

Banco Espírito Santo, S.A.
Statement of Accounts 2014

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I. Management Report

1. Board of Directors` Message

I. The current Board of Banco Espírito Santo, S.A. (BES) was appointed by the Bank of Portugal on August the 3rd 2014, with one year term, respecting the framework of the applied resolution, on the same date, to this Institution, being its term extended by the Bank of Portugal on July the 30th 2015, with effect from August 3rd of the same year, until the date of BES`s authorization revocation towards the exercise of the activity or until a maximum deadline of one year.

BES is an institution with its roots in the 19th century being one of the oldest banking institutions in Portugal. Due to the work, capacity and dedication of its mentors and of all who all these decades worked in it, it is one of the most prestigious banks in Portugal, being nationally and internationally well known.

Unfortunately, however, the result of a range of events which gave rise to a dramatic crisis in the Institution, ushering to its resolution, many people are suffering with the major losses which were verified, in different levels, in different titles and with different latitudes, and these people feel, in a very understandable way, that their trust was betrayed.

With the application of the resolution measure the nature of BES, as an institution and its legal status were deeply changed.

Since then, and based on the effect of the resolution applied by Portugal Bank on August the 3rd 2014, almost all Assets, liabilities, off-balance-sheets elements and managed Assets of BES were transferred to a new bank, the transition one - Novo Banco, S.A.

In the sphere of BES was kept a residual group of Assets, identified in the deliberations of Portugal Bank regarding the resolution. Such assets are, essentially, credits over entities of Espírito Santo Group, most with a very low recovery rate, and the three subsidiaries, all, for different reasons, with very complex situations (Banco Espírito Santo Angola, with its headquarters in Luanda, Espírito Santo Bank, in Miami, United States and a participation of 40% of Aman Bank for Commerce and Investment, in Tripoli, Libya).

In the liabilities the responsibilities regarding the subordinated bonds holders and the contingent liabilities regarding Oak Finance Luxembourg, S.A. (according to the deliberations of Portugal Bank of December the 22nd 2014 and of September the 15th 2015) have been increasing substantially and, also, the entities and private deposits especially related to BES.

All the human resources, logistics and operations which previously belonged to BES, were also moved to Novo Banco, S.A.,

On the other side, since August the 3rd 2014, accomplishing a determination of the Bank of Portugal, BES is forbidden to receive deposits and grant credits and use funds in any kind of

Assets, except in the measure with the application of funds deems to be necessary towards the preservation and valuation of its asset. Besides this, it is not obliged to accomplish the applicable prudential norms.

Between August the 3rd 2014 and August the 3rd 2015 was exempt of the punctual accomplishment of obligations contracted prior to the resolution date, except if this accomplishment reveals itself important towards the preservation and valuation of its Assets, in this case the Bank of Portugal can authorize, following a proposition of BES, the necessary operations for that effect. From August the 3rd 2015, this aspect is regulated by the disposed in article 145th - L, No. 7 of the General Regime of the credit institutions and financial societies (RGICSF), as indicated by the Decree-law no. 140/2015 of July the 31st, due to which the bonds contracted prior to the application of the resolution measure which have not been transferred to the transition institution “are non-demandable to the institution which is the object of the resolution, with the exception of the one whose accomplishment, the Bank of Portugal determines to be important to the preservation and valuation of its asset.”

BES keeps the bank license, since the same was not (yet) revoked however, the scope of its activity is deeply restricted in virtue of the prohibitions and dismissals which target nuclear aspects of the banking activity.

However, such revoking will necessarily occur, because that is one of the commitment assumed by the Portuguese State regarding the Decision of the European Commission which approved the help of the Government which helped the resolution of BES to Novo Banco, S.A. [Decision no. SA.39250 (2014/N)]. When the license be revoked, BES will be, by the operation of law, in a process of judicial winding-up.

II. The resolution of BES was the first resolution of a bank in Portugal. It was performed regarding the law created in 2012, even before the Directive 2014/59/UE of the European Parliament and of the European Council of May the 15th 2014, which established a European frame towards the recovery and resolution of credit institutions and investment companies. Its transposition, performed by the Law no. 23-A/2015 of March the 26th represented an important step towards the implementation of the European bank union but, to what concerns BES resolution, it was not an additional aspect of the process of complexity in virtue of the problems which come from the succession of the legislation and its application in time.

It is therefore correct to state that the resolution of BES constitutes a unique situation, not only in Portugal but even in the European Union, with the extra difficulty of being applied in a bank of big dimensions, the third one operating in Portugal.

Therefore, creates a difficulty to its members, including the Board of Directors, but also the stimulation, of pioneer happenings, in which there is no previous experience to deal with the challenges faced.

III. The context in which the current BES management team must perform their duties is strongly restrictive in several aspects and very atypical.

These constraints relate at a great extent to the issues arisen to comply with the required resolution of the legal framework in which, the powers are conferred to the Bank of Portugal, as well as those resulting from the European Commission decision referred to above.

Therefore, the protection of the interests of BES' shareholders and creditors can only be exercised when there is a legal framework for the resolution, in particular taking into account the guiding principles and aims of the measure determined by the Bank of Portugal.

The greatest difficulty of management is the fact that the current BES have to start work immediately without being provided with a structure. So we had to set up a new structure - a new BES - and at the same time comply with the obligations of various kinds, to which we were linked.

Given this overall framework, in the first meeting of the Board of Directors held on August 5, 2014, we defined the following lines of priorities:

- 1st) Give BES an operation structure which allows the development of its new mission;
- 2nd) Assure the accomplishment of all legal obligations, namely, tax and regulatory obligations to which BES is bound;
- 3rd) Preserve and value of its Assets whenever is possible;
- 4th) Collaborate, in the applicable legal framework, with the entities that are investigating the previous BES management team in order to identify any harmful acts of the institution, and proceed with the instruments at its disposal, the evaluation thereof, in order to trigger the relevant initiatives.

Our management has been centered in the accomplishment of these aims. The Management Report which is now presented explains, in a very detailed way, the way such aims were achieved and signals the main management results.

Therefore, we consider it is important to explain some aspects.

First, it should be noted that the delay in reporting cannot be dissociated from the extreme complexity and the innovative character of the current BES situation, and noted that only on August 7, 2015 there were conditions to disclose to the market the accounts on 4 August 2014, the indispensable basis for the submission of accounts to December 31, 2014, now published, which state all relevant developments subsequently occurred.

It is also important to note that the action of this administration is object of monitoring not only by the normal powers of the supervisory body - the Supervisory Board - and the external auditor, but also by the powers that the law gives the Bank of Portugal to deal with banks object of resolution and also for monitoring the position of an independent entity, the way

that the commitments are being implemented which result for BES of the European Commission Decision previously referred, which involves the bi-annual reports to be submitted to this Commission.

The situation that led to the resolution of BES caused huge losses to thousands of people and entities, and also generated, as would be normal in such a situation, an intense emotional context. Aware of the importance of responding to the clearing needs of the interests of holders in BES, this administration from the beginning of their duties, sought dialog with all those who wanted explanation, exposing the resolution measure contours and answering numerous questions. To make the most effective response to this request for information, BES institutionalized specific channels of communication, through various e-mail addresses, so as not to let anyone unanswered. We also created a new website, adapted to the new BES organization.

On the other hand, this Board of Directors understands that the best way to deal with the uniqueness and complexity of its mandate is to address all the issues it faces taking having as a decisive criterion of action the rule of law and observance of structural principles of the rule of Right. In fact, if such a criterion of performance is key in any circumstance, it becomes even more imperative for an institution with the current legal status of BES.

It should also be noted, on another level, that one of the guiding principles for the implementation of the resolution measure [cf. Article 145-B, paragraph 1, point c) of RGICSF, in the wording in force at the measurement date of resolution] is that no creditor can assume a bigger damage than the one which would take in case, instead of being the object of the resolution, BES had entered immediately into liquidation. To give effect to this principle, the law provides that an assessment is made, in charge of an independent body designated by the Bank of Portugal, at the expense of BES, to carry out an estimate of the level of recovery of claims of each class of creditors, according to the order of priority established by law, a BES liquidation scenario immediately prior to the implementation of Resolution measure (cf. 145-F articles, paragraph 6, and 145-H, n. No. 4, both of the RGICSF in the wording in force at the measurement date of termination).

Such an assessment is ongoing and is a very important element for the outcome of the resolution of measurement. Indeed, the provisions of Article 145-B, paragraph 3, of RGICSF also in the wording in force at the date of the resolution, follows that if at the end of BES settlement is found that the creditors of the institution whose non credits have been transferred to Novo Banco assumed a higher loss to the amount estimated in the above mentioned assessment, namely that received less than they would if BES had gone into liquidation immediately prior to the resolution measure, are entitled to receive, in the Fund Resolution, this difference.

In terms of management results, we believe it is important to stress that, despite all the difficulties, this administration has, in little more than a year to recover significant amounts

of credit, thus increasing in a very expressive way, their cash holdings face to the value of EUR 10 million that remained in the institution as a result of the implementation of the resolution measure.

The taxation issues, in its many implications, regarding a legal framework that leaves room for many doubts are also a generator topic of great difficulties, as you realize in this report.

Besides this, the situation of BES subsidiaries has always been a central preoccupation. Indeed, everything less good to pass this plan, in addition to negative effects on BES, could lead to additional losses, reputational, for the Portuguese financial system, which required the greater diligence to avoid such a scenario.

In this sense, we do not fail to point out the fact that we have achieved in extremely difficult conditions, the sale of the stake in Aman Bank and, also, the agreement made for the sale of ES Bank in Miami, which is still awaiting approval the regulatory authorities of the United States, but whose most recent signs are very encouraging.

IV. We accepted the charge of BES`s Management in this very special situation with a clear notion of the enormous difficulties of the mission, but we cannot anticipate all of them, to the extent that it is an experience that, as already noted, is unparalleled. We set out to do the best that we were able, looking at the size of the mission that fell in, to make a contribution to resolving the delicate situation in which the financial system was confronted in August 2014. That is what we are going to continue doing.

The President of the Board of Directors,

Luís Máximo dos Santos

2. Main events of 2014

2.1. Introduction

The year 2014 of Banco Espírito Santo, SA ("BES", "Bank" or the "Company") is indelibly marked by the resolution measure that it was applied by the Board of Directors of Bank of Portugal on August 3 and the events lead up to and determined its application.

Until that date, BES developed its normal activity of credit institutions and financial intermediary, in pursuit of its corporate purpose. With the resolution measure, the majority of BES activity was transferred to a bridge bank formed for the purpose, Novo Banco, SA ("Novo Banco"), being reserved for BES, essentially, the conservation activity and valuation of the assets that remained in their area after the implementation of the resolution measure.

The application of a resolution measure to BES was an unprecedented event, even at an European level. The year 2014 was therefore full of events both in the period before implementation of the measure and in the ensuing. It is important, therefore, to mention the most important, grouping them for this purpose, into two categories:

(I) The main events communicated to the market by BES to the application of the withdrawal measure and other events that occurred prior to the implementation of resolution measures; and

(ii) The main events occurred after the application of the resolution measure, including the subsequent deliberations of the Bank of Portugal, the events associated with trading on a regulated market of securities issued by BES and BES's status as a financial intermediary.

2.2. Main events communicated to the market to the extent of resolution and other events that occurred prior to the implementation of resolution measurement

January the 13th	Issuing of senior unsecured debt under the Euro Medium Term Notes Program ("EMTN") amounting to EUR 750 million, with maturity of 5 years and coupon of 4%;
February the 13th	Activity report's release and results of Banco Espírito Santo Group for the financial year 2013;
February the 13th	Acquisition of a stake of 44.81% of the share capital and voting rights of Banque Espírito Santo et de la Vénétie, worth approximately 55 million euros, the ESFIL - Espírito Santo Financière, S.A .;
March the 31st	Acquisition of a stake of 9% of the share capital and voting rights of Banco BEST - Electronic Banking Total Service, SA, amounting to approximately 12 million euros, to Espírito Santo Financial Group SA («ESFG»). On the same date, BES acquired Espírito Santo Tech Ventures, SGPS, SA, a company fully consolidated in BES, a stake of 33.97% of Banco BEST;
April the 28th	Issuing of senior unsecured debt under the EMTN program in the amount of EUR 750 million, with a maturity of 3 years and coupon of 2.625%;
May the 5th	<p>General Assembly of BES' shareholders, which adopted the following measures:</p> <p>First Point: Approval of the Management Report, Corporate Governance Report and other documents of the individual accounts for the financial year 2013.</p> <p>Second Point: Approval of the Consolidated Report, the consolidated accounts and the other documents of the consolidated accounts for the financial year 2013.</p> <p>Third Point: Results` Application Approval.</p> <p>Fourth Point: Approval of the general appraisal of the management and supervision of BES.</p> <p>Fifth Point: Approval of the statements of the Compensation Committee and of the Board of Directors on the remuneration policy, respectively, of the organs of administration and supervision, and other leaders of BES.</p> <p>Sixth Point: Approval of the group relationship maintenance regarding the consent to the societies in which BES holds all the share capital, pursuant to and for the purposes of paragraph c) of paragraph 2 of Article 489 of the Commercial Companies Code.</p> <p>Seventh Point: Approval of the proposed acquisition and disposal of shares and of bonds issued by BES or by companies dependent on this.</p> <p>Eighth Point: Approval of the submission of Banco Espírito Santo, SA, Sucursal in España to "<i>Régimen especial de los grupos de sociedades</i>", as regulated in Chapter VII of Title VII of Royal Legislative Decree 4/2004 of</p>

	5 March, in which was approved the " <i>Texto Refundido de la Ley del Impuesto sobre Sociedades</i> " in Spain;												
May the 15th	Report disclosure of the activity and results of Banco Espírito Santo Group during the 1st quarter of 2014;												
May the 15th	Resolution of the Board of Directors of BES to carry out an increase in share capital by new cash entries to be effected through public subscription of up to 1,607 million shares, at a subscription price of € 0.65 per share;												
June the 16th	Registration of increase in share capital by new cash entries in the amount of € 1,044,571,587.80, of € 5,040,124,063.26 to € 6,084,695,651.06, as a result of the issuance of 1,607,033,212 new common shares, nominative, without par value, subscribed within the framework of a public offering of subscription;												
July the 13th	Cooptation of Drs. Vítor Augusto Brinquete Bento, José Alfredo de Almeida Honório and João de Almada Moreira Rato for the functions of President of the Executive Commission, Vice-President of the Executive Commission and Finance Director, respectively, to replace Drs. Ricardo Espírito Santo Salgado, José Manuel Pinheiro Espírito Santo and José Maria Espírito Santo Ricciardi, also members of the Executive Committee;												
July the 30th	Report disclosure of the activity and results of Banco Espírito Santo Group for the 1st half of 2014, which recorded a loss of 3.5773 billion euros, which put the capital ratios of BES below regulatory thresholds: <table border="1" data-bbox="454 1198 1369 1384"> <thead> <tr> <th>Jun-14</th> <th>Consolidated</th> <th>Individual</th> </tr> </thead> <tbody> <tr> <td>CET1 ratio</td> <td>5,1%</td> <td>6,9%</td> </tr> <tr> <td>T1 ratio</td> <td>5,1%</td> <td>6,9%</td> </tr> <tr> <td>Total Capital ratio</td> <td>6,5%</td> <td>8,3%</td> </tr> </tbody> </table>	Jun-14	Consolidated	Individual	CET1 ratio	5,1%	6,9%	T1 ratio	5,1%	6,9%	Total Capital ratio	6,5%	8,3%
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CET1 ratio	5,1%	6,9%											
T1 ratio	5,1%	6,9%											
Total Capital ratio	6,5%	8,3%											
July the 30th	The Board of Directors of Bank of Portugal that apply to BES Ban the Prohibition of realization by the Bank of an early repayment of loans and payments to related entities or for the benefit of related entities;												
July the 31st	BES informed the Bank of Portugal the impossibility of promoting a recapitalization solution of the bank under the terms and within the period requested by the Bank of Portugal;												
August the 1st	The European Central Bank (ECB) decided to suspend BES counterpart status, with effect from August 4, 2014, together with the obligation of this fully repay its loan from the Euro system, about 10 billion euros at the close of business on August 4;												

August the 1st	Resolution of the CMVM's Executive Board to suspend the trading of shares of Banco Espírito Santo, SA to the disclosure of material information about the issuer;
August the 3rd	The Board of Directors of Bank of Portugal that applied to BES a resolution measure, which determined the creation of a bridge bank, Novo Banco, SA ("Novo Banco"), transfer to Novo Banco's assets, liabilities, off-balance sheet and assets under BES management, the independent assignment for evaluation of assets, liabilities, off-balance sheet and assets under the management transferred to Novo Banco and the appointment of members of the board of Directors and of BES monitoring.

2.3. Events occurring after the implementation of the resolution measure

August the 4th	Resolution of the CMVM's Executive Board on the trading suspension of financial instruments BES to the disclosure of material information about them. The suspension of trading in shares and financial instruments was later and successively renewed on August 28, 11 and 25 September, 9 and October 24, 7 and 20 November and 4 and 18 December;
August the 4th	Deliberation of the Commission de Supervision du Secteur Financier (CSSF) of financial instruments trading suspension issued by BES of the Bourse de Luxembourg markets;
August the 11th	Deliberation of the Board of Directors of Bank of Portugal for clarification and adjustment of the perimeter of assets, liabilities, off-balance sheet and assets under the management of BES transferred to Novo Banco;
August the 11th	<p>Deliberation of the Board of Directors of Bank of Portugal in applying to BES, effective August 3, 2014, the following corrective intervention measures:</p> <p>(I) Prohibition of credit and application of funds in any kinds of assets, except to the extent that the application of funds is necessary for the preservation and development of its assets;</p> <p>(ii) Prohibition of receiving deposits;</p> <p>In the same decision, the Bank of Portugal also determined under the provisions of Article 145-J, paragraph 1, of the Legal Framework of Credit and Financial Institutions ("RGICSF"), in the wording then in force, the temporary waiver of compliance with prudential rules and the timely fulfillment of earlier obligations, unless such compliance is indispensable for the preservation and development of its assets, in which case the Bank of Portugal may authorize, on a proposal from BES, the operations required for this purpose;</p>

August the 14th	Celebration with Novo Banco the Agreement which confirms the transmission relating to asset and liability cross-border transfer in accordance with the provisions of the resolution measure;
August the 14th	Designation of the representative regarding the relations with market and with CMVM;
August the 28th	Hiring of FIG Partners LLC as financial advisor in the evaluation and potential transaction structuring for the sale, merger or reorganization of ES Bank (Miami);
August the 29th	Celebration with Novo Banco the Cooperation Agreement for Documentary Credits Event Control for BESA;
September the 4th.	Designation of the new Certified Accountant of BES;
September the 16th	Celebration with Novo Banco the Cooperation Agreement for Documentary Credits Event Control for Aman Bank;
October the 1st	Designation of the Secretary and Substitute Secretary of BES;
October the 17th	Deliberation of the Governing Board of the CMVM suspension of BES record as a financial intermediary for a period of 60 working days;
November the 13th	Signing of the Cooperation Agreement and Services with Novo Banco, with effect from October 1, 2014;
November the 13th	Change of the headquarters added to Rua Barata Salgueiro, nº 28,6º andar, Lisboa, Portugal;
December the 22nd	The Board of Directors of Bank of Portugal regarding the transfer to Novo Banco the responsibility of Banco Espírito Santo regarding the Oak Finance, resulting from the financing contract June 30, 2014.

3. Social organs, human resources e organic structure

3.1. Social organs

The evolution of the composition of the governing bodies of BES during the year 2014 is the one indicated in the table below:

(ii) Administration and supervision organs after the application of the resolution measure

Name	Organ/Function	Period of the functions ¹ (in 2014)
Alberto Alves de Oliveira Pinto	President of the Board of Directors	1.1.2014 – 3.8.2014
Ricardo Espírito Santo Silva Salgado	Vice-President of the Board of Directors and President of the Executive Commission	1.1.2014 – 13.7.2014
Bruno Bernard Marie Joseph de Laage de Meux	Vice-President of the Board of Directors	1.1.2014 – 3.8.2014
José Manuel Pinheiro Espírito Santo Silva	Member of the Board of Directors and member of the Executive Commission	1.1.2014 – 13.7.2014
António José Baptista do Souto	Member of the Board of Directors and member of the Executive Commission	1.1.2014 – 30.7.2014
Jorge Alberto Carvalho Martins	Member of the Board of Directors and member of the Executive Commission	1.1.2014 – 3.8.2014
Aníbal da Costa Reis de Oliveira	Member of the Board of Directors	1.1.2014 – 3.8.2014
Manuel Fernando Moniz Galvão Espírito Santo Silva	Member of the Board of Directors	1.1.2014 – 31.5.2014

¹ It is considered, for these purposes, that the Board of Directors of Bank of Portugal from August 3, 2014 which applied the resolution measure marked the end of the period of functions of office of all directors who were in the functions that date, by virtue of the current wording of Article 145-D, paragraph 1, of the Legal Framework of Credit Institutions and Financial Companies, under which members of the board of directors and the supervisory institution credit to which a resolution of measurement are automatically suspended is applied.

José Maria Espírito Santo Silva Ricciardi	Member of the Board of Directors and member of the Executive Commission	1.1.2014 – 13.7.2014
Rui Manuel Duarte Sousa da Silveira	Member of the Board of Directors and member of the Executive Commission	1.1.2014 – 30.7.2014
Joaquim Aníbal Brito Freixial de Goes	Member of the Board of Directors and member of the Executive Commission	1.1.2014 – 30.7.2014
Ricardo Abecassis Espírito Santo Silva	Member of the Board of Directors	1.1.2014 – 31.7.2014
Amílcar Carlos Ferreira de Morais Pires	Member of the Board of Directors and member of the Executive Commission	1.1.2014 – 3.8.2014
Nuno Maria Monteiro Godinho de Matos	Member of the Board of Directors	1.1.2014 - 3.8.2014
João Eduardo Moura da Silva Freixa	Member of the Board of Directors and member of the Executive Commission	1.1.2014 – 3.8.2014
Pedro Mosqueira do Amaral	Member of the Board of Directors	1.1.2014 – 31.7.2014
Isabel Maria Osório de Antas Megre de Sousa Coutinho	Member of the Board of Directors	1.1.2014 - 3.8.2014
João de Faria Rodrigues	Member of the Board of Directors and member of the Auditing Commission	1.1.2014 – 30.7.2014
Marc Olivier Tristan Oppenheim	Member of the Board of Directors	1.1.2014 - 3.8.2014
Vincent Claude Paul Pacaud	Member of the Board of Directors	1.1.2014 – 3.8.2014
Rita Maria Lagos do Amaral Cabral	Member of the Board of Directors	1.1.2014 - 3.8.2014

Stanislas Gerard Marie George Ribes	Member of the Board of Directors and member of the Executive Commission	1.1.2014 – 3.8.2014
Horácio Lisboa Afonso	Member of the Board of Directors and President of the Auditing Commission	1.1.2014 – 30.7.2014
Pedro João Reis de Matos Silva	Member of the Board of Directors and member of the Auditing Commission	1.1.2014 – 30.7.2014
Xavier Musca	Member of the Board of Directors	1.1.2014 - 3.8.2014
Vitor Augusto Brinquete Bento	Member of the Board of Directors and President of the Executive Commission	13.7.2014 – 3.8.2014
José Alfredo de Almeida Honório	Member of the Board of Directors and Vice-President of the Executive Commission	13.7.2014 – 3.8.2014
João de Almada Moreira Rato	Member of the Board of Directors and member of the Executive Commission	13.7.2014 – 3.8.2014
António Alberto Henriques Assis	Member of the Supervisory Board	30.7.2014 – 3.8.2014
José Manuel Henriques Bernardo	Member of the Supervisory Board	30.7.2014 – 3.8.2014
Patrique Berdion Cunha Fernandes	Member of the Supervisory Board	30.7.2014 – 3.8.2014

(ii) Organs of administration and supervision after the application of the resolution measure

Board of Directors

President - Luís Máximo dos Santos;

Member - César Bento Brito;

Member - Miguel Morais Alçada.

Supervisory Board

President - José Vieira dos Reis;

Member - Rogério Manuel Fernandes Ferreira;

Member - Vítor Pimenta e Silva.

(iii) Other organs and commissions

Implementation of the resolution measure did not have as an effect the suspension of the mandate of the Statutory Auditor or the members of the General Meeting, as follows:

(iii).1. Certified Public Accountant

Effective Certified Public Accountant - KPMG & Associados, SROC, S.A., represented by Sílvia Cristina de Sá Velho Corrêa da Silva Gomes until November the 18th and by Inês Maria Bastos Viegas Clare Neves Girão de Almeida from this date;

Substitute Certified Public Account - Fernando Gustavo Duarte Antunes (ROC).

(iii).2. General Assembly²

President - Paulo de Pitta e Cunha³;

Vice-President - Alexandre de Sousa Machado;

Secretary - Nuno Miguel Matos Silva Pires Pombo.

A reference which is imposed also regarding the Remuneration Committee. Indeed, under Article 24 of the Articles of Association, the responsibility of the Remuneration Committee is to establish the remuneration of BES administrators. And, in the General Meeting of March

² With the entry into force of Law No 23-A / 2015 of 26 March, the shares voting rights can no longer be exercised during the resolution period. On the other hand, the administrators appointed by the Bank of Portugal have all the powers conferred by law and the articles of association to the general meeting. In addition, among the powers of resolution of the Bank of Portugal it is also taken into account the power to exercise, directly or through persons appointed for this purpose, the rights and powers granted to holders of shares representing the capital of the object credit institution resolution.

³ The President of the General Meeting submitted his resignation by letter dated 8 August 2014.

22, 2012, were elected for a term of four years Daniel Proença de Carvalho, Jacques dos Santos and Alvaro Pinto Correia.

However, according to Article 145-C, paragraph 11, of RGICSF, the remuneration of directors appointed by the Bank of Portugal is fixed by this, so that, although the members of the Remuneration Committee did not have formally ceased functions, its mandate was without object after the implementation of the resolution measure.

Regarding the Company Secretary, the current Board of Directors of BES held, by decision of 1 October 2014, the replacement of the previous Secretary and Substitute Secretary⁴ and appointed the following new members:

Company Secretary - Ana Mendes Martins;

Substitute Company Secretary - Francisco Boavida Salavessa.

3.2. Human Resources

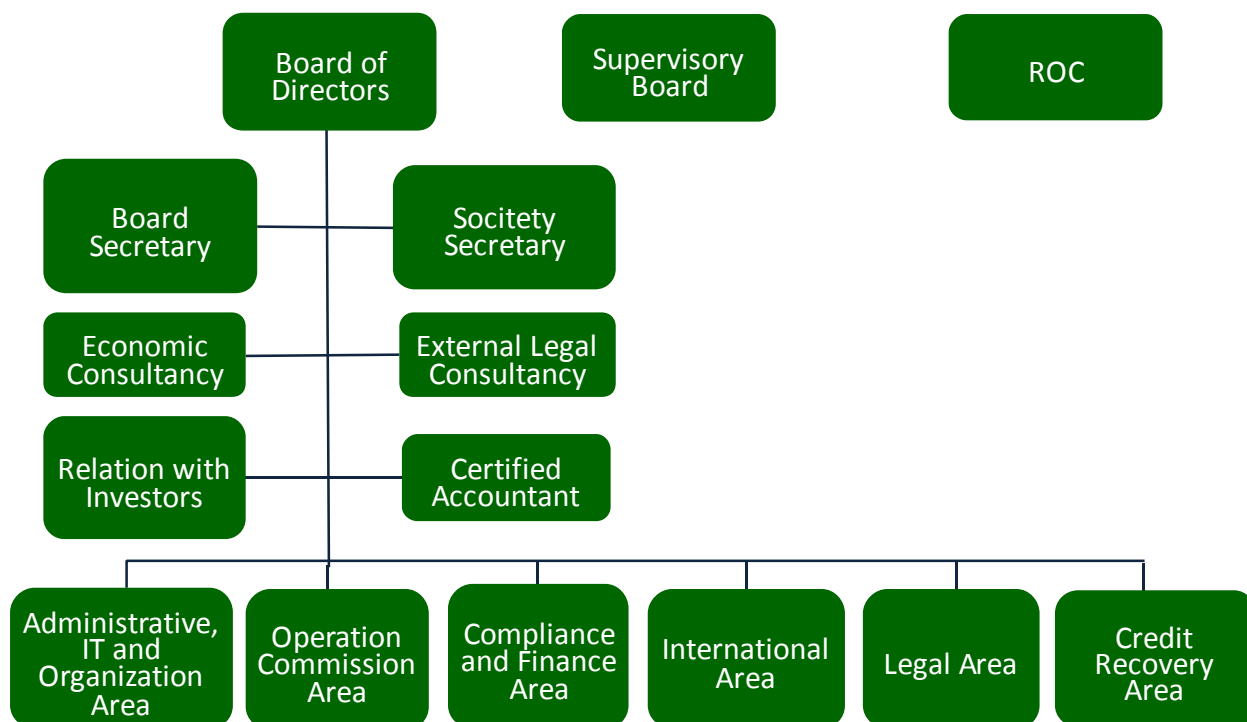
As mentioned above, with the implementation of the resolution all the technical and human resources and, also, the operating systems of the Bank, were transferred to Novo Banco.

After the efforts of constituting the employees' team of BES, this institution had, on December 31, 2014 5 employees, considering the actual and fixed-term contract, having resorted to hiring external services within the support units to Board of Directors (Economic Consulting and Legal counsel) and Support areas of activity and Operational (Organization Area, Information Technology and Administrative, Operations Division, Financial and Compliance, Legal Department, Credit Recovery Area).

⁴ They renounce, respectively, on September the 30th 2014 and on August the 5th 2014.

3.3. Organic structure

It is presented in the image below the current organic structure of BES:



Supervision and Administration Organs and Support Commission Units	Board of Directors	Management of the Bank in accordance with the Articles of Association and the resolution of the Bank of Portugal of August 3,
	Supervisory Board	Supervision of the Bank in accordance with the Articles of Association and the resolution of the Bank of Portugal of August 3,
	ROC/External Auditor	The Certified Public Accountant of the Bank.
	Administration Secretary	Secretary of the Management and Supervisory Boards and support to the Directors of the Support Areas and Operational Activity.
	Society Secretary	Responsible for monitoring the meetings of the Management and Supervisory Boards of the Bank, writing the respective minutes and intervention in social and corporate actions.
	Economic Consultancy	Consulting the Board on matters Economic Area.
	External Legal Consultancy	Assistance in the Legal Department provided by external law firms.
	Relation with Investors	Relationship with shareholders and investors.
Certified Accountant	Certified Public Accountant.	

As for the portfolios to be allocated within the Board of Directors, a reflection on this theme was organized, it was concluded that, given the size and nature of activity and, also, the organizational structure of the Bank after the implementation of the resolution measure the allocation of responsibilities rigidly not revealed critical, considering also the way of collective operation and Board staff in all relevant dimensions of BES activity. Still, for use of the expertise and experience of each member of the council and to promote the appropriate continuity and effectiveness in monitoring related matters between themselves, the organization and distribution of work and materials between administrators was always made on the basis of an implicit definition preferred areas of activity, as follows:

Luís Máximo dos Santos	Miguel Morais Alçada	César Bento Brito
Institutional Relations	Human Resources	Administrative, IT and Organization area
Regulators Relations	Legal Area	Operations 'Area
Investors Relations	Credit recovery	Accountancy Area
<i>Compliance/ Complaints</i>	International area	Finance Area
Finance applications		
<i>Corporate Governance</i>		

4. Implementation of the resolution measure, in particular the report of management and the presentation of accounts in connection with a resolution of object credit institution

4.1. The resolution measure: background and object

Following the disclosure of the results of Banco Espírito Santo Group for the first half of 2014, to July 30, 2014, which communicated a loss in the order of 3.5773 billion euros, the Bank of Portugal found there is a serious failure to comply the minimum capital of the Bank on a consolidated basis, which, combined with the inability to be reached a recapitalization solution in the time frame requested by the Bank of Portugal and the suspension of BES counterpart status by the European Central Bank of the Council led to the conclusion of Bank of Portugal that BES was in "a serious risk of short-term default of its obligations and, consequently, of the requirements for maintenance of authorization for the exercise of their activity" and led to the application of resolution measure, without which "the institution inevitably would walk to the suspension of payments and withdrawal of the authorization"⁵.

The resolution measure is the creation of a bridge bank designated Novo Banco, SA, and the transfer of assets, liabilities, off-balance sheet and assets under BES management for Novo Banco, which constitute, in essence, the majority of the activity pursued by BES.

Following the decision of the Board of Directors of Bank of Portugal from August 3, 2014, which implemented the resolution measure, with the clarifications and adjustments made by resolution of the same Board of August 11, 2014, remained in BES, after application of the resolution measure of the asset side:

- Shares representing approximately 55.71% of the share capital of Banco Espírito Santo Angola, SA ("BESA");
- Shares representing approximately 99.99% of the share capital of Espírito Santo Bank of Miami ("ES Bank");
- Shares representing approximately 40% of the share capital of Aman Bank for Commerce and Investment, Libya ("Aman Bank");
- BES own shares;
- Credit Rights on the Espírito Santo International and its shareholders on the shareholders of the Espírito Santo Control, entities in a control or group relationship with the Espírito Santo International and Espírito Santo Financial Group (the "Group Espírito Santo");
- Availabilities in the amount of ten million euros.

⁵ Recital 7 of the Resolution of the Board of Directors of Bank of Portugal, from August 3, 2014.

On the liability side, were kept in BES, after the resolution measure:

- Liabilities to certain entities specifically related to BES (shareholders with qualifying holdings, members of the management and supervisory bodies, etc.);
- Obligations contracted towards entities that are part of the Espírito Santo Group and constituting subordinated claims under Articles 48 and 49 of the Bankruptcy Code and Corporate Recovery ("CIRE");
- Bonds and guarantees provided to third parties in respect of liability of entities comprising the Espírito Santo Group;
- Liabilities arising from the issuance of instruments eligible for the calculation of BES's own funds;
- Liabilities and contingencies arising from fraud or violation of rules or regulatory, criminal or misdemeanor determinations;
- Liabilities and contingencies related to actions, instruments or contracts from which result subordinated claims before BES;
- Bonds, warranties, liabilities and contingencies assumed in marketing, financial intermediation and distribution of debt instruments issued by entities that are part of Espírito Santo Group.

In the context of the implementation of the resolution measure by the Board of Directors of Bank of Portugal on August 11, 2014, it has been applied to BES two corrective intervention measures - lending ban and application of funds and ban on receiving deposits - and the next two steps - waiver of compliance with prudential rules and dispenses the timely fulfillment of earlier obligations.

4.2. Legal status of BES after the implementation of the resolution measure:

The legal status of BES after the application of the resolution measure, continues to be the one of a credit institution, even though it is forbidden the practice of characterizing the notion of credit institution acts in accordance to RGICSF⁶, focusing its activity on the preservation and enhancement of the assets that remained in their area after the implementation of the resolution measure. Note, however, that BES is not in liquidation, fact which will only occur with the withdrawal of the authorization to conduct banking activity. Looms further that, in accordance with the commitments of the Portuguese State, the authorization to conduct banking activity of BES should be repealed with the completion of the sale of Novo Banco or at the latest by 31 December 2016.

⁶ Article 2-A, paragraph w): "‘Credit institution’ means a company whose business is to receive deposits or other repayable funds and to grant credit for their own account."

In addition, the registration of BES as a financial intermediary with CMVM is suspended. On the other hand, even if BES keep the public company status and a company with securities admitted to trading on a regulated market, the Steering Board of⁷ CMVM decided to suspend the trading of securities listed on the official market operated by Euronext Lisbon - Management Company of Regulated Markets, SA (Euronext Lisbon). Also the Commission de Supervision du Secteur Financier (CSSF) ordered the suspension of trading in financial instruments issued by BES of trading on the Luxembourg Bourse markets.

4.3. Challenges which were imposed after the implementation of the resolution measure:

After the application of the resolution measure, difficult challenges were created to BES, which also had an impact on the preparation of the financial statements of the institution. In particular, so it could be shown the true picture of the financial position of BES, became, first, necessary that all relevant information was seized and known to the people responsible for preparing this report, including the exact determination of range resolution measure, so that BES mirrored bills appropriately to measure resolution.

It turns out that, with the application of the resolution measure, all the technical and human resources and, also, the Bank's operating systems, were transferred to Novo Banco, so BES did not have, when implementing the resolution measure, access to any support enabling it to carry out a direct apprehension of BES accounting elements, or BES had any official or employee to whom this information could be requested.

Pursuant to Article 145-H, paragraph 10 of RGICSF in the current drafting on the date of application of the resolution measure, the original credit institution (BES) must provide all information requested by the bridge bank (Novo Banco), as well as to ensure the access to information systems related to the transferred activity and remuneration agreed between the parties, continue to provide the services that the bridge bank deems necessary for the purposes of regular development of transferred activity. Does not exist, however, any legal provision to regulate the reverse situation, i.e. when the institution object of resolution which is bereft of means and in need of support to achieve and ensure the smooth development of not transferred activities, in particular to ensure the management, restoration and upgrading of its assets.

The immediate solution to prevent the stoppage of BES with any shockwaves in Novo Banco activity and the objectives pursued by the resolution measure, consisted, first, an institutional

⁷ With the entry into force of CMVM Statutes as approved by Decree-Law No. 5/2015 of 8 January, the authority responsible for exercising the necessary powers for the development of the CMVM's powers now has the name of "Council Administration" so that after this date, the extension of the suspension decisions have been taken by this body.

cooperation with Novo Banco, later formalized in a cooperation agreement and service Delivery, to ensure a cooperation for the vital separation - in all areas - in both entities, ensuring BES the access to information, resources and services necessary to enable it could fulfill those functions you following resolution measurement.

More rapidly progressive, BES gained autonomy in the exercise of their activity. It has set up its own facilities on number 28 of Rua Barata Salgueiro and its own computer system. Constituted its own team, which combines employees with knowledge, experience and involvement in BES transactions and familiarity with the operations of BES, through employees recruited in Novo Banco, to which was granted an unpaid leave to perform these functions, and colleagues from other sources to strengthen hazardous areas of BES's performance in the post-resolution measure, in particular legal and credit recovery areas.

Moreover, it would be expected that the separation of a bank with the dimension of BES and transmission of most of its activity could be a complex process with many nuances, to be unfolded in several fronts and multiple jurisdictions generator, therefore, with countless obstacles, it is not surprising that the complexity of the implementation and operation of this separation and transmission process has been particularly sensitive in the context of a resolution measure, which is precipitated on BES without any advance planning on your part.

The novelty and complexity of the consequences of the implementation of the resolution measure required, additionally, a very important effort of debugging and accurate determination of the scope of the resolution measure, in particular the perimeter of the transferred assets and liabilities, which lacked a tight coordination the Bank of Portugal and Novo Banco, particularly with regard to the meaning and scope of various provisions relating to liabilities excluded from the transfer to the bridge bank.

Thus, there was a gap between the process of separation of banks and the immediate instruments at BES disposal to perform the same, particularly given the profile of the loans that remained in the sphere of BES after the implementation of the resolution measure.

In fact, since BES had claims against entities of the Espírito Santo Group and that many of these entities were collapsing simultaneously with the application of the resolution measure, it was crucial to ensure a prompt and expeditious action to allow (i) could be obtained all the relevant information about the rights of BES before these debtors and (ii) the rights of BES could be exercised in full and expeditious manner, in insolvency processes or to-insolvency affecting such borrowers of BES. It should be noted, again, that all this took place in an environment where all employees and BES service providers had transited without exception, to Novo Banco, and that BES had no proprietary operating systems or direct access to operating systems with historical information about the relationships established in the past

with these debtors. Thanks to the efforts to set up a BES and its own operative autonomous structure in record time and also to the spirit of cooperation displayed by Novo Banco, it was possible to give an adequate and timely response to the need for prompt intervention in the processes for claim of rights BES.

The novelty and complexity of the resolution measure, together with the sensitivity of the interest, have attracted a very substantial litigation in which BES is also targeted. To these disputes were also added the processes of regulatory nature for acts committed under the previous management.

The proliferation of litigation raised an allocation of time and of resources availability to BES rather demanding, to ensure timely and avoid reaction, so the accumulation of liabilities in BES sphere, to the detriment of the interests of the majority of creditors and shareholders of the Bank.

On the other hand, the absence of a tax system specific for the bank resolution has created enormous difficulties in different levels, creating uncertainties and imprecision, many of which remain. The peculiarity of the legal BES status - a credit institution that does not exercise or can exercise the credit institution activity, a financial intermediary who does not exercise or can exercise financial intermediary activity, a public company with securities admitted to trading on regulated market whose trading is suspended, in short, a commercial company whose corporate purpose cannot be pursued under the same conditions and whose lucrative scope is limited - can also be a source of tension between various interests. BES is not yet on sale but its support and continued in the legal traffic based on the need to safeguard the purpose of the resolution measure, and the duty of managers to take the measures needed to reach these goals and give proper effect to the extent of resolution measure. However, as BES remains a commercial company, administrators keep their duties to serve the interests of society, especially considering the interests of its various stakeholders.

Although the current wording of RGICSF provides the prevalence of the duties of directors to take the measures needed to reach these goals and to give proper implementation of the remedial measures adopted over all other duties prescribed by law or the articles of association, the legal system it does not yet offer full uniform solutions, consistent and reflect the specificities of the resolution object of society and that make the mission of BES's current administration, such as the regime of the tax liability of directors and the rules on costs, approaching BES plus a normal commercial society than a society that is in a settlement chamber and in which the main task of management is to preserve the value of assets that make up the heritage of BES.

4.4. The production of accounts 'process in the context of resolution measure

For the above reasons, and as disclosed to the market through the information disclosure system near CMVM on April 30, 2015, BES was not able to disclose the annual report, annual accounts, legal certification of accounts and other accounting documents for the year 2014 to the market within the period referred to in Article 245, paragraph 1 of the Securities Code.

Given the complexity and uniqueness of the measure applied to the BEM, validation work the of the accounts comply with the terms of the resolution measure, made in conjunction with the Bank of Portugal, extended up beyond that period, having become necessary to accommodate and to reflect the subsequent developments, not only resulting from the activity of BES but also the legislative changes that have taken place and the clarifications and decisions of the Bank of Portugal.

4.5. The accounts 'approval process in the context of resolution measure

The provision of accounts` documents which are now being presented have, additionally, to be framed in the legal regime applicable to institutions resolution object.

Although the accounts for the year 2014 continue to put its informational dimension on the management of BES and on their financial situation, the legal framework for their approval and supervision takes very specific outlines in a resolution object institution.

Pursuant to Article 145-AB, paragraph 8, of RGICSF, "[t]he voting rights of the shares or securities representing the capital of the resolution object credit institution may not be exercised during the withdrawal period", implying that shareholders cannot be asked to vote on the venue of the annual general meeting (i) to approve or reject the annual report and annual accounts, (ii) to discuss the results of the proposed allocation, (iii) to carry out the assessment of the management and supervision of the company and (iv) to provide for their dismissal or express their distrust.

On the other hand, to the extent that, in accordance with Article 145-C, paragraph 2, of RGICSF, the administrators appointed by the Bank of Portugal have all the powers conferred by law and by the general assembly, this means that the approval decisions of the management report and accounts for the year and approval of the results of application of the proposal can be taken within the Board of Directors.

Consequently, it would be an unnecessary duplication that the Board of Directors approved, at first, the management report and the annual accounts to be presented and the results appropriation proposal, the exercise of their "traditional" functions of the Board of Directors and, in a second moment, which approved the same documents and the application of results

proposed in exercise of the functions normally assigned to the General Assembly. The present management report and annual accounts which are now presented already embody the documents as approved from a corporate point of view, also not having the Board of Directors to present a plan for implementation of the results, but simply to approve how the results will be applied.

As for the supervision of the regularity of the financial statements of BES, and as is the case in any public company, this is immediately secured by the Supervisory Board of the company, which is manifested through the issuance of its opinion and opinion on the accounts, which are also information available to any interested party.

To this, is added that the review of the accounting documents is enhanced by the intervention of the Bank of Portugal: the powers of the Board of the General Assembly Replacement Directors, pursuant to article 145-C, paragraph 2, of RGICSF they must be carried out under the guidance of Bank of Portugal. In this sense, this Management Report as well as the financial statements for the year were sent to the Bank of Portugal, not having even raised any objections that the same were disclosed in accordance to the terms now presented.

In short, compared to the situation described above, the management report and other accounting documents that are presented, including the legal certification of the accounts and the report and opinion of the Supervision Committee, represent for all intents and purposes, the documents in its end state, not requiring any further corporate act of approval before they can be given as finally adopted.

5. Macroeconomic Environment

Under Article 66 of the Commercial Companies Code, the annual report should indicate the market conditions in which the company exercised its activity. This indication of the macroeconomic framework has to be made with adequate development in accordance with the size and complexity of the activity of society. In this context, it is noted that the proper development of this statement must of course consider the current situation and size of the portrayed society in the preceding paragraphs of this report and in particular the fact that the same be prevented from 3 August 2014 to develop its banking activity and is subject to corrective action measures that were expressly staked receiving deposits and credits.

Consequently, the content of this part of the Report avoids the usual development with which this chapter is treated for this type of institutions.

5.1. International economy

According to the IMF the world economy recorded a 3.3% growth in 2014, in line with the previous year's growth rate, but below expectations earlier in the year. The most developed economies grew by 1.8%, while the economies of developing countries grew 4.4%. Meanwhile, between the most developed economies there are differences to be registered. Thus, the US economy grew 2.4% and the UK 2.6%, but that of the Euro zone countries grew by only 0.8% and Japan even less: 0.1%. For 2015, the IMF predicts that the worldwide economy grows 3.5%.

In the euro zone, the reduction of the interest rates to historical levels and the significant depreciation of the euro, which fell to lows for several years against the US dollar, was not enough to give a fragile growth picture, marked by the credit crunch and investment, private consumption stagnation and high unemployment rates.

The growth chart below the potential, along with the worsening deflationary pressures, led the ECB down the main reference interest rates and announced a set of measures designed to encourage bank lending in order to revive economic growth. Among others, it is noted that the rate of refinancing operations dropped to 0.05%, the deposit facility rate at the ECB turned negative (-0.2%), strongly encouraging the reduction of the volume of deposits held by the financial sector together the ECB and the channeling of this liquidity for the real economy lending.

On November 4, 2014, the ECB assumed the responsibility for the supervision of the banking sector of the euro area and the Member States whose currency is not the euro but who have chosen to enter into a close cooperation agreement with the ECB becoming the direct supervisor of the most significant credit institutions (about 120 banks, representing about 82% of assets) and indirectly all other banks, together with the relevant national supervisors in the framework of cooperation established in the Single Supervisory Mechanism.

Previously, the banking sector has gone through a full assessment ("comprehensive assessment"), including an assessment of asset quality and stress tests. Of the 130 banks analyzed, 25 had shortcomings capital, reported on December 31, 2013, amounting to € 25 M. Until today, the results were released, several of these banks had already made recapitalization that reduced failures capital to 9.7mM € 13 banks from 8 different countries. In Portugal, the evaluation focused on the three largest banks, having been delayed the evaluation of Novo Banco for 2015. In the scenario, the three banks examined had capital ratios above the minimum required. BCP has a ratio below the minimum required capital (5.5%) in the adverse scenario, which led to a recapitalization effected even before the release of results.

5.2. Portuguese economy

In 2014 the Portuguese economy grew 0.9%, the first positive growth rate since 2010, driven by increased domestic demand, investment and exports. The Portuguese State resumed the lending in international markets and concluded, as planned, in June 2014, the Economic and Financial Assistance Programme, contained in the Memorandum of Understanding signed in 2011. The unemployment rate decreased to 13.5% returning to levels of 2011. The savings rate was kept around 10% of the available income. The investment grew 5.2% and export growth contributed to the financing capacity of the national economy to the outside world has been strengthened to 2.1% of GDP in 2014. Public debt stood at 4.5% and, excluding extraordinary operations, in 3.7%. Public debt stood at 128.7% of GDP, showing a slight increase over the previous year (128%). In 2014 the profitability of the banking sector remained pressured by low financial margins and the increased demands on equity for hedging.

6. Activity` Review (after application of the resolution measure):

The Board of Directors appointed by the Bank of Portugal took over their roles in the scenario described above in point **Erro! A origem da referência não foi encontrada.**, and its action limited by the constraints of proper compliance with the resolution as the legal framework and the powers in this context, are conferred to the Bank Portugal, and those resulting from the European Commission's decision of the content approving the aid granted to Novo Banco. The duties of BES` supervisory directors of the interests of shareholders and lenders are well within the shaped the in legal framework for the resolution, in particular taking into account the guiding principles and aims of the measure determined by the Bank of Portugal.

Given this overall framework, in the first meeting of the Board of Directors held on August 5, 2014, the following lines of priority action were defined:

1st) Provide BES an operational structure that allows it to develop its new mission, bearing in mind that all employees and BES service providers were transferred, pursuant to the resolution measure for Novo Banco;

2ª) Assure the accomplishment of all legal obligations, namely, tax and regulatory obligations to which BES is bound;

3ª) Preserve and value the asset which were kept in BES;

4th) Create the conditions for, in conjunction with the Bank of Portugal and Novo Banco, presenting the balance sheet on August 4, 2014;

5th) Collaborate, in the applicable legal framework, with the authorities who are investigating BES management in order to identify any harmful acts of the institution and proceed with the instruments at its disposal, the assessment of the same, with a view of triggering the relevant initiatives.

BES management during this period focused, as well, in the fulfillment of these objectives in view, namely: to maximize the recovery of credit; ensure the correct recognition of responsibility by exercising, when necessary, the defense of the rights of BES; maintain the operation of subsidiaries and defend, if necessary through the courts, the rights of BES as a shareholder, promoting the sale of holdings in the best possible conditions; communicate to the competent authorities, where they are known to the Board of Directors, any illicit evidence on which BES is injured, allowing the determination of the liability and compensation for damage.

6.1. Development of an operative structure

As mentioned above, the prompt intervention needs and ensure the best possible way, the continuity of the activity of BES without the disruption that would be natural to have lost all its operating structure, both in its dimension of human resources, both in its dimension of operational technical, yet both in terms of the know-how associated with the knowledge of the Bank's operations have ceased to be in possession of people linked to BES, imposed the operating structure had to be assembled and developed at a pace much accelerated so as to allow BES laboring under normal conditions in a very short time. Put another way, although the legal status of BES has been maintained, it had to be structured a new bank, a new institution, although in fact the bank was not really new and carry with it a whole ballast that was needed to see that his new mission could be pursued.

Therefore, it had to be ensured the employment of workers, and also at an early stage the Administration had the concern to ensure hiring legal advisers to provide support that is clearly indispensable to absorb and comply with the statutory resolution regime and that the rights of BES could be fully respected.

It was also necessary to establish an adequate organizational structure to the new dimension of BES and to create an internal regulatory system to regulate the activity of the areas created under this new structure.

Additionally, and on the technical and operational measures, it can be pointed out as examples:

- Acquisition of the IT system to support the activity and system parameterization with loading basic data, creation of products and contracts that remained in BES (Customers and Accounts, Credit - Current Accounts and Financing MLP, Leasing and Factoring, Trade Finance, Guarantees, Derivatives and Securities), setting accounting rules;
- Creation of an internal system recovery management benefits of leasing contracts;
- Migration process of entities and contracts have not moved into Novo Banco, evaluating and adapting the methodology to be used (Like-to-like - to replicate all the existing processes and conditions in Novo Banco; adapted Representation - adaptation of operational processes and accounting; accounting Representation - replicate the accounting treatment);
- Implementation of the Digital Document Archive process;
- Implementation of the reconciliation process of Nostro Accounts;
- Process Implementation for access to the information disclosure system of CMVM;
- Evaluation of the demands of taxation and legal reporting;
- Management of entities and contracts, including the assessment of existing contracts, the evaluation of the economic and financial situation of the bodies which remained in BES; risk

assessment and enforcement capacity of the entities that have remained in BES; trading and credit recovery; monitoring of special processes to revitalize and insolvency.

After a first location of the Bank, in the premises in the former headquarters of BES provided by Novo Banco, SA, it was necessary to find new premises and make the respective physical change to the new headquarters of BES at Rua Barata Salgueiro 28, 6th floor, Lisbon. For this purpose, were created conditions in terms of logistics and technical infrastructure, with particular emphasis on the communication network and computer systems, ensuring the continuity of the Bank without any disruption.

6.2. Preservation and appreciation of Assets

6.2.1. Participated

After the application of the resolution measure, remained in the sphere of BES three banks - Espírito Santo Bank, Banco Espírito Santo Angola and Aman Bank for Commerce and Investment - subject to the supervision of the competent authorities of the host country, respectively the United States America, Angola and Libya.

Proved so absolutely critical, so it could be safeguarded the value of these assets, the Board of Directors (i) should be rapidly aware of the situation of each of its subsidiaries; (ii) assure the continuity of the management of these banks and the continuity of the respective operations; and (iii) establish contacts with local regulators to avoid a possible liquidation of these banks or the adoption of other measures to dilute the stake of BES.

The steps taken by the Board were effective in relation to the Espírito Santo Bank and Aman Bank, which allowed us to develop and to follow up the sales process thereof; as the Banco Espírito Santo Angola, and despite all the efforts and contacts with local regulators and with the other shareholders, it was not possible to avoid the loss of this participation, but with BES reacted court.

For more individual information regarding each one of the participated ones, v. chapter 0 infra.

6.2.2. BES credits

A large share of the assets that remained in BES ball corresponds to loans to companies in the Espírito Santo Group, fitting in this universe:

(I) Companies in very difficult economic situation and claims a pathological condition, in need of close monitoring and a rapid acting either in lodge claims in insolvency proceedings or insolvency, running in various jurisdictions beyond the Portuguese, namely Luxembourg, Panama and Switzerland and, where applicable, whether the implementation of the corresponding guarantees. In total, they claimed credit for a total of about 550 million euros

and 13 million dollars in these jurisdictions, originating in loans, overdrafts, bank guarantees and money market operations, in liquidation, insolvency and special processes revitalization.

(li) Companies to a balanced economic situation, which involves the design and implementation of an operational structure to carry out the management of the relationship with these customers and the normal execution of the terms of the relevant financing agreements.

6.2.3. Monetary availabilities

After the application of the resolution measure, monetary availabilities left in BES sphere accounted for a volume of 10 million euros, assigned under the Board of Directors of Bank of Portugal that has applied the resolution measure, the recovery tasks and upgrading of its assets and the satisfaction of their charges of tax or administrative nature.

Despite being recovered other monetary claims in pursuit of the above described debt recovery activity, corrective intervention measure applied to BES on August 11, 2014, with effect from 3 of the same month, the Bank of Portugal precludes the possibility of investing funds in any kinds of assets, except to the extent that the application of funds is necessary for the preservation and development of its assets.

To that extent, to avoid wastage and depreciation of their cash surpluses, they were invested in time deposits.

6.2.4. BES defense in judicial processes

On the other hand, given the purpose of preservation and enhancement of BES assets, another key aspect that marked its activity was to ensure that the liability was properly defined, according to the resolution measure, i.e., in broad strokes, BES only assume liabilities that may be effectively attributable to legal and contractual terms and not any other. This means that BES cannot assume any responsibility or meet indemnity or compensation claims of shareholders, investors and other alleged creditors BES where there is no strict legal duty to carry out these responsibilities or pay the indemnity or compensation claims as determined by competent courts and before all the actuality that will be determined in the context of these legal proceedings, ensuring also equal treatment of all creditors of BES. These efforts imply, in particular, the challenge of declarative actions that BES is defendant and other protective measures that put into question the current mission appreciation of Directors of its assets, as well as the opposition to executions (however, under the law from August 3 to December 31, 2014 all executions to be classified as suspended).

Until December 31, 2014, there was a limited number of such reactions against BES and was mainly brought actions with indemnity claims against the Bank on the ground, especially in BES liability arising from the normal activity of the Bank prior to the application of resolution

measure. However, in 2015 there was a significant increase in the number of lawsuits against promoted BES, including imputing his breach of duty, as a financial intermediary for acts that occurred prior to the implementation of resolution measure.

6.3. Institutional relations with investors and regulators

Implementation of the resolution measure to BES does not dilute the interests of a number of agents in BES from shareholder's other relevant stakeholders, particularly investors in subordinated bonds of BES and other creditors who remained in the sphere of the Bank and the Board of Directors, in exercise of its powers and duties, ensure the defense of the interests of creditors and shareholders of BES, within the framework of resolution measure.

On the other side, and reinforced by the nature of BES and open society and with securities admitted to trading on a regulated market, the informative dimension to investors and the market in general was also taken as a priority in BES performance. In this overview:

- a) On August 14, was appointed the representative for relations with the market and the CMVM;
- b) The electronic mailboxes for shareholders and investors place their questions and requests for clarification in the resolution as the context and established internal procedures have been kept available to ensure a timely response in the face of an extraordinary influx of questions in this way;
- c) BES website was reactivated to allow a more expeditious access to relevant information on BES and communications disclosed to the market;
- d) Meetings were held with associations defending the interests of (ex-) of small shareholders BES customers, as well as representatives of subordinated creditors.

Additionally, and due to the novel nature of the resolution measure, it was also necessary to establish a close cooperation with the regulatory authorities, in particular the Bank of Portugal (fitting, moreover, the Board of Directors, under the law, to keep the Bank of Portugal informed about its activities and the management of the institution and observe the general guidelines and strategic objectives set by the Bank of Portugal) and the CMVM, but also with regulatory authorities in the various geographies where BES had a presence.

Were, namely, developed contacts with:

- a) The Federal Deposit Insurance Corporation and the Office of Financial Regulation of Florida, in the United States, concerning the implementation of the Consent Order (see paragraph 0 below) and the sale of the Espírito Santo Bank in Miami;
- b) The National Bank of Angola, the purpose of the extraordinary measures of sanitation applied to Banco Espírito Santo Angola, the feasibility of solutions to ensure the solvency

of the institution and on other aspects related to the functioning of this branch, especially at the meeting held in Luanda on October 3, 2014;

- c) The Central Bank of Libya, regarding the situation of the Bank's management team in Libya;
- d) The Federal Reserve in the United States, regarding the situation Espirito Santo Bank in Miami and the submission of a Resolution Plan of BES;
- e) The Internal Revenue Service in the United States, the purpose of BES' status as a Qualified Intermediary;
- f) The Securities Exchange Commission in the United States, concerning the classification of BES as a large trader;
- g) The Office of Superintendent of Financial Institutions in Ottawa, Canada, in connection with the representative office previously held by BES in Canada;
- h) The Cayman Islands Monetary Authority regarding BES branch in the Cayman Islands.

Yet their cooperation within the framework of the Parliamentary Commission of Inquiry to managing BES and Espírito Santo Group, by sending the documentation requested by the Committee and by the hearing of the President of the Board of Directors on February 5, 2015.

BES evaluated several situations that had occurred in the previous knowledge management mandate with a view to assess its potential liability civil and criminal title. BES also remained willing to cooperate with prosecutors and other judicial authorities in order to contribute to the identification of any harmful acts of the institution and the respective responsible.

Finally, within the framework of the institutional relations, yet it must be given broad emphasis on the key role of cooperation with Novo Banco. Although BES and Novo Banco are formally and materially, two distinct and independent entities, are genetically linked. In particular, the credibility of the resolution measure would be affected with an impact on the continuity of financial services by Novo Banco, for the protection of depositors and promoting financial stability, if there were a minimum of coordination between both institutions. Nevertheless both institutions have always maintained absolute autonomy in their decisions was crucial, especially in the first moments after the application of the resolution measure, cooperation and availability demonstrated by Novo Banco to BES, both from the point of logistical view, both from the point of view of training and transmission of information regarding the history of transactions and operations related to the assets and liabilities remaining in BES after the implementation of the resolution measure.

This transaction was subsequently formalized in a Service Delivery Agreement, of which, however, collaboration has not run with the execution of this Agreement. To ensure that the resolution measure was properly applied, it became necessary the joint intervention of both institutions, mutually beneficial, for example in the implementation of the resolution measure in foreign jurisdictions, having been awarded a confirmatory agreement

transmission, cooperation relationship with some foreign regulators and with other service providers, including custodians entities, promoting actions to adapt public registers (e.g. land register) transmission occurred through the resolution measure, etc ..

7. Subsidiaries and branches

Among the assets selected by the Bank of Portugal to be excluded from the transfer to Novo Banco shares representing the capital stock of other companies have been included (in addition to own shares of BES):

- 37,350,379 shares representing approximately 55.71% of the share capital of Banco Espírito Santo Angola, SA (“BESA” or “BES Angola”);
- 3,188,525 shares representing approximately 99.99% of the capital of Espírito Santo Bank (ES Bank), Miami;
- 4,000,802 shares representing approximately 40% of the share capital of Aman Bank for Commerce and Investment (Aman Bank) Libya.

In addition to the international activity of BES Group, through its subsidiaries, the international network of BES also integrated its branches established in countries of the European Union and outside the European Union.

Although from a legal standpoint, the branches do not have separate legal personality from its parent company, the resolution measure was received differently by different jurisdictions where they were. Regardless of this fact, and as well as to whether or not remained in the sphere of BES operations previously related to their branches, BES ceased to have any presence, fixed installation, lasting and stable in countries where branches are or were open.

It is described below the situation of subsidiaries and branches of BES to December 31, 2014.

7.1. Subsidiaries

7.1.1. BES Angola

On August 4, 2014, the Board of Directors of the National Bank of Angola approved the adoption of extraordinary measures of sanitation of BES Angola, and to this end proceeded to the appointment of provisional administrators for that financial institution.

In the context of this healing process, the National Bank of Angola said that "at an early stage of implementation will be repealed a Sovereign Guarantee issued by the National Treasury" in favor of Banco Espírito Santo Angola SA, up to the value of 5.7 billion USD in respect of loans granted to a group of Angolan business entities. “

Following these measures of August 4, 2014, the Board of Directors of the National Bank of Angola decided, on 20 October 2014, the adoption by the shareholders of certain measures, with immediate effect, namely the increase of BES Angola capital by conversion of part of its senior interbank loan, then held by Novo Banco, SA, followed by a reduction in equity of shareholders for full absorption of accumulated losses and a new capital increase subscribed by shareholders and other entities accepted by National Bank of Angola.

On October 29, 2014, the general meeting of BES Angola decided to carry out the reduction of operations and increase the constant capital of the resolution of the National Bank of Angola October 20, 2014.

With this operation, the then shareholders of the bank, including BES, saw its shares in the capital of BES Angola fully diluted and BES no longer has any interest in the capital of BES Angola, having incurred the full loss of the amount invested in 273 million euros, having the BES's Board of Directors decided to proceed to the recognition of an impairment in the financial statements of August 4, 2014, in the respective loss value.

Nevertheless, they were triggered by BES competent legal reactions to the said general meeting of BES Angola to the Angolan courts, and in case if it considers that the decision of the National Bank of Angola was binding, the competent administrative appeal was lodged and the subsequent judicial review.

7.1.2. Espírito Santo Bank (ES Bank)

After the application of the resolution measure to BES, under which the actions of ES Bank were not transferred to Novo Banco, SA, was imposed on August 8, 2014 one stipulation and Consent to the Issuance of a Consent Order ("Consent Order") by the Federal Deposit Insurance Corporation (FDIC) and the Florida Office of Financial Regulation ("OFR") the administration of ES Bank, under which it undertook to submit a plan of sale, merger or liquidation this institution.

In compliance with this plan, developed in cooperation with BES, was initiated a sales process of ES Bank before being hired in August 2014, the financial advisor Fig Partners LLC for the provision of assessment services and structuring of potential transaction.

All potentially interested in the acquisition of shares of ES Bank contacted, 27 entered into a confidentiality agreement and have access to the data room, with only an entity presented a firm offer for the acquisition of shares of ES Bank, namely a group of investors designated Benacerraf Group.

According to the report by Fig Partners LLC, of December 1, 2014, "The [Benacerraf] Group's offer represents the best alternative to the Shareholder when considering all aspects of ESB financial condition and its distressed bank situation. *In addition, the offer represents a fair financial valuation, a solution to ESB's outstanding Consent Order and liquidity for the Bank of Portugal, BES's liquidation order and ESB's Board of Directors' fiduciary duties as directors*".

Bearing in mind the context of the Consent Order, in which the lack of completion of the deal could lead to the forced liquidation of ES Bank, was also asked to FIG Partners LLC an estimate as to the credit recovery in a liquidation scenario, the latter has been of the opinion that in a liquidation scenario the liabilities exceed the assets of the company, so there would be no remaining settlement that could be distributed to shareholders.

Accordingly, negotiations were launched with the Benacerraf Group to set the final terms of the transaction. For more information about the developments have occurred after the end of the year 2014 v. section 0 below.

7.1.3. Aman Bank

BES held 4,000,802 shares representing approximately 40% of the share capital of Aman Bank, with a nominal value of 40,008,020 dinars for Libyans.

The other shareholders of Aman Bank ("ABS") form a majority bloc under a shareholder agreement, in which BES was also part. Additionally, it had been entered into a management agreement with Aman Bank, which gave the management of this bank BES and forced the same step to zealous exercise of this function and the performance of various duties related to it, including the necessary allocation of resources and human resources and the consequent displacement of a management team.

Due to the political and military situation in Libya, and before the resolution measure, the management team of BES had to be expatriated and BES informed the Chairman of the Board of Directors and representative of ABS, Mr. Mokhtar Hadi Ashley, on July 14, 2014 that it decided to sell its stake in the capital of Amman Bank and had hired Oliver Wyman society, towards the latter advising BES within the sales process for this participation.

Later, already after the application of the resolution measure, BES informed the Central Bank of Libya (the "CBL") that had been forced to withdraw its Libyan management team to ensure your safety and that in Consequently, by reason of force majeure or beyond its control, was no longer able to ensure the daily management of Aman bank is not possible to carry out effectively the monitoring and daily supervision of bank operations remotely and without a local presence.

Simultaneously, BES developed several contacts with Mr. Mokhtar Hadi Ashley and Novo Banco to ensure the stability of the Aman Bank management bodies, to promote the possible management solutions under the existing circumstances and solve various operational problems which the Aman Bank was facing.

However, the deteriorating of the political situation in Libya was making it impossible to ensure proper control over the activities of its subsidiary, and BES constantly confronted with disturbing news in the most diverse nature.

Despite all efforts, BES had been feeling increasingly difficult to comply with certain obligations under the aforementioned agreements.

In this context, the continued participation of BES share capital of Aman Bank was a source of various risks, expenses and contingent liabilities, without the existence of any reasonable expectation of improvement of the current political and military situation in Libya or recovery

of the participation of BES. It has therefore been decided to proceed with the sale of its shares representing approximately 40% of the share capital of Aman Bank.

To this end, BES negotiated in October 2014, the contract for services with the Oliver Wyman, towards the latter continue to advise BES within the said sale of the stake in Aman Bank in more suitable conditions for the situation post resolution measure BES, identifying potential buyers and developing all other steps required to complete the sale process.

During the months of October, November and December were maintained regular contacts between BES and Oliver Wyman from which resulted that, despite all made contact and all efforts undertaken by it, could not find interested in acquiring this stake with which the negotiation process could be started.

For more information about the developments occurred after the end of the year 2014 v. section 0 below.

7.1.4. Espírito Santo Health Care Investments, S.A.

The Bank has on 31 December 2014 shares representing 17.74% of the capital of Espírito Santo Health Care Investments, SA, which resulted from execution after August 4, 2014, financial pledge received as collateral for an operation credit.

7.2. Branches

As of August 3, 2014, BES had branches in the Cayman Islands, the United Kingdom, Spain, Luxembourg, the United States, in Cape Verde, Venezuela and the Bahamas, which were part of the operating segment international commercial banking as BES aimed at providing products and services such as deposits and all types of credit in the context of continuing the fundraising strategy.

The resolution of the Board of Directors of Bank of Portugal that applied to BES the resolution measure had as effect, in their own terms, the move to Novo Banco of assets and liabilities in BES management, with the exception of certain categories of assets and excluded liabilities.

Under the Portuguese law, this generic transfer of assets and liabilities and automatically operated equally in respect of the transactions carried out by BES in Portugal and to transactions executed through branches abroad.

Consequently, in the different jurisdictions in which BES had branches, even the Bank of Portugal sent the August 12, 2014 written communications giving notice of such transfer to the following regulatory bodies: the Commission de Supervision du Secteur Financier, Luxembourg, the Federal Reserve Bank of New York, in the United States of America, the Bank of England - Prudential Regulation Authority in the UK, to the Central Bank of the Bahamas in the Bahamas to the Banco de España in Spain, the Bank of Cape Verde, in Cape Verde, the

Superintendencia de las Instituciones del Sector Bancario, Venezuela, and the Cayman Islands Monetary Authority in the Cayman Islands.

However, thinking up branches abroad under the regulatory activity of local administrative entities, the realization of such a transfer was dependent, in some cases, of (i) the establishment of branches in the Novo Banco, to host such a transfer, and (ii) of the authorization for such transfer by those entities.

As noted, the process of asset and liability transfer is not excluded, of BES branches to branches of Novo Banco abroad, followed several courses in different jurisdictions can be presented, briefly, the following developments:

- a) Cayman Islands - A branch of BES in the Cayman Islands is registered under the number CR-97780 with the Registry of Companies and has a restricted license of type "B", No. 100011, which allowed it to develop the banking activity, in general, only with non-residents in the territory. After the application of the resolution measure, the local regulator - the Cayman Island Monetary Authority (CIMA) - made the transfer to Novo Banco to depend on assets and liabilities not deleted, the previous constitution, in general terms, of a branch of Novo Banco and the subsequent determination and authorization for operations to be transferred. On December 31, 2014, the local regulator - the Cayman Island Monetary Authority (CIMA) - had not yet assigned to Novo Banco a banking license in the Cayman Islands, continuing to exist only type license "B" No. 100011, attributed to BES.
- b) United Kingdom - Pending the application of resolution measure, the branch of the Bank was authorized to offer banking products and services in the United Kingdom under the right of establishment, lying registered under FC008835 number with the Companies House and licensed No bank 124 911 Financial Services in the Register of the Bank of England.
After the application of the resolution measure, the local regulator - the Financial Conduct Authority (FCA) - did depend on the transfer to the branch of Novo Banco of assets and liabilities not excluded, the previous constitution, in general terms, this branch of Novo Banco and the subsequent determination and authorization for operations to be transferred. On December 31, 2014, remains asset the banking license of BES branch in the UK, but Novo Banco had already made up its own branch in that jurisdiction. On March 24, 2015, ceased BES license to conduct the banking activity in the UK through its branch, and its commercial register on this date still asset until the tax reporting obligations of the branch are met.
- c) Spain - Pending the application of resolution measure, BES branch was authorized to offer banking products and services in Spain under the right of establishment regime and registered in the *Registro Mercantil de Madrid no Tomo:23.977, Folio 1, Sección 8, Hoja: M-430558, Ins. 1ª, Fecha 16-3-07* and with license number ES0131 in the

Registro de entidades de crédito del Banco de España. Following the written communications which have been sent by the Bank of Portugal, the Bank of Spain determined that BES branch in Spain has become a branch of Novo Banco in Spain, as set out in Notice No. 34424, October 1 2014, that regulatory authority. Since then, BES has therefore a branch authorized to perform banking activities in that country.

- d) Luxembourg - Pending the application of resolution measure, the branch of the Bank was authorized to offer banking products and services in Luxembourg, under the right of establishment, and found himself registered under the 165023 number with the Registre de Commerce et des sociétés. Following communications which were sent after the application of the resolution measure, the Comission de Supervision du Secteur Financier determined the assignment of a banking license to Novo Banco and the cessation of BES license.
- e) United States (New York) - After the recognition of all assets and liabilities not excluded and previously pertaining to BES branch were transferred to the branch of Novo Banco, BES requested the Department of Financial Services of the State of New York in December 5, 2014, the termination of the respective banking license.
- f) Cape Verde - BES had an offshore branch in Cape Verde authorized by the respective regulator, Bank of Cape Verde. Following the resolution of measurement, and subsequent communications made to the regulator, the banking license of BES branch was terminated by the Bank of Cape Verde;
- g) Venezuela - Pending the application of resolution measure, the branch of the Bank was authorized to offer banking products and services in Venezuela, and holder of the license granted by the Superintendencia de las Instituciones del Bancario Sector in 2010 and found to be registered with the *Registro Mercantil Segundo de la Circunscripción Judicial del Distrito Capital y Estado Miranda, sob o número 27, Tomo 11-A SDO*. Following the resolution measure, the branch of BES in Venezuela was transferred, together with the banking license for Novo Banco, as approved by Resolución No. 004/15 of 01.15.2015 de las Instituciones Superintendencia del Sector banking, lacking, so BES branch of an authorized bank to engage in business in that country.
- h) Bahamas - BES had a branch in Nassau, with license No. LIC1048 assigned by the Central Bank of the Bahamas. Following the communications that have been issued following the application of resolution measure, the local regulator determined the granting of a banking license to Novo Banco and the cessation of BES license.

8. Risk management

Under the Article 66 of the Commercial Companies Code, the annual report should indicate the objectives and the company's policies on management of financial risks, including exposure to market risk, credit risk and liquidity, when materially relevant to the valuation of assets, liabilities and financial position of the company.

The fact that the company is prevented, since August 3 2014, to develop its banking activity and is subject to corrective action measures that expressly staked it to receive deposits and credits, is the framework of the context of the proper development of this chapter.

The risk management in BES includes the identification of risks (credit risk, country risk, market risk, liquidity risk and operational risk) that may be relevant in the current context of the activity of society and the adoption of appropriate measures and procedures to prevent and mitigate them. The risk management is the responsibility of the Board of Directors of the company, which carries through the daily monitoring of operations and contracts that remained in BES in the specific context of their activity.

The credit risk corresponds to the possibility of default by a counterpart or negative change in the value of an asset portfolio in the face of the deterioration in the quality of counterpart risk, has specific features in the current context of BES activity, particularly in light of the prohibition, determined by the Bank of Portugal, lending and investing funds in any kinds of assets. On the other hand, the bulk of assets not transferred to Novo Banco pursuant to Resolution measure consist of credit balances against the GES Group entities, which generally are in default. In this context, the risk management consists primarily in credit recovery activity (having been implemented procedures to ensure the sound management and efficient monitoring of these processes), and in ensuring that available liquidity resulting from loans and the sale of assets, it is applied exclusively in deposits with credit institutions. In addition, a follow-up activity and assessment of the solvency situation of some BES debtors whose credits are not in default.

For the country risk, it is noted that BES does not currently carry out any banking activity in Portugal or abroad and the assets and liabilities were excluded from the transfer to the bridge bank repatriated to BES in Portugal. So there are some exposures before entities based in foreign countries (e.g. Luxembourg, Spain, Switzerland and Panama) which, in essence, are part of the GES Group, lying, as noted above, some insolvent. On the other hand, BES was deprived of its participation in BESA on 29 October 2014, sold its stake in Aman Bank on February 27, 2015, pending verification of certain conditions to carry out the sale of its stake Espírito Santo Bank in Miami, agreed on 30 April 2015.

The risk of market or price (interest rates, exchange rates, stock prices, commodity price) is understood as the risk of incurring losses due to unexpected changes in the price of instruments or operations. Given the composition of its assets, the exposure of BES to the risk of changes in interest rates is marginal. In the case of currency exposure, exposures remaining

in BES present a significant risk, given that a significant part of the liability is denominated in US dollars, mismatched on the side of denominated assets in dollars (e.g. financing of Oak Finance and currency derivatives).

With regard to the risk liquidity, it is lacking in the current context of BES activity due to the waiver of the obligations that were not transferred to the bridge bank and the prohibition of granting credit, with consequent non necessity to ensure the funding of this activity, with BES equipped with the available liquid assets that allow it to ensure the timely fulfillment of payables (ie, those that formed after August 3, 2014).

It should be noted also that, as clarified by the Board of Directors of Bank of Portugal of February 11, 2015, BES` responsibilities not transferred to Novo Banco include BES liabilities relating to retirement pensions and survivors' and pension supplements and survival of some directors of the Bank, so BES is also subject to the risk of the pension fund, resulting from gains and losses arising from changes in assumptions and differences between assumptions and actual values to be checked in accordance with actuarial techniques and the value of liabilities (bottom responsibilities) may not exceed the value of assets (fund's investments), although in the context of the measure applied by the Bank of Portugal to comply waiver of the above obligations.

Finally, with regard to operational risk, corresponding to the risk of incurring financial losses due to deficiencies in the operations of the bank, resulting from failures in the definition or implementation procedures, failures in information systems or due to external events, the this risk management in the context of the current activity of BES, is focused on the implementation of appropriate procedures to prevent and mitigate the risk of any financial costs for non-timely fulfillment of fiscal, administrative or regulatory obligations to BES` status after the application of the measure resolution.

It must in any case be noted that, with the application of the resolution measure to BES, all material and human resources were transferred to Novo Banco, which resulted in the need to create a new computer system for the management of operations and accounting records. This situation forces the massive load of information data on customers and operations that remained in BES, with time lags. The fact that the operations continued to be develop under the terms contractually provided without the synchronization of the registration systems may cause some errors or shortcomings that have been and will be corrected with the monitoring and controls carried out periodically.

9. Relevant facts occurred after the term of the exercise

9.1. Legal changes

- On March 26, 2015 was published the Law No. 23-A / 2015, which transposed the Directive 2014/59 / EU of the European Parliament and of the Council of 15 May 2014 and who profoundly changed the legal resolution regime. To the extent that this legislation does not include provisions of transitional law applicable to the new legal resolution framework, the answer to the question which temporally applicable law imposes an effort of the prior determination of the content and assumptions of the regulatory rules of conflict in applicable time and careful interpretation of Article 12 of the Civil Code. In general terms, the provisions governing the effects of the resolution as the application is still to be sought in the regime applicable at the time of application of the resolution measure, rules that apply to the content of certain powers or rights that may be exercised after the legislative changes will be governed by the new law;

- On July 31, 2015, Decree-Law No. 140/2015 of 31 July, which states that where imposed a resolution measure to transfer only part of the rights and obligations and where there is a deferred withdrawal of the authorization of the institution, the creditors of the institution should not be able to exercise their rights and fulfill their claims out of the settlement process, so that the implementation of the resolution measure should determine the immediate cessation of the payment of the fulfillment of the obligations previously undertaken by the institution.

9.2. Conclusions of Bank of Portugal

- February 11, 2015: clarification that BES responsibilities which were not transferred to Novo Banco include BES liabilities relating to pensions and survivor and retirement pension supplements and survival of BES administrators who have been members Executive Committee of BES and which are covered by point i), paragraph b) of paragraph 1 of Annex 2 of the Board of Directors of Bank of Portugal from August 3, 2014, with the wording given to it by resolution of the same Board of Directors August 11, 2014;

- April 27, 2015: determination under paragraph 1 of Article 145-O and paragraphs 1 and 4 of Article 145-Q transfer Legal Framework for Novo Banco's right to deduct from respective taxable income all BES tax losses and for this they are not used to exercise in accordance with arrangements provided for in Article 145-AU Legal Framework;

- May the 13th 2015: conclusion of Bank of Portugal determining that: (A) "In light of the provisions of subparagraph's (iii), (v) and (vii) of paragraph (b) of paragraph 1 of Annex 2 of the resolution of deliberation, were not transferred to the new potential obligations Bank guarantees, liabilities or contingencies that had been taken by BES, particularly in respect of

retail customers, marketing, financial intermediation and distribution of debt instruments issued by entities that are part of the Espírito Santo Group, except as provided in the final part of point (vii) according to the interpretation defined in B) "; and (B) "In point (vii) of paragraph (b) of paragraph 1 of Annex 2 of the resolution of deliberation, the words 'without prejudice to any non-subordinated credit' has to be understood in terms to ensure their compatibility with the principles of the exclusions provided for in the other subparagraphs, particularly in subparagraph (iii), i.e. only covers: (I) any non-subordinated loans that were due at the measurement date of termination by virtue of the respective term already has expired or, being the contingent claims, by virtue of the condition (since only this depended on the respective maturity) already it has been established; and (ii) any non-subordinated claims that resulted from contractual agreements (bilateral legal transactions) prior to June 30, 2014, which have complied with the rules for the expression of the will and contractual obligation of BES and whose existence can be demonstrated in the mold provided for in that point (vii) ";

- July the 30th 2015: Extension with effect from 3 August 2015 until the date of termination of BES authorization for the exercise of their activity or up to a maximum period of one year, the mandates of the Board of Directors and the Supervisory Board;

- August the 3rd 2015: Decision determining the administrators who contributed to the worsening of the financial situation of BES;

- September 15, 2015: resolution of the Bank of Portugal determining and confirming that the responsibilities to the Oak Finance not falling within the categories of liabilities transferred to Novo Banco as specified in the resolution of the Bank of Portugal of 3 August 2014 and if and to the extent that it is considered that this responsibility was transferred to Novo Banco by virtue of the resolution of 3 August 2014 and we were moved back to BES under the decision of the Bank of Portugal of 22 December 2014, the Bank of Portugal "applies, by this means, a resolution measure for the purposes of BRRD, and / or a reorganization measure pursuant to Directive 2001/24 / EC, by which transfers back Responsibility Oak Finance New Bank BES ";

- September 21, 2015: resolution of the Bank of Portugal stating that "in the light of the provisions in subparagraph (v) of paragraph (b) of paragraph 1 of Annex 2 to the resolution of deliberation, responsibility for violation of misdemeanor provisions, including the responsibility for the payment of fines to "Banco Espírito Santo, SA Sucursal en España 'within the offense proceedings AMD / 7750/2012, the practice before August 3, 2014, of very serious offenses related to non-compliance with tax notification requirements on the prevention of money laundering and terrorist financing, was not transferred to Novo Banco SA and remained in Banco Espírito Santo, SA ".

9.3. Asset Disposal

- February the 27th 2015: Agreement with Freslake Limited company for the sale of shares of the Aman Bank. In return for the completion of the transaction, the BEM is assigned the value of € 3,900,000 (three million, nine hundred thousand Euros) in respect of fixed and unconditional price;
- April the 30th 2015: According to a group of investors called Benacerraf Group for the sale of shares of Espírito Santo Bank. The conclusion of the transaction is subject to certain conditions, including approval by the relevant regulatory authorities. The sale price lights to USD 10,000,000.00, which may be increased by an amount equal to the positive difference between the amount of USD 5,000,000.00 and the value that will be needed to resolve certain outstanding contingencies.

9.4. Credit recovery

In addition to the current activity of the Bank's loan recovery, it should be noted that was reached in August 2015 an important agreement with a Portuguese business group before which BES had a significant exposure, having been spoofed a solution, following the negotiations held by the conclusion of a global agreement, the Special procedures frame Revitalization (PER) to be promoted by the debtor entities. With this agreement, BES was able to keep the assets for which benefited from a real guarantee, with an estimated present value of market of about 30 million euros, thus obtaining the peaceful and full realization of the same, having been also distributed 80 % of proceeds from the sale of a property, where the value of the sale amounts to 2.4 million euros and were also negotiated a better fortune safeguard clause.

10. Predictable evolution of the company

According to Article 145-A of the Legal Framework, if, after applying any resolution measure, the Bank of Portugal understands that they are assured the purposes of paragraph 1 of Article 145-C of the same diploma and that the credit institution does not meet the requirements for maintenance of authorization for the exercise of their activity, can the Bank of Portugal to promote the withdrawal of the authorization of a credit institution that has been the subject of resolution measure, followed by the settlement system provided for by law. Under the supervision of Unique Mechanism (MUS), in operation since November 4, 2014, became the exclusive ECB assignment the withdrawal of all credit institutions established in participating Member States, on their own initiative or under a proposal by the competent national authority.

Similarly, in accordance with the commitments made by the Portuguese State established under the European Commission's decision on State Aid No SA.39250 (2014 / N), the authorization to conduct banking activity of BES should be repealed with the completion of the sale of Novo Banco or at the latest by December 31, 2016.

The settlement is in fact assumed to be the natural outcome of the application of the resolution measure, as the legislature confirms the preamble to Decree-Law No. 140/2015 of 31 July, when it states that "the revocation of the institution's authorization credit Resolution object is mandatory in cases where the Bank of Portugal, the application of resolution measures, transfer only part of the rights and obligations, assuming that such repeal is not concurrent with the coming into effect of Resolution measure".

Thus stems from the national and European legal framework and the commitments made by the Portuguese Government that BES will be subject to liquidation proceedings, although the actual time that it will begin not in the dependence of the Board of Directors of BES. Accordingly, the future activity of BES will remain focused in this settlement antechamber scenario, the conservation and enhancement of BES assets, with respect for the principles and solving measurement purposes and in compliance with all the legal framework and standards regulatory binding upon it.

11. Own shares

Were not acquired or disposed any own shares during the year 2014. In the end of the year, BES was the holder of 275 291 own shares, the book value of 684 thousand Euros.

12. Businesses between the company and the directors

In the minutes of the Board of Directors' meetings held prior to the implementation of the resolution measure were not detected any authorizations granted under Article 397, paragraph 2, of the Companies Code.

Were not concluded any transactions between BES and its directors after the implementation of the resolution measure.

13. Results and finance economic information

Information in thousands of euros:

Operating revenue: (118 361)

Operating costs: 131 493

Result before taxes: (249 854)

Net results in the period between August the 4th 2014 and December the 31st 2014: (249 858)

Net results in the period between January the 1st and August the 3rd 2014: (8 947 133)

Net result of the exercise: (9 196 991)

In the exercise was recorded a loss of € 9,196,990,524.38 of which about 9 billion relate to the period from 1 January 2014 to 3 August 2014, already reflecting the effects of the transmission assets resulting from the application of Resolution of measurement and adjustments arising from the independent evaluation of the asset elements and balance sheet items transferred to Novo Banco.

The net profit for the period between January 1 and December 31, 2014, in the amount of € 9,196,990,524.38 will be carried forward to the balance of retained earnings.

14. Complementary information

For the purposes of paragraph 1 of Article 210 of Law No. 110/2009, of 16 September, the Bank has its situation with respect to Social Security regularized.

Under the terms and for the purposes of paragraph 5 of article 447 of the Commercial Companies Code, the current members of the Board of Directors of BES and the Supervisory Board shall be held, on December 31, 2014, nor were during the exercise period of the mandate holders of any shares or obligations of BES.

As for the transactions reported to BES by former members of the management and supervisory bodies of BES already known, and according to the information that might be determined by consulting the information available to the market on the leaders of transactions:

Director	Finance instrument	Issuer	Transaction nature	Date	Volume	Price (€)/share
Horácio Lisboa Afonso	Shares	BES	Alienation	3.1.2014	4,125	1.12
Aníbal da Costa Reis Oliveira	Shares	BES	Alienation	6.1.2014	200,000	1.15
João Eduardo Moura Silva Freixa	Shares	BES	Alienation	7.1.2014	131,281	1.20
Pedro Mosqueira do Amaral	Shares	BES	Alienation	8.1.2014	50,000	1.23
Pedro Mosqueira do Amaral	Shares	BES	Alienation	17.2.2014	50,000	1.32
Pedro Mosqueira do Amaral	Shares	BES	Alienation	18.2.2014	42,500	1.40
Jorge Alberto Carvalho Martins	Shares	BES	Alienation	18.2.2014	35,000	1.40
Joaquim Aníbal Brito Freixial de Goes	Shares	BES	Alienation	18.2.2014	120,000	1.39
Xavier Musca	Shares	BES	Alienation	21.5.2014	13,000,000	0.9930
Xavier Musca	Shares	BES	Alienation	22.5.2014	6,500,000	0.8796
Xavier Musca	Shares	BES	Alienation	23.5.2014	15,034,570	0.853631

Aníbal da Costa Reis Oliveira	Subscription rights	BES	Alienation	29.5.2014	700,000	0.12
Ricardo Espírito Santo Silva	Shares	BES	Subscription in raise of capital	16.6.2014	1,522,766	0.65
José Manuel Pinheiro Espírito Santo Silva	Shares	BES	Subscription in raise of capital	16.6.2014	404,517	0.65
António José Baptista do Souto	Shares	BES	Subscription in raise of capital	16.6.2014	42,432	0.65
Jorge Alberto Carvalho Martins	Shares	BES	Subscription in raise of capital	16.6.2014	13,623	0.65
José Maria Espírito Santo Silva Ricciardi	Shares	BES	Subscription in raise of capital	16.6.2014	12,000	0.65
Rui Manuel Duarte Sousa da Silveira	Shares	BES	Subscription in raise of capital	16.6.2014	2,546	0.65
Joaquim Aníbal Brito Freixial de Goes	Shares	BES	Subscription in raise of capital	16.6.2014	12,606	0.65
Ricardo Abecassis Espírito Santo Silva	Shares	BES	Subscription in raise of capital	16.6.2014	64,639	0.65
Amílcar Carlos Ferreira de Morais Pires	Shares	BES	Subscription in raise of capital	16.6.2014	135,227	0.65
José Maria Espírito Santo Silva Ricciardi	Shares	BES	Alienation	1.7.2014	41,900	0.86

For the purposes of paragraph 4 of Article 448 of the Companies Code, we inform you that, at the close of the fiscal year, and according to the records of the company and the information provided, the shareholders with more than one tenth of the capital are the Espirito Santo Financial (Portugal) - Management Company of Shareholdings SA and Crédit Agricole SA, the absence of holders of a third or half of BES capital.

Note 27 ("Capital, Share Premium, Treasury Shares and Other Equity Instruments") of the Individual Balance Sheet Notes contains the identification of major shareholders holdings of BES to December 31, 2014, containing the note 30 (Transactions with Related) a summary of transactions with related parties during the year

Lisbon, December the 18th 2015

César Brito
Member of the Board of Directors

Miguel Alçada
Member of the Board of Directors

Luís Máximo dos Santos
President of the Board of Directors

II. Balance sheet and Notes

BANCO ESPIRITO SANTO, S.A.

EARNINGS STATEMENT ON DECEMBER 31 2014 AND 2013

(Thousands of euros)

	Notes	31.12.2014	31.12.2013
Interest and similar earnings		1 847	2 247 457
Interest and similar costs		34 589	1 852 416
Financial margin	4	(32 742)	395 041
Earnings from capital instruments		-	302 673
Earnings from services and commissions	5	220	722 146
Expenses with services and commissions	5	(248)	(274 767)
Assets and liabilities results at a fair value through results	6	1 979	(274 972)
Results of financial assets available to be sold	7	-	133 629
Results of exchange revaluation	8	(55 518)	(16 845)
Results of the sale of other financial assets		-	(7 844)
Other operating results	9	(32 052)	(53 452)
Operational earnings:		(118 361)	925 609
Costs with personnel	10	13 455	355 431
General administrative expenses	12	7 484	304 992
Depreciations and amortizations	18/19	35	81 675
Net provisions from annulments	24	108 673	(34 216)
Impairment of net loan of reversals and recoveries	17	2 095	876 224
Impairment of the net financial assets of reversals and recoveries		-	144 191
Impairment of other net financial assets of reversals and recoveries	14/16/21	(249)	(158 910)
Operating costs		131 493	1 569 387
Result before taxes		(249 854)	(643 778)
Current taxes		4	6 197
Deferred taxes		-	(187 407)
Taxes over income		4	(181 210)
Net results in the period between August the 4th 2014 and December the 31st 2014		(249 858)	(462 568)
Net results in the period between January the 1st and August the 3rd 2014 2014 (discontinued activity)		(8 947 133)	-
Net result of the exercise		(9 196 991)	(462 568)

The attached explanatory notes are part of these financial statement

BANCO ESPIRITO SANTO, S.A.
COMPREHENSIVE INCOME STATEMENT OF
THE EXERCISES WHICH ENDED ON DECEMBER 31, 2014 AND 2013

(thousands of euros)

	Notes	31.12.2014	31.12.2013
Net results in the period between August 4, 2014 and December 31, 2014		(249 858)	-
Net results in the period between January 1, 2014 and August 3, 2014		<u>(8 947 133)</u>	<u>-</u>
Net result of the exercise		<u>(9 196 991)</u>	<u>(462 568)</u>
The comprehensive income of August 4, 2014 to December 31, 2014			
<i>Items which will not be classified towards the results</i>			
Long term benefits	11	(8 154)	(88 141)
Pensions - transition regime		-	(4 210)
Exchange differences		<u>-</u>	<u>20 884</u>
		<u>(8 154)</u>	<u>(71 467)</u>
<i>Items which can be reclassified towards the results</i>			
Assets available to be sold		<u>-</u>	<u>6 540</u>
		<u>-</u>	<u>6 540</u>
The comprehensive income of Wednesday, January 01, 2014 to Sunday, August 03, 2014		<u>(171 542)</u>	<u>-</u>
Other comprehensive income		<u>(179 696)</u>	<u>(64 927)</u>
Total of comprehensive income of the exercise		<u>(9 376 687)</u>	<u>(527 495)</u>
<i>Of which:</i>			
<i>Total of comprehensive income in the period between August 4, 2014 and December 31, 2014</i>		<i>(258 012)</i>	<i>-</i>
<i>Total of comprehensive income in the period between January 1, 2014 and August 3, 2014 (discontinued activity)</i>		<i>(9 118 675)</i>	<i>-</i>

The attached explanatory notes are part of these financial statement

BANCO ESPÍRITO SANTO, S.A.

BALANCE
ON DECEMBER 31 2014 AND 2013

(Thousands of euros)

	Notes	31.12.2014	31.12.2013 ⁽¹⁾
Assets			
Cash and availabilities in central banks		-	916 143
Availabilities in other banks	13	20 863	147 211
Financial assets detained for negotiation	14	-	1 102 113
Other financial assets with a fair value through results		-	2 937 434
Assets available to be sold	15	8 505	5 949 475
Applications in banks	16	50 076	9 583 337
Credit to clients	17	104 294	35 872 194
Investments detained until maturity		-	1 152 456
Derivatives for risk management		-	325 021
Non-current assets detained to be sold		-	1 356 013
Other tangible assets	18	10	327 135
Intangible assets	19	22	109 777
Investment in associates and branches	20	11 350	2 617 839
Assets regarding current taxes		-	14 727
Assets regarding deferred taxes		-	1 003 735
Other assets	21	1 485	2 752 951
Asset's total		196 605	66 167 561
Liabilities			
Central banks' resources		-	9 305 318
Financial liabilities detained for negotiation	14	10 418	999 839
Resources of other banks	22	26	5 470 806
Clients' resources and other loans	23	696 277	33 446 504
Responsibilities represented by titles		-	8 245 875
Financial liabilities associated to transferred assets		-	635 609
Derivatives for risk management		-	86 419
Provisions	24	1 126 851	505 472
Liabilities regarding current taxes		1	6 721
Liabilities regarding deferred taxes		-	55 417
Subordinate liabilities	25	934 258	1 034 748
Other liabilities	26	107 949	673 149
Total of Liabilities		2 875 780	60 465 877
Equity			
Capital	27	6 084 696	5 040 124
Issuing premiums	27	1 038 923	1 059 700
Other capital instruments	27	191 571	191 734
Own shares	27	(801)	(801)
Reserves, retained earnings and other comprehensive income	28	(796 573)	(126 505)
Net result of the exercise		(9 196 991)	(462 568)
Total of Equity Capital		(2 679 175)	5 701 684
Total of Equity and Liability Capital		196 605	66 167 561

(1) For comparison effects shall be taken into consideration the information stated in Note 31, which included the balance of August 4, 2014 after the application, by the Bank of Portugal, to BES of the resolution measure

The attached explanatory notes are part of these financial statement

BANCO ESPÍRITO SANTO, S.A.
STATEMENT OF CHANGES IN EQUITY CAPITAL
IN THE PERIOD WHICH ENDS ON DECEMBER 31, 2014 AND 2013

	Reserves, retained earnings and other comprehensive income							Total of own capital	
	Capital	Issuing of premiums	Own shares	Others Capital instruments	Fair value reserves	Other reserves, Retained earnings and other comprehensive income	Total		Period net results
Balance on December 31, 2012	5.040.124	1.063.621	(. 801)	225.214	28.738	(. 208.364)	(. 129.626)	121.961	6.268.901
Other comprehensive income	-	-	-	-	6.540	-	6.540	-	6.540
Changes in the fair value, excluding tax	-	-	-	-	-	(88.141)	(88.141)	-	(88.141)
Actuarial deviations	-	-	-	-	-	(4.210)	(4.210)	-	(4.210)
Pensions - transition regime	-	-	-	-	-	20.884	20.884	-	20.884
Exchange variation	-	-	-	-	-	-	-	(. 462.568)	(. 462.568)
Net result of the exercise	-	-	-	-	6.540	(. 71.462)	(. 64.922)	(. 662.568)	(. 572.493)
Total of comprehensive income in the period	-	-	-	-	6.540	(. 71.462)	(. 64.922)	(. 662.568)	(. 572.493)
Holding of reserves	-	-	-	-	-	121.961	121.961	(121.961)	-
Buy of other capital instruments	-	-	-	(33.980)	-	5.996	5.996	-	(27.984)
Dividends of ordinary shares (a)	-	-	-	-	-	-	-	-	-
Variation of own shares	-	-	-	-	-	-	-	-	-
Interest of other capital instruments (a)	-	-	-	-	-	(1.872)	(1.872)	-	(1.872)
Dividends of other capital instruments	-	-	-	-	-	(8.035)	(8.035)	-	(8.035)
Other movements	-	(1.921)	-	-	-	(2)	(2)	-	(1.923)
Balance on Tuesday, December 31, 2013	5.040.124	1.058.200	(. 801)	191.234	35.278	(. 163.783)	(. 126.505)	(. 462.568)	5.701.684
Other comprehensive income from January 1, 2014 until August 3, 2014	-	-	-	-	-	(136.264)	(270.012)	-	(270.012)
Effects of the transfer of the financial assets destined to be sold	-	-	-	-	(133.748)	-	-	-	-
To Novo Banco, S.A.	-	-	-	-	98.470	-	98.470	-	98.470
Transfer to Novo Banco, S.A.	-	-	-	-	-	-	-	(870.690)	(870.690)
Net results in the period between January the 1st 2014 and August the 3rd 2014	-	-	-	-	-	-	-	(. 8.076.443)	(. 8.076.443)
Total of comprehensive income in the period between January the 1st 2014 and August the 3rd 2014	-	-	-	-	(35.278)	(. 136.264)	(. 171.542)	(. 8.947.133)	(. 9.118.675)
Other comprehensive income in the period between August 4, 2014 and December 31, 2014	-	-	-	-	-	(8.154)	(8.154)	-	(8.154)
Actuarial deviations	-	-	-	-	-	-	-	-	-
Exchange variation	-	-	-	-	-	-	-	-	-
Net results in the period between August 4, 2014 and December 31, 2014	-	-	-	-	-	(8.154)	(8.154)	(. 249.858)	(. 249.858)
Total of comprehensive income in the period between August 4, 2014 and December 31, 2014	-	-	-	-	-	(. 8.154)	(. 8.154)	(. 249.858)	(. 258.012)
Holding of reserves	-	-	-	-	-	(462.568)	(462.568)	462.568	-
Capital increase	1.044.572	-	-	-	-	-	-	-	1.044.572
Costs with capital increase of net capital of imports	-	(23.262)	-	-	-	-	-	-	(23.262)
Interest of other capital instruments (a)	-	-	-	-	-	(876)	(876)	-	(876)
Dividends of other capital instruments	-	-	-	-	-	(6.414)	(6.414)	-	(6.414)
Other movements (b)	-	2.485	-	(163)	-	(20.514)	(20.514)	-	(18.192)
Balance on December 31, 2014	6.084.696	1.038.923	(. 801)	191.571	-	(. 796.573)	(. 796.573)	(. 9.196.991)	(. 2.679.125)

BANCO ESPÍRITO SANTO, S.A.
CASH FLOW STATEMENT
OF THE EXERCISES WHICH ENDED ON DECEMBER 31 2014 AND 2013

(Thousands of euros)

	Notes	31.12.2014	31.12.2013
Cash flow of operational activities			
Interest and received earnings		1 847	2 258 842
Interest and paid costs		-	[1 791 394]
Services and commissions received		231	741 344
Services and commissions paid		(248)	(293 936)
Loans' recovery		-	20 797
Contributions to the pension fund		-	(102 919)
Cash payments to employees and suppliers		<u>(7 390)</u>	<u>(87 938)</u>
		(5 560)	744 796
<i>Variation in operational assets and liabilities:</i>			
Applications in central banks' resources		-	[1 562 189]
Financial assets with a fair value through results		-	[1 693 802]
Applications in banks		(50 326)	588 624
Resources of banks		60 651	[1 624 339]
Credit to clients		19 521	(352 634)
Clients' resources and other loans		-	3 173 676
Derivatives for risk management		-	47 101
Other operational assets and liabilities:		<u>(29 514)</u>	<u>(13 215)</u>
Net cash flows of the operational activities, before taxes		(5 228)	(691 982)
Over profits		(5 228)	(691 982)
Taxes over paid profits		<u>-</u>	<u>(167 374)</u>
Net cash flows of operational activities		(5 228)	(859 356)
Cash flows of investment activities			
Acquisition of investment in subsidiaries and associates		-	(253 948)
Received dividends		-	302 673
Purchase of financial assets available to be sold		16 158	(45 810 148)
Sell of financial assets available to be sold		-	48 750 060
Investments detained until maturity		-	(441 735)
Immobilizations purchase		<u>(67)</u>	<u>(35 960)</u>
Net cash flows of investment activities		16 091	2 510 942
Cash flows of financial activities			
Buyback of other capital instruments		-	(25 900)
Cash bonds' issuing and other titled liabilities		-	899 193
Cash bonds' reimbursement and other titled liabilities		-	[2 588 684]
Issuing of subordinate liabilities		-	750 000
Reimbursement of subordinate liabilities		-	(506 202)
Interest of other capital instruments		-	(2 496)
Dividends of paid ordinary shares		<u>-</u>	<u>(12 593)</u>
Net cash flows of financial activities		-	(1 486 682)
Net variation of cash value and its equivalents in the period of august 3, 2014 and december 31st, 2014		<u>10 863</u>	<u>164 904</u>
Net variation of cash value and its equivalents in the period of january 1, 2014 and August 3, 2014 (discontinued activity)		<u>(988 499)</u>	<u>-</u>
Net variation of cash value and its equivalents of the exercise		(977 636)	164 904
Cash flow and equivalents in the beginning of the period		998 499	871 866
Effects of the exchange rate changes in cash flow and its equivalents		-	(38 271)
Net variation of cash value and its equivalents		<u>(977 636)</u>	<u>164 904</u>
Caixa e equivalentes no fim do período	13	20 863	998 499

The explanatory remarks are part of the financial statement

Notes to the individual financial statements at December 31, 2014

(Amounts expressed in thousands of euros, except when indicated)

NOTE 1 - ACTIVITY

Banco Espírito Santo, S.A. (BES or Bank), is a limited company and is headquartered in Portugal, Rua Barata Salgueiro n.º 28, 6º andar, 1250-044, Lisbon. BES's origins date back to the last quarter of the nineteenth century, having started the activity as commercial bank in 1920 following the acquisition of the Espírito Santo & Cª, banking house that was already developing retail banking operations. In 1937 came the merger of Banco Espírito Santo with Banco Comercial de Lisboa which resulted in Banco Espírito Santo and Commercial Lisbon. By public deed of July 6, 1999 began to adopt the firm Banco Espírito Santo, S.A.. BES is a joint-stock company whose common shares are listed on NYSE Euronext Lisbon, being, however, suspended its trading since last August 1, 2014, by the Board of Directors of the Securities and Exchange Commission, the same time, as mentioned later in more detail.

Following the presentation on July 30, 2014, by the Board of Directors of BES working at the date of the consolidated interim financial statements for the six months ended June 30, 2014, which showed a loss in the amount of 3,6 billion, while that followed: (i) the failure of the regulatory minimum level of Common Equity Tier 1 ratio and (ii) the suspension of access by BES to monetary policy operations and liquidity of the Euro system, and the invocation of Article 145-C, the Legal Framework of Credit and Financial Institutions ("Legal Framework"), in the wording then in force, the Board of Directors of Bank of Portugal decided, on August 3, 2014, apply a resolution measure to the Banco Espírito Santo, SA, in the form specified in paragraph b) of paragraph 1 of this Article.

According to the provisions of Article of the Legal Framework, the current wording to date, the Bank of Portugal can apply remedial measures where a credit institution does not meet, or are at serious risk of not meeting the requirements for maintenance of authorization for the exercise of their activity.

With the implementation of this measure, it was decided to transfer to a bridge bank, Novo Banco, SA, incorporated under the provisions of Article 145º-A and following of the Legal Framework, the majority of assets and liabilities, off-balance sheet assets and under management of Banco Espírito Santo, SA as of August 3, 2014, as well as its employees and other material resources.

The Note 31 describes the impact of the implementation of this resolution measure in the balance sheet of BES on August 3, 2014.

Pursuant to Article 145-DA, in.º1, of the Legal Framework, the current wording to date, the implementation of this resolution measure ordered the suspension of members of the Board

of Directors and BES supervision, and the Bank Portugal, pursuant to paragraph 2, of the same standard, appointed the following members to BES` governing bodies:

Board of Directors

President - Luís Agosto Máximo dos Santos;

Member - César Bento Nunes de Brito;

Member - Miguel Morais Alçada.

Supervisory Board

President - José Vieira dos Reis;

Member - Rogério Manuel Fernandes Ferreira;

Member - Vítor Manuel G. Pimenta e Silva.

It should be noted that, according to paragraph 4 of Article 145 - Q of the Legal Framework, the wording currently in force after this initial transfer, which is detailed in Note 31, the Bank of Portugal may, at any time:

- a) Transfer other rights and obligations of BES to Novo Banco, S.A. ;
- b) Return to BES rights and obligations which have been transferred to the Novo Banco, S.A..

Thus, the value of assets, liabilities and BES equity-balance sheet presented here may change due to further transfers of assets, liabilities, off-balance sheet and assets under management between BES and Novo Banco, SA, which will be determined by the Bank of Portugal at any time, and that the Board of Directors of BES cannot, to this date, anticipate or estimate.

Additionally, on August 11, 2014, the Board of Directors of Bank of Portugal decided, with effect from 3 August 2014, the application to BES:

- a) Corrective intervention measures comprising: (i) the prohibition of lending and investing funds in any kinds of assets (paragraph e) of paragraph 1 of Article 141 of the Legal Framework, the current wording to date), except to the extent that the application of funds is necessary for the preservation and development of its assets and (ii) the prohibition of receiving deposits (f) of paragraph 1 of Article 141 of the RGICSF, the current wording to date); and

- b) Other measures, including the exemption for a period of one year from the date of that decision, of the observance of prudential rules and the exemption for a period of one year from the timely fulfillment of earlier obligations, unless such compliance is indispensable for the preservation and the valuation of its assets, in which case the Bank of Portugal may authorize, on a proposal from BES, necessary for this purpose operations.

Moreover, pursuant to paragraph 7 of Article 145-th-L of the Legal Framework, introduced by Decree-Law No. 140/2015, of July 31, which came into force on August 3, 2015, compliance with the obligations that have not been transferred to a bridge institution is not required to solve object institution, except those whose compliance Bank of Portugal determines to be necessary for the valuation of its assets.

Hence BES presently carries out its activity within the resolution measure of the corrective intervention measures and other measures mentioned above, fitting to note that under Article 145-AQ, the wording currently in effect, the Bank of Portugal after checking that they are assured the purposes of resolution measure and BES does not meet the requirements for maintenance of authorization for the exercise of their activity, can promote the revocation of the authorization to conduct banking activity, which, under the law, it produces the effects of the declaration of insolvency, followed by the liquidation of the institution in accordance with applicable law. It should also be noted that under the Commission's decision in State aid case number SA.39250 (2014/N)-Portugal on the resolution measure applied to BES, the banking license of this institution will be repealed by the end of the sales process of Novo Banco, SA.

Pursuant to the Article 145-B, paragraph 1, of RGICSF in the wording in force at the date of application of the resolution measure, applying the resolution measure, taking into account the respective purposes, seeks to ensure that shareholders mostly take the damage in question and that the remaining losses are borne by creditors in fair and equitable conditions and according to the respective hierarchy of each class of creditors, and no such creditor take a bigger loss than the one who would take over if BES had entered immediately into liquidation.

Therefore, the applicable law contemplates the realization of an assessment by an independent body designated by the Bank of Portugal which will include an estimate of the level of recovery of claims of each class of creditors in a perspective of immediate liquidation of the institution, which will make the application the provisions of Article 145-B, paragraph 3, of RGICSF in the wording in force on the date of implementation of resolution measure.

On August 1, 2014, the Board of Directors of the Securities Market Commission (CMVM) has decided, under Article 214 and paragraph b) of paragraph 2 of Article 213 of the Code Securities, the suspension of trading of the shares of Banco Espírito Santo, SA., to the disclosure of material information about the issuer. The suspension of trading was extended for successive and equal periods of ten days through the respective resolutions of the CMVM, the last of which last December 17, 2015. This way, until this date, the negotiation of shares of BES is suspended.

Considering the provisions of Resolution measure applied by the Bank of Portugal in particular for exceptions to the assets, liabilities and off-balance transferred to Novo Banco, SA, as explained in Note 31, the balance of BES, referring to December 31, 2014 it is mainly composed of balances with related parties (see Note 30 and 31).

NOTE 2 - MAIN ACCOUNTANCY POLICIES

2.1. Presentation basis

As mentioned in Note 1, as determined by the Bank of Portugal, BES was prohibited from receiving deposits and granting credit, and thus exempted from compliance with the prudential ratios is expected in the European Commission Decision No SA.39250 (2014 / N) - Portugal, which will be revoked the authorization of BES to conduct banking activity which should occur at the time of sale of Novo Banco, SA. The authorization of the revocation decision will have effects on the insolvency declaration which will origin, in turn, a process of judicial BES settlement in accordance with applicable law. Thus, the assumption of continuity is not applicable to the individual financial statements of BES related to December 31, 2014 now presented.

On that basis, these individual financial statements of BES have been prepared in accordance with the Adjusted Accounting Standards (AAS) as set by the Bank of Portugal, which were adapted to the current circumstances of the Bank, in particular regarding the presentation of financial statements and made disclosures as explained in Note 2.21.

The NCA translate themselves in the application to the individual financial statements of the International Financial Reporting Standards (IFRS) as adopted in the European Union, with the exception of issues regulated by the Bank of Portugal, as loan impairment charges to clients and the accounting treatment relating the recognition in retained earnings of the adjustments of liabilities for retirement and survivor pensions during the transition period.

The IFRS include the accounting standards issued by the International Accounting Standards Board (IASB) and interpretations issued by the International Financial Reporting Interpretation Committee (IFRIC) and by the respective predecessor bodies.

The financial statements are expressed in thousands of euros, rounded to the nearest thousand. They were prepared in accordance with the principle of historical cost, except for assets and liabilities recorded at fair value, including derivative financial instruments and financial assets available for sale.

The preparation of financial statements in accordance with NCA requires the Bank to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of income, costs, assets and liabilities. Changes in such assumptions or differences between these and the reality may have an impact on the current estimates and judgments. The areas involving a higher degree of judgment or complexity, or where

assumptions are used and significant estimates in preparing the financial statements, are disclosed in Note 3.

The financial statements of December 31, 2014 were approved by the Board of Directors meeting on December 18, 2015.

2.2. Foreign currency operations

Foreign currency transactions are translated at the exchange rate prevailing at the transaction date. Monetary assets and liabilities denominated in foreign currencies are translated into euro at the exchange rate in force on the balance sheet date. Exchange differences arising from this conversion are recognized in results.

The non-monetary assets and liabilities carried at historical cost denominated in a foreign currency are translated using the exchange rate at the transaction date. Non-monetary assets and liabilities denominated in foreign currencies at fair value are translated at the exchange rate prevailing on the date when the fair value was determined. The exchange rate differences are recognized in results.

2.3. Derivative finance instruments

Recognition and measurement

The derivative financial instruments are recognized on the date of (trade date), at a fair value. Subsequently, the fair value of derivative financial instruments is evaluated on a regular basis, and the gains or losses resulting from this revaluation recorded directly in the income statement, except when it comes to hedging derivatives.

The fair value of derivative financial instruments corresponds to their market value when available or are determined using valuation techniques, including discounted models of cash flows (discounted cash flows) and valuation models of options as appropriate.

Derivatives traded on organized markets, including future and certain option contracts, are recorded as trading and they are revalued in the income statement. Since the changes in fair value of these derivatives are settled daily through margin accounts which the Bank holds, they have a zero book value. The margin accounts are recorded in other assets (see Note 21) and include the minimum collateral required in respect of open positions.

2.4. Credit to clients

Loans to customers include loans originated by the Bank, whose intention is not to sell in the short term, which are recorded on the date that the amount of the credit was advanced to the customer.

Loans to customers are unknown to the balance sheet when (i) the contractual rights of the Bank for the respective cash flows have expired, (ii) the Bank has transferred substantially all risks and rewards of ownership or (iii) although the Bank have retaining some but not substantially all of the risks and benefits of ownership, control over the assets transferred.

Loans to customers are initially recognized at nominal value and can not be reclassified to other categories of financial assets.

Following the resolution measure, a substantial part of the loans to customers was derecognised from the balance sheet taking into account the contractual rights of the Bank for the respective cash flows have been transferred to Novo Banco, S.A ..

Loans, net of impairment, are recorded to the highest expectation of the values that could be recouped in the future taking into account the non-application of the going concern basis.

Impairment

The Bank assesses whether there is an objective evidence of an impairment in its loan portfolio. The identified impairment losses are recorded in the income statement, subsequently reversed through the income statement if, in a subsequent period, the amount of the impairment losses decreases.

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

Initially, the Bank assesses whether there is individually for each objective credit evidence of impaired loans. For this evaluation and the identification of impaired loans on an individual

basis, the Bank uses the information that feeds the implemented credit risk models and consider among others the following factors:

- the overall exposure to the customer and the existence of credits in default;
- the viability of the customer's business and its ability to generate sufficient to meet the debt service in the future;
- the existence of privileged creditors;
- the existence, the nature and the estimated value of the collaterals;
- the indebtedness of the client in the finance sector;
- the estimated amount and the recovery deadlines.

In case for some kind of loan, there is no objective evidence of impairment on an individual point of view, this credit is included in a credit group with similar credit risk characteristics (credit card), which is evaluated collectively - the impairment analysis on a collective basis. The loans that are individually assessed and for which is identified an impairment loss are not included in the collective assessment.

If an impairment loss on an individual basis is identified, the amount of the loss recognized is the difference between the carrying amount of the loan and the present value of estimated future cash flows (considering the recovery period) discounted at the original effective interest rate the contract.

The conceded credit is presented in the net balance of impairment. If a loan has a variable interest rate, the discount rate to be used to determine the respective impairment loss is the current effective interest rate determined under the rules of each contract.

The calculation of the present value of the estimated future cash flows of a collateralized loan reflects the cash flows that may result from the foreclosure and the sale of the collateral, minus the costs with their recovery and sale.

As part of the impairment analysis on a collective basis, loans are grouped based on similar characteristics of credit risk in a risk assessment function defined by the Bank. Future cash flows in a portfolio of loans whose impairment is assessed collectively, are estimated based on the contractual cash flows and historical loss experience. The methodology and assumptions used for estimating future cash flows are reviewed regularly by the Bank in order to monitor the differences between loss estimates and actual loss experience.

According to the NCA, the loans value should be corrected, according to rigorous and prudent criteria to reflect at all time its realizable value. This value correction (impairment) cannot be less than that determined in accordance with Notice 3/95, the Bank of Portugal, which establishes the minimum reference framework for the establishment of specific and general provisions.

When the Bank considers that a loan is uncollectible and an an impairment loss of 100% has been recognized, it is written off from assets.

The Bank makes the renegotiations of a loan with a view to maximizing the recovery of the same. A loan is renegotiated according to selective criteria, based on (i) the analysis of the circumstances in which it is in an overcome situation, or when there is a high risk that this will happen; (ii) verification that the client has made a reasonable effort to comply with the previously agreed contract terms; and (iii) is expected to have capacity to meet the new terms agreed. The renegotiation usually includes the extension of the maturity, change of payment periods defined and/or amendment of the covenants of the contracts and, where possible, the renegotiation is accompanied by obtaining new collaterals. The renegotiated loans are still subject to an impairment review resulting from the revaluation of the face recovery expectation the new cash flows inherent to the new conditions, also taking into account the new presented collaterals.

2.5. Other assets

The Bank classifies other financial assets at the time of their acquisition considering the intention that underlies them.

- **Assets available to be sold**

Are non-derivative assets which: (i) the Bank intends to hold for an indefinite period, (ii) are designated as available for sale at initial recognition or (iii) do not fit in the above categories.

Recognition and initial measurement and derecognition

Purchases and sales of: Financial assets available for sale are recognized on the trade date (trade date), i.e., the date that the Bank commits to purchase or sell the asset.

The financial assets available for sale are initially recognized at fair value plus transaction costs.

These assets are derecognized when (i) expire the contractual rights of the Bank to receive their cash flows, (ii) the Bank has transferred substantially all risks and rewards of ownership or (iii) despite retaining some but not substantially all the risks and rewards of ownership, the Bank has transferred control over the assets.

Subsequent measurement

The financial assets available for sale are also recorded at a fair value which, however, the respective differences recognized in equity until the assets are derecognized or is identified an impairment loss, at which time the accumulated value of the potential gains and losses recorded in equity is transferred to profit. The foreign exchange fluctuations associated with these assets are also recognized in equity, in the case of shares and other equity instruments, and results in the case of debt instruments. The interest, calculated using the effective interest rate method and dividends are recognized in the income statement.

The fair value of the listed assets is its current buying price (bid-price). For unlisted securities, the Bank establishes fair value by using (i) valuation techniques, such as using recent transaction prices, similar and carried out under market conditions, cash flow techniques discounted and customized evaluation models options to reflect the characteristics and circumstances of the instrument, and (ii) valuation assumptions based on market information.

Impairment

In accordance with NCA, the Bank assesses 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 when there is an objective evidence of impairment resulting from one or more events that occurred after their initial recognition, such as for shares and other equity instruments, a prolonged or of significant value in their market value below cost.

When there is evidence of impairment of financial assets available for sale, the cumulative loss in reserves, corresponding to the difference between the acquisition cost and the fair current value, less any impairment loss on the asset previously recognized in the income is transferred to profit. If in a subsequent period, the amount of the impairment loss decreases, the loss of a previously recognized impairment is reversed through the income statement to the replacement of the acquisition cost if the increase is objectively related to an event occurring after the recognition of the impairment loss except with respect to the shares or other equity instruments, in which the subsequent gains are recognized in reserves.

2.6. Financial liabilities

An instrument is classified as a financial liability when it contains a contractual obligation for its settlement to be effected by delivering cash or another financial asset, regardless of their legal form.

Non-derivative financial liabilities include deposits from credit institutions and subordinated customers and liabilities.

These financial liabilities are recognized (i) initially at fair value less transaction costs and (ii) subsequently at amortized cost, using the method of effective interest rate.

Taking into account the non-application of the going concern assumption, financial liabilities are immediately recognized at their refund value in cases where the respective loan agreements contain acceleration clauses and conditions of credit events which shows are recorded in December 31, 2014, compared to BES situation described in Note 1.

If the bank buys debt issued, this same debt is derecognized from the individual balance sheet and the difference between the carrying amount of the liability and its acquisition cost is recognized in the income statement.

2.7. Compensation of finance instruments

Financial assets and liabilities are presented in the balance sheet at their net value when there is a legal possibility to offset the recognized amounts and there is an intention to settle on a net basis or to realize the asset and settle the liability simultaneously.

2.8. Financial Guarantees

Are considered financial guarantees contracts that require the issuer to make payments to compensate the holder for losses incurred due to non-compliance of the contractual terms of debt instruments, including payments of the respective principal and / or interest.

The financial guarantees are initially recognized by its fair value. Subsequently, these guarantees are measured at the higher (i) the fair value initially recognized, and (ii) the amount of any obligations under the guarantee contract, measured at the balance sheet date. Any change in the value of the obligation associated with financial guarantees issued is recognized in income.

Financial guarantees issued by the Bank usually have defined maturity and a periodic fee charged in advance, which varies depending on the counterpart risk, amount and contract period. At this stage, the fair value of the guarantees on the date of initial recognition is roughly equivalent to the initial charge amount received taking into account that the agreed conditions are the ones of the market. Thus, the amount recognized on the acquisition date equals the amount of the received initial charge which is recognized in earnings during the period to which it relates. The subsequent commissions are recognized in income in the period to which they relate.

2.9. Capital instruments

An instrument is classified as an equity instrument when there is no contractual obligation for its settlement to be effected by delivering cash or another financial asset, regardless of their legal form, showing a residual interest in the assets of an entity after deducting all its liabilities.

Costs directly attributable to the issue of equity instruments are recognized in equity as a deduction to the amount issued. Amounts paid or received related to acquisitions or sales of equity instruments are recognized in equity, net of transaction costs.

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

2.10. Associates and subsidiaries

The investments in subsidiaries and associates are recorded at cost net of impairment losses acquisition.

The impairment is determined based on the expected recovery value of these subsidiaries and associates, including, where applicable, taking into account the sale value of the shares representing the capital stock of such companies as the result of sale transactions already agreed or entered into with third parties.

2.11. Taxes over revenue

The tax over revenue comprises the current taxes and the deferred taxes. The tax over revenue is recognized in the income statement, except when related to items recognized directly in equity, in which case they are also recognized in equity.

The current tax is the tax expected to be paid based on taxable income determined in accordance with the tax rules in force and using the tax rate approved or substantially approved in each jurisdiction.

The deferred taxes are calculated in accordance with the liability method based on the balance sheet, on temporary differences between the carrying amounts of assets and liabilities and their tax basis using the tax rates approved or substantially enacted at the balance sheet date in each jurisdiction and that are expected to apply when the temporary differences are reversed.

The deferred tax liabilities are recognized for all taxable temporary differences and the resulting differences 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 it is not likely to be reversed in the future. The deferred tax assets are recognized to the extent that it is expectable that the taxable profits in the future able to absorb the deductible temporary differences.

With effect from August 4, 2014, BES proceeded to the full adjustment of the deferred tax assets taking into account that, due to the non-application of the going concern assumption and to the operating conditions of your activity, taxable profits are not expected against which they may be used.

2.12. Provisions and Contingent Liabilities

The provisions are recognized when (i) the Bank has a present legal or constructive, (ii) it is probable that payment will be required and (iii) a reliable estimate of the obligation can be made.

Are classified as contingent liabilities:

- a) The bonds considered as possible, arising from past events and whose existence will be confirmed only by the occurrence of one or more uncertain future events not wholly within the entity's control; or
- b) The present obligations arising from past events, but were not recognized because:
 - (i) It is not probable that it is demanded a payment to liquidate such liabilities; or
 - (ii) The liabilities 'value cannot be measured with enough liability.

The contingent liabilities are not recognized in the balance sheet being disclosed in the explanatory Remarks, unless the likelihood of the Bank having to make a payment is remote.

2.13. Other tangible assets

The other tangible assets of the Bank are stated at cost less respective accumulated depreciation and impairment losses. The cost includes expenses which are directly attributable to the acquisition of assets.

The subsequent costs with the other tangible assets are recognized only if it is probable that they will result in economic benefits for the Bank. All the maintenance and repair costs are recognized as an expense according to the principle of accrual.

The fields are not depreciated. The depreciation of other tangible assets is calculated using the straight-line basis at the following depreciation rates that reflect the estimated useful lives of the assets:

Number of years

Benefits in rented buildings 10

IT equipment 4 to 5

Furniture and material 4 to 10

Previous premises 5 to 10

Safety equipment 4 to 10

Machinery and tools 4 to 10

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

The recoverable amount is determined as the highest of net selling price and its value in use, which is calculated based on the present value of estimated future cash flows expected to be obtained from the continued use of the asset and its disposal at the end of its useful life.

2.14. Intangible assets

The costs incurred with the acquisition, production and development of software are capitalized, as well as the costs incurred by the Bank towards its implementation. These costs are amortized on a straight-line basis over the expected useful life of these assets to which is usually between 3 and 6 years.

The costs directly related to the development of computer applications, on which it is expected that they will generate future economic benefits beyond one year, are recognized as intangible assets.

All the remaining costs associated with IT services are recognized as an expense when incurred.

2.15. Leases

The Bank classifies leases as finance leases or operating leases, depending on their substance rather than its legal form, accomplishing the criteria defined in IAS 17 - Leases. They are classified as finance leases transactions in which the risks and benefits regarding the ownership of an asset are transferred to the lessee. All the remaining lease operations are classified as operational leases.

- **As Lessor**

The leasing contracts are recorded in the balance sheet as loans granted, for an amount equal to the net investment in the leased assets.

The interest included in installments charged to customers are recorded as income, while the depreciation of capital, also included in the installments, is deducted from the loans granted to customers. The recognition of the interest reflects a constant periodic rate of return over the lessor's net investment.

2.16. Interest recognition

The results relating to financial instruments interest measured at an amortized cost and financial assets available for sale are recognized under interest and similar income or interest expense and similar charges using the method of effective interest rate. The interest of financial assets and liabilities at a fair value through profit or loss is also included under interest and similar income or interest and similar charges, respectively.

The effective interest rate is the rate that exactly discounts estimated future payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period regarding the current net carrying amount of the financial asset or liability. The effective interest rate is established on the initial recognition of financial assets and liabilities and is not subsequently revised.

To calculate the effective interest rate, the Group estimates the future cash flows considering all contractual terms of the financial instrument (e.g. prepayment options), excluding, however, any future credit losses. The calculation includes all fees which are an integral part of the effective interest rate, transaction costs and all other premiums or discounts directly related to the transaction. In the case of financial assets or groups of similar financial assets

for which an impairment loss was recognized, interest recorded in interest income is determined based on the interest rate used to measure the impairment loss.

With regard to derivative financial instruments, except those classified as hedging derivatives (see Note 2.3), the interest component of the changes in fair value is not separated out and is classified in the income balance of assets and liabilities at fair value through results. The interest component of the changes in fair value of derivative financial instruments for risk management is recognized in interest and similar income or interest expense and similar charges.

2.17. Commissions and services income recognition

The net fee of services and commissions are recognized as follows:

- The net fee and the commissions earned on the execution of a significant act, such as commissions on syndicated loans are recognized as income when the significant act has been completed.
- The income from services and commissions earned as services are provided, are recognized as income in the period to which they relate.
- The net fee of services and the commissions that are an integral part of the effective interest rate of a financial instrument are recognized as income at the effective interest rate.

2.18. Recognition of dividends

The income from equity instruments (dividends) are recognized when the right to receive payment is established.

2.19. Cash and cash equivalents

In the consolidated statement of cash flows, cash and cash equivalents includes amounts balances with less than three months from the date of acquisition / procurement, which includes the cash and deposits at central banks and other institutions credit.

The cash and cash equivalents exclude restricted balances with Central Banks.

2.20. Employees` benefits

Pensions

All BES workers were transferred to Novo Banco following the implementation of the resolution measure. Therefore, what is referred to in the following paragraphs is general.

The Bank's liabilities for retirement pensions are calculated based on the Unit Credit Method Designed. The discount rate used in this calculation is determined based on market rates associated with emissions of high quality corporate bonds, denominated in the currency in which the benefits will be paid and with maturity dates approximating the terms of the plan's obligations.

The benefit / cost of interest on the pension plan is calculated by the Bank by multiplying the asset / net liability for the retirement pensions (liability minus the fair value of plan assets) at the discount rate used in determining the liabilities for pension reform and referred to above. At this stage, the profit / Net interest cost is the interest cost associated with liabilities net pensions of the theoretical yield of the fund's assets, both measured based on the discount rate used to calculate pension liabilities.

The gains and measurement of losses, including (i) actuarial gains and losses arising from the differences between the used actuarial assumptions and actual values obtained (profit and loss experience) and changes in actuarial assumptions and (ii) gains and losses arising from the difference between the theoretical yield of the fund's assets and the values obtained are recognized against equity under other comprehensive income.

The Bank recognizes in its income statement a net total amount that comprises (i) the current service cost, (ii) the profit / Net interest cost on the pension plan, (iii) the effect of early retirement, (iv) costs for past services and (v) the effects of any settlement or curtailment occurred in the period. The effect of the early retirements corresponds to the increase in liabilities due to retirement occurring before the employee reaches 65 years of age.

2.21. Presentation of financial statements and disclosures

As described in Note 1, the application by the Bank of Portugal BES resolution measure on August 3, 2014, resulted in the transfer of most of the activity developed by BES, as well as the respective assets and liabilities associated and recorded on the balance sheet at the closing day August 3, 2014, to a bridge bank formed for the purpose, Novo Banco, SA.

In addition, as determined by the Bank of Portugal, BES was prohibited from receiving deposits and granting credit, and thus exempted from compliance with the prudential ratios is expected in the European Commission Decision No SA.39250 (2014 / N) - Portugal, which will be revoked the authorization of BES to conduct banking activity which should occur at the time of sale of Novo Banco, SA.

Thus, the Board of Directors decided to stand before the discontinuation of the banking activity of BES since August 4, 2014, remaining only in the sphere of the Bank, the management of the remaining assets and liabilities as described in Note 31. At this stage, the Board of Directors decided, based on the provisions of IFRS 5 'Non-current assets held for sale', particularly with regard to activities discontinued, to separately present the results of BES as well as the comprehensive income obtained in the period January 1, 2014 to August 3 2014, in a single line on the face of the statements of income and comprehensive income, respectively. The 2013 amounts were not expressed again.

In addition, bearing in mind the magnitude of the resolution as the impacts applied by the Bank of Portugal to BES on August 3, 2014, the financial statements of December 31, 2014 are not comparable with the financial statements for the year which ender on December 31 of 2013. As a comparison with December 31, 2013, should be taken into account the impacts of the application of the measure resolution as presented in Note 31. On that basis, in addition to the comparative figures for December 31, 2013 are also presented in the notes, the figures for August 4, 2014 as published on August 7, 2015.

Also the NCA disclosure requirements have been adapted to the circumstances, being presented in these financial statements the disclosures that the Board of Directors considered necessary to understand the effects of the application of the resolution measure by the Bank of Portugal on August 3, 2014 and the results activity developed by BES thereafter.

NOTE 3 - CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS IN PREPARATION OF FINANCIAL STATEMENTS

The NCA set forth a range of accounting treatments and require the Board of Directors to make judgments and make estimates in deciding the most appropriate accounting treatment. The main accounting estimates and judgments used in the application of accounting principles by the Bank are set out below 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 used by the Bank are presented in Note 2 to the financial statements.

Whereas in many cases there are alternatives to the accounting treatment adopted by the Board of Directors, the Bank's reported results would differ if a different treatment was chosen. The Board of Directors believes that the choices made are appropriate and that the financial statements give a true and fair view of the financial position of the Bank and the results of its operations in all material respects.

3.1. Fair value of the financial instruments

The fair value is based on quoted market prices when available, and in unlisted securities is determined based on the use of recent transactions similar prices and performed at market conditions or based on valuation methodologies based on flow techniques of future cash take into account market conditions, the time value, the curve of profitability and volatility factors. These pricing models may require assumptions or judgments in estimating fair value.

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

3.2. Losses regarding impairment in clients` credit

The Bank conducted a review of its outstanding credit portfolio after the application of the resolution measure in order to conclude regarding the recoverability of outstanding amounts.

The evaluation process of this loan portfolio is subject to numerous estimates and judgments and took into account the current state of Espírito Santo Group, whose claims make up a substantial part of the portfolio after the resolution of measurement August 3, 2014. The use of different assumptions and estimates could result in different levels of impairment losses recognized with a consequent impact on the Bank's results.

3.3. Taxes over profits

The determination of the total amount of taxes over profits requires certain interpretations and estimates. There are many transactions and calculations for which the determination of the final amount of tax payable is uncertain during the ordinary course of business.

Other interpretations and estimates could result in a different level of income taxes, current and deferred, recognized in the period.

The Tax Authorities are entitled to review the calculation of the tax base made by the Bank for a period of four or six years in case there are tax losses. Thus, there may be corrections to the taxable income, resulting mainly from differences in the interpretation of tax legislation.

3.4. Impairment of financial assets available to be sold

The Bank determines that there is an impairment of financial assets available for sale when there is a significant or devaluation of their fair value or when there is an impact on expected future cash flows of the assets. This determination requires judgment, in which the Bank collects and evaluates all relevant information for the formulation of the decision, including the volatility in the prices of financial instruments.

To this end and as a result of strong market volatility, we considered the following parameters when assessing the existence of impairment losses:

- (i) Equity securities: continued devaluation or significant value in its market value over the purchase price;
- (ii) Debt securities: whenever there is an objective evidence of events with impact on the estimated future cash flows of these assets.

In addition, the evaluations are generally obtained through market prices (mark to market) or valuation models (mark to model) which require the use of certain assumptions or judgment in making estimates of fair value. The use of alternative methodologies and different assumptions and estimates could result in a different level of impairment losses recognized with a consequent impact on the Bank's results.

3.5. Pensions and other employees 'benefits

The determination of liabilities for retirement benefits requires the use of assumptions and estimates, including the use of actuarial projections, estimated returns on investment and other factors that may impact on costs and pension plan liabilities.

Changes to these assumptions could materially affect these values.

NOTE 4 – FINANCIAL MARGIN

The amount of this item is composed by:

	31.12.2014			31.12.2013		
	Of assets/liabilities to the amortized cost and assets available to be sold	Of assets/liabilities in the fair value through results	Total	De ativos/passivos ao custo amortizado e ativos disponiveis para venda	Of assets/liabilities in the fair value through results	Total
(thousands of euros)						
Interest and similar earnings						
Credit interest	2 069	-	2 069	1 382 092	14 016	1 396 108
Interest of finance assets in the fair value through results	-	-	-	-	59 493	59 493
Interest of availabilities and applications in credit institutions	-	-	-	226 442	807	227 249
Interest of finance assets available to be sold	-	-	-	170 741	-	170 741
Interest of investments detained until maturity	-	-	-	18 769	-	18 769
Interest from the risk management	-	-	-	174 893	185 023	359 916
Other interest and similar earnings	-	-	-	15 181	-	15 181
	2 069	-	2 069	1 988 118	259 339	2 247 457
Interest and similar earnings						
Interest of central banks and credit institutions resources	-	-	-	194 131	11 843	205 974
Interest of responsibilities represented by titles	-	-	-	656 672	29 579	686 251
Interest of clients resources	-	-	-	667 647	49 321	716 968
Interest of subordinate liabilities	-	-	-	66 768	-	66 768
Interest from derivatives regarding risk management	-	-	-	83 903	92 552	176 455
	-	-	-	1 669 121	183 295	1 852 416
	2 069	-	2 069	318 997	76 044	395 041

The cost item with customer funds of interest, includes the cost of 7.95 million euros related to the recognition of interest related to the loan made by Oak Finance to the branch of Banco Espírito Santo in Luxembourg (Note 23).

Regarding the item of subordinated debt interest in the amount of 26.4 million euros, reflects the accrued interest on bonds issued by BES by 2013, amounting to 25.7 million euros and interest on bonds issued by BES Cayman guaranteed by BES, in the amount of 652 thousand euros.

NOTE 5 - RESULTS FROM SERVICES AND COMMISSIONS

The amount of this item is composed by:

	(thousands of euros)	
	31.12.2014	31.12.2013
Earnings from services and commissions		
Regarding provided banking services	7	312 625
Regarding provided warranties	213	224 923
Regarding provided security transactions	-	7 533
Regarding third party commitments	-	25 108
Other earnings from services and commissions	-	151 957
	220	722 146
Expenses with services and commissions		
Regarding third parties' banking services	248	68 856
Regarding provided security transactions	-	9 374
Regarding received warranties	-	188 981
Other expenses from services and commissions	-	7 556
	248	274 767
	(28)	447 379

On December 31 the item heading Fees and commissions results represent earnings from guarantees as defined in accounting policy 2.17.

The charges for services and commissions in the amount of 248,000 Euros, refer to commissions paid and payable to Novo Banco, SA, through the intervention under documentary credits according to BESA and Aman Bank.

NOTE 6 - ASSET RESULTS AND LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS

The amount of this item is composed by:

	31.12.2014			31.12.2013		
	Earnings	Costs	Total	Earnings	Costs	Total
(thousands of euros)						
Trading securities						
Titles						
Bonds and other fixed income titles						
Of public issuers	-	-	-	9 636	4 979	4 657
Of other issuers	-	-	-	878	617	261
Shares	-	-	-	7 538	31 103	(23 565)
Other variable income titles	-	-	-	944	310	634
	<u>-</u>	<u>-</u>	<u>-</u>	<u>18 996</u>	<u>37 009</u>	<u>(18 013)</u>
Derivative finance instruments						
Contracts over exchange rates	25 617	23 640	1 977	261 671	287 210	(25 539)
Contracts over interest rates	61	59	2	2 564 429	2 825 812	(261 383)
Indexes/shares' contracts	-	-	-	1 189 145	1 204 447	(15 302)
Contracts regarding loans	-	-	-	454 401	496 323	(41 922)
Others	-	-	-	14 495	13 157	1 338
	<u>25 678</u>	<u>23 699</u>	<u>1 979</u>	<u>4 484 141</u>	<u>4 826 949</u>	<u>(342 808)</u>
Other financial assets and liabilities with a fair value						
Through results						
Titles						
Bonds and other fixed income titles						
Of public issuers	-	-	-	26 212	10 418	15 794
Of other issuers	-	-	-	13 228	33 848	(20 620)
Shares	-	-	-	597	1 594	(997)
Other variable income titles	-	-	-	56 336	19 621	36 715
	<u>-</u>	<u>-</u>	<u>-</u>	<u>96 373</u>	<u>65 481</u>	<u>30 892</u>
Other assets ⁽¹⁾						
Credit to clients	-	-	-	36 544	13 958	22 586
	<u>-</u>	<u>-</u>	<u>-</u>	<u>36 544</u>	<u>13 958</u>	<u>22 586</u>
Financial liabilities ⁽¹⁾						
Resources of banks	-	-	-	22 131	53 859	(31 728)
Clients' resources	-	-	-	92 013	50 206	41 807
Debits represented by titles	-	-	-	31 874	9 582	22 292
	<u>-</u>	<u>-</u>	<u>-</u>	<u>146 018</u>	<u>113 647</u>	<u>32 371</u>
	<u>-</u>	<u>-</u>	<u>-</u>	<u>278 935</u>	<u>193 086</u>	<u>85 849</u>
	<u>25 678</u>	<u>23 699</u>	<u>1 979</u>	<u>4 782 072</u>	<u>5 057 044</u>	<u>(274 972)</u>

(1) includes the variation of the assets/liabilities fair value which are object of covering or fair value option

Given that, with the implementation of the resolution as presented in Note 31, the activity of the Bank is subject, to the portfolio of existing derivatives at December 31, 2014, corresponds to the portfolio of August 4, 2014 after adjustments. Thus, with reference to December 31, 2014, the value of 1.98 million euros reflects gains from the change in fair value of existing derivative before the implementation of the resolution measure.

NOTE 7 - ASSETS AVAILABLE FOR SALE FINANCIAL RESULTS

The amount of this item is composed by:

(thousands of euros)

	31.12.2014			31.12.2013		
	Earnings	Costs	Total	Earnings	Costs	Total
Bonds and other fixed income titles						
Of public issuers	-	-	-	145 569	13 636	131 933
Of other issuers	-	-	-	9 661	18 190	(8 529)
Shares	-	-	-	12 463	6 359	6 104
Other titles with variable earnings	-	-	-	9 820	5 699	4 121
	-	-	-	177 513	43 884	133 629

NOTE 8 - RESULTS OF EXCHANGE REVALUATION

The amount of this item is composed by:

(thousands of euros)

	31.12.2014			31.12.2013		
	Earnings	Costs	Total	Earnings	Costs	Total
Exchange rate reevaluation	115 696	(12)	115 708	683 286	700 131	(16 845)
	115 696	(12)	115 708	683 286	700 131	(16 845)

This item includes the results from foreign exchange revaluation of monetary assets and liabilities denominated in foreign currency in accordance with the accounting policy described in Note 2.2.

The cost is essentially justified by the appreciation of the dollar against the euro, given the exposure in the amount of 834.6 million USD with the loan made by OAK Finance (see Note 23).

NOTE 9 - OTHER OPERATING INCOME

The amount of this item is composed by:

	(thousands of euros)	
	31.12.2014	31.12.2013
Other earnings/exploitation (costs)		
Diversified provision of services	-	11 157
Non-recurrent earnings in loans	-	20 797
Non-recurrent losses in loans	-	(22 931)
Direct and indirect taxes	(648)	(34 578)
Contributions for the deposit of the holding fund	-	(8 765)
Contribution to the resolution fund	-	(11 226)
Levies and donations	-	(4 271)
Earnings/(losses) in purchase of debt issued by the bank	-	5 151
Other	(31 404)	(8 786)
	(32 052)	(53 452)

The sub-heading "Other" includes costs amounting to 31.6 million euros with respect to the effect of the correction of the OAK Finance funding that was recorded at an amortized cost until August 4, 2014, and that, due to lack of payment the services under the contract, it was recognized at their nominal value as the accounting policy described in Note 2.6 (see Note 23).

The heading further includes income amounting to 3.5 million euros from the sale of the shareholder position in ES Health, the amount of 16.2 million euros, which resulted from the execution, observed after August 4, 2014, the financial pledge as a collateral of a credit operation with an entity of Espirito Santo Group.

NOTE 10 - PERSONNEL COSTS

The amount of this item is composed by:

	(thousands of euros)	
	31.12.2014	31.12.2013
Compensations and salaries	-	260 830
<i>Compensations</i>	-	256 704
<i>Proportional premium</i>	-	4 126
Compulsory social expenses	-	70 918
Costs with post-employment benefits	(234)	11 684
Other costs	1	11 999
	(233)	355 431

The costs of salaries and other benefits attributed to the Bank's key management personnel are as follows:

	(Thousands of euros)			
	Board of Directors	Auditing Commission	Other staff Management key	Total
December the 31st 2014				
Compensations and other short term benefits	183	22	24	229
Variable compensations	-	-	-	-
Subtotal	183	22	24	229
Long term benefits and other social expenses	31	3	6	40
Other compensations and seniority premium	3	-	1	4
Total	217	25	31	273
December the 31st 2013				
Compensations and other short term benefits	6 181	379	13 985	20 545
Variable compensations	200	-	1 598	1 798
Subtotal	6 381	379	15 583	22 343
Long term benefits and other social expenses	6 535	-	3 659	10 194
Other compensations and seniority premium	130	-	270	400
Total	13 046	379	19 512	32 937

It is considered "Other key management personnel" Officers and Advisors to the Board of Directors of BES. On December 31, 2014, the loans granted by BES to its key management personnel were nonexistent and December 31, 2013 was 5,463 thousand euros.

The number of employees of the Bank, considering the actual and fixed-term contract, has the following breakdown by job category:

	(Thousands of euros)	
	31.12.2014	31.12.2013
Management functions	3	1 217
Managerial functions	-	1 171
Specific functions	-	4 160
Administrative functions and others	2	3 668
	5	10 216

NOTE 11 - BENEFITS TO EMPLOYEES

Retirement pensions and health benefits

In accordance with the Collective Bargaining Agreement (ACTV) agreement celebrated with the trade unions and in place for the banking sector and the articles of association, BES is committed to provide its employees and managers, or their families, cash benefits to title old-age retirement, disability and survivors' pensions. The bank employees were still assured medical care through a Medical Assistance Service-Social (SAMS), managed by the respective Union, the Bank has to make mandatory contributions corresponding to a pre-defined percentage of total effective remuneration of workers in the asset including, among others, holiday pay and Christmas bonus.

The Bank constituted a pension fund to cover the cash contributions to old-age retirement, disability and survivors' pensions and also the responsibilities for health benefits (SAMS) and death subsidy. The fund's management company is GNB - Management Company Pension Fund, S.A..

BES Pension Fund has three different levels: the basic plan, applicable to all workers and ensuring the benefits provided for in the collective agreement, the complementary plan, applicable to governing boards and ensuring complementary benefits to those provided for in the collective agreement and the plan of the executive committee, which applies to members of the executive committee.

Pursuant to the Board of Directors of Bank of Portugal of February 11, 2015, it clarified that the obligations assumed by BES before, among others, members of BES' board of directors, including those who exercised these functions in the four years before the creation of Novo Banco, SA, and whose act or omission has given rise to the financial difficulties of the credit institution or have contributed to the worsening of that situation and were not transferred to Novo Banco, SA, include charges arising from the obligation to make contributions to pension funds for the benefit of the persons concerned and include the responsibilities for pensions or supplementary retirement pensions of BES administrators concerned without prejudice to the due responsibilities exclusively of employment with BES, and more determined than BES and Novo Banco adequate the respective accounting records accordingly.

From the above follows the ones which remained in BES funding responsibilities of the Pension Fund financing with the necessary contributions to enable it to bear the costs of pensions and other benefits granted to directors pursuant to the executive committee plan for managers in functions in the application date of the resolution measure or covered by the decision of the Bank of Portugal of August 3, 2015 as having contributed to the worsening of the financial situation of BES, leaving Novo Banco financing the Pension Fund for the expenses for other pension plans and of the plan of the executive committee plan with regard to the benefits of the directors who were not in the office in solving measurement date or contributed to the worsening of the financial situation of BES, as determined by the decision of Bank of Portugal on August 3, 2015. In short, or because of the resolution measure, started to coexist within the Pension Fund, plans for Novo Banco pension (ie the basic plan, the complementary plan and executive committee of the plan concerning non-deleted administrators) and BES pension plan (i.e. the pension plan of the above administrators).

For the purposes of implementing the resolution of the Bank of Portugal of 11 February 2015, it will be necessary to amend the Articles of BES Pension Fund Agreement and the separation of responsibilities and assets affects the supplementary EC plan.

Thus, it was made on May 28, 2015 and updated on October 15, 2015, the responsible actuary of the management company referred to above, the identification and separation of responsibilities and the EC complementary plan assets, and for the purpose, and as instructed by the Supervision of Insurance and Pension Funds Authority, have been identified individual responsibilities on August 3, 2014 and was divided the value of the assets proportionately to ensure an equal level of funding for the parties, registering BES on that date an impairment of EUR 13.5 million which, on December 31, 2014, amounted to 35.1 million euros.

Given the above, as of December 31, 2014, participants in BES pension plan are broken down as follows:

	31.12.2014	31.12.2013
Active	-	5 602
Retired and living spouses	10	5 727
	10	11 329

The actuarial assumptions used to calculate pension liabilities on December 31, 2014 are as follows:

	31.12.2014	31.12.2013
Actuarial presuppositions		
Projected income fees	2,5%	4,5%
Discount fee	2,5%	4,5%
Pensions growing fee	0,5%	0%-0,75%
Salary growth fee	1,0%	1%-1,75%
Male mortality chart	TV 73/77 – 1year	TV 73/77 - 1 year
Female mortality chart	TV 88/90	TV 88/90

The application of the accounting policy described in Note 2.20, is translated into the following responsibilities and coverage levels reported as on December 31, 2014 and 2013:

	(Thousands of euros)	
	31.12.2014	31.12.2013
Net assets/responsibilities recognized in the balance		
Total of responsibilities	(91 123)	(1 226 985)
Pensioner	(91 123)	(469 543)
Assets	-	(757 442)
Coverings		
Fund balance	56 054	1 230 558
Net assets/responsibilities recognized in the balance	(35 069)	3 573
Accrued actuarial deviation recognized in other comprehensive income	1 314 418	1,174,608
Transition regime	-	5,477

As described in Note 1, BES found itself released from the observance of prudential rules and the timely fulfillment of earlier obligations. At this stage, they are not provided by BES contributions to the pension fund, despite the lack of coverage that occurs on December 31, 2014.

The evolution of liabilities for pensions and health benefits can be analyzed as follows:

	(Thousands of euros)	
	31.12.2014	31.12.2013
Responsibilities in the beginning of the exercise	1 226 985	1 143 429
Transfer to Novo Banco, S.A.	(1 153 783)	-
Costs of the current service	-	11 684
Interests' costs	1 068	51 459
Participants contributions	-	3 041
(Actuarial) Earnings and losses of the exercise		
- Presuppositions' changes	7 129	84 017
- (Actuarial) Earnings and loss of the experience	(2 760)	(33 667)
Pensions paid by the fund	(687)	(30 109)
Costs with previous services	-	(2 869)
Early retirements	13 171	-
Responsibilities in the end of the exercise	91 123	1 226 985

The change in the value of the transitional arrangements can be analyzed as follows:

	(Thousands of euros)	
	31.12.2014	31.12.2013
Balance in the beginning of the exercise	5 477	10 955
Transfer to Novo Banco, S.A.	(2 281)	-
Amortization regarding reserves	(3 196)	(5 478)
Balance in the end of the exercise	-	5 477

The change in the value of the pension fund can be analyzed as follows:

	(Thousands of euros)	
	31.12.2014	31.12.2013
Funds' balance in the beginning of the exercise	1 230 558	1 145 642
Transfer to Novo Banco, S.A.	(1 170 866)	-
Fund real income		
- Expected income	834	49 543
- Actuarial losses	(3 785)	(37 851)
Group contributions	-	102 919
Employees' contributions	-	3 041
Pensions paid by the fund	(687)	(30 109)
Exchange rate differences and others	-	(2 627)
Funds' balance in the end of the exercise	56 054	1 230 558

The composition of pension fund assets can be analyzed as follows:

	31.12.2014	31.12.2013
Shares	21,2%	22,1%
Liabilities	19,4%	23,4%
Real Estate	24,9%	32,3%
Others	34,5%	22,2%
Total	100,0%	100,0%

The evolution of the actuarial assets in the balance sheet can be analyzed as follows:

	(Thousands of euros)	
	31.12.2014	31.12.2013
Deferred actuarial deviations in the beginning of the exercise	1 174 608	1 086 467
Actuarial (earnings) and losses in the exercise of January 1 to August 3 2014	131 656	-
Actuarial (earnings) and losses in the exercise of August 4 to December 31 2014		
- Presuppositions' changes	7 129	84 017
- Earnings and losses of the experience	1 025	4 184
Other	-	(60)
Deferred actuarial deviations in the end of the exercise	1 314 418	1 174 608

The costs for the period defined benefit pension plans can be broken down as follows:

	(Thousands of euros)	
	31.12.2014	31.12.2013
Costs of the current service	-	11 684
Interests' costs	234	1 916
Early retirements	13 171	-
Responsibilities in the end of the exercise	13 405	13 600

The cost of interest is shown in net interest income.

The evolution of the assets / (liabilities) on the balance sheet can be analyzed as follows:

	(Thousands of euros)	
	31.12.2014	31.12.2013
In the beginning of the exercise	9 050	13 168
Transfer to Novo Banco, S.A.	(19 364)	-
Exercise cost	(13 405)	(13 600)
Actuarial earnings and losses recognized in another comprehensive income	(8 154)	(88 141)
Redemption in the transition regime (in reserves)	(3 196)	(5 478)
Contributions during the exercise	-	102 919
Other	-	182
In the end of the exercise	(35 069)	9 050

NOTE 12 - GENERAL ADMINISTRATIVE EXPENSES

The amount of this item is composed by:

	(Thousands of euros)	
	31.12.2014	31.12.2013
Rents and leasings	9	50 350
Marketing and publications	-	20 500
Communications and expedition	1	22 011
Conservation and repairs	-	15 205
Displacement and representation	14	13 312
Water, electricity and fuel	1	9 308
Money transportation	-	5 946
Daily consumption material	2	3 003
IT services	226	52 930
Eventual workforce	-	4 245
Freelance work	-	4 871
Electronic payment system	-	9 541
Studies and consultations	-	10 876
Court proceedings and notary	656	17 478
Consultancy and auditing	6 244	4 693
Safety and security	-	4 727
Other costs	331	55 996
	7 484	304 992

The item Consultancy and Auditing includes (i) the amount of 3.15 million euros for the evaluation of assets and liabilities, off-balance sheet and assets under management transferred to Novo Banco, SA, following the resolution of the measurement application as explained in Note 31 made by PWC, and (ii) 1.69 million euros to the forensic audit carried out by Deloitte to the Bank at the request of the Bank of Portugal and (iii) 0.315 million euro for the duties of "monitoring trustee" made by Baker Tilly for verifying the compliance with the commitments undertaken by the Portuguese Government to the European Commission in the resolution process.

The fees billed during 2013 and 2014 by KPMG, according to the provisions of art. 508 - F of the Companies Code, are detailed as follows:

	(Thousands of euros)	
	31.12.2014	31.12.2013
Auditing services	162	905
Other liability warranty services	-	859
Tax consultancy	-	273
Other services which do not regard revision or auditing	-	363
Total amount of the invoiced services	162	2 400

NOTE 13 - AVAILABILITIES IN OTHER CREDIT INSTITUTIONS

This balance on December 31, 2014 is analyzed as follows:

	(Thousands of euros)		
	31.12.2014	31.12.2013	04.08.2014 ⁽¹⁾
Availabilities in other			
Banks in the country			
Cheques to be charged	-	84 503	-
Demand deposits	20 863	9 831	10 000
	<u>20 863</u>	<u>94 334</u>	<u>10 000</u>
Availabilities in other			
Banks abroad			
Demand deposits	-	52 877	-
	<u>20 863</u>	<u>147 211</u>	<u>10 000</u>

(1) Additional information for comparative effects according to the accountancy policy described in Note 2.17 (please see note 31)

Demand deposits existing in Banco Popular on December 31, 2014 bear interest at 0.5%. Demand deposits existing in Novo Banco will not bear interest.

The amount recorded in deposits in other banks on August 4, 2014 refers to the allocation of cash in the amount of 10 million, set by the Bank of Portugal, through the deliberation on August 3, 2014, with the adjustments and clarifications introduced by decision of August 11, 2014. This appropriation was made with Novo Banco, SA, to allow BES administration to carry out the necessary steps for the rehabilitation and development of its assets and satisfy its burden of tax or administrative nature.

In the consolidated statement of cash flows as of December 31, 2014, cash and cash equivalents are broken down as follows:

(Thousands of euros)

	31.12.2014	31.12.2013
Cash and cash equivalents encompass:		
Cash	-	201 941
Availabilities in Central Banks	-	714 202
Compulsory availabilities in Central Banks	-	(64 855)
Availabilities in other banks	20 863	147 211
Total	20 863	998 499

The item Demand Deposits in central banks on December 31, 2013, includes mandatory deposits in the amount of 29,514 thousand euros that were intended to satisfy the legal requirements for the establishment of minimum cash availability. As described in Note 1, BES is currently released from the observance of prudential rules and the timely fulfillment of earlier obligations. On that basis, on December 31, 2014 are not applicable to BES the compulsory requirements of minimum cash availability.

NOTE 14 - ASSETS AND LIABILITIES DETAINED FOR NEGOTIATION

On December 31, 2014, the assets caption and financial liabilities held for trading is analyzed as follows:

	31.12.2014	31.12.2013	(thousands of euros) 04.08.2014 ⁽¹⁾
Financial assets detained for negotiation			
Titles			
Bonds and other fixed income titles	-	65 928	-
Of public issuers	-	65 872	-
Of other issuers	-	56	-
Shares	-	17 603	-
Other variable income titles	-	690	-
	-	84 221	-
Derivatives			
Derivative financial instruments with a positive fair value	330	1 017 892	820
Impairment	(330)	-	(820)
	-	1 017 892	-
	-	1 102 113	-
Financial liabilities detained for negotiation			
Derivatives			
Derivative financial instruments with a negative fair value	10 418	999 839	13 222
	10 418	999 839	13 222

(1) Additional information for comparative effects according to the accountancy policy described in Note 2.17 (please see note 31)

The occurred movements in the impairment losses were the following:

	(Thousands of euros)
Financial Assets	
August 4, 2014	820
Funds/(reprises)	(490)
Uses	-
Exchange differences and others	-
December 31, 2014	330

The derivative financial instruments on December 31, 2014 are as follows:

(Thousands of euros)

	31.12.2014		
	Notional	Fair value	
		Assets	Liabilities
Trading derivatives			
Contracts over exchange rates			
Forward			
- purchases	11 320	-	866
- sales	12 216		
Currency Swaps			
- purchases	74 157	-	9 552
- sales	83 765		
	181 458	-	10 418

On December 31, 2014, the analysis of trading derivatives by maturity is as follows:

(Thousands of euros)

	31.12.2014		
	Notional		Fair value (net)
	Purchase	Sale	
Until 3 months	62 779	70 484	7 649
Between 3 months and 1 year	22 698	25 497	2 769
More than 5 years			
	85 477	95 981	10 418

NOTE 15 - ASSETS AVAILABLE FOR SALE

This item on December 31, 2014 is analyzed as follows:

(Thousands of euros)

	Cost ⁽¹⁾	Fair value reserve		Losses due to Impairment	Balance amount
		Positive	Negative		
Bonds and other fixed income titles					-
Of public issuers	-	-	-	-	-
Of other issuers	-	-	-	-	-
Shares	8 505	-	-	-	8 505
Other variable income titles	-	-	-	-	-
Balance on december 31, 2014	8 505	-	-	-	8 505
Balance on August 4, 2014	-	-	-	-	-
Bonds and other fixed income titles					
Of public issuers	1 046 026	4 318	(8 146)	-	1 042 198
Of other issuers	2 971 898	14 195	(40 485)	(29 081)	2 916 527
Shares	767 864	56 776	(767)	(143 774)	680 099
Other variable income titles	1 454 086	22 610	(7 122)	(158 923)	1 310 651
Balance on December 31, 2013	6 239 874	97 899	(56 520)	(331 778)	5 949 475

(1) Acquisition cost to what refers to shares and other capital instruments and amortized costs regarding debt titles.

The Bank has on 31 December 2014 shares representing 17.74% of the capital of Espírito Santo Health Care Investments, SA, which resulted from execution after August 4, 2014, financial pledge received as collateral for an operation credit. The fair value as of December 31, 2014, given the characteristics of the asset in question, was estimated based on the best estimate of the dividends expected to be paid by the entity in the short term.

NOTE 16 - APPLICATIONS IN OTHER CREDIT INSTITUTIONS

This item on December 31, 2014 is analyzed as follows:

	(Thousands of euros)		
	31.12.2014	31.12.2013	04.08.2014 ⁽¹⁾
Applications in banks in the country			
Deposits in the Bank of Portugal	-	3 900 000	-
Deposits in other banks	50 076	789 485	-
Loans	-	158 289	-
Very short term applications	-	96 114	-
Other applications	-	6	-
	50 076	4 943 894	-
Applications in banks abroad			
Deposits	-	3 588 524	-
Very short term applications	-	756 177	-
Loans	-	226 382	-
Other applications	15 083	68 392	14 833
Impairment losses	(15 083)	(32)	(14 833)
	50 076	9 583 337	-

(1) Additional information for comparative effects according to the accountancy policy described in Note 2.17 (please see note 31)

Deposits in other credit institutions in the country bear interest at rates between 1.25% and 1.75%.

The value of investments in credit institutions abroad in the amount of 15 million euros refers to a deposit made by BES with the Espírito Santo Bank (Panama) (see Note 30). Taking into account the current situation of this institution, in BES' Board of Directors deemed it necessary to set up an impairment loss for the entire balance.

The occurred movements in the impairment losses were the following:

	(Thousands of euros)
	Applications in Other banks
August 4, 2014	14 833
Funds/(reprises)	250
Uses	-
Exchange differences and others	-
December 31, 2014	15 083

The timing of investments in credit institutions by maturity, as of December 31, 2014 and 2013 is as follows:

	31.12.2014	31.12.2013	(Thousands of euros) 04.08.2014 ⁽¹⁾
Until 3 months	5 020	6 756 113	2 445
Between 3 months and 1 year	45 056	2 488 053	-
From one to five years	-	270 732	-
More than 5 years	-	68 469	-
Indetermined duration (due)	15 083	2	12 388
	65 159	9.583.369	14 833

(1) Additional information for comparative effects according to the accountancy policy described in Note 2.17 (please see note 31)

NOTE 17 - CLIENTS` CREDITS

This item on December 31, 2014 is analyzed as follows:

	(thousands of euros)		
	31.12.2014	31.12.2013	04.08.2014 ⁽¹⁾
Internal loans			
To companies			
Loans in checking account	6 862	4 583 089	17 895
Loans	107 030	12 276 698	124 384
Discounts and other titled loans for effects	-	304 592	93
Factoring	9 944	1 048 537	28 412
Uncovered	-	52 296	7
Leasing	19 148	2 215 471	21 667
Other loans	161	68 673	71
To private individuals			
Housing	-	7 039 563	-
Other	40	1 348 861	39
	143 185	28 937 780	192 568
Foreign loans			
To companies			
Loans	24 224	4 158 943	154 751
Loans in checking account	-	1 185 889	232 800
Uncovered	-	46 878	63 624
Discounts and other titled loans for effects	-	82 020	43
Leasing	-	62 424	-
Factoring	-	53 035	-
Other loans	-	123 081	-
To private individuals			
Housing	-	757 478	-
Consumption and others	-	374 241	-
	24 224	6 843 989	451 218
Amount corrections for hedging activities			
Loans for accrued interest			
Until 3 months	279 770	143 396	464 101
Between 3 months and 1 year	642 786	625 512	-
From 1 to 3 years	-	1 289 416	-
More than 3 years ago	-	718 061	-
	922 556	2 776 385	464 101
	1 089 965	38 558 154	1 107 887
Impairment losses	(985 671)	(2 685 960)	(964 270)
	104 294	35 872 194	143 617

(1) Additional information for comparative effects according to the accountancy policy described in Note 2.17 (please see note 31)

BES' credit portfolio as of December 31, 2014 is primarily comprised of loans to related parties, as can be seen in Note 30 and 31.

The impairment losses recognized in the balance sheet on December 31, 2014 reflect the best estimate of the Board of Directors of BES regarding the recoverability of these credits, taking into account the current situation involving the Espírito Santo Group.

The occurred movements in the impairment losses were the following:

(Thousands of euros)	
Credit to clients	
August 4, 2014	964 270
Funds/(reprises)	2 095
Exchange differences and others	18 812
Transfers	494
December 31, 2014	985 671

To this date, a significant portion of the loan portfolio is impaired, although the contractual maturity of some credits not yet been reached. Thus, the information presented below regarding the scheduling of loans to customers by maturity, as of December 31, 2014, however for a significant portion of the loan portfolio to its effective maturity date is in fact undetermined.

	31.12.2014	31.12.2013	04.08.2014 ⁽¹⁾
Until 3 months	13 071	5 796 220	492 761
Between 3 months and 1 year	12 275	4 685 438	2 681
From one to five years	116 157	7 089 422	104 480
More than 5 years	25 906	18 210 689	43 864
Indetermined duration	922 556	2 776 385	464 101
	1 089 965	38 558 154	1 107 887

(1) Additional information for comparative effects according to the accountancy policy described in Note 2.17 (please see note 31)

NOTE 18 - OTHER TANGIBLE ASSETS

This item on December 31, 2014 and 2013 is presented as follows:

	(Thousands of euros)		
	31.12.2014	31.12.2013	04.08.2014 ⁽¹⁾
Real estate			
Own service	-	326 720	-
Benefits in rented buildings	9	195 264	-
	9	521 984	-
Equipment			
IT equipment	-	253 745	-
Indoor installations	-	125 730	-
Furniture and material	32	114 176	-
Safety equipment	1	33 958	-
Machinery and tools	2	29 500	-
Transportation material	-	1 561	-
Other	-	1 463	-
	35	560 133	-
	44	1 082 117	-
Fixed assets underway			
Benefits in rented buildings	-	269	-
Real estate	-	171	-
Equipment	-	397	-
	-	837	-
	44	1 082 954	-
Accrued depreciation	(34)	(755 819)	-
Impairment losses	-	-	-
	(34)	(755 819)	-
	10	327 135	-

(1) Additional information for comparative effects according to the accountancy policy described in Note 2.17 (please see note 31)

NOTE 19 - INTANGIBLE ASSETS

This item on December 31, 2014 and 2013 is presented as follows:

			(Thousands of euros)
	31.12.2014	31.12.2013	04.08.2014 ⁽¹⁾
Internally generated			
Data automatic treatment system	-	72 149	-
Acquired to third parties			
Data automatic treatment system	23	600 959	-
Fixed assets underway	-	21 025	-
	23	694 133	-
Accrued amortization	(1)	(584 356)	-
Impairment losses	-	-	-
	(1)	(584 356)	-
	22	109 777	-

(1) Additional information for comparative effects according to the accountancy policy described in Note 2.17 (please see note 31)

NOTE 20- INVESTMENTS IN SUBSIDIARIES AND ASSOCIATES

The financial data relating to subsidiaries and associated companies are presented in the following table:

	31.12.2014					(Thousands of euros)	
	No. of Shares	Direct participation in capital	Nominal value (euros)	Participation costs	Losses due to Impairment Accrued	Net amount	04.08.2014 ⁽¹⁾
							Net amount
BES ANGOLA	37 350 379	55,71%	14.38	273 044	(273 044)	-	-
E.S. BANK	3 188 525	99,99%	3.62	89 691	(82 241)	7 450	7 450
AMAN BANK	4 000 802	40,00%	5.91	40 269	(36 369)	3 900	3 900
				403 004	(391 654)	11 350	11 350

(1) Additional information for comparative effects according to the accountancy policy described in Note 2.17 (please see note 31)

Considering the effects of the resolution measure applied by the Bank of Portugal BES on August 3, 2014, which entailed the transfer of almost the entire portfolio of investments in subsidiaries and associated BES to Novo Banco, SA, are not presented the comparative figures compared in this Note, for December 31, 2013.

On August 4, 2014, the Board of Directors of the National Bank of Angola approved the adoption of extraordinary measures of disposal of Banco Espírito Santo Angola, SA (BES Angola), and to this end proceeded to the appointment of provisional administrators for that financial institution. In the context of this reorganization process, the National Bank of Angola said that "at an early stage of implementation will be repealed the Sovereign Guarantee issued by the National Treasury" in favor of Banco Espírito Santo Angola SA, up to the value of 5.7 billion USD in respect of loans granted to a group of Angolan business entities. Following these measures of August 4, 2014, the Board of Directors of the National Bank of Angola decided on October 20, 2014, the adoption by the shareholders of certain measures, with immediate effect, including the capital increase of BES Angola, by conversion of the respective senior interbank loan, then held by Novo Banco, SA, followed by a reduction in equity of shareholders for full absorption of accumulated losses and a new capital increase subscribed by shareholders and other entities accepted by the Bank national Angola. On October 29, 2014, the general meeting of BES Angola decided to carry out the reduction of operations and increase the constant capital of the resolution of the National Bank of Angola October 20, 2014.

With this operation, the then shareholders of the bank, including BES, saw its shares in the capital of BES Angola fully diluted and BES no longer has any interest in the capital of BES Angola, having incurred in the full loss of the amount invested in EUR 273 million. Thus, the Board of Directors of BES decided to proceed to the recognition of an impairment in the financial statements of August 4, 2014, in the respective loss value. Nevertheless, they were triggered by BES competent legal reactions to the said general meeting of BES Angola to the Angolan courts, and in case if it considers that the decision of the National Bank of Angola was binding, was presented the competent administrative appeal and the subsequent judicial review.

As regards to Espírito Santo Bank Miami, currently named Brickell Bank (E.S. Bank), was adopted on 8 August 2014, the Federal Deposit Insurance Corporation (FDIC) a consent order, to which, namely, provided a deadline for the submission of a plan of sale, merger or liquidation of the institution. In fulfillment of this plan, it was launched a sales process of E. S. Bank and on April 30, 2015 was signed an agreement for the sale of shares of BES in this society. Based on the terms agreed with the acquirer as the clamping mechanism of the purchase price and sale, the impairment loss was reinforced on this interest at a value of around EUR 26.2 million (amounting in cumulative terms to that date to 82.2 million euros), so that their book value corresponds to the best expectations of the respective sale value.

On December 31, 2014, on a consolidated basis under the asset E. S. Bank turns the 544,016 thousand Euros, liabilities to 504,209 thousand Euros and shareholders' equity to 39,807 thousand Euros. On December 31, 2013, the figures were 575 383 thousand euros, 532,866 thousand Euros and 42,517 thousand Euros, respectively.

Given the political and social situation in Libya, the Board of Directors of BES considered, as at June 30, 2014, that there are significant limitations on its ability to exercise control over the Aman Bank thus, as the financial statements of the Bank June 30, 2014, this share is now included in the consolidated accounts by the equity method. The shares of BES in this company were sold on February 27, 2015, and the buyer paid a fixed compensation and an unconditional provision of 3.9 million euros. At this stage, it was reinforced the impairment loss on this interest at a value of around EUR 18.1 million (amounting in cumulative terms to that date to EUR 36.4 million), so that its value balance matches the sale price agreed with the buyer.

NOTE 21 - OTHER ASSETS

The item Other assets on December 31, 2014 is analyzed as follows:

	31.12.2014	31.12.2013	(Thousands of euros) 04.08.2014 ⁽¹⁾
Escrow accounts	4	1 213 850	-
Debtors due to real estate credit interest rate bonus	-	29 518	-
Administrative public sector	-	143 775	-
Other debtors	3 861	970 929	519
Earnings to be received	-	48 750	-
Expensed with deferred costs	-	97 271	-
Retirement pensions and health benefits	-	3 573	-
Precious metals, coins, medals and other availabilities	-	9 721	-
Operations regarding real estate amounts to be rectified	-	111 651	28 320
Other operations to be rectified	341	53 946	138
Other assets	-	184 495	-
	4 206	2 867 479	28 977
Impairment losses	(2 721)	(114 528)	(512)
	1 485	2 752 951	28 465

(1) Additional information for comparative effects according to the accountancy policy described in Note 2.17 (please see note 31)

The item Other debtors includes the amount of 2.2 million Euros receivable from Opway Engineering SA, due to the complaint of the beneficiaries of guarantees provided by BES, in the form of letters of credit, to that entity. It was recognized an impairment loss of 100% for this asset, reflecting the best estimate of the Board of Directors of BES as the amount of this resilience, taking into account the current situation involving the Espirito Santo Group.

On August 4, 2014, the securities transactions to be settled in the amount of 28.3 million euros, refers to the amount receivable from the corresponding Espírito Santo Health Care Management at the sale value of 8.85 million shares which they were held by BES and which were sold to Espírito Santo Health Care Management during the first quarter of 2014 at a price of 3.2 euros per share. This amount was fully received during the month of November 2014.

The occurred movements in the impairment losses were the following:

(Thousands of euros)	
Other assets	
August 4, 2014	512
Funds/(reprises)	(9)
Transfers	2 242
Exchange differences and others	(24)
December 31, 2014	2 721

NOTE 22 - RESOURCES OF THE CREDIT INSTITUTIONS

The item Resources of other institutions is presented as follows:

(Thousands of euros)			
	31.12.2014	31.12.2013	04.08.2014 ⁽¹⁾
In the country			
Deposits	-	496 856	-
Very short term resources	-	85 737	-
Other resources	-	4 889	-
	-	587 482	-
Abroad			
Deposits	26	2 960 325	26
Loans	-	1 544 732	-
Very short term resources	-	159 486	-
Operations with buyback agreement	-	144 360	-
Other resources	-	74 421	-
	26	5 470 806	26

(1) Additional information for comparative effects according to the accountancy policy described in Note 2.17 (please see note 31)

This item corresponds to excluded liabilities from the transfer to Novo Banco under the terms of deliberation of the Board of Directors of Bank of Portugal from August 3, 2014, with the clarifications and adjustments made by decision of 11 August 2014, and Article 145 o-H, paragraph 2, of RGICSF in the current drafting on the date of application of the resolution measure, which does not allow the transfer of the liabilities to banks regarding certain entities related to the resolution object institution, including, among others, shareholders' deposits with interest equal to or greater than 2% of members of the board of management and supervisory and statutory auditors.

On December 31, 2014 the Resources from other credit institutions have a maturity of up to three months. Nevertheless, through the resolution measure applied by Bank of Portugal, BES found itself dismissed from the timely fulfillment of the above obligations. Moreover, pursuant to paragraph 7 of Article 145 of RGICSF, introduced by Decree-Law No. 140/2015 of 31 July, which came into force on August 3, 2015, the fulfillment of obligations that have not been transferred to a bridge institution is not required to solve object institution, except those which compliance Bank of Portugal determines to be necessary for the valuation of its assets (see Note 1).

NOTE 23 - CLIENTS`RESOURCES AND OTHER LOANS

The balance of the item clients Resources and other loans consists, as to its nature, as follows:

	(Thousands of euros)		
	31.12.2014	31.12.2013	04.08.2014 ⁽¹⁾
Demand deposits	7 191	8 416 536	6 898
Fixed term deposits	1 628	22 437 211	1 893
Other	-	2 767	-
	8 819	30 856 514	8 791
Retired	-	294 137	-
Other	687 458	2 071 672	587 214
	687 458	2 365 809	587 214
Other resources			
Operations with buyback agreement	-	58 913	-
Other	-	165 268	-
	-	224 181	-
	696 277	33 446 504	596 005

(1) Additional information for comparative effects according to the accountancy policy described in Note 2.17 (please see note 31)

The items Demand deposits and term deposits exclusively represents the excluded liabilities from the transfer to Novo Banco in the terms of the deliberation of the Board of Directors of Bank of Portugal from August 3, 2014, with the clarifications and adjustments made by determination of August 11, 2014, and Article 145-H, paragraph 2, of RGICSF in the current drafting on the date of application of the resolution measure, which does not allow the transfer to the transition banks of liabilities regarding certain entities related to the object institution, including, among others, shareholders' deposits with interest equal to or greater than 2% of members of the board of directors and supervisory and statutory auditors.

The item "Other" includes the value of EUR 687 million related to a loan granted to BES, through its branch in Luxembourg, pursuant to a contract with Oak Finance Luxembourg SA, on June 30, 2014, amounting to 834.6 million USD. Under this contract, the total remuneration for the duration of the corresponding loan at 6% (six percent) of the total amount, was charged in advance in the form of an equal value discount, thus corresponding to the amount disbursed to 94% of the loan value. The amount of the financing obtained is recorded at an amortized cost, in which the contract start date corresponded to the nominal value minus the interest paid in advance. However, considering that in case of non-payment of installments of capital and / or interest within the time allowed in the contract (which came to occur in the fourth quarter of 2014) the lender can indicate the same as resolved, being in this case due to the total amount of the nominal value, the Board of Directors decided to proceed to the full recognition of the nominal amount of the loan in the financial statements of December 31, 2014, which led to the recognition of an expense in the period of August 4, 2014 to December 31, 2014 to EUR 31.6 million (see Note 9).

As mentioned in BES press release of January 7, 2015, according to the deliberation of the Board of Directors of Bank of Portugal taken on 22 December 2014 under the provisions of 145-G articles, paragraph 1 and 145-H, paragraph 2, point c) of RGICSF in the wording in force, the responsibility of BES before emerging Oak finance of the financing contract was not transferred to Novo Banco SA, on the grounds of conviction by Bank of Portugal that the Oak finance acted in the grant funding on behalf of Goldman Sachs International, an organization for which the Bank of Portugal considers that there are grounds for believing that is included in a), paragraph 2 of Article 145-H, of RGICSF, then the wording in force.

On September 15, 2015, the Board of Directors of Bank of Portugal, in the exercise of its powers and in accordance to Articles 66 and 40, paragraphs 6 and 7 of Directive 2014/59 / EU (BRRD) and the provisions of 145-Q articles, paragraphs 1,3, 4 and 5, and 146, paragraph 1, both of RGICSF, once again determined and confirmed that the responsibility of Oak Finance does not fall within the category of liabilities transferred as specified in the resolution of the Bank of Portugal of August 3, 2014.

Notwithstanding the determination and confirmation, the Bank of Portugal also determined in said resolution which is necessary to achieve the resolution of the objectives set out in Article 31 of BRRD and Article 145-C of RGICSF, which transposes the Responsibility of Oak Finance "remains in effect (and be deemed to have remained) in BES and not pass (or is deemed to have passed) in no time to Novo Banco." Moreover, the Board of Directors of Bank of Portugal determined, in the exercise of its powers and under the above provisions to apply "a resolution measure for the purposes of BRRD and / or a reorganization measure pursuant to Directive 2001/24 / EC whereby transfers back to the Responsibility of Oak Finance of Novo Banco for BES ". It is also specified that "the transfer in question comprises all associated liabilities, interest and any liabilities arising from "cross-default" and take effect on August 3,

2014" and that Novo Banco and BES ensure that their accounting records fully reflect and act according to what it is determined.

The escalation of the customer resources and other loans, by maturity, as of December 31, 2014 is as follows:

	(Thousands of euros)		
	<u>31.12.2014</u>	<u>31.12.2013</u>	<u>04.08.2014⁽¹⁾</u>
Demandable immediately	<u>7 191</u>	<u>8 416 536</u>	<u>6 898</u>
Demandable with a deadline			
Until 3 months	688 935	13 592 539	1 642
Between 3 months and 1 year	37	8 465 076	126
From one to five years	114	2 780 226	124
More than 5 years	<u>-</u>	<u>192 127</u>	<u>587 215</u>
	<u>689 086</u>	<u>25 029 968</u>	<u>589 107</u>
	<u>696 277</u>	<u>33 446 504</u>	<u>596 005</u>

(1) Additional information for comparative effects according to the accountancy policy described in Note 2.17 (please see note 31)

After the resolution measure applied by Bank of Portugal, BES found itself dismissed for a period of one year, the timely fulfillment of the above obligations. Moreover, pursuant to Article 145 No. 7 - RGICSF, introduced by Decree-Law No. 140/2015 of July 31, which came into force on August 3, 2015, compliance with the obligations that have not been transferred to a bridge institution is not required to solve object institution, except those whose compliance Bank of Portugal determines to be necessary for the valuation of its assets (see Note 1).

NOTE 24 - PROVISIONS

On December 31, 2014, the balance of provisions is composed as follows:

	31.12.2014	31.12.2013	(Thousands of euros) 04.08.2014⁽¹⁾
Provisions for general credit risks	-	366 661	494
Provisions for assumed commitments and warranties	37 009	-	15 432
Other provisions	1 089 842	138 811	1 033 494
	1 126 851	505 472	1 049 420

(1) Additional information for comparative effects according to the accountancy policy described in Note 2.17 (please see note 31)

The movements in provisions were as follows:

(Thousands of euros)

	Provisions for General credit risks	Other provisions	Provisions for assumed Commitments and warranties	Total
Balance on August 4, 2014	494	1 033 494	15 432	1 049 420
Funds/(reprises)	-	37 619	71 054	108 673
Transfers	(494)	19 090	(21 332)	(2 736)
Exchange differences and others	-	(361)	(28 145)	(28 506)
Balance on Wednesday, December 31, 2014	-	1 089 842	37 009	1 126 851

The other provisions, whose value amounted to 1.0898 billion euros, intended to cover certain contingencies, the most important being the following:

- Provisions for contingent liabilities in the amount of 667.6 million of debt related euros issued by Espírito Santo Group and endorsed by BES retail customers;
- Provisions for two licenses issued in connection with the acquisition by debt Venezuelan customers issued by Espírito Santo Group, from which may result certain obligations for BES in the amount of EUR 314 million;
- The responsibilities arising from the process of exchange of Banco Boavista Interatlântico shares for Bradesco shares, which took place during the financial year of 2000. The Bank made provisions in the amount of 89.7 million euros to cover possible losses with that process;
- Contingencies likely associated with the discontinuation of a process to set up a subsidiary abroad, in the amount of 3.3 million euros, due to an arbitration proceeding under the ICC arbitration rules, in Paris, by SWICORP IJAR against BEA, Algeria, and BES and that was already pending at the time of application of the resolution measure, with indemnity claims based on the alleged failure of the joint venture agreement on a financial lessor in Algeria;
- Liabilities associated with fraud cases in Switzerland in the amount of approximately EUR 1.4 million;
- Contingencies likely due to proceedings brought against BES after the resolution measure on August 3, 2014 of EUR 11.3 million;
- The remaining balance of about 2.5 million, is intended to cover potential losses arising from the normal bank activity.

Additionally, BES is exposed to a group of contingencies which are detailed in Note 29.

It should be noted that the provisions for contingent liabilities above the amount of 667.6 million euros were made just prior to the application of the resolution measure, in particular because of the reputational risk associated with the debt issued by the Espírito Santo Group and endorsed by retail customers BES. Notwithstanding the reputational risk does not have, given the current circumstances of BES, the same weight, it was decided to keep these provisions and, also, to establish or to strengthen the remaining provisions above in the light of the rules and applicable accounting principles. The completion of payments by BES to this title depends, however, the existence of any obligation be object of a judicial declaration and does not involve the establishment of these provisions any limitation of BES to answer, if necessary in court, to the claims that may be presented. All, in any case, without prejudice to the exemption from the strict fulfillment of earlier obligations under the resolutions of Bank of Portugal. Moreover, pursuant to paragraph 7 of Article 145 - RGICSF, introduced by Decree-Law No. 140/2015 of July 31, which came into force on August 3, 2015, the fulfillment of obligations that have not been transferred to a bridge institution is not required to solve the object resolution institution, except those whose compliance Bank of Portugal determines to be necessary for the valuation of its assets.

NOTE 25 - SUBORDINATE LIABILITIES

The item Subordinate Liabilities is divided as follows:

	(Thousands of euros)		
	31.12.2014	31.12.2013	04.08.2014 ⁽¹⁾
Bonds	890 348	970 768	864 468
Loans	43 910	63 980	43 403
	934 258	1 034 748	907 871

(1) Additional information for comparative effects according to the accountancy policy described in Note 2.17 (please see note 31)

On December 31, 2014 the main features of the subordinated debt are presented as follows:

(Thousands of euros)

Designation	31.12.2014					
	Currency	Issuing date	Issuing value	Balance amount	Interest rate	Maturity
Perpetual subordinated loans	EUR	2002	23 535	23 974	3,19%	2018 a)
Perpetual subordinated loans	EUR	2004	19 247	19 936	4,50%	2015 a)
Subordinated bonds	EUR	2004	25 000	22 236	Euribor 6M + 1,25%	2016
Subordinated bonds	EUR	2008	50 000	50 543	Euribor 3M + 1,05%	2018
Subordinated bonds	EUR	2011	8 174	8 990	10,00%	2021
Subordinated bonds	EUR	2013	750 000	808 579	7,13%	2023
			875 956	934 258		

a) Date of the *nextcall option*

On December 31, 2013 the main features of the subordinated debt are presented as follows:

(Thousands of euros)

Designation	31.12.2013					
	Currency	Issuing date	Balance value	Balance amount	Interest rate	Maturity
Perpetual subordinated loans	EUR	2002	23 535	23 603	Euribor 3M + 2,83%	2014 a)
Perpetual subordinated loans	EUR	2004	19 247	20 212	4,50%	2015 a)
Subordinated loans	EUR	2008	20 000	20 165	Euribor 3M + 8,5%	2018
Subordinated bonds	EUR	2004	25 000	22 590	Euribor 6M + 1,25%	2014
Subordinated bonds	EUR	2008	41 550	3 848	Euribor 3M + 1%	2018
Subordinated bonds	EUR	2008	638 450	134 102	Euribor 3M + 8,5%	2019
Subordinated bonds	EUR	2008	50 000	50 082	Euribor 3M + 1,05%	2018
Subordinated bonds	EUR	2011	8 174	8 182	10,00%	2021
Subordinated bonds	EUR	2013	750 000	751 964	7,13%	2023
			1 575 956	1 034 748		

a) Date of the *nextcall option*

On August 4, 2014, the Board of Directors of the Securities Market Commission (CMVM) has decided, under Article 214 and paragraph b) of paragraph 2 of Article 213 of the Code Securities, the suspension of trading of subordinated bonds issued by Banco Espírito Santo, SA in 2011 and admitted to trading on the official market operated by Euronext Lisbon - Management Company of Regulated Markets, SA (Euronext Lisbon), to the dissemination of information relevant. The suspension of the trading was extended for successive and equal periods of ten working days to the disclosure of material information about the issuer, through the respective resolutions of CMVM, the last of which on last December 17, 2015. Also on August 4, 2014, the Commission de Supervision du Secteur Financier (CSSF) ordered the immediate suspension of trading in financial instruments issued by Banco Espírito Santo, SA of trading on the Bourse de Luxembourg markets. Thus, to this date, the trading of these bonds issued by BES is suspended.

NOTE 26 - OTHER LIABILITIES

The item Other Liabilities is divided as follows:

	31.12.2014	31.12.2013	(Thousands of euros) 04.08.2014 ⁽¹⁾
Liabilities due to fiscal processes in due course	34 690	86 617	34 690
Escrow accounts	4	140 998	-
Creditors due to supplies	-	41 525	-
Creditors due to operations over real estate amounts	-	3 578	-
Creditors due to factoring contracts	-	-	-
Creditors due to insurance operations	-	-	-
Other creditors	9 275	146 280	-
Due derivatives	26 782	-	-
Service premiums	-	27 556	-
Other costs to be paid	-	103 063	-
Earnings with deferred profit	-	29 880	-
Operations regarding real estate amounts to be rectified	-	41 355	-
Exchange operations to be paid	-	-	-
Administrative public sector	940	-	-
Other operations to be rectified	-	52 297	-
Retirement pensions and health benefits	35 069	-	13 511
Other liabilities	1 189	-	5
	107 949	673 149	48 206

(1) Additional information for comparative effects according to the accountancy policy described in Note 2.17 (please see note 31)

It is the belief of the Board of Directors of BES that the decision of Bank of Portugal which led to the implementation of the resolution as it is not clear as to the transfer of responsibilities arising from tax proceedings, prior to the resolution of measurement date and resulting from past events and how to determine the taxable income of the year 2014. It is regarding legal issues under review at the date of these financial statements. The Bank has recorded a payable of approximately EUR 34.7 million for contingent liabilities to tax and proceeded to registration tax on income of 4 million euros, figures that may have to be adjusted in light of the conclusions that may be obtained in the course of that examination.

Pursuant to the Board of Directors of Bank of Portugal of February 11, 2015, it clarified that the obligations assumed by BES before, among others, members of BES' board of directors, including those who exercised these functions in the four years before the creation of Novo Banco, SA, and whose act or omission has given rise to the financial difficulties of the credit institution or have contributed to the worsening of that situation and were not transferred to Novo Banco, SA, include charges arising from the obligation to make contributions to pension funds for the benefit of the persons concerned and include the responsibilities for pensions or supplementary retirement pensions of BES administrators concerned without prejudice to the due responsibilities exclusively of employment with BES, and more determined than BES and Novo Banco adequate the respective accounting records accordingly.

Following this decision was made on May 28, 2015 by the responsible actuary of Novo Banco Group Pension Fund, the identification and separation of responsibilities and the Plan administrators heritage, under the Charter of BES Pension Fund to recognize BES and Novo Banco, having been given a funding gap of the Plan Administrators responsibilities in share BES EUR 35.1 million which, on August 4, 2014 were 13.5 million euros (see Note 11).

NOTE 27 - CAPITAL, SHARE PREMIUM, TREASURY SHARES AND OTHER EQUITY INSTRUMENTS

Ordinary shares

On December 31, 2014, the Bank's capital, amounting to 6,084,695 651.06 euros, was represented by 5,624,961,683 common shares, fully subscribed and paid by different shareholders. During the first half of 2014, the Bank increased the share capital of 5,040,124 thousand euros to 6,084,696 thousand euros, through the issuance of 1 607 million common shares.

The main share participations on December the 31, 2014, were:

	% Capital		04.08.2014 ⁽¹⁾
	31.12.2014	31.12.2013	
Espírito Santo Financial Group, S.A. ⁽²⁾	20,05%	1,38%	20,05%
Credit Agricole, S.A. (França) ⁽²⁾	14,64%	10,81%	14,64%
Silchester International Investors Limited (Reino Unido) ^{(2) (3)}	4,95%	5,67%	4,95%
BlackRock, Inc.(EUA) ⁽²⁾	1,91%	2%	4,65%
Capital Research and Management Company (EUA) ⁽²⁾	1,98%	4,14%	4,23%
Bradport, SGPS, S.A. ⁽⁴⁾	3,91%	4,83%	3,91%
Morgan Stanley & Co. International plc (2)	2,11%	-	-
PT Prestações - Mandatária de Aquisições e Gestão de Bens, S.A. ⁽⁵⁾	2,07%	2,09%	2,07%
BESPAR - Sociedades Gestora de Participações Sociais, S. A.	-	35,29%	-
Other	48,38%	33,79%	45,50%
	100,00%	100,00%	100,00%

(1) Additional information for comparative effects according to the accountancy policy described in Note 2.17 (please see note 31)

(2) Direct and indirect participator

(3) Through investment funds

(4) Society according to the Portuguese law detained by Banco Bradesco (Brasil), to which are attributable the voting rights

(5) Company owned, full and indirectly, by Portugal Telecom, SGPS, S.A.

On August 1, 2014, the Board of Directors of the Securities Market Commission (CMVM) has decided, under Article 214 and paragraph b) of paragraph 2 of Article 213 of the Code Securities, the suspension of trading of the shares of Banco Espírito Santo, SA to the disclosure of material information about the issuer. The suspension of trading was extended for successive and equal periods of ten days through the respective resolutions of the CMVM,

the last of which last December 17, 2015. This way, until this date, the negotiation of shares of BES is suspended.

Issuing premiums

On December 31, 2014, the issuing of premiums totaled 1,038,923 thousand euros, related to the premium paid by shareholders in capital increases.

Other capital instruments

The feature of the issuances of other capital instruments are the following:

							(Thousands of euros)
Description	Issuing date	Currency	Balance date	Balance amount	Interest rate	Coupon payment	Reimbursement possibility ⁽¹⁾
Perpetual bonds	Dec/10	EUR	176 497	26 027	8,50%	15/Mar and 14/Sept	From Sept/15
Perpetual bonds	Dec/10	USD	5 080	2 973	8,00%	15/Mar and 14/Sept	From Sept/15
Perpetual loan	Dec/10	EUR	600 000	162 571		02/Jul ⁽²⁾	From Jul/14
				191 571			

(1) The reimbursement of these titles can be done in its full but not partially, as this is the option of the issuer, after the previous approval of Bank of Portugal.

(2) From July 2014, the rate will be quarterly paid based on the application of Euribor three months, with an accrual of 2,67% over the used amount.

During the financial year 2013, the Bank acquired 34.0 million of the subordinated loan and registered a net gain of EUR 6.0 million tax recognized in other reserves.

During the first half of 2014, the Bank made a payment of income amounting to 1 242 thousand euros relating to the perpetual bonds.

These emissions are subordinated to any liability of BES and *pari passu* with respect to any subordinated bonds with identical characteristics to be issued by the Bank. Given their characteristics are considered as equity instruments in accordance with the accounting policy described in Note 2.9.

On August 4, 2014, the Board of Directors of the Securities Market Commission (CMVM) has decided, under Article 214 and paragraph b) of paragraph 2 of Article 213 of the Code Securities, the suspension of trading of the perpetual bonds issued by Banco Espírito Santo, SA in 2010. The suspension of the trading was extended for successive and equal periods of ten working days to the disclosure of material information about the issuer, through the respective resolutions of CMVM, the last of which on last December 17, 2015. Thus, to this date, the negotiation of these perpetual bonds issued by BES is suspended.

Own shares

During 2011 BES acquired own shares under the Variable Remuneration Plan Based on Financial Instruments (PRVIF).

	31.12.2014		31.12.2013		04.08.2014 ⁽¹⁾	
	No. of shares	Amount (*)	No. of shares	Amount (*)	No. of shares	Amount (*)
PRVIF transactions						
Balance in the beginning of the exercise/period	275 291	801	275 291	801	275 291	801
Balance in the end of the exercise/period	275 291	801	275 291	801	275 291	801

(1) Additional information for comparative effects according to the accountancy policy described in Note 2.17 (please see note 31)

(*) - Amount in Thousands of Euros

NOTE 28 - RESERVES, RETAINED EARNINGS AND OTHER COMPREHENSIVE INCOME

Legal reserve

The legal reserve can only be used to cover accumulated expenses or to raise capital. The Portuguese legislation applicable to the banking sector (cf. Article 97 of RGICSF) requires that the legal reserve can be credited each year with at least 10% of annual net income, up to a limit equal to the amount of capital or the sum of the free reserves and retained earnings, is higher.

Fair value reserves

The fair value reserves represent the most potential and losses relating to the portfolio of financial assets available for sale, net of impairment recognized in profit for the year and / or in previous years. The fair value of this reserve is presented net of the deferred tax.

Considering the transfer of the entire portfolio of financial assets held for sale to Novo Banco, SA, following the resolution measure applied by the Bank of Portugal, on August 3, 2014 this reserve has a null value as result of the reclassification of the same for results, taking into account the verification of the derecognition of assets from which they originated.

NOTE 29 - COMMITMENTS AND CONTINGENT LIABILITIES

Contingencies regarding third parties' complaints or judicial proceedings against the Bank

They were addressed to BES several complaints from customers and third parties in relation to which the Board of Directors believes that, in general, it is unlikely that the settlement will be required or that the incoming complaint does not contain sufficient information to make a judgment on the existence and / or the expected value of the liability. Among those complaints by BES the following shall be identified:

- Claims for losses incurred by an institutional customer of BES, resulting from failure on the part of non-financial entities in Espírito Santo Group, the obligation to pay debt securities

issued by these. The nominal value of the underlying debt securities to this claim amount to approximately 176.8 million euros.

- Several complaints received by post or email and for which BES does not have the information needed to make an estimate as to potential liabilities that may result from them.

In addition, processes were infringed against BES with a total value of EUR 172.3 million that the Board of Directors does not consider to be likely that the settlement will be required, including:

- A process in the amount of EUR 106 million related to an action brought against BES by 39 authors, for alleged losses incurred in the application scope of the Bank's shares in the capital increase in May 2014.
- The arbitral proceedings in which it is claimed a value of up to EUR 31.2 million related to loss of profits under the discontinuation of a process of creation of a subsidiary abroad.

No provisions to these contingencies were made since the Board of Directors of BES considers that the conditions set out in the accounting policy described in Note 12.2 to the recognition provisions are not met. However, its realization is likely to have significant impacts on the financial position of BES that this date cannot be quantified.

On October 2015, BES received a letter from the administrator of the insolvency of Espírito Santo Financial Group ("ESFG"), currently the subject of insolvency proceedings running terms in Luxembourg, which invokes the invalidity of the financial pledge, on June 27, 2014, by which they have been given in pledge to BES by ESFG 3,225,283 shares of Espírito Santo Saúde, SGPS, SA, and 550 shares of Espírito Santo Health Care Investments, SA, which were owned by the now insolvent ESFG. To that extent, requires BES to return to ESFG (i) the proceeds of sale of Espírito Santo Saúde shares received by BES following the implementation of that pledge and (ii) the actions of Espírito Santo Health Care Investments SA that BES appropriated pursuant to that pledge, informing BES that, in case it does not accept such a request, it will act in court to answer to the formal validity and material pledge, as well as its execution. BES replied to that letter rejecting the request made on it to understand that they are unfounded fundamentals alleged regarding the invalidity of the pledge and their implementation, so react accordingly, including contesting any legal action that may be moved in this context.

In late September 2015, Novo Banco has knowledge of the existence of BES 52 actions taking place in Spain, with a total value of around EUR 28.8 million, which was part of the former branch of BES in that country and that meanwhile became the branch of Novo Banco in Spain. It was also made known to BES by Novo Banco that lawyers set up under the said proceedings were to give up their mandates. In this context, BES hired lawyers in Spain to carry out the

sample analysis of each of the processes in question, according to the information that you have been made available, in order to:

(i) To accept the liability legal standing BES in processes, in accordance to the decision of the content of Bank of Portugal from September 21, 2015, to have a punitive nature, the facts prior to August 3, 2014, or processes which report to GES Group responsibilities or BES otherwise understand that constitute cases of Excluded Liabilities, according to the Board of Directors of Bank of Portugal from August 3, 2014, as adjusted by the Board of Directors decision of Portugal Bank on August 11, 2014; or

(ii) To reject the legal standing of BES to intervene in these proceedings, when they do not fit in the categories listed in the preceding paragraph.

Thus, to this date it is not possible for the Board of Directors to confirm that BES has or not a present obligation that could lead to an outflow of resources embodying economic benefits or make a sufficiently reliable estimate of the amount of the obligation.

Other contingent liabilities and commitments

Apart from the derivative financial instruments existed on December 31, 2014, the following balances related to off-balance sheet accounts:

	(Thousands of euros)		
	31.12.2014	31.12.2013	04.08.2014 ⁽¹⁾
Contingent liabilities			
Warranties and sureties	333 827	9 111 539	335 839
Financial assets given as warranty	-	19 876 594	-
Open documentary credits	101 171	3 766 635	369 959
Other	-	131 849	-
	<u>434 998</u>	<u>32 886 617</u>	<u>705 798</u>
Commitments			
Revocable commitments	-	7 290 780	28 312
Irrevocable commitments	-	1 489 103	-
	<u>-</u>	<u>8 779 883</u>	<u>28 312</u>
Total	<u>434 998</u>	<u>41 666 500</u>	<u>734 110</u>

(1) Additional information for comparative effects according to the accountancy policy described in Note 2.17 (please see note 31)

The guarantees and sureties are banking operations that do not translate themselves in a fund-raising by the Bank. On December 31 the item includes the value of 75.1 million euros in guarantees provided to related parties, as can be analyzed in Note 30. BES constituted a provision of 35.0 million euros to cover these guarantees issued (see Note 24).

The item also includes 258.4 million euros that correspond to guarantees for debt repayment subordinated of BES Finance.

The documentary credits are irrevocable commitments from the Bank for their client's account to pay / order to pay a certain amount to a supplier of goods or services within a stipulated period, upon the presentation of documents relating to the shipment of the goods or provision service. The irrevocable condition consists in the fact of its canceling or alteration is not viable without the agreement of all parties involved. The line includes 2 million euros to the Opway, for which the Bank recorded a provision of EUR 2 million.

The amount of 28,312 thousand euros' revocable commitments, registered on August 4, 2014, with respect to credit lines unused at that date. Under the decision of Bank of Portugal of August 11, 2014, with effect from the 3rd of the same month, BES is prohibited from granting credit for what we proceeded to the cancellation of the amount concerned.

In addition, the liabilities of the off-balance sheet related to banking services provided are as follows:

	(Thousands of euros)		
	31.12.2014	31.12.2013	04.08.2014 ⁽¹⁾
Amounts received to be charged	2 005	231 782	2 005
	2 005	231 782	2 005

NOTE 30 - RELATED PARTY TRANSACTIONS

Under the resolution measure applied to BES by Bank of Portugal, and as more fully explained in Note 31, the assets and liabilities of BES on December 31, 2014 relate mainly to balances with related parties. A summary of these balances can be represented in the following way:

	31.12.2014								
	Ativos				Total	Garantias prestadas	Passivos	Proveitos	Custos
	Applications in Availabilities in institutions in credit	Credit	Titels	Others					
(thousands of euros)									
Rio-Forte and subsidiaries									
RIO FORTE	-	189 906	-	21	189 928	466	1	-	369 576
ES SAUDE	-	23 505	-	-	23 505	2 947	-	3 711 396	-
ES IRMÃOS	-	325	-	-	325	64	-	-	-
ES PROPERTY	-	2 095	-	-	2 095	1 976	-	-	-
ES HEALTH CARE	-	-	8 505	-	8 505	-	-	-	-
	-	215 835	8 505	21	224 362	5 453	1	3 711 396	369 576
Impairment	-	(161 776)	-	(22)	(161 776)	(2 437)	-	-	-
<i>Impairment net value</i>	-	54 059	8 505	-	62 565	2 016	1	3 711 396	369 576
ESFG and Bank									
ES FINANCIAL GROUP	-	494 004	-	-	494 004	-	77	-	-
ESF PORTUGAL, SGPS, SA	-	-	-	-	-	-	234	-	-
BESA	-	-	-	-	-	371	-	-	-
ESPIRITO SANTO FINANCIÈRE, SA	-	-	-	256	256	-	22 307	-	17 738 253
BANQUE PRIVÉE ESPIRITO SANTO	-	-	-	-	-	401	423	5 642	-
ES BANK PANAMA	15 083	-	-	-	15 083	-	13 353	249 136	6 201 182
ESBANKERS (Dubai)	-	-	-	74	74	-	866	206 834	-
ESFG INTERNATIONAL	-	-	-	-	-	-	2 505	-	-
GES HOTELS	-	31	-	-	31	34	-	-	-
GES VIAGENS	-	466	-	-	466	1 762	-	-	-
OTHERS	-	-	-	4	4	-	196	60 514	135
	15 083	494 501	-	334	509 918	2 576	39 961	522 126	23 939 569
Impairment	(15 083)	(494 023)	-	-	(509 106)	(1 740)	-	-	-
<i>Impairment net value</i>	-	478	-	334	812	836	39 961	522 126	23 939 569
Other									
ESCOM	-	224 112	-	175	224 287	-	-	-	1 401 130
OPWAY	-	32 083	-	2 244	34 327	56 276	-	-	99 358
OTHERS	-	-	-	-	-	-	5 325	-	-
	-	256 195	-	2 419	258 614	56 276	5 325	-	1 500 488
Impairment	-	(238 292)	-	(2 419)	(238 292)	(32 832)	-	-	-
<i>Impairment net value</i>	-	17 903	-	-	20 322	23 444	5 325	-	1 500 488
Total GES	15 083	966 531	8 505	2 775	992 894	64 305	45 287	4 233 522	25 809 633
Impairment	(15 083)	(894 093)	-	(2 441)	(909 174)	(37 000)	-	-	-
Total GES net of impairment	-	72 440	8 505	334	83 220	27 296	45 287	4 233 522	25 809 633
outside-GES									
MQP SGPS SA	-	88 084	-	-	88 084	-	-	805 512	-
IMATOSGIL INVEST SL	-	33 549	-	-	33 549	-	-	349 063	-
OAK Finance	-	-	-	-	-	-	687 458	-	100 250 655
Tranquilidade	-	1 524	-	-	1 524	11 205	-	-	-
Others	-	275	-	-	275	-	-	-	-
	-	123 434	-	-	123 434	11 205	687 458	1 154 575	100 250 655
Impairment	-	(91 580)	-	-	(91 580)	(3)	-	-	-
<i>Impairment net value</i>	-	31 854	-	-	31 854	11 204	687 458	1 154 575	100 250 655
TOTAL	15 083	1 089 965	8 505	2 775	1 116 328	75 510	732 745	5 388 097	126 060 288

BES balances with related parties on August 4, 2014 can be presented as follows:

(Thousands of euros)

	04.08.2014						
	Applications in Availabilities In institutions credit	Credit	Titles	Other	Total	Given warranties	Liabilities
Rio Forte and subsidiaries							
RIO FORTE	-	190 391	-	-	190 391	1 140	-
ES SAUDE	-	27 437	-	-	27 437	2 947	-
ES IRMÃOS	-	333	-	-	333	64	-
HERDADE DA COMPORTA	-	-	-	-	-	-	-
ATLANTIC MEALS	-	-	-	-	-	-	-
HOTEIS TIVOLI	-	658	-	-	658	-	-
MARINOTEIS	-	331	-	-	331	-	-
ES HEALTH CARE	-	-	-	28 320	28 320	-	-
OTHERS	-	-	-	-	-	9 916	-
	-	219 150	-	28 320	247 470	14 067	-
Impairment	-	(162 183)	-	-	(162 183)	(1)	-
<i>Impairment net value</i>	-	56 967	-	28 320	85 287	14 066	-
ESFG and Banks							
ES FINANCIAL GROUP	-	40 971	-	-	40 971	-	-
ESF PORTUGAL	-	-	-	-	-	-	-
ESPIRITO SANTO FINANCIÈRE, SA	-	474 156	-	441	474 597	-	4 568
BANQUE PRIVÉE ESPIRITO SANTO	-	-	-	-	-	-	425
ES BANK PANAMA	14 833	-	-	-	14 833	-	7 152
ESBANKERS (Dubai)	-	-	-	356	356	-	1 073
ESFG INTERNATIONAL	-	-	-	-	-	-	-
OTHERS	-	-	-	-	-	-	-
	14 833	515 127	-	797	530 757	-	13 222
Impairment	(14 833)	(494 461)	-	-	(509 294)	-	-
<i>Impairment net value</i>	-	20 666	-	797	21 463	-	13 222
Other							
ESCOM	-	205 217	-	23	205 240	-	-
OPWAY	-	31 404	-	-	31 404	50 420	-
CONSTRUCCIONES SARRIÓN	-	12 222	-	-	12 222	-	-
OTHERS	-	4 713	-	-	4 713	-	2 482
	-	253 556	-	23	253 579	50 420	2 482
Impairment	-	(219 237)	-	-	(219 237)	(5 000)	-
<i>Impairment net value</i>	-	34 319	-	23	34 342	45 420	2 482
Total GES	14 833	987 831	-	29 140	1 031 806	64 487	15 704
Impairment	(14 833)	(875 881)	-	-	(890 714)	(5 001)	-
Total GES net of impairment	-	111 950	-	29 140	141 092	59 486	15 704
outside-GES							
MQP SGPS SA	-	87 235	-	-	87 235	-	-
IMG SGPS SA	-	18 645	-	-	18 645	-	-
IMATOSGIL INVEST SL	-	14 174	-	-	14 174	-	-
OAK Finance	-	-	-	-	-	-	587 207
Tranquilidade	-	-	-	-	-	11 238	-
Other	-	-	-	-	-	1 711	7 026
	-	120 054	-	-	120 054	12 949	594 235
Impairment	-	(88 389)	-	-	(88 389)	-	-
<i>Impairment net value</i>	-	31 665	-	-	31 665	12 949	594 235
TOTAL	14 833	1 107 887	-	29 140	1 151 860	77 436	609 939

BES balances with related parties at December 31, 2013 can be shown as follows:

(Thousands of euros)

	31.12.2013								
	Financial				Total	Given warranties	Liabilities	Earnings	Costs
	Applications in Availabilities In institutions credit	Credit	Titles	Other					
Rio Forte and subsidiaries									
RIO FORTE	-	-	-	-	-	-	42	-	-
ES SAUDE	-	30,585	33,117	-	63,702	4,003	26,959	969	-
ES IRMÃOS	-	-	-	-	-	-	7,288	-	3
HERDADE DA COMPORTA	-	-	-	-	-	4,940	4,286	-	2
HOTEIS TIVOLI	-	156	-	-	156	-	598	-	-
MARINOTEIS	-	712	-	-	712	11	50	6	-
OTHERS	-	1,417	-	-	1,417	2,471	13,614	42	19
	-	32,870	33,117	-	65,987	11,425	52,837	1,017	24
ESFG and Banks									
ES FINANCIAL GROUP	-	-	-	-	-	-	131	-	-
ESF PORTUGAL	-	-	-	-	-	-	71	-	-
ESPIRITO SANTO FINANCIÈRE, SA	-	7,251	-	-	7,251	-	43,039	-	-
BANQUE PRIVÉE ESPIRITO SANTO	616	-	-	-	616	7,580	15,166	-	37
ES BANK PANAMA	-	-	-	-	-	-	1,800	-	-
ESBANKERS (Dubai)	-	-	-	-	-	-	120	-	-
OTHERS	-	-	-	-	-	-	226	-	-
	616	7,251	-	-	7,867	7,580	60,553	-	37
Grupo Tranquilidade									
COMPANHIA SEGUROS TRANQUILIDADE	-	440	-	-	440	21,463	6,268	9	4
T - VIDA	-	-	277,348	-	277,348	-	23,351	-	5
ESUMÉDICA	-	853	-	-	853	4	-	39	-
EUROP ASSISTANCE	-	-	-	-	-	25	1,287	-	8
SEGUROS LOGO	-	1	-	-	1	-	1,535	-	-
OTHERS	-	-	-	-	-	-	31,403	-	5
	-	1,294	277,348	-	278,642	21,492	63,844	48	26
Other									
ESCOM	-	213,657	-	-	213,657	-	-	-	-
OPWAY	-	11,440	-	-	11,440	44,655	2,371	132	-
CONSTRUCCIONES SARRIÓN	-	12,595	-	-	12,595	-	-	-	-
OTHERS	-	390	-	-	390	2,280	5,921	4	3
	-	238,082	-	-	238,082	46,935	8,292	136	3
TOTAL GES	616	275,497	310,465	-	590,578	87,432	185,526	1,201	90
outside GES									
GRUPO CRÉDIT AGRICOLE	973	4	-	67	1,044	1,359	511	10	-
SAXO BANK	-	-	22,577	-	22,577	-	1,104	-	-
CASA DA SAUDADE	-	-	-	-	-	-	3	-	-
ANGRA MOURA	-	-	-	-	-	-	17	-	-
CASA DE BONS ARES	-	-	-	-	-	-	5	-	-
ACRO	-	300	-	-	300	-	10	2	-
DILIVA	-	9,800	-	-	9,800	-	42	461	-
	973	10,104	22,577	67	33,721	1,359	1,692	473	-
TOTAL	1,589	289,601	333,042	67	624,299	88,791	187,218	1,674	90

NOTE 31 - ACCOUNTING REGISTRATION OF RESULTS OF INDEPENDENT ASSESSMENT AND TRANSFER OF ASSETS AND LIABILITIES FOR NEW BANK SA

As described in Note 1, on August 3, 2014, the Bank of Portugal approved the application of a resolution measure to BES, through which was established to create a bank for which was transferred to the activity pursued by Banco Espírito Santo, SA, as well as a set of assets and liabilities, off-balance sheet and assets under management.

The resolution measure came to determine:

1. The constitution of Novo Banco, SA, pursuant to paragraph 5 of Article 145-G of RGICSF of Credit Institutions and Financial Companies, approved by Decree-Law 298/92 of 31 December.
2. The transfer to Novo Banco, SA, under the terms and for the purposes of paragraph 1 of Article 145-H of RGICSF of Credit Institutions and Financial Companies, approved by Decree-Law No. 298 / 92, December 31, in conjunction with Article 17a of the Organic Law of Bank of Portugal, the assets, liabilities, off-balance sheet and assets under management of Banco Espírito Santo, SA, which were selected by Bank of Portugal.
3. The appointment of a firm of auditors to, within 120 days, to assess the assets, liabilities, off-balance sheet and assets under management transferred to Novo Banco, SA. The name of this company of auditors was made taking into account the provisions of the first part of paragraph 4 of Article 145-H of the Credit Institutions and Financial Companies, approved by Decree-Law 298/92 of 31 December.

Arising from point 2 above, the Bank of Portugal established in Annex 2 to the decision of August 3, 2014, with the clarifications and adjustments made by decision of August 11, 2014 the assets, liabilities, off-balance sheet and assets under the management of Espírito Santo, SA, object of transfer to Novo Banco, SA, is as follows:

1. Assets, liabilities, off-balance sheet and assets under management of Banco Espírito Santo, SA (BES), recorded in the accounts, which are the subject of transfer to Novo Banco, SA, in accordance with the following criteria:
 - (a) All assets, rights and licenses, including BES property rights are transferred in their entirety to Novo Banco, SA, except for the following:
 - (i) Shares representing the share capital of Banco Espírito Santo Angola, S.A .;
 - (ii) Shares representing the capital of Espírito Santo Bank (Miami);
 - (iii) Shares representing the share capital of Aman Bank (Libya);
 - (iv) Treasury shares of Banco Espírito Santo, S.A .;

- (v) Credit Rights on Espírito Santo International and its shareholders, the shareholders of Espírito Santo Control, entities that are in a controlling or group relationship, pursuant to Article 21 of the Portuguese Securities Code, Espírito Santo International and credits held on the entities that are in a controlling or group relationship, in accordance with Article 21 of the Portuguese Securities Code, with Espírito Santo Financial group (Espírito Santo group), except (a) of credit claims on the Espírito Santo financial Group, backed by financial lien on all shares of Companhia de Seguros Tranquilidade, SA, (B) of claims for entities falling within the scope of consolidated BES supervision (BES Group) and (C) of claims for insurance companies supervised by the Insurance Institute of Portugal, namely: Companhia de Seguros Tranquilidade, Insurance-Life T-company, Europ Assistance and Insurance Logo;
- (vi) Cash availability in the amount of ten million euros to enable the Board of Directors of BES undertake the necessary steps for the rehabilitation and development of its assets and satisfy its burden of tax or administrative nature.
- (b) BES liabilities to third parties which are liabilities or off-balance sheet this is transferred in its entirety to Novo Banco, SA, except for the following (Excluded Liabilities):
- (i) Liabilities to (a) the respective shareholders whose holding is less than 2% of the share capital or by persons or entities in the two years preceding the transfer have had an interest equal to or greater than 2% of the share capital BES, members of the management or the Supervisory Boards, auditors or firms of auditors or persons of similar status in other companies in a control or group relationship with the institution, (b) the persons or entities who have been shareholders exercised the functions or provided the services referred to in the preceding paragraph in the four years prior to the creation of Novo Banco, SA, and whose action or failure to act caused the financial difficulties of the credit institution or have contributed to the deterioration in such a situation; (c) spouses or relatives in 1st degree or third parties acting on behalf of persons or entities referred to above; (d) those responsible for the facts related to the credit institution, or which of them have taken advantage, directly or through an intermediary, and which are the cause of financial difficulties or contributed to, by act or omission within the scope of their responsibilities, to aggravate that situation, according to Bank of Portugal;
- (ii) Obligations contracted towards entities that are part of Espírito Santo Group and constituting subordinated claims under Articles 48 and 49 of the Bankruptcy Code and Corporate Recovery, except for entities within BES Group whose responsibilities before BES were transferred to Novo Banco, without prejudice, as to these entities, the exclusion provided in subparagraph (v);

- (iii) Liabilities incurred or guarantees provided to third parties in respect of any type of entity responsibilities that are part of Espírito Santo Group, except for the integrated entities in with BES Group whose shares have been transferred to Novo Banco, S.A.;
 - (iv) all liabilities resulting from the issuance of instruments that are, or at some point have been eligible for the calculation of BES' own funds and the conditions of which have been approved by Bank of Portugal;
 - (v) Any liabilities and contingencies, including those arising from fraud or violation of rules or regulatory, criminal or misdemeanor determinations;
 - (vi) Any responsibilities and contingencies of BES regarding to actions, instruments or contracts that result subordinated claims before BES;
 - (vii) Any obligations, warranties, liabilities and contingencies assumed in marketing, financial intermediation and distribution of debt instruments issued by entities that are part of Espírito Santo Group, subject to any non-subordinated claims arising from contractual stipulations, prior to June 30, 2014 documentary proven in BES files in terms enabling the monitoring and enforcement of decisions.
- (c) With regard to BES responsibilities that are not the object of transfer, these remain in the sphere of BES.
- (d) All other balance sheet items of BES is transferred in its entirety to Novo Banco, SA, except for Banco Espírito Santo Angola, SA, Espírito Santo Bank (Miami) and Aman Bank (Libya);
- (e) Assets under management BES are under the management of Novo Banco, S.A .;
- (f) All workers and BES service providers are transferred to Novo Banco, S.A ..
- (g) Any warranty related to any obligation transferred to Novo Banco, SA, is also transferred to Novo Banco, S.A .. Any warranty regarding any obligation not transferred to Novo Banco, SA, will not be transferred to Novo Banco, S.A ..
2. After the transfer referred to in the preceding paragraphs, Bank of Portugal may at any time transfer or relay between BES and Novo Banco, SA, assets, liabilities, off-balance sheet and assets under management, in accordance with Article 145 H , number 5.

According to the first part of paragraph 4 of Article 145-H of RGICSF in the wording in force on the date of implementation of resolution measure to Banco Espírito Santo, SA, the assets, liabilities, off-balance sheet and assets under management transferred to Novo Banco, SA, were the subject of an evaluation, reported the time of the transfer, held by a third party (the “independent evaluation”) paid by BES.

As set forth in Annex 2 to the Board of Directors of Bank of Portugal, from August 3, 2014, of the transfer of assets, liabilities, off-balance sheet and assets under management transferred to Novo Banco, SA and in accordance with the terms of the paragraph 3 of article 10 of the Notice of Bank of Portugal No 13/2012, the transfer was carried out at book value, duly adjusted at first, and preliminary, based on criteria of prudence and conservatism, subject to confirmation by the evaluation referred to in the previous paragraph.

Since the date of approval of these financial statements, the results of that evaluation are already known and have been transmitted to Banco Espírito Santo, SA, the valuation of equity and balance sheet items transferred to Novo Banco, SA (and only those) already reflects these results, thus fulfilling the terms of Annex 2 to the decision of 3 August 2014.

A summary of the adjustments resulting from the independent evaluation and as well as the transfer of assets and liabilities for Novo Banco, SA, can be analyzed as follows:

	4.8.2014			
	Final balance After the application of The resolution measure	Reclassifications	Adjustments Ruled by the Board of Directors	Balance after adjustments
Assets				
Cash and availabilities in central banks	-	-	-	-
Availabilities in other banks	10 000	-	-	10 000
Financial assets detained for negotiation	941	(121)	(820) d)	-
Financial assets with a fair value through results	-	-	-	-
Assets available to be sold	-	-	-	-
Applications in banks	11 854	-	(11 854) d)	-
Credit to clients	161 669	-	(18 052) d)	143 617
Investments detained until maturity	-	-	-	-
Assets with buyback agreement	-	-	-	-
Derivatives of covering	336	(336)	-	-
Non-current assets detained to be sold	-	-	-	-
Investment properties	-	-	-	-
Other tangible assets	-	-	-	-
Intangible assets	-	-	-	-
Investments in associates	328 689	-	(317 339) a)	11 350
Assets regarding current taxes	-	-	-	-
Assets regarding deferred taxes	383 891	-	(383 891) b)	-
Other assets	103 938	(35 893)	(39 580) e)	28 465
Asset's total	1 001 318	(36 350)	(771 536)	193 432
Liabilities				
Central banks' resources	-	-	-	-
Financial liabilities detained for negotiation	1 696	11 526	-	13 222
Other financial assets with a fair value through results	-	-	-	-
Resources of other banks	26	-	-	26
Clients' resources and other loans	631 898	(35 893)	-	596 005
Responsibilities represented by titles	-	-	-	-
Financial liabilities associated to transferred assets	-	-	-	-
Derivatives of covering	191	(191)	-	-
Provisions	1 006 118	-	43 302 c)	1 049 420
Liabilities regarding current taxes	-	-	-	-
Liabilities regarding deferred taxes	16 907	-	(16 907) b)	-
Subordinate liabilities	907 871	-	-	907 871
Other liabilities	25 591	(11 792)	34 407 c)	48 206
Total of Liabilities	2 590 298	(36 350)	60 892	2 614 750
Equity				
Capital	6 084 696	-	-	6 084 696
Issuing premiums	1 039 147	-	-	1 039 147
Other capital instruments	191 571	-	-	191 571
Ações próprias	(801)	-	-	(801)
Ações preferenciais	-	-	-	-
Reservas, resultados transitados e outro e outro rendimento integral	(887 268)	-	98 470	(788 798)
Resultado do período/exercício	(8 016 325)	-	(930 808)	(8 947 133)
Total de Capital Próprio	(1 588 980)	-	(832 338)	(2 421 318)
Total do Capital e Passivo	1 001 318	(36 350)	(771 536)	193 432

It is presented below an explanation of the main adjustments arising from the independent evaluation and the impact of the transfer of assets, liabilities, off-balance sheet and assets under management to Novo Banco, SA, made to equity on August 3, 2014.

	3.8.2014
Equity capital -initial situation	2 845 622
Adjustments regarding the valuation of the independent entity	
Financial impairment to BES Angola	(2 750 380)
Loan impairment and debt titles	(1 401 902)
Reevaluation of real estate assets	(476 682)
Valuation of securitization titles and other consolidated financial participations	(262 129)
Valuation of financial instruments	(1 381)
Other	2 463
Deferred taxes over adjustments	1 326 099
Equity capital after adjustments regarding the valuation of the independent entity	(718 290)
Transfer to Novo Banco, S.A.	(870 690)
Equity capital after application of the resolution measure	(1 588 980)

Accordingly, the assets, liabilities, off-balance sheet and assets under management remaining in BES were determined by Bank of Portugal, in terms of resolution measure, differential compared with assets, liabilities, off-balance sheet and assets under management selected by Bank of Portugal to be transferred to Novo Banco SA. Under the terms of the Annex 2 to the decision of 3 August 2014, the transfer to Novo Banco, SA, held by adjusted book value according to the evaluation results referred to in paragraph 4 of Article 145-H of RGICSF, the wording in force at the date of application of the resolution measure, therefore BES registered the corresponding impacts, in compliance with the said resolution of August 3, 2014.

Assets and liabilities related to BES activities after those adjustments were detached and transferred to Novo Banco, SA, and originated a reduction of BES' equity in the amount of 870,690 thousand euros, corresponding to the value set of net assets transferred.

It should be noted again, however, that the Bank of Portugal may at any time transfer or relay between BES and Novo Banco, SA, assets, liabilities, off-balance sheet and assets under management by the above impacts are likely undergoing significant changes.

The Board of Directors in BES working since August 4, 2014 did not carry and cannot make any judgments in relation to adjustments resulting from the assessment carried out in accordance with the first part of paragraph 4 of Article 145-H of RGICSF in writing on the date of application of the resolution measure and for the selection of assets, liabilities, off-balance sheet and assets under management - transferred under the resolution measure officer to promote their book reflected under prior. The adjustments and the selection of assets, liabilities, off-balance sheet and assets under management transferred in the resolution of

measurement are thus by definition unrelated to the Board of Directors, and therefore is a starting point for it.

The Board of Directors of BES made an assessment of the recoverability of assets and the completeness of liabilities that made up the balance of BES to August 4, 2014, taking into account in particular the new reality of BES Group and especially the Espírito Santo Group. From this evaluation resulted the adjustments presented below:

	4.8.2014			Balance after adjustments
	Final balance After the application of resolution measure	Reclassifications	Adjustments Ruled by the Board of Directors	
Assets				
Cash and availabilities in central banks	-	-	-	-
Availabilities in other banks	10 000	-	-	10 000
Financial assets detained for negotiation	941	(121)	(820) d)	-
Financial assets with a fair value through results	-	-	-	-
Financial assets available to be sold	-	-	-	-
Applications in banks	11 854	-	(11 854) d)	-
Credit to clients	161 669	-	(18 052) d)	143 617
Investments detained until maturity	-	-	-	-
Assets with buyback agreement	-	-	-	-
Derivatives of covering	336	(336)	-	-
Non-current assets detained to be sold	-	-	-	-
Investment properties	-	-	-	-
Other tangible assets	-	-	-	-
Intangible assets	-	-	-	-
Investments in associates	328 689	-	(317 339) a)	11 350
Assets regarding current taxes	-	-	-	-
Assets regarding deferred taxes	383 891	-	(383 891) b)	-
Other assets	103 938	(35 893)	(39 580) e)	28 465
Asset's total	1 001 318	(36 350)	(771 536)	193 432
Liabilities				
Central banks' resources	-	-	-	-
Financial liabilities detained for negotiation	1 696	11 526	-	13 222
Other financial assets with a fair value through results	-	-	-	-
Resources of other banks	26	-	-	26
Clients' resources and other loans	631 898	(35 893)	-	596 005
Responsibilities represented by titles	-	-	-	-
Financial liabilities associated to transferred assets	-	-	-	-
Derivatives of covering	191	(191)	-	-
Provisions	1 006 118	-	43 302 c)	1 049 420
Liabilities regarding current taxes	-	-	-	-
Liabilities regarding deferred taxes	16 907	-	(16 907) b)	-
Subordinate liabilities	907 871	-	-	907 871
Other liabilities	25 591	(11 792)	34 407 c)	48 206
Total of Liabilities	2 590 298	(36 350)	60 802	2 614 750
Equity				
Capital	6 084 696	-	-	6 084 696
Issuing premiums	1 039 147	-	-	1 039 147
Other capital instruments	191 571	-	-	191 571
Own shares	(801)	-	-	(801)
Preferential shares	-	-	-	-
Reserves, transferred results and others and other full income	(887 268)	-	98 470	(788 798)
Result of the period/exercise	(8 016 325)	-	(930 808)	(8 947 133)
Total of Equity Capital	(1 588 980)	-	(832 338)	(2 421 318)
Total do Capital e Passivo	1 001 318	(36 350)	(771 536)	193 432

The main adjustments made by the Board of Directors, as at August 4, 2014, are explained as follows:

a) Investment in subsidiaries and associates

According to the reorganization measures adopted by the National Bank of Angola in the second half of 2014, the holding of BES held in Banco Espírito Santo Angola (BESA), on August 3, 2014, was fully used to offset losses, being this way reduced to zero. Therefore, the Board of Directors of BES decided to proceed to the recognition of an impairment in the financial statements reported on August 4, 2014, for the entire investment in BESA in the value of the respective loss (EUR 273 million) (see Note 20)

The Board of Directors of BES concluded negotiations for the sale of holdings in ES Bank Miami, now called Brickell Bank, and Aman Bank. Based on the amount agreed for the sale of shares representing the capital stock of these companies, as result of the sales contracts already signed with the respective buyers, an impairment loss was recognized. On this basis, the impairments for these holdings were increased by approximately EUR 44.3 million (see Note 20).

b) Assets/liabilities regarding deferred taxes

After evaluating the economic and financial situation of BES, the Board of Directors concluded that there is no expectation of future profits that allow the use of deferred tax assets. Thus the deferred taxes were abolished in its entirety, recognized in current assets and liabilities in the amount of 383.9 million euros and 16.9 million euros respectively.

c) Provisions/Other liabilities

From the new reality of BES after the resolution measure, were revalued new contingencies both legal and taxable of BES. After the analysis of contingencies, the Board of Directors of BES found to be necessary to strengthen the provisions for legal contingencies for an amount of approximately EUR 27.9 million. Were also constituted provisions for issued bank guarantees and letters of credit for imports totaling 15.4 million euros.

As further explained in Note 26, is determination of the Board of Directors of BES that the decision of Bank of Portugal which led to the implementation of the resolution measure is unclear as to the transfer of responsibilities arising from tax proceedings, prior to the measurement date resolution. It is a matter of legal nature under analysis to date of these financial statements. However, for the purpose of preparing the financial statements of August 4, 2014, the Board of Directors made an estimate and proceeded to record a liability of approximately EUR 34.4 million for contingent liabilities with tax cases.

d) Applications in credit institutions/Credit to clients/Negotiation of derivatives

Following the facts yet known about the economic and financial situation of several companies of GES, it was necessary to reassess the recoverability of assets with a counterpart these entities. This revaluation implied an impairment effort of about 30.7 million euros.

e) Other assets

Following the discontinuation of the banking activity of BES as referred to in Notes 1 and 2.21, the Board of Directors of BES understood to proceed with the immediate recognition of costs that had to be deferred under this activity and which were classified under other assets.

Lisbon, December the 18th 2015

César Brito
Member of the Board of Directors

Miguel Alçada
Member of the Board of Directors

Luís Máximo dos Santos
President of the Board of Directors

III. Corporate Governance Committee Report

PART I - INFORMATION REQUIRED SHAREHOLDER STRUCTURE, ORGANIZATION AND CORPORATE GOVERNANCE

A – SHAREHOLDING COMPOSITION

I. Capital structure

1. Capital structure (capital, number of shares, distribution of capital by the shareholders, etc.) including indication of shares not admitted to trading, different categories of shares, rights and duties of these shares and the equity percentage that each category represents (art. 245 a, paragraph 1, al. a) of the Securities Code)

The share capital of BES is 6,084,695,651.06 euros, represented by 5,624,961,683 common shares and nominative shares with no par value.

The shares of BES are listed on NYSE Euronext Lisbon. However, its trading is suspended since last August 1, 2014, by resolution of the Board of Directors of the Securities Market Commission (CMVM). On August 1, 2014, the CMVM's Executive Board decided in accordance with Article 214 and paragraph b) of paragraph 2 of article 13 of the Portuguese Securities Code, the suspension of trading of the shares of BES, to the disclosure of material information about the issuer. The suspension of trading was repeatedly extended for equal and successive periods of 10 days, through the respective resolutions of the CMVM. The suspension is kept until today.

In BES:

- a) There is no capital subscribed and not paid or authorized capital not issued;
- b) There are no convertible bonds, warrants and / or shares with special rights or privileges;
- c) There are different categories of actions;
- d) There are no exponential increase methods of the influence of shareholders, or figures such as golden shares or priority shares;
- e) There is no plural voting;

- f) There are mechanisms that have the effect of causing the gap between the right to receive dividends and to subscribe for new securities and the voting rights of common shares.

2. Restrictions on the transferability of shares, such as consent clauses for their disposal or restrictions on the ownership of shares (art.245.º-A, paragraph 1, al. B) of the Securities Code)

There are no restrictions on the transferability of the shares.

3. Number of own shares, corresponding percentage of share capital and percentage of voting rights that correspond to its own shares (art. 245-A, paragraph 1, al. A) of the Securities Code)

BES shares held by BES:

Date	Quantity	Number of shares representing the share capital of BES	% of share capital
31.12.2014	275,291	5,624,961,683	0.0049

4. Significant agreements to which the company is a party and which take effect, alter or terminate in the event of company control change following a takeover bid, as well as the respective effects, unless, by nature, the disclosure of would be seriously prejudicial to the company, unless the company is specifically obliged to disclose such information on the basis of other legal requirements (art. 245-a, paragraph 1, al. j) of the Securities Code)

There are no significant agreements to which BES is a party and which take effect, alter or terminate in the event of company control change following a takeover bid.

5. Regime that is subject to renewal or revocation of defensive measures, in particular those which provide for the limitation of the number of votes capable of being held or exercised by a single shareholder individually or in concentration with other shareholders

There are no defensive measures in BES.

6. Shareholders' agreements that are known to the company and may result in restrictions on the transfer of securities or voting rights (Art. 245.ºA, paragraph 1, al.g) of the Securities Code)

The Company is unaware of any shareholder agreements that could lead to restrictions on transfer of securities or voting rights.

II. Social Participations and detained bonds

7. Identity of the natural or legal persons who, directly or indirectly, are holders of qualifying holdings (art. 245-A, paragraph 1, als. C) and d) and art. 16 of the Securities Code), which details the share capital and votes and attributed the source and causes of imputation

The main share participations on december the 31, 2014, were:

	% Capital
	31.12.2014
Espírito Santo Financial Group, S.A. (1)	20,05%
Credit Agricole, S.A. (França) (1)	14,64%
Silchester International Investors Limited (Reino Unido) (1) (2)	4,95%
BlackRock, Inc.(EUA) (1)	1,91%
Capital Research and Management Company (EUA) (1)	1,98%
Bradport, SGPS, S.A. (3)	3,91%
Morgan Stanley & Co. International plc (1)	2,11%
PT Prestações - Mandatária de Aquisições e Gestão de Bens, S.A. (4)	2,07%
Other	48,38%
	100,00%

(1) Direct and indirect participation

(2) Through investment funds

(3) Portuguese law company wholly owned by Banco Bradesco (Brazil), to which voting rights are attributable

(4) Company dominant integral and indirectly by Portugal Telecom, SGPS, SA

8. Indication of the number of shares and bonds held by members of management and supervisory bodies

Members and functions of the Board of Directors and BES Supervisory Board do not hold any shares or obligations of BES to December 31, 2014 nor carried out any acquisition, encumbrance or disposal of shares and bonds of BES or of companies with which BES is in control or group during the exercise of their mandate.

9. Special powers of the board, in particular as regards decisions to increase capital (art. 245-A, paragraph 1, al. i) of the Securities Code), indicating, as the latter, the date on which you have been assigned, term to which that power may be exercised maximum quantitative limit of capital increase, the amount already issued under the empowerment and realization mode of empowered

It was approved at the Extraordinary General Meeting of June 9, 2011 a partial amendment to the articles of association that gave the Board of Directors authorization, following a favorable opinion of the Audit Committee, to increase the share capital by consideration in cash, by one or more times, by issuing common shares or preferred shares, redeemable or not, under the terms and conditions to be determined. The maximum amount of the authorization, in addition to the value of the capital, was 7.5 million Euros 000,00, with the authorization valid for five years.

In 2012, the Board of Directors used the authorization in the amount of 1,009,891,912.86 euros under the capital increase carried out in May this year.

In 2014, the Board of Directors again use this authorization in the amount of 1,044,571,587.80 Euros, under the capital increase carried out in June this year.

Pursuant to Article 145-C, paragraph 2, of the Legal Framework of Credit and Financial Institutions ("Legal Framework"), the administrators appointed by the Bank of Portugal have all the powers conferred by law and by contract society to the General Assembly and may only exercise them under the guidance of the Bank of Portugal.

10. Information about the existence of significant relationships of a commercial nature between the holders of qualifying holdings and society

A significant part of the assets that remained with BES after the implementation of the resolution of the measure is to credit claims on the Espírito Santo International and its shareholders, the shareholders of the Espírito Santo Control, entities that are in a controlling or group relationship, pursuant to Article 21 of the Portuguese Securities Code, with the Espírito Santo International and credits held on the entities that are in a controlling or group relationship, in accordance with Article 21 of the Portuguese Securities Code with the Espírito Santo Financial Group.

On the liabilities side, an important share of the responsibilities remained in the sphere of BES after the implementation of the resolution as determined by the Bank of Portugal are contracted obligations to entities that are part of the Espírito Santo Group and constituting subordinated claims under Articles 48 o and 49 of the Bankruptcy Code and Corporate Recovery.

B – SOCIAL ORGANS AND COMMISSIONS

I. GENERAL ASSEMBLE

a) Composition of the general assembly

11. Identification and position of members of the general meeting and the respective mandate (beginning and end)

According to Article 15, paragraph 1 of the Articles of Association, the General Meeting shall consist of a President, a Vice-President and a Secretary.

The members of the General Meeting, who may or may not be shareholders, are elected for four years, and may be re-elected.

At the beginning of year 2014, the members of the General Meeting were as follows:

Paulo de Pitta e Cunha (President);

Alexandre de Sousa Machado (Vice-President);

Nuno Miguel Matos Silva Pires Pombo (Secretary).

The President and the Secretary of the General Meeting were elected at the General Meeting of March 22, 2012 for the four years 2012-2015. The General Meeting of March 27, 2013 was elected Mr. Alexandre de Sousa Machado as Vice-Chairman of the General Meeting until the current term of office.

By letter dated 8 August 2014, the President of the General Meeting submitted his resignation. According to Article 15, n. Paragraph 2, of the Company's Statutes, the General Meeting is convened and led by the Vice President in the President's absence or incapacity.

After the entry into force of Law No 23-A / 2015 of 26 March, the administrators appointed by the Bank of Portugal now have all the powers conferred by law and the articles of association to the General Assembly, cannot the voting rights of the shares of BES be exercised during the resolution period.

b) Exercise voting rights

12. Any restrictions on voting rights, such as limitations on voting depending on holding a number or percentage of shares, time limits for the exercise of voting rights or systems for equity rights (Art. 245. 9-A, paragraph 1, al. f) of the Securities Code)

According to the Statute of BES, every hundred shares corresponds to one vote, but less than the holders of one hundred shares may group together in order to complete the required number, or a higher number, and be represented by a of the group.

According to the law, can only be present and participate in the General Assembly or in each of its sessions, in case of suspension, who, on the record date, corresponding to 0 hours (GMT) of the 5th day previous trading to the Meeting, is the holder of shares giving him according to the law and the articles of association, at least one vote, and that have declared in writing to the Chairman and to the financial intermediary where the account of individual registration is open at the latest, until the day prior to that date.

If the General Assembly meeting of the suspension will apply the same rules outlined above, or may only be present and participate in the General Assembly who, on the record date, corresponding to 0 hours (GMT) of the 5th trading day prior to the Meeting, is the holder of shares giving him according to the law and the articles of association, at least one vote, and that have declared in writing to the Chairman and to the financial intermediary where the account individual registration is open at the latest, until the day prior to that date.

There are no statutory restrictions on the exercise of voting rights by correspondence. The number of votes cast by post is included for counting the quorum of the General Assembly, should be worth also for the second call of the General Assembly for which it was issued. The vote by correspondence, which is revocable at any time does not preclude the presence or representation of shareholders at the General Meeting, but the presence in the General Assembly of the shareholders who voted by post, or his representative, is understood as revocation of the respective voting. The votes by correspondence count as negative votes against any proposals presented after the date of issue.

The President of the General Meeting verifies the authenticity of the vote and guarantees, up to the vote, its confidentiality.

After the entry into force of No. 23-A / 2015 Act of March 26, the voting rights of BES shares cannot be exercised during the resolution period.

There are prominent systems for equity rights.

13. Indication of the maximum percentage of voting rights that may be exercised by a single shareholder or shareholders with that are in any of the relationships paragraph 1 of article 20 of the Portuguese Securities Code

The Statute of BES does not cover this type of restrictions.

After the entry into force of No. 23-A / 2015 Act of March 26, the voting rights of BES shares cannot be exercised during the resolution period.

14. Identification of shareholder's deliberations, by statutory enforcement, can only be taken with a qualified majority, in addition to those provided by law, and indication of these majorities

The statutory rules on quorum are:

Article 18th

Quorum

1. First date of convening the General Assembly cannot meet without being present or represented shareholders holding shares representing fifty percent of the share capital, whatever the issues on the agenda.
2. On second call, the Assembly may deliberate whatever the number of shareholders present or represented and the capital they represent.

Article 19th

Deliberative majority

1. Without prejudice to cases where the law or the articles of association require a qualified majority, the General Assembly by a majority of votes cast.
2. Decisions on the alteration of the articles of association, mergers, splits, transformation, dissolution or other matters for which the law requires a qualified majority, without specifying it must be approved by two thirds of the votes cast, whether the meeting is convened at the first or second call.
3. The abstentions do not count for any deliberations.

II. ADMINISTRATIVE AND SUPERVISION

a) Composition

15. Identification of the government model adopted

Pending the application of resolution measure, Banco Espírito Santo has adopted corporate governance model provided in Section b) of paragraph 1 of Article 278 of the Commercial Companies Code, also called Anglo-Saxon model, which entrusts the management of the Company the Board of Directors, maintaining the current management to the Executive Committee, and assigns the supervisory function to an Audit Committee, together with the External Auditor / Chartered Accountant ("EA / SA").

From the resolution measure, are mandatory apply the rules in the Legal Framework of Credit and Financial Institutions, which include the existence of a management board and a Supervisory Board, whose members are appointed by the Bank of Portugal, along with the External Auditor / Chartered Accountant.

16. Statutory rules on procedural and substantive requirements governing the appointment and replacement of members, as applicable, the Board of Directors, the Executive Board of Directors and the General and Supervisory Board (art. 245-A, paragraph 1, point h))

Relevant rules to the implementation of the resolution measure:

Under paragraph 1 of article 20 of BES Statutes, the Board of Directors consists of a minimum of eleven and a maximum of thirty-one members elected by the General Assembly, which of them designate the President of Board of Directors and, if deemed appropriate, one or more Vice-Chairmen.

Pursuant to paragraph 2 of Article 20 of the Statute, the Chairman of the Board of Directors shall be replaced in his absence or impediment, the Chief Executive Officer and will have a casting vote.

The no.3 of the referred paragraph states that in cases of definitive absence or impediment of any Director, will be filled by the appointment of a replacement. The mandate of the new Director expires at the end of the period for which the replaced member had been elected.

In addition, the Governance Committee of the Company, internal committee of the Board of Directors, had as main objective to strengthen the Board of Directors efficiency, ensuring that their decisions were based on all relevant factors and were not conditioned by any conflicts of interest.

After applying the resolution measure, and during the remainder of the year 2014, the statutory norms give way to the provisions of the then current wording of Article 145-D, paragraph 2, of the Legal Framework, under which the responsibility of the Bank of Portugal appoint the members of the board resolution object institution, without the need for any statutory limit.

17. Composition of the Board of Directors, indicating the minimum and maximum statutory number of members, statutory term of office, the number of permanent members, date of first appointment and date of each member's term of office

(i) Until the application of the resolution measure:

Pursuant to the Bylaws, the Board of Directors consists of a minimum of eleven and a maximum of thirty-one members elected for four-year terms, with the possibility of reelection.

The Board of Directors of BES was elected at the General Meeting of March 22, 2012 for the four years 2012 -2015.

The evolution of the members of BES's Board of Directors is as shown below:

Name	Organ/Function	Date of the 1st designation – Date of termination of service⁸
Alberto Alves de Oliveira Pinto	President of the Board of Directors	February 2006 – 3.8.2014
Ricardo Espírito Santo Silva Salgado	Vice-President of the Board of Directors and President of the Executive Commission	September 1991 – 13.7.2014
Bruno Bernard Marie Joseph de Laage de Meux	Vice-President of the Board of Directors	April 2010 – 3.8.2014
José Manuel Pinheiro Espírito Santo Silva	Member of the Board of Directors and member of	April 1992 – 13.7.2014

⁸ It is considered, for these purposes, that the Board of Directors of Bank of Portugal from August 3, 2014 that applied the resolution measure marked the end of the functions of office of all directors who were in the functions that date, by virtue of the then current wording of Article 145-D, paragraph 1, of the Legal Framework, under which the members of the management and supervisory bodies of the credit institution to which is applied a measure resolution are automatically suspended.

	the Executive Commission	
António José Baptista do Souto	Member of the Board of Directors and member of the Executive Commission	November 1990 – 30.7.2014
Jorge Alberto Carvalho Martins	Member of the Board of Directors and member of the Executive Commission	July 1993 – 3.8.2014
Aníbal da Costa Reis de Oliveira	Member of the Board of Directors	April 1992 – 3.8.2014
Manuel Fernando Moniz Galvão Espírito Santo Silva	Member of the Board of Directors	March 1994 – 31.5.2014
José Maria Espírito Santo Silva Ricciardi	Member of the Board of Directors and member of the Executive Commission	March 1999 – 13.7.2014
Rui Manuel Duarte Sousa da Silveira	Member of the Board of Directors and member of the Executive Commission	March 2000 – 30.7.2014
Joaquim Aníbal Brito Freixial de Goes	Member of the Board of Directors and member of the Executive Commission	March 2000 – 30.7.2014
Ricardo Abecassis Espírito Santo Silva	Member of the Board of Directors	March 2002 – 31.7.2014
Amílcar Carlos Ferreira de Morais Pires	Member of the Board of Directors and member of the Executive Commission	March 2004 – 3.8.2014
Nuno Maria Monteiro Godinho de Matos	Member of the Board of Directors	February 2006 - 3.8.2014
João Eduardo Moura da Silva Freixa	Member of the Board of Directors and member of the Executive Commission	September 2006 – 3.8.2014
Pedro Mosqueira do Amaral	Member of the Board of Directors	March 2008 – 31.7.2014

Isabel Maria Osório de Antas Megre de Sousa Coutinho	Member of the Board of Directors	March 2008 - 3.8.2014
João de Faria Rodrigues	Member of the Board of Directors and member of the Auditing Commission	March 2008 – 30.7.2014
Marc Olivier Tristan Oppenheim	Member of the Board of Directors	July 2010 – 3.8.2014
Vincent Claude Paul Pacaud	Member of the Board of Directors	May 2011 – 3.8.2014
Rita Maria Lagos do Amaral Cabral	Member of the Board of Directors	March 2012 - 3.8.2014
Stanislas Gerard Marie George Ribes	Member of the Board of Directors and member of the Executive Commission	March 2012 – 3.8.2014
Horácio Lisboa Afonso	Member of the Board of Directors and President of the Auditing Commission	March 2012 – 30.7.2014
Pedro João Reis de Matos Silva	Member of the Board of Directors and member of the Auditing Commission	March 2012 – 30.7.2014
Xavier Musca	Member of the Board of Directors	November 2012 - 3.8.2014
Vitor Augusto Brinquete Bento	Member of the Board of Directors and President of the Executive Commission	July 2014 – 3.8.2014
José Alfredo de Almeida Honório	Member of the Board of Directors and Vice-President of the Executive Commission	July 2014 – 3.8.2014
João de Almada Moreira Rato	Member of the Board of Directors and member of the Executive Commission	July 2014 – 3.8.2014

(ii) After the implementation of the resolution measure:

After applying the resolution measure, and during the remainder of the year 2014, the statutory norms give way to the provisions of the then current wording of Article 145-D, paragraph 2, of the Legal Framework, under which the responsibility of the Bank of Portugal appoint the members of the board resolution object institution, without the need for any statutory limit.

Members of the Board of Directors of BES to December 31, 2014 were designated by the Bank of Portugal by the Board of Directors of Bank of Portugal from August 3, 2014 for a period of one year, the same likely to extend for equal periods.

Name	Organ/Function	Data of the 1st indication
Luís Augusto Máximo dos Santos	President of the Board of Directors	August 2014
César Bento Nunes de Brito	Member of the Board of Directors	August 2014
Miguel Oleiro Morais Alçada	Member of the Board of Directors	August 2014

18. Distinction of executive and non-executive members of the Board of Directors and, for the non-executive members, identification of members who can be considered independent, or, if applicable, identification of the independent members of the General and Supervisory Board

The distinction between executive and non-executive members of the Board of Directors until August 3, 2014 is identified in the table in paragraph 17 above.

According to the corporate of the previous year government report they are qualified as independent directors the Chairman of the Board of Directors (Alberto de Oliveira Pinto), administrators composing the Audit Committee (Horácio Afonso, João Faria Rodrigues and Pedro Matos Silva), members of the Governance Committee of the Company and the members of the Remuneration Advisory Committee (Isabel de Sousa Coutinho, Nuno Godinho de Matos, and Rita Amaral Cabral).

The distinction between executive and non-executive members has no relevance in the resolution framework, in which all administrators appointed by the Bank of Portugal assumed the powers and duties provided for in Article 145-E of the Legal Framework in the wording in force at the date of application resolution measurement.

19. Professional qualifications and other relevant curricular elements of each of the Board members

Luís Máximo dos Santos

President of the Board of Directors

Bachelor (1984) and Master (1990) in Law, mention in Legal and Economic Sciences, Faculty of Law, University of Lisbon (FDUL). Chairman of the Board of Directors of Banco Espírito Santo, SA (Since August 2014). President of the Liquidation Commission of Banco Privado Português, S.A. (Since 2010). Professor of the Institute of Economic, Financial and Supervision Committee of FDUL (since 2009). Lawyer of the Department of Legal Services of Bank of Portugal (1992-2010). Member of the Supreme Judicial Council (2000-2009) and the Higher Council of the Administrative and Fiscal Courts (1997-1999), in both cases elected by Parliament. Teacher at FDUL (1985-1999). He has published several works in his areas of specialty.

Miguel Morais Alçada

Member of the Board of Directors

Bachelor in Law, Faculty of Law, University of Lisbon. Postgraduate in the same Faculty in 1977/78. Assistant at the Law Faculty of Lisbon from 1977 to 1990. Began his banking activities as a lawyer in 1976 in BES and later in the former BCI and former BPSM. From 1993 to 2014 he held successively the functions of Litigation Director, Chief of Legal Counsel and Advisor of the Executive Committee at Banif, SA. Since August 2014 he is the Member of the Board of Directors of Banco Espírito Santo, S.A..

César Bento de Brito

Member of the Board of Directors

Bachelor in Economics from the Faculty of Economics of the University of Porto in 1977. Technician and Coordinator of the Department of Banking Supervision of Bank of Portugal. Member of the Credit Mediator Council. Since August 2014 Member of the Board of Directors of Banco Espírito Santo, S.A ..

20. Family, professional and commercial, regular and meaningful relationships, the members, as applicable, the Board of Directors, the General and Supervisory Board and Executive Board of Directors with shareholders to be attributable qualifying holdings exceeding 2% of the voting rights

Regarding the members of the Board who have belonged to this body during the financial year 2013, it reproduces the information in the Corporate Governance Report of that year:

"The following members of BES's Board of Directors are simultaneously administrator and shareholders of Espírito Santo Financial Group (or its main shareholder, the Espírito Santo Society International, S.A. which holds about 49.4% of the share capital of ESFG):

- *Ricardo Espírito Santo Silva Salgado*
- *José Manuel Pinheiro Espírito Santo Silva*
- *Aníbal da Costa Reis de Oliveira*
- *José Maria Espírito Santo Silva Ricciardi*
- *Manuel Fernando Moniz Galvão Espírito Santo*
- *Ricardo Abecassis Espírito Santo Silva*
- *Pedro Mosqueira do Amaral*

The following members of BES' Board of Directors are also members of the governing bodies or employees of the shareholder Crédit Agricole:

- *Bruno Bernard Marie Joseph de Laage de Meux*
- *Marc Olivier Tristan Oppenheim*
- *Vincent Claude Paul Pacaud*
- *Stanislas Gerard Marie Georges Ribes*
- *Xavier Musca*

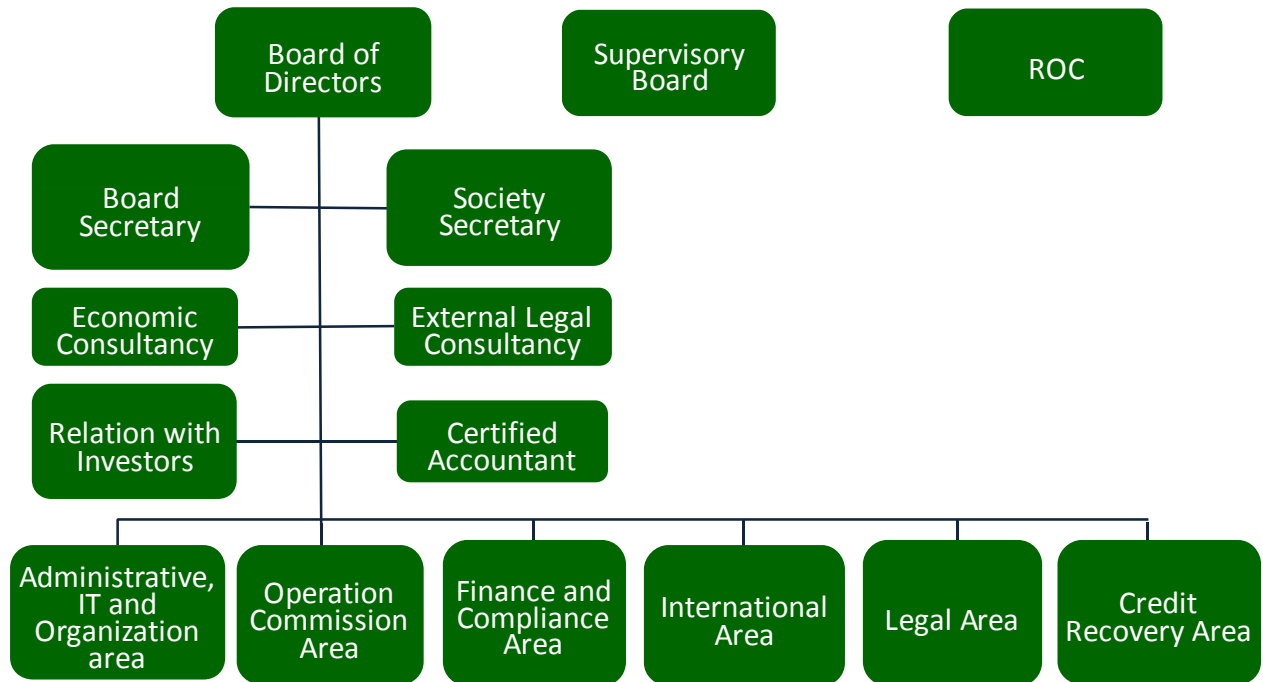
The following members of BES's Board of Directors are members of the Board of Directors of Portugal Telecom:

- *Joaquim Aníbal Brito Freixial de Goes*
- *Amílcar Carlos Ferreira de Morais Pires*

From the members of the Board of Directors of BES service after December 31, 2014, there are no any family relationships, professional or commercial, regular and significant shareholders with whom is attributable qualifying holdings exceeding 2% of the voting rights.

21. Organizational charts or tables relating to the allocation of responsibilities among the various corporate bodies, committees and / or departments, including information on the delegation of powers, in particular with regard to the delegation of the daily management of the company

It is presented in the image below the current organic structure of BES:



As for the portfolios to be allocated within the Board of Directors, a reflection on this theme was organized, it was concluded that, given the size and nature of activity and, also, the organizational structure of the Bank after the implementation of the resolution measure the allocation of responsibilities rigidly not revealed critical, considering also the way of collective operation and Board staff in all relevant dimensions of BES activity. Still, for use of the expertise and experience of each member of the council and to promote the appropriate continuity and effectiveness in monitoring related matters between themselves, the organization and distribution of work and materials between administrators was always made on the basis of an implicit definition preferred areas of activity, as follows:

Luís Máximo dos Santos	Miguel Morais Alçada	César Bento Brito
Institutional Relations	Human Resources	Administrative, IT and Organization area
Regulators Relations	Legal Area	Operations 'Area
Investors Relations	Credit recovery	Accountancy Area
<i>Compliance/ Complaints</i>	International area	Finance Area
Finance applications		
<i>Corporate Governance</i>		

b) Functioning

22. Existence and location where can be found operating regulations, as applicable, the Board of Directors, the General and Supervisory Board and Executive Board of Directors

Given the nature of the Bank's activity after the implementation of the resolution measure and the composition of its Board of Directors, the existence of a specific regulation of operation of the Board of Directors, in addition to legal and statutory rules injunctive not proved necessary to ensure the organization of business and professional functioning of the Board of Directors meetings.

23. Number of meetings held and level of attendance of each member, as applicable, the Board of Directors, the General and Supervisory Board and Executive Board of Directors at meetings held

Board of Directors' meetings (prior to the implementation of the resolution of measurement):

Board of Directors	Performance of duties period	31-Jan	17-Mar	15-May	20-Jun	11-Jul	13-Jul	24-Jul	30-Jul	Effective	Incl. Representation
Alberto Alves de Oliveira Pinto	1.1.2014 – 3.8.2014	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	100%	100%
Ricardo Espírito Santo Silva Salgado	1.1.2014 – 13.7.2014	Yes	Yes	Yes	Yes	Yes	Yes	n.a.	n.a.	100%	100%
Bruno Bernard Marie Joseph de Laage de Meireles	1.1.2014 – 3.8.2014	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	87.50%	100%
José Manuel Pinheiro Espírito Santo Silva	1.1.2014 – 13.7.2014	Yes	Yes	Yes	Yes	Yes	Yes	n.a.	n.a.	100%	100%
António José Baptista do Souto	1.1.2014 – 30.7.2014	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	75%	100%
Jorge Alberto Carvalho Martins	1.1.2014 – 3.8.2014	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	100%	100%
Aníbal da Costa Reis de Oliveira	1.1.2014 – 3.8.2014	Yes	Yes	Yes	Yes	No	No	No	No	0%	50%
Manuel Fernando Moniz Galvão Espírito Santo Silva	1.1.2014 – 31.5.2014	Yes	Yes	No	n.a.	n.a.	n.a.	n.a.	n.a.	66.66%	66.66%
José Maria Espírito Santo Silva Ricciardi	1.1.2014 – 13.7.2014	Yes	No	Yes	Yes	No	No	n.a.	n.a.	33.33%	50%
Rui Manuel Duarte Sousa da Silveira	1.1.2014 – 30.7.2014	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	100%	100%
Joaquim Aníbal Brito Freixial de Goes	1.1.2014 – 30.7.2014	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	100%	100%
Ricardo Abecassis Espírito Santo Silva	1.1.2014 – 31.7.2014	Yes	Yes	Yes	Yes	Yes	Yes	No	No	50%	75%
Amílcar Carlos Ferreira de Morais Pires	1.1.2014 – 3.8.2014	Yes	Yes	Yes	Yes	Yes	Yes	No	No	62.50%	75%
Nuno Maria Monteiro Godinho de Matos	1.1.2014 – 3.8.2014	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	87.50%	100%
João Eduardo Moura da Silva Freixa	1.1.2014 – 3.8.2014	Yes	Yes	No	Yes	Yes	Yes	Yes	Yes	75%	87.50%
Pedro Mosqueira do Amaral	1.1.2014 – 31.7.2014	Yes	Yes	Yes	Yes	No	No	No	No	50%	50%
Isabel Maria Osório de Antas Megre de Sousa Coutinho	1.1.2014 – 3.8.2014	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	87.50%	100%
João de Faria Rodrigues	1.1.2014 – 30.7.2014	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	100%	100%
Marc Olivier Tristan Oppenheim	1.1.2014 – 3.8.2014	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	100%	100%
Vincent Claude Paul Pacaud	1.1.2014 – 3.8.2014	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	100%	100%
Rita Maria Lagos do Amaral Cabral	1.1.2014 – 3.8.2014	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	100%	100%
Stanislas Gerard Marie George Ribes	1.1.2014 – 3.8.2014	Yes	Yes	Yes	Yes	No	Yes	Yes	Yes	87.50%	87.50%
Horácio Lisboa Afonso	1.1.2014 – 31.7.2014	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	100%	100%
Pedro João Reis de Matos Silva	1.1.2014 – 30.7.2014	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	100%	100%
Xavier Musca	1.1.2014 – 3.8.2014	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	87.50%	100%
Vítor Augusto Brinquete Bento	13.7.2014 – 3.8.2014	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	Yes	Yes	100%	100%
José Alfredo de Almeida Honório	13.7.2014 – 3.8.2014	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	Yes	Yes	100%	100%
João de Almada Moreira Rato	13.7.2014 – 3.8.2014	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	Yes	Yes	100%	100%

Board of Directors' meetings (after application of the resolution measure):

Board of Directors	05-Aug	06-Aug	08-Aug	11-Aug	12-Aug	14-Aug	18-Aug	21-Aug	25-Aug	28-Aug	02-Sept	04-Sept	09-Sept	11-Sept	Effective	Incl. Representation
Luis Augusto Máximo dos Santos	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	100%	100%
César Bento Nunes de Brito	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	100%	100%
Miguel Oleiro Morais Alçada	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	100%	100%

Board of Directors	16-Sept	18-Sept	30-Sept	02-Oct	09-Oct	15-Oct	23-Oct	31-Oct	13-Nov	20-Nov	02-Dec	12-Dec	22-Dec	30-Dec	Effective	Incl. Representation
Luis Augusto Máximo dos Santos	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	100%	100%
César Bento Nunes de Brito	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	100%	100%
Miguel Oleiro Morais Alçada	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	100%	100%

24. Identifying the bodies which are competent to carry out the performance evaluation of executive directors

Administrators appointed by the Bank of Portugal have the powers and duties provided by law and the statutes and has not been consecrated the existence of an Executive Committee.

Nevertheless, the members of the Board of Directors appointed by the Bank of Portugal have a duty to keep the Bank of Portugal informed of its activities and the management of the institution, providing all the information and the assistance required by the Bank of Portugal on any matters related to their activity and the institution. For its part, the Bank of Portugal to decide on the possible replacement of the members it has appointed to the Board of Directors of Banco or terminate his functions, be considered reasonable grounds exist.

According to the current wording of the Legal Framework, the voting rights of the resolution object institution's shares may not be exercised during the resolution period.

25. Predetermined criteria for the evaluation of the performance of the executive directors

Vide point 24. *supra*.

26. Availability of each member, as applicable, the Board of Directors, the General and Supervisory Board and Executive Board of Directors, indicating the positions held simultaneously in other companies inside and outside the group, and other relevant activities carried out the members of these bodies during the year

Administrators appointed by the Bank of Portugal are designated taking into account, in addition to the suitability criteria, qualifications and experience, also the criterion of availability for the exercise of functions in the financial sector.

During the year 2014, the Chairman of the Bank's management also held the Liquidation Commission Chairman of the Bank Portuguese Private, SA in Liquidation.

<p>c) Committees within the management and supervisory body and managing directors</p>

27. Identification of the committees created within, as applicable, the Board of Directors, the General and Supervisory Board and Executive Board of Directors, and where can be found operating regulations

Due to the legal resolution framework and the composition of the Bank's Board of Directors following the application of the resolution measure, the powers of the Board of Directors are carried out in all its dimensions, by consensus by all three of its members, without prejudice the organization and distribution of work and materials between administrators due to an implicit definition of preferred practice areas, as indicated in paragraph 21 above. This internal organization so has proved well suited to the size and nature of the Bank's activity after the implementation of the resolution measure.

28. Composition, if applicable, of the Executive Committee and / or administrator ID (s) delegate (s)

Vide point 27. *supra*.

29. Indication of the powers of each of the committees created and summarizes the activities pursued in the exercise of those powers

Vide point 27. *supra*.

III. SUPERVISION

a) Composition

30. Identification of the supervision organ which matches the adopted model

As stated in paragraph 15 above, until the implementation of the resolution measure, the supervisory function found himself assigned to an Audit Committee, together with the External Auditor / Chartered Accountant ("EA / SA").

From the resolution measure, the Legal Framework of the rules are imperatively applicable, pursuant to which the members of the institution's Supervisory Board shall automatically be suspended, leaving the Bank of Portugal to appoint a supervisory committee.

As the External Auditor / Chartered Accountant, the Bank of Portugal could also have carried out its suspension, having, however, opted for their maintenance functions.

31. Composition, as applicable, of the Supervisory Board, the Audit Committee, the General and Supervisory Board or the Commission for Financial Affairs, indicating the minimum and maximum statutory number of members, statutory term of office, the number of permanent members, date the first appointment and date of each member's term of office, which can refer to part of the report which already included this information pursuant to paragraph 17

In statutory terms, the Audit Committee consists of a minimum of three and a maximum of five members of the Board of Directors, appointed jointly with the other directors by the general meeting of shareholders also indicate the respective Chairman, getting them prohibited from exercising executive functions in society.

The members of the Audit Committee are appointed for a period of four calendar years, counting as complete the calendar year in which the administrators are assigned.

The Audit Committee was elected at the General Meeting of March 22, 2012 for the four years 2012-2015.

During 2014, the Audit Committee was composed of three directors: Horácio Lisboa Afonso (1st appointment March 2012), João Rodrigues de Faria (1st appointment in March 2008) and Pedro João Reis de Matos Silva (1st designation, March 2012).

On July 30, 2014 the Board of Directors approved a resolution suspending the said members of the Audit Committee and appointing a Supervisory Board composed of António Alberto Henriques Assis, José Manuel Henriques Bernardo and Patrique Berdion Cunha Fernandes.

With the application of the resolution measure to August 3, 2014, a new Supervisory Board consists of José Vieira dos Reis (President of the Supervisory Board) was appointed, Rogério Fernandes Ferreira (Member of the Supervisory Board) and Vitor Pimenta e Silva (Member of the Supervisory Board).

32. Identification, as applicable, to members of the Supervisory Board, the Audit Committee, the General and Supervisory Board or the Committee for Financial Matters which are considered independent pursuant to art. 414, paragraph 5 CSC and may refer to part of the report which already included this information pursuant to paragraph 18

See paragraph 18 above from the members of the Audit Committee. As members of the Supervisory Board appointed by the Bank of Portugal, all qualify as independent.

33. Professional qualifications, as applicable, of each member of the Supervisory Board, the Audit Committee, the General and Supervisory Board or the Commission for Financial Affairs and other relevant curricular elements and may refer to part of the report which already appears this information pursuant to paragraph 21

José Vieira dos Reis

President of the Supervisory Board

Bachelor in Economics from the Higher Institute of Economics, graduated in law from the Faculty of Law of Lisbon and Bachelor in Accounting by the Commercial Institute of Lisbon. Chartered Accountant and Certified Accountant. Chairman of the Statutory Auditors from 2000 to 2005. President of the Chamber of Chartered Accountants from 1998 to 1999. Chairman of the Working Group, appointed by the Secretary of State for Fiscal Affairs, on the Fiscal Impact of the Adoption of International Standards Accounting (2006; 2008/2009). He was a member of the General and Supervision Council of BCP. Founding partner of Oliveira, Reis & Associados, S.R.O.C, Lda. Assistant at the Higher Institute of Accounting and Administration of Lisbon in the subject of General and Financial Accounting II. Finance Inspector General in the Inspection of Finance. Tax liquidator (current designation) of D.G.C.I .. Consultant and trainer in areas of specialty. Published several books and articles related to professional areas. Since August 2014, President of the Commission of Audit of Banco Espírito Santo S.A ..

Rogério M. Fernandes Ferreira

Member of Supervisory Board

Bachelor from the Faculty of Law of the Catholic University of Lisbon (1987), a postgraduate degree in European Studies (1990) and Masters in Taxation Law (1991) by the same college. Assistant in the Faculty of Law, University of Lisbon (1991/2000) and professor in PostGraduate courses in the same Faculty (since 2000) and Lisbon School of Business & Economics (UCP, since 2014). Lawyer and expert on taxation law, member of the Portuguese Bar Association since 1987, was Secretary of State for Fiscal Affairs (2001-2002). It is a partner and founder (2012) of the law firm RFF & Associates and president of the Portuguese Fiscal Association, Portuguese branch of the International Fiscal Association and the Instituto Latinoamericano de Derecho Tributario. Since August 2014 Member of the Supervisory Committee of Banco Espírito Santo S.A ..

Vítor Pimenta e Silva
Member of Supervisory Board

Degree in Organization and Management from the Higher Institute of Labour and Business Sciences of Lisbon, Graduate in Business Management by the ESOCT-ISLA Lisbon. Worked in the Bank of Portugal, until May 2009, successively as a technician, Area Coordinator, Deputy Director and Director of the Department of Accounting and Control. Business consultant in the financial area. Since August 2014 Member of the Supervisory Committee of Banco Espírito Santo S.A ..

b) Functioning

34. Existence and location where they can be found operating regulations, as applicable, of the Supervisory Board, Audit Committee, General and Supervisory Board or the Commission for Financial Affairs, and may refer back to report the point where already appears that information the provisions under paragraph 22

The supervision organ of BES, on December 31, 2014, is the Supervising Committee appointed by the Bank of Portugal, lying suspended the Audit Committee. References in paragraphs 34 to 38 of the Corporate Governance Report model were considered extended for this purpose, the Supervisory Board appointed by the Bank of Portugal.

Given the nature of the activity of the Bank after the implementation of the resolution measure and the composition of its Supervisory Board, the existence of a specific regulation of operation of the Supervisory Board, in addition to legal and statutory rules injunctive not proved necessary to ensure the organization of business and professional functioning of the meetings of the Supervisory Board.

35. Number of meetings and level of attendance at meetings, as applicable, of each member of the Supervisory Board, Audit Committee, General and Supervisory Board and the Commission for Financial Affairs, and may refer to part of the report which already appears this information pursuant to paragraph 23

Auditing Committee Meetings:

Auditing Committee	30-jan	28-feb	17-mar	09-apr	14-apr	28-may	27- jun
Horácio Lisboa Afonso	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Pedro Faria Rodrigues	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Pedro Matos Silva	Yes	Yes	Yes	Yes	Yes	Yes	Yes

Auditing Committee	30-jun	09-jul	31-jul	Effective	Incl. Representation
Horácio Lisboa Afonso	Yes	Yes	Yes	100%	100%
Pedro Faria Rodrigues	Yes	Yes	Yes	100%	100%
Pedro Matos Silva	Yes	Yes	Yes	100%	100%

Board of Directors' meetings after the application of the resolution measure:

Supervisory Board	22-aug	10-sept	02-oct	18-nov	04-dec	Effective	Incl. Representation
José Vieira dos Reis	Yes	Yes	Yes	Yes	Yes	100%	100%
Rogério M. Fernandes Ferreira	Yes	Yes	Yes	Yes	Yes	100%	100%
Vítor Pimenta e Silva	Yes	Yes	Yes	Yes	Yes	100%	100%

36. Availability of each member, as applicable, of the Supervisory Board, the Audit Committee, the General and Supervisory Board or the Commission for Financial Affairs, indicating the positions held simultaneously in other companies inside and outside the group, and other relevant activities carried out by members of these bodies during the year, and may refer to part of the report which already included this information pursuant to paragraph 26

Vide point 33. supra.

c) Competences and functions

37. Description of the procedures and criteria for intervention by the Supervisory Board for hiring purposes of additional services from the external auditor

The Supervisory Board appointed by the Bank of Portugal has the powers conferred under Article 143 of the Legal Framework, with the powers and duties conferred by law and by the respective statutes to the Supervisory Board.

The award of services other than audit services (non-audit services) required to KPMG or entities with the same related is timely query object of the Supervisory Committee, taking into account, among other criteria, the operational advantages and know specific -how

about the activity of BES in the context of implementation of the resolution measure, and the magnitude of the value of such services face, namely, the fact that such an award is not likely to affect the professional independence of KPMG as auditor external / Statutory BES Group Accounts.

38. Other functions of the supervising organs

In addition to the powers and duties conferred by law and the statutes the Supervisory Board, the Audit Committee designated by the Bank of Portugal still has a duty to keep the Bank of Portugal informed about its activities, notably through the preparation of reports to the intervals defined by this.

IV. CERTIFIED PUBLIC ACCOUNTANT

39. Identification of the chartered accountant and chartered membership accounts which represents

The Statutory BES accounts for the year 2014 was KPMG & Associados, SROC, SA, represented by Silvia Cristina de Sá Velho Corrêa da Silva Gomes until November 18, 2014 and Agnes Maria Bastos Viegas Clare Neves Girao de Almeida from this date.

40. Indicating the number of years that the auditor performs functions consecutively with the company and / or group

KPMG & Associados SROC, SA, exercises the functions of the external auditor / Statutory of BES since 2002. The Annual General Meeting 2012, upon the proposal of the Audit and substantiated specific opinion Commission approved the maintenance functions of the external auditor - KPMG & Associados SROC, SA - for the third term of four years (four years 2012/2015).

41. Description of other services provided by the ROC to society

After the application of the resolution measure to BES, KPMG provided BES audit services to the accounts reported on August 4, 2014 and December 31, 2014.

V. EXTERNAL AUDITOR

42. Identification of the external auditor appointed for the purposes of art. 8 and chartered membership accounts that is in compliance with these functions, as well as the appropriate number of registration with the CMVM

The external auditor / Certified Public Accountant of BES accounts for the year 2014 was KPMG & Associados, SROC, SA, represented by Silvia Cristina de Sá Velho Corrêa da Silva Gomes until November 18, 2014 and Agnes Maria Bastos Viegas Clare Neves Girao de Almeida as of this date.

CMVM register number is 9093.

43. Indication of the number of years indicated that the external auditor and the appropriate statutory social accounts that is in compliance with these functions perform functions consecutively with the company and / or group

KPMG & Associados SROC, SA, serves as the external auditor / Statutory of BES since 2002 and is represented by Silvia Cristina de Sá Velho Corrêa da Silva Gomes from 2009 and Agnes Maria Bastos Viegas Clare Neves Girao de Almeida since 2014.

44. Policy and frequency of rotation of the external auditor and the respective statutory social accounts that is in compliance with these functions

From the rules of rotation of the statutory social accounts representing KPMG & Associados SROC, SA, and as required by the respective independence policies and the Order of the statutes of Chartered Accountants regarding the audits of Public Interest Entities (as is the case of BES), the exercise period of the audit functions by the partner responsible for directing or direct execution of the statutory audit / audit is seven years from the date of his appointment and may have to be reassigned after the expiry a minimum period of two years (three years after the entry into force of the new statutes of the Order of Chartered Accountants).

45. Indication of the body responsible for evaluating the external auditor and frequency with which this evaluation is done

The legal and statutory terms, the responsibility of the Audit Committee, among other things, supervise the audit the documents of the company's accounts and monitoring the independence of the auditor, particularly regarding the provision of additional services. The general assessment of the supervision of the company is done according to the law, the annual general meeting.

After application of the resolution measure, the legal and statutory responsibility of the Audit Committee is assigned to the Supervisory Board. According to the current wording of the Legal Framework, administrators have all the powers conferred by law and the articles of association to the general meeting and may only exercise them under the guidance of the Bank of Portugal, and the Bank of Portugal also the power of directly exercise the rights and powers granted to holders of BES shares.

46. Identification papers, distinct audit, performed by the external auditor for the company and / or companies with which they are in a relationship of control, as well as an indication of the internal procedures for approval of hiring such services, indicating the reasons for their hiring

After the application of the resolution measure to BES, and KPMG only gave BES audit services, including audit the accounts reported on August 4, 2014 and December 31, 2014.

47. Indication of the sums of the annual compensation paid by the company and / or legal persons in a controlling or group relationship to the auditor and other natural or legal persons belonging to the same network and breakdown of the percentage paid for the following services:

After the application of the resolution measure, the amounts of compensation paid by BES to the auditor with respect to the services below:

By the Society	
Value of audit services (€)	162.000 ⁹ / 100%
Value of the assurance services (€)	0 / 0%
Value of the tax advisory services (€)	0 / 0%
Value of services other than audit ones (€)	0 / 0%

⁹ 23% VAT is added to this amount.

C – INTERNAL ORGANIZATION

I. Statutes

48. Rules applicable to the amendment of the articles of association (art. 245-A, paragraph 1, al. H)

For the period prior to the application of the resolution measure, are worth the general rule that any change of BES's bylaws, including deliberations on changes to the share capital, must be submitted to the General Assembly (apart from cases where the Council of Directors had its own powers to increase capital and to move the registered office of the company within the national territory).

The deliberations on the amendment of articles of association must be approved by two thirds of the votes cast, whether the General Meeting is held on first or second call. So that the Assembly can deliberate on first call, must be present or duly represented, shareholders holding shares representing at least 50% of the capital. On the second call, the Assembly may meet with whatever the number of attending shareholders and the capital represented.

Currently, and following the implementation of the resolution measure, the directors have all the powers conferred by law and the articles of association to the General Assembly and may only exercise them under the guidance of the Bank of Portugal, and the Bank of Portugal also the power to directly exercise the rights and powers conferred on BES shares holders.

II. Irregularities 'Communication

49. Media and communication of irregularities policy occurred in the society

The means of receiving, processing and irregularities shares file are sized to take into account, on the one hand, the legal requirements in this regard, particularly in terms of investments related to the serious irregularities related to its administration, accounting procedures and internal controls and serious indications of violations of obligations laid down in the Legal framework or Regulation (EU) No 575/2013 of the European Parliament and of the Council of 26 June 2013, and, on the other hand, the size of the resource structure human BES after the implementation of the resolution measure and the nature and complexity of its activity after August 3, 2014, and to highlight that BES was in, at the

close of the year 2014, unable to continue the reception activity deposits and lending and exempted from compliance with prudential standards.

III. Internal control and risk management

50. Individuals, agencies and commissions responsible for internal audit and / or implementation of internal control systems

The objective underlying the existence of an adequate and effective internal control system relates to the need to ensure effective compliance with legal obligations and duties to which the institutions are subject and an appropriate management of risks inherent to the activities, ensuring stability and, in the case of credit institutions, the stability of the financial system. In the Basel Framework for Banking Supervision Committee document for Internal Control Systems in Banking Organizations, the internal control system can help ensure that the objectives of a banking organization are met, the bank achieve profitability in the long run and maintain the reliability of financial information, even assisting in compliance with applicable laws and regulations, and policies, rules and internal regulations, and contributes to decrease the risk of unexpected losses or damage to the bank's reputation.

Given the application context of the resolution measure, in which the activity of the bank is focused on management and preservation of the limited universe of assets that have remained after the application of the resolution measure, the internal control system also had to be adjusted to the new reality and purposes of a bank resolution, which is in an ante-chamber of a court settlement, also bearing in mind that the whole structure and human resources, technical and material were transferred to Novo Banco, SA, by virtue of the measure resolution. It must be highlighted that, in accordance with the Notice of Bank of Portugal No 5/2008, "The internal control system must be appropriate to the size, nature and complexity of the activity, the nature and magnitude of risks taken or to be taken, as well as the degree of centralization and delegation of authority established in the institution. "

Taking into account the principle of proportionality and desirable centralization of key aspects of the mission of resolving object institution in the administrators appointed by the Bank of Portugal, the internal control functions are, although not autonomous in specific areas, achieved through the Council own administration in conjunction with the Bank support units.

In particular, the achievement of the institution's performance objective, understood in the context of the implementation of the resolution measure, i.e. the preservation /

efficient use of assets and Bank resources without the perspective of business continuity and the institution's survival and taking into account the purposes underlying the application of the resolution measure, through proper management and control of the risks of the activity, the prudent and proper valuation of assets and liabilities, as well as the implementation of mechanisms of protection against unauthorized, intentional or negligent use is ensured through the Board of Directors, with the support of the organization Area, Information Technology and Administrative (organization of the Bank's processes, production regulations, coordination with suppliers on all matters relating to IT infrastructure, including systems and software and reporting anomalies) and the Operational Area (identification processes and definition of operating procedures associated with activities of entities and contracts managed by BES, event tracking and settlements associated with the contracts and products managed by the computer application, coordination with external bodies for settlement control operations, IT application maintenance support for the developed activity, reconciliation and daily conference operations and settlements).

The goal of achieving the existence of financial and management information, complete, relevant, reliable and timely is pursued through the legal and statutory functions of the Board of Directors, Statutory Auditor of Accounts Technical Officer and the Supervisory Board, with the support of financial and compliance, which also assists the Board of Directors with regard to achieving the respect of purpose by the legal and regulatory provisions, in conjunction with the legal Department (management Control and financial Bank, monitoring of compliance legal requirements, rules and regulations, operating, guardianship, applicable ethics and conduct regular control and activity of accounting records and tax obligations in connection with the Certified Accountant).

51. Explanation, even for chart inclusion, relations of hierarchical dependence and / or functional in relation to other organs or committees of the society

Vide points 21 and 50. *supra*.

52. Existence of other functional areas with expertise in risk control

Vide point 50. *supra*.

53. Identification and description of the main types of risks (economic, financial and legal) to which the company is exposed in pursuing its activity

The fact that the company is prevented, since August 3 2014, to develop its banking activity and is subject to corrective action measures that expressly staked it to receive deposits and credits, is the framework of the context of the proper development of this chapter.

The risk management in BES includes the identification of risks (credit risk, country risk, market risk, liquidity risk and operational risk) that may be relevant in the current context

of the activity of society and the adoption of appropriate measures and procedures to prevent and mitigate them. The risk management is the responsibility of the Board of Directors of the company, which exercises it through the daily monitoring of operations and contracts that remained in BES in the specific context of their activity.

The credit risk corresponds to the possibility of default by a counterpart or negative change in the value of an asset portfolio in the face of the deterioration in the quality of counterpart risk, has specific features in the current context of BES activity, particularly in light of the prohibition, determined by the Bank of Portugal, lending and investing funds in any kinds of assets. On the other hand, the bulk of assets not transferred to Novo Banco pursuant to Resolution measure consist of credit balances against the GES Group entities, which, in general, are in default. In this context, risk management consists mainly in credit recovery activity (having been implemented procedures to ensure the sound management and efficient monitoring of these processes), and in ensuring that available liquidity resulting from debt collection and disposal of assets, is applied exclusively in deposits with credit institutions.

In addition, a follow-up activity and assessment of the solvency situation of BES accounts is developed whose claims are not in default.

For the country risk, it is noted that BES does not currently carry out any banking activity in Portugal or abroad and the assets and liabilities excluded from the transfer to the bridge bank were repatriated to BES in Portugal. So there are some exposures before entities based in foreign countries (e.g. Luxembourg, Spain, Switzerland and Panama) which, in essence, are part of the GES Group, lying, as noted above, some insolvent. On the other hand, BES was deprived of his participation in BESA on 29 October 2014, sold its stake in Aman Bank, on February 27, 2015, and awaits the verification of certain conditions to realize the sale of their participation in the Espírito Santo Bank in Miami, agreed on 30 April 2015.

Regarding the risk of market or price (interest rates, exchange rates, stock prices, commodity prices), it is understood as the risk of incurring losses due to unexpected changes in the price of instruments or operations. Given the composition of its assets, the exposure of BES to the risk of changes in interest rates is marginal. In the case of currency exposure, exposures remaining in BES present a significant risk, given that a significant part of the liability is denominated in US dollars, mismatched on the side of denominated assets in dollars (e.g. financing of Oak Finance and currency derivatives).

With regards to the risk liquidity, it is lacking in the current context of BES activity due to the waiver of the obligations that were not transferred to the bridge bank and the prohibition of granting credit, with consequent unnecessary to ensure the funding of this activity, with BES equipped with the available liquid assets that allow it to ensure the timely fulfillment of payables (i.e., those that were formed after August 3, 2014).

It should be also noted that, as clarified by the Board of Directors of Bank of Portugal of February 11, 2015, BES's responsibilities not transferred to Novo Banco include BES liabilities relating to retirement pensions and survivors' and pension supplements and survival of some former directors of the Bank, so BES is also subject to the risk of the pension fund, resulting from gains and losses arising from changes in assumptions and differences between assumptions and actual values to be checked, according to the actuarial techniques and the value of liabilities (bottom responsibilities) may not exceed the value of assets (fund's investments), although in the context of the measure applied by the Bank of Portugal to comply waiver of the above obligations.

Finally, with regard to operational risk, corresponding to the risk of incurring financial losses due to deficiencies in the operations of the bank, resulting from failures in the definition or implementation procedures, failures in information systems or due to external events, it was found that the management of this risk, in the context of the current activity of BES, is focused on the implementation of appropriate procedures to prevent and mitigate the risk of any financial costs for non-timely fulfillment of fiscal, administrative or regulatory obligations to BES's status after the implementation of the resolution measure.

It must in any case be noted that, with the application of the resolution measure to BES, all material and human resources were transferred to Novo Banco, which resulted in the need to create a new computer system for the management of operations and accounting records. This situation forces the massive load of information data on customers and operations that remained in BES, with time lags. The fact that the operations continued to be develop under the terms contractually provided without the synchronization of the registration systems may cause some errors or shortcomings that have been and will be corrected with the monitoring and controls carried out periodically.

54. Description of the process of identification, assessment, monitoring, control and risk management

Vide point 53. *supra*.

55. Key elements of internal control and risk management systems within the company in relation to the financial reporting process (art. 245-A, paragraph 1, al. m))

Vide points 50 and 53. *supra*.

IV. Investor Support

56. Department responsible for investor relations, composition, functions, information provided by these services and elements for contact

Having BES maintained its status as a public company and with securities admitted to trading on a regulated market after the implementation of the resolution measure, and given the consequences that it had in all BES relationship sheds with their investors, informative dimension to investors and the market in general was also taken as a priority in BES performance.

In this context, the e-mail boxes were kept available (investidor@bes.pt; acionista@bes.pt and investor.relations@bes.pt) to shareholders and investors place their questions and requests for clarification in the context of the resolution measure and established internal procedures to ensure a timely response in the face of an extraordinary influx of questions in this way.

The answers were secured, initially, by the External Legal Counsel and, secondly, through the Legal Department of the Bank, always in coordination with the managers responsible for Institutional Relations and Relations Department Investor.

Additionally, it removed BES website, to allow a more expeditious access to relevant information on BES and communications released to the market and meetings were held with associations defending the interests of (ex-) BES customers of small shareholders as well as representatives of subordinated creditors.

The shareholders, investors and analysts may contact BES through the following contacts:

Mail:

Relações com os Investidores do Banco Espírito Santo, S.A.

Rua Barata Salgueiro, número 28, 6.º piso

1250-044 Lisboa

Email: acionista@bes.pt, investidor@bes.pt or investor.relations@bes.pt

Website: http://www.bes.pt/02.5_Contactos.html

57. Representative for Market Relations

The representative for relations with the market is Francisco Boavida Salavessa, which can be contacted using the contact details in paragraph 56. *supra*.

58. Information on the proportion and the deadline for replying to requests for information received at the year or pending of previous years. During the implementation of the resolution measure, the requests for information received through the emails investidor@bes.pt addresses, and investor.relations@bes.pt acionista@bes.pt multiplied, with the novelty and sensitivity of the consequences derived from the implementation of

the resolution measure. In addition to a screening of the issues left to be relating to BES, the topics covered are of very different nature and complexity, although it has always tried to favor a first-come logic, first-served. It is also sought to the extent possible, parameterize some criteria response to questions asked, in order to help expedite the nature of the response. The information requests were entered in 2014 response object, typically with a cadence of weekly response, not existing on this date backlog of 2014.

V. website

59. Address(es)

BES website is www.bes.pt.

60. Place where you can find information about the firm, the public company status, headquarters and other elements mentioned in Article 171 of the Commercial Companies Code

This information can be checked in BES webpage using the following link

<http://www.bes.pt/09.1 InformacaoLegal uk.html>

61. Place where are the statutes and the operating regulations of the organs and / or committees

This information can be checked in BES webpage using the following link

<http://www.bes.pt/09.1 InformacaoLegal uk.html>

62. Place where it provides information on the identity of the members of the governing bodies, the representative for market relations, the Office of Investor or equivalent structure, their functions and access tools

This information can be checked in BES webpage using the following link

<http://www.bes.pt/04.1 ConselhoAdministracao uk.html>,

<http://www.bes.pt/04.2 ComissaoFiscalizacao uk.html>

and <http://www.bes.pt/04.3 ROC uk.html>.

63. Place where they provide the accounting documents which must be accessible for at least five years, as well as the semi-annual calendar of corporate events, at the

beginning of each semester, including, among others, general meetings, disclosure of accounts annual and, if applicable, quarterly

This information can be checked in BES webpage using the following link

http://www.bes.pt/02.4_RelatorioseContas_uk.html

64. Place where they are published the notice for the general meeting and all the preparatory and subsequent information related to it

After the entry into force of Law No 23-A/ 2015 of March 26, the administrators appointed by the Bank of Portugal now have all the powers conferred by law and by the articles of association to the General Assembly, cannot have voting rights of BES` shares during the resolution period.

65. Place where it provides the historical record with the resolutions passed at the general meetings of the company, the represented share capital and the voting results, with reference to the previous three years

Not applicable.

D – COMPENSATIONS

I. Competence for the determination

66. Indication as to the competence to determine the remuneration of the corporate bodies of the executive committee members and company managers

The members of the management and supervisory bodies in office on the last day of the financial year to which this report says about were appointed by the Bank of Portugal, in accordance with paragraph 2 of Article 145-D of the Legal Framework in writing in force at the date of application to the resolution of measurement of BES.

Pursuant to Article 145-E, paragraph 3, of the Legal Framework - the writing on the date of application to the resolution of measurement of BES - applies to members of the Board of Directors and monitoring the provisions, among others, in paragraph 6 of Article 145 of the Legal Framework, which empowers the Bank of Portugal to establish the respective remuneration. Accordingly, at present, the remuneration of members of the management and supervisory bodies is determined by the Bank of Portugal (Article 143, paragraph 7, applicable by virtue of Article 145-F, paragraph 2, both of Legal Framework in its present form).

II. Compensation Commission

67. Composition of the remuneration committee, including identification of the natural or legal persons contracted to provide them support and statement on the independence of each of the members and advisors

Given the exceptional competence of the Bank of Portugal for determining the remuneration of the management and supervisory bodies, and the exceptional legal situation which is BES after the application of the resolution measure is not in office any Remuneration Committee.

68. Knowledge and experience of the members of the remuneration committee on remuneration policy

Vide point 67. *supra*.

III. Compensations 'Structure

69. Description of the remuneration policy of the management and supervisory bodies referred to in Article 2 of Law 28/2009 of June 19

The remuneration of the management and Supervisory Board is set by the Bank of Portugal to the foregoing, not being constrained by any Remuneration Policy adopted by the General Assembly of the Company.

Indeed, given this exceptional way of fixing remuneration and the exceptional legal situation it is in BES, is not in force a remuneration policy approved pursuant to Article 2 of Law No. 28/2009 June 19.

70. Information on how the remuneration is structured to allow the alignment of interests of members of the management body with the long-term interests of society, as well as the way it is based on performance evaluation and discourages excessive assumption of risks

Vide point 69. *supra*.

71. Reference, if applicable, the existence of a variable remuneration component and information about any performance evaluation of impact on this component

The remuneration of the management and Supervisory Board comprises no variable component.

72. Deferred payment of variable remuneration, mentioning the deferment period

Vide point 71. *supra*.

73. Criteria underlying the attribution of variable remuneration in shares as well as the maintenance by executive directors, these actions on possible conclusion of contracts relating to these shares, namely hedging contracts (hedging) or risk transfer, appropriate limit and their relation to the value of total annual remuneration

Vide point 71. *supra*.

74. Criteria underlying the attribution of variable remuneration in options and indication of the deferral period and the exercise price

Vide point 71. *supra*.

75. Main parameters and rationale for any annual bonus scheme and any other non-cash benefits

The remuneration of the Management and Supervisory Boards does not include any system of annual bonuses or non-cash benefits.

76. Main characteristics of supplementary pension or early retirement schemes for directors and the date they were approved at the general meeting on an individual basis

The current management of BES benefit from complementary pension or early retirement schemes set up the institutions to which they belonged, whose costs are borne by BES in the corresponding part of the burden that should be borne by the employer of origin.

Refers, in this regard, that the Board of Directors of Bank of Portugal of February 11, 2015 proceeded to clarify that BES responsibilities not transferred to Novo Banco include BES liabilities relating to pensions and survival and pension supplements and survival of BES administrators who have been members of the Executive Committee of BES and which are covered by point i), paragraph b) of paragraph 1 of Annex 2 of the Board of Directors' resolution Bank of Portugal of August 3, 2014, with the wording given to it by resolution of the same Board of Directors August 11, 2014.

According to the information produced in the government report the companies in the previous year:

"The Administrators are entitled to retirement pension, if they are or have been members of the Executive Committee.

The main features of the regulation of the right managers to retirement pension are:

a) The right to a pension is acquired with reaching sixty-five years old or twenty-five years of professional activity, or in case of permanent disability to work.

b) The right to a pension may be brought forward to the date on which administrators complete fifty-five years, provided they have performed executive functions in BES 'Board of Directors for a minimum period of eight years, consecutive or interpolated, counting, for the purposes of seniority, those functions, the exercise of Management positions and seniority that has been recognized him.

All pensions provided predicted in the referred regulation are on a full pension pattern.

The total pension may not exceed the pensionable salary of the executive director concerned. The pensionable salary is the sum of the value of the fixed annual remuneration of the last year of performance of duties, with the average earned variable remuneration during the entire time that that played Director Executive Management functions in BES.

With the notification of the exercise of the right to a pension or anticipation of it and just prior to the date of payment of the pension, the executive director in question is given the

possibility of redemption, at your request, part of the constitutive capital income under current law (currently 1/3 of that capital).

The decision to update the planned this pension Regulation fit the Remuneration Committee elected by the General Meeting of shareholders for this purpose, will bring together up to the end of the month of January of the year to which the decision to respect, update it, however, will never be able be lower than the price index rate of change of the consumer, published by the "National Institute of Statistics", with reference to the previous year.

The current version of the regulation of the right of management to pension or supplement old-age pension or disability was approved by the General Meeting of 27 March 2013. “

IV. Compensation Disclosure

77. Annual amount of remuneration received, in aggregate and individually, the members of the management bodies of the company, from the company, including fixed and variable remuneration and, for the latter, mentioning the different components that gave rise to it:

Directors	Annual amount of remuneration
Luís Augusto Máximo dos Santos	68,663
César Bento Nunes de Brito	65,802
Miguel Oleiro Morais Alçada	48,636
TOTAL	183,101

78. Any amounts paid by other companies in a control or group relationship or who are subject to a common domain

Were not paid to current members of the company's board of directors any amounts by other companies in a control or group relationship or who are subject to a common domain.

79. Remuneration paid in the form of profit sharing and / or bonus payments and the reasons why such bonuses or profit sharing were granted

It was not paid any remuneration to the members of the company's board of directors in the form of profit sharing and / or payment of premiums.

80. Compensations paid or owed to former executive directors in respect of termination of their duties during the year

Were not paid or are due any compensation to former executive directors in respect of termination of their duties during the year.

81. Indication of the annual remuneration earned, in aggregate and individually, the members of the supervisory bodies of the company for the purposes of Law 28/2009 of 19 June

Members of the Supervisory Board	Annual amount of remuneration
José Vieira dos Reis	6,294
Rogério M. Fernandes Ferreira	4,578
Vítor Pimenta e Silva	4,578
TOTAL	15,450

The value of 22,000 Euros indicated in Note 10 of the Notes, includes, in addition to the salaries of members of the Supervisory Board, above, the remuneration of the Company Secretary.

82. The remuneration statement in the reference year of the chairman of the general meeting

The President of the General Assembly of the Bureau of society previously in office resigned to the respective exercise by letter dated 8 August 2014 and given the exceptional legal situation in which BES is, was not elected a new holder for the job. Until the resignation of the President of the General Meeting earned during the course of their duties in 2014, a remuneration of 10,815.00 Euros.

V. Agreements with remuneration implications

83. Contractual limitations provided for compensation to pay for dismissal without just cause of a director and its relationship with the variable component of remuneration

Given the particular designation and determination of the remuneration applicable to current members of the management and supervisory bodies, they are not in force any contractual limitations on the compensation payable for unfair dismissal administrator.

84. Reference to the existence and description, with the sums involved, agreements between the company and members of the management body and managers within the meaning of paragraph 3 of article 248-B of the Portuguese Securities Code, which provide for compensation in the event of dismissal without just cause or termination of the employment relationship following a change in company control. (art. 245.º-A, n.º 1, al. I) of the Securities Code)

Given the particular designation and fixing the applicable remuneration to current members of the management bodies, are not in force any agreements between the company and members of the board and managers, providing for compensation in the event of dismissal without just dismissal cause or termination of the employment relationship following a change in company control. Moreover, and in accordance with the current wording of paragraph 9 of Article 145-G of the Legal Framework of the cessation of functions of members of the management body does not emerge any right to compensation, whether it had been stipulated in the contract with the same whether under general law.

VI. Plans for allotment of shares or stock options

85. Identification of the plan and their recipients

The options they held previous executive members of the board of directors of the company, under the 'Policy Compensation of Banco Espírito Santo leaders, SA »and« Variable Remuneration Plan Based on Financial Instruments Members Board of Directors Executive "(approved at the annual General Meeting of April 6, 2010 and subsequently amended at the annual General Meeting of March 22, 2012) became extinct by forfeiture, with the resignation of all the members during the month of August 2014.

Given the special mode of remuneration of the current members of the management and supervisory bodies and the current legal status of BES, this plan has not been replaced by any other plan providing for the allocation of shares or options on company shares.

86. Plan characterization (qualifying conditions, stock alienation clauses, criteria on share price and the exercise price of the options, during which the options may be exercised, characteristics of shares or options to be granted, the existence of incentives for the acquisition of shares and or exercise of options)

Vide point 85. *supra*.

87. Option rights allocated to the acquisition of shares ("stock options") that are beneficiaries the workers and employees of the company

Vide point 85. *supra*.

88. Control mechanisms established for any system of employee participation in capital to the extent that the voting rights are not exercised directly by them (art. 245-A, paragraph 1, al. e) of the Securities Code)

Vide point 85. *supra*.

E - RELATED PARTY TRANSACTIONS

I. Mechanisms and control procedures

89. Mechanisms implemented by the Company for transaction control purposes with related parties

From the application of the resolution measure, the mandate of the current board of directors and supervision of the company is directed essentially to the preservation and enhancement of the respective assets, as well as the correct fixation of their debts, with a view to their future settlement.

Indeed, in the context of the implementation of the resolution measure, it was sealed to the company holding the majority of banking transactions by the Board of Directors of Bank of Portugal of 11 August 2014 (18:00). In this case, the Bank of Portugal forbade the company to extend credit and apply funds in any kinds of assets, except to the extent that the application is necessary for the preservation and development of its assets, as well as forbid the receipt of deposits in terms of paragraphs e) and f) of Article 141, paragraph 1, of the Legal Framework, the current wording to date.

In these terms, it does not appear to be necessary because would lack subject, mechanisms in place for monitoring purposes to new transactions with related parties.

90. Indication of the transactions that were subject to control in the reference year

Vide point 89. *supra*.

91. Description of the procedures and criteria for intervention by the supervisory body for the purposes of preliminary assessment of the business carried out between the

company and owners of qualifying holdings or entities with which they are in any relationship, in accordance with Article 20 of the Securities Code securities

Vide point 89. *supra*.

II. Elements regarding businesses
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92. An indication of the accounting documents where is available information on the business with related parties, according to IAS 24, or alternatively reproduction of information

Vide point 89. *supra*.

PART II EVALUATION OF THE CORPORATE GOVERNANCE COMMITTEE

1. Identification of the Governance Code of the companies adopted

Should be identified Governance Code Corporation to which the company is subject or has voluntarily decided to subject the terms and for the purposes of art. 2 of this Regulation. It should also be indicated where they are available to the public the text of the Corporate Governance Codes to which the issuer is subject (art. 245-A, paragraph 1, al. P).

The report on the structure and corporate governance practices BES concerning the financial year 2013 includes the required data elements and follows the model in Annex to Regulation No 4/2013 of CMVM.

According to the information of the previous year's report, BES subject to the CMVM's Corporate Governance Code, not having sighted be relevant, given the current context of BES, making any decision to voluntary adoption of another code corporate governance issued by an institution dedicated to that purpose.

The text of the Corporate Governance Code approved by the CMVM is available in www.cmvm.pt.

2. Compliance analysis of the Corporate Governance Code adopted

Pursuant to art. 245-A paragraph 1, al. o) should be included statement on the acceptance of the corporate governance code to which the issuer is subject specifying any parts of the code it departs and the reasons for the divergence.

The information to be provided should include, for each recommendation:

- a) Information that allows assessing the fulfillment of recommendation or reference to the report of the point where the question is developmentally treated (chapter, title, paragraph, page);*
- b) Justification for the possible non-compliance or partial compliance;*
- c) In case of non-compliance or partial compliance, any alternative mechanism of identification adopted by society for the purpose of pursuing the same goal of the recommendation.*

Are identified in the following table the recommendations of the Corporate Governance Code, with details of which are adopted and not adopted by BES or that you cannot be

considered applicable in relation to the current context of BES, together with the part of the report where the same they are treated.

CMVM Recommendations		Adopted	Not Adopted	N/A	Report
VOTING AND SOCIETY CONTROL					
I.1	The companies should encourage shareholders to attend or vote at general meetings, in particular by not setting an excessively high number of shares required to be entitled to a vote and implementing the means necessary to exercise the right to vote by mail and electronically.			X	12
I.2	The companies should not adopt mechanisms that hinder the passing of resolutions by its shareholders, including setting a deliberative quorum higher than that provided by law.			X	12-14
I.3	The companies should not establish mechanisms that have the effect of causing the gap between the right to receive dividends and to subscribe for new securities and the voting rights of each common share, unless duly justified on the basis of long-term interests of shareholders.			X	12-14
I.4	The articles of association to provide for the limitation of the number of votes that may be held or exercised by a sole shareholder, either individually or in concert with other shareholders, shall also provide that, at least every five years, will be subject to deliberation by the General Assembly to change or maintenance of this provision - without super quorum requirements stipulated by law - and that, at that meeting, including all the votes cast without any restriction.			X	12-14
I.5	They should be adopted measures that have the effect of requiring payment or assumption of costs by the company in the event of transfer of control or change management body composition, which appear likely to impair the free transferability of shares and free assessment of the performance of the shareholders of the management body holders.			X	4; 12-14
SUPERVISION AND ADMINISTRATION					
II.1.1	Within the limits established by law, and unless the small size of the company, the Board of Directors to delegate the daily management of the company and the delegated duties should be identified in the annual report on Corporate Governance.			X	21; 27-28
II.1.2	The Board of Directors must ensure that the company acts in accordance with its objectives and should not delegate its duties, namely in what concerns: i) definition of the strategy and general policies of the company; ii) definition of the corporate structure of the group; iii) decisions that are considered strategic due to the amounts, risk and particular characteristics.	X			21; 27-28

II.1.3	The General and Supervisory Board in addition to the exercise of supervisory powers that are entrusted to them, must take full responsibility at the government level of society, so that, through the statutory provision or by way equivalent, should be devoted to compulsory this body decide on the strategy and major policies of the company, the definition of the group's corporate structure and the decisions that should be considered strategic due to their value or risk. This body should also assess compliance with the strategic plan and the implementation of major policies of the company.			X	30
II.1.4.	Except by the small size of the company, the Board of Directors and the General and Supervisory Board, depending on the model adopted, shall create such committees as may be necessary to: a) ensure a competent and independent assessment of the executive directors' performance and their own overall performance, as well as the other committees; b) Reflect on the structure and system of government adopted practices, assess its efficiency and propose to the competent bodies, measures to be implemented with a view to its improvement.			X	27
II.1.5	The Board of Directors or the General and Supervisory Board, depending on the model, should set targets for risk-taking and create systems for their control to ensure that the risks actually incurred are consistent with those goals.	X			50 to 55
II.1.6	The Board of Directors shall include a number of non-executive members to ensure effective monitoring capacity, monitoring and evaluation of the activity of the other members of the board.			X	15, 16, 18
II.1.7	Non-executive members must include an adequate proportion of independent, taking into account the adopted governance model, the company's size and its shareholder structure and the respective free float. The independence of the members of the General and Supervisory Board and members of the Audit Committee is gauged in terms of current legislation, and as to the other members of the Board of Directors are considered independent person who is not associated with any interest group specific in society, nor under any circumstance likely to affect their impartiality of analysis or decision, in particular because: a. Having been employees of the company or a company with which it is in a controlling or group relationship in the past three years; b. To have, in the past three years, providing services or established significant business relationship with the			X	15, 16, 18

	<p>company or company with which it is in control or group, either directly or as a partner, director, officer or director of legal person;</p> <p>c. Be a beneficiary of compensation paid by the company or by a company with which it is in a controlling or group relationship beyond the due payment of the exercise of administrative functions;</p> <p>d. Living in partnership or being a spouse, relative or related in a straight line and to the 3rd degree, even in the collateral line, administrators or individuals who are direct or indirect holders of qualifying holdings;</p> <p>E. Be a qualified shareholder or representative of a shareholder holder of qualifying holdings.</p>				
II.1.8	The directors who perform executive duties are requested by other Board Members shall provide, in a timely and appropriate manner to the request, the information requested by them.			X	15, 16, 18
II.1.9	The chairman of the executive board of directors or the executive committee shall send, as applicable, to the Chairman of the Board of Directors, the Chairman of the Supervisory Board, the Chairman of the Audit Committee, the Chairman of the General and Supervisory Board and to the Chairman Financial Matters the notices and minutes of its meetings.			X	15, 16, 18, 27, 28
II.1.10	If the chairman of the board has executive powers, this body shall appoint, from among its members, an independent director for the coordination of the work of other non-executive members and the conditions so that they can decide independently and informed or find an equivalent mechanism to ensure that coordination.			X	15, 16, 18, 27, 28
	Supervision				
II.2.1	Depending on the applicable model, the Chairman of the Supervisory Board, the Audit Committee or the Financial Matters Committee shall be independent in accordance with the applicable legal standard, and possess the necessary skills to carry out their functions.	X			32, 33
II.2.2	The supervisory body should be the main interlocutor of the external auditor and the first recipient of the respective reports, being responsible, inter alia, propose the respective remuneration and ensure that are provided within the Company provides adequate conditions for the provision of services.			X	37.38
II.2.3	The supervisory body should annually assess the external auditor and propose to the competent body to his dismissal or rescission of the contract to provide their services whenever there is just cause to do so.	X			45
II.2.4	The Supervisory Board should evaluate the functioning of the internal control systems and risk management and propose the adjustments that are necessary.	X			38

II.2.5	The Audit Committee, the General and Supervisory Board and the Supervisory Board shall decide on the work plans and affections resources to internal audit services and services that ensure compliance with the standards applicable to the company (compliance services) and should be recipients of the reports from these services at least when it concerns matters related to accountability identifying or resolving conflicts of interest and the detection of potential illegalities.			X	50
	Compensation fixation				
II.3.1	All the members of the Remuneration Committee or equivalent shall be independent from the executive members of the management body and include at least one member with knowledge and experience in remuneration policy matters.			X	67
II.3.2	It should not be contracted to support the Remuneration Committee in carrying out its any individual functions or collective that provides or has provided, over the past three years, services to any structure depending on the board of directors, the board of directors own the company or having current relationship with the company or consultant of the company. This recommendation also applies to any natural or legal person connected with such an employment contract or provides services.			X	67
II.3.3	The statement on the remuneration policy of the management and supervisory bodies referred to in Article 2 of Law 28/2009 of June 19, shall also contain: a) Identification and clarification of the criteria for determining the remuneration to be paid to the members of the governing bodies; b) Information on the maximum potential on an individual basis, and the amount full potential, in aggregate, to be paid to members of governing bodies, and identifying the circumstances in which these maximum amounts may be payable; d) Information regarding the enforceability or unenforceability of payments for the dismissal or termination of given functions			X	67
II.3.4	Must be submitted to the General Assembly a proposal on the approval of share attribution plans and / or acquisition of shares or based on share price variations options, the members of the governing bodies. The proposal must contain all the elements necessary for a correct evaluation of the plan.			X	85
II.3.5	Must be submitted to the General Assembly a proposal for the approval of any system of retirement benefits established for members of the governing bodies. The	X			76

	proposal must contain all the elements necessary for a correct evaluation of the system.				
	Compensations				
III.1	The remuneration of the executive members of the Board of Directors shall be based on actual performance and discourage excessive risk-taking.			X	66, 69
III.2	The remuneration of non-executive members of the Board of Directors and the remuneration of the members of the Supervisory Board should not include any component whose value depends on the performance of the company or of its value.	X			71
III.3	The variable remuneration shall be reasonable overall in relation to the fixed remuneration component, and should be set maximum limits for all components.			X	66, 69, 71
III.4	A significant portion of variable compensation should be measured for a period not less than three years, and the right to receive shall depend on the continued positive performance of the company during that period.			X	66, 69, 71
III.5	The members of the Board of Directors shall not enter into contracts with the company or third parties that will have the effect of mitigating the risk inherent in the variability of their remuneration as determined by the company.	X			66, 69, 71
III.6	Until the end of his tenure executive directors shall maintain the company's shares that were allotted by virtue of the variable remuneration schemes, up to twice the value of total annual remuneration, with the exception of those that need to be sold for the payment of taxes on the gains of said shares.			X	66, 69, 71
III.7	When the variable remuneration includes options, the beginning of the exercise period shall be deferred for a period not less than three years.			X	66, 69, 71, 74
III.8	When the administrator of dismissal is not due to serious breach of his duties or of his inability for the normal exercise of their functions but still is reducible to inadequate performance, should the company find themselves endowed with the appropriate and necessary legal instruments to that any damages or compensation, as well as legally due, is not required.	X			83, 84
	Auditing				
IV.1	The external auditor must, within its powers, verify the implementation of remuneration policies and social organ systems, the efficiency and functioning of internal control mechanisms and report any shortcomings to the company's supervisory.			X	50, 69
IV.2	The company or any entity with which it maintains a control relationship shall not recruit the external auditor or any entity with it are in a group relationship or incorporates the same network, for services other than audit services. If there are reasons for hiring such	X			46

	services - which must be approved by the supervisory body and explained in its Annual Report on Corporate Governance - they should not account for more than 30% of the total value of services rendered to the company.				
IV.3	Companies shall advocate the rotation of auditors after two or three terms in accordance respectively four or three years. Their continuance beyond this period must be based on the specific opinion of the Supervisory Board expressly consider the auditor independence and the benefits and costs of replacement.	X			40
	Conflicts of interest and transactions with related Parties				
V.1	The company's business with holders of qualifying holdings or entities with which they are in any relationship, pursuant to art. 20 of the Securities Code, shall be carried out in normal market conditions.			X	89
V.2	The supervisory or supervisory body should establish procedures and criteria required to define the relevant level of business with significant shareholders of qualifying holdings - or entities with which they are in any of the relationships referred to in paragraph 1 art. 20 of the Securities Code - getting conducting Significant business dependent on prior opinion of that body.			X	89
	Information				
VI.1	Companies shall provide, through its website, in Portuguese and English, access to information enabling knowledge about its evolution and its current reality in economic, financial and government.	X			56, 59-65
VI.2	Companies shall ensure the existence of an office of investor support and permanent contact with the market that responds to requests from investors in a timely manner and should be kept a record of the applications submitted and the treatment given to him.	X			56

3. Other information

The company should provide any evidence or information that no meeting shed in the paragraphs above are relevant to the understanding of the model and the adopted governance practices.

Although the negotiation of BES securities on a regulated market is suspended since August 2014, BES has lost that status, so have understood comply with the CMVM Regulation No. 4/2013 on the preparation of this Regulatory Corporate Governance.

Notwithstanding the good corporate governance practices are relevant in any nature organizations, including as such the resolution object institutions, the principle of proportionality in these matters always impose that make a judgment on the true adequacy BES of good rules chalky corporate governance for public companies to public investment and whose shares are traded on a regulated market.

The rules of corporate governance cannot, of course, survive decontextualized, disregarding the characteristics of the institutions where they should be applied - one size does not fit all.

In this scenario, would have to be called (and) the size, both in terms of human and technical resources, of BES organization after the implementation of the resolution measure (it being understood that, after the application of the resolution measure, the organization of BES was confined to their governing bodies), (ii) the nature of its activity, focused on preservation of its assets in an ante-chamber for its settlement, not in pursuit of their normal lucrative activity as a credit institution and (iii) the specific aims to be pursued by BES, with the explicit law in stating that the duties of administrators take the measures necessary for the pursuit of the objectives underlying the implementation of the resolution measure overlap with any other duties provided by law or contract society.

Above all, the corporate governance recommendations if they cannot override the legal provisions of company law and securities law and, more important, the legal framework for credit institutions that have been solving measurement object. In this context, the recommendations that deal with the powers of governing bodies, which are set out in the Legal Framework and are subordinated to the logic and purposes of application of the resolution measure on the criteria for the election and remuneration policies of the governing bodies, established by Bank of Portugal, or the mode of exercise of voting rights, at a time when the right to vote cannot be exercised, lose their relevance and applicability.

Accordingly, a large part of the recommendations of the CMVM Corporate Governance Code, in particular those dealing with the matters referred to above, cannot be considered applicable to BES, due to this being linked to the mandatory legal and regulatory rules applicable to institutions credit subject to a resolution measure.

César Brito
Member of the Board of Directors

Miguel Alçada
Member of the Board of Directors

Luís Máximo dos Santos
President of the Board of Directors

IV. Accounts 'Legal Certification and Auditing Report

AUDITORS' 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. In accordance with the applicable legislation, we present our Auditors' Report on the financial information included in the Annual Report of the Board of Directors and in the accompanying financial statements as at and for the year ended 31 December 2014, of **Banco Espírito Santo, S.A. ("BES")**, which comprise the balance sheet as at 31 December 2014 (showing total assets of Euro 196,605 thousand and total negative equity of Euro 2,679,175 thousand, including a net loss of Euro 9,196,991 thousand), the statements of income, of comprehensive income, of cash flows and of changes in equity for the year then ended, and the corresponding Notes.
2. The financial statements of BES as at 31 December 2014, reflect the assets and liabilities, off-balance sheet items and assets under management by BES after the application by the Bank of Portugal, on 3 August 2014, of the resolution measure to BES specified in paragraph 1 b) of article 145.º- C of the Regime Geral das Instituições de Crédito e Sociedades Financeiras ("RGICSF") in the wording in force at that date and by the decision of 11 August 2014, subsequent clarifications and adjustments made by the Bank of Portugal to this resolution measure until 18 December 2015 (together referred to as "the Bank of Portugal 3 August 2014 resolution measure applied to BES"). This resolution measure resulted in the transfer of the majority of BES's business activity, as well as of the respective assets and liabilities recognised on the balance sheet as at 3 August 2014, to a bridge bank created for this purpose, designated Novo Banco, S.A.

In this context, the Board of Directors took into account in preparing these financial statements, only the decisions, understandings and clarifications which have been communicated by the Bank of Portugal until 18 December 2015, not taking thus into consideration any possible decision not transmitted, or future, which has been, or may

be taken by the Bank of Portugal, in particular related to other transfers of assets or liabilities under the resolution.

Responsibilities

3. The Board of Directors is responsible for:
 - a) the preparation of financial statements in accordance with the Adjusted Accounting Standards (“NCA”) issued by the Bank of Portugal, adjusted for the non-application of the going concern assumption and taking into account the terms and conditions of the Bank of Portugal 3 August resolution measure applied to BES, subsequent clarifications and adjustments made by the 11 August, both from 2014, and other clarifications sent to BES until 18 December 2015, that present fairly, in all material respects, the financial position of the Bank, the results of its operations, comprehensive income, changes in equity and its cash flows;
 - b) maintaining historical financial information prepared in accordance with NCA which is complete, true, current, clear, objective and lawful as required by the Portuguese Securities Market Code (“Código dos Valores Mobiliários”);
 - c) the adoption of adequate accounting policies and criteria;
 - d) the maintenance of an appropriate internal control system; and
 - e) the communication of any relevant fact that may have influenced its activity of the Bank, its financial position or results.
4. Our responsibility is to verify the financial information included in the documents referred above, namely as to whether it is complete, true, current, clear, objective and lawful as required by the Código dos Valores Mobiliários, in order to issue a professional and independent report based on our audit.

Scope

5. Except for the scope limitations referred in paragraphs n.º 8 and 9 below, we conducted our audit in accordance with the Technical Standards and Guidelines issued by the Portuguese Institute of Statutory Auditors (“Ordem dos Revisores Oficiais de Contas”), which require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements. Accordingly our audit included:
- verification, on a sample basis, of the information underlying the figures and disclosures contained therein, and an assessment of the estimates, based on judgements and criteria defined by the Board of Directors, used in the preparation of the referred financial statements;
 - evaluation of the appropriateness of the accounting policies used and of their disclosure, taking into account the applicable circumstances;
 - assessment of the appropriateness of the overall presentation of the financial statements; and
 - assessment of whether the financial information is complete, true, current, clear, objective and lawful.
6. Our audit also included the verification that the financial information included in the Board of Directors report is consistent with the financial statements, as well as the verification of the disclosures required by numbers 4 and 5 of article 451, of the Portuguese Companies Code (“Código das Sociedades Comerciais”).
7. We believe that our audit provides a reasonable basis for our opinion.

Qualifications

8. As described in the Note 31 of the Notes to the Accounts, assets, liabilities, off-balance sheet items and assets under management, that were transferred to Novo Banco, S.A., were determined by the Bank of Portugal under the terms of the resolution measure, having been subject to an assessment, conducted by an independent entity appointed for this purpose by the Bank of Portugal in accordance with the first part of n.º 4 of Article 145-H of RGICSF, in the wording in force at the date of the application of the resolution measure to BES.

In the Note 31, it is also stated that the Board of Directors of BES in duty since 4 August 2014, did not make any judgments in relation to the adjustments arising from that assessment under the first part of n.º 4 of Article 145 -H of RGICSF, in the wording in force at the date of the application of the resolution measure, and on the selection of assets, liabilities, off-balance sheet items and assets under management, transferred under the resolution measure, being only required to ensure the proper accounting, in the accounting records, of the respective overall impact in the amount of Euro 4,434,602 thousand.

Thus, the selection of assets, liabilities, off-balance sheet and assets under management transferred in accordance with the resolution measure, as well as their respective values, were determined by external parties to BES, not having been subject to appreciation or deliberation by the respective Board of Directors and were not, therefore, subject to our examination. Thus, we do not express an opinion on the above mentioned adjustments made by BES with global impact on its equity in the amount of Euro 4,434,602 thousands, since the respective identification and evaluation were, as defined in the RGICSF, carried out by external parties to BES, nor consequently, we give an opinion on the accumulated negative result for the period from 1 January to 3 August 2014, in portion of Euro 8,016,325 thousand included as part of the discontinued operations, which represented the interim results included in the final balance of 4 August 2014 after the implementation of the resolution measure (as per Note 31), not having been subject to representation made by the Board of Directors.

- 9 As disclosed in the Note 26, at the date of this report, BES is still analyzing issues regarding the transfer of certain liabilities and contingencies related to tax matters having the Bank recognized on 31 December 2014, (i) a liability of approximately Euro

34.7 million for tax exposures and (ii) an estimate of the income tax for the year of Euro 4 thousand. On this basis, we are not able to express an opinion on the possible impact arising from the outcome of the conclusions of the referred ongoing analysis, in the financial statements of BES as at 31 December 2014.

10. As described in Note 2.21 considering the effects of the resolution measure applied by the Bank of Portugal on the 3 August 2014, the Board of Directors believe that this resulted in discontinuing the banking operations of BES since 4 August 2014, leaving only under the scope of the activity of the Bank, the management of the remaining assets and liabilities. On that basis, the Board of Directors decided to adapt the presentation and disclosure requirements of the NCA to current BES circumstances. As such, the financial statements as at 31 December 2014 include the presentation and disclosures that the Board of Directors deemed required for the understanding of the effects of application of the resolution measure by the Bank of Portugal on 3 August 2014 and of the results of the activity developed by BES thereafter. As a result, these financial statements do not include all of the disclosures that would be required in accordance with the NCA.

11. On the 29 December 2015, after the approval of the financial statements referred to in paragraph 1 by the Board of Directors of BES, which occurred at a meeting on 18 December 2015, the Bank of Portugal, in accordance its competences under RGICSF which are described in Notes 1 and 31 of the Notes to the accounts, determined to retransmit to BES the liability for non-subordinated bonds (senior) issued by BES and that were aimed for institutional investors. The nominal value of the bonds retransmitted to BES amounts to Euro 1,941 million, corresponding to a balance sheet value of Euro 1,985 million.

The accounting effect of this decision from the Bank of Portugal implies an increase in the loss of BES, against its liabilities in the amount of Euro 1,985 million.

Qualified opinion

12. In our opinion, except for the effects of the adjustments that could be necessary if there were no scope limitations as referred to in paragraph nºs 8 and 9 above, and except for the effects of the matters referred to in paragraphs nºs 10 and 11 above, the financial statements referred to above present fairly, in all material respects, the financial position of **Banco Espírito Santo, S.A.** as at 31 December 2014, in accordance with the NCA issued by the Bank of Portugal, adjusted by the non-application of the going concern assumption, and taking into consideration the terms and conditions included in the resolution measure applied to BES by the Bank of Portugal on the 3 August 2014, as defined before and described in the Note 1.

Basis of preparation of the financial statements

13. These financial statements reflect the assets and liabilities, off-balance sheet items and assets under management by BES after the application of the resolution measure of Bank of Portugal on 3 August 2014 as previously defined, which resulted in the transfer of the majority of BES's business activity, as well as of the respective assets and liabilities recognised on the balance sheet as at 3 August 2014, to a bridge bank created for this purpose, designated Novo Banco, S.A. In the preparation of these financial statements, the Board of Directors took into account only the decisions, understandings and clarifications which have been communicated by the Bank of Portugal until 18 December 2015, not having taken into consideration any possible decision not transmitted, or future, which has been, or may be taken by the Bank of Portugal, in particular related to other transfers of assets or liabilities under the resolution. As described in Notes 1 and 31 of the Notes to the Accounts, the Bank of Portugal may, at any time, issue new understandings or clarifications or take new decisions, including transfers or re-transfers, between BES and Novo Banco, S.A. of assets, liabilities, off-balance sheet items and assets under management, thus, the value of the equity as at 31 December 2014 and of the net income for the year then ended may be subject to significant changes, not related to the recovery of business assets and / or liquidation of BES, if the Bank of Portugal shall determine so, impacts that could not be anticipated at the date of the approval of the financial statements by the Board of Directors.

On 29 December 2015, after the approval of the financial statements by the Board of Directors referred in paragraph 1, the Bank of Portugal made a final adjustment to the scope of assets, liabilities, off-balance sheet items and assets under management that were transferred to Novo Banco, S.A., which turned to be the final and definitive change of the referred scope having the Bank of Portugal considered it to be finally determined, including (a) the clarification that any claims that were contingent or unknown at the date of the application of the resolution measure to Banco Espírito Santo, S.A were not transferred to Novo Banco; (b) the retransmission to Banco Espírito Santo, S.A. of the investment in BES Finance, required in order to ensure full compliance and implementation of the resolution measure with regard subordinated debt instruments issued by Banco Espírito Santo SA which are not to be transferred to Novo Banco; and (c) the clarification that it is the responsibility of the resolution fund to offset, by compensatory means to Novo Banco, S.A., the possible negative effects of future decisions, resulting from the resolution process, from which derive liabilities or contingencies.

Emphasis

14. Without affecting the opinion expressed in paragraph 12, we draw attention to the following situations:

- 14.1** In the Note 1 of the Notes to the Accounts, it is referred that by determination of the Bank of Portugal, BES is prohibited, for a period of one year, to receive deposits and grant loans and, also, exempted from the compliance with prudential ratios, being set out in European Commission Decision No SA.39250 (2014 / N) - Portugal, that the banking license of BES will be revoked, which is expected to occur by the end of the sales process of Novo Banco, S.A.. The decision to revoke the banking license shall cause the effects of an insolvency declaration which will then result on the liquidation of BES, in accordance with applicable law. On that basis, it is referred in the Note 1 that the going concern assumption is not applicable to the preparation of the financial statements referred to above. By announcement on 29 December 2015, the Bank of Portugal informed that will request that the European Central Bank revokes BES banking license which will result in the beginning of the liquidation process.
- 14.2** Also in the Note 1, it is referred that following the n.º 1 c) of the article n.º 145-B of RGICSF, in the wording in force at the date of the application of the resolution measure, no lender may assume a loss greater than that it would take if BES had gone into liquidation on the date of the resolution measure, on 3 August 2014. Therefore, the law requires that an evaluation is performed by an independent entity appointed by the Bank of Portugal, which must determine an estimate of the

level of recovery of the amounts of each class of creditors with a view of an immediate liquidation of the Bank, taking as a basis all the assets and liabilities held by BES before the resolution measure. This will allow the compliance with the provisions of Article 145-B, n.º 3, of RGICSF, in the wording in force at the date of the application of the resolution measure. As of the date of this report we were not provided with this evaluation.

- 14.3** As described in Notes 24 and 29 of the Notes to the Accounts, several claims from customers and third parties and/or legal proceedings were brought against the Bank. The financial statements of BES as at 31 December 2014 include (i) the amount of Euro 1,089,842 thousand recorded in provisions to cover liabilities arising from these claims and / or processes that the Board of Directors was able to quantify and (ii) a disclosure about complaints and / or processes in relation to which information available does not allow the Board of Directors to judge if BES has or not a present obligation that could lead to an outflow of resources embodying economic benefits or make a sufficiently reliable estimate of the amount of the obligation.

Report on Other Legal Requirements

- 15.** It is also our opinion that the financial information included in the Board of Directors report is consistent with the financial statements and that the Report on Corporate Governance includes the information required by the article 245.º-A of the Código dos Valores Mobiliários.

Lisbon, 30 December 2015

KPMG & Associados

Sociedade de Revisores Oficiais de Contas, S.A. (nº 189)

represented by

Inês Maria Bastos Viegas Clare Neves (ROC n.º 967)

V. Report and Opinion of the Supervisory Board

1. Introduction

Following the decision of the Board of Directors of Bank of Portugal of 3 August 2014, was appointed the Supervisory Board of Banco Espírito Santo, SA (BES), in accordance with the legal and statutory provisions, in particular as provided in paragraph 2 of Article 145-D of the General Law on Credit Institutions and Financial Companies (RGICSF), approved by Decree-Law No. 298/92 of December 31th.

The Supervisory Board checked the accounting documents of the year 2014 of BES, including the Management Report, the Corporate Governance Report, the individual balance sheet as of December 31, 2014, showing a total of 196,605 thousand euros (on August 4, 2014, 193,432 thousand euros) and total equity negative 2,679,175 thousand euros (on August 4, 2014, 2,421,318 thousand euros), including a net income for the year negative 9,196,991 thousand euros (on August 4, 2014, 8,947,133 thousand euros), the income Statement and comprehensive income, the statement of changes in equity and statement for the year Cash Flow ended that date and the corresponding Notes.

2. Verification of the financial statements reported on December 31, 2014

The Supervisory Board held, to date, several meetings, including with the Board of Directors, having been provided by the same the clarification and the information that were requested and given, monitored the most relevant aspects arising from the application of the resolution measure of Bank of Portugal and noted the following financial information was being made available to him.

KPMG & Associados - Statutory Auditors, S.A. (KPMG), which is responsible for auditing the financial information of special purpose BES reported on August 4, 2014 and issuing a legal certification of accounts and the statutory audit report of accounts relating to the year 2014, met and collaborated, also, with the Supervisory Board in the course of their duties.

Before issuing this report and opinion, the Supervisory Board took into account the contents of the legal certification of accounts and audit report prepared by KPMG on the documents of BES accounts for the year 2014.

3. Resolution measure the application of the Bank of Portugal and the subsequent period up to the year 2014 closing

3.1. Framing

With the application of the resolution measure and corrective, it was decided to transfer to Novo Banco, SA, incorporated under the provisions of Article 145-A and following of the RGICSF the majority of assets and liabilities, off-balance sheet assets and BES under management, as of August 3, 2014, as well as its employees and other material resources.

It should be noted that, according to paragraph 4 of Article 145 - Q of the Legal Framework, the wording currently in force after this initial transfer, which is detailed in Note 31, the Bank of Portugal may, at any time:

- a) Transfer other rights and obligations of BES to Novo Banco, S.A.,
- b) Return to BES rights and obligations which have been transferred to Novo Banco, S.A.

It is noted also that the value of assets, liabilities and BES equity included in this report object balance and sound may change due to further transfers of assets, liabilities, off-balance sheet and assets under management between BES and Novo Banco, SA, which will be determined by Bank of Portugal at any time.

The special purpose financial information was prepared in accordance with the Adjusted Accounting Standards (AAS), according to the principle of historical cost, except for assets and liabilities recorded at fair value, including derivative financial instruments.

Considering that BES presently carries out its activity within the resolution measure, of the corrective intervention measures and other measures determined by the Bank of Portugal, the continuity presupposition was not applied.

3.2. Impacts of the application of the Measure

The implementation of the resolution measure translates into a transfer of assets and rights and obligations of BES accounts for Novo Banco, SA, as described in Note 19 of the Notes on the special purpose financial information reported on August 4, 2014.

We present below the direct impact of the measure of the resolution of Bank of Portugal (BdP), following the valuation of assets, liabilities and off-balance sheet and assets under management:

Thousands of Euros

Items	Initial situation	Adjustments	Balance after the adjustments	Transference to Novo Banco, S.A.	Situation after the resolution measure
Assets	61 932 490	-3 286 258	58 646 232	57 644 914	1 001 318
Liabilities	59 086 868	277 654	59 364 522	56 774 224	2 590 298
Equity	2 845 622	-3 563 912	-718 290	870 690	-1 588 980

Assets and liabilities related to BES activities after those adjustments were detached and transferred to Novo Banco, SA, and originated a reduction of BES' equity in the amount of 870,690 thousand euros, corresponding to the value set of net assets transferred.

The preparation of special purpose financial information in accordance with NCA requires the Bank to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of income, costs, assets and liabilities. Changes in such assumptions or differences between these in the face of reality may have an impact on the current estimates and judgments. In this context, in the next moment, the Board of Directors of BES made an assessment of the recoverability of assets and the analysis of the entire liabilities comprising BES Balance on August 4, 2014, taking into account the new reality of BES Group and, above all, the Espírito Santo Group.

This evaluation resulted in the adjustments and reclassifications which are summarized below:

Thousands of Euros

Items	Final balance after the measure	Adjustments and reclassifications	Balance on 4.08.2014
Assets	1 001 318	-807 886	193 432
Liabilities	2 590 298	24 452	2 614 750
Equity	-1 588 980	-832 338	-2 421 318

3.3. Subsequent period up to the year 2014 closing

In the period after the special balance sheet reported on August 4, 2014, until the closing of year 2014, the balance sheet shows the following variations:

Thousands of Euros

Items	Balance on 4.08.2014	Variations	Balance on 31.12.2014
Assets	193 432	3 173	196 605
Liabilities	2 614 750	261 030	2 875 780
Exercise result	-8 947 133	-249 858	-9 196 991
Equity	-2 421 318	-257 857	-2 679 175

The financial statements presented by the Board of Directors of BES have been adapted taking into account the discontinuation of banking activity and the current circumstances of BES, so that the financial statements do not include all the disclosures required in accordance with the requirements of the NCA.

4. Supervening events and materials

We recall the fact that the application of the resolution measure by Bank of Portugal BES, as referred to in section 3.1. The framework, may at any time be changed, a situation which, combined with the development of several lawsuits and ongoing investigations involving BES and those responsible for the previous management, with the possible occurrence of facts that have not come to the attention of this Commission, as well as the combination with some matters described in the explanatory notes whose quantification was not possible, may constitute events or supervening materials which, once known, cause significant nature of impacts on the provision of financial statements as of the date of 31 December 2014. In addition, it is expected in the European Commission Decision No SA.39250 (2014 / N) - Portugal, to be revoked the authorization of BES to conduct banking activity, which is supposed to occur until the sale of Novo Banco, SA, a decision which will produce the effects of the insolvency statement, leading to BES judicial liquidation.

It should also be noted that after the implementation of the resolution measure, a very significant part of the activity that BES was developing was considered discontinued as referred to in Notes 2.21 and 31 of the explanatory Notes to the financial statements at December 31, 2014.

The themes mentioned lead to high magnitude uncertainties about the documents of accountability that were presented to us, which constitute limitations to the opinion which shall be issued by the Supervisory Board.

The Bank of Portugal on December 29, 2015, after the approval of the financial statements by the Board of Directors of BES, held "a final adjustment of the perimeter of assets, liabilities, off-balance sheet and assets under management transferred to Novo Banco, SA , which stands out:

- a. the clarification that were not transferred to Novo Banco any claims that were contingent or unknown on the date of application of the withdrawal measure to Banco Espírito Santo, S.A .;
- b. the retransmission to Banco Espírito Santo, SA the participation in society BES Finance, which is necessary to ensure the full compliance and implementation of the resolution measure with regard to the non-transfer to Novo Banco of subordinated debt instruments issued by Banco Espírito Santo SA; and
- c. the clarification that it is up to the resolution fund offset by a compensatory pathway next to Novo Banco, the possible adverse effects of future decisions, resulting from the resolution process, which result in liabilities or contingencies.

This set of decisions is the final and definitive amendment to that perimeter, so the Bank of Portugal considers finally determined.

As result, Bank of Portugal said it "will prompt the European Central Bank to proceed with the revocation of the authorization BES, starting the lawsuit settlement."

5. Statement

In view of the above and taking into account the content of the legal certification of accounts and audit report of the official auditor for the provision of documents reported on December 31, 2014 and in particular the reservations and emphasis referred to therein, the Commission Audit is of the opinion that the financial statements of Banco Espírito Santo, SA mentioned in point 1. Introduction, are presented, in all material respects, in accordance with NCA, except for the whole of the required disclosures and the application of the going concern assumption, given the terms and resolution measurement conditions taken by the Bank of Portugal on August 3, 2014, and the decisions, clarifications and adjustments of this entity of the measure.

Accordingly, the Supervisory Board believes that the aforementioned provision of financial statements for the year 2014 are in a position to be approved as well as the profit appropriation proposal.

Finally, the Supervisory Board notes with appreciation, and thanks the collaboration which was given by the Board of Directors and BES services.

Lisbon, December the 30th 2015

The Supervisory Board

José Vieira dos Reis
President

Rogério M. Fernandes Ferreira
Member

Vitor Pimenta e Silva
Member