptions used for estimating future cash flows are reviewed regularly by the Group with the purpose of reducing any differences between loss estimates and actual loss experience.

When a loan is considered by the Group as uncollectible and an impairment loss of 100% was recognised, it is written off against the related allowance for loan impairment.

2.6. Other financial assets

Classification

The Group classifies other financial assets at initial recognition in the following categories:

- Financial assets at fair value through profit or loss

This category includes: (i) financial assets held for trading, which are those acquired principally for the purpose of selling in the short term or that are owned as part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit taking and (ii) financial assets that are designated at fair value through profit or loss at inception.

The Group classifies, at inception, certain financial assets at fair value through profit or loss when:

- Such financial assets are managed, measured and their performance evaluated on a fair value basis;
- Such financial assets are being hedged (on an economical basis), in order to eliminate an accounting mismatch; or
- Such financial assets contain an embedded derivative.

Note 18 include a summary of the assets and liabilities that were classified at fair value trough profit or loss at inception.

The structured products acquired by the Group corresponding to financial instruments containing one or more embedded derivatives meet the above mentioned conditions, and, in accordance, are classified under the fair value through profit or loss category.

- Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Group's management has the positive intention and ability to hold until its maturity and that are not classified, at inception, as at fair value through profit or loss or as available-for-sale.

- Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets (i) intended to be held for an indefinite period of time, (ii) designated as available-for-sale at initial recognition or (iii) that are not classified in the other categories referred to above.

Initial recognition, initial measurement and derecognition

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

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

Financial assets are derecognised when (i) the contractual rights to receive their cash flows have expired, (ii) the Group has transferred substantially all risks and rewards of ownership or (iii) although retaining some but not substantially all of the risks and rewards of ownership, the Group has transferred the control over the assets.

Subsequent measurement

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

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

Held-to-maturity investments are carried at amortised cost using the effective interest rate method, net of any impairment losses recognised.

The fair values of quoted investments in active markets are based on current bid prices. For unlisted securities the Group establishes fair value by using (i) valuation techniques, including the use of recent arm’s length transactions, discounted cash flow analysis and option pricing models and (ii) valuation assumptions based on market information.

Reclassifications between categories

The Group only reclassifies non-derivative financial assets with fixed or determinable payments and fixed maturities, from the available-for-sale financial assets category to the held-to-maturity investments category, if it has the intention and ability to hold those financial assets until maturity.

Reclassifications between these categories are made at the fair value of the assets reclassified on the date of the reclassification. The difference between this fair value and the respective nominal value is recognised in the income statement until maturity, based on the effective interest rate method. The fair value reserve at the date of the reclassification is also recognised in the income statement, based on the effective interest rate method.

Impairment

The Group assesses periodically whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired if there is objective evidence of impairment as a result of one or more events that occurred after their initial recognition, such as: (i) for equity securities, a significant or prolonged decline in the fair value of the security below its cost, and (ii) for debt securities, when that event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets, that can be reliably estimated.

For held-to-maturity investments, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (considering the recovery period) discounted at the financial asset's original effective interest rate and are recognised in the income statement. The carrying amount of the impaired assets is reduced through the use of an allowance account. If a held-to-maturity investment has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. For held-to-maturity investments if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment loss was recognised, the previously recognised impairment loss is reversed through the income statement.

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

2.7. Sale and repurchase agreements

Securities sold subject to repurchase agreements (repos) at a fixed price or at the sales price plus a lender's return are not derecognised. The corresponding liability is included in amounts due to banks or to customers, as appropriate. The difference between sale and repurchase price is treated as interest and accrued over the life of the agreements using the effective interest rate method.

Securities purchased under agreements to resell (reverse repos) at a fixed price or at the purchase price plus a lender's return are not recognised, being the purchase price paid recorded as loans and advances to banks or customers, as appropriate. The difference between purchase and resale price is treated as interest and accrued over the life of the agreements using the effective interest rate method.

Securities lent under lending agreements are not derecognised being classified and measured in accordance with the accounting policy described in Note 2.6. Securities borrowed under borrowing agreements are not recognised in the balance sheet.

2.8. Financial liabilities

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

Non-derivatives financial liabilities include deposits from banks and due to customers, loans, debt securities, subordinated debt and short sales. Preference shares issued are considered to be financial liabilities when the Group assumes the obligation of reimbursement and/or to pay dividends.

The financial liabilities are recognised (i) initially at fair value less transaction costs and (ii) subsequently at amortised cost, using the effective interest rate method, except for short sales and financial liabilities designated at fair value through profit or loss, which are measured at fair value.

The Group designates, at inception, certain financial liabilities as at fair value through profit or loss when:

- Such financial liabilities are being hedged (on an economical basis), in order to eliminate an accounting mismatch; or
- Such financial liabilities contain embedded derivatives.

The structured products issued by the Group meet the above mentioned conditions and, in accordance, are classified under the fair value through profit or loss category.

The fair value of quoted financial liabilities is based on the current price. In the absence of a quoted price, the Group establishes the fair value by using valuation techniques based on market information, including the own credit risk of the issuer.

If the Group repurchases debt issued, it is derecognised from the balance sheet and the difference between the carrying amount of the liability and its acquisition cost is recognised in the income statement.

2.9. Financial guarantees

Financial guarantee contracts are contracts that require the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payments when due in accordance with the terms of a debt instrument, namely the payment of principal and/or interests.

Financial guarantees are initially recognised in the financial statements at fair value on the date that the guarantee is issued. Subsequently financial guarantees are measured at the higher of (i) the fair value recognised on initial recognition or (ii) any financial obligation arising as a result of the guarantees at the balance sheet date. Any increase in the liability relating to guarantees is taken to the income statement.

The financial guarantee contracts issued by the Group normally have a stated maturity date and a periodic fee, usually paid in advance on a quarterly basis. This fee varies depending on the counterparty risk, the amount and the time period of the contract. Therefore, the fair value of the financial guarantee contracts issued by the Group, at the inception date, equal the initial fee received, which is recognised in the income statement over the period to which it relates. The subsequent periodic fees are recognised in the income statement in period to which they relate.

2.10. Equity instruments

An instrument is classified as an equity instrument when it does not contain a contractual obligation to deliver cash or another financial asset, independently from its legal form, being a contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities.

Transaction costs directly attributable to the issue of equity instruments are recognised under equity as a deduction from the proceeds. Amounts paid or received related to acquisitions or sales of equity instruments are recognised in equity, net of transaction costs.

Distributions to holders of an equity instrument are debited directly to equity as dividends, when declared.

2.11. Offsetting financial instruments

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

2.12. Non-current assets held-for-sale

Non-current assets or disposal groups (groups of assets to be disposed of together and related liabilities that include at least a non-current asset) are classified as held for sale when their carrying amounts will be recovered principally through sale (including those acquired exclusively with a view to its subsequent disposal), the assets or disposal groups are available for immediate sale and is highly probable.

Immediately before classification as held for sale, the measurement of the non-current assets or all assets and liabilities in a disposal group, is brought up to date in accordance with the applicable IFRS. Subsequently, these assets or disposal group are measured at the lower of their carrying amount or fair value less costs to sell.

2.13. Property and equipment

Property and equipment are measured at cost less accumulated depreciation and impairment losses. The value includes expenditure that is directly attributable to the acquisition of the items.

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

Land is not depreciated. Depreciation of other assets is calculated using the straight-line method over their estimated useful lives, as follows:

	Number of years
Buildings	35 to 50
Improvements in leasehold property	10
Computer equipament	4 to 5
Fixtures	5 to 12
Furniture	4 to 10
Security equipment	4 to 10
Office equipment	4 to 10
Motor vehicles	4
Other Equipment	5

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

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

2.14. Intangible assets

The costs incurred with the acquisition, production and development of software are capitalised, as well as the costs incurred to acquire and bring to use the specific software. These costs are amortised on a straight line basis during their expected useful lives, which is usually between three to eight years.

Costs that are directly associated with the development of identifiable specific software applications and that will probably generate economic benefits beyond one year, are recognised as intangible assets. These costs include employee costs from the Group companies specialised in IT directly associated with the development of the referred software. All remaining costs associated with IT services are recognised as an expense as incurred.

2.15. Leases

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

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

Finance leases
- As lessee

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

- As lessor

Assets leased out are recorded in the balance sheet as loans granted, for the amount equal to the net investment made in the leased assets.

Interest included in instalments charged to customers is recorded as interest income, while repayments of principal also included in the instalments, is deducted from the amount of the loans granted. The recognition of the interest reflects a constant periodic rate of return on the lessor's net outstanding investment.

2.16. Employee benefits

Pensions
Arising from the signing of the “Acordo Colectivo de Trabalho” (ACT) and subsequent amendments resulting from the 3 tripartite agreements as described in Note 13, the Bank and other Group entities set up pension funds and other mechanisms to cover the liabilities with pensions on retirement and disability, widows’ pension and health-care benefits.

The pension liabilities and health care benefits are covered by funds that are managed by ESAF – Espírito Santo Fundos de Pensões, S.A..

The pension plans of the Group are classified as defined benefit plans, since the criteria to determine the pension benefit to be received by employees on retirement are predefined and usually depend on factors such as age, years of service and level of salary.

In the hands of IFRS 1, the Group decided to adopt IAS 19 retrospectively and has recalculated the pension and other post-retirement benefits obligations and the corresponding actuarial gains and losses, to be deferred in accordance with the corridor method allowed by this accounting standard. In 2012, the Group changed retrospectively the accounting policy related to actuarial gains and losses recognition, adjusting the opening balance sheet and comparative values, starting to recognise, as allowed under paragraph 93A of IAS 19 “Employee Benefits”, the actuarial deviations under other comprehensive income.

The pension liability is calculated annually by the Group, as at 31 December for each plan individually, using the projected unit credit method, and is reviewed annually by qualified independent actuaries. The discount rate used in this calculation was determined based on market rates of emissions associated with high-quality corporate bonds, denominated in the currency in which benefits will be paid and with maturity similar to the expiry date of the plan obligations.

The expected return on plan assets is based on the long term expected return for each asset class within the portfolio of the pension funds and takes in consideration the investment strategy determined for the funds.

Actuarial gains and losses determined semi-annually and resulting from (i) the differences between financial and actuarial assumptions used and real values obtained and (ii) the changes in actuarial assumptions, are recognised under share capital in the balance other comprehensive income.

Past service costs are recognised in the income statement, on a straight line basis, over the vesting period. To the extent that the benefits vest immediately on the date of the introduction of, or change to, the pension plan, past service costs (and negative past service costs) are recognised in the income statement immediately.

At each period, the Group recognises as a cost in the income statement a net total amount that comprises (i) the service cost, (ii) the interest cost, (iii) the expected return on plan assets, (iv) effect early retirement, and (v) effect of settlement or curtailment occurred during the period. Early retirement costs correspond to an increase on the liabilities due to the fact the employee retires before reaching 65 years of age.

The Group makes payments to the funds in order to maintain its solvency and to comply with the following minimum levels: (i) the liability with pensioners shall be totally funded at the end of each year, and (ii) the liability related to past services cost with employees in service shall be funded at a minimum level of 95%.

Annually, the Group assesses for each plan separately, the recoverability of any recognised asset in relation to the defined benefit pension plans, based on the expectation of reductions in future contributions to the funds.

Health care benefits

The Group provides to its banking employees health care benefits through a specific Social-Medical Assistance Service. This Social-Medical Assistance Service (SAMS) is an autonomous entity which is managed by the respective Union.

SAMS provides to its beneficiaries services and/or contributions on medical assistance expenses, diagnostics, medicines, hospital confinement and surgical operations, in accordance with its financing availability and internal regulations.

The annual contribution of the Group to SAMS amounts to 6.5% of the total annual remuneration of employees, including, among others, the holiday and Christmas subsidy.

The measurement and recognition of the Group's liability with post-retirement healthcare benefits is similar to the measurement and recognition of the pension liability described above. These benefits are covered by the Pension Fund which at present covers all responsibilities with pensions and health care benefits.

Long-term service benefits

In accordance with the ACT "Acordo Colectivo de Trabalho" for the banking sector, the Group has assumed the commitment to pay to current employees that achieve 15, 25 and 30 years of service within the Group, long-term service premiums corresponding, respectively, to 1, 2 and 3 months of their effective monthly remuneration earned at the date the premiums are paid.

At the date of early retirement or disability, employees have the right to a premium proportional to what they would earn if they remained in service until the next payment date.

These long-term service benefits are accounted for by the Group in accordance with IAS 19 as other long-term employee benefits.
The liability with long-term service benefits is calculated semi-annually, at the balance sheet date, by the Group using the projected unit credit method. The actuarial assumptions used are based on the expectations about future salary increases and mortality tables. The discount rate used in this calculation was determined based on the same methodology described for pensions.

In each period the increase in the liability for long-term service premiums, including actuarial gains and losses and past service costs is charged to the income statement.

Bonus to employees and to the Board of Directors
In accordance with IAS 19 Employee benefits, the bonus payment to employees and to the Board of Directors is recognised in the income statement in the period to which they relate.

2.17. Income tax

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

Current tax is the tax expected to be paid on the taxable profit for the period, calculated using tax rates enacted or substantively enacted at the balance sheet date at each jurisdiction.

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

Deferred tax liabilities are recognised for all taxable temporary differences except for goodwill, not deductible for tax purposes, differences arising on initial recognition of assets and liabilities that affect neither accounting nor taxable profit and differences relating to investments in subsidiaries to the extent that probably they will not reverse in the foreseeable future. Deferred tax assets are recognised to the extent it is probable that future taxable profits will be available against which deductible temporary differences can be deducted.

The Group offsets deferred taxes assets and liabilities for each subsidiary, whenever (i) the subsidiary has a legally enforceable right to set off current tax assets against current tax liabilities, and (ii) they relate to income taxes levied by the same taxation authority. This offset is therefore performed at each subsidiary level, being the deferred tax asset presented in the consolidated balance sheet the sum of the subsidiaries' amounts which present deferred tax assets and the deferred tax liability presented in the consolidated balance sheet the sum of the subsidiaries' amounts which present deferred tax liabilities.

2.18. Provisions

Provisions are recognised when: (i) the Group has present legal or constructive obligation, (ii) it is probable that settlement will be required in the future and (iii) a reliable estimate of the obligation can be made.

When the effect of the passage of time (discount) is material, the provision corresponds to the net present value of the expected future payments, discounted at an appropriate rate considering the risk associated to the obligation.

Restructuring provisions are recognised when the Group has approved a detailed and formal restructuring plan and such restructuring either has commenced or has been announced publicly.

A provision for onerous contracts is recognised when the expected benefits to be derived by the Group from a contract are lower than the unavoidable costs of meeting its obligation under the contract. The provision is measured at the present value of the lower of the expected cost of terminating the contract and the expected net costs of continuing with the contract.

2.19. Interest income and expense

Interest income and expense are recognised in the income statement under interest and similar income and interest expense and similar charges for all non-derivative financial instruments measured at amortised cost and for the available-for-sale financial assets, using the effective interest rate method. Interest income arising from non-derivative financial assets and liabilities at fair value through profit or loss is also included under interest and similar income or interest expense and similar charges, respectively.

The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability. The effective interest rate is calculated at inception and it is not subsequently revised, except in what concerns financial assets and liabilities with a variable interest rate. In this case the effective interest rate is periodically revised, having in consideration the impact of the change in the reference interest rate in the estimated future cash-flows.

When calculating the effective interest rate, the Group estimates cash flows considering all contractual terms of the financial instrument (for example, prepayment options) but does not consider future credit losses. The calculation includes all fees and commissions paid or received that are an integral part of the effective interest rate, transaction costs and all other premiums or discounts. In the case of financial assets or groups of similar financial assets for which an impairment loss was recognised, interest income is calculated using the interest rate used to measure the impairment loss.

For derivative financial instruments, except for derivatives for risk management purposes (see Note 2.4), the interest component of the changes in their fair value is not separated out and is classified under net gains/(losses) from financial assets and financial liabilities at fair value through profit or loss. The interest component of the changes in the fair value of derivatives for risk management purposes is recognised under interest and similar income or interest expense and similar charges.

2.20. Fee and commission income

Fees and commissions are recognised as follows:

- Fees and commissions that are earned on the execution of a significant act, as loan syndication fees, are recognised as income when the significant act has been completed;
- Fees and commissions earned over the period in which the services are provided are recognised as income in the period the services are provided;
- Fees and commissions that are an integral part of the effective interest rate of a financial instrument are recognised as income using the effective interest rate method.

2.21. Dividend income

Dividend income is recognised when the right to receive payment is established.

2.22. Segmental reporting

The Group adopts IFRS 8 – Segmental reporting, for the disclosure of the financial information by operating segments (see Note 4).

An operating segment is a Group component (i) that engages in business activities from which it may earn revenues and incur expenses; (ii) whose operating results are regularly reviewed by the entity's chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance; and (iii) for which discrete financial information is available.

2.23. Earnings per share

Basic earnings per share is calculated by dividing net income available to ordinary shareholders by the weighted average number of ordinary shares outstanding during the period, excluding the average number of ordinary shares purchased by the Group and held as treasury stock.

For the diluted earnings per share, the weighted average number of ordinary shares outstanding is adjusted to assume conversion of all dilutive potential ordinary shares, such as convertible debt and share options granted to employees. Potential or contingent share issuances are treated as dilutive when their conversion to shares would decrease net earnings per share.

2.24. Cash and cash equivalents

For the purposes of the cash flow statement, cash and cash equivalents comprise balances with less than three months' maturity from the inception date, including cash, deposits with banks and deposits at central banks. Cash and cash equivalents exclude restricted balances with central banks.

NOTE 3 - CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS IN APPLYING ACCOUNTING POLICIES

IFRS set forth a range of accounting treatments and require management to apply judgement and make estimates in deciding which treatment is most appropriate. The most significant of these accounting policies, are discussed in this section in order to improve understanding of how their application affects the Group's reported results and related disclosure. A broader description of the accounting policies applied by the Group is shown in Note 2 to the Consolidated Financial Statements.

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

3.1. Impairment of available-for-sale financial assets

The Group determines that available-for-sale financial assets are impaired when there has been a significant or prolonged decline in the fair value below its cost or when it has identified an event with impact on the estimated future cash flows of the assets. This determination requires judgement based on all available relevant information, including the normal volatility of the financial instruments prices. Considering the high volatility of the markets, the Group has considered the following parameters when assessing the existence of impairment losses:

(i) Equity securities: significant decline in market value in relation to the acquisition cost or market value below the acquisition cost for a prolonged period;

(ii) Debt securities: objective evidence of events that have an impact on the estimated future cash flows of these assets.

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

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

3.2. Fair value of derivatives and other assets and liabilities at fair value

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

Consequently, the use of a different model or different assumptions or judgements in applying a particular model may have produced different financial results from the ones reported.

3.3. Impairment losses on loans and advances

The Group reviews its loan portfolios to assess impairment on a regular basis, as described in Note 2.5.

The evaluation process in determining whether an impairment loss should be recorded in the income statement is subject to numerous estimates and judgements. The frequency of default, risk ratings, loss recovery rates and the estimation of both the amount and timing of future cash flows, among other factors, are considered in making this evaluation.

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

3.4. Goodwill impairment

Goodwill recoverable amount recognised as an asset of the Group is revised annually regardless the existence of impairment losses.

For this purpose, the carrying amount of the business units of the Group for which goodwill has been recognised is compared with the respective recoverable amount. A goodwill impairment loss is recognised when the carrying amount of the business unit exceeds the respective recoverable amount.

In the absence of an available market value, the recoverable amount is determined using cash flows/ dividends predictions, applying a discount rate that includes a risk premium appropriated to the business unit being tested.

Changes in the expected cash flows and in the discount rate may lead to different conclusions from those that led to the preparation of these financial statements.

3.5. Held-to-maturity investments

The Group follows the guidance of IAS 39 on classifying non-derivative financial assets with fixed or determinable payments and fixed maturity as held-to-maturity. This classification requires significant judgement.

In making this judgement, the Group evaluates its intention and ability to hold such investments to maturity. If the Group fails to keep these investments to maturity other than for the specific circumstances – for example, selling an insignificant amount close to maturity – it will be required to reclassify the entire class as available-for-sale. The investments would therefore be measured at fair value instead of amortised cost.

Held-to-maturity investments are subject to impairment tests made by the Group. The use of different assumptions and estimates could have an impact on the income statement of the Group.

3.6. Income taxes

The Group is subject to income taxes in numerous jurisdictions. Significant interpretations and estimates are required in determining the worldwide amount for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business.

Different interpretations and estimates would result in a different level of income taxes, current and deferred, recognised in the period.

The Tax Authorities are entitled to review the Bank and its subsidiaries located in Portugal's determination of annual taxable earnings, for a period of four years or six years in case there are tax losses carried forward. Hence, it is possible that some additional taxes may be assessed, mainly as a result of differences in interpretation of the tax law. However, the Board of Directors of the Bank, and those of its subsidiaries, are confident that there will be no material tax assessments within the context of the financial statements.

3.7. Pension and other employees' benefits

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

Changes in these assumptions could materially affect these values.

NOTE 4 - SEGMENT REPORTING

4.1. Operating Segments Description

Each of the operating segments includes the following activities, products, customers and Group structures:

Project Finance
The main functions of the Project Finance segment are (a) to take part in non-recourse and limited-recourse operations, related to investment projects that involve, among other contractual models, service concessions and public-private partnerships; and (b) to deliver to BESI Group clients high quality services and technical innovation in matters of advisory and arranging and lending, providing access to the best financing structures in the best market conditions. This segment also manages the Project Finance projects portfolio in which Group BESI takes part. This segment is also responsible for the development of the securitisation activity, having as major functions (a) the participation in the origination and structuring of securitization operations for BESI Group and clients; and (b) the development of optimal financing structures through off-balance, asset-based and limited recourse formats with recourse to the capital markets as the preferential way to obtain funds to finance the clients' projects in the best market conditions.

Acquisition Finance
This segment main function is to support the BESI Group clients in acquisition operations through structured funding operations, namely leverage buy-out and management buy-out operations and in non-recourse or releverage assets financing operations. In these operations the Bank's objective is to be the Mandated Lead Arranger and to have the underwriting agreement and, depending on the deal characteristics, the Bank carries out the operation syndication.

Corporate Finance

In connection with Customer's Management, this segment main function consists in the organization and implementation of mergers and acquisitions (M&A) operations and companies' valuations, in order to support Management activities in the consolidation of the Bank's international operations with emphasis in M&A cross-border with Spain, Brazil, United Kingdom, Poland, USA and India.

Capital Markets

This segment includes origination, structuring and implementation of debt instruments and equity instruments which were directed and structured to the market.

The equity capital markets segment develops the organization, structuring and placement in the stock market of companies that are under privatization processes, initial public offerings (IPO), capital increases, public acquisition offerings, private placements and block trades, as well as equity-linked instruments, such as exchangeable bonds and equity derivative instruments to corporate clients.

The debt capital markets is responsible for the structuring and setting up of several debt instruments, as market senior debt issues, high yield issues, private placements of debt from corporate clients or public entities, hybrid products, project finance bonds and commercial paper. This segment implements funding operations involving the structuring and placement of bond issues.

Fixed Income

This segment is divided in two different business areas:

- Distribution and Trading

This business area is responsible for (a) providing trading operations to clients of Portuguese public debt, foreign debt, other securities from Euromarket and corporate debt products; and (b) placing debt products structured by other segments of the Bank in national and foreign institutional investors.

- Risk management

This business area is responsible for the study, set-up and management of new structured products (derivatives) related with the operations mentioned above, as well as of hedging products structured to mitigate foreign exchange rate risk and interest rate risk related with Assets and Liabilities for the Bank and its clients.

Global Markets

The mission of this Department is to optimize the risk/ income relation of the Bank's own portfolio of interest rate, exchange rate, equity and other financial instruments.

Brokerage

This segment mission is the development of trading and sales activities in organized markets where the Bank is present, such as Portugal, Spain, Brazil, Poland and New York.

This segment integrates, although completely segregated, an equity research unit that is responsible for developing studies, following up and producing information about the main companies of the markets where the Bank is present, such as, Portugal, Spain, Brazil, Poland, United Kingdom, USA, India and China.

Treasury

This segment comprises the tasks of (a) Bank's Balance Sheet (interest rate risk's management and liquidity risk's management In compliance with the directives of Assets and Liabilities Committee – ALCO; (b) Management of Debt issuing and Bank's liabilities pricing; (c) Management of Portfolio Investment Bank's Fixed Income (following the criteria of diversification, quality and return, aiming to rebalance the balance sheet risks and provide a stable revenue) and (d) internal Transfer Pricing (in order to grant the proper allocation of costs of the funds to the various business centers originators.

Private Equity
The main goal of this segment is to support the initiative by private companies, promoting the productive investment mainly financed by equity.

Capital Structured Advisory
This segment is specialized in general capital advisory by helping companies assess their capital structures and consult in debts restructuring.

Corporative Center
This area does not correspond to an operating segment. It refers to an aggregation of corporative structures acting throughout the entire Group, such as, areas related to the Board of Directors, Compliance, Corporate Development, Financial and Accounting, Risk management, Clients, among others.

Others
Includes all the other segments that exist in the Group's Management Information Model that, in accordance with IFRS 8, are not required to be presented as an individual segment (Mid Cap Financial Advisory, Asset Management, Private Solutions, Wealth Management, Global Loan Syndication and other profit centres).

4.2. Allocation criteria of the activity and results to the operating segments

The financial information presented for each segment was prepared in accordance with the criteria followed for the preparation of internal information analysed by the decision makers of the Group, as required by IFRS.

The accounting policies applied in the preparation of the financial information related with the operating segments are consistent with the ones used in the preparation of these consolidated financial statements, which are described in Note 2, being also adopted the following principles.

Measurement of profit or loss from operating segments
The Group uses net income before taxes as the measure of profit or loss for evaluating the performance of each operating segment.

BESI structures dedicated to segments
The activity of BESI comprises most of its operating segments and therefore its activity is disaggregated accordingly.

For the purpose of allocating the financial information, the following principles are used: (i) the origin of the operation, i.e., the operation is allocated to the same segment as the commercial structure that originated it, even though, in a subsequent phase, the Group makes a strategic decision in order to securitize some of these assets; (ii) the allocation of direct costs from commercial and central structures dedicated to the segment; (iii) the allocation of indirect cost (central support and IT services) determined in accordance with specific drivers and with the internal management information model; (iv) the allocation of credit risk determined in accordance with the impairment model.

The transactions between the independent and autonomous units of the Group are made at market prices; the price of the services between the structures of each unit, namely the price established for funding between units, is determined by the margins process referred above (which vary in accordance with the strategic relevance of the product and the balance between funding and lending); the remaining internal transactions are allocated to the segments in accordance with the internal management information model.

The services rendered by the several Corporative Centre units are established in Service Level Agreements (SLA's).

Interest and similar income / expenses

Since the Group's activities are exclusively related to the financial sector, the major income results from the difference between interest received on assets and interest paid from liabilities. This situation and the fact that the segments evaluation is based on negotiated margins or determined previously to each product, leads to the results on the intermediation activity being presented, as permitted by IFRS 8 paragraph 23, as the net value of interest, under the designation of Financial Income.

Consolidated Investments under the Equity Method

Investments in associated companies consolidated under the equity method are included in the segment Other, in case of BESI associates. For other companies of the Group, the same entities are included in the segment they relate to.

Non-current assets

The segment Corporative Centre includes the non-current assets, according to IFRS 8, which includes Other Tangible Assets, Intangible Assets and Investments, properties and other assets arising from recovered loans not in the scope of non-current assets held for sale.

Deferred Tax Assets

Income tax is a part of the Group net income but does not affect the evaluation of most of the Operating Segments. Deferred tax assets are included in the Corporative Centre segment.

Post employment benefits

Assets under post employment benefits are managed in a similar way to deferred income taxes assets, and are included in the Corporative Centre segment. The factors that influence the amount of responsibilities and the amount of the fund's assets correspond, mainly, to external elements; it is Group's policy not to include these factors on the performance evaluation of the operating segments, which activities relate to customers.

Domestic and International Areas

In the disclosure of financial information by geographical areas, the operating units that integrate the International Area are the branches from London, Spain, Poland and New York and the subsidiaries that are consolidated (see Note 1).

The financial elements related to the international area are presented in the financial statements of those units with the respective consolidation and elimination adjustments.

(in thousands of euro)

	31.12.2013												
	Project Finance	Acquisition Finance	Corporate Finance	Capital Market	Fixed Income	Global Markets	Brokerage	Treasury	Private Equity	Capital Structured Advisory	Corporative Centre	Others	Total
Net interest income	14 856	15 547	-	229	5 462	(26 127)	42	52 794	450	(3 567)	-	22 200	81 886
Fees and commissions	15 061	4 704	19 203	18 634	2 776	898	38 237	(2 932)	3 153	328	-	7 142	107 204
COMMERCIAL BANKING INCOME	**29 917**	**20 251**	**19 203**	**18 863**	**8 238**	**(25 229)**	**38 279**	**49 862**	**3 603**	**(3 239)**	**-**	**29 342**	**189 090**
Capital markets and other results	(425)	(12)	(1 429)	(6)	19 352	46 727	(467)	13 131	1 057	(4 691)	-	(15 809)	57 428
Other intersegment operating income	693	-	1 347	(2 504)	1 072	(989)	(2 391)	1 497	-	-	-	1 275	-
BANKING INCOME	**30 185**	**20 239**	**19 121**	**16 353**	**28 662**	**20 509**	**35 421**	**64 490**	**4 660**	**(7 930)**	**-**	**14 808**	**246 518**
Operating expenses	**5 674**	**1 859**	**10 208**	**6 924**	**6 320**	**6 930**	**39 456**	**1 373**	**2 193**	**1 786**	**81 437**	**7 435**	**171 595**
Staff costs	3 025	1 331	6 959	4 670	3 784	3 282	21 623	773	1 359	1 209	51 684	4 800	104 499
Other administrative costs	2 280	470	2 934	2 030	2 362	3 371	16 747	561	827	551	25 957	2 280	60 370
Depreciations and amortisations	369	58	315	224	174	277	1 086	39	7	26	3 796	355	6 726
OPERATING INCOME	**24 511**	**18 380**	**8 913**	**9 429**	**22 342**	**13 579**	**(4 035)**	**63 117**	**2 467**	**(9 716)**	**(81 437)**	**7 373**	**74 923**
Provisions/Impairment	**(3 893)**	**(1 542)**	**381**	**(7)**	**(343)**	**(1 366)**	**39**	**59**	**(1)**	**(13 604)**	**(35 953)**	**(3 267)**	**(59 497)**
Credit impairment	(3 103)	(960)	(9)	1	-	2	3	(126)	-	(13 080)	(20 603)	-	(37 875)
Securities impairment	-	-	-	-	-	(375)	-	-	(1)	(69)	453	(1 809)	(1 801)
Net provisions and other impairment	(790)	(582)	390	(8)	(343)	(993)	36	185	-	(455)	(15 803)	(1 458)	(19 821)
Profit before income tax	**20 618**	**16 838**	**9 294**	**9 422**	**21 999**	**12 213**	**(3 996)**	**63 176**	**2 466**	**(23 320)**	**(117 390)**	**4 106**	**15 426**
Total Net Assets	1 012 834	614 335	-	34 113	392 446	2 091 951	87 677	1 006 767	-	322 910	398 766	-	5 961 799
Total Liabilities	-	22 982	-	-	171 937	-	-	4 754 422	-	-	392 963	-	5 342 304
Investments in Associates	-	-	-	-	-	-	-	-	-	-	-	52 124	52 124
Investments in Assets													
Tangilble assets	-	-	-	-	-	-	-	-	-	-	6 452	-	6 452
Intangible assets	-	-	-	-	-	-	-	-	-	-	3 225	-	3 225

(in thousands of euro)

	31.12.2012												
	Project Finance	Acquisition Finance	Corporate Finance	Capital Market	Fixed Income	Global Markets	Brokerage	Treasury	Private Equity	Capital Structured Advisory	Corporative Centre	Others	Total
Net interest income	15 300	12 941	(1)	(320)	3 680	(44 801)	557	83 856	690	1 406	-	21 231	94 539
Fees and commissions	16 151	7 811	22 452	13 655	232	(718)	34 451	(3 511)	3 117	1 315	-	9 579	104 534
COMMERCIAL BANKING INCOME	**31 451**	**20 752**	**22 451**	**13 335**	**3 912**	**(45 519)**	**35 008**	**80 345**	**3 807**	**2 721**	**-**	**30 810**	**199 073**
Capital markets and other results	(4 322)	(159)	(1 319)	(189)	22 842	61 208	(2 043)	4 899	176	(2 928)	-	(15 972)	62 193
Other intersegment operating income	3 718	448	(583)	507	(3 534)	(316)	(1 819)	3 714	-	(2 622)	-	487	-
BANKING INCOME	**30 847**	**21 041**	**20 549**	**13 653**	**23 220**	**15 373**	**31 146**	**88 958**	**3 983**	**(2 829)**	**-**	**15 325**	**261 266**
Operating expenses	**6 515**	**1 731**	**11 689**	**5 877**	**6 127**	**7 800**	**44 370**	**1 106**	**2 609**	**1 241**	**77 539**	**9 449**	**176 053**
Staff costs	3 780	1 175	8 004	3 879	3 531	3 804	25 512	649	1 591	895	52 194	6 385	111 399
Other administrative costs	2 215	521	3 384	1 816	2 446	3 809	17 500	431	1 009	329	22 711	2 705	58 876
Depreciations and amortisations	520	35	301	182	150	187	1 358	26	9	17	2 634	359	5 778
OPERATING INCOME	**24 332**	**19 310**	**8 860**	**7 776**	**17 093**	**7 573**	**(13 224)**	**87 852**	**1 374**	**(4 070)**	**(77 539)**	**5 876**	**85 213**
Provisions/Impairment	**(436)**	**(23)**	**(891)**	**(1)**	**(245)**	**(60)**	**(58)**	**492**	**(1 639)**	**(31 757)**	**(7 933)**	**(3 649)**	**(46 200)**
Credit impairment	(588)	291	(2)	(1)	-	-	(6)	(1)	-	(31 773)	(774)	(1)	(32 855)
Securities impairment	-	-	-	-	-	-	-	357	(1 718)	-	(681)	(2 572)	(4 614)
Net provisions and other impairment	152	(314)	(889)	-	(245)	(60)	(52)	136	79	16	(6 478)	(1 076)	(8 731)
Profit before income tax	**23 896**	**19 287**	**7 969**	**7 775**	**16 848**	**7 513**	**(13 282)**	**88 344**	**(265)**	**(35 827)**	**(85 472)**	**2 227**	**39 013**
Total Net Assets	1 284 725	567 522	-	37 526	216 963	2 921 917	51 893	651 722	-	364 928	384 272	395	6 481 863
Total Liabilities	-	29 665	-	-	117 810	-	-	5 278 633	-	-	349 355	395	5 775 858
Investments in Associates	-	-	-	-	-	-	-	-	-	-	-	51 073	51 073
Investments in Assets													
Tangilble assets	-	-	-	-	-	-	-	-	-	-	1 875	-	1 875
Intangible assets	-	-	-	-	-	-	-	-	-	-	6 116	-	6 116

The secondary segment information is prepared in accordance with the geographical distribution of the Group's business units, as follows:

(in thousands of euro)

	31.12.2013				
	Portugal	Rest of Europe	America	Asia	Total
Profit for the year	86 871	(76 460)	(1 012)	(2 337)	7 062
Net assets	1 813 263	1 680 624	2 465 692	2 220	5 961 799
Investments in Associates	9 422	41 946	756	-	52 124
Investments in Assets					
Tangible assets	1 360	889	4 084	119	6 452
Intangible assets	1 964	423	829	9	3 225

(in thousands of euro)

	31.12.2012				
	Portugal	Rest of Europe	America	Asia	Total
Profit for the year	84 161	(61 637)	1 407	(1 903)	22 028
Net assets	2 213 976	1 731 839	2 532 476	3 572	6 481 863
Investments in Associates	7 599	42 478	996	-	51 073
Investments in Assets					
Tangible assets	374	450	340	711	1 875
Intangible assets	3 883	942	1 049	242	6 116

NOTE 5 - NET INTEREST INCOME

This balance is analysed as follows:

(in thousands of euro)

	31.12.2013			31.12.2012		
	Assets/ Liabilities at Amortised Cost and Available-for-Sale Financial Assets	Assets/ Liabilities at Fair Value Through Profit or Loss	Total	Assets/ Liabilities at Amortised Cost and Available-for-Sale Financial Assets	Assets/ Liabilities at Fair Value Through Profit or Loss	Total
Interest and similar income						
Interest from loans and advances	101 920	-	101 920	122 666	-	122 666
Interest from deposits with banks	12 039	-	12 039	5 294	-	5 294
Interest from derivatives for risk management purposes	-	28 353	28 353	-	28 074	28 074
Interest from available-for-sale financial assets	52 600	-	52 600	31 857	-	31 857
Interest from financial assets at fair value through profit or loss	-	132 435	132 435	-	130 304	130 304
Interest from held-to-maturity financial assets	14 502	-	14 502	22 918	-	22 918
Other interest and similar income	766	-	766	1 069	-	1 069
	181 827	**160 788**	**342 615**	**183 804**	**158 378**	**342 182**
Interest expense and similar charges						
Interest from deposits from central banks and other banks	90 544	-	90 544	92 852	-	92 852
Interest from derivatives for risk management purposes	-	15 577	15 577	-	24 240	24 240
Interest from debt securities	53 268	37 555	90 823	45 772	24 589	70 361
Interest from amounts due to customers	58 621	-	58 621	53 767	-	53 767
Interest from subordinated debt	3 882	-	3 882	4 328	-	4 328
Other interest and similar charges	901	-	901	2 095	-	2 095
	207 216	**53 132**	**260 348**	**198 814**	**48 829**	**247 643**
	(25 389)	**107 656**	**82 267**	**(15 010)**	**109 549**	**94 539**

Interest from loans and advances includes an amount of euro 28 996 thousand (31 December 2012: euro 14 305 thousand) related to interest from impaired loans contracts.

Interest from derivatives for risk management purposes includes, in accordance with the accounting policy described in Notes 2.4. and 2.19. interests from hedging derivatives and interests from derivatives used to manage the risk of certain financial assets and financial liabilities designated at fair value through profit or loss in accordance with the accounting policy described in Notes 2.6 and 2.8.

NOTE 6 - NET FEE AND COMMISSION INCOME

This balance is analysed as follows:

(in thousands of euro)

	31.12.2013	31.12.2012
Fee and commission income		
From banking services	47 552	55 824
From commitments assumed to third parties	8 385	6 517
From transactions with securities	70 343	64 320
	126 280	**126 661**
Fee and commission expenses		
From banking services rendered by third parties	5 240	4 777
From transactions with securities	18 587	20 700
From guarantees received	179	74
	24 006	**25 551**
	102 274	**101 110**

NOTE 7 – NET GAINS/ (LOSSES) FROM FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

This balance is analysed as follows:

(in thousands of euro)

	31.12.2013			31.12.2012		
	Gains	Losses	Total	Gains	Losses	Total
Securities held for trading						
Bonds and other fixed income securities						
Issued by government and public enti	80 870	159 317	(78 447)	804 404	716 436	87 968
Issued by other entities	19 131	11 753	7 378	10 244	1 875	8 369
Shares	35 119	30 218	4 901	37 184	28 704	8 480
	135 120	**201 288**	**(66 168)**	**851 832**	**747 015**	**104 817**
Trading derivative financial instruments						
Exchange rate contracts	2 551 235	2 526 147	25 088	762 797	752 250	10 547
Interest rate contracts	2 390 337	2 312 753	77 584	1 268 037	1 297 403	(29 366)
Equity/Index contracts	507 653	494 716	12 937	326 063	307 392	18 671
Credit default contracts	21 508	12 095	9 413	110 289	65 176	45 113
Other	-	-	-	-	24	(24)
	5 470 733	**5 345 711**	**125 022**	**2 467 186**	**2 422 245**	**44 941**
	5 605 853	**5 546 999**	**58 854**	**3 319 018**	**3 169 260**	**149 758**
Financial liabilities at fair value through profit or loss (1)						
Deposits from Banks	-	-	-	1 014	-	1 014
Debt Securities issued	6 651	30 710	(24 059)	2 433	98 828	(96 395)
Subordinated Debt	122	162	(40)	2 715	1 759	956
	6 773	**30 872**	**(24 099)**	**6 162**	**100 587**	**(94 425)**
	5 612 626	**5 577 871**	**34 755**	**3 325 180**	**3 269 847**	**55 333**

(1) Includes the fair value change of hedged liabilities or at fair value option.

NOTE 8 - NET GAINS / (LOSSES) FROM AVAILABLE-FOR-SALE FINANCIAL ASSETS

This balance is analysed as follows:

(in thousands of euro)

	31.12.2013			31.12.2012		
	Gains	Losses	Total	Gains	Losses	Total
Bonds and other fixed income securities						
Issued by government and public entities	55 342	3 164	52 178	57 742	885	56 857
Issued by other entities	580	178	402	274	50	224
Shares	180	-	180	-	1	(1)
	56 102	**3 342**	**52 760**	**58 016**	**936**	**57 080**

NOTE 9 - NET GAINS / (LOSSES) FROM FOREIGN EXCHANGE DIFFERENCES

This balance is analysed as follows:

(in thousands of euro)

	31.12.2013			31.12.2012		
	Gains	Losses	Total	Gains	Losses	Total
Foreign exchange translation	79 548	(94 831)	(15 283)	58 476	(95 624)	(37 148)
	79 548	**(94 831)**	**(15 283)**	**58 476**	**(95 624)**	**(37 148)**

This balance includes the exchange differences arising on translating monetary assets and liabilities at the exchange rates ruling at the balance sheet date in accordance with the accounting policy described in Note 2.3.

NOTE 10 – NET GAINS / (LOSSES) FROM THE SALE OF OTHER ASSETS

As at 31 December 2012 this balance includes an amount of euro 6 537 thousand related to losses recognised due to the sale of loans and advances to customers. As at 31 December 2013, no gains or losses were recognised due to the sale of loans and advances to customers.

NOTE 11 – OTHER OPERATING INCOME AND EXPENSES

This balance is analysed as follows:

(in thousands of euro)

	31.12.2013	31.12.2012
Other customer's services	5 354	3 424
Direct and indirect taxes	(6 343)	(7 138)
Other operating income / expenses	(9 647)	(3 355)
	(10 636)	**(7 069)**

The direct and indirect taxes balance includes an amount of euro 1 092 thousand related with the Banking levy (31 December 2012: euro 1 187 thousand), created through the Law Nº55-A/2010, of 31 December (see Note 35).

As at 31 December 2013, the balance Other operating income/ expenses includes an amount of euro 3 116 thousand related with the contribution to the deposits guarantee fund (31 December 2012: euro 2 371 thousand) and an amount of euro 498 thousand related with the contribution for the Resolution Fund.

NOTE 12 - STAFF COSTS

This balance is analysed as follows:

(in thousands of euro)

	31.12.2013	31.12.2012
Wages and salaries		
Remuneration	80 235	85 873
Long-term service benefits (see Note 13)	485	200
Pension costs	2 322	1 767
Other mandatory social charges	14 462	12 932
Other costs	7 376	10 627
	104 880	**111 399**

The costs with salaries and other benefits attributed to BESI Group key management personnel are presented as follows:

(in thousands of euro)

	Board of Directors	Other Key Management	Total
2013			
Salaries and other short-term benefits	4 958	7 308	12 266
Long service benefits	138	43	181
Bonus	924	2 703	3 627
Total	**6 020**	**10 054**	**16 074**
2012			
Salaries and other short-term benefits	4 314	6 668	10 982
Long service benefits	45	28	73
Bonus	568	4 417	4 985
Total	**4 927**	**11 113**	**16 040**

Other key management includes Executive Directors and Managing Directors.

As at 31 December 2013 and 2012, the loans granted to the Board of Directors of BESI amounted to euro 306 thousand and euro 286 thousand, respectively.

The number of employees of BESI, per professional category, is analysed as follows:

	31.12.2013	31.12.2012
Senior management	394	404
Management	4	4
Specific functions	358	367
Administrative functions	63	67
Auxiliary functions	11	11
	830	**853**

NOTE 13 – EMPLOYEE BENEFITS

Pension and health care benefits

In compliance with the collective labor agreement (ACT) for the banking sector established with the unions, the Bank undertook the commitment to grant its employees, or their families, pension on retirement and disability, and widows' pension. Pension payments consist of a rising percentage based on years of service, applicable to each year's negotiated salary table for the active work force. Only employees hired before 31 March 2008 are covered by this benefit. Employees hired after that date are covered by the Portuguese Social Security Scheme.

Additionally, with the publication of Decree-Law n.1-A / 2011 of January 3, all banking sector employees beneficiaries of "CAFEB – Caixa de Abono de Família dos Empregados Bancários" were integrated into the General Social Security Scheme from 1 January 2011, which assumed the protection of banking sector employees in the contingencies of maternity, paternity and adoption and even old age, remaining under the responsibility of the banks the protection in sickness, disability, survivor and death.

Retirement pensions of banking employees integrated into the second tripartite General Social Security agreement continue to be calculated according to the provisions of ACT and other conventions. Banking employees are entitled to receive a pension under the general regime, which amount takes into account the number of years of discounts for that scheme. Banks are responsible for the difference between the pension determined in accordance with the provisions of ACT and that the one that the banking employees are entitled to receive from the General Social Security Regime.

The contribution rate to the Social Security Regime is 26.6%, 23.6% paid by the employer and 3% paid by the employees, instead of Caixa de Abono de Família dos Empregados Bancários (CAFEB), abolished by the same law. In consequence of this change, the pension rights of active employers is to be covered under the terms defined by the General Social Security Regime, taking into account the length of service from 1 January 2011 until retirement. The differential required to support the guaranteed pension in terms of the ACT is paid by the Banks.

Notwithstanding, the integration leads to an effective decrease in the present value of total benefits reported to the normal retirement age (VABT) to be borne by the pension fund. Since there was no reduction in benefits from the perspective of the beneficiary on the date of integration into the second tripartite agreement, the past service liability remained unchanged at 31 December 2010.

Taking into account that the basis for calculating benefits under the ACT and RGSS plans are based on different formulas, there is the possibility of obtaining a gain, when the value of the liabilities to be covered by the pension fund at retirement is lower than responsibilities on 31 December 2010, being this gain deferred on a linear basis over the average working life until the employees reach the normal retirement age. Therefore, as at 31 December 2010, the Bank has not booked in its financial statements any impact from the employer's integration on the General Social Security Regime.

At the end of 2011 following the third tripartite agreement, it was decided to transfer to the Social Security Regime the banks liabilities with pension in payment as at 31 December 2011.

The tripartite agreement established, provides for the transfer to the Social Security sphere of the liabilities with pensions in payment as of 31 December 2012 at constant values (0% discount rate). The responsibilities relating to updates of pensions value, other pension benefits in addition to those to be borne by the Social Security, health-care benefits, death allowance and deferred survivor pensions, will remain in the sphere of responsibility of the banks with the correspondent funding being provided through the respective pension funds.

The banks pension funds assets, specifically allocated to the cover of the transferred liabilities, were also be transferred to the Social Security.

Being thus a definitive and irreversible transfer of the liabilities with pensions in payment (even if only on a portion of the benefit), the conditions set out in IAS 19 'Employee benefits' underlying the concept of settlement are met, as the obligation with pension in payment as at December 31, 2011 extinguished at the date of transfer.

In 1998, Banco Espírito Santo and the Group's subsidiaries in Portugal, where BESI is included, decided to set up an autonomous open-up pension fund – the Fundo de Pensões Aberto GES – to fund complementary pension benefits of pensioners and employees in service. The pension funds in Portugal are managed by ESAF – Espírito Santo Fundo de Pensões, S.A..

As at 31 December 2013 and 2012, the main assumptions considered in the actuarial valuation are as follows:

	Assumptions			
	31.12.2013		31.12.2012	
	1º up to 3º year	4º year and following	1º up to 4º year	5º year and following
Financial assumptions				
Expected return of plan assets	4.00%		4.50%	
Discount rate	4.00%		4.50%	
Pensions increase rate	0.00%	0.75%	0.00%	0.75%
Salaries increase rate	1.00%	1.75%	1.00%	1.75%
Demographic assumptions and valuation methods				
Mortality table				
Men	TV 73/77 - 1 year			
Women	TV 88/90			
Actuarial method	Project Unit Credit Method			

Disability decreases are not considered on the liabilities calculation. The determination of the discount rate as at 31 December 2013 was based on: (i) the evolution of the main indexes related with high quality corporate bonds and (ii) the duration of liabilities.

The number of employees covered by the plan is as follows:

	31.12.2013	31.12.2012
Employees	177	227
Pensioners	22	20
Widows and other direct relatives	7	7
TOTAL	**206**	**254**

The application of IAS 19 on responsibilities and coverage levels reportable to 31 December 2013 and 2012 is presented as follows:

(in thousands of euro)

	31.12.2013	31.12.2012
Assets / (liabilities) recognised in the balance sheet		
Liabilities as at 31 December		
Pensioners	3 461	3 130
Employees	53 718	39 342
	57 179	**42 472**
Fair value of plan assets as at 31 December	54 455	50 870
Excess / deficit of coverage	(2 724)	8 398
Deferred past service costs	10,543	10 873
Asset/(liabilities) recognised in the balance sheet as at 31 December (see note 28)	**7 819**	**19 271**
Accumulated net actuarial losses recognised in other compreensive income	13 141	3 630

In accordance with the accounting policy described in Note 2.16, BESI liability with pensions is calculated annually.

In accordance with the accounting policy described in Note 2.16 and following the requirements of IAS 19 – Employees benefits, the Bank assesses at each balance sheet date and for each plan separately, the recoverability of the recognised assets in relation to the defined benefit pension plans based on the expectation of reductions in future contributions to the funds.

The changes in the defined benefit obligation can be analysed as follows:

(in thousands of euro)

	31.12.2013	31.12.2012
Defined benefit obligation as at 1 January	**42 472**	**34 381**
Service cost	1 300	1 019
Interest cost	1 906	1 535
Plan participants' contribution	142	148
Defined benefit obligation related to benefits granted during the year	691	-
Actuarial (gains) / losses:	10 952	5 639
- changes in actuarial assumptions	8 021	6 111
- experience adjustments	2 931	(472)
Pensions paid by the fund	(284)	(250)
Defined benefit obligation as at 31 December	**57 179**	**42 472**

Under the agreement mentioned above, the value of assets to be transferred to the Social Security in return for the transfer of the liabilities with pension payment was determined on a settlement perspective, as it is a definitive and irreversible transfer of these responsibilities and corresponded to the value thereof, and it was estimated based on a discount rate of 4% (instead of the 5.5% rate used for the purpose of preparing the financial statements). Thus, the amount payable by the Bank to the State amounted to euro 4 million, which led to the recognition in 2011 in the income statement a cost in the amount of euro 438 thousand, corresponding to the differential of the discount rates mentioned above.

Of the total payable amount (euro 4 million), about euro 3.8 million were borne by the Pension Fund and euro 438 thousand directly by the Group. At the end of December 2011, 55% of the amount outstanding was paid, and the remaining should be paid in the first half of 2012.

Based on the position as at 31 December 2013, for certain changes in actuarial assumptions, the following impacts would occur:

- An increase in the discount rate by 25 basis points would reduce the benefit obligation by approximately euro 3 102 thousand; a decrease of equal magnitude would increase the benefit obligation by approximately euro 3 329 million;
- An increase of 25 basis points in the growth of salaries and pensions would increase the benefit obligation by approximately euro 3 340 thousand; a decrease of equal magnitude would reduce the benefit obligation by approximately euro 3 237 thousand;
- The use of mortality tables with increase of another year would increase the benefit obligation by approximately euro 1 768 thousand; with a reduction of one year the benefit obligation would decrease by approximately euro 1 791 thousand.

The change in fair value of the plan assets for the years ended 31 December 2013 and 2012 is analysed as follows:

(in thousands of euro)

	31.12.2013	31.12.2012
Fair value of plan assets as at 1 January	**50 870**	**46 686**
Actual return on plan assets	3 727	4 364
Plan participants' contributions	142	148
Pensions paid by the fund	(284)	(250)
Other	-	(78)
Fair value of plan assets as at 31 December	**54 455**	**50 870**

The assets of the fund by type of asset as at 31 December 2013 and 2012 can be analysed as follows:

	% Portfolio	
	2013	2012
Bonds	51,20%	38,88%
Shares	35,08%	48,39%
Other	9,59%	9,75%
Real Estate	1,90%	1,93%
Liquidity	2,23%	1,05%
Total	100,00%	100,00%

As at 31 December 2013 and 2012, the fund did not have any securities issued by Group entities.

The changes in the accumulated net actuarial losses are analysed as follows:

(in thousands of euro)

	31.12.2013	31.12.2012
Accumulated net actuarial losses as at 1 January	**3 630**	**160**
- Changes in actuarial assumptions	8 021	6 111
- Experience adjustments	1 490	(2 747)
Other	-	106
Accumulated net actuarial losses as at 31 December	**13 141**	**3 630**

During 2013, the legal retirement age in Portugal, for active employees under the Social Security Regime, went from 65 years to 66 years of age. However, the Group plan remained unchanged with retirement age at 65 years old. Therefore, the change in the legal retirement age has an impact in the amount of the Group defined benefit obligation due to the reduction of the participation of the Social Security Regime.

The impact implied by the change in the legal retirement age in 2013 from 65 years to 66 years of age, with consequences at the level of the co-funding of Social Security, regarding the responsibilities related with active employees covered by the plan and transferred to the Social Security Regime under the tripartite agreement, resulted in an actuarial loss of approximately euro 2 123 thousand.

The net periodic benefit cost can be analysed as follows:

(in thousands of euro)

	31.12.2013	31.12.2012
Service cost	1 300	1 019
Interest cost	(380)	(554)
Past services liabilities depreciation	1 021	1 302
Net benefit cost	**1 941**	**1 767**

From 1st of January 2013 and following the revision of IAS 19 – Employees Benefits, the income/expenses from interest became to be recognised by their net value under the interest (income/expense) and similar caption.

In the years ended in 31 December 2013 and 2012, the changes in the net assets/ (liabilities) recognised in the balance sheet is analysed as follows:

(in thousands of euro)

	31.12.2013	31.12.2012
As at 1 January	**19 271**	**24 480**
Net periodic benefit cost	(1 941)	(1 767)
Actuarial Gains/Losses recognised on other comprehensive income	(9 511)	(3 364)
Other	-	(78)
As at 31 December	**7 819**	**19 271**

The evolution of the defined benefit obligations, fair value of plan assets and of the experience adjustments gains/ losses in the past 5 years, is presented as follows:

(in thousands of euro)

	31.12.2013	31.12.2012	31.12.2011	31.12.2010	31.12.2009
Defined benefit obligation	(57 179)	(42 472)	(34 381)	(32 828)	(30 606)
Fair value of plan assets	54 455	50 870	46 686	34 956	32 520
(Un)/over funded liabilities	**(2 724)**	**8 398**	**12 305**	**2 128**	**1 914**
(Gains)/losses from exp. adjust. arising on defined benefit obligation	2 931	(472)	(9 221)	(690)	359
(Gains)/losses from experience adjust. arising on plan assets	(1 441)	(2 275)	6 107	109	(2 255)

Long-term service benefits

As referred in Note 2.16, for employees that achieve certain years of service, the Bank pays long term service premiums, calculated based on the effective monthly remuneration earned at the date the premiums are due. At the date of early retirement or disability, employees have the right to a premium proportional to that they would earn if they remained in service until the next payment date.

At 31 December 2013 and 2012, the Group liabilities and costs incurred related to long-term service benefits can be analysed as follows:

(in thousands of euro)

	31.12.2013	31.12.2012
Liabilities as at 1 January	**1 987**	**1 914**
Cost of the year (see Note 12)	485	200
Benefits paid	(266)	(127)
Liabilities as at 31 December	**2 206**	**1 987**

The actuarial assumptions used in the calculation of the liabilities are those presented for the calculation of pensions (when applicable).

These liabilities related to long-term service benefits are included in the balance Other liabilities (see Note 37).

NOTE 14 - GENERAL AND ADMINISTRATIVE EXPENSES

This balance is analysed as follows:

(in thousands of euro)

	31.12.2013	31.12.2012
Rental costs	10 105	9 702
Advertising costs	1 762	1 714
Communication costs	14 202	15 446
Travelling and representation costs	9 022	8 601
Maintenance and related services	1 414	1 429
Insurance costs	450	528
Legal expenses	333	464
Specialised services		
IT services	6 163	5 765
Temporary work	414	259
Independent work	2 669	1 871
Other specialised services	8 603	8 205
Other costs	5 233	4 892
	60 370	**58 876**

The balance Other specialised services includes, among others, costs with external auditors and consultants and tax consultants. The balance Other costs includes security and surveillance expenses, training costs and costs with external supplies.

The outstanding lease installments related to the non-cancellable operational leasing contracts were as follows:

(in thousands of euro)

	31.12.2013	31.12.2012
Up to 1 year	1 225	1 413
1 to 5 years	1 436	1 695
	2 661	**3 108**

The fees invoiced during the years 2013 and 2012 by the statutory auditors, according to art. 508.-F of "Código das Sociedades Comerciais", are presented as follows:

(in thousands of euro)

	31.12.2013	31.12.2012
Audit fees (BESI)	85	82
Audit fees (subsidiaries)	579	665
Audit related fees	275	170
Tax consultancy services	105	249
Other services	203	50
Total invoices services	**1 247**	**1 216**

NOTE 15 - EARNINGS PER SHARE

Basic earnings per share

The Basic earnings per share are calculated by dividing the net profit attributable to equity holders of the Bank by the weighted average number of ordinary shares outstanding during the year, except the weighted average number of ordinary shares bought by the Bank and held as treasury shares in portfolio.

(in thousands of euro)

	31.12.2013	31.12.2012
Profit attributable to the equity holders of the Bank [(1)]	6 745	21 803
Weighted average number of ordinary shares outstanding (thousands)	**65 254**	**51 391**
Basic earnings per share attributable to equity holders of the Bank (in eu	**0.10**	**0.42**

[(1)] Net profit for the year attributable to the equity holders of the Bank adjusted by the interest paid in relation to the other equity instruments (which are booked agains reserves).

Diluted earnings per share

The diluted earnings per share is calculated considering the profit attributable to the equity holders of the Bank and the weighted average number of ordinary shares outstanding, adjusted for the effects of all dilutive potential ordinary shares.

As at 31 December 2013 and 2012, the Bank did not have any dilutive potential ordinary shares. Therefore, the diluted earnings per share are equal to the basic earnings per share.

NOTE 16 - CASH AND DEPOSITS AT CENTRAL BANKS

This balance as at 31 December 2013 and 2012 is analysed as follows:

(in thousands of euro)

	31.12.2013	31.12.2012
Cash	9	7
Deposits at central banks		
Bank of Portugal	1 435	916
Other central banks	3 392	279
	4 827	**1 195**
	4 836	**1 202**

The deposits at central banks include mandatory deposits with the Bank of Portugal intended to satisfy legal minimum cash requirements In the amount of euro 559 thousand (31 December 2012 : euro 916 thousand). According to the European Central Bank Regulation (CE) no. 1358/2011, of 14 December 2011, minimum cash requirements kept as deposits with the Bank of Portugal earn interest, and correspond to 1% of deposits and debt certificates maturing in less than 2 years, excluding deposits and debt certificates of institutions subject to the European System of Central Banks' minimum reserves requirements. As at 31 December 2013, these deposits have earned interest at an average rate of 0.50% (31 December 2012: 0.75%).

The fulfilment of the minimum mandatory requirements for a given period of observation is implemented taking into account the value of bank deposits with the Bank of Portugal during the referred period. The balance of the bank account with the Bank of Portugal as at 31 December 2013, was included in the maintenance period of 11 December 2013 to 14 January 2014, which corresponded to an average mandatory reserve of euro 895 thousand.

NOTE 17 - DEPOSITS WITH BANKS

This balance as at 31 December 2013 and 2012 is analysed as follows:

(in thousands of euro)

	31.12.2013	31.12.2012
Deposits with banks in Portugal		
Repayable on demand	16 362	15 711
	16 362	**15 711**
Deposits with banks abroad		
Repayable on demand	49 131	25 006
	49 131	**25 006**
	65 493	**40 717**

NOTE 18 - FINANCIAL ASSETS AND LIABILITIES HELD FOR TRADING

As at 31 December 2013 and 31 December 2012, this balance is analysed as follows:

(in thousands of euro)

	31.12.2013	31.12.2012
Financial assets held for trading		
Securities		
Bonds and other fixed income securities		
Issued by government and public entities	882 632	1 201 560
Issued by other entities	129 267	321 277
Shares	13 360	36 100
Other variable income securities	679	2 014
	1 025 938	1 560 951
Derivatives	578 668	878 778
	1 604 606	**2 439 729**
Financial liabilities held for trading		
Securities		
Short Selling	14 484	795
Derivatives	466 204	750 920
	480 688	**751 715**

As at 31 December 2013 and 2012 the analysis of the securities held for trading by the period to maturity, is presented as follows:

(in thousands of euro)

	31.12.2013	31.12.2012
Up to 3 months	11 278	19 457
3 to 12 months	113 434	185 882
1 to 5 years	604 401	804 247
More than 5 years	282 786	513 251
Undetermined	14 039	38 114
	1 025 938	**1 560 951**

In accordance with the accounting policy described in Note 2.6, securities held for trading are those which are bought to be traded in the short-term, regardless of their maturity.

The short selling refers to securities purchased under agreements to resell (reverse repos). In accordance with the accounting policy described in Note 2.7 securities purchased under agreements to resell (reverse repos) at a fixed price or at the purchase price plus a lender's return are not recognised, being the purchase price paid recorded as loans and advances to banks or customers, as appropriate.

The balance financial assets held-for-trading does not include, as at 31 December 2013, securities pledged as collateral by the Group (31 December 2012 : euro 3 782 thousand).

As at 31 December 2013 and 2012, financial assets held-for-trading analysed by quoted and unquoted securities, are presented as follows:

(in thousands of euro)

	31.12.2013			31.12.2012		
	Quoted	Unquoted	Total	Quoted	Unquoted	Total
Securities						
Bonds and other fixed income securities						
Issued by govermment and public entities	88 647	793 985	882 632	5 524	1 196 036	1 201 560
Issued by other entities	72 490	56 777	129 267	939	320 338	321 277
Shares	13 360	-	13 360	35 852	248	36 100
Other variable income securities	679	-	679	2 014	-	2 014
Total	**175 176**	**850 762**	**1 025 938**	**44 329**	**1 516 622**	**1 560 951**

As at 31 December 2013 and 2012, the exposure to public debt from peripheral Eurozone countries is analysed in Note 43.

As at 31 December 2013 and 2012, derivative financial instruments can be analysed as follows:

(in thousands of euro)

	31.12.2013			31.12.2012		
	Nocional	Fair value		Nocional	Fair value	
		Positive	Negative		Positive	Negative
Exchange rate contracts						
Forward		10 424	-		-	4 058
- buy	1 152 147			766 533		
- sell	1 153 028			767 756		
Currency Swaps		1 936	-		397	-
- buy	50 040			71 720		
- sell	49 631			71 288		
Currency Futures	2 771 168	-	-	278 316	-	-
Currency Interest Rate Swaps		2 971	11 846		4 696	14 820
- buy	36 376			39 128		
- sell	36 643			39 244		
Currency Options	422 435	2 552	1 690	523 601	2 206	2 249
	5 671 468	**17 883**	**13 536**	**2 557 586**	**7 299**	**21 127**
Interest rate contracts						
Interest Rate Swaps	10 028 613	511 715	405 584	12 714 339	817 543	677 284
Interest Rate Caps & Floors	2 724 210	13 299	12 375	3 960 970	20 836	19 892
Interest Rate Futures	4 436 679	-	-	3 784 772	-	-
Interest Rate Options	870 288	330	328	1 903 388	1 341	1 341
	18 059 790	**525 344**	**418 287**	**22 363 469**	**839 720**	**698 517**
Equity / index contracts						
Equity / Index Swaps	302 374	20 024	19 535	240 195	20 907	20 445
Equity / Index Options	135 327	14 232	14 093	142 194	8 899	8 822
Equity / Index Futures	8 141	-	-	37 036	-	-
	445 842	**34 256**	**33 628**	**419 425**	**29 806**	**29 267**
Credit default contracts						
Credit Default Swaps	175 425	1 185	753	159 617	1 953	2 009
	175 425	**1 185**	**753**	**159 617**	**1 953**	**2 009**
Total	**24 352 525**	**578 668**	**466 204**	**25 500 097**	**878 778**	**750 920**

As at 31 December 2013 and 2012, the analysis of trading derivatives by the period to maturity is presented as follows:

(in thousands of euro)

	31.12.2013		31.12.2012	
	Nocional	Net fair value	Nocional	Net fair value
Up to 3 months	3 592 068	2 817	5 118 991	7 492
3 to 12 months	3 315 070	20 454	4 817 753	8 779
1 to 5 years	11 243 476	70 055	9 826 941	86 263
More than 5 years	6 201 911	19 138	5 736 412	25 324
	24 352 525	**112 464**	**25 500 097**	**127 858**

NOTE 19 - AVAILABLE-FOR-SALE FINANCIAL ASSETS

As at 31 December 2013 and 31 December 2012, this balance is analysed as follows:

(in thousands of euro)

	Cost (1)	Fair value reserve		Impairment	Book value
		Positive	Negative		
Bonds and other fixed income securities					
Issued by government and public entities	436 061	1 693	(2 320)	-	435 434
Issued by other entities	254 587	2 071	(1 834)	(2 175)	252 649
Shares	26 920	2 082	(3 339)	(3 301)	22 362
Other variable income securities	87 435	1 510	(3 934)	(12 104)	72 907
Balance as at 31 December 2013	**805 003**	**7 356**	**(11 427)**	**(17 580)**	**783 352**
Bonds and other fixed income securities					
Issued by government and public entities	238 241	3 783	(622)	-	241 402
Issued by other entities	147 862	543	(3 627)	(2 274)	142 504
Shares	22 574	4 037	-	(3 221)	23 390
Other variable income securities	89 664	1 292	(1 577)	(10 758)	78 621
Balance as at 31 December 2012	**498 341**	**9 655**	**(5 826)**	**(16 253)**	**485 917**

(1) Acquisition cost relating to shares and other variable income securities and amortised cost relating to debt securities.

In accordance with the accounting policy described in Note 2.6, the Group assesses periodically whether there is objective evidence of impairment on the available-for-sale financial assets, following the judgment criteria's described in Note 3.1.

The changes occurred in impairment losses of available-for-sale financial assets are presented as follows:

(in thousands of euro)

	31.12.2013	31.12.2012
Balance as at 1 January	16 253	12 514
Charge for the year	1 721	6 179
Charge off	(380)	(1 124)
Write back for the year	-	(1 209)
Tranfers	84	-
Exchange differences and other	(98)	(107)
Balance as at 31 December	**17 580**	**16 253**

The balance Available-for-sale Financial Assets includes euro 397 674 thousand of securities pledged as collateral by the Group (31 December 2012: euro 251 509 thousand).

As at 31 December 2013 and 2012, the analysis of available-for-sale assets by the period to maturity is presented as follows:

(in thousands of euro)

	31.12.2013	31.12.2012
Up to 3 months	-	19 139
3 to 12 months	41 701	33 421
1 to 5 years	287 147	80 636
More than 5 years	359 233	250 710
Undetermined	95 271	102 011
	783 352	**485 917**

As at 31 December 2013 and 2012, the analysis of the available-for-sale financial assets by quoted and unquoted securities is presented as follows:

(in thousands of euro)

	31.12.2013			31.12.2012		
	Quoted	Unquoted	Total	Quoted	Unquoted	Total
Securities						
Bonds and other fixed income securities						
Issued by govermment and public entities	435 434	-	435 434	241 402	-	241 402
Issued by other entities	56 019	196 630	252 649	50 334	92 170	142 504
Shares	5 739	16 623	22 362	7 706	15 684	23 390
Other variable income securities	56 772	16 135	72 907	26 148	52 473	78 621
Total book value	**553 964**	**229 388**	**783 352**	**325 590**	**160 327**	**485 917**

As at 31 December 2013 and 2012, the exposure to public debt from peripheral Eurozone countries is analysed in Note 43.

NOTE 20 - LOANS AND ADVANCES TO BANKS

This balance as at 31 December 2013 and 2012 is analysed as follows:

(in thousands of euro)

	31.12.2013	31.12.2012
Loans and advances to banks in Portugal		
Very short term deposits	24 654	-
Other loans and advances	1 276	1 899
	25 930	**1 899**
Loans and advances to banks abroad		
Deposits	759	1 177
Sales with repurchase agreements	381 426	213 643
Very short term deposits	2 961	-
Other loans and advances	22 785	27 274
	407 931	**242 094**
	433 861	**243 993**
Impairment losses	(238)	(238)
	433 623	**243 755**

As at 31 December 2013 and 2012, the analysis of loans and advances to banks by the period to maturity is presented as follows:

(in thousands of euro)

	31.12.2013	31.12.2012
Up to 3 months	391 273	181 998
3 to 12 months	36 835	61 995
1 to 5 years	4 968	-
More than 5 years	785	-
	433 861	**243 993**

The changes occurred during the year in impairment losses of loans and advances to banks are presented as follows:

(in thousands of euro)

	31.12.2013	31.12.2012
Balance as at 1 January	238	230
Charge for the year	62	30
Write back for the year	(52)	(16)
Exchange differences and other	(10)	(6)
Balance as at 31 December	**238**	**238**

NOTE 21 - LOANS AND ADVANCES TO CUSTOMERS

This balance as at 31 December 2013 and 2012 is analysed as follows:

(in thousands of euro)

	31.12.2013	31.12.2012
Domestic loans		
Corporate		
Commercial lines of credit	1 685	1 346
Loans	522 913	580 813
Overdrafts	28	28
Other loans	85 259	258 570
Retail		
Mortgage loans	460	492
	610 345	**841 249**
Foreign loans		
Corporate		
Loans	1 355 045	1 380 152
Other loans	56 084	68 201
Retail		
Other loans	6 268	4 898
	1 417 397	**1 453 251**
Overdue loans and interest		
Up to 3 months	2 440	2 295
More than 3 months	46 535	12 769
	48 975	**15 064**
	2 076 717	**2 309 564**
Impairment losses	(130 135)	(122 040)
	1 946 582	**2 187 524**

As at 31 December 2013, the balance loans and advances to customers (net of impairment) includes an amount of euro 22 982 thousand related to an operation of securitization Lusitano Leverage Finance (31 December 2012: euro 29 665 thousand).

As at 31 December 2013 and 2012, the analysis of loans and advances to customers by the period to maturity is presented as follows:

(in thousands of euro)

	31.12.2013	31.12.2012
Up to 3 months	188 589	433 166
3 to 12 months	278 986	226 252
1 to 5 years	717 855	664 227
More than 5 years	842 312	970 855
Undetermined	48 975	15 064
	2 076 717	**2 309 564**

The changes occurred in impairment losses of loans and advances to customers are presented as follows:

(in thousands of euro)

	31.12.2013	31.12.2012
Balance as at 1 January	122 040	104 394
Charge for the year	67 969	42 974
Charge off	(30 592)	(15 287)
Write back for the year	(30 094)	(10 119)
Transfers	1 389	-
Exchange differences and other	(577)	78
Balance as at 31 December	**130 135**	**122 040**

As at 31 December 2013 and 2012 the detail of impairment is presented as follows:

(in thousands of euro)

	31.12.2013						
	Loans with impairment losses calculated on an individual basis		Loans with impairment losses calculated on a portfolio basis		Total		
	Gross amount	Impairment	Gross amount	Impairment	Gross amount	Impairment	Net Loans Impairment
Corporate loans	452 051	122 807	1 617 938	7 298	2 069 989	130 105	1 939 884
Mortgage loans	-	-	460	2	460	2	458
Consumers loans - other	-	-	6 268	28	6 268	28	6 240
Total	**452 051**	**122 807**	**1 624 666**	**7 328**	**2 076 717**	**130 135**	**1 946 582**

(in thousands of euro)

	31.12.2012						
	Loans with impairment losses calculated on an individual basis		Loans with impairment losses calculated on a portfolio basis		Total		
	Gross amount	Impairment	Gross amount	Impairment	Gross amount	Impairment	Net Loans Impairment
Corporate loans	447 337	120 086	1 856 837	1 948	2 304 174	122 034	2 182 140
Mortgage loans	-	-	492	1	492	1	491
Consumers loans - other	-	-	4 898	5	4 898	5	4 893
Total	**447 337**	**120 086**	**1 862 227**	**1 954**	**2 309 564**	**122 040**	**2 187 524**

The Group carries out a renegotiation of a loan in order to maximize its recovery. A loan is renegotiated in accordance with selective criteria, based on the analysis of the overdue circumstances or when there is a high risk that the loan will became overdue, and the client has made a reasonable effort to fulfil the contractual conditions previously agreed and is expected to have the capacity to meet the new terms agreed. The renegotiation normally includes the maturity extension, changes in the payment dates defined and / or amendment of the contracts' covenants. Whenever possible, the renegotiation includes obtaining new collaterals. The renegotiated loans are still subject to an impairment analysis resulting from the revaluation of the new expected cash flows, based in the new contract terms, updated at the original effective interest rate and taking into account the new collaterals.

As at 31 December 2013, loans and advances, excluding overdue loans and interest, includes euro 596 920 thousand of renegotiated loans (31 December 2012: euro 732 241 thousand). At the same date, the impairment regarding these renegotiated loans amounted to euro 119 630 thousand (31 December 2012: euro 118 857 thousand). The related interest recognised in the income statement amounted to euro 18 754 thousand (31 December 2012: euro 26 118 thousand).

The Group requires that some credit operations be collateralised, in order to mitigate credit risk. The more common types of collateral held are mortgages and securities. The fair value of these collaterals is determined at the date the loan is advanced to customers, being periodically updated.

The collateral received regarding credit operations can be analysed as follows:

(in thousands of euro)

	31.12.2013		31.12.2012	
	Credit Value	Fair Value collateral	Credit Value	Fair Value collateral
Mortgage loans				
Mortgages	460	1 219	492	1 219
	460	**1 219**	**492**	**1 219**
Individuals loans				
Not collateralised	2 443	-	4 898	-
	2 443	**-**	**4 898**	**-**
Companies loans				
Mortgages	68 197	75 276	93 694	79 312
Pawns	942 643	70 789	913 812	52 316
Not collateralised	1 062 974	-	1 296 668	-
	2 073 814	**146 065**	**2 304 174**	**131 628**
Total	**2 076 717**	**147 284**	**2 309 564**	**132 847**

The balance loans and advances to customers includes euro 108 996 thousand pledged as collateral by the Group (31 December 2012: euro 153 600 thousand).

Loans and advances to customers by interest rate type are analysed as follows:

(in thousands of euro)

	31.12.2013	31.12.2012
Fixed interest rate	224 647	214 402
Variable interest rate	1 852 070	2 095 162
	2 076 717	**2 309 564**

NOTE 22 – HELD-TO-MATURITY INVESTMENTS

As at 31 December 2013 and 31 December 2012, this balance is analysed as follows:

(in thousands of euro)

	31.12.2013	31.12.2012
Bonds and other fixed income securities		
Issued by government and public entities	201 078	36 906
Issued by other entities	113 251	70 296
	314 329	**107 202**

The balance held to maturity investments includes euro 3 478 thousand pledged as collateral by the Group. (31 December 2012: euro 159 thousand).

As at 31 December 2013 and 2012, the analysis of held-to-maturity investments by the period to maturity is presented as follows:

(in thousands of euro)

	31.12.2013	31.12.2012
Up to 3 months	2 237	-
3 to 12 months	6 814	35 908
1 to 5 years	231 933	15 215
More than 5 years	73 345	56 079
	314 329	**107 202**

As at 31 December 2013 and 2012, held to maturity investments analysed by quoted and unquoted securities, are presented as follows:

(in thousands of euro)

	31.12.2013			31.12.2012		
	Quoted	Unquoted	Total	Quoted	Unquoted	Total
Bonds and other fixed income securities						
Issued by government and public entities	-	201 078	201 078	-	36 906	36 906
Issued by other entities	33 432	79 819	113 251	11 924	58 372	70 296
	33 432	**280 897**	**314 329**	**11 924**	**95 278**	**107 202**

As at 31 December 2013, the fair value of the held-to-maturity investments amounts to euro 303 546 thousand (31 December 2012: euro 103 917 thousand).

The changes occurred in impairment losses of held-to-maturity investments are presented as follows:

(in thousands of euro)

	31.12.2013	31.12.2012
Balance as at 1 January	-	357
Charge for the year	70	-
Charge off	(70)	-
Write back for the year	-	(357)
Balance as at 31 December	**-**	**-**

During the year ended 31 December 2008, the Group has reclassified securities from held for trading portfolio to held to maturity category, in accordance with the accounting policy described in Note 2.6.

As at 31 December 2008, the book value of the reclassified securities amounted to euro 231 045 thousand and the market value amounted to euro 216 251 thousand.

If the reclassification of financial assets had not occurred, the impact in the financial statements of the Group would be as follows:

(in thousands of euro)

	31.12.2013	31.12.2012
Assets and liabilities at fair value through profit or loss		
Effect on the profit and loss	(217)	947
Tax effect	147	(73)
	(70)	**874**

During the years 2013 and 2012, no transfers were made from or to this category of assets.

NOTE 23 – DERIVATIVES FOR RISK MANAGEMENT PURPOSES

As at 31 December 2013 and 2012, the fair value of the derivatives for risk management purposes can be analysed as follows:

(in thousands of euro)

	31.12.2013	31.12.2012
Derivatives for risk management purposes with positive fair value (assets)		
Interest rate contracts	6 668	7 960
Equity / Index contracts	44 730	37 318
Other contracts	20 830	14 744
	72 228	**60 022**
Derivatives for risk management purposes with negative fair value (liabilities)		
Interest rate contracts	3 775	2 184
Equity / Index contracts	38 971	41 000
Other contracts	11 343	13 847
	54 089	**57 031**
	18 139	**2 991**

The balance Derivatives for risk management purposes includes hedging derivatives and derivatives contracted with the purpose of managing the risk of certain financial assets and liabilities designated at fair value through profit or loss (and that were not classified as hedging derivatives).

a) Hedging Derivatives

As at 31 December 2013 and 2012, the fair value hedge relationships present the following features:

(in thousands of euro)

31.12.2013							
Derivative	**Hedged item**	**Hedged risk**	**Nocional**	**Fair value of derivative [2]**	**Changes in the fair value of the derivative in the year**	**Fair value component of the hedged item [1]**	**Changes in the fair value of the hedged item in the year [1]**
Interest Swap / Equity Swap	Debt securities issued	Interest rate	70 609	1 461	(1 658)	(1 764)	834
Interest Swap	Subordinated debt	Interest rate	215	56	10	(58)	(10)
			70 824	**1 517**	**(1 648)**	**(1 822)**	**824**

(1) Attributable to the hedged risk
(2) Includes accrued interest

(in thousands of euro)

31.12.2012							
Derivative	**Hedged item**	**Hedged risk**	**Nocional**	**Fair value of derivative [2]**	**Changes in the fair value of the derivative in the year**	**Fair value component of the hedged item [1]**	**Changes in the fair value of the hedged item in the year [1]**
Interest Swap / Equity Swap	Debt securities issued	Interest rate	75 699	3 258	4 741	(3 829)	(5 270)
Interest Swap	Subordinated debt	Interest rate	215	46	1 620	(48)	956
Interest Rate Swaps	Deposits from banks	Interest rate	-	-	-	-	1 014
			75 914	**3 304**	**6 361**	**(3 877)**	**(3 300)**

(1) Attributable to the hedged risk
(2) Includes accrued interest

Changes in the fair value of the hedged items mentioned above and of the respective hedging derivatives are recognised in the income statement under net gains/ (losses) from financial assets at fair value through profit or loss (see Note 7).

b) Other derivatives for risk management purposes

Other derivatives for risk management purposes includes derivatives held to hedge assets and liabilities at fair value through profit and loss in accordance with the accounting policies described in Notes 2.4, 2.6 and 2.8 and that the Group did not classified as hedging derivatives.

The book value of assets and liabilities at fair value through profit and loss at 31 December 2013 and 31 December 2012 can be analysed as follows:

(in thousands of euro)

		31.12.2013						
		Derivative			Liabilities associated			
Financial liabilities economically hedged	Derivative	Nocional	Fair Value	Changes in the fair value during the year	Fair Value	Changes in the fair value during the year	Book Value	Reimbursement amount at maturity date
Debt securities issued	Credit Default Swap	475 128	4 712	11 423	(23 472)	(8 169)	460 653	451 706
Debt securities issued	Equity/ Index Swap	442 342	5 758	12 073	(7 697)	(13 459)	353 257	358 891
Debt securities issued	Interest Swap	50 783	1 376	(682)	(1 474)	350	42 673	41 633
Debt securities issued	Fx Option	18 989	298	(215)	(128)	146	6 913	7 868
Debt securities issued	Equity Option	84 978	4 478	682	(3 487)	(3 761)	111 379	113 019
		1 072 220	**16 622**	**23 281**	**(36 258)**	**(24 893)**	**974 875**	**973 117**

(in thousands of euro)

		31.12.2012						
		Derivative			Liabilities associated			
Financial liabilities economically hedged	Derivative	Nocional	Fair Value	Changes in the fair value during the year	Fair Value	Changes in the fair value during the year	Book Value	Reimbursement amount at maturity date
Debt securities issued	Equity/ Index Swap	380 740	(4 317)	44 774	(22 202)	(53 858)	376 308	358 728
Debt securities issued	Credit Default Swap	435 645	(3 683)	15 813	2 985	(24 257)	339 252	357 237
Debt securities issued	Interest Rate Swap	31 573	2 472	75	(2 499)	(7 671)	33 838	34 644
Debt securities issued	FX Options	44 772	782	161	(835)	(463)	11 057	12 941
Debt securities issued	Equity Options	129 919	4 433	(148)	(1 534)	(4 876)	114 817	118 887
Debt securities issued	Interest Rate Swap e FX Options							
Debt securities issued	Interest Rate Swap + CDS							
		1 022 649	**(313)**	**60 675**	**(24 085)**	**(91 125)**	**875 272**	**882 437**

As at 31 December 2013, the fair value component of the financial liabilities at fair value through profits and losses, attributable to the Group credit risk, amounts to euro 1 118 thousand of cumulative losses (31 December 2012: euro 973 thousand of cumulative losses). As at 31 December 2013 and 2012, the analysis of derivatives for risk management purposes by the period to maturity is as follows:

(in thousands of euro)

31.12.2013	Nocional		Fair Value	
	Hedging derivatives	Other derivatives for risk management	Hedging derivatives	Other derivatives for risk management
Up to 3 months	-	64 768	-	349
3 to 12 months	8 250	419 065	11	20 070
1 to 5 years	31 243	542 667	(1)	441
More than 5 years	31 331	45 720	1 507	(4 238)
	70 824	**1 072 220**	**1 517**	**16 622**

(in thousands of euro)

31.12.2012	Nocional		Fair Value	
	Hedging derivatives	Other derivatives for risk management	Hedging derivatives	Other derivatives for risk management
Up to 3 months	-	23 886	-	419
3 to 12 months	4 500	156 413	234	(163)
1 to 5 years	40 083	795 170	(57)	7 643
More than 5 years	31 331	47 180	3 127	(8 212)
	75 914	**1 022 649**	**3 304**	**(313)**

NOTE 24 – NON CURRENT ASSETS HELD FOR SALE

As at 31 December 2013 and 2012 this balance is analysed as follows:

(in thousands of euro)

	31.12.2013	31.12.2012
Subsidiaries acquired exclusively for resale purposes	16 813	-
Property held for sale	1 133	1 159
	17 946	**1 159**

The amounts presented refer to (i) investments in entities controlled by the Group, which have been acquired exclusively with the purpose of being sold in the short term, and (ii) properties held for sale which are owned by Cominvest – SGII, SA, a subsidiary of the Group.

The movement of non-current assets held-for-sale (excluding assets from subsidiaries acquired for resale), during the years 2013 and 2012, is presented as follows:

(in thousands of euro)

	31.12.2013	31.12.2012
Balance as at 1 January	1 159	1 255
Sales	-	(99)
Other	(26)	3
Balance as at 31 December	**1 133**	**1 159**

During the year 2013, the Group did not make any disposals from this category of assets.

NOTE 25 – OTHER TANGIBLE ASSETS

This balance as at 31 December 2013 and 2012 is analysed as follows:

(in thousands of euro)

	31.12.2013	31.12.2012
Property		
For own use	643	643
Improvements in leasehold property	12 579	9 669
	13 222	**10 312**
Equipment		
Computer equipment	12 889	11 996
Fixtures	3 952	4 073
Furniture	4 173	3 953
Office equipment	2 268	2 307
Motor vehicles	931	891
Security equipment	341	378
Other	108	91
	24 662	**23 689**
	37 884	**34 001**
Work in progress		
Improvements in leasehold property	143	22
Equipment and other	1 343	661
	1 486	**683**
	39 370	**34 684**
Accumulated depreciation	(20 060)	(16 780)
	19 310	**17 904**

The movement in this balance was as follows:

(in thousands of euro)

	Property	Equipment	Work in progress	Total
Acquisition cost				
Balance as at 31 December 2011	**8 538**	**22 651**	**5 319**	**36 508**
Acquisitions	362	1 193	320	1 875
Disposals	(22)	(3 107)	-	(3 129)
Transfers	1 398	3 604	(4 925)	77
Exchange differences and other	36	(652)	(31)	(647)
Balance as at 31 December 2012	**10 312**	**23 689**	**683**	**34 684**
Acquisitions	1 147	1 283	4 022	6 452
Disposals	(399)	(549)	-	(948)
Transfers	2 376	995	(3 219)	152
Exchange differences and other	(214)	(756)	-	(970)
Balance as at 31 December 2013	**13 222**	**24 662**	**1 486**	**39 370**
Depreciation				
Balance as at 31 December 2011	**3 323**	**12 870**	**-**	**16 193**
Depreciation of the year	934	2 940	-	3 874
Disposals	(19)	(2 933)	-	(2 952)
Transfers	96	(96)	-	-
Exchange differences and other	(4)	(331)	-	(335)
Balance as at 31 December 2012	**4 330**	**12 450**	**-**	**16 780**
Depreciation of the year	1 389	3 417	-	4 806
Disposals	(399)	(549)	-	(948)
Transfers	-	-	-	-
Exchange differences and other	(156)	(422)	-	(578)
Balance as at 31 December 2013	**5 164**	**14 896**	**-**	**20 060**
Net amount as at 31 December 2013	**8 058**	**9 766**	**1 486**	**19 310**
Net amount as at 31 December 2012	**5 982**	**11 239**	**683**	**17 904**

NOTE 26 - INTANGIBLE ASSETS

This balance as at 31 December 2013 and 2012 is analysed as follows:

(in thousands of euro)

	31.12.2013	31.12.2012
Goodwill	60 717	62 103
Acquired to third parties		
Software	22 295	17 468
Other	949	950
	23 244	**18 418**
Work in progress	6 989	9 514
	90 950	**90 035**
Accumulated amortisation	(15 287)	(13 929)
Impairment losses	(2 041)	(1 757)
	(17 328)	**(15 686)**
	73 622	**74 349**

Goodwill recognised in accordance with accounting police described in Note 2.2 is analysed as follows:

(in thousands of euro)

	31.12.2013	31.12.2012
Subsidiaries		
Espírito Santo Capital - Sociedade De Capital De Risco, S.A.	9 858	9 858
Espirito Santo Investiment Sp.Z.O.O	1 722	1 756
Espirito Santo Investiment Holding Ltd	47 540	48 565
Other	1 597	1 924
	60 717	**62 103**
Impairment losses	**(2 041)**	**(1 757)**
	58 676	**60 346**

ES Investment Holding Limited

The recoverable amount of ES Investment Holding Limited has been determined using cash flow/dividends predictions based on (i) the financial budget approved by management covering a nine-year period, (ii) a terminal growth rate of 3%, in line with the estimated nominal growth for the country where the company is located and (iii) a discount rate of 10.05% including a risk premium appropriated to the estimated future cash-flows. The nine-year period for estimating the future cash-flows reflect the fact that the company was acquired in late 2010 and its business strategy is being redefined. It is expected that the company achieves a maturity stage only at the end of that time period. Based on the above assumptions the recoverable amount exceeded the carrying amount, including Goodwill.

The movement in this balance is presented as follows:

(in thousands of euro)

	Goodwill	Software	Other	Work in progress	Total
Acquisition cost					
Balance as at 31 December 2011	**61 070**	**16 133**	**915**	**6 519**	**84 637**
Acquisitions:					
Acquired from third parties	-	892	-	5 224	6 116
Disposals	-	(1 414)	-	(103)	(1 517)
Transfers	-	2 048	-	(2 125)	(77)
Exchange differences and other	1 033	(191)	35	(1)	876
Balance as at 31 December 2012	**62 103**	**17 468**	**950**	**9 514**	**90 035**
Acquisitions:					
Acquired from third parties	-	531	-	2 694	3 225
Disposals	-	(456)	-	-	(456)
Transfers	-	4 991	-	(5 143)	(152)
Exchange differences and other	(1 386)	(239)	(1)	(76)	(1 702)
Balance as at 31 December 2013	**60 717**	**22 295**	**949**	**6 989**	**90 950**
Amortisations					
Balance as at 31 December 2011	**-**	**12 588**	**879**	**-**	**13 467**
Amortisations of the year	-	1 868	36	-	1 904
Disposals	-	(1 317)	-	-	(1 317)
Exchange differences and other	-	(125)	-	-	(125)
Balance as at 31 December 2012	**-**	**13 014**	**915**	**-**	**13 929**
Amortisations of the year	-	1 919	1	-	1 920
Disposals	-	(456)	-	-	(456)
Exchange differences and other	-	(106)	-	-	(106)
Balance as at 31 December 2013	**-**	**14 371**	**916**	**-**	**15 287**
Impairment					
Balance as at 31 December 2011	**1 605**	**-**	**-**	**-**	**1 605**
Exchange differences	152	-	-	-	152
Balance as at 31 December 2012	**1 757**	**-**	**-**	**-**	**1 757**
Impairment losses	362	-	-	-	362
Exchange differences and other	(78)	-	-	-	(78)
Balance as at 31 December 2013	**2 041**	**-**	**-**	**-**	**2 041**
Net amount as at 31 December 2013	**58 676**	**7 924**	**33**	**6 989**	**73 622**
Net amount as at 31 December 2012	**60 346**	**4 454**	**35**	**9 514**	**74 349**

NOTE 27 - INVESTMENTS IN ASSOCIATES

The financial information concerning associates is presented in the following table:

(in thousands of euro)

	Assets		Liabilities		Equity		Profits		Profit / (loss) for the year	
	31.12.2013	31.12.2012	31.12.2013	31.12.2012	31.12.2013	31.12.2012	31.12.2013	31.12.2012	31.12.2013	31.12.2012
Fundo Espírito Santo IBERIA I	15 286	13 957	104	168	15 182	13 789	422	1 511	(145)	(164)
BRB Internacional, S.A.	-	12 833	-	11 160	-	1 673	-	1 258	-	(859)
2bCapital Luxembourg Sicar	38 252	38 737	44	34	38 208	38 703	-	1	(495)	(409)

(in thousands of euro)

	Participation Cost		% held		Book Value		Share of profits of associates	
	31.12.2013	31.12.2012	31.12.2013	31.12.2012	31.12.2013	31.12.2012	31.12.2013	31.12.2012
Fundo Espírito Santo IBERIA I	8 081	7 087	46%	39%	7 312	5 647	658	260
BRB Internacional, S.A.	-	10 659	0%	25%	-	119	101	(216)
2bCapital Luxembourg Sicar	16 473	16 473	42%	42%	16 092	16 301	(208)	(172)
OTHER	15 877	16 240	-	-	28 720	29 006	(177)	225
	40 431	**50 459**			**52 124**	**51 073**	**374**	**97**

The movement occurred in this balance is presented as follows:

(in thousands of euro)

	31.12.2013	31.12.2012
Balance as at 1 January	51 073	35 226
Acquisitions	1 067	16 473
Disposals and other reimbursements	(487)	(1 255)
Share of profit of associates	374	97
Other comprehensive income from associates	14	(623)
Changes in the consolidation scope	-	1 288
Exchange differences and other	83	(133)
Balance as at 31 December	**52 124**	**51 073**

NOTE 28 - OTHER ASSETS

As at 31 December 2013 and 2012, the other assets balance is analysed as follows:

(in thousands of euro)

	31.12.2013	31.12.2012
Debtors		
Collateral deposits placed	242 509	444 379
Loans to companies in which the Group has a non-controlling interest	10 201	3 787
Public sector	25 078	651
Deposits placed with futures contracts	18 637	17 939
Sundry debtors	36 230	43 865
	332 655	510 621
Impairment losses on debtors	(5 410)	(5 902)
	327 245	**504 719**
Other assets		
Gold, other precious metals, numismatics, and other liquid assets	187	881
Other assets	5 737	5 448
	5 924	**6 329**
Accrued income	**5 009**	**320**
Prepayments and deferred costs	**4 529**	**6 142**
Other sundry assets		
Foreign exchange transactions pending settlement	4 297	3 132
Stock exchange transactions pending settlement	110 335	55 910
Other transactions pending settlement	31 383	118 461
	146 015	**177 503**
Assets recognised on pensions	**7 819**	**19 271**
	496 541	**714 284**

The stock exchange transactions pending settlement refer to transactions with securities, recorded on trade date and pending settlement, in accordance with the accounting policy described in Note 2.6.

The movements occurred in impairment losses are presented as follows:

(in thousands of euro)

	31.12.2013	31.12.2012
Balance as at 1 January	5 902	5 612
Charge for the year	2 432	2 240
Charge off	(467)	(329)
Write back for the year	(2 384)	(1 625)
Transfers	(84)	-
Exchange differences and other	11	4
Balance as at 31 December	**5 410**	**5 902**

NOTE 29 – DEPOSITS FROM CENTRAL BANKS

As at 31 December 2013, this balance, in the amount of euro 150 000 thousand (31 December 2012: 150 000 thousand) and with an accrued interest in the amount of euro 1 907 thousand (31 December 2012: 1 087 thousand) relates to a deposit from the Bank of Portugal which matures in February 2015.

NOTE 30 - DEPOSITS FROM BANKS

The balance deposits from banks is analysed as follows:

(in thousands of euro)

	31.12.2013	31.12.2012
Domestic		
Inter-bank money market	191 519	623 693
Very short term funds	50 606	61 424
Deposits	287 516	287 863
Repurchase agreements	-	5 485
Other funds	277 224	239 297
	806 865	**1 217 762**
International		
Deposits	30	30
Loans	105 970	17 715
Repurchase agreements	673 356	720 716
Other funds	94 363	64 463
	873 719	**802 924**
	1 680 584	**2 020 686**

As at 31 December 2013 and 2012 the analysis of deposits from banks by the period to maturity is presented as follows:

(in thousands of euro)

	31.12.2012	31.12.2011
Up to 3 months	1 241 282	1 671 172
3 to 12 months	258 689	8 333
1 to 5 years	114 476	281 265
More than 5 years	66 137	59 916
	1 680 584	**2 020 686**

ESPIRITO SANTO INVESTMENT BANK

NOTE 31 - DUE TO CUSTOMERS

The balance due to customers is analysed as follows:

(in thousands of euro)

	31.12.2013	31.12.2012
Repayable on demand		
Demand deposits	3 670	9 772
Time deposits		
Time deposits	827 197	839 759
Other funds		
Repurchase agreements	215 369	117 810
Loans	7 929	-
Other deposits	-	19
Other	224	14
	223 522	**117 843**
	1 054 389	**967 374**

As at 31 December 2013 and 2012, the analysis of the amounts due to customers by the period to maturity is as follows:

(in thousands of euro)

	31.12.2013	31.12.2012
Repayable on demand	3 894	9 786
With agreed maturity		
Up to 3 months	398 674	266 891
3 to 12 months	252 091	138 560
1 to 5 years	399 730	552 137
	1 050 495	957 588
	1 054 389	**967 374**

NOTE 32 - DEBT SECURITIES ISSUED

The balance debt securities issued is analysed as follows:

(in thousands of euro)

	31.12.2013	31.12.2012
Debt securities issued		
Euro Medium Term Notes (EMTN)	1 340 433	1 280 491
Cash bonds	4 280	16 999
Other bonds	102 609	83 019
Certificates of deposit	2 227	2 379
	1 449 549	**1 382 888**

The fair value of the portfolio of Debt securities issued is presented on Note 42.

This balance includes the amount of euro 1 281 708 thousand (31 December 2012: euro 875 272 thousand) related with debt securities issued recorded in the balance sheet at fair value through profit or loss (see Note 23). During the year ended 31 December 2013, the Group issued debt securities amounting to euro 366 926 thousand (31 December 2012: euro 310 331 thousand) and reimbursed euro 334 297 thousand (31 December 2012: euro 330 934 thousand).

The analysis of debt securities issued by the period to maturity is presented as follows:

(in thousands of euro)

	31.12.2013	31.12.2012
Up to 3 months	87 324	39 472
3 to 12 months	461 244	162 071
1 to 5 years	827 394	1 112 794
More than 5 years	73 587	68 551
	1 449 549	**1 382 888**

The main characteristics of debt securities issued as at 31 December 2013 are presented as follows:

ESPIRITO SANTO INVESTMENT BANK

(in thousands of euro)

					31.12.2013			
Issuer	Designation		Currency	Issue date	Book value	Maturity	Interest rate
BESI	BESI OBCX R.ACCRUAL TARN MAR2016		EUR	2006	847	2016	Fixed rate 6% + Range Accrual
BESI	BESI OB CX RENDIM STEP UP APR14		EUR	2006	3 433	2014	Growing fixed rate
BESI	BESI CERT DUALREND+EUSTOXX AUG14	a)	EUR	2006	2 227	2014	Fixed Rate 6.6743% + Indexed to a DJ Eurostoxx 50
BESI	BESI SEP2014 EQL LINKED	a)	EUR	2010	4 323	2014	b)
BESI	BESI SEP2014 ORIENTE IV EQL	a)	EUR	2010	13 446	2014	c)
BESI	BESI 1.8% GOLD APR2015	a)	EUR	2011	1 866	2015	Fixed rate 1.8% + indexed to gold
BESI	BESI CLN REP PORTUGUESA OCT2014	a)	EUR	2012	3 382	2014	Potuguese republic CLN
BESI	BESI MAY2015 EURIBOR3M+4%		EUR	2012	-	2015	Euribor 3M +4%
BESI	BESI FIXED RATE DEC15		EUR	2012	-	2015	Fixed Rate 5.875%
BESI	BESI MAR2016 FTD CRD LKD USD	a)	USD	2013	2 183	2016	d)
BESI	BESI MAR2018 FTD CRD LKD	a)	EUR	2013	5 081	2018	d)
BSI BRASIL	BESINVESTBRAS 5.625% MAR2015REGS	a)	USD	2010	274 760	2015	5.625% a.a.
BSI BRASIL	LF LETRA FINANCEIRA BES INVESTIMENTO BRINTLLFI0M3		BRL	2012	453	2014	114% CDI
BSI BRASIL	LF LETRA FINANCEIRA BES INVESTIMENTO BRINTLLFI0N1		BRL	2012	288	2014	114.5% CDI
BSI BRASIL	LF LETRA FINANCEIRA BES INVESTIMENTO BRINTLLFI0O9		BRL	2012	108	2014	114.5% CDI
BSI BRASIL	LF LETRA FINANCEIRA BES INVESTIMENTO BRINTLLFI0P6		BRL	2012	106	2014	114.5% CDI
BSI BRASIL	LF LETRA FINANCEIRA BES INVESTIMENTO BRINTLLFI0F7		BRL	2012	2 146	2014	100%+1.5% CDI
BSI BRASIL	LF LETRA FINANCEIRA BES INVESTIMENTO BRINTLLFI0D2		BRL	2012	19 559	2014	113% CDI
BSI BRASIL	LF LETRA FINANCEIRA BES INVESTIMENTO BRINTLLFI0G5		BRL	2012	139	2014	114.5% CDI
BSI BRASIL	LCA - Letra de Crédito do agro LCA BRINTLLA0574		BRL	2012	406	2014	97.5% CDI
BSI BRASIL	LF LETRA FINANCEIRA BES INVESTIMENTO BRINTLLFI0H3		BRL	2012	207	2015	116.5% CDI
BSI BRASIL	LF LETRA FINANCEIRA BES INVESTIMENTO BRINTLLFI0I1		BRL	2012	171	2014	115% CDI
BSI BRASIL	LF LETRA FINANCEIRA BES INVESTIMENTO BRINTLLFI0Z5		BRL	2012	136	2015	116.5% CDI
BSI BRASIL	LF LETRA FINANCEIRA BES INVESTIMENTO BRINTLLFI104		BRL	2012	102	2014	115% CDI
BSI BRASIL	LF LETRA FINANCEIRA BES INVESTIMENTO BRINTLLFI112		BRL	2013	482	2015	116.5% CDI
BSI BRASIL	LF LETRA FINANCEIRA BES INVESTIMENTO BRINTLLFI120		BRL	2013	4 237	2015	116.6% CDI
BSI BRASIL	LCA - Letra de Crédito do agro LCA BRINTLLA0CI1		BRL	2013	33	2014	98.5% CDI
BSI BRASIL	LCA - Letra de Crédito do agro LCA BRINTLLA0CM3		BRL	2013	3 199	2014	97.5% CDI
BSI BRASIL	LCA - Letra de Crédito do agro LCA BRINTLLA0D74		BRL	2013	21	2014	92% CDI
BSI BRASIL	LCA - Letra de Crédito do agro LCA BRINTLLA0DO7		BRL	2013	48	2014	97% CDI
BSI BRASIL	LCA - Letra de Crédito do agro LCA BRINTLLA0DU4		BRL	2013	6	2014	98% CDI
BSI BRASIL	LCA - Letra de Crédito do agro LCA BRINTLLA0DY6		BRL	2013	131	2014	99% CDI
BSI BRASIL	LCA - Letra de Crédito do agro LCA BRINTLLA0E08		BRL	2013	10	2014	96% CDI
BSI BRASIL	LCA - Letra de Crédito do agro LCA BRINTLLA0E32		BRL	2013	3	2014	96% CDI
BSI BRASIL	LCA - Letra de Crédito do agro LCA BRINTLLA0F56		BRL	2013	3	2014	96% CDI
BSI BRASIL	LCA - Letra de Crédito do agro LCA BRINTLLA0FD5		BRL	2013	4	2014	96% CDI
BSI BRASIL	Letra de Crédito Imobiliario LCI BRINTLLIC077		BRL	2013	16	2014	94% CDI
BSI BRASIL	Letra de Crédito Imobiliario LCI BRINTLLIC093		BRL	2013	16	2014	94% CDI
BSI BRASIL	LCA - Letra de Crédito do agro LCA BRINTLLA0G06		BRL	2013	1 043	2014	99% CDI
BSI BRASIL	Letra de Crédito Imobiliario LCI BRINTLLIC0C7		BRL	2013	17	2014	94% CDI
BSI BRASIL	Letra de Crédito Imobiliario LCI BRINTLLIC0E3		BRL	2013	16	2014	94% CDI
BSI BRASIL	Letra de Crédito Imobiliario LCI BRINTLLIC0M6		BRL	2013	16	2014	98% CDI
BSI BRASIL	Letra de Crédito Imobiliario LCI BRINTLLIC0W5		BRL	2013	16	2014	94% CDI
BSI BRASIL	Letra de Crédito Imobiliario LCI BRINTLLIC143		BRL	2013	21	2014	94% CDI
BSI BRASIL	LCA - Letra de Crédito do agro LCA BRINTLLA0GW3		BRL	2013	20	2014	96% CDI
BSI BRASIL	Letra de Crédito Imobiliario LCI BRINTLLIC1F8		BRL	2013	38	2014	97% CDI
BSI BRASIL	Letra de Crédito Imobiliario LCI BRINTLLIC1G6		BRL	2013	16	2014	98% CDI
BSI BRASIL	Letra de Crédito Imobiliario LCI BRINTLLIC1Y9		BRL	2013	16	2014	94% CDI
BSI BRASIL	LCA APOS 23052013 LCA APOS 23052013 BRINTLLA0I61		BRL	2013	4	2014	96% CDI
BSI BRASIL	LCA APOS 23052013 LCA APOS 23052013 BRINTLLA0IM0		BRL	2013	19	2014	92% CDI
BSI BRASIL	LCA APOS 23052013 LCA APOS 23052013 BRINTLLA0J03		BRL	2013	64	2014	96% CDI
BSI BRASIL	LCA APOS 23052013 LCA APOS 23052013 BRINTLLA0J60		BRL	2013	206	2014	99% CDI
BSI BRASIL	LF LETRA FINANCEIRA IPCA LF IPCA BRINTLLFI138		BRL	2013	1 629	2018	BRAZILIAN ICP + 5.8928%
BSI BRASIL	LCA APOS 23052013 LCA APOS 23052013 BRINTLLA0KZ8		BRL	2013	666	2014	98.5% CDI
BSI BRASIL	LCA APOS 23052013 LCA APOS 23052013 BRINTLLA0KY1		BRL	2013	190	2014	99% CDI
BSI BRASIL	LCA APOS 23052013 LCA APOS 23052013 BRINTLLA0L74		BRL	2013	254	2014	98% CDI
BSI BRASIL	LCA APOS 23052013 LCA APOS 23052013 BRINTLLA0JK2		BRL	2013	340	2014	98% CDI
BSI BRASIL	LCA APOS 23052013 LCA APOS 23052013 BRINTLLA0JP1		BRL	2013	405	2014	98% CDI
BSI BRASIL	LCA APOS 23052013 LCA APOS 23052013 BRINTLLA0JR7		BRL	2013	77	2014	92% CDI
BSI BRASIL	LCA APOS 23052013 LCA APOS 23052013 BRINTLLA0JT3		BRL	2013	250	2014	98% CDI
BSI BRASIL	LCA APOS 23052013 LCA APOS 23052013 BRINTLLA0JW7		BRL	2013	1 218	2014	98% CDI
BSI BRASIL	LCA APOS 23052013 LCA APOS 23052013 BRINTLLA0JX5		BRL	2013	70	2014	92% CDI
BSI BRASIL	LCA APOS 23052013 LCA APOS 23052013 BRINTLLA0JY3		BRL	2013	185	2014	98% CDI
BSI BRASIL	LCA APOS 23052013 LCA APOS 23052013 BRINTLLA0K18		BRL	2013	286	2014	98% CDI
BSI BRASIL	LCA APOS 23052013 LCA APOS 23052013 BRINTLLA0K42		BRL	2013	64	2014	98% CDI
BSI BRASIL	LCA APOS 23052013 LCA APOS 23052013 BRINTLLA0K59		BRL	2013	64	2014	92% CDI
BSI BRASIL	LCA APOS 23052013 LCA APOS 23052013 BRINTLLA0K67		BRL	2013	282	2014	98% CDI
BSI BRASIL	LF LETRA FINANCEIRA BES INVESTIMENTO BRINTLLFI146		BRL	2013	1 148	2015	116% CDI
BSI BRASIL	LCA APOS 23052013 LCA APOS 23052013 BRINTLLA0KB9		BRL	2013	92	2014	92% CDI
BSI BRASIL	LCA APOS 23052013 LCA APOS 23052013 BRINTLLA0KC7		BRL	2013	160	2014	98% CDI
BSI BRASIL	LCA APOS 23052013 LCA APOS 23052013 BRINTLLA0KI4		BRL	2013	962	2014	98% CDI
BSI BRASIL	LCA APOS 23052013 LCA APOS 23052013 BRINTLLA0KL8		BRL	2013	74	2014	98% CDI
BSI BRASIL	LCA APOS 23052013 LCA APOS 23052013 BRINTLLA0KS3		BRL	2013	446	2014	98% CDI
BSI BRASIL	LCA APOS 23052013 LCA APOS 23052013 BRINTLLA0KU9		BRL	2013	294	2014	98% CDI
BSI BRASIL	LCA APOS 23052013 LCA APOS 23052013 BRINTLLA0KW5		BRL	2013	51	2014	98.5% CDI
BSI BRASIL	LCA APOS 23052013 LCA APOS 23052013 BRINTLLA0KX3		BRL	2013	241	2014	98% CDI
BSI BRASIL	LCA APOS 23052013 LCA APOS 23052013 BRINTLLA0LA9		BRL	2013	139	2014	98% CDI

(in thousands of euro)

				31.12.2013		
Issuer	Designation	Currency	Issue date	Book value	Maturity	Interest rate
BSI BRASIL	LCA APOS 23052013 LCA APOS 23052013 BRINTLLA0LC5	BRL	2013	64	2014	98% CDI
BSI BRASIL	LCA APOS 23052013 LCA APOS 23052013 BRINTLLA0LD3	BRL	2013	104	2014	98% CDI
BSI BRASIL	LCA APOS 23052013 LCA APOS 23052013 BRINTLLA0LF8	BRL	2013	64	2014	98% CDI
BSI BRASIL	LCA APOS 23052013 LCA APOS 23052013 BRINTLLA0LG6	BRL	2013	128	2014	98.5% CDI
BSI BRASIL	LCA APOS 23052013 LCA APOS 23052013 BRINTLLA0LI2	BRL	2013	112	2014	90% CDI
BSI BRASIL	LCA APOS 23052013 LCA APOS 23052013 BRINTLLA0LK8	BRL	2013	436	2014	98% CDI
BSI BRASIL	LCA APOS 23052013 LCA APOS 23052013 BRINTLLA0LM4	BRL	2013	218	2014	98% CDI
BSI BRASIL	LCA APOS 23052013 LCA APOS 23052013 BRINTLLA0LN2	BRL	2013	22	2014	96% CDI
BSI BRASIL	LCA APOS 23052013 LCA APOS 23052013 BRINTLLA0LO0	BRL	2013	9	2014	92% CDI
BSI BRASIL	LCA APOS 23052013 LCA APOS 23052013 BRINTLLA0LR3	BRL	2013	345	2014	98% CDI
BSI BRASIL	LCA APOS 23052013 LCA APOS 23052013 BRINTLLA0LS1	BRL	2013	224	2014	97% CDI
BSI BRASIL	LCA APOS 23052013 LCA APOS 23052013 BRINTLLA0LT9	BRL	2013	530	2014	98% CDI
BSI BRASIL	LCA APOS 23052013 LCA APOS 23052013 BRINTLLA0LV5	BRL	2013	17	2014	92% CDI
BSI BRASIL	LCA APOS 23052013 LCA APOS 23052013 BRINTLLA0LX1	BRL	2013	245	2014	98% CDI
BSI BRASIL	LCA APOS 23052013 LCA APOS 23052013 BRINTLLA0LY9	BRL	2013	64	2014	98% CDI
BSI BRASIL	LCA APOS 23052013 LCA APOS 23052013 BRINTLLA0LZ6	BRL	2013	73	2014	97% CDI
BSI BRASIL	LCA APOS 23052013 LCA APOS 23052013 BRINTLLA0M24	BRL	2013	343	2014	98% CDI
BSI BRASIL	LCA APOS 23052013 LCA APOS 23052013 BRINTLLA0M40	BRL	2013	256	2014	98% CDI
BSI BRASIL	LCA APOS 23052013 LCA APOS 23052013 BRINTLLA0M73	BRL	2013	364	2014	98% CDI
BSI BRASIL	LCA APOS 23052013 LCA APOS 23052013 BRINTLLA0M81	BRL	2013	15	2014	93% CDI
BSI BRASIL	LCA APOS 23052013 LCA APOS 23052013 BRINTLLA0MA	BRL	2013	32	2014	92% CDI
BSI BRASIL	LCA APOS 23052013 LCA APOS 23052013 BRINTLLA0MB5	BRL	2013	64	2014	98.5% CDI
BSI BRASIL	LCA APOS 23052013 LCA APOS 23052013 BRINTLLA0MD	BRL	2013	45	2014	98% CDI
BSI BRASIL	LCA APOS 23052013 LCA APOS 23052013 BRINTLLA0MF6	BRL	2013	545	2014	98% CDI
BSI BRASIL	LCA APOS 23052013 LCA APOS 23052013 BRINTLLA0MI0	BRL	2013	299	2014	97% CDI
BSI BRASIL	LCA APOS 23052013 LCA APOS 23052013 BRINTLLA0MH	BRL	2013	73	2014	98% CDI
BSI BRASIL	LCA APOS 23052013 LCA APOS 23052013 BRINTLLA0MJ8	BRL	2013	218	2014	98% CDI
BSI BRASIL	LCA APOS 23052013 LCA APOS 23052013 BRINTLLA0ML4	BRL	2013	547	2014	98% CDI
BSI BRASIL	LF LETRA FINANCEIRA BES INVESTIMENTO BRINTLLFI15	BRL	2013	2 601	2015	116.5% CDI
BSI BRASIL	LCA APOS 23052013 LCA APOS 23052013 BRINTLLA0MM	BRL	2013	16	2014	97% CDI
BSI BRASIL	LCA APOS 23052013 LCA APOS 23052013 BRINTLLA0MP5	BRL	2013	159	2014	97% CDI
BSI BRASIL	LCA APOS 23052013 LCA APOS 23052013 BRINTLLA0MN	BRL	2013	16	2014	92% CDI
BSI BRASIL	LCA APOS 23052013 LCA APOS 23052013 BRINTLLA0MQ	BRL	2013	196	2014	98% CDI
BSI BRASIL	LCA APOS 23052013 LCA APOS 23052013 BRINTLLA0MS9	BRL	2013	40	2014	97% CDI
BSI BRASIL	LCA APOS 23052013 LCA APOS 23052013 BRINTLLA0MR	BRL	2013	32	2014	98% CDI
BSI BRASIL	LCA APOS 23052013 LCA APOS 23052013 BRINTLLA0MT	BRL	2013	32	2014	98% CDI
BSI BRASIL	LCA APOS 23052013 LCA APOS 23052013 BRINTLLA0MU5	BRL	2013	159	2014	98% CDI
BSI BRASIL	LCA APOS 23052013 LCA APOS 23052013 BRINTLLA0MX9	BRL	2013	64	2014	97% CDI
BSI BRASIL	LCA APOS 23052013 LCA APOS 23052013 BRINTLLA0MW	BRL	2013	35	2014	98% CDI
BSI BRASIL	LCA APOS 23052013 LCA APOS 23052013 BRINTLLA0MY7	BRL	2013	16	2014	97% CDI
BSI BRASIL	LCA APOS 23052013 LCA APOS 23052013 BRINTLLA0N07	BRL	2013	38	2014	97% CDI
BSI BRASIL	LCA APOS 23052013 LCA APOS 23052013 BRINTLLA0N23	BRL	2013	115	2014	92% CDI
BSI BRASIL	LCA APOS 23052013 LCA APOS 23052013 BRINTLLA0N31	BRL	2013	150	2014	92.5% CDI
BSI BRASIL	LCA APOS 23052013 LCA APOS 23052013 BRINTLLA0N49	BRL	2013	196	2014	97% CDI
BSI BRASIL	LCA APOS 23052013 LCA APOS 23052013 BRINTLLA0NA5	BRL	2013	1 308	2014	94.25% CDI
BSI BRASIL	LCA APOS 23052013 LCA APOS 23052013 BRINTLLA0N15	BRL	2013	41	2014	98% CDI
BSI BRASIL	LCA APOS 23052013 LCA APOS 23052013 BRINTLLA0N80	BRL	2013	488	2014	98% CDI
BSI BRASIL	LCA APOS 23052013 LCA APOS 23052013 BRINTLLA0NC	BRL	2013	253	2014	97% CDI
BSI BRASIL	LCA APOS 23052013 LCA APOS 23052013 BRINTLLA0ND9	BRL	2013	261	2014	98% CDI
BSI BRASIL	LCA APOS 23052013 LCA APOS 23052013 BRINTLLA0NE7	BRL	2013	95	2014	98% CDI
BSI BRASIL	LCA APOS 23052013 LCA APOS 23052013 BRINTLLA0NH	BRL	2013	32	2014	97% CDI
BSI BRASIL	LCA APOS 23052013 LCA APOS 23052013 BRINTLLA0NF4	BRL	2013	24	2014	92% CDI
BSI BRASIL	LCA APOS 23052013 LCA APOS 23052013 BRINTLLA0NK4	BRL	2013	197	2014	97% CDI
BSI BRASIL	LCA APOS 23052013 LCA APOS 23052013 BRINTLLA0NM	BRL	2013	74	2014	90% CDI
BSI BRASIL	LCA APOS 23052013 LCA APOS 23052013 BRINTLLA0NN8	BRL	2013	76	2014	92% CDI
BSI BRASIL	LCA APOS 23052013 LCA APOS 23052013 BRINTLLA0NO	BRL	2013	48	2014	98% CDI
BSI BRASIL	LCA APOS 23052013 LCA APOS 23052013 BRINTLLA0NR9	BRL	2013	16	2014	97% CDI
BSI BRASIL	LCA APOS 23052013 LCA APOS 23052013 BRINTLLA0NX7	BRL	2013	116	2014	97% CDI
BSI BRASIL	LCA APOS 23052013 LCA APOS 23052013 BRINTLLA0O06	BRL	2013	3 290	2014	97.5% CDI
BSI BRASIL	LCA APOS 23052013 LCA APOS 23052013 BRINTLLA0NU3	BRL	2013	48	2014	98% CDI
BSI BRASIL	LCA APOS 23052013 LCA APOS 23052013 BRINTLLA0NW	BRL	2013	140	2014	98% CDI
BSI BRASIL	LCA APOS 23052013 LCA APOS 23052013 BRINTLLA0NY5	BRL	2013	176	2014	98% CDI
BSI BRASIL	LCA APOS 23052013 LCA APOS 23052013 BRINTLLA0NZ2	BRL	2013	694	2014	98% CDI
BSI BRASIL	LCA APOS 23052013 LCA APOS 23052013 BRINTLLA0NV1	BRL	2013	54	2014	96% CDI
BSI BRASIL	LCA APOS 23052013 LCA APOS 23052013 BRINTLLA0O14	BRL	2013	64	2014	97% CDI
BSI BRASIL	LCA APOS 23052013 LCA APOS 23052013 BRINTLLA0O22	BRL	2013	85	2014	97% CDI
BSI BRASIL	LCA APOS 23052013 LCA APOS 23052013 BRINTLLA0O30	BRL	2013	85	2014	97% CDI
BSI BRASIL	LCA APOS 23052013 LCA APOS 23052013 BRINTLLA0O48	BRL	2013	102	2014	97% CDI
BSI BRASIL	LCA APOS 23052013 LCA APOS 23052013 BRINTLLA0O55	BRL	2013	103	2014	92% CDI
BSI BRASIL	LCA APOS 23052013 LCA APOS 23052013 BRINTLLA0O89	BRL	2013	16	2014	97% CDI
BSI BRASIL	LCA APOS 23052013 LCA APOS 23052013 BRINTLLA0OD7	BRL	2013	343	2014	98% CDI
BSI BRASIL	LCA APOS 23052013 LCA APOS 23052013 BRINTLLA0OE5	BRL	2013	16	2014	93% CDI
BSI BRASIL	LCA APOS 23052013 LCA APOS 23052013 BRINTLLA0OG	BRL	2013	159	2014	97% CDI
BSI BRASIL	LCA APOS 23052013 LCA APOS 23052013 BRINTLLA0OH8	BRL	2013	495	2014	98% CDI
BSI BRASIL	LCA APOS 23052013 LCA APOS 23052013 BRINTLLA0OJ4	BRL	2013	41	2014	98% CDI
BSI BRASIL	LCA APOS 23052013 LCA APOS 23052013 BRINTLLA0OL0	BRL	2013	32	2014	97% CDI
BSI BRASIL	LCA APOS 23052013 LCA APOS 23052013 BRINTLLA0OO4	BRL	2013	85	2014	97% CDI

(in thousands of euro)

Issuer	Designation	Currency	Issue date	Book value	Maturity	Interest rate
				31.12.2013		
BSI BRASIL	LCA APOS 23052013 LCA APOS 23052013 BRINTLLA0OM	BRL	2013	38	2014	98% CDI
BSI BRASIL	LCA APOS 23052013 LCA APOS 23052013 BRINTLLA0ON	BRL	2013	63	2014	98% CDI
BSI BRASIL	LCA APOS 23052013 LCA APOS 23052013 BRINTLLA0OP1	BRL	2013	24	2014	97% CDI
BSI BRASIL	LCA APOS 23052013 LCA APOS 23052013 BRINTLLA0OS5	BRL	2013	162	2014	97% CDI
BSI BRASIL	LCA APOS 23052013 LCA APOS 23052013 BRINTLLA0OR7	BRL	2013	63	2014	98% CDI
BSI BRASIL	LCA APOS 23052013 LCA APOS 23052013 BRINTLLA0OT3	BRL	2013	120	2014	92% CDI
BSI BRASIL	LCA APOS 23052013 LCA APOS 23052013 BRINTLLA0OU1	BRL	2013	200	2014	98% CDI
BSI BRASIL	LCA APOS 23052013 LCA APOS 23052013 BRINTLLA0OV9	BRL	2013	16	2014	97% CDI
BSI BRASIL	LCA APOS 23052013 LCA APOS 23052013 BRINTLLA0OW	BRL	2013	52	2014	97% CDI
BSI BRASIL	LCA APOS 23052013 LCA APOS 23052013 BRINTLLA0OX5	BRL	2013	44	2014	98% CDI
BSI BRASIL	LCA APOS 23052013 LCA APOS 23052013 BRINTLLA0OY3	BRL	2013	271	2014	98% CDI
BSI BRASIL	LCA NOVA LCA NOVA BRINTLLA0P21	BRL	2013	32	2014	97% CDI
BSI BRASIL	LCA NOVA LCA NOVA BRINTLLA0P13	BRL	2013	3	2014	92% CDI
BSI BRASIL	LCA NOVA LCA NOVA BRINTLLA0P47	BRL	2013	16	2014	95.25% CDI
BSI BRASIL	LCA NOVA LCA NOVA BRINTLLA0P62	BRL	2013	49	2014	98% CDI
BSI BRASIL	LCA NOVA LCA NOVA BRINTLLA0P70	BRL	2013	6	2014	92% CDI
BSI BRASIL	LCA NOVA LCA NOVA BRINTLLA0PB8	BRL	2013	63	2014	91.75% CDI
BSI BRASIL	LCA NOVA LCA NOVA BRINTLLA0PD4	BRL	2013	16	2014	95% CDI
BSI BRASIL	LCA NOVA LCA NOVA BRINTLLA0PF9	BRL	2013	344	2014	98% CDI
BSI BRASIL	LCA PRE LCA PRE BRINTLLA0PG7	BRL	2013	64	2014	Fixed Rate - 10.05%
BSI BRASIL	LCA NOVA LCA NOVA BRINTLLA0PH5	BRL	2013	63	2014	96% CDI
BSI BRASIL	LCA NOVA LCA NOVA BRINTLLA0PJ1	BRL	2013	97	2014	92% CDI
BSI BRASIL	LCA NOVA LCA NOVA BRINTLLA0PK9	BRL	2013	63	2014	93.5% CDI
BSI BRASIL	LCA NOVA LCA NOVA BRINTLLA0PL7	BRL	2013	40	2014	92% CDI
BSI BRASIL	LCA NOVA LCA NOVA BRINTLLA0PN3	BRL	2013	514	2014	98% CDI
BSI BRASIL	LCA NOVA LCA NOVA BRINTLLA0PU8	BRL	2013	70	2014	95.5% CDI
BSI BRASIL	LCA NOVA LCA NOVA BRINTLLA0PO1	BRL	2013	13	2014	92% CDI
BSI BRASIL	LCA NOVA LCA NOVA BRINTLLA0PR4	BRL	2013	32	2014	98% CDI
BSI BRASIL	LCA NOVA LCA NOVA BRINTLLA0PT0	BRL	2013	64	2014	98% CDI
BSI BRASIL	LCA NOVA LCA NOVA BRINTLLA0PW4	BRL	2013	16	2014	95.25% CDI
BSI BRASIL	LCA NOVA LCA NOVA BRINTLLA0PX2	BRL	2013	47	2014	97% CDI
BSI BRASIL	LCA NOVA LCA NOVA BRINTLLA0PY0	BRL	2013	63	2014	97% CDI
BSI BRASIL	LCA NOVA LCA NOVA BRINTLLA0PZ7	BRL	2013	70	2014	95.5% CDI
BSI BRASIL	LCA NOVA LCA NOVA BRINTLLA0Q12	BRL	2013	166	2014	98% CDI
BSI BRASIL	LCA NOVA LCA NOVA BRINTLLA0Q53	BRL	2013	32	2014	95.25% CDI
BSI BRASIL	LCA NOVA LCA NOVA BRINTLLA0Q79	BRL	2013	102	2014	97% CDI
BSI BRASIL	LCA NOVA LCA NOVA BRINTLLA0QA8	BRL	2013	237	2014	90% CDI
BSI BRASIL	LCA NOVA LCA NOVA BRINTLLA0QB6	BRL	2013	628	2014	98% CDI
BSI BRASIL	LCA NOVA LCA NOVA BRINTLLA0QE0	BRL	2013	33	2014	90% CDI
BSI BRASIL	LCA NOVA LCA NOVA BRINTLLA0QF7	BRL	2013	117	2014	90% CDI
BSI BRASIL	LCA NOVA LCA NOVA BRINTLLA0QG5	BRL	2013	582	2014	98% CDI
BSI BRASIL	LCA NOVA LCA NOVA BRINTLLA0QH3	BRL	2013	38	2014	97% CDI
BSI BRASIL	LCA NOVA LCA NOVA BRINTLLA0QI1	BRL	2013	25	2014	95.25% CDI
BSI BRASIL	LCA NOVA LCA NOVA BRINTLLA0QK7	BRL	2013	30	2014	90% CDI
BSI BRASIL	LCA NOVA LCA NOVA BRINTLLA0QN1	BRL	2013	206	2014	98% CDI
BSI BRASIL	LCA NOVA LCA NOVA BRINTLLA0QP6	BRL	2013	22	2014	93.5% CDI
BSI BRASIL	LCA NOVA LCA NOVA BRINTLLA0QQ4	BRL	2013	84	2014	90% CDI
BSI BRASIL	LCA NOVA LCA NOVA BRINTLLA0QR2	BRL	2013	131	2014	98% CDI
BSI BRASIL	LCA NOVA LCA NOVA BRINTLLA0QT8	BRL	2013	23	2014	97% CDI
BSI BRASIL	LCA NOVA LCA NOVA BRINTLLA0QW2	BRL	2013	62	2014	97% CDI
BSI BRASIL	LCA NOVA LCA NOVA BRINTLLA0QY8	BRL	2013	70	2014	97% CDI
BSI BRASIL	LCA NOVA LCA NOVA BRINTLLA0QS0	BRL	2013	6	2014	90% CDI
BSI BRASIL	LCA NOVA LCA NOVA BRINTLLA0QX0	BRL	2013	70	2014	98% CDI
BSI BRASIL	LCA NOVA LCA NOVA BRINTLLA0QZ5	BRL	2013	180	2014	98% CDI
BSI BRASIL	LCA NOVA LCA NOVA BRINTLLA0R29	BRL	2013	58	2014	93% CDI
BSI BRASIL	LCA NOVA LCA NOVA BRINTLLA0R37	BRL	2013	158	2014	97% CDI
BSI BRASIL	LCA NOVA LCA NOVA BRINTLLA0R45	BRL	2013	73	2014	97% CDI
BSI BRASIL	LCA NOVA LCA NOVA BRINTLLA0R78	BRL	2013	35	2014	95% CDI
BSI BRASIL	LCA NOVA LCA NOVA BRINTLLA0R94	BRL	2013	175	2014	97% CDI
BSI BRASIL	LCA NOVA LCA NOVA BRINTLLA0RA6	BRL	2013	175	2014	97% CDI
BSI BRASIL	LCA NOVA LCA NOVA BRINTLLA0R11	BRL	2013	55	2014	98% CDI
BSI BRASIL	LCA NOVA LCA NOVA BRINTLLA0R52	BRL	2013	118	2014	98% CDI
BSI BRASIL	LCA NOVA LCA NOVA BRINTLLA0R60	BRL	2013	19	2014	98% CDI
BSI BRASIL	LCA NOVA LCA NOVA BRINTLLA0RB4	BRL	2013	16	2014	95% CDI
BSI BRASIL	LCA NOVA LCA NOVA BRINTLLA0RD0	BRL	2013	41	2014	95.25% CDI
BSI BRASIL	LCA NOVA LCA NOVA BRINTLLA0RE8	BRL	2013	47	2014	97% CDI
BSI BRASIL	LCA NOVA LCA NOVA BRINTLLA0RF5	BRL	2013	55	2014	96% CDI
BSI BRASIL	LCA NOVA LCA NOVA BRINTLLA0RG3	BRL	2013	105	2014	98% CDI
BSI BRASIL	LCA NOVA LCA NOVA BRINTLLA0RK5	BRL	2013	79	2014	96% CDI
BSI BRASIL	LCA NOVA LCA NOVA BRINTLLA0RM1	BRL	2013	16	2014	94.25% CDI
BSI BRASIL	LCA NOVA LCA NOVA BRINTLLA0RO7	BRL	2013	158	2014	97% CDI
BSI BRASIL	LCA NOVA LCA NOVA BRINTLLA0RN9	BRL	2013	3	2014	90% CDI
BSI BRASIL	LCA NOVA LCA NOVA BRINTLLA0RP4	BRL	2013	109	2014	90% CDI
BSI BRASIL	LCA NOVA LCA NOVA BRINTLLA0RS8	BRL	2013	79	2014	96.5% CDI
BSI BRASIL	LCA NOVA LCA NOVA BRINTLLA0RU4	BRL	2013	16	2014	93.5% CDI
BSI BRASIL	LCA NOVA LCA NOVA BRINTLLA0RR0	BRL	2013	63	2014	97% CDI

(in thousands of euro)

Issuer	Designation	Currency	Issue date	Book value	Maturity	Interest rate
				31.12.2013		
BSI BRASIL	LCA NOVA LCA NOVA BRINTLLA0RT6	BRL	2013	118	2014	97% CDI
BSI BRASIL	LCA NOVA LCA NOVA BRINTLLA0RY6	BRL	2013	50	2014	93% CDI
BSI BRASIL	LCA NOVA LCA NOVA BRINTLLA0RZ3	BRL	2013	69	2014	97% CDI
BSI BRASIL	LF LETRA FINANCEIRA BES INVESTIMENTO BRINTLLFI1(	BRL	2013	381	2015	117% CDI
BSI BRASIL	LF LETRA FINANCEIRA BES INVESTIMENTO BRINTLLFI1:	BRL	2013	523	2015	117% CDI
BSI BRASIL	LCA NOVA LCA NOVA BRINTLLA0S10	BRL	2013	42	2014	95.25% CDI
BSI BRASIL	LCA NOVA LCA NOVA BRINTLLA0S02	BRL	2013	113	2014	90% CDI
BSI BRASIL	LCA NOVA LCA NOVA BRINTLLA0S36	BRL	2013	69	2014	94.5% CDI
BSI BRASIL	LCA NOVA LCA NOVA BRINTLLA0S51	BRL	2013	32	2014	97% CDI
BSI BRASIL	LCA NOVA LCA NOVA BRINTLLA0S93	BRL	2013	22	2014	95.25% CDI
BSI BRASIL	LCA NOVA LCA NOVA BRINTLLA0SA4	BRL	2013	22	2014	93.5% CDI
BSI BRASIL	LCA NOVA LCA NOVA BRINTLLA0S69	BRL	2013	69	2014	98% CDI
BSI BRASIL	LCA NOVA LCA NOVA BRINTLLA0SB2	BRL	2013	38	2014	94.5% CDI
BSI BRASIL	LCA NOVA LCA NOVA BRINTLLA0SF3	BRL	2013	35	2014	97% CDI
BSI BRASIL	LCA NOVA LCA NOVA BRINTLLA0SG1	BRL	2013	42	2014	96% CDI
BSI BRASIL	LCA NOVA LCA NOVA BRINTLLA0SH9	BRL	2013	81	2014	90% CDI
BSI BRASIL	LCA NOVA LCA NOVA BRINTLLA0SJ5	BRL	2013	7	2014	93% CDI
BSI BRASIL	LCA NOVA LCA NOVA BRINTLLA0SK3	BRL	2013	17	2014	90% CDI
BSI BRASIL	LCA NOVA LCA NOVA BRINTLC02AR2	BRL	2013	65	2014	97% CDI
BSI BRASIL	LCA NOVA LCA NOVA BRINTLLA0SM9	BRL	2013	16	2014	95.25% CDI
BSI BRASIL	LCA NOVA LCA NOVA BRINTLLA0SP2	BRL	2013	50	2014	97% CDI
BSI BRASIL	LCA NOVA LCA NOVA BRINTLLA0SO5	BRL	2013	57	2014	97% CDI
BSI BRASIL	LCA NOVA LCA NOVA BRINTLLA0ST4	BRL	2013	9	2014	95.25% CDI
BSI BRASIL	LCA NOVA LCA NOVA BRINTLLA0SU2	BRL	2013	31	2014	91.75% CDI
BSI BRASIL	LCA NOVA LCA NOVA BRINTLLA0SV0	BRL	2013	31	2014	97% CDI
BSI BRASIL	LCA NOVA LCA NOVA BRINTLLA0SW8	BRL	2013	63	2014	97% CDI
BSI BRASIL	LCA NOVA LCA NOVA BRINTLLA0SX6	BRL	2013	69	2014	95.5% CDI
BSI BRASIL	LCA NOVA LCA NOVA BRINTLLA0SY4	BRL	2013	61	2014	90% CDI
BSI BRASIL	LCA NOVA LCA NOVA BRINTLLA0T35	BRL	2013	73	2014	95.25% CDI
BSI BRASIL	LCA NOVA LCA NOVA BRINTLLA0T01	BRL	2013	35	2014	90% CDI
BSI BRASIL	LCA NOVA LCA NOVA BRINTLLA0T27	BRL	2013	69	2014	98% CDI
BSI BRASIL	LCA NOVA LCA NOVA BRINTLLA0T76	BRL	2013	31	2014	90% CDI
BSI BRASIL	LCA NOVA LCA NOVA BRINTLLA0T84	BRL	2013	72	2014	97% CDI
BSI BRASIL	LCA NOVA LCA NOVA BRINTLLA0TB0	BRL	2013	330	2014	97.5% CDI
BSI BRASIL	LCA NOVA LCA NOVA BRINTLLA0T92	BRL	2013	25	2014	90% CDI
BSI BRASIL	LCA NOVA LCA NOVA BRINTLLA0TC8	BRL	2013	150	2014	90% CDI
BSI BRASIL	LCA NOVA LCA NOVA BRINTLLA0TD6	BRL	2013	16	2014	95.25% CDI
BSI BRASIL	LCA NOVA LCA NOVA BRINTLLA0TF1	BRL	2013	76	2014	95% CDI
BSI BRASIL	LCA NOVA LCA NOVA BRINTLLA0TK1	BRL	2013	63	2014	97% CDI
BSI BRASIL	LCA NOVA LCA NOVA BRINTLLA0TL9	BRL	2013	74	2014	95.25% CDI
BSI BRASIL	LCA NOVA LCA NOVA BRINTLLA0TJ3	BRL	2013	72	2014	90% CDI
BSI BRASIL	LCA NOVA LCA NOVA BRTINLLA0TM7	BRL	2013	94	2014	90% CDI
BSI BRASIL	LCA NOVA LCA NOVA BRINTLLA0TP0	BRL	2013	177	2014	90% CDI
BSI BRASIL	LCA NOVA LCA NOVA BRINTLLA0TS4	BRL	2013	337	2014	90% CDI
BSI BRASIL	LCA NOVA LCA NOVA BRINTLLA0TV8	BRL	2013	47	2014	95% CDI
BSI BRASIL	LCA NOVA LCA NOVA BRINTLLA0TU0	BRL	2013	38	2014	97% CDI
BSI BRASIL	LCA NOVA LCA NOVA BRINTLLA0TX4	BRL	2013	69	2014	95.5% CDI
BSI BRASIL	LCA NOVA LCA NOVA BRINTLLA0TT2	BRL	2013	25	2014	90% CDI
BSI BRASIL	LCA NOVA LCA NOVA BRINTLLA0TW6	BRL	2013	63	2014	98% CDI
BSI BRASIL	LCA NOVA LCA NOVA BRINTLLA0U40	BRL	2013	802	2014	96% CDI
BSI BRASIL	LCA NOVA LCA NOVA BRINTLLA0U08	BRL	2013	37	2014	97% CDI
BSI BRASIL	LCA NOVA LCA NOVA BRINTLLA0U16	BRL	2013	53	2014	97% CDI
BSI BRASIL	LCA NOVA LCA NOVA BRINTLLA0U24	BRL	2013	264	2014	90% CDI
BSI BRASIL	LCA NOVA LCA NOVA BRINTLLA0U73	BRL	2013	63	2014	96% CDI
BSI BRASIL	LCA NOVA LCA NOVA BRINTLLA0U57	BRL	2013	22	2014	95.25% CDI
BSI BRASIL	LCA NOVA LCA NOVA BRINTLLA0U65	BRL	2013	49	2014	97% CDI
BSI BRASIL	LCA NOVA LCA NOVA BRINTLLA0U81	BRL	2013	63	2014	98% CDI
BSI BRASIL	LCA NOVA LCA NOVA BRINTLLA0U99	BRL	2013	69	2014	96.5% CDI
BSI BRASIL	LCA NOVA LCA NOVA BRINTLLA0UA0	BRL	2013	28	2014	90% CDI
BSI BRASIL	LCA NOVA LCA NOVA BRINTLLA0UD4	BRL	2013	20	2014	90% CDI
BSI BRASIL	LCA NOVA LCA NOVA BRINTLLA0UG7	BRL	2013	16	2014	90% CDI
BSI BRASIL	LCA NOVA LCA NOVA BRINTLLA0UI3	BRL	2013	94	2014	95.25% CDI
BSI BRASIL	Letra de Crédito Imobiliario LCI BRINTLLIC341	BRL	2013	76	2014	96% CDI
BSI BRASIL	LCA NOVA LCA NOVA BRINTLLA0UL7	BRL	2013	16	2014	96% CDI
BSI BRASIL	LCA NOVA LCA NOVA BRINTLLA0UK9	BRL	2013	16	2014	90% CDI
BSI BRASIL	LCA NOVA LCA NOVA BRINTLLA0UM5	BRL	2013	157	2014	98% CDI
BSI BRASIL	LCA NOVA LCA NOVA BRINTLLA0UP8	BRL	2013	37	2014	95% CDI
BSI BRASIL	LCA NOVA LCA NOVA BRINTLLA0UQ6	BRL	2013	38	2014	97% CDI
BSI BRASIL	LCA NOVA LCA NOVA BRINTLLA0UR4	BRL	2013	63	2014	97% CDI
BSI BRASIL	LCA NOVA LCA NOVA BRINTLLA0UU8	BRL	2013	79	2014	97% CDI
BSI BRASIL	LCA NOVA LCA NOVA BRINTLLA0UV6	BRL	2013	79	2014	93% CDI
BSI BRASIL	LCA NOVA LCA NOVA BRINTLLA0US2	BRL	2013	67	2014	98% CDI
BSI BRASIL	LCA NOVA LCA NOVA BRINTLLA0V15	BRL	2013	65	2014	97% CDI
BSI BRASIL	Letra de Crédito Imobiliario LCI BRINTLLIC358	BRL	2013	157	2014	96% CDI
BSI BRASIL	LCA NOVA LCA NOVA BRINTLLA0V07	BRL	2013	63	2014	97.5% CDI
BSI BRASIL	LCA NOVA LCA NOVA BRINTLLA0V31	BRL	2013	70	2014	90% CDI
BSI BRASIL	LCA NOVA LCA NOVA BRINTLLA0V49	BRL	2013	638	2014	90% CDI

(in thousands of euro)

				31.12.2013		
Issuer	Designation	Currency	Issue date	Book value	Maturity	Interest rate
BSI BRASIL	LCA NOVA LCA NOVA BRINTLLA0VZ7	BRL	2013	63	2014	97% CDI
BSI BRASIL	LCA NOVA LCA NOVA BRINTLLA0VB6	BRL	2013	479	2014	96% CDI
BSI BRASIL	LCA NOVA LCA NOVA BRINTLLA0V56	BRL	2013	16	2014	95% CDI
BSI BRASIL	LCA NOVA LCA NOVA BRINTLLA0V80	BRL	2013	63	2014	96% CDI
BSI BRASIL	LCA NOVA LCA NOVA BRINTLLA0VA8	BRL	2013	313	2014	90% CDI
BSI BRASIL	LCA NOVA LCA NOVA BRINTLLA0VE0	BRL	2013	62	2014	93.5% CDI
BSI BRASIL	LCA NOVA LCA NOVA BRINTLLA0VD2	BRL	2013	17	2014	90% CDI
BSI BRASIL	LCA NOVA LCA NOVA BRINTLLA0VH3	BRL	2013	31	2014	97% CDI
BSI BRASIL	LCA NOVA LCA NOVA BRINTLLA0VN1	BRL	2013	20	2014	93% CDI
BSI BRASIL	LCA NOVA LCA NOVA BRINTLLA0VL5	BRL	2013	36	2014	97% CDI
BSI BRASIL	LCA NOVA LCA NOVA BRINTLLA0VM3	BRL	2013	45	2014	90% CDI
BSI BRASIL	LCA NOVA LCA NOVA BRINTLLA0VO9	BRL	2013	139	2014	90% CDI
BSI BRASIL	LCA NOVA LCA NOVA BRINTLLA0VR2	BRL	2013	78	2014	95% CDI
BSI BRASIL	LCA NOVA LCA NOVA BRINTLLA0VP6	BRL	2013	31	2014	93% CDI
BSI BRASIL	LCA NOVA LCA NOVA BRINTLLA0VQ4	BRL	2013	12	2014	90% CDI
BSI BRASIL	LCA NOVA LCA NOVA BRINTLLA0VS0	BRL	2013	156	2014	98% CDI
BSI BRASIL	LCA NOVA LCA NOVA BRINTLLA0VT8	BRL	2013	9	2014	90% CDI
BSI BRASIL	LCA NOVA LCA NOVA BRINTLLA0VU6	BRL	2013	62	2014	95% CDI
BSI BRASIL	LCA NOVA LCA NOVA BRINTLLA0VV4	BRL	2013	47	2014	96.5% CDI
BSI BRASIL	LCA NOVA LCA NOVA BRINTLLA0VW2	BRL	2013	56	2014	96% CDI
BSI BRASIL	LCA NOVA LCA NOVA BRINTLLA0VX0	BRL	2013	69	2014	97% CDI
BSI BRASIL	LCA NOVA LCA NOVA BRINTLLA0VY8	BRL	2013	36	2014	90% CDI
BSI BRASIL	LCA NOVA LCA NOVA BRINTLLA0W06	BRL	2013	78	2014	98% CDI
BSI BRASIL	LCA NOVA LCA NOVA BRINTLLA0WB4	BRL	2013	76	2014	91% CDI
BSI BRASIL	LCA NOVA LCA NOVA BRINTLLA0W89	BRL	2013	22	2014	95% CDI
BSI BRASIL	LCA NOVA LCA NOVA BRINTLLA0W48	BRL	2013	141	2014	97% CDI
BSI BRASIL	LCA NOVA LCA NOVA BRINTLLA0W55	BRL	2013	367	2014	97% CDI
BSI BRASIL	LCA NOVA LCA NOVA BRINTLLA0W63	BRL	2013	520	2014	97% CDI
BSI BRASIL	LCA NOVA LCA NOVA BRINTLLA0WA6	BRL	2013	76	2014	93% CDI
BSI BRASIL	LCA NOVA LCA NOVA BRINTLLA0W14	BRL	2013	5	2014	96% CDI
BSI BRASIL	LCA NOVA LCA NOVA BRINTLLA0W22	BRL	2013	30	2014	96% CDI
BSI BRASIL	LCA NOVA LCA NOVA BRINTLLA0W30	BRL	2013	5	2014	90% CDI
BSI BRASIL	LCA NOVA LCA NOVA BRINTLLA0W71	BRL	2013	16	2014	97% CDI
BSI BRASIL	LCA NOVA LCA NOVA BRINTLLA0WD0	BRL	2013	91	2014	96% CDI
BSI BRASIL	LCA NOVA LCA NOVA BRINTLLA0WC2	BRL	2013	25	2014	90% CDI
BSI BRASIL	Letra de Crédito Imobiliario LCI BRINTLLIC366	BRL	2013	374	2014	96% CDI
BSI BRASIL	LCA NOVA LCA NOVA BRINTLLA0WH1	BRL	2013	62	2014	96% CDI
BSI BRASIL	LCA NOVA LCA NOVA BRINTLLA0WE8	BRL	2013	18	2014	90% CDI
BSI BRASIL	LCA NOVA LCA NOVA BRINTLLA0WI9	BRL	2013	62	2014	98% CDI
BSI BRASIL	LCA NOVA LCA NOVA BRINTLLA0WJ7	BRL	2013	449	2014	94% CDI
BSI BRASIL	LCA NOVA LCA NOVA BRINTLLA0WK5	BRL	2013	16	2014	92% CDI
BSI BRASIL	LCA NOVA LCA NOVA BRINTLLA0WL3	BRL	2013	75	2014	95% CDI
BSI BRASIL	LCA NOVA LCA NOVA BRINTLLA0WM1	BRL	2013	12	2014	90% CDI
BSI BRASIL	LCA NOVA LCA NOVA BRINTLLA0WN9	BRL	2013	16	2014	95% CDI
BSI BRASIL	LCA NOVA LCA NOVA BRINTLLA0WQ2	BRL	2013	31	2014	98% CDI
BSI BRASIL	LCA NOVA LCA NOVA BRINTLLA0WS8	BRL	2013	69	2014	96% CDI
BSI BRASIL	LCA NOVA LCA NOVA BRINTLLA0WT6	BRL	2013	14	2014	94% CDI
BSI BRASIL	LCA NOVA LCA NOVA BRINTLLA0WV2	BRL	2013	17	2014	92% CDI
BSI BRASIL	LCA NOVA LCA NOVA BRINTLLA0WY6	BRL	2013	62	2014	95% CDI
BSI BRASIL	LCA NOVA LCA NOVA BRINTLLA0X05	BRL	2013	63	2014	95% CDI
BSI BRASIL	LCA NOVA LCA NOVA BRINTLLA0WZ3	BRL	2013	62	2014	96% CDI
BSI BRASIL	LCA NOVA LCA NOVA BRINTLLA0WW0	BRL	2013	35	2014	98% CDI
BSI BRASIL	LCA NOVA LCA NOVA BRINTLLA0WX8	BRL	2013	38	2014	96% CDI
BSI BRASIL	LCA NOVA LCA NOVA BRINTLLA0X21	BRL	2013	103	2014	90% CDI
BSI BRASIL	LCA NOVA LCA NOVA BRINTLLA0X39	BRL	2013	7	2014	97% CDI
BSI BRASIL	LCA NOVA LCA NOVA BRINTLLA0X47	BRL	2013	66	2014	97.5% CDI
BSI BRASIL	LCA NOVA LCA NOVA BRINTLLA0X88	BRL	2013	31	2014	94% CDI
BSI BRASIL	LCA NOVA LCA NOVA BRINTLLA0XA4	BRL	2013	62	2014	92% CDI
BSI BRASIL	LCA NOVA LCA NOVA BRINTLLA0X96	BRL	2013	206	2014	97% CDI
BSI BRASIL	LCA NOVA LCA NOVA BRINTLLA0XB2	BRL	2013	6	2014	90% CDI
BSI BRASIL	LCA NOVA LCA NOVA BRINTLLA0XD8	BRL	2013	75	2014	95% CDI
BSI BRASIL	LCA NOVA LCA NOVA BRINTLLA0XE6	BRL	2013	11	2014	90% CDI
BSI BRASIL	LCA NOVA LCA NOVA BRINTLLA0XF3	BRL	2013	69	2014	97% CDI
BSI BRASIL	LCA NOVA LCA NOVA BRINTLLA0XK3	BRL	2013	2 177	2014	90% CDI
BSI BRASIL	LCA NOVA LCA NOVA BRINTLLA0XG1	BRL	2013	47	2014	97% CDI
BSI BRASIL	LCA NOVA LCA NOVA BRINTLLA0XI7	BRL	2013	87	2014	96% CDI
BSI BRASIL	LCA NOVA LCA NOVA BRINTLLA0XN7	BRL	2013	16	2014	95% CDI
BSI BRASIL	LCA NOVA LCA NOVA BRINTLLA0XL1	BRL	2013	68	2014	97% CDI
BSI BRASIL	LCA NOVA LCA NOVA BRINTLLA0XO5	BRL	2013	48	2014	94% CDI
BSI BRASIL	LCA NOVA LCA NOVA BRINTLLA0XQ0	BRL	2013	17	2014	97% CDI
BSI BRASIL	LCA NOVA LCA NOVA BRINTLLA0XP2	BRL	2013	48	2014	90% CDI
BSI BRASIL	LCA NOVA LCA NOVA BRINTLLA0XS6	BRL	2013	51	2014	94% CDI
BSI BRASIL	LCA NOVA LCA NOVA BRINTLLA0XT4	BRL	2013	34	2014	95% CDI
BSI BRASIL	LCA NOVA LCA NOVA BRINTLLA0XU2	BRL	2013	245	2014	96% CDI
BSI BRASIL	LCA NOVA LCA NOVA BRINTLLA0XW8	BRL	2013	47	2014	97% CDI
BSI BRASIL	LCA NOVA LCA NOVA BRINTLLA0XV0	BRL	2013	168	2014	90% CDI
BSI BRASIL	LCA NOVA LCA NOVA BRINTLLA0XX6	BRL	2013	16	2014	91% CDI

(in thousands of euro)

Issuer	Designation	Currency	Issue date	Book value	Maturity	Interest rate
				31.12.2013		
BSI BRASIL	LCA NOVA LCA NOVA BRINTLLA0XZ1	BRL	2013	69	2014	94.5% CDI
BSI BRASIL	LCA NOVA LCA NOVA BRINTLLA0XY4	BRL	2013	20	2014	93% CDI
BSI BRASIL	LCA NOVA LCA NOVA BRINTLLA0Y12	BRL	2013	96	2014	96% CDI
BSI BRASIL	LCA NOVA LCA NOVA BRINTLLA0Y53	BRL	2013	68	2014	95% CDI
BSI BRASIL	LCA NOVA LCA NOVA BRINTLLA0Y38	BRL	2013	62	2014	97% CDI
BSI BRASIL	LCA NOVA LCA NOVA BRINTLLA0Y46	BRL	2013	72	2014	97.5% CDI
BSI BRASIL	LCA NOVA LCA NOVA BRINTLLA0Y61	BRL	2013	31	2014	94% CDI
BSI BRASIL	LCA NOVA LCA NOVA BRINTLLA0YB0	BRL	2013	12	2014	94% CDI
BSI BRASIL	LCA NOVA LCA NOVA BRINTLLA0YA2	BRL	2013	311	2014	90% CDI
BSI BRASIL	LCA PRE LCA PRE BRINTLLA0Y87	BRL	2013	127	2014	Fixed Rate - 10.73%
BSI BRASIL	LCA PRE LCA PRE BRINTLLA0Y95	BRL	2013	312	2014	Fixed Rate - 10.73%
BSI BRASIL	LCA NOVA LCA NOVA BRINTLLA0YE4	BRL	2013	18	2014	94% CDI
BSI BRASIL	LCA NOVA LCA NOVA BRINTLLA0YF1	BRL	2013	16	2014	95% CDI
BSI BRASIL	LCA NOVA LCA NOVA BRINTLLA0YC8	BRL	2013	40	2014	97% CDI
BSI BRASIL	LCA NOVA LCA NOVA BRINTLLA0YD6	BRL	2013	163	2014	96% CDI
BSI BRASIL	LCA NOVA LCA NOVA BRINTLLA0YG9	BRL	2013	31	2014	95% CDI
BSI BRASIL	LCA NOVA LCA NOVA BRINTLLA0YH7	BRL	2013	78	2014	94% CDI
BSI BRASIL	LCA NOVA LCA NOVA BRINTLLA0YK1	BRL	2013	31	2014	91% CDI
BSI BRASIL	LCA NOVA LCA NOVA BRINTLLA0YL9	BRL	2013	62	2014	92% CDI
BSI BRASIL	LCA NOVA LCA NOVA BRINTLLA0YM7	BRL	2013	16	2014	93% CDI
BSI BRASIL	LF LETRA FINANCEIRA BES INVESTIMENTO BRINTLLFI18	BRL	2013	47	2015	115% CDI
BSI BRASIL	LCA NOVA LCA NOVA BRINTLLA0YP0	BRL	2013	16	2014	94% CDI
BSI BRASIL	LCA NOVA LCA NOVA BRINTLLA0YU0	BRL	2013	62	2014	91% CDI
BSI BRASIL	LCA NOVA LCA NOVA BRINTLLA0YR6	BRL	2013	62	2014	93.5% CDI
BSI BRASIL	LCA NOVA LCA NOVA BRINTLLA0YS4	BRL	2013	46	2014	97% CDI
BSI BRASIL	LCA NOVA LCA NOVA BRINTLLA0YT2	BRL	2013	62	2014	98% CDI
BSI BRASIL	LCA NOVA LCA NOVA BRINTLLA0YV8	BRL	2013	16	2014	94% CDI
BSI BRASIL	LCA NOVA LCA NOVA BRINTLLA0YW6	BRL	2013	258	2014	97% CDI
BSI BRASIL	LCA NOVA LCA NOVA BRINTLLA0YX4	BRL	2013	16	2014	95% CDI
BSI BRASIL	LCA NOVA LCA NOVA BRINTLLA0Z37	BRL	2013	73	2014	92% CDI
BSI BRASIL	Letra de Crédito Imobiliario LCI BRINTLLIC374	BRL	2013	930	2014	96% CDI
BSI BRASIL	LCA NOVA LCA NOVA BRINTLLA0Z29	BRL	2013	15	2014	92% CDI
BSI BRASIL	LCA NOVA LCA NOVA BRINTLLA0YY2	BRL	2013	31	2014	97% CDI
BSI BRASIL	LCA NOVA LCA NOVA BRINTLLA0Z11	BRL	2013	16	2014	96% CDI
BSI BRASIL	LCA NOVA LCA NOVA BRINTLLA0Z03	BRL	2013	22	2014	94% CDI
BSI BRASIL	LCA NOVA LCA NOVA BRINTLLA0Z52	BRL	2013	15	2014	94% CDI
BSI BRASIL	LCA NOVA LCA NOVA BRINTLLA0Z60	BRL	2013	42	2014	96% CDI
BSI BRASIL	LCA NOVA LCA NOVA BRINTLLA0ZA9	BRL	2013	50	2014	91% CDI
BSI BRASIL	LCA NOVA LCA NOVA BRINTLLA0ZB7	BRL	2013	41	2014	93% CDI
BSI BRASIL	LCA NOVA LCA NOVA BRINTLLA0ZC5	BRL	2013	65	2014	95% CDI
BSI BRASIL	LCA NOVA LCA NOVA BRINTLLA0Z94	BRL	2013	31	2014	97% CDI
BSI BRASIL	LCA NOVA LCA NOVA BRINTLLA0ZF8	BRL	2013	19	2014	94% CDI
BSI BRASIL	LCA NOVA LCA NOVA BRINTLLA0ZG6	BRL	2013	17	2014	95% CDI
BSI BRASIL	LCA NOVA LCA NOVA BRINTLLA0ZD3	BRL	2013	418	2014	90% CDI
BSI BRASIL	LCA NOVA LCA NOVA BRINTLLA0ZE1	BRL	2013	4	2014	98% CDI
BSI BRASIL	LCA NOVA LCA NOVA BRINTLLA0ZH4	BRL	2013	108	2014	90% CDI
BSI BRASIL	LCA NOVA LCA NOVA BRINTLLA0ZJ0	BRL	2013	53	2014	95% CDI
BSI BRASIL	LCA NOVA LCA NOVA BRINTLLA0ZK8	BRL	2013	25	2014	96% CDI
BSI BRASIL	LCA NOVA LCA NOVA BRINTLLA0ZO0	BRL	2013	106	2014	91% CDI
BSI BRASIL	LCA NOVA LCA NOVA BRINTLLA0ZL6	BRL	2013	46	2014	94.5% CDI
BSI BRASIL	LCA NOVA LCA NOVA BRINTLLA0ZP7	BRL	2013	15	2014	95% CDI
BSI BRASIL	LCA NOVA LCA NOVA BRINTLLA0ZM4	BRL	2013	200	2014	98% CDI
BSI BRASIL	LCA NOVA LCA NOVA BRINTLLA0ZR3	BRL	2013	31	2014	93% CDI
BSI BRASIL	LCA NOVA LCA NOVA BRINTLLA0ZS1	BRL	2013	16	2014	92% CDI
BSI BRASIL	LCA NOVA LCA NOVA BRINTLLA0ZT9	BRL	2013	25	2014	96% CDI
BSI BRASIL	LCA NOVA LCA NOVA BRINTLLA0ZQ5	BRL	2013	9	2014	98% CDI
BSI BRASIL	LCA NOVA LCA NOVA BRINTLLA0ZV5	BRL	2013	94	2014	96% CDI
BSI BRASIL	LCA NOVA LCA NOVA BRINTLLA0ZW3	BRL	2013	2 843	2014	98.5% CDI
BSI BRASIL	LCA NOVA LCA NOVA BRINTLLA0ZX1	BRL	2013	285	2014	94% CDI
BSI BRASIL	LCA NOVA LCA NOVA BRINTLLA0ZZ6	BRL	2013	17	2014	93% CDI
BSI BRASIL	LCA NOVA LCA NOVA BRINTLLA0ZY9	BRL	2013	9	2014	93% CDI
BSI BRASIL	LCA NOVA LCA NOVA BRINTLLA1002	BRL	2013	48	2014	95% CDI
BSI BRASIL	LCA NOVA LCA NOVA BRINTLLA1010	BRL	2013	80	2014	97% CDI
BSI BRASIL	LCA NOVA LCA NOVA BRINTLLA1036	BRL	2013	93	2014	94% CDI
BSI BRASIL	LCA NOVA LCA NOVA BRINTLLA1028	BRL	2013	83	2014	98% CDI
BSI BRASIL	LCA NOVA LCA NOVA BRINTLLA1044	BRL	2013	93	2014	94% CDI
BSI BRASIL	LCA NOVA LCA NOVA BRINTLLA1051	BRL	2013	56	2014	95% CDI
BSI BRASIL	LCA NOVA LCA NOVA AABBCCDDEE30	BRL	2013	65	2014	98% CDI
BSI BRASIL	LCA NOVA LCA NOVA BRINTLLA1077	BRL	2013	62	2014	97% CDI
BSI BRASIL	LCA NOVA LCA NOVA BRINTLLA1085	BRL	2013	77	2014	94% CDI
BSI BRASIL	LCA NOVA LCA NOVA BRINTLLA1093	BRL	2013	801	2014	95.5% CDI
BSI BRASIL	LF LETRA FINANCEIRA BES INVESTIMENTO BRINTLLFI19	BRL	2013	62	2017	118% CDI
BSI BRASIL	LCA NOVA LCA NOVA BRINTLLA10A2	BRL	2013	64	2014	96% CDI
BSI BRASIL	LCA NOVA LCA NOVA BRINTLLA10B0	BRL	2013	34	2014	98% CDI
BSI BRASIL	LCA NOVA LCA NOVA BRINTLLA10D6	BRL	2013	130	2014	90% CDI
BSI BRASIL	LCA NOVA LCA NOVA BRINTLLA10E4	BRL	2013	309	2014	97% CDI
BSI BRASIL	LCA NOVA LCA NOVA BRINTLLA10C8	BRL	2013	7	2014	98% CDI

ESPIRITO SANTO INVESTMENT BANK

(in thousands of euro)

					31.12.2013		
Issuer	Designation		Currency	Issue date	Book value	Maturity	Interest rate
BSI BRASIL	LCA NOVA LCA NOVA BRINTLLA10F1		BRL	2013	10	2014	98% CDI
BSI BRASIL	LCA NOVA LCA NOVA BRINTLLA1069		BRL	2013	68	2014	94% CDI
BSI BRASIL	LCA NOVA LCA NOVA BRINTLLA10J3		BRL	2013	713	2014	96% CDI
BSI BRASIL	LCA NOVA LCA NOVA BRINTLLA10H7		BRL	2013	213	2014	90% CDI
BSI BRASIL	LCA NOVA LCA NOVA BRINTLLA10I5		BRL	2013	325	2014	90% CDI
BSI BRASIL	LCA NOVA LCA NOVA BRINTLLA10L9		BRL	2013	218	2014	96% CDI
BSI BRASIL	LCA NOVA LCA NOVA BRINTLLA10K1		BRL	2013	3	2014	96% CDI
BSI BRASIL	LCA NOVA LCA NOVA BRITNLLA10K1		BRL	2013	3	2014	96% CDI
BSI BRASIL	LCA NOVA LCA NOVA BRINTLLA10P0		BRL	2013	3 688	2014	100% CDI
BSI BRASIL	LCA NOVA LCA NOVA BRINTLLA10O3		BRL	2013	74	2014	95% CDI
BSI BRASIL	LCA NOVA LCA NOVA BRINTLLA10M7		BRL	2013	9	2014	93% CDI
BSI BRASIL	LCA NOVA LCA NOVA BRINTLLA10N5		BRL	2013	31	2014	97% CDI
BSI BRASIL	LCA NOVA LCA NOVA BRINTLLA10K6		BRL	2013	69	2014	94% CDI
BSI BRASIL	LCA NOVA LCA NOVA BRINTLLA10Q8		BRL	2013	68	2014	98% CDI
BSI BRASIL	LCA NOVA LCA NOVA BRINTLLA10S4		BRL	2013	2 457	2014	100% CDI
BSI BRASIL	LCA NOVA LCA NOVA BRINTLLA10T2		BRL	2013	112	2014	97% CDI
BSI BRASIL_C	BES INVESTIMENTO DO 2.90000 29/05/2014		USD	2013	7 569	2014	3%
ESIP	ESIP OUT24 ESFP LINKED CMS NOTE		EUR	2004	5 871	2024	Fixed rate + Indexed to CMS
ESIP	ESIP CALL RANGE ACCRUAL MAY2015		EUR	2005	1 226	2015	Range accrual
ESIP	ESIP BESLEAS&INFLAT LINK MAY15	a)	EUR	2005	9 366	2015	Indexed to HIPC Ex-Tobacco + e)
ESIP	ESIP RANGE ACCRUAL JUN15		EUR	2005	244	2015	Range accrual
ESIP	ESIP EUR LEVERAGE SNOWBALL JUL15		EUR	2005	1 266	2015	Fixed rate + Snowball f)
ESIP	ESIP AGO05 SEP35 CALLABLE INV FL		EUR	2005	9 861	2035	Euribor 12 months + g)
ESIP	ESIP LEVERAGE SNOWBALL SEP2015		EUR	2005	3 180	2015	Fixed rate + Snowball + b)
ESIP	ESIP CALL RANGE ACCRUAL NOV2017	a)	EUR	2005	2 182	2017	Range accrual
ESIP	ESIP 30CMS-2CMS LKD NOTE NOV2036	a)	EUR	2005	16 169	2036	Fixed rate 7.44% + Indexed to CMS
ESIP	ESIP EUR12M+16 BP APR2016		EUR	2006	4 018	2016	Euribor 12M
ESIP	ESIP JAN2017 INDEX BASKET LKD	a)	EUR	2007	11 456	2017	h)
ESIP	ESIP MAY14 EQUIT BASKT LINKED	a)	USD	2007	1 866	2014	i)
ESIP	ESIP DEC2015 BASKET LINKED	a)	EUR	2007	253	2015	Indexed to BBVA, Credit Agricole and Fortis
ESIP	ESIP BCP FIN CRD LKD DEC2015	a)	EUR	2007	4 355	2015	e)
ESIP	ESIP BARCLAYS LKD 6.30% MAR2016	a)	EUR	2008	2 626	2016	Fixed Rate 6.30% + e)
ESIP	ESIP BARCLAYS LKD EUR3M MAR2016	a)	EUR	2008	1 283	2016	Euribor 3M + 2.20% + e)
ESIP	ESIP BARCLAYS LKD ZC MAR2016	a)	EUR	2008	2 347	2016	ZC + e)
ESIP	ESIP JUL2014 EQL LINKED	a)	EUR	2008	1 254	2014	Indexed to DT, TEF and France Telecom
ESIP	ESIP OCT2014 EQL LINKED	a)	EUR	2008	4 430	2014	Indexed to a BBVA and Deutsche Bank
ESIP	ESIP OCT2014 BANKS EQL LINKED	a)	EUR	2008	3 929	2014	Indexed to a BBVA and Santander
ESIP	ESIP OCT2014 EQL LINKED 2	a)	EUR	2008	1 163	2014	Indexed to a BBVA and Santander
ESIP	ESIP DEC2014 EQL LINKED	a)	EUR	2008	1 077	2014	Indexed to a BNP and Credit Agricole
ESIP	ESIP FIXED AMOUNT + AMORT NOV22	a)	EUR	2009	1 661	2022	Fixed Amounts
ESIP	ESIP LACAIXA EUR3M+2% MAR2016	a)	EUR	2009	2 805	2016	Euribor 3M+2% + e)
ESIP	ESIP JUL2014 INFLATION LINKED	a)	EUR	2009	1 497	2014	Indexed to inflation
ESIP	ESIP FEB2020 EQL LINKED	a)	EUR	2009	81	2020	j)
ESIP	ESIP SEP2014 OCIDENTE II EQL	a)	EUR	2009	10 973	2014	k)
ESIP	ESIP CLN 5.45% OCT2014	a)	EUR	2009	9 814	2014	e)
ESIP	ESIP OCT2014 EQL	a)	EUR	2009	1 325	2014	Indexed to BBVA and Deutsche Bank
ESIP	ESIP CIMPOR CLN EUR3M DEC2014	a)	EUR	2009	4 439	2014	e)
ESIP	ESIP FTD IBERIA 5.95% DEC2014	a)	EUR	2009	15 033	2014	e)
ESIP	ESIP FTD IBERIA II 5.5% DEC2014	a)	EUR	2009	5 021	2014	e)
ESIP	ESIP USD FTD IBERIA 5.5% DEC2014	a)	USD	2009	3 639	2014	e)
ESIP	ESIP BRAZIL EQL LINKED	a)	EUR	2009	3 162	2014	l)
ESIP	ESIP DEC2014 SX5E LINKED	a)	EUR	2009	4 632	2014	Indexed to DJ Eurostoxx 50
ESIP	ESIP BSKT MERC EMERG EQL FEB2014	a)	EUR	2010	2 475	2014	m)
ESIP	ESIP USDEUR FX LKD MAY2015	a)	EUR	2010	289	2015	Indexed to EUR/USD
ESIP	ESIP DJ US REAL EST LKD MAR2015	a)	EUR	2010	800	2015	Indexed to Ishares DJ US Real State Index fund
ESIP	ESIP FTD CRD LINKED JUN2015	a)	EUR	2010	6 183	2015	n)
ESIP	ESIP CRDAGRI CL EUR6M+1.15 JUN15	a)	EUR	2010	2 402	2015	Euribor 6M ACT/360
ESIP	ESIP BRAZIL EQL MAY2016	a)	EUR	2010	3 279	2016	o)
ESIP	ESIP SX5E MAY14 EQL	a)	EUR	2010	2 066	2014	Indexed to Eurostoxx
ESIP	ESIP BASKET LKD JUL2014	a)	EUR	2010	1 193	2014	p)
ESIP	ESIP SEP15 DIGITAL	a)	USD	2010	1 066	2015	Digital US Libor 3M
ESIP	ESIP ASIA INDEX LKD SEP2014	a)	EUR	2010	1 484	2014	q)
ESIP	ESIP DEC2015 CREDLINKED BSCH	a)	EUR	2011	1 599	2015	Indexed to BBVA, Credit Agricole and Fortis
ESIP	ESIP EXPOSICAO EURUSD LKD FEB14	a)	EUR	2011	975	2014	FX EUR/USD Linked
ESIP	ESIP FEB16 5A EXPOSIC AFRICA LKD	a)	EUR	2011	972	2016	r)
ESIP	ESIP DUAL5%+AFRICA LKD FEB15	a)	EUR	2011	1 221	2015	s)
ESIP	ESIP SX5E LKD FEB14	a)	EUR	2011	1 632	2014	Eurostoxx Linked
ESIP	ESIP CABAZ BRASIL LKD FEB14	a)	EUR	2011	1 616	2014	t)
ESIP	ESIP CLN SANTANDER MAR2014	a)	EUR	2011	6 372	2014	6.35% + CLN BSCH SUB
ESIP	ESIP SX5E SPX LKD MAR2016	a)	EUR	2011	1 856	2016	Eurostoxx Linked
ESIP	ESIP CLN EDP MAR2014	a)	EUR	2011	10 487	2014	7% + CLN EDP
ESIP	ESIP EDP MAR2014 CLN	a)	EUR	2011	15 242	2014	6.5% + CLN EDP
ESIP	ESIP MAR14 BES USDBRL LINKED	a)	EUR	2011	1 437	2014	USD/BRL Linked
ESIP	ESIP MAR14 EURCHF LINKED	a)	EUR	2011	1 334	2014	FX EUR/CHF Linked
ESIP	ESIP MAR2014 TEF FTE LINKED	a)	EUR	2011	927	2014	Telefonica e France Telecom Linked
ESIP	ESIP APR2015 BES ENERGIA LINKED	a)	EUR	2011	9 907	2015	Espirito Santo Rockefeller Global Linked
ESIP	ESIP APR2015 BES ENERGIA LKD	a)	USD	2011	2 528	2015	Espirito Santo Rockefeller Global Linked

(in thousands of euro)

					31.12.2013		
Issuer	Designation		Currency	Issue date	Book value	Maturity	Interest rate
ESIP	ESIP EDP CLN JUN2014	a)	EUR	2011	14 553	2014	7% + CLN EDP
ESIP	ESIP APRIL2014 HEALTH CARE LKD	a)	EUR	2011	8 796	2014	Health Care Select Sector SPDR Fund Linked
ESIP	ESIP HEALTH CARE LKD APR2014	a)	EUR	2011	2 271	2014	u)
ESIP	ESIP TEF PT LKD 26APR2014	a)	EUR	2011	390	2014	Telefonica and Portugal Telecom Linked
ESIP	ESIP TEF PT LKD APR2014	a)	EUR	2011	391	2014	Telefonica and Portugal Telecom Linked
ESIP	ESIP EUR PT CLN JUN2014	a)	EUR	2011	10 038	2014	6.75% + CLN PT
ESIP	ESIP BES MOMENTUM JUN2015	a)	EUR	2011	7 010	2015	Espirito Santo Momentum Fund Linked
ESIP	ESIP BSCH CLN JUN2014	a)	EUR	2011	5 848	2014	6.1% + CLN BSCH
ESIP	ESIP TEF PT JUN2014	a)	EUR	2011	1 496	2014	Telefonica and Portugal Telecom Linked
ESIP	ESIP PETROBRAS CLN JUN2014	a)	USD	2011	2 205	2014	3-Month USD libor + 3,70% + CLN PETROBRAS
ESIP	ESIP BRAZIL NOTES LKD MAY2016	a)	EUR	2011	1 824	2016	EUR/BRL Linked
ESIP	ESIP PT II CLN JUN2014	a)	EUR	2011	7 624	2014	7% + CLN PT
ESIP	ESIP BES PROTECCAO JUN2014	a)	EUR	2011	50 974	2014	v)
ESIP	ESIP BES 5ANOS EFIC ENERG JUNE16	a)	EUR	2011	2 870	2016	w)
ESIP	ESIP SANTANDER CLN JUN2014	a)	EUR	2011	2 754	2014	6.4% + CLN BSCH
ESIP	ESIP SX5E JUL15 EQL	a)	EUR	2011	1 594	2015	Eurostoxx Linked
ESIP	ESIP BES PROTECCAO II JUN2014	a)	EUR	2011	23 915	2014	Inflation and Euribor 12M Liked
ESIP	ESIP EUR PRICING POWER 5Y JUL16	a)	EUR	2011	1 692	2016	x)
ESIP	ESIP AUG2014 ALEMANHA EQL LINKED	a)	EUR	2011	1 890	2014	y)
ESIP	ESIP AUG14 ES ROCKEFELLERGLO LKD	a)	EUR	2011	901	2014	Espírito Santo Rockfeller Linked
ESIP	ESIP BARCLAYS CLN SEP2014	a)	EUR	2011	2 638	2014	6% + Barclays CLN
ESIP	ESIP AUG14 INFLATION LKD	a)	EUR	2011	38 404	2014	Inflation Linked
ESIP	ESIP SEP14 TRY LKD	a)	EUR	2011	977	2014	Fx linked
ESIP	ESIP BANCO POPULAR CLN SEP2014	a)	EUR	2011	3 189	2014	8.75% + POPULAR CLN
ESIP	ESIP BRL FXL LINKED SEP2016	a)	EUR	2011	731	2016	Fx linked
ESIP	ESIP SEP2014 INFLATION+EURIBOR	a)	EUR	2011	28 096	2014	Inflation and Euribor 12M Liked
ESIP	ESIP BCO POPULAR CLN SEP2014	a)	EUR	2011	1 515	2014	8.75% + POPULAR CLN
ESIP	ESIP SEP2014 PSI20 EQL 4	a)	EUR	2011	5 244	2014	PSI20 Linked
ESIP	ESIP BCO POPULAR CRDLK SEP2014	a)	EUR	2011	7 705	2014	9.40% + Banco Popular CLN
ESIP	ESIP PT CLN DEC2014	a)	EUR	2011	22 287	2014	11% + PT CLN
ESIP	ESIP OCT2014 WORLD INVESTM EQL 3	a)	EUR	2011	1 349	2014	h)
ESIP	ESIP NOV2015 BES4%GLOBAL LINKED	a)	EUR	2011	29 244	2015	z)
ESIP	ESIP SPANISH NOTES NOV 2016	a)	EUR	2011	16	2016	aa)
ESIP	ESIP AUTOCALLABLE 2014	a)	EUR	2011	2 551	2014	ab)
ESIP	ESIP EDP USD CLN DEC2014	a)	USD	2011	1 580	2014	8.5% + EDP CLN
ESIP	ESIP TELECOM ITALIA CLN DEC2014	a)	EUR	2011	5 262	2014	7.25% + Telecom Italia CLN
ESIP	ESIP PORTUGUESE REP CLN DEC2021	a)	EUR	2011	26 566	2021	6% + Portuguese Republic CLN
ESIP	ESIP UTILIT FINANCIALS SHS DEC18	a)	EUR	2011	4 605	2018	ac)
ESIP	ESIP UTILITIES SHS DEC2018	a)	EUR	2011	740	2018	ad)
ESIP	ESIP TELEFONICA CLN DEC2014	a)	EUR	2011	4 623	2014	7.15% + Telefonica CLN
ESIP	ESIP WORLD INVESTMENT II DEC2014	a)	EUR	2011	858	2014	h)
ESIP	ESIP EWZ EQL JAN2015	a)	EUR	2012	862	2015	EWZ Linked
ESIP	ESIP FEB16 EMP NORDICAS EQL	a)	EUR	2012	1 838	2016	ae)
ESIP	ESIP AUG2014 CABAZ MOEDAS 12-14	a)	EUR	2012	7 446	2014	af)
ESIP	ESIP CABAZMOEDA VS EUR FEB15 FXL	a)	EUR	2012	753	2015	af)
ESIP	ESIP EMPRES CHINESAS FEB2017 EQL	a)	EUR	2012	1 296	2017	ag)
ESIP	ESIP EDP MAR2014 CLN 2	a)	EUR	2012	13 399	2014	6.9% + EDP CLN
ESIP	ESIP TWIN WIN EURUSD MAR2015	a)	EUR	2012	928	2015	EUR/USD Linked
ESIP	ESIP DIG CPN EURIBOR 3M MAR2015	a)	EUR	2012	1 601	2015	Digital EURIBOR 3M
ESIP	ESIP DUAL UPGRADE MAR2014	a)	EUR	2012	894	2014	ah)
ESIP	ESIP PSI20 LKD MAR2015	a)	EUR	2012	3 590	2015	PSI20 Linked
ESIP	ESIP LUXURY GOODS LKD MAR2015	a)	EUR	2012	1 358	2015	ai)
ESIP	ESIP APR2019 RECOV BASKET LINKED	a)	EUR	2012	329	2019	aj)
ESIP	ESIP APR2020 BES PROTECCAO LKD	a)	EUR	2012	1 483	2020	Inflation Linked
ESIP	ESIP APR2015 PSI20 LINKED	a)	EUR	2012	1 308	2015	PSI20 Linked
ESIP	ESIP PT 3YR CREDIT LKD JUN15	a)	EUR	2012	10 628	2015	7.75% + PT CLN
ESIP	ESIP PT 3YR CREDIT LINKED JUN15	a)	EUR	2012	14 234	2015	7.75% + PT CLN
ESIP	ESIP EXPOSICAO PETROLEO JUN2015	a)	EUR	2012	194	2015	Brent Linked
ESIP	ESIP RECOV BSKT LINKED JUN2019	a)	EUR	2012	1 148	2019	ak)
ESIP	ESIP BES EXPOS PETROLE JUN15 EQL	a)	EUR	2012	2 372	2015	Brent Linked
ESIP	ESIP BES TECNOLOGIA JUN2015 EQL	a)	EUR	2012	4 720	2015	al)
ESIP	ESIP EDP 3YR CREDIT LINKED JUN15	a)	EUR	2012	15 585	2015	8% + EDP CLN
ESIP	ESIP EDP 3YR II CREDIT LKD JUN15	a)	EUR	2012	12 912	2015	8% + EDP CLN
ESIP	ESIP TELECOM ITALIA CLN SEP2015	a)	EUR	2012	4 408	2015	7% + TELECOM ITALIA CLN
ESIP	ESIP SEP2015 EDP LKD	a)	USD	2012	1 530	2015	7.45% + EDP CLN
ESIP	ESIP PT TELECO CLN SEP2015	a)	EUR	2012	6 544	2015	7% + PT CLN
ESIP	ESIP EDP CLN SEP2015	a)	EUR	2012	8 237	2015	6.25% + EDP CLN
ESIP	ESIP EUR BRL SEP2017	a)	EUR	2012	1 442	2017	EUR/BRL Linked
ESIP	ESIP BES EXP COMMOD AGRICOL EQL4	a)	EUR	2012	8 629	2014	am)
ESIP	ESIP BASKET LINKED OCT2019	a)	EUR	2012	1 075	2019	an)
ESIP	ESIP COMMOD AGRICOL EQL5 OCT2015	a)	EUR	2012	4 780	2015	ao)
ESIP	ESIP BASKET OCT2019 EQL2	a)	EUR	2012	1 776	2019	REP e BSCH Linked
ESIP	ESIP TURKISH LIRA EQL6 OCT2015	a)	EUR	2012	1 623	2015	EUR/TRY Linked
ESIP	ESIP IBERIA NOV2015	a)	EUR	2012	2 395	2015	IBEX+PSI20 Linked
ESIP	ESIP BRAZILIAN NOTES IV OCT2017	a)	EUR	2012	716	2017	EUR/BRL Linked
ESIP	ESIP COMMODITIES NOV2015	a)	EUR	2012	3 666	2015	ap)

ESPIRITO SANTO INVESTMENT BANK

(in thousands of euro)

					31.12.2013		
Issuer	Designation		Currency	Issue date	Book value	Maturity	Interest rate
ESIP	ESIP DEC2012 BASKET FTD	a)	EUR	2012	1 551	2015	aq)
ESIP	ESIP DEC2015 CRDLKD EUR FTD TELE	a)	EUR	2012	14 764	2015	ar)
ESIP	ESIP DEC2015 CRDLKD EDP	a)	EUR	2012	1 012	2015	5.25% + EDP CLN
ESIP	ESIP DEC2015 CRDLKD EDP PT	a)	EUR	2012	4 025	2015	6.50% + EDP PT CLN
ESIP	ESIP DEC2015 CRDLKD EDP PT TLCM	a)	EUR	2012	2 019	2017	as)
ESIP	ESIP DEC2017 RENAULT PT LINKED	a)	EUR	2012	5 237	2017	8.65% + RENAULT PT CLN
ESIP	ESIP DEC2016 AUTOCALL BRASIL	a)	EUR	2012	6 374	2016	at)
ESIP	ESIP DEC2017 EDP PT TEL.ITAL LK	a)	EUR	2012	2 040	2017	as)
ESIP	ESIP DEC2015 FTD CRD LKD	a)	EUR	2013	4 940	2015	au)
ESIP	ESIP AUTOCALL JAN20 EQL	a)	EUR	2013	558	2020	av)
ESIP	ESIP SX5E BOOSTER JAN2016	a)	EUR	2013	2 424	2016	SX5E Linked
ESIP	ESIP SX5E BULLISH JAN2016	a)	EUR	2013	2 602	2016	SX5E Linked
ESIP	ESIP 2Y AUTOCALL BES EQL FEB2015	a)	EUR	2013	944	2015	BES Linked
ESIP	ESIP 4Y AUTOCALL FEB2017 EQL	a)	EUR	2013	10 095	2017	aw)
ESIP	ESIP BARCLAYS 2Y EQL MAR2015	a)	EUR	2013	1 051	2015	BARCLAYS Linkked
ESIP	ESIP BULLISH IBERIA MAR2016	a)	EUR	2013	4 921	2016	ax)
ESIP	ESIP 3Y WIN MAR2016	a)	EUR	2013	1 822	2016	ay)
ESIP	ESIP TURKISH LIRA EQL MAR2018	a)	EUR	2013	2 231	2018	EUR/TRY Linked
ESIP	ESIP CLN GALP MAR2018	a)	EUR	2013	5 982	2018	EUR GALP CLN Linked
ESIP	ESIP 3Y AUTOCAL IBERIA EQL MAR16	a)	EUR	2013	1 803	2016	ax)
ESIP	ESIP USD CLN GALP MAR2018	a)	USD	2013	7 444	2018	USD GALP CLN Linked
ESIP	ESIP 3Y AC SAN TELE REP APR2016	a)	EUR	2013	1 030	2016	az)
ESIP	ESIP BASKET+NOTES APR2016	a)	EUR	2013	1 472	2016	Indexed to a basket composed by Coca-Cola, France Telecom. Vivendi and YUM Brands Inc
ESIP	ESIP AC INDICES GLOBAIS APR16	a)	EUR	2013	1 800	2016	Indexed to a basket composed by Eurostoxx, SP500 and Nikkei
ESIP	ESIP BULLISH PAISES PERIF APR16	a)	EUR	2013	836	2016	Indexed to a basket composed by PSI20. MIB and IBEX30
ESIP	ESIP BULLISH EUROSTOXX APR2016	a)	EUR	2013	1 251	2016	Eurostoxx Linked
ESIP	ESIP BULLISH EWZ APR2016	a)	EUR	2013	868	2016	EWZ Linked
ESIP	ESIP BULLISH HSCEI APR2016	a)	EUR	2013	955	2016	HSCEI Linked
ESIP	ESIP CLN TELECOM ITALIA JUNE16	a)	EUR	2013	6 082	2016	Credit Linked Note Telecom Italia
ESIP	ESIP WRC BBVA SAN MAY2014	a)	EUR	2013	1 029	2014	BBVA & Santander Linked
ESIP	ESIP FEB16 BULLISH ES AFRICA LKD	a)	EUR	2013	1 454	2018	Espirito Santo Africa Linked
ESIP	ESIP 3Y WIN MAY16	a)	EUR	2013	1 694	2016	Indexed to a basket composed by Eurostoxx. SP500 and Nikkei
ESIP	ESIP CLN PT INT FIN 3.5Y DEC16	a)	EUR	2013	12 051	2016	Credit Linked Note Portugal Telecom
ESIP	ESIP 3Y AC GALP&REPSOL JUN16	a)	EUR	2013	1 659	2016	GALP e REPSOL Linked
ESIP	ESIP CLN ESFPORTUGAL 3Y MAY16	a)	EUR	2013	6 392	2016	ESFP CLN
ESIP	ESIP USD CLN ESFPORTUGA 3Y MAY16	a)	USD	2013	5 156	2016	ESFP CLN
ESIP	ESIP 3Y BULLISH REINO UNID JUN16	a)	EUR	2013	1 377	2016	UKX Linked
ESIP	ESIP CLN ESFPORTUGAL 3Y N MAY16	a)	EUR	2013	7 375	2016	ESFP CLN
ESIP	ESIP 3Y BULLISH BRAZ REAL JUN16	a)	EUR	2013	1 660	2016	EUR/BRL Linked
ESIP	ESIP PT INT. FINANCE DEC16	a)	EUR	2013	2 915	2016	PT CLN
ESIP	ESIP 3Y AC ENERGIA IBERICA JUN16	a)	EUR	2013	2 526	2016	GALP e REPSOL Linked
ESIP	ESIP FTD BRISA, EDP, PT CL SEP16	a)	EUR	2013	2 241	2016	BRISA, EDP, PT CLN
ESIP	ESIP FTD TI, ENEL, PT CLN SEP16	a)	EUR	2013	1 499	2016	TELECOM ITALIA, ENEL, PT CLN
ESIP	ESIP 3Y AC BBVA EQL JUL16	a)	EUR	2013	1 443	2016	ba)
ESIP	ESIP 3Y RENDIMENTO UK EQL JUL16	a)	EUR	2013	1 512	2016	bb)
ESIP	ESIP USD CLN ASCENDI JUL2015	a)	USD	2013	4 233	2015	6% + Ascendi CLN
ESIP	ESIP USD CLN PT JUN2018	a)	USD	2013	1 502	2018	7.35% + CLN PT
ESIP	ESIP CLN PTI FIN SEP2018	a)	EUR	2013	16 806	2018	7.45% + CLN PT
ESIP	ESIP USD TARN USDTRY JUL2018	a)	USD	2013	592	2018	bc)
ESIP	ESIP USD CLN ESFIL AUG14	a)	USD	2013	8 828	2014	4.25% + ESFIL CLN
ESIP	ESIP 3Y AC SX7P AUG2016	a)	EUR	2013	1 473	2016	bd)
ESIP	ESIP 4Y LEVERAGE EURIBOR AUG2017	a)	EUR	2013	3 429	2017	be)
ESIP	ESIP 3Y AC MULTICH ECOMM AUG2016	a)	EUR	2013	662	2016	bf)
ESIP	ESIP CLN TELECOM ITALIA SEP2018	a)	EUR	2013	19 299	2018	5.90% + Telecom Italia CLN
ESIP	ESIP 2Y AC REPSOL SEP15	a)	EUR	2013	746	2015	bg)
ESIP	ESIP CLN THYSSENKRUPP SEP2018	a)	EUR	2013	13 217	2018	5.50% + THYSSENKRUPP CLN
ESIP	ESIP 3Y CLN BRISA SEP16	a)	EUR	2013	2 989	2016	6% + Brisa CLN.
ESIP	ESIP 2Y AC SANTANDER OCT15	a)	EUR	2013	1 370	2014	bh)
ESIP	ESIP CLN COMPORTA OCT2020	a)	EUR	2013	5 086	2020	bi)
ESIP	ESIP SAN TEF EQL OCT2017	a)	EUR	2013	2 214	2017	bj)
ESIP	ESIP 3Y CLN PT SEP16	a)	EUR	2013	10 388	2016	5% + PT CLN
ESIP	ESIP 3Y VALORIZAÇAO EUROPA OCT16	a)	EUR	2013	511	2016	SX5E Linked
ESIP	ESIP 2Y RENDIMENTO CMDT OCT15	a)	EUR	2013	3 001	2015	bk)
ESIP	ESIP REVERSE CONVR SX5E APR15	a)	EUR	2013	963	2015	SX5E Linked
ESIP	ESIP EUR 5Y EDP, PT, THYSS DEC18	a)	EUR	2013	940	2018	7.15% + bl)
ESIP	ESIP EUR 5Y EDP, PT, TI DEC18	a)	EUR	2013	2 209	2018	7.15% + bl)
ESIP	ESIP EUR 6Y CLN EDP DEC19	a)	EUR	2013	1 002	2019	6.25% + EDP CLN
ESIP	ESIP REV. CONV. SANTANDER APR14	a)	EUR	2013	619	2014	bj)
ESIP	ESIP 2Y AC TELECOMS EQL OCT15	a)	EUR	2013	1 548	2015	bm)
ESIP	ESIP CLN BRITISH AIRWAYS DEC18	a)	EUR	2013	9 760	2018	6% + British Airways CLN
ESIP	ESIP CLN THYSSENKRUPP DEC18	a)	EUR	2013	6 074	2018	5.5% + Thyssenkrupp CLN
ESIP	ESIP 4Y BULLISH EUROSTOX NOV2017	a)	EUR	2013	1 521	2017	SX5E Linked
ESIP	ESIP 4Y AC WO BBVA APPLE NOV2017	a)	EUR	2013	986	2017	bn)
ESIP	ESIP USD 5Y EDP, PT, TIT DEC18	a)	USD	2013	4 708	2018	7% + Telecom Italia, PT, EDP CLN
ESIP	ESIP EUR 5Y EDP, PT, TITA DEC18	a)	EUR	2013	3 877	2018	6.85% + y)
ESIP	ESIP 2Y AC SANTANDER NOV2015	a)	EUR	2013	4 895	2015	bh)

(in thousands of euro)

					31.12.2013		
Issuer	Designation		Currency	Issue date	Book value	Maturity	Interest rate
ESIP	ESIP CLN BRITISH AIR DEC18	a)	EUR	2013	1 699	2018	5.35% + British Airways CLN
ESIP	ESIP 3Y AC WO SANT & TELE NOV16	a)	EUR	2013	994	2016	bj)
ESIP	ESIP 3Y VALORIZACAO BC EUR NOV16	a)	EUR	2013	485	2016	bo)
ESIP	ESIP 2Y BONUS EU STOXX50 NOV2015	a)	EUR	2013	3 040	2015	SX5E Linked
ESIP	ESIP BULLISH IBERIA NOV2015	a)	EUR	2013	953	2015	ax)
ESIP	ESIP 3Y AC WO G&D NOV16	a)	EUR	2013	1 722	2016	bp)
ESIP	ESIP EUR 6Y CLN BKT 0 REC DEC19	a)	EUR	2013	921	2019	7.15% + bq)
ESIP	ESIP 3Y AC EWW DEC16	a)	EUR	2013	1 257	2016	br)
ESIP	ESIP 3Y AC WO GLAXO DAIMLE DEC16	a)	EUR	2013	973	2016	bp)
ESIP	ESIP 3Y AC WO JMT GALP DEC16	a)	EUR	2013	1 011	2016	bs)
ESIP	ESIP DUAL HEATHCARE JUN2014	a)	EUR	2013	1 001	2016	bu)
ESIP	ESIP CLN PT INT FIN DEC18	a)	EUR	2013	2 290	2018	5% + PT CLN
ESIP	ESIP 3Y AC ACOES PORTUG DEC16	a)	EUR	2013	4 256	2016	aw)
ESIP	ESIP 5Y FTD EDP, PT, BRISA DEC18	a)	EUR	2013	1 986	2018	6.5% + bv)
ESIP	ESIP CLN TELECOM ITALIA SP DEC16	a)	EUR	2013	1 956	2016	4% + Telecom Italia CLN
ESIP	ESIP CLN PEUGEOT SA DEC16	a)	EUR	2013	1 954	2016	4.35% + PEUGEOT CLN
					1 449 549		

a) Liabilities at fair value through profit and loss or with embedded derivatives.
b) Indexed to a basket composed by Eurostoxx50, SP500, Nasdaq100 and EWZ
c) Indexed to a basket composed by TOPIX, HANG SENG, HSCEI, NIFTY, KOSPI2 and MSCI Singapore
d) Indexed to a basket of credit FTD: Arcelor Mittal, Telefonica and Intesa SPA
e) Indexed to credit risk
f) Indexed to previous cupon + spread - Euribor
g) Indexed to reverse floater
h) Indexed to a basket composed by Dow Jones Eurostoxx 50, S&P 500 and Nikkei 225
i) Indexed to a basket composed by BBCA and BSCH
j) Indexed to a basket composed by France Telecom and Deutsche Telekom
k) Indexed to a basket composed by Eurostoxx, SP500, Nasdaq100 and iShare MSCI Brazil Fund
l) Indexed to a basket composed by Petrobras, Companhia Siderurgia Nacional, Itau Unibanco and Banco Bradesco
m) Indexed to a basket composed by Ericsson, Komatsu, Santander, Sanofi-Aventis e ABB LTD
n) Indexed to credit (First to default) of Santander, PT INT FIN, EDP and Brisa.
o) Indexed to a basket composed by Petrobras, Gerdau, Vale, Itau Unibanco e Banco Bradesco
p) Indexed to a basket composed by Louis Vuitton, Nokia, Bayer e EON
q) Indexed to a basket composed by HSCEI, MSCI India, MSCI Taiwan and SP ASX200
r) Indexed to a basket composed by MSCI Daily TR Net Emerging Markets Egypt USD and FTSE/JSE Africa TOP40
s) 5% + Indexed to a basket composed by MSCI Daily TR Net Emerging Markets Egypt USD and FTSE/JSE Africa TOP40
t) Indexed to a basket composed by Petrobras, Companhia Siderurgia Nacional, Vale SA, Itau Unibanco e Banco Bradesco
u) Indexed to a basket composed by Gilead sciences, Celgene corp, Mylan Inc,Teva Pharmaceutical Ind Ltd e Amgen Inc
v) 4% + Indexed to Eurostat Consumer Price Index (CPI) (excl. Tobaco) for the Eurozone
w) Indexed to a basket composed by Philips, Siemens, Iberdrola and Veolia
x) Indexed to a basket composed by Oracle, SAP, Caterpillar, Komatsu, BHP Billiton, Mitsubishi
y) Indexed to a basket composed by Daimler, DB, E.ON
z) 4%+ Barclays Capital Armour EUR 7% Index
aa) Indexed to a basket composed by Telefonica, Banco Santander, BBVA and Banco Popular.
ab) Indexed to a basket composed by Ambev, TAM, Brasil Foods, Itau Unibanco, Gerdau and Cia Energética de Minas Gerais.
ac) Indexed to a basket composed by Telefonica, Santander, Deutsche Bank and Deutsche Telecom
ad) Indexed to a basket composed by Telefonica, Iberdrola, ENI spa and Deutsche Telecom.
ae) Indexed to a basket composed by Telenor, Aker Solutions, Tele2 and Volvo.
af) Indexed to a basket composed by EUR/USD; EUR/NOK and EUR/SEK currency
ag) Indexed to a basket composed by China Life Insurance Co, Petrochina Co and China Mobile LTD
ah) Indexed to a basket composed by FedEX, Macy's, Harley Davidson, Red Hat and Swiss RE
ai) Indexed to a basket composed by Anglo American, Cie Financiere Richemont, Porsche, Pernod Ricard, LVMH Moet Hennessy.
aj) Indexed to a basket composed by Telefonica, BNP Paribas, Vodafone Group PLC and E.ON
ak) Indexed to a basket composed by Telefonica, Repsol, Santander and France Telecom
al) Indexed to a basket composed by HTC, Panasonic and Samsung
am) Indexed to a basket of Commodities Corn, Wheat and Sugar
an) Indexed to a basket composed by Nestle, Roche, Deutsche Telecom and Societe Generale.
ao) Indexed to a basket of Commodities Corn, Wheat and Soybean
ap) Indexed to a basket of Commodities Copper, Gold and Palladium
aq) Indexed to credit of Gas Natural, Renault and Telecom Italia
ar) Indexed to credit of Portugal Telecom, Telefonica and Telecom Italia
as) Indexed to credit of Portugal Telecom, EDP and Telecom Italia
at) Indexed to a basket composed by Petroleo Brasileiro, Companhia Vale Rio Doce, Itau Unibanco and BRF Brasil Foods SA
au) Indexed to a basket of credit FTD: Telecom Italia, EDP, Portugal Telecom
av) Indexed to a basket composed by Repsol, BSCH, Nestle.
aw) Indexed to a basket composed by EDP, Portugal Telecom and GALP.
ax) Indexed to a basket of linked PSI20 and IBEX
ay) Indexed to a basket composed by Ishares MSCI Brazil Index Fund, Russian Depositary Index USD, S&P ASX 200 linked
az) Indexed to a basket composed by BBVA, BSCH and Repsol.
ba) Indexed to BBVA.
bb) Indexed to UKX linked
bc) 8.5% + USD/TRY FX linked
bd) Indexed to SX7P linked
be) Indexed to euribor 3 months
bf) Indexed to a basket composed by Amazon, Ebay and Fedex.
bg) Indexed to Repsol .
bh) Indexed to Santander.
bi) 7% + Indexed to bonds of Comporta
bj) Indexado a Cabaz de Acções Santander and Telefonica.
bk) Indexed to Commodities NYMEX - WTI Crude Oil linked
bl) Indexed to credit of EDP, PT and Thyssen
bm) Indexed to a basket composed by Deutsche Telekom AG, Telefonica SA and Vodafone Group PLC.
bn) Indexed to a basket composed by BBVA and APPLE
bo) Indexed to a basket composed by HSBC Holdings PLC, Santander, BNP, BBVA and UBS.
bp) Indexed to a basket composed by GlaxoSmithKline PLC and Daimler.
bq) Indexed to credit of Telecom Italia, PT, Peugeot, EDP and ThyssenKrupp
br) Indexed to EWW linked
bs) Indexed to a basket composed by Jeronimo Martins and Galp.
bu) Indexed to a basket composed by Jonhson & Johnson, Bayer and Roche Holding.
bv) Indexed to credit (First to default) of PT, EDP and Brisa

NOTE 33 – FINANCIAL LIABILITIES ASSOCIATED TO TRANSFERED ASSETS

This balance in the amount of euro 22 982 thousand (31 December 2012: euro 29 665 thousand) refers to liabilities associated to assets not derecognised in securitisation operations.

NOTE 34 – PROVISIONS

As at 31 December 2013 and 2012, the balance of provisions presents the following movements:

(in thousands of euro)

	Other provisions
Balance as at 1 January 2012	**23 663**
Charge for the year	8 307
Write back for the year	(203)
Exchange differences and other	(9 375)
Balance as at 31 December 2012	**22 392**
Charge for the year	19 466
Write back for the year	(55)
Transfers	(1 389)
Exchange differences and other	(3 043)
Balance as at 31 December 2013	**37 371**

Other provisions are intended to cover certain contingencies related to the Group activities, including contingencies related to ongoing tax processes.

NOTE 35 – INCOME TAXES

The Bank and its subsidiaries domiciled in Portugal are subject to taxation in accordance with the corporate income tax code (IRC) and to local taxes.

Income taxes (current or deferred) are recognised in the income statement except in cases where the underlying transactions have been reflected in equity items. In these situations, the corresponding tax is also charged to equity, not affecting the net profit for the year.

The 2013 and 2012 current tax calculation for the Group's entities covered by the Portuguese tax legislation, used an IRC and Municipal Surcharge (“Derrama Municipal”) rate of 26.5%, according to Law no. 107-B/2003, of 31 December and Law no. 2/2007, of 15 January (which approved the Local Finance Law, “Lei das Finanças Locais”), plus an additional fee up to 5% on the State surcharge (“Derrama Estadual”) over taxable income above 10 million, according to Law No. 64-B/2011, of 30 December (2012 State Budget Law, “Lei do Orçamento do Estado para 2012”).

Additionally, in the 2013 and 2012 income tax calculation was considered the Decree-Law no. 127/2011, of 31 December, which regulates the transfer of pension benefits responsibilities to the National Social Security and that, in conjunction with Article 183 of Law no. 64-B/2011, of 30 December (2012 State Budget Law), established a special tax deductibility for expenses and other changes in equity arising from such transfer:

- The negative equity variation from the accounting policy change on recognizing actuarial gains and losses which were previously deferred, will be fully deductible in equal parts during 10 years from 1 January 2012. This impact is recorded in equity;

- The settlement effect (determined by the difference between the liability measured in accordance with the IAS 19 criteria and the criteria established in the agreement) will be fully deductible, from 1 January 2012, for purposes of determining taxable income, in equal parts, according to the average life expectancy of pensioners whose responsibilities were transferred (16 years). This impact is recorded in the income statement.

Deferred tax assets arising from the transfer of pension benefits responsibilities and the accounting policy change on recognizing actuarial gains and losses will be recovered during 10 and 16 years, through equity and income statement, respectively.

Deferred taxes are calculated based on tax rates anticipated to be in force at the temporary differences reversal date, which corresponds to the rates enacted or substantively enacted at the balance sheet date.

For the year 2012, deferred tax calculation was broadly calculated based on an aggregate rate of 29%, resulting from the sum of the corporate tax rate (25%), a Municipal Surcharge rate (1.5%) and an additional fee of 2.5% on the State surcharge provided for under the additional Stability and Growth Program measures (“Programa de Estabilidade e Crescimento (PEC)”) approved by Law no. 12-A/2010, of 30 June. For the year 2013, deferred tax was broadly calculated based on an aggregate rate of 29.5%, resulting from the sum of the corporate tax rate (23%) approved by Law No. 2/2014, of 16 January, Municipal Surcharge rate (1.5%) and an average expected rate of State Surcharge (5%).

The Portuguese Tax Authorities are entitled to review the annual tax return of the Group and its subsidiaries domiciled in Portugal for a period of four years, or six years in case of tax losses. Hence, it is possible that some additional taxes may be assessed, mainly as a result of differences in interpretation of the tax law. However, the Bank’s Board of Directors is confident that there will be no material differences arising from tax assessments within the context of the consolidated financial statements.

The activity of branches abroad is incorporated in BESI accounts for determining the taxable profit. Although, the profit of those branches is subject to taxation in the countries where they are established, local taxes are deductible to the taxes to be paid in Portugal, in accordance with art. 91º of “Código do IRC”, when applicable.

The deferred tax assets and liabilities recognised in the balance sheet as at 31 December 2013 and 2012 can be analysed as follows:

(in thousands of euro)

	Assets		Liabilities		Net	
	31.12.2013	31.12.2012	31.12.2013	31.12.2012	31.12.2013	31.12.2012
Derivative financial instruments	1 884	2 211	(25 949)	(32 857)	(24 065)	(30 646)
Financial assets available for sale	773	-	(48)	(552)	725	(552)
Loans and advances to customers	35 654	35 705	-	-	35 654	35 705
Investments in subsidiaries and associates	-	-	-	(1 239)	-	(1 239)
Provisions	20 344	14 264	-	-	20 344	14 264
Pensions	112	129	(5)	(5)	107	124
Other	645	838	(1 620)	(1 380)	(975)	(542)
Tax losses brought forward	11 477	11 536	-	-	11 477	11 536
Deferred tax asset / (liability)	**70 889**	**64 683**	**(27 622)**	**(36 033)**	**43 267**	**28 650**
Assets / liabilities compensation for deferred taxes	(8 711)	(10 980)	8 711	10 980	-	-
Deferred tax asset / (liability), net	**62 178**	**53 703**	**(18 911)**	**(25 053)**	**43 267**	**28 650**

The Group has evaluated the deferred taxes recoverability considering the expectation of future taxable profits.

The Group does not recognise deferred tax assets on tax losses carried forward by certain subsidiaries, because it is not expectable that they will be recovered in a foreseeable future.

A detail of the tax losses carried forward for which no deferred tax assets were recognised, is presented as follows:

(in thousands of euro)

	31.12.2013	31.12.2012
Balance at the beginning of the year	28 650	30 553
Recognised in the income statement	6 590	(887)
Recognised in fair value reserve	1 056	(2 637)
Exchange differences and other	6 971	1 621
Balance at the end of the year	**43 267**	**28 650**

The deferred tax recognised in the income statement and reserves, during 2013 and 2012 is analysed as follows:

(in thousands of euro)

	31.12.2013		31.12.2012	
	Recognised in (profit) /loss	Recognised in reserves	Recognised in (profit) /loss	Recognised in reserves
Deferred Taxes				
Derivative financial instruments	(6 582)	-	7 598	-
Financial assets available for sale	-	(1 056)	-	2 637
Loans and advances to customers	51	-	(6 766)	-
Investments in subsidiaries and associates	(1 239)	-	21	-
Provisions	(6 080)	-	(1 416)	-
Pensions	17	-	(129)	-
Other	7 245	-	2 934	-
Tax losses brought forward	(2)	-	(1 355)	-
	(6 590)	(1 056)	887	2 637
Current Taxes	14 653	-	17 584	-
Total recognised taxes	**8 063**	**(1 056)**	**18 471**	**2 637**

The reconciliation of the income tax rate can be analysed as follows:

(in thousands of euro)

	31.12.2013		31.12.2012	
	%	Amount	%	Amount
Profit before taxes and non-controlling interest		**15 426**		**39 013**
Statutory tax rate	29.0		31.5	
Income tax calculated based on the statutory tax rate		4 474		12 289
Difference on the subsidiaries statutory tax rates	(1.5)	(225)	5.9	2 302
Tax-exempt dividends	(7.5)	(1 156)	(0.4)	(157)
Profits in units with most favorable tax regimes	(6.2)	(953)	(1.0)	(373)
Tax-exempt gains	4.7	719	(3.0)	(1 160)
Tax of profit in associates	(0.4)	(63)	0.1	56
Changes in tax-rate related to deferred taxes	0.0	-	(0.3)	(103)
Unrecognised deferred tax assets related to tax losses generated in the year	20.1	3 099	14.4	5 613
Tax losses used for which no deferred tax assets were recognised	0.5	72	0.0	(9)
Non-taxable share of profit in associates	0.0		0.0	
Tax benefits	(1.2)	(192)	(0.8)	(327)
Non deductible costs	14.2	2 194	11.4	4 428
Other	0.6	94	(10.5)	(4 088)
	52.3	**8 063**	**47.3**	**18 471**

Following the Law No. 55-A/2010 of 31 December, was established a Banking levy, which is not eligible as a tax cost, and whose regime was extended by Law no. 64-B/2012, of 30 December. As at 31 December 2013, the Group recognised an expense of euro 1 092 thousand (31 December 2012: euro 1 187 thousand), which was included in Other operating income and expenses – Direct and indirect taxes (see Note 11).

NOTE 36 - SUBORDINATED DEBT

The balance subordinated debt is analysed as follows:

(in thousands of euro)

	31.12.2013	31.12.2012
Other subordinated debt		
Cash bonds	55 152	66 058
	55 152	**66 058**

The main features of the subordinated debt are presented as follows:

(in thousands of euro)

		31.12.2013					
Issuer	Designation	Currency	Issue Date	Amount Issued	Carrying amount	Interest Rate	Maturity
BESI	BESI SUBORDINADAS OCT2033 5.5%	EUR	2003	215	273	Indexed to CMS	2033
BESI	BESI CAIXA SUB DEC15	EUR	2005	60 000	-	Euribor 3M + 0.95%	2015
ESIP	ESIP LOWER TIER II DEC15	EUR	2005	60 000	28 229	Euribor 3M + 0.95%	2015
BSI BRASIL	VBES IA001	BRL	2007	55 000	16 891	100% CDI + 1.3%	2014
BSI BRASIL	VBES IA002	BRL	2008	25 000	7 920	100% CDI + 1.3%	2015
BSI BRASIL	VBES IA005	BRL	2008	2 000	896	BRAZILIAN ICP + 8.3%	2015
BSI BRASIL	VBES IA006	BRL	2008	3 000	943	100% CDI + 1.3%	2015
					55 152		

(in thousands of euro)

Issuer	Designation	31.12.2012 Currency	Issue Date	Amount Issued	Carrying amount	Interest Rate	Maturity
BESI	BESI SUBORDINADAS OCT2033 5.5%	EUR	2003	215	263	Indexed to CMS	2033
BESI	BESI CAIXA SUB DEC15	EUR	2005	60 000	-	Euribor 3m + 0.95%	2015
ESIP	ESIP LOWER TIER II DEC15	EUR	2005	60 000	31 930	Euribor 3m + 0.95%	2015
BSI BRASIL	VBES IA001	BRL	2007	55 000	20 350	100% CDI + 1.3%	2014
BSI BRASIL	VBES IA002	BRL	2008	25 000	9 478	100% CDI + 1.3%	2015
BSI BRASIL	VBES IA003	BRL	2008	5 000	1 888	100% CDI + 1.3%	2013
BSI BRASIL	VBES IA005	BRL	2008	2 000	1 019	BRAZILIAN ICP + 8.3%	2015
BSI BRASIL	VBES IA006	BRL	2008	3 000	1 130	100% CDI + 1.3%	2015
					66 058		

During the years ended 31 December 2013 and 2012, no subordinated debt was issued by the Group, nevertheless during 2013 was reimbursed an amount of euro 10 285 thousand of subordinated debt (31 December 2012: euro 23 188 thousand).

NOTE 37 - OTHER LIABILITIES

As at 31 December 2013 and 2012, the balance Other Liabilities is analysed as follows:

(in thousands of euro)

	31.12.2013	31.12.2012
Creditors		
Public sector	9 186	9 175
Sundry creditors		
Creditors from transactions with securities	136 498	54 052
Suppliers	1 172	1 621
Other sundry creditors	39 146	38 685
	186 002	**103 533**
Accrued expenses		
Long-term service benefits (see Note 13)	2 206	1 987
Other accrued expenses	14 982	16 638
	17 188	**18 625**
Deferred income	**1 531**	**1 790**
Other sundry liabilities		
Stock exchange transactions pending settlement	79 440	54 343
Foreign exchange transactions pending settlement	2 382	1 780
Other transactions pending settlement	38 579	103 703
	120 401	**159 826**
	325 122	**283 774**

As at 31 December 2013 and 2012 the balance stock exchange transactions pending settlement represents the net balance of the acquisition and disposal orders, pending of settlement, issued by the Group and its subsidiaries.

NOTE 38 – SHARE CAPITAL, SHARE PREMIUM, TREASURY STOCK AND PREFERENCE SHARES

Ordinary shares

On 29 June 2009, the Bank issued 22 million shares, with a nominal value of euro 5 each, being the share capital represented by 36 million shares with a nominal value of euro 5 each, which are subscribed and fully paid by Banco Espírito Santo, S.A..

At the end of the year 2011, the Bank made a capital increase in the amount of euro 46 269 thousands, through the issue of 9 253 800 shares with a nominal value of euro 5 each, which were subscribed and paid by Banco Espírito Santo, S.A., through a contribution in kind, of 46 269 perpetual subordinated bonds with conditioned interest issued by BESI with a nominal value of euro 1 000 each.

On 10 September 2012, the Bank performed another capital increase in the amount of euro 100 000 thousand, through the issue of 20 000 000 shares with a nominal value of euro 5 each, which were fully subscribed by Banco Espírito Santo, S.A..

Share Premium

As at 31 December 2013 and 2012, the share premium in the amount of euro 8 796 thousand, refer to the capital increase occurred during July 1998.

Other equity instruments

The Group issued during October 2010, perpetual subordinated bonds with interest conditioned in the total amount of euro 50 million. During the year ended 31 December 2013, the Group paid interest in the amount of euro 317 thousand, booked as a deduction in reserves (31 December 2012: euro 225 thousand).

These bonds have an interest conditioned non-cumulative, payable only if and when declared by the Board of Directors. This conditioned interest corresponds to the application of an annual rate of 8.5% over the nominal value, payable semi-annually. The reimbursement of these securities may be made in full, but not partially, after 15 September 2015, depending only on BESI option and the prior approval of Bank of Portugal. Given their characteristics, these obligations are considered as equity instruments in accordance with the accounting policy described in Note 2.10.

During the year ended 31 December 2011, other equity instruments reimbursements were performed in an amount of euro 46 269 thousand.

These bonds are subordinated in respect of any liability of BESI and *pari passu* in respect of any subordinated bonds with identical characteristics that may be issued by the Bank.

NOTE 39 - FAIR VALUE RESERVE, OTHER RESERVES AND RETAINED EARNINGS AND NON-CONTROLLING INTEREST

Legal reserve, fair value reserve and other reserves

The legal reserve can only be used to absorb accumulated losses or to increase the amount of the share capital. Portuguese legislation applicable to the banking sector (Article 97 of Decree-Law no. 298/92, 31 December) requires that 10% of the profit for the year must be transferred to the legal reserve until it is equal to the share capital.

The fair value reserve represents the amount of the unrealised gains and losses arising from securities classified as available-for-sale, net of impairment losses recognised in the income statement in the year/previous years. The amount of this reserve is presented net of deferred taxes.

During the year ended 31 December 2013 and 2012, the changes in these balances were as follows:

(in thousands of euro)

	Fair value reserve			Other reserves and retained earnings				
	Available for-sale financial assets	Income tax reserves	Total fair value reserve	Legal reserve	Actuarial gains and (losses) (net of taxes)	Exchange differences	Other reserves and retained earnings	Total Other reserves and retained earnings
Balance as at 31 December 2011	**(7 864)**	**2 085**	**(5 779)**	**65 166**	**(231)**	**8 416**	**211 667**	**285 018**
Actuarial deviations, net of taxes	-	-	-	-	(2 329)	-	-	(2 329)
Interest of other equity instruments	-	-	-	-	-	-	(225)	(225)
Reclassification	-	-	-	(27 113)	-	-	27 113	-
Changes in fair value	11 826	(2 567)	9 259	-	-	-	-	-
Exchange differences	(501)	(11)	(512)	-	-	(26 876)	-	(26 876)
Transfer to reserves	-	-	-	-	-	-	9 061	9 061
Other comprehensive income of associates appropriate	-	-	-	-	-	-	(623)	(623)
Non-controlling interest	-	-	-	-	-	-	2 655	2 655
Balance as at 31 December 2012	**3 461**	**(493)**	**2 968**	**38 053**	**(2 560)**	**(18 460)**	**249 648**	**266 681**
Actuarial deviations, net of taxes	-	-	-	-	(9 511)	-	-	(9 511)
Interest of other equity instruments	-	-	-	-	-	-	(317)	(317)
Reclassification	-	-	-	-	-	-	-	-
Changes in fair value	(6 422)	1 031	(5 391)	-	-	-	-	-
Exchange differences	(1 198)	25	(1 173)	-	-	(33 905)	-	(33 905)
Transfer to reserves	-	-	-	1 825	-	-	20 203	22 028
Other comprehensive income of associates appropriate	-	-	-	-	-	-	14	14
Non-controlling interest	-	-	-	-	-	-	(19 641)	(19 641)
Balance as at 31 December 2013	**(4 159)**	**563**	**(3 596)**	**39 878**	**(12 071)**	**(52 365)**	**249 907**	**225 349**

The movement in the fair value reserve, net of deferred taxes and non-controlling interest is analysed as follows:

(in thousands of euro)

	31.12.2013	31.12.2012
Balance as at 1 January	**2 968**	**(5 779)**
Changes in fair value	(6 419)	12 769
Disposals during the year	(2 922)	(1 444)
Impairment recognised during the period	1 721	-
Deferred taxes recognised in reserves during the year	1 056	(2 578)
Balance as at 31 December	**(3 596)**	**2 968**

Non-controlling interest

Non-controlling interests by subsidiary are analysed as follows:

(in thousands of euro)

	31.12.2013		31.12.2012	
	Balance sheet	Income statement	Balance sheet	Income statement
BES Investimento do Brasil	28 160	2 785	32 886	2 292
BES Securities	4 398	(114)	5 480	(147)
Bes Absolute Return	671	(14)	10 044	807
Bes FIM Moderado	1 923	303	10 926	967
Espirito Santo Investment Holding Limited	-	(1 522)	3 967	(4 607)
Gespar Participações, Ltda.	5 097	119	6 041	(125)
Cominvest- SGII, S.A.	4 044	28	4 016	(86)
Windpart, Lda	5 373	-	-	-
Other	2 218	(1 284)	2 172	(587)
	51 884	**301**	**75 532**	**(1 486)**

The movements in non-controlling interests in the year ended 31 December 2013 and 2012 are analysed as follows:

(in thousands of euro)

	31.12.2013	31.12.2012
Non-controlling interests as at 1 January	**75 532**	**79 322**
Changes in the scope of consolidation	1 837	(3 732)
Increase in share capital of subsidiaries	1 518	8 585
Decrease in share capital of subsidiaries	(16 999)	-
Dividends paid	(1 176)	(971)
Changes in fair value reserve	(62)	(159)
Exchange differences and other	(9 067)	(6 027)
Profit/ (loss) for the year	301	(1 486)
Non-controlling interests as at 31 December	**51 884**	**75 532**

NOTE 40 - OFF-BALANCE SHEET ITEMS

As at 31 December 2013 and 2012, this balance can be analysed as follows:

(in thousands of euro)

	31.12.2013	31.12.2012
Contingent liabilities		
Guarantees and stand by letters of credit	495 316	627 511
Assets pledged as collateral	423 597	339 595
	918 913	**967 106**
Commitments		
Irrevocable commitments	80 712	104 202
	80 712	**104 202**

Guarantees and standby letters of credits are banking operations that do not imply any out-flow by the Group.

Irrevocable commitments represent contractual agreements to extend credit to Group's customers (eg. unused credit lines). These agreements are, generally, contracted for fixed periods of time or with other expiration requisites, and usually require the payment of a commission. Substantially, all credit commitments require that clients maintain certain conditions verified at the time when the credit was granted.

Notwithstanding the particular characteristics of these contingent liabilities and commitments, the analysis of these operations follows the same basic principles of any one another commercial operation, namely the solvency of the underlying client and business, being that the Group requires these operations to be adequately covered by collaterals when needed. Considering that is expected that the majority of these contingent liabilities and commitments expire without having being used, the indicated amounts do not represent necessarily future cash-flow needs.

As at 31 December 2013, the balance assets pledged as collateral include:

- Securities pledged as collateral to the Bank of Portugal (i) for the use of the money transfer system (Sistema de Pagamento de Grandes Transacções) in the amount of euro 25 000 thousand (31 December 2012: euro 25 000 thousand) and (ii) in the scope of a liquidity facility collateralised by securities in the amount of euro 381 299 thousand (31 December 2012: euro 266 317 thousand), the total amount of securities eligible for rediscount at the Bank of Portugal as at 31 December 2013 and 31 December 2012 amounted euro 371 096 thousand and euro 234 891 thousand respectively.
- Securities pledged as collateral to the Portuguese Securities and Exchange Commission (CMVM) in the scope of the Investors Indemnity System (Sistema de Indemnização aos Investidores) in the amount of euro 1 813 thousand (31 December 2012: euro 1 813 thousand);
- Securities pledged as collateral to the Deposits Guarantee Fund (Fundo de Garantia de Depósitos) for an amount of euro 100 thousand (31 December 2012: euro 100 thousand).

Additionally, the liabilities accounted for off-balance sheet and related to banking services provided are as follows:

(in thousands of euro)

	31.12.2013	31.12.2012
Liabilities related to services provided		
Securities and other items held for safekeeping on behalf of customers	7 079 937	6 522 795
Other responsabilities related with banking services	3 905 896	3 864 674
	10 985 833	**10 387 469**

NOTE 41 – RELATED PARTIES TRANSACTIONS

As at 31 December 2013 and 2012, the total amount of assets, liabilities, income and expense with related parties are presented as follows:

(in thousands of euro)

	31.12.2013					31.12.2012				
	Assets	Liabilities	Guarantees	Income	Expenses	Assets	Liabilities	Guarantees	Income	Expenses
Associated companies										
Synergy Industry and Technology, S.A.	-	-	-	40	-	1 500	-	-	-	54
Coporgest, SA	9 553	5	-	401	41	8 310	14	-	23	411
Salgar Investments	-	-	-	47	62	-	50	50	1	2
2BCapital, SA	1 285	-	-	84	18	277	-	-	328	213
TOTAL	**10 838**	**5**	**-**	**572**	**121**	**10 087**	**64**	**50**	**352**	**680**

Assets recognised with associated companies relate mainly to loans. The liabilities relate mainly to bank deposits taken.

As at 31 December 2013 and 2012, the balances and transactions from BESI Group with related parties from ESFG Group (holding) are presented as follows:

(in thousands of euro)

	31.12.2013								
	Assets								
	Loans and advances to banks	Loans	Securities	Other	Total	Guarantees	Liabilities	Income	Expenses
Shareholders									
Banco Espírito Santo, S.A.	35 376	-	15 466	105 893	156 735	187 891	1 090 943	52 806	57 719
Subsidiaries, associates from shareholders									
BES Finance, Ltd.	-	-	3 257	-	3 257	-	-	-	-
Espírito Santo, plc.	-	-	-	85 986	85 986	-	-	21 990	1 123
BES-Vida, Companhia de Seguros, S.A.	-	-	-	2 731	2 731	-	-	2 939	-
Fundo FCR PME	-	-	-	118	118	-	8 160	444	96
Locarent - Comp. Portuguesa de Aluguer de Viaturas, SA	-	-	-	-	-	-	-	-	1 290
Banco Espírito Santo Angola, SA	-	-	-	2 668	2 668	-	-	683	-
Banco Espírito Santo Cabo Verde, SA	-	-	-	-	-	-	14 410	-	186
Empark Aparcamientos y Servicios S.A.	-	3 375	-	866	4 241	-	-	1 655	79
Espírito Santo Gestión, SA, SGIIC	-	-	-	328	328	-	1 990	565	463
Fundo de Capital de Risco - ES Ventures III	-	-	2 286	-	2 286	-	-	-	-
Fundo Capital Risco Vent II	-	-	1 403	-	1 403	-	-	-	-
Ascendi Group, SGPS, S.A.	-	-	4 652	1 510	6 162	-	-	1 917	-
ES Financial Services, Inc.	-	-	-	23	23	-	-	212	1 297
BEST - Banco Electrónico de Serviço Total, SA	-	-	-	-	-	-	-	159	4 256
Espírito Santo Fundo de Pensões, SA	-	-	-	-	-	-	-	297	-
FUNGERE - Fundo de Gestão de Património Imobiliário	-	-	9 335	-	9 335	-	3	-	-
Esfil - Espírito Santo Financiére, S.A. (Luxemburgo)	-	-	8 876	-	8 876	-	-	36	-
Rodi - Sinks & Ideas, SA	-	341	183	1 496	2 020	-	-	18	-
Other									
ESF(P)	-	-	37 568	-	37 568	-	3	1 236	636
ESFG	-	-	25	31	56	-	12	1 002	253
Banque Privée Espírito Santo	15 024	-	-	-	15 024	-	30 752	389	293
Espírito Santo Services, S.A.	-	-	-	40	40	-	-	180	1 647
ESFG International, Ltd	-	-	961	-	961	-	-	-	-
Sintra Empreendimentos Imob Ltda	-	3 043	-	-	3 043	-	-	606	-
Herdade da Comporta - Act. Agro Silvícolas e Turísticas, S.A	-	-	5 082	-	5 082	-	3	-	-
Construcciones Sarrión, SL	-	2 814	-	-	2 814	-	-	130	-
Other	-	342	4	122	468	4	5 068	957	1 387
TOTAL	**50 400**	**9 915**	**89 098**	**201 812**	**351 225**	**187 895**	**1 151 344**	**88 221**	**70 725**

(in thousands of euro)

	31.12.2012								
	Assets								
	Loans and advances to banks	Loans	Securities	Other	Total	Guarantees	Liabilities	Income	Expenses
Shareholders									
Banco Espírito Santo, S.A.	10 805	-	83 894	435 616	530 315	385 725	1 423 933	59 678	94 562
Subsidiaries, associates from shareholders									
BES Finance, Ltd.	-	-	3 244	12	3 256	-	-	6	-
Espírito Santo, plc.	-	-	-	112 639	112 639	-	-	17 245	2 384
BES-Vida, Companhia de Seguros, S.A.	-	-	-	2 952	2 952	-	-	832	435
Fundo FCR PME	-	-	-	118	118	-	7 996	442	186
Locarent - Comp. Portuguesa de Aluguer de Viaturas, SA	-	-	-	-	-	-	-	-	1 246
Banco Espírito Santo Angola, SA	2 380	-	-	848	3 228	-	-	-	131
Banco Espírito Santo Cabo Verde, SA	-	-	-	-	-	-	21 973	-	216
Empark Aparcamientos y Servicios S.A.	-	10 181	-	836	11 017	-	-	1 392	819
Espírito Santo Gestión, SA, SGIIC	-	-	-	69	69	-	-	498	-
Fundo de Capital de Risco - ES Ventures III	-	-	2 286	-	2 286	-	-	-	-
Fundo Capital Risco Vent II	-	-	1 310	-	1 310	-	-	-	-
Ascendi Group, SGPS, S.A.	-	-	-	-	-	-	-	1 029	-
ES Financial Services, Inc.	-	-	-	-	-	-	-	428	926
BEST - Banco Electrónico de Serviço Total, SA	-	-	-	-	-	-	-	56	4 526
Espírito Santo Fundo de Pensões, SA	-	-	-	-	-	-	-	330	-
FUNGERE - Fundo de Gestão de Património Imobiliário	-	-	-	-	-	-	3	-	-
Other									
ESF(P)	-	-	15 032	606	15 638	-	4	1 326	1 313
ESFG	-	-	4 893	548	5 441	-	11	1 177	-
Banque Privée Espírito Santo	15 034	-	-	-	15 034	-	10 148	108	685
Espírito Santo Services, S.A.	-	-	-	3	3	-	-	68	1 673
ESFG International, Ltd	-	-	940	-	940	-	-	329	-
Sintra Empreendimentos Imob Ltda	-	5 131	-	-	5 131	-	-	-	1 058
Herdade da Comporta - Act. Agro Silvícolas e Turísticas, S.A	-	-	-	-	-	-	3	-	-
Outras	-	5 233	31 665	65 578	102 476	4	45	4 070	1 470
TOTAL	**28 219**	**20 545**	**143 264**	**619 825**	**811 853**	**385 729**	**1 464 116**	**89 014**	**111 630**

NOTE 42 – FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES

Fair value of financial assets and liabilities

The fair value of financial assets and liabilities, for the Group, is analysed as follows:

(in thousands of euro)

	Amortised Cost	Fair Value: Quoted Market Prices	Fair Value: Valuation models based on observable market information	Fair Value: Valuation models based on non-observable market information	Book Value	Fair Value
Balance as at 31 December 2013						
Cash and deposits at central banks	4 836	-	-	-	4 836	4 836
Deposits with banks	65 493	-	-	-	65 493	65 493
Financial assets held for trading	-	175 176	1 404 448	24 982	1 604 606	1 604 606
Available-for-sale financial assets	1 773	553 964	63 713	163 902	783 352	783 352
Loans and advances to banks	433 623	-	-	-	433 623	433 623
Loans and advances to customers	1 946 582	-	-	-	1 946 582	1 946 582
Held-to-maturity investments	314 329	-	-	-	314 329	303 546
Derivatives for risk management purposes	-	-	72 228	-	72 228	72 228
Financial assets	**2 766 636**	**729 140**	**1 540 389**	**188 884**	**5 225 049**	**5 214 266**
Deposits from central banks	151 907				151 907	151 907
Financial liabilities held for trading	-	-	480 688	-	480 688	480 688
Deposits from banks	1 680 584	-	-	-	1 680 584	1 680 584
Due to customers	1 054 389	-	-	-	1 054 389	1 054 389
Debt securities issued	114 196	-	1 335 353	-	1 449 549	1 449 389
Financial liabilities associated to transferred assets	22 982	-	-	-	22 982	22 982
Derivatives for risk management purposes	-	-	54 089	-	54 089	54 089
Subordinated debt	54 879	-	273	-	55 152	55 102
Financial liabilities	**3 078 937**	**-**	**1 870 403**	**-**	**4 949 340**	**4 949 130**
Balance as at 31 December 2012						
Cash and deposits at central banks	1 202	-	-	-	1 202	1 202
Deposits with banks	40 717	-	-	-	40 717	40 717
Financial assets held for trading	-	44 329	2 338 808	56 592	2 439 729	2 439 729
Available-for-sale financial assets	1 571	325 590	90 109	68 647	485 917	485 917
Loans and advances to banks	243 755	-	-	-	243 755	243 755
Loans and advances to customers	2 187 524	-	-	-	2 187 524	2 187 524
Held-to-maturity investments	107 202	-	-	-	107 202	103 917
Derivatives for risk management purposes	-	-	60 022	-	60 022	60 022
Financial assets	**2 581 971**	**369 919**	**2 488 939**	**125 239**	**5 566 068**	**5 562 783**
Deposits from central banks	151 087	-	-	-	151 087	151 087
Financial liabilities held for trading	-	-	751 715	-	751 715	751 715
Deposits from banks	2 020 686	-	-	-	2 020 686	2 020 686
Due to customers	967 374	-	-	-	967 374	967 374
Debt securities issued	447 110	-	935 778	-	1 382 888	1 391 107
Financial liabilities associated to transferred assets	29 665	-	-	-	29 665	29 665
Derivatives for risk management purposes	-	-	57 031	-	57 031	57 031
Subordinated debt	65 795	-	263	-	66 058	64 091
Financial liabilities	**3 681 717**	**-**	**1 744 787**	**-**	**5 426 504**	**5 432 756**

BESI Group determines the fair value of its financial assets and liabilities in accordance with the following hierarchy:

Quoted market prices – this category includes financial assets with available quoted market prices in official markets.

Valuation models based on observable market information – this category includes the financial instruments: (i) with dealer prices quotations provided by entities that usually provide transaction prices for these assets/liabilities traded in active markets and (ii) consists on the use of internal valuation techniques, namely discounted cash flow models and option pricing models which imply the use of estimates and require judgments that vary in accordance with the complexity of the financial instrument. Notwithstanding, the Group uses observable market data such as interest rate curves, credit spreads, volatility and market indexes. Includes also instruments with dealer price quotations but which are not traded in active markets.

Valuation models based on non-observable market information – consists on the use of internal valuation models or quotations provided by third parties but which imply the use of non-observable market information. The movements of the financial assets valued based on non-observable market information, during 2013 and 2012, can be analysed as follows:

(in thousands of euro)

	31.12.2013	31.12.2012
Balance as at 1 January	125 239	27 104
Acquisitions	44 313	109 708
Disposals	(43 781)	(13 605)
Transfers	67 044	-
Changes in value	(3 931)	2 032
Balance as at 31 December	**188 884**	**125 239**

The main assumptions and inputs used during the year ended 2013 in the valuation models are presented as follows:

Interest rate curves

The short term rates presented reflect benchmark interest rates for the money market, being that for the long term the presented values represent the swap interest rate for the respective years:

(%)

	31.12.2013			31.12.2012		
	EUR	USD	GBP	EUR	USD	GBP
Overnight	0.11	0.11	0.41	0.07	0.10	0.47
1 month	0.19	0.16	0.41	0.18	0.23	0.46
3 months	0.29	0.33	0.52	0.19	0.42	0.48
6 months	0.39	0.41	0.74	0.32	0.44	0.62
9 months	0.40	0.45	0.81	0.32	0.59	0.79
1 year	0.41	0.31	0.64	0.32	0.33	0.54
3 years	0.77	0.86	1.43	0.47	0.48	0.78
5 years	1.26	1.75	2.13	0.77	0.83	1.02
7 years	1.68	2.43	2.58	1.13	1.24	1.36
10 years	2.16	3.03	2.99	1.57	1.75	1.86
15 years	2.58	3.52	3.32	2.02	2.28	2.41
20 years	2.71	3.72	3.42	2.17	2.50	2.72
25 years	2.74	3.81	3.44	2.22	2.62	2.88
30 years	2.73	3.85	3.44	2.24	2.69	2.95

Credit Spreads

The credit spreads used on the valuation of the credit derivatives are multi-contributed and disclosed on a daily basis by Bloomberg at the end of the day, being used the values from the reference entities. The evolution of the main indexes, understood as being representative of the credit spreads behaviour in the market throughout the year, is presented as follows:

(basis points)

Index	Series	1 year	3 years	5 years	7 years	10 years
Year 2013						
CDX USD Main	21	7.67	29.88	62.44	88.95	107.99
iTraxx Eur Main	20	-	35.17	70.15	96.97	118.17
iTraxx Eur Senior Financial	20	-	-	87.06	-	135.18
Year 2012						
CDX USD Main	19	33.02	58.73	95.39	118.68	136.14
iTraxx Eur Main	18	-	76.38	117.43	141.58	154.60
iTraxx Eur Senior Financial	18	-	-	142.44	-	174.98

Interest rates volatility

The values presented below, refer to the implied volatilities (at the money) used for the valuation of the interest rate options:

(%)

	31.12.2013			31.12.2012		
	EUR	USD	GBP	EUR	USD	GBP
1 year	112.77	75.90	49.18	197.18	66.60	54.10
3 years	65.30	72.76	55.78	84.70	72.90	64.90
5 years	53.30	50.62	45.99	67.50	63.22	60.80
7 years	45.20	38.21	38.55	52.90	51.03	49.60
10 years	36.80	31.55	31.80	39.70	42.33	37.20
15 years	30.68	35.58	26.58	31.43	35.80	27.80

Exchange rates and volatility

Presented below are the exchange rates (European Central bank) at the balance sheet date and the implied volatilities (at the money) for the main currencies used on the derivatives valuation:

			Volatility (%)				
Exchange Rates	31.12.2013	31.12.2012	1 month	3 months	6 months	9 months	1 year
EUR/USD	1.37910	1.31940	7.65	7.75	7.88	8.15	8.32
EUR/GBP	0.83370	0.81610	6.55	6.73	7.00	7.13	7.33
EUR/CHF	1.22760	1.20720	3.25	3.83	4.23	4.58	4.89
EUR/NOK	8.36300	7.34830	8.05	8.03	7.95	8.00	7.98
EUR/PLN	4.15430	4.07400	5.00	5.84	6.56	7.08	7.53
EUR/RUB	45.32460	40.32950	7.37	7.89	8.43	8.90	9.41
USD/BRL a)	2.36212	2.04911	12.95	13.38	13.60	13.80	14.00
USD/TRY b)	2.14669	1.78498	14.50	13.80	13.60	13.60	13.60

a) Calculation based in EUR/USD and EUR/BRL exchange rates
b) b) Calculation based in EUR/USD and EUR/TRY exchange rates

Equity indexes

In the table below, is presented the evolution of the main market equity indexes and the respective volatilities used for the valuation of equity derivatives:

	Quote			Historical volatility		
	31.12.2013	31.12.2012	% change	1 month	3 months	Implied volatility
DJ EURO STOXX 50	3 109	2 636	17.9	14.90	13.72	13.44
PSI 20	6 559	5 655	16.0	12.91	13.65	-
IBEX 35	9 917	8 168	21.4	15.39	15.34	-
FTSE 100	6 749	5 898	14.4	10.11	9.83	10.69
DAX	9 552	7 612	25.5	13.23	12.04	13.56
S&P 500	1 848	1 426	29.6	8.74	10.31	11.21
BOVESPA	51 507	60 952	- 15.5	19.34	20.22	-

The methods and assumptions used in estimating the fair values of financial assets and liabilities in the balance sheet are analysed as follows:

Cash and deposits at central banks, Deposits with banks and Loans and advances to banks

Considering the short term nature of these financial instruments, carrying value is a reasonable estimate of its fair value.

Loans and advances to customers

The fair value of loans and advances to customers is estimated based on the discount of the expected future cash flows of capital and interest, assuming that the installments are paid on the dates that have been contractually defined.

Held-to-maturity investments

The fair values of these financial instruments are based on quoted market prices, when available. For unlisted securities the fair value is estimated by discounting the expected future cash-flows.

Deposits from central banks and Deposits from banks

Considering the short term nature of these financial instruments, carrying value is a reasonable estimate of its fair value.

Due to customers

The fair value of these financial instruments is estimated based on the discount of the expected future cash flows of capital and interest, assuming that the instalments are paid on the dates that have been contractually defined. Considering that the applicable interest rates to these instruments are floating interest rates and that the period to maturity is substantially less than one year, the difference between fair value and book value is not significant.

Debt securities issued and subordinated debt

The fair value of these instruments is based on market prices, when available. When not available, the Bank estimates its fair value by discounting the expected future cash-flows.

NOTE 43 – RISK MANAGEMENT

A qualitative outlook of the risk management at the Group BESI is presented bellow.

Risk control and risk management provides an active support to management, being one of the strategic mainstays supporting BESI's balanced and sustained development.

BESI's risk management has the following objectives:

- To identify, quantify and monitor the different types of risk, progressively applying uniform and consistent principles and methodologies;
- To fine-tuning tools to support the structuring of transactions and develop internal techniques of performance assessment and core capital optimization;
- To assume a proactive attitude in the management of events of significant delay or definitive non performance of contractual obligations.

Credit Risk

Credit risk represents the potential financial loss arising from the failure of a borrower or counterparty to honor its contractual obligation. Credit risk is essentially present in traditional banking products – loans, guarantees granted and contingent liabilities – and in trading products – swaps, forwards and options (counterparty risk).

Credit portfolio management is an ongoing process that requires the interaction between the various teams responsible for the risk management during the consecutive stages of the credit process. This approach is complemented by the continuous introduction of improvements in the methodologies, in the risk assessment and control tools.

The BESI's risk profile is periodically monitored, especially in what concerns the evolution of credit exposure and credit lines. Are equally subject to daily analysis the observance of approved credit limits and the correct functioning of the mechanisms associated to credit approval.

BESI Group credit risk exposure is analysed as follows:

(in thousands of euro)

	31.12.2013	31.12.2012
Deposits with banks	503 943	285 667
Financial assets held for trading	1 590 567	2 401 615
Available-for-sale financial assets	688 083	383 906
Loans and advances to customers	1 946 582	2 187 524
Held-to-maturity investments	314 329	107 202
Derivatives for risk management purposes	72 228	60 022
Other assets	254 032	269 905
Guarantees granted	495 316	627 511
Irrevocable commitments	80 712	104 202
Credit risk associated to the credit derivatives reference entities	8 001	4 501
Total	**5 953 793**	**6 432 055**

Risk concentration

The analysis of loans and advances to customers and other financial assets by sector of activity, as at 31 December 2013 and 2012, can be analysed as follows:

(in thousands of euro)

	31.12.2013						
	Loans and advances to customers				Financial assets held	Available-for-sale financial assets	
	Gross Amount		Impairment		Gross Amount	Gross Amount	Impairment
	Outstanding Loans	Overdue Loans	Outstanding Loans	Overdue Loans			
Agriculture	19 733	-	448	-	6 719	3	-
Mining	35 678	-	14	-	2 355	-	-
Food, beverage and tobacco	70 927	-	1 120	-	10 262	-	-
Textiles	1 803	-	1	-	23	6 450	1 718
Shoes	6 190	-	2	-	-	-	-
Paper industry	-	-	-	-	1 214	-	-
Chemicals and rubber	40 254	-	67	-	3 712	997	-
Non-metallic minerals	1 010	-	522	-	26	-	-
Metallic products	32 732	388	3 461	35	1 463	705	-
Production of machinery, equipment and electric devices	16 489	-	87	-	-	-	-
Production of transport material	14 598	-	6	-	262	-	-
Other transforming industries	-	-	-	-	377	-	-
Electricity, gas and water	370 675	1 402	5 436	350	36 077	5 878	-
Collection, purification and dist. water, sanitation, waste manag. and cleaning	29 179	-	32	-	25	-	-
Construction	194 096	12 782	1 405	1 957	20 481	43 794	-
Real estate activities	18 167	-	8	-	287	-	-
Wholesale and retail; repair of motor vehicles and motorcycles	117 837	298	403	73	4 686	-	-
Transports	284 078	444	4 014	111	88 968	17 163	-
Tourism	27 468	13 739	2 603	12 983	140	-	-
Printing and publishing	55 718	-	121	-	-	-	-
Information activities	7 029	-	39	-	-	-	-
Radio and television broadcast	1 243	-	7	-	639	5 267	-
Communication activities	18 552	-	198	-	3 861	-	-
IT Consulting	-	-	-	-	15	12	12
Monetary intermediation	-	396	-	-	325 030	27 896	-
Holding companies	267 667	63	46 590	-	90 512	72 994	1 070
Financial activities	35 794	236	413	236	20 572	133 167	14 351
Real estate activities	83 324	76	6 179	-	15	7 101	-
Services provided to companies	98 318	1 853	1 627	286	73 445	8 259	244
Administrative activities and suporting services	-	-	-	-	22 806	32 662	-
Travelling activities	20 470	15 520	89	3 211	-	2 915	-
Renting activities	65 440	-	31 611	-	14	-	-
Public services	-	-	-	-	882 632	388 495	-
Local public services	-	-	-	-	-	46 939	-
Human health activities and social suport	22 183	-	125	-	7 829	110	110
Artistics, sports and recreative activities	24 433	-	2 745	-	161	125	75
Other	39 928	1 778	1 140	350	(2)	-	-
Mortgage loans	460	-	2	-	-	-	-
Consumer loans	6 269	-	28	-	-	-	-
TOTAL	**2 027 742**	**48 975**	**110 543**	**19 592**	**1 604 606**	**800 932**	**17 580**

(in thousands of euro)

	31.12.2012						
	Loans and advances to customers				Financial assets held for trading	Available-for-sale financial assets	
	Gross Amount		Impairment		Gross Amount	Gross Amount	Impairment
	Outstanding Loans	Overdue Loans	Outstanding Loans	Overdue Loans			
Agriculture	8 340	-	681	-	640	3	-
Mining	18 353	-	-	-	1 872	-	-
Food, beverage and tobacco	66 835	-	941	-	2 563	-	-
Textiles	-	-	-	-	29	8 185	1 718
Shoes	-	-	-	-	1 586	-	-
Paper industry	34 132	-	324	-	10 028	680	-
Chemicals and rubber	21 374	-	449	-	-	-	-
Non-metallic minerals	24 171	-	1 114	-	4 720	571	-
Metallic products	40 867	-	-	-	748	-	-
Production of machinery, equipment and electric devices	-	-	-	-	196	-	-
Production of transport material	-	-	-	-	4	-	-
Other transforming industries	787	-	-	-	928	-	-
Electricity, gas and water	420 833	46	3 202	-	57 083	1	-
Collection, purification and distr. of water, sanitation, waste manag. and cleaning	24 321	-	35	-	277	-	-
Construction	237 512	12 458	2 082	1 147	99 858	2 913	-
Real estate activities	25 485	-	-	-	2 621	-	-
Wholesale and retail; repair of motor vehicles and motorcycles	90 364	24	6	-	946	-	-
Transports	292 237	-	1 141	-	163 693	-	-
Tourism	39 153	464	3 016	26	1 346	-	-
Printing and publishing	62 081	-	-	-	422	-	-
Information activities	7 994	-	-	-	-	-	-
Radio and television broadcast	7 264	-	-	-	105 098	-	-
Communication activities	19 517	-	151	-	11 265	3 151	-
IT Consulting	-	-	-	-	13 085	12	-
Monetary intermediation	-	406	149	-	506 727	37 369	-
Holding companies	395 814	-	41 509	-	55 462	45 118	1 074
Financial activities	39 380	81	242	20	21 401	158 490	13 032
Real estate activities	119 762	-	28 585	-	8 782	-	-
Services provided to companies	110 181	244	1 770	229	99 691	3 965	244
Administrative activities and suporting services	-	-	-	-	42 735	-	-
Travelling activities	31 596	317	740	3	8 105	-	-
Renting activities	63 364	-	29 997	-	1 311	-	-
Public services	-	-	-	-	24 448	178 002	-
Local public services	-	-	-	-	2 499	63 475	-
Public services (management and support activities)	-	-	-	-	1 178 266	-	-
Human health activities and social suport	22 811	-	-	-	10 291	110	110
Artistics, sports and recreative activities	24 377	-	2 658	-	553	125	75
Other	40 195	1 024	1 567	256	450	-	-
Mortgage loans	492	-	-	-	-	-	-
Consumer loans	4 908	-	-	-	-	-	-
TOTAL	**2 294 500**	**15 064**	**120 359**	**1 681**	**2 439 729**	**502 170**	**16 253**

Market Risk

Market risk is the possible loss resulting from an adverse change in the value of a financial instrument due to fluctuations in interest rates, foreign exchange rates or share prices.

The main measure of market risk is the assessment of potential losses under adverse market conditions, for which the Value at Risk (VaR) valuation criteria is used. BESI Group VaR model uses the Monte Carlo simulation, based on a confidence level of 99% and an investment period of 10 days. Volatilities and correlations are historical, based on an observation period of one year.

As a complement to VaR stress testing has been developed, allowing to evaluate the impact of potential losses higher than the ones considered by VaR.

(in millions of euro)

	31.12.2013				31.12.2012
	December	Annual average	Maximum	Minimum	December
Exchange Risk	0.98	1.57	3.31	0.63	0.71
Interest rate risk	1.74	2.37	1.96	1.26	2.59
Shares and commodities	0.86	1.36	2.60	0.73	1.78
Diversification effect	13.43	15.99	22.50	12.85	19.80
Covariance	-1.37	-1.89	-3.06	-0.86	-2.11
Total	**15.64**	**19.40**	**27.31**	**14.61**	**22.77**

At the year-end, BESI Group had a VaR of euro 15.64 million for its trading positions which represents a decrease of 31% when compared to previous year.

Following the recommendations of Basel II (Pilar 2) and Instruction nº19/2005, of the Bank of Portugal, BESI Group calculates its exposure to interest rate risk based on the methodology of the Bank of International Settlement (BIS), classifying all balance and off-balance balances which are not part of the trading portfolio, by repricing intervals.

(in millions of euro)

	31.12.2013						
	Eligible amounts	Non sensitive	Up to 3 months	3 to 6 months	6 to 12 months	1 to 5 years	More than 5 years
Cash and deposits	5	5	-	-	-	-	-
Loans and advances to banks	499	55	406	37	1	-	-
Loans to customers	1 947	53	957	764	51	68	54
Securities	1 098	118	245	58	-	347	330
Collaterals deposits placed	243	-	243	-	-	-	-
Off balance sheet	70	40	-	7	16	7	-
Total		**271**	**1 851**	**866**	**68**	**422**	**384**
Deposits from central banks	152	-	-	-	-	152	-
Deposits from banks	1 681	110	1 270	-	200	90	11
Deposits	839	48	759	18	14	-	-
Repo´s with clients	215	-	215	-	-	-	-
Debt securities issued and subordinated deb	1 505	85	108	151	281	816	64
Other capital instruments	4	-	-	-	-	-	4
Collaterals deposits placed	17	-	17	-	-	-	-
Off balance sheet	70	9	22	32	-	7	-
Total		**252**	**2 391**	**201**	**495**	**1 065**	**79**
GAP (assets - liabilities)		**19**	**(540)**	**665**	**(427)**	**(643)**	**305**

(in millions of euro)

	31.12.2012						
	Eligible amounts	Non sensitive	Up to 3 months	3 to 6 months	6 to 12 months	1 to 5 years	More than 5 years
Cash and deposits	1	1	-	-	-	-	-
Loans and advances to banks	285	31	195	59	-	-	-
Loans to customers	2 258	99	1 298	815	4	8	34
Securities	594	106	91	108	17	29	243
Collaterals deposits placed	444	-	444	-	-	-	-
Off balance sheet	75	-	-	12	21	27	15
Total		**237**	**2 028**	**994**	**42**	**64**	**292**
Deposits from central banks	151	-	151	-	-	-	-
Deposits from banks	2 021	47	1 679	-	-	280	15
Deposits	849	5	829	15	-	-	-
Repo´s with clients	118	-	118	-	-	-	-
Debt securities issued and subordinated deb	1 449	38	440	73	85	752	61
Other capital instruments	4	-	-	-	-	-	4
Collaterals deposits placed	5	-	5	-	-	-	-
Off balance sheet	76	-	26	32	5	13	-
Total		**90**	**3 248**	**120**	**90**	**1 045**	**80**
GAP (assets - liabilities)		**147**	**(1 220)**	**874**	**(48)**	**(981)**	**212**

The model used to monitor the sensitivity of BESI Group to interest rate risk is based on the duration model and considers parallel scenarios.

(in millions of euro)

	31.12.2013		31.12.2012	
	Parallel increase of 100 pb	Parallel descrease of 100 pb	Parallel increase of 100 pb	Parallel descrease of 100 pb
As at 31 December	(19,5)	19,5	0,7	(0,7)
Average for the year	(21,8)	21,8	3,8	(3,8)
Maximum for the year	(10,7)	36,6	8,7	2,8
Minimum for the year	(36,6)	10,7	(2,8)	(8,7)

The following table presents the average balances, interests and interest rates in relation to the BESI Group major assets and liabilities categories, for the years ended 31 December 2013 and 2012:

(in thousands of euro)

	31.12.2013			31.12.2012		
	Average balance for the year	Interest for the year	Average interest rate	Average balance for the year	Interest for the year	Average interest rate
Monetary assets	448 120	12 039	2.69%	336 806	5 294	1.57%
Loans and advances to customers	2 030 465	101 920	5.02%	2 219 525	122 666	5.53%
Securities	2 438 205	199 537	8.18%	2 087 292	185 079	8.87%
Other	304 476	385	0.13%	476 427	1 069	0.22%
Financial assets	**5 221 266**	**313 881**	**6.01%**	**5 120 050**	**314 108**	**6.13%**
Monetary Liabilities	2 272 510	90 544	3.98%	2 278 661	92 852	4.07%
Due to customers	1 002 650	58 621	5.85%	948 156	53 767	5.67%
Debt securities issued	1 501 425	81 329	5.42%	1 418 030	69 586	4.91%
Other funds	23 530	1 501	6.38%	30 974	3 364	10.86%
Financial liabilities	**4 800 115**	**231 995**	**4.83%**	**4 675 821**	**219 569**	**4.70%**
Net interest income		**81 886**	**1.18%**		**94 539**	**1.45%**

Concerning the foreign exchange risk, the distribution of the assets and liabilities by currency as at 31 of December of 2013 and 2012, is analysed as it follows:

(in thousands of euro)

		31.12.2013			31.12.2012		
		Spot	Forward	Net exposure	Spot	Forward	Net exposure
USD	United States Dollars	(32 347)	9 430	(22 917)	47 681	(41 320)	6 361
GBP	Great Britain Pounds	112 197	(110 692)	1 505	88 585	(90 001)	(1 416)
BRL	Brazilian real	117 029	(118 738)	(1 709)	128 253	(125 758)	2 495
JPY	Japanese yene	(66)	-	(66)	161	-	161
CHF	Swiss franc	128	-	128	891	-	891
PLN	Polac zloty	(3 895)	12 039	8 144	10 556	(10 857)	(301)
CAD	Canadian Dollars	5 104	4 213	9 317	2 973	(2 953)	20
AUD	Australian Dollars	6	-	6	7	-	7
INR	Indian rupee	4 986	-	4 986	4 068	-	4 068
	Other	(411)	(744)	(1 155)	121	6	127
		202 731	**(204 492)**	**(1 761)**	**283 296**	**(270 883)**	**12 413**

As at 31 December 2013 and 31 December 2012 the exposure to public debt from peripheral Eurozone countries which are monitored by BESI Group is analysed as follows:

(in thousands of euro)

	31.12.2013					
	Loans and advances to customers	Financial assets held for trading at fair value	Derivatives for risk management purposes [(1)]	Available-for-sale financial assets	Held-to-maturity investments	Total
Portugal	-	30 123	-	169 671	-	199 794
Spain	-	53 013	-	189 374	-	242 387
Greece	-	-	-	29 451	-	29 451
	-	**83 136**	**-**	**388 496**	**-**	**471 632**

[(1)] Net values: receivable/payable

(in thousands of euro)

	31.12.2012					
	Loans and advances to customers	Financial assets held for trading at fair value	Derivatives for risk management purposes [(1)]	Available-for-sale financial assets	Held-to-maturity investments	Total
Portugal	-	3 782	-	10 678	-	14 460
Spain	-	303	-	156 190	-	156 493
	-	**4 085**	**-**	**166 868**	**-**	**170 953**

[(1)] Net values: receivable/payable

All the exposures presented above, except loans and advances to customers, are recorded in the Group's balance sheet at fair value, which is based on market quotations or, in relation to derivatives, based on valuation techniques with observable market data.

A detailed exposure regarding securities recorded in financial assets available-for-sale, financial assets held for trading, financial assets at fair value through profit or loss and held to maturity investments can be analysed as follows:

(in thousands of euro)

	31.12.2013					
	Nominal Amount	Market value	Accrued interest	Book value	Impairment	Fair value reserves
Available-for-sale financial assets						
Portugal	**162 400**	**162 868**	**6 803**	**169 671**	**-**	**(47)**
Maturity up to 1 year	-	-	-	-	-	-
Maturity exceeding 1 year	162 400	162 868	6 803	169 671	-	(47)
Spain	**165 000**	**181 172**	**8 202**	**189 374**	**-**	**(1 755)**
Maturity exceeding 1 year	165 000	181 172	8 202	189 374	-	(1 755)
Greece	**53 003**	**28 551**	**900**	**29 451**	**-**	**939**
Maturity exceeding 1 year	53 003	28 551	900	29 451	-	939
	380 403	**372 591**	**15 905**	**388 496**	**-**	**(863)**
Financial assets held for trading						
Portugal	30 737	29 723	400	30 123	-	-
Spain	45 114	50 674	2 339	53 013	-	-
	75 851	**80 397**	**2 739**	**83 136**	**-**	**-**

(in thousands of euro)

	31.12.2012					
	Nominal Amount	Market value	Accrued interest	Book value	Impairment	Fair value reserves
Available-for-sale financial assets						
Portugal	**14 024**	**10 209**	**469**	**10 678**	**-**	**1 846**
Maturity up to 1 year	124	126	2	128	-	11
Maturity exceeding 1 year	13 900	10 083	467	10 550	-	1 835
Spain	**150 000**	**150 101**	**6 089**	**156 190**	**-**	**1 605**
Maturity up to 1 year	150 000	150 101	6 089	156 190	-	1 605
Maturity exceeding 1 year	-	-	-	-	-	-
	164 024	**160 310**	**6 558**	**166 868**	**-**	**3 451**
Financial assets held for trading						
Portugal	3 750	3 754	28	3 782	-	-
Spain	305	303	-	303	-	-
	4 055	**4 057**	**28**	**4 085**	**-**	**-**

Liquidity risk

Liquidity risk derives from the potential inability to fund assets while satisfying commitments on due dates and from potential difficulties in liquidating positions in portfolio without incurring in excessive losses.

Liquidity management is centralized at the Financial Department. The purpose of liquidity management is to maintain adequate liquidity levels to meet short, medium and long term funding needs. The Bank prepares specific reports that allow the identification of negative mismatch and permits their dynamic coverage.

In addition, the Bank calculates the liquidity ratios in accordance with the Bank of Portugal rules.

Consolidated Liquidity Indicators

(in thousands of euro)

	31.12.2013	31.12.2012
Accumulated mismatch [1]	(1 200 705)	(733 182)
Net assets buffer [2]	1167 753	1171 523
Global liquidity	**(32 952)**	**438 341**

[1] Accumulated mismatch corresponds to the diference between assets and liabilities with maturity date less than one year.

[2] The net assets buffer reflects the assets with maturity over one year that can be given as collateral to obtain liquidity, namelly assets that can be given as collateral on loan operations with Central Banks (less haircuts), excluding those assets which are being used as collateral for loan operations with maturity of over one year.

Operational Risk

Operational risk represents the risk of losses resulting from failures in internal procedures, people behaviours, information systems and external events.

To manage operational risk, it was developed and implemented a system that standardizes, systematizes and regulates the frequency of actions with the objective of identification, monitoring, controlling and mitigation of risk.

Capital management and solvability ratio

The Groups' main goals from capital management are (i) to allow the adequate growth of activities through the generation of enough capital to support the increase of assets, (ii) fulfilment of the minimum requirements defined by the supervision authorities in terms of capital adequacy and (iii) to ensure the fulfilment of BESI strategic goals in respect to capital adequacy matters.The definition of the strategy in terms of capital adequacy is made by the Executive Committee and is integrated in the global goals of the Group.

The Group is subject to Bank of Portugal supervision, which under the capital adequacy Directive from the CE, establishes the prudential rules to be attended by the institutions under its supervision. These rules determine a minimum solvability ratio in relation to the requirements of the assumed risks that institutions have to fulfil.

In the scope of the implementation of the new capital accord Basel II, the Group was authorized to use, starting 28 November 2008, the approach based in the use of internal models for credit risks (Internal Rating Based Approach – IRB) for credit risk and the Standardized Approach – TSA) for operational risk.

Currently for the purpose of the reporting to the Bank of Portugal, the Bank presents the solvency ratios in accordance with standard method for credit risk and the basic indicator method for operational risk.

The capital elements of Group BESI are divided into: Basic Own Funds, Complementary Own Funds and Deductions, as follows:

Basic Own Funds (Tier I): This category includes the realized capital, the eligible reserves, the retained earnings of the year and non-controlling interest. Are deducted by the correspondent book value the amounts related to goodwill, intangible assets, unrealised losses recognised under the fair value reserve and associated with equity securities, 50% of the book value of investments in banking and insurance associates over 10%.

Complementary Own Funds (COF): Essentially incorporates the subordinated eligible debt and 45% of the positive fair value reserve associated with equity securities. The book value of investments in banking and insurance associates is deducted by 50% of its value.

Deductions: Essentially incorporates the prudential amortization of assets received as a recovery of non-performing loans.

Additionally there are several rules that limit the composition of the capital basis. The prudential rules determine that the COF cannot exceed the Tier I. Also, some components of the COF (Lower Tier II) cannot exceed 50% of the BOF. In April 2007, Bank of Portugal issued Regulation 4/2007, which changed the rules to determine capital requirements. This regulation changed the treatment of the investments in banking and insurance entities that began to be deducted in 50% to the BOF and 50% to the COF. Previously, these investments were included in the deductions made to the total capital requirements.

At 2013 and 2012, the main movements occurred in Tier I are as follows (in thousands of euro):

(in thousands of euro)

	31.12.2013	31.12.2012
Balance at the beginning of the year	**574 442**	**489 294**
Capital increase	-	100 000
Other reserves and retained earnings	(37 887)	(16 008)
Non-controlling interest	(9 792)	(4 928)
Fair value reserves with an impact in BOF	(3 949)	478
Intangible assets	443	(4 936)
Reduction to BOF	(2 490)	10 542
Other effects	558	-
Balance at the end of the year	**521 325**	**574 442**

The capital adequacy of BESI Group as at 31 December 2013 and 31 December 2012 is presented as follows (in thousands of euro):

(in thousands of euro)

	31.12.2013	31.12.2012
Total consolidated assets	5 961 799	6 481 863
Risk weight assets	4 758 724	4 947 401
Weight percentage	79.82%	76.33%
Own funds requirements	380 698	395 792
Own funds requirements - Banking book	297 106	291 451
Own funds requirements - Trading book	47 436	66 552
Own funds requirements - Settlement risk	3	2
Own funds requirements - Operational risk	36 153	37 788
Eligible own funds	527 836	596 144
Basic own funds (Core Tier I)	524 856	575 484
Basic own funds	521 325	574 442
Complementary own funds	6 537	21 727
Deductions	(25)	(25)
Excess	147 138	200 352
Solvency ratio	**11.1%**	**12.0%**
TIER I ratio	**11.0%**	**11.6%**
CORE TIER I ratio	**11.0%**	**11.6%**

NOTE 44 – RECENTLY ISSUED PRONOUNCEMENTS

Recently issued pronouncements already adopted by the Group

In the preparation of the consolidated financial statements for the year ended 31 December 2013, the Group adopted the following standards and interpretations that are effective since 1 January 2013:

IAS 19 Revised – Employee Benefits

The IASB, issued on 16th June 2011, amendments to "IAS 19 – Employee Benefits", effective (with retrospective application) for annual periods beginning on or after 1st January 2013. Those amendments were endorsed by EU Commission Regulation 475/2012, 5th June.

As a result of IAS 19 (2011), the Group has changed its accounting policy with respect to the basis for determining the income or expense related to its defined benefit plans.

Under IAS 19 (2011), the Group determines the net interest expense (income) on the net defined benefit liability (asset) for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the then-net defined benefit liability (asset), taking into account any changes in the net defined benefit liability (asset) during the period as a result of contributions and benefit payments.

Consequently, the net interest on the net defined benefit liability (asset) now comprises:

- interest cost on the defined benefit obligation;
- interest income on plan assets; and
- Interest on the effect on the asset ceiling.

Previously, the Group determined interest income based on the long-term rate of expected return of plan assets.

Previously, the Group determined interest income on plan assets based on their long-term rate of expected return.

The change did not have a material impact on the Group's financial statements.

IAS 1 Presentation of Financial Statements - Presentation of items of other comprehensive income

The IASB, issued on 16th June 2011, amendments to "IAS 1 – Presentation of Financial Statements", effective (with retrospective application) for annual periods beginning on or after 1st January 2012. Those amendments were endorsed by EU Commission Regulation 475/2012, 5th June.

As a result of the amendments to IAS 1, the Group has modified the presentation of items of OCI in its statement of profit or loss and OCI, to present items that would be reclassified to profit or loss in the future separately from those that would never be. Comparative information has been re-presented on the same basis.

IFRS 7 (Amended) - Financial Instruments: Disclosure – Offsetting Financial Assets and Financial Liabilities

The IASB, issued on 16th December 2011, amendments to "IFRS 7 – Financial Instruments: Disclosure – Offsetting Financial Assets and Financial Liabilities", effective (with retrospective application) for annual periods beginning on or after 1st January 2013. Those amendments were endorsed by EU Commission Regulation 1256/2012, 11th December.

The change did not have a material impact on the Group's financial statements.

Improvements to IFRS (2009-2011)

The annual improvements cycle 2009-2011, issued by IASB on 17th May 2012, introduce amendments, with effective date on, or after, 1st January 2013, to the standards IFRS1, IAS1, IAS16, IAS32, IAS34 and IFRIC2.

IAS 1 Presentation of Financial Statements

This improvement clarifies the difference between voluntary additional comparative information and the minimum required comparative information. Generally, the minimum required comparative information is the previous period.

IAS 16 Property Plant and Equipment

This improvement clarifies that major spare parts and servicing equipment that meet the definition of property, plant and equipment are not inventory

IAS 32 Financial Instruments, Presentation and IFRIC 2

The improvement clarifies that income taxes arising from distributions to equity holders are accounted for in accordance with IAS 12 Income Taxes, avoid any interpretation that may mean any either application.

IAS 34 Interim Financial Reporting

The amendments align the disclosure requirement for total segment assets with total segment liabilities in interim financial statements. This clarification also ensures that interim disclosures are aligned with annual disclosures in relation to the changes of profit and loss account and other comprehensive income.

The adoption of these improvements had no impact on the consolidated financial statements.

IFRS 13 – Fair Value Measurement

The IASB, issued on 12th May 2011, “IFRS 13 fair value Measurement”, effective (with prospective application) for annual periods beginning on or after 1st January 2013. These amendments were endorsed by EU Commission Regulation 1255/2012, 11th December.

In accordance with the transitional provisions of IFRS 13, the Group has applied the new definition of fair value prospectively. The change had no significant impact on the measurements of the Bank’s assets and liabilities.

IFRIC 20 - Stripping Costs in the Production Phase of a Surface Mine

The International Financial Reporting Interpretations Committee (IFRIC), issued on 19th October 2011, “IFRIC 20 - Stripping Costs in the Production Phase of a Surface Mine”, effective (with retrospective application) for annual periods beginning on or after 1st January 2013. Those amendments were endorsed by EU Commission Regulation 1255/2012, 11th December.

Give the nature of the Group´s operation, this interpretation did not have any impact on the consolidated financial statements.

The Group decided to opt for not having an early application of the following standards endorsed by EU but not yet mandatory effective.

Recently issued pronouncements yet to be adopted by the Group

The new standards and interpretations that have been issued, but that are not yet effective and that the Group has not yet applied, are analysed below. The Group will apply these standards when they are effective.

IAS 32 (Amended) - Financial Instruments: Presentation – Offsetting Financial Assets and Financial Liabilities

The IASB, issued on 16th December 2011, amendments to "IAS 32 – Financial Instruments: Presentation – Offsetting Financial Assets and Financial Liabilities", effective (with retrospective application) for annual periods beginning on or after 1st January 2014. Those amendments were endorsed by EU Commission Regulation 1256/2012, 11th December.

The IASB amended IAS 32 to add application guidance to address the inconsistent application of the standard in practice. The application guidance clarifies that the phrase 'currently has a legal enforceable right of set-off' means that the right of set-off must not be contingent on a future event and must be legally enforceable in the normal course of business, in the event of default and in the event of insolvency or bankruptcy, of the entity and all of the counterparties.

The application guidance also specifies the characteristics of gross settlement systems in order to be considered equivalent to net settlement.

The Group is not expecting a significant impact form the adoption of the amendment to IAS 32, taking into consideration the accounting policy already adopted.

IAS 27 (Revised) – Separate Financial Statements

The IASB, issued on 12th May 2011, amendments to "IAS 27 – Separate Financial Statements", effective (with prospective application) for annual periods beginning on or after 1st January 2014. Those amendments were endorsed by EU Commission Regulation 1254/2012, 11th December.

Taking in consideration that IFRS 10 addresses the principles of controls and the requirements relating to the preparation of consolidated financial statements, IAS 27 was amended to cover exclusively separate financial statements.

The amendments aimed, on one hand, to clarify the disclosures required by an entity preparing separate financial statements so that the entity would be required to disclose the principal place of business (and country of incorporation, if different) of significant investments in subsidiaries, joint ventures and associates and, if applicable, of the parent.

The previous version required the disclosure of the country of incorporation or residence of such entities.

On the other hand, it was aligned the effective dates for all consolidated standards (IFRS10, IFRS11, IFRS12, IFRS13 and amendments to IAS 28).

The Group expects no impact from the adoption of this amendment on its financial statements.

IFRS 10 - Consolidated Financial Statements

The IASB, issued on 12th May 2011, "IFRS 10 Consolidated Financial Statements", effective (with retrospective application) for annual periods beginning on or after 1st January 2013. These amendments were endorsed by EU Commission Regulation 1254/2012, 11th December, which allows a delayed on mandatory application for 1st January 2014.

IFRS 10, withdraw one part of IAS 27 and SIC 12, and introduces a single control model to determine whether an investee should be consolidated.

The new concept of control involves the assessment of power, exposure to variability in returns and a linkage between the two. An investment controls an investee when it is exposed, or has rights, to variability returns from its involvement with the investee and is able to affect those returns through its power over the investee (facto control).

The investor considers whether it controls the relevant activities of the investee, taking into consideration the new concept. The assessment should be done at each reporting period because the relation between power and exposure variability in returns may change over the time.

Control is usually assessed over a legal entity, but also can be assessed over only specified assets and liabilities of an investee (referred to as silo).

The new standard also introduce other changes such as: i) accounting requirements for subsidiaries in consolidation financial statements are carried forward from IAS 27 to this new standards and ii) enhanced disclosures are requires, including specific disclosures for consolidated and unconsolidated structured entities.

The Group is carrying out a thorough analysis of the impacts of the application of this standard and does not expect any significant impact.

IFRS 11 – Joint Arrangements

The IASB, issued on 12th May 2011, "IFRS 11 Joint arrangements", effective (with retrospective application) for annual periods beginning on or after 1st January 2013. These amendments were endorsed by EU Commission Regulation 1254/2012, 11th December, that allows a delayed on mandatory application for 1st January 2014.

IFRS 11, withdraw IAS 31 and SIC 13, defines "joint control" by incorporating the same control model as defined in IFRS 10 and requires an entity that is part of a "join arrangement" to determine the nature of the joint arrangement ("joint operations" or "joint ventures") by assessing its rights and obligations.

IFRS 11 removes the option to account for joint ventures using the proportionate consolidation. Instead, joint arrangements that meet the definition of "joint venture" must be account for using the equity method (IAS 28).

The Group expects no impact form the adoption of this amendment on its financial statements.

IAS 28 (Revised) – Investments in Associates and Joint Ventures

The IASB, issued on 12th May 2011, "IAS 28 Investments in Associates and Joint Ventures", effective (with retrospective application) for annual periods beginning on or after 1st January 2013. These amendments were endorsed by EU Commission Regulation 1254/2012, 11th December, that allows a delayed on mandatory application for 1st January 2014.

As a consequence of the new IFRS 11 and IFRS 12, IAS 28 has been renamed as IAS 28 Investments in Associates and Joint ventures, and describes the application of the entity method to investments in joint ventures and associates.

The Group expects no impact form the adoption of this amendment on its financial statements.

IFRS 12 – Disclosures of Interest in Other Entities

The IASB, issued on 12th May 2011, "IFRS 12 Disclosures of Interests in Other Entities", effective (with retrospective application) for annual periods beginning on or after 1st January 2013. These amendments were endorsed by EU Commission Regulation 1254/2012, 11th December, that allows a delayed on mandatory application for 1st January 2014.

The objective of this new standard is to require an entity to disclose information that enables users of its financial statements to evaluate: (a) the nature of, and risks associated with, its interests in other entities; and (b) the effects of those interests on its financial position, financial performance and cash flows.

IFRS 12 includes the disclosure requirements for all forms of interests in other entities, including joint arrangements, associates, special vehicles and other off balance sheet vehicles.

The Group is yet assessing the full impact of the new IFRS 12 in line with the adoption of IFRS 10 and IFRS 11.

Investment Entities – Amendments to IFRS 10, IFRS12 and IAS 8 (issued by IASB on 31st October 2012)

The amendments apply to a particular class of business that qualify as investment entities. The IASB uses the term 'investment entity' to refer to an entity whose business purpose is to invest funds solely for returns from capital appreciation, investment income or both. An investment entity must also evaluate the performance of its investments on a fair value basis. Such entities could include private equity organisations, venture capital organisations, pension funds, sovereign wealth funds and other investment funds.

The amendments provide an exception to the consolidation requirements in IFRS 10 and require investment entities to measure particular subsidiaries at fair value through profit or loss, rather than consolidate them. The amendments also set out disclosure requirements for investment entities.

The amendments are effective from 1 January 2014 with early adoption permitted. This option allows investment entities to apply the Investment Entities amendments at the same time they first apply the rest of IFRS 10. These amendments were endorsed by EU Commission Regulation 1174/2013, 20th November.

The Group does not expect any major impact from the adoption of this amendment on its financial statements.

IAS 36 (Revised) – Recoverable Amount Disclosures for Non-Financial Assets

The IASB issued on 29th May 2013, this amendment, effective (with retrospective application) for annual periods beginning on or after 1st January 2014. These amendments were endorsed by EU Commission Regulation 1374/2013, 19th December.

The objective of the amendments is to clarify that the scope of the disclosures of information about the recoverable amount of assets, where that amount is based on fair value less costs of disposal, is limited to impaired assets.

IAS 39 (Revised) – Novation of Derivatives and Continuation of Hedge Accounting

The IASB issued on 27th June 2013, this amendment, effective (with retrospective application) for annual periods beginning on or after 1st January 2014. These amendments were endorsed by EU Commission Regulation 1375/2013, 19th December.

The objective of the amendments is to provide relief in situations where a derivative, which has been designated as a hedging instrument, is novated from one counterparty to a central counterparty as a consequence of laws or regulations. Such a relief means that hedge accounting can continue irrespective of the novation which, without the amendment, would not be permitted.

Recently issued pronouncements that are not yet effective for the Group

IAS 19 (Revised) – Defined Benefit Plans: Employee Contributions

The IASB issued on 21th November 2013, this amendment, effective (with retrospective application) for annual periods beginning on or after 1st July 2014.

The Amendment clarifies the guidance on attributing employee or third party contributions linked to service and require entities to attribute the contributions linked to service in accordance with paragraph 70 of IAS 19 (2011). Therefore, such contributions are attributed using plan's contribution formula or on a straight line basis.

The amendment addresses the complexity by introducing a practical expedient that allows an entity to recognise employee or third party contributions linked to service that are independent of the number of years of service (for example a fixed percentage of salary), as a reduction in the service cost in the period in which the related service is rendered.

IFRIC 21 – Levies

The IASB issued on 20th May 2013, this interpretation, effective (with retrospective application) for annual periods beginning on or after 1st January 2014.

IFRIC 21 defines a levy as an outflow from an entity imposed by a government in accordance with legislation. It confirms that an entity recognises a liability for a levy when – and only when – the triggering event specified in the legislation occurs. IFRIC 21 is not expected to have any effect on the Group's financial statements.

Improvements to IFRS (2010-2012)

The annual improvements cycle 2010-2012, issued by IASB on 12th December 2013, introduce amendments, with effective date on, or after, 1st July 2014, to the standards IFRS 2, IFRS 3, IFRS 8, IFRS 13, IAS16, IAS24 and IAS38.

IFRS 2 – definition of vesting condition

The amendment clarify the definition of 'vesting conditions' in Appendix A of IFRS 2 Share-based Payment by separate the definition of performance condition and service condition from the definition of vesting condition to make the description of each condition clear.

IFRS 3 – Accounting for contingent consideration in a business combination

The objective of this amendment is to clarify certain aspects of accounting for contingent consideration in a business combination, namely: classification of contingent consideration in a business combination and subsequent measurement, taking into account if such contingent consideration is a financial instrument or a non-financial asset or liability.

IFRS 8 – Aggregation of operation segments and reconciliation of the total of the reportable segments' assets to entity's assets

The amendment clarify the criteria for aggregation of operating segments and requires entities to disclose those factors that are used to identify the entity's reportable segments when operating segments have been aggregated.

To achieve consistency, reconciliation of the total of the reportable segments' assets to the entity's assets should be disclosed, if that amount is regularly provided to the chief operating decision maker.

IFRS 13 – Short-term receivables and payables

IASB amends the basis of conclusion in order to clarify that, by deleting IAS 39AG79, in applying IFRS 3, IASB did not intend to change the measurement requirements for short-term receivables and payables with no interest, that should be discount if such discount is material, noting that IAS 8.8 already permits entities not apply accounting polices set out in accordance with IFRSs when the effect of applying them is immaterial.

IAS 16 & IAS 38 – Revaluation method – proportionate restatement accumulated depreciation or amortization

In order to clarify the calculation of the accumulated depreciation or amortization at the date of the revaluation, IASB amended paragraph 35 of IAS 16 and paragraph 80 of IAS 38 to clarify that: the determination of the accumulated depreciation (or amortization) does not depend on the selection of the valuation technique; and the accumulated depreciation (or amortization) is calculated as the difference between the gross and the net carrying amounts.

IAS 24 – Related Party Transactions – Key management personal services

In order to address the concerns about the identification of key management personal (KMP) costs, when KMP services of the reporting entity are provided by entities (management entity e.g. in mutual funds), IASB clarifies that, the disclosure of the amounts incurred by the entity for the provision of KMP services that are provided by a separate management entity shall be disclosed but it is not necessary to present the information required in paragraph 17.

Improvements to IFRS (2011-2013)

The annual improvements cycle 2011-2013, issued by IASB on 12th December 2013, introduce amendments, with effective date on, or after, 1st July 2014, to the standards IFRS 1, IFRS 3, IFRS 13 and IAS 40.

IFRS 1 – meaning of "effective IFRS"

IASB clarifies that if a new IFRS is not yet mandatory but permits early application, that IFRS is permitted, but not required, to be applied in the entity's first IFRS financial statements.

IFRS 3 – Scope exceptions for joint ventures

The amendment excludes the formation of all types of joint arrangements as defined in IFRS 11 Joint Arrangements from the scope of IFRS 3. The scope exception only applies to the financial statements of the joint venture or the joint operation itself.

IFRS 13 – Scope of paragraph 52 – portfolio exception

Paragraph 52 of IFRS 13 includes a scope exception for measuring the fair value of a group of financial assets and financial liabilities on a net basis. This is referred to as the portfolio exception. The objective of this amendment was to clarify that the portfolio exception applies to all contracts within the scope of IAS 39 Financial Instruments: Recognition and Measurement or IFRS 9 Financial Instruments, regardless of whether they meet the definitions of financial assets or financial liabilities as defined in IAS 32 Financial Instruments: Presentation.

IAS 40 – interrelationship with IFRS 3 when classify property as investment property or owner-occupied property

The objective of this amendment was to clarify that judgment is needed to determine whether the acquisition of investment property is the acquisition of an asset, a group of assets or a business combination in the scope of IFRS 3 and that this judgment is based on the guidance in IFRS 3.

IFRS 9 Financial instruments (issued in 2009 and revised in 2010)

IFRS 9 (2009) introduces new requirements for the classification and measurement of financial assets. IFRS 9 (2010) introduces additions relating to financial liabilities. IFRS 9 (2013) introduces the hedging requirements. The IASB currently has an active project of additional disclosures requirements limited amendments to the classification and measurement requirements of IFRS 9 and new requirements to address the impairment of financial assets.

The IFRS 9 (2009) requirements represent a significant change from the existing requirements in IAS 39 in respect of financial assets. The standard contains two primary measurement categories for financial assets: amortised cost and fair value. A financial asset would be measured at amortised cost if it is held within a business model whose objective is to hold assets in order to collect contractual cash flows, and the asset's contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal outstanding. All other financial assets would be measured at fair value. The standard eliminates the existing IAS 39 categories of held-to-maturity, available-for-sale and loans and receivables.

For an investment in an equity instrument that is not held for trading, the standard permits an irrevocable election, on initial recognition, on an individual share-by-share basis, to present all fair value changes from the investment in OCI. No amount recognised in OCI would ever be reclassified to profit or loss at a later date. However, dividends on such investments would be recognised in profit or loss, rather than OCI, unless they clearly represent a partial recovery of the cost of the investment.

Investments in equity instruments in respect of which an entity does not elect to present fair value changes in OCI would be measured at fair value with changes in fair value recognised in profit or loss.

The standard requires derivatives embedded in contracts with a host that is a financial asset in the scope of the standard not to be separated; instead, the hybrid financial instrument is assessed in its entirety for whether it should be measured at amortised cost or fair value.

IFRS 9 (2010) introduces a new requirement in respect of financial liabilities designated under the fair value option to generally present fair value changes that are attributable to the liability's credit risk in OCI rather than in profit or loss. Apart from this change, IFRS 9 (2010) largely carries forward without substantive amendment the guidance on classification and measurement of financial liabilities from IAS 39.

IFRS 9 (2013) introduces new requirements for hedge accounting that align hedge accounting more closely with risk management. The requirements also establish a more principles-based approach to hedge accounting and address inconsistencies and weaknesses in the hedge accounting model in IAS 39.

The mandatory effective date of IFRS 9 is not specified but will be determined when the outstanding phases are finalised.

The Group has started the process of evaluating the potential effect of this standard but is awaiting finalisation of the limited amendments before the evaluation can be completed. Given the nature of the Group's operations, this standard is expected to have a pervasive impact on the Group's financial statements.

Report and Opinion of the Supervisory Board
of Banco Espírito Santo de Investimento, S.A.
for the financial year 2013

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

To the Shareholder of
Banco Espírito Santo de Investimento, S.A.

In accordance with the applicable legislation, we hereby present our report on the audit performed by the Supervisory Board to the Management Report, the individual and the consolidated financial statements and the proposal for the distribution of the year's results presented by the Board of Directors of Banco Espírito Santo de Investimento, S.A. (from here on "BESI") for the year ended December 31st, 2013.

During the financial year of 2013 BESI's Supervisory Board, as part of its designated functions, monitored, in accordance with the law and the company's articles of association, the development of BESI's management and business activities, namely:

(i) assessed the adequacy and effectiveness of the risk management, internal control and internal audit systems;

(ii) attended Board of Directors meetings whenever invited;

(iii) reviewed management information documents submitted to the Supervisory Board by the Board of Directors;

(iv) monitored the verification of the accounting records and underlying support documentation;

(v) assessed accounting policies and valuation criteria adopted by BESI; and

(vi) held meetings with the Statutory Auditor, whenever necessary, on the assessment of the accounting policies and valuation criteria adopted by BESI, who always provided the information required.

In accordance with the applicable legislation, the Supervisory Board also assessed the Auditor's Report prepared by the Statutory Auditor on the individual and consolidated financial statements and was made aware of the individual and consolidated Statutory Audit Report ("Certificação Legal de Contas") on the referred financial statements for financial year 2013, in which no qualifications or emphasis were expressed, and with which the Supervisory Board agrees.

The Supervisory Board was also made aware of the conclusions of the Auditor's Report prepared by a prominent international auditing company.

The Supervisory Board also analysed the Management Report submitted by the Board of Directors and considers that the report complies with the applicable legal and statutory requirements and elucidates the main aspects of BESI's activities in 2013, both in individual and in consolidated terms.

The Supervisory Board recognises that the results presented are a consequence of the adverse environment at national and international levels.

Due to the mentioned above, it is the opinion of the Supervisory Board that the following should be approved:

- The Management Report and remaining documents relating to the individual and consolidated financial statements as at and for the financial year ended on December 31st, 2013;

- The proposal submitted by the Board of Directors on the allocation of the net loss for the year 2013, in the amount of EUR 2,548,231.29.

Lisbon, March 25th, 2014

THE SUPERVISORY BOARD

José Manuel Macedo Pereira
(Chairman)

Tito Manuel das Neves Magalhães Basto

Mário Paulo Bettencourt de Oliveira

Declaration of Conformity on the Financial Information Reported

The present declaration is submitted under the terms of Article 245 (1-c)) of the Portuguese Securities Code.

The Supervisory Board hereby declares that, to the best of its knowledge:

- The information referred to in Article 245 (1-a)) of the Portuguese Securities Code as at December 31st, 2013 was prepared in accordance with the applicable accounting standards, providing a true and fair view of the assets and liabilities, the financial situation and the results of BESI and the companies included within its consolidated perimeter; and

- The management report faithfully details the evolution of the business, the performance and the position of BESI and the companies included within its consolidation perimeter and contains a description of the main risks and uncertainties faced within the framework of ongoing activities.

Lisbon, March 25th, 2014

THE SUPERVISORY BOARD

José Manuel Macedo Pereira
(Chairman)

Tito Manuel das Neves Magalhães Basto

Mário Paulo Bettencourt de Oliveira

Statutory Audit and Auditor's Report

(Consolidated Accounts)

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

INTRODUCTION

1. In accordance with the applicable legislation, we hereby present the Statutory Audit and Auditor's Report on the financial information disclosed in the management report and corresponding consolidated financial statements for the financial year ended December 31st, 2013, of **"Banco Espírito Santo de Investimento, S.A.",** which comprise: the consolidated balance sheet (which reports total assets of EUR 5,961,799 thousand euros and total equity attributable to the equity holder of 567,611 thousand euros, including a net profit for the year attributable to the equity holder of 7,062 thousand euros), the consolidated statements of income, of comprehensive income, of cash flows and of changes in equity for the year then ended and the corresponding Notes.

RESPONSIBILITIES

2. The Board of Directors is responsible for:

   a) the preparation of the consolidated financial statements in accordance with the International Financial Reporting Standards (IFRS) as adopted by the European Union, that present a true and fair view of the financial position of the companies included within the scope of consolidation, consolidated result of the year, consolidated comprehensive income, consolidated changes in equity and consolidated cash flows;

   b) the historic financial information, prepared in accordance with generally accepted accounting standards that is complete, true and fair, to date, transparent, objective and lawful, as required by the Portuguese Securities Code "Código dos Valores Mobiliários";

   c) adopting adequate accounting policies and criteria;

   d) maintaining an appropriate internal control system; and

   e) disclosing any relevant fact that may have affected the operations, financial position or results of the companies included within the scope of consolidation.

3. We are responsible for auditing the financial information included in the aforementioned financial statements, namely as to whether it is complete, true and fair, to date, transparent, objective and lawful, as required by the Portuguese Securities Code, in order to issue a professional and independent report based on our audit.

SCOPE

4. Our audit was performed in accordance with applicable Technical Standards and Guidelines issued by the Portuguese Institute of Statutory Auditors ("Ordem dos Revisores Oficiais de Contas"), which require us to plan and perform our audit so as to obtain reasonable that the consolidated financial statements are free of material misstatements. Our audit therefore included:

   - the examination, on a sample basis, of evidence for the amounts and disclosures in the financial statements and an assessment of the estimates, based on the judgements and criteria defined by the Board of Directors, used in the preparation of the financial statements;

   - the verification of the consolidation procedures and of the application of the equity method;

   - the assessment of whether the accounting policies used and their disclosure are appropriate to circumstances;

   - the verification as to whether the going concern basis is applicable;

   - the assessment of whether the global presentation of the financial statements is appropriate;

   - the assessment as to whether the consolidated financial information is complete, true and fair, to date, transparent, objective and lawful.

5. Our audit also included the verification that the consolidated financial information disclosed in the management report are consistent with the financial statements.

6. We believe that our audit provides a reasonable basis for our opinion.

OPINION

7. In our opinion, the consolidated financial statements referred to above present a true and fair view, in all material respects, the consolidated financial position of **"Banco Espírito Santo de Investimento, S.A."** as at December 31st, 2013, the consolidated results of its operations, consolidated comprehensive income, consolidated changes in equity and consolidated cash flows for the year then ended, in accordance with the International Financial Reporting Standards (IFRS) as adopted by the European Union, and the information disclosed is complete, true and fair, to date, transparent, objective and lawful.

REPORT ON OTHER LEGAL REQUIREMENTS

8. It is also our opinion that the information disclosed in the management report is consistent with the consolidated financial statements for the year.

Lisbon, March 25th, 2014

Amável Alberto Freixo Calhau
representing:
"Amável Calhau, Ribeiro da Cunha e Associados
- Sociedade de Revisores Oficiais de Contas -"

AUDITOR'S REPORT

CONSOLIDATED FINANCIAL STATEMENTS

(This report is a free translation to English from the original Portuguese version.
In case of doubt or misinterpretation the Portuguese version will prevail.)

Introduction

1 We have audited the consolidated financial statements of **Banco Espírito Santo de Investimento, S.A.**, which comprise the consolidated balance sheet as at 31 December 2013 (showing total consolidated assets of Euro 5 961 799 thousands and total equity attributable to the equity holders of the Bank of Euro 567 611 thousands, including a net profit for the year attributable to the equity holders of the Bank of Euro 7 062 thousands), the consolidated statements of income, comprehensive income, changes in equity and cash flows for the year then ended and the corresponding Notes.

Responsibilities

2 The Board of Directors is responsible for the preparation of consolidated financial statements in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union, that give a true and fair view of the financial position of the group of companies included in the consolidation, the consolidated results of its operations, consolidated comprehensive income, consolidated changes in equity and its consolidated cash flows, as well as for the adoption of adequate accounting policies and criteria and the maintenance of an appropriate internal control system.

3 Our responsibility is to express a professional and independent opinion on these financial statements based on our audit.

Scope

4 Our audit was performed in accordance with the Technical Standards and Guidelines issued by the Portuguese Institute of Statutory Auditors ("Ordem dos Revisores Oficiais de Contas"), which require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatements. For this purpose our audit included:

- the verification that the financial statements of the companies included in the consolidation have been properly examined and, for the significant situations which have not been examined, the verification, on a test basis, of the information underlying the figures and disclosures contained in the financial statements, and an assessment of the estimates, based on judgments and criteria defined by the Board of Directors, used in their preparation;
- the verification of the consolidation procedures and of the application of the equity method;
- the assessment of the adequacy of the accounting policies used and their disclosure, considering the circumstances;
- the appropriateness of the going concern basis of accounting; and

- the assessment of the adequacy of the overall presentation of the consolidated financial statements.

5 Our audit also included the verification that the consolidated financial information included in the Annual Report of the Board of Directors is consistent with the consolidated financial statements.

6 We believe that our audit provides a reasonable basis for our opinion.

Opinion

7 In our opinion, the consolidated financial statements referred to above give a true and fair view in all material respects, the consolidated financial position **of Banco Espírito Santo de Investimento, S.A.** as at 31 December 2013, the consolidated results of its operations, its consolidated comprehensive income, its consolidated changes in equity and its consolidated cash flows for the year then ended in accordance with the International Financial Reporting Standards (IFRS) as adopted by the European Union.

Report on other legal requirements

8 It is also our opinion that the financial information included in the consolidated management report is consistent with the consolidated financial statements for the year.

Lisbon, 31st March 2014

KPMG & Associados
Sociedade de Revisores Oficiais de Contas, S.A. (n.º 189)
Represented by
Fernando Gustavo Duarte Antunes (ROC n.º 1233)

ESPIRITO SANTO INVESTMENT BANK

INDIVIDUAL FINANCIAL STATEMENTS AND NOTES TO THE INDIVIDUAL FINANCIAL STATEMENTS

These individual financial statements are a free translation to English from the original Portuguese version. In case of doubt, or misinterpretation the Portuguese version will prevail.

1. Individual Financial Statements

Income Statement for the years ended 31 December 2013 and 2012

(in thousands of euro)

	Notes	31.12.2013	31.12.2012
Interest and similar income	4	58 787	112 054
Interest expense and similar charges	4	40 355	90 455
Net interest income		**18 432**	**21 599**
Dividend income		-	152
Fee and commission income	5	63 449	57 592
Fee and commission expense	5	(11 758)	(13 403)
Net gains from financial assets at fair value through profit or loss	6	19 039	42 241
Net gains from available-for-sale financial assets	7	52 745	57 078
Net gains / (losses) from foreign exchange differences	8	(4 385)	(2 599)
Net (losses) from sale of other financial assets	9	55	(2 624)
Other operating income and expense	10	(2 642)	(860)
Operating income		**134 935**	**159 176**
Staff costs	11	48 730	52 480
General and administrative expenses	13	33 463	32 517
Depreciation and amortisation	23 and 24	4 390	3 745
Provisions net of reversals	31	23 409	15 362
Loans impairment net of reversals	20	24 493	24 337
Impairment on other financial assets net of reversals	18 and 19	1 403	3 290
Impairment on other assets net of reversals	26	46	646
Operating expenses		**135 934**	**132 377**
Profit before income tax		**(999)**	**26 799**
Income tax			
Current tax	32	(6 053)	(16 065)
Deferred tax	32	4 504	7 516
Profit for the year		**(2 548)**	**18 250**
Basic Earnings per Share (in Euro)	14	0,02	0,35
Diluted Earnings per Share (in Euro)	14	0,02	0,35

The following notes form an integral part these individual financial statements.

The Chief Accountant

The Board of Directors

Statement of Comprehensive Income for the years ended 31 December 2013 and 2012

(in thousands of euro)

	31.12.2013	31.12.2012
Profit for the year		
Attributable to equity holders of the Bank	(2 548)	18 250
Attributable to non-controlling interest		
	(2 548)	**18 250**
Other comprehensive income for the year		
Long-term benefit	(9 511)	(2 329)
	(9 511)	(2 329)
Items that may be reclassified into the Income Statement		
Available-for-sale financial assets		
Gains/(losses) arising during the year	49 316	66 703
Reclassification adjustments for gains/(losses) included in the profit or loss	(52 683)	(53 783)
Deferred taxes	1 010	(3 679)
	(2 357)	9 241
Total comprehensive income for the year	**(14 416)**	**25 162**

The following notes form an integral part these individual financial statements.

ESPIRITO SANTO INVESTMENT BANK

Balance Sheet as at 31 December 2013 and 2012

(in thousands of euro)

	Notes	31.12.2013	31.12.2012
Assets			
Cash and deposits at central banks	15	4 721	1 067
Deposits with banks	16	22 993	23 522
Financial assets held for trading	17	585 112	840 486
Available-for-sale financial assets	18	493 839	339 974
Loans and advances to banks	19	379 140	149 284
Loans and advances to customers	20	666 768	896 245
Held-to-maturity investments	21	35 075	37 431
Derivatives for risk management purposes	22	4 666	2 305
Other tangible assets	23	11 812	13 141
Intangible assets	24	13 387	12 684
Investments in associates	25	47 750	4 480
Current income tax assets		7 433	3 206
Deferred income tax assets	32	40 038	36 650
Other assets	26	772 980	1 024 532
Total Assets		**3 085 714**	**3 385 007**
Liabilities			
Deposits from central banks	27	151 907	151 087
Financial liabilities held for trading	17	490 936	714 730
Deposits from banks	28	1 004 511	1 242 642
Due to customers	29	260 664	196 518
Debt securities issued	30	402 995	293 495
Derivatives for risk management purposes	22	1 382	529
Provisions	31	41 230	26 401
Current income tax liabilities		2 487	16 688
Deferred income tax liabilities	32	-	2 138
Subordinated debt	33	60 296	60 284
Other liabilities	34	202 856	230 852
Total Liabilities		**2 619 264**	**2 935 364**
Equity			
Share capital	35	326 269	326 269
Share premium	35	8 796	8 796
Other equity instruments	35	3 731	3 731
Fair value reserve	36	(1 198)	1 159
Other reserves, retained earnings and other comprehensive income	36	131 400	91 438
Profit for the year		(2 548)	18 250
Total Equity		**466 450**	**449 643**
Total Equity and Liabilities		**3 085 714**	**3 385 007**

The following notes form an integral part these individual financial statements.

The Chief Accountant

The Board of Directors

Statement of Changes in Equity for the years ended 31 December 2013 and 2012

(in thousands of euro)

	Share capital	Share premium	Other equity instruments	Reserves, retained earnings and other comprehensive income			Profit for the year	Total equity
				Fair value reserve	Other reserves, retained earnings and other comprehensive income	Total		
Balance as at 31 December 2011	**226 269**	**8 796**	**3 731**	**(8 082)**	**103 273**	**95 191**	**(9 377)**	**324 610**
Other comprehensive income								
Changes in fair value, net of taxes	-	-	-	9 241	-	9 241	-	9 241
Actuarial gains / (losses) from defined benefit obligation, net of taxes	-	-	-	-	(2 328)	(2 328)	-	(2 328)
Profit for the year	-	-	-	-	-	-	18 250	18 250
Total comprehensive income in the year	**-**	**-**	**-**	**9 241**	**(2 328)**	**6 913**	**18 250**	**25 163**
Capital increase	100 000	-	-	-	-	-	-	100 000
Transfer to reserves	-	-	-	-	(9 377)	(9 377)	9 377	-
Interests on other equity instruments, net of taxes **(a)**	-	-	-	-	(225)	(225)	-	(225)
Other movements	-	-	-	-	95	95	-	95
Balance as at 31 December 2012	**326 269**	**8 796**	**3 731**	**1 159**	**91 438**	**92 597**	**18 250**	**449 643**
Other comprehensive income								
Changes in fair value, net of taxes	-	-	-	(2 357)	-	(2 357)	-	(2 357)
Actuarial gains / (losses) from defined benefit obligation, net of taxes	-	-	-	-	(9 511)	(9 511)	-	(9 511)
Profit for the year	-	-	-	-	-	-	(2 548)	(2 548)
Total comprehensive income in the year	**-**	**-**	**-**	**(2 357)**	**(9 511)**	**(11 868)**	**(2 548)**	**(14 416)**
Capital increase	-	-	-	-	-	-	-	-
Transfer to reserves	-	-	-	-	18 250	18 250	(18 250)	-
Merger Reserve	-	-	-	-	31 551	31 551	-	31 551
Interests on other equity instruments, net of taxes **(a)**	-	-	-	-	(317)	(317)	-	(317)
Other movements	-	-	-	-	(11)	(11)	-	(11)
Balance as at 31 December 2013	**326 269**	**8 796**	**3 731**	**(1 198)**	**131 400**	**130 202**	**(2 548)**	**466 450**

(a) Corresponds to a conditioned interest payable semi-annually and calculated based on an annual rate of 8.5% (amounts issued in euro) related to the perpetual subordinated bonds issued by BESI (see Note 35)

The following notes form an integral part these individual financial statements.

ESPIRITO SANTO INVESTMENT BANK

Cash Flow Statement for the years ended 31 December 2013 and 2012

(in thousands of euro)

	Notes	31.12.2013	31.12.2012
Cash flows from operating activities			
Interest and similar income received		58 407	112 054
Interest expense and similar charges paid		(40 355)	(98 558)
Fees and commission received		63 449	57 592
Fees and commission paid		(11 758)	(13 403)
Cash payments to employees and suppliers		(81 813)	(84 997)
		(12 070)	**(27 312)**
Changes in operating assets and liabilities:			
Deposits with central banks		(3 653)	774
Financial assets at fair value through profit or loss		46 667	53 993
Loans and advances to banks		(229 856)	25 923
Deposits from central banks		820	87 080
Deposits from banks		(238 131)	(264 369)
Loans and advances to customers		227 467	(22 544)
Due to customers		64 145	(34 296)
Derivatives for risk management purposes		4 126	3 672
Other operating assets and liabilities		257 619	(20 151)
Net cash from operating activities before income tax		**117 134**	**(197 230)**
Income taxes paid		(17 951)	(5 000)
		99 183	**(202 230)**
Cash flows from investing activities			
Acquisition of subsidiaries and associates		-	-
Dividends received		-	152
Acquisition of available-for-sale financial assets		(1 970 647)	(1 047 458)
Sale of available-for-sale financial assets		1 870 328	871 331
Held to maturity investments		2 356	2 299
Acquisition of tangible and intangible assets		(4 568)	(5 524)
Sale of tangible and intangible assets		2 118	2 118
		(100 413)	**(177 082)**
Cash flows from financing activities			
Proceeds from issue of bonds		6 245	278 286
Reimbursement of bonds		(5 541)	(11 841)
Capital increase		-	100 000
Net cash from financing activities		**704**	**366 445**
Effects of changes in exchange rates and cash equivalents		-	-
Net changes in cash and cash equivalents		**(526)**	**(12 867)**
Cash and cash equivalents at the beginning of the year		23 525	36 392
Cash and cash equivalents at the end of the year		22 998	23 525
		(527)	**(12 867)**
Cash and cash equivalents includes:			
Cash	15	5	3
Deposits with Banks	16	22 993	23 522
Total		**22 998**	**23 525**

The following notes form an integral part these individual financial statements.

2. Notes to the Individual Financial Statements

Banco Espírito Santo de Investimento, S.A.

NOTE 1 – ACTIVITY

Banco Espírito Santo de Investimento, S.A. (the Bank or BESI) is an investment bank headquartered in Portugal, Rua Alexandre Herculano, no. 38, in Lisbon. The Bank is authorized by the Portuguese authorities, central banks and other regulatory authorities, to operate in Portugal and in the countries where its international branches are located.

The company was established in February 1983 as a foreign investment in Portugal under the name FINC - Sociedade Portuguesa Promotora de Investimentos, S.A.R.L. During 1986 the company was integrated into the Espírito Santo Group under the designation of Espírito Santo – Sociedade de Investimentos, S.A.

In order to enlarge the scope of its business, the company obtained permission from the Portuguese authorities to operate as an investment bank. This involved the publication of Order-in-Council no. 366/92, November 23, published in the Diário da República – Series II – no. 279, December 3. The activity as an investment bank started under the name Banco ESSI, S.A., on April 1, 1993.

BESI currently operates through its headquarters in Lisbon, branches in London, Spain, Warsaw and New York and through its subsidiaries in Brazil, Ireland, Poland, United Kingdom and India.

During 2000, Banco Espírito Santo, S.A. (BES) acquired all of the share capital of BES Investimento in order to reflect in its consolidated accounts all the synergies generated by both institutions. BESI financial statements are consolidated by Banco Espírito Santo, S.A., headquartered at Avenida da Liberdade, no. 195, Lisbon and by Espírito Santo Financial Group, S.A. (ESFG), with headquarters in Luxembourg.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1. Basis of preparation

In accordance with Regulation (EC) no. 1606/2002 of 19 July 2002 from the European Council and Parliament, and its adoption into Portuguese Law through Decree-Law no. 35/2005, of 17 February 2005 and Regulation no. 1/2005 from the Bank of Portugal, Banco Espírito Santo de Investimento, S.A. (BESI or the Bank) is required to prepare its financial statements in accordance with Adjusted Accounting Standards (NCA), as established by the Bank of Portugal.

NCA are composed by all the standards included in the International Financial Reporting Standards (IFRS) as adopted for use in the EU, with the exception of issues regulated by the Bank of Portugal such as loans impairment and recognition in retained earnings of the adjustments related to pensions during the transition period.

IFRS comprise accounting standards issued by the International Accounting Standards Board (IASB) and its predecessor body as well as interpretations issued by the International Financial Reporting Interpretations Committee (IFRIC) and its predecessor body.

These individual financial statements as at and for the year ended 31 December 2013 were prepared in accordance with Adjusted Accounting Standards (NCA), which includes the IFRS effective and adopted for use in the EU until 31 December 2013.

The accounting policies applied by the Bank in the preparation of these financial statements as at 31 December 2013 are consistent with the ones used in the preparation of the financial statements as at 31 December 2012.

Additionally, as described in Note 42, in the preparation of the financial statements as at 31 December 2013, the Bank adopted the accounting standards issued by the IASB and IFRIC interpretations, effective since 1 January 2013. The accounting policies adopted by the Bank in the preparation of the Individual Financial Statements are in accordance with those described in that note. The adoption of these standards and interpretations by the Bank had no material effect in the Bank's Individual Financial Statements.

The accounting standards and interpretations recently issued but not yet effective can also be analysed in Note 41.

These individual financial statements are expressed in thousands of euro, rounded to the nearest thousand, and have been prepared under the historical cost convention, except for the assets and liabilities accounted at fair value, namely, derivative contracts, financial assets and financial liabilities at fair value through profit or loss, available-for-sale financial assets, recognised assets and liabilities that are hedged, in a fair value hedge, in respect of the risk that is being hedged.

The preparation of financial statements in conformity with NCA requires the application of judgment and the use of estimates and assumptions by management that affects the process of applying the Bank's accounting policies and the reported amounts of income, expenses, assets and liabilities. Actual results in the future may differ from those reported. The areas involving a higher degree of judgement or complexity or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 3.

These individual financial statements were approved in the Board of Directors meeting held on 20 March 2014.

2.2. Foreign currency transactions

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated to euro at the foreign exchange rates ruling at the balance sheet date. Foreign exchange differences arising on translation are recognised in the income statement.

Non-monetary assets and liabilities in a foreign currency that are measured at historical cost are translated using the exchange rate at the date of the transaction. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated to euro at the foreign exchange rates ruling at the dates the fair value was determined. The resulting exchange differences are accounted for in the income statement, except if related to equity instruments classified as available-for-sale, which are accounted for in equity, within the fair value reserve.

2.3. Derivative financial instruments and hedge accounting

Classification

Derivatives for risk management purposes includes (i) hedging derivatives and (ii) derivatives used to manage the risk of certain financial assets and financial liabilities designated at fair value through profit or loss that were not classified as being hedging derivatives.

All other derivatives are classified as trading derivatives.

Recognition and measurement

Derivatives are initially recognised at fair value on the date on which a derivative contract is entered into (trade date). Subsequent to initial recognition, the fair value of derivative financial instruments is re-measured on a regular basis and the resulting gains or losses on re-measurement are recognised directly in the income statement, except for derivatives designated as hedging instruments. The recognition of the resulting gains or losses of the derivatives designated as hedging instruments depends on the nature of the risk being hedged and of the hedge model used.

Fair values are obtained from quoted market prices, in active markets, if available or are determined using valuation techniques, including discounted cash flow models and options pricing models, as appropriate.

Derivatives traded in organised markets, namely futures and some options, are recognised as trading derivatives, being marked to market on a daily basis and the resulting gains or losses are recognised directly in the income statement. Once the fair value changes on these derivatives are settled daily through the margin accounts held by the Bank, these derivatives do not present any fair value on the balance sheet. The margin accounts are included under the caption Other assets (see Note 26) and comprise the minimum collateral mandatory for open positions.

Hedge accounting

- Classification criteria

Hedge accounting is used for derivative financial instruments designated as hedging instruments, provided the following criteria are met:

(i) At the inception of the hedge, the hedge relationship is identified and documented, including the identification of the hedged item and of the hedging instrument and the evaluation of the effectiveness of the hedge;

(ii) The hedge is expected to be highly effective, both at the inception of the hedge and on an ongoing basis;

(iii) The effectiveness of the hedge can be reliably measured, both at the inception of the hedge and on an ongoing basis;

(iv) For cash flows hedges, the cash flows are highly probable of occurring.

- Fair value hedge

In a fair value hedge, the book value of the hedged asset or liability, determined in accordance with the respective accounting policy, is adjusted to reflect the changes in its fair value that are attributable to the risks being hedged. Changes in the fair value of the derivatives that are designated as hedging instruments are recorded in the income statement, together with any changes in the fair value of the hedged asset or liability that are attributable to the risk being hedged.

If the hedge no longer meets the criteria for hedge accounting, the derivative financial instrument is transferred to the trading portfolio and the hedge accounting is discontinued prospectively. The cumulative adjustment to the carrying amount of a hedged item for which the effective interest rate method is used is amortised to the income statement over the period to maturity.

- Cash flow hedge

When a derivative financial instrument is designated as a hedge of the variability in highly probable future cash flows, the effective portion of changes in the fair value of the hedging derivatives is recognised in equity. Amounts accumulated in equity are recycled to the income statement in the periods in which the hedged item will affect the income statement. The gain or loss relating to the ineffective portion is recognised immediately in the income statement.

When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss recognised in equity at that time is recognised in the income statement when the hedged transaction also affects the income statement. When a hedged transaction is no longer expected to occur, the cumulative gain or loss reported in equity is recognised immediately in the income statement and the hedging instrument is reclassified for the trading portfolio.

During the years covered by these financial statements the Bank did not have any transactions classified as cash flow hedge.

Embedded derivatives

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

2.4. Loans and advances to customers

Loans and advances to customers include loans and advances originated by the Bank, which are not intended to be sold in the short term. Loans and advances to customers are recognised when cash is advanced to borrowers.

Loans and advances to customers are derecognised from the balance sheet when (i) the contractual rights to receive their cash flows have expired, (ii) the Bank has transferred substantially all risks and rewards of ownership or (iii) although retaining some but not substantially all of the risks and rewards of ownership, the Bank has transferred the control over the assets.

Loans and advances to customers are initially recorded at fair value plus transaction costs and are subsequently measured at amortised cost, using the effective interest rate method, less impairment losses.

Impairment

The Bank assesses, at each balance sheet date, whether there is objective evidence of impairment within its loan portfolio. Impairment losses identified are recognised in the income statement, and are subsequently reversed through the income statement if, in a subsequent period, the amount of the impairment losses decreases.

A loan or a loan portfolio, defined as a group of loans with similar credit risk characteristics, is impaired when: (i) there is objective evidence of impairment as a result of one or more events that occurred after its initial recognition and (ii) that event (or events) has an impact on the estimated future cash flows of the loan or of the loan portfolio, that can be reliably estimated.

The Bank first assesses whether objective evidence of impairment exists individually for each loan. In this assessment the Bank uses the information that feeds the credit risk models implemented and takes into consideration the following factors:

- the aggregate exposure to the customer and the existence of non-performing loans;
- the viability of the customer's business model and its capability to trade successfully and to generate sufficient cash flow to service their debt obligations;
- the extent of other creditors' commitments ranking ahead of the Bank;
- the existence, nature and estimated realisable value of collaterals;
- the exposure of the customer within the financial sector;
- the amount and timing of expected recoveries.

When loans have been individually assessed and no evidence of loss has been identified, these loans are grouped together on the basis of similar credit risk characteristics for the purpose of evaluating the impairment on a portfolio basis (collective assessment). Loans that are assessed individually and found to be impaired are not included in a collective assessment for impairment.

If an impairment loss is identified on an individual basis, the amount of the impairment loss to be recognised is calculated as the difference between the book value of the loan and the present value of the expected future cash flows (considering the recovery period), discounted at the original effective interest rate.

The carrying amount of impaired loans is reduced through the use of an allowance account. If a loan has a variable interest rate, the discount rate for measuring the impairment loss is the current effective interest rate determined under the contract rules.

The changes in the recognised impairment losses attributable to the unwinding of discount are recognised as interest and similar income.

The calculation of the present value of the estimated future cash flows of a collateralised loan reflects the cash flows that may result from foreclosure less costs for obtaining and selling the collateral.

For the purposes of a collective evaluation of impairment, loans are grouped on the basis of similar credit risk characteristics, taking in consideration the Bank's credit risk management process. Future cash flows in a group of loans that are collectively evaluated for impairment are estimated on the basis of the contractual cash flows of the loans in the Bank and historical loss experience. The methodology and assumptions used for estimating future cash flows are reviewed regularly by the Bank with the purpose of reducing any differences between loss estimates and actual loss experience.

According to NCA, loans value should be adjusted on prudent and righteousness criteria in order to reflect at all time its realisable value. This impairment adjustment must be equal or greater than the determined under the regulation no. 3/95, from the Bank of Portugal, which establishes the minimum reference values for generic and specific provisions.

When a loan is considered by the Bank as uncollectible and an impairment loss of 100% was recognised, it is written off against the related allowance for loan impairment.

2.5. Other financial assets

Classification

The Bank classifies other financial assets at initial recognition in the following categories:

- Financial assets at fair value through profit or loss

This category includes: (i) financial assets held for trading, which are those acquired principally for the purpose of selling in the short term or that are owned as part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit taking and (ii) financial assets that are designated at fair value through profit or loss at inception.

The Bank classifies, at inception, certain financial assets at fair value through profit or loss when:

- Such financial assets are managed, measured and their performance evaluated on a fair value basis;
- Such financial assets are being hedged (on an economical basis), in order to eliminate an accounting mismatch; or
- Such financial assets contain an embedded derivative.

Note 17 include a summary of the assets and liabilities that were classified at fair value trough profit or loss at inception.

The structured products acquired by the Bank corresponding to financial instruments containing one or more embedded derivatives meet the above mentioned conditions, and, in accordance, are classified under the fair value through profit or loss category.

- Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Bank's management has the positive intention and ability to hold until its maturity and that are not classified, at inception, as at fair value through profit or loss or as available-for-sale.

- Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets (i) intended to be held for an indefinite period of time, (ii) designated as available-for-sale at initial recognition or (iii) that are not classified in the other categories referred to above.

Initial recognition, initial measurement and derecognition

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

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

Financial assets are derecognised when (i) the contractual rights to receive their cash flows have expired, (ii) the Bank has transferred substantially all risks and rewards of ownership or (iii) although retaining some but not substantially all of the risks and rewards of ownership, the Bank has transferred the control over the assets.

Subsequent measurement

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

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

Held-to-maturity investments are carried at amortised cost using the effective interest rate method, net of any impairment losses recognised. The fair values of quoted investments in active markets are based on current bid prices. For unlisted securities the Bank establishes fair value by using (i) valuation techniques, including the use of recent arm's length transactions, discounted cash flow analysis and option pricing models and (ii) valuation assumptions based on market information.

Reclassifications between categories

The Bank only reclassifies non-derivative financial assets with fixed or determinable payments and fixed maturities, from the available-for-sale financial assets category to the held-to-maturity investments category, if it has the intention and ability to hold those financial assets until maturity.

Reclassifications between these categories are made at the fair value of the assets reclassified on the date of the reclassification. The difference between this fair value and the respective nominal value is recognised in the income statement until maturity, based on the effective interest rate method. The fair value reserve at the date of the reclassification is also recognised in the income statement, based on the effective interest rate method.

Impairment

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

A financial asset or a group of financial assets is impaired if there is objective evidence of impairment as a result of one or more events that occurred after their initial recognition, such as: (i) for equity securities, a significant or prolonged decline in the fair value of the security below its cost, and (ii) for debt securities, when that event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets, that can be reliably estimated.

For held-to-maturity investments, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (considering the recovery period) discounted at the financial asset's original effective interest rate and are recognised in the income statement. The carrying amount of the impaired assets is reduced through the use of an allowance account. If a held-to-maturity investment has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. For held-to-maturity investments if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment loss was recognised, the previously recognised impairment loss is reversed through the income statement.

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

2.6. Sale and repurchase agreements

Securities sold subject to repurchase agreements (repos) at a fixed price or at the sales price plus a lender's return are not derecognised. The corresponding liability is included in amounts due to banks or to customers, as appropriate. The difference between sale and repurchase price is treated as interest and accrued over the life of the agreements using the effective interest rate method.

Securities purchased under agreements to resell (reverse repos) at a fixed price or at the purchase price plus a lender's return are not recognised, being the purchase price paid recorded as loans and advances to banks or customers, as appropriate. The difference between purchase and resale price is treated as interest and accrued over the life of the agreements using the effective interest rate method.

Securities lent under lending agreements are not derecognised being classified and measured in accordance with the accounting policy described in Note 2.5. Securities borrowed under borrowing agreements are not recognised in the balance sheet.

2.7. Financial liabilities

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

Non-derivatives financial liabilities include deposits from banks and due to customers, loans, debt securities, subordinated debt and short sales.

The financial liabilities are recognised (i) initially at fair value less transaction costs and (ii) subsequently at amortised cost, using the effective interest rate method, except for short sales and financial liabilities designated at fair value through profit or loss, which are measured at fair value.

The Bank designates, at inception, certain financial liabilities as at fair value through profit or loss when:

- Such financial liabilities are being hedged (on an economical basis), in order to eliminate an accounting mismatch; or
- Such financial liabilities contain embedded derivatives.

The structured products issued by the Bank meet the above mentioned conditions and, in accordance, are classified under the fair value through profit or loss category.

The fair value of quoted financial liabilities is based on the current price. In the absence of a quoted price, the Bank establishes the fair value by using valuation techniques based on market information, including the own credit risk of the issuer.

If the Bank repurchases debt issued, it is derecognised from the balance sheet and the difference between the carrying amount of the liability and its acquisition cost is recognised in the income statement.

2.8. Financial Guarantees

Financial guarantee contracts are contracts that require the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payments when due in accordance with the terms of a debt instrument, namely the payment of principal and/or interests.

Financial guarantees are initially recognised in the financial statements at fair value on the date that the guarantee is issued. Subsequently financial guarantees are measured at the higher of (i) the fair value recognised on initial recognition or (ii) any financial obligation arising as a result of the guarantees at the balance sheet date. Any increase in the liability relating to guarantees is taken to the income statement.

The financial guarantee contracts issued by the Bank normally have a stated maturity date and a periodic fee, usually paid in advance on a quarterly basis. This fee varies depending on the counterparty risk, the amount and the time period of the contract. Therefore, the fair value of the financial guarantee contracts issued by the Bank, at the inception date, equal the initial fee received, which is recognised in the income statement over the period to which it relates. The subsequent periodic fees are recognised in the income statement in period to which they relate.

2.9. Equity instruments

An instrument is classified as an equity instrument when it does not contain a contractual obligation to deliver cash or another financial asset, independently from its legal form, being a contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities.

Transaction costs directly attributable to the issue of equity instruments are recognised under equity as a deduction from the proceeds. Amounts paid or received related to acquisitions or sales of equity instruments are recognised in equity, net of transaction costs.

Distributions to holders of an equity instrument are debited directly to equity as dividends, when declared.

2.10. Offsetting financial instruments

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

2.11. Non-current assets held-for-sale

Non-current assets or disposal groups (groups of assets to be disposed of together and related liabilities that include at least a non-current asset) are classified as held for sale when their carrying amounts will be recovered principally through sale (including those acquired exclusively with a view to its subsequent disposal), the assets or disposal groups are available for immediate sale and is highly probable.

Immediately before classification as held for sale, the measurement of the non-current assets or all assets and liabilities in a disposal group, is brought up to date in accordance with the applicable IFRS. Subsquently, these assets or disposal group are measured at the lower of their carrying amount or fair value less costs to sell.

2.12. Property and equipment

Property and equipment are measured at cost less accumulated depreciation and impairment losses. The value includes expenditure that is directly attributable to the acquisition of the items.

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

Land is not depreciated. Depreciation of other assets is calculated using the straight-line method over their estimated useful lives, as follows:

	Number of years
Buildings	35 to 50
Improvements in leasehold property	10
Computer equipment	4 to 5
Furniture	4 to 10
Fixtures	5 to 12
Security equipment	4 to 10
Office equipment	4 to 10
Motor vehicles	4
Other equipment	5

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

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

2.13. Intangible assets

The costs incurred with the acquisition, production and development of software are capitalised, as well as the costs incurred to acquire and bring to use the specific software. These costs are amortised on a straight line basis during their expected useful lives, which is usually between three to eight years.

Costs that are directly associated with the development of identifiable specific software applications and that will probably generate economic benefits beyond one year, are recognised as intangible assets. These costs include employee costs from the Group companies specialised in IT directly associated with the development of the referred software.

All remaining costs associated with IT services are recognised as an expense as incurred.

2.14. Leases

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

Operating leases

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

Finance leases

- As lessee

Finance lease contracts are recorded at inception date, both under assets and liabilities, at the cost of the asset leased, which is equal to the present value of outstanding lease instalments. Instalments comprise (i) an interest charge, which is recognised in the income statement and (ii) the repayment of principal, which is deducted from liabilities.

Financial charges are recognised as costs over the lease period, in order to produce a constant periodic rate of interest on the remaining balance of liability for each period.

- As lessor

Assets leased out are recorded in the balance sheet as loans granted, for the amount equal to the net investment made in the leased assets.

Interest included in instalments charged to customers is recorded as interest income, while repayments of principal also included in the instalments, is deducted from the amount of the loans granted. The recognition of the interest reflects a constant periodic rate of return on the lessor's net outstanding investment.

2.15. Employee benefits

Pensions

Arising from the signing of the “Acordo Colectivo de Trabalho” (ACT) and subsequent amendments resulting from the 3 tripartite agreements as described in Note 13, the Bank set up pension funds and other mechanisms to cover the liabilities with pensions on retirement and disability, widows’ pension and health-care benefits.

The pension liabilities and heath care benefits are covered by funds that are managed by ESAF – Espírito Santo Fundos de Pensões, S.A.

The pension plans of the Bank are classified as defined benefit plans, since the criteria to determine the pension benefit to be received by employees on retirement are predefined and usually depend on factors such as age, years of service and level of salary.

In the hands of IFRS 1, the Bank decided to adopt IAS 19 retrospectively and has recalculated the pension and other post-retirement benefits obligations and the corresponding actuarial gains and losses, to be deferred in accordance with the corridor method allowed by this accounting standard. In 2011, the Bank changed retrospectively the accounting policy related to actuarial gains and losses recognition, adjusting the opening balance sheet and comparative values, starting to recognise, as allowed under paragraph 93A of IAS 19 "Employee Benefits", the actuarial deviations under other comprehensive income.

The liability with pensions is calculated annually by the Bank, as at 31 December each year for each plan individually, using the projected unit credit method, and is reviewed annually by qualified independent actuaries. The discount rate used in this calculation was determined with reference to market rates associated with high-quality corporate bonds issues, denominated in the currency in which benefits will be paid and with a maturity similar to the expiry date of the plan obligations.

The expected return on plan assets is based on the long term expected return for each asset class within the portfolio of the pension funds and takes in consideration the investment strategy determined for the funds.

Actuarial gains and losses determined annually and resulting from (i) the differences between financial and actuarial assumptions used and real values obtained and (ii) the changes in actuarial assumptions, are recognised under equity in the balance other comprehensive income.

Past service cost related to an introduction of a defined benefit plan or changes on an existing benefit plan are recognized as an expense over the average period until the benefits become vested.

At each period, the Bank recognises as a cost in the income statement a net total amount that comprises (i) the service cost, (ii) the interest cost, (iii) the expected return on plan assets, (iv) effect of early retirement, and (v) effect of settlement or curtailment occurred during the period. Early retirement costs correspond to an increase on the liabilities due to the fact the employee retires before reaching 65 years of age.

The Bank makes payments to the funds in order to maintain its solvency and to comply with the following minimum levels: (i) the liability with pensioners shall be totally funded at the end of each year, and (ii) the liability related to past services cost with employees in service shall be funded at a minimum level of 95%.

Annually, the Bank assesses for each plan separately, the recoverability of any recognised asset in relation to the defined benefit pension plans, based on the expectation of reductions in future contributions to the funds.

Health care benefits

The Bank provides to its banking employees health care benefits through a specific Social-Medical Assistance Service. This Social-Medical Assistance Service (SAMS) is an autonomous entity which is managed by the respective Union.

SAMS provides to its beneficiaries services and/or contributions on medical assistance expenses, diagnostics, medicines, hospital confinement and surgical operations, in accordance with its financing availability and internal regulations.

The annual contribution of the Bank to SAMS amounts to 6.5% of the total annual remuneration of employees, including, among others, the holiday and Christmas subsidy.

The measurement and recognition of the Bank's liability with post-retirement healthcare benefits is similar to the measurement and recognition of the pension liability described above. These benefits are covered by the Pension Fund which at present covers all responsibilities with pensions and health care benefits.

Long-term service benefits
In accordance with the ACT "Acordo Colectivo de Trabalho" for the banking sector, the Bank has assumed the commitment to pay to current employees that achieve 15, 25 and 30 years of service within the Bank, long-term service premiums corresponding, respectively, to 1, 2 and 3 months of their effective monthly remuneration earned at the date the premiums are paid.

At the date of early retirement or disability, employees have the right to a premium proportional to what they would earn if they remained in service until the next payment date.

These long-term service benefits are accounted for by the Bank in accordance with IAS 19 as other long-term employee benefits.

The liability with long-term service benefits is calculated semi-annually, at the balance sheet date, by the Bank using the projected unit credit method. The actuarial assumptions used are based on the expectations about future salary increases and mortality tables. The discount rate used in this calculation was determined based on the same methodology described for pensions.

In each period the increase in the liability for long-term service premiums, including actuarial gains and losses and past service costs is charged to the income statement.

Bonus to employees and to the Board of Directors
In accordance with IAS 19 Employee benefits, the bonus payment to employees and to the Board of Directors is recognised in the income statement in the period to which they relate.

2.16. Income tax

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

Current tax is the tax expected to be paid on the taxable profit for the period, calculated using tax rates enacted or substantively enacted at the balance sheet date at each jurisdiction.

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

Deferred tax liabilities are recognised for all taxable temporary differences, differences arising on initial recognition of assets and liabilities that affect neither accounting nor taxable profit and differences relating to investments in subsidiaries to the extent that probably they will not reverse in the foreseeable future. Deferred tax assets are recognised to the extent it is probable that future taxable profits will be available against which deductible temporary differences can be deducted.

2.17. Provisions

Provisions are recognised when: (i) the Bank has present legal or constructive obligation, (ii) it is probable that settlement will be required in the future and (iii) a reliable estimate of the obligation can be made.

When the effect of the passage of time (discount) is material, the provision corresponds to the net present value of the expected future payments, discounted at an appropriate rate considering the risk associated to the obligation.

Restructuring provisions are recognised when the Bank has approved a detailed and formal restructuring plan and such restructuring either has commenced or has been announced publicly.

A provision for onerous contracts is recognised when the expected benefits to be derived by the Bank from a contract are lower than the unavoidable costs of meeting its obligation under the contract. The provision is measured at the present value of the lower of the expected cost of terminating the contract and the expected net costs of continuing with the contract.

2.18. Interest income and expense

Interest income and expense are recognised in the income statement under interest and similar income and interest expense and similar charges for all non-derivative financial instruments measured at amortised cost and for the available-for-sale financial assets, using the effective interest rate method. Interest income arising from non-derivative financial assets and liabilities at fair value through profit or loss is also included under interest and similar income or interest expense and similar charges, respectively.

The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability. The effective interest rate is calculated at inception and it is not subsequently revised, except in what concerns financial assets and liabilities with a variable interest rate. In this case the effective interest rate is periodically revised, having in consideration the impact of the change in the reference interest rate in the estimated future cash-flows.

When calculating the effective interest rate, the Bank estimates cash flows considering all contractual terms of the financial instrument (for example, prepayment options) but does not consider future credit losses. The calculation includes all fees and commissions paid or received that are an integral part of the effective interest rate, transaction costs and all other premiums or discounts. In the case of financial assets or groups of similar financial assets for which an impairment loss was recognised, interest income is calculated using the interest rate used to measure the impairment loss.

For derivative financial instruments, except for derivatives for risk management purposes (see Note 2.4), the interest component of the changes in their fair value is not separated out and is classified under net gains/(losses) from financial assets and financial liabilities at fair value through profit or loss. The interest component of the changes in the fair value of derivatives for risk management purposes is recognised under interest and similar income or interest expense and similar charges.

2.19. Fee and commission income

Fees and commissions are recognised as follows:

- Fees and commissions that are earned on the execution of a significant act, as loan syndication fees, are recognised as income when the significant act has been completed;

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

2.20. Dividend income

Dividend income is recognised when the right to receive payment is established.

2.21. Segmental reporting

According to paragraph 4 of IFRS 8 – Operating Segments, the Bank is exempted to submit a report on an individual basis by segment, since the individual financial statements are presented together with the consolidated financial statements.

2.22. Earnings per share

Basic earnings per share is calculated by dividing net income available to ordinary shareholders by the weighted average number of ordinary shares outstanding during the year, excluding the average number of ordinary shares purchased by the Bank and held as treasury stock.

For the diluted earnings per share, the weighted average number of ordinary shares outstanding is adjusted to assume conversion of all dilutive potential ordinary shares, such as convertible debt and share options granted to employees. Potential or contingent share issuances are treated as dilutive when their conversion to shares would decrease net earnings per share.

2.23. Cash and cash equivalents

For the purposes of the cash flow statement, cash and cash equivalents comprise balances with less than three months' maturity from the inception date, including cash and deposits with banks.

Cash and cash equivalents exclude restricted balances with Central Banks.

NOTE 3 – CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS IN APPLYING ACCOUNTING POLICIES

NCA set forth a range of accounting treatments and require management to apply judgment and make estimates in deciding which treatment is most appropriate. The most significant of these accounting policies are discussed in this section in order to improve understanding of how their application affects the Bank's reported results and related disclosure. A broader description of the accounting policies employed by the Bank is shown in Note 2 to the Financial Statements.

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

3.1. Impairment of available-for-sale financial assets

The Bank determines that available-for-sale financial assets are impaired when there has been a significant or prolonged decline in the fair value below its cost or when it has identified an event with impact on the estimated future cash flows of the assets. This determination requires judgement based on all available relevant information, including the normal volatility of the financial instruments prices. Considering the high volatility of the markets, the Bank has considered the following parameters when assessing the existence of impairment losses:

(i) Equity securities: significant decline in market value in relation to the acquisition cost or market value below the acquisition cost for a prolonged period;

(ii) Debt securities: objective evidence of events that have an impact on the estimated future cash flows of these assets.

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

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

3.2. Fair value of derivatives

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

Consequently, the use of a different model or different assumptions or judgements in applying a particular model may have produced different financial results from the ones reported.

3.3. Impairment losses on loans and advances

The Bank reviews its loan portfolios to assess impairment on a regular basis, as described in Note 2.4, in accordance with the minimum reference values for generic and specific provisions, determined under the regulation no. 3/95, from the Bank of Portugal.

The evaluation process in determining whether an impairment loss should be recorded in the income statement is subject to numerous estimates and judgments. The frequency of default, risk ratings, loss recovery rates and the estimation of both the amount and timing of future cash flows, among other factors, are considered in making this evaluation.

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

3.4 Held-to-maturity investments

The Bank follows the guidance of IAS 39 on classifying non-derivative financial assets with fixed or determinable payments and fixed maturity as held-to-maturity. This classification requires significant judgement.

In making this judgement, the Bank evaluates its intention and ability to hold such investments to maturity. If the Bank fails to keep these investments to maturity other than for the specific circumstances – for example, selling an insignificant amount close to maturity – it will be required to reclassify the entire class as available-for-sale.

The investments would therefore be measured at fair value instead of amortised cost.Held-to-maturity investments are subject to impairment tests made by the Bank. The use of different assumptions and estimates could have an impact on the income statement of the Bank.

3.5. Income Taxes

The Bank is subject to income taxes in numerous jurisdictions. Significant interpretations and estimates are required in determining the worldwide amount for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business.

Different interpretations and estimates would result in a different level of income taxes, current and deferred, recognised in the period.

The Tax Authorities are entitled to review the Bank' determination of annual taxable earnings, for a period of four years or six years in case there are tax losses brought forward. Hence, it is possible that some additional taxes may be assessed, mainly as a result of differences in interpretation of the tax law. However, the Board of Directors of the Bank, and those of its subsidiaries, are confident that there will be no material tax assessments within the context of the financial statements.

3.6. Pension and other employees' benefits

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

Changes in these assumptions could materially affect these values.

NOTE 4 – NET INTEREST INCOME

This balance is analysed as follows:

(in thousands of euro)

	31.12.2013			31.12.2012		
	Assets / Liabilities at Amortised Cost and Available-for-Sale Financial Assets	Assets / Liabilities at Fair Value Through Profit or Loss	Total	Assets / Liabilities at Amortised Cost and Available-for-Sale Financial Assets	Assets / Liabilities at Fair Value Through Profit or Loss	Total
Interest and similar income						
Interest from loans and advances	21 762	-	21 762	28 559	-	28 559
Interest from financial assets at fair value through profit or loss	-	3 215	3 215	-	5 129	5 129
Interest from deposits with banks	3 061	-	3 061	2 835	-	2 835
Interest from available-for-sale financial assets	27 688	-	27 688	16 371	-	16 371
Interest from derivatives for risk management purposes	-	1 535	1 535	-	56 987	56 987
Interest from held-to-maturity financial assets	816	-	816	1 134	-	1 134
Other interest and similar income	710	-	710	1 039	-	1 039
	54 037	**4 750**	**58 787**	**49 938**	**62 116**	**112 054**
Interest expense and similar charges						
Interest from debt securities	136	20 231	20 367	-	7 394	7 394
Interest from amounts due to customers	1 454	-	1 454	2 851	-	2 851
Interest from deposits from central banks and other banks	16 302	-	16 302	22 530	-	22 530
Interest from derivatives for risk management purposes	-	1 405	1 405	-	56 541	56 541
Interest from subordinated debt	705	-	705	1 041	-	1 041
Other expense and similar charges	122	-	122	98	-	98
	18 719	**21 636**	**40 355**	**26 520**	**63 935**	**90 455**
	35 318	**(16 886)**	**18 432**	**23 418**	**(1 819)**	**21 599**

Interest from derivatives for risk management purposes includes, in accordance with the accounting policy described in Notes 2.3 and 2.18, interests from hedging derivatives and from derivatives used to manage the risk of certain financial assets and financial liabilities designated at fair value through profit or loss in accordance with the accounting policies described in Notes 2.5 and 2.7.

NOTE 5 – NET FEE AND COMMISSION INCOME

This balance is analysed as follows:

(in thousands of euro)

	31.12.2013	31.12.2012
Fee and commission income		
From banking services	23 284	29 676
From guarantees granted	7 473	2 758
From commitments assumed with third parties	32 692	25 158
	63 449	57 592
Fee and commission expense		
For banking services rendered by third parties	2 023	1 295
For operation rendered by third parties	9 557	12 030
From guarantees received	178	78
	11 758	13 403
	51 691	**44 189**

NOTE 6 – NET GAINS FROM FINANCIAL ASSETS AND FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS

This balance is analysed as follows:

(in thousands of euro)

	31.12.2013			31.12.2012		
	Gains	Losses	Total	Gains	Losses	Total
Trading assets and liabilities						
Bonds and other fixed income securities						
Issued by government and public entities	8 748	6 159	2 589	35 543	4 483	31 060
Issued by other entities	9 665	2 308	7 357	9 271	1 410	7 861
Shares	30 449	26 015	4 434	25 085	22 345	2 740
Other variable income securities	563	185	378	319	270	49
	49 425	**34 667**	**14 758**	**70 218**	**28 508**	**41 710**
Derivative financial instruments						
Exchange rate contracts	10 724	11 007	(283)	9 360	15 552	(6 192)
Interest rate contracts	620 004	613 011	6 993	392 629	382 527	10 102
Equity/Index contracts	520 946	524 563	(3 617)	249 980	253 082	(3 102)
Credit default contracts	35 105	32 779	2 326	40 585	40 138	447
Other	-	-	-	-	24	(24)
	1 186 779	**1 181 360**	**5 419**	**692 554**	**691 323**	**1 231**
Financial liabilities at fair value through profit or loss (1)						
Deposits from banks	-	-	-	1 014	2	1 012
Debt securities issued	541	1 669	(1 128)	211	2 879	(2 668)
Other subordinated debt	-	10	(10)	2 715	1 759	956
	541	**1 679**	**(1 138)**	**3 940**	**4 640**	**(700)**
	1 236 745	**1 217 706**	**19 039**	**766 712**	**724 471**	**42 241**

(1) Includes the fair value change of hedged liabilities or at fair value option

NOTE 7 – NET GAINS FROM AVAILABLE-FOR-SALE FINANCIAL ASSETS

This balance is analysed as follows:

(in thousands of euro)

	31.12.2013			31.12.2012		
	Gains	Losses	Total	Gains	Losses	Total
Bonds and other fixed income securities						
Issued by government and public entities	55 342	3 164	52 178	57 742	885	56 857
Issued by other entities	580	178	402	222	-	222
Equity instruments	165	-	165	-	1	(1)
	56 087	**3 342**	**52 745**	**57 964**	**886**	**57 078**

NOTE 8 – NET GAINS / (LOSSES) FROM FOREIGN EXCHANGE DIFFERENCES

This balance is analysed as follows:

(in thousands of euro)

	31.12.2013			31.12.2012		
	Gains	Losses	Total	Gains	Losses	Total
Foreign exchange translation	27 585	31 970	(4 385)	27 552	30 151	(2 599)
	27 585	31 970	(4 385)	27 552	30 151	(2 599)

This balance includes the exchange differences arising on translating monetary assets and liabilities at the exchange rates ruling at the balance sheet date in accordance with the accounting policy described in Note 2.2.

NOTE 9 – NET GAINS / (LOSSES) FROM THE SALE OF OTHER ASSETS

As at 31 December 2013, any gains / (losses) occurred due to the sale of loans (31 December 2012: euro 3 075 thousand).

NOTE 10 – OTHER OPERATING IINCOME AND EXPENSES

This balance is analysed as follows:

(in thousands of euro)

	31.12.2013	31.12.2012
Other customer's services	1 657	1 642
Direct and indirect taxes	(2 160)	(2 106)
Other operating income / expenses	(2 139)	(396)
	(2 642)	(860)

The direct and indirect taxes balance includes an amount of euro 1 092 thousand related with the Banking levy (31 December 2012: euro 1 187 thousand), created through the Law no. 55-A/2010, of 31 December (see Note 32).

NOTE 11 – STAFF COSTS

This balance is analysed as follows:

(in thousands of euro)

	31.12.2013	31.12.2012
Wages and salaries	34 715	39 234
Remuneration	34 230	39 034
Long-term service benefits (see Note 12)	485	200
Pension costs (see Note 12)	2 321	1 767
Mandatory social charges	5 732	5 328
Other costs	5 962	6 151
	48 730	**52 480**

The costs with salaries and other benefits attributed to BESI key management personnel are analysed as follows:

(in thousands of euro)

	Board of Directors	Other Key Management	Total
2013			
Salaries and other short-term benefits	4 602	4 988	9 590
Long service benefits and other	138	43	181
Bonus	800	1 597	2 397
Total	**5 540**	**6 628**	**12 168**
2012			
Salaries and other short-term benefits	3 950	3 785	7 735
Long service benefits and other	45	28	73
Bonus	497	2 311	2 808
Total	**4 492**	**6 124**	**10 616**

Other key management includes Executive Directors and Managing Directors.

As at 31 December 2013 and 2012, the loans granted to the Board of Directors of BESI amounted to euro 306 thousand and euro 286 thousand, respectively.

The number of employees of BESI, per professional category, is analysed as follows:

	31.12.2013	31.12.2012
Senior management	248	256
Management	4	4
Specific functions	150	150
Administrative functions	34	34
Auxiliary functions	11	11
	447	**455**

NOTE 12 – EMPLOYEE BENEFITS

Pension and health care benefits

In compliance with the collective labor agreement (ACT) for the banking sector established with the unions, the Bank undertook the commitment to grant its employees, or their families, pension on retirement and disability, and widows' pension. Pension payments consist of a rising percentage based on years of service, applicable to each year's negotiated salary table for the active work force.

Only employees hired before 31 March 2008 are covered by this benefit. Employees hired after that date are covered by the Portuguese Social Security Scheme.

Additionally, with the publication of Decree-Law n.1-A / 2011 of January 3, all banking sector employees beneficiaries of "CAFEB – Caixa de Abono de Família dos Empregados Bancários" were integrated into the General Social Security Scheme from 1 January 2011, which assumed the protection of banking sector employees in the contingencies of maternity, paternity and adoption and even old age, remaining under the responsibility of the banks the protection in sickness, disability, survivor and death.

Retirement pensions of banking employees integrated into the second tripartite General Social Security agreement continue to be calculated according to the provisions of ACT and other conventions. Banking employees are entitled to receive a pension under the general regime, which amount takes into account the number of years of discounts for that scheme. Banks are responsible for the difference between the pension determined in accordance with the provisions of ACT and that the one that the banking employees are entitled to receive from the General Social Security Regime.

The contribution rate to the Social Security Regime is 26.6%, 23.6% paid by the employer and 3% paid by the employees, instead of Caixa de Abono de Família dos Empregados Bancários (CAFEB), abolished by the same law. In consequence of this change, the pension rights of active employers is to be covered under the terms defined by the General Social Security Regime, taking into account the length of service from 1 January 2011 until retirement. The differential required to support the guaranteed pension in terms of the ACT is paid by the Banks.

Notwithstanding, the integration leads to an effective decrease in the present value of total benefits reported to the normal retirement age (VABT) to be borne by the pension fund. Since there was no reduction in benefits from the perspective of the beneficiary on the date of integration into the second tripartite agreement, the past service liability remained unchanged at 31 December 2010.

Taking into account that the basis for calculating benefits under the ACT and RGSS plans are based on different formulas, there is the possibility of obtaining a gain, when the value of the liabilities to be covered by the pension fund at retirement is lower than responsibilities on 31 December 2010, being this gain deferred on a linear basis over the average working life until the employees reach the normal retirement age. Therefore, as at 31 December 2010, the Bank has not booked in its financial statements any impact from the employer's integration on the General Social Security Regime.

At the end of 2011 following the third tripartite agreement, it was decided to transfer to the Social Security Regime the banks liabilities with pension in payment as at 31 December 2011.

The tripartite agreement established, provides for the transfer to the Social Security sphere of the liabilities with pensions in payment as of 31 December 2011 at constant values (0% discount rate). The responsibilities relating to updates of pensions value, other pension benefits in addition to those to be borne by the Social Security, health-care benefits, death allowance and deferred survivor pensions, will remain in the sphere of responsibility of the banks with the correspondent funding being provided through the respective pension funds.

The banks pension funds assets, specifically allocated to the cover of the transferred liabilities, were also be transferred to the Social Security.

Being thus a definitive and irreversible transfer of the liabilities with pensions in payment (even if only on a portion of the benefit), the conditions set out in IAS 19 'Employee benefits' underlying the concept of settlement are met, as the obligation with pension in payment as at December 31, 2011 extinguished at the date of transfer. On this basis, the impacts derived from this same transfer were recognized in the income statement.

In 1998, Banco Espírito Santo and the Bank's subsidiaries in Portugal, where BESI is included, decided to set up an autonomous open-up pension fund – the Fundo de Pensões Aberto GES – to fund complementary pension benefits of pensioners and employees in service.

The pension funds in Portugal are managed by ESAF – Espírito Santo Fundo de Pensões, S.A.

The key actuarial assumptions used to calculate pension liabilities are as follows:

	Assumptions			
	31.12.2013		31.12.2012	
	1st through 3rd year	4th and subsequent years	1st through 4th year	5th and subsequent years
Financial assumptions				
Expected return of plan assets	4.00%		4.50%	
Discount rate	4.00%		4.50%	
Pensions increase rate	0.00%	0.75%	0.00%	0.75%
Salaries increase rate	1.00%	1.75%	1.00%	1.75%
Demographic assumptions and valuation methods				
Mortality table				
Men	TV 73/77 - 1 year			
Women	TV 88/90			
Actuarial method	Project Unit Credit Method			

Disability decreases are not considered on the liabilities calculation. The determination of the discount rate as at 31 December 2013 was based on: (i) the evolution of the main indexes related with high quality corporate bonds and (ii) the duration of liabilities.

The number of persons covered by the plan is as follows:

	31.12.2013	31.12.2012
Employees	177	227
Pensioners	22	20
Widows and other direct relatives	7	7
TOTAL	**206**	**254**

The application of IAS 19 on responsibilities and coverage levels reportable to 31 December 2013 and 2012 is presented as follows:

(in thousans of euro)

	31.12.2013	31.12.2012
Net Assets/(Liabilities) recognised in the balance sheet		
Liabilities as at 31 December		
Pensioners	3 461	3 130
Employees	53 718	39 342
	57 179	**42 472**
Fair value of plan assets as at 31 December	**54 455**	**50 870**
Excess / deficit of coverage	(2 724)	8 398
Deferred past service costs	10 543	10 873
Net asset recognised in the balance sheet as at 31 December (see Note 26)	**7 819**	**19 271**
Accumulated net actuarial losses recognised in other compreensive income	**13 141**	**3 630**

In accordance with the accounting policy described in Note 2.15, BESI liability with pensions is calculated annually.

In accordance with the accounting policy described in Note 2.15 and following the requirements of IAS 19 – Employees benefits, the Bank assesses at each balance sheet date and for each plan separately, the recoverability of the recognised assets in relation to the defined benefit pension plans based on the expectation of reductions in future contributions to the funds.

The changes in the defined benefit obligation can be analysed as follows:

(in thousands of euro)

	31.12.2013	31.12.2012
Defined benefit obligation as at 1 January	**42 472**	**34 381**
Service cost	1 300	1 019
Interest cost	1 906	1 535
Plan participants' contribution	142	148
Defined benefit obligation related to benefits granted during the year	691	-
Actuarial (gains) / losses:	10 952	5 639
- changes in actuarial assumptions	8 021	6 111
- experience adjustments	2 931	(472)
Pensions paid by the fund	(284)	(250)
Defined benefit obligation as at 31 December	**57 179**	**42 472**

Under the agreement mentioned above, the value of assets to be transferred to the Social Security in return for the transfer of the liabilities with pension payment was determined on a settlement perspective, as it is a definitive and irreversible transfer of these responsibilities and corresponded to the value thereof, and it was estimated based on a discount rate of 4% (instead of the 5.5% rate used for the purpose of preparing the financial statements). Thus, the amount payable by the Bank to the State amounted to euro 4 million, which led to the recognition in 2012 in the income statement a cost in the amount of euro 438 thousand, corresponding to the differential of the discount rates mentioned above.

Of the total payable amount (euro 4 million), about euro 3.8 million were borne by the Pension Fund and euro 438 thousand directly by the Bank. At the end of December 2011, 55% of the amount outstanding was paid, and the remaining should be paid in the first half of 2012.

Based on the position as at 31 December 2013, for certain changes in actuarial assumptions, the following impacts would occur:

- An increase in the discount rate by 25 basis points would reduce the benefit obligation by approximately euro 3 102 thousand; a decrease of equal magnitude would increase the benefit obligation by approximately euro 3 329 thousand;
- An increase of 25 basis points in the growth of salaries and pensions would increase the benefit obligation by approximately euro 3 440 thousand; a decrease of equal magnitude would reduce the benefit obligation by approximately euro 3 237 thousand;
- The use of mortality tables with increase of another year would increase the benefit obligation by approximately euro 1 768 thousand; with a reduction of one year the benefit obligation would decrease by approximately euro 1 791 thousand.

The change in fair value of the plan assets for the years ended 31 December 2013 and 2012 is analysed as follows:

(in thousands of euro)

	31.12.2013	31.12.2012
Fair value of plan assets as at 1 January	**50 870**	**46 686**
Actual return on plan assets	3 727	4 364
Plan participants' contributions	142	148
Pensions paid by the fund	(284)	(250)
Other	-	(78)
Fair value of plan assets as at 31 December	**54 455**	**50 870**

The assets of the fund by type of asset as at 31 December 2013 and 2012 can be analysed as follows:

	% Portfolio	
	2013	2012
Bonds	51.20%	38.88%
Shares	35.08%	48.39%
Other	9.59%	9.75%
Real estate	1.90%	1.93%
Liquidity	2.23%	1.05%
Total	100.00%	100.00%

As at 31 December 2013 and 2012, the fund did not have any securities issued by Group entities.

The changes in the accumulated net actuarial losses are analysed as follows:

(in thousands of euro)

	31.12.2013	31.12.2012
Accumulated net actuarial losses as at 1 January	**3 630**	**160**
- Changes in actuarial assumptions	8 021	6 111
- Experience adjustments	1 490	(2 747)
Other	-	106
Accumulated net actuarial losses as at 31 December	**13 141**	**3 630**

During 2013, the legal retirement age in Portugal, for active employees under the Social Security Regime, went from 65 years to 66 years of age. However, the Group plan remained unchanged with retirement age at 65 years old. Therefore, the change in the legal retirement age has an impact on the co-funding of Social Security regarding to the responsibilities related with active employees covered by the plan and transferred to the Social Security Regime under the tripartite agreement

The impact implied by the change in the legal retirement age in 2013 from 65 years to 66 years of age, with consequences at the level of the co-funding of Social Security, regarding to the responsabilities related with active employees covered by the plan and transferred to the Social Security Regime under the tripartite agreement, resulted in a negative actuarial deviation of approximately euro 2 123 thousand.

The net periodic benefit cost can be analysed as follows:

(in thousands of euro)

	31.12.2013	31.12.2012
Service cost	1 300	1 019
Interest cost	(380)	(554)
Past services liabilities depreciation	1 021	1 302
Net benefit cost	**1 941**	**1 767**

From 1 January 2013 and following the revision of IAS 19 – Employees Benefits, the income/expenses from interest became to be recognised by their net value under the interest (income/expense) and similar caption.

In the years ended in 31 December 2013 and 2012, the changes in the net assets/ (liabilities) recognised in the balance sheet is analysed as follows:

(in thousands of euro)

	31.12.2013	31.12.2013
Balance as at 1 January	**19 271**	**24 480**
Net periodic benefit cost	(1 941)	(1 767)
Actuarial Gains/Losses recognised on other comprehensive income	(9 511)	(3 364)
Other	-	(78)
Balance as at 31 December	**7 819**	**19 271**

The evolution of the defined benefit obligations, fair value of plan assets and of the experience adjustments gains/ losses in the past 5 years, is presented as follows:

(in thousands of euro)

	31.12.2013	31.12.2012	31.12.2011	31.12.2010	31.12.2009
Defined benefit obligation	(57 179)	(42 472)	(34 381)	(32 828)	(30 606)
Fair value of plan asssets	54 455	50 870	46 686	34 956	32 520
(Un)/over funded liabilities	**(2 724)**	**8 398**	**12 305**	**2 128**	**1 914**
(Gains)/losses from experience adjustments arising on defined benefit obligation	2 931	(472)	(9 221)	(690)	359
(Gains)/losses from experience adjustments arising on plan	(1 441)	(2 275)	6 107	84	(2 258)

Long-term service benefits

As referred in Note 2.15, for employees that achieve certain years of service, the Bank pays long term service premiums, calculated based on the effective monthly remuneration earned at the date the premiums are due. At the date of early retirement or disability, employees have the right to a premium proportional to that they would earn if they remained in service until the next payment date.

At 31 December 2013 and 2012, the Bank's liabilities and costs incurred related to long-term service benefits can be analysed as follows:

(in thousands of euro)

	31.12.2013	31.12.2012
Liabilities as at 1 January	**1 905**	**1 831**
Cost of the year (see Note 11)	485	200
Benefits paid	(266)	(126)
Liabilities as at 31 December	**2 124**	**1 905**

The actuarial assumptions used in the calculation of the liabilities are those presented for the calculation of pensions (when applicable).

These liabilities related to long-term service benefits are included in the balance Other liabilities (see Note 34).

NOTE 13 – GENERAL AND ADMINISTRATIVE EXPENSES

This balance is analysed as follows:

(in thousands of euro)

	31.12.2013	31.12.2012
Rental costs	5 578	5 404
Advertising costs	944	682
Communication costs	6 310	6 815
Travelling and representing costs	5 857	5 511
Maintenance and related services	1 128	1 137
Insurance costs	307	322
Legal costs	80	44
Specialised Services	11 214	10 543
IT Services	4 011	3 689
Temporary work	192	196
Independent work	2 347	1 712
Security and surveillance	247	247
Information services	419	326
Other specialised services	3 998	4 373
Other costs	2 045	2 059
	33 463	**32 517**

The balance Other specialised services includes, among others, costs with data bank and recruitment.

The balance Other costs includes, among others, staff training and external charges for services.

The outstanding lease instalments related to the non-cancellable operational leasing contracts are analysed as follows:

(in thousands of euro)

	31.12.2013	31.12.2012
Up to 1 year	1 350	943
1 to 5 years	1 615	1 190
	2 965	2 133

NOTE 14 – EARNINGS PER SHARE

Basic earnings per share

Basic earnings per share are calculated by dividing the net profit attributable to equity holders of the Bank by the weighted average number of ordinary shares outstanding during the year.

(in thousands of euro)

	31.12.2013	31.12.2012
Profit attributable to equity holders of the Bank (1)	(1 336)	18 025
Weighted average number of ordinary shares outstanding (thousands)	65 254	51 391
Basic earnings per share attributable to equity holders of the Bank (in euro)	-0.02	0.35

(1) Net profit for the year attribuitable to the equity holders of the Bank adjusted by the interest paid in relation to the other equity instruments (which are booked agains reserves).

Diluted earnings per share

The diluted earnings per share is calculated considering the profit attributable to the equity holders of the Bank and the weighted average number of ordinary shares outstanding, adjusted for the effects of all dilutive potential ordinary shares.

As at 31 December 2013 and 2012, the Bank did not have any dilutive potential ordinary shares. Therefore, the diluted earnings per share are equal to the basic earnings per share.

NOTE 15 – CASH AND DEPOSITS AT CENTRAL BANKS

This balance as at 31 December 2013 and 2012, is analysed as follows:

(in thousands of euro)

	31.12.2013	31.12.2012
Cash	5	3
Deposits at central banks		
Bank of Portugal	1 435	916
Other central banks	3 281	148
	4 716	**1 064**
	4 721	**1 067**

The deposits at Central Banks include mandatory deposits with the Bank of Portugal intended to satisfy legal minimum cash requirements In the amount of euro 559 thousand. According to the European Central Bank Regulation (CE) no. 1358/2011, of 14 December 2011, minimum cash requirements kept as deposits with the Bank of Portugal earn interest, and correspond to 1% of deposits and debt certificates maturing in less than 2 years, excluding deposits and debt certificates of institutions subject to the European System of Central Banks' minimum reserves requirements. As at 31 December 2013, these deposits have earned interest at an average rate of 0.55% (31 December 2012: 0.75%).

The fulfillment of the minimum mandatory requirements for a given period of observation is implemented taking into account the value of bank deposits with the Bank of Portugal during the referred period. The balance amount of euro 559 thousand of the bank account with the Bank of Portugal as at 31 December 2013, was included in the maintenance period of 11 December 2013 to 14 January 2014, which corresponded to an average mandatory reserve of euro 895 thousand.

NOTE 16 – DEPOSITS WITH BANKS

As at 31 December 2013 and 31 December 2012, this balance is analysed as follows:

(in thousands of euro)

	31.12.2013	31.12.2012
Deposits with banks in Portugal		
Repayable on demand	15 977	14 495
	15 977	**14 495**
Deposits with banks abroad		
Repayable on demand	7 016	9 027
	7 016	**9 027**
	22 993	**23 522**

NOTE 17 – FINANCIAL ASSETS AND LIABILITIES HELD FOR TRADING

As at 31 December 2013 and 31 December 2012, this balance is analysed as follows:

(in thousands of euro)

	31.12.2013	31.12.2012
Financial assets held for trading		
Securities		
Bonds and other fixed income securities		
Issued by government and public entities	9 410	5 524
Issued by other entities	28 906	37 261
Shares	9 729	26 705
Other variable income securities	679	2 013
	48 724	71 503
Derivatives	536 388	768 983
	585 112	**840 486**
Financial liabilities held for trading		
Securities		
Short Selling	5 980	-
Derivatives	484 956	714 730
	490 936	**714 730**

As at 31 December 2013 and 2012 the analysis of the securities held for trading by the period to maturity, is presented as follows:

(in thousands of euro)

	31.12.2013	31.12.2012
Financial assets held for trading		
Up to 3 months	5 505	7 129
3 to 12 months	10 930	3 153
1 to 5 years	18 492	31 062
More than 5 years	3 389	1 440
Undetermined	10 408	28 719
	48 724	**71 503**

In accordance with the accounting policy described in Note 2.5, securities held for trading are those which are bought to be traded in the short-term, regardless of their maturity.

The short selling refers to securities purchased under agreements to resell (reverse repos). In accordance with the accounting policy described in Note 2.7 securities purchased under agreements to resell are recognised in balance sheet. In case of selling, the Bank recognises a financial liability equivalent to fair value assets which should be returned in scope of resell agreement.

As at 31 December 2013 and 2012, financial assets held-for-trading analysed by quoted and unquoted securities, are presented as follows:

(in thousands of euro)

	31.12.2013			31.12.2012		
	Quoted	Unquoted	Total	Quoted	Unquoted	Total
Bonds and other fixed income securities						
Issued by government and public entities	9 410	-	9 410	5 524	-	5 524
Issued by other entities	-	28 906	28 906	-	37 261	37 261
Shares	9 729	-	9 729	26 705	-	26 705
Other variable income securities	679	-	679	2 013	-	2 013
Book value	19 818	28 906	48 724	34 242	37 261	71 503

The balance Financial Assets held for trading does at fair value does not include securities pledged as collateral by the Bank (31 December 2012: 3 782 thousand).

During 2013 and 2012, the Bank did not book provisions for country risks.

As at 31 December 2013 and 2012, derivative financial instruments can be analysed as follows:

(in thousands of euro)

	31.12.2013			31.12.2012		
	Nocional	Fair value		Nocional	Fair value	
		Assets	Liabilities		Assets	Liabilities
Exchange rate contracts						
FX Swaps and Fxforward	1 803 109	-	1 074	939 339	-	2 139
CIRS	116 388	7 386	7 387	107 915	6 091	6 115
FX Options	119 088	756	714	280 686	951	1 034
	2 038 585	**8 142**	**9 175**	**1 327 940**	**7 042**	**9 288**
Interest rate contracts						
Interest Rate Swaps	20 099 726	398 839	346 771	23 489 325	637 147	580 894
Interest Rate Caps & Floors	2 713 040	11 746	11 700	3 949 800	19 196	19 124
Interest Rate Options	136 321	-	-	158 405	-	-
	22 949 087	**410 585**	**358 471**	**27 597 530**	**656 343**	**600 018**
Equity / index contracts						
Equity / Index Swaps	2 201 180	72 601	72 132	1 026 243	67 983	67 547
Equity / Index Options	207 505	16 707	16 707	348 193	12 592	12 592
Equity / Index Futures	8 061	-	-	36 182	-	-
	2 416 746	**89 308**	**88 839**	**1 410 618**	**80 575**	**80 139**
Credit default contracts						
Credit Default Swaps	1 113 071	28 353	28 471	461 810	25 023	25 285
	1 113 071	**28 353**	**28 471**	**461 810**	**25 023**	**25 285**
Total	**28 517 489**	**536 388**	**484 956**	**30 797 898**	**768 983**	**714 730**

As at 31 December 2013 and 2012, the analysis of trading derivatives by the period to maturity is presented as follows:

(in thousands of euro)

	31.12.2013		31.12.2012	
	Assets	Liabilities	Assets	Liabilities
Up to 3 months	6 250	6 257	13 151	15 323
3 to 12 months	59 530	56 386	27 160	27 084
1 to 5 years	174 030	164 751	212 359	202 192
More than 5 years	296 578	257 562	516 313	470 131
	536 388	**484 956**	**768 983**	**714 730**

NOTE 18 – AVAILABLE-FOR-SALE FINANCIAL ASSETS

As at 31 December 2013 and 31 December 2012, this balance is analysed as follows:

(in thousands of euro)

	Cost (1)	Fair value reserve		Impairment losses	Book Value
		Positive	Negative		
Bonds and other fixed income securities					
Issued by government and public entities	419 204	1 693	(2 320)	-	418 577
Issued by other entities	42 295	642	(143)	-	42 794
Shares	1 961	254	-	(1 145)	1 070
Other variable income securities	40 540	1 028	(2 826)	(7 344)	31 398
Balance as at 31 December 2013	**504 000**	**3 617**	**(5 289)**	**(8 489)**	**493 839**
Bonds and other fixed income securities					
Issued by government and public entities	229 703	3 782	(622)	-	232 863
Issued by other entities	74 480	428	(1 299)	-	73 609
Shares	2 792	111	-	(770)	2 133
Other variable income securities	38 400	606	(1 311)	(6 326)	31 369
Balance as at 31 December 2012	**345 375**	**4 927**	**(3 232)**	**(7 096)**	**339 974**

(1) Acquisiton cost relating to shares and other variable income securities and amortised cost relating to debt securities.

In accordance with the accounting policy described in Note 2.5, the Group assesses periodically whether there is objective evidence of impairment on the available-for-sale financial assets, following the judgment criteria's described in Note 3.1.

The changes occurred in impairment losses of available-for-sale financial assets are presented as follows:

(in thousands of euro)

	31.12.2013	31.12.2012
Balance as at 1 January	7 096	4 926
Charge for the year	1 393	3 295
Charge off	-	(1 125)
Balance as at 31 December	**8 489**	**7 096**

The balance Available-for-sale Financial Assets includes: euro 397 674 thousand of securities pledged as collateral by the Group (31 December 2012: euro 251 509 thousand) (see Note 37).

As at 31 December 2013 and 2012, the analysis of available-for-sale assets by the period to maturity is presented as follows:

(in thousands of euro)

	31.12.2013	31.12.2012
Available-for-sale securities		
Up to 3 months	-	19 124
3 to 12 months	5 050	18 804
1 to 5 years	139 789	32 072
More than 5 years	316 532	236 471
Undetermined	32 468	33 503
	493 839	**339 974**

As at 31 December 2013 and 2012, the analysis of the available-for-sale financial assets by quoted and unquoted securities is presented as follows:

(in thousands of euro)

	31.12.2013			31.12.2012		
	Quoted	Unquoted	Total	Quoted	Unquoted	Total
Bonds and other fixed income						
Issued by government and public entities	418 577	-	418 577	232 863	-	232 863
Issued by other entities	16 348	26 446	42 794	39 427	34 182	73 609
Shares	1 007	63	1 070	1 238	895	2 133
Other variable income securities	22 356	9 042	31 398	24 458	6 911	31 369
Book value	458 288	35 551	493 839	297 986	41 988	339 974

The main equity exposures that contribute to the fair value reserve, as at 31 December 2013 and 2012, can be analysed as follows:

(in thousands of euro)

2013 Description	Cost (1)	Fair value reserve		Impairment losses	Book Value
		Positive	Negative		
BONOS DEL ESTADO 5.4% JAN2023	182 927	-	(1 755)	-	181 172
FONDO PPP ITALIA	4 839	-	(586)	-	4 253
ES - BRAZIL EQUITIES	2 500	-	(1 063)	-	1 437
ES - BRAZIL	2 500	-	(794)	-	1 706
OUTROS	311 234	3 617	(1 091)	(8 489)	305 271
	504 000	**3 617**	**(5 289)**	**(8 489)**	**493 839**

(1) Acquisition cost relating to shares and amortised cost relating to debt securities

(in thousands of euro)

2012 Description	Cost (1)	Fair value reserve		Impairment losses	Book Value
		Positive	Negative		
OBRIGACOES TESOURO 4.1% APR37	6 029	1 659	-	-	7 688
BONOS DEL ESTADO 5.85% JAN22	98 254	346	-	-	98 600
BONOS DEL ESTADO 4.1% JUL2018	34 178	401	-	-	34 579
BONOS DEL ESTADO 4.7% JUL41	16 065	857	-	-	16 922
BANCAJA INT CAVALE EU3M+20 JAN16	1 998	-	(283)	-	1 715
MAGEL 4 A EUR3M+14 PERPET	2 000	-	(295)	-	1 705
LUSIT LEVERAGE FIN 1 SUB JAN2020	31 711	-	(731)	-	30 980
OTHER	155 140	1 664	(1 923)	(7 096)	147 785
	345 375	**4 927**	**(3 232)**	**(7 096)**	**339 974**

(1) Acquisition cost relating to shares and amortised cost relating to debt securities.

NOTE 19 – LOANS AND ADVANCES TO BANKS

As at 31 December 2013 and 2012, this balance is analysed as follows:

(in thousands of euro)

	31.12.2013	31.12.2012
Loans and advances to banks in Portugal		
Other loans and advances	24 654	761
	24 654	**761**
Loans and advances to banks in abroad		
Sales with repurchase agreements	321 569	117 312
Other loans and advances	33 155	31 449
	354 724	**148 761**
Impairment losses	(238)	(238)
	379 140	**149 284**

As at 31 December 2013 and 2012, the analysis of loans and advances to banks by the period to maturity is presented as follows:

(in thousands of euro)

	31.12.2013	31.12.2012
Up to 3 months	378 593	147 972
3 months up to 1 year	785	789
	379 378	**148 761**

The changes occurred during the year in impairment losses of loans and advances to banks are presented as follows:

(in thousands of euro)

	31.12.2013	31.12.2012
Balance as at 1 January	238	230
Charge for the year	62	29
Write back for the year	(52)	(16)
Exchange differences and other	(10)	(5)
Balance as at 31 December	**238**	**238**

NOTE 20 – LOANS AND ADVANCES TO CUSTOMERS

As at 31 December 2013 and 2012, this balance is analysed as follows:

(in thousands of euro)

	31.12.2013	31.12.2012
Domestic loans		
Corporate		
Commercial lines of credit	1 685	1 346
Loans	512 433	566 230
Overdrafts	28	28
Other loans	75 605	258 570
Retail		
Mortgage loans	460	492
	590 211	**826 666**
Foreign loans		
Corporate		
Commercial lines of credits	14 973	13 423
Loans	137 510	148 566
Other loans	10 062	1 539
	162 545	**163 528**
Overdue loans and interest		
Up to 90 days	1 867	1 978
More than 90 days	10 014	2 055
	11 881	**4 033**
	764 637	**994 227**
Impairment losses	**(97 869)**	**(97 981)**
	666 768	**896 246**

Additionally, as at 31 December 2013 the Bank has a provision for general banking risks in the amount of euro 26 242 thousand (31 December 2012: euro 23 635 thousand) which in accordance to NCA is presented as a liability (see Note 31).

The balance loans to customers includes an amount of euro 108 996 thousand pledged as collateral by the Bank (31 December 2012: euro 153 600).

As at 31 December 2013 and 2012, the analysis of loans and advances to customers by the period to maturity is presented as follows:

(in thousands of euro)

	31.12.2013	31.12.2012
Up to 3 months	28 425	264 563
3 to 12 months	98 796	47 462
1 to 5 years	179 355	189 354
More than 5 years	446 180	488 814
Undetermined	11 881	4 033
	764 637	**994 226**

The changes occurred in impairment losses of loans and advances to customers are presented as follows:

(in thousands of euro)

	31.12.2013	31.12.2012
Balance as at 1 January	97 981	72 962
Charge for the year	29 042	25 168
Charge off	(30 592)	(14 016)
Write back for the year	(4 549)	(831)
Transfers	6 093	14 583
Exchange differences and other	(106)	115
Balance as at 31 December	**97 869**	**97 981**

Loans and advances to customers by interest rate type are analysed as follows:

(in thousands of euro)

	31.12.2013	31.12.2012
Fixed interest rate	150 337	151 780
Variable interest rate	614 301	842 446
	764 638	**994 226**

NOTE 21 – HELD-TO-MATURITY INVESTMENTS

As at 31 December 2013 and 2012, this balance is analysed as follows:

(in thousands of euro)

	31.12.2013	31.12.2012
Bonds and other fixed income securities		
Issued by other entities	35 075	37 431
	35 075	**37 431**

As at 31 December 2013 and 2012, the analysis of held-to-maturity investments by the period to maturity is presented as follows:

(in thousands of euro)

	31.12.2013	31.12.2012
More than 5 years	35 075	37 431
	35 075	**37 431**

As at 31 December 2013, the fair value of the held-to-maturity investments amounts to euro 33 439 thousand (31 December 2012: euro 36 383 thousand).

As at 31 December 2013 and 2012, held to maturity investments analysed by quoted and unquoted securities, are presented as follows:

(in thousands of euro)

	31.12.2013	31.12.2012
Quoted	1 304	1 299
Unquoted	33 771	36 132
	35 075	**37 431**

The Bank assessed, with reference to 31 December 2013 the existence of objective evidence of impairment in the held-to-maturity investments portfolio and no events with impact in the recoverable amount of the future cash flows of those investments were identified.

The balance of held to maturity investments includes: euro 3 478 thousand of securities pledged as collateral by the Bank (31 December 2012: euro 159 thousand).

During the year ended 31 December 2008, the Bank has reclassified securities from held for trading portfolio to held to maturity category, in accordance with the accounting policy described in Note 2.5.

As at 31 December 2008, the book value of the reclassified securities amounted to euro 1 154 thousand and the market value amounted to euro 403 thousand.

NOTE 22 – DERIVATIVES FOR RISK MANAGEMENT PURPOSES

As at 31 December 2013 and 2012, the fair value of the derivatives for risk management purposes can be analysed as follows:

(in thousands of euro)

	31.12.2013	31.12.2012
Derivatives for risk management purposes with positive fair value (assets)	**4 666**	**2 305**
Interest rate contracts	1 125	688
Equity / Index contracts	3 091	1 617
Other contracts	450	-
Derivatives for risk management purposes with negative fair value (liabilities)	**1 382**	**529**
Interest rate contracts	1 096	245
Equity / Index contracts	60	284
Other contracts	226	-
	3 284	**1 776**

The balance Derivatives for risk management purposes includes hedging derivatives and derivatives contracted with the purpose of managing the risk of certain financial assets and liabilities designated at fair value through profit or loss (and that were not classified as hedging derivatives).

a) Hedging Derivatives

As at 31 December 2013 and 2012, the fair value hedge relationships present the following features:

(in thousands of euro)

31.12.2013							
Derivative	Hedged item	Hedged risk	Nocional	Fair value of derivative [2]	Changes of the fair value of the derivative in the year	Fair value component of the hedged item [1]	Changes of the fair value of the hedged item in the year [1]
Interest Rate Swaps	Debt securities issued	Interest rate	9 043	37	(10)	(353)	41
Interest Rate Swaps	Subordinated Debt	Interest rate	215	56	10	(58)	(10)
			9 258	**93**	**-**	**(411)**	**31**

(1) Atributable to hedged risk
(2) Includes accrued interest

(in thousands of euro)

31.12.2012							
Derivative	Hedged item	Hedged risk	Nocional	Fair value of derivative [2]	Changes of the fair value of the derivative in the year	Fair value component of the hedged item [1]	Changes of the fair value of the hedged item in the year [1]
Interest Rate Swaps	Debt securities issued	Interest rate	9 365	46	1 307	(396)	(969)
Interest Rate Swaps	Subordinated debt	Interest rate	215	46	1 620	(48)	956
Interest Rate Swaps	Deposits from banks	Interest rate	-	-	-	-	1 012
			9 580	**92**	**2 927**	**(444)**	**999**

(1) Atributable to hedged risk
(2) Includes accrued interest

Changes in the fair value of the hedged items mentioned above and of the respective hedging derivatives are recognised in the income statement under net gains/ (losses) from financial assets at fair value through profit or loss (See Note 6).

b) Other derivatives for risk management purposes

Other derivatives for risk management purposes includes derivatives held to hedge assets and liabilities at fair value through profit and loss in accordance with the accounting policies described in Notes 2.5, 2.6 and 2.8 and that the Bank did not classified as hedging derivatives. The book value of assets and liabilities at fair value through profit and loss can be analysed as follows:

(in thousands of euro)

31.12.2013								
Financial Liabilities economically hedged	Derivative	Derivative			Assets/liabilities associated			
		Nocional	Fair Value	Changes in the fair value during the year	Fair Value	Changes in the fair value during the year	Book Value	Reimbursement amount at maturity date
Debt securities issued	Index swap	17 269	3 029	1 508	(3 068)	(1 496)	16 157	18 995
Debt securities issued	Interest Rate Swaps	18 101	(64)	(416)	(355)	(117)	11 294	11 648
Debt securities issued	Credit Default Swap	21 526	225	226	-	-		
		56 896	**3 190**	**1 318**	**(3 423)**	**(1 613)**	**27 451**	**30 643**

(in thousands of euro)

31.12.2012								
Financial Liabilities economically hedged	Derivative	Derivative			Assets/liabilities associated			
		Nocional	Fair Value	Changes in the fair value during the year	Fair Value	Changes in the fair value during the year	Book Value	Reimbursement amount at maturity date
Debt securities issued	Index swap	28 654	1 684	3 284	(1 580)	(1 699)	25 869	27 449
		28 654	**1 684**	**3 284**	**(1 580)**	**(1 699)**	**25 869**	**27 449**

As at 31 December 2013, the fair value component of the financial liabilities at fair value through profits and losses, attributable to the Bank's own credit risk, amounts to euro 229 thousand of cumulative profits (31 December 2012: euro 229 thousand).

As at 31 December 2013 and 2012, the analysis of derivatives for risk management purposes by the period to maturity is as follows:

(in thousands of euro)

31.12.2013				
	Nocional		Fair value	
	Hedging derivatives	Other derivative for risk management purposes	Hedging derivatives	Other derivative for risk management purposes
Up to 3 months	-	-	-	
3 to 12 months	8 250	21 019	11	3 189
1 to 5 years	793	35 877	26	1
Mora than 5 years	215	-	56	-
	9 258	**56 896**	**93**	**3 190**

(in thousands of euro)

31.12.2012				
	Nocional		Fair value	
	Hedging derivatives	Other derivative for risk management purposes	Hedging derivatives	Other derivative for risk management purposes
Up to 3 months	-	1 208	-	(107)
3 to 12 months	-	3 750	-	24
1 to 5 years	9 365	23 696	46	1 767
Mora than 5 years	215	-	46	-
	9 580	**28 654**	**92**	**1 684**

NOTE 23 – OTHER TANGIBLE ASSETS

As at 31 December 2013 and 2012, this balance is analysed as follows:

(in thousands of euro)

	31.12.2013	31.12.2012
Property		
For own use	642	643
Improvements in leasehold property	6 986	6 725
	7 628	**7 368**
Equipment		
Computer equipment	10 121	10 050
Furniture	3 370	3 281
Office equipment	1 065	1 034
Fixtures	3 902	3 865
Motor vehicles	155	87
Security equipment	333	325
Other	104	89
	19 050	**18 731**
	26 678	**26 099**
Work in progress		
Property	143	22
Equipment	1 343	661
	1 486	**683**
	28 164	**26 782**
Accumulated depreciation	(16 352)	(13 641)
Balance as at 31 December	**11 812**	**13 141**

The movement in this balance was as follows:

(in thousands of euro)

	Property	Equipment	Work in progress	Total
Acquisiton cost				
Balance as at 31 December 2011	**8 396**	**14 686**	**5 319**	**28 401**
Acquisitions	58	209	320	587
Disposals	(1 784)	(334)	-	**(2 118)**
Transfers	698	4 170	(4 925)	(57)
Other movements	-	-	(31)	(31)
Balance as at 31 December 2012	**7 368**	**18 731**	**683**	**26 782**
Acquisitions	178	154	1 227	1 559
Disposals	-	(176)	-	(176)
Transfers	82	341	(424)	(1)
Other movements	-	-	-	-
Balance as at 31 December 2013	**7 628**	**19 050**	**1 486**	**28 164**
Depreciation				
Balance as at 31 December 2011	**3 281**	**8 419**	**-**	**11 700**
Depreciation of the year	647	1 993	-	2 640
Disposals	-	(315)	-	(315)
Other movements	(365)	(19)	-	(384)
Balance as at 31 December 2012	**3 563**	**10 078**	**-**	**13 641**
Depreciation of the year	525	2 363	-	2 888
Disposals	-	(177)	-	(177)
Other movements	-	-	-	-
Balance as at 31 December 2013	**4 088**	**12 264**	**-**	**16 352**
Net amount as at 31 December 2013	**3 540**	**6 786**	**1 486**	**11 812**
Net amount as at 31 December 2012	**3 805**	**8 653**	**683**	**13 141**

NOTE 24 – INTANGIBLE ASSETS

As at 31 December 2013 and 2012, this balance is analysed as follows:

(in thousands of euro)

	31.12.2013	31.12.2012
Acquired to third parties		
Software	19 387	14 211
Other	916	916
	20 303	**15 127**
Work in progress	6 096	9 067
	26 399	**24 194**
Accumulated amortisation	(13 012)	(11 510)
Balance as at 31 December	**13 387**	**12 684**

The movement in this balance was as follows:

(in thousands of euro)

	Software	Other	Work in progress	Total
Acquisition cost				
Balance as at 31 December 2011	**11 766**	**916**	**6 519**	**19 201**
Acquisitions:				
Acquired from third parties	537	-	4 400	4 937
Disposals	-	-	-	-
Transfers	1 908	-	(1 850)	58
Other movements	-	-	(2)	(2)
Balance as at 31 December 2012	**14 211**	**916**	**9 067**	**24 194**
Acquisitions:				
Acquired from third parties	292	-	1 913	2 205
Disposals	-	-	-	-
Transfers	4 884	-	(4 884)	-
Other movements	-	-	-	-
Balance as at 31 December 2013	**19 387**	**916**	**6 096**	**26 399**
Depreciation				
Balance as at 31 December 2011	**9 526**	**879**	**-**	**10 405**
Depreciation of the year	1 069	36	-	1 105
Balance as at 31 December 2012	**10 595**	**915**	**-**	**11 510**
Depreciation of the year	1 501	1	-	1 502
Balance as at 31 December 2013	**12 096**	**916**	**-**	**13 012**
Net amount as at 31 December 2013	**7 291**	**-**	**6 096**	**13 387**
Net amount as at 31 December 2012	**3 616**	**1**	**9 067**	**12 684**

NOTE 25 – INVESTMENTS IN ASSOCIATES

The financial information concerning associates is presented in the following table:

(in thousands of euro)

	31.12.2013				31.12.2012			
	Number of shares	% held by the Bank	Par value (Euro)	Acquisition cost	Number of shares	% held by the Bank	Par value (Euro)	Acquisition cost
BRB INTERNACIONAL	-	0.00%	0.00	0	133 000	19.00%	5.00	8,103
PRO SPORT	-	0.00%	0.00	0	1 900	19.00%	6.02	189
APOLO FILMS	-	0.00%	0.00	0	16 508	19.00%	6.01	582
ESSI COMUNICACÕES SGPS,S.A.	-	0.00%	0.00	0	10 000	100.00%	5.00	50
COMINVEST	375 000	25.00%	5.00	2,089	375 000	25.00%	5.00	2,089
COPORGEST	20 000	5.00%	5.00	100	10 000	5.00%	5.00	50
ESSI SGPS, SGPS,S.A.	8 653 862	95.00%	5.00	43,270	8 653 862	95.00%	5.00	43,270
ESSI INVESTIMENTOS, SGPS,S.A.	410 000	100.00%	5.00	2,050	410 000	100.00%	5.00	2,050
ESPIRITO SANTO INVESTMENT PLC	164 994	100.00%	5.00	824	164 994	100.00%	5.00	825
LUSITANIA CAPITAL SAPI DE CV SOFOM ENR	1	0.00%	0.06	0	-	0.00%	0.00	0
				48 333				**57 207**
Impairment losses				(583)				(9 457)
				47 750				**47 750**

During the year ended 2013, the balance investments in associates changed as represented as follows:

- In August 2013, took place the merger of ESSI Comunicações, S.A. into Banco Espírito Santo de Investimento, S.A..

- In December 2013, the Bank sold its shareholdings in Apolo Films, S.L., BRB International and Prosport – Comercializaciones Desportivas, S.A..

The movements occurred in impairment losses in balance Investments in associates are presented as follows:

(in thousands of euro)

	31.12.2013	31.12.2012
Balance as at 1 January	9 457	9 457
Charge off	(8 874)	-
Balance as at 31 December	**583**	**9 457**

NOTE 26 – OTHER ASSETS

As at 31 December 2013 and 2012, the other assets balance is analysed as follows:

(in thousands of euro)

	31.12.2013	31.12.2012
Debtors		
Collateral deposits placed	225 873	444 379
Deposits placed with futures contracts	18 134	17 939
Loans to companies in which the Bank has a non-controlling interest and subordinated assets	375 696	360 805
Public sector	3 825	62
Sundry debtors	17 268	13 027
	640 796	836 212
Impairment losses on debtors	(5 214)	(5 666)
	635 582	**830 546**
Other assets		
Gold, other precious metals, numismatics, and other liquid assets	6	6
Other assets	5 299	5 001
	5 305	**5 007**
Interest on assets available for sale	17 120	8 987
Other receivables	1 853	705
Accrued income	**18 973**	**9 692**
Prepayments and deferred costs	**3 560**	**14 161**
Other sundry assets		
Foreign exchange transactions pending settlement	2 008	1 705
Stock exchange transactions pending settlement	82 725	55 913
Other transactions pending settlement	17 008	88 237
	101 741	**145 855**
Assets recognised on pensions (see Note 12)	7 819	19 271
	772 980	**1 024 532**

The stock exchange transactions pending settlement refer to transactions with securities, recorded on trade date and pending settlement, in accordance with the accounting policy described in Note 2.5.

The movements occurred in impairment losses are presented as follows:

(in thousands of euro)

	31.12.2013	31.12.2012
Balance as at 1 January	5 666	5 410
Charge for the year	2 429	2 082
Charge off	(467)	(329)
Write back for the year	(2 383)	(1 436)
Exchange differences and other	(31)	(61)
Balance as at 31 December	**5 214**	**5 666**

NOTE 27 – DEPOSITS FROM CENTRAL BANKS

This balance includes a money market operation with the Bank of Portugal in the amount of euro 150 000 thousand (31 December 2012: euro 150 000 thousand) and an accrued interest to date in the amount of euro 1 907 thousand (31 December 2012: euro 1 087 thousand) with maturity in 26th February 2015.

NOTE 28 – DEPOSITS FROM BANKS

The balance deposits from banks is analysed as follows:

(in thousands of euro)

	31.12.2013	31.12.2012
Domestic		
Inter-bank money market	191 519	623 692
Very short term deposits	50 605	61 424
Deposits	287 516	287 863
Repurchase agreements	-	5 486
Other funds	277 224	239 297
	806 864	**1 217 762**
International		
Very short term deposits	25 528	-
Deposits	50	63
Repurchase agreements	161 835	75
Other funds	10 234	24 742
	197 647	**24 880**
	1 004 511	**1 242 642**

As at 31 December 2013 and 2012 the analysis of deposits from banks by the period to maturity is presented as follows:

(in thousands of euro)

	31.12.2013	31.12.2012
Up to 3 months	717 096	949 291
1 to 5 years	287 415	281 265
More than 5 years	-	12 086
	1 004 511	**1 242 642**

NOTE 29 – DUE TO CUSTOMERS

The balance due to customers is analysed as follows:

The analysis of the amounts due to customers by the period to maturity is as follows:

(in thousands of euro)

	31.12.2013	31.12.2012
Repayable on demand	10 100	21 407
With agreed maturity		
Up to 3 months	219 122	160 090
3 to 12 months	31 442	15 021
	250 564	**175 111**
	260 664	**196 518**

NOTE 30 – DEBT SECURITIES ISSUED

The balance debt securities issued is analysed as follows:

(in thousands of euro)

	31.12.2013	31.12.2012
Debt securities issued		
Bonds	4 298	4 640
Other bonds	396 469	286 476
Certificates of deposit	2 228	2 379
	402 995	**293 495**

The fair value of the portfolio of Debt securities issued is presented on Note 39.

This balance includes the amount of euro 30 301 thousand (31 December 2012: euro 25 869 thousand) related with debt securities issued recorded in the balance sheet at fair value through profit or loss (see Note 22).

During the year ended 31 December 2013, the Bank issued debt securities amounting to euro 7 079 thousand (31 December 2012: euro 558 286 thousand) and reimbursed euro 5 541 thousand (31 December 2012: euro 2 056 thousand).

The analysis of debt securities issued by the period to maturity is presented as follows:

(in thousands of euro)

	31.12.2013	31.12.2012
3 to 12 months	26 853	704
1 to 5 years	376 142	292 791
	402 995	**293 495**

The main characteristics of debt securities issued as at 31 December 2013, are presented as follows:

(in thousands of euro)

Entity	Description	31.12.2013 Currency	Issue date	Issue amount	Book Value	Maturity	Interest Rate
BESI	BESI OBCX R.ACCRUAL TARN MAR2016	EUR	29-03-2006	706	847	29-03-2016	Fixed rate 6% + Range Accrual
BESI	BESI OB CX RENDIM STEP UP APR14	EUR	31-03-2006	3 208	3 451	01-04-2014	Fixed Rate (step-up)
BESI	BESI CERT DUALREND+EUSTOXX AUG14	EUR	25-08-2006	2 283	2 228	26-08-2014	Fixed rate 6.6743% + Indexed to DJ Eurostoxx 50
BESI	BESI SEP2014 EQL LINKED	EUR	27-07-2010	3 362	4 323	05-09-2014	Indexed to a basket composed by Eurostoxx50, SP500, Nasdaq100 and EWZ Index
BESI	BESI SEP2014 ORIENTE IV EQL	EUR	27-07-2010	11 575	13 446	05-09-2014	Indexed to a basket composed by TOPIX, HANG SENG, HSCEI, NIFTY, KOSPI2 and MSCI Singapore Index
BESI	BESI 1.8% GOLD APR2015	EUR	03-10-2011	1 875	1 866	03-04-2015	Fixed rate 1.8% + Indexed to Gold
BESI	BESI CLN REP PORTUGUESA OCT2014	EUR	29-03-2012	3 750	3 402	15-10-2014	Portuguese Republic CLN
BESI	BESI MAR2018 FTD CRD LKD	EUR	18-01-2013	4 918	5 081	20-03-2018	Fixed rate 8.15% + Indexed to a basket of credit FTD
BESI	BESI MAR2016 FTD CRD LKD USD	USD	18-01-2013	2 980	2 183	20-03-2016	Fixed rate 6% + Indexed to a basket of credit FTD
BESI	BESI FIXED RATE DEC15	EUR	12-12-2012	300 000	250 490	18-12-2015	Fixed rate 5.875%
BESI	BESI MAY2015 EURIBOR3M+4%	EUR	07-05-2012	250 000	115 678	11-05-2015	Euribor 3M + 4%
Total				**584 657**	**402 995**		

NOTE 31 – PROVISIONS

As at 31 December 2013 and 2012, the balance of provisions presents the following movements:

(in thousands of euro)

	General banking risk provisions	Other provisions	Total
Balance as at 31 December 2011	**25 623**	**36**	**25 659**
Charge for the year	16 262	2 683	18 945
Write back for the year	(3 582)	-	(3 582)
Transfers	(14 583)	-	(14 583)
Exchange differences and other	(85)	47	(38)
Balance as at 31 December 2012	**23 635**	**2 766**	**26 401**
Charge for the year	33 558	14 310	47 868
Write back for the year	(24 439)	(20)	(24 459)
Transfers	(6 308)	215	(6 093)
Exchange differences and other	(204)	(2 283)	(2 487)
Balance as at 31 December 2013	**26 242**	**14 988**	**41 230**

Other provisions are intended to cover certain contingencies related to the Bank's activities, including contingencies related to ongoing tax processes.

NOTE 32 – INCOME TAXES

The Bank is subject to taxation in accordance with the corporate income tax code (IRC) and to local taxes.

Income taxes (current or deferred) are recognised in the income statement except in cases where the underlying transactions have been reflected in equity items. In these situations, the corresponding tax is also charged to equity, not affecting the net profit for the year.

The 2012 current tax calculation for Bank, used an IRC and Municipal Surcharge ("Derrama Municipal") rate of 26.5%, according to Law no. 107-B/2003, of 31 December and Law no. 2/2007, of 15 January (which approved the Local Finance Law, "Lei das Finanças Locais"), plus an additional fee up to 5% on the State surcharge ("Derrama Estadual") over taxable income above 10 million, according to Law No. 64-B/2011, of 30 December (2012 State Budget Law, "Lei do Orçamento do Estado para 2012").

Additionally, in the 2012 income tax calculation was considered the Decree-Law no. 127/2011, of 31 December, which regulates the transfer of pension benefits responsibilities to the National Social Security and that, in conjunction with Article 183 of Law no. 64-B/2011, of 30 December (2012 State Budget Law), established a special tax deductibility for expenses and other changes in equity arising from such transfer:

- The negative equity variation from the accounting policy change on recognizing actuarial gains and losses which were previously deferred, will be fully deductible in equal parts during 10 years from 1 January 2012. This impact is recorded in equity;
- The settlement effect (determined by the difference between the liability measured in accordance with the IAS 19 criteria and the criteria established in the agreement) will be fully deductible, from 1 January 2012, for purposes of determining taxable income, in equal parts, according to the average life expectancy of pensioners whose responsibilities were transferred (16 years). This impact is recorded in the income statement.

The 2013 current tax calculation for Bank, used an IRC and Municipal Surcharge rate of 26.5%, according to Law no. 107-B/2003, of 31 December and Law no. 2/2007, of 15 January, plus an additional fee up to 2.5% on the State surcharge, according to Law No. 66-B/2012, of 31 December (2013 State Budget Law, "Lei do Orçamento do Estado para 2013").

Deferred taxes are calculated based on tax rates anticipated to be in force at the temporary differences reversal date, which corresponds to the rates enacted or substantively enacted at the balance sheet date. For the year 2013, deferred tax was broadly calculated based on an aggregate rate of 29%, resulting from the sum of the corporate tax rate (23%), Municipal Surcharge rate (1.5%) and an average expected rate of State Surcharge (4.5%).

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

The activity of branches abroad is incorporated in BESI accounts for determining the taxable profit. Although, the profit of those branches is subject to taxation in the countries where they are established, local taxes are deductible to the taxes to be paid in Portugal, in accordance with art. 91º of "Código do IRC", when applicable. The profit of the branches is subject to the following tax rates:

Branch	Tax Rate
London	23%
Madrid	30%
Warsaw	19%
New York	45.95%

The deferred tax assets and liabilities recognised in the balance sheet as at 31 December 2013 and 2012 can be analysed as follows:

(in thousands of euro)

	Assets		Liabilities		Net	
	31.12.2013	31.12.2012	31.12.2013	31.12.2012	31.12.2013	31.12.2012
Financial assets available for sale	474	-	-	(536)	474	(536)
Loans and advances to customers	35 654	35 705	-	-	35 654	35 705
Investments in subsidiaries and associates	-	-	-	(1 239)	-	(1 239)
Provisions	3 798	816	-	-	3 798	816
Pensions	112	129	-	-	112	129
Other	-	-	-	(363)	-	(363)
Deferred tax asset / (liability), net	**40 038**	**36 650**	**-**	**(2 138)**	**40 038**	**34 512**

The changes in deferred taxes were recognised as follows:

(in thousands of euro)

	31.12.2013	31.12.2012
Balance at the beginning of the year	34 512	32 858
Recognised in the income statement	4 504	7 516
Recognised in fair value reserve	1 010	(3 679)
Recognised in other reserves	-	(2 183)
Exchange differences and other	12	-
Balance at the end of the year (Assets/ (Liabilities))	**40 038**	**34 512**

The deferred tax recognised in the income statement and reserves, during 2013 and 2012 is analysed as follows:

(in thousands of euro)

	31.12.2013		31.12.2012	
	Recognised in (profit) /loss	Recognised in reserves	Recognised in (profit) /loss	Recognised in reserves
Deferred taxes				
Financial assets available for sale	-	(1 010)	-	3 679
Loans and advances to customers	51	-	(6 766)	-
Investments in subsidiaries and associates	(1 239)	-	21	-
Provisions	(2 982)	-	151	-
Pensions	17	-	(129)	(2 183)
Others	(351)	-	(793)	-
	(4 504)	(1 010)	(7 516)	1 496
Current taxes	6 053	-	16 065	-
Total	**1 549**	**(1 010)**	**8 549**	**1 496**

The reconciliation of the income tax rate can be analysed as follows:

(in thousands of euro)

	31.12.2013		31.12.2012	
	%	Amount	%	Amount
Profit before taxes		**(999)**		**26 799**
Statutory tax rate	29.0		31.5	
Income tax calculated based on the statutory tax rate	-	(290)	-	8 442
Branches income taxes	6.3	(63)	0.2	56
Autonomous tribution	(71.4)	713	2.6	690
Changes in estimates	(24.1)	241	(2.8)	(740)
Tax benefits	19.2	(192)	(0.2)	(63)
Non deductible costs	(58.0)	579	2.2	595
Other	(56.2)	561	(1.6)	(431)
	(155.2)	**1 549**	**31.9**	**8 549**

Following the Law No. 55-A/2010 of 31 December, was established a Banking levy, which is not eligible as a tax cost, and whose regime was extended by Law no. 64-B/2011, of 30 December. As at 31 December 2013, the Group recognised an expense of euro 1 092 thousand (31 December 2012: euro 1 187 thousand), which was included in Other operating income and expenses – Direct and indirect taxes (see Note 10).

For the purpose of determine the tax benefit on the extraordinary investment tax credit, as established in Law no. 49/2013, of 16 July, for 2013 was estimated an amount of euro 182 thousand.

NOTE 33 – SUBORDINATED DEBT

The balance subordinated debt is analysed as follows:

(in thousands of euro)

	31.12.2013	31.12.2012
Cash Bonds	60 296	60 284
	60 296	**60 284**

The main features of the subordinated debt are presented as follows:

(in thousands of euro)

		31.12.2013				
Issuer	Designation	Issue date	Amount issued	Book Value	Interest rate	Maturity
BESI	BESI SUBORDINADAS OCT2033 5.5%	2003	215	273	Indexed to CMS	2033
BESI	BESI CAIXA SUB DEC15	2005	60 000	60 000	3 Months Euribor + 0.95%	2015
Sub-total				**60 273**		
Accrued interest				22		
				60 295		

(in thousands of euro)

Issuer	Designation	Issue date	Amount issued	Book Value	Interest rate	Maturity
				31.12.2012		
BESI	BESI SUBORDINADAS OCT2033 5.5%	2003	215	263	Indexed to CMS	2033
BESI	BESI CAIXA SUB DEC15	2005	60 000	60 000	3 Months Euribor + 0.95%	2015
Sub-total				**60 263**		
Accrued interest				21		
				60 284		

During the years ended 31 December 2013 and 2012, subordinated debt were not issue by the Bank, and during 2013 did not occur any reimbursement of subordinated debt (31 December 2012: euro 9 785 thousand).

NOTE 34 – OTHER LIABILITIES

As at 31 December 2013 and 2012, the balance Other Liabilities is analysed as follows:

(in thousands of euro)

	31.12.2013	31.12.2012
Creditors		
Public sector	5 967	4 347
Sundry creditors		
Creditors from transactions with securities	63 740	54 052
Suppliers	1 463	1 621
Other sundry creditors	18 005	4 639
	89 175	**64 659**
Accrued expenses		
Long-term service benefits (see Note 12)	2 124	1 905
Other accrued expenses	7 190	6 568
	9 314	**8 473**
Deferred income	**1 155**	**1 467**
Other sundry liabilities		
Stock exchange transactions pending settlement	79 440	51 070
Foreign exchange transactions pending settlement	2 108	1 370
Other transactions pending settlement	21 664	103 813
	103 212	**156 253**
	202 856	**230 852**

As at 31 December 2013 and 2012 the balance stock exchange transactions pending settlement represents the net balance of the acquisition and disposal orders issued by the Bank, pending settlement.

NOTE 35 – SHARE CAPITAL, SHARE PREMIUM, TREASURY STOCK AND PREFERENCE SHARES

Ordinary shares

On 29 June 2009, the Bank issued 22 million shares, with a nominal value of euro 5 each, being the share capital represented by 36 million shares with a nominal value of euro 5 each, which are subscribed and fully paid by Banco Espírito Santo, S.A..

At the end of the year 2011, the Bank made a capital increase in the amount of euro 46 269 thousands, through the issue of 9 253 800 shares with a nominal value of euro 5 each, which were subscribed and paid by Banco Espírito Santo, S.A., through a contribution in kind, of 46 269 perpetual subordinated bonds with conditioned interest issued by BESI with a nominal value of euro 1 000 each.

On 12 September 2012, the Bank performed another capital increase in the amount of euro 100 000 thousand, through the issue of 20 000 000 shares with a nominal value of euro 5 each, which were fully subscribed by Banco Espírito Santo, S.A..

Share Premium

As at 31 December 2013 and 2012, the share premium in the amount of euro 8 796 thousand, refer to the capital increase occurred during July 1998.

Other equity instruments

The Bank issued during October 2010, perpetual subordinated bonds with interest conditioned in the total amount of euro 50 million.

These bonds have an interest conditioned non-cumulative, payable only if and when declared by the Board of Directors. This conditioned interest corresponds to the application of an annual rate of 8.5% over the nominal value, payable semiannually. The reimbursement of these securities may be made in full, but not partially, after 15 September 2015, depending only on BESI option and the prior approval of Bank of Portugal. Given their characteristics, these obligations are considered as equity instruments in accordance with the accounting policy described in Note 2.9.

During the year ended 31 December 2013, the Bank paid interest in the amount of euro 317 thousand (31 December 2012: euro 317 thousand), booked as a deduction in reserves.

These bonds are subordinated in respect of any liability of BESI and pari passu in respect of any subordinated bonds with identical characteristics that may be issued by the Bank.

NOTE 36 – FAIR VALUE RESERVE, OTHER RESERVES AND RETAINED EARNINGS

Legal reserve, fair value reserve and other reserves

The legal reserve can only be used to absorb accumulated losses or to increase the amount of the share capital. Portuguese legislation applicable to the banking sector (Article 97 of Decree-Law no. 298/92, 31 December) requires that 10% of the profit for the year must be transferred to the legal reserve until it is equal to the share capital.

The fair value reserve represents the amount of the unrealised gains and losses arising from securities classified as available-for-sale, net of impairment losses recognised in the income statement in the year/previous years. The amount of this reserve is presented net of income taxes.

During the year ended 31 December 2013 and 2012, the changes in these balances were as follows:

(in thousands of euro)

	Fair value reserve			Other reserves and retained earnings			
	Available for-sale financial assets	Income tax reserves	Total fair value reserve	Legal reserve	Actuarial gains and (losses) (net of taxes)	Other reserves and retained earnings	Total Other reserves and retained earnings
Balance as at 31 December 2011	**(11 225)**	**3 143**	**(8 082)**	**38 053**	**(231)**	**65 451**	**103 273**
Actuarial gains from defined benefit obligation							
Changes in fair value	-	-	-	-	(2 328)	-	(2 328)
Transfer to reserves	12 920	(3 679)	9 241	-	-	-	-
Dividends on perpetual bonds	-	-	-	-	-	(9 377)	(9 377)
Other movements	-	-	-	-	-	(225)	(225)
	-	-	-	-	-	95	95
Balance as at 31 December 2012							
	1 695	**(536)**	**1 159**	**38 053**	**(2 559)**	**55 944**	**91 438**
obligation	-	-	-	-	(9 511)		(9 511)
Changes in fair value	(3 367)	1 010	(2 357)	-	-	-	-
Transfer to reserves	-	-	-	1 825	-	16 425	18 250
Merger reserve						31 551	31 551
Dividends on perpetual bonds	-	-	-	-	-	(317)	(317)
Other movements	-	-	-	-	-	(11)	(11)
Balance as at 31 December 2013	**(1 672)**	**474**	**(1 198)**	**39 878**	**(12 070)**	**103 592**	**131 400**

The fair value reserve is analysed as follows:

(in thousands of euro)

	31.12.2013	31.12.2012
Amortised cost of available-for-sale financial assets	503 999	345 375
Accumulated impairment losses recognised	(8 489)	(7 096)
Amortised cost of available-for-sale financial assets, net of impairment	495 510	338 279
Fair value of available-for-sale financial assets	493 838	339 974
Net unrealised gains/losses recognised in the fair value reserve	(1 672)	1 695
Deferred taxes	474	(536)
Balance as at 31 December	**(1 198)**	**1 159**

The movement in the fair value reserve, net of deferred taxes during 2013 and 2012 is analysed as follows:

(in thousands of euro)

	31.12.2013	31.12.2012
Balance at the beginning of the year	**1 159**	**(8 082)**
Changes in fair value	(3 367)	12 920
Deferred taxes recognised in reserves during the year	1 010	(3 679)
Balance at the end of the year	**(1 198)**	**1 159**

NOTE 37 – OFF-BALANCE SHEET ITEMS

As at 31 December 2013 and 2012, this balance can be analysed as follows:

(in thousands of euro)

	31.12.2013	31.12.2012
Contingent liabilities		
Guarantees and stand by letters of credit	1 658 611	1 572 266
Assets pleged as collateral	408 212	324 210
	2 066 823	**1 896 476**
Commitments		
Irrevocable commitments	87 094	107 393
	87 094	**107 393**

Guarantees and standby letters of credits are banking operations that do not imply any out-flow by the Bank.

As at 31 December 2013, the balance assets pledged as collateral include:

Securities pledged as collateral to the Bank of Portugal (i) for the use of the money transfer system (Sistema de Pagamento de Grandes Transacções) in the amount of euro 25 000 thousand (31 December 2012: euro 25 000 thousand) and (ii) in the scope of a liquidity facility collateralised by securities in the amount of euro 381 299 thousand (31 December 2012: euro 266 317 thousand), being that the total amount of securities eligible for rediscount at the Bank of Portugal as at 31 December 2013 amounted euro 427 157 thousand (December 2012: euro 234 891 thousand).

Securities pledged as collateral to the Portuguese Securities and Exchange Commission (CMVM) in the scope of the Investors Indemnity System (Sistema de Indemnização aos Investidores) in the amount of euro 1 813 thousand (31 December 2012: euro 1 813 thousand).

Securities pledged as collateral to the Deposits Guarantee Fund (Fundo de Garantia de Depósitos) for an amount of euro 100 thousand (31 December 2012: euro 100 thousand).

Irrevocable commitments represent contractual agreements to extend credit to Bank's customers (eg. unused credit lines). These agreements are, generally, contracted for fixed periods of time or with other expiration requisites, and usually require the payment of a commission. Substantially, all credit commitments require that clients maintain certain conditions verified at the time when the credit was granted.

Notwithstanding the particular characteristics of these contingent liabilities and commitments, the analysis of these operations follows the same basic principles of any one another commercial operation, namely the solvency of the underlying client and business, being that the Bank requires these operations to be adequately covered by collaterals when needed.

Additionally, the liabilities accounted for off-balance sheet and related to banking services provided are as follows:

(in thousands of euro)

	31.12.2013	31.12.2012
Liabilities related to services provided		
Assets for collection	7 079 937	6 522 794
Other responsabilities related with services provided	2 630 272	2 890 915
	9 710 209	**9 413 709**

NOTE 38 – RELATED PARTIES TRANSACTIONS

As at 31 December 2013 and 2012, the total amount of assets, liabilities, income and expense with related parties are presented as follows:

(in thousands of euro)

	31.12.2013					31.12.2012				
	Assets	Liabilities	Guarantees	Income	Expenses	Assets	Liabilities	Guarantees	Income	Expenses
Associated companies										
ESIP	589 326	252 792	1 313 912	14 172	154 670	715 097	138 334	1 093 415	28 692	258 686
ESSI INV.SGPS	17 675	158	-	3	-	17 675	1 299	-	-	2
ES CAPITAL	47	4 286	135	137	24	63	2 087	135	29	89
ESSI SGPS	207 961	408	-	10	-	-	1 196	-	-	8
COMINVEST	-	5 627	61	7	-	-	5 662	61	14	8
	815 009	**263 271**	**1 314 108**	**14 329**	**154 694**	**732 835**	**148 578**	**1 093 611**	**28 735**	**258 793**

NOTE 39 – FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES

The fair value of financial assets and liabilities, for the Bank, is analysed as follows:

(in thousands of euro)

	Amortised cost	Measured at Fair Value			Book Value	Fair Value
		Quoted Market Prices	Valuation models based on observable market information	Valuation models based on non-observable market information		
Balance as at 31 December 2013			10 844			
Cash and deposits at central banks	4 721	-	-	-	4 721	4 721
Deposits with banks	22 993	-	-	-	22 993	22 993
Financial assets at fair value through profit or loss	-	36 724	547 232	1 156	585 112	585 112
Available-for-sale financial assets	60	458 288	3 049	32 442	493 839	493 839
Loans and advances to banks	379 140	-	-	-	379 140	379 140
Loans and advances to customers	666 768	-	-	-	666 768	666 768
Held-to-maturity investments	35 075	-	-	-	35 075	33 439
Derivatives for risk management purposes	-	-	4 666	-	4 666	4 666
Financial assets	**1 108 757**	**495 012**	**554 947**	**33 598**	**2 192 314**	**2 190 678**
Deposits from central banks	151 907	-	-	-	151 907	151 087
Financial liabilities held for trading	-	5 980	484 956	-	490 936	490 936
Deposits from banks	1 004 511	-	-	-	1 004 511	1 242 642
Due to customers	260 664	-	-	-	260 664	196 518
Debt securities issued	-	-	402 995	-	402 995	402 995
Derivatives for risk management purposes	-	-	1 382	-	1 382	1 382
Subordinated debt	60 023	-	273	-	60 296	58 599
Financial liabilities	**1 477 105**	**5 980**	**889 606**	**-**	**2 372 691**	**2 544 159**
Balance as at 31 December 2012						
Cash and deposits at central banks	1 067	-	-	-	1 067	1 067
Deposits with banks	23 522	-	-	-	23 522	23 522
Financial assets at fair value through profit or loss	-	34 242	806 244	-	840 486	840 486
Available-for-sale financial assets	-	297 986	34 181	7 806	339 973	339 973
Loans and advances to banks	149 284	-	-	-	149 284	149 284
Loans and advances to customers	896 245	-	-	-	896 245	896 245
Held-to-maturity investments	37 431	-	-	-	37 431	36 383
Derivatives for risk management purposes	-	-	2 305	-	2 305	2 305
Financial assets	**1 107 549**	**332 228**	**842 730**	**7 806**	**2 290 313**	**2 289 265**
Deposits from central banks	151 087	-	-	-	151 087	151 087
Financial liabilities held for trading	-	-	714 730	-	714 730	714 730
Deposits from banks	1 242 642	-	-	-	1 242 642	1 242 642
Due to customers	196 518	-	-	-	196 518	196 518
Debt securities issued	-	-	293 495	-	293 495	-
Derivatives for risk management purposes	-	-	529	-	529	529
Subordinated debt	60 021	-	263	-	60 284	54 215
Financial liabilities	**1 650 268**	**-**	**1 009 017**	**-**	**2 659 285**	**2 359 721**

BESI determines the fair value of its financial assets and liabilities in accordance with the following hierarchy:

Quoted market prices – this category includes financial assets with available quoted market prices in official markets and with dealer prices quotations provided by entities that usually provide transaction prices for these assets/liabilities traded in active markets.

Valuation models based on observable market information – consists on the use of internal valuation techniques, namely discounted cash flow models and option pricing models which imply the use of estimates and require judgments that vary in accordance with the complexity of the financial instrument. Notwithstanding, the Bank uses observable market data such as interest rate curves, credit spreads, volatility and market indexes. Includes also instruments with dealer price quotations but which are not traded in active markets.

Valuation models based on non-observable market information – consists on the use of internal valuation models or quotations provided by third parties but which imply the use of non observable market information. Changes in the parameters used in 2013 and 2012, have no significant impact to the financial statements.

During 2012 and 2013 any transfer between the different hierarchies occurred.

The movements of the financial assets valued based on non-observable market information, during 2013 and 2012, can be analysed as follows:

(in thousands of euro)

	31.12.2013	31.12.2012
Balance as at 1 January	7 806	18 367
Acquisitions	1 156	1 205
Changes in value	2 132	(1 415)
Disposals	(832)	(10 351)
Transfers	23 336	-
Balance as at 31 December	**33 598**	**7 806**

The main assumptions and inputs used during the years ended 2013 and 2012 in the valuation models are presented as follows:

Interest rate curves

The short term rates presented reflect benchmark interest rates for the money market, being that for the long term the presented values represent the swap interest rate for the respective periods:

(%)

	31.12.2013			31.12.2012		
	EUR	USD	GBP	EUR	USD	GBP
Overnight	0.11	0.11	0.41	0.07	0.10	0.47
1 month	0.19	0.16	0.41	0.18	0.23	0.46
3 months	0.29	0.33	0.52	0.19	0.42	0.48
6 months	0.39	0.41	0.74	0.32	0.44	0.62
9 months	0.40	0.45	0.81	0.32	0.59	0.79
1 year	0.41	0.31	0.64	0.32	0.33	0.54
3 years	0.77	0.86	1.43	0.47	0.48	0.78
5 years	1.26	1.75	2.13	0.77	0.83	1.02
7 years	1.68	2.43	2.58	1.13	1.24	1.36
10 years	2.16	3.03	2.99	1.57	1.75	1.86
15 years	2.58	3.52	3.32	2.02	2.28	2.41
20 years	2.71	3.72	3.42	2.17	2.50	2.72
25 years	2.74	3.81	3.44	2.22	2.62	2.88
30 years	2.73	3.85	3.44	2.24	2.69	2.95

Credit spreads

The credit spreads used on the valuation of the credit derivatives are multi-contributed and disclosed on a daily basis by Bloomberg, at the end of the day, being used the values from the reference entities. The evolution of the main indexes, understood as being representative of the credit spreads behaviour in the market throughout the year, is presented as follows:

(basis points)

Index	Series	1 year	3 years	5 years	7 years	10 years
Year 2013						
CDX USD Main	21	7.67	29.88	62.44	88.95	107.99
iTraxx Eur Main	20	-	35.17	70.15	96.97	118.17
iTraxx Eur Senior Financial	20	-	-	87.06	-	135.18
Year 2012						
CDX USD Main	19	33.02	58.73	95.39	118.68	136.14
iTraxx Eur Main	18	-	76.38	117.43	141.58	154.60
iTraxx Eur Senior Financial	18	-	-	142.44	-	174.98

Interest rates volatility

The values presented below, refer to the implied volatilities (at the money) used for the valuation of the interest rate options:

(%)

	31.12.2013			31.12.2012		
	EUR	USD	GBP	EUR	USD	GBP
1 year	112.77	75.90	49.18	197.18	66.60	54.10
3 years	65.30	72.76	55.78	84.70	72.90	64.90
5 years	53.30	50.62	45.99	67.50	63.22	60.80
7 years	45.20	38.21	38.55	52.90	51.03	49.60
10 years	36.80	31.55	31.80	39.70	42.33	37.20
15 years	30.68	35.58	26.58	31.43	35.80	27.80

Exchange rate and volatility

Presented below are the exchange rates (European Central bank) at the balance sheet date and the implied volatilities (at the money) for the main currencies used on the derivatives valuation:

			Volatility (%)				
Exchange Rates	31.12.2013	31.12.2012	1 month	3 months	6 months	9 months	1 year
EUR/USD	1.3791	1.3194	7.65	7.75	7.88	8.15	8.32
EUR/GBP	0.8337	0.8161	6.55	6.73	7.00	7.13	7.33
EUR/CHF	1.2276	1.2072	3.25	3.83	4.23	4.58	4.89
EUR/NOK	8.3630	7.3483	8.05	8.03	7.95	8.00	7.98
EUR/PLN	4.1543	4.0740	5.00	5.84	6.56	7.08	7.53
EUR/RUB	45.3246	40.3295	7.37	7.89	8.43	8.90	9.41
USD/BRL [a)]	2.3621	2.0491	12.95	13.38	13.60	13.80	14.00
USD/TRY [b)]	2.1467	1.7850	14.50	13.80	13.60	13.60	13.60

a) Calculation based in EUR/USD and EUR/BRL exchange rates
b) Calculation based in EUR/USD and EUR/TRY exchange rates

Concerning the exchange rates, the Bank uses in the valuation models the spot rate observed in the market at the time of the valuation.

Equity index

In the table below, is presented the evolution of the main market equity indexes and the respective volatilities used for the valuation of equity derivatives:

	Quote			Historical volatility (%)		
	31.12.2013	31.12.2012	% change	1 month	3 months	Implied volatility (%)
DJ Euro Stoxx 50	3 109	2 636	17.9	14.90	13.72	13.44
PSI 20	6 559	5 655	16.0	12.91	13.65	-
IBEX 35	9 917	8 168	21.4	15.39	15.34	-
FTSE 100	6 749	5 898	14.4	10.11	9.83	10.69
DAX	9 552	7 612	25.5	13.23	12.04	13.56
S&P 500	1 848	1 426	29.6	8.74	10.31	11.21
BOVESPA	51 507	60 952	-15.5	19.34	20.22	-

a) Calculation based in EUR/USD and EUR/BRL exchange rates
b) Calculation based in EUR/USD and EUR/TRY exchange rates

The methods and assumptions used in estimating the fair values of financial assets and liabilities measured at amortised cost in the balance sheet are analysed as follows:

Cash and deposits at central banks, Deposits with banks and Loans and advances to banks

Considering the short term nature of these financial instruments, carrying value is a reasonable estimate of its fair value.

Loans and advances to customers

The fair value of loans and advances to customers is estimated based on the discount of the expected future cash flows of capital and interest, assuming that the instalments are paid on the dates that have been contractually defined.

Held-to-maturity investments

The fair values of these financial instruments are based on quoted market prices, when available. For unlisted securities the fair value is estimated by discounting the expected future cash-flows.

Deposits from central banks and Deposits from banks

Considering the short term nature of these financial instruments, carrying value is a reasonable estimate of its fair value.

Due to customers

The fair value of these financial instruments is estimated based on the discount of the expected future cash flows of capital and interest, assuming that the instalments are paid on the dates that have been contractually defined. The discount rates are the current interest rates used in instruments with similar characteristics. Considering that the applicable interest rates to these instruments are floating interest rates and that the period to maturity is substantially less than one year, the difference between fair value and book value is not significant.

Debt securities issued and Subordinated debt

The fair value of these instruments is based on market prices, when available. When not available, the Bank estimates its fair value by discounting the expected future cash-flows.

NOTE 40 – RISK MANAGEMENT

A qualitative outlook of the risk management at the BESI is presented bellow.

Risk control and risk management provides an active support to management, being one of the strategic mainstays supporting BESI's balanced and sustained development.

BESI's risk management has the following objectives:

- To identify, quantify and monitor the different types of risk, progressively applying uniform and consistent principles and methodologies;

- To fine-tuning tools to support the structuring of transactions and develop internal techniques of performance assessment and core capital optimization;

- To assume a proactive attitude in the management of events of significant delay or definitive non performance of contractual obligations.

Credit Risk

Credit risk represents the potential financial loss arising from the failure of a borrower or counterparty to honor its contractual obligation. Credit risk is essentially present in traditional banking products – loans, guarantees granted and contingent liabilities – and in trading products – swaps, forwards and options (counterparty risk). Regarding credit default swaps, the net exposure between selling and buying positions in relation to each reference entity, is also considered as credit risk to the Bank. The credit default swaps are accounted for at fair value in accordance with the accounting policy described in Note 2.3.

Credit portfolio management is an ongoing process that requires the interaction between the various teams responsible for the risk management during the consecutive stages of the credit process. This approach is complemented by the continuous introduction of improvements in the methodologies, in the risk assessment and control tools.

The BESI's risk profile is periodically monitored, especially in what concerns the evolution of credit exposure and credit lines. Are equally subject to daily analysis the observance of approved credit limits and the correct functioning of the mechanisms associated to credit approval.

ESPIRITO SANTO INVESTMENT BANK

BESI credit risk exposure is analysed as follows:

(in thousands of euro)

	31.12.2013	31.12.2012
Deposits with banks and loans and advances to banks	406 850	173 870
Financial assets held for trading	574 704	811 768
Available-for-sale financial assets	461 371	306 472
Loans and advances to customers	666 768	896 245
Held-to-maturity investments	35 075	37 431
Derivatives for risk management purposes	4 666	2 305
Other assets	549 840	580 153
Guarantees granted and stand by letters of credit	1 658 611	1 572 266
Irrevocable commitments	87 094	107 393
Credit risk associated to the credit derivatives reference entities	8 001	4 501
	4 452 980	**4 492 404**

Risk concentration

The analysis of loans and advances to customers and other financial assets by sector of activity, as at 31 December 2013 and 2012, can be analysed as follows:

(in thousands of euro)

	31.12.2013						
	Loans and advances to customers				Financial assets held for trading	Available-for-sale financial assets	
	Gross amount	Impairment				Gross amount	Impairment
	Outstanding loans	Overdue loans	Outstanding loans	Overdue loans			
Mining	-	-	-	-	1	-	-
Food, beverage and tobacco	594	-	-	-	30	-	-
Chemical and rubber	6,896	-	-	-	3 167	-	-
Metallic products	1,552	3	(3 369)	-	-	-	-
Electricity, gas and water	180,755	1 402	(3 831)	(350)	9 731	-	-
Collection, purification / distrib. of water, sanitation, waste management and clea	-	-	-	-	-	704	-
Construction	31 016	3 271	-	(1 174)	-	-	-
Wholesale and retail; repair of motor vehicles and motorcycles	16 774	-	-	-	-	-	-
Transports	216 815	444	(17 995)	(111)	7 489	4 405	-
Tourism	-	372	-	(141)	-	75	(75)
Printing and publishing	19 011	-	-	-	-	-	-
Information activities	1 152	-	-	-	-	-	-
Radio and television broadcast	1 243	-	-	-	-	-	-
Communication activities	9 751	-	(155)	-	745	4 330	(1 070)
Information activities	-	-	-	-	703	-	-
Monetary intermediation	-	-	-	-	478 002	6 966	-
Holding companies	141 204	-	(24 321)	-	6 426	-	-
Financial activities	26 040	178	(258)	(236)	1 836	67 222	(7 344)
Real estate activities	46 073	76	(5 844)	-	-	-	-
Consulting services	34 556	184	(32 471)	(184)	215	-	-
Travels	-	5 951	-	(44)	-	-	-
Renting activities	505	-	(30)	-	-	-	-
Public services	-	-	-	-	9 410	418 576	-
Human health activities and social support	-	-	-	-	3 583	-	-
Arts, entretainment, sports and recreation activities	18 358	-	(7 354)	-	2 039	-	-
Other service activities	-	-	-	-	61 735	50	-
Mortgage loans	460	-	-	-	-	-	-
TOTAL	**752 755**	**11 881**	**(95 628)**	**(2 240)**	**585 112**	**502 328**	**(8 489)**

(in thousands of euro)

	31.12.2012						
	Loans and advances to customers				Financial assets held for trading	Available-for-sale financial assets	
	Gross amount		Impairment			Gross amount	Impairment
	Outstanding loans	Overdue loans	Outstanding loans	Overdue loans			
Mining	-	-	-	-	290	-	-
Food, beverage and tobacco	5,906	-	-	-	25	-	-
Transforming industries - Chemicals and rubber	8,907	-	-	-	1 585	-	-
Non-metallic minerals	20,446	-	(11)	(1)	-	-	-
Metallic products	1,399	1	(1 025)		1	-	-
Electricity, gas and water	182,763	46	(4 613)	(1)	18 426	-	-
Collection, purification / distr. of water, sanitation, waste management a	-	-	-	-	-	680	-
Construction	-	-	-	-	2 191	-	-
Real estate activities	8 540	3 628	(23)	(903)	16 373	-	-
Wholesale and retail; repair of motor vehicles and motorcycles	10 339	24	-	-	-	-	-
Transports	238 056	-	(1 183)	-	3 456	-	-
Tourism	-	4	(46)	-	-	-	-
Printing and publishing	20 618	-	(8)	-	-	-	-
Information activities	1 656	-	-	-	-	-	-
Radio and television broadcast	7 264	-	-	-	-	-	-
Communication activities	8 923	-	(163)	-	5 803	3 030	-
Information activities	-	-	-	-	-	3	-
Monetary intermediation	-	-	(10)	-	679 259	32 853	(5 933)
Holding companies	321 703	-	(25 486)	-	8 669	-	-
Financial activities	25 611	-	(155)	-	6 967	21 954	-
Real estate activities	71 316	81	(31 097)	(20)	-	3 673	-
Services provided to companies	37 306	244	(30 581)	(229)	-	-	-
Public services	-	-	-	-	5 523	232 862	-
Educação	-	-	-	-	-	-	-
Actividades de saúde humana e apoio social	-	-	-	-	-	-	-
Arts, entretainment, sports and recreation activities	18 345	-	(1 992)	-	4 403	-	-
Other service activities	593	5	(282)	(152)	87 515	52 015	(1 163)
Mortgage loans	492	-	-	-	-	-	-
Retail loans	11	-	-	-	-	-	-
TOTAL	**990 194**	**4 033**	**(96 675)**	**(1 306)**	**840 486**	**347 070**	**(7 096)**

Market Risk

Market risk is the possible loss resulting from an adverse change in the value of a financial instrument due to fluctuations in interest rates, foreign exchange rates or share prices.

The main measure of market risk is the assessment of potential losses under adverse market conditions, for which the Value at Risk (VaR) valuation criteria is used. BESI's VaR model uses the Monte Carlo simulation, based on a confidence level of 99% and an investment period of 10 days. Volatilities and correlations are historical, based on an observation period of one year.

As a complement to VaR stress testing has been developed, allowing to evaluate the impact of potential losses higher than the ones considered by VaR:

(in thousand of euro)

	31.12.2013				31.12.2012			
	December	Annual average	Maximum	Minimum	December	Annual average	Maximum	Minimum
Exchange risk	0.66	0.53	0.88	0.22	0.40	1.08	4.03	0.41
Interest rate risk	0.79	1.44	1.54	1.04	2.03	2.89	3.60	2.26
Shares	0.66	1.15	3.54	0.48	1.74	1.57	3.10	1.31
Spread	0.20	0.42	0.59	0.22	0.18	-	-	-
Diversification effec	-0.78	-1.16	-2.32	-0.51	-1.59	-1.98	-4.66	-1.62
Total	**1.53**	**2.38**	**4.23**	**1.45**	**2.76**	**3.56**	**6.07**	**2.36**

At the year-end, BESI had a VaR of euro 1.6 million for its trading positions which represents a decrease of 42% when compared to previous year.

Following the recommendations of Basel II (Pilar 2) and Instruction no. 19/2005, of the Bank of Portugal BESI calculates its exposure to interest rate risk based on the methodology of the Bank of International Settlement (BIS), classifying all balance and off-balance balances which are not part of the trading portfolio, by repricing intervals.

(in millions of euro)

	31.12.2013						
	Elegible amounts	Non sensitive	Up to 3 months	3 to 6 months	6 to 12 months	1 to 5 years	More than 5 years
Cash	5	5	-	-	-	-	-
Loans and advances to banks	402	23	378	-	1	-	-
Loans and advances to customers	765	98	254	368	4	3	38
Securities	546	34	11	35	-	144	323
Collateral deposits placed	226	-	226	-	-	-	-
Off balance sheet	117	40	21	32	16	7	-
Total	**2 061**	**200**	**890**	**435**	**21**	**154**	**361**
Deposits from central banks	152	-	-	-	-	152	-
Deposits from banks	1 005	7	708	-	200	87	5
Due to customers	89	11	46	18	14	-	-
Repo´s with clients	172	-	172	-	-	-	-
Debt securities issued and subordinated del	463	4	175	3	21	260	-
Other equity instruments	4	-	-	-	-	-	4
Collateral deposits placed	17	-	17	-	-	-	-
Off balance sheet	117	40	22	32	16	7	-
Total	**2 019**	**62**	**1 140**	**53**	**251**	**506**	**9**
GAP (Assets - Liabilities)	**42**	**138**	**(250)**	**382**	**(230)**	**(352)**	**352**

* Amounts presented at its nominal value

(in millions of euro)

	31.12.2012						
	Elegible amounts	Non sensitive	Up to 3 months	3 to 6 months	6 to 12 months	1 to 5 years	More than 5 years
Cash	1	1	-	-	-	-	-
Loans and advances to banks	173	23	149	-	1	-	-
Loans and advances to customers	994	96	486	371	-	8	34
Securities	386	34	34	48	5	26	239
Collateral deposits placed	444	-	444	-	-	-	-
Off balance sheet	127	-	21	37	25	28	15
Total	**2 125**	**154**	**1 134**	**456**	**31**	**62**	**288**
Deposits from central banks	151	-	-	-	-	151	-
Deposits from banks	1 243	8	949	-	-	280	5
Due to customers	79	22	42	15	-	-	-
Repo´s with clients	118	-	118	-	-	-	-
Debt securities issued and subordinated del	351	-	71	-	-	280	-
Other equity instruments	4	-	-	-	-	-	4
Collateral deposits placed	5	-	5	-	-	-	-
Off balance sheet	127	-	26	32	25	29	15
Total	**2 078**	**30**	**1 211**	**47**	**25**	**740**	**24**
GAP (Assets - Liabilities)	**47**	**124**	**(77)**	**409**	**6**	**(678)**	**264**

* Amounts presented at its nominal value

The model used to monitor the sensitivity of BESI to interest rate risk is based on the duration model and considers parallel scenarios.

(in millions of euro)

	31.12.2013		31.12.2012	
	Parallel increase of 100 bp	Parallel descrease of 100 bp	Parallel increase of 100 bp	Parallel descrease of 100 bp
As at 31 December	(22.7)	22.7	(12.8)	12.8
Average for the year	(26.4)	26.4	(11.5)	11.5
Maximum for the year	(22.5)	36.6	(4.1)	20.5
Minimum for the year	(36.6)	22.5	(20.5)	4.1

The following table presents the average balances, interests and interest rates in relation to the BESI's major assets and liabilities categories, for the years ended 31 December 2013 and 2012:

(in thousands of euro)

	31.12.2013			31.12.2012		
	Average balance for the year	Interest for the year	Average interest rate	Average balance for the year	Interest for the year	Average interest rate
Monetary assets	357 048	3 060	0.86%	306 062	2 835	0.93%
Loans and advances to customers	675 221	21 762	3.22%	768 994	28 559	3.71%
Securities	695 439	33 585	4.83%	407 110	24 120	5.92%
Financial assets	**1 727 708**	**58 407**	**3.38%**	**1 482 166**	**55 514**	**3.75%**
Monetary liabilities	1 361 090	16 302	1.20%	1 528 488	22 531	1.47%
Due to customers	224 839	1 454	0.65%	224 939	2 851	1.27%
Other funds	454 449	22 599	4.97%	255 862	8 533	3.34%
Financial liabilities	**2 040 378**	**40 355**	**1.98%**	**2 009 289**	**33 915**	**1.69%**
Net interest income		**18 052**	**1.40%**		**21 599**	**2.06%**

Concerning the foreign exchange risk, the distribution of the assets and liabilities by currency as at 31 of December of 2013 and 2012, is analysed as it follows:

(in thousands of euro)

		31.12.2013			31.12.2012		
		Spot	Forward	Net exposure	Spot	Forward	Net exposure
USD	US DOLAR	(76 115)	9 327	(66 788)	(3 211)	41 320	38 109
GBP	POUNDS	113 075	(112 883)	192	(72 410)	74 934	2 524
BRL	BRAZILIAN REAL	5 200	(109 210)	(104 010)	(739)	125 758	125 019
JPY	YEN	(80)	-	(80)	(161)	-	(161)
CHF	SUISS FRANC	116	-	116	(891)	-	(891)
PLN	POLISH ZLOTY	(7 332)	12 109	4 777	(9 635)	10 857	1 222
CAD	CANADIAN DOLLAR	(4 121)	4 092	(29)	(3 039)	2 953	(86)
	OTHER	(394)	(737)	(1 131)	(117)	-	(117)
		30 349	**(197 302)**	**(166 953)**	**(90 203)**	**255 822**	**165 619**

As at 31 December 2013 and 31 December 2012 the exposure to public debt from peripheral Eurozone countries which are monitored by BESI is analysed as follows:

(in thousands of euro)

	31.12.2013					
	Loans and advances to customers	Financial Assets held for trading at fair value	Derivatives instruments (1)	Available-for-sale financial assets	Held-to-maturity investments	Total
Portugal	-	3 821	-	169 671	-	173 492
Spain	-	150	-	189 374	-	189 524
Greece	-	-	-	29 451	-	29 451
	-	**3 971**	**-**	**388 496**	**-**	**392 467**

(1) Net values: receivable/payable

(in thousands of euro)

	31.12.2012					
	Loans and advances to customers	Financial Assets held for trading at fair value	Derivatives instruments (1)	Available-for-sale financial assets	Held-to-maturity investments	Total
Portugal	-	3 782	-	10 678	-	14 460
Spain	-	303	-	156 190	-	156 493
	-	**4 085**	**-**	**166 868**	**-**	**170 953**

(1) Net values: receivable/payable

All the exposures presented above, except loans and advances to customers, are recorded in the Group's balance sheet at fair value, which is based on market quotations or, in relation to derivatives, based on valuation techniques with observable market data.

A detailed exposure regarding securities recorded in financial assets available-for-sale, financial assets held for trading, financial assets at fair value through profit or loss and held to maturity investments can be analysed as follows:

(in thousands of euro)

	31.12.2013					
	Nominal Amount	Market value	Accrued interest	Book value	Impairment	Fair value reserves
Available-for-sale financial assets						
Portugal	**162 400**	**162 869**	**6 802**	**169 671**	**-**	**(47)**
Maturity exceeding 1 year	162 400	162 869	6 802	169 671	-	(47)
					-	
Spain	**165 000**	**181 172**	**8 202**	**189 374**	**-**	**(1 755)**
Maturity exceeding 1 year	165 000	181 172	8 202	189 374	-	(1 755)
					-	
Greece	**53 003**	**28 551**	**900**	**29 451**	**-**	**939**
Maturity exceeding 1 year	53 003	28 551	900	29 451	-	939
					-	
	380 403	**372 592**	**15 904**	**388 496**	**-**	**(863)**
Financial assets held for trading						
Portugal	3 750	3 792	29	3 821	-	-
Spain	143	148	2	150	-	-
	3 893	**3 940**	**31**	**3 971**	**-**	**-**

(in thousands of euro)

	31.12.2012					
	Nominal Amount	Market value	Accrued interest	Book value	Impairment	Fair value reserves
Available-for-sale financial assets						
Portugal	**14 024**	**10 209**	**469**	**10 678**	**-**	**1 846**
Maturity up to 1 year	124	126	2	128	-	11
Maturity exceeding 1 year	13 900	10 083	467	10 550	-	1 835
Spain	**150 000**	**150 101**	**6 089**	**156 190**	**-**	**1 605**
Maturity exceeding 1 year	150 000	150 101	6 089	156 190	-	1 605
	164 024	**160 310**	**6 558**	**166 868**	**-**	**3 451**
Financial assets held for trading						
Portugal	3 750	3 754	28	3 782	-	-
Spain	305	303	-	303	-	-
	4 055	**4 057**	**28**	**4 085**	**-**	**-**

Liquidity risk

Liquidity risk derives from the potential inability to fund assets while satisfying commitments on due dates and from potential difficulties in liquidating positions in portfolio without incurring in excessive losses.

Liquidity management is centralized at the Financial Department. The purpose of liquidity management is to maintain adequate liquidity levels to meet short, medium and long term funding needs. The Bank prepares specific reports that allow the identification of negative mismatch and permits their dynamic coverage.

In addition, the Bank calculates the liquidity ratios in accordance with the Bank of Portugal rules.

Individual Liquidity Indicators

(in thousands of euro)

	31.12.2013	31.12.2012
Accumulated mismatch (1)	(412 983)	(186 529)
Net assets buffer (2)	287 602	126 405
Global liquidity	**(125 381)**	**(60 124)**

(1) Accumulated mismatch corresponds to the diference between assets and liabilities with maturity date less than one year.

(2) The net assets buffer reflects the assets with maturity over one year that can be given as collateral to obtain liquidity, namelly assets that can be given as collateral on loan operations with Central Banks (less haircuts), excluding those assets which are being used as collateral for loan operations with maturity of over one year.

Operational Risk

Operational risk represents the risk of losses resulting from failures in internal procedures, people behaviors, information systems and external events.

To manage operational risk, it was developed and implemented a system that standardizes, systematizes and regulates the frequency of actions with the objective of identification, monitoring, controlling and mitigation of risk.

Capital management and solvability ratio

The BESI's main goals from capital management are (i) to allow the adequate growth of activities through the generation of enough capital to support the increase of assets, (ii) fulfillment of the minimum requirements defined by the supervision authorities in terms of capital adequacy and (iii) to ensure the fulfillment of BESI strategic goals in respect to capital adequacy matters.

The definition of the strategy in terms of capital adequacy is made by the Executive Committee and is integrated in the global goals of BESI.

BESI is subject to Bank of Portugal supervision, which under the capital adequacy Directive from the CE, establishes the prudential rules to be attended by the institutions under its supervision. These rules determine a minimum solvability ratio in relation to the requirements of the assumed risks that institutions have to fulfill.

In the scope of the implementation of the new capital accord Basel II, the Bank was authorized to use, starting 28 November 2008, the approach based in the use of internal models for credit risks (Internal Rating Based Approach – IRB) for credit risk and the Standardized Approach – TSA) for operational risk.

Currently for the purpose of the reporting to the Bank of Portugal, the Bank presents the solvency ratios in accordance with standard method for credit risk and the basic indicator method for operational risk.

The capital elements of BESI are divided into: Basic Own Funds, Complementary Own Funds and Deductions, as follows:

Basic Own Funds (Tier I): This category includes the realized capital, the eligible reserves, the retained earnings of the year and non-controlling interest. Are deducted by the correspondent book value the amounts related to goodwill, intangible assets, unrealised losses recognised under the fair value reserve and associated with equity securities, 50% of the book value of investments in banking and insurance associates over 10% and negative actuarial deviations from employees' benefits up to 31 December 2008 and the expected but not realised return on the pension plan assets referring to 2008 are deducted in full.

Complementary Own Funds (COF): Essentially incorporates the subordinated eligible debt and 45% of the positive fair value reserve associated with equity securities. The book value of investments in banking and insurance associates is deducted by 50% of its value.

Deductions: Essentially incorporates the prudential amortization of assets received as a recovery of non-performing loans.

Additionally there are several rules that limit the composition of the capital basis. The prudential rules determine that the COF cannot exceed the Tier I. Also, some components of the COF (Lower Tier II) cannot exceed 50% of the BOF.

In April 2007, Bank of Portugal issued Regulation 4/2007, which changed the rules to determine capital requirements. This regulation changed the treatment of the investments in banking and insurance entities that began to be deducted in 50% to the BOF and 50% to the COF. Previously, these investments were included in the deductions made to the total capital requirements.

In December 2008, the Bank of Portugal issued the Notice 11/2008, establishing a transitory period of four years, from December 2009 to December 2012, for the recognition of the actuarial gains/losses determined in 2008, deducted from the expected return of the fund plan assets for the same year.

At 2013 and 2013, the main movements occurred in Tier I are as follows:

(in thousands of euro)

	31.12.2013	31.12.2012
Balance as at 1 January	**418 723**	**317 635**
Capital increase	-	100 000
Other reserves and retained earnings	-	-
Non-controlling interest	37 648	(9 275)
Fair value reserves with an impact in BOF	-	-
Reduction to FPB	(1 075)	109
Intangible assets	(703)	(3 888)
Deductions	(31 419)	14 142
Balance as at 31 December	**423 174**	**418 723**

The capital adequacy of BESI as at 31 December 2013 and 31 December 2012 is presented as follows:

(in thousands of euro)

	31.12.2013	31.12.2012
Total consolidated assets	3 088 449	3 385 007
Risk weight assets	2 685 301	2 810 552
Weight percentage	86.95%	83.03%
Own funds requirements	214 824	224 844
Own funds requirements - Banking book	167 711	175 712
Own funds requirements - Trading book	32 424	32 202
Own funds requirements - Settlement risk	4	2
Own funds requirements - Operational risk	14 685	16 929
Eligible own funds	423 149	443 708
Basic own funds (Core Tier I)	448 362	415 040
Basic own funds	423 174	418 723
Complementary own funds	-	25 010
Deductions	(25)	(25)
Excess	208 325	218 864
Solvency ratio	**15.76%**	**15.8%**
TIER I ratio	**15.76%**	**14.9%**
CORE TIER I ratio	**16.7%**	**14.8%**

NOTE 41 – RECENTLY ISSUED PRONOUNCEMENTS

Recently issued pronouncements already adopted by BESI

In the preparation of the consolidated financial statements for the year ended 31 December 2013, BESI adopted the following standards and interpretations that are effective since 1 January 2013:

IAS 19 Revised – Employee Benefits

The IASB, issued on 16th June 2011, amendments to “IAS 19 – Employee Benefits”, effective (with retrospective application) for annual periods beginning on or after 1st January 2013. Those amendments were endorsed by EU Commission Regulation 475/2012, 5th June.

As a result of IAS 19 (2011), the Group has changed its accounting policy with respect to the basis for determining the income or expense related to its defined benefit plans.

Under IAS 19 (2011), the Group determines the net interest expense (income) on the net defined benefit liability (asset) for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the then-net defined benefit liability (asset), taking into account any changes in the net defined benefit liability (asset) during the period as a result of contributions and benefit payments.

Consequently, the net interest on the net defined benefit liability (asset) now comprises:

- interest cost on the defined benefit obligation;

- interest income on plan assets; and

- Interest on the effect on the asset ceiling.

Previously, the Group determined interest income based on the long-term rate of expected return of plan assets.

The change did not have a material impact on the Bank's financial statements.

IAS 1 Presentation of Financial Statements - Presentation of items of other comprehensive income

The IASB, issued on 16th June 2011, amendments to "IAS 1 – Presentation of Financial Statements", effective (with retrospective application) for annual periods beginning on or after 1st January 2012. Those amendments were endorsed by EU Commission Regulation 475/2012, 5th June.

As a result of the amendments to IAS 1, the Group has modified the presentation of items of OCI in its statement of profit or loss and OCI, to present items that would be reclassified to profit or loss in the future separately from those that would never be. Comparative information has been re-presented on the same basis.

IFRS 7 (Amended) - Financial Instruments: Disclosure – Offsetting Financial Assets and Financial Liabilities

The IASB, issued on 16th December 2011, amendments to "IFRS 7 – Financial Instruments: Disclosure – Offsetting Financial Assets and Financial Liabilities", effective (with retrospective application) for annual periods beginning on or after 1st January 2013. Those amendments were endorsed by EU Commission Regulation 1256/2012, 11th December.

The adoption of the amendment to IFRS 7 had no impact on the Bank's financial statements.

Improvements to IFRS (2009-2011)

The annual improvements cycle 2009-2011, issued by IASB on 17th May 2012, introduce amendments, with effective date on, or after, 1st January 2013, to the standards IFRS1, IAS1, IAS16, IAS32, IAS34 and IFRIC2.

IAS 1 Presentation of Financial Statements

This improvement clarifies the difference between voluntary additional comparative information and the minimum required comparative information. Generally, the minimum required comparative information is the previous period.

IAS 16 Property Plant and Equipment

This improvement clarifies that major spare parts and servicing equipment that meet the definition of property, plant and equipment are not inventory´.

IAS 32 Financial Instruments, Presentation and IFRIC 2

The improvement clarifies that income taxes arising from distributions to equity holders are accounted for in accordance with IAS 12 Income Taxes, avoid any interpretation that may mean any either application.

IAS 34 Interim Financial Reporting

The amendments align the disclosure requirement for total segment assets with total segment liabilities in interim financial statements. This clarification also ensures that interim disclosures are aligned with annual disclosures in relation to the changes of profit and loss account and other comprehensive income.

The adoption of these improvements had no impact on the financial statements.

IFRS 13 – Fair Value Measurement

The IASB, issued on 12th May 2011, "IFRS 13 fair value Measurement", effective (with prospective application) for annual periods beginning on or after 1st January 2013. These amendments were endorsed by EU Commission Regulation 1255/2012, 11th December.

In accordance with the transitional provisions of IFRS 13, the Group has applied the new definition of fair value prospectively. The change had no significant impact on the measurements of the Group's assets and liabilities.

IFRIC 20 - Stripping Costs in the Production Phase of a Surface Mine
The International Financial Reporting Interpretations Committee (IFRIC), issued on 19th October 2011, "IFRIC 20 - Stripping Costs in the Production Phase of a Surface Mine", effective (with retrospective application) for annual periods beginning on or after 1st January 2013. Those amendments were endorsed by EU Commission Regulation 1255/2012, 11th December.

Give the nature of the Bank´s operation, this interpretation did not have any impact on the financial statements.

Recently issued pronouncements yet to be adopted by BESI
The new standards and interpretations that have been issued, but that are not yet effective and that the Group has not yet applied, are analysed below. The Bank will apply these standards when they are effective.

IAS 32 (Amended) - Financial Instruments: Presentation – Offsetting Financial Assets and Financial Liabilities
The IASB, issued on 16th December 2011, amendments to "IAS 32 – Financial Instruments: Presentation – Offsetting Financial Assets and Financial Liabilities", effective (with retrospective application) for annual periods beginning on or after 1st January 2014. Those amendments were endorsed by EU Commission Regulation 1256/2012, 11th December.

The IASB amended IAS 32 to add application guidance to address the inconsistent application of the standard in practice. The application guidance clarifies that the phrase 'currently has a legal enforceable right of set-off' means that the right of set-off must not be contingent on a future event and must be legally enforceable in the normal course of business, in the event of default and in the event of insolvency or bankruptcy, of the entity and all of the counterparties.

The application guidance also specifies the characteristics of gross settlement systems in order to be considered equivalent to net settlement.

The Bank is not expecting a significant impact form the adoption of the amendment to IAS 32, taking into consideration the accounting policy already adopted.

IAS 27 (Revised) – Separate Financial Statements
The IASB, issued on 12th May 2011, amendments to "IAS 27 – Separate Financial Statements", effective (with prospective application) for annual periods beginning on or after 1st January 2014. Those amendments were endorsed by EU Commission Regulation 1254/2012, 11th December.

Taking in consideration that IFRS 10 addresses the principles of controls and the requirements relating to the preparation of consolidated financial statements, IAS 27 was amended to cover exclusively separate financial statements.

The amendments aimed, on one hand, to clarify the disclosures required by an entity preparing separate financial statements so that the entity would be required to disclose the principal place of business (and country of incorporation, if different) of significant investments in subsidiaries, joint ventures and associates and, if applicable, of the parent.

The previous version required the disclosure of the country of incorporation or residence of such entities. On the other hand, it was aligned the effective dates for all consolidated standards (IFRS10, IFRS11, IFRS12, IFRS13 and amendments to IAS 28).

The Bank expects no impact from the adoption of this amendment on its financial statements.

IFRS 10 Consolidated Financial Statements
The IASB, issued on 12th May 2011, "IFRS 10 Consolidated Financial Statements", effective (with retrospective application) for annual periods beginning on or after 1st January 2013. These amendments were endorsed by EU Commission Regulation 1254/2012, 11th December, which allows a delayed on mandatory application for 1st January 2014.

IFRS 10, withdraw one part of IAS 27 and SIC 12, and introduces a single control model to determine whether an investee should be consolidated.

The new concept of control involves the assessment of power, exposure to variability in returns and a linkage between the two. An investment controls an investee when it is exposed, or has rights, to variability returns from its involvement with the investee and is able to affect those returns through its power over the investee (facto control).

The investor considers whether it controls the relevant activities of the investee, taking into consideration the new concept. The assessment should be done at each reporting period because the relation between power and exposure variability in returns may change over the time. Control is usually assessed over a legal entity, but also can be assessed over only specified assets and liabilities of an investee (referred to as silo).

The new standard also introduce other changes such as: i) accounting requirements for subsidiaries in consolidation financial statements are carried forward from IAS 27 to this new standards and ii) enhanced disclosures are requires, including specific disclosures for consolidated and unconsolidated structured entities.

The Bank is carrying out a thorough analysis of the impacts of the application of this standard and does not expect any significant impact.

IFRS 11 – Joint Arrangements
The IASB, issued on 12th May 2011, "IFRS 11 Joint arrangements", effective (with retrospective application) for annual periods beginning on or after 1st January 2013. These amendments were endorsed by EU Commission Regulation 1254/2012, 11th December, that allows a delayed on mandatory application for 1st January 2014.

IFRS 11, withdraw IAS 31 and SIC 13, defines "joint control" by incorporating the same control model as defined in IFRS 10 and requires an entity that is part of a "join arrangement" to determine the nature of the joint arrangement ("joint operations" or "joint ventures") by assessing its rights and obligations.

IFRS 11 removes the option to account for joint ventures using the proportionate consolidation. Instead, joint arrangements that meet the definition of "joint venture" must be account for using the equity method (IAS 28).

The Bank expects no impact form the adoption of this amendment on its financial statements.

IAS 28 (Revised) – Investments in Associates and Joint Ventures

The IASB, issued on 12th May 2011, "IAS 28 Investments in Associates and Joint Ventures", effective (with retrospective application) for annual periods beginning on or after 1st January 2013. These amendments were endorsed by EU Commission Regulation 1254/2012, 11th December, that allows a delayed on mandatory application for 1st January 2014.

As a consequence of the new IFRS 11 and IFRS 12, IAS 28 has been renamed as IAS 28 Investments in Associates and Joint ventures, and describes the application of the entity method to investments in joint ventures and associates.

The Bank expects no impact form the adoption of this amendment on its financial statements.

IFRS 12 – Disclosures of Interest in Other Entities
The IASB, issued on 12th May 2011, "IFRS 12 Disclosures of Interests in Other Entities", effective (with retrospective application) for annual periods beginning on or after 1st January 2013. These amendments were endorsed by EU Commission Regulation 1254/2012, 11th December that allows a delayed on mandatory application for 1st January 2014.

The objective of this new standard is to require an entity to disclose information that enables users of its financial statements to evaluate: (a) the nature of, and risks associated with, its interests in other entities; and (b) the effects of those interests on its financial position, financial performance and cash flows.

IFRS 12 includes the disclosure requirements for all forms of interests in other entities, including joint arrangements, associates, special vehicles and other off balance sheet vehicles.

The Bank is yet assessing the full impact of the new IFRS 12 in line with the adoption of IFRS 10 and IFRS 11.

Investment Entities – Amendements to IFRS 10, IFRS12 and IAS 8 (issued by IASB on 31st October 2012)
The amendments apply to a particular class of business that qualify as investment entities. The IASB uses the term 'investment entity' to refer to an entity whose business purpose is to invest funds solely for returns from capital appreciation, investment income or both. An investment entity must also evaluate the performance of its investments on a fair value basis. Such entities could include private equity organisations, venture capital organisations, pension funds, sovereign wealth funds and other investment funds.

The amendments provide an exception to the consolidation requirements in IFRS 10 and require investment entities to measure particular subsidiaries at fair value through profit or loss, rather than consolidate them. The amendments also set out disclosure requirements for investment entities.

The amendments are effective from 1 January 2014 with early adoption permitted. This option allows investment entities to apply the Investment Entities amendments at the same time they first apply the rest of IFRS 10. These amendments were endorsed by EU Commission Regulation 1174/2013, 20th November.

The Bank does not expect any major impact from the adoption of this amendment on its financial statements.

IAS 36 (Revised) – Recoverable Amount Disclosures for Non-Financial Assets
The IASB issued on 29th May 2013, this amendment, effective (with retrospective application) for annual periods beginning on or after 1st January 2014. These amendments were endorsed by EU Commission Regulation 1374/2013, 19th December.

The objective of the amendments is to clarify that the scope of the disclosures of information about the recoverable amount of assets, where that amount is based on fair value less costs of disposal, is limited to impaired assets.

IAS 39 (Revised) – Novation of Derivatives and Continuation of Hedge Accounting
The IASB issued on 27th June 2013, this amendment, effective (with retrospective application) for annual periods beginning on or after 1st January 2014. These amendments were endorsed by EU Commission Regulation 1375/2013, 19th December.

The objective of the amendments is to provide relief in situations where a derivative, which has been designated as a hedging instrument, is novated from one counterparty to a central counterparty as a consequence of laws or regulations. Such a relief means that hedge accounting can continue irrespective of the novation which, without the amendment, would not be permitted.

Recently issued pronouncements that are not yet effective for BESI

IAS 19 (Revised) – Defined Benefit Plans: Employee Contributions
The IASB issued on 21th November 2013, this amendment, effective (with retrospective application) for annual periods beginning on or after 1st July 2014.

The Amendment clarifies the guidance on attributing employee or third party contributions linked to service and require entities to attribute the contributions linked to service in accordance with paragraph 70 of IAS 19 (2011). Therefore, such contributions are attributed using plan's contribution formula or on a straight line basis.

The amendment addresses the complexity by introducing a practical expedient that allows an entity to recognise employee or third party contributions linked to service that are independent of the number of years of service (for example a fixed percentage of salary), as a reduction in the service cost in the period in which the related service is rendered.

IFRIC 21 – Levies
The IASB issued on 20th May 2013, this interpretation, effective (with retrospective application) for annual periods beginning on or after 1st January 2014.

IFRIC 21 defines a levy as an outflow from an entity imposed by a government in accordance with legislation. It confirms that an entity recognises a liability for a levy when – and only when – the triggering event specified in the legislation occurs. IFRIC 21 is not expected to have any effect on the Group's financial statements.

Improvements to IFRS (2010-2012)
The annual improvements cycle 2010-2012, issued by IASB on 12th December 2013, introduce amendments, with effective date on, or after, 1st July 2014, to the standards IFRS 2, IFRS 3, IFRS 8, IFRS 13, IAS16, IAS24 and IAS38.

IFRS 2 – definition of vesting condition The amendment clarify the definition of 'vesting conditions' in Appendix A of IFRS 2 Share-based Payment by separate the definition of performance condition and service condition from the definition of vesting condition to make the description of each condition clear.

IFRS 3 – Accounting for contingent consideration in a business combination

The objective of this amendment is to clarify certain aspects of accounting for contingent consideration in a business combination, namely: classification of contingent consideration in a business combination and subsequent measurement, taking into account if such contingent consideration is a financial instrument or a non-financial asset or liability.

IFRS 8 – Aggregation of operation segments and reconciliation of the total of the reportable segments' assets to entity's assets

The amendment clarify the criteria for aggregation of operating segments and requires entities to disclose those factors that are used to identify the entity's reportable segments when operating segments have been aggregated.

To achieve consistency, reconciliation of the total of the reportable segments' assets to the entity's assets should be disclosed, if that amount is regularly provided to the chief operating decision maker

IFRS 13 – Short-term receivables and payables

IASB amends the basis of conclusion in order to clarify that, by deleting IAS 39AG79, in applying IFRS 3, IASB did not intend to change the measurement requirements for short-term receivables and payables with no interest, that should be discount if such discount is material, noting that IAS 8.8 already permits entities not apply accounting polices set out in accordance with IFRSs when the effect of applying them is immaterial.

IAS 16 & IAS 38 – Revaluation method – proportionate restatement accumulated depreciation or amortization

In order to clarify the calculation of the accumulated depreciation or amortization at the date of the revaluation, IASB amended paragraph 35 of IAS 16 and paragraph 80 of IAS 38 to clarify that: the determination of the accumulated depreciation (or amortization) does not depend on the selection of the valuation technique; and the accumulated depreciation (or amortization) is calculated as the difference between the gross and the net carrying amounts.

IAS 24 – Related Party Transactions – Key management personal services

In order to address the concerns about the identification of key management personal (KMP) costs, when KMP services of the reporting entity are provided by entities (management entity e.g. in mutual funds), IASB clarifies that, the disclosure of the amounts incurred by the entity for the provision of KMP services that are provided by a separate management entity shall be disclosed but it is not necessary to present the information required in paragraph 17.

Improvements to IFRS (2011-2013)
The annual improvements cycle 2011-2013, issued by IASB on 12th December 2013, introduce amendments, with effective date on, or after, 1st July 2014, to the standards IFRS 1, IFRS 3, IFRS 13 and IAS 40.

IFRS 1 – meaning of "effective IFRS"

IASB clarifies that if a new IFRS is not yet mandatory but permits early application, that IFRS is permitted, but not required, to be applied in the entity's first IFRS financial statements.

IFRS 3 – Scope exceptions for joint ventures

The amendment excludes the formation of all types of joint arrangements as defined in IFRS 11 Joint Arrangements from the scope of IFRS 3. The scope exception only applies to the financial statements of the joint venture or the joint operation itself.

IFRS 13 – Scope of paragraph 52 – portfolio exception

Paragraph 52 of IFRS 13 includes a scope exception for measuring the fair value of a group of financial assets and financial liabilities on a net basis. This is referred to as the portfolio exception. The objective of this amendment was to clarify that the portfolio exception applies to all contracts within the scope of IAS 39 Financial Instruments: Recognition and Measurement or IFRS 9 Financial Instruments, regardless of whether they meet the definitions of financial assets or financial liabilities as defined in IAS 32 Financial Instruments: Presentation.

IAS 40 – interrelationship with IFRS 3 when classify property as investment property or owner-occupied property

The objective of this amendment was to clarify that judgment is needed to determine whether the acquisition of investment property is the acquisition of an asset, a group of assets or a business combination in the scope of IFRS 3 and that this judgment is based on the guidance in IFRS 3.

IFRS 9 Financial instruments (issued in 2009 and revised in 2010)
IFRS 9 (2009) introduces new requirements for the classification and measurement of financial assets. IFRS 9 (2010) introduces additions relating to financial liabilities. IFRS 9 (2013) introduces the hedging requirements. The IASB currently has an active project of additional disclosures requirements limited amendments to the classification and measurement requirements of IFRS 9 and new requirements to address the impairment of financial assets.

The IFRS 9 (2009) requirements represent a significant change from the existing requirements in IAS 39 in respect of financial assets. The standard contains two primary measurement categories for financial assets: amortised cost and fair value. A financial asset would be measured at amortised cost if it is held within a business model whose objective is to hold assets in order to collect contractual cash flows, and the asset's contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal outstanding. All other financial assets would be measured at fair value. The standard eliminates the existing IAS 39 categories of held-to-maturity, available-for-sale and loans and receivables.

For an investment in an equity instrument that is not held for trading, the standard permits an irrevocable election, on initial recognition, on an individual share-by-share basis, to present all fair value changes from the investment in OCI. No amount recognised in OCI would ever be reclassified to profit or loss at a later date. However, dividends on such investments would be recognised in profit or loss, rather than OCI, unless they clearly represent a partial recovery of the cost of the investment.

Investments in equity instruments in respect of which an entity does not elect to present fair value changes in OCI would be measured at fair value with changes in fair value recognised in profit or loss.

The standard requires derivatives embedded in contracts with a host that is a financial asset in the scope of the standard not to be separated; instead, the hybrid financial instrument is assessed in its entirety for whether it should be measured at amortised cost or fair value.

IFRS 9 (2010) introduces a new requirement in respect of financial liabilities designated under the fair value option to generally present fair value changes that are attributable to the liability's credit risk in OCI rather than in profit or loss. Apart from this change, IFRS 9 (2010) largely carries forward without substantive amendment the guidance on classification and measurement of financial liabilities from IAS 39.

IFRS 9 (2013) introduces new requirements for hedge accounting that align hedge accounting more closely with risk management. The requirements also establish a more principles-based approach to hedge accounting and address inconsistencies and weaknesses in the hedge accounting model in IAS 39.

The mandatory effective date of IFRS 9 is not specified but will be determined when the outstanding phases are finalised.

The Bank has started the process of evaluating the potential effect of this standard but is awaiting finalisation of the limited amendments before the evaluation can be completed. Given the nature of the Bank's operations, this standard is expected to have a pervasive impact on the Bank's financial statements.

Report and Opinion of the Supervisory Board of Banco Espírito Santo de Investimento, S.A. for the financial year 2013

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

To the Shareholder of
Banco Espírito Santo de Investimento, S.A.

In accordance with the applicable legislation, we hereby present our report on the audit performed by the Supervisory Board to the Management Report, the individual and the consolidated financial statements and the proposal for the distribution of the year's results presented by the Board of Directors of Banco Espírito Santo de Investimento, S.A. (from here on "BESI") for the year ended December 31st, 2013.

During the financial year of 2013 BESI's Supervisory Board, as part of its designated functions, monitored, in accordance with the law and the company's articles of association, the development of BESI's management and business activities, namely:

(i) assessed the adequacy and effectiveness of the risk management, internal control and internal audit systems;

(ii) attended Board of Directors meetings whenever invited;

(iii) reviewed management information documents submitted to the Supervisory Board by the Board of Directors;

(iv) monitored the verification of the accounting records and underlying support documentation;

(v) assessed accounting policies and valuation criteria adopted by BESI; and

(vi) held meetings with the Statutory Auditor, whenever necessary, on the assessment of the accounting policies and valuation criteria adopted by BESI, who always provided the information required.

In accordance with the applicable legislation, the Supervisory Board also assessed the Auditor's Report prepared by the Statutory Auditor on the individual and consolidated financial statements and was made aware of the individual and consolidated Statutory Audit Report ("Certificação Legal de Contas") on the referred financial statements for financial year 2013, in which no qualifications or emphasis were expressed, and with which the Supervisory Board agrees.

The Supervisory Board was also made aware of the conclusions of the Auditor's Report prepared by a prominent international auditing company.

The Supervisory Board also analysed the Management Report submitted by the Board of Directors and considers that the report complies with the applicable legal and statutory requirements and elucidates the main aspects of BESI's activities in 2013, both in individual and in consolidated terms.

The Supervisory Board recognises that the results presented are a consequence of the adverse environment at national and international levels.

Due to the mentioned above, it is the opinion of the Supervisory Board that the following should be approved:

- The Management Report and remaining documents relating to the individual and consolidated financial statements as at and for the financial year ended on December 31st, 2013;

- The proposal submitted by the Board of Directors on the allocation of the net loss for the year 2013, in the amount of EUR 2,548,231.29.

Lisbon, March 25th, 2014

THE SUPERVISORY BOARD

José Manuel Macedo Pereira
(Chairman)

Tito Manuel das Neves Magalhães Basto

Mário Paulo Bettencourt de Oliveira

Declaration of Conformity on the Financial Information Reported

The present declaration is submitted under the terms of Article 245 (1-c)) of the Portuguese Securities Code.

The Supervisory Board hereby declares that, to the best of its knowledge:

- The information referred to in Article 245 (1-a)) of the Portuguese Securities Code as at December 31st, 2013 was prepared in accordance with the applicable accounting standards, providing a true and fair view of the assets and liabilities, the financial situation and the results of BESI and the companies included within its consolidated perimeter; and

- The management report faithfully details the evolution of the business, the performance and the position of BESI and the companies included within its consolidation perimeter and contains a description of the main risks and uncertainties faced within the framework of ongoing activities.

Lisbon, March 25th, 2014

THE SUPERVISORY BOARD

José Manuel Macedo Pereira
(Chairman)

Tito Manuel das Neves Magalhães Basto

Mário Paulo Bettencourt de Oliveira

Statutory Audit and Auditor's Report

(Individual Accounts)

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

INTRODUCTION

1. In accordance with the applicable legislation, we hereby present the Statutory Audit and Auditor's Report on the financial information disclosed in the management report and corresponding financial statements for the financial year ended December 31st, 2013, of **"BANCO ESPÍRITO SANTO DE INVESTIMENTO, S.A.",** which comprise: the balance sheet (which reports total assets of EUR 3,085,714 thousand euros and total equity of 466,450 thousand euros, including a net loss for the year of 2,548 thousand euros), the statements of income, of comprehensive income, of cash flows and of changes in equity for the year then ended and the corresponding Notes.

RESPONSIBILITIES

2. The Board of Directors is responsible for:

a) the preparation of the financial statements in accordance with the Adjusted Accounting Standards ("NCA") endorsed by the Bank of Portugal, which follow International Financial Reporting Standards (IFRS) as adopted by the European Union, with the exception of the items defined in Notices 1/2005 (nos. 2 and 3) and 4/2005 (no. 2) of the Bank of Portugal, that present a true and fair view of the financial position of the Bank and the results of its operations, changes in equity and cash flows;

b) the historic financial information, prepared in accordance with generally accepted accounting standards that is complete, true and fair, to date, transparent, objective and lawful, as required by the Portuguese Securities Code "Código dos Valores Mobiliários";

c) adopting adequate accounting policies and criteria;

d) maintaining an appropriate internal control system; and

e) disclosing any relevant fact that may have affected the operations, financial position or results of the Bank.

3. We are responsible for auditing the financial information included in the aforementioned financial statements, namely as to whether it is complete, true and fair, to date, transparent, objective and lawful, as required by the Portuguese Securities Code, in order to issue a professional and independent report based on our audit.

SCOPE

4. Our audit was performed in accordance with applicable Technical Standards and Guidelines issued by the Portuguese Institute of Statutory Auditors ("Ordem dos Revisores Oficiais de Contas"), which require us to plan and perform our audit so as to obtain reasonable that the consolidated financial statements are free of material misstatements. Our audit therefore included:

- the examination, on a sample basis, of evidence for the amounts and disclosures in the financial statements and an assessment of the estimates, based on the judgements and criteria defined by the Board of Directors, used in the preparation of the financial statements;

- the assessment of whether the accounting policies used and their disclosure are appropriate to circumstances;

- the verification as to whether the going concern basis is applicable;

- the assessment of whether the global presentation of the financial statements is appropriate;

- the assessment as to whether the consolidated financial information is complete, true and fair, to date, transparent, objective and lawful.

5. Our audit also included the verification that the consolidated financial information disclosed in the management report are consistent with the financial statements.

6. We believe that our audit provides a reasonable basis for our opinion.

OPINION

7. In our opinion, the financial statements referred to above present a true and fair view, in all material respects, the financial position of **"BANCO ESPÍRITO SANTO DE INVESTIMENTO, S.A."** as at December 31st, 2013, the results of its operations, comprehensive income, changes in equity and cash flows for the year then ended, in accordance with the Adjusted Accounting Standards ("NCA") endorsed by the Bank of Portugal, and the information disclosed is complete, true and fair, to date, transparent, objective and lawful.

REPORT ON OTHER LEGAL REQUIREMENTS

8. It is also our opinion that the information contained in the management report is consistent with the individual financial statements for the reporting year.

Lisbon, March 25th, 2014

Amável Alberto Freixo Calhau
representing:
"Amável Calhau, Ribeiro da Cunha e Associados
- Sociedade de Revisores Oficiais de Contas -"

AUDITOR'S REPORT

(This report is a free translation to English from the original Portuguese version.
In case of doubt or misinterpretation the Portuguese version will prevail.)

Introduction

1 We have audited the financial statements of **Banco Espírito Santo de Investimento, S.A**., which comprise the balance sheet as at 31 December 2013 (showing total assets of Euro 3 085 714 thousands and total equity of Euro 466 450 thousands, including a net loss for the year of Euro 2 548 thousands), the statements of income, comprehensive income, changes in equity and of cash flows for the year then ended and the corresponding Notes.

Responsibilities

2 The Board of Directors is responsible for the preparation of financial statements in accordance with the Adjusted Accounting Rules ("NCA") defined by the Bank of Portugal, that give a true and fair view of the financial position of the Bank, the results of its operations, its comprehensive income, its cash flows and its changes in equity; the adoption of adequate accounting policies and criteria and maintaining an appropriate system of internal control.

3 Our responsibility is to express a professional and independent opinion on these financial statements based on our audit.

Scope

4 Our audit was performed in accordance with the Technical Standards and Guidelines issued by the Portuguese Institute of Statutory Auditors ("Ordem dos Revisores Oficiais de Contas"), which require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements. Accordingly our audit included:

- verification, on a test basis, of the information underlying the figures and its disclosures contained therein, and an assessment of the estimates, based on the judgements and criteria defined by the Board of Directors, used in the preparation of the referred financial statements;
- evaluating the appropriateness of the accounting policies used and of their disclosure, taking into account the applicable circumstances;
- assessing the applicability of the going concern basis of accounting; and
- assessment of the appropriateness of the overall presentation of the financial statements.

5 Our audit also included the verification that the financial information included in the Annual Report of the Board of Directors is consistent with the financial statements presented.

6 We believe that our audit provides a reasonable basis for our opinion.

Opinion

7 In our opinion, the financial statements referred to above give a true and fair view in all material respects, the financial position of **Banco Espírito Santo de Investimento, S.A.** as at 31 December 2013, the results of its operations, its comprehensive income, its cash flows and its changes in equity for the year then ended in accordance with the NCA's defined by the Bank of Portugal.

Report on Other Legal Requirements

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

Lisbon, 31st March 2014

KPMG & Associados
Sociedade de Revisores Oficiais de Contas, S.A. (n.º 189)
Represented by
Fernando Gustavo Duarte Antunes (ROC n.º 1233)

ANNEXES

ANNEX I
Shares and Bonds held by the Members of the Board of Directors and the Supervisory Bodies

(Annex referred to in paragraph 5 of Article 447 of the Portuguese Companies Code)

Shareholders/Bondholders	Securities	Securities held as of 31/12/2012	Trasactions in 2013			Unit Price (EUR)	Securities held as 31/12/2013
			Date	Acquisitions	Disposals		
Ricardo Espírito Santo Silva Salgado	BES Shares	3,806,915		0	0		3,806,915
José Maria Espírito Santo Silva Ricciardi	BES Shares	30,000		0	0		30,000
Francisco Ravara Cary	-	0		0	0		0
Rafael Caldeira de Castel-Branco Valverde	BES 5.625% 2014 Bonds	2	20/12/2013	0	2	1.01	0
	BES London 5% 2019 Bonds	81	30/05/2013	0	81	0.91	0
Miguel António Igrejas Horta e Costa	-	0		0	0		0
Ricardo Abecassis Espírito Santo Silva	BES Shares	160,000		0	0		160,000
	BES 5.625% 2014 Bonds	0	14/06/2012	1	0	0.91	1
Amílcar Carlos Ferreira de Morais Pires	BES Shares	334,725		0	0		334,725
	BES 3.875% 2015 Bonds	5		0	0		5
	BES 5.625% 2014 Bonds	5		0	0		5
Bernard Marcel Fernand Ghislain Basecqz	BES Shares	0	11/04/2013	67,000	0	0.83	
		0	27/09/2013	0	67,000	0.81	0
	ESFG 5.05% Conv 2025 Bonds	2	02/12/2013	0	2	0.90	0
	BES 5.625% 2014 Bonds	1	01/09/2013	0	1	1.02	0
Christian Georges Jacques Minzolini	-	0		0	0		0
Diogo Luis Ramos de Abreu	BES 3.875% 2015 Bonds	1	13/05/2013	0	1	1.03	0
Duarte José Borges Coutinho Espírito Santo Silva	BES Shares	362,051		0	0		362,051
	BES Finance Ltd. 2035 Bonds	125		0	0		125
Félix Aguirre Cabanyes	-	0		0	0		0
João Filipe Espírito Santo de Brito e Cunha	-	0		0	0		0
José Manuel Pinheiro Espirito Santo Silva	BES Shares	1,009,271		0	0		1,009,271
	ESI BESPI 5% 2016 Bonds	0	12/11/2013	50	0	1.03	50
Luis Miguel Pina Alves Luna Vaz	-	0		0	0		0
Moses Dodo	BESI Brazil SR NT 5.625% 2015 Bonds	2,500		0	0		2,500
Paulo José Lameiras Martins	-	0		0	0		0
Tiago Vaz Pinto Cyrne de Castro	BES Shares	12,330		0	0		12,330
	BES 3.875% 2015 Bonds	2		0	0		2
	BES 5.625% 2014 Bonds	1		0	0		1
	BESI Brazil SR NT 5.625% 2015 Bonds	1		0	0		1
	BESPL05 5% 2019 Bonds	0	25/10/2013	5	0	0.97	5
Frederico dos Reis de Arrochela Alegria	BES Shares	1,900		0	0		1,900
	BES 5.625% 2014 Bonds	50		0	0		50
	BES 3.875% 2015 Bonds	50		0	0		50
	BES eur 3m+0.15% Float 2014 Bonds	100		0	0		100
Phillipe Gilles Fernand Guiral	-	0		0	0		0
Nicholas Mark Finegold (1)	ES Investment Holdings Limited Shares	4,524,727	02/05/2013	0	4,524,727	0.90	0
Pedro Mosqueira do Amaral	BES Shares	192,500		0	0		192,500
Alan do Amaral Fernandes	BES Shares	15,001		0	0		15,001
José Manuel Macedo Pereira	-	0		0	0		0
Tito Manuel das Neves Magalhães Basto	-	0		0	0		0
Mário Paulo Bettencourt de Oliveira	-	0		0	0		0
Paulo Ribeiro da Silva	-	0		0	0		0
Amável Calhau, Ribeiro da Cunha & Associados - SROC	-	0		0	0		0

(1) Directly and through Family Trust

ANNEX II
Shareholder

(Annex referred to in paragraph 4 of Article 448 of the Portuguese Commercial Companies Code)

Shareholder	% of Capital
Banco Espírito Santo, S.A.	100%

There were no transactions involving the Bank's shares in 2013.

ANNEX III
Adoption of the Financial Stability Forum (FSF) and Committee of European Banking Supervisors (CEBS) Recommendations on Transparency of Information and Valuation of Assets

(Bank of Portugal's Circular Letters no. 97/2008/DSB of December 3rd and no. 58/2009/DSB of August 5th)

In its Circular Letter no. 58/2009/DSB of August 5th, 2009, the Bank of Portugal reiterated "the need for institutions to maintain adequate compliance with the recommendations of the Financial Stability Forum (FSF), as well as those issued by the Committee of European Banking Supervisors (CEBS), concerning the transparency of information and the valuation of assets, taking into account the proportionality principle", as set out in Circular Letters no. 46/08/DSBDR of July 15th, 2008 and no. 97/08/DSB of December 3rd, 2008.

The Bank of Portugal recommends the inclusion in the reporting documents of a specific chapter or annex exclusively dedicated to the issues dealt with in the CEBS and FSF recommendations.

This chapter aims to ensure compliance with the Bank of Portugal's recommendation, including references to where the information provided may be found within the Management Report or in the Notes to the Financial Statements for fiscal years 2012 and 2013.

I. BUSINESS MODEL

1. Description of the business model

A description of Banco Espírito Santo de Investimento's business model is provided in Point 5 of the Management Report. The performance of the main business areas (operational segments) of the Group is also presented in Note 4[1].

2. Strategy and objectives

A description of the Group's strategy and objectives is provided in Point 4 of the Management Report.

3., 4. and 5. Activities developed and contribution to the business

Point 5 of the Management Report and Note 4 contain information about the activity and contribution to the business.

[1] The numbering refers to the Notes to the Consolidated Financial Statements.

II. RISK AND RISK MANAGEMENT

6. and 7. Description and nature of the risks incurred

Point 7 of the Management Report describes how the risk management function is organised within Banco Espírito Santo de Investimento.

Note 43 contains diverse information that allows the market to form a thorough perception about the risks incurred by Banco Espírito Santo de Investimento and the management mechanisms in place to monitor and control such risks.

III. IMPACT OF THE PERIOD OF FINANCIAL TURMOIL ON THE RESULTS

8.,9., 10 and 11. Qualitative and quantitative description of the results and comparison of impacts between periods

During 2012 activity was conducted in a climate of adverse economic and financial conditions in Portugal and in Europe in general. This led to a further deterioration of credit risk, and consequently the Bank reinforced provisions by a total of EUR 46.2 million (EUR 2.1 million more than in 2011). The situation of the financial markets and sovereign risk context, influenced by the effects of the monetary policy measures implemented by the ECB, had a positive impact on the value of financial assets, leading to a EUR 11.3 million increase in the fair value reserve.

The referred adverse factors persisted during 2013, leading to a new increase in risk. As a result, the Bank increased provisions by a total of EUR 59.5 million (EUR 13.3 million more than in 2012).

12. Decomposition of realised and non-realised write-downs

Profits and losses in financial assets and liabilities held for trading, in financial assets and liabilities at fair value through profit or loss and in financial assets available for sale are detailed by financial instrument in Notes 7 and 8. In addition, non-realised gains and losses on financial assets available for sale are detailed in Notes 19 and 39.

13. Impact of the financial turmoil on the Bank's share price

Not applicable to Banco Espírito Santo de Investimento.

14. Maximum loss risk

Point 7 of the Management Report and Note 43 contain the relevant information about potential losses in market stress situations.

15. Debt issued by Banco Espírito Santo de Investimento and results

Note 42 contains information on the impact of debt revaluation and the methods used to calculate this impact on the results.

IV. LEVEL AND TYPE OF EXPOSURES AFFECTED BY THE PERIOD OF FINANCIAL TURBULENCE

16. Nominal and fair value of exposures

17. Credit risk mitigators

18. Information about Banco Espírito Santo de Investimento's exposures

As at December, 31st, 2012 the Bank's exposure to Portuguese public debt totalled EUR 14.5 million. As regards exposures to public debt of other peripheral countries, the Bank had EUR 156.5 million of Spanish public debt.

As at December 31st, 2013 the Bank's exposure to Portuguese public debt was EUR 199.8 million. Its exposure to Spanish and Greek public debt was EUR 242.4 million and EUR 29.5 million, respectively.

The information about the Group's exposures is provided in Note 43.

19. Movement in exposures between periods

Note 43 contains diverse information comparing the exposures and results in 2012 and 2013. The disclosed information is considered sufficient, given the detail and quantification provided.

20. Non-consolidated exposure

Non applicable to Banco Espírito Santo de Investimento.

21. Exposure to monoline insurers and quality of the assets insured

Banco Espírito Santo de Investimento does not have exposures to monoline insurers.

V. ACCOUNTING POLICIES AND VALUATION METHODS

22. Structured Products

These situations are described in Note 2 – Summary of Significant Accounting Policies.

23. Special Purpose Entities (SPEs) and consolidation

Non applicable to Banco Espírito Santo de Investimento.

24. and 25. Fair value of financial instruments

See the comments to item 16 of this Annex. Notes 2 and 42 refer to the conditions for utilisation of the fair value option as well as the methodology used to value the financial instruments.

VI. OTHER RELEVANT ASPECTS OF DISCLOSURE

26. Description of the disclosure policies and principles

Banco Espírito Santo de Investimento, within the context of accounting and financial information disclosure, aims to satisfy all the regulatory requirements, defined by the accounting standards or by the supervisory and regulatory entities.

At the same time, the Bank aims to meet the best market practices in information disclosure, balancing the cost of preparing the relevant information with the benefit that it may provide to the users.

From the information made available to the Bank's shareholders, clients, employees, supervisory entities and the public in general, we highlight the Management Report, the Financial Statements and the respective Notes, and the Market Discipline Report.

The Management Report and Financial Statements, released on a semi-annual basis, are prepared using the International Financial Reporting Standards (IFRS) that comply with the highest degree of disclosure and transparency and facilitate comparison to other domestic and international banks.

The Market Discipline Report is mainly of a prudential nature and aims to comply with the disclosure requirements foreseen in Pillar III of the Basel II Accord.

The website (www.espiritosantoib.com) is used as a favoured tool for disclosing all the relevant information about Banco Espírito Santo de Investimento.

Whenever necessary, Banco Espírito Santo de Investimento promptly releases information on relevant facts.

ANNEX IV
Corporate Governance Structures and Practices

(Article 245 – (4) of the Portuguese Securities Code)

Qualified holdings in the company's share capital

The share capital of Banco Espírito Santo de Investimento, S.A. ("Bank") is fully owned by Banco Espírito Santo, S.A.

Identification of the shareholders that detain special rights and a description of those rights

The Bank's share capital is entirely represented by ordinary shares.

Possible restrictions on voting rights, such as limitations on the voting rights dependent on holding a certain number or percentage of shares, deadlines imposed on the right to vote, or key rights of patrimonial content

Shareholders or groups of shareholders who hold a minimum of one hundred shares at least five days prior to the date of the Bank's Annual General Meeting are entitled to participate in the meeting. Each one hundred shares are entitled to one vote.

Rules governing the appointment and replacement of members of the management body and the amendment of the articles of association

The members of the Board of Directors are elected by the Annual General Meeting. There are no specific rules concerning the replacement of Board Members. Any replacements shall be made in accordance with the terms set out in the Companies Code.

There are no specific rules concerning changes to the Bank's articles of association. Any such changes shall be made under the general terms foreseen in the Companies Code.

Powers of the management body, particularly as regards to resolutions on capital increase

The Board of Directors does not hold at present any powers to resolve on capital increases since the statutory provision regarding this issue expired as a result of the last capital increase decided by the Single Shareholder.

Key features of the internal control and risk management systems implemented in the Company in relation to the financial reporting process

> Internal Control System

The Bank has in place an effective internal control system which is managed by the Compliance Department.

The Compliance Department, together with the heads of the relevant processes, is responsible for maintaining all the Bank's internal control system documentation, and for guaranteeing an overall perspective and integrated management of the entire internal control system of Banco Espírito Santo de Investimento Group, thus contributing to the reliability of the financial information, the protection of assets and the adequate prevention of risks.

The Compliance Department is also responsible for internal reporting, as well as for external reporting to the various national and international regulatory authorities, thus ensuring an overall perspective and integrated management of the internal control system.

> Risk Control System

At the Banco Espírito Santo de Investimento Group, the risk function is organised in such a way as to cover the credit, market, liquidity, interest rate, exchange rate, operational, and compliance risks.

The definition of BES Group's risk appetite is the responsibility of its Executive Committee that is also responsible for establishing general principles of risk management and control and guaranteeing that the Group possesses the necessary skills and resources to meet the established objectives.

Risk management functions and responsibilities are defined according to the "Three Lines of Defense" system, which clearly defines the delegation of powers and communication channels formally adopted in the Group's policies. This segregation of functions is fundamental to align incentives and control and manage risk (the risk control system is described in detail in Point 7 – Integrated Risk Management, of the Management Report).

At operational level, the Bank's risk analysis and risk control teams work closely and in coordination with BES's Global Risk Department, which centralises the Risk function of the Banco Espírito Santo Group at domestic and international levels, covering every category of risk: credit, market, liquidity, interest rate, balance sheet and operational.

Within this relationship, the investment banking risk management function is guided on the following principles:

- Permanent and ongoing assessment of risk;
- Pre-established tolerance limits which take into account solvency levels and risk/return optimisation;
- Risk analysis, quantification, control and monitoring by entities that are independent from the business areas;
- Use of different methodologies, namely internal and external ratings (the latter supplied by the leading international rating agencies), VaR and sensitivity and exposure analyses;
- Analysis of the specific factors for each market where the Bank operates, as well as for each portfolio (trading, investment or held to maturity).

Risk control and supervision are carried out by the Bank's Executive Committee, which delegates the setting of rules and procedures and the approval of transactions and tolerance limits to the Credit and Risk Management Committee, and the definition and monitoring of balance sheet and liquidity management policies to the Assets and Liabilities Committee (ALCO).

ANNEX V
Bank of Portugal Reference Indicators
(Notice 23/2011 and 32/2013 of Bank of Portugal)

Bank of Portugal Reference Indicators (Consolidated basis)	2013	2012
SOLVENCY		
Regulatory Capital / Risk Weighted Assets	11,1%	12,0%
TIER I / Risk Weighted Assets	11,0%	11,6%
Core Tier I / Risk Weighted Assets	11,0%	11,6%
ASSET QUALITY		
Overdue and Doubtful Loans / Gross Loans	2,36%	0,65%
Overdue and Doubtful Loans net of Impairments / Total Net Loans	2,30%	0,61%
Credit at Risk / Gross Loans	11,85%	9,84%
Credit at Risk (net) / Net Loans	7,50%	5,74%
Restructured Credit / Gross Loans	30,94%	32,19%
Restructured Credit not included in Credit at Risk / Gross Loans	19,12%	22,36%
PROFITABILITY		
Income before Taxes and Minorities / Average Total Equity	2,3%	6,0%
Banking Income / Average Net Assets	3,9%	4,0%
Income before Taxes and Minorities / Average Net Assets	0,2%	0,6%
EFFICIENCY		
Staff Costs + General and Administrative Expenses + + Depreciation / Banking Income	69,3%	67,4%
Staff Costs / Banking Income	42,3%	42,6%
LOANS TO DEPOSITS RATIO		
(Gross Loans - Provisions) / Costumer Deposits	234,3%	257,5%

Bank of Portugal Reference Indicators (Individual basis)	2013	2012
SOLVENCY		
Regulatory Capital / Risk Weighted Assets	15,8%	15,8%
TIER I / Risk Weighted Assets	15,8%	14,9%
Core Tier I / Risk Weighted Assets	16,7%	14,8%
ASSET QUALITY		
Overdue and Doubtful Loans / Gross Loans	1,55%	0,41%
Overdue and Doubtful Loans net of Impairments / Total Net Loans	1,45%	0,30%
Credit at Risk / Gross Loans	14,71%	12,28%
Credit at Risk (net) / Net Loans	10,32%	2,69%
Restructured Credit / Gross Loans	35,39%	32,56%
Restructured Credit not included in Credit at Risk / Gross Loans	20,68%	20,28%
PROFITABILITY		
Income before Taxes and Minorities / Average Total Equity	-0,2%	7,3%
Banking Income / Average Net Assets	4,0%	4,8%
Income before Taxes and Minorities / Average Net Assets	0,0%	0,8%
EFFICIENCY		
Staff Costs + General and Administrative Expenses + + Depreciation / Banking Income	65,9%	55,8%
Staff Costs / Banking Income	37,1%	33,0%
LOANS TO DEPOSITS RATIO		
(Gross Loans - Provisions) / Costumer Deposits	722,2%	1.108,9%

ANNEX VI

Remuneration of the Board of Directors and Supervisory Board Members and Relevant Staff (Senior Managing Directors and Control Functions Staff)

1) Annual amount of the fixed and variable remunerations paid by Banco Espírito Santo de Investimento, S.A. or companies under its control in 2013 to each of the members of the Board of Directors and Supervisory Board:

Board of Directors

(EUR)

Executive Members of the Board of Directors	BESI and Branches			Subsidiaries			Total		
	Fixed Remuneration	Variable Remuneration (1)	Total Remuneration	Fixed Remuneration	Variable Remuneration (1)	Total Remuneration	Fixed Remuneration	Variable Remuneration	Total Remuneration
José Maria Espírito Santo Silva Ricciardi	529,660.33	76,166.00	605,826.33			0.00	529,660.33	76,166.00	605,826.33
Francisco Ravara Cary	409,008.80	61,912.00	470,920.80			0.00	409,008.80	61,912.00	470,920.80
Rafael Caldeira de Castel-Branco Valverde	362,311.91	43,151.00	405,462.91			0.00	362,311.91	43,151.00	405,462.91
Miguel António Igrejas Horta e Costa	357,139.09	6,737.00	363,876.09			0.00	357,139.09	6,737.00	363,876.09
Ricardo Abecassis Espírito Santo Silva				355,935.15	60,271.03	416.206 [b)]	355,935.15	60,271.03	416,206.18
Christian Georges Jacques Minzolini [a)]	78,869.88	21,256.00	100,125.88	261,000.00		261.000 [c)]	339,869.88	21,256.00	361,125.88
Diogo Luís Ramos de Abreu [a)]	383,267.11	16,196.00	399,463.11			0.00	383,267.11	16,196.00	399,463.11
Luís Miguel Pina Alves Luna Vaz	135,992.98	60,283.00	196,275.98	198,000.00		198.000 [d)]	333,992.98	60,283.00	394,275.98
Paulo José Lameiras Martins	335,477.99	60,231.00	395,708.99			0.00	335,477.99	60,231.00	395,708.99
Tiago Vaz Pinto Cyrne de Castro	336,365.94	31,220.00	367,585.94			0.00	336,365.94	31,220.00	367,585.94
Félix Aguirre Cabanyes	310,809.83	124,074.58	434,884.41			0.00	310,809.83	124,074.58	434,884.41
Moses Dodo				370,265.79	74,447.71	444.714 [e)]	370,265.79	74,447.71	444,713.50
Frederico dos Reis de Arrochela Alegria [a)]	383,814.55	10,039.00	393,853.55			0.00	383,814.55	10,039.00	393,853.55
Alan do Amaral Fernandes [f)]				287,955.39	214,632.78	502,588.17	287,955.39	214,632.78	502,588.17
Aggregate Total	**3,622,718.41**	**511,265.58**	**4,133,983.99**	**1,473,156.34**	**349,351.51**	**1,822,507.85**	**5,095,874.75**	**860,617.09**	**5,956,491.84**

(1) variable remuneration paid refers to the second 1/3 of the 2010 deferred variable remuneration updated at payment date according to the Remuneration Policy in force
a) it includes a service award according to Union Agreement ("ACT")
b) payment of BRL 1,193,886.90 converted at the average 2013 rate (2.8685)
c) payment of PLN 1,097,809.51 converted at the average 2013 rate (4.2061)
d) payment of GBP 168,637.10 ao câmbio médio de 2013 (0.8517)
e) payment of USD 590,624 ao câmbio médio de 2013 (1.3281)
f) appointed Executive Member in 2013

The non-executive Members of the Board of Directors:

Ricardo Espírito Santo Silva Salgado;
Amílcar Carlos Ferreira de Morais Pires;
Bernard Marcel Fernand Basecqz;
Duarte José Borges Coutinho Espírito Santo Silva;
João Filipe Espírito Santo de Brito e Cunha;
José Manuel Pinheiro Espírito Santo Silva;
Nicholas Mark Finegold;
Pedro Mosqueira do Amaral; and
Philippe Gilles Fernand Guiral,

did not receive any fixed or variable remuneration paid by Banco Espírito Santo de Investimento, S.A. or companies under its control for the duties performed during the year 2013.

The Members of the Supervisory Board of Banco Espírito Santo de Investimento, S.A. did not receive any variable remuneration in 2013, having been paid the following fixed remunerations:

Supervisory Board

(EUR)

Supervisory Board Members	BESI and Branches Total Remuneration
José Manuel Macedo Pereira	12,000
Tito Manuel das Neves Magalhães Basto	9,000
Mário Paulo Bettencourt de Oliveira	9,000

The Deputy Members of the Supervisory Board, Nuno Espírito Santo Leite de Faria and Paulo Ribeiro da Silva, did not receive any fixed or variable compensation paid by Banco Espírito Santo de Investimento, S.A. or companies under its control for the duties performed during the year 2013.

Statutory Auditor

(EUR)

Statutory Auditor	BESI and Branches Total Remuneration
Amável Calhau, Ribeiro da Cunha & Associados	82,000

2) Amount and type of variable remuneration received by the members of the Board of Directors:

a. Variable Remuneration relative to financial year 2013 (determined by the Remuneration Committee on March 31st, 2014):

(EUR)

Executive Members of the Board of Directors	Cash Amount	Non-Cash Amount	MTVR (non-cash)
José Maria Espírito Santo Silva Ricciardi			35,000
Francisco Ravara Cary			35,000
Rafael Caldeira de Castel-Branco Valverde			35,000
Miguel António Igrejas Horta e Costa			35,000
Ricardo Abecassis Espírito Santo Silva			35,000
Christian Georges Jacques Minzolini			35,000
Diogo Luís Ramos de Abreu			35,000
Luís Miguel Pina Alves Luna Vaz			35,000
Paulo José Lameiras Martins			35,000
Tiago Vaz Pinto Cyrne de Castro			35,000
Félix Aguirre Cabanyes			35,000
Moses Dodo			0
Frederico dos Reis de Arrochela Alegria			35,000
Alan do Amaral Fernandes			35,000
Aggregate Total	**0**	**0**	**455,000**

All deferred payments are dependent on the verification of the assumptions related to the performance of the Bank that are defined in the Remuneration Pc

b. Variable remuneration relative to previous years (due but not paid):

(EUR)

Executive Members of the Board of Directors	2010 Cash Amount to be paid in 2014	2010 Non-Cash Amount to be paid in 2014	2010 MTVR (non-cash) to be paid in 2014	2011 Cash Amount to be paid in 2015	2011 Non-Cash Amount to be paid in 2015	2011 MTVR (non-cash) to be paid in 2015	2012 Cash Amount to be paid in 2016	2012 Non-Cash Amount to be paid in 2016	2012 MTVR (non-cash) to be paid in 2016
José Maria Espírito Santo Silva Ricciardi		70,642							100,000
Francisco Ravara Cary		57,421				50,000			100,000
Rafael Caldeira de Castel-Branco Valverde		40,022				50,000			100,000
Miguel António Igrejas Horta e Costa		6,249				50,000			100,000
Ricardo Abecassis Espírito Santo Silva		68,500				50,000			100,000
Christian Georges Jacques Minzolini		19,715				50,000			100,000
Diogo Luís Ramos de Abreu		15,021				50,000			100,000
Luís Miguel Pina Alves Luna Vaz		55,910				50,000			100,000
Paulo José Lameiras Martins		55,863				50,000			100,000
Tiago Vaz Pinto Cyrne de Castro		28,956				50,000			100,000
Félix Aguirre Cabanyes		115,076				50,000			100,000
Moses Dodo		64,547				50,000			100,000
Frederico dos Reis de Arrochela Alegria		9,311				50,000			100,000
Alan do Amaral Fernandes						0			0
Total Agregado	**0**	**607,232**	**0**	**0**	**0**	**600,000**	**0**	**0**	**1,300,000**

All deferred payments are dependent on the verification of the assumptions related to the performance of the Bank that are defined in the Remuneration Policy in force

c. Variable remuneration relative to previous years that was cancelled:

(EUR)

Executive Members of the Board of Directors	2010 MTVR Variable (non-cash) Remuneration Cancelled
José Maria Espírito Santo Silva Ricciardi	100,000
Francisco Ravara Cary	75,000
Rafael Caldeira de Castel-Branco Valverde	75,000
Miguel António Igrejas Horta e Costa	50,000
Ricardo Abecassis Espírito Santo Silva	75,000
Christian Georges Jacques Minzolini	50,000
Diogo Luís Ramos de Abreu	50,000
Luís Miguel Pina Alves Luna Vaz	50,000
Paulo José Lameiras Martins	50,000
Tiago Vaz Pinto Cyrne de Castro	50,000
Félix Aguirre Cabanyes	75,000
Moses Dodo	75,000
Frederico dos Reis de Arrochela Alegria	50,000
Alan do Amaral Fernandes	0
Aggregated Total	**825,000**

Note: As of March 18t[h], 2014, the conditions foreseen in the "Variable Remuneration Plan Based on Financial Instruments for the Executive Members of the Board of Directors of Banco Espírito Santo de Investimento, S.A." were not met. Therefore the above mentioned Medium-Term Variable Remuneration (non-cash) was cancelled.

3) Relevant Staff (Senior Managing Directors and Control Functions Staff)

a. Annual amount of the fixed and variable remunerations paid by Banco Espírito Santo de Investimento, S.A. or companies under its control in 2013 to Senior Managing Directors and Control Functions Staff:

(EUR)

Staff	Fixed Remuneration	2012 Variable Remuneration paid in 2013	Deferred Remuneration paid in 2013 (1)	BESI and Branches
				Total Remuneration
Senior Managing Directors	5,040,305	1,096,522	500,807	6,637,634
Risk Control	601,293	58,052		659,344
Compliance	749,785	102,030		851,815
Internal Audit (2)	-	-	-	-

(1) 2010 and 2011 Deferred Variable Remuneration, updated at payment date according to the Remuneration Policy in force

(2) Internal Audit activity is developed by Internal Audit of Banco Espírito Santo, S.A.

b. Variable remuneration relative to previous years:

(EUR)

Staff	2010 Cash Amount to be paid in 2014	2010 Non-Cash Amount to be paid in 2014	2010 MTVR (non-cash) to be paid in 2014	2011 Cash Amount to be paid in 2015	2011 Non-Cash Amount to be paid in 2015	2011 MTVR (non-cash) to be paid in 2015	2012 Cash Amount to be paid in 2016	2012 Non-Cash Amount to be paid in 2016	2012 MTVR (non-cash) to be paid in 2016
Senior Managing Directors		244.102	475.000		65.278	625.000		81.945	1.400.000
Risk Control									
Compliance									
Internal Audit (1)									
Aggregated Total	**0**	**244.102**	**475.000**	**0**	**65.278**	**625.000**	**0**	**81.945**	**1.400.000**

(1) Internal Audit activity is developed by Internal Audit of Banco Espírito Santo, S.A.

4) Number of Senior Managing Director or Control Functions Staff hired in the year:

Staff	
Senior Managing Directors	0
Risk Control	2
Compliance	1

5) Amount of payments made or annually due to early termination of labour contract with Senior Managing Directors and Control Functions Staff, number of beneficiaries of such payments and largest payment made

No such payments were made or due in 2013.

ANNEX VII
Statement on the Remuneration Policy of the Board of Directors and Supervisory Board Members

Remuneration Committee of
Banco Espírito Santo de Investimento, S.A.

STATEMENT ON THE REMUNERATION POLICY OF THE MEMBERS OF THE BOARD OF DIRECTORS AND SUPERVISORY BOARD

(to be submitted to the 2014 Annual General Meeting)

Law No. 28/2009 of June 19th has imposed on public interest entities, whose scope includes credit institutions, the obligation to submit every year to the general meeting of shareholders, for approval, a statement on the remuneration policy of the members of the management and supervisory bodies.

The Annual General Meeting held on April 5th, 2010 approved the remuneration policy of the members of the Board of Directors and Supervisory Board of Banco Espírito Santo de Investimento, S.A. (the “Remuneration Policy”).

Following the enactment of Decree-Law no. 88/2011, of June 20th and publication of Bank of Portugal’s Notice no. 10/2011, the Remuneration Committee suggested certain amendments to the Remuneration Policy, such amendments having been approved by the 2012 Annual General Meeting.

In 2013 the Remuneration Committee suggested minor changes to the Remuneration Policy, which were approved by the 2013 Annual General Meeting.

Based on its assessment of Banco Espírito Santo de Investimento’s remuneration structure, in 2014 the Remuneration Committee concluded that the Remuneration Policy was generally up-to-date, only suggesting some changes which are duly indicated in the attached document.

Considering the above, Banco Espírito Santo de Investimento's Remuneration Committee proposes that the General Meeting approve the present statement, of which the «Remuneration Policy of the Members of the Board of Directors and Supervisory Board» attached hereto forms an integral part.

Lisbon, March 31st, 2014

The Remuneration Committee of
Banco Espírito Santo de Investimento

(Illegible signature)
(Jorge Abreu)

(Illegible signature)
(José Manuel Galvão Teles)

(Illegible signature)
(Jacques dos Santos)

REMUNERATION POLICY OF THE MEMBERS OF THE MANAGEMENT AND SUPERVISORY BODIES

I. KEY REGULATORY ASPECTS

From the end of 2009 to early 2010, new rules and recommendations were published on the remuneration of corporate bodies, namely Law 28/2009, of June 19th, a new Corporate Governance Code, the Portuguese Securities Market Commission (CMVM) Regulation no. 1/2010, Bank of Portugal's Notice no. 1/2010 and its Circular Letter no. 2/2010/DSB.

In line with these regulatory developments, the General Meeting of April 5th, 2010 approved the Remuneration Policy for the Members of the Board of Directors and Supervisory Board submitted by the Remuneration Committee of Banco Espírito Santo de Investimento ("Bank").

The publication in 2011 of Decree-Law no. 88/2011, of June 20th, and the release early in 2012 of Bank of Portugal Notice no. 10/2011, imposed new requirements regarding remuneration, including the obligation to set up an advisory committee – the Remuneration Advisory Committee – responsible for preparing decisions and submitting proposals concerning remuneration. This new framework made it necessary to introduce adjustments to the Remuneration Policy, such adjustments having been approved by the Remuneration Committee on March 20th, 2012, and by the General Meeting on March 21st, 2012.

In March 2013 the Remuneration Policy was again amended in order to include the legal duties of the Remuneration Advisory Committee. These amendments were approved by the Remuneration Committee on March 20th, 2013, and by the General Meeting on March 21st, 2013.

II. REMUNERATION POLICY FOR THE MEMBERS OF THE BANK'S BOARD OF DIRECTORS AND SUPERVISORY BOARD

1. Approval of the remuneration policy

1.1 Approval

The remuneration policy of the Bank's management and supervisory bodies is approved by the Remuneration Committee and the General Meeting.
The publication of Decree-Law no. 88/2011, of June 20th, and Bank of Portugal Notice no. 10/2011 made it obligatory to set up a remuneration advisory committee (an advisory body formed by non-executive directors), with responsibility for preparing decisions regarding remuneration, including decisions with implications on the institution's risks and risk management, which must be taken by the Remuneration Committee and the General Meeting.

1.2 Remuneration Advisory Committee – responsibilities, mandate and composition

The Remuneration Advisory Committee is an advisory body with the following main responsibilities:

(i) Draw up proposals and recommendations on the setting of the remuneration of the members of the Board of Directors and Supervisory Board, and of the officers with the highest total remuneration in the Company;

(ii) Assess the executive Board Members in accordance with the criteria set out in the Remuneration Policy;

(iii) Provide all necessary assistance and issue recommendations to support the approval process of the Company's general remuneration policy;

(iv) Resort to external consultancy services, in an adequate manner and proportionally to the size and complexity of the institution in question, or to internal consultancy services about matters under its competence;

(v) Test the capacity of the remuneration system implemented to react to external and internal events, using various possible scenarios and back testing the model used for the purpose;

(vi) Ensure that a revision is made, at least once a year, of the company's remuneration policy and of its implementation, with the objective of guaranteeing:
i) that the policy is effectively implemented;
ii) that the remuneration payments are adequate and consistent with the institution's risk profile and long-term objectives;
iii) that the policy complies with the legislation and regulations in force as well as with applicable national and international principles and recommendations.

(vii) Report to the General Meeting on the exercise of its functions once a year, including a reasoned opinion on the adequacy of the remuneration policy and any amendments which it may deem necessary;

(viii) Attend the general meetings in which the remuneration policy is included in the agenda, and provide any information requested by the general meeting.

The Remuneration Advisory Committee was elected by the General Meeting of March 21st, 2013 for the current 2013-2016 mandate, and is composed of the following non-executive members of the Board of Directors:

Chairman: Ricardo Espírito Santo Silva Salgado;
José Manuel Pinheiro Espírito Santo Silva
Amílcar Carlos Ferreira de Morais Pires

1.3 Remuneration Committee – responsibilities, mandate and composition

Under the terms of Article 18 of the Bank's bylaws, it is up to the Remuneration Committee to establish the remuneration of the members of the Board of Directors and Supervisory Board.
The remuneration of the members of the Board of Directors and Supervisory Board is set by the Remuneration Committee up to the end of April of each year, based on the principles and rules laid down in this Policy and upon a proposal submitted by the Remuneration Advisory Committee.
The Remuneration Committee was elected by the General Meeting of March 21st, 2013 for the current 2013-2016 mandate, and is composed of the following members:

Chairman:	José Manuel Galvão Teles
	Jorge de Abreu
	Jacques dos Santos

1.4. External Consultants, coordination with BES and other intervenients

The Remuneration Policy of the members of the Board of Directors and Supervisory Board approved by the Remuneration Committee and by the Annual General Meeting of April 5th, 2010, followed the guidelines established by Banco Espírito Santo, S.A., with the support of surveys conducted by Mercer Ldt, an external consultancy firm.
The Remuneration Policy and subsequent amendments were drawn up through close coordination between the Remuneration Advisory Committee, the Remuneration Committee, and members of the control functions and human resources teams.

2. Remuneration of the members of the Supervisory Board

The members of the Supervisory Board receive a fixed monthly remuneration paid twelve times per year. This remuneration is established every year by the Remuneration Committee, upon a proposal of the Remuneration Advisory Committee.

3. Remuneration of the members of the Board of Directors

3.1. Non-Executive Members of the Board of Directors

The non-executive members of the Board of Directors are not remunerated for the exercise of their functions.
Non-executive Directors who hold executive positions in the management body of companies controlled by the Bank, or who carry out specific functions assigned to them by the Board of Directors, may be remunerated by these companies in accordance with the nature of the functions performed, however the total remuneration received shall comply with the present Remuneration Policy.

3.2. Members of the Executive Committee

3.2.1. Criteria for determining the remuneration

Fixed remuneration is determined by the position held by each of the members.
In the case of executive directors responsible for branches and/or subsidiaries abroad, fixed remuneration shall also take into consideration local market practices for identical positions in similar financial institutions.

3.2.2. Composition of the Remuneration

The remuneration of the executive directors consists of a fixed component and a variable component. The fixed component comprises the salary plus the fringe benefits that are attributed to all the employees of the Bank, such as seniority payments or other allowances; the variable component comprises cash, shares or equivalent instruments, and options.

3.2.3. Remuneration limits

The variable remuneration is subject to various limits:

- (i) the variable component of the individual remuneration of executive directors shall not surpass [2] 60% of their total remuneration;
- (ii) the increase in the total variable remuneration in each year shall not surpass the increase in the Bank's consolidated net earnings in that year;
- (iii) at least 50% of the variable remuneration shall be paid in shares, equivalent instruments, and/or stock options;
- (iv) at least 50% of the variable remuneration shall be subject to deferral, and shall only be paid if the Bank's consolidated results are positive.

3.2.4. Balanced remuneration

The fixed component of the remuneration shall represent at least 40% of the total remuneration. The remainder, subject to a maximum limit [3] of 60% of the total, shall be attributed as a variable component. The exact amount of the variable component shall vary in each year in accordance with the level of achievement of the main objectives set in the Business Plan[4], as approved by the Board of Directors.

[2] Wording of the previous version: "shall not surpass on average 60% of their total remuneration".
[3] Wording of the previous version: "average maximum limit of 60%";
[4] Wording of the previous version:: "…in accordance with the level of achievement of the main annual objectives set in the annual budget, as approved by the Board of Directors;

3.2.5. Types of variable remuneration

The variable remuneration is divided into two sub-components:

(i) One component linked to short term performance (the Annual Variable Remuneration); and

(ii) Another component linked to medium term performance (the Medium Term Variable Remuneration).

3.2.6. Annual Variable Remuneration

The Annual Variable Remuneration («AVR») is linked to short- and medium-term performance [5] and will represent up to 50% of the Total Annual Remuneration.
The AVR shall be set at the beginning of each year by the Remuneration Committee, upon a proposal of the Remuneration Advisory Committee. The AVR shall be determined based on the assessment of the short- and medium-term performance of each individual Executive Committee member and of the Bank as a whole, and in accordance with the level of achievement of the main objectives set in the Annual Budget for the previous year and the Business Plan approved by the Board of Directors for the ongoing economic cycle (vide point 3.3.0 - performance assessment criteria). [6]

The AVR is divided into two parts with the same value:

(i) an upfront portion (the "Upfront AVR"), which is paid in cash after the accounts for the year in question have been approved; and

(ii) a deferred portion (the "Deferred AVR") that is paid through the attribution of shares or equivalent instruments in three annual equal instalments (1/3,1/3,1/3) over the three years following that in which it was determined.

Payment of each of the Deferred AVR instalments is conditional upon the Bank posting positive consolidated results.

3.2.7. Medium Term Variable Remuneration

The Medium Term Variable Remuneration ("MTVR") is linked to Medium Term Performance only[7] and will correspond to up to 10% of the Total Annual Remuneration.

The MTVR shall be set[8] at the beginning of each year by the Remuneration Committee, upon a proposal of the Remuneration Advisory Committee, according to the assessment of the medium-term performance[9] of each individual Executive Committee member and of the Bank as a whole, and with the level of achievement of the main objectives set for the ongoing economic cycle.

[5] Wording of the previous version: "The Annual Variable Remuneration («AVR») is linked to short term performance and will represent up to 50% of the Total Annual Remuneration."

[6] Wording of the previous version: The AVR is calculated at the beginning of each year, based on performance in the previous year. It is determined by the Remuneration Committee, upon a proposal of the Remuneration Advisory Committee, in accordance with the assessment of the short term performance of each individual Executive Committee member and of the Bank as a whole, and with the level of achievement of the main annual objectives set in the annual budget for the previous year, as approved by the Board of Directors (*vide* point 3.3.0 - performance assessment criteria)";

[7] The word "*only*" was newly introduced in the 2014 version;

[8] The previous version used the expression "is calculated" instead of "shall be set";

[9] Wording of the previous version " … based on the previous year's assessment and in accordance with the medium term performance";

The MTVR consists in the attribution of acquisition rights and/or options on shares in the Bank or equivalent instruments (instruments issued by the Bank whose value is linked to the book value of the shares), which can only be exercised three years after their date of attribution. The Remuneration Committee[10] shall establish an amount in euro corresponding to a certain number of acquisition rights and/or options.

The MTVR will be linked to the sustainability of the Bank's indicators, and calculated in accordance with the global return afforded to the shareholders over three years, such return deriving from dividends paid added to the increase in the Bank's book value per share, corrected for the effects of any capital increases made by the shareholders, in cash or in kind.

3.2.8. Regulation on the Attribution of Shares and/or Options and/or other Financial Instruments

The rules on attribution of shares, share rights, equivalent instruments and options to the members of the Executive Committee are set out in a specific Regulation (the Variable Remuneration Plan Based on Financial Instruments for the members of the Executive Committee of Banco Espírito Santo de Investimento, S.A.), which is attached hereto.

3.2.9. Mechanisms of Limitation of the Variable Remuneration

The Variable Remuneration is subject to the following general limitations:

(i) the average variable remuneration of the executive directors shall not exceed [11] 60% of their total remuneration;

(ii) the increase in the total variable remuneration in each year shall not be higher than the increase in the Bank's net consolidated earnings in that year;

(iii) at least 50% of the variable remuneration shall be paid in shares and/or equivalent instruments, thus being limited by the book value performance of the Bank's shares;

(iv) at least 50% of the variable remuneration is subject to deferral over a 3-year period;

(v) outstanding instalments on the deferred variable remuneration shall not be paid unless the Bank's consolidated results are positive.

3.3.0. Performance Assessment Criteria

The executive directors' performance is assessed based on the following indicators:

Net Income for the year – this indicator translates the contribution to shareholders from the earnings generated in each year;
Return on Equity (ratio of net income to equity) – this indicator measures the net income generated with the funds invested by the shareholders;
Total Shareholder Return – this indicator reflects the change in the Bank's shareholders' equity added of dividends distributed and deducted of the impacts from any capital increases, in cash or in kind;

[10] The previous version mistakenly referred the Remuneration Advisory Committee instead of the Remuneration Committee;
[11] Wording of the previous version: "the average variable remuneration of the executive directors shall not exceed on average 60% of their total remuneration";

Individual performance of each member of the Executive Committee – this permits to identify the relative contribution of each executive director to the Bank's overall results; it is objectively assessed through the analysis of the performance of the functions and departments under their responsibility, as well as from their individual contribution to decisions taken collectively;

Core Tier 1 Ratio – the main indicator used to measure solvency from the regulatory standpoint.

Compliance with the main rules applying to the institution's activity – this is assessed by the Internal Control functions to identify any lack of conformity in the areas of risk, internal audit and compliance and the measures implemented to remedy such inadequacies, which are reported to the Bank of Portugal.

The above mentioned indicators shall refer to a period of three years[12].

3.3.1. Criteria concerning the retention by the Executive Directors of Shares or Equivalent Instruments attributed to them

Up to the end of their term of office, the members of the Executive Committee shall hold, up to twice the value of the total annual remuneration, the shares or equivalent instruments that were acquired by virtue of the payment of the variable remuneration, with the exception of those that must be sold for the payment of taxes on gains obtained from said shares or equivalent instruments.

3.3.2. Criteria governing agreements on the Shares or Equivalent Instruments attributed

The acquisition of shares or equivalent instruments by the Bank after the established retention period and before their admission to trading is foreseen. The shares shall be purchased by the Bank at book value (with reference to the last financial year) within a maximum of 20 days after the end of the period of retention.

3.3.3. Main parameters and rationale for any annual bonus scheme and any other non-cash benefits

There are no other forms of remuneration in place besides the fixed and variable remuneration described in this Remuneration Policy.

3.3.4. Remuneration paid in the form of a share in the profits and/or the payment of bonuses and the rationale behind the act of awarding such bonuses and/or share in profits

There are no other forms of remuneration in place besides the fixed and variable remuneration described in this Remuneration Policy.

3.3.5. Compensation paid or owed to former executive directors in relation to early contract termination

No such compensation was paid or is owed.

12 This paragraph was newly introduced in the 2014 version;

3.3.6. Contractual limitations on compensation due for directors' dismissal without due cause and relationship with the variable component of the remuneration

There are no agreements in place that establish amounts to be paid to members of the Executive Committee in case of dismissal without due cause.

3.3.7. Main characteristics of the supplementary pension or early retirement schemes set up for directors, with indication of whether such schemes were submitted to the general meeting for assessment

Directors resident in Portugal and/or those covered by the Collective Wage Agreement for the banking sector ("ACT") are entitled to receive retirement pensions or complementary pension benefits for old age or disability, due to disease or invalidity, or on reaching 65 years of age, under the following terms:

(i) the right to receive a retirement pension or complementary pension benefits falls due on reaching sixty five years of age, or thirty five years of professional activity, or in the event of disability, in accordance with the terms of clause 137 of the ACT.

(ii) the complementary pension benefits as described herein below.

In any case, retirement pensions or complementary pension benefits shall never exceed the professional salary of the board member in question, although they may be of a lower amount. The pensionable salary grossly corresponds to one hundred percent of the last total annual gross fixed remuneration earned by the board member in question.

The Bank's Pension Fund's Complementary Plan covers the executive directors who meet all of the following conditions: they are covered by the benefits system set forth in the Collective Wage Agreement ("ACT") for the banking system (i.e., they are covered by the pension fund's basic plan); on reaching 65 years of age they have completed 20 full years at the service of BES Group or Espírito Santo Financial Group; they are in the service of the Bank at the time of retirement (namely due to old age or invalidity, and early or late retirement). In this complementary plan, the pensionable salary corresponds to the basic salary plus seniority payments, added of fixed supplements (allowance for fixed working hours exemption and/or supplementary subsidy).

This Complementary Plan was approved by the General Meeting of January 17th, 2012.

3.3.8. An estimate of the non-cash benefits considered as remuneration which do not fall under the categories listed above

There are no non-cash benefits attributed to the members of the Board of Directors.

4. Rules applicable to all the members of the Board of Directors

4.1. Payments for dismissal or voluntary termination of directors

In case the dismissal or voluntary termination of directors is due to inadequate performance of the respective functions, no compensation or indemnity shall be due, nor any payment related to the duration of a notice period or a non-competition clause[13].

No such payments were made in 2013.

4.2. Amounts paid in 2013 to the members of the Board of Directors and Supervisory Board, including amounts paid on any basis by other companies in a group relationship or exercising control over the company

See Attachment.

[13] This paragraph was newly included in 2014.

4.2. 2013 Remuneration paid by Banco Espírito Santo de Investimento or by its subsidiaries to the Members of the Board of Directors and Supervisory Board (EUR)

Executive Members of the Board of Directors	BESI and Branches			Subsidiaries			Total			Total Rem.
	Fixed Remuneration	Variable Remuneration (1)	Total Remuneration	Fixed Remuneration	Variable Remuneration (1)	Total Remuneration	Fixed Remuneration	Variable Remuneration	Total Remuneration	Change 2013/2012
José Maria Espírito Santo Silva Ricciardi	529,660.33	76,166.00	605,826.33			0.00	529,660.33	76,166.00	605,826.33	32%
Francisco Ravara Cary	409,008.80	61,912.00	470,920.80			0.00	409,008.80	61,912.00	470,920.80	13%
Rafael Caldeira de Castel-Branco Valverde	362,311.91	43,151.00	405,462.91			0.00	362,311.91	43,151.00	405,462.91	0%
Miguel António Igrejas Horta e Costa	357,139.09	6,737.00	363,876.09			0.00	357,139.09	6,737.00	363,876.09	14%
Ricardo Abecassis Espírito Santo Silva				355,935.15	60,271.03	416.206 b)	355,935.15	60,271.03	416,206.18	-4%
Christian Georges Jacques Minzolini a)	78,869.88	21,256.00	100,125.88	261,000.00		261.000 c)	339,869.88	21,256.00	361,125.88	14%
Diogo Luís Ramos de Abreu a)	383,267.11	16,196.00	399,463.11			0.00	383,267.11	16,196.00	399,463.11	29%
Luís Miguel Pina Alves Luna Vaz	135,992.98	60,283.00	196,275.98	198,000.00		198.000 d)	333,992.98	60,283.00	394,275.98	0%
Paulo José Lameiras Martins	335,477.99	60,231.00	395,708.99			0.00	335,477.99	60,231.00	395,708.99	12%
Tiago Vaz Pinto Cyrne de Castro	336,365.94	31,220.00	367,585.94			0.00	336,365.94	31,220.00	367,585.94	13%
Félix Aguirre Cabanyes	310,809.83	124,074.58	434,884.41			0.00	310,809.83	124,074.58	434,884.41	0%
Moses Dodo				370,265.79	74,447.71	444.714 e)	370,265.79	74,447.71	444,713.50	-1%
Frederico dos Reis de Arrochela Alegria a)	383,814.55	10,039.00	393,853.55			0.00	383,814.55	10,039.00	393,853.55	29%
Alan do Amaral Fernandes f)				287,955.39	214,632.78	502,588.17	287,955.39	214,632.78	502,588.17	f)
Aggregate Total	**3,622,718.41**	**511,265.58**	**4,133,983.99**	**1,473,156.34**	**349,351.51**	**1,822,507.85**	**5,095,874.75**	**860,617.09**	**5,956,491.84**	**5%**

(1) variable remuneration paid refers to the second 1/3 of the 2010 deferred variable remuneration updated at payment date according to the Remuneration Policy in force

a) it includes a service award according to Union Agreement ("ACT")

b) payment of BRL 1,193,886.90 converted at the average 2013 rate (2.8685)

c) payment of PLN 1,097,809.51 converted at the average 2013 rate (4.2061)

d) payment of GBP 168,637.10 ao câmbio médio de 2013 (0.8517)

e) payment of USD 590,624 ao câmbio médio de 2013 (1.3281)

f) appointed Executive Member in 2013

Deferred Variable Remuneration

(EUR)

Executive Members of the Board of Directors	2011 Cash Amount	2011 Non-Cash Amount	2011 MTVR (non-cash) to be paid in 2015	2012 Cash Amount	2012 Non-Cash Amount	2012 MTVR (non-cash) to be paid in 2016	2013 Cash Amount	2013 Non-Cash Amount	2013 MTVR (non-cash) to be paid in 2017
José Maria Espírito Santo Silva Ricciardi			75,000.00			100,000.00			35,000.00
Francisco Ravara Cary			50,000.00			100,000.00			35,000.00
Rafael Caldeira de Castel-Branco Valverde			50,000.00			100,000.00			35,000.00
Miguel António Igrejas Horta e Costa			50,000.00			100,000.00			35,000.00
Ricardo Abecassis Espírito Santo Silva			50,000.00			100,000.00			35,000.00
Christian Georges Jacques Minzolini			50,000.00			100,000.00			35,000.00
Diogo Luís Ramos de Abreu			50,000.00			100,000.00			35,000.00
Luís Miguel Pina Alves Luna Vaz			50,000.00			100,000.00			35,000.00
Paulo José Lameiras Martins			50,000.00			100,000.00			35,000.00
Tiago Vaz Pinto Cyrne de Castro			50,000.00			100,000.00			35,000.00
Félix Aguirre Cabanyes			50,000.00			100,000.00			35,000.00
Moses Dodo			50,000.00			100,000.00			0.00
Frederico dos Reis de Arrochela Alegria			50,000.00			100,000.00			35,000.00
Alan do Amaral Fernandes			0.00			0.00			35,000.00
Aggregate Total	**0.00**	**0.00**	**675,000.00**	**0.00**	**0.00**	**1,300,000.00**	**0.00**	**0.00**	**455,000.00**

All deferred payments are dependent on the verification of the assumptions related to the performance of the Bank that are defined in the Remuneration Policy in force

(EUR)

Supervisory Board Members	BESI and Branches
José Manuel Macedo Pereira	12,000.00
Tito Manuel das Neves Magalhães Basto	9,000.00
Mário Paulo Bettencourt de Oliveira	9,000.00

(EUR)

Statutory Auditor	BESI and Branches
Amável Calhau, Ribeiro da Cunha & Associados	82,000.00

ANNEX VIII
Excerpts from minutes of the Annual General Meeting held on May 2nd, 2014

Excerpts from Minutes Number Seventy Six of the Annual General Shareholders' Meeting of Banco Espírito Santo de Investimento, S.A., held on May 2nd, 2014, relating to the approval of the Annual Report and Accounts for the financial year ended 2013 and the proposal for the distribution of the 2013 results.

"On May second in the year two thousand and fourteen at 16:00 the Annual General Meeting of BANCO ESPÍRITO SANTO DE INVESTIMENTO, S.A., with tax and commercial registration number 501,385,932, registered in the Commercial Registry Office of Lisbon, and share capital, fully paid up, of three hundred twenty six million, two hundred sixty nine thousand euros, was held at its registered office in Lisbon, at Edifício Quartzo, Rua Alexandre Herculano, number thirty eight, with the following Agenda:

POINT ONE: Resolve on the Management Report, and the remaining individual reporting documents relative to financial year 2013.

POINT TWO: Resolve on the Consolidated Management Report, the consolidated accounts and the remaining consolidated reporting documents relative to financial year 2013.

POINT THREE: Resolve on the Distribution of the year's Results.

[...]

POINT ONE of the Agenda was introduced and the representative of the Sole Shareholder approved the Bank's Management Report and the Individual Financial Statements relative to financial year two thousand and thirteen (ANNEX I).

Moving to **POINT TWO** of the Agenda, the representative of the Sole Shareholder approved the Bank's Consolidated Management Report and Consolidated Financial Statements relative to financial year two thousand and thirteen (ANNEX II).

Following on to **POINT THREE** of the Agenda, the following proposal for the distribution of the 2013 results, previously approved at the meeting of the Board of Directors as of March 20th, 2014, was submitted to the General Meeting:

"Considering that the individual income statement of Banco Espírito Santo de Investimento, S.A. for the year ended on December 31st, 2013 showed a net loss of EUR 2,548,231.29 (two million five hundred forty eight thousand two hundred thirty one euros and twenty nine cents) the Board of Directors submits to the Annual General Meeting the following proposal for the distribution of the year's results:

> TO OTHER RESERVES AND RETAINED EARNINGS: EUR -2,548,231.29 (net loss of two million five hundred forty eight thousand two hundred thirty one euros and twenty nine cents)"

This proposal proceeded to the vote and was approved by the Sole Shareholder.

[...]

There being no further matters to discuss, the meeting was declared closed at 17:10, and in record whereof these minutes have been drawn up and will be signed by the representative of the Sole Shareholder, the Chairman of the General Meeting, and myself as Secretary of the General Meeting's Board responsible for the drafting of the minutes."