BANCO ESPÍRITO SANTO GROUP ACTIVITY AND RESULTS IN 1H2014
(Unaudited financial information under IFRS as implemented by the European Union)
(BES; Bloomberg: BES PL; Reuters: BES.LS)
Lisbon, 30 July 2014

This document is an English translation of the original Portuguese language document "ATIVIDADE E RESULTADOS DO GRUPO BANCO ESPÍRITO SANTO - 1º SEMESTRE DE 2014" provided for information purposes only. In case of any inconsistency between this document and the Portuguese original, the Portuguese original shall prevail in all respects.

KEY ASPECTS OF THE RESULTS

- Extraordinary events occurred in 1H14 led to losses, impairments and contingencies that resulted in a net loss for this period of EUR 3,577.3 million (- EUR 3,488.1 million in 2Q14).

- Impairment and contingency costs reached EUR 4,253.5 million, influenced by the extraordinary events detailed in section 1 of this release. The Board of Directors believes that the actions taken strengthen the balance sheet, create conditions for the Group's economic recovery and mitigate the future impact of the ongoing Asset Quality Review (AQR).

- During the month of June, BES carried out a EUR 1,045 million rights issue which resulted in the increase of its share capital to EUR 6,085 million, represented by 5,624,962 thousand shares.

- On June 30th, 2014 the Common Equity Tier I was 5.0% (Bank of Portugal's minimum requirement: 7%).

- With gross loans to customers increasing by EUR 280 million in 2Q14, and deposits reducing by EUR 310 million, the net loans/deposits ratio decreased to 126%

(Mar.14: 129%); the change of Aman Bank's consolidation method impacted this ratio by +2.4pp.

- Overdue loans (>90 days) increased by EUR 223 million in 2Q14, with the corresponding ratio rising to 6.4% (Mar.14: 6.0%). Credit at risk increased to EUR 5,920 million in 2Q14 and the respective ratio is set at 11.5% (Mar.14: 11.1%).

- The coverage ratio for total credit reached 10.5% (Mar.14: 7.2%) and the coverage ratio for overdue loans (>90 days) was 164.0% (Mar.14: 119.0%).

- Commercial banking income reduced by 23.8% YoY due to the accounting adjustments performed by BESA; excluding these adjustments the commercial banking income would have increased by 2.2%.

- Operating costs increased by 5.7% due to the cost of the early retirement of 139 employees and to changes in the consolidation perimeter; excluding these impacts, the increase would have been 0.8%, with a reduction of 2.1% in domestic activity.

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Share capital: EUR 6.084.695.651,06

	30-Jun-14	30-Jun-13	YoY
ACTIVITY (Eur mn)			
Total Assets [1]	93 419	96 388	-3.1%
Net Assets	80 216	82 646	-2.9%
Gross Loans	51 281	51 111	0.3%
Customer Deposits	35 932	37 912	-5.2%
Total Equity	4 244	7 232	-41.3%
SOLVENCY[2]			
BIS II			
- *CORE TIER I*	-	10.4%	-
- TOTAL	-	10.7%	-
BIS III			
- *Common Equity TIER I (phasing in)*	5.0%	-	-
LIQUIDITY (Eur mn)			
ECB funds (net) [3]	7 432	8 251	-819
Repoable Assets	21 593	24 605	- 3 012
Loan/deposits ratio [4]	126%	125%	1 pp
ASSET QUALITY			
Overdue loans + 90 days / Gross loans	6.4%	5.1%	1.3 pp
Coverage of Overdue Loans + 90 days	164.0%	120.4%	43.6 pp
Credit at Risk	11.5%	10.7%	0.8 pp
Provisions for Credit / Gross loans	10.5%	6.1%	4.4 pp
Cost of risk [5]	8.3%	2.2%	6.1 pp
RESULTS (Eur mn)			
Net income	-3 577.3	-237.4	....
- Domestic	-3415	-256	....
- International	-163	19	....
COSTS (Eur mn)			
Operating Costs	594.8	563.0	5.7%
Operating Costs (like-for-like)	566.2	561.8	0.8%
BRANCH NETWORK			
Retail Network	746	769	-23
- Domestic	631	652	-21
- International	115	117	-2

(1) Net Assets + Asset Management + Other off-balance sheet liabilities + Securitised Credit
(2) preliminary June 2014 data
(3) Includes funds from and placements with the ECB System; positive = net borrowing; negative = net lending
(4) Calculated according to instruction from Bank of Portugal to F*unding & Capital Plan*
(5) Annualised P&L provisions / Gross Loans

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1. INFORMATION ON THE EXTRAORDINARY EVENTS INCLUDED IN THE 1H14 FINANCIAL STATEMENTS

BES Group's 1H14 results were significantly influenced by the following extraordinary events: (i) creation of provisions related to the exposure to Espírito Santo Group companies; (ii) write-off of irrecoverable interest on loans granted by BES Angola (BESA) and creation of provisions for tax contingencies in this subsidiary; (iii) deterioration of loan book risk; (iv) recognition of impairment on the participation held in Portugal Telecom; (v) consolidation of SPEs and contingencies on issued debt; and (vi) specific situations described below.

1.1 Exposure to Espírito Santo Group

BES Group's exposure to companies of the Espírito Santo Group should be analysed by considering two issues: credit and guarantees provided by BES Group and debt subscribed by BES Group clients.

Credit and guarantees provided by BES Group

The credit and guarantees provided by BES Group to Espírito Santo Group companies should be analysed by considering distinct subgroups, according to industry sector: (i) exposure to insurance companies; (ii) exposure to ESFG and its banking and financial subsidiaries; (iii) exposure to Rio Forte and its subsidiaries; and (iv) exposure to ESCOM and other companies.

The table below lists the exposures aggregated as described above and broken down by type of exposure (credit, securities and other assets, and guarantees provided) as of June 30th, 2014 compared with the total exposure as of March 31st, 2014 and December 31st, 2014:

DIRECT EXPOSURE TO ESPIRITO SANTO GROUP

Eur million

	30 June 2014				TOTAL	
	Loans	Securities	Guarantees	Total	31-Mar-14	31-Dec-13
Rio Forte	164.1	0.0	1.0	165.1	0.0	0.0
ES Saúde	27.9	0.0	2.9	30.8	17.8	84.4
ES Irmãos	3.8	0.0	0.0	3.8	0.0	0.0
Herdade da Comporta	0.0	5.3	4.9	10.2	10.1	10.0
Atlantic Meals	18.8	0.0	0.0	18.8	0.0	0.0
Outros	4.7	28.4	9.0	42.1	41.7	7.3
Rio Forte and Subsidiaries	**219.3**	**33.7**	**17.8**	**270.8**	**69.6**	**101.7**
ES Financial Group	30.5	16.1	0.0	46.6	27.1	27.2
ES Financial Portugal	0.0	41.2	0.0	41.2	43.2	37.6
ES Financière	470.4	9.6	0.1	480.1	110.8	29.0
Banque Privée ES	15.8	0.0	0.4	16.2	23.6	23.6
ES Bank Panamá	342.2	0.0	0.0	342.2	210.6	183.0
ES Bankers Dubai	0.2	0.0	0.0	0.2	0.0	0.0
ESFG International	0.0	1.1	0.0	1.1	0.9	0.9
ESFG and Subsidiaries	**859.1**	**68.0**	**0.5**	**927.6**	**416.2**	**301.3**
OPWAY	14.7	2.0	37.7	54.4	57.7	58.3
Construcciones Sarrion	14.8	0.0	0.0	14.8	23.5	23.5
ESCOM	297.0	0.0	0.0	297.0	237.9	213.6
Outras	0.6	0.0	6.6	7.2	2.4	2.8
Other	**327.1**	**2.0**	**44.3**	**373.4**	**321.5**	**298.2**
TOTAL (excluinding Insurance Companies)	**1405.5**	**103.7**	**62.6**	**1571.8**	**807.3**	**701.2**
Companhia Seguros Tranquilidade	0.4	0.6	11.2	12.2	12.0	22.4
Tranquilidade -Vida Companhia Seguros	0.0	212.9	0.0	212.9	191.0	277.5
Esumédica	0.8	0.0	0.0	0.8	0.8	0.9
Europ Assistance	0.0	0.0	0.0	0.0	0.0	0.0
Seguros Logo	0.0	0.3	0.0	0.3	0.0	0.3
Tranquilidade and Subsidiaries	**1.2**	**213.8**	**11.2**	**226.2**	**203.8**	**301.1**

Although the Espírito Santo Group's restructuring plan was not known with the required level of detail on the date of approval of the accounts, the Board of Directors decided to create provisions for impairments in the amount of EUR 1,206 million to face possible losses related to Espírito Santo Group companies. Details of the exposures and provisions are below.

(i) Exposure to Insurance Companies (Tranquilidade and subsidiaries)

The assets held by BES in relation to this subgroup consist almost entirely of unit-linked products issued by T-Vida Companhia de Seguros (EUR 212.9 million). The underlying risk in respect of these does not include any Espírito Santo Group related entity.

To the best of their knowledge, as of the date of approval of the 1H14 accounts, the Board of Directors do not expect losses directly attributable to the Espírito Santo Group's financial situation to be incurred on this exposure.

(ii) Exposure to ESFG and Subsidiaries

During the 2Q14, BES significantly increased lending to its shareholder ESFG and its subsidiaries, namely ES Financière and ES Bank Panamá, consequently increasing the exposure to EUR 927.6 million as of June 30th, 2014 (Mar.14: EUR 416.2 million; Dec.13: EUR 301.3 million).

ESFG was considered an entity with adequate financial capacity subject to ring fencing obligations in relation to Espírito Santo Group's non-financial area imposed by the regulator, listed in Luxembourg, London and Lisbon, audited by independent auditors and subject to prudential supervision on a consolidated basis by the Bank of Portugal, and also obliged to maintain adequate solvency ratios. In this context, BES maintained a commercial relationship with ESFG, notwithstanding the restrictions applicable to related parties and those which were imposed by the supervision authorities.

The increase in the direct exposure to ESFG in 2Q14 occurred, initially, through drawings on the credit granted within the scope of the existing commercial relations between these institutions, reaching EUR 533 million. From the beginning of May, following a resolution taken by the Related Parties Committee and ratified by the Board of Directors, it was decided and accepted by ESFG to reduce the non collateralised exposure to a maximum of EUR 400 million until June 30th, 2014 and that any new credits should be secured by collateral. In accordance with this new policy, new lending operations in the amount of EUR 200 million were approved. However, to this date the commitments undertaken by ESFG and its subsidiaries to reduce their non collateralised exposure and to collateralise their exposures to BES have not been fully met and may in part be undermined by ESFG having filed for creditors protection. In June 2014 BES's exposure to ESFG and subsidiaries increased by EUR 120 million as a result of transactions carried out between the Bank and these entities, which were not subject to prior approval by the Related Parties Committee or by the bodies of the Bank with powers to approve this type of transactions. An assessment is under way to determine the conditions under which these transactions were carried out.

In addition, and following the commitments undertaken by BES concerning the reimbursement of the debt subscribed by its retail clients, there was an increase in the direct exposure to ESFG through the utilisation of the credit line associated with the guarantee issued by ESFG in favour of the holders of commercial paper issued by ESI and, at a later stage, by Rioforte, and sold to retail clients through BES' branches. BES obtained as collateral for said credit line a pledge over all the shares representing Tranquilidade's share capital. The amount utilised under this credit line is EUR 48.5 million. In light of ESFG's request for creditor protection, this credit line has been cancelled.

The sudden deterioration of ESFG's financial situation, the EUR 150 million of ESFG's debt placed in Tranquilidade, as well as the associated reputational damages that this represents to Tranquilidade, and also the subsequent application by ESFG to the creditors protection scheme materially affects the value of the guarantee provided to the above mentioned holders of commercial paper, thus leading BES to directly undertake to repay its retail clients.

In view of the above, BES Group created a EUR 823 million provision for impairments arising from exposure to this group of entities.

(iii) Exposure to Rio Forte and Subsidiaries

At the same time, though on a smaller scale, there was also an increase in financing granted to Rio Forte and its subsidiaries that increased the total exposure to EUR 270.8 million (Mar.14: EUR 69.6 million; Dec.13: EUR 101.7 million).

The increase in the direct exposure to Rio Forte is mainly the result of advances made under an exclusive and irrevocable mandate attributed to BES in relation to the sale of a significant portion of Rio Forte's portfolio. The execution of this mandate may be affected by the request for creditors protection filed by Rio Forte in Luxembourg.

On July 28th, 2014 BES's exposure to Rio Forte totalled EUR 190 million as a result of the Bank having accepted to acquire securities from Rio Forte so as to generate liquidity that would allow Rio Forte to redeem commercial paper placed by BES indirectly with some of its retail clients. Despite the commitments undertaken by Rio Forte towards BES, the transfer of the assets in question has not yet occurred.

The Board of Directors considered it was necessary to create a provision of approximately EUR 144 million for this exposure.

(iv) Exposure to other entities

Finally, and as the above table indicates, there is a gross exposure of EUR 297 million to ESCOM Group. According to information provided by Espírito Santo Group, ESCOM was sold through a process that has not yet been finalised but should be concluded shortly.

A EUR 239 million provision was set up for the non collateralised part of this exposure.

Debt subscribed by clients

As of June 30th, 2014 the debt securities issued by Espírito Santo Group entities and subscribed to by BES Group clients totalled approximately EUR 3.1 billion, of which EUR 1.1 billion was subscribed by retail clients and EUR 2.0 billion by institutional clients:

DEBT ISSUED BY ESPÍRITO SANTO GROUP AND SUBSCRIBED TO BY BES GROUP CLIENTS

Eur million

	30 June 2014			Retail Clients	
	Total	Institutional Clients[(1)]	Retail Clients	31-Mar-14	31-Dec-13
ES International	766	511	255	676	1473
ES Property	0	0	0	44	50
ES Industrial	0	0	0	42	42
ESI	**766**	**511**	**255**	**762**	**1565**
Rio Forte Investments	1634	1292	342	445	479
ES Irmãos	194	194	0	33	2
ES Saúde	20	0	20	20	38
ESPART	24	0	24	24	24
Quinta Foz Empreendimentos	6	6	0	13	13
Euroamerican Finance	4	4	0	9	9
Rio Forte and Subsidiaries	**1882**	**1496**	**386**	**544**	**565**
ES Financial Group	109	0	109	111	117
ES Financière	103	0	103	53	60
ES Financial Portugal	39	0	39	8	9
ESFG and Subsidiaries	**251**	**0**	**251**	**172**	**186**
TOTAL GES	**2899**	**2007**	**892**	**1478**	**2316**
ESCOM	64	0	64	63	63
ES Tourism	144	0	144	143	143
Other	**208**	**0**	**208**	**206**	**206**
TOTAL	**3107**	**2007**	**1100**	**1684**	**2522**

(1) Corresponds to the definition of "qualified investors" according to article 30 of Código dos Valores Mobiliários

Considering that the Espírito Santo Group's restructuring plan is not yet available, it is not possible to, as of the date of approval of the 1H14 accounts, determine with the necessary accuracy the non recoverable amounts of the subscribed debt.

Following the disclosure of the exposures to Espírito Santo Group to the market on July 10th, 2014 the Board of Directors learned about the existence of two letters issued by Banco Espírito Santo in favour of creditors of Espírito Santo International, which had not been approved in accordance with the internal procedures in place at the Bank and was not registered in its accounting records as at June 30th, 2014.

To deal with the contingent debt obligations described in this section the Board of Directors decided to create a EUR 856 million provision.

1.2 Cancelation of interest on loans and reinforcement of provisions in BES Angola

BES Angola (BESA) reported a EUR 355.7 million loss in 1H14, of which EUR 198.2 million is attributable to BES by reason of its 55.7% stake in the Angolan bank.

The loss reported by BESA resulted from the following adjustments to its financial statements:

- the analysis of the loan book made by BESA's new management team identified EUR 274.2 million of irrecoverable interest, which was consequently written off;
- consequently and insofar as said interest was almost entirely provisioned for, EUR 227 million of the corresponding provision was reversed. However, as a result of the inspection carried out by the National Bank of Angola, BESA made a EUR 303.1 million provision charge in 2Q14 (net of EUR 76.1 million reversals), thus increasing the charge in 1H14 to EUR 146 million;
- recognition of a EUR 69.4 million provision for tax contingencies arising from possible differences of interpretation of the application of certain provisions of the Angolan Industrial Tax Code.

Acting prudently, BESA's new management team decided not to recognise deferred tax assets for tax losses carried forward.

The National Bank of Angola informed BESA of the need to undertake a substantial reinforcement of its equity, asking BESA to inquire its shareholders about the possibility and conditions under which they could undertake such a capital raise.

If BES decides not to subscribe BESA's share capital, in whole or in part, it may cease to hold a control position and/or BES's capital ownership may be diluted and BES may cease to fully consolidate BESA.

BES in liaising with Portugal and Angola's regulatory authorities in order to reach a solution that meets the interests of the Angolan authorities and that safeguards BES' interests and those of its shareholders.

The sovereign guarantee provided by the Angolan State remains in force.

The table below shows BES's exposure to BES Angola:

BES EXPOSURE TO BES ANGOLA

Eur million

	30-Jun-14	31-Mar-14	31-Dec-13
Acquisition Value	273.0	273.0	273.0
Money Market	3,330.4	3,216.5	3,160.5
Documentary Credit	276.1	253.4	234.1
Guarantees	0.7	0.0	0.0

1.3 Deterioration of credit risk

In addition to being audited by the external auditor, BES Group's loan book has been subject to several audits requested by the Bank of Portugal, namely the Special Inspections Programme (SIP) in 2011, the On-site Inspections Programme (OIP) in 2012 and the Transversal Revision of Impairments on Credit Portfolios

(ETRICC) exercises in 2013. BES has been implementing the recommendations of the external auditor and the Bank of Portugal concerning the assessment methods used to estimate credit impairments.

The amount of the credit impairment determined for 2Q14 was influenced by (i) the direct and indirect impact on BES borrowing clients resulting from the recent difficulties experienced by the various companies of the Espírito Santo Group, (ii) the internal review of the impairment of the loan book of BES clients in Portugal and of various international units analysed within the scope of the ECB's Asset Quality Review (AQR), and (iii) the deviations in the execution of the business plans of certain corporate clients. Combined, these factors led to a material increase in impairment costs in 2Q14.

An additional EUR 75.4 million was registered concerning the increase in the counterparty risk (CVA – Credit Value Adjustment) of project finance operations interest rate swaps; this adjustment resulted in a reduction in the fair value of those derivatives and the corresponding loss was reflected under losses in financial instruments.

The impact of the AQR, the criteria of which and assessment methods are defined by the European Central Bank, are not yet available. The Board of Directors adopt a provisioning policy for loan impairments in line with the technical guidelines received within the scope of the AQR. Accordingly, it believes that the increase in the credit provision charge and the reduction of the fair value of the interest rate swap resulting from the increase in counterparty risk (CVA) booked in the 1H14 accounts will reduce a possible impact of the AQR exercise on BES Group's accounts.

Despite the fact that the Portuguese banks have been subject to a large number of asset quality inspections and that the ECB's AQR is still under way, we note that the Bank of Portugal has determined a new audit to the value of BES Group's assets, liabilities and off balance sheet items with reference to June 30th, 2014.

1.4 Impairment of the participation in Portugal Telecom

As is publically known, BES Group holds a participation in Portugal Telecom registered in the available for sale portfolio. As determined by the applicable accounting rules, such assets should be recognised at fair value and the corresponding valuations registered under a specific equity caption (fair value reserve).

As of June 30th, 2014, this investment's acquisition value was EUR 346.6 million and its market value EUR 240.5 million (31% devaluation). Accordingly, a EUR 106.1 million impairment was recognised; as the potential loss has already been deducted to equity (negative fair value reserve), the impact on capital ratios was small.

1.5 Issuance of financial instruments and consolidation of Special Purpose Entities (SPEs)

During 2014 BES Group issued bonds at a discount which are carried on the balance sheet at amortised cost. These bonds were purchased by retail clients through financial intermediaries and were packaged in several products, for an amount higher than the respective issuance value. Considering that these are long-

term bonds and that the liquidity expectations raised may force the Group to repurchase them from the clients, the Board of Directors decided to adjust the value of these issues, recognising a EUR 767 million loss. This adjustment will have a positive impact on the cost of these liabilities in the future.

In July three Special Purpose Entities (SPEs) were identified whose assets mainly consisted of the aforementioned bonds issued by the Group. Taking into account the characteristics and purposes of these SPEs, it was concluded that they should be included in BES Group's consolidated accounts (as established in IFRS 10, the accounting standard that defines the new consolidation rules, which is of compulsory application as from January 2014).

The current members of the Board of Directors who were in office as of June 30th, 2014 were not aware of the transactions referred to above carried out through financial intermediaries, or of the creation and operation of the SPEs, nor of the existence of a fourth SPE whose assets' value is estimated at around EUR 77 million. As of the date of approval of the 1H14 accounts there was no available information concerning this fourth SPE. With regard to these matters, the Board of Directors has decided to take the action set out in point 1.7 below.

In view of the above, the Group has now consolidated the three SPEs referred to above – which resulted an additional loss of EUR 44 million – and has created a provision for the full amount of the fourth SPE, totalling an overall loss of EUR 121 million.

In addition, there are other long term issuances to which retail clients have subscribed which have created liquidity expectations that could force BES to purchase part of the bonds issued, which, under current market conditions, are traded above their amortised cost. To this effect, the Board of Directors decided to create a provision for contingencies in the amount of EUR 360 million that corresponds to the total loss that would have been incurred with the purchase of the full issuances as at June 30th, 2014.

In conclusion, the impact of the adjustment of the value of the issues, of the consolidation of the SPEs and the provision for the other contingencies linked to BES issues held by retail clients, resulted in the registration of charges in the 1H14 accounts totalling EUR 1,249 million.

Shorter term bonds issued by the BES Group have also been placed with retail clients. In relation to these, liquidity expectations are not as relevant. However, in the absence of a liquid secondary market for these bonds, it is possible, though considered unlikely by the Board of Directors, that BES may have to purchase part of these bonds. If BES has to purchase all these bonds, losses as of June 30th 2014 would be EUR 505 million.

In view of the potential situation concerning the sale of these shorter term bonds, the Board of Directors decided to revise the entire process of sale of own debt instruments to retail clients.

1.6 Other non recurrent items

The following exceptional events also contributed to the 1H14 results:

- recognition of a EUR 10.2 million impairment in the equity stake held in Aman Bank due to the political and social situation in Libya preventing BES from exercising control over this subsidiary. Since June 30th, 2014 BES ceased to fully consolidate Aman Bank, which is now equity accounted. On that date the value of this stake was EUR 22 million;
- devaluation of several assets as a result of new valuations conducted by independent experts, making up a total cost of EUR 85.4 million, with impacts on the following income statement items: EUR 50 million in provisions for real estate; EUR 60 million in provisions for assets of companies held for sale; and EUR 20.4 million recognised as losses in financial instruments.

MAIN NON RECURRENT EFFECTS

1H2014

Eur million

	1H14 (reported)	Main Non Recurrent Effects						1H14 (recurrent)
		Exposure to GES	Issued Bonds andSPE	BESA	Credit Risk	PT Impairment	Other *	
Net Interest Income	287.0	-	-	- 247.2	-	-	-	534.2
+ Fees and Commissions	332.9	-	-	-	-	-	-	332.9
= Commercial Banking Income	**619.9**	**-**	**-**	**- 247.2**	**-**	**-**	**-**	**867.1**
+ Capital Markets and Other Results	- 356.0	- 9.6	- 491.0	-	- 75.4	-	- 20.4	240.4
= Banking Income	**263.8**	**- 9.6**	**- 491.0**	**- 247.2**	**- 75.4**	**-**	**- 20.4**	**1 107.4**
- Operating Costs	**594.8**	**-**	**-**	**-**	**-**	**-**	**-**	**594.8**
(Operating Costs on a comparable basis)	*566.2*	-	-	-	-	-	-	*566.2*
Staff Costs	310.1	-	-	-	-	-	-	310.1
Other Administrative Costs	227.9	-	-	-	-	-	-	227.9
Depreciation and amortisation	56.8	-	-	-	-	-	-	56.8
= Net Operating Income	**- 331.0**	**- 9.6**	**- 491.0**	**- 247.2**	**- 75.4**	**-**	**- 20.4**	**512.6**
- Provisions	**4 253.4**	**2 062.3**	**757.8**	**3.7**	**383.6**	**106.1**	**75.2**	**864.8**
Credit	2 130.6	1 164.2	-	- 65.7	383.6	-	-	648.6
Securities	185.8	14.9	-	-	-	106.1	-	64.9
Provisions for other assets and contingencies	1 937.0	883.2	757.8	69.4	-	-	75.2	151.4
Real Estate	94.2	-	-	-	-	-	5.0	89.2
Ancillary capital contributions and shareholders loans	24.8	-	-	-	-	-	-	24.8
Other assets and contingencies	1 818.0	883.2	757.8	69.4	-	-	70.2	37.4
= Income Before Taxes and Minorities	**-4 584.5**	**-2 071.9**	**-1 248.8**	**- 250.9**	**- 459.0**	**- 106.1**	**- 95.6**	**- 352.2**
- Income Tax	- 859.9	- 339.0	- 368.4	73.8	- 111.0	-	- 22.0	- 93.3
- Special Tax on Banks	16.4	-	-	-	-	-	-	16.4
Income Before Minorities	**-3 741.0**	**-1 732.9**	**- 880.4**	**- 324.7**	**- 348.0**	**- 106.1**	**- 73.6**	**- 275.3**
- Minority Interests	- 163.7	-	-	- 143.8	-	-	-	- 19.9
= Net Income	**-3 577.3**	**-1 732.9**	**- 880.4**	**- 180.9**	**- 348.0**	**- 106.1**	**- 73.6**	**- 255.4**

* Includes Aman Bank impairment (EUR 10.2 M) and Real Estate Funds impairment (EUR 85.4 M)

1.7 Recovery measures

The Board of Directors is committed to assessing all the facts that led to the need to create this additional set of provisions, and intends to take all measures within its reach to recover the maximum amount of the credits now provisioned and to ensure that the Bank is reimbursed for the losses caused as a result of any potential illegal behaviour that is identified, whether committed by individuals or entities, through the various means and methods to which it can resort for the purpose.

2. ECONOMIC ENVIRONMENT

Despite the continuing recovering trend, the first half of 2014 was marked by lower than expected global economic growth. This was most noticeable in the eurozone, where the 2Q GDP is thought to have risen scarcely above its growth in the first three months of the year (0.2% YoY). Economic activity in the area was still penalised by a persistently strong euro and its adverse impact on external demand and industrial activity. Moreover, lending to the non-financial private sector, continued to fall, even if showing signs of stabilising. With YoY inflation of 0.5%, in June the ECB announced a cut in benchmark rates, namely lowering the rate on the main refinancing operations to 0.15% and the rate on the deposit facility to -0.1%. The Monetary Authority also announced other measures to support the financing of economic activity. In this context the 3-month Euribor dropped from 0.287% to 0.207% in the first half of the year, while the 10-year Bunds yield retreated from 1.929% to 1.245%. The euro depreciated by 0.7% in the period, to EUR/USD 1.369.

Notwithstanding a certain disillusion with global economic growth in the first half of the year, sentiment in the financial markets was positive, buoyed up by expectations of a rebound in activity in the second half of the year, mainly in the US, as well as by strongly expansionary monetary policies. The 10-year Treasuries yield dropped from 3.029% to 2.531% in the first half of the year. Over the same period the Dow Jones, Nasdaq and S&P 500 indices rose by 1.5%, 5.5% and 6.1%, respectively. In Europe, the DAX, CAC 40 and IBEX gained 2.9%, 3.0% and 10.2%. The stabilisation of growth in China and the recovery of confidence in the emerging markets supported the rally of the Shanghai Composite and Bovespa indexes in the second quarter, which rose by 0.74% and 5.5%, recovering from their performance in the first quarter. Driven by instability in Iraq, the price of crude (Brent) rose by 4.8% in the second quarter, to USD 112/barrel, but has meanwhile abated to around USD 106/barrel.

In Portugal, after dropping by 0.6% in the first quarter, GDP is estimated to have registered a very slight increase in the second, as it was still penalised by the temporary fall in fuel exports and a slowdown in industrial activity. On the other hand, private consumption and services activity maintained their recent upward trend. The yield on the 10-year Treasury bonds slid from 6.13% to 3.65% in the first six months of the year, with the Portuguese Treasury once again tapping the long-term debt markets with 5- and 10-year issues in euros and US dollars. Although gaining 3.7% in the first half of the year, the PSI 20 index fell by 10.6% in the second quarter, penalised by unfavourable developments in the financial sector.

3. RESULTS

BES Group reports a EUR 3,577.3 million loss for 1H14 which was dictated by the exceptional occurrences referred in the previous section.

INCOME STATEMENT (1)

Eur mn

	1H14		1H13	YoY		YoY (excluding extraordinaries)	
	Reported	Excluding extraordinaries		absolute	relative	absolute	relative
Net Interest Income	287.0	534.2	470.4	- 183.4	-39.0%	63.8	13.6%
+ Fees and Commissions	332.9	332.9	343.1	- 10.2	-3.0%	- 10.2	-3.0%
= Commercial Banking Income	**619.9**	**867.1**	**813.5**	**- 193.6**	**-23.8%**	**53.6**	**6.6%**
+ Capital Markets and Other Results	- 356.0	240.3	168.9	- 524.9	...	71.4	42.3%
= Banking Income	**263.8**	**1 107.4**	**982.4**	**- 718.5**	**-73.1%**	**125.0**	**12.7%**
- Operating Costs	594.8	594.8	563.0	31.9	5.7%	31.8	5.7%
[Operating Costs excluding early retirements and new consolidations]	*566.2*	*566.2*	*561.8*	*4.3*	*0.8%*	*4.3*	*0.8%*
= Net Operating Income	**- 331.0**	**512.6**	**419.4**	**- 750.4**	**...**	**93.2**	**22.2%**
- **Provisions**	**4 253.5**	**864.8**	**747.3**	**3 506.2**	**...**	**117.5**	**15.7%**
Credit	2 130.6	648.6	553.1	1 577.5	...	95.5	17.3%
Securities	185.8	64.8	52.8	133.1	...	12.1	22.9%
Other	1 937.1	151.4	141.4	1 795.6	...	10.0	7.1%
= Income before Taxes and Minorities	**-4 584.5**	**- 352.2**	**- 327.9**	**-4 256.6**	**....**	**- 24.3**	**....**
- Income Tax	- 859.9	- 93.3	- 103.0	- 756.9	....	9.7	-9.4%
- Special Tax on Banks	16.4	16.4	13.0	3.5	26.6%	3.4	26.2%
= Income Before Minorities	**-3 741.0**	**- 275.3**	**- 237.9**	**-3 503.0**	**...**	**- 37.4**	**....**
- Minority Interests	- 163.7	- 19.9	- 0.5	- 163.3	....	- 19.4	....
= Net Income	**-3 577.3**	**- 255.4**	**- 237.4**	**-3 339.8**	**...**	**- 18.0**	**....**

(1) Em consequência da situação na Líbia, o BES deixou de poder exercer o controlo sobre o Aman Bank passando a ser consolidado pelo método de equivalência patrimonial em junho de 2014. A conta de exploração, até maio de 2014, foi incorporada nas contas consolidadas, sendo os resultados gerados após essa data registados em resultados de *equity*.

- Banking income fell by 73.1% YoY, with net interest income decreasing 39% driven by the write-off of irrecoverable interest at BESA (EUR 247.2 million) and consolidation losses in the SPEs (EUR 491 million). Excluding non-recurrent items, net interest income would have grown by 13.6% and banking income by 12.7%;

- excluding early retirement costs and changes in the consolidation costs, operating costs remained under control, rising by 0.8% (6.6% increase in international costs and 2.1% reduction in domestic costs; and

- EUR 4,253.5 million of provision charges (sharp increase in other provisions as a result of the previously described events).

International and Domestic Activity

The losses reported by BES Angola in 1H14, of which EUR 198.2 million were appropriated by BES, penalised the international area's results, which contributed with a EUR 162.8 million loss to BES Group's consolidated results.

The domestic banking income was EUR 87.3 million, decreasing by 87.3% YoY, driven by the reduction in capital markets and other results (EUR 391.4 million loss). Net interest income remained flat YoY while fees and commissions fell by 8.8%. Domestic operating costs (excluding early retirement costs) were reduced by 2.1% while the reinforcement of provisions for impairments reached EUR 3,955.7 million, being responsible for the EUR 3,414.6 million loss reported in the period.

INCOME STATEMENT
Domestic and International Activity

Eur mn

	DOMESTIC			INTERNATIONAL		
	1H14 including extraordinaries	1H13	YoY	1H14	1H13	YoY
Net Interest Income	262.4	261.3	0.4%	24.6	209.1	-88.3%
+ Fees and Commissions	216.3	237.1	-8.8%	116.6	106.0	10.0%
= Commercial Banking Income	**478.7**	**498.4**	**-3.9%**	**141.2**	**315.1**	**-55.2%**
+ Capital Markets and Other Results	- 391.4	189.1	...	35.4	- 20.2	...
= Banking Income	**87.3**	**687.5**	**-87.3%**	**176.5**	**294.9**	**-40.1%**
- Operating Costs	383.8	375.3	2.3%	211.0	187.7	12.4%
[Operating Costs excluding early retirements and new consolidations]	*367.2*	*375.3*	*-2.1%*	*198.9*	*186.5*	*6.6%*
= Net Operating Income	**- 296.5**	**312.2**	**...**	**- 34.5**	**107.2**	**...**
- Provisions	**3 955.7**	**669.1**	**...**	**297.8**	**78.2**	**...**
Credit	1 897.9	492.2	...	232.7	60.9	...
Securities	185.7	49.9	...	0.1	2.9	-96.6%
Other	1 872.0	127.0	...	65.0	14.4	...
= Income before Taxes and Minorities	**-4 252.2**	**- 356.9**	**...**	**- 332.3**	**29.0**	**...**
- Income Tax	- 848.0	- 103.2	...	- 11.9	0.2	...
- Special Tax on Banks	16.4	13.0	26.6%	-	-	-
= Income Before Minorities	**-3 420.7**	**- 266.7**	**...**	**- 320.4**	**28.8**	**...**
- Minority Interests	- 6.1	- 10.4	41.3%	- 157.6	9.9	...
= Net Income	**-3 414.6**	**- 256.3**	**...**	**- 162.8**	**18.9**	**...**

Activity in Spain continued to present losses (EUR 11.7 million loss in 1H14), though recovering compared to 1H13 (EUR 14.3 million loss). France/Luxembourg increased their contribution to consolidated results to EUR 10.6 million (1H13: EUR 3.6 million) while Africa gave a negative contribution (-EUR 178.5 million) due to the losses reported by BESA. BES Group subsidiaries in Brazil increased results to EUR 5.2 million, notably through the good performance of BESI (Brazil), which contributed with EUR 7.6 million (1H13: EUR 1.4 million) to BES Group's consolidated results.

BREAKDOWN OF INTERNATIONAL RESULTS BY GEOGRAPHY

Eur mn

	1H14	1H13	Variação absoluta
África[1]	-178.5	7.7	- 186.2
Brazil [2]	5.2	1.4	3.8
(o.w. BESI Brazil)	*7.6*	*1.4*	*6.2*
Spain	-11.7	- 14.3	2.5
STRATEGIC TRIANGLE	**-185.0**	**-5.2**	**- 179.8**
UK	9.8	19.4	- 9.6
USA	0.7	4.7	- 4.0
France / Luxembourg	10.6	3.6	6.9
Macao	- 0.4	2.6	- 3.0
Other (2)	1.6	- 6.2	7.7
TOTAL	**- 162.8**	**18.9**	**- 181.7**

[1] Includes Angola, Mozambique, Cape Verde, Libya and Algeria

[2] Includes BES Investimento (Brazil) and Imbassaí Participações

[3] Includes Venezuela, Poland, Italy, India and Mexico

3.1 Net Interest Income

As referred, the 1H14 net interest income decreased by 39% as a result of the accounting adjustments made at BES Angola. The table below analyses the performance of BES Group's net interest income (BES Group excluding BESA).

NET INTEREST INCOME AND NET INTEREST MARGIN

Eur mn

	1H14				1H13			
	Excluding BES Angola			*BESA*	Excluding BES Angola			*BESA*
	Average Balance	Avg Rate (%)	NII	*NII*	Average Balance	Avg Rate (%)	NII	*NII*
Interest Earnings Assets	62 124	3.96	1 219	*95*	63 302	4.06	1 276	*338*
Customer Loans	44 467	3.68	811	*81*	45 105	3.78	845	*310*
Other Assets	17 657	4.66	408	*14*	18 197	4.77	431	*28*
Other	(13)	-	-	-		-	-	-
Interest Earning Assets & Other	**62 111**	**3.96**	**1 219**	***95***	**63 302**	**4.06**	**1 276**	***338***
Interest Bearing Liabilities	62 111	2.68	825	*202*	59 359	3.07	905	*239*
Deposits	33 325	2.06	340	*65*	33 599	2.63	439	*73*
Other Liabilities	28 786	3.40	485	*137*	25 760	3.65	466	*166*
Other	-	-	-	-	3 943	-	-	-
Interest Bearing Liabilities & Other	**62 111**	**2.68**	**825**	***202***	**63 302**	**2.88**	**905**	***239***
NIM/NII		**1.28%**	**394**	***- 107***		**1.18%**	**371**	***99***
Euribor 3 M - average		**0.30%**				**0.21%**		

The net interest margin improved to 1.28% (from 1.18% in 1H13) due to a sharper reduction in the average rate of liabilities, to 2.68% (down by 20 bps YoY) than in the average rate on assets (down by 10 bps YoY, to 3.96%). The decline in the cost of liabilities resulted from reductions in the average rate paid for both deposits (-57 bps) and debt securities and other interest bearing liabilities (-25 bps), reflecting the gradual opening of the debt markets to the eurozone peripheral countries, including Portugal.

3.2 Fees and Commissions

Fees and commissions decreased by 3% YoY, to EUR 332.9 million, due to a reduction in domestic commissions as a result of the ongoing deleveraging process. Commission income contracted across all banking services provided to the clients, except for commissions on securities, which were up by 28.8%, underpinned by the increase in brokerage and capital markets commissions, which benefited from the contribution of investment banking and bancassurance (+63.3%) through an increase in the subscription of saving/ unit-linked products (+41.5%).

FEES AND COMMISSIONS

Eur mn

	1H14	1H13	YoY	
			absolute	relative
Collections	6.5	8.4	-1.9	-22.8%
Securities	49.9	38.7	11.2	28.8%
Guarantees	67.1	74.8	-7.7	-10.3%
Account management	38.6	37.7	0.9	2.3%
Commissions on loans and other [(1)]	74.4	82.3	-7.9	-9.6%
Documentary credit	30.9	35.9	-5.0	-14.0%
Asset management [(2)]	41.0	42.9	-1.9	-4.4%
Cards	16.5	17.8	-1.3	-7.3%
Bancassurance	18.4	11.3	7.1	63.3%
Other Services [(3)]	-10.4	-6.7	-3.7	....
TOTAL	**332.9**	**343.1**	**-10.2**	**-3.0%**

(1) Includes commissions on loans, *project finance*, export financing and *factoring*

(2) Includes investment funds and discretionary management

(3) Includes costs with State Guarantees

The reduction in commissions on collections (-22.8%) essentially translates a fall in credit in the form of discounts; commission income on loans and other was down by 9.6%, reflecting not only the overall contraction of the loan book but also weak demand for corporate and project finance solutions; the drop in commissions on documentary credit (-14.0%) translates a slowdown in the origination of new trade finance transactions with emerging countries; commissions on guarantees declined by 10.3%, essentially through the contraction of corporate banking transactions, and to a lesser extent a reduction in commercial paper operations; and finally, commissions on asset management declined (-4.4%) due to the reduction in funds under discretionary management (-3.1%). A more detailed description of these developments is provided in "Section 4. Activity".

BES was the leading bank in the 2013 European Customer Satisfaction Index, ranking especially high in overall quality of products and services, customer service, advisory ability and concern, contact initiative, response speed, branch and remote channels quality, innovation, communication, and quality/price ratio.

At the beginning of May, BES was named for the eighth consecutive year the best provider of sub-custody services in Portugal by the Global Finance magazine, based on the following selection criteria: customer

relations, quality of service, competitive pricing, smooth handling of exception items, technology platforms, post settlement operations, backup systems and knowledge of local regulations and practices.

3.3 Capital markets and other results

Capital markets and other results were negative by EUR 356.0 million, which compares with positive results of EUR 168.9 million in 1H13.

CAPITAL MARKETS AND OTHER RESULTS

Eur mn

	1H14	1H13	YoY
Interest rate, Credit and FX	**-340.3**	**47.5**	**-387.8**
Interest rate	366.0	120.9	245.1
Credit	-719.1	-42.8	-676.3
FX and Other	12.8	-30.6	43.4
Equity	**27.9**	**39.5**	**-11.6**
Trading	11.6	-13.3	24.9
Dividends	16.3	52.8	-36.5
Other Results	**-43.6**	**81.9**	**-125.5**
TOTAL	**-356.0**	**168.9**	**-524.9**

BES Group's negative capital markets results in 1H14 were mainly driven by the credit area. In the interest rate area the Group achieved significant gains by taking advantage of the downward trend in the Portuguese debt securities' yields in the period.

Other results include the adverse impact of IRS (CVA) credit risk in project finance (EUR 75.4 million) and the impact of the consolidation of the SPEs (EUR 491.0 million) as described in "section 1.5 Issuance of financial instruments and consolidation of Special Purpose Entities (SPEs)".

3.4 Operating Costs

Total operating costs reached EUR 594.8 million, an increase of EUR 31.9 million (+5.7% YoY), with domestic costs rising by 2.3% and international costs by 12.4%.

OPERATING COSTS

Eur mn

	1H14	1H13	YoY	
			absolute	relative
Staff Costs	310.1	289.5	20.6	7.1%
Administrative Costs	227.9	220.9	7.0	3.2%
Depreciation	56.8	52.6	4.3	8.2%
TOTAL	**594.8**	**563.0**	**31.9**	**5.7%**
Excluding early retirements and new consolidations	*566.2*	*561.8*	*4.3*	*0.8%*
Domestic	383.8	375.3	8.6	2.3%
Excluding early retirements	*367.2*	*375.3*	*-8.0*	*-2.1%*
International	211.0	187.7	23.3	12.4%
Excluding new consolidations	*198.9*	*186.5*	*12.4*	*6.6%*

Excluding the cost of 139 early retirements in 1H14 (EUR 16.6 million cost) and the changes in the consolidation scope, operating costs increased by 0.8%, with domestic costs decreasing by EUR 8.0 million (-2.1%). The international costs increased by 6.6% on a comparable basis, mainly reflecting the costs of expansion in the Angolan market (opening of 26 new branches since June 2013).

STAFF COSTS

Eur mn

	1H14	1H13	YoY	
			absolute	relative
Remunerations	234.6	231.3	3.3	1.4%
Pensions, Long term service benefits & Other	75.5	58.2	17.3	29.7%
TOTAL	**310.1**	**289.5**	**20.6**	**7.1%**
Excluding early retirements and new consolidations	*285.5*	*288.9*	*-3.4*	*-1.2%*
Domestic	199.7	185.5	14.1	7.6%
Excluding early retirements	*183.1*	*185.5*	*-2.4*	*-1.3%*
International	110.4	104.0	6.4	6.2%
Excluding new consolidations	*102.4*	*103.4*	*-1.0*	*-1.0%*

Domestic staff costs (on a comparable basis) were down by 1.3% through a reduction in the workforce (-181 employees). In the international area the workforce increased by 27 employees, as a result of the following: (I) 176 employees included due to the consolidation of BES Vénétie; (ii) 430 excluded due to the full deconsolidation of Aman Bank; and (iii) workforce increase by 260 employees in BES Angola.

The general administrative costs increased by 3.2%, with domestic costs dropping by 3.1% and international costs increasing by 17.1%.

Amortisation and depreciation decreased in the domestic area (-2.5%), where 21 branches were closed and the streamlining of structures and processes allowed a reduction of investment and consequent amortisation and depreciation, but increased by 33.8 %, to EUR 20.8 million in the international area, where

new investments in tangible and intangible assets were required to pursue the development of the business.

3.5 Provisions

BES Group recognised impairment costs of EUR 4,253.5 million in 1H14. The table below clarifies the provision charges made and the main non recurrent factors already described.

PROVISIONS

Eur mn

	1H14	1H13
Credit	**2130.7**	**553.1**
Direct exposure GES	1164.2	0.0
BES Angola	-65.7	37.2
Other	1032.3	515.9
Securities	**185.8**	**52.8**
Portugal Telecom	0.0	0.0
Other	185.8	52.8
Other Assets and Contingencies	**1937.1**	**141.4**
Loans and Advances to Banks	**297.2**	**0.0**
Direct exposure GES	294.6	0.0
Other	2.6	0.0
Foreclosed assets	**94.2**	**79.4**
Other and Contingencies	**1545.6**	**62.0**
GES Debt subscribed by clients	588.6	0.0
Bonds issued and SPE's	757.8	0.0
Non-current assets held for sale	81.0	43.1
BES Angola	69.4	0.0
Other	48.8	18.9
TOTAL	**4 253.5**	**747.3**

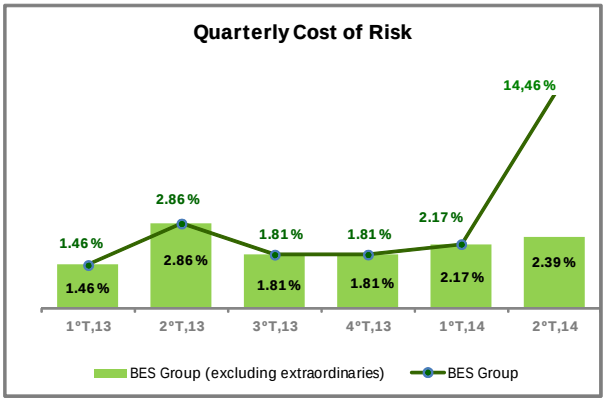
At the end of 1H14, provisions for credit totalled EUR 5,394.3 million (+72.1%), increasing the credit provisions/gross customer loans ratio to 10.5% (Dec.13: 6.8%).

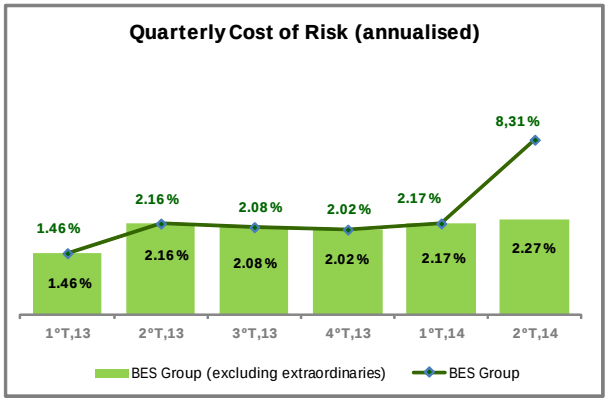
CREDIT PROVISIONS

Eur mn

	Jun. 14	Mar.14	Jun. 13	YoY		QoQ	
				absolute	relative	absolute	relative
Gross Loans	51 281	51 001	51 111	170.2	0.3%	280	0.5%
Credit Provisioning Charge	2 130.6	276.3	553.1	1 577.5	....	1 854.3	....
Provisions for credit	5 394.3	3 650.4	3 134.2	2 260.1	72.1%	1 743.9	47.8%
Provision Charge (annualised)	8.31%	2.17%	2.16%	6.15 pp		8.33 pp	
Provisions for credit / Gross Loans	10.5%	7.2%	6.1%	4.4 pp		10.59 pp	

The credit provision charge in 1H14 (annualized) was harmed by the exceptional charges, reaching 8.31%. The charts below present the evolution of the quarterly and accumulated charges (reported and on a recurrent basis):



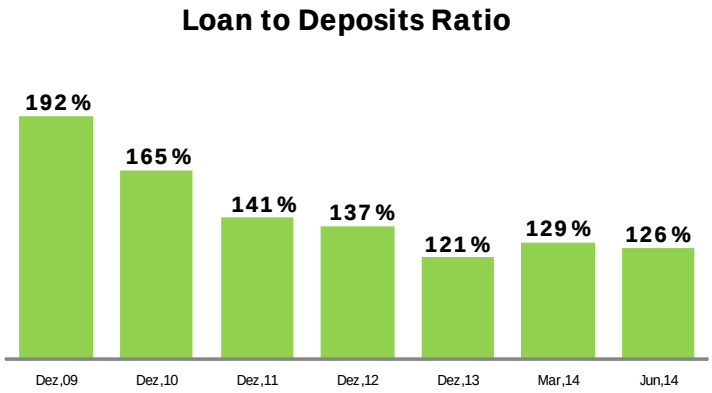


As shown in the above charts, the annualised credit provision charge (excluding extraordinary charges) was 2.9% in 2Q14, which compares with 2.17% in the previous quarter and 1.81% in 4Q13. The annualised provision charge in 1H14 was 2.53% (excluding the extraordinary charges).

4. ACTIVITY

4.1 General Overview

BES Group's activity continued to focus on reinforcing and strengthening the balance sheet, through the following main initiatives: (i) continuation of the deleveraging programme; (ii) funding structure emphasising the more stable components (deposits and life insurance products), with a reduction in the weight of debt securities;



(1) Calculated according to the BoP definition for *Funding & Capital Plan (F&CP)*

At the end of 1H14 the Loan to Deposits ratio was 126%, which compares with 129% in March 2013. The decrease in the ratio translates the impact of several factors, namely: (i) a 2.4 p.p. increase resulting from the deconsolidation of Aman Bank, which is now equity accounted; and (ii) the reduction of net loans due to the reinforcement of provisions.

Total customer funds increased by EUR 511 million (+0.9%) in 2Q14, to EUR 57.7 billion in June 2014. Life insurance products showed an expressive growth (+41.5% YoY).

ASSETS, CREDIT AND CUSTOMER FUNDS

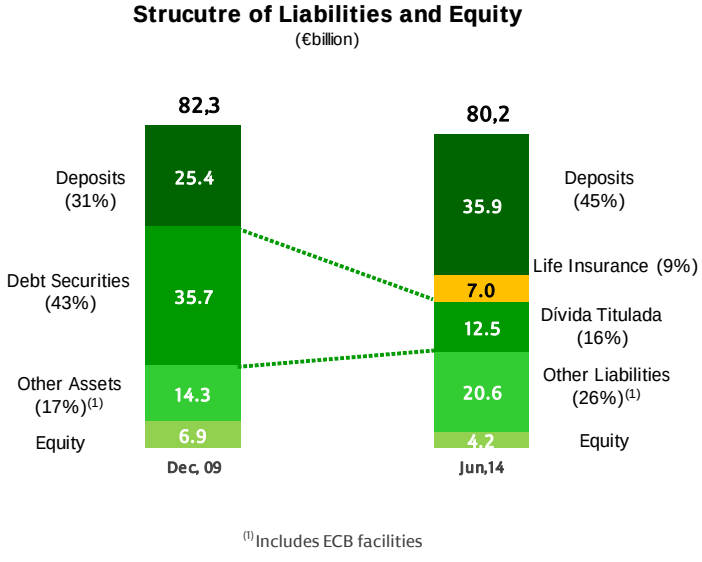
milhões de euros

	Jun.14	Mar.14	Jun.13	YoY		QoQ	
				absolute	relative	absolute	relative
Total Assets (1)	**93 419**	**96 150**	**96 388**	**-2 970**	**-3.1%**	**-2 732**	**-2.8%**
Net Assets	**80 216**	**82 817**	**82 646**	**-2 430**	**-2.9%**	**-2 601**	**-3.1%**
Customer Loans (gross)	**51 281**	**51 001**	**51 111**	**170**	**0.3%**	**280**	**0.5%**
Loans to Individuals	12 881	12 979	13 477	- 595	-4.4%	- 98	-0.8%
- Mortgage	10 651	10 728	10 974	- 323	-2.9%	- 77	-0.7%
- Other Loans to Individuals	2 230	2 251	2 503	- 273	-10.9%	- 21	-0.9%
Corporate Lending	38 400	38 022	37 634	766	2.0%	378	1.0%
Total Customer Funds	**57 715**	**57 204**	**58 580**	**- 865**	**-1.5%**	**511**	**0.9%**
On-Balance Sheet Customer Funds	46 891	46 297	47 410	- 519	-1.1%	594	1.3%
Deposits	35 932	36 242	37 912	-1 979	-5.2%	- 310	-0.9%
Other On-Balance Sheet Customer Funds	753	-	-	753	-	753	-
Debt Securities placed with Clients (2)	3 175	3 520	4 529	-1 354	-29.9%	- 345	-9.8%
Life Insurance	7 031	6 535	4 969	2 061	41.5%	496	7.6%
Off-Balance Sheet Customer Funds	10 824	10 907	11 170	- 346	-3.1%	- 83	-0.8%
Loans/Deposits(3)	**126%**	**129%**	**125%**	**2** p.p.		**-3** p.p.	

(1) Net Assets + Asset Management + Off-Balance sheet items + Non consolidated Securitised credit
(2) Includes funds associated with consolidated securitisations and commercial paper
(3) Rácio calculado de acordo com a definição para efeitos do objetivo fixado pelo Banco de Portugal para este indicador no *Funding & Capital Plan*

Gross customer loans increased by EUR 280 million in 2Q14, driven by corporate loans (+EUR 378 million). Loans to individuals decreased, translating drops in both mortgage loans (-2.9%) and consumer loans (-10.9%). The 2.0% YoY increase in corporate loans translates the consolidation of BES Vénétie.

Asset financing sources show an increase in the weight of deposits, as shown in the chart below:



(1) Includes ECB facilities

At the end of 1H14 deposits represented 45% of assets (54% if including customer funds in the form of life insurance products), while debt securities accounted for 16% only (a significant reversal since the end of

2009, immediately before the escalation of the eurozone crisis at the start of 2010, when debt securities accounted for 43% of the total asset financing sources).

International and Domestic Activity

The international area continued to reinforce its weight in the BES Group total activity, notwithstanding the early stage of its more recent units and the difficulties experienced by several emerging economies. Hence assets grew by 7.3%, the loan portfolio by 15.4%, and total customer funds by 3.8%.

DOMESTIC AND INTERNATIONAL ACTIVITY

Eur mn

	DOMESTIC			INTERNATIONAL		
	Jun.14	Jun.13	YoY	Jun.14	Jun.13	YoY
Total Asstes [1]	**62 283**	**67 351**	**-7.5%**	**31 136**	**29 037**	**7.2%**
Assets	**52 145**	**56 496**	**-7.7%**	**28 071**	**26 150**	**7.3%**
Loans to Customers (gross)	**36 585**	**38 378**	**-4.7%**	**14 696**	**12 734**	**15.4%**
Total Customer Funds	**42 473**	**43 902**	**-3.3%**	**15 243**	**14 679**	**3.8%**
Loans / Deposits [2]	**123%**	**125%**	**-2** p.p.	**133%**	**126%**	**7** p.p

[1] Net Assets + Asset Management + Off-Balance sheet liabilities+ Non consolidated secuiritised credit

[2] Ratio calculated according to the BoP definition for Funding & Capital Plan

4.2 Main business areas (Operating Segments)

BES Group overview

The BES Group develops its activity supported by a set of value propositions aimed at meeting the needs of its diverse client base: companies, institutions and individual clients. Its decision-making centre is located in Portugal, which is also its main market of operation.

The historic links with Africa and South America, the internationalisation of Portuguese companies, the growing interdependence of the Iberian economies and the large communities of Portuguese nationals established across various continents have provided the basis for the international expansion of BES Group.

When monitoring the performance of each business area, the Group considers the following Operating Segments:

- Domestic Commercial Banking, which includes the Retail, Corporate, Institutional and Private Banking sub segments)
- International Commercial Banking
- Investment Banking
- Asset Management
- Life Insurance

- Markets and Strategic Investments
- Corporate Centre

Each segment is directly supported by dedicated structures, as well as by those central units whose activity is most closely related to each of these segments. These structures run individual monitoring of each operational unit of the Group (considered from the viewpoint of an investment centre) while the Executive Committee defines strategies and commercial plans for each Operating Segment.

As a complement to this, the Group uses a second segmentation of its activity and results according to geographical criteria, separating the performance of the units located in Portugal (Domestic Area) from that achieved by the units abroad (International Area).

4.2.1 Retail

This segment includes activity with individuals and small businesses, most notably deposit taking, sale of saving products, account management, cards and other means of payment, insurance products, investment funds, brokerage of securities, custody services, mortgage credit, consumption credit and financing of small businesses.

RETAIL BANKING

Eur mn

	Jun.14	Jun.13	YoY
BALANCE SHEET			
Customer Loans (gross)	14 324	15 149	-5.4%
Customer Funds	13 016	13 304	-2.2%
INCOME STATEMENT			
Commercial Banking Income	318.1	309.4	2.8%
Capital Mkts & Other Results	13.1	15.6	-16.1%
Banking Income	331.2	325.0	1.9%
Operating Costs	186.2	192.2	-3.1%
Provisions	29.1	32.0	-9.0%
Income Before Tax	115.9	100.8	14.9%
Cost to Income	56.2%	59.1%	-2.9 pp

This business area was supported by a network of 631 branches in Portugal at the end of 1H14 (net reduction of 11 branches since the beginning of the year). This streamlining process allowed a 3.1%YoY reduction in operating costs. The network includes 42 on-site branches resulting from partnerships with insurance agents under the Assurfinance programme.

Retail customer funds grew by 4.3%YoY (on-balance sheet: -2.2%; off-balance sheet: +14.9%). The growth of Retail customer funds in the period was in part supported by the acquisition of new clients: a total of 40.9 thousand new clients were acquired in the period as a result of coordinated action between the branch network and other client acquisition channels, in particular the Cross-segment and Assurfinance

programmes, as well as the External Promoters, which maintained a decisive contribution to the commercial performance of Retail.

The Retail area maintains a constant and dynamic management of the customer funds margin in order to protect banking income growth. In 1H14 the segment's banking income grew by 1.9% YoY (+3.6% YoY on comparable basis), to EUR 331.2 million, underpinned by a 45 bps improvement of the net interest margin, to 3.21%. The increase in banking income, together with reductions in costs and in impairment losses, allowed the area to increase pre-tax earnings to EUR 115.9 million.

During the period the area maintained its selective loan granting policies, particularly in the Small Businesses segment (small companies and independent professionals). The performance of the loan book (-5.4% YoY) mainly translates the regular amortisation of mortgage credit.

Retail achieved significant results in cross-selling, where commercial results are supported by a wide range of innovative products, services and tools. Growth was particularly significant in the sale levels of everyday solutions (1.7% YoY increase in new Daily Banking Bundles) and in several areas of insurance sales, namely car insurance and life insurance, which grew by 40% and 30.2% YoY, respectively.

Direct Channels in Portugal continued to play a key role in the relationship with the clients, providing the following: (i) access to the entire range of services, account enquiries and transactions which can be done remotely; (ii) sale of a range of products, namely saving and insurance products, which can be acquired directly through the internet, with the support of a phone operator, or by scheduling a meeting with the branch or account manager; (iii) integration and centralised management of the CRM platforms (branch, BESnet and BESdirecto), where the customised offers provided during the client's interaction with the remote channel have proven very successful; and (iv) new solutions adjust ed to the clients' mobility needs affording safe, convenient and permanent access to the Bank, in any circumstance. The internet banking service for individual clients – BESnet – achieved a 7.2% YoY increase in the number of frequent users (to 392 thousand), with internet banking penetration reaching 45.7% of the customer base (BASEF data for the year to July 2014) and the number of logins rising to 22.3 million (+13.3% YoY). The BESmobile service maintained strong growth, with the number of frequent users reaching 82 thousand at the end of 1H14 (+51.9% YoY). The new 'BES-one-click' app, which permits instant mobile phone top-ups, was a success with the clients, already accounting for approximately 40% of the total mobile top-ups. Focusing on the new mobile needs, the BEStablet application was specifically designed for Apple iPad and Android tablets. Available for individual and corporate clients, it offers innovative solutions that sharply stand out from the comparable offer not only in the domestic market but also at international level. BEStablet is proving highly successful, with the number of client users already surpassing 14 thousand.

On July 26th, the date of its 13th anniversary **Banco Best**, the innovation leader in the offer of financial products and services in Portugal, launched a new website which factors in the latest web surfing habits and technological trends. More intuitive and easier to navigate, the new website has a responsive design approach that automatically adapts the layout to the user's device, whether a PC, a tablet or a smartphone.

Since the start of the year Banco Best has already added three new fund managers (Neuberger Berman, MFS and Muzinich) to its portfolio. The bank maintained the lead in sales of foreign investment funds, with a 37.4% market share as well as in online derivatives trading, with a share of 28% (according to the data released in May 2014 by CMVM, the Portuguese Securities Market Commission). In 1H14 customer assets under custody were up by EUR 300 million, reaching EUR 2.6 billion. Customer loans remained flat compared to the end of 2013 while customer deposits increased by 18%. BEST posted net earnings of EUR 6.4 million in the period, which represents a YoY increase of 7.0%.

The activity of **Banco Espírito Santo dos Açores** in 1H14 was marked by the reinforcement of credit provisions, which reached EUR 5.4 million. The Bank pursued its strategy aimed at increasing its market share and acquiring new clients, backed by the signature of protocols with regional companies, associations and other institutions, while stressing its approach, initiated in 2013, to the agricultural sector, one of the most important in the economy of the Azores. Commercial and socially-oriented actions were also reinforced in order to further enhance BES Açores's position as a bank dedicated to serving the clients and society and as the only bank in Azores with its headquarters in the region. During the period customer deposits decreased by 3%, while customer loans increased by 3%. Total assets amounted to EUR 453 million at the end of 1H14. The Bank posted a net loss for the period of EUR 2.3 million.

4.2.2 Corporate and Institutional Clients

This business area includes the business with large and medium-sized companies, as well as with institutional and municipal clients. BES Group holds a significant position in the Corporate and Institutional Clients segment as a result of its support to the development of the national business community, where it targets companies with a good risk profile, innovative characteristics and exports oriented.

CORPORATE AND INSTITUTIONAL CLIENTS

Eur mn

	Jun.14	Jun.13	YoY
BALANCE SHEET			
Customer Loans (gross)	20 573	21 727	-5.3%
Customer Funds	8 607	10 786	-20.2%
INCOME STATEMENT			
Commercial Banking Income	288.1	308.8	-6.7%
Capital Mkts & Other Results	2.4	7.1	-66.2%
Banking Income	290.5	315.9	-8.0%
Operating Costs	28.6	29.7	-3.7%
Provisions	275.1	459.6	-40.1%
Income Before Tax	-13.1	-173.4	92.4%
Cost to Income	9.8%	9.4%	0.4 pp

In line with the performance of Portuguese companies in international markets, the BES Group has continued to take advantage of the quality of its products and services. This commitment to supporting internationalisation is ensured through the International Premium Unit, which is organised in Geographical

Desks, in order to provide a better knowledge of the specificities of main countries concerned. This model permits to efficiently answer the needs of our clients, since each desk is made up of specialised managers in international affairs, who make the connection to the international units of the Group present in 25 countries, operating in the corporate sector and managing relations with financial institutions of emerging markets where BES is not present.

Accordingly, this support focus three main axes:

1. Direct support provided by the team of international business managers; In the first half of 2014 international business managers provided services to 252 companies, throughout different phases of their internationalisation process.
2. Help in entering new markets:
    a. Innovating online services to support market research phases, such as ISKO - a report with detailed information on each country, and BES Fine Trade - an application which identifies world markets with greatest export potential for a tradable good.
    b. Opening of new markets, through trade missions of BES teams to growing countries with potential to increase trade relations with Portugal. In 2014 entrepreneurship missions were made to Azerbaijan and Poland, where approximately 40 companies went to explore these new markets, and held numerous meetings with potential clients.
3. Availability of a global offer, translated for instance in the "Multilaterals Centre" activity, with the main purpose of obtaining support to Portuguese companies projects abroad, namely coverage of political risk and long term funding and the setting up of Trade Finance programs permitting Portuguese companies to export safely to riskier markets.

In the Iberian market, client acquisition and business development are supported by strong cooperation between domestic and Spanish commercial networks: 101 new Iberian corporate clients were acquired in 1H14, corresponding to a financial flow of EUR 131 million.

As far as support to Innovation and Entrepreneurship is concerned, priority of action continues to be given at two levels: new subsidiaries in Portugal and support to BES Innovating Customers.

In terms of venture capital activity, through Espírito Santo Ventures, BES continued to bank on domestic start-ups: the number of companies from North to South of Portugal which were invested in by the funds was over 30, including a new company - Tradiio during this first half of the year. Note a number of capital increase operations in domestic start-ups that have occurred since the beginning of the year, translating these companies fulfilment of their business plans.
In 1H14, an investment trust in Start-ups was set up in Brazil (FIP), resulting of a partnership between MicroSoft Ventures, BESAF (BESI Brasil) and ES Ventures. This fund is currently in a second closing phase and should be reinforced to amounts hovering around BRL 50 million.

In terms of support to innovating clients, a team of specialists in innovation continues to work with managers of small and medium-sized companies and businesses, following their needs and ensuring a increasingly stronger presence in the Portuguese ecosystem of entrepreneurship and innovation.

Speaking of the ecosystem, note the holding in May 2014 of the 3rd edition of the Advanced Business Program for Entrepreneurs, organised by BES and EDP with the Portuguese Catholic University.

Initiatives to support exports and entrepreneurship carried out during 1H14 resulted in a very positive action with exporting and innovating companies, with a good risk level (PME Winners). In addition to having 97 new clients until June 2014, loans granted by the BES Group to this important business segment rose by 16% in YoY terms, taking into account the current customer structure.

BES actively promotes the various QREN credit lines (PME Investe, PME Crescimento and Investe), all of them important tools to support the national SMEs' investment and growth, under which it has approved to date EUR 3.3 bilion of loans. In relation to PME Crescimento 2014 BES holds a market share of 16%, corresponding to nearly EUR 73 million of already approved credit. As far as the Micro and Small Business Credit Line (Linha Micro e Pequenas Empresas) is concerned, BES holds a leading market share of 19.4% corresponding to EUR 24 million of approved loans.

The credit lines contracted with the European Investment Bank (EIB) and the European Investment Fund (EIF) have permitted funding to national small and medium-sized companies on very favourable terms, contributing to the development of important investment projects and to support working capital requirements. In 1H14, over EUR 380 million were approved under these new instruments.

In the current market context, supporting companies' cash management continues to deserve particular attention. In this area, BES maintains a strong position in Factoring Solutions, where it is market leader with a market share of 22.8% that represents EUR 1,143 million of credit under management.

Through the 'BES Express Bill' the Bank remains at the forefront of financial innovation for businesses, actively promoting the dynamics of economic activity, the adoption of financial management good practices and the improvement of companies' financial health.

Overall, the ca. 19,000 clients that subscribed this innovative service have a total of EUR 2.6 billion in facilities approved, which guarantee the advancing of payments of more than EUR 13 billion per year. By guaranteeing payments and bringing forward receipts, thus promoting business and acting as a confidence booster in business dealings, this networking solution links all companies (micro, small, medium-sized and large) and increasingly stands out from within other cash management solutions.

In 2013, Banco Espírito Santo and Edenred, the world leader in prepaid corporate services, entered a 50/50 joint venture to operate and develop in Portugal the market for social benefits delivered by companies to their employees. This joint venture, which opened new expansion opportunities to a market of roughly three

million potential beneficiaries, has allowed Edenred to consolidate its position as leader of the meal card solutions market.

The internet banking service for corporate clients - BESnetwork – reached 65.3 thousand frequent users at the end of 1H14 (a YoY increase of 7.0%) while the number of logins was 12.0 million.

4.2.3 Private Banking

This area is dedicated to the business with private high net worth clients, covering all products associated with these clients, notably deposits, discretionary management, custody services, brokerage of securities and insurance products.

PRIVATE BANKING

Eur mn

	Jun.14	Jun.13	YoY
BALANCE SHEET			
Customer Loans (gross)	795	935	-14.9%
Customer Funds	1 605	1 647	-2.5%
INCOME STATEMENT			
Commercial Banking Income	63.9	65.7	-2.7%
Capital Mkts & Other Results	4.7	4.3	10.8%
Banking Income	68.7	70.0	-1.9%
Operating Costs	8.4	8.4	-0.1%
Provisions	4.0	2.9	36.6%
Income Before Tax	56.2	58.6	-4.1%
Cost to Income	12.3%	12.1%	0.2 pp

In this important business area, total customer funds increased by 1.9% YoY (on-balance sheet: -2.5%; off-balance sheet: +1.9%). The growth of customer funds was constrained by the fact that they were in part used to reimburse loans.

Private banking customer loans decreased by 14.9% YoY, causing the segment's net interest margin to drop by 82bps. As a result, banking income fell by 1.9%, to EUR 68.7 million, while the segment's pre-tax profit shrank by 4.1%, to EUR 56.2 million.

4.2.4 International Commercial banking

This segment includes the retail units operating abroad, which develop their banking activity (excluding investment banking and asset management) with both individual and corporate clients. Customer funds increased by 2.7%, driven by growth in Spain and the inclusion of BES Vénétie in the consolidation scope, while customer loans grew by 15.9%, underpinned by the intensification of business in BES's subsidiary in Angola and the contribution of BES Vénétie. Translating the reduction of banking income (-54.1%) - which was largely influenced by the performance in Angola -, the increase in operating costs (+23.4%), and the reinforcement of provisions (+EUR 102.3 million), the segment reported a pre-tax loss of EUR 334.6 million, which compares with a pre-tax profit of EUR 41.1 million in 1H13.

INTERNATIONAL COMMERCIAL BANKING

Eur mn

	Jun.14	Jun.13	YoY
BALANCE SHEET			
Customer Loans (gross)	13 973	12 144	15.1%
Customer Funds	11 242	10 942	2.7%
INCOME STATEMENT			
Commercial Banking Income	82.5	261.7	-68.5%
Capital Mkts & Other Results	31.9	-12.6	....
Banking Income	114.5	249.2	-54.1%
Operating Costs	154.4	125.1	23.4%
Provisions	294.7	82.9	....
Income Before Tax	-334.6	41.1	....
Cost to Income	134.9%	50.2%	84.7 pp

In 1H14 **BES Spain** Branch maintained the positive performance seen in the previous quarters. Main highlights in the period: (i) the commercial network expansion programme was pursued (5 new branches opened in the last 12 months); ii) customer deposits increased by 14.2% YoY while customer loans decreased by 5.6%, reflecting the deployment of the branch's policy aimed at reinforcing its self-sufficiency in terms of funding; (iii) off-balance sheet activity volume remained practically flat at ca. EUR 1,260 million, in line with the trend in the previous quarters; iv) the international corporate activity support volume stabilised at around EUR 880 million, while the number of active international clients reached 190, which represents a YoY increase of 12.2%; (v) the overall number of clients, mostly in retail and private banking (+23.3%), increased by 24.7% YoY, which represents 5,572 new client acquisitions; and (vi) continued implementation of the prudent credit risk management policy, involving a strong reinforcement of provisions in light of the evolution and direct and indirect effects of the economic situation. Backed by a 5.8% YoY increase in banking income (ex-markets) driven by the continuing downward trend in the cost of liabilities, combined with the containment of costs, operating income increased to EUR 47.3 million (which compares with EUR 28.3 million in 1H13). The Branch reported a pre-tax loss of EUR 10.4 million in 1H14 (EUR 35.6 million loss in 1H13).

BES London Branch (United Kingdom) concentrates its activity in wholesale banking in the European market. During the 1H14 assets decreased by 6.0%, to EUR 4.9 billion, essentially through the reduction of the outstanding amount under the EMTN programme. The loan book volume was very stable during the period, while customer deposits increased by 2%. The commercial banking income totalled EUR 11.4 million.

Espírito Santo Bank (Miami/USA), after reporting strong growth in 2013, has been focusing in 2014 on improving its profitability, based on the increase in revenues, namely from asset management. On June 30th, 2014 assets amounted to USD 751 million (-5% vs. 2013 YE), with deposits reaching USD 646 million and gross customer loans totalling USD 542 million. In its lending activity, the Bank has focused, on the one hand, on promoting the acquisition of second homes in South Florida by non-resident individuals – an attractive and low risk segment in a market showing signs of perking up, particularly in the luxury

construction segment - and on the other on supporting exports to Latin America, guaranteed or insured by US Eximbank (Export-Import Bank of the United States) and other developed countries' Export Credit Agencies. Backed by the diversified range of products targeting the clients' financial needs which are offered by the private banking and wealth management areas, the recently created investment advice unit, and also the broker/dealer ES Financial Services, assets under management reached USD 1.5 billion. Net income for the period was USD 1 million.

BES New York Branch (USA) concentrates its activity in wholesale banking, mainly in the US and Brazil. In a persistently adverse environment, the 1H14 was marked by the continuation of the deleveraging process (the loan book was reduced by 48% YoY) and strong constraints on the placement of certificates of deposit and the issuance of commercial paper.

Banco Espírito Santo Angola (Angola) maintained activity growth, supported by the implementation of its 2013-2017 Strategic Plan. Assets increased by 1.3% versus the end of 2013, to EUR 8.3 billion, essentially driven by the growth of the loan book, which increased by 3.6%, to EUR 6.1 billion, especially through the growth of leasing activity in the period (+20%). Fuelled by the opening of more than 30 branches and new corporate centres and a renewed commercial and a renewed marketing dynamics that permitted the acquisition of 30 thousand new clients (54% increase in the customer base since the start of implementation of the new strategic plan), customer funds reached EUR 2.9 billion (+12.3%) in the period. BES Angola posted a net loss of Eur 355.7 in 1H14, with Banking income at -EUR 79.3 million due to the cancellation of interests, a reinforcement of credit provisions of EUR 146 million and provisions for contingency liabilities of EUR 69.4 million

BES Cape Verde (based on Cidade da Praia, with a second branch in Santa Maria, Sal Island) focuses on local corporate banking activity, where it mainly targets public sector companies, subsidiaries of Portuguese companies with interests in Cape Verde, and the local affluent market. In 1H14 customer funds stabilised at around EUR 110 million while total assets amounted to EUR 143 million at the end of the period.

During the 1H14 **Banco Espírito Santo do Oriente (Macau / Popular Republic of China)** continued to gradually adjust its structures to the Strategic Plan defined for 2014-2018. In line with the strategy of diversifying and differentiating the offer, the ongoing changes will permit to develop new capabilities in personal and corporate banking, turning the bank into BES Group's centre of RMB and trade finance expertise in Asia. The Bank's documentary transactions business (e.g. L/C Advising/Forfaiting/Discount) in connection to local trade and the trade flows between the Popular Republic of China and the Portuguese-speaking countries where BES Group is present remained strong, supported by the commercial and operational action undertaken in cooperation with BES's International area (International Department and International Premium Unit) and by the tightening of relations with the main Chinese Banks. The growth and stability of customer funds achieved thanks to the excellent relations maintained with the local authorities remains a key priority in the current context, and to this end during the 1H14 the Bank continued to develop commercial activities targeting its various client segments.

In 1H14 **Banque Espírito Santo et de la Vénétie (France)** had a good performance across all its business areas, and especially in the real estate business, which contributed with 47% to banking income, while funding costs decreased compared to 1H13. Underpinned by a 22%YoY increase in banking income, to EUR 27.6 million and a reduction in operating costs, to EUR 12.9million (mainly achieved through the contraction of staff costs), the bank's pre-tax profit expanded by 69%. The cost of risk rose by 52%, as a result of an asset quality review. The Bank posted net income of EUR 4.3 million in 1H13 (under the French accounting standards), which compares with EUR 0.6 million in 1H13.

Moza Banco (Mozambique) continued to deploy its commercial expansion plan, opening 3 new branches since the start of the year that increased the network to 26 units and achieved full coverage of all the country's provinces. During 1H14 activity continued to grow at a strong pace, with assets increasing to EUR 411 million (+15% since the start of the year) and deposits growing by 11% in the period.

Since its opening two years ago **BES Venezuela Branch** has been focusing its activity on two main segments, namely the Portuguese resident community and the local large companies and institutions. The branch's total assets increased by 19% since the start of the year, reaching EUR 246 million at the end of the period. Activity growth continued to be mainly underpinned by the increase in customer deposits, which were up by 18% since the start of the year, to EUR 189 million.

BES Luxembourg Branch, which has also completed two years, has been acting as a platform for business with the Portuguese emigrant community in the country as well as in neighbouring countries in central Europe, while offering the Group's global client base the possibility to do business in a safe, credible, and uniquely stable market. At the end of 1H14 the branch had total assets of EUR 2.5 billion, reporting a net profit for the period of EUR 9.0 million.

4.2.5 Investment Banking

Investment banking includes advisory services in project finance, mergers and acquisitions, restructuring and consolidation of liabilities, preparation and public or private placement of shares, bonds and other fixed-income and equity instruments, stock broking and other investment banking services. In addition, the bank offers traditional banking services to corporate and institutional clients.

INVESTMENT BANK

Eur mn

	Jun.14	Jun.13	YoY
BALANCE SHEET			
Customer Loans (gross)	2 114	2 146	-1.5%
Customer Funds	1 995	1 067	87.0%
INCOME STATEMENT			
Commercial Banking Income	104.9	93.1	12.6%
Capital Mkts & Other Results	77.8	28.2	176.1%
Banking Income	182.6	121.3	50.6%
Operating Costs	84.9	86.3	-1.6%
Provisions	89.1	26.6	235.2%
Income Before Tax	8.7	8.4	2.8%
Cost to Income	46.5%	71.1%	-24.7 pp

Backed by the improvement in sentiment and market flows in the first months of the year, the investment banking area reported an expressive increase in operating results, which, at EUR 97.7 million, nearly trebled compared to the 1H13 (EUR 35.0 million). Banking income increased by 50.6% YoY, to EUR 182.6 million, while operating costs were reduced by 1.6% YoY. The period's pre-tax results stood at EUR 8.7 million, hampered by the sharp increase in credit impairments. The international area maintained a positive performance, representing 47% of consolidated banking income at the end of 1H14. In general terms, all business areas improved their performance compared to 1H13. The Capital Markets area maintained its buoyancy, completing 40 operations in different markets, mainly debt transactions (64% of the total), for a total of ca. EUR 21.4 billion. The highlights in the period were the BRL 13,960 million follow-on offering of the Brazilian Oi (the largest transaction completed in 1H14) and the completion of the first capital market operations in India. Main operations in 1H14 included:

Mergers and Acquisitions – Banco Espírito Santo de Investimento (BESI) provided advisory services (i) in the United Kingdom, to the ACM Shipping plc group on its merger with the Braemar Shipping Services plc group, which resulted in the second largest sea freight forwarding agent at global level (GBP 161 million); and (ii) in the US, to Soares da Costa on the sale to Dragados of its subsidiary Prince Contracting LLC.

Project Finance and Securitisation – ESIB acted in Latin America as Sole Lender in the bridge loans to InterEnergy, for the construction of a 215 MW wind farm in Penonome, Panama (USD 100 million), and to GenRent del Peru, for the construction of a 70 MW thermal power plant (USD 30 million). In Brazil, the Bank provided financial advisory services on seven infrastructure projects involving a total estimated investment of BRL 10 billion, namely: public lighting and roads in the São Paulo municipality; sanitary sewage system in the city of Maceió; urban solid waste treatment and disposal in the Belo Horizonte Metropolitan Region; administrative concession of three hospital complexes in the State of São Paulo; diagnostic imaging services in the State of Bahia and wind power project in Acaraú, in the State of Ceará. The Bank also acted as Onlending Agent on long-term loans through BNDES to Aeroporto de Viracopos (total structured finance of BRL 1.8 billion).

Other Lending - BESI acted in Brazil as joint leader on the structuring and execution of local issues of debentures for Copobras (BRL 75 million), Luft Participações (BRL 100 million) and Forjas Taurus (BRL 100 million), and also structured syndicated loans (pre-export financing) for ABC Inco (Algar Agro) and Adecoagro, in the amount of USD 125 million and USD 80 million, respectively.

Capital Markets – BESI acted (i) in Iberia, as Joint Global Coordinator on the placement of a block of shares representing 2.6% of the share capital of EDP (EUR 303 million) and a block of 1 billion BES shares subscription rights (EUR 110 million), being Joint Global Cooordinator & Joint Bookrunner of the ensuing capital increase, as Joint Lead Manager on bond issues by Parpública (EUR 600 million) and Banco Espírito Santo (EUR 750 million), as Co-Lead Manager of REN's second privatisation phase (EUR 157 million) and of issues by Bank of America (EUR 2,250 million) and Barclays (EUR 1 billion) and as Co-Manager of Liberbank's capital increase (EUR 475 million) and of two issues of Tier 1 Notes, namely by Crédit Suisse (USD 2.5 billion) and Deutsche Bank (EUR 3.5 billion); (ii) in Brazil, as Joint Global Cooordinator & Joint Bookrunner of Oi's follow-on offering (BRL 13,960 million) and as Joint Bookrunner of Santo Antônio's issue of debentures (BRL 700 million); (iii) in Poland, as Joint Global Coordinator & Joint Bookrunner of Masterlease's IPO (PLN 210 million); (iv) in the United Kingdom, as Sole Bookrunner of NAHL Group's IPO (GBP 35 million) and Lead Manager of Euronext's IPO (EUR 845 million); (v) in Mexico, as Joint Bookrunner of a bond issue by ICA (USD 700 million) and Sole Lead Manager of a bond issue by Arendal (USD 80 million); and (vi) in India, as Joint Bookrunner on the placement of a block of shares representing 6.4% of Muthoot Finance's share capital (USD 69 million) and as Book Running Lead Manager on the placement of SKS Microfinance shares (Rs 3976 million).

Brokerage - BESI maintained a prominent position in Portugal (5th place with a 6.4% market share) and ranked in 11th place in the Madrid Stock Exchange ranking, with a 3.1% market share. In a lower volume context, the Bank maintained the 21st place in Brazil's Bovespa ranking, with a market share of 1%, and also the 21st position in the Polish brokers' ranking, with a market share of 1.6%. In the United Kingdom the activity was positive, while in India it progressively improved during the 1H14.

In **Private Equity** the main transactions in the period were the sale, in April, of the stake in Rodi Group, and in June, the financial settlement of the divestment from the Brazilian Companhia Providência (EUR 4.6 million).

4.2.6 Asset Management

This segment includes all the asset management activities of the Group, essentially conducted by Espírito Santo Activos Financeiros (ESAF), within Portugal and abroad (Spain, Luxembourg, Angola, and Brazil). ESAF's product range covers mutual funds, real estate funds and pension funds, besides providing discretionary and portfolio management services.

ASSET MANAGEMENT

Eur mn

	Jun.14	Jun.13	YoY
ASSETS UNDER MANAGEMENT	17 027	15 723	8.3%
INCOME STATEMENT			
Banking Income	25.5	30.0	-15.2%
Operating Costs	8.5	8.6	-1.8%
Provisions	0.2	0.1	83.2%
Income Before Tax	16.8	21.3	-21.1%
Cost to Income	33.3%	28.7%	4.5 pp

At the end of 1H14 the global volume of assets under management reached EUR 17 billion, an increase of ca. 7.0% versus the end of 2013 and 8.3% YoY. At domestic level, there was an increase in assets under management of mutual funds (16.8%) and pension funds (6.5%) and a decrease in real estate funds (6.6%), all compared to the end of 2013. In the international business, assets under management increased in Luxembourg (+28.9%) and Spain (+12.5%), totalling EUR 3.1 billion at the end of June, which is roughly 18% of the overall volume under management.

4.2.7 Life Insurance

This business area comprises the activity developed by BES Vida, which provides both traditional and unit-linked insurance products as well as pension plans.

LIFE INSURANCE

Eur mn

	Jun.14	Jun.13	YoY
BALANCE SHEET			
Customer Funds	7 031	4 969	41.5%
INCOME STATEMENT			
Gross Margin of Insurance Business	181.1	300.2	-39.7%
Operating Costs	5.3	5.6	-5.8%
Provisions	41.2	0.2	....
Net Income	101.3	212.6	-52.4%

The 1H14 was marked by the continuous expansion of the life insurance business, underpinned by pension plan production. BES Vida's production in Portugal reached EUR 1,145 million, which represents a 34.5% YoY increase in premium volume, which largely exceeded claims volume. As a result Mathematical Provisions reached ca. EUR 7,827 million, rising by 11.3% relative to December 2013 and by 27.7% YoY.

4.2.8 Markets and Strategic Holdings

This segment includes the global financial management activity of BES Group, namely raising and placement of funds in the financial markets, as well as investment in and risk management of credit, interest rate, FX and equity instruments, whether of a strategic nature or as part of current trading activity. It also includes activity with non-resident institutional investors, as well as any activities arising from strategic decisions impacting the entire Group, as the exceptional factors occurred during 1H14 which led to a ca. EUR 4.5 billion loss in this business segment.

MARKETS AND STRATEGIC HOLDINGS

Eur mn

	Jun.14	Jun.13	YoY
INCOME STATEMENT			
Banking Income	-930.3	-429.2	-116.8%
Operating Costs	32.5	30.4	6.9%
Provisions	3 520.2	142.9	....
Income Before Tax	-4 482.9	-602.5	....

5. FINANCIAL STRENGTH AND ASSET QUALITY

5.1 Asset Quality

The table below summarises the evolution of credit, overdue loans, credit at risk, restructured loans, provisions for impairment losses and overdue loans ratios and provisions ratios in 1H14 and comparison with 1H13.

ASSET QUALITY

	Jun.14	Mar.14	Jun.13	YoY		QoQ	
				absolute	relative	absolute	relative
Eur mn							
Gross loans	51 281	51 001	51 111	170	0.3%	280	0.5%
Overdue Loans	3 423	3 321	2 849	574	20.1%	102	3.1%
Crédito Vencido > 90 dias	3 290	3 067	2 603	687	26.4%	223	7.3%
Credit at risk (1)	5 920	5 684	5 485	435	7.9%	236	4.2%
Restructured Credit (2)	6 176	6 170	-	-	-	6	0.1%
Restructured Credit not included in Credit at Risk (2)	4 544	4 842	-	-	-	- 298	-6.2%
Provisions for Credit	5 394	3 650	3 134	2260	72.1%	1 744	47.8%
Indicators (%)							
Overdue Loans / Gross Loans	6.7	6.5	5.6	1.1 p.p.		0.2 p.p.	
Overdue Loans +90d / Gross Loans	6.4	6.0	5.1	1.3 p.p.		0.4 p.p.	
Credit at risk (1) / Gross Loans	11.5	11.1	10.7	0.8 p.p.		0.4 p.p.	
Restructured Credit / Gross Loans	12.0	12.1	-	-		-0.1 p.p.	
Restructured Credit not included in Credit at Risk(2)/ Gross Loans	8.9	9.5	-	-		-0.6 p.p.	
Coverage of Overdue Loans	157.6	109.9	110.0	47.6 p.p.		47.7 p.p.	
Coverage of Overdue Loans + 90d	164.0	119.0	120.4	43.5 p.p.		44.9 p.p.	
Coverage of Credit at risk (1)	91.1	64.2	57.1	34.0 p.p.		26.9 p.p.	
Provisions for Credit / Gross Loans	10.5	7.2	6.1	4.4 p.p.		3.4 p.p.	
Cost of Risk (3)	8.3	2.2	2.2	6.1 p.p.		6.1 p.p.	

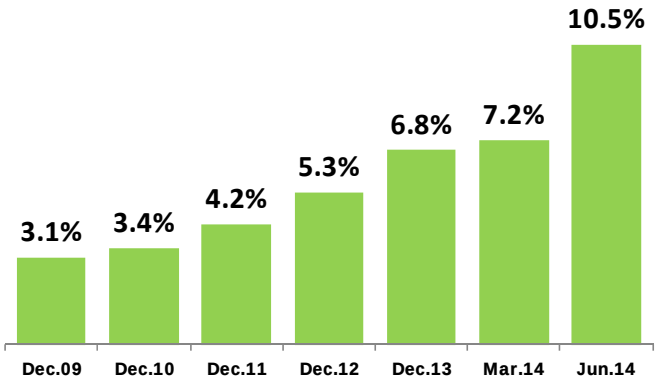
(1) According to the definition of BoP Instruction nº23/2011.
(2) According to the definition of BoP Instruction nº32/2013.
(3) June Data annualised

The credit portfolio risk indicators show a deterioration across the board, a trend that was clear throughout 2013. Hence credit at risk increased, causing the credit at risk ratio to rise to 11.5% (Mar.14: 11.1%).

The Overdue loans/Gross Loans ratio was 6.7% while the Overdue loans + 90 days /Gross Loans ratio reached 6.4%. The new indicators whose disclosure is required by the Bank of Portugal since the end of 2013, namely 'restructured loans / gross loans' and 'restructured loans not included in credit at risk / gross loans', were 12.0% and 8.9%, respectively.

The Provisions for Credit / Gross Loans ratio continued to be reinforced, reaching 10.5% (Mar.14: 7.2%), with the Coverage of Credit at Risk ratio (Provisions for Credit / Credit at Risk), excluding collaterals and guarantees, standing at 91.1% (Mar.14: 64.2%).

Provisions for Credit / Gross Loans Ratio



The overdue loan ratios increased to 8.0% in corporate loans and reached 9.7% in other loans to individuals; the mortgage loans overdue loan ratio was once again the slowest growing, standing at 1.1% at the end of 1H14.

OVERDUE LOANS

	Jun.14	Mar.14	Jun.13	Change (p.p.)	
				YoY	QoQ
Overdue Loans	6.7%	6.5%	5.6%	1.1	0.2
Individuals	2.6%	2.7%	2.3%	0.3	-0.1
- Mortgage	1.1%	1.1%	0.9%	0.1	0.0
- Other Purposes	9.7%	10.4%	8.1%	1.6	-0.7
Corporate	8.0%	7.8%	6.8%	1.2	0.2

According to the statistics published by the Bank of Portugal (May 2014), the Group's overdue loan ratios continue to compare favourably with those of the Portuguese banking sector, where corporate overdue loans stand at 11.4% (BES Group: 8.0%), mortgage overdue loans at 2.2% (BES Group: 1.1%) and other loans to individuals overdue loans at 12.8% (BES Group: 9.7%).

Foreclosed real estate assets on the balance sheet totalled EUR 2.0 billion at the end of 1H14. The table below shows the distribution of these assets by the domestic and international areas:

FORECLOSED ASSETS

Eur mn

	Jun.14	Mar.14	Jun.13
Domestic	2 398	2 464	2 185
International	162	156	138
Gross Value	**2 560**	**2 620**	**2 323**
Provisions	535	511	290
Net Value	**2 025**	**2 109**	**2 033**

BES Group develops an active and innovative strategy viewing the sale of foreclosed properties, using for the purpose various internal and external sales channels adapted to each target market. 1,485 such properties were sold in 1H14 for a gross balance sheet value of EUR 239 million. No material gains or losses were determined on these sales.

PROPERTY SALES

	1H14	2013	
		1H	FY
Sold Premises	1 485	1240	3 462
Proceeds (€mn)	239	226	444
Gains/Losses (€mn)	1.1	3.0	0.5

5.2 Liquidity, Solvency and Financial Strength

5.2.1 Liquidity

In June the ECB cut down its reference interest rate by 10 bps, to 0.15% from 0.25%, in the face of a persistently weak economic activity and the need to continue stimulating the European economy while restraining deflation risks. The ECB thus took an unprecedented step, placing the interest rate on the deposit facility at -0.1%, which could disincentive the application of surplus resources in ECB and channel overstockings towards the real economy or result in a transfer of capital from major countries (with higher surplus resources) to peripheral countries (with higher liquidity needs). The ECB further announced a new aid package, targeted namely longer-term refinancing operations (TLTRO) and the purchase of *ABS* (asset-backed securities). These measures will allow reviving the transmission of the monetary policy, drive inflation and contribute to relaunch economic growth in the Euro Zone.

ECB stimulus continued to contribute to a decline in peripheral countries' public debt yields: the yield on 10-year Portuguese public debt reached its minimum level of the last 5 years, at 3.32% in June (5.8% at the beginning of the year).

June was also marked by Portugal's exit of a 3-year economic and financial adjustment program. At the beginning of May, the Prime-minister announced Portugal's exit of the program without the need for any precautionary program, showing that the strategy for the country's return to capital markets and fiscal consolidation were successful, with Portugal recovering external credibility.

In July Portugal carried out a new 10-year benchmark issue, in the amount of USD 4.5 billion. Demand exceeded USD 10 billion. The issue was placed with a spread of 250bp over the mid swap rate (yield of 5.225%).

In the US, the FED chairman's speech to the Congress revealed great uncertainty as to the evolution of the US economy. Though recognising recent improvements in economic activity, the Fed remains particularly cautious in what concerns its monetary policy, as in the past, recovery signs have often not proved sustained. In any case, the message which gained higher visibility was another one, namely that "if the job market continues to improve faster than anticipated by the Monetary Policy Committee (...), the target rate of fed funds could rise sooner and faster than currently expected". In emphasising this, the Fed seemed to admit that the job market is already recovering faster than expected and that if it maintains this pace, a new cycle of interest rate rises will happen sooner than anticipated (the timing of this rise is expected for the beginning of 2016 or second half of 2015).

BES Group funding structure remained fairly stable during 1H14, with deposits maintaining their weight at 58% of total funding mix. Customer funds (deposits and bancassurance products) increased their weight to 69%. MLT funds maintained its 22% weight in BES funding mix relative to June 13, as redemptions were compensated by new senior unsecured issues.

Net funding from the ECB stands at EUR 7.4 billion, corresponding to an increase by approximately EUR 2.0 billion as against year-end 2013. However, given the latest developments concerning Espírito Santo Group, the BES Group is likely to find some constraints in its liquidity situation, which could have a significant impact on its funding with the ECB.

At the end of June 2014 the portfolio of repoable securities amounted to EUR 21.6 billion, of which EUR 19.3 billion were eligible for rediscount with the ECB. This amount includes exposure to Portuguese sovereign debt of EUR 2.7 billion (of which EUR 698 million maturing in less than one year). BES Group's other peripheral European sovereign exposures totalled EUR 3.4 billion (of which EUR 2.6 billion maturing in less than one year), including EUR 2.4 billion of Italian public debt, EUR 935 million of Spanish public debt, and EUR 138 million of Greek public debt, and no Irish public debt. The QoQ decrease of ECB eligible repoable assets was driven by the cancellation of a Government Guaranteed Bond and the reduction of the Sovereign debt portfolio.

5.2.2 Solvency

On June 26th, 2013 the European Parliament and the Council approved Regulation (EU) no. 575/2013 and Directive 2013/36/EU which establish the applicable prudential requirements for credit institutions and investment firms in the European Union, in force as from January 1st, 2014.

Bank of Portugal's Notice 6/2013, of 30 December established transitional arrangements for own funds, under said Regulation, and laid down measures to preserve those funds, determining a common equity Tier 1 capital ratio of no less than 7%.

Under said rules, on June 30th, 2014 BES Group's capital ratios were as follows:

RISK WEIGHTED ASSETS, ELIGIBLE CAPITAL AND REGULATORY CAPITAL(1)

BIS III (CRD IV/ CRR)

Eur mn

Variáveis	*Phasing in*	
	Jun. 14	Mar. 14
Risk Weighted Assets (A)	**60 169**	**62 268**
Banking Book	55 636	57 292
Trading Book	1 279	1 722
Operational Risk	3 254	3 254
Regulatory Capital		
Common Equity Tier I (B)	**3 036**	**6 079**
Tier I (C)	**3 036**	**6 079**
Tier II and Deductions	867	850
TOTAL (D)	**3 903**	**6 929**
Common Equity Tier I (B/A)	**5.0%**	**9.8%**
Tier I (C/A)	**5.0%**	**9.8%**
Solvency Ratio (D/A)	**6.5%**	**11.1%**

(1) Preliminary data as at 30 June 2014

The exceptional occurrences described in section 1 of this release caused a 50% reduction in Common Equity Tier I, with the respective ratio decreasing to 5.0%.

Risk weighted assets decreased to EUR 60.2 billion as a result of the reduction of the banking book (-EUR 1,656 million) and the trading book (-EUR 443 million).

5.2.3 Banco Espírito Santo share capital increase

Upon the favourable opinion of the Audit Committee, on May 15th, 2014 the Board of Directors do Banco Espírito Santo decided on a rights offering, issuing up to 1,607 million new ordinary shares. The new shares were offered for subscription observing shareholders preference rights, at the price of EUR 0.65 per share, raising gross proceeds of up to EUR 1,045 million. The subscription price represented a discount of ca. 34.06% relative to the theoretical ex-rights share price calculated based on the closing price of the BES

shares on the Euronext Lisbon on May 14th, 2014 (the day before the Board of Directors resolution was taken).

Espírito Santo Investment Bank, Morgan Stanley and UBS Investment Bank atuaram were Joint Global Coordinators and Joint Bookrunners; Bank of America Merrill Lynch, Citigroup Global Markets Limited, J.P. Morgan Securities Plc, and Nomura were Joint Bookrunners; and Banca IMI, Banco Santander, BBVA, COMMERZBANK, Crédit Agricole CIB, ING, KBC Securities, Keefe, Bruyette & Woods, MEDIOBANCA and Société Générale Corporate & Investment Banking were the Co-Lead Managers.

The capital increase was fully subscribed, comprising the issuance of 1,607,033,212 new ordinary, book-entry, registered shares with no par value. As a result, BES's share capital is currently EUR 6,084,695,651.06, represented by 5,624,961,683 ordinary, book-entry, registered shares with no par value. Financial settlement took place on June 16th and the new shares were listed on the Euronext Lisbon on June 17th.

Following the capital increase, the reference shareholders held the following direct stakes in the share capital of Banco Espírito Santo: Espírito Santo Financial Group (25.1%), Crédit Agricole (14.6%), Bradesco (3.9%) and Portugal Telecom (2.1%).

5.3 Bank of Portugal reference indicators

The table below lists the reference indicators under Bank of Portugal instruction no. 16/2004, as amended by instructions nos. 16/2008, 23/2011 and 23/2012, for the end of 1H14.

	%
	Jun. 14
SOLVENCY [g]	
Regulatory Capital / RWA [a]	6.5%
Tier I / RWA [a]	5.0%
Core Tier I / RWA [a]	5.0%
ASSET QUALITY	
Overdue & Doubtful Loans [b] / Gross Loans [c]	7.5%
Overdue & Doubtful Loans net of Provisions [c]/ Net Loans [c]	-3.3%
Credit at Risk [c/f] / Gross Loans [c]	11.5%
Credit at Risk net of Provisions [c/f]/ Net Loans [c]	1.1%
PROFITABILITY	
Income before Tax and Minorities / Average net Assets	-11.3%
Banking Income (d)/Average Net Assets	0.6%
Income before Tax and Minorities/ Average Equity [e]	-127.3%
EFFICIENCY	
General Admin Costs [d]+ Depreciation / Banking Income [d]	225.5%
Staff Costs / Banking Income [d]	117.5%
TRANSFORMATION	
(Gross Loans [c]- Credit Impairments [c] / Customer Deposits [f]	126%

[a] Under IRB Foundation

[b] According to BoP Circular Letter nº 99/2003/DSB

[c] According to BoP Instruction 22/2011

[d] According to BoP instruction 16/2004

[e] Includes Minority Interests

[f] According to BoP instruction nº23/2004

[g] Preliminary data considering phased in *CRD IV/CRR*

6. OTHER

- In July 2014 the rating agencies monitoring BES Group revised their ratings, as follows:
-

RATING AGENCY	RATING			
	LT	ST	Subordinated Debt	*Outlook*
STANDARD AND POORS	B-	C	CCC+	*credit watch negative*
MOODY'S	B3	NP	C	*credit watch negative*
DBRS	BBB *(Low)*	R-2 *(middle)*	B *(high)*	*credit watch negative*
DAGONG	B	B	CC	*credit watch negative*

The Board members co-opted on July 13th, 2014 did not take part in the process of preparing and approving the consolidated financial statements for the 1H14, the interim management report and the financial statements referred to in Article 246 (1-c) of the Portuguese Securities Code insofar as:

(i) these documents concern a period preceding the date when they took office as Board members;

(ii) the length of time between their cooptation date and the date of approval of the documents in question was not sufficient to allow for an adequate analysis of the referred accounts and the facts reported.

Lisbon, July 30th, 2014

THE BOARD OF DIRECTORS

BANCO ESPÍRITO SANTO, S.A.

CONSOLIDATED BALANCE SHEET AS OF 30 JUNE 2014 AND 2013

EUR million

	Jun,14	Dec,13	Mar,13
ASSETS			
Cash and deposits at Central Banks	1 369 272	1 719 363	1 209 218
Deposits with banks	593 629	542 945	565 008
Financial assets held for trading	2 583 860	2 507 932	3 218 830
Financial assets at fair value through profit or loss	2 840 010	3 874 347	3 893 846
Available-for-sale financial assets	12 454 410	8 486 605	12 129 272
Loans and advances to banks	1 896 213	5 431 464	2 453 506
Loans and advances to customers	45 886 880	46 334 896	47 976 727
Held-to-maturity investments	965 724	1 499 639	1 025 271
Hedging derivatives	364 959	363 391	391 719
Non-current assets held for sale	3 675 294	3 567 011	3 365 181
Investment properties	381 972	395 855	393 232
Other tangible assets	924 539	925 438	954 282
Intangible assets	444 366	455 352	434 889
Investments in associates	450 984	536 666	608 300
Current income tax assets	38 228	36 399	32 926
Deferred income tax assets	1 940 776	1 034 318	935 750
Reinsurance Technical Provisions	9 879	10 435	12 082
Other assets	3 395 285	2 885 960	3 046 075
TOTAL ASSETS	**80 216 280**	**80 608 016**	**82 646 114**
LIABILITIES			
Deposits from central banks	8 613 740	9 530 131	10 041 724
Financial liabilities held for trading	1 471 792	1 284 272	1 568 181
Deposits from banks	5 802 205	4 999 493	5 197 142
Due to customers	36 685 238	36 830 893	37 911 655
Debt securities	11 475 821	11 919 450	12 732 272
Hedging derivatives	126 755	130 710	169 602
Investment contracts	5 260 830	4 278 066	3 474 902
Non current liabilities held for sale	217 078	153 580	155 579
Provisions	1 587 274	192 452	192 602
Technical provisions	1 769 825	1 754 655	1 494 592
Current income tax liabilities	109 691	101 868	123 261
Deferred income tax liabilities	100 678	97 129	171 761
Other subordinated loans	977 651	1 066 298	830 932
Other liabilities	1 773 797	1 219 723	1 350 167
TOTAL LIABILITIES	**75 972 375**	**73 558 720**	**75 414 372**
EQUITY			
Capital	6 084 696	5 040 124	5 040 124
Share Premium	1 049 600	1 067 596	1 068 670
Other capital instruments	28 941	29 162	29 322
Treasury stock	(801)	(858)	(801)
Preference shares	159 342	159 342	167 952
Fair value reserve, other reserves and retained earnings	(11 687)	468 885	513 709
Profit for the period attributable to equity holders of the bank	(3 577 327)	(517 558)	(237 455)
Shareholder's Equity	**3 732 764**	**6 246 693**	**6 581 521**
Minority Iterests	511 141	802 603	650 221
TOTAL EQUITY	**4 243 905**	**7 049 296**	**7 231 742**
TOTAL LIABILITIES AND EQUITY	**80 216 280**	**80 608 016**	**82 646 114**

BANCO ESPÍRITO SANTO, S.A.

CONSOLIDATED INCOME STATEMENT AS OF 30 JUNE 2014 AND 2013

Eur million

	Jun,14	Jun,13
Interest and similar income	1 397 315	1 726 023
Interest expense and similar charges	1 110 313	1 255 637
Net Interest Income	**287 002**	**470 386**
Dividend income	16 279	52 751
Fee and Commission income	411 791	422 491
Fee and Commission expense	91 498	94 300
Net gains from financial assets at fair value through profit or loss	(299 665)	(162 404)
Net gains from available-for-sale financial assets	428 024	240 880
Net gains from foreign exchange differences	40 343	(1 755)
Net gains/ (losses) from sale of other assets	2 321	(4 126)
Insurance earned premiums net of reinsurance	81 382	14 977
Claims incurred net of reinsurance	94 407	122 469
Change on the technical provision net of reinsurance	(22 758)	274 477
Other operating income and expense	(524 662)	(98 570)
Operating income	**234 152**	**992 338**
Staff costs	310 091	289 532
General and administrative expenses	227 929	220 939
Depreciation and amortisation	56 816	52 499
Provisions impairment net of reversals	1 426 746	(29 777)
Loans impairment net of reversals	2 130 631	553 096
Impairment on other financial assets net of reversals	482 376	52 685
Impairment on other assets net of reversals	213 742	171 238
Operating Costs	**4 848 331**	**1 310 212**
Disposal of Subsidiaries and Associates	(6 067)	-
Income arising on business combinations achieved in stages	22 665	-
Associate Income	6 272	1 089
Net income before income tax and minorities	**(4 591 309)**	**(316 785)**
Income tax		
Current tax	65 452	108 849
Deferred tax	(925 338)	(211 753)
	(859 886)	(102 904)
Earnings for continuing activities	**(3 731 423)**	**(213 881)**
Net Income of discontinued operations	(9 626)	(24 033)
Net Income	**(3 741 049)**	**(237 914)**
Attributable to Shareholders	**(3 577 327)**	**(237 455)**
Attributable to Minority Interests	**(163 722)**	**(459)**
	(3 741 049)	**(237 914)**