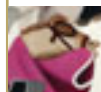




Luis Pinto Coelho  
Untitled  
Banco Espírito Santo (Spain)

# Financial Statements



9

## 9.1 > Financial Statements of Banco Espírito Santo

### > Balance Sheet as at 31 December 2002

(Amounts expressed in thousands of euros)					
ASSETS	Notes	YEAR			PREVIOUS YEAR
		TOTAL ASSETS	ACCUMULATED DEPRECIATION AND PROVISIONS	NET ASSETS	(NET ASSETS)
1. Cash and deposits at Central Banks	4	765,980		765,980	484,103
2. Loans and advances to credit institutions repayable on demand	5	614,105		614,105	951,701
3. Other loans and advances to credit institutions	6	5,312,132	8,868	5,303,264	4,539,869
4. Loans and advances to customers	7	15,522,122	211,146	15,310,976	14,120,843
5. Bonds and other fixed income securities		3,261,046	59,149	3,201,897	4,016,184
a) Issued by Government and Public entities	8	969,558	5,956	963,602	1,691,240
b) Issued by other entities	8	2,291,488	53,193	2,238,295	2,324,944
(Of which: Own securities)		(2,910)		(2,910)	(5)
6. Shares and other variable income securities	8	541,747	73,009	468,738	281,586
7. Investments	9	872,168	36,135	836,033	801,242
8. Investments in subsidiaries	10	808,529	1,901	806,628	730,775
9. Intangible assets	11	436,087	286,074	150,013	146,016
10. Tangible assets	12	815,976	520,792	295,184	314,351
(Of which: premises)		(491,704)	(268,643)	(223,061)	(230,944)
11. Unpaid capital		-	-	-	-
12. Treasury stock		-	-	-	-
13. Other debtors	13	326,491	9,401	317,090	371,982
15. Prepayments and accrued income	14	1,345,918	-	1,345,918	831,182
16. Loss for the year		-	-	-	-
<b>TOTALS</b>		<b>30,622,301</b>	<b>1,206,475</b>	<b>29,415,826</b>	<b>27,589,834</b>

OBLIGATIONS AND FUTURE COMMITMENTS	Notes	YEAR		PREVIOUS YEAR
				YEAR
1. Guarantees granted and contingent liabilities	25	9,083,884		8,075,881
Of which:				
— Acceptances and endorsements of rediscounted bills				
— Securities and asset backed securities		176,783		220,153
2. Commitments	25	2,080,864		1,765,496
Of which:				
— Commitments arising from sales with repurchase option				

#### Chief Accountant

The attached notes form an integral part of these financial statements

(Amounts expressed in thousands of euros)

	Notes	YEAR	PREVIOUS YEAR
<b>LIABILITIES AND SHAREHOLDER'S EQUITY</b>			
1. Amounts owed to credit institutions		9,445,893	9,598,525
a) Repayable on demand	15	379,183	424,907
b) With agreed maturity date	15	9,066,710	9,173,618
2. Amounts owed to customers		12,190,634	11,938,170
a) Savings accounts	16	2,273,973	2,462,115
b) Other amounts		9,916,661	9,476,055
ba) Repayable on demand	16	6,003,246	5,696,375
bb) With agreed maturity date	16	3,913,415	3,779,680
3. Debt securities		3,207,391	2,575,512
a) Outstanding bonds	17	1,491,529	784,618
b) Other securities	17	1,715,862	1,790,894
4. Other liabilities	18	78,901	100,158
5. Accruals and deferred income	19	441,435	374,516
6. Provisions for liabilities and charges		269,847	229,855
a) Pension plan and equivalent charges			
b) Other provisions	20	269,847	229,855
8. Subordinated debt	21	1,780,441	1,331,185
9. Share Capital	23	1,500,000	1,000,000
10. Share premium	23	300,000	192,950
11. Reserves	23	71,910	107,823
12. Revaluation reserves	23		
13. Retained earnings			
14. Net income for the year	23	129,374	141,140
<b>TOTALS</b>		<b>29,415,826</b>	<b>27,589,834</b>

The Board of Directors

> **Statement of income for the year ended 31 December 2002**

(Amounts expressed in thousands of euros)

	Notes	YEAR	PREVIOUS YEAR
<b>DEBIT</b>			
<b>A.EXPENSES</b>			
1. Interest expense	29	1,135,661	1,507,036
2. Commissions	29	24,646	20,345
3. Losses arising from trading activities	25 and 29	2,474,658	3,265,993
4. General administrative costs	29	340,639	354,781
a) Staff costs		165,196	180,688
Of which:			
(remunerations)		(118,090)	(131,657)
(social charges)		(45,766)	(47,979)
Of which:			
(pension plan)		(19,505)	(20,930)
b) Other administrative costs		175,443	174,093
5. Depreciation	11, 12 and 29	103,409	93,758
6. Other operating expenses	29 and 31	2,337	2,330
7. Provisions for loan losses and other risks	20 and 29	280,787	222,158
8. Provisions for investments	20 and 29	2,621	23,438
10. Net operating results		(160,700)	(153,316)
11. Extraordinary losses	29 and 32	39,163	17,859
13. Income taxes	29 and 33	1,725	
14. Other taxes	29	3,825	4,334
15. Net income for the year	29	129,374	141,140
<b>Totals</b>		<b>4,538,845</b>	<b>5,653,172</b>

Chief Accountant

The attached notes form an integral part of these financial statements

		(Amounts expressed in thousands of euros)	
		Notes	
		YEAR	PREVIOUS YEAR
REVENUES			
<b>B, PROVEITOS</b>			
1. Interest income	29	1,552,809	1,924,088
Of which:			
( fixed income securities)		(145,548)	(233,233)
2. Income from securities	29	67,336	48,685
a) Shares and other variable income securities		972	2,086
b) Income from securities		7,977	3,893
c) Income from investments in subsidiaries		58,387	42,706
3. Commissions	29	211,096	188,520
4. Profits arising from trading activity	25 and 29	2,561,031	3,341,111
5. Write back of provisions related with loans and advances, with contingent liabilities and with commitments	20 and 29	82,156	103,075
6. Write back of provisions related with investments	20 and 29	2,248	418
7. Other operating results	29 and 31	48,781	37,258
8. Net operating income			
9. Extraordinary gains	29 and 32	13,388	10,017
10. Loss for the year			
<b>Totals</b>		<b>4,538,845</b>	<b>5,653,172</b>

The Board of Directors

> **BES Securities and Investments Portfolio**  
31 December 2002

euros

	QUANTITY	FACE VALUE	AVERAGE ACQUISITION COST	MARKET VALUE	BOOK VALUE
<b>NATURE AND TYPE OF SECURITIES</b>					
<b>A. TRADING SECURITIES</b>	<b>3,299,675,819</b>	<b>135,716,743</b>	<b>249,668,666</b>	<b>250,406,704</b>	<b>250,406,704</b>
Bonds and other fixed income securities issued by residents	2,991,169,136	29,911,691	30,763,442	31,283,070	31,283,070
Portuguese government and other public issuers	2,991,169,136	29,911,691	30,763,442	31,283,070	31,283,070
- Medium and long term public debt securities	2,991,169,136	29,911,691	30,763,442	31,283,070	31,283,070
Bonds and other fixed income securities issued by non-residents	765,859	11,083,326	11,444,498	11,606,213	11,606,213
Foreign governments and public issuers	0	0	0	0	0
- Medium and long term public debt securities	0	0	0	0	0
Other non-residents	765,859	11,083,326	11,444,498	11,606,213	11,606,213
- Medium and long term debt securities	765,859	11,083,326	11,444,498	11,606,213	11,606,213
Variable income securities	18,412,875	91,828,446	204,567,420	204,606,914	204,606,914
Issued by residents	18,399,806	91,815,692	203,232,133	203,271,627	203,271,627
- Investment funds units	17,845,881	89,050,946	200,058,699	200,082,895	200,082,895
- Other securities	553,925	2,764,746	3,173,434	3,188,732	3,188,732
Issued by non-residents	13,069	12,754	1,335,287	1,335,287	1,335,287
- Investment funds units	13,067	12,453	1,334,986	1,334,986	1,334,986
- Shares	2	301	301	301	301
Own securities	289,327,949	2,893,279	2,893,306	2,910,507	2,910,507
Fixed income	289,327,942	2,893,279	2,893,279	2,910,481	2,910,481
- Medium and long term	289,327,942	2,893,279	2,893,279	2,910,481	2,910,481
Variable income	7	0	26	26	26
- Shares	7	0	26	26	26
<b>B. INVESTMENT SECURITIES</b>	<b>21,941,775,856</b>	<b>3,430,172,530</b>	<b>3,552,386,065</b>	<b>3,452,639,985</b>	<b>3,552,386,065</b>
Fixed income securities by public issuers	21,293,959,282	896,897,986	938,274,981	929,568,409	938,274,981
Portuguese government and other public issuers	6,111,004,343	61,110,043	66,820,021	66,428,465	66,820,021
- Medium and long term public debt securities	6,111,004,343	61,110,043	66,820,021	66,428,465	66,820,021
Foreign governments and public issuers	15,182,954,939	835,787,943	871,454,960	863,139,944	871,454,960
- Medium and long term public debt securities	15,182,954,939	835,787,943	871,454,960	863,139,944	871,454,960
Fixed income from other issuers	476,755,476	2,282,160,297	2,276,971,299	2,253,347,395	2,276,971,299
Issued by residents	163,850,498	382,443,669	382,073,096	385,206,781	382,073,096
- Short term debt securities	909	45,341,115	45,341,115	45,408,416	45,341,115
- Medium and long term debt securities	163,849,589	337,102,554	336,731,981	339,798,365	336,731,981
Issued by non-residents	312,904,978	1,899,716,628	1,894,898,204	1,868,140,614	1,894,898,204
- By foreign financial institutions	0	0	0	0	0
- By other non-residents	312,904,978	1,899,716,628	1,894,898,204	1,868,140,614	1,894,898,204
- Medium and long term	312,904,978	1,899,716,628	1,894,898,204	1,868,140,614	1,894,898,204
Variable income securities	171,061,099	251,114,247	337,139,785	269,724,180	337,139,785
Issued by residents	162,249,115	248,862,770	298,225,440	245,467,703	298,225,440
- Shares	33,423,734	36,623,013	90,114,007	43,840,526	90,114,007
- Quotes	3	11,423	11,423	200	11,423
- Securities investment funds	92,177,866	921,779	1,060,946	460,981	1,060,946
- Investment funds units	36,647,512	211,306,555	207,039,064	201,165,996	207,039,064
Issued by non-residents	8,811,984	2,251,477	38,914,345	24,256,477	38,914,345
- Shares	8,807,696	2,247,407	33,414,039	18,779,384	33,414,039
- Investment funds units	4,218	4,020	250,256	227,043	250,256
- Other securities	70	50	5,250,050	5,250,050	5,250,050
<b>C. HELD TO MATURITY SECURITIES</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>D. INVESTMENTS</b>	<b>47,801,189,025</b>	<b>810,062,466</b>	<b>1,772,556,296</b>	<b>1,464,524,789</b>	<b>1,772,556,296</b>
Investments	47,577,649,076	135,644,956	872,168,098	565,280,681	872,168,098
- In credit institutions in Portugal	892,700	892,700	890,554	892,700	890,554
- In credit institutions abroad	47,523,008,475	57,846,749	212,825,892	180,699,756	212,825,892
- In other companies in Portugal	53,732,014	71,486,794	652,964,521	378,201,094	652,964,521
- In other companies abroad	15,887	5,418,713	5,487,131	5,487,131	5,487,131
Investments in subsidiaries	223,539,928	582,557,917	808,528,604	808,528,788	808,528,604
- In credit institutions in Portugal	63,414,028	289,119,820	440,605,836	440,605,836	440,605,836
- In credit institutions abroad	26,261,050	125,910,439	177,617,108	177,617,108	177,617,108
- In other companies in Portugal	133,357,762	163,148,489	167,477,078	167,477,262	167,477,078
- In other companies abroad	507,088	4,379,169	22,828,582	22,828,582	22,828,582
Sub-total	47,801,189,004	718,202,873	1,680,696,702	1,373,809,469	1,680,696,702
Other investments	21	91,859,594	91,859,594	90,715,320	91,859,594
<b>TOTAL</b>	<b>73,042,640,700</b>	<b>4,375,951,740</b>	<b>5,574,611,026</b>	<b>5,167,571,478</b>	<b>5,575,349,065</b>

	QUANTITY	FACE VALUE	AVERAGE ACQUISITION COST	MARKET VALUE	BOOK VALUE
<b>NATURE AND TYPE OF SECURITIES</b>					
<b>A. TRADING SECURITIES</b>	<b>3,299,675,819</b>	<b>135,716,743</b>	<b>249,668,666</b>	<b>250,406,704</b>	<b>250,406,704</b>
Bonds and other fixed income securities issued by residents	2,991,169,136	29,911,691	30,763,442	31,283,070	31,283,070
Portuguese government and other public issuers	2,991,169,136	29,911,691	30,763,442	31,283,070	31,283,070
- Medium and long term	2,991,169,136	29,911,691	30,763,442	31,283,070	31,283,070
O.T. 10.625%-JUN.03 OBRG.PORTADOR	2,499,973	25,000	26,696	25,965	25,965
O.T. 8.875%-JAN.04 OBRG.PORTADOR	21,000,072	210,001	227,630	240,745	240,745
O.T. 11.875%-FE.05 OBRG.PORTADOR	94	1	8	1	1
O.T. 9.5%-FEB.2006 OBRG.PORTADOR	61,913,398	619,134	728,099	783,951	783,951
O.T. 5.45% SEP.2013 OBRG.PORTADOR	500,400,180	5,004,002	5,421,764	5,495,552	5,495,552
O.T. 3.625% AUG.2004 OBRG.PORTADOR	2,405,355,400	24,053,554	24,359,234	24,736,856	24,736,856
O.T. 5.375% JUN.2008 OBRG.PORTADOR	19	0	11	0	0
Bonds and other fixed income securities issued by non-residents	765,859	11,083,326	11,444,498	11,606,213	11,606,213
- Medium and long term	765,859	11,083,326	11,444,498	11,606,213	11,606,213
CREDIT LYONNAIS 06/11/11	25	2,500,000	2,485,106	2,491,450	2,491,450
KONINKLIJKE 7.25% 120406	5,000	5,000,000	5,749,608	5,737,115	5,737,115
FORD MOTOR CRED 10/25/04	3,000	2,860,685	2,599,342	2,767,206	2,767,206
WASHINGTON GRP INTL SHARE	757,834	722,641	610,442	610,442	610,442
Variable income securities	18,412,875	91,828,446	204,567,420	204,606,914	204,606,914
Issued by residents	18,399,806	91,815,692	203,232,133	203,271,627	203,271,627
- Investment funds units	17,845,881	89,050,946	200,058,699	200,082,895	200,082,895
ESPIRITO SANTO MONETÁRIO FUND (IF)	16,870,205	84,182,323	100,063,226	100,063,226	100,063,226
ESP.SANTO SHORT TERM FUND INVESTMENT FUND	975,676	4,868,623	99,995,472	100,019,669	100,019,669
- Others	553,925	2,764,746	3,173,434	3,188,732	3,188,732
TRANQUILIDADE VIDA 1997-5ª a 9ª SERIES	181,509	905,730	1,110,450	1,142,942	1,142,942
TRANQUILIDADE VIDA 1998-11ª a 20ª SERIES	291,655	1,455,358	1,634,983	1,619,398	1,619,398
TRANQUILIDADE VIDA 2000-22ª SERIES	14,737	73,538	79,608	79,506	79,506
TRANQUILIDADE VIDA 2001-26ª SERIES	12,038	60,190	63,816	63,621	63,621
TRANQUILIDADE VIDA 2001-28ª SERIES	53,986	269,930	284,577	283,265	283,265
Issued by non-residents	13,069	12,754	1,335,287	1,335,287	1,335,287
- Shares	2	301	301	301	301
CAPITAL CONNAUGT NOMINEES	1	151	151	151	151
CAPITAL ESPIRITO SANTO NOMINEES	1	151	151	151	151
- Investment funds units	13,067	12,453	1,334,986	1,334,986	1,334,986
FIRST PORTUGUESE OPPORTUNITY INVESTMENT FUNDS UNITS	13,067	12,453	1,334,986	1,334,986	1,334,986
Own securities	289,327,949	2,893,279	2,893,306	2,910,507	2,910,507
Of fixed income	289,327,942	2,893,279	2,893,279	2,910,481	2,910,481
- Medium and long term	289,327,942	2,893,279	2,893,279	2,910,481	2,910,481
BANCO ESPIRITO SANTO 1993-CX.SUB. OBRG.PORTADOR	289,327,942	2,893,279	2,893,279	2,910,481	2,910,481
Of Variable income	7	0	26	26	26
- Shares	7	0	26	26	26
BESCL 1992 IR DIREITOS NOMINATIVOS	7	0	26	26	26
<b>B. INVESTMENT SECURITIES</b>	<b>21,941,775,856</b>	<b>3,430,172,533</b>	<b>3,552,386,065</b>	<b>3,452,639,985</b>	<b>3,552,386,065</b>
Fixed income securities by public issuers	21,293,959,282	896,897,986	938,274,981	929,568,409	938,274,981
Portuguese government and other public issuers	6,111,004,343	61,110,043	66,820,021	66,428,465	66,820,021
- Medium and long term	6,111,004,343	61,110,043	66,820,021	66,428,465	66,820,021
O.T. 5% JUN. 2012	2,000,000,000	20,000,000	21,003,419	21,000,000	21,003,419
O.T. 10.625%-JUN.03	868,699,200	8,686,992	9,060,012	8,999,724	9,060,012
O.T. 8.875%-JAN.04	789,718,322	7,897,183	8,524,910	8,394,706	8,524,910
O.T. 11.875%-FEB.05 OBRG.PORTADOR	900,425,394	9,004,254	10,743,330	10,645,729	10,743,330
O.T. 9.5%-FEB.2006 OBRG.PORTADOR	1,010,396,908	10,103,969	12,074,909	11,973,203	12,074,909
TESOURO-OTVR 1996/2003 OBRG.PORTADOR	539,315,505	5,393,155	5,390,141	5,393,155	5,390,141
O.T. 4.8125% APR.03 OBRG.PORTADOR	95	1	1	1	1
O.T. 3.625% AUG.2004 OBRG.PORTADOR	2,000,000	20,000	20,170	20,300	20,170
O.T. 6.625%-FEB.2007 OBRG.PORTADOR	1	0	0	0	0
CONSOLIDADO 3%-1942 OBRG.PORTADOR	279,327	2,793	1,517	859	1,517
CONSOLIDADO 2 3/4%-1943 OBRG.PORTADOR	19,952	200	87	40	87
CONSOLIDADO 4%-1940 CENTEN. OBRG.PORTADOR	149,639	1,496	1,525	748	1,525
Foreign governments and public issuers	15,182,954,939	835,787,943	871,454,960	863,139,944	871,454,960
- Medium and long term	15,182,954,939	835,787,943	871,454,960	863,139,944	871,454,960
BUND.DEUTSCHLAND 5% 04/07/2011 OBRG.PORTADOR	2,500,000,000	25,000,000	26,561,494	26,525,000	26,561,494
BUNDESobligation 4% 16/02/2007 OBRG.PORTADOR	7,500,000,000	75,000,000	77,022,315	76,912,500	77,022,315
BUND.DEUTSCHLAND 5% 04/07/2012 OBRG.PORTADOR	4,500,000,000	45,000,000	47,626,534	47,677,500	47,626,534
KINGDOM OF SPAIN 4.75% 30/07/14 OBRG.PORTADOR	65	1	0	1	0

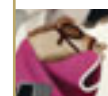


	QUANTITY	FACE VALUE	AVERAGE ACQUISITION COST	MARKET VALUE	BOOK VALUE
<b>NATURE AND TYPE OF SECURITIES</b>					
KINGDOM OF SPAIN 30/07/2012 OBRG.PORTADOR	25,000	25,000,000	26,364,220	26,337,500	26,364,220
KINGDOM OF SWEDEN 3.5% 20/04/2006 OBRG.PORTADOR	8,000	4,370,240	4,418,170	3,994,406	4,418,170
CANADA GOVERNMENT 5.4% 30/11/2004 OBRG.PORTADOR	2,500	3,436,143	3,554,767	3,091,841	3,554,767
DEUTCHLAND REP 5.625%	2	0	0	0	0
FRANCE OAT 0 10/25/25	10,000,000	10,000,000	10,000,000	3,187,949	10,000,000
FED NAT MORTGAGE ASSOC VAR (FHG-DIV)	1,369,122	1,305,542	1,301,362	1,313,010	1,301,362
FED NAT MORTGAGE ASSOC VAR (FHR-DIV)	89,712,935	85,546,806	85,511,316	85,829,334	85,511,316
FED NAT MORTGAGE ASSOC VAR (FNR-DIV)	101,107,266	96,412,002	96,357,833	96,680,475	96,357,833
GOV NAT MORTGAGE ASSOCIATION FIXED	476,820	454,677	452,811	456,450	452,811
GOV NAT MORTGAGE ASSOCIATION VAR	10,277,102	9,799,849	9,796,047	9,821,950	9,796,047
INVESTER SAVINGS 110103	19,911	18,987	18,987	18,987	18,987
SMALL BUSINESS ADMINISTRATION (DIV)	464,956,213	443,364,367	471,389,774	470,734,465	471,389,774
UNITED MEX STATES 10 3/8	5,000,000	4,767,808	4,767,808	4,810,718	4,767,808
REP OF GREECE	1	3,438,984	3,438,984	3,450,402	3,438,984
RUSSIAN FEDERATION	1	2,872,538	2,872,538	2,297,456	2,872,538
Fixed income from other issuers	476,755,476	2,282,160,297	2,276,971,299	2,253,347,395	2,276,971,299
Issued by residents	163,850,498	382,443,669	382,073,096	385,206,781	382,073,096
- Short term	909	45,341,115	45,341,115	45,408,416	45,341,115
CLIMA ESPAÇO 06/01/2003 25EM	19	935,246	935,246	935,323	935,246
SOMINCOR 06/01/03 35EM	40	1,999,999	1,999,999	2,000,103	1,999,999
JMR GESTAO EMP 15/01/03 15 EM	69	3,450,000	3,450,000	3,450,326	3,450,000
MODELO CONTINENTE 15/01/02 97E	120	6,000,000	6,000,000	6,001,208	6,000,000
SOMINCOR 01/17/03 36EM	11	555,555	555,555	555,656	555,555
SFMS 17/02/2003 9EM	184	9,183,429	9,183,429	9,193,853	9,183,429
ADP ADUBOS PORT. 27/02/03 37EM	79	3,950,000	3,950,000	3,952,632	3,950,000
RICARDO GALLO 05/03/2003 28EM	30	1,500,000	1,500,000	1,503,238	1,500,000
PAPELARIA FERNANDE 11/03/03 24	50	2,493,990	2,493,990	2,500,125	2,493,990
ISAR RAKOLL 13/03/2003 29 EM	5	249,399	249,399	249,610	249,399
JMR GESTAO EMP. 14/03/03 10 EM	193	9,650,000	9,650,000	9,671,187	9,650,000
JB FERNANDES 18/03/2003 43 EM	15	750,000	750,000	751,396	750,000
M.J.PESTANA 109EM 18/03/2003	8	375,000	375,000	375,698	375,000
RAR REFINARIAS 28/03/03 97EM	12	600,000	600,000	600,626	600,000
MESTRE MACO 14/04/2003 4E	50	2,500,000	2,500,000	2,509,295	2,500,000
EEM 41EM 12/06/2002	11	525,000	525,000	526,578	525,000
INCOMPOL 12/19/2003 5EM	12	623,497	623,497	631,563	623,497
- Medium and long term	163,849,589	337,102,554	336,731,981	339,798,365	336,731,981
BANCO INT.CREDITO 99 3 <sup>o</sup> EM.CX. OBRG.PORTADOR	2,154,186	107,709,300	107,911,289	107,709,300	107,911,289
BANCO INT. CREDITO 5.46% 24/03/08 OBRG.PORTADOR	1,112,932	11,129,320	11,179,691	11,996,517	11,179,691
BANCO INT. CREDITO 5.32% 20/06/07 OBRG.PORTADOR	890,655	44,532,750	44,399,210	47,621,987	44,399,210
BANCO INT. CRÉDITO 5.23% 27/06/07 OBRG.PORTADOR	941,710	47,085,500	47,000,911	50,182,313	47,000,911
BESLEASING IMOB. 22/11/2010 OBRG.CAIXA PORTADOR	79,123	3,956,150	3,955,070	4,027,361	3,955,070
BESLEASING MOBIL. 22/11/2005 OBRG.CAIXA PORTADOR	180,931	9,046,550	9,044,237	9,155,109	9,044,237
CIPAN 1989 OBRG.PORTADOR	50,000	87,200	142,508	85,857	142,508
SOMAGUE SGPS 1998 WARRANTS	90,985	454,015	0	31,845	0
TECNOVIA-EMPRESAS 1991 OBRG.PORTADOR	436,285	715,507	717,682	715,293	717,682
TRANQUILIDADE VIDA 19/12/2002 OBRG.PORTADOR	600,000	30,000,000	30,000,000	30,000,000	30,000,000
FRANCISCO L.BATISTA 1994 PARTICIP. OBRG.PORTADOR	10,000	23,900	19,757	20,540	19,757
GRUPADA UNIBETAO 1996-TX.VAR. OBRG.PORTADOR	44,891,811	448,918	448,873	448,828	448,873
GRUPADA LONGAV.CIMIL 1996-TX.VAR. OBRG.PORTADOR	50,000	149,500	149,589	149,664	149,589
HLC ENG.GESTÃO PROJ. 1998 OBRG.PORTADOR	100,000	149,200	149,020	149,543	149,020
ABRANTINA, SGPS, SA, 30/07/2004 OBRG.PORTADOR	200,000	1,000,000	1,000,000	1,001,200	1,000,000
BANCO INT. CREDITO 98 PERPET. SUB. OBRG.PORTADOR	76,487,806	764,878	764,997	764,878	764,997
BANCO INT. CREDITO 1997 PERPET.SUB OBRG.PORTADOR	34,065,164	340,652	340,247	338,131	340,247
CREDIBOM 1999 SUB. OBRG.PORT.PERPETUAS	8,000	400,000	399,685	400,000	399,685
BIC SFE 2000 1 EMISSAO	1,500,000	75,000,000	75,000,000	75,000,000	75,000,000
TITULOS VENCIDOS	1	4,109,214	4,109,214	0	4,109,214
By other non-residents	312,904,978	1,899,716,628	1,894,898,204	1,868,140,614	1,894,898,204
- Medium and long term	312,904,978	1,899,716,628	1,894,898,204	1,868,140,614	1,894,898,204
AGL CAPITAL CORP - CP	5,000	4,767,808	4,760,126	4,760,126	4,760,126
ALPHA-S LT CL EDF TFINA	500	40,700,000	40,524,124	40,564,062	40,524,124
ALPHA-SIRES LTD 02/04/2009 OBRG.PORTADOR	11	1,100,000	1,104,134	1,073,534	1,104,134
AMERICAN WATER CORP - CP	5,000	4,767,808	4,766,583	4,766,583	4,766,583
ATAR INV. (JERSEY) 28/02/2011 OBRG.PORTADOR	50	5,000,000	4,998,184	4,971,250	4,998,184
ATAR INVEST.(JERSEY) 20/02/2008 OBRG.PORTADOR	40,000,000	40,000,000	39,988,370	40,040,000	39,988,370
ATAR INVESTMENTS 28/07/16	5,250,000	52,500,000	51,614,767	52,754,100	51,614,767
AUTOZONE INC.	5,000,000	4,767,808	4,765,027	4,765,027	4,765,027
B SPIRES LIMITED SER 25	377	37,700,000	37,748,664	37,966,162	37,748,664

	QUANTITY	FACE VALUE	AVERAGE ACQUISITION COST	MARKET VALUE	BOOK VALUE
<b>NATURE AND TYPE OF SECURITIES</b>					
BANKERS TRUST AUSTRALIA	200	1,907,123	1,893,838	1,904,143	1,893,838
BBV 95	10	953,562	953,562	953,562	953,562
BCI US FUNDING TR 98	4,000	4,000,000	3,922,824	3,800,000	3,922,824
BEAR STEARNS 05/24/2004	3,000	2,860,685	2,865,637	2,874,470	2,865,637
BK OF GREECE ATHENS	2	6,164,471	6,164,471	6,216,715	6,164,471
BORAL LTD.	5,000,000	4,767,808	4,764,331	4,764,331	4,764,331
BOSTON SCIENTIFIC CORP-CP	5,000	4,767,808	4,767,622	4,767,622	4,767,622
BQ PSA FINANCE 4.875	300	3,000,000	3,063,292	3,107,463	3,063,292
BRITISH GAS 10.75 93/03	690	1,781,773	1,781,773	1,781,857	1,781,773
BRITISH TELECOM 5.625% 2004	10,000	10,000,000	10,176,173	10,270,600	10,176,173
BRITISH TELECOM 12/15/03	3,000	2,860,685	2,880,239	2,884,667	2,880,239
BRITISH TELECOM PLC	1	9,535,616	9,535,616	10,667,016	9,535,616
BTAR INVEST JSY 28/07/16	5,250,000	52,500,000	51,630,343	52,754,100	51,630,343
CAPITALIA ROME	1	2,483,125	2,483,125	2,483,125	2,483,125
CATERP FIN SERV 01312005	5,000	4,767,808	4,766,605	4,766,602	4,766,605
CENTRAL EURO MEDIA 8.125% 15/08/04 OBRG.PORTADOR	2,000	1,022,580	707,432	707,432	707,432
CHRYSLER FIN CO 06/18/03	10,500	10,012,396	9,982,250	9,981,891	9,982,250
CIC PERPETUAL	100	953,562	953,562	939,854	953,562
CITIGROUP 07/26/2004	5,000	4,767,808	4,753,183	4,777,038	4,753,183
CITIGROUP 4.125% 06/05	5,000	4,767,808	4,888,460	4,948,508	4,888,460
CLASSIC I (CAYMAN) 03/04/2009 OBRG.PORTADOR	532	5,320,000	4,972,648	4,938,556	4,972,648
COLONIAL PIPELINE CO - CP	4,000	3,814,246	3,813,531	3,813,531	3,813,531
COMPASS GROUP PLC	2	18,816,153	18,816,153	19,260,215	18,816,153
CONOCOPHILLIPS - CP	5,000	4,767,808	4,766,020	4,766,020	4,766,020
CONOCOPHILLIPS 3.625%	2,000	1,907,123	1,905,219	1,939,439	1,905,219
CREDIT SUISSE F B 040505	5,000	4,767,808	4,766,187	4,708,132	4,766,187
CROWN CORK & SEAL	1	5,000,000	5,000,000	3,849,500	5,000,000
CSX CORP.	5,000,000	4,767,808	4,766,640	4,766,640	4,766,640
DAIMLER CHRYSLER 01/15/04	90	9,000,000	9,009,705	9,002,124	9,009,705
DAIMLER CHRYSLER 03/21/03	1,000	1,000,000	1,000,796	1,000,000	1,000,796
DAIMLER CHRYSLER 06/13/03	2,211	2,211,000	2,204,619	2,199,945	2,204,619
DAIMLER CHRYSLER 08/02/04	1,000	953,562	948,218	941,730	948,218
DAIMLER CHRYSLER 08/16/04	1,000	953,562	937,721	944,760	937,721
DAIMLER CHRYSLER 12/05/05	50	5,000,000	4,993,108	4,984,124	4,993,108
DAIMLERCHRYSLER 4% 12/03/04	10,000	10,000,000	9,974,413	10,034,490	9,974,413
DEN DANSKE BANK 96/07	150	2,305,919	2,303,958	2,303,958	2,303,958
DEUTSCHE TELEK 5.5 093005	5,000	10,000,000	10,017,048	10,092,330	10,017,048
DEUTSCHE TELEKOM 08/14/03	5,000	5,000,000	4,986,387	4,977,500	4,986,387
DIXONS TREASURY	1	11,289,692	11,289,692	11,692,170	11,289,692
EASTERN GROUP PLC 8.375% 31/03/04 OBRG.PORTADOR	1,500	2,305,919	2,305,918	2,416,603	2,305,918
EASTMAN KODAK CO - CP	5,000	4,767,808	4,763,591	4,763,591	4,763,591
EIRLES LIMITED 04/18/2010	432	50,000,000	50,693,489	50,732,500	50,693,489
EMIDAG INV. LTD 05/04/2019 OBRG.PORTADOR	800	76,284,924	71,576,474	73,123,677	71,576,474
EMIDAG INV. LTD 07/04/2015 OBRG.PORTADOR	330	31,467,531	31,470,643	31,467,531	31,470,643
ESCOM LTD 19/12/2007 OBRG.PORTADOR	135,725	129,346	129,422	129,422	129,422
FILMS PLC 31/03/2008	33,964,692	339,647	280,965	219,072	280,965
FORD 6.5% 01/25/2007	5,000	4,767,808	4,702,924	4,752,551	4,702,924
FORD CREDIT EUROPE 031203	100	1,537,279	1,533,340	1,521,906	1,533,340
FORD CREDIT EUROPE 080805	2,000	3,074,558	2,957,264	2,937,080	2,957,264
FORD MOT CRED 10/25/04	4,000	3,814,246	3,824,594	3,705,502	3,824,594
FORD MOTOR CRE 06/23/2003	3,000	2,860,685	2,845,337	2,845,160	2,845,337
FORD MOTOR CRED 01/26/04	5,000	4,767,808	4,597,422	4,532,878	4,597,422
FORD MOTOR CRED 04/28/05	5,000	4,767,808	4,363,071	4,325,962	4,363,071
FORD MOTOR CRED 10/25/04	3,000	2,860,685	2,733,538	2,747,138	2,733,538
FORD MOTOR CRED 5.75%	5,000	4,767,808	4,745,977	4,801,135	4,745,977
FORD MOTOR CRED 7.25%	3,000	4,611,837	4,445,509	4,473,021	4,445,509
FORD MOTOR CREDIT 3/8/04	440	419,567	414,734	406,980	414,734
GALLAHER GP 4.875% 012805	5,000	5,000,000	5,055,971	5,099,990	5,055,971
GAP LIMITED 06/04/13	1,000	64,300,000	64,268,026	64,303,858	64,268,026
GEN ELECTR 4.25 01/15/08	1,000	2,860,685	2,843,524	2,951,140	2,843,524
GEN MOTORS ACC 5.375%	5,000	5,000,000	4,986,530	4,981,500	4,986,530
GENERAL MILLS INC - CP	5,000	4,767,808	4,761,563	4,761,563	4,761,563
GENERAL MOT ACC 08/04/03	7,000	6,674,931	6,641,238	6,611,519	6,641,238
GENERAL MOT ACC 6% 101606	1,000	5,000,000	4,951,170	5,010,700	4,951,170
GENERAL MOT ACC 6.125%	5,000	5,000,000	5,018,308	4,973,000	5,018,308
GENERAL MOT ACC 6.125%	5,000	4,767,808	4,834,099	4,816,439	4,834,099

	QUANTITY	FACE VALUE	AVERAGE ACQUISITION COST	MARKET VALUE	BOOK VALUE
NATURE AND TYPE OF SECURITIES					
GENL MOT 1/20/04	6,450	6,150,472	6,131,422	6,074,637	6,131,422
GENL MOTORS 5.5% 06/06/05	6,500	6,500,000	6,495,729	6,516,250	6,495,729
GENL MOTORS ACC 05/04/04	5,000	4,767,808	4,637,578	4,684,447	4,637,578
GENL MOTORS ACC 5.25%	5,000	4,767,808	4,764,727	4,782,408	4,764,727
GENL MOTORS ACC 6.375%	2,000	3,074,558	3,034,440	2,862,414	3,034,440
GENL MOTORS ACC 6.38% 04	3,000	2,860,685	2,921,820	2,928,427	2,921,820
GOV TRUST CERT 7,33	2,916,667	2,781,221	2,781,221	3,025,273	2,781,221
HALIFAX PLC 4.75% 032409	1,000	5,000,000	5,050,082	5,100,296	5,050,082
HECTOR FUNDING II 14/03/2011 OBRG.PORTADOR	40	4,000,000	3,966,538	2,883,200	3,966,538
HOLMES FUNDING 10/99	458,247	322,540	322,572	322,540	322,572
HOUSEHOLD	2,000	1,907,123	1,907,123	1,897,587	1,907,123
HOUSEHOLD FIN CO FLOAT	1,000	953,562	948,898	948,984	948,898
HOUSEHOLD FIN FL 6/24/03	600	572,137	570,586	570,009	570,586
HSBC BANK PLC - CLAN	1	7,151,712	7,151,712	7,151,712	7,151,712
IMP TOBACCO 5.75 060605	1,000	1,000,000	1,034,266	1,038,920	1,034,266
IMP TOBACCO 6.25% 060607	5,000	6,500,000	6,806,276	6,903,650	6,806,276
IMPERIAL TOBACCO	1	2,000,000	2,000,000	2,080,200	2,000,000
IMPERIAL TOBACCO	1	3,000,000	3,000,000	3,191,100	3,000,000
INTESA 98	1,000	1,000,000	1,000,000	955,000	1,000,000
IRISH PERM 97/07	200	3,074,558	3,063,913	3,068,752	3,063,913
ITT INDUSTRIES INC - CP	5,000	4,767,808	4,764,693	4,764,693	4,764,693
JOHN DEERE CAP 04/21/03	3,000	2,860,685	2,857,948	2,857,948	2,857,948
JOHN DEERE CAPITAL - CP	5,000	4,767,808	4,766,490	4,766,490	4,766,490
KELLOGG USA INC - CP	5,000	4,767,808	4,765,412	4,765,412	4,765,412
KEYSPAN CORP - CP	5,000	4,767,808	4,759,242	4,759,242	4,759,242
KONINKLIJKE KPN 4 063004	5,000	5,000,000	4,968,582	5,025,500	4,968,582
LAFARGE CORP 6.5 15/07/08	1,470	1,401,735	1,509,983	1,522,733	1,509,983
LANDSBANKI ISLANDS 16/12/2011 OBRG.PORTADOR	10	953,562	949,973	891,294	949,973
LINCOLN NATIONAL CORP -CP	5,000	4,767,808	4,765,392	4,765,392	4,765,392
LUSITANO GLB PLC 12/05/15	127	12,700,000	12,700,000	12,700,000	12,700,000
MARATHON OIL CORP - CP	5,000	4,767,808	4,764,417	4,764,417	4,764,417
MC CORMICK AND CO INC -CP	5,000	4,767,808	4,766,695	4,766,695	4,766,695
MERCURY EUROPEAN 28/05/2004 OBRG.PORTADOR	1,000	1,537,279	1,537,278	1,528,670	1,537,278
MILACRON CAP. HOLDINGS	5,000	5,000,000	5,000,000	3,400,000	5,000,000
NAT BK HUNG BUDAPEST	1	5,000,435	5,000,435	5,180,450	5,000,435
NATEXIS BANQUE 7% 14/11/2005 OBRG.PORTADOR	100	953,562	953,562	1,076,857	953,562
NAVIO COMPANY LIM 15/05/2011 OBRG.PORTADOR	4,586,697	4,586,697	4,605,487	4,647,379	4,605,487
NAVIO COMPANY LTD 10/05/2011 OBRG.PORTADOR	691,385	34,569,250	35,684,665	34,569,250	35,684,665
NAVIO COMPANY LTD 26/04/2010 OBRG.PORTADOR	14,669,191	14,669,191	14,647,531	13,102,668	14,647,531
NET SUL TV A CABO 31/10/2005 OBRG.PORTADOR	5,000	4,767,805	4,767,808	4,767,808	4,767,808
NEWELL CO 3/24/03	2,000	1,907,123	1,905,592	1,905,769	1,905,592
OLIVETTI FINANCE 01/03/06	1,000	1,000,000	998,320	991,455	998,320
PARKER HANNIFI COR 100103	3,000	2,860,685	2,859,856	2,857,203	2,859,856
PAROO112011	5,000	50,000,000	50,133,065	49,454,000	50,133,065
PHILIP MORRIS INC 7% 15/07/2005 OBRG.PORTADOR	2,900	2,765,327	2,765,328	2,991,035	2,765,328
PORTLAND CAP JERSEY	1	16,000,000	16,000,000	14,920,000	16,000,000
PREMIER INTL FOODS 12,25% 01/09/09 OBRG.PORTADOR	1,000	1,537,279	1,625,947	1,706,380	1,625,947
PT INTL FINANCE BV 2% 06/12/2006 OBRG.PORTADOR	1,560	7,800,000	7,800,000	7,312,500	7,800,000
REXAM PLC	1	5,000,000	5,000,000	5,343,250	5,000,000
REXAM PLC	1	5,000,000	5,000,000	5,343,250	5,000,000
ROCK LTD 07/06/2013 OBRG.PORTADOR	185,561,970	185,561,970	179,462,827	176,762,621	179,462,827
ROCK LTD 22/03/2008 OBRG.PORTADOR	500	37,000,000	38,234,606	38,369,370	38,234,606
SAFEWAY INC - CP	5,000	4,767,808	4,763,868	4,763,868	4,763,868
SB FINANCE LTD 12/03/11	1,299,302	64,965,100	64,648,617	64,842,316	64,648,617
SHERLOCK LTD 15/02/2021 OBRG.PORTADOR	54	51,492,324	56,554,434	55,714,694	56,554,434
SHERLOCK LTD 23/07/2015 OBRG.PORTADOR	97,567	975,670	990,713	977,319	990,713
SIGNUM CLN PANGAEA PORT	800,000	40,000,000	40,000,000	40,000,000	40,000,000
SIRES AUSTRALIA LTD	1	653,871	653,871	652,236	653,871
SIRES CLN 30/11/11	1,000	50,000,000	50,037,251	49,848,500	50,037,251
SIRES LTD 04/11/2009	83	8,300,000	8,302,364	8,313,778	8,302,364
SKYLARK LIMITED 04/12/10	10,000	3,140,000	3,092,990	3,092,277	3,092,990
SL FUNDING 03/12/2011 OBRG.PORTADOR	698	34,900	34,987	34,834	34,987
SONERA CORP 06/07/2004	25	2,500,000	2,500,000	2,508,750	2,500,000
SPICE LTD 27/06/2003 OBRG.PORTADOR	100	5,016,091	5,073,258	768,967	5,073,258
STAGECOACH GROUP PLC	1	5,000,000	5,000,000	4,729,500	5,000,000
SUEZ FINANCE LP - CP	5,000	4,767,808	4,762,802	4,762,802	4,762,802

	QUANTITY	FACE VALUE	AVERAGE ACQUISITION COST	MARKET VALUE	BOOK VALUE
<b>NATURE AND TYPE OF SECURITIES</b>					
TELECOM DE PUERTO RICO-CP	3,000	2,860,685	2,860,569	2,860,569	2,860,569
TELECOM ITALIA	1	15,000,000	15,000,000	15,667,125	15,000,000
TELECOM ITALIA 06/21/2005	5,000	5,000,000	5,013,377	5,015,000	5,013,377
TEXTRON FLOAT 4/29/03	5,000	4,767,808	4,767,808	4,769,667	4,767,808
TPSA EUROFINANCE BV	1	5,000,000	5,000,000	4,999,000	5,000,000
TRANSCO HOLDINGS PLC	1	7,526,461	7,526,461	7,466,250	7,526,461
TYCO INT GROUP S.A.	1	5,000,000	5,000,000	4,502,000	5,000,000
UNIVERS. DE VALENCIA 6.6% 15/12/2022 OBRG.PORTADOR	250	1,502,530	1,570,151	1,903,555	1,570,151
USINOR SACILOR	1	4,967,500	4,967,500	5,112,500	4,967,500
VERDANT CLN 14/12/11	1,500	15,000,000	15,110,310	14,960,100	15,110,310
VERDANT LIMITED 03/27/08	50	50,000,000	50,381,212	50,349,500	50,381,212
VERIZON FLOATER 12/17/03	5,000	4,767,808	4,719,049	4,755,888	4,719,049
VIAD CORP - CP	5,000	4,767,808	4,764,311	4,764,311	4,764,311
VIVENDI ENVIROMENT	1	14,999,850	14,999,850	14,909,851	14,999,850
VOLKSWAGEN FIN 4.875%	2,000	2,000,000	2,031,091	2,063,022	2,031,091
WALT DISNEY CO 3.9 091503	3,000	2,860,685	2,884,418	2,902,843	2,884,418
WALT DISNEY COMPANY - CP	5,000	4,767,808	4,762,802	4,762,802	4,762,802
WASHINGTON MUTUAL CP	5,000	4,767,808	4,765,591	4,765,591	4,765,591
WEYERHAEUSER CO. 9/15/03	5,000	4,767,808	4,766,875	4,794,889	4,766,875
WYETH - CP	5,000	4,767,808	4,753,597	4,753,597	4,753,597
XENON CAPITAL PLC SPA	40	40,000,000	40,027,199	40,072,000	40,027,199
CREDIT LNKO STRUCT SEC	495	49,500,000	50,041,612	50,235,570	50,041,612
SIGNUM CLN 14/05/12	847,970	42,398,500	42,706,121	42,800,014	42,706,121
SIGNUM CLN 21/05/12	1,000,000	50,000,000	49,719,420	49,971,000	49,719,420
SIRES LTD 04/11/2009	417	41,700,000	41,761,110	41,769,222	41,761,110
TITULOS VENCIDOS	5,000	19,251,561	19,251,561	0	19,251,561
Variable income securities	171,061,099	251,114,249	337,139,785	269,724,180	337,139,785
Issued by residents	162,249,115	248,862,770	298,225,440	245,467,703	298,225,440
- Shares	33,423,734	36,623,013	90,114,007	43,840,526	90,114,007
VIDAGO MELG. & P.SALG (ANTIGAS) ACCS.PORTADOR	2	5	0	0	0
FÁBRICAS TRIUNFO 1995 RED.CAP. DIREITOS PORTADOR	1	0	0	0	0
UNICER-U. CERVEJEIRA 1992-INC.RES. DIREITOS NOMINATIVOS	1	0	0	0	0
COFACO ACCS.PORTADOR	11,396	56,866	137,672	2,621	137,672
COMP.N.F.T.T.NOVAS ACCS.PORTADOR	208,876	1,044,380	552,185	58,485	552,185
GREGORIO & CIA ACCS.PORTADOR	1,460	7,285	44,081	0	44,081
FIACO-FI.ALG.COIMBRA ACCS.PORTADOR	3,650	18,214	182,152	0	182,152
FITOR-C. PORTUGUESA DE TEXTEIS, SA ACCS.PORTADOR	3,357	6,714	99,797	1,578	99,797
FONCAR-ORGANIZAÇÃO IND. COM.TEXTIL ACCS.PORTADOR	2,669	13,318	31,530	0	31,530
TEXTIL LUIS CORREIA ACCS.PORTADOR	139,063	693,924	1,307,349	0	1,307,349
PORTO CAVALAIROS ACCS.PORTADOR	46,621	232,639	271,092	0	271,092
FISIPE ACCS.PORTADOR	25,903	129,515	312,085	44,035	312,085
CIRES ACCS.PORTADOR	51,645	51,645	318,398	80,050	318,398
POLIMAIA ACCS.PORTADOR	446	2,226	2,296	2,676	2,296
CINCA DIREITOS I.R. ACCS.PORTADOR	7	0	0	0	0
CRISAL INC.RES.1997 DIREITOS PORTADOR	1	0	0	0	0
ATLANTIS INC.RES.1998 DIREITOS PORTADOR	5	0	0	0	0
VAA-VISTA ALEGRE ATLANTIS SGPS ACCS.PORTADOR	82,345	82,345	200,486	72,464	200,486
VAA-VISTA ALEGRE FUSÃO ACCS.PORTADOR	193,184	193,184	387,587	164,206	387,587
EFACEC. CAPITAL, SGPS ACCS.PORTADOR	4,096	20,480	23,563	11,223	23,563
SALVADOR CAETANO ACCS.PORTADOR	30,780	30,780	257,129	92,340	257,129
SALVADOR CAETANO 1992 IR DIREITOS PORTADOR	1	0	0	0	0
SOC.C.SOARES COSTA ACCS.PORTADOR	570	2,850	2,189	1,106	2,189
IMOB.CONST.GRAO-PARA ACCS.PORTADOR	190,000	950,000	1,895,432	581,400	1,895,432
PAPELARIA FERNANDES ACCS.PORTADOR	31,334	156,670	287,595	106,222	287,595
SOC.R.SANTOS G.& OLI ACCS.PORTADOR	2,575	12,849	32,374	0	32,374
D.PEDRO 1996 IR DIREITOS NOMINATIVOS	1	0	0	0	0
SOPONATA ACCS.PORTADOR	30	150	296	0	296
BANCO PORT.INVESTIM. 1986 IR DIREITOS NOMINATIVOS	1	0	0	0	0
BANCO BPI. S.A. ACCS.NOMINATIVAS	22,580	22,580	55,409	49,224	55,409
BANCO PORT.INVESTIM. 1986 IR DIREITOS PORTADOR	2	0	0	0	0
BANCO SANTANDER PORT ACCS.NOMINATIVAS	229	1,145	1,142	1,145	1,142
BANCO ESSI 1993 IR DIREITOS PORTADOR	4	0	7	0	7
JERONIMO MARTINS ACCS.PORTADOR	636,065	3,180,325	19,244,933	4,420,652	19,244,933
SONAE. SGPS. SA. ACCS.PORTADOR	124,726	124,726	188,429	49,890	188,429
FNACINVESTE.SGPS ACCS.PORTADOR	99,845	498,227	596,016	0	596,016
BEIRA VOUGA-I.I.IND. ACCS.PORTADOR	1,040	5,190	5,188	0	5,188
CREDITO PREDIAL PORT 1997 IR DIREITOS NOMINATIVOS	6	0	0	0	0



	QUANTITY	FACE VALUE	AVERAGE ACQUISITION COST	MARKET VALUE	BOOK VALUE
NATURE AND TYPE OF SECURITIES					
PIRITES ALENTEJANAS ACCS.PORTADOR	30	150	234	0	234
FAB.VASCO G.I.TRANSF ACCS.PORTADOR	102	509	289	0	289
TEXTEIS MOURA & MATOS. S.A. ACCS.PORTADOR	31,146	155,419	207,091	0	207,091
FETAL MODA INTERNAC. ACCS.PORTADOR	20	100	200	0	200
OPCA ACCS.PORTADOR	452,000	2,260,000	3,179,703	2,712,000	3,179,703
OPCA DIREITOS ACCS.PORT.N/FUNG.	2	0	0	0	0
GRUPO DIMENSAO ACCS.PORT.INTEGRADAS	75,947	378,976	632,329	0	632,329
STE-SERV.TEL.ELECTR. ACCS.PORTADOR	26,831	133,887	776,241	0	776,241
STE-SERV.TEL.ELECTR. 1996 RED.CAP. DIREITOS PORTADOR	1	0	0	0	0
STE-SERV.TEL.ELECTR. RED.CAP.1999 DIREITOS PORTADOR	1	0	0	0	0
TORRALTA-C.I.FERIAS ACCS.PORTADOR	995	4,975	37,525	0	37,525
COMP.P.FORNOS ELECT. ACCS.PORTADOR	4	2	2	0	2
COMUNDO ACCS.PORTADOR	251	126	85	0	85
EUROMINAS ACCS.PORTADOR	225	1,125	6,140	0	6,140
FAB.MENDES GODINHO ACCS.PORTADOR	3	15	748	0	748
IND.METALICAS PREVID ACCS.PORTADOR	9,468	47,245	7,489	0	7,489
GEOFINANCA-SOC.INV. ACCS.PORT.REGISTADAS	112	559	559	0	559
MATUR ACCS.PORTADOR	14,296	71,337	168,851	0	168,851
SODERA ACCS.NOMINATIVAS	1,950	48,633	32,422	50,603	32,422
SOC.IND.FARMACEUTICA RED.VAL.NOM. ACCS.PORTADOR	165	823	9,913	0	9,913
SALVOR ACCS.PORTADOR	94	470	2,254	0	2,254
SODIMUL ACCS.PORTADOR	114	1,705	0	0	0
SOC.NAC.FOSFOROS ACCS.PORTADOR	10	50	50	0	50
SOC.PORT.EXPLOSIVOS ACCS.NOMINATIVAS	58,000	290,000	42,410	253,692	42,410
SOC.PORT.EXPLOSIVOS ACCS.PORTADOR	74,498	371,745	371,594	325,854	371,594
SENAL 1973 ACCS.PORTADOR	350	175	175	0	175
E.D.P. ACCS.NOMINATIVAS	1,210,112	1,210,112	4,301,865	1,924,078	4,301,865
ESPART SGPS. SA. ACCS.PORTADOR	217,559	1,087,795	1,748,571	1,172,643	1,748,571
FUNFRAP-FUNDIÇÃO PORTUGUESA, S.A. ACCS.PORTADOR	100,000	499,000	498,798	499,900	498,798
SOC.T.PALHEIRO GOLFE CAUTELAS ACCS.PORTADOR	15,000	74,850	74,820	74,985	74,820
RICARDO GALLO VIDRO EMBALAGEM, S.A. ACCS.PORTADOR	83,235	416,175	803,571	803,571	803,571
RENTAVE-INV.IMOBIL. ACCS.PORTADOR	2,200	10,978	10,974	10,998	10,974
PME CAPITAL ACCS.NOMINATIVAS	150,000	750,000	748,197	750,000	748,197
PME INVESTIMENTOS ACCS.NOMINATIVAS	150,000	750,000	748,197	531,000	748,197
BRISA-AE PORTUGAL SA PRIVATIZAÇÃO ACCS.NOMINATIVAS	31,820	31,820	136,562	168,010	136,562
PRAZOL ACCS.PORTADOR	2,816	14,052	46,581	0	46,581
TUROP-OP.TURISTICOS ACCS.PORTADOR	127	634	3,200	0	3,200
CORTICEIRA AMORIM ACCS.PORTADOR	8,473	8,473	13,679	6,778	13,679
IMAVIZ-IMOBILIA.AVIZ ACCS.PORTADOR	280	1,397	1,397	0	1,397
FINANGESTE ACCS.NOMINATIVAS	35,775	178,875	435,451	224,309	435,451
CNB-CAMAC ACCS.PORTADOR	400	1,996	4,990	0	4,990
EMP.TEXTIL AGUDA CAUTELAS ACCS.PORTADOR	3,324	16,587	16,575	0	16,575
INCAL ACCS.PORTADOR	24	27	0	0	0
TVI-TEL.INDEPENDENTE RED.CAP.1999 DIREITOS NOMINATIVOS	299	3	0	0	0
NET-NOVAS EMP.TECN. ACCS.NOMINATIVAS	3,050	15,220	15,213	12,932	15,213
PORTLINE ACCS.PORTADOR	954,893	4,774,465	4,762,985	4,764,916	4,762,985
CIMPOR. SGPS, SA. ACCS.NOMINATIVAS	2,000	10,000	29,512	32,000	29,512
CPC-IMOBILIARIA ACCS.PORTADOR	17,000	84,830	1,187	0	1,187
AMBELIS-AG.MOD.EC.LX ACCS.NOMINATIVAS	400	19,952	19,952	19,952	19,952
SODAP ACCS.NOMINATIVAS	30,000	149,700	149,639	151,620	149,639
LEICA APAR.OPTICOS ACCS.NOMINATIVAS	6,000	30,000	29,928	30,042	29,928
LEICA APAR.OPTICOS PRIVILEGIADAS ACCS.NOMINATIVAS	4,000	20,000	19,952	20,028	19,952
F.I.T. FOMENTO IND. TOMATE, S.A. ACCS.PORTADOR	449	2,241	405	0	405
SPIDOURO ACCS.NOMINATIVAS	5,000	24,950	24,940	24,995	24,940
SGAL-SOCIEDADE GEST. ALTA LISBOA.S.A. ACCS.NOMINATIVAS	420,000	1,050,000	10,474,756	10,474,756	10,474,756
UNITÉNIS S,EMP,TÉNIS ACCS.NOMINATIVAS	1	150	3,990	0	3,990
JOSÉ MELLO SGPS, S.A. ACCS.PORTADOR	262,045	1,310,225	1,524,925	1,524,925	1,524,925
PRIMUS MGV -P.D.REG. ACCS.NOMINATIVAS	8,000	39,920	39,904	39,904	39,904
ADR ENTRE DOURO TAM. ACCS.NOMINATIVAS	6,000	29,940	29,928	29,928	29,928
SAIVANE IMOBILIARIA ACCS.PORTADOR	8,081	40,405	0	40,462	0
PARAREDE, SGPS. S.A. ACCS.PORTADOR	11,872,510	4,749,004	18,602,111	2,374,502	18,602,111
AENOR AE NORTE, S.A. ACCS.NOMINATIVAS	374,292	3,743	3,743	3,743	3,743
OPERANOR OPER.MAN.AE ACCS.NOMINATIVAS	666	666	666	666	666
ADRAL ACCS.NOMINATIVAS	2,000	9,980	9,976	9,998	9,976
SUBLOC-L.SUBMARINOS ACCS.NOMINATIVAS	2,500	25,000	25,000	25,000	25,000
OPERADORA LUSOSCUIT ACCS.NOMINATIVAS	1,000	1,000	1,000	1,000	1,000
LUSOSCUIT COSTA PRATA ACCS.NOMINATIVAS	222,000	6,660	6,660	6,660	6,660

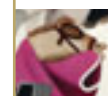
	QUANTITY	FACE VALUE	AVERAGE ACQUISITION COST	MARKET VALUE	BOOK VALUE
<b>NATURE AND TYPE OF SECURITIES</b>					
WEB-LAB. SGPS, S.A. ACCS.PORTADOR	13,595,483	6,797,742	8,810,576	5,010,576	8,810,576
SONAE.COM. SGPS, S.A. ACCS.PORTADOR	1,740	1,740	17,644	2,732	17,644
MTS-PORTUGAL SGMR S.A. ACCS.NOMINATIVAS	33,654	33,654	33,197	33,197	33,197
VIALITORAL CONC.ROD. LIBERADAS ACCS.NOMINATIVAS	4,085	765,938	791,548	791,548	791,548
VIALITORAL CONC.ROD. N/LIBERADAS ACCS.NOMINATIVAS	665	124,688	124,688	124,688	124,688
SOC.IMOB.URBANIZAÇÃO AUM.CAP.2002 PA CAUTELAS	4,840	4,840	4,840	4,840	4,840
COIMBRATIVA AGENCIA DES.REGIONAL SA ACCS.NOMINATIVAS	15,000	74,850	74,820	63,000	74,820
LUSOSCUR AE BEIRAS LITORAL ALTA.SA ACCS.NOMINATIVAS	510,000	5,100	5,100	5,100	5,100
OPERADORA LUSOSCUR BLA ACCS.NOMINATIVAS	1,000	1,000	1,000	1,000	1,000
SPORT LISBOA BENFICA ACCS.NOMINATIVAS	50	250	262	262	262
ADVANCARE GESTÃO SER SAUDE. S.A. ACCS.NOMINATIVAS	100	499	29	29	29
LUSOSCUR AE GRANDE PORTO, S.A. ACCS.NOMINATIVAS	373,000	7,460	7,460	7,460	7,460
PARFIL, SGPS, S.A. 2002 ACCS.NOMINATIVAS	9,654	48,173	2,960,328	2,960,328	2,960,328
-Quotes	3	11,423	11,423	200	11,423
INANGOL VALOR 2250 QUOTA	1	11,223	11,223	0	11,223
ANADYR OVERSEAS CON. PROJECTOS, LDA QUOTA	1	100	100	100	100
WHYALLA BUSINESS CO. PROJECTOS, LDA QUOTA	1	100	100	100	100
- Securities Investment Funds	92,177,866	921,779	1,060,946	460,981	1,060,946
BANCO PORT.ATLANTICO 1986-1.E 2.EM. DIREITOS TITS.PART.	3	0	0	0	0
BANCO PORT.ATLANTICO 90 REMUN. DIREITOS TITS.PART.	1	0	0	0	0
BANCO PORT.ATLANTICO 1.EM. DIREITOS PORT.TITS.PART	3	0	0	0	0
BANCO PORT.ATLANTICO 2.EM. DIREITOS PORT.TITS.PART	8	0	0	0	0
CREDITO PREDIAL PORT 1988 TITULOS PARTICIPAÇÃO	92,177,851	921,779	1,060,946	460,981	1,060,946
- Investment Funds Units	36,647,512	211,306,555	207,039,064	201,165,996	207,039,064
FRIE-IPE CAP.RETEX/P UNIDADES PARTICIPAÇÃO	200,000	998,000	997,596	1,009,200	997,596
PME CAPITAL FUNDO RETAX UNIDADES PARTICIPAÇÃO	200,000	998,000	997,596	982,000	997,596
PME CAPITAL FRIE UNIDADES PARTICIPAÇÃO	100,000	499,000	498,798	268,000	498,798
PME CAPITAL GLOBAL FRIE UNIDADES PARTICIPAÇÃO	1,000,000	4,990,000	4,987,979	4,590,000	4,987,979
PME INVESTIMENTOS FRIE UNIDADES PARTICIPAÇÃO	100,000	499,000	498,798	403,000	498,798
PME INVESTIMENTOS FRIE RETEX UNIDADES PARTICIPAÇÃO	200,000	998,000	997,596	831,200	997,596
FUNGEPI/BES UNIDADES PARTICIPAÇÃO	7,618,573	38,016,679	37,372,681	32,872,681	37,372,681
FUNGERE-FUNDO GESTÃO UNIDADES PARTICIPAÇÃO	26,261,500	131,044,885	130,991,809	131,186,154	130,991,809
F.TURISMO CAP.RISCO FCR-F.TURISMO UNIDADES PARTICIPAÇÃO	69	1,720,852	1,738,998	1,393,998	1,738,998
F.I.IMOB.TURISTICO UNIDADES PARTICIPAÇÃO	349,500	1,744,005	1,743,299	3,079,445	1,743,299
F.INV.IMOB.FECHADO TURISTICO II UNIDADES PARTICIPAÇÃO	30,000	1,500,000	1,500,000	1,611,750	1,500,000
FRIE PEDIP II UNID.PART.CERTIFIC.	717	17,881,901	14,233,154	11,818,003	14,233,154
FRIE IMIT/BES UNIDADES PARTICIPAÇÃO	300	7,481,967	7,481,968	7,628,790	7,481,968
VISION ESCRITÓRIOS FUNDO INV.IMOB. UNIDADES PARTICIPAÇÃO	586,853	2,934,265	2,998,793	3,491,775	2,998,793
Issued by non-residents	8,811,984	2,251,480	38,914,345	24,256,477	38,914,345
- Shares	8,807,696	2,247,407	33,414,039	18,779,384	33,414,039
COMP.DIAMANT.ANGOLA REG.MET. ACCS.PORT.REGISTADAS	385	959	3,749	0	3,749
GENERAL MOTORS CORP. ACCS.PORTADOR	3,067	2,925	120,909	108,121	120,909
SENA SUGAR STATES DEP.REA. ACC.PORTADOR	463,725	292,147	54,246	0	54,246
PROP.CLUB.FIN.GENOVA ACCS.NOMINATIVAS	1	1,070	3,047	0	3,047
GENERAL ELECTRIC CO. ACCS.PORTADOR	5,203	4,961	253,369	121,554	253,369
MERCK & CO. INC. ACCS.PORTADOR	3,008	29	183,391	162,949	183,391
HOME DEPOT. INC. ACCS.PORTADOR	2,812	2,681	77,707	63,496	77,707
JP MORGAN CHASE & CO. ACCS.PORTADOR	5,040	4,806	180,974	115,295	180,974
TEXAS INSTRUMENTS ACCS.PORTADOR	5,822	5,552	260,741	83,885	260,741
ORACLE CORP. ACCS.PORTADOR	12,304	11,733	136,188	128,355	136,188
ELECTRONIC DATA SYS CORP. ACCS.PORTADOR	5,495	5,240	193,597	92,692	193,597
PINTO TOTTA INTL.FIN 7.77% ACCS.PORTADOR	250	238,390	250,310	267,500	250,310
INDEPENDENT NEWS FIN 6.375% ACCS.PORTADOR	250,000	317,500	321,624	321,624	321,624
SUN MYCROSYSTEMS INC. ACCS.PORTADOR	16,360	15,600	396,498	48,049	396,498
CENDANT CORP. ACCS.PORTADOR	8,287	7,902	121,567	83,289	121,567
RSL COMMUNICATIONS CL. ACCS.PORTADOR	25,000	23,839	477,512	24	477,512
BRADLEES INC NEW ACCS.PORTADOR	54,000	51,492	260,680	51	260,680
AMGEN INC. ACCS.PORTADOR	1,848	1,762	91,528	86,629	91,528
LIBERTY SATELLITE & TECHNOLOGY-CL.A ACCS.PORTADOR	15,100	14,399	1,275,649	40,029	1,275,649
FINET COM INC. ACCS.PORTADOR	203,513	1,941	9,058,835	75,684	9,058,835
PFIZER INC. ACCS.PORTADOR	3,015	2,875	104,708	88,578	104,708
ZIXIT CORP. ACCS.PORTADOR	26,000	24,793	1,745,957	111,815	1,745,957
WEYERHAEUSER CO. ACCS.PORTADOR	2,332	2,224	98,681	109,051	98,681
BEA SYSTEMS INC. ACCS.PORTADOR	11,155	106	115,044	121,793	115,044
ACTV. INC. ACCS.PORTADOR	25,000	23,839	858,486	15,019	858,486
TRANSMEDIA ASIA PACIFIC INC. ACCS.PORTADOR	133,200	127,014	321,163	127	321,163
CITRIX SYSTEMS INC. ACCS.PORTADOR	7,288	6,945	104,124	85,132	104,124





	QUANTITY	FACE VALUE	AVERAGE ACQUISITION COST	MARKET VALUE	BOOK VALUE
<b>NATURE AND TYPE OF SECURITIES</b>					
BRISTOL MYERS SQUIBB ACCS.PORTADOR	1,462	1,394	79,671	32,413	79,671
NETWORK APPLIANCE ACCS.PORTADOR	7,684	7,327	133,444	71,440	133,444
SAFEWAY INC. ACCS.PORTADOR	4,719	4,500	202,031	104,442	202,031
ADOBE SYSTEMS INC. ACCS.PORTADOR	3,902	3,721	123,439	92,611	123,439
LIBERTY MEDIA CORP. ACCS.PORTADOR	12,324	11,752	187,742	102,827	187,742
DIEBOLD INC. ACCS.PORTADOR	2,692	2,567	88,396	104,348	88,396
VERIZON COMMUN. ACCS.PORTADOR	4,572	4,360	196,003	169,940	196,003
ALLTEL CORP. DELAWARE ACCS.PORTADOR	2,735	2,608	138,884	133,320	138,884
PEPSICO INC. ACCS.PORTADOR	2,707	44	116,975	108,543	116,975
ESCOM MINING INC. SERIE C ACCS.PORTADOR	21,421	510,656	510,656	510,656	510,656
SCHLUMBERGER LTD ACCS.PORTADOR	4,059	3,871	270,697	161,478	270,697
ABBOTT LABORATORIES ACCS.PORTADOR	2,966	2,828	119,496	104,929	119,496
KOPIN CORP. ACCS.PORTADOR	11,517	110	128,026	44,148	128,026
PITNEY BOWES INC. ACCS.PORTADOR	2,521	2,404	97,310	78,344	97,310
AUTOMATIC DATA PROCESSING INC. ACCS.PORTADOR	3,013	287	144,747	111,418	144,747
HEALTH MGMT ASS. INC. ACCS.PORTADOR	5,000	48	87,242	85,773	87,242
MARSHALL & ILSLEY ACCS.PORTADOR	2,062	1,966	58,574	54,111	58,574
EURONEXT NV ACCS.PORTADOR	391,714	391,714	7,038,962	7,912,623	7,038,962
FTI HOLDING GMBH ACCS.PORTADOR	29,750	29,750	29,750	29,750	29,750
LOWES COMPANIES ACCS.PORTADOR	2,872	1,369	125,685	103,657	125,685
BARNES & NOBLE INC. ACCS.PORTADOR	2,547	2	77,719	41,653	77,719
GUIDANT CORP. ACCS.PORTADOR	2,046	1,951	73,533	58,471	73,533
COSTCO WHOLESALE CO. ACCS.PORTADOR	2,581	25	96,372	68,961	96,372
CANYON CAPITAL LTD PREFERRED SHS ACCS.PORTADOR	6,967,741	66,442	5,721,369	5,721,369	5,721,369
TARGET CORP. ACCS.PORTADOR	3,262	258	104,362	93,316	104,362
L-3 COMMU.HOLDINGS ACCS.PORTADOR	2,625	25	114,469	113,390	114,469
CONCORD EFS INC. ACCS.PORTADOR	6,529	2,073	124,917	96,562	124,917
AK STEEL HOLDING CORP ACCS.PORTADOR	8,361	80	65,999	62,985	65,999
UNIVISION COMM, INC. ACCS.PORTADOR	2,989	29	78,437	67,208	78,437
TURKCELL	113	524	8,847	7,957	8,847
- Investment Funds Units	4,218	4,022	250,256	227,043	250,256
ISHARES DJ US FIN. UNIDADES PARTICIPAÇÃO	1,544	1,472	91,857	100,852	91,857
ISHARES NASDAQ BIOTECHNOLOGY UNIDADES PARTICIPAÇÃO	2,674	2,550	158,399	126,191	158,399
- Other securities	70	50	5,250,050	5,250,050	5,250,050
LUSITANO Nº1 LTD RESIDUAL CERTIFICATES	50	50	50	50	50
LUSITANO FINANCE Nº2 PLC CLASS D1 RESIDUAL CERTIFICATES	20	0	5,250,000	5,250,000	5,250,000
<b>C.HELD TO MATURITY SECURITIES</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>D.INVESTMENTS</b>	<b>47,801,189,025</b>	<b>810,062,466</b>	<b>1,772,556,296</b>	<b>1,464,524,789</b>	<b>1,772,556,296</b>
Investments	47,577,649,076	135,644,956	872,168,098	565,280,681	872,168,098
- In credit institutions in Portugal	892,700	892,700	890,554	892,700	890,554
- Transition rule	892,700	892,700	890,554	892,700	890,554
SPGM SOC.INVESTIMENTOS NOM	892,700	892,700	890,554	892,700	890,554
- In credit institutions abroad	47,523,008,475	57,846,749	212,825,892	180,699,756	212,825,892
BANCO INTERUNIDO	84,750	422,903	211,366	0	211,366
BANQUE ESPRITO SANTO ET DE LA VÉNÉTIE	1,390,893	20,863,395	22,000,206	22,000,206	22,000,206
INTERATLÂNTICO S.A.	19,036,830	26,822,893	7,944,612	7,944,612	7,944,612
BANCO BRADESCO	47,502,055,878	5,477,598	157,546,639	135,257,614	157,546,639
BMCE S.A.	440,124	4,259,960	25,123,069	15,497,324	25,123,069
- In other companies in Portugal	53,732,014	71,486,794	652,964,521	378,201,094	652,964,521
SIBS-SOC.INTERBANCARIA SERVIÇOS	358,269	1,791,345	985,662	985,662	985,662
UNICRE-CARTÃO INT. CRÉDITO	149,610	748,050	219,817	219,754	219,817
MULTIGER	22,460	1,120,305	1,125,653	1,120,305	1,125,653
EUROP ASSISTANCE - C P SEG ASSIST	230,000	1,150,000	1,147,235	1,147,235	1,147,235
MULTIPESSOAL - SOC. PREST GEST SERV	20,000	99,800	99,760	99,760	99,760
ESEGUER ESP.SANTO SEG	159,500	797,500	797,356	797,356	797,356
F.TURISMO-CAPITAL DE RISCO	150,000	750,000	748,197	748,197	748,197
FIDUPRIVATE, S.A.	6,190	30,888	30,876	30,876	30,876
PORTUGAL TELECOM SGPS, S.A.	33,641,722	33,641,722	327,223,435	220,353,279	327,223,435
ESUMEDICA-PREST CUIDADOS MÉDICOS	74,700	372,753	395,450	395,450	395,450
F.TURISMO	10,000	49,900	49,880	104,600	49,880
ESPRITO SANTO - COMPANHIA SEGUROS	1,200,000	6,000,000	6,000,000	6,000,000	6,000,000
FIEP-FUNDO INT.EMPR. PORT	3,400,000	16,966,000	16,970,812	17,204,000	16,970,812
PT MULTIMEDIA SGPS	12,762,063	6,381,032	296,051,640	127,875,871	296,051,640
ES SAUDE, SGPS, S.A.	500,000	500,000	500,000	500,000	500,000
ES INTERACTION SIST.	100,000	100,000	100,000	100,000	100,000
SDEM-SOC.DES.EMPR. MADEIRA SGPS SA	937,500	937,500	468,750	468,750	468,750
ESCONCESSÕES,SGPS, S.A.	10,000	50,000	50,000	50,000	50,000
- In other companies abroad	15,887	5,418,713	5,487,131	5,487,131	5,487,131
SCI-GEORGES MANDEL	15,750	2,401,088	2,401,072	2,401,072	2,401,072

	QUANTITY	FACE VALUE	AVERAGE ACQUISITION COST	MARKET VALUE	BOOK VALUE
<b>NATURE AND TYPE OF SECURITIES</b>					
SWIFT - SOC.WORLDWIDE I FIN TEL	133	16,625	85,059	85,059	85,059
FEI - FUNDO EUROPEU INVEST	3	3,000,000	3,000,000	3,000,000	3,000,000
EBA CLEARING SAS	1	1,000	1,000	1,000	1,000
Investments in subsidiaries	223,539,928	582,557,917	808,528,604	808,528,788	808,528,604
- In credit institutions in Portugal	63,414,028	289,119,820	440,605,836	440,605,836	440,605,836
BIC - BANCO INT.CREDITO	30,000,000	150,000,000	208,520,708	208,520,708	208,520,708
BANCO ESPIRITOSANTO DE INVESTIMENTO	14,000,000	70,000,000	159,834,458	159,834,458	159,834,458
BESLEASING IMOBILIARIA	1,993,495	9,967,475	8,376,573	8,376,573	8,376,573
BESLEASING-MOBILIARIA	3,390,016	16,950,080	22,105,549	22,105,549	22,105,549
EUROGES	2,400,000	11,976,000	12,142,068	12,142,068	12,142,068
CREDIFLASH	1,349,997	6,749,985	6,594,420	6,594,420	6,594,420
CREDIBOM	1,199,540	5,997,700	5,984,370	5,984,370	5,984,370
BEST-BANCO ELECTRONICO DE SERVIÇO TOTAL	6,981,580	6,981,580	6,981,580	6,981,580	6,981,580
BANCO ESPIRITO SANTO DOS AÇORES, S.A. ACCS.NOMINATIVAS	2,099,400	10,497,000	10,066,111	10,066,111	10,066,111
- In credit institutions abroad	26,261,050	125,910,439	177,617,108	177,617,108	177,617,108
BESNAC - BANCO ESP. S. CAPITAL CORP	1,000	710	35,759	35,759	35,759
BESSA-BANCO ESP. SANTO(ESPAÑA)	9,687,500	77,500,000	83,484,352	83,484,352	83,484,352
BANCO ESPIRITO SANTO DO ORIENTE	199,500	23,683,842	23,541,563	23,541,563	23,541,563
ESPIRITO SANTO BANK	6,377,050	15,199,699	61,023,633	61,023,633	61,023,633
BESA-BANCO ESPIRITO SANTO ANGOLA	9,996,000	9,526,188	9,531,801	9,531,801	9,531,801
- In other companies in Portugal	133,357,762	163,148,489	167,477,078	167,477,262	167,477,078
ESPIRITO SANTO DEALER	285,000	1,425,000	3,800,245	3,800,245	3,800,245
ES. DATA S.G.P.S.	486,000	2,430,000	2,960,306	2,960,306	2,960,306
GESFINC - ESP. SANTO ESTUDOS FIN. MERC. CAP	28,000	139,720	139,668	139,668	139,668
ESAF- ESP. SANTO ACTIVOS FINANCIEROS	1,527,500	7,637,500	7,619,138	7,619,138	7,619,138
ESP. SANTO CAPITAL - SOC. CAP. RISCO	3,964,060	19,820,300	19,773,517	19,773,517	19,773,517
QUINTA DOS CONEGOS	377,400	1,887,000	3,063,927	3,064,111	3,063,927
ESGEST - ESP. S. GEST. INST. APROV. COMUM	20,000	99,800	99,760	99,760	99,760
ESPIRITO SANTO COBRANÇAS	75,000	374,250	374,098	374,098	374,098
ESPIRITO SANTO CONTACT CENTER	945,000	945,000	945,000	945,000	945,000
BES.COM, SGPS, S.A.	50,000,000	50,000,000	50,000,000	50,000,000	50,000,000
ESPIRITO SANTO FINANCIAL CONSULTANTS	649,800	3,249,000	3,249,000	3,249,000	3,249,000
BES INTERNACIONAL, SGPS	75,000,000	75,000,000	75,039,904	75,039,904	75,039,904
CENTIMO-SOC.SERVIÇOS	1	137,169	408,765	408,765	408,765
JAMPUR-TRADING INT. SOC.UNIPESSOAL	1	3,750	3,750	3,750	3,750
- In other companies abroad	507,088	4,379,169	22,828,582	22,828,582	22,828,582
ESOL - ESP. SANTO OVERSEAS	1,000	953	954	954	954
SPAINVEST AS	399,999	3,527,991	21,977,379	21,977,379	21,977,379
BES FINANCE LTD	25,000	23,825	23,839	23,839	23,839
BES OVERSEAS LTD	1,000	953	954	954	954
ESCLINC - ESPIRITO SANTO COM LISBOA	100	773,906	773,906	773,906	773,906
ESPIRITO SANTO PLC	29,994	38,092	38,085	38,085	38,085
E.S.REPRESENTAÇÕES	49,995	13,449	13,467	13,467	13,467
Sub-total	47,801,189,004	718,202,873	1,680,696,702	1,373,809,469	1,680,696,702
Other investments	21	91,859,594	91,859,594	90,715,320	91,859,594
- Supplementary capital contributions	6	5,160,711	5,160,711	5,160,711	5,160,711
LUSOSCUIT A E C PRATA	1	1,006,640	1,006,640	1,006,640	1,006,640
LUSOSCUIT A E BEIRA LIT ALTA	1	1,045,967	1,045,967	1,045,967	1,045,967
LUSOSCUIT A E GRANDE PORTO	1	436,984	436,984	436,984	436,984
VIALITORAL	1	890,625	890,625	890,625	890,625
ESPIRITO SANTO PLC (DUBLIN)	1	410,090	410,090	410,090	410,090
AENOR	1	1,370,406	1,370,406	1,370,406	1,370,406
- Loans to subsidiary companies	10	23,047,165	23,047,165	23,047,165	23,047,165
BES COM SGPS	1	7,092,426	7,092,426	7,092,426	7,092,426
E S COBRANÇAS	1	562,706	562,706	562,706	562,706
COMP PORT COBRE	1	848	848	848	848
ESEGUR	1	399,038	399,038	399,038	399,038
JAMPUR	1	10,676,252	10,676,252	10,676,252	10,676,252
QUINTA DOS CONEGOS	1	410,270	410,270	410,270	410,270
Soc Imob Urb do Parque	1	1,820,086	1,820,086	1,820,086	1,820,086
WEB LAB. SGPS, S.A.	1	2,055,610	2,055,610	2,055,610	2,055,610
PORTICENTRO	1	0	0	0	0
SOC TURÍSTICA PALHEIRO GOLFE	1	29,928	29,928	29,928	29,928
- Others	5	63,651,717	63,651,717	62,507,443	63,651,717
OPCA	1	14,101,266	14,101,266	14,101,266	14,101,266
ESPIRITO SANTO PLC	1	35,500,000	35,500,000	35,500,000	35,500,000
ESCOM	1	3,794,644	3,794,644	3,794,644	3,794,644
BANQUE ES LA VENETIE	1	5,488,000	5,488,000	5,488,000	5,488,000
KLEINWORT BENSON LON	1	4,767,808	4,767,808	3,623,534	4,767,808
<b>TOTAL</b>	<b>73,042,640,700</b>	<b>4,375,951,742</b>	<b>5,574,611,026</b>	<b>5,167,571,478</b>	<b>5,575,349,065</b>





## 9.2 > Consolidated Financial Statements of Group Banco Espírito Santo

### > Consolidated Balance Sheet as at 31 December 2002

(Amounts expressed in thousands of euros)

	Notes	YEAR			PREVIOUS YEAR
		TOTAL	ACCUMULATED DEPRECIATION	NET	
ASSETS		ASSETS	AND PROVISIONS	ASSETS	(NET ASSETS)
1. Cash and deposits at Central Banks	4	996,685		996,685	724,209
2. Loans and advances to credit institutions repayable on demand	5	844,058		844,058	1,241,259
3. Other loans and advances to credit institutions	6	5,674,990	8,870	5,666,120	3,888,187
4. Loans and advances to customers	7	25,795,107	367,446	25,427,661	24,264,079
5. Bonds and other fixed income securities		4,088,821	80,978	4,007,843	4,929,501
a) Issued by Government and Public entities	8	1,201,171	6,128	1,195,043	1,955,068
b) Issued by other entities	8	2,877,240	74,850	2,802,390	2,972,427
c) Own securities	8	10,410		10,410	2,006
6. Shares and other variable income securities	8	720,805	102,800	618,005	426,380
7. Investments in associated companies	9	51,413	2,384	49,029	41,165
8. Investments in subsidiaries excluded from consolidation					
9. Other investments	9	943,126	32,004	911,122	849,826
10. Intangible assets	11	523,119	339,371	183,748	182,348
11. Tangible assets	12	1,055,597	628,977	426,620	438,104
(Of which: premises)		(602,232)	(286,350)	(315,882)	(316,939)
12. Goodwill arising from the equity method of consolidation					
13. Goodwill arising from the purchase method of consolidation					
14. Unpaid capital					
15. Treasury stock					
16. Other debtors	13	495,954	21,938	474,016	540,742
17. Prepayments and accrued income	14	1,628,916		1,628,916	996,830
18. Consolidated loss for the year					
19. Minority interests					
<b>TOTALS</b>		<b>42,818,591</b>	<b>1,584,768</b>	<b>41,233,823</b>	<b>38,522,630</b>

	Notes	YEAR	PREVIOUS YEAR
<b>OBLIGATIONS AND FUTURE COMMITMENTS</b>			
1. Guarantees granted and contingent liabilities	25	4,527,474	4,371,382
Of which:			
1.1 Acceptances and endorsements			26
1.2 Guarantees and sureties		4,282,956	4,111,083
1.3 Others		244,518	260,273
2. Commitments	25	3,390,405	2,821,644
Of which:			
2.1 Arising from sales operations with repurchase option			
<b>TOTALS</b>		<b>7,917,879</b>	<b>7,193,026</b>

#### Chief Accountant

The attached notes form an integral part of these financial statements

(Amounts expressed in thousands of euros)

	Notes	YEAR	PREVIOUS YEAR
<b>LIABILITIES AND SHAREHOLDER'S EQUITY</b>			
1. Amounts owed to credit institutions		7,678,707	7,536,692
a) Repayable on demand	15	333,232	338,698
b) With agreed maturity date	15	7,345,475	7,197,994
2. Amounts owed to customers		18,667,656	17,394,740
a) Savings accounts	16	2,338,075	2,506,628
b) Repayable on demand	16	7,321,027	6,879,626
c) With agreed maturity date	16	9,008,554	8,008,486
3. Debt securities		9,270,851	8,804,543
a) Outstanding bonds	17	7,613,710	7,001,237
b) Other securities	17	1,657,141	1,803,306
4. Other liabilities	18	187,883	243,181
5. Accruals and deferred income	19	783,759	695,257
6. Capital reserve arising from the equity method of consolidation			
7. Capital reserve arising from the purchase method of consolidation			
8. Provisions for liabilities and charges		398,858	325,866
a) Pension plan and equivalent charges	20 and 24	4,660	47
b) Other provisions	20	394,198	325,819
9. Provisions for general banking risks	20	14,594	59,838
10. Subordinated debt	21	1,695,799	1,443,293
11. Share Capital	23	1,500,000	1,000,000
12. Share premium	23	300,000	192,950
13. Reserves	23	(20,981)	13,025
14. Revaluation reserves	23		
15. Retained earnings	23		
16. Minority interests	22	534,236	615,536
17. Consolidated net income for the year	23	222,461	197,709
<b>TOTALS</b>		<b>41,233,823</b>	<b>38,522,630</b>

The Board of Directors

> **Consolidated Statement of Income for the Year Ended 31 December 2002**

(Amounts expressed in thousands of euros)			
	Notes	YEAR	PREVIOUS YEAR
<b>DEBIT</b>			
1. Interest expense	29	1,531,035	1,904,303
2. Commissions	29	53,162	69,090
3. Losses arising from trading activities	25 and 29	3,207,344	3,688,274
4. General administrative costs	29	587,960	591,934
4.1 Staff costs		323,083	320,521
4.2 Other administrative costs		264,877	271,413
5. Depreciation	11 , 12 and 29	134,716	122,186
6. Other operating expenses	29 and 31	6,381	5,142
7. Provisions for loan losses and other risks	20 and 29	489,640	383,582
8. Provisions for investments	20 and 29	4,548	20,636
9. Extraordinary losses	29 and 32	67,560	38,275
10. Income taxes	29 and 33	38,476	38,554
11. Other taxes	29	10,364	12,382
12. Losses arising from the equity method of consolidation	29	2,232	1,379
13. Minority interests	22 and 29	32,296	53,130
14. Consolidated net income for the year	29	222,461	197,709
<b>TOTALS</b>		<b>6,388,175</b>	<b>7,126,576</b>

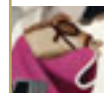
Chief Accountant

The attached notes form an integral part of these financial statements

(Amounts expressed in thousands of euros)

	Notes	YEAR	PREVIOUS YEAR
<b>CREDIT</b>			
1. Interest income	29	2,339,249	2,622,939
2. Income from securities	29	10,740	9,893
3. Commissions	29	343,387	342,739
4. Profits arising from trading activity	25 and 29	3,335,070	3,804,228
5. Write-back of provisions	20 and 29	213,333	199,382
6. Income arising from the equity method of consolidation	29	2,309	6,899
7. Other operating income	29 and 31	117,116	108,898
8. Extraordinary gains	29 and 32	26,971	26,854
9. Minority interests			4,744
10. Consolidated loss for the year			
TOTALS		6,388,175	7,126,576

The Board of Directors



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### 9.3 > Individual and Consolidated Statement of Income by Function Individual and Consolidated Statements of Cash Flows

#### > Individual and Consolidated Statement of Income by Function 31 December 2002 and 2001

(Amounts expressed in thousands of euros)				
	BES		CONSOLIDATED	
	YEAR	PREVIOUS YEAR	YEAR	PREVIOUS YEAR
1 Interest Income	417,148	417,052	808,214	718,636
2 Provisions for loan losses	149,597	93,235	222,749	145,251
3 Net Interest Income (1-2)	267,551	323,817	585,465	573,385
4 Commissions	186,450	168,175	290,225	273,649
5 Other operating income	42,619	30,594	100,371	91,374
6 Income from services provided (4+5)	229,069	198,769	390,596	365,023
7 Income from securities	67,336	48,685	10,740	9,893
8 Income arising from the equity method of consolidation (net)	-	-	77	5,520
9 Profit arising from trading activity	86,373	75,118	127,726	115,954
10 Provisions for investment	47,601	23,165	72,212	28,366
11 Goodwill amortisation	-	-	-	-
12 Operating results before transformation costs (3+6+7+8+9-10-11)	602,728	623,224	1,042,392	1,041,409
13 Staff costs	165,196	180,688	323,083	320,521
14 Other administrative costs	175,443	174,093	264,877	271,413
15 Depreciation	103,409	93,758	134,716	122,186
16 Operating costs (13+14+15)	444,048	448,539	722,676	714,120
17 Operating Results (12-16)	158,680	174,685	319,716	327,289
18 Other provisions	1,806	25,703	(14,106)	31,219
19 Gains from sale of equity holdings	-	21	-	(65)
20 Other extraordinary profits / (losses)	(25,775)	(7,863)	(40,589)	(11,356)
21 Results before minority interests and taxes (17-18+19+20)	131,099	141,140	293,233	284,649
22 Income taxes	1,725	-	38,476	38,554
23 Minority interests	-	-	32,296	48,386
24 Net income for the period (21-22-23)	129,374	141,140	222,461	197,709
25 Earnings per Share (euros)	0.54	0.71	0.92	0.99

(1) Considering the initial number of shares (200 millions) + comon stock issuance for cash (50 million) adjusted by time factor (10/12).

Chief Accountant

The Board of Directors

The attached notes form an integral part of these financial statements

➤ **Individual and Consolidated Statements of Cash Flows**  
**For the Years Ended 31 December 2002 and 2001**

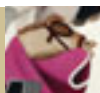
(Amounts expressed in thousands of euros)

	Notes	BES		CONSOLIDATED	
		2002	2001	2002	2001
<b>Cash flows arising from operating activities</b>					
Interest and commission income received		1,791,125	2,217,552	2,650,741	3,072,591
Interest and commission expense paid		(1,169,960)	(1,536,762)	(1,593,491)	(2,013,514)
Recovered loans and interest previously charged-off		6,089	4,647	10,523	7,819
Payments to suppliers and employees		(320,805)	(390,051)	(568,685)	(622,525)
Pensions paid and contributions to the pension fund	24	(282,633)	(219,824)	(303,723)	(240,791)
Operating results before changes in operating funds		23,816	75,562	195,365	203,580
<b>(Increase)/decrease in operating assets</b>					
Loans and advances to credit institutions		(761,200)	403,539	(1,775,722)	(281,587)
Deposits in Central Banks		(315,346)	168,999	(304,960)	134,947
Loans and advances to customers		(1,285,832)	(1,407,722)	(1,323,429)	(2,895,402)
Trading securities		10,008	123,415	63,970	34,416
Other operational assets		(119,729)	(185,492)	(86,429)	85,558
<b>Increase/(decrease) in operating liabilities</b>					
Amounts owed to credit institutions		(152,632)	(68,610)	142,015	(743,560)
Amounts owed to customers		252,464	551,946	1,272,916	1,234,989
Debt securities		631,879	224,606	466,308	3,626,532
Other operational liabilities		32,583	22,249	(80,059)	124,648
<b>Net cash flow from operating activities before income taxes</b>		(1,683,989)	(91,508)	(1,430,025)	1,524,121
Income taxes paid	33	(525)	-	(23,477)	(17,691)
<b>Net cash flow from operating activities</b>		<u>(1,684,514)</u>	<u>(91,508)</u>	<u>(1,453,502)</u>	<u>1,506,430</u>
<b>Cash flows arising from investing activities</b>					
Acquisitions of shares in subsidiaries and of other investments		(402,530)	(147,369)	(277,665)	(164,268)
Proceeds from sale of shares in subsidiaries and of other investments		4,173	53,057	30,925	78,969
Dividends received		67,336	48,685	10,740	9,893
Investment securities purchased		(735,658,282)	(21,588,354)	(736,927,236)	(23,616,973)
Proceeds from sale of investment securities		736,151,644	22,174,018	737,293,970	22,645,598
Acquisition of fixed assets		(89,585)	(108,607)	(127,690)	(148,558)
Proceeds from sale of fixed assets		1,221	834	3,535	5,457
<b>Net cash flow from investing activities</b>		<u>73,977</u>	<u>432,264</u>	<u>6,579</u>	<u>(1,189,882)</u>
<b>Cash flows arising from financing activities</b>					
Proceeds from issuance of subordinated debt	21	449,256	151,895	252,506	360,438
Reimbursement and income paid on securities	21	-	(170)	-	(170)
Proceeds from issuance of share capital	23	550,000	-	550,000	-
Dividends paid	23	(75,200)	(86,400)	(75,200)	(88,249)
Bonus to employees	23	(14,400)	(16,500)	(21,620)	(24,766)
Issuance and income paid on preference shares	22	-	-	(29,333)	(42,241)
<b>Net cash flow from financing activities</b>		<u>909,656</u>	<u>48,825</u>	<u>676,353</u>	<u>205,012</u>
<b>Exchange differences effect on cash and equivalents</b>		<u>329,816</u>	<u>(66,516)</u>	<u>340,885</u>	<u>(89,097)</u>
<b>Net changes in cash and equivalents</b>		<u>(371,065)</u>	<u>323,065</u>	<u>(429,685)</u>	<u>432,463</u>
Cash and equivalents balance at the beginning of the period	3,3 q)	1,193,734	870,669	1,515,685	1,083,222
Cash and equivalents balance at the end of the period	3,3 q)	<u>822,669</u>	<u>1,193,734</u>	<u>1,086,000</u>	<u>1,515,685</u>
		<u>(371,065)</u>	<u>323,065</u>	<u>(429,685)</u>	<u>432,463</u>

Chief Accountant

The Board of Directors

The attached notes form an integral part of these financial statements



## > Annex to the Financial Statements

Information required in accordance with the Portuguese Plan of Accounts for the Banking Sector and the Bank of Portugal Rules, as per Instructions no. 4/96 (BNBP no.I, 17.06.96) - VII and no. 71/96 (BNBP no.I, 17.06.96) - II. The values presented are expressed in thousands of euros:

1. No adjustments were done to the 2001 financial statements. Changes in accounting policies in 2002 are mentioned in note 3.
2. The presentation and classification of items in the financial statements was done in accordance with the rules and instructions of the Bank of Portugal.
3. The accounting policies and valuation criteria are presented in note 3.
4. No derogations of the valuation criteria set out by the Plan of Accounts were performed.
5. The book value does not differ, significantly, from the last market value known before the closing of the accounting records, except for the items referred in the financial statements.
6. The amounts, share capital, name and headquarters of the Investments in subsidiaries and associated companies held by the Bank are referred in notes 2, 9, 10 and in the annual report.  
As at 31 December 2002, the difference between acquisition cost in investments above 20% and the respective shareholders' equity based on the last approved financial statements (31 December 2001) amounts to euro 19,947 thousand.
7. The total amount of bonds and other fixed income securities by period to maturity is presented in note 8.
8. Loans granted to associated companies included in items 2 to 5 of the Assets are presented in note 34.
9. The Loans to subsidiary companies are also presented in note 34.
10. BES security's portfolio is presented in this annual report in accordance with the regulatory requirements.
11. Intangible and tangible assets disclosure is presented in note 11 and 12, respectively.
12. Subordinated assets disclosure is presented in note 13.
13. As at 31 December 2002 there were no assets sold with repurchase agreement, except for the items referred in the financial statements.
14. The Other loans and advances to credit institutions and Loans and advances to customers as in items 3 and 4 of the Assets, by period to maturity are presented in notes 6 and 7.
15. Revaluation of tangible and financial assets:
  - a) No revaluations occurred in 2002; there were no transfers from revaluation differences to revaluation reserves; opening balance, movement and closing balance of revaluation reserves for the year are described in note 23;
  - b) Tangible assets book value at cost and revalued, as well as respective depreciation, are presented in note 12;
  - c) During 2002, extraordinary depreciations were done in the amount of euro 6.1 million, concerning intangible assets.

- 16.** As at 31 December 2002 the total net amount of set up costs was euro 0.04 million; amounts related to software are described in note 11 and are depreciated in 3 years. Expenses with software systems, whose total net value as at 31 December 2002 was euro 121 million, are related to changes in new software and/or implementing new applications in existing software.
- 17.** No significant amounts were corrected in current assets.
- 18.** Disclosures of deposits and debt securities by period to maturity are analysed in notes 15, 16 and 17.
- 19.** Debt securities by period to maturity are presented in note 17.
- 20.** Debits with associated companies included in items 1, 2, 3 and 8 of the liabilities are described in note 34.
- 21.** Debits with subsidiary companies also included in items 1,2,3 and 8 of the liabilities are described in note 34.
- 22.** Item 8 of the Liabilities includes subordinated debt, which is analysed in note 21.
- 23.** Obligations and future commitments are analysed in notes 25 and 34.
- 24.** The commitments related with pension liabilities and respective coverage are presented in note 24.
- 25.** Provisions balances are analysed in detail in note 20. As at 31 December 2002, its disclosure can be analysed as follows:

(Amounts expressed in thousands of euros)		
	BES	CONSOLIDATED
Specific provisions for doubtful loans	20,609	24,483
Other loans	20,609	24,483
Specific provisions for overdue loans and interest	190,532	342,638
Other loans	190,532	342,638
Specific provisions for trading securities	20	20
Specific provisions for investment securities	115,492	166,947
Provisions for Other Debtors	8,891	21,556
Specific provisions for investments	38,036	34,388
General provisions for credit risks	241,848	348,676
Provisions for pension liabilities	-	4,660
Provisions for liabilities and charges	27,999	45,522
Provisions for general banking risks	-	14,594
<b>Provisions for country risk</b>	<b>26,029</b>	<b>26,388</b>
Loans and advances to credit institutions	8,868	8,870
Loans and advances to customers	5	325
Securities	16,646	16,811
Other assets	510	382
<b>Total</b>	<b>669,456</b>	<b>1,029,872</b>



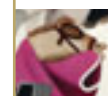


- 26.** The criteria distinguishing the trading and investment securities included in items 5 and 6 of the Assets from investments is set forth in note 3.
- 26A.** During 2002 no reclassification to the held to maturity portfolio was made.
- 27.** Balances of Prepayments, Accruals and Deferred costs and income are mentioned in notes 14 and 19.
- 28.** a) Amounts not yet recorded in the statement of income concerning:
- Securities issued below reimbursement value, represented mostly by zero coupon bonds issued by the Cayman branch with maturity in 2027, are euro 607,604 thousand;
  - Investment securities acquired above reimbursement are euro 52,983 thousand and
  - Investment securities acquired below reimbursement are euro 16,795 thousand.
- b) The difference between market value and book value for investment securities is euro 25,449 euro.
- c) The difference between book value and acquisition cost for trading securities is euro 738 thousand.
- d) The amounts recorded in the statement of income regarding market prices for trading securities are euro 0.7 thousand in gains and euro 759 thousand in losses.
- 29.** During 2002 the Bank performed a share capital increase as described in note 23.
- 30.** There are no share capital interests beneficiary, convertible bonds or similar rights besides the issues mentioned in note 22.
- 31.** The nature of the off balance sheet items included in item 13 of the Assets and item 4 of Liabilities are described in notes 13 and 18.
- 32.** Funds managed by the BES Group on behalf of third parties are mentioned in the present annual report.
- 33.** Forward operations are analysed in note 25.
- 34.** The number of employees for the Group and its distribution by professional categories is presented in note 30.
- 35.** The compensations of the Board of Directors and Officers as well as loans granted are analysed in note 30.
- 36.** The Bank does not have significant income with advisory and representation services.
- 37.** Total Assets and Liabilities represented in foreign currencies are analysed in note 26.
- 38.** Income under items B1, B2, B3, B4 e B7 in the statement of income, by geographical areas is described in note 29.
- 39.** The main components of the following items:
- Other operating expenses
  - Other operating income
  - Extraordinary losses
  - Extraordinary gains
- are mentioned in note 31 and 32.

40. Charges incurred and paid with subordinated debt are described in note 21.
41. The difference between the provision for income taxes and income taxes paid for the year and for the two previous years is mentioned in note 33.
42. There is no different fiscal treatment between operating and extraordinary results with significant impact in the financial statements.
43. BES financial statements are consolidated by BESPARG - Sociedade Gestora de Participações Sociais, S.A., headquartered in Rua de São Bernardo, no. 62 in Lisbon.
44. BES has no subsidiaries located in other European Union member states, which are exempt from legal supervision and from publication of its financial statements.
45. As at 31 December 2002, the finance lease operations held by the Bank and by the Group as a lessee, amounted to, net of depreciation, nil and euro 2,552 thousand, respectively and is reflected in item 10 of the Balance Sheet.
46. There were no amounts resulting from netting of balances from third parties and accruals.
47. The amounts related with transactions between the Bank and its subsidiaries are described in note 34.
48. The information about the securitization transactions is analysed in note 35.
49. The information of the pensions plans is analysed in note 24.
50. Detailed information about investments is described in notes 3.3 e 9.
51. The Bank does not have any overdue amount with social security (Decree-Law no. 411/91 of 17 October, no. 1).
52. BES's activity by geographical area and business sector, after eliminating intra-group operations, is analysed as follows:

(Amounts expressed in thousands of euros)								
Geographic Areas	Portugal	Remaining	Remaining	North	Latin	Asia	Africa	Total
Activity Sectors		UE	Europe	America	America			
Comercial banking	34,283	1,670		707		114	31	36,805
Investment banking	888	1,305						2,193
Consumer Credit	592							592
Asset Management	18	17						35
Factoring	469							469
Leasing	951							951
Others	88						101	189
<b>Total</b>	<b>37,289</b>	<b>2,992</b>		<b>707</b>		<b>114</b>	<b>132</b>	<b>41,234</b>

53. BES's financial statements for the year ended 2002 do not include any results from transactions, with controlled entities, at prices other than market price.



## 9.4 > Notes to the Individual and Consolidated Financial Statements for the years ended 31 December 2002 and 2001

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

### Note 1 > Activity

Banco Espírito Santo, SA (Bank or BES) is a commercial bank headquartered in Portugal. The Bank is authorized by the Portuguese authorities, central banks and other regulatory authorities to operate in Portugal and in the countries where its international branches are located.

BES's foundation dates back to the last quarter of the 19th century. The Bank began operations as a commercial bank in 1937, following the merger of Banco Espírito Santo and Banco Comercial de Lisboa, from which resulted Banco Espírito Santo e Comercial de Lisboa. By public deed of 6 July 1999, the Bank changed its name to Banco Espírito Santo, S.A..

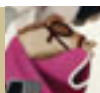
BES is listed on the Euronext Stock Exchange. On 31 December 2002, the Bank's subsidiary Espírito Santo Overseas, Ltd had 10 million preference shares listed on the New York Stock Exchange, and BES Overseas, Ltd had 10 million preference shares listed on the London Stock Exchange.

Since 1992, BES is part of the Espírito Santo Group, therefore its financial statements are consolidated by BESPARGPS, S.A., headquartered in Lisbon, and by the Espírito Santo Financial Group, S.A. (ESFG), with headquarters in Luxembourg.

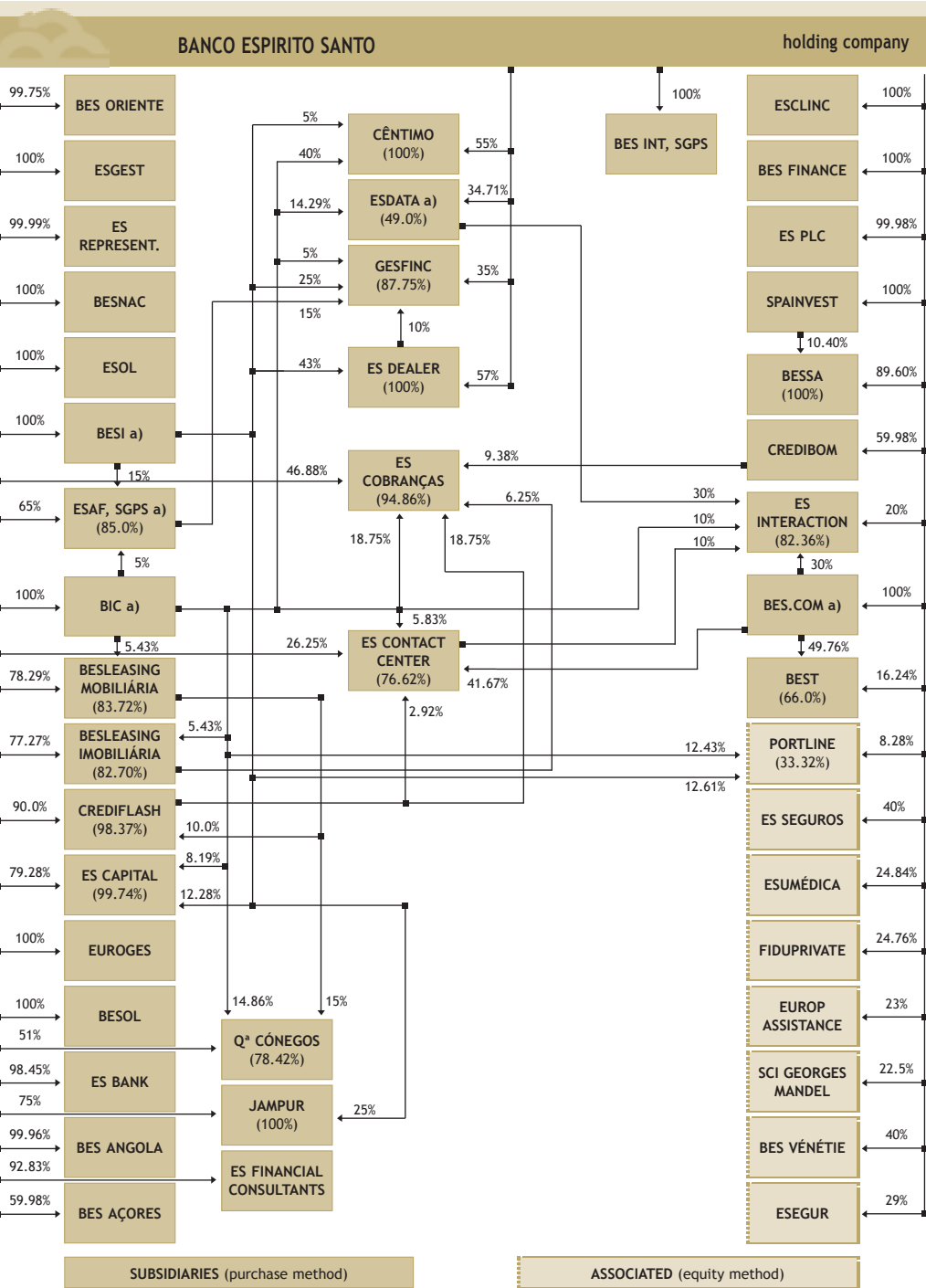
BES (together with its subsidiaries) is a diversified global financial services firm whose businesses provide a broad range of financial services to consumer and corporate customers. The Bank obtains its funding from deposits or other which, together with its own funds, are invested in loans, securities and other assets. At 31 December 2002 the Bank had a network of 469 branches throughout Portugal (31 December 2001 - 482), international branches in London, New York, Nassau, Lausanne and the Cayman Islands, a branch in the Madeira Free Zone, and nine overseas representative offices.

### Note 2 > Group Structure

As the holding company of a financial group (BES Group), the Bank has holdings in subsidiary and associated companies. Subsidiaries are companies where the Groups' investment represents direct or indirectly more than 50% of the company's share capital or, if below that level, where the Bank has control and the company can be considered, jointly with the Bank, as one decision-making unit. Holdings in associated companies are investments in which the Bank's share is between 20% and 50% of their share capital, and where the Bank does not exercise control, but either their activities are closely related to the Bank or where the Group exercises significant influence. Consequently, the Bank's subsidiaries and associated companies exclude those companies where the investment, although greater than 20%, was not purchased with the purpose of exercising influence in their management, or where the acquisition intended to be for the short term.



Group companies where the Bank has a direct or indirect holding greater or equal to 20%, and that were included in the consolidated financial statements, are shown in the following chart:



a) See below the holdings of the Sub-Groups BIC, BESI, BESSA, ESAF, BES.COM and ES Data

The analysis of the activity and results of the BES Group, by business line in 2002 and 2001 is as follows:

(amounts expressed in thousands of euros)									
2002									
BALANCE SHEET	Banking		Consumer	Asset	Factoring	Leasing	Other	Eliminations/	Consolidated
	Commercial <sup>(1)</sup>	Investment	Credit	Management				Adjustments	
<b>ASSETS</b>	<b>46,407,041</b>	<b>2,294,002</b>	<b>596,487</b>	<b>77,072</b>	<b>468,865</b>	<b>954,447</b>	<b>240,829</b>	<b>(9,804,920)</b>	<b>41,233,823</b>
Cash and deposits at Central Banks	1,883,304	48,320	13,124	11,210	10,794	717	8,995	(135,721)	1,840,743
Loans and advances to credit institutions	12,467,240	1,083,917	-	31,360	-	-	18,866	(7,935,263)	5,666,120
Loans and advances to customers	23,124,535	418,417	568,327	507	453,946	911,895	-	(49,966)	25,427,661
Securities	4,644,721	505,221	-	11,168	1,801	17,494	3,921	(558,478)	4,625,848
Tangible and Intangible Assets	568,639	9,912	8,392	2,904	368	6,270	10,360	3,523	610,368
Investments	1,678,197	28,948	331	7,475	-	1,736	108,421	(864,957)	960,151
Other assets	2,040,405	199,267	6,313	12,448	1,956	16,335	90,266	(264,058)	2,102,932
<b>LIABILITIES</b>	<b>43,428,779</b>	<b>2,112,691</b>	<b>551,127</b>	<b>40,823</b>	<b>446,950</b>	<b>908,204</b>	<b>171,657</b>	<b>(8,427,888)</b>	<b>39,232,343</b>
Amounts owed to credit institutions	11,000,118	1,320,745	497,390	2,880	377,402	737,543	53,314	(6,310,685)	7,678,707
Amounts owed to customers	18,471,603	274,863	-	19,050	5,459	569	26,382	(130,270)	18,667,656
Debt securities	9,418,645	239,410	-	-	28,000	122,000	-	(537,204)	9,270,851
Other liabilities	812,004	217,656	33,124	16,442	34,389	15,929	91,793	(249,695)	971,642
Provisions for liabilities and charges	374,662	5,081	11,613	2,445	1,700	13,163	168	4,620	413,452
Subordinated debt	3,307,848	49,880	9,000	-	-	19,000	-	(1,689,929)	1,695,799
Minority interests	43,899	5,056	-	6	-	-	-	485,275	534,236
<b>SHAREHOLDERS' EQUITY</b>	<b>2,978,262</b>	<b>181,311</b>	<b>45,360</b>	<b>36,249</b>	<b>21,915</b>	<b>46,243</b>	<b>69,172</b>	<b>(1,377,032)</b>	<b>2,001,480</b>
Share capital and reserves	2,791,596	183,374	32,208	30,956	17,076	41,115	70,663	(1,387,969)	1,779,019
Net income for the year	186,666	(2,063)	13,152	5,293	4,839	5,128	(1,491)	10,937	222,461

2002									
STATEMENT OF INCOME	Banking		Consumer	Asset	Factoring	Leasing	Other	Eliminations/	Consolidated
	Commercial <sup>(1)</sup>	Investment	Credit	Management				Adjustments	
Net interest income	647,312	82,934	51,395	679	6,961	19,259	455	(781)	808,214
– Provision for loan losses	186,294	5,045	19,244	(69)	1,357	4,107	(30)	8,337	224,285
<b>= Net interest income after provision for loan losses</b>	<b>461,018</b>	<b>77,889</b>	<b>32,151</b>	<b>748</b>	<b>5,604</b>	<b>15,152</b>	<b>485</b>	<b>(9,118)</b>	<b>583,929</b>
+ Commissions	206,167	27,959	22,908	29,241	4,310	(631)	1,662	(1,391)	290,225
+ Other operating income	23,235	28,534	(4,611)	(59)	39	2,724	58,089	(7,580)	100,371
<b>= Income from services</b>	<b>229,402</b>	<b>56,493</b>	<b>18,297</b>	<b>29,182</b>	<b>4,349</b>	<b>2,093</b>	<b>59,751</b>	<b>(8,971)</b>	<b>390,596</b>
+ Income from securities	68,387	2,679	-	5	-	226	85	(60,642)	10,740
+ Income arising from the equity method of consolidation (net)	186	(4,053)	-	(242)	-	-	(2,091)	6,277	77
+ Net income arising from trading activity	110,592	(51,902)	2	(1,012)	-	5	17	70,024	127,726
– Provisions for losses on securities	38,681	15,935	-	-	-	-	-	4,718	59,334
– Goodwill depreciation	-	-	-	-	-	-	-	-	-
<b>= Operating income before operating costs</b>	<b>830,904</b>	<b>65,171</b>	<b>50,450</b>	<b>28,681</b>	<b>9,953</b>	<b>17,476</b>	<b>58,247</b>	<b>(7,148)</b>	<b>1,053,734</b>
Staff costs	222,134	27,934	7,023	10,579	1,346	3,603	50,464	-	323,083
Other administrative costs	233,006	27,019	18,320	6,771	1,571	4,917	9,185	(35,912)	264,877
Depreciation	122,299	4,118	3,630	1,152	196	912	2,325	84	134,716
<b>– Operating costs</b>	<b>577,439</b>	<b>59,071</b>	<b>28,973</b>	<b>18,502</b>	<b>3,113</b>	<b>9,432</b>	<b>61,974</b>	<b>(35,828)</b>	<b>722,676</b>
<b>= Operating income</b>	<b>253,465</b>	<b>6,100</b>	<b>21,477</b>	<b>10,179</b>	<b>6,840</b>	<b>8,044</b>	<b>(3,727)</b>	<b>28,680</b>	<b>331,058</b>
– Other provisions	19,879	(960)	1,025	690	(115)	100	210	(23,593)	(2,764)
+ Gains from sale of investments in subsidiary and associated companies	933	-	-	-	-	-	2,708	-	3,641
+ Other extraordinary income	(37,437)	(2,828)	1,372	(732)	173	69	(407)	(4,440)	(44,230)
<b>= Net income before minority interests and taxes</b>	<b>197,082</b>	<b>4,232</b>	<b>21,824</b>	<b>8,757</b>	<b>7,128</b>	<b>8,013</b>	<b>(1,636)</b>	<b>47,833</b>	<b>293,233</b>
– Taxes	15,753	5,564	8,672	3,458	2,289	2,885	(145)	-	38,476
– Minority Interests	(5,337)	731	-	6	-	-	-	36,896	32,296
<b>= Net income for the year</b>	<b>186,666</b>	<b>(2,063)</b>	<b>13,152</b>	<b>5,293</b>	<b>4,839</b>	<b>5,128</b>	<b>(1,491)</b>	<b>10,937</b>	<b>222,461</b>

<sup>(1)</sup> Commercial banking includes group companies set-up for issue of debt securities

(amounts expressed in thousands of euros)

BALANCE SHEET	2001								Consolidated
	Banking		Consumer	Asset	Factoring	Leasing	Other	Eliminations/	
	Commercial <sup>(1)</sup>	Investment	Credit	Management				Adjustments	
<b>ASSETS</b>	<b>43,865,503</b>	<b>2,193,697</b>	<b>540,074</b>	<b>77,986</b>	<b>418,370</b>	<b>1,089,625</b>	<b>129,103</b>	<b>(9,791,728)</b>	<b>38,522,630</b>
Cash and deposits at Central Banks	2,008,116	160,503	12,352	10,147	37,700	6,266	5,925	(275,541)	1,965,468
Loans and advances to credit institutions	11,046,858	732,925	-	37,027	-	-	10,008	(7,938,631)	3,888,187
Loans and advances to customers	21,984,455	344,097	509,760	2,453	377,238	1,058,572	-	(12,496)	24,264,079
Securities	5,047,184	779,711	-	3,248	1,801	2,494	4,565	(483,122)	5,355,881
Tangible and Intangible Assets	576,190	13,598	8,966	3,596	520	6,545	7,460	3,577	620,452
Investments	1,589,958	37,364	331	9,351	-	1,735	65,347	(813,095)	890,991
Other assets	1,612,742	125,499	8,665	12,164	1,111	14,013	35,798	(272,420)	1,537,572
<b>LIABILITIES</b>	<b>41,403,748</b>	<b>1,987,877</b>	<b>499,228</b>	<b>36,104</b>	<b>399,732</b>	<b>1,046,394</b>	<b>41,379</b>	<b>(8,295,516)</b>	<b>37,118,946</b>
Amounts owed to credit institutions	11,414,835	1,186,625	444,994	707	342,589	874,101	11,191	(6,738,350)	7,536,692
Amounts owed to customers	17,404,039	205,703	-	-	1,508	215	19,115	(235,840)	17,394,740
Debt securities	8,800,305	304,675	-	-	22,500	122,000	-	(444,937)	8,804,543
Other liabilities	780,871	230,143	37,218	32,973	31,838	20,301	10,981	(205,887)	938,438
Provisions for liabilities and charges	323,997	4,859	8,016	2,417	1,297	10,777	92	34,249	385,704
Subordinated debt	2,637,640	49,880	9,000	-	-	19,000	-	(1,272,227)	1,443,293
Minority interests	42,061	5,992	-	7	-	-	-	567,476	615,536
<b>SHAREHOLDERS' EQUITY</b>	<b>2,461,755</b>	<b>205,820</b>	<b>40,846</b>	<b>41,882</b>	<b>18,638</b>	<b>43,231</b>	<b>87,724</b>	<b>(1,496,212)</b>	<b>1,403,684</b>
Share capital and reserves	2,258,313	195,707	29,876	34,567	15,240	39,140	87,471	(1,454,339)	1,205,975
Net income for the year	203,442	10,113	10,970	7,315	3,398	4,091	253	(41,873)	197,709

STATEMENT OF INCOME	2001								Consolidated
	Banking		Consumer	Asset	Factoring	Leasing	Other	Eliminations/	
	Commercial <sup>(1)</sup>	Investment	Credit	Management				Adjustments	
Net interest income	640,056	13,749	41,715	76	5,901	17,832	621	(1,314)	718,636
– Provision for loan losses	128,361	2,782	10,686	-	1,701	3,371	-	(1,650)	145,251
<b>= Net interest income after provision for loan losses</b>	<b>511,695</b>	<b>10,967</b>	<b>31,029</b>	<b>76</b>	<b>4,200</b>	<b>14,461</b>	<b>621</b>	<b>336</b>	<b>573,385</b>
+ Commissions	185,530	32,115	17,466	29,848	3,888	(368)	1,874	3,296	273,649
+ Other operating income	1,931	20,984	(962)	480	57	2,014	48,889	17,981	91,374
<b>= Income from services</b>	<b>187,461</b>	<b>53,099</b>	<b>16,504</b>	<b>30,328</b>	<b>3,945</b>	<b>1,646</b>	<b>50,763</b>	<b>21,277</b>	<b>365,023</b>
+ Income from securities	49,607	3,645	-	-	-	-	141	(43,500)	9,893
+ Income arising from the equity method of consolidation (net)	5,490	(3,182)	-	1,566	-	-	(1,378)	3,024	5,520
+ Net income arising from trading activity	99,870	15,608	-	(1,147)	1	40	(3)	1,585	115,954
– Provisions for losses on securities	25,937	2,429	-	-	-	-	-	-	28,366
– Goodwill depreciation	-	-	-	-	-	-	-	-	-
<b>= Operating income before operating costs</b>	<b>828,186</b>	<b>77,708</b>	<b>47,533</b>	<b>30,823</b>	<b>8,146</b>	<b>16,147</b>	<b>50,144</b>	<b>(17,278)</b>	<b>1,041,409</b>
Staff costs	238,147	27,813	7,080	6,467	1,549	3,400	36,065	-	320,521
Other administrative costs	219,646	27,158	19,998	6,429	1,528	5,008	12,619	(20,973)	271,413
Depreciation	109,486	5,121	3,661	7,086	202	890	2,234	(6,494)	122,186
<b>– Operating costs</b>	<b>567,279</b>	<b>60,092</b>	<b>30,739</b>	<b>19,982</b>	<b>3,279</b>	<b>9,298</b>	<b>50,918</b>	<b>(27,467)</b>	<b>714,120</b>
<b>= Operating income</b>	<b>260,907</b>	<b>17,616</b>	<b>16,794</b>	<b>10,841</b>	<b>4,867</b>	<b>6,849</b>	<b>(774)</b>	<b>10,189</b>	<b>327,289</b>
– Other provisions	28,268	685	-	1,091	(299)	124	1,504	(154)	31,219
+ Gains from sale of investments in subsidiary and associated companies	15	-	-	(80)	-	-	-	-	(65)
+ Other extraordinary income	(14,366)	(1,638)	948	963	(54)	59	2,732	-	(11,356)
<b>= Net income before minority interests and taxes</b>	<b>218,288</b>	<b>15,293</b>	<b>17,742</b>	<b>10,633</b>	<b>5,112</b>	<b>6,784</b>	<b>454</b>	<b>10,334</b>	<b>284,649</b>
– Taxes	19,590	4,273	6,772	3,311	1,714	2,693	201	-	38,554
– Minority Interests	(4,744)	907	-	7	-	-	-	52,216	48,386
<b>= Net income for the year</b>	<b>203,442</b>	<b>10,113</b>	<b>10,970</b>	<b>7,315</b>	<b>3,398</b>	<b>4,091</b>	<b>253</b>	<b>(41,873)</b>	<b>197,709</b>

<sup>(1)</sup> Commercial banking includes group companies set-up for issue of debt securities

The business activity and the main shareholders of the subsidiaries and associated companies of BES is analysed as follows:

### > Commercial Banking

**Banco Internacional de Crédito, S.A. (BIC)** headquartered in Lisbon, was established in January, 1986. Currently it operates through its head office and a network of 121 branches. In addition it has a branch in the Madeira Free Zone, and an international branch in the Cayman Islands. BIC's business encompasses nearly all-banking areas, with special emphasis on mortgage credit and on high net worth individuals, as well as medium and large sized companies. In 1994, a subsidized credit program was launched in partnership with BES and Companhia de Seguros Tranquilidade, S.A.. BIC owns 100% of BIC International Bank, headquartered in the Cayman Islands, and is wholly owned by BES.

**Banco Espírito Santo, S.A. (BESSA)** is a commercial bank headquartered in Spain. It presently operates through a network of 32 branches. It is 100% owned by BES, of which 89.60% directly, with the remaining 10.40% indirectly through SPAINVEST, S.A., a wholly owned BES subsidiary, headquartered in Luxembourg. BESSA has stakes of 50% or more in the following entities

	Incorporated / Acquired in	Actual shareholding percentage		Headquartered	Corporate object
		BESSA	BES		
Espírito Santo Servicio, SA	1997	99.98%	99.98%	Spain	Insurance placement
Benito y Monjardín SVB, SA	2000	50.00%	100.00%	Spain	Brokerage house
Espírito Santo Activos Financieros, SA	2000	50.00%	92.50%	Spain	Asset management
Espírito Santo Pensiones, SGFP	2001	100.00%	100.00%	Spain	Pension fund management

**Espírito Santo Bank, S.A. (ES Bank)**, with registered office in Miami, was set up in 1963, at the time controlled by ESFG. In 2000, aiming at further integration within the remaining financial units, this bank was incorporated into BES Group. BES is its largest shareholder with 98.45%. ES Bank business focuses on private banking, with particular emphasis on Latin American customers (Brazil and Venezuela).

**Banco Espírito Santo do Oriente, S.A. (BES ORIENTE)**, headquartered in Macao, is a financial institution that started operations in 1996. It provides loans and carries out other banking-related activities. BES has a 99.75% interest in this institution, while various individual shareholders hold the remaining capital.

**BEST - Banco Electrónico de Serviço Total, S.A.**, headquartered in Portugal is an on-line based bank specialized in asset management. It was established on 26 June 2001, as a result of a partnership between Banco Espírito Santo and Portugal Telecom (PT). BEST share capital, as at 31 December 2002 is euro 43,000 thousand (2001 - euro 32,422 thousand) and is 66% held by BES and the remaining by Portugal Telecom.

**Banco Espírito Santo de Angola, SARL (BESA)**, headquartered in Angola, is a financial institution that began operations in 2001. It provides loans and carries out other

banking-related activities. BES has a 99.96% interest in this institution, while various individual shareholders hold the remaining capital.

**Banco Espírito Santo dos Açores, S.A. (BAC)**, is a commercial bank that began operations on 1 July 2002. It is the outcome of an integration of BES business units in the Azores and Caixa Económica da Misericórdia de Ponta Delgada. Besides BES that holds 59.98%, the remaining shareholders are Caixa Económica da Misericórdia and Bensaúde Participações SGPS, S.A., that hold 30% and 10%, respectively. Currently, it operates through a network of 12 branches located in the Azores.

**BES Internacional, SGPS, SA (BES INT, SGPS)** is a holding company fully owned by BES. As at 31 December 2002, it controlled 100% of Bank Espírito Santo International Limited (BESIL), headquartered in the Cayman Islands, which was therefore included in the consolidated financial statements by the purchase method. BESIL, previously held by ESFG, provides a diversified range of banking products and services.

**Banque Espírito Santo et de la Vénétie, S.A. (BES VÉNÉTIE)** headquartered in Paris, was established in 1927. Its main activity is the conduct of all business associated with commercial banking, both locally and internationally, with French medium-sized companies, as well as financial consulting services in acquisitions involving Portuguese companies and private Portuguese customers. During 2002, BES increased its holding from 21% to 40% of the capital of BES VÉNÉTIE. Besides BES, its shareholders include ESFG (41.99%) and Cardine Group (18%).

> **Investment Banking**

**Banco Espírito Santo de Investimento, S.A. (BESI)**, with registered office in Lisbon, was created on 1 April 1993 through the conversion to banking status of Espírito Santo Sociedade de Investimentos, S.A.. It operates mainly as an investment bank and is fully owned by BES. In addition to its equity holdings already listed in the organizational chart of BES Group, BESI has stakes of over 50% in the following entities:

	Incorporated / Acquired in	Actual shareholding percentage		Headquartered	Corporate object
		BESI	BES		
Espírito Santo Securities, Inc	1998	100.0%	100.00%	USA	Purchase and sale of securities
ESSI Comunicações SGPS, SA	1998	100.0%	100.00%	Portugal	Management of equity holdings
Espírito Santo Investments PLC	1996	100.0%	100.00%	Ireland	Purchase and sale of securities
ESSI Investimentos SGPS, SA	1998	100.0%	100.00%	Portugal	Management of equity holdings
ESSI SGPS, SA	1997	100.0%	100.00%	Portugal	Management of equity holdings
Benito y Monjardín SVB, SA	2000	50.0%	100.00%	Spain	Management of investments
ESI Investimentos	1996	100.0%	100.00%	Brazil	Management of equity holdings
BES Investimento - Brasil	2000	80.0%	80.00%	Brazil	Investment bank

Moreover, BES Investimento (Brazil) has a stake of 100% in the share capital of BES Securities, a non-clearing broker dealer.





**Espírito Santo PLC (ES PLC)** is a non-bank finance company domiciled in Dublin, Ireland. It was set up in January 1999, with BES as its major shareholder.

**Espírito Santo Dealer - Sociedade Financeira de Corretagem, S.A. (ES DEALER)** is a brokerage house established in 1989. BES acquired a stake in this company in 1991, and now owns 57%, while BESI holds the remaining 43%.

**GESFINC - Espírito Santo Estudos Financeiros e de Mercado de Capitais, S.A.**, was established in 1992. It provides underwriting and sector research. In addition to BES (35%) other shareholders include BESI (25%), ESAF SGPS (15%), ES DEALER (10%) and BIC (5%).

#### > **Consumer Credit, Factoring and Leasing**

**CREDIFLASH - Sociedade Financeira para Aquisições a Crédito, S.A.** is a consumer finance company (SFAC) established in 1991 specialized in credit card management. In addition to BES, that holds 90%, Besleasing Mobiliária has a 10% stake.

**CREDIBOM - Sociedade Financeira para Aquisições a Crédito, S.A.** is a consumer finance company (SFAC). It was established in 1995, but only started operations in 1996. It specializes in consumer credit. Besides BES, that holds 59.98%, Banque Sofinco has a stake of 40.00%.

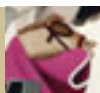
**EUROGES - Aquisição de Créditos a Curto Prazo, S.A.** is a financial institution established in 1989 to engage in the factoring business. BES acquired a stake in the company in 1991, and is now its sole shareholder.

**BESLEASING IMOBILIÁRIA - Sociedade de Locação Financeira, S.A.**, is headquartered in Lisbon. Its main activity is property finance leasing. BES (77.27%) and BIC (5.43%) are its main shareholders.

**BESLEASING MOBILIÁRIA - Sociedade de Locação Financeira, S.A.**, is headquartered in Lisbon and its corporate purpose is equipment finance leasing. BES (78.29%) and BIC (5.43%) are its main shareholders.

#### > **Asset Management**

**ESAF - Espírito Santo Activos Financeiros, SGPS, S.A. (ESAF SGPS)** was established at the end of 1992. It is the holding company of BES Group asset management companies, real estate investment management, and pension fund management, as well as financial advisors, private wealth management and fund distribution companies. In addition to the Bank, whose current holding is 65%, its shareholders include BESI (15%), Crédit Agricole (10%), Companhia de Seguros Tranquilidade Vida, SA (5%), and BIC (5%). A full listing of ESAF SGPS subsidiaries is shown below:



	Incorporated / Acquired in	Actual shareholding percentage		Headquartered
		ESAF SGPS	BES	
Asset management companies - Securities funds				
Espírito Santo Fundos de Investimento Mobiliário, SA (ESAF FIM)	1987	100,0%	85.0%	Portugal
Espírito Santo International Management, SA (ESAF IM)	1995	99.8%	84.8%	Luxembourg
Asset management companies - Mortgage funds				
Espírito Santo Fundos de Investimento Imobiliário, SA (ESAF FII)	1992	100.0%	85.0%	Portugal
Asset management companies - Pension funds				
Espírito Santo Fundo de Pensões, SA (ESAF FP)	1989	100.0%	85.0%	Portugal
Advisory services companies				
Capital Mais - Assessoria Financeira, SA (CMAF)	1998	100.0%	85.0%	Portugal
Espírito Santo International Asset Management, Ltd.(ESIAM)	1998	49.0%	41.7%	British Virgin Islands
Espírito Santo Activos Financieros, SA	2000	50.0%	92.5%	Spain
Discretionary management companies				
Espírito Santo Gestão de Patrimónios, SA (ESGP)	1987	100.0%	85.0%	Portugal
Holding companies				
ESAF - Holding GMBH	1997	100.0%	85.0%	Austria
ESAF - Espírito Santo Participações Internacionais, SGPS, SA	1997	100.0%	85.0%	Madeira
Asset management companies - Other funds				
ESAF - Capital Management, Ltd	1997	100.0%	85.0%	Northern Ireland
Distribution companies				
ESAF - International Distributors, Ltd	1997	100.0%	85.0%	Island of Man
ESAF - International Distributors Associates, Ltd	2001	100.0%	85.0%	British Virgin Islands

As at 31 December 2002, assets under management of companies of the ESAF SGPS Sub-Group amounted to euro 9,056 million (31 December 2001 - euro 8,506 million).

**Espírito Santo Financial Consultants, SA (ESF Consultants)** was set up in 1999. Its main activity is asset management and BES is its major shareholder with 92.83%.

## > Other Operating Business Units

**ES Capital - Sociedade de Capital de Risco, S.A. (ES CAPITAL)** is a venture capital company, which was acquired by BES in 1996. BES holds 79.28%. Other shareholders include BESI with 12.28% and BIC with 8.19%.

**BES.COM SGPS, SA (BES.COM)** was set up in June 2000 to act as the operating holding company of all BES Group interests in the Internet. This company aims to take advantage of emerging opportunities in the "New Economy". BES.COM share capital of euro 50 million is entirely held by BES. The main entities within the Sub-Group BES.COM are as follows:

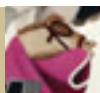
	Incorporated / Acquired in	Actual shareholding percentage		Headquartered	Corporate object
		BES.COM	BES		
BES.COM - Desenvolvimento Empresarial e Serv. de Gestão, SA	2000	100.0%	100,0%	Portugal	Advisory services
Clarity Incentive Systems, INC	2000	31.9%	31.9%	USA	Payment solutions development
SGPICE soc. de Serviços de Gestão de portais na internet e Consultoria de empresas, SA	2001	33.3%	33.3%	Portugal	Management of internet portals
Quadriga - Telemática e Comunicações, SA	2000	46.5%	46.5%	Portugal	Software development

**JAMPUR - Trading Internacional, Lda (JAMPUR)**, activities comprises the provision of development and support services to international companies. BES and BESI hold it, with stakes of 75% and 25% respectively. As at 31 December 2002, Jampur owned 100% of GESPAR S/C LTDA (GESPAR), headquartered in Brazil. This company is a holding company that was consolidated in Jampur by the purchase method.

**Quinta dos Cónegos - Sociedade Imobiliária, S.A. (Quinta dos Cónegos)** whose corporate object is real estate, as well as other related activities. BES Group acquired the majority of its share capital in May 1997, and currently the main shareholders include BES (51%), Besleasing Mobiliária (15%), BIC (14.9%), Companhia de Seguros Tranquilidade - Vida, SA (19%) and FINGES, SA (0.1%).

**ES Interaction - Sistemas de Informação Interactiva, S.A. (ES INTERACTION)** was established in December 2000 with the purpose of designing, developing and marketing interactive information systems, as well as providing services in the following areas: advisory, training, project management, development, implementation and support of information and communication systems. In addition to BES, which holds 20%, other shareholders include BES.COM (30%), ESDATA (30%), BIC (10%) and ES Contact Center (10%).

**Interatlântico, S.A., (IASA)** is headquartered in Brazil, and by the end of 2001 its sole shareholder was BES. During 2002, the restructuring process of IASA was concluded. As a result, BES concentrated its stake in Banco Bradesco SA (3.29%), and disposed of its 81% stake capital in IASA. Currently, BES holds 19% of the voting rights in IASA and 12,4% of the economic interest (see Note 9).



## > Companies Acting as Financing Vehicles

**Espírito Santo Overseas, Ltd (ESOL)**, headquartered in the Cayman Islands, was established in October 1993 with a share capital of US\$ 1,000, represented by 1,000 common shares, of US\$ 1 each, fully owned by BES. Until 31 December 2002, and to fulfil the purpose for which it had been set up, ESOL had issued in the United States, 10 million non-voting preference shares, guaranteed by BES, in the amount of US\$ 250 million. These preference shares were fully subscribed and paid by third parties (see Note 22). Hence, although BES holds 100% of ESOL's voting rights, it has only a stake of 0.0004%.

**Banco Espírito Santo North America Capital Corporation (BESNAC)**, wholly owned by BES, is a US corporation established in 1990 with the purpose of issuing commercial paper.

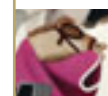
**BES Overseas, Ltd (BESOL)**, headquartered in the Cayman Islands, was established in September 1996 with a share capital of US\$ 1,000 represented by 1,000 common shares, US\$ 1 each, wholly owned by BES. In November 1996, in accordance with the purpose for which it had been set up, BESOL issued in the UK, 10 million non-voting preference shares, guaranteed by BES, in the amount of US\$ 250 million, which were fully subscribed and paid by third parties (see Note 22). Hence although BES holds 100% of BESOL's voting rights, it only holds 0.0004% of the equity.

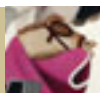
**BES FINANCE, Ltd**, headquartered in the Cayman Islands, was founded in 1997, with a share capital of US\$ 50,000 represented by 50,000 common shares of US\$ 1 each. During 2002, the share capital was increased by 100,000 euros with the issuance of 100,000 common shares with a face value of 1 euro. Simultaneously, the 50,000 common shares outstanding with a face value of US\$ 1 were cancelled. The share capital was fully subscribed by BES. In February 1997, the company issued an Offering Circular, announcing that in accordance with the Euro Medium Term Notes Programme, it would issue bonds up to a total amount of euro 7,000 million. These bonds may be issued in any currency, with the unconditional guarantee of BES. As at 31 December 2002, total issues outstanding amounted to euro 5,266 million, and are described in detail in Notes 17 and 21.

## > Ancillary Service and Outsourcing Companies

**Espírito Santo Data SGPS, S.A. (ESDATA)**, is a holding company whose investments are concentrated in companies specialized in the conception, development and marketing of integrated software systems. Besides BES, that holds 34.71% other shareholders include Companhia de Seguros Tranquilidade Vida, SA (27.05%), GESTRES (23.94%), and BIC (14.29%). ESDATA holds the following investments:

	Incorporated / Acquired in	Actual shareholding percentage		Headquartered	Consolidation method
		ESDATA	GRUPO BES		
Espírito Santo Inovation, SA	2002	100.0%	100.00%	Portugal	Purchase
OBLOG Software, SA	1993	66.3%	32.50%	Portugal	Equity
ES Interaction, SA	2000	30.0%	82.35%	Portugal	Purchase





**ESGEST - Espírito Santo Gestão de Instalações, Aproveitamento e Comunicações, S.A.**, was established at the end of 1995 and is wholly owned by BES. Its main business is the extension of company store services, fleet management, property management and maintenance, communications and other related activities.

**ESUMÉDICA - Prestação de Cuidados Médicos, S.A.**, provides medical care in the work place. The Bank (with a holding of 24.84%) and Companhia de Seguros Tranquilidade Vida, S.A. (with 75%) are its main shareholders.

**CÊNTIMO - Sociedade de Serviços, Lda**, provides securities custody and management services. Its main shareholders are BES (55%), BIC (40%) and BESI (5%).

**Espírito Santo Cobranças, S.A. (ES COBRANÇAS)** was established in 1998 and specializes in debt-collection. Besides BES (46.88%), other shareholders include BIC (18.75%), Crediflash (18.75%), Credibom (9.38%) and Besleasing Imobiliária (6.25%).

**Espírito Santo Representações (ES REPRESENT.)** headquartered in São Paulo (Brazil), was purchased by the Bank in 1996, being almost wholly owned (99.99%). Its main purpose is the representation of BES in Brazil.

**Espírito Santo e Comercial de Lisboa, Inc (ESCLINC)**, was wholly acquired by BES in 1997 and is headquartered in Newark, New Jersey. Its main business is to represent BES in its local market.

**FIDUPRIVATE - Sociedade de Serviços, Consultadoria, Administração de Empresas, S.A.** was established in July 1994 for the purpose of providing consulting services and is headquartered in the Madeira Free Zone. Its main shareholders are BES (24.76%) and Companhia de Seguros Tranquilidade Vida, SA (75%).

**Société Civile Immobilière du 45 Avenue Georges Mandel (SCI GEORGES MANDEL)**, was established in February 1995 and is headquartered in Paris. It engages in the acquisition, construction, and management of real estate. BES (22.5%) and BES Vénétie (77.5%) are its main shareholders.

**Espírito Santo Prestação de Serviços, ACE (ES ACE)**, is a shared services group company that was established in 1998. The purpose of this company is to provide information technology services, supplies, and conservation and maintenance of chattels, equipment and buildings to its member companies (BES, BIC, BESI, BEST and BAC).

**Espírito Santo Contact Center, Gestão de Call Centers, S.A. (ES CONTACT CENTER)** was set up in June 2000. This company dedicates exclusively to manage call centers that support the telephone banking activity of its associates. Its main shareholders are BES (26.25%), BES.COM (41.67%), Companhia de Seguros Tranquilidade Vida (20.42%), BIC (5.83%) and Crediflash (2.92%).

**ESEGUR - Espírito Santo Segurança, S.A. (ESEGUR)**, was incorporated in 1994 and its main activity is to provide private security services. As at 31 December 2002, the shareholders of ESEGUR were CGD (40%), BES (29%), CTT - Correios de Portugal, SA (20%) and GESTRES - Gestão Estratégica Espírito Santo, SA (11%).

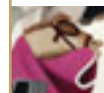
**Portline, Transportes Marítimos Internacionais, S.A. (Portline)** was incorporated in October 1984, and its main activity is the international naval transport. Portline's main shareholders are Credicapital - Sociedade Gestora de Participações Sociais, SA (66.67%), BESI (12.62%), BIC (12.43%) and BES (8.28%).

#### **> Insurance**

**EUROP ASSISTANCE - Companhia Portuguesa de Seguros de Assistência, S.A.**, was established in 1993 and it provides domestic assistance. Its main shareholders are BES (23%) and Companhia de Seguros Tranquilidade Vida (24%).

**Espírito Santo, Companhia de Seguros, S.A. (ES SEGUROS)** began operations in 1996, with the purpose of providing property insurance to BES Group customers. BES has a 40% stake in the company, BESPARG 35% and Companhia de Seguros Tranquilidade, S.A. 24.99%.

The following table presents the more significant financial data, extracted from BES subsidiaries' financial statements analysed above with reference to 31 December 2002 and 2001, after the reclassification and adjustments made for the purpose of preparing the consolidated financial statements:





Subsidiaries		Total Assets		Total Liabilities		Shareholders' Equity		Revenues		Net Income	
		2002	2001	2002	2001	2002	2001	2002	2001	2002	2001
BIC	a)	7,974,302	8,157,564	7,702,053	7,900,276	272,249	257,288	644,488	608,350	49,640	51,993
BESI	a)	869,950	850,503	713,428	688,063	156,522	162,440	751,014	405,873	2,764	2,088
BESSA	a)	2,981,194	2,355,586	2,951,415	2,262,084	29,779	93,502	348,052	374,756	2,105	( 1,724)
SPAINVEST		18,209	18,941	-	-	18,209	18,941	-	-	( 51)	-
BES ORIENTE		118,845	171,645	92,236	141,595	26,609	30,050	10,073	16,639	1,358	162
BESLEASING IMOBILIÁRIA		566,637	462,459	547,098	445,337	19,539	17,122	29,609	26,646	4,197	3,002
BESLEASING MOBILIÁRIA		387,810	627,166	361,106	601,057	26,704	26,109	30,768	44,750	931	1,089
CREDIFLASH		124,639	122,177	108,901	107,910	15,738	14,267	41,977	37,012	4,032	2,841
CREDIBOM		471,848	417,897	442,226	391,318	29,622	26,579	95,283	79,348	9,120	8,129
ESAF SGPS	a)	60,265	60,067	31,485	28,188	28,780	31,879	47,099	45,351	7,741	11,261
ESDATA		10,576	11,623	1,681	2,862	8,895	8,761	7,358	9,123	204	200
ESGEST		245	274	50	89	195	185	525	632	1	7
CÊNTIMO		423	388	123	106	300	282	368	357	18	8
BEST		186,908	149,442	157,961	120,394	28,947	29,048	6,821	2,117	( 10,679)	( 3,374)
GESFINC		166	227	9	18	157	209	113	6	( 52)	( 122)
ES REPRESENT.		140	105	134	96	6	9	281	409	1	( 1)
ESCLINC		995	1,253	-	2	995	1,251	644	745	65	48
ESOL		251,126	285,884	12,151	1,802	238,975	284,082	25,062	30,711	240	177
BESNAC		1,043	1,237	962	1,144	81	93	72	2,732	2	4
BESOL		239,986	285,729	1,046	1,463	238,940	284,266	9,159	28,585	50	11
ES ACE		4,544	2,296	4,544	2,296	-	-	30,367	14,312	-	-
ES COBRANÇAS		11,515	9,297	10,714	7,834	801	1,463	5,109	4,615	-	663
BES FINANCE		5,397,722	5,162,375	5,397,099	5,161,864	623	511	211,593	210,851	168	152
EUROGES		468,865	418,370	446,950	399,732	21,915	18,638	30,674	28,491	4,839	3,398
ES DEALER		119,663	33,755	113,319	27,286	6,344	6,469	9,495	14,614	( 125)	( 1,353)
ES CAPITAL		38,849	37,255	6,539	6,122	32,310	31,133	4,773	4,585	2,926	2,164
ES PLC		214,470	535,721	209,248	519,942	5,222	15,779	67,667	52,647	3,442	15,554
BES.COM	a)	59,842	59,161	25,944	18,777	33,898	40,384	2,831	7,723	( 3,538)	( 2,509)
ES BANK	a)	497,068	465,992	463,729	425,603	33,339	40,389	25,168	33,503	1,640	4,863
ES CONTACT CENTER		5,079	5,998	2,442	2,457	2,637	3,541	8,218	9,447	( 905)	52
ES INTERACTION		1,367	1,089	667	535	700	554	2,597	2,246	176	54
BES ANGOLA		67,232	11,347	58,803	-	8,429	11,347	5,985	-	1,062	-
ES FINANCIAL CONSULTANTS		2,528	1,722	481	301	2,047	1,421	2,384	2,072	( 373)	( 386)
BES AÇORES	b)	205,291	-	179,959	-	25,332	-	7,689	-	1,151	-
BES INTERNATIONAL, SGPS	a) b)	157,714	-	82,714	-	75,000	-	-	-	-	-
JAMPUR	a) b)	101,499	-	116,800	-	( 15,301)	-	-	-	-	-
QUINTA DOS CÔNEGOS	b)	4,362	-	1,672	-	2,690	-	-	-	-	-
Total contribution by subsidiaries		21,622,917	20,724,545	20,245,689	19,266,553	1,377,228	1,457,992	2,463,316	2,099,248	82,150	98,451
Total contribution by associated companies		-	-	-	-	1,121	4,334	77	5,520	77	5,520
Contribution by BES		29,415,826	27,589,834	27,414,542	26,147,921	2,001,284	1,441,913	4,538,845	5,653,172	129,374	141,140
Eliminations / other adjustments		(9,804,920)	(9,791,749)	(8,962,124)	(8,911,064)	(1,378,153)	(1,500,555)	( 614,063)	( 631,364)	43,156	984
Total Consolidated before minority interests		41,233,823	38,522,630	38,698,107	36,503,410	2,001,480	1,403,684	6,388,175	7,126,576	254,757	246,095
Total Minority interests		-	-	534,236	615,536	-	-	-	-	(32,296) c)	(48,386) c)
Total Consolidated		41,233,823	38,522,630	39,232,343	37,118,946	2,001,480	1,403,684	6,388,175	7,126,576	222,461	197,709

a) Consolidated data of the referred companies. BES.COM's data does not include BEST.

b) Companies included in the consolidated financial statements in 2002 (acquisition/incorporation or change in consolidation method).

c) Includes the dividend paid by BES Group on preference shares (see Note 22).

## **Note 3 > Basis of Presentation, Principles of Consolidation and Significant Accounting Policies**

### **3.1 Basis of presentation**

The individual and consolidated financial statements of the Bank herein presented are reported with reference to 31 December 2002 and 2001 and were prepared in accordance with the accounting principles established in the Portuguese Plan of Accounts for the Banking Sector, and other instructions issued by the Bank of Portugal by virtue of the powers conferred on it by Decree-Law no. 91/90, 17 March.

The financial statements of the international and overseas branches are consolidated at the Bank's level. All balances and transactions between head office and branches were eliminated in the process of consolidation of the respective financial statements and were converted into Euros, at the spot exchange rates as at 31 December 2002 and 2001.

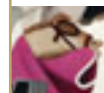
### **3.2 Principles of consolidation**

The consolidated financial statements reflect the assets, liabilities and results of BES and of its subsidiaries, as well as its share in the results of associated companies, for the years ended 31 December 2002 and 2001. These consolidated financial statements were prepared in accordance with the Decree-Law no. 36/92 of 28 March.

The financial statements of subsidiaries and associated companies with headquarters abroad were prepared under the respective statutory accounting records, in accordance with local regulations. For that reason, when considered material, appropriate adjustments were made to the financial statements of the consolidated entities in order to apply consistent accounting principles with those of the parent company.

Subsidiary companies and all holdings where control is exercised by the Bank (see Note 2) were consolidated under the purchase method. Major intercompany balances and transactions, including corresponding costs and revenues, were eliminated in the consolidation process. The amounts that correspond to the investment of third parties in subsidiary companies are shown under minority interests (see Note 22). In the consolidated financial statements, the Bank's investment in subsidiaries excluded from consolidation under the purchase method, with reference to Decree-Law no. 36/92, due to the dissimilarity of its activities and investments in associated companies were accounted for under the equity method, with their value equal to the attributable share of capital, reserves and retained earnings of these companies.

The financial statements of subsidiary and associated companies that are expressed in foreign currencies were translated into Euros at the spot exchange rates as at 31 December 2002 and 2001. As at 31 December 2002 exchange rate differences arising





from the application of year-end exchange rates for the conversion to Euros of the opening balance net assets of foreign subsidiaries and associated companies are accounted for in reserves.

Until 31 December 2001 these exchange rate differences were accounted for in Prepayments and accrued income - Fluctuations in investments (see Note 9 and 14).

Positive and negative differences, calculated at the acquisition date or at the date of the first consolidation, between the cost of the investment and the corresponding share of the fair value of the net assets acquired are offset against reserves and retained earnings (Goodwill and Capital Reserve).

As at 31 December 2002 the accumulated amount of Goodwill written-off against Reserves and Retained earnings, net of the amount of Capital Reserve, amounted to euro 253,377 thousand (see Note 23), of which, euro 34,261 thousand are related to the acquisitions or first consolidations in 2002.

Holdings in companies not included in the consolidation scope of BES Group, due to the fact that they are neither subsidiaries nor associated companies, are accounted in accordance with the accounting policy defined in Note 3.3 e).

### **3.3 Significant accounting policies**

#### **a) Recognition of income and expenses**

The Bank and its subsidiaries follow the accrual principle in preparing their financial statements, specifically with reference to interest income and interest expense, which are recognized when earned or incurred, irrespective of the time of collection or payment. However, where loans are more than 30 days overdue (or 90 days when collateralised), or, although not overdue, there is reasonable doubt of collectibility, the Bank and its subsidiaries cease to accrue interest, which is only recognized when and if received.

#### **b) Foreign exchange transactions**

Currency transactions are recorded in accordance with multi-currency principles, each transaction being recorded exclusively as a function of the respective currency. This method requires that all foreign currency balances, except for notes and coins, to be translated into Euros at the spot reference rate of exchange published by Bank of Portugal.

Spot and forward foreign currency purchases and sales are immediately recorded in the exchange position on date of closing. Whenever changes in the net balances in the various currencies arise from these transactions, entries are made in the spot and



forward exchange accounts in accordance with the following revaluation criteria:

#### **Spot exchange position**

The spot exchange position in each currency is the net balance of assets and liabilities in that currency, excluding the spot exchange position that is covered by forward operations, plus spot operations awaiting settlement and forward operations falling due within the following two business days. The spot position is revalued daily, based on the reference rates of the day as announced by the Bank of Portugal, being the exchange differences accounted for as gains or losses in the statement of income.

#### **Forward exchange position**

The forward exchange position in each currency represents the net balance of forward operations awaiting settlement, which are not intended to cover the spot position, except those that mature within the following two business days. All such exchange contracts (currency forwards) are revalued at forward market exchange rates, or in the absence of these, on the basis of interest rates applicable to the remaining life of each operation. The differences between the Euro equivalents at the contracted rates represent the income or expense arising from revaluation of the forward position, and are recognised in the statement of income.

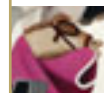
### **c) Derivative financial instruments**

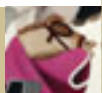
The Bank classifies derivative financial instruments according to whether they are contracted for trading purposes or purposes other than trading (hedging). Derivative instruments used for hedging risks inherent in trading operations are classified as trading operations.

The derivative instruments used for hedging purposes, identified as such in a contract at the outset, are intended for eliminating or substantially reducing exposure to market risk, or to modify risk profiles in exposures to interest rate changes inherent in certain assets, liabilities, cash flows or off-balance-sheet items.

Derivative financial instruments are classified as hedging instruments if they comply, cumulatively, with the following conditions:

- the position to be hedged is clearly identified and exposes the Bank to the risk of losses arising from potential changes in interest rates, prices and credit risk that certain assets, liabilities, off-balance sheet items and cash-flows might be exposed to;
- are specifically classified as hedging in the Bank's internal documentation;





- that changes in value in the derivative financial instrument are correlated with changes in opposite direction in the position to be hedged, such that the hedging instrument is efficient, eliminating or reducing considerably the risk of a loss in the hedged position, from the beginning of the contract until maturity.

If a derivative instrument classified as hedge is sold or abandoned before its maturity, the realized gain or loss is immediately recognised in the statement of income. If the hedged item is sold or abandoned, or the hedge ceases to be effective, the corresponding derivative instrument is immediately reclassified as a trading instrument.

Results obtained from hedging contracts are accounted for in accordance with the same principle followed to the results with the opposite sign of the hedged items.

Derivate financial instruments that do not comply with the above-mentioned conditions are accounted for, as trading positions.

Gains or losses in derivative financial instruments are accounted for, as described for each type of instrument:

#### **Currency Swaps**

Currency swaps and operations involving coverage of spot positions by forward operations, designed to eliminate or substantially reduce risk inherent in assets and liabilities (hedging operations) are not taken into account in the revaluation of spot and forward positions. Premiums and discounts on these operations are amortized up to their maturity, as an offset to costs or income.

#### **IRS, CIRS, Equity Swaps, Credit Default Swaps e FRA**

Interest rate swaps, currency and interest rate swaps, equity swaps, credit default swaps and forward rate agreements are recorded under the off-balance-sheet headings at their notional value up to maturity, and are classified as either trading or hedging instruments.

Trading operations, including those initially classified as hedging and subsequently transferred to the trading portfolio as they ceased to comply with the requirements for their classification as such, are marked to market and gains and/or losses resulting from these operations are recognized as costs or revenues for the period.

Hedging operations are valued and recognized as revenues/costs in accordance with the criterion applicable to the hedged assets or liabilities.

## Futures

Trading positions in future contracts traded in organized markets are recorded in the off-balance-sheet accounts at their notional value and are marked to market. Realized and unrealized gains and losses (the gain or loss that arises on closing out the position) are recorded in the statement of income for the period.

## Currency Options, Interest Rate Options, Equity Options, Swaptions and Interest Rate Caps and Floors

- Options traded in organized markets

Currency options, interest rate options and equity options are recorded under the off-balance-sheet headings at their notional value up to maturity. These contracts are marked to market and realized and unrealised gains and losses derived from their daily revaluation are recorded in the statement of income for the period.

- Options traded in Over the Counter (OTC) markets

Currency options, interest rate options, equity options and swaptions, as well as interest rate caps and floors are recorded under the off-balance-sheet headings at their notional value up to maturity.

Premiums on options are recorded under Accruals and Deferred income, up to the time of the exercise, sale, or abandonment of the option, when they are recorded in the statement of income. These contracts are valued under an appropriate prudent valuation being recorded in the statement of income the potential gain or loss determined based on its market value.

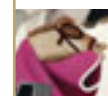
Hedging option contracts are valued and recognized as income/costs in accordance with the criterion applicable to the assets or liabilities covered.

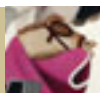
## d) Bonds, Shares, and Other Fixed and Variable-income Securities and Treasury Stock

### Trading securities

Trading securities are those purchased for resale within a maximum period of six months (see Note 8).

*Bonds and other fixed-income securities* are marked to market, plus accrued and uncollected interest. Unquoted bonds are valued at the lower of cost or estimated value on realization, plus accrued interest, calculated at the nominal interest rate. Differences in valuation and interest are accounted for as income or expenses of the period.





*Shares and other variable-income securities* are marked to market, or if unquoted, at the lower of cost or presumed market value. Gains or losses in shares that feature in the indices of the Euronext Lisbon or in shares traded on other stock exchanges with adequate liquidity are recognised directly in the statement of income. Gains or losses in other securities are deferred in the balance sheet, with full provisions against potential losses charged to earnings.

#### **Investment securities**

Investment securities are those purchased for resale, but usually held for more than six months (see Note 8), or that although intended to be held to maturity, do not meet the requirements for such classification.

*Bonds and other fixed-income securities* are shown at amortized cost. The difference between cost and par, representing the premium or discount at time of purchase, is amortized over the remaining life, and recorded in the statement of income. Accrued interest is recognized as income and shown under Prepayments and accrued income.

Unrealised losses resulting from the difference between cost and market value, or if unquoted, between cost and presumed realizable value, is fully provided and charged to earnings. The value of securities with automatic capitalization of interest includes their respective accruals of interest.

*Shares and other variable-income securities* are recorded at cost. Unrealised losses resulting from the differences between cost and market value, or if unquoted, between cost and the estimated realizable value, is fully provided against earnings.

Shares transferred from shares and other variable income securities caption to the investments caption are recorded at book value.

#### **Bonds overdue**

Potential losses with bonds overdue are provided in accordance with the criterion for credit overdue without collateral, set forth in Regulation no. 3/95, of 30 June of Bank of Portugal (see Notes 8 and 20).

#### **Treasury stock**

Treasury stock is registered in the respective balance sheet heading (assets), as trading securities at market value. Capital gains or losses are recorded directly to the statement of income.

## e) Equity holdings and shares in associated companies

Foreign exchange differences resulting from converting into Euros the cost of investments not consolidated that are expressed in foreign currencies (at the year-end exchange rate) are shown in the balance-sheet under Prepayments and Accrued income - Fluctuations in investments, as determined in the Plan of Accounts for the Banking Sector.

### Equity holdings in subsidiary companies

Included in BES financial statements (individual basis), under the caption Investments in subsidiaries are equity holdings in companies over which the Bank exercises a controlling position, in relation to which there is an objective of maintaining the investment given the company's activity, i.e., subsidiary companies (see Notes 2 and 10). These equity holdings that are consolidated by the purchase method, as defined in Notes 2 and 3.2, or that are consolidated through the equity method (when the activity is dissimilar) are shown in the individual financial statements at cost.

### Investments

Shown under Investments are:

(i) Equity holdings of less than 50% and greater than or equal to 20%, in companies where the Bank does not exercise control, but which are of a long-term nature and are held as a result of strategic relationship with the Bank's activities and the Bank has a significant influence. These holdings are treated as associated companies (see Notes 2 and 9) and are shown in BES's individual financial statements at cost, and are consolidated by the equity method;

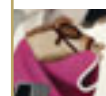
(ii) Other investments (see Note 9) that represent:

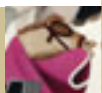
- holdings of a strategic and long-term, although the percentage of equity held is below 20%;
- holdings in companies in which the percentage held exceeds 20%, but where the Group does not have significant influence.

BES does not consolidate these holdings, which are recorded at cost net of the provisions made under Regulations no. 3/95 and no. 4/2002 of the Bank of Portugal.

Regulation no. 4/2002, effective from 30 June 2002, establishes the following rules for the provision of equity holdings:

- The set-up of provisions is required whenever the potential losses in equity holdings are higher than 15% of the acquisition cost. The amount of provision corresponds to 40% of the unrealized losses that exceeds 15% of the acquisition cost.





- For the equity holdings, existing as at 31 December 2001, a transition rule was established that allow the provision for the unrealized losses (40% of the unrealized losses that exceeds 15% of the acquisition cost) to be set up according to the following rule:
- Financial and insurance companies: 10% each year during 10 years.
- Non-financial companies: 25% each year for the first three years, 15% in fourth year and 10% in fifth year.

Increases in unrealized losses that occur after 30 June 2002, during the transition period, related to the equity holdings existing as at 31 December 2001, will be absorbed during this period.

Decreases in the unrealized losses after 30 June 2002, that occur during the transition period, with reference to the equity holdings as at 31 December 2001, cannot result in a reduction in the levels of provisions set up in the transition period, except if the value of the provision set up exceeds what would be necessary if the transition rules were not applied.

Unrealized losses provided for in 2002 for equity holdings held as at 31 December 2001 were, in accordance with Regulation no. 4/2002, recognized against Reserves.

The impact of the implementation of Regulation no. 4/2002 by BES, is disclosed in Note 9.

#### **f) Provisions for loan losses and country risk**

Provisions for loan losses and country risk set up by the Bank and its subsidiaries in the financial sector headquartered in Portugal, were determined in conformity with the Bank of Portugal Regulation no. 3/95, and Instruction no. 94/96, and include:

- (i) a specific provision for overdue loans and interest, presented as a deduction from Other loans and advances to credit institutions, Other loans to credit institutions and Loans and advances to customers and is calculated at rates varying between 1% and 100% on overdue loans and interest, according to risk classification and whether secured or unsecured with collaterals (see Notes 6, 7, and 20);
- (ii) a specific provision for doubtful loans, shown as a deduction from Loans and advances to customers, at a percentage no less than 50% of the average coverage provision of non-performing loans, applied to the outstanding instalments of loans to any single customer, where it is ascertained that the overdue instalments of principal and interest exceed 25% of principal outstanding plus overdue interest.

(iii) a general provision for credit risks, presented as liabilities under Provisions for liabilities and charges - other provisions, corresponding to a minimum of 1% of total performing loans, including acceptances, guarantees, and others instruments, except for consumer loans, where the provisioning rate is at least 1.5% of such loans (see Note 20); and

(iv) a specific provision for country risk shown as a deduction to Other loans and advances to credit institutions, Loans and advances to customers, Bonds and other fixed income securities and Other debtors (see Notes 6, 7, 8, 13 and 20). As regards subsidiaries located abroad, provisions for country risk are calculated based on the legislation of each country where these subsidiaries are located.

As at 31 December 2002 the total provisions for credit risk and country risk for the Bank and for the Group, was euro 479,018 thousand (31 December 2001 - euro 389,372 thousand), and euro 742,185 thousand (31 December 2001 - euro 610,226 thousand), respectively; this level of provisions is believed to be sufficient, by the Board of Directors, to cover credit risks and country risks identified as of this dated based on the economic and commercial analysis performed.

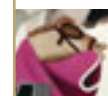
#### **g) Tangible assets**

The Bank's premises and equipment purchased from 1998 onwards, premises under construction, and all premises in use by branches and subsidiaries are valued at cost.

In 1998, and in accordance with Decree-Law no. 31/98 of 12 February, BES and BIC revalued all their tangible assets in use as at the revaluation date whose estimated remaining useful life was more than 5 years, as at that date.

Depreciation is calculated by the straight-line method, on a duodecimal basis on historic or revalued cost, at annual rates permitted for tax purposes, according to the periods shown below, which are not believed to differ materially from the assets' estimated useful lives.

	Number of years
Lands and buildings	50
Improvements in leased property	10
Equipment	5
Furniture	4 to 10
Office equipment	4 to 10
Computer equipment	4 to 5
Fixtures	5 to 12
Motor vehicles	4
Security equipment	4 to 10
Other equipment	5





A percentage equal to 40% of the increase in depreciation resulting from revaluations recorded by the Bank is not accepted as a tax-deductible expense.

#### **h) Intangible assets**

Branch installation expenses, electronic data-processing system expenses, capital increases, and preferred stock issuance expenses are amortized on a duodecimal basis over three years from the financial year in which they are incurred, by the straight-line method (see Note 11).

#### **i) Provisions for other assets**

On 31 December 2002, complying with Article 11 of Bank of Portugal Regulation no. 3/95, the Bank and the Group set up provisions in the amount of euro 3,236 thousand (31 December 2001 - euro 1,220 thousand) and euro 9,374 thousand (31 December 2001 - euro 6,908 thousand), respectively, to cover potential losses determined by the difference between the book value of assets arising out of recovered loans, included under Other debtors, and the expected selling price of those assets, less anticipated selling expenses (see Note 13). These properties are not subject to depreciation.

#### **j) Pension plans**

In light of the liabilities assumed by the Bank and its subsidiaries within the framework as stipulated in the ACTV "Acordo Colectivo de Trabalho Vertical" for the Banking Sector, Pension funds (ACTV Pension Funds) designed to cover retirement benefits on account of age, including widows and orphans benefits and disability were set up for the entire work force.

In 1998 the Bank and the Group's subsidiaries decided to set up an autonomous open-end pension fund - the Fundo de Pensões Aberto GES - to cover complementary pension benefits of employees and pensioners.

Both funds, "Fundos de Pensões ACTV" and "Fundo de Pensões Aberto GES" are managed by ESAF - Espírito Santo Fundos de Pensões, S.A., a Bank subsidiary, as mentioned in Note 2.

In accordance with Regulation no. 12/2001 of the Bank of Portugal, effective from 31 December 2001, the projected benefit obligation is determined using the projected unit credit method, and following the actuarial and financial assumptions in compliance with those required by the Bank of Portugal, as described in Note 24.

In accordance with the referred Regulation, the annual pension expense that includes service cost, interest cost and the expected return on plan assets is recognized in the profit and loss account.



The actuarial gains and losses determined annually, arising from differences between the actuarial and financial assumptions used and real values obtained are recognized as an asset or liability and its accumulated value is recognised in the profit and loss account using the corridor method.

This method establishes that the actuarial gains and losses accumulated at the beginning of the year that exceed the greater of 10% of the pension liabilities or the fair value of plan assets, as at the beginning of the year, are recognised under Prepayments and Accrued income - Deferred costs (pensions) and charged to the profit and loss account over a ten year period. The actuarial gains and losses accumulated at the beginning of the year that are within the above mentioned limit, are accounted for under the corridor method as Fluctuations (pensions) and are not subject to amortization.

In accordance with Regulation no. 12/2001, the expenses with pre-retirements incurred in 2002 are accounted for as an asset and amortized over 10 years. On 23 May 2001 the Bank of Portugal, through its Circular Letter nº 12/01/DSBDR, allowed the costs with pre-retirements liabilities to be recorded against retained earnings. In 2001, the Bank requested the authorization of the Bank of Portugal, which was granted, to recognize these costs, in the amount of euro 66.8 millions, against the share premium balance.

The amortization of the shortfall calculated as at 31 December 1994, regarding employees with estimated retirement date after 31 December 1997, is being charged against the profit and loss account, on a systematic basis during their expected service years. Annually, extraordinary charges (anticipation charges) are made as a result of the reduction of the population covered by this scheme.

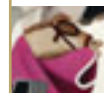
The Bank and its subsidiaries make payments to the fund in order to maintain its solvency and to comply with the minimum levels required by the Bank of Portugal, which based on Regulation no. 12/2001 are the following:

- the liability with pensioners shall be totally funded at the end of each year;
- the liability with employees in service shall be funded at a minimum level of 95%.

#### **k) Income taxes**

The Bank and its subsidiaries headquartered in Portugal are subject to the tax regime considered in the Corporate Income Tax Code (IRC). However, the financial branches in the Madeira Free Zone (BES and BIC) will enjoy exemption of IRC up to 31 December 2011, based on article 41 of the Tax Benefit Statute, as stated in Decree-Law no. 84/93, 18 March.

Subsidiaries headquartered abroad are subject to taxation in accordance with local tax regulations.



Where there are substantial differences between accounting and taxable earnings, the respective deferred taxes are recorded.

## **l) Finance lease**

### **As lessee**

Finance lease contracts are recorded at the inception date, under Tangible assets and Other liabilities, at the cost of asset leased, which is equal to the present value of outstanding lease instalments. The tangible asset is depreciated as described in Note 3.3 g).

Instalments comprise (i) an interest charge, and (ii) amortization of principal, which is deducted from Other liabilities. Financial charges are recognized as costs over the lease period, in order to produce a constant periodic rate of interest on the remaining balance of liability for each financial year.

### **As lessor**

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

Interest included in instalments charged to customers is recorded as revenue, while amortization of principal, also included in the instalments, is deducted from the global amount of the capital financed. The recognition of the financial earnings reflects a constant periodic rate of return on the lessor's net outstanding investment.

## **m) Marketable securities received for deposit**

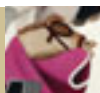
Marketable securities received for deposit are recorded in off-balance sheet accounts at market price, or where unquoted, at the corresponding nominal value (see Note 25).

## **n) Deposit Guarantee Fund**

Pursuant to Decree-Law no. 298/92, 31 December, the Deposit Guarantee Fund was created in 1994, and the initial contributions to be made by all participating institutions, which include BES and some Group companies, were defined.

For 1995 and following years, the contribution coefficient applicable to the average monthly balances of eligible deposits, as defined in Bank of Portugal Regulation no. 9/95, 15 September, was set at 0.1%.

Annual contributions are recognized as expenses for the financial year in which they are paid. The unpaid portion of annual contributions that is guaranteed by certificates of



deposit (see Note 6) will be recognized by the Bank as an expense, when and if the Deposit Guarantee Fund requires its payment.

#### **o) Securitization of financial assets**

The Group carries out asset securitization transactions with specific financial entities, set up by third parties for that purpose, whose funding is financed by debt issuance, by those entities in international financial markets. The Group's accounting policy relative to these transactions is to record the sale of assets and derecognise them from the balance sheet whenever the buyer (financial entity) acquires, without recourse, all rights and obligations inherent to these assets (see Note 35). The gain or loss generated in these operations if any, measured by the difference between the proceeds and the book value of the assets sold is recognized as a gain or loss for the period.

The notes acquired by the Group following these transactions are recognized as investment securities, as defined in Note 3.3 d).

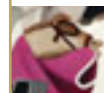
With respect to Instruction no. 27/2000 of Bank of Portugal, provisions are recorded against the notes or other assets acquired, by an equivalent amount to the provisions for general and specific risks that the assets sold would require if they had remained in the balance sheet, considering as a limit the book value of the notes and of the other assets acquired.

#### **p) Distribution of profits to employees**

Profit distribution to employees is accounted for similarly to dividends, as in substance these amounts payable to employees are considered to be a transfer of the right to dividends by the shareholders in favour of the employees.

#### **q) Cash Flow Statement**

For the purpose of the cashflow statement, cash and equivalents matches the sum of cash (see Note 4) and Loans and advances to credit institutions repayable on demand (see Note 5).



## Note 4 > Cash and Deposits at Central Banks

The balance Deposits at Central Banks includes mandatory deposits with the Bank of Portugal intended to satisfy legal minimum cash requirements. According to the European Central Bank Regulation (CE) no. 2818/98, of 1 December 1998, minimum cash requirements kept as deposits with the Bank of Portugal earn interest, and correspond to 2% of deposits and debt certificates maturing in less than 2 years, excluding deposits and debt certificates of institutions subject to the European System of Central Banks' minimum reserves requirements. At the end of the period, these deposits earned interest at an average rate of 3.28% (31 December 2001 - 4.34%).

	BES		Consolidated	
	2002	2001	2002	2001
Cash	208,564	242,033	241,942	274,426
Deposits at Central Banks	557,416	242,070	754,743	449,783
	<u>765,980</u>	<u>484,103</u>	<u>996,685</u>	<u>724,209</u>

## Note 5 > Loans and Advances to Credit Institutions Repayable on Demand

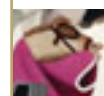
Uncollected cheques in Portugal and abroad were sent for collection during the first working days following the reference dates.

	BES		Consolidated	
	2002	2001	2002	2001
<b>Loans and advances to credit institutions in Portugal</b>				
Repayable on demand	2,207	5,137	37,983	59,228
Uncollected cheques	467,585	812,239	522,284	852,108
Other loans and advances	75,926	77,185	96,982	102,594
	<u>545,718</u>	<u>894,561</u>	<u>657,249</u>	<u>1,013,930</u>
<b>Loans and advances to credit institutions abroad</b>				
Repayable on demand	61,206	46,612	179,422	216,706
Uncollected cheques	7,181	10,528	7,387	10,623
	<u>68,387</u>	<u>57,140</u>	<u>186,809</u>	<u>227,329</u>
	<u>614,105</u>	<u>951,701</u>	<u>844,058</u>	<u>1,241,259</u>

## Note 6 > Other Loans and Advances to Credit Institutions

	BES		Consolidado	
	2002	2001	2002	2001
<b>Credit institutions in Portugal</b>				
Certificates of deposit	164,090	241,723	175,552	259,204
Inter-bank money market	911,988	685,531	294,397	183,448
Notice and time deposits	579,259	568,984	224,496	174,518
Loans	326,291	476,060	26,553	92,727
Deposits with the Bank of Portugal	-	436,820	-	436,820
Short term deposits	58,545	43,141	22,124	1,135
Other loans and advances	38,663	344,847	48,001	383,723
	<u>2,078,836</u>	<u>2,797,106</u>	<u>791,123</u>	<u>1,531,575</u>
<b>Credit institutions abroad</b>				
Notice and time deposits	1,587,550	1,381,112	1,526,317	1,178,407
Loans	107,456	133,729	101,084	129,488
Short term deposits	1,421,391	142,222	1,629,416	201,226
Other loans and advances	116,899	96,285	1,627,050	858,094
	<u>3,233,296</u>	<u>1,753,348</u>	<u>4,883,867</u>	<u>2,367,215</u>
<b>Overdue loans and interest</b>	-	2,735	-	2,735
	<u>5,312,132</u>	<u>4,553,189</u>	<u>5,674,990</u>	<u>3,901,525</u>
<b>Minus:</b>				
Specific provision for overdue loans	-	( 2,735)	-	( 2,735)
Specific provision for country risk	( 8,868)	( 10,585)	( 8,870)	( 10,603)
Total provisions (see Note 20)	<u>( 8,868)</u>	<u>( 13,320)</u>	<u>( 8,870)</u>	<u>( 13,338)</u>
	<u><u>5,303,264</u></u>	<u><u>4,539,869</u></u>	<u><u>5,666,120</u></u>	<u><u>3,888,187</u></u>

With the introduction of the new legal regime for minimum cash requirements, as referred to in Note 4, BES and the Group, as well as other banking institutions, were required to subscribe certificates of deposit, series A and B, issued by the Bank of Portugal, which make up the balance of Credit institutions in Portugal - Certificates of deposit.





As at 31 December 2002, BES Group only held series B certificates of deposit, in the amount of euro 175,552 thousand, which bear interest at the average annual rate of 3.35% (2001 - 4.55%). During 2002, the following movements occurred i) repayment of series B certificates of deposit in the amount of euro 80,944 thousand; ii) payment of the annual contribution to Deposit Guarantee Fund (DGF), through delivery of certificates in the amount of euro 2,803 thousand. BES Azores, which was for the first time consolidated in 2002, has certificates of deposit amounting to euro 95 thousand .

As referred to in Note 3.3 n), from the total amount of certificates of deposit, euro 39,962 thousand (2001 - euro 25,385 thousand) are pledged in guarantee of the irrevocable commitment for payment of the remaining portion of annual contribution from 1997 to 2002 (2001 - de 1997 a 2001) to the DGF.

Besides certificates of deposit, the main applications in credit institutions in Portugal, as at 31 December 2002, bore interest at an average annual interest rate of 2.86% (2001 - 4.52%). Other loans and advances to credit institutions abroad, bear interest at international market rates where the Bank and Group operates.

Deposits with the Bank of Portugal, in 2001, reflect mainly the guarantee deposit related with coins in euros that BES had available for its customers.

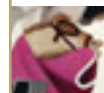
This balance is analysed by period to maturity, as follows:

Maturity	BES		Consolidated	
	2002	2001	2002	2001
Up to 3 months	4,394,102	3,166,515	4,991,419	2,645,873
3 to 12 months	731,792	1,011,731	581,409	755,784
1 to 5 years	96,879	285,907	4,01	490,784
More than 5 years	89,359	86,301	98,145	6,349
Undetermined (overdue credit and interest)	-	2,735	-	2,735
	<u>5,312,132</u>	<u>4,553,189</u>	<u>5,674,990</u>	<u>3,901,525</u>

## Note 7 > Loans and Advances to Customers

	BES		Consolidated	
	2002	2001	2002	2001
<b>Domestic Loans</b>				
Current accounts credits	7,079,035	6,405,424	8,055,245	7,243,524
Mortgage loans	3,864,563	3,367,134	8,241,440	8,235,028
Discounted bills	933,851	816,155	1,053,293	932,468
Overdrafts	393,262	255,723	530,915	375,574
Promissory notes	287,306	230,882	420,004	325,173
Finance leases	7,619	9,422	911,073	1,058,258
Credit resulting from factoring operations	90,820	52,306	531,769	409,842
Other loans	886,489	1,107,206	2,274,122	2,174,806
	<u>13,542,945</u>	<u>12,244,252</u>	<u>22,017,861</u>	<u>20,754,673</u>
<b>Foreign loans</b>	<u>1,698,470</u>	<u>1,811,464</u>	<u>3,228,477</u>	<u>3,364,332</u>
	<u>15,241,415</u>	<u>14,055,716</u>	<u>25,246,338</u>	<u>24,119,005</u>
<b>Overdue loans and interest</b>				
Up to 90 days	31,246	43,473	67,008	81,979
More than 90 days	<u>249,461</u>	<u>199,269</u>	<u>481,761</u>	<u>368,127</u>
	<u>280,707</u>	<u>242,742</u>	<u>548,769</u>	<u>450,106</u>
	<u>15,522,122</u>	<u>14,298,458</u>	<u>25,795,107</u>	<u>24,569,111</u>
<b>Minus:</b>				
Specific provision for overdue loans and interest	(190,532)	(163,038)	(342,638)	(286,768)
Specific provision for doubtful loans	(20,609)	(13,331)	(24,483)	(15,369)
Provision for country risk	(5)	(1,246)	(325)	(2,895)
<b>Total provisions (see Note 20)</b>	<u>(211,146)</u>	<u>(177,615)</u>	<u>(367,446)</u>	<u>(305,032)</u>
	<u>15,310,976</u>	<u>14,120,843</u>	<u>25,427,661</u>	<u>24,264,079</u>

During 2002, BES Group carried out two securitization transactions, one of consumer credit (euro 150 million) and leasing (euro 300 million) and a second transaction with mortgage loans in the amount of euro 1,000 million (see Note 35).





In addition to provisions for overdue loans and interest, for doubtful loans and for country risk the Bank and the Group also have provisions included as liabilities (see Note 20) in the amount of euro 241,848 thousand (2001 - euro 194,473 thousand) and euro 348,676 thousand (2001 - euro 288,019 thousand), respectively, that are also intended to cover credit risks.

The analysis of Loans and advances to customers by sector of activity is presented in Note 27.

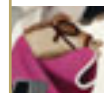
The analysis of Loans and advances to customers by period to maturity, as at 31 December 2002, is as follows:

Maturity	BES		Consolidated	
	2002	2001	2002	2001
Up to 3 months	4,550,451	3,304,205	5,874,903	4,483,402
3 to 12 months	1,798,744	3,721,117	3,198,183	5,180,377
1 to 5 years	3,603,981	2,856,656	5,391,840	4,640,104
More than 5 years	5,288,239	4,173,738	10,781,412	9,815,122
Undetermined (overdue credit and interest)	280,707	242,742	548,769	450,106
	<u>15,522,122</u>	<u>14,298,458</u>	<u>25,795,107</u>	<u>24,569,111</u>



## Note 8 > Securities

	BES					
	Trading securities		Investment securities		Total	
	2002	2001	2002	2001	2002	2001
<b>Bonds and other fixed income securities</b>						
Portuguese government and other public issuers						
Short term public debt securities	-	-	-	-	-	-
Medium and long term public debt securities	31,283	34,349	66,820	404,429	98,103	438,778
Bonds of other public entities	-	-	-	-	-	-
Foreign governments and public issuers	-	181,328	871,455	1,086,282	871,455	1,267,610
	31,283	215,677	938,275	1,490,711	969,558	1,706,388
Minus: Accumulated provisions (see Note 20)	-	-	(5,956)	(15,148)	(5,956)	(15,148)
	31,283	215,677	932,319	1,475,563	963,602	1,691,240
Other issuers						
Bonds and other securities	11,606	19,694	2,276,972	2,357,209	2,288,578	2,376,903
Minus: Accumulated provisions (see Note 20)	-	-	(53,193)	(51,964)	(53,193)	(51,964)
	11,606	19,694	2,223,779	2,305,245	2,235,385	2,324,939
Own securities	2,910	5	-	-	2,910	5
	45,799	235,376	3,156,098	3,780,808	3,201,897	4,016,184
<b>Shares and other variable income securities</b>						
Shares	40	181	123,529	118,186	123,569	118,367
Investment funds units						
Securities investment funds	201,394	16,651	207,289	183,759	408,683	200,410
Other securities	3,173	1,991	6,322	2,869	9,495	4,860
	204,607	18,823	337,140	304,814	541,747	323,637
Minus: Accumulated provisions (see Note 20)	(20)	(1)	(72,989)	(42,050)	(73,009)	(42,051)
	204,587	18,822	264,151	262,764	468,738	281,586
<b>Total securities</b>	<b>250,406</b>	<b>254,199</b>	<b>3,552,387</b>	<b>4,152,734</b>	<b>3,802,793</b>	<b>4,406,933</b>
Minus: (see Notes 3.3 d) and 20)						
Specific provisions for securities	(20)	(1)	(115,492)	(105,582)	(115,512)	(105,583)
Specific provisions for country risk	-	-	(16,646)	(3,580)	(16,646)	(3,580)
	(20)	(1)	(132,138)	(109,162)	(132,158)	(109,163)
	<b>250,386</b>	<b>254,198</b>	<b>3,420,249</b>	<b>4,043,572</b>	<b>3,670,635</b>	<b>4,297,770</b>



	Consolidated					
	Heading Securities		Investment Securities		Total	
	2002	2001	2002	2001	2002	2001
<b>Bonds and other fixed income securities</b>						
Portuguese government and other public issuers						
Short term public debt securities	-	-	6	-	6	-
Medium and long term public debt securities	31,283	36,972	74,689	445,873	105,972	482,845
Bonds of other public entities	-	-	4,988	-	4,988	-
Foreign governments and public issuers	54,340	238,240	1,035,865	1,249,651	1,090,205	1,487,891
	85,623	275,212	1,115,548	1,695,524	1,201,171	1,970,736
Minus: Accumulated provisions (see Note 20)	-	-	(6,128)	(15,668)	(6,128)	(15,668)
	85,623	275,212	1,109,420	1,679,856	1,195,043	1,955,068
<b>Other issuers</b>						
Bonds and other securities	73,512	126,381	2,803,728	2,907,003	2,877,240	3,033,384
Minus: Accumulated provisions (see Note 20)	-	-	(74,850)	(60,957)	(74,850)	(60,957)
	73,512	126,381	2,728,878	2,846,046	2,802,390	2,972,427
Own securities	10,410	2,006	-	-	10,410	2,006
	169,545	403,599	3,838,298	4,525,902	4,007,843	4,929,501
<b>Shares and other variable income securities</b>						
Shares	20,798	79,280	169,534	143,480	190,332	222,760
Investment funds units						
Securities investment funds	208,081	27,109	267,002	222,723	475,083	249,832
Other securities	3,173	1,991	52,217	9,337	55,390	11,328
	232,052	108,380	488,753	375,540	720,805	483,920
Minus: Accumulated provisions (see Note 20)	(20)	(113)	(102,780)	(57,427)	(102,800)	(57,540)
	232,032	108,267	385,973	318,113	618,005	426,380
<b>Total securities</b>	401,597	511,979	4,408,029	4,978,067	4,809,626	5,490,046
Minus: (see Notes 3.3 d) and 20)						
Specific provisions for securities	(20)	(113)	(166,947)	(130,448)	(166,967)	(130,561)
Specific provisions for country risk	-	-	(16,811)	(3,604)	(16,811)	(3,604)
	(20)	(113)	(183,758)	(134,052)	(183,778)	(134,165)
	401,577	511,866	4,224,271	4,844,015	4,625,848	5,355,881

Own securities reflect investments in bonds issued by the Group.

The analysis of securities by period to maturity, as at 31 December 2002, is as follows:

Maturity	BES			Consolidated
	Trading securities	Investment securities	Total	Total
Up to 3 months	-	175,638	175,638	264,145
3 to 12 months	3,547	173,711	177,258	345,489
1 to 5 years	36,537	1,172,067	1,208,604	1,637,751
More than 5 years	210,322	1,465,864	1,676,186	1,846,344
Undetermined	-	565,107	565,107	715,896
	250,406	3,552,387	3,802,793	4,809,626

The interest rates for fixed income securities, at the end of the year, are within the following range:

	BES	
	2002	2001
Portuguese Government debt securities	2.750% - 11.875%	2.750% - 11.875%
Other securities	3.125% - 8.000%	1.00% - 10.75%

Foreign government debt securities bore interest at their respective market rates.

As at 31 December 2002, the nominal value (or reimbursement value at maturity), of fixed income securities is compared with market value as follows:

	BES	
	2002	2001
Book value	3,156,098	3,780,808
Nominal value	3,179,058	4,604,794
Market value	3,182,916	3,789,915

On the same date, the book value of fixed income securities of the Group amounting to euro 3,838,298 thousand (2001 - euro 4,525,902 thousand), compared with a market value of euro 3,870,179 thousand (2001 - euro 4,533,000 thousand).

As referred in Note 3.3 o), securities acquired by the Group following securitization transactions are accounted for under Investment securities. Provisions are made complying with Instruction no. 27/2000, of the Bank of Portugal, and are included in specific provisions for investment securities (see Note 35).

The analysis of securities by sector of activity, as at 31 December 2002, is presented in Note 27.



## Note 9 > Investments

	BES				Consolidated			
	2002		2001		2002		2001	
	% held by the Bank	Acquisition cost	% held by the Bank	Acquisition cost	% held by the Group	Book value or acquisition cost	% held by the Group	Book value or acquisition cost
	(1)		(1)		(1)		(1)	
<b>Investment in associated companies:</b>								
INTERATLÂNTICO (2)	-	-	100.00%	75,855	-	-	100.00%	-
ES SEGUROS	40.00%	6,000	40.00%	5,986	40.00%	4,544	40.00%	4,172
BES VÉNÉTIE (8)	40.00%	22,000	21.00%	11,714	40.00%	25,049	21.00%	11,329
SCI GEORGES MANDEL	22.50%	2,401	22.50%	2,401	22.50%	2,363	22.50%	2,309
EUROP ASSISTANCE	23.00%	1,147	23.00%	1,147	23.00%	1,573	23.00%	1,446
ESUMÉDICA	24.84%	395	24.84%	395	24.84%	142	24.84%	330
FIDUPRIVATE	24.76%	31	24.76%	31	24.76%	99	24.76%	69
ESEGURO	29.00%	797	-	-	29.00%	1,235	-	-
COMINVEST	-	-	-	-	25.00%	1,662	25.00%	1,615
ES PENSIONES	-	-	-	-	-	-	50.00%	478
ESAF FP	-	-	-	-	100.00%	2,896	100.00%	1,762
E.S.I.A.M.	-	-	-	-	49.00%	29	49.00%	29
QUADRIGA (6)	-	-	-	-	46.53%	323	29.49%	326
TRADECOM (3) (6)	-	-	-	-	-	-	17.00%	2,015
SGPICE (6)	-	-	-	-	33.33%	1,637	33.33%	3,008
CLARITY (6)	-	-	-	-	31.92%	253	27.64%	-
OBLOG	-	-	-	-	32.50%	-	-	-
PORTLINE	-	-	-	-	33.32%	9,608	-	-
ES BANKEST (3)	-	-	-	-	-	-	50.00%	12,277
		32,771		97,529		51,413		41,165
Minus: Provisions for potencial losses (4)		-		(52,086)		(2,384)		-
		32,771		45,443		49,029		41,165
<b>Other Investments</b>								
FIEP-Fundo p/ int.E.Port.,SGPS	17.00%	16,971	17.00%	16,971	19.50%	19,465	19.50%	19,465
Fundo Europeu de Investimento	0.15%	3,000	0.15%	3,000	0.15%	3,000	0.15%	3,000
Multiger	4.99%	1,126	4.99%	1,126	9.99%	2,251	9.99%	2,251
SPGM - Sociedade de Investimentos, SA	7.14%	891	8.14%	1,015	8.14%	966	9.14%	1,140
SIBS	7.27%	986	7.88%	1,068	8.78%	3,183	8.58%	1,231
Fundo de Turismo-Cap, Risco	15.00%	748	15.00%	748	15.00%	748	15.00%	748
PME Capital	-	-	2.73%	748	-	-	2.73%	748
PME Investimento	-	-	2.73%	748	-	-	2.73%	748
Finangeste	-	-	0.65%	435	0.02%	22	0.67%	457
Unicre	8.80%	220	8.80%	220	9.09%	594	9.09%	594
Banco Inter-Unido	49.85%	211	49.85%	211	49.85%	211	49.85%	211
Fundo de Turismo-SGFI	13.33%	50	13.33%	50	13.33%	50	13.33%	50
Kredyt Bank (3)	-	-	19.86%	139,974	-	-	19.86%	139,974
BMCE Bank	2.77%	25,123	2.77%	26,375	2.77%	25,123	2.77%	26,375
Interatlântico (2)	19.00%	7,945	-	-	19.00%	-	-	-
Bradesco	3.29%	157,547	1.11%	79,413	3.29%	162,781	1.43%	109,737
Bradespar	-	-	-	-	7.89%	38,249	-	-
Portugal Telecom	2.80%	327,223	1.45%	179,782	2.80%	327,224	1.45%	179,782
PT Multimédia	8.13%	296,052	8.13%	296,052	8.13%	296,052	8.13%	296,052
PT Multimédia.com	-	-	-	-	-	-	-	-
Pararede	-	-	12.05%	23,624	-	-	12.05%	23,624
ESEGURO	-	-	29.00%	797	-	-	29.00%	797
MULTIPESSOAL	22.52%	100	22.52%	100	22.52%	100	22.52%	100
Quinta dos Cónegos	-	-	-	-	-	-	78.34%	4,862
ES Interaction (5)	20.00%	100	20.00%	100	-	-	-	-
ES Saúde	2.00%	500	-	-	7.00%	1,750	-	-
United Investments Portugal	-	-	-	-	0.27%	369	0.27%	369
SGF-Soc. Gest. FP	-	-	-	-	5.21%	52	5.21%	52
NovaBase, SGPS (6)	-	-	-	-	8.99%	24,668	4.00%	16,681
Milcom (6)	-	-	-	-	2.06%	3,554	2.06%	3,520
HLC - Centrais de cooeração (7)	-	-	-	-	24.50%	898	24.43%	898
Aleluia (7)	-	-	-	-	9.12%	1,419	10.12%	1,411
Siparex Development (7)	-	-	-	-	55.00%	151	0.61%	150
ESFI, SA (7)	-	-	-	-	-	-	23.94%	1,499
BBR International, SA	-	-	-	-	25.00%	9,784	5.99%	2,345
SPVG -serviços pro. video gestão, SA	-	-	-	-	25.00%	2,761	24.94%	2,760
Sotranco, S A	-	-	-	-	55.00%	3,018	-	-
Outras	-	604	-	2,348	-	14,683	-	30,167
		839,397		774,905		943,126		871,798
Minus: Provisions for potencial losses		(36,135)		(19,106)		(32,004)		(21,972)
		803,262		755,799		911,122		849,826
		872,168		872,434		994,539		912,963
		(36,135)		(71,192)		(34,388)		(21,972)
		836,033		801,242		960,151		890,991

(1) For equity holdings acquired in foreign currency the exchange difference between acquisition date and the end of the period is recorded in the balance sheet under Prepayments and accrued income - fluctuations in investments, in accordance with Bank of Portugal regulations

(2) In 2002 this investment was reclassified to Other investments

(3) Investment sold during 2002

(4) In 2001, this provision was covering potential losses in the investment in INTERATLÂNTICO, In the consolidated financial statements this provision is recorded in provisions for general banking risks

(5) Company consolidated by the purchase method

(6) Investments under the activity of BES,COM

(7) Investments under the activity of ES Capital

(8) During 2002 BES increased its participation in 19%.

As disclosed in Note 2, in 2002, the Bank sold 81% of its holding in Interatlântico. This operation had the following impact on BES and the Group's financial statements (thousand of euros):

- Gross book value on the sale date:

	BES	Consolidated
Investment	115,457	25,877 <sup>(1)</sup>
Provision	(52,086)	(52,086)
	<u>63,371</u>	<u>(26,209)</u>

<sup>(1)</sup> Corresponds to the book value of exchange differences in the balance sheet on the date of sale,

- Sale of 81% holding:

	BES	Consolidated
Net proceeds of the sale	193	193
Cost of the investment sold	93,517	25,877
Provision charge off	42,189	25,684
Loss on the sale	<u>(51,135)</u>	<u>-</u>

The loss recognised in the individual financial statements, in the amount of euro 51,135 thousand, relates to exchange differences recorded under Losses arising from trading activities. In the consolidated financial statements, although the result of the sale is nil, this transaction resulted in the write-back of provisions in the amount of approximately euro 20.4 million, which were accounted for in Provisions for general banking risks.

- The resulting book values, as at 31 December 2002, in BES and the Group were as follows:

	BES	Consolidated
Investment	21,945	-
Provision for investments	(8,896)	-
Provision for general banking risks	-	(5,996)
	<u>13,049</u>	<u>(5,996)</u>



During 2002, the following transactions were also made, which had an impact on the investment holdings of the Bank and the Group:

- BES Vénétie: BES increased its share from 21% to 40%, with an investment of euro 10,286 thousand. This acquisition generated a Capital reserve of euro 1,611 thousand;
- Kredyt Bank: Since the beginning of 2002, the sale of this investment was being considered, therefore it was transferred to the Securities portfolio at the beginning of 2002. The sale was completed at the end of the first quarter and it generated a gain of approximately euro 18 million, which is accounted for under Profits arising from trading activity;
- ES Bankest: Espírito Santo Bank, SA sold its subsidiary at a profit of USD 1.4 million, that is accounted for under Income arising from the equity method of consolidation.

The provisions for Investments, as at 31 December 2002, were determined based on Regulations no. 3/95 of 30 June and no. 4/2002 of 25 July of the Bank of Portugal, relating to the following companies:

	BES 2002	Consolidated 2002
BMCE	671	671
Novabase	836	836
Banco Bradesco	4,470	4,470
Portugal Telecom	7,296	7,296
PT Multimedia	15,311	15,311
Others	9,452	5,804
	<u>38,036<sup>(1)</sup></u>	<u>34,388<sup>(1)</sup></u>

<sup>(1)</sup> Euro 32,720 thousand and euro 31,910 thousand for the Bank and for Group, respectively, were set up during 2002 within the scope of Regulation no. 4/2002. The remaining provisions were set up within the scope of Regulation no. 3/95.

The application of Regulation no. 4/2002, on a consolidated basis, resulted in the identification of unrealized losses which were calculated using the average of the daily stock price over the last sixth months. These unrealized losses are as follows:

Company	Acquisition cost (1)	Market value (2)	Unrealized losses (3) = (1-2)	15% of the acquisition cost (4) = (1x 15%)	Provisions		
					Total (5) = (3 - 4)	Minimum (6) = (40% x 5)	Remaining (Deduction in regulatory capital) (7) = (5 - 6)
BMCE	25,123	14,642	10,481	3,768	6,713	2,685	4,028
Novabase	24,668	13,108	11,560	3,700	8,360	3,344	5,016
Transition rule	16,681	5,819	10,862	2,502	8,360	3,344	5,016
Normal rule	7,987	7,289	698	1,198	-	-	-
Banco Bradesco - Pref.	71,588	51,842	19,746	10,738	9,008	3,604	5,404
Transition rule	50,330	39,567	10,763	7,549	3,214	1,286	1,928
Normal rule	21,258	12,275	8,983	3,189	5,794	2,318	3,476
Banco Bradesco - Ord	91,193	59,217	31,976	13,679	18,297	7,319	10,978
Portugal Telecom	327,224	205,480	121,931	49,084	72,963	29,185	43,778
Transition rule	326,452	204,521	121,931	48,968	72,963	29,185	43,778
Normal rule	772	959	-	116	-	-	-
PT Multimedia	296,052	98,533	197,519	44,408	153,111	61,244	91,867
Others	51,292	46,955	47,474	7,161	20,924	10,971	9,953
	<b>887,140</b>	<b>489,777</b>	<b>440,687</b>	<b>132,538</b>	<b>289,376</b>	<b>118,352</b>	<b>171,024</b>

As mentioned in Note 3.3 e), the application of the transition rules, as described in no. 5 of the above mentioned Regulation, allows the recognition of the unrealized losses, for accounting purposes and for deduction to regulatory capital, on a consolidated basis, to be over a period of time as follows:

	Provisions		Deduction to regulatory capital (annual)	Total
	Income statement	Reserves		
2002	2,677	29,233	45,364	77,274
2003	-	28,812	41,888	70,700
2004	28,812	-	41,888	70,700
2005	17,287	-	25,132	42,419
2006	11,531	-	16,752	28,283
	<b>60,307</b>	<b>58,045</b>	<b>171,024</b>	<b>289,376</b>

The total provisions, for the Group, set up during 2002 based on Regulation no. 4/2002, amounted to euro 31,910 thousand, of which euro 29,233 thousand were charged against reserves and the remaining euro 2,677 thousand charged against the statement of income. For the Bank, the charge for the year amounts to euro 32,720 thousand, of which euro 30,403 thousand were charged against reserves and the remaining euro 2,317 thousand against the statement of income.



## Note 10 > Investments in Subsidiaries

Investments in subsidiaries include shareholdings relative to which the Bank holds a direct or indirect controlling interest (see Note 2) and as such are consolidated by the purchase method:

	BES							
	2002				2001			
	No. shares	% held by the Bank	Face value	Acquisition cost	No. shares	% held by the Bank	Face value	Acquisition cost
BIC	30,000,000	100.00%	5.00	208,521	30,000,000	100.00%	5.00	208,521
BESI	14,000,000	100.00%	5.00	159,834	14,000,000	100.00%	5.00	159,834
BESSA	9,687,500	89.60%	8.00	83,484	9,687,500	89.60%	8.00	83,484
BAC	c) 2,099,400	59.98%	5.00	10,066	-	-	-	-
BEST	6,981,580	16.24%	1.00	6,982	-	-	-	-
SPAINVEST	399,999	100.00%	8.82	21,977	399,999	100.00%	8.82	21,977
BESLEASING MOB.	3,390,016	78.29%	5.00	22,106	3,368,448	77.79%	5.00	21,965
BES ORIENTE	199,500	99.75%	118.72	23,541	199,500	99.75%	141.27	28,015
ES CAPITAL	3,964,060	79.28%	5.00	19,774	3,964,060	79.28%	5.00	19,774
BESLEASING IMOB.	1,993,495	77.27%	5.00	8,377	1,977,256	76.64%	5.00	8,271
ESAF SGPS	1,527,500	65.00%	5.00	7,619	1,527,500	65.00%	5.00	7,619
EUROGES	2,400,000	100.00%	5.00	12,142	2,400,000	100.00%	5.00	12,142
ESDATA	486,000	34.71%	5.00	2,960	486,000	34.71%	5.00	2,960
ES DEALER	285,000	57.00%	5.00	3,800	285,000	57.00%	5.00	3,800
CREDIBOM	1,199,540	59.98%	5.00	5,984	1,199,540	59.98%	5.00	5,984
Qta dos Cónegos	377,400	51.00%	5.00	3,064	377,400	51.00%	5.00	3,064
CREDIFLASH	1,349,997	90.00%	5.00	6,594	849,997	84.94%	5.00	4,094
ESCLINC	100	100.00%	7,739.06	774	100	100.00%	9,209.07	921
CÊNTIMO	a) 1	55.00%	137,169.42	409	1	55.00%	137,169.42	409
ES COBRANÇAS	75,000	46.88%	4.99	374	75,000	46.88%	4.99	374
GESFINC	28,000	35.00%	4.99	140	28,000	35.00%	4.99	140
ESGEST	20,000	100.00%	5.00	100	20,000	100.00%	5.00	100
ES REPRESENT.	49,995	99.99%	0.27	14	49,995	99.99%	0.49	25
BESNAC	1,000	100.00%	0.72	36	1,000	100.00%	0.72	36
BES FINANCE	25,000	100.00%	1.00	24	25,000	100.00%	1.13	28
E.S. PLC	29,994	99.98%	1.27	38	29,994	99.98%	1.27	38
ESOL	b) 1,000	100.00%	1.00	1	1,000	100.00%	1.13	1
BESOL	b) 1,000	100.00%	1.00	1	1,000	100.00%	1.13	1
E.S. BANK	6,377,050	98.45%	2.38	61,023	6,377,050	98.45%	2.84	72,616
E.S.F. CONSULTANTS	649,800	92.83%	5.00	3,249	450,100	90.02%	5.00	2,251
BES.COM	50,000,000	100.00%	1.00	50,000	50,000,000	100.00%	1.00	50,000
E.S. CONTACT CENTER	945,000	26.25%	1.00	945	945,000	26.25%	1.00	945
BES ANGOLA	9,996,000	99.96%	0.95	9,532	9,996,000	99.96%	1.13	11,342
JAMPUR	1	75.00%	3,750.00	4	1	100.00%	3,750.00	4
BES INTERNACIONAL. SGPS	75,000	100.00%	1.00	75,040	50,000	100.00%	1.00	40
<b>Total</b>				<b>808,529</b>				<b>730,775</b>
Minus: Provision for potencial losses				(1,901)				-
				<b>806,628</b>				<b>730,775</b>

a) Limited liability company

b) See Notes 2 and 22

c) Companies incorporated/acquired in 2002

As mentioned in Note 2, during 2002 BES Azores was incorporated. As an outcome of this transaction, BES had a Capital reserve in the amount of euro 4,436 thousand (see Note 23). During 2002, BES acquired an additional share capital of 16.24% in BEST as a result of the capital increase done by this subsidiary.

## Note 11 > Intangible Assets

	BES		Consolidated	
	2002	2001	2002	2001
Set up costs	13,965	11,354	23,107	19,145
Software	346,575	253,072	395,885	290,935
Other	287	11,344	25,759	41,849
	360,827	275,770	444,751	351,929
Work in progress	75,260	91,316	78,368	94,401
	436,087	367,086	523,119	446,330
Accumulated amortization	(286,074)	(221,070)	(339,371)	(263,982)
	<u>150,013</u>	<u>146,016</u>	<u>183,748</u>	<u>182,348</u>

During the year ended 31 December 2002, the movement of Intangible assets was as follows:

	BES					Balance as at 31 December
	Balance as at 1 January	Acquisitions	Disposals	Transfers	Exchange differences and other movements	
Acquisition cost	275,770	5,453	-	79,604	-	360,827
Work in progress	91,316	63,782	-	(79,838)	-	75,260
Accumulated amortization	(221,070)	(65,010)	-	-	6	(286,074)
<b>TOTAL</b>	<u>146,016</u>	<u>4,225</u>	<u>-</u>	<u>(234)</u>	<u>6</u>	<u>150,013</u>

	Consolidated					Balance as at 31 December
	Balance as at 1 January	Acquisitions	Disposals	Transfers	Exchange differences and other movements	
Acquisition cost	351,929	19,088	(1,744)	81,249	(5,771)	444,751
Work in progress	94,401	68,182	(278)	(82,996)	(941)	78,368
Accumulated amortization	(263,982)	(81,391)	1,397	-	4,605	(339,371)
<b>TOTAL</b>	<u>182,348</u>	<u>5,879</u>	<u>(625)</u>	<u>(1,747)</u>	<u>(2,107)</u>	<u>183,748</u>

## Note 12 > Tangible Assets

	BES		Consolidated	
	2002	2001	2002	2001
Land and buildings				
For own use	349,515	346,429	442,192	432,553
Improvements in leased property	130,694	119,286	144,718	132,296
Other	14	14	2,107	2,023
	<u>480,223</u>	<u>465,729</u>	<u>589,017</u>	<u>566,872</u>
Equipment				
Computer equipment	154,343	134,105	203,940	180,132
Furniture	51,520	51,616	91,306	86,244
Office equipment	13,172	13,807	17,068	17,386
Fixtures	64,607	63,380	81,462	78,162
Motor vehicles	6,732	8,305	14,178	16,461
Security equipment	16,406	16,120	23,611	20,359
Other	376	358	2,256	1,141
	<u>307,156</u>	<u>287,691</u>	<u>433,821</u>	<u>399,885</u>
Other fixed assets				
Works of art	6,947	6,893	8,254	8,153
	<u>794,326</u>	<u>760,313</u>	<u>1,031,092</u>	<u>974,910</u>
Work in progress				
Land and buildings	8,781	10,088	10,514	10,119
Improvements in leased property	2,699	10,968	2,701	10,968
Computer equipment	9,948	23,201	10,994	25,085
Other	222	584	296	639
	<u>21,650</u>	<u>44,841</u>	<u>24,505</u>	<u>46,811</u>
	<u>815,976</u>	<u>805,154</u>	<u>1,055,597</u>	<u>1,021,721</u>
Accumulated depreciation	(520,792)	(490,803)	(628,977)	(583,617)
	<u>295,184</u>	<u>314,351</u>	<u>426,620</u>	<u>438,104</u>

During the year ended 31 December 2002, the movement of Tangible assets was as follows:

	BES						Net balance as at 31 December
	Net balance as at 1 January	Acquisitions	Disposals	Depreciation	Transfers	Exchange differences and other movements	
Land and buildings	209,649	3,339	(393)	(13,237)	12,216	6	211,580
Equipment	52,968	7,183	(552)	(25,162)	20,735	(90)	55,082
Other assets	6,893	68	(5)	-	-	(84)	6,872
Work in progress	44,841	9,760	-	-	(32,951)	-	21,650
	<u>314,351</u>	<u>20,350</u>	<u>(950)</u>	<u>(38,399)</u>	<u>-</u>	<u>(168)</u>	<u>295,184</u>

	Consolidated						Net balance as at 31 December
	Net balance as at 1 January	Acquisitions	Disposals	Depreciation	Transfers	Exchange differences and other movements	
Land and buildings	295,612	8,801	(1,117)	(15,973)	12,982	2,362	302,667
Equipment	87,528	17,879	(1,428)	(37,351)	23,152	1,414	91,194
Other assets	8,153	301	(140)	(1)	-	(59)	8,254
Work in progress	46,811	13,439	(89)	-	(35,489)	(167)	24,505
	<u>438,104</u>	<u>40,420</u>	<u>(2,774)</u>	<u>(53,325)</u>	<u>645</u>	<u>3,550</u>	<u>426,620</u>

The cumulative effect of the revaluation of tangible assets, as at 31 December 2002, is analysed as follows:

	BES					
	2002			2001		
	Buildings	Equipment	Total	Buildings	Equipment	Total
Acquisition cost	222,252	296,272	518,524	217,574	289,595	507,169
Revaluation	269,451	28,001	297,452	269,451	28,534	297,985
Revalued cost	491,703	324,273	815,976	487,025	318,129	805,154
Depreciation at cost	101,025	224,739	325,764	90,589	206,940	297,529
Depreciation of the revaluation	167,617	27,411	195,028	165,492	27,782	193,274
Total depreciation	268,642	252,150	520,792	256,081	234,722	490,803
Net value of the acquisition cost	121,227	71,533	192,760	126,985	82,655	209,640
Net revaluation included in tangible assets	101,834	590	102,424	103,959	752	104,711
Net assets revalued	<u>223,061</u>	<u>72,123</u>	<u>295,184</u>	<u>230,944</u>	<u>83,407</u>	<u>314,351</u>

	Consolidated					
	2002			2001		
	Buildings	Equipment	Total	Buildings	Equipment	Total
Acquisition cost	323,539	420,874	744,413	309,493	400,466	709,959
Revaluation	278,693	32,491	311,184	278,706	33,056	311,762
Revalued cost	602,232	453,365	1,055,597	588,199	433,522	1,021,721
Depreciation at cost	117,082	310,689	427,771	104,216	280,159	384,375
Depreciation of the revaluation	169,337	31,869	201,206	167,044	32,198	199,242
Total depreciation	286,419	342,558	628,977	271,260	312,357	583,617
Net value of the acquisition cost	206,457	110,185	316,642	205,277	120,307	325,584
Net revaluation included in tangible assets	109,356	622	109,978	111,662	858	112,520
Net assets revalued	<u>315,813</u>	<u>110,807</u>	<u>426,620</u>	<u>316,939</u>	<u>121,165</u>	<u>438,104</u>

## Note 13 > Other Debtors

	BES		Consolidated	
	2002	2001	2002	2001
Loans to group companies	23,047	22,985	17,653	38,470
Gold, other precious metals, numismatics, coins and other liquid assets	14,058	40,548	14,390	41,268
Investments arising out of recovered loans (properties) (see Note 3.3 i)	17,539	16,527	64,099	53,924
Sundry debtors	118,166	63,181	160,749	124,186
Subordinated assets	10,256	5,673	10,256	5,673
Investments arising out of recovered loans (securities)	-	-	149	12,903
Recoverable subsidies on mortgage loans	-	-	61,945	65,500
Futures and options	11,046	27,632	14,879	34,434
Security deposits	50,291	74,644	70,729	74,644
Other sundry debtors	82,088	123,701	81,105	107,362
	<u>326,491</u>	<u>374,891</u>	<u>495,954</u>	<u>558,364</u>
Provisions for other debtors	(8,891)	(2,525)	(21,556)	(17,389)
Provisions for country risk	(510)	(384)	(382)	(233)
Total provisions (see Note 20)	<u>(9,401)</u>	<u>(2,909)</u>	<u>(21,938)</u>	<u>(17,622)</u>
	<u><u>317,090</u></u>	<u><u>371,982</u></u>	<u><u>474,016</u></u>	<u><u>540,742</u></u>

Included in Other sundry debtors is the cash reserve acquired in securitization transactions, as described in Note 35 that amounts to euro 5,828 thousand. Provisions associated to this cash reserve amount to euro 1,665 thousand and are included in Provisions for other debtors.

As at 31 December 2002, the balance Sundry debtors include the amount of euro 56,100 thousand (2001 - euro 31,000 thousand) related to 5,327 thousand of BES shares (2001 - 1,735 thousand shares) following the stock-based incentive scheme (SIBA - Sistema de Incentivos Baseado na Atribuição de Acções) (see Note 23).

The analysis of Loans to subsidiary companies for BES is included in the securities and investments portfolio. For Group purposes, it is as follows:

Entity	2002	2001
Activator	5,805	4,664
Longitinium, SA	1,238	1,238
SPVG	512	512
ESAF - Holding GMBH	1,939	-
WEB LAB, SGPS, SA	2,056	-
Soc Imob Urb do Parque	1,820	1,820
Jampur	-	12,697
OPCA	-	14,101
Others	4,283	3,438
	<u><u>17,653</u></u>	<u><u>38,470</u></u>

## Note 14 > Prepayments and Accrued Income

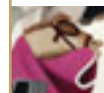
	BES		Consolidated	
	2002	2001	2002	2001
Accrued income	268,479	297,581	313,602	341,691
Lending transactions pending settlement	9,819	12,795	22,855	28,374
Deferred costs	10,958	10,504	23,987	22,237
Deferred costs related to bonds issued	607,604	1,326	609,338	1,611
Deferred costs (pensions)	209,417	1,512	223,861	4,787
Fluctuations in investments	107,936	18,273	103,996	23,419
Fluctuations (pensions)	104,746	75,949	113,518	82,526
Stationery	911	1,210	1,365	1,704
Stock exchange transactions pending settlement	-	291,486	163,208	338,541
Others	26,048	120,546	53,186	151,940
	<b>1,345,918</b>	<b>831,182</b>	<b>1,628,916</b>	<b>996,830</b>

As at 31 December 2002, Deferred costs related to bonds issued is the interest on zero coupon bonds that, according to PCSB, are recognized as a liability for the value of its reimbursement against Deferred costs (see Note 3.3 d)).

In accordance with the accounting policy described in Note 3.3 j), the Deferred costs (pensions) reflect actuarial gains and losses deferred above the corridor value, that will be charged into the statement of income during a period of 10 years. The actuarial gains and losses up to the corridor limit are accounted under Fluctuations (pensions).

The balance of Fluctuations in investments, represent the cumulative exchange differences, between the acquisition date and 31 December 2002, of unconsolidated investments that are denominated in foreign currency, as defined in the accounting policy described in Note 3.3 e). The amount, as at 31 December 2002, is mainly explained by the exchange difference arising from the investment in Banco Bradesco.

As at 31 December 2002 and 2001, the balance Stock exchange transactions pending settlement, both in the assets and liabilities side (see Note 19), shows the net balance of the Bank's and the Group's sale and purchase orders for which payment has not yet been received.



## Note 15 > Amounts Owed to Credit Institutions

Amounts owed to credit institutions are analysed as follows:

	BES		Consolidado	
	2002	2001	2002	2001
<b>Repayable on demand</b>				
In Portugal	134,939	228,497	21,738	64,546
Abroad	244,244	196,410	311,494	274,152
	<u>379,183</u>	<u>424,907</u>	<u>333,232</u>	<u>338,698</u>
<b>With agreed maturity date</b>				
In Portugal				
Time deposits and other funds	119,455	189,776	1,064,817	1,592,221
Interbank Money Market	50,000	170,000	104,410	222,290
Deposits with the Bank of Portugal	3,443	-	3,443	-
	<u>172,898</u>	<u>359,776</u>	<u>1,172,670</u>	<u>1,814,511</u>
Abroad				
Time deposits and other funds	8,893,812	8,813,842	5,318,219	4,766,974
Repurchase agreements	-	-	854,586	616,509
	<u>8,893,812</u>	<u>8,813,842</u>	<u>6,172,805</u>	<u>5,383,483</u>
	<u>9,066,710</u>	<u>9,173,618</u>	<u>7,345,475</u>	<u>7,197,994</u>
<b>Total</b>	<u><b>9,445,893</b></u>	<u><b>9,598,525</b></u>	<u><b>7,678,707</b></u>	<u><b>7,536,692</b></u>

Time deposits and other funds abroad, as at 31 December 2002, include euro 7,708,728 thousand (2001 - euro 7,654,565 thousand), that are liabilities of the international and external branches of BES with foreign financial institutions.

The analysis of the Amounts owed to credit institutions by the period to maturity, as at 31 December, is as follows:

Maturity	BES		Consolidated	
	2002	2001	2002	2001
<b>Repayable on demand</b>	<u>379,183</u>	<u>424,907</u>	<u>333,232</u>	<u>338,698</u>
<b>With agreed maturity date</b>				
Up to 3 months	3,222,735	3,857,653	4,522,951	4,405,464
3 to 12 months	1,169,199	1,372,539	1,592,116	2,176,808
1 to 5 years	4,147,343	3,585,288	710,320	477,808
More than 5 years	527,433	358,138	520,088	137,914
	<u>9,066,710</u>	<u>9,173,618</u>	<u>7,345,475</u>	<u>7,197,994</u>
	<u><b>9,445,893</b></u>	<u><b>9,598,525</b></u>	<u><b>7,678,707</b></u>	<u><b>7,536,692</b></u>

## Note 16 > Amounts Owed to Customers

Amounts owed to customers are analysed as follows:

	BES		Consolidated	
	2002	2001	2002	2001
<b>Repayable on demand</b>				
Current account	6,003,246	5,696,375	7,321,027	6,879,626
<b>Time deposits</b>				
Notice deposits	4,176	3,656	4,176	3,656
Time deposits	3,783,499	3,639,952	8,144,128	7,666,083
Cheques and payment orders	49,303	25,350	61,645	36,284
Other assets sold under repurchase agreement	-	-	681,268	115,411
Consigned funds	18,247	23,935	18,247	25,456
Others	58,190	86,787	99,090	161,596
	<u>3,913,415</u>	<u>3,779,680</u>	<u>9,008,554</u>	<u>8,008,486</u>
<b>Savings accounts</b>				
Emigrants	-	-	4,020	4,864
Pensioners	395,102	435,058	418,547	453,266
Others	1,878,871	2,027,057	1,915,508	2,048,498
	<u>2,273,973</u>	<u>2,462,115</u>	<u>2,338,075</u>	<u>2,506,628</u>
	<u>12,190,634</u>	<u>11,938,170</u>	<u>18,667,656</u>	<u>17,394,740</u>

The analysis of the Amounts owed to customers by the period to maturity, as at 31 December, is as follows:

Maturity	BES						Consolidated	
	2002			2001			2002	2001
	Savings accounts	Other deposits	Total	Savings accounts	Other deposits	Total	Total	Total
<b>Repayable on demand</b>	-	6,003,246	6,003,246	-	5,696,375	5,696,375	7,321,027	6,879,626
<b>With agreed maturity date</b>								
Up to 3 months	1,944,183	2,951,306	4,895,489	2,139,775	2,577,694	4,717,469	8,984,526	7,592,514
3 to 12 months	315,439	947,025	1,262,464	321,940	986,210	1,308,150	2,254,349	2,480,958
1 to 5 years	14,351	7,891	22,242	400	212,697	213,097	85,108	420,300
More than 5 years	-	7,193	7,193	-	3,047	3,047	22,646	21,310
Undetermined	-	-	-	-	32	32	-	32
	<u>2,273,973</u>	<u>3,913,415</u>	<u>6,187,388</u>	<u>2,462,115</u>	<u>3,779,680</u>	<u>6,241,795</u>	<u>11,346,629</u>	<u>10,515,114</u>
	<u>2,273,973</u>	<u>9,916,661</u>	<u>12,190,634</u>	<u>2,462,115</u>	<u>9,476,055</u>	<u>11,938,170</u>	<u>18,667,656</u>	<u>17,394,740</u>



## Note 17 > Debt Securities

Outstanding debt securities, on individual and consolidated basis, consisted of the following:

	BES		Consolidated	
	2002	2001	2002	2001
<b>Debt securities</b>				
Outstanding bonds	1,491,529	784,618	3,383,428	2,641,651
Euro Medium Term Notes	-	-	4,181,271	4,265,550
Certificates of deposit	1,706,326	1,729,838	1,656,179	1,741,106
Other	9,536	61,056	49,973	156,236
	<u>3,207,391</u>	<u>2,575,512</u>	<u>9,270,851</u>	<u>8,804,543</u>

The analysis of the Debt securities by the period to maturity, as at 31 December, is as follows:

Maturity	BES		Consolidated	
	2002	2001	2002	2001
Up to 3 months	1,475,117	1,387,238	1,428,146	1,405,868
3 to 12 months	321,905	589,046	921,771	1,363,703
1 to 5 years	417,007	424,481	4,168,434	4,138,532
More than 5 years	993,362	174,747	2,752,500	1,896,440
	<u>3,207,391</u>	<u>2,575,512</u>	<u>9,270,851</u>	<u>8,804,543</u>

The main characteristics of Debt securities are shown in the following table:

Issuer	Designation	Issue date	Currency	Amount ('000 Euros)	Eliminations	Net amount of eliminations ('000 Euros)	Global yield / interest rate	Maturity	Listed
<b>BES</b>									
<b>Bonds Issued</b>									
	Bonds Poupança Mais - 2ª. emissão	Mar/99	EUR	5,986	(1,502)	4,484	3.165%	2004	-
	Bonds Euro Stoxx - 2004	Dec/99	EUR	10,000		10,000	a)	2004	-
	Bonds F.P.O.F.E	Nov/99	EUR	5,000		5,000	a)	2005	-
	Bonds BES Aforro 5 anos - 1ª, e 2ª, emissões	Oct and Nov/99	EUR	15,000		15,000	3.95%	2004	-
	Bonds BES Aforro Jan/00 - 1ª e 2ª emissão	Jan/00	EUR	7,500	( 932)	6,568	3.75%	2003	-
	Bonds Rendimento Mais 1ª Série	Jun/00	EUR	10,857	( 95)	10,762	5.80%	2008	-
	Bonds Rendimento Mais 2ª Série	Jun/00	EUR	4,950	( 3)	4,947	5.95%	2008	-
	Bonds Cabaz Empresas DSL	May/00	EUR	8,600	( 650)	7,950	a)	2003	-
	Bonds Electricidade	May/00	EUR	1,800	( 202)	1,598	a)	2003	-
	Bonds Dax 2003	Apr/00	EUR	8,750	( 411)	8,339	a)	2003	-
	Bonds Cabaz WAP Set/00	Sep/00	EUR	5,789	( 350)	5,439	a)	2003	-
	Bonds Rendimento Mais 3ª Série	Jul/00	EUR	6,865		6,865	6.47%	2008	-
	Bonds Rendimento Mais 4ª Série	Aug/00	EUR	7,118		7,118	5.79%	2008	-
	Bonds Rendimento Mais 5ª Série	Sep/00	EUR	5,142		5,142	5.70%	2008	-
	Bonds Euro Stoxx 50 Mai/00	May/00	EUR	2,700	( 204)	2,496	a)	2003	-
	Bonds Euro Stoxx 50 Jun/00 - 1ª e 2ª série	Jun/00	EUR	7,000	( 869)	6,131	a)	2003 - 2005	-
	Bonds Euro Stoxx 50 Jul/00	Jul/00	EUR	3,750	(1,820)	1,930	a)	2003	-
	Bonds Euro Stoxx 50 Ago/00 - 1ª e 2ª série	Aug/00	EUR	9,742	( 460)	9,282	a)	2003	-
	Bonds Euro Stoxx 50 Ago/00	Aug/00	EUR	10,896		10,896	a) +1%	2005	-
	Bonds Euro 50 Stoxx Dez/00	Dec/00	EUR	1,102		1,102	a)	2003	-
	Bonds indexadas a um cabaz de Indices Mundiais Dez/00	Dec/00	EUR	5,715		5,715	a) + 1%	2005	-
	Bonds Cabaz 2003	Feb/01	EUR	15,000		15,000	a)	2003	-
	Bonds Cabaz Global Telecom	Mar/01	EUR	10,648	( 473)	10,175	a)	2003	-
	Bonds Cabaz Global Industria Base	Mar/01	EUR	2,816	( 156)	2,660	a)	2003	-
	Bonds Cabaz Global Utilities	Mar/01	EUR	2,649	( 87)	2,562	a)	2003	-
	Bonds Eurostoxx 50 Mai/01	May/01	EUR	4,879		4,879	a)	2004	-
	Bonds Bes Mix Eurostoxx 50	Jul/01	EUR	16,261	( 210)	16,051	a)	2004	-
	Bonds Bes Corredor Euribor 2003	Aug/01	EUR	6,040	( 194)	5,846	Euribor 6m + 5pb	2003	-
	Bonds Bes Super Fundos	Jul/01	EUR	14,195	( 535)	13,660	a)	2004	-
	Bonds Bes Mercury Selected Fund	Jul/01	EUR	6,000		6,000	a) + 1%	2006	-
	Bonds Bes Euro Renda	Aug/01	EUR	15,000		15,000	5.50%	2009	-
	Bonds Bes Euro 2004	Aug/01	EUR	13,424	( 709)	12,715	6.42%	2004	-
	Bonds Bes Euro Fundos	Sep/01	EUR	8,264	( 175)	8,089	a)	2004	-
	Bonds Cabaz 2004	Dec/01	EUR	7,305		7,305	a)	2004	-
	Bonds BES Euro 5 + 45%	Jan/02	EUR	2,476	( 47)	2,429	a)	2005	-
	Bonds BES Euro Best 50	Feb/02	EUR	2,000	(1,005)	995	a)	2004	-
	Bonds BES Euro Stoxx 2005	Mar/02	EUR	5,925	( 150)	5,775	a) + 3.5%	2005	-
	Bonds BES Euro Renda	Apr/02	EUR	22,306		22,306	5.32%	2010	-
	Bonds BES DJ Global Titans	May/02	EUR	14,650		14,650	a) + 0.85%	2007	-
	Bonds Bes Mix 2002	Feb to May/02	EUR	73,706	( 656)	73,050	a)	2005	-
	Bonds Bes Mix Mundial 2002	Jul/02	EUR	3,664	( 25)	3,639	a) + 2.04%	2005	-
	Bonds Bes Rendimento Private 2007	Jul/02	EUR	11,098		11,098	a) + 3.9%	2007	-
	Bonds Bes Mix 2002	Sep to Nov/02	EUR	13,806	( 53)	13,753	a)	2005	-
	Bonds Bes Mix Executive 2002	Nov/02	EUR	2,026		2,026	a)	2005	-
	Bonds BES-SFE Euro Stoxx 50 - 1ª, 2ª, 3ª, 4ª e 5ª emissões	Jun/00	EUR	700	( 404)	296	a)	2005	-
	Bonds BES-SFE (Aforro Emigrante)	Jan;Feb and Jun/00	EUR	15,250	(1,204)	14,046	3.75% - 4.66%	2003	-
	Bonds BES-SFE Euro Stoxx 50 Não Residentes	May;Jul;Sep; and Dec/00	EUR	12,091		12,091	a)	2003	-
	Bonds BES-SFE Cabaz WAP Não Residentes	Sep/00	EUR	2,886	( 111)	2,775	a)	2003	-
	Bonds BES-SFE Cabaz Global Utilities	Mar/01	EUR	201	( 11)	190	a)	2003	-
	Bonds BES-SFE Cabaz Global Industria Base	Mar/01	EUR	366		366	a)	2003	-
	Bonds BES-SFE Cabaz Global Telecom	Mar/01	EUR	1,137		1,137	a)	2003	-
	Bonds BES-SFE Mix Eurostoxx 50	Jul,Aug/01	EUR	7,527		7,527	a)	2004	-
	Bonds BES-SFE Euro 2004	Aug/01	EUR	9,255	( 58)	9,197	a)	2004	-
	Bonds BES-SFE Euro Fundos	Sep/01	EUR	4,683		4,683	a)	2004	-
	Bonds BES-SFE Euro Fundos	Jan;Feb;Apr;May/02	EUR	3,179		3,179	2.58% - 2.77%	2005	-
	Bonds BES-Cayman Taxa Fixa	Nov/01	USD	190,712		190,712	3.51% - 5.22%	2004/2011	-
	Bonds BES-Cayman Taxa Fixa	Dec/01	EUR	25,000		25,000	4.66%	2006	-
	Bonds BES-Cayman Cupão Zero	Jul and Sep/02	EUR	800,000		800,000	5.01%	2027	-
	Bonds BES-Cayman Mix	Sep/02	EUR	142		142	a)	2005	-
				1,491,529	(13,761)	1,477,768			
<b>Other Securities</b>									
	Index linked notes BES-CAYMAN	Dec/00	USD	9,536	(9,536)	-		2009	-
	Certificates of Deposit	-	EUR	1,706,326	(54,920)	1,651,406		-	-
				3,207,391	(78,217)	3,129,174			

a) Variable yield determined according to changes in associated basket, as defined in the terms and conditions

The main characteristics of Debt securities are shown in the following table:

Issuer	Designation	Issue date	Currency	Amount ('000 Euros)	Eliminations	Net amount of eliminations ('000 Euros)	Global yield / interest rate	Interest payment period	Maturity	Listed
BES										
	Bonds			1,491,529	(13,761)	1,477,768	-	-	-	-
	Other securities			1,715,862	(64,456)	1,651,406	-	-	-	-
				<u>3,207,391</u>	<u>(78,217)</u>	<u>3,129,174</u>				
BIC										
	Bonds BIC 98 - 3ª emissão	Jul / 98; Aug/98; Sept/98	EUR	56,983		56,983	6M Euribor +15bp	semi-annual	2003	-
	Bonds BIC 99 - 3ª emissão	Sept/99; Nov/99	EUR	200,000	(107,911)	92,089	6M Euribor +65bp	semi-annual	2008	-
	Bonds BIC/SFE 2000 - 1ª emissão	Sept/00	EUR	75,000	(75,000)	-	6M Euribor +32bp	semi-annual	2005	-
	Bonds BIC/CAYMAN 2001 - 1ª à 23ª emissão	Feb/01 to Jun/01	EUR	1,200,000	(11,180)	1,188,820	5,4% - 6,075%	annual	2008 - 2013	-
	Bonds BIC/CAYMAN 2001 - 24ª à 27ª emissão	Jul/01	EUR	300,000		300,000	6,01% - 6,16%	annual	2014 - 2015	-
	Bonds BIC/CAYMAN 2001 - 28ª à 30ª emissão	Oct/01 to Nov/01	EUR	150,000		150,000	4,29% - 5,42%	annual	2004 - 2011	-
	Bonds BIC/CAYMAN 2002 - 1ª emissão	Mar/02	EUR	70,000		70,000	5,915%	annual	2012	-
	Bonds BIC/CAYMAN 2002 - 2ª emissão	Mar/02	EUR	5,000		5,000	4,650%	quarterly	2012	-
	Bonds BIC/CAYMAN 2002 - 3ª à 5ª emissão	Mar/02 to Jun/02	EUR	130,000	(91,400)	38,600	5,23% - 5,42%	annual	2007	-
				<u>2,186,983</u>	<u>(285,491)</u>	<u>1,901,492</u>				
	Certificates of deposit	-	EUR	4,216		4,216	-	-	-	-
				<u>2,191,199</u>	<u>(285,491)</u>	<u>1,905,708</u>				
BESLEASING MOBILIÁRIA										
	Bonds BLM 00	Nov/00	EUR	50,000	(48,903)	1,097	6M Euribor	semi-annual	2005	-
				<u>50,000</u>	<u>(48,903)</u>	<u>1,097</u>				
BESLEASING IMOBILIÁRIA										
	Bonds BLI 99	Dec / 99	EUR	12,000	(12,000)	-	3,580%	semi-annual	2009	-
	Bonds BLI 00	Nov/00	EUR	60,000	(60,000)	-	3,659%	semi-annual	2010	-
				<u>72,000</u>	<u>(72,000)</u>	<u>-</u>				
BES FINANCE										
	Euro Medium Term Notes Programme	Feb / 99	EUR	400,000		400,000	3M Euribor +15bp	quarterly	2004	Luxembourg
	Euro Medium Term Notes Programme	Jan / 00	USD	286,068		286,068	3M USD Libor +15bp	quarterly	2005	Luxembourg
	Euro Medium Term Notes Programme	Sept / 00	EUR	500,000		500,000	3M Euribor +15bp	quarterly	2003	Luxembourg
	Euro Medium Term Notes Programme	Nov / 00	EUR	225,000		225,000	3M Euribor +18,75bp	quarterly	2005	Luxembourg
	Euro Medium Term Notes Programme	Nov / 00	USD	286,068		286,068	3M USD Libor +20bp	quarterly	2005	Luxembourg
	Euro Medium Term Notes Programme	Jan / 01	EUR	400,000		400,000	3M Euribor +17,5bp	quarterly	2006	Luxembourg
	Euro Medium Term Notes Programme	Jun / 01	EUR	600,000		600,000	3M Euribor +10bp	quarterly	2004	Luxembourg
	Euro Medium Term Notes Programme	Sept / 01	EUR	600,000		600,000	3M Euribor +20bp	quarterly	2006	Luxembourg
	Euro Medium Term Notes Programme	Jan / 02	EUR	100,000		100,000	3M Euribor +17bp	quarterly	2004	Luxembourg
	Euro Medium Term Notes Programme	Jun / 02	EUR	600,000		600,000	3M Euribor +20bp	quarterly	2007	Luxembourg
	Euro Medium Term Notes Programme	Jul / 02	HKD	21,400		21,400	HKD HIBOR3M+25,5bp	quarterly	2006	Luxembourg
				<u>4,018,536</u>	<u>-</u>	<u>4,018,536</u>				
BESI										
	Bonds "Super Rendimento Best"	Nov / 01	EUR	3,071		3,071	6,25%	annual	2003/2004	Lisbon
	Euro Medium Term Notes Programme	Sept/99 to Dec/01	EUR	117,678	(2,500)	115,178	7,85%	semmi-annual/annual	2004/2011	-
	Euro Medium Term Notes Programme	Mar/00 to Dec/01	EUR	97,650	(50,093)	47,557	a)	quarterly/annual	2003/2017	-
				<u>218,399</u>	<u>(52,593)</u>	<u>165,806</u>				
ES PLC										
	Equity linked notes	May/02	EUR	21,011		21,011	a)	maturity	2003	-
				<u>21,011</u>	<u>-</u>	<u>21,011</u>				
EUROGES										
	Commercial paper	Oct/02	EUR	28,000		28,000	3,420%	issued at discount	2003	-
				<u>28,000</u>	<u>-</u>	<u>28,000</u>				
BESNAC										
	Commercial paper	Nov/02	USD	962		962	1,326%	maturity	2003	New York
				<u>962</u>	<u>-</u>	<u>962</u>				
BES AÇORES										
	Certificates of deposit	-	EUR	557		557	-	-	-	-
				<u>557</u>	<u>-</u>	<u>557</u>				
TOTAL				<u>9,808,055</u>	<u>(537,204)</u>	<u>9,270,851</u>				
Bonds						<u>3,383,428</u>				
Euro Medium Term Notes						<u>4,181,271</u>				
Certificates of deposit						<u>1,656,179</u>				
Other securities						<u>49,973</u>				
TOTAL CONSOLIDATED						<u>9,270,851</u>				

a) Variable yield determined according to changes in associated basket, as defined in the terms and conditions

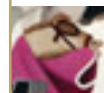
## Note 18 > Other Liabilities

	BES		Consolidated	
	2002	2001	2002	2001
Income tax	1,196	-	13,811	15,848
Public sector	11,280	10,729	21,415	20,326
Non-resident creditors	7,571	5,610	30,884	46,864
Suppliers	21,437	20,187	32,393	29,027
Other creditors	36,019	62,098	85,468	125,808
Others	1,398	1,534	3,912	5,308
	<b>78,901</b>	<b>100,158</b>	<b>187,883</b>	<b>243,181</b>

## Note 19 > Accruals and Deferred Income

	BES		Consolidated	
	2002	2001	2002	2001
Accrued costs	307,916	317,569	395,844	405,138
Deferred income	25,429	27,352	52,273	44,650
Other sundry liabilities	37,932	14,062	61,502	43,775
Collection pending settlement	7,364	8,900	24,810	31,241
Stock exchange transactions pending settlement	39,506	-	185,902	59,689
Others	23,288	6,633	63,428	110,764
	<b>441,435</b>	<b>374,516</b>	<b>783,759</b>	<b>695,257</b>

As at 31 December 2002 and 2001, the balance Stock exchange transactions pending settlement, both in assets and liabilities side (see Note 14), shows the net balance of the Bank's and the Group's sale and purchase orders for which payment has not yet been received.



## Note 20 > Provisions for Liabilities and Charges

Provisions for liabilities and charges movement for the years ended 31 December 2002 and 2001, is analysed as follows:

	Provisions shown as a deduction to total assets						Total
	Specific provisions for other loans and advances to credit institutions	Specific provisions for overdue loans and interest	Specific provisions for doubtful loans	Specific provision for securities	Specific provisions for investments	Provisions for other debtors	
BES							
Balance as at 31.12.00	33,013	167,801	10,136	120,783	48,172	3,572	383,477
Exchange rate and other	2,893	627	-	948	-	73	4,541
Transfers	-	975	-	-	-	-	975
Charge for the year	10,300	75,256	3,195	114,921	23,166	639	227,477
Charge off	(24,981)	(77,519)	-	(35,733)	-	(1,024)	(139,257)
Write back for the year	(7,905)	(2,856)	-	(91,756)	(146)	(351)	(103,014)
Balance as at 31.12.01	13,320	164,284	13,331	109,163	71,192	2,909	374,199
Regulation no. 4/2002	-	-	-	-	30,403	-	30,403
Exchange rate and other	(2,036)	(1,036)	17	(3,484)	(1,931)	720	(7,750)
Transfers	(1,023)	(1,034)	-	20,984	(20,699)	4,483	2,711
Charge for the year	1,059	93,741	12,321	101,304	2,317	2,707	213,449
Charge off	(2,257)	(61,385)	(33)	(42,106)	(42,210)	(56)	(148,047)
Write back for the year	(195)	(4,033)	(5,027)	(53,703)	(1,036)	(1,362)	(65,356)
Balance as at 31.12.02	8,868	190,537	20,609	132,158	38,036	9,401	399,609
CONSOLIDATED							
Balance as at 31.12.00	33,080	288,807	16,911	137,960	5,497	18,498	500,753
Exchange rate and other	2,888	1,131	26	954	(499)	11	4,511
Transfers	(5)	3,095	(3,533)	4,258	(2,933)	(677)	205
Charge for the year	11,045	142,278	8,280	166,106	20,364	2,459	350,532
Charge off	(24,977)	(115,504)	-	(37,373)	-	(1,051)	(178,905)
Write back for the year	(8,693)	(30,144)	(6,315)	(137,740)	(457)	(1,618)	(184,967)
Balance as at 31.12.01	13,338	289,663	15,369	134,165	21,972	17,622	492,129
Regulation no. 4/2002	-	-	-	-	29,233	-	29,233
Exchange rate and other	(2,060)	12,482	49	(4,841)	1,283	433	7,346
Transfers	(1,023)	(3,421)	(240)	33,181	(20,692)	1,134	8,939
Charge for the year	1,237	183,348	19,155	173,874	2,742	5,323	385,679
Charge off	(2,257)	(96,551)	(126)	(50,939)	(20)	(350)	(150,243)
Write back for the year	(365)	(42,558)	(9,724)	(101,662)	(130)	(2,224)	(156,663)
Balance as at 31.12.02	8,870	342,963	24,483	183,778	34,388	21,938	616,420

a) Includes euro 42,189 thousand, in the individual financial statements and euro 25,684 thousand, in the consolidated financial statements, related to the sale of IASA charge off (see Note 9).

b) Includes euro 20,406 thousand write back related to the sale of IASA (see Note 9).

amounts expressed in thousand euros

	Provisions shown as liabilities					Total
	Provisions for pension liabilities	Provisions for general banking risks	Provisions for other liabilities and charges	General provisions for credit risks	Total	
<b>BES</b>						
Balance as at 31.12.00	-	-	-	177,261	177,261	560,738
Exchange rate and other	-	-	-	547	547	5,088
Transfers	-	-	35,382	(975)	34,407	35,382
Charge for the year	-	-	-	18,119	18,119	245,596
Charge off	-	-	-	-	-	(139,257)
Write back for the year	-	-	-	(479)	(479)	(103,493)
Balance as at 31.12.01	-	-	35,382	194,473	229,855	604,054
Regulation no. 4/2002	-	-	-	-	-	30,403
Exchange rate and other	-	-	(1)	(1,759)	(1,760)	(9,510)
Transfers	-	-	-	(2,711)	(2,711)	-
Charge for the year	-	-	8,316	61,643	69,959	283,408
Charge off	-	-	(5,698)	(750)	(6,448)	(154,495)
Write back for the year	-	-	(10,000)	(9,048)	(19,048)	(84,404)
Balance as at 31.12.02	-	-	27,999	241,848	269,847	669,456
<b>CONSOLIDATED</b>						
Balance as at 31.12.00	3,734	54,079	-	254,728	312,541	813,294
Exchange rate and other	-	(48)	-	3,493	3,445	7,956
Transfers	-	(121)	37,202	(1,354)	35,727	35,932
Charge for the year	1,593	14,707	1,022	36,364	53,686	404,218
Charge off	(5,280)	-	-	-	(5,280)	(184,185)
Write back for the year	-	(8,779)	(424)	(5,212)	(14,415)	(199,382)
Balance as at 31.12.01	47	59,838	37,800	288,019	385,704	877,833
Regulation no. 4/2002	-	-	-	-	-	29,233
Exchange rate and other	7,565	821	12,414	(135)	20,665	28,011
Transfers	-	(451)	2,492	(10,980)	(8,939)	-
Charge for the year	735	6,523	10,538	90,713	108,509	494,188
Charge off	(3,679)	(25,684) a)	(5,698)	(756)	(35,817)	(186,060)
Write back for the year	(8)	(26,453) b)	(12,024)	(18,185)	(56,670)	(213,333)
Balance as at 31.12.02	4,660	14,594	45,522	348,676	413,452	1,029,872

a) Includes euro 42,189 thousand, in the individual financial statements and euro 25,684 thousand, in the consolidated financial statements, related to the sale of IASA charge off (see Note 9).

b) Includes euro 20,406 thousand write back related to the sale of IASA (see Note 9).

## Note 21 > Subordinated Debt

Subordinated debt on an individual and consolidated basis is as follows:

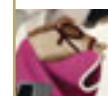
Designation	Issuer	Issue Date	Currency	Amount ('000 Euros)	Eliminations ('000 Euros)	Consolidated ('000 Euros)	Index
Subordinated Bonds	BES	Oct/93	EUR	34,997	-	34,997	Lisbor 6m
Subordinated Bonds	BES	May/96	EUR	59,856	-	59,856	Lisbor 6m
Subordinated Bonds	BES	Jun/97	EUR	99,760	-	99,760	Lisbor 6m
Subordinated Perpetual Bonds	BES	Jun/97	EUR	99,760	-	99,760	Lisbor 3m
Subordinated Loans	BES (Cayman)	Nov/00	USD	47,678	(47,678)	-	-
Subordinated Loans	BES (Cayman)	Nov/00	EUR	300,000	(300,000)	-	-
Subordinated Loans	BES (Cayman)	Nov/01	USD	238,390	(238,390)	-	Lisbor 3m
Subordinated Loans	BES (Cayman)	May/02	EUR	400,000	(400,000)	-	-
Subordinated Loans	BES (Cayman)	May/02	EUR	500,000	(500,000)	-	-
				<u>1,780,441</u>	<u>(1,486,068)</u>	<u>294,373</u>	
Subordinated Bonds BIC 93	BIC	Mar/93	EUR	9,553	-	9,553	TBA
Subordinated Perpetual Bonds BIC 97	BIC	Nov/97	EUR	49,880	(340)	49,540	Lisbor 3m Lisbor 3m
Subordinated Perpetual Bonds BIC 98	BIC	Nov/98	EUR	24,940	(765)	24,175	Lisbor 3m Lisbor 3m
Subordinated Loans	BIC (Cayman)	Jan/00	EUR	40,000	(40,000)	-	Euribor 3m
Subordinated Loans	BIC (Cayman)	Dec/00	EUR	60,000	(60,000)	-	Euribor 3m
				<u>184,373</u>	<u>(101,105)</u>	<u>83,268</u>	
Subordinated Bonds	BES Finance	Nov/99	USD	47,678	-	47,678	-
Subordinated Bonds	BES Finance	Mar/00	EUR	300,000	-	300,000	-
Subordinated Bonds	BES Finance	May/01	EUR	400,000	-	400,000	-
Subordinated perpetual Bonds	BES Finance	May/02	EUR	500,000	-	500,000	-
				<u>1,247,678</u>	<u>-</u>	<u>1,247,678</u>	
Subordinated Bonds	Best. Imobiliária	May/01	EUR	7,000	(7,000)	-	Euribor 6m
Subordinated Bonds	Best. Mobiliária	Dec/99	EUR	12,000	-	12,000	Euribor 6m
Subordinated Perpetual Bonds	Credibom	Nov/99	EUR	9,000	(400)	8,600	Euribor 3m Euribor 3m
Subordinated Bonds	BESI	Dec/96	EUR	29,928	-	29,928	Lisbor 6m
Subordinated Bonds	BESI	Dec/98	EUR	19,952	-	19,952	Euribor 6m
				<u>49,880</u>	<u>-</u>	<u>49,880</u>	
<b>TOTAL</b>				<b>3,290,372</b>	<b>(1,594,573)</b>	<b>1,695,799</b>	

(a) The interest rate on these bonds can never fall below the annual base rate (TBA) prevailing over the same period

(b) Interest on the first coupon was based on 15% rate

(c) Interest on the first coupon was based on Lisbor 6 months plus a spread of 0.60%

	Interest rate			Maturity	Call Option		Listed
	Spread	Present rate	Coupon		On Coupons	Associated premium	
Subordinated Bonds	+ 0.125%	3.250%	1st to last (a)	2011	11th / 13th / 16th	0.125% / 0.1% / 0.075%	Lisbon
Subordinated Bonds	+ 0.15%	3.250%	1st to last	2006	11th / 13th / 16th	0.125% / 0.1% / 0.075%	Lisbon
Subordinated Bonds	+ 0.15%	3.125%	1st to last	2007	11th / 13th / 16th	0.125% / 0.1% / 0.075%	Lisbon
Subordinated Perpetual Bonds	+0.68% +2.18%	3.666% -	1st to 28th After 28th	-	28th and after	-	Lisbon
Subordinated Loans	-	7.800%	-	2009	-	-	-
Subordinated Loans	-	6.663%	-	2010	-	-	-
Subordinated Loans	+2.00%	3.920%	-	-	-	-	-
Subordinated Loans	-	6.255%	-	2011	-	-	-
Subordinated Loans	-	6.635%	-	-	10th	-	-
Subordinated Bonds BIC 93	x 1.055	3.438%	2nd to last (b)	2003	10th / 12th / 14th / 16th / 18th	0.125% / 0.1% / 0.075% / 0.05% / 0.025%	Lisbon
Subordinated Perpetual Bonds BIC 97	+ 0.73% + 2.23%	3.897% -	1st to 28th After 28th	-	28th and after	-	Lisbon
Subordinated Perpetual Bonds BIC 98	+ 1.95% + 2.95%	5.045% -	1st to 28th After 28th	-	28th and after	-	-
Subordinated Loans	+ 1.80%	4.855%	1st to last	-	19th and after	-	-
Subordinated Loans	+ 1.80%	4.855%	1st to last	-	15th and after	-	-
Subordinate dBonds	-	7.800%	1st to 20th	2009	-	-	Luxembourg
Subordinated Bonds	-	6.625%	1st to 10th	2010	-	-	Luxembourg
Subordinated Bonds	-	6.250%	1st to 10th	2011	-	-	Luxembourg
Subordinated Perpetual Bonds	-	6.625%	1st to 10th	-	-	-	Luxembourg
Subordinated Bonds	+ 1.25%	4.427%	1st to last	2011	10th and after	-	-
Subordinated Bonds	+ 1.12%	4.000%	1st to last	2009	10th and after	-	-
Subordinated Perpetual Bonds	+ 1.50% + 2.50%	5.125% -	1st to 20th 21st to last	- -	20th and after	-	-
Subordinated Bonds	+ 0.5%	3.410%	1st to last	2006	-	-	Lisbon
Subordinated Bonds	+0.6%	3.490%	2nd to last (c)	2008	14th	-	Lisbon



9



The value of expenses charged and paid during 2002 and 2001, related with subordinated debt, by BES is as follows:

	BES			
	2002		2001	
	Expenses charged	Expenses paid	Expenses charged	Expenses paid
Bonds	7,059	7,126	12,005	12,825
Perpetual Bonds	4,104	4,107	5,130	5,139
Investment fund units	-	-	3	10
	<u>11,163</u>	<u>11,233</u>	<u>17,138</u>	<u>17,974</u>

## Note 22 > Minority Interests

As at 31 December 2002 and 2001, the balance of Minority interests in the consolidated financial statements is analysed as follows:

	2002	2001
BESOL	238,938	284,263
ESOL	238,973	284,079
BEST	9,842	9,877
BESI a)	5,058	5,960
BESSA a)	571	(3,663)
BESLEASING MOBILIÁRIA	4,066	4,782
ESAF SGPS	9,085	9,821
ESDATA	-	4,467
CREDIBOM	11,859	10,640
BESLEASING IMOBILIÁRIA	3,381	3,070
ES CAPITAL	82	80
ES COBRANÇAS	-	35
BES ORIENTE	50	75
CREDIFLASH	429	436
E,S, FINANCIAL CONSULTANTS	147	142
GESFINC	11	17
ES CONTACT CENTER	613	826
E,S, BANK	506	612
BAC b)	10,138	-
QUINTA DOS CÔNEGOS c)	434	-
OTHERS	53	17
	<u>534,236</u>	<u>615,536</u>

a) Minority interests arising from BESI and BESSA's subconsolidation

b) Companies incorporated/acquired during 2002

c) Company included in the consolidated financial statements in 2002.

Minority interests of ESOL correspond to the Euro equivalent of US\$ 100 million and US\$ 150 million, represented by 10 million non-voting preference shares, with a face value of US\$ 25 per share, issued by that company in the United States in November 1993 and August 1999, respectively.

These preference shares, which are listed on the New York Stock Exchange, pay a quarterly preferred dividend of 8.5% p.a. on nominal value, as follows:

- US\$ 100 million - 31 March, 30 June, 30 September and 31 December of each year;
- US\$ 150 million - 1 March, 1 June, 1 September and 1 December of each year, beginning 1 December 1999;

BESOL issued 10 million non-voting preference shares, with a face value of US\$ 25 each, listed in the London Stock Exchange in November 1996. The Euro equivalent of the US\$ 250 million corresponds to the respective minority interest shown.

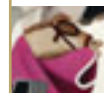
These preference shares pay a preferred quarterly dividend on 15 February, 15 May, 15 August, and 15 November of each year, based on 3 months Libor for US Dollar plus 1.95% p.a.

Preferred shares of ESOL issuance are redeemable wholly or in part at face value at ESOL's option, from 1 December 2003 (1st issue) and 1 September 2004 (2nd issue), while those of BESOL issuance are redeemable from 1 October 2001 onwards, subject to prior approval of Bank of Portugal.

BES unconditionally guarantees dividends and principal repayments relative to either of the two above-mentioned issues, as there were earnings and reserves at the end of the previous year available for distribution to the Bank's shareholders.

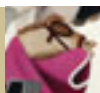
During 2002, the Bank and the Group paid dividends in the amount of euro 21,952 thousand (31 December 2001 - euro 19,203 thousand) and euro 29,333 thousand (31 December 2001 - euro 42,241 thousand), respectively. This expense borne by the Group relative to these preferred shares was shown in the consolidated statement of income under Minority interests.

These shares rank lower than any BES liability, and "*pari passu*" relative to any preference shares that may come to be issued by the Bank.



## Note 23 > Changes in Shareholders' Equity

	BES				
	Total Shareholders Equity	Capital	Share premium	Legal Reserve	Other reserves and retained earnings
Balance as at 31 December 2000	1,514,285	1,000,000	293,562	57,361	163,362
Legal reserve	-	-	-	13,439	(13,439)
Dividends	(86,400)	-	-	-	(86,400)
Bonus to employees	(16,500)	-	-	-	(16,500)
Pension plan	(10,000)	-	-	-	(10,000)
Extraordinary expenses with the pension fund	(66,844)	-	(66,844)	-	-
Net change in the pension fund	(33,768)	-	(33,768)	-	-
Net income for the year	141,140	-	-	-	141,140
Balance as at 31 December 2001	1,441,913	1,000,000	192,950	70,800	178,163
Legal reserve	-	-	-	14,115	(14,115)
Dividends	(75,200)	-	-	-	(75,200)
Bonus to employees	(14,400)	-	-	-	(14,400)
Capital increase:					
Incorporation of reserves and share premium	-	250,000	(192,950)	(57,050)	-
Subscription at 11 euros per share	550,000	250,000	300,000	-	-
Regulation 4/2002	(30,403)	-	-	-	(30,403)
Net income for the year	129,374	-	-	-	129,374
Balance as at 31 December 2002	2,001,284	1,500,000	300,000	27,865	173,419

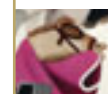


	Consolidated					
	Total Shareholders Equity	Capital	Share premium	Goodwill	Legal Reserve	Other reserves and retained earnings
Balance as at 31 December 2000	1,439,428	1,000,000	293,562	(269,977)	57,361	358,482
Legal reserve	-	-	-	-	13,439	(13,439)
Dividends	(86,400)	-	-	-	-	(86,400)
Bonus to employees	(16,500)	-	-	-	-	(16,500)
Pension plan	(10,000)	-	-	-	-	(10,000)
Extraordinary expenses with the pension fund	(66,844)	-	(66,844)	-	-	-
Net change in the pension fund	(33,768)	-	(33,768)	-	-	-
Other consolidation reserves	2,449	-	-	-	-	2,449
Goodwill	(22,390)	-	-	(11,210)	-	(11,180)
Consolidated net income for the year	197,709	-	-	-	-	197,709
Balance as at 31 December 2001	1,403,684	1,000,000	192,950	(281,187)	70,800	421,121
Legal reserve	-	-	-	-	14,115	(14,115)
Dividends	(75,200)	-	-	-	-	(75,200)
Bonus to employees	(21,620)	-	-	-	-	(21,620)
Capital increase:						
Incorporation of reserves and share premium	-	250,000	(192,950)	-	(57,050)	-
Subscription at 11 euros per share	550,000	250,000	300,000	-	-	-
Regulation 4/2002	(29,233)	-	-	-	-	(29,233)
Sale of IASA	-	-	-	62,071	-	(62,071)
Pension fund of BESSA	(3,029)	-	-	-	-	(3,029)
Merger of BESV	1,672	-	-	-	-	1,672
Exchange differences	(6,042)	-	-	-	-	(6,042)
Other consolidations reserves	(6,952)	-	-	-	-	(6,952)
Goodwill	(34,261)	-	-	(34,261)	-	-
Consolidated net income for the year	222,461	-	-	-	-	222,461
Balance as at 31 December 2002	2,001,480	1,500,000	300,000	(253,377)	27,865	426,992

### • Capital and share premium

During 2002, the Bank increased its capital from euro 1,000,000 thousand to euro 1,500,000 thousand through the issue of 100,000,000 new bearer common shares, with a face value of euro 5 each, as follows:

- 50,000,000 new shares through incorporation of reserves and share premium as a scrip issue in the proportion of one new share per four held;
- 50,000,000 new shares as a rights issue, in the proportion of one new share for each four held, at the price of 11 euros each;



As at 31 December 2002 the Bank's share capital, in the amount of euro 1,500,000 thousand, was represented by 300,000 thousand common shares, with a face value of 5 euros each, which were subscribed and fully paid by the following entities:

	% Capital	
	2002	2001
BESPAR - Sociedade Gestora de Participações Sociais. SA	41.98%	41.98%
Crédit Agricole. SA	8.81%	8.81%
Companhia de Seguros Tranquilidade Vida. SA	6.14%	6.14%
Banco Bradesco. SA	3.00%	-
Others	40.07%	43.07%
	<u>100.00%</u>	<u>100.00%</u>

In 2002, the share premium increased by euro 107,050 thousand in net terms resulting from an increase of euro 300,000 thousand due to the capital increase of new 50,000,000 shares and a decrease due to the incorporation in capital of 192,950 thousand shares.

#### Stock-based Incentive Scheme (SIBA)

The Bank's General Meeting of 20 June 2000 approved the implementation of a stock-based incentive scheme. The first stock bonus plan was carried out in 2000. As at 31 December 2002, 5,327 thousand shares (1.78% of total share capital) are allocated (31 December 2001 - 1,735 thousand shares, 0.87% of total share capital), for an overall amount of euro 56.1 million (31 December 2001 - euro 31.0 million). This amount is included under Other debtors - sundry debtors (see Note 13).

#### Legal Reserve

The sole permitted uses of legal reserve are the coverage of accumulated losses or the increase of capital. Portuguese legislation applicable to the banking sector (Article 97 of Decree-Law no. 298/92, 31 December) requires that the legal reserve be credited with a minimum of 10% of each year's net earnings until it is equal to the registered capital. During 2002, the Bank made use of euro 57,050 thousand for its capital increase.

#### Other reserves and retained earnings

Other reserves and retained earnings include the non-distributed earnings from previous years, less euro 253,377 thousand (31 December 2001 - euro 281,187 thousand) corresponding to the charge-off of Goodwill (net of Capital reserve) (see Note 3.2).



The movements in Goodwill (net of Capital reserve), for the year ended, 31 December 2002, were as follows:

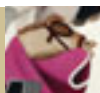
	2001	Movement	2002
BESSA	8,899	-	8,899
BESLEASING MOBILIÁRIA	5,442	( 229)	5,213
BESLEASING IMOBILIÁRIA	( 887)	( 4)	( 891)
BIC	54,768	-	54,768
EUROGES	( 129)	-	( 129)
CREDIFLASH	198	( 81)	117
CÊNTIMO	298	-	298
BESI	43,715	( 180)	43,535
BES VÉNÉTIE	1,277	( 1,611)	( 334)
ES DEALER	1,852	-	1,852
E.S. CAPITAL	( 45)	-	( 45)
ESAF SGPS	( 36)	( 438)	( 474)
INTERATLÂNTICO	55,481	( 55,481)	-
ESDATA	134	-	134
E.S. BANK	37,035	-	37,035
E.S. FINANCIAL CONSULTANTS	284	30	314
QUADRIGA a)	2,055	173	2,228
SGPICE a)	( 1,000)	37	( 963)
CLARITY a)	5,713	3,243	8,956
BENITO Y MONJARDIN	7,156	-	7,156
ESAF, SA (SPAIN)	58,952	( 87)	58,865
GESFINC	25	-	25
OBLOG b)	-	8,793	8,793
BES AÇORES b)	-	( 4,436)	( 4,436)
ESEGUR b)	-	( 183)	( 183)
PORTLINE b)	-	4,693	4,693
JAMPUR b)	-	15,306	15,306
QUINTA DOS CÓNEGOS b)	-	2,605	2,605
BES INTERNACIONAL SGPS b)	-	40	40
	<u>281,187</u>	<u>( 27,810)</u>	<u>253,377</u>
Of which:			
Acquisitions		34,261	
Sales		( 62,071)	
		<u>( 27,810)</u>	

a) Companies of the Sub-group BES.COM

b) Companies included in the consolidated financial statements in 2002

The Bank's 2001 earnings were appropriated as follows:

Legal reserve	14,115
Other reserves	37,425
Distribution to:	
• Shareholders	75,200
• Employees	14,400
	<u>141,140</u>



## Note 24 > Pension Fund

In compliance with the collective labour agreement for the banking sector entered into with the unions, the Bank undertook to grant its employees, or their families, pension on retirement and disability, and widows' pensions. Pension payments consist of a rising percentage based on years of service, applicable to each year's negotiated salary table for the active workforce.

In accordance with Decree?Law no. 396/86, 25 November, on 30 December 1987 the Bank established a pension fund to cover the above?mentioned liability with pension payments in relation to the employees in service at that time.

In 1998, the Bank and the Group's subsidiaries decided to set up an autonomous open-end pension fund - the Fundo de Pensões Aberto GES - to fund complementary pension benefits of pensioners and employees in service.

These pensions funds are managed by ESAF - Espírito Santo Fundo de Pensões, S.A..

The measurement and recognition of pensions liabilities was until 2000, in accordance with Regulation no. 6/1995, 21 September, of the Bank of Portugal. During 2001, the Bank of Portugal issued Regulation no. 12/2001, 9 November, which introduced significant changes to pension accounting. The application of the new regulation to the years ended on 31 December 2002 and 31 December 2001 is analysed as follows:

### i) Number of participants

	BES		Consolidated
	2002	2001	2002
Employees	4,574	4,998	6,026
Pensioners	3,860	4,237	3,909
Widows and other direct relatives	768	720	777
<b>Total</b>	<b>9,202</b>	<b>9,955</b>	<b>10,712</b>

## ii) Increases in pension liabilities in the period

The Bank and Group's liabilities increased in 2002 as follows:

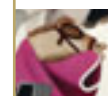
	BES		Consolidated
	2002	2001	2002
Liabilities at the beginning of the period	930,815	848,829	1,011,601
Service cost	10,070	10,805	15,141
Interest cost	55,849	59,418	60,950
Early retirement	74,123	68,524	79,099
Benefits paid	(64,931)	(57,160)	(65,961)
Actuarial (gains) and losses	43,083	399	45,378
(Spin off)/integration of BES Azores	(1,552)	-	5,928
Liabilities at the end of the period	<u>1,047,457</u>	<u>930,815</u>	<u>1,152,136</u>
Pensioners	847,625	708,208	871,446
Employees	199,832	222,607	280,690
Unrecognized prior service costs	(62,992)	(83,561)	(72,967)
Liabilities to be covered	<u>984,465</u>	<u>847,254</u>	<u>1,079,169</u>
Fair value of plan assets	984,465	847,769	1,083,492
Accruals	-	-	1,230
Total coverage	<u>984,465</u>	<u>847,769</u>	<u>1,084,722</u>
Excess/(deficit) coverage	<u>-</u>	<u>515</u>	<u>5,553</u>
Liabilities for future services	<u>208,166</u>	<u>205,883</u>	<u>309,927</u>

## iii) Fair value of plan assets - movements in the year

Movements in the year were as follows:

	BES		Consolidated
	2002	2001	2002
Opening balance	847,769	713,428	921,298
(Spin off)/integration of BES Azores	(1,281)	-	7,474
( + ) Bank and Group contributions	282,633	219,824	303,723
( - ) Pensions paid	64,931	57,160	65,961
( + ) Actual return on plan assets	(79,725)	(28,323)	(83,042)
( = ) Year-end balance	<u>984,465</u>	<u>847,769</u>	<u>1,083,492</u>
( + ) Accruals	-	-	1,230
( = ) Total coverage	<u>984,465</u>	<u>847,769</u>	<u>1,084,722</u>

The actual return on plan assets, for BES and the Group, includes actuarial losses of euro 127,098 thousand and euro 134,867 thousand, respectively.





#### iv) Recognition of liabilities arising in 2002

	BES		Consolidated
	2002	2001	2002
Service cost	10,070	10,805	15,141
( + ) Interest cost	55,849	59,418	60,950
( - ) Expected return on plan assets	47,373	46,687	51,825
( = ) Current expenses	18,546	23,536	24,266
( + ) Amortization of unrecognised prior service cost	7,636	8,591	8,739
( + ) Anticipation of unrecognised prior service cost	12,147	9,480	12,487
( + ) Early retirements	74,123	68,524	79,099
( + ) Actuarial gains and losses	170,181	75,925	180,245
( = ) Liabilities accrued in the period	282,633	186,056	304,836

#### v) Accounting movements in the period

The increase in liabilities in 2002 had the following accounting treatment:

	BES		Consolidated
	2002	2001	2002
Staff costs	18,546	19,823	24,266
( + ) Extraordinary losses	19,783	11,950	21,226
( + ) Appropriation of net income	-	10,000	-
( + ) Fluctuations (pensions)	28,819	75,949	31,614
( + ) Use of reserves / share premium	-	66,844	-
( + ) Deferred costs (pensions)	215,485	1,490	227,730
( = ) Liabilities for the period	282,633	186,056	304,836
Amortization of deferred costs (pensions) of prior years	7,580	-	8,267

In 2001, after the approval of the Bank of Portugal, BES charged to share premium actuarial differences from prior years in the amount of euro 33,768 thousand.

The amount charged to the statement of income for the Bank and for the Group amounts to euro 45,909 thousand (2001: euro 31,773 thousand) and euro 53,759 thousand, respectively, and corresponds to the sum of the current expenses of the plan in the amount of euro 18,546 thousand and euro 24,266 thousand, amortisation of unrecognised prior service cost in the amount of euro 19,783 thousand and euro 21,226 thousand and of the amortization of deferred costs (pensions) 2002 of euro 7,580 thousand and euro 8,267 thousand, respectively.

#### vi) Deferred costs and fluctuations (pensions)

The movements in Deferred costs (pensions) and Fluctuations (pensions) are as follows:

	BES		Consolidated
	2002	2001	2002
Opening net balance of Deferred costs (pensions)	1,512	-	4,787
( + ) Early retirements for the year	74,123	1,680	79,099
( + ) Actuarial losses of the year	141,362	-	148,631
( + ) Others	-	-	( 389)
( - ) Amortization of the year	7,580	168	8,267
( = ) Closing net balance of Deferred costs (pensions)	209,417	1,512	223,861
Fluctuation (pensions)	104,746	75,949	113,518

The balance of Deferred costs (pensions) will be amortized over 10 years, as mentioned in the accounting policy described in Note 3.3 j).

#### vii) Contribution of the Bank and Group to the fund

The current and extraordinary contributions to the pension funds are as follows:

	BES		Consolidated
	2002	2001	2002
Current contributions	26,182	32,127	31,892
Extraordinary contributions			
Early retirement	74,123	68,524	79,099
Unrecognised prior service cost	12,147	9,480	12,487
Actuarial losses of the year	170,181	75,925	180,245
Actuarial differences from prior years	-	33,768	-
	256,451	187,697	271,831
	<b>282,633</b>	<b>219,824</b>	<b>303,723</b>
Accruals	-	-	1,113
	<b>282,633</b>	<b>219,824</b>	<b>304,836</b>

#### viii) Minimum funding requirements

	BES		Consolidated
	2002	2001	2002
Minimum funding requirements	977,134	840,301	1,068,294
Fair value of plan assets	984,465	847,769	1,084,722
Coverage excess/(deficit)	<b>7,331</b>	<b>7,468</b>	<b>16,428</b>

The above tables do not include BESSA's pension information, given that Spanish regulations are different from Portuguese regulations.



As at 31 December 2002 and 2001, the pension liabilities were calculated in accordance with the following assumptions, based on the mortality table TV 73/77, and the present value of projected and present salaries for employees and pensioners, respectively:

	ACTV Fund		Open-end Pension Fund	
	Assumption	Actual (2002)	Assumption	Actual (2002)
Increase in future compensation levels	3%	3.2%	3%	3.2%
Expected return on plan assets	6%	-9.9%	6%	-4.7%
Pensions increase rate	2%	3.2%	2%	3.2%
Actuarial method	Projected Unit Credit Method			

No disability retirements are considered in the calculation of total liabilities.

The Bank intends to make regular actuarial valuations for the purpose of updating liabilities and validate the assumptions used.

The combined liabilities of the Bank and its subsidiaries, including BESSA, for retirement pensions which, as at 31 December 2002, amounted to euro 1,157,894 thousand (2001 - euro 1,017,238 thousand) are covered by pension funds and provisions in the amount of euro 1,089,044 thousand (2001: euro 925,669 thousand).

The pension fund's assets used by BES Group, as at 31 December 2002, refer only to premises in the amount of euro 41,209 thousand (2001: euro 50,824 thousand). During 2002, BES sold to the pension fund 22,369 thousand shares of VTR, SGPS, SA for euro 32,000 thousand. This transaction generated a surplus of euro 9,631 thousand in BES's financial statements and it is expected that it will generate an equal gain in the pension fund.



## Note 25 > Off Balance Sheet Items

	BES		Consolidated	
	2002	2001	2002	2001
<b>Obligations and future commitments</b>				
Guarantees granted	8,859,336	7,839,326	4,282,956	4,111,083
Documentary credit outstanding	204,657	207,558	224,381	223,095
Others	19,891	28,997	20,137	37,204
	<u>9,083,884</u>	<u>8,075,881</u>	<u>4,527,474</u>	<u>4,371,382</u>
<b>Commitments</b>				
Irrevocable credits	229,509	486,426	664,267	704,413
Revocable credits	1,851,355	1,279,070	2,726,138	2,117,231
	<u>2,080,864</u>	<u>1,765,496</u>	<u>3,390,405</u>	<u>2,821,644</u>

As at 31 December 2002, the balance of Guarantees granted included euro 130,000 thousand of securities in the Bank's own portfolio earmarked as collateral for an irrevocable line of credit from Bank of Portugal, within the framework of the Major Transactions Payment System (SPGT). No drawings had been done against this credit line up to reporting date.

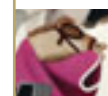
In the course of their activities, the Bank and BES Group employ derivative currency, interest-rate and equity instruments (i) to satisfy their customers' needs, (ii) to manage exchange and interest-rate risks associated with their assets and liabilities and off-balance-sheet items and (iii) to take positions that enable them to benefit from the market trend in light of expectations.

These instruments are associated with (i) market risks inherent in fluctuating quotes, exchange and/or interest rates, and (i) credit risk represented by contract substitution at current market rates.

Gains or losses arising from trading of financial derivatives are accounted for, respectively, in Profits arising from trading activities and Losses arising from trading activities in the statement of income. In the course of 2002, the gains and losses obtained by the Bank and by BES Group from its financial operations, with financial derivatives and other financial instruments, are as follows:

	BES		Consolidated	
	2002	2001	2002	2001
<b>Gains in financial operations</b>	<b>2,561,031</b>	<b>3,341,111</b>	<b>3,335,070</b>	<b>3,804,228</b>
Financial derivatives	1,918,421	2,656,614	2,584,862	3,006,293
Others	642,610	684,497	750,208	797,935
<b>Losses in financial operations</b>	<b>2,474,658</b>	<b>3,265,993</b>	<b>3,207,344</b>	<b>3,688,274</b>
Financial derivatives	1,827,534	2,594,306	2,439,128	2,867,108
Others	647,124	671,687	768,216	821,166

Gains in financial operations - Others include gains obtained with the sale of the investment in Kredyt Bank (euro 18 million) and the shares exchange of BVLP by shares of Euronext (euro 7.8 million).



As at 31 December 2002, financial derivative instruments used and their respective notional and market values are as follows (millions of euros):

	BES		Consolidated	
	Notional	Market Value	Notional	Market Value
Contracts on Exchange Rate				
Over the counter	10,597	(31)	10,630	(30)
Organized market	-	-	31	-
Contracts on interest rate				
Over the counter	24,467	(127)	23,880	65
Organized market	9,286	34	9,794	-
Contracts on shares/indexes				
Over the counter	1,571	2	1,582	3
Organized market	-	-	25	-
Contracts over credit				
Over the counter	1,058	(3)	933	(11)
Organized market	-	-	-	-
<b>TOTAL</b>	<b>46,978</b>	<b>(125)</b>	<b>46,876</b>	<b>27</b>

The analysis of the notional values by the period to maturity, as at 31 December 2002, is as follows:

	BES					Consolidado				
	Up to 3 months	3 to 12 months	1 to 5 years	more than 5 years	Total	Up to 3 months	3 to 12 months	1 to 5 years	more than 5 years	Total
Contracts on Exchange Rate										
Over the counter	6,532	3,794	270	-	10,597	6,503	3,948	179	-	10,630
Organized market	-	-	-	-	-	17	7	7	-	31
Contracts on interest rate										
Over the counter	1,504	4,508	7,176	11,280	24,467	1,671	4,844	7,714	9,651	23,880
Organized market	5,552	3,733	-	-	9,286	5,770	3,915	109	-	9,794
Contracts on shares/indexes										
Over the counter	224	229	1,098	20	1,571	235	249	1,084	15	1,582
Organized market	-	-	-	-	-	25	-	-	-	25
Contracts over credit										
Over the counter	35	170	842	11	1,058	20	160	745	8	933
Organized market	-	-	-	-	-	-	-	-	-	-
	<b>13,847</b>	<b>12,435</b>	<b>9,386</b>	<b>11,310</b>	<b>46,978</b>	<b>14,240</b>	<b>13,124</b>	<b>9,838</b>	<b>9,674</b>	<b>46,876</b>

The detailed analysis of derivate instruments, as at 31 December 2002 and 2001 is as follows:

	BES					Consolidated				
	2002				2001	2002				2001
	Contract Value (1)	Market Value (2)	Book Value (3)	Credit risk (4)	Contract Value (1)	Contract Value (1)	Market Value (2)	Book Value (3)	Credit risk (4)	Contract Value (1)
Over the counter transactions										
Exchange rate operations										
Forward										
Trading										
Buy	-	-	-	-	-	4,759	24	24	183	34,923
Sell	-	-	-	-	-	4,759				34,731
Hedging										
Buy	20,229	(132)	(9)	345	51,293	64,078	(1,020)	(9)	652	72,001
Sell	20,358				51,509	65,100				72,194
Currency Swaps										
Trading										
Buy	-	-	-	-	-	89,227	3,260	3,260	5,282	35,748
Sell						85,212				36,287
Hedging										
Buy	10,266,224	(29,532)	250	308,034	9,938,215	10,166,726	(25,834)	279	308,419	10,128,581
Sell	10,299,330				9,916,602	10,195,868				10,107,784
Interest Rate Swaps										
Trading	16,183,650	21,292	21,292	513,456	22,548,999	16,294,980	33,203	33,203	519,784	23,515,546
Hedging	6,202,152	(143,779)	34,028	64,293	3,587,373	4,262,189	37,833	84,952	59,313	1,889,556
Credit Default Swaps										
Trading	969,811	(2,739)	(2,739)	26,336	1,272,158	888,833	(13,172)	(13,172)	15,851	1,213,695
Hedging	87,875	-	-	3,757	6,808	43,938	1,965	-	2,861	3,404
Equity/index Swaps										
Trading	745,787	1,769	1,769	5,492	533,689	819,788	2,047	2,047	8,722	348,857
Hedging	465,244	(1,261)	(642)	5,253	413,626	444,080	(1,400)	(688)	4,959	401,717
Currency Interest Rate Swaps										
Trading										
Buy	-	-	-	-	-	100,103	(1,563)	(1,563)	2,834	96,569
Sell	-	-	-	-	-	105,820				90,571
Hedging										
Buy	183,999	(2,874)	393	7,118	212,206	78,999	(6,577)	605	630	107,206
Sell	177,138				212,408	83,117				100,527
Forward Rate Agreements										
Trading	189,497	(4,477)	(4,477)	28	8,433	189,497	(4,477)	(4,477)	28	23,433
Hedging	213,356	(127)	-	-	56,734	213,356	(127)	-	-	56,734
Exchange rate options										
Trading										
Buy	86,381	1,641	1,933	1,663	260,437	86,381	1,641	1,933	1,663	260,437
Sell	39,810	(199)	(448)	167	260,483	39,811	(199)	(448)	167	260,483
Swaption										
Trading										
Buy	195,356	(1,702)	7,097	-	60,000	195,356	(1,702)	7,097	-	60,000
Sell	238,867	2,051	(8,225)	2,051	60,000	238,867	2,051	(8,225)	2,051	60,000
Hedging										
Sell	-	-	-	-	-	-	-	-	-	10,000
Equity Options										
Trading										
Buy	134,287	6,192	14,314	8,880	53,375	134,776	6,371	14,314	9,059	54,305
Sell	105,906	(3,795)	(6,230)	683	26,558	106,155	(3,892)	(6,230)	683	26,803
Hedging										
Sell	-	-	-	-	-	-	-	-	-	-
Index Options										
Trading										
Buy	68,312	(7,214)	-	-	100,793	40,551	(3,238)	3,975	-	108,082
Sell	51,520	6,154	-	6,154	72,651	36,687	2,887	(3,239)	2,916	95,163
Hedging										
Sell	-	-	-	-	-	-	-	-	-	3,473
Interest rate Caps & Floors										
Trading										
Buy	664,400	(2,928)	1,080	3,274	1,076,386	1,186,733	(3,289)	719	2,884	2,323,751
Sell	579,794	2,804	(2,796)	5,255	1,663,685	1,299,357	1,744	(3,856)	5,233	3,198,639
Contracts in organized markets										
Exchange rate options										
Trading										
Buy	-	-	-	-	-	-	-	-	-	5,673
Sell	-	-	-	-	-	4,758	-	-	-	-
Future Options										
Trading										
Buy	7,245,231	-	-	-	17,218,431	7,252,086	-	-	-	18,246,858
Sell	1,945,027	-	-	-	24,424,304	1,990,025	-	-	-	26,425,198
Equity Options										
Trading										
Buy	-	-	-	-	-	7,381	-	-	-	4,779
Sell	-	-	-	-	-	7,729	-	-	-	13,816
Futures -										
Trading	95,499	-	-	-	760,000	588,510	-	-	-	1,021,753

(1) Theoretical value or face value of the contract

(2) The market value of products transactioned in organized markets is the quote. For the remaining products it is the gain or loss if the positions were closed considering the current market conditions and pricing models currently used.

(3) The book value corresponds to the gains and losses inherent to open positions

(4) The credit risk is the positive difference between amounts to pay and receive resulting from the open positions

As at 31 December 2002 and 2001, in addition to contingent liabilities and currency and interest-rate derivatives, the following balances were outstanding under the off-balance-sheet headings:

	BES		Consolidated	
	2002	2001	2002	2001
Securities and other items held under custody by the securities depository authority	27,023,358	23,712,120	35,138,143	27,722,007
Securities and other items held for safekeeping on behalf of customers	188,197	181,386	223,491	205,986

The securities held at the responsibility of the Bank are essentially deposited with the Group's specialized securities custody company.

## Note 26 > Global Amounts of Assets and Liabilities in Foreign Currency

The value in euros, as at 31 December 2002, of assets, liabilities and off balance sheet items of the Bank and of the Group, accounted in foreign currency, as well as their weight compared with net assets and total liabilities is as follows:

	BES					
	2002					
	US Dollars	Sterling Pound	Yen	Other foreign currencies	Total	%
Assets	5,571,880	557,077	110,559	2,048,035	8,287,551	28.2%
Liabilities	4,954,184	620,734	130,725	1,473,805	7,179,448	26.2%
Net Assets/(Liabilities)	617,696	(63,657)	(20,166)	574,230	1,108,103	
Forward exchange operations	(470,485)	69,018	22,202	64,573	(314,692)	
Global exchange rate position	147,211	5,361	2,036	638,803	793,411	
Global exchange rate position is represented by						
Investment exchange rate position <sup>(1)</sup>	71,355	-	-	214,169	285,524	
Operational exchange rate position <sup>(2)</sup>	75,856	5,361	2,036	424,634	507,887	

	Consolidated					
	2002					
	US Dollars	Sterling Pound	Yen	Other foreign currencies	Total	%
Assets	7,167,657	578,225	120,042	2,596,293	10,462,217	27.2%
Liabilities	6,422,195	638,870	144,710	2,121,631	9,327,406	25.1%
Net Assets/(Liabilities)	745,462	(60,645)	(24,668)	474,662	1,134,811	
Forward exchange operations	185,038	69,018	22,202	116,919	393,177	
Global exchange rate position	930,500	8,373	(2,466)	591,581	1,527,988	
Global exchange rate position is represented by						
Investment exchange rate position <sup>(1)</sup>	-	-	-	190,614	190,614	
Operational exchange rate position <sup>(2)</sup>	930,500	8,373	(2,466)	400,967	1,337,374	

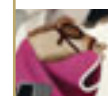
<sup>(1)</sup>The investment exchange rate position derives essentially from medium and long term investments made by the Bank, denominated in foreign currency in associated and subsidiary companies headquartered outside Portugal, and also made by the Group in associated companies.

<sup>(2)</sup>The operational exchange rate position represents the net exposure, given that the Bank's branches and subsidiaries, headquartered in foreign countries, perform exchange rate management hedging their position to the functional currency and not to the currency the financial statements of the Bank and the Group and prepared in (Euros).

## Note 27 > Loans and Advances to Customers, Securities and Guarantees by Sector of Activity

As at 31 December 2002, Loans and advances to customers, Securities, Guarantees and specific provisions by sector of activity can be analysed as follows:

	Consolidated						Specific provisions for loans and securities
	Loans and advances to customers			Securities	Guarantees	Total	
	Loans	Overdue	Total				
Agriculture	257,621	5,651	263,272	5,002	33,328	301,602	8,908
Mining	92,061	3,221	95,282	16,136	6,987	118,405	3,204
Food, beverage and tobacco	502,741	10,256	512,997	45,856	110,437	669,290	16,473
Textiles	350,177	17,695	367,872	4,903	43,425	416,200	25,211
Shoes	113,748	3,468	117,216	46	8,223	125,485	7,141
Wood and cork	152,257	7,266	159,523	-	12,879	172,402	12,936
Printing and publishing	260,330	2,263	262,593	2,819	33,855	299,267	5,977
Refining and oil	10,966	79	11,045	8,119	30,340	49,504	86
Chemicals and rubber	257,130	5,244	262,374	19,901	32,856	315,131	10,635
Non-metalic minerals	231,109	5,262	236,371	9,850	24,582	270,803	11,017
Metalic products	241,770	6,922	248,692	91	34,511	283,294	9,695
Production of machinery, equipment and electric devices	245,455	17,354	262,809	42,404	62,566	367,779	31,410
Production of transport material	73,442	1,918	75,360	99,362	48,342	223,064	2,924
Other transforming industries	379,495	4,405	383,900	33,177	15,271	432,348	6,169
Electricity, gas and water	394,742	4,220	398,962	115,920	254,222	769,104	3,698
Construction	2,230,657	40,462	2,271,119	16,032	811,662	3,098,813	57,277
Wholesale and retail	2,430,733	81,549	2,512,282	39,996	419,463	2,971,741	137,306
Restaurant and hotels	302,410	4,605	307,015	32,348	64,655	404,018	8,804
Transports and communications	844,118	9,444	853,562	275,816	319,073	1,448,451	17,144
Financial institutions	1,319,705	4,248	1,323,953	2,090,625	731,897	4,146,475	54,018
Insurance	1,888,090	28,804	1,916,894	5,423	330,521	2,252,838	30,200
Services	1,185,793	11,005	1,196,798	96,651	285,161	1,578,610	60,873
Public services	216,289	4	216,293	1,052,525	52,825	1,321,643	2,747
Non-profit organizations	739,425	7,030	746,455	673,719	88,791	1,508,965	66,575
Mortgage loans	8,513,039	131,474	8,644,513	-	24,065	8,668,578	132,804
Consumer loans	1,775,266	100,960	1,876,226	-	114,541	1,990,767	142,815
Others	237,769	33,960	271,729	122,905	288,478	683,112	33,854
TOTAL	25,246,338	548,769	25,795,107	4,809,626	4,282,956	34,887,689	899,900



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## Note 28 > Assets and Off Balance Sheet Items Classified as Sovereign Risks

As at 31 December 2002, outstanding assets in, and guarantees extended to, Latin American, Asian, African, and other countries classified as sovereign risks, total euro 672,715 thousand (31 December 2001- euro 880,361 thousand ) distributed as follows:

	Consolidated exposure per Region						2001
	2002						
	Securities	Loans and advances to credit institutions	Loans and advances to Customers	Other debtors	Off balance sheet items	Total (1)	
Asia Pacific	9,544	4,799	11,181	1	2,500	28,025	62,211
South Korea	9,536	-	-	-	30	9,566	20,427
Turkey	8	3,337	-	-	562	3,907	478
China	-	105	462	-	-	567	520
Hong Kong	-	-	-	-	223	223	46
Macao	-	1,357	10,719	1	241	12,318	5,870
Others	-	-	-	-	1,444	1,444	34,870
Latin America	108,066	117,144	191,226	8,772	17,259	442,467	594,287
Brazil	98,823	115,237	60,013	8,772	11,596	294,441	440,721
Panama	-	1,907	24,956	-	-	26,863	33,117
Bahamas	-	-	31796	-	381	32,177	18,867
Argentina	4,475	-	1,331	-	3,166	8,972	10,536
Guatemala	-	-	7,213	-	-	7,213	11,347
Equador	-	-	6,147	-	-	6,147	-
Chile	-	-	1,960	-	-	1,960	2,889
Mexico	4,768	-	11,841	-	-	16,609	12,694
Venezuela	-	-	18,960	-	1,616	20,576	28,584
Uruguay	-	-	19,146	-	451	19,597	22,702
Colombia	-	-	129	-	-	129	1,157
Others	-	-	7,734	-	49	7,783	11,673
East Europe	2,297	9,596	2,472	-	157	14,522	22,511
Poland	-	2,458	-	-	157	2,615	11,316
Hungary	-	53	20	-	-	73	4,272
Slovenia	-	1,500	1,998	-	-	3,498	2,505
Russia	2,297	-	-	-	-	2,297	2,383
Chezch Rep	-	3,809	-	-	-	3,809	28
Others	-	1,776	454	-	-	2,230	2,007
Africa	28,681	74,725	94,852	3	15,828	214,089	218,687
Angola	28,681	73,646	8,603	3	12,229	123,161	101,808
Morocco	-	4	46,186	-	2,003	48,193	59,201
South Africa	-	118	28,322	-	854	29,294	40,040
Cabo Verde	-	945	9,174	-	662	10,781	15,285
Others	-	12	2,567	-	81	2,660	2,353
Total	148,588	206,264	299,731	8,776	35,744	699,103	897,696
Minus:							
Provision for country risk	(16,811)(8,870)	(325)	-	(382)	(26,388)	(17,335)	
Total	131,777	197,394	299,406	8,776	35,362	672,715	880,361

(1) Total exposures does not include held securities issued by entities domiciled in the countries above mentioned, including public entities, since they are listed in organized markets

The provision for country risk is set up in accordance with the accounting policy described in Note 3.3 f).

As at 31 December 2002, the global exposure to Angola and Brazil includes, respectively, euro 18,387 thousand (2001 - euro 19,973 thousand) and euro 7,601 thousand (2001 - euro 11,346 thousand) related to short term financing granted to resident entities in the above mentioned countries.

The global amount of provisions set up by BES, in accordance with the regulations issued by the Bank of Portugal, is considered sufficient to cover eventual losses in these assets and guarantees.

## Note 29 > Financial Information by Geographic Area

As at December 2002, the main current revenues and expenses, by geographic markets, are as follows:

	BES				
	Portugal	Remaining European Union	Remaining Europe	North America	Total
<b>Revenues</b>					
Interest income	925,520	304,211	34,796	288,282	1,552,809
Income from securities	67,336	-	-	-	67,336
Commissions	205,443	1,377	1,670	2,606	211,096
Profits arising from trading activity	2,525,119	748	153	35,011	2,561,031
Other operating income	47,209	1,446	5	121	48,781
Write back of provisions	77,128	4,805	121	2,350	84,404
Other results	10,224	3,149	15	-	13,388
	<b>3,857,979</b>	<b>315,736</b>	<b>36,760</b>	<b>328,370</b>	<b>4,538,845</b>
<b>Expenses</b>					
Interest expense	549,987	287,768	28,213	269,693	1,135,661
Commissions	23,142	499	499	506	24,646
Losses arising from trading activity	2,435,099	352	-	39,207	2,474,658
General expenses	326,113	6,056	3,400	5,070	340,639
Depreciation	102,814	214	202	179	103,409
Other operating expenses	2,243	28	5	61	2,337
Provisions	252,694	7,712	3,819	19,183	283,408
Other expenses	34,382	6,044	64	2,498	42,988
Income taxes	449	1,130	146	-	1,725
Net income for the year	131,056	5,933	412	(8,027)	129,374
	<b>3,857,979</b>	<b>315,736</b>	<b>36,760</b>	<b>328,370</b>	<b>4,538,845</b>

	Consolidated							
	Portugal	Remaining European Union	Remaining Europe	North America	Latin America	Asia	Africa	Total
<b>Revenues</b>								
Interest income	1,473,108	428,685	34,806	315,923	75,453	7,658	3,616	2,339,249
Income from securities	9,011	1,305	-	-	30	394	-	10,740
Commissions	285,216	46,293	5,033	6,089	393	189	174	343,387
Profits arising from trading activity	2,689,468	254,370	153	39,129	350,628	376	946	3,335,070
Other operating income	104,052	5,800	5	1,999	4,956	2	302	117,116
Write back of provisions	162,900	46,745	121	2,356	-	1,191	20	213,333
Other results	24,487	4,023	15	186	-	7	562	29,280
	<b>4,748,242</b>	<b>787,221</b>	<b>40,133</b>	<b>365,682</b>	<b>431,460</b>	<b>9,817</b>	<b>5,620</b>	<b>6,388,175</b>
<b>Expenses</b>								
Interest expense	672,685	357,683	28,213	461,477	6,683	3,047	1,247	1,531,035
Commissions	40,473	10,815	965	783	-	105	21	53,162
Losses arising from trading activity	2,584,476	170,133	71	41,502	411,294	(132)	-	3,207,344
General expenses	502,804	59,707	3,422	18,459	280	1,101	2,187	587,960
Depreciation	125,986	4,502	202	3,158	-	48	820	134,716
Other operating expenses	4,810	1,152	5	178	188	5	43	6,381
Provisions	390,951	70,735	3,819	19,475	-	8,626	582	494,188
Other expenses	67,184	11,130	304	33,731	-	80	23	112,452
Income taxes	34,474	2,560	146	1,170	-	126	-	38,476
Consolidated net income for the year	324,399	98,804	2,986	(214,251)	13,015	(3,189)	697	222,461
	<b>4,748,242</b>	<b>787,221</b>	<b>40,133</b>	<b>365,682</b>	<b>431,460</b>	<b>9,817</b>	<b>5,620</b>	<b>6,388,175</b>

## Note 30 > Staff Costs

As at 31 December 2002 and 2001, BES Group's workforce was distributed among the following broadly defined business areas:

	2002	2001
BES employees	4,267	5,206
Group financial subsidiaries employees	3,303	2,865
Total financial subsidiaries employees	7,570	8,071
Employed by other companies essentially providing services to customers outside the Group	953	1,241
	<b>8,523</b>	<b>9,312</b>

By category, it can be analysed as follows:

	BES		Consolidated	
	2002	2001	2002	2001
Management	227	246	639	641
Managerial staff	628	835	1,62	1,217
Specific functions	1,151	1,172	2,464	3,164
Administrative functions	2,112	2,747	3,733	3,955
Auxiliary functions	8	19	484	148
In branches abroad	141	187	141	187
	<u>4,267</u>	<u>5,206</u>	<u>8,523</u>	<u>9,312</u>

The amount included under staff costs attributed to the Board of Directors and Supervisory Board is as follows:

	BES		Consolidated	
	2002	2001	2002	2001
Board of Directors	2,338	2,170	7,737	5,899
Supervisory Board	7	10	237	111
	<u>2,345</u>	<u>2,180</u>	<u>7,974</u>	<u>6,010</u>

Additionally, during 2002 a variable remuneration of euro 541 thousand (2001 - euro 620 thousand) was attributed to the BES's Board of Directors.

Loans granted to members of the Board amounted to euro 1,275 thousand (2001 - euro 1,112 thousand).

## Note 31 > Other Operating Income and Expenses

	BES		Consolidated	
	2002	2001	2002	2001
<b>Other operating income</b>				
Expenses reimbursement	20	3	2,917	3,356
Recovery of charged-off loans and interest	4,074	2,661	8,159	4,913
Recovery of bad debts	2,015	1,986	2,364	2,906
Income from sundry services	40,673	29,158	91,206	86,114
Others	1,999	3,450	12,470	11,609
	<u>48,781</u>	<u>37,258</u>	<u>117,116</u>	<u>108,898</u>
<b>Other operating expenses</b>				
Donations and quotations	1,225	1,379	2,077	2,151
Others	1,112	951	4,304	2,991
	<u>2,337</u>	<u>2,330</u>	<u>6,381</u>	<u>5,142</u>

## Note 32 > Extraordinary Gains and Losses

	BES			
	Extraordinary Gains		Extraordinary Losses	
	2002	2001	2002	2001
Gains on sale of investments and fixed assets	2,031	314	-	-
Losses on sale of investments and fixed assets	-	-	1,514	59
Losses related to prior years	-	-	5,690	2,090
Gains related to prior years	7,219	487	-	-
Discharge active interest	-	-	1,902	1,786
Pension charges (see Note 24)	-	-	27,363	11,950
Indemnities for non-performing contracts	106	73	97	8
Others	4,032	9,143	2,597	1,966
	<b>13,388</b>	<b>10,017</b>	<b>39,163</b>	<b>17,859</b>

	Consolidated			
	Extraordinary Gains		Extraordinary Losses	
	2002	2001	2002	2001
Gains on sale of investments and fixed assets	5,755	3,512	-	-
Losses on sale of investments and fixed assets	-	-	1,978	2,388
Losses related to prior years	-	-	15,634	6,706
Gains related to prior years	12,996	4,355	-	-
Discharge active interest	-	-	6,723	1,786
Pension charges (see Note 24)	-	-	29,493	13,144
Indemnities for non-performing contracts	268	164	248	33
Others	7,952	18,823	13,484	14,218
	<b>26,971</b>	<b>26,854</b>	<b>67,560</b>	<b>38,275</b>

## Note 33 > Taxes

The Bank and its subsidiaries domiciled in Portugal are subject to taxation in accordance with the corporate income tax code (IRC) and to local taxes.

BES Group determined its income tax liability for the 2002 and 2001 financial years on the basis of a nominal rate of 33% and 35% (Law 30 - G / 2000, 29 December and Law 3 - B / 2000, 4 April), respectively.

The tax authorities have the power to review the Bank's determination of its annual taxable earnings, as well as those of its subsidiaries domiciled in Portugal, for a period of four years for 1998 and subsequent years. Hence it is possible that some additional taxes may be assessed, mainly as a result of differences of interpretation of the tax law. However, the Board of Directors of the Bank, and those of its subsidiaries domiciled in Portugal, are confident that there will be no further material tax assessments within the context of the financial statements.

Taxes charged to earnings already paid or pending payment by the Bank and by the Group related to 2002, and 2001 and 2000 financial years were as follows:

	BES			Consolidated		
	2002	2001	2000	2002	2001	2000
Income taxes	1,725	-	26,792	38,476	38,554	63,987
Taxes on income paid	525	-	12,755	23,477	17,691	38,442

Considering that Portuguese corporate income tax is calculated on the basis of the net profit per financial statements, adjusted, where applicable, for non-deductible or other items registered in the financial statements, the corporate income tax provision is calculated taking into account these adjustments. The adjustments considered as having significant impact in the calculation of the taxable income were: tax benefits related to dividends obtained from financial participations, to shares purchased in the scope of public companies privatisation and to listed shares and Portuguese government bonds; the gains obtained by SFE; and the negative net worth variations related to extraordinary contribution to the pensions funds. On this last aspect, the Bank considered as deductible changes for the calculation of the taxable income in 2001 and 2000, the amount of extraordinary costs related with early retirement, that were deducted to reserves in 2001 and 2000 (euro 67 million and euro 139 million, respectively).

## Note 34 > Related Party Transactions

As at December 2002 and 2001, the amounts of debits, credits, guarantees, revenues and expenses with subsidiaries and associated companies is as follows:

	BES									
	2002					2001				
	Debits	Credits	Guarantees	Revenues	Expenses	Debits	Credits	Guarantees	Revenues	Expenses
<b>Subsidiaries</b>										
BESLEASING MOB.	123,632	-	-	7,058	-	219,157	3,110	-	8,931	28
BESLEASING IMOB.	244,840	48	-	12,073	-	188,483	-	-	7,591	-
BIC	862,803	94,533	-	91,032	66,050	897,696	188,657	-	79,867	55,546
ES COBRANÇAS	563	8,652	-	-	3,354	563	2,144	-	-	3,433
ES DEALER	-	31	-	-	-	-	8	-	12	3
ES ACE	-	880	-	-	22,042	-	937	-	-	9,613
ESAF SGPS	22,649	14,384	-	19,430	252	21,958	221	-	10,757	-
BESSA	135,282	209,335	-	6,169	5,193	146,341	238,950	-	10,195	57,858
ESGEST	-	27	-	-	564	-	71	-	-	526
GESFINC	-	33	-	-	-	-	73	-	-	-
ESDATA	-	314	-	303	2,216	-	1,144	-	-	2,966
BESNAC	-	962	-	-	72	-	1,143	-	-	2,714
EUROGES	200,098	-	-	6,767	64	187,262	22,215	-	7,751	4
CREDIFLASH	66,919	-	-	8,987	-	39,315	14	-	7,786	-
CÊNTIMO	45	83	-	-	236	42	37	-	-	229
CREDIBOM	400	626	-	5,337	-	85,046	-	-	3,690	-
BESOL	-	239,986	-	-	9,159	-	285,729	-	-	19,199
BESI	216,201	32,717	-	37,969	21,717	177,872	11,044	-	16,442	10,607
BES ORIENTE	458	677	-	707	468	945	390	-	4,353	145
BES FINANCE	67,031	5,326,351	5,244,815	1,411	208,225	72,238	5,059,181	4,421,654	215	199,135
ES CAPITAL	-	1,980	-	377	149	-	3,835	-	-	110
ESOL	369	1,216	-	369	619	394	1,113	-	398	732
ES PLC	36,107	1,518	-	14,497	744	53,821	90,434	-	13,402	159
ES BANK	-	483	-	1,071	-	1,281	3,724	-	-	-
BES.COM	17,363	-	-	518	-	16,449	153	-	274	266
ES CONTACT CENTER	1,045	-	-	46	4,349	225	-	-	12	5,412
BEST	13	149,081	-	13	5,526	-	137,014	-	-	2,080
INTERACTION	-	554	-	9	260	-	615	-	-	51
BES ANGOLA	-	43,048	-	-	365	-	11,347	-	-	-
ES FIN. CONSULTANTS	-	220	-	-	6	-	399	-	-	4
BES AÇORES a)	17,737	9,826	-	-	-	-	-	-	-	-
BESIL a)	10,000	29,803	-	-	-	-	-	-	-	-
BES INT. SGPS a)	-	6,916	-	-	-	-	-	-	-	-
JAMPUR b)	10,667	-	-	-	-	-	-	-	-	-
QUINTA CÔNEGOS b)	410	-	-	-	-	-	-	-	-	-
	<b>2,034,632</b>	<b>6,174,284</b>	<b>5,244,815</b>	<b>214,143</b>	<b>351,630</b>	<b>2,109,088</b>	<b>6,063,702</b>	<b>4,421,654</b>	<b>171,676</b>	<b>370,820</b>
<b>Associated companies</b>										
ESUMÉDICA	2,863	64	-	127	-	2,245	1,316	-	79	-
EUROP ASSISTANCE	33	1,375	15	-	62	-	1,420	11	-	3
FIDUPRIVATE	-	2	-	-	-	-	1	-	-	-
BES VÉNÉTIE	491,455	395,112	27	10,585	8,966	121,256	194,539	17	6,556	1,900
ES SEGUROS	-	1,150	-	-	73	-	8,573	-	-	2
ESEGUR	399	700	106	2	4	-	-	-	-	-
	<b>494,750</b>	<b>398,403</b>	<b>148</b>	<b>10,714</b>	<b>9,105</b>	<b>123,501</b>	<b>205,849</b>	<b>28</b>	<b>6,635</b>	<b>1,905</b>

a) Companies incorporated/acquired in 2002

b) Companies included in the consolidated financial statements in 2002

As at 31 December 2002 and 2001, the total amount of assets and liabilities of BES Group with subsidiary companies associated or related with ESFG (Bank holding), is as follows:

	BES Group	
	2002	2001
Assets	927,344	691,050
Liabilities	1,573,778	1,154,677
Off Balance Sheet items	11,115	24,668

**Note 35 > Securitization Transactions**

**a) Securitization of loans and advances to customers**

**Lusitano No. 1, Limited**

In August 1999 BES carried out its first asset securitization transaction, selling to Lusitano No. 1 Limited a consumer loans portfolio recorded in its balance sheet for the amount of euro 250,000 thousand. At the time of sale, no gain or loss was accounted for in the Bank's statement of income. Lusitano No. 1 Limited financed this acquisition through the issue of bonds in international financial markets, which were secured by the set of loans transacted. Under the issue's terms, the bondholders have no right of recourse.

BES cannot be held responsible for any amount of non-performing loans in the consumer loans portfolio sold that exceeds the collateral deposited with Lusitano No. 1 Limited. This collateral deposit will correspond to a maximum of 5% of the nominal value of the loans portfolio sold.

Lusitano No. 1 Limited's only activity will be to hold the consumer loans portfolio purchased from BES. The payment of capital and interest relative to the bonds issued by this entity will depend exclusively on this portfolio and on the collateral deposited by the Bank. Through the purchase of residual certificates issued by Lusitano No. 1 Limited, the Bank became entitled to the residual value of this entity's assets, after liabilities towards the bondholders have been settled. The interest paid quarterly on these residual certificates is recorded in the statement of income.





This securitization transaction also presents the following features:

a) Notes issued by Lusitano No. 1 Limited

	Senior Notes	Junior Notes	Residual certificates
Rating			
- FITCH Ratings	AAA	A	-
- Moody's	Aaa	A2	-
- Standard & Poor's	AAA	A	-
Face value			
(thousand Euros)	233,700	16,300	0,05
Coupon rate / return	Euribor 3m+ 0.36% pa	Euribor 3m+ 0.75% pa	Excess spread
Reimbursement	Until Sept/2007	Until Sept/2007	Until Sept/2007
Securities held by BES Group:			
Book value			
(thousand Euros)	-	-	0,05

b) Commitments retained by BES Group:

- Cash reserve: in the amount of euro 5,828 thousand, recorded in Other debtors (see Note 13).
- Liquidity lines and guarantees: non-applicable.

c) Provisions:

- Provisions for other assets in the amount of euro 1,665 thousand were calculated and booked (see Note 13), in accordance with Instruction no. 27/2000 of Bank of Portugal.

d) Entities involved:

- Purchasers of loans: Lusitano No.1 Limited and Deutsche Bank (Portugal);
- Manager of the loans portfolio: BES

### Lusitano Finance No. 2, Plc

In April, 2002, BES Group entered into the third securitization transaction, having sold to Lusitano Finance no.2 Plc Company a portfolio of loans, in the global amount of euro 450,000 thousand, composed of two portfolios, a consumer loans portfolio, recorded in BES accounts, in the amount of euro 150,000 thousand and a leasing portfolio, recorded in Besleasing Mobiliária accounts, in the amount of euro 300,000 thousand.

At the time of the sale, no gains or losses were recorded both by BES or Besleasing Mobiliária. Lusitano Finance no. 2 Plc Company financed this acquisition through a bond

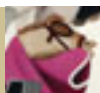
issue in international financial markets guaranteed by the portfolio of loans acquired. The holders of the bonds have no right of recourse, in accordance with the terms of the issue. BES and Besleasing Mobiliária cannot be made responsible for any amounts of non-performing of the loans portfolio sold exceeding the face value of Class D notes issued by Lusitano Finance no. 2 Plc for the purposes of setting up a collateral deposit. This collateral deposit will assume the maximum value of 4.5% of the nominal value of the loan portfolio acquired.

Lusitano Finance no. 2 Plc Company's only activity will be to hold the loan portfolio acquired to BES and Besleasing Mobiliária and, the payment of principal and interest of the bonds issued by this entity will depend exclusively of the portfolio and the collateral deposit made with the issue of Class D notes acquired by BES and BESLEASING Mobiliária. The Class D notes give to its holders the right to receive on a quarterly basis, the excess spread calculated by Lusitano Finance no2. Plc, after having paid the liabilities arising from the other notes and after having deducted the operational costs. This excess spread is estimated and is recognised on an accrual basis in the financial statements of BES and Besleasing Mobiliária.

This securitization transaction also presents the following features:

a) Securities issued by Lusitano Finance No. 2 Plc

	Class A	Class B	Class C	Class D
Rating				
- FITCHRatings	AAA	AA	A-	-
- Moody's	Aaa	Aa2	A2	-
- Standard&Poor's	AAA	AA	A-	-
Face value (thousand euros)	409,720	11,250	29,030	20,250
Coupon rate/return	Euribor 3m+ 0.27% pa	Euribor 3m+ 0.45% pa	Euribor 3m+ 0.83% pa	Excess spread
Reinbursement	Until Apr/2010	Until Apr/2010	Until Apr/2010	Until Apr/2010
Securities held by BES Group:				
Book value (thousand euros)	-	-	-	20,250



b) Commitments retained by the Group:

- Class D up to euro 20,250 thousand, accounted for as Investment securities - other variable income securities issued by foreign countries (see note 8).
- Liquidity lines and guarantees: non-applicable.

c) Provisions:

- Provisions for securities in the amount of euro 4,620 thousand were recorded (see Note 8), in accordance with Instruction no. 27/2000 of Bank of Portugal.

d) Entities involved:

- Purchasers of credits: Lusitano Finance No.2 Plc and BNP Paribas (Portugal);
- Manager of credits: BES and Besleasing Mobiliária.

### **Lusitano Mortgages No. 1, Plc**

In December 2002, BES Group performed the fourth securitization transaction, it sold to Lusitano Mortgages No 1 fund, managed by Sociedade Gestora de Fundos de Titularização de Créditos, Navegador, SGFTC, SA, a mortgage portfolio in the amount of euro 1,000 million that was recorded in BIC's balance sheet.

At the time of the sale, no gains or losses were recorded by BIC. Lusitano Mortgages No. 1 Fund financed this acquisition through the issue of participation units, entirely subscribed by Lusitano Mortgages No 1, Plc that financed itself through a bond issue in international financial markets, divided in five classes. The holders of the bonds have no right of recourse, in accordance with the terms of the issue. BIC cannot be made responsible for any amounts of non-performing loans portfolio sold exceeding the face value of Class F acquired by BIC and issued by Lusitano Mortgages No. 1, Plc with the objective of setting up collateral deposit (cash reserve). The face value of this note will have a maximum value of 1% of the portfolio sold.

Lusitano Mortgages No. 1 Fund has the sole activity of owning the portfolio acquired to BIC and the payment of principal and interest of the bonds issued by this entity will depend exclusively on the portfolio. Lusitano Mortgages No. 1, Plc only activity is holding the participation units in Lusitano Mortgages No.1 Fund. The amount of principal and interest paid on the Class A, B, C, D and E notes issued by this entity depends exclusively on the participation units and the cash reserve, constituted by the issue of Class F acquired by BIC. This Class F note provides the holder with the right to the quarterly payment of the excess spread of Lusitano Mortgages No. 1, Plc, after liquidation of the liabilities with note holders of Class A, B, C, D and E, and its operational costs, which, when possible to be estimated, is accrued and recognized in BIC's statement of income.

This securitization transaction also presents the following features:

a) Notes issued by Lusitano Mortgages No. I Plc

	Class A	Class B	Class C	Class D	Class E	Class F
Rating						
- FITCH Ratings	AAA	AA	A	BBB	BB	-
- Moody's	Aaa	Aa3	A2	Baa2	Ba1	-
- Standard & Poor's	AAA	AA	A	BBB	BB	-
Face value(thousand Euros)	915,000	32,500	25,000	22,500	5,000	10,000
Coupon rate / return	Euribor 3m+ 0.28% pa Euribor 3m+ 0.48% pa Euribor 3m+ 0.65% pa Euribor 3m+ 1.35% pa Euribor 3m+ 3.90% pa					Excess spread
Reimbursement	Until Dec/2035	Until Dec/2035	Until Dec/2035	Until Dec/2035	Until Dec/2035	Until Dec/2035
Securities held by BES Group:						
Book value(thousand Euros)	-	-	-	-	-	13,318

b) Commitments retained by the Group:

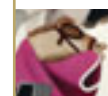
- Class F note accounted for under Investment securities - other variable income securities issued by foreign countries (see Note 8).
- Liquidity lines and guarantees: non-applicable.

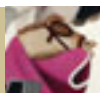
c) Provisions:

- Provisions for securities in the amount of euro 9,963 thousand were recorded, in accordance with Instruction no. 27/2000 of Bank of Portugal (see Note 8).

d) Entities involved:

- Purchaser of credits and issuer of participation units: Lusitano Mortgages No.I Fund;
- Fund manager of Lusitano Mortgages No. I: Navegador, SGFTC, SA
- Subscriber of the participation units and issuer of the notes: Lusitano Mortgages No.I Plc;
- Custody of participation units: BES;
- Servicer: BIC;
- Liquidity facility provider: Deutsche Bank (Portugal), SFE Madeira.





## b) Securitization of securities

### Lusitano Global CDO No. 1, Plc

During the second half of 2001, BES Group performed a securitization transaction of domestic bonds and euro bonds, having sold to Lusitano Global CDO n. 1 Plc a portfolio of securities, whose book value was euro 1,144.3 million. These securities were recorded in the investment portfolio of the BES Group. Lusitano Global CDO n. 1 Plc financed this acquisition through a bond issue in international financial markets guaranteed by the portfolio of securities. The holders of the bonds have no right of recourse, in accordance with the terms of the issue.

BES Group cannot be made responsible for any amounts of non-performing of the loans portfolio sold exceeding the face value of Class D and the cash reserve that was acquired and set up by BES. The face value of this note will have a maximum value of 9.6% of the face value of the note sold.

Lusitano Global CDO No. 1 Plc's only activity is owning the portfolio acquired to BES Group and the payment of principal and interest of the bonds issued by this entity will depend exclusively on the portfolio and of Class D that includes the cash reserve acquired by BES Group. This Class D note provides the holder with the right to the quarterly payment of the excess spread of Lusitano Global CDO No. 1, Plc, after liquidation of the liabilities with note holders of Class A, B, C and its operational costs, which, when possible to be estimated, is accrued and recognized in BES Group statement of income.

This securitization operation also presents the following features:

#### a) Securities issued by Lusitano Global CDO No. 1 Plc

	Class A1	Class A2	Class B	Class C	Class D
<b>Rating</b>					
- FITCH Ratings	AAA	AAA	AA	A	-
- Moody's	Aaa	Aaa	Aa1	A1	-
- Standard & Poor's	AAA	AAA	AA	A+	-
Face value(thousand euros)	350,000	623,800	42,300	25,200	103,000
Coupon rate / return	Euribor 3m+ 0.25% pa	Euribor 3m+ 0.45% pa	Euribor 3m+ 0.65% pa	Euribor 3m+ 1.10% pa	Excess spread until 10%
Reimbursement	Until Dec/2015	Until Dec/2015	Until Dec/2015	Until Dec/2015	Until Dec/2015
<b>Securities held by BES Group:</b>					
Book value(thousand euros)	7,255	500	-	15,300	99,956

b) Commitments retained by the Group:

- Class D notes on the maximum amount of euro 110,000 thousand, accounted for as Investment securities - other variable income issued by foreign countries (see Note 8).
- The Group also holds 7,255 Class A1 notes, 500 notes Class A2 notes and 15,300 Class C notes, also accounted for as Investment securities - other variable income issued by foreign countries (see Note 8).
- Liquidity lines and guarantees: non-applicable.

c) Entities involved:

- Acquirer: Lusitano CDO No.1, Plc e Deutsche Bank Portugal;

## Note 36 > Subsequent Events

### New provisions regulation applicable in 2003

The Bank of Portugal published on 30 January 2003, Regulation no. 8/2003 that establishes new rules to set up provisions for Loans and advances to customers. In accordance with this regulation, there were changes in the method of setting up provisions for loans overdue, depending on the type of guarantee, and the application of minimum levels of provisioning. The concept of doubtful credits was also reformulated as a function of the initial maturity of the loan and of the probability given to future defaults.

For provisions for general credit risks, a new risk class was introduced, in mortgage loans. The rate applicable is now 0.5% instead of 1%. Provisions released as a consequence of this change have to be reallocated to reinforce the provisions for specific credit risk.

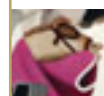
The Bank is currently performing an analysis in order to determine the impact of the application of this regulation, and the Board of Directors believes that the impact will not be significant in the 2003 financial statements.

Lisbon, 21 de February 2003

The Board of Directors

António Luis Roquette Ricciardi  
Ricardo Espírito Santo Silva Salgado  
Jean Gaston Pierre Marie Victor Laurent  
Mário Mosqueira do Amaral  
José Manuel Pinheiro Espírito Santo Silva  
António José Baptista do Souto  
Jorge Alberto Carvalho Martins  
Manuel António Gomes de Almeida Pinho  
Yves Henri Camille Barsalou  
Aníbal da Costa Reis de Oliveira  
José Manuel Ferreira Neto  
Manuel de Magalhães Villas-Boas  
Manuel Fernando Moniz Galvão Espírito Santo Silva  
Jackson Behr Gilbert  
Manuel António Ribeiro Serzedelo de Almeida  
José Maria Espírito Santo Silva Ricciardi

Jean-Luc Louis Marie Guinoiseau  
Gilles François Gramat  
Rui Manuel Duarte Sousa da Silveira  
Joaquim Aníbal Brito Freixial de Goes  
Francisco Luís Murteira Nabo  
Pedro José de Sousa Fernandes Homem  
Ilídio da Costa Leite de Pinho  
Herman Agneessens  
Patrick Gérard Daniel Coudène  
Michel Victor François Villatte  
Mário Martins Adegas  
Luís António Burnay Pinto de Carvalho Daun e Lorena  
Lázaro de Mello Brandão  
Ricardo Abecassis Espírito Santo Silva  
Bernard Henri Georges De Wit



## 9.5 > Auditors' Report

To the  
Shareholders of  
**Banco Espírito Santo, S.A.**

We have audited the accompanying balance sheet of Banco Espírito Santo, S.A. ("the Bank") and the consolidated balance sheet of the Group as of 31 December, 2002 and the related statements of income, and cash flows and the respective notes to accounts for the year then ended. Our audit was performed in accordance with International Standards on Auditing.

### **Responsibility of Management and Auditors**

These financial statements are the responsibility of the Board of Directors of the Bank. Our responsibility is to express an opinion on these financial statements based on our audit.

### **Basis of opinion**

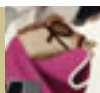
International Standards on Auditing require that we plan and perform the audit to obtain reasonable assurance about whether the individual and consolidated financial statements are free of material misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in these financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

### **Opinion**

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Banco Espírito Santo, S.A. and of the Group, as at 31 December, 2002, and the results of its operations and cash flows for the year then ended in accordance with generally accepted accounting principles in Portugal, as referred to in note 3 to the financial statements.

### **Emphasis**

Without affecting our opinion expressed in the previous paragraph we draw attention to the following:



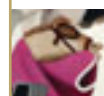
We were appointed as auditors of Banco Espírito Santo, S.A. in July 2002 for performing an audit of the financial statements for the year ending 31 December 2002. The comparative figures for the year ended 31 December, 2001 are presented in accordance with the requirements of the Bank of Portugal and were subject to an audit performed by another audit firm, who issued an unqualified audit report dated 11 March 2002.

That report included the following emphasis of matter:

- In 2001, with the authorization of the Bank of Portugal, Banco Espírito Santo, S.A. accounted for the curtailment losses related to early retirements occurred in that period and the unrecognized prior service costs as a charge against Share Premium.
- At 31 December 2001, the strategic investment in PT Multimédia, SGPS, S.A. was carried at cost in the balance sheet, following the rules of the Bank of Portugal in place at that time. This cost was above the respective market price by approximately euro 198 million. Following the issuance of the Regulation 4/2002, under which the Bank of Portugal established the basis for the provisioning of the unrealized losses associated with the strategic investments held by financial institutions, Banco Espírito Santo, S.A. provided for an amount of euro 15.3 million, corresponding to a part of the unrealized losses with the investment in PT Multimédia, SGPS, S.A., determined as at 31 December 2002 following the transitional provisions of the referred Regulation. The effect of the application of Regulation 4/2002 is disclosed in Note 9 of the Notes to the Financial Statements.

Lisbon, 25 February 2003

KPMG





## 9.6 > Report of the Supervisory Board for the Year 2002

To the Shareholders of

**Banco Espírito Santo, S.A.,**

As required by law, we present our report related to the audit activity performed and our opinion on the Directors Report and accompanying individual and consolidated financial statements prepared by the Board of Directors of **Banco Espírito Santo, S.A.** for the year ended 31 December 2002.

In compliance with our legal and statutory responsibilities as Supervisory Board of **Banco Espírito Santo, S.A.**, during 2002, we have been informed of Management decisions and the deliberations of the Board of Directors regarding the businesses of the Bank, we have enquired about the compliance with the law and the Articles of Association, we have carried out periodical checks of the Bank's accounting records, as well as of the relating supporting documents, we tested transactions and balances and carried out other procedures as considered necessary in the circumstances.

As part of our functions, we have reviewed the Individual and Consolidated Financial Statements of the Bank, which comprises the Individual and Consolidated Balance Sheet as of 31 December 2002, the Individual and Consolidated Statements of Income by nature and by function and the Individual and Consolidated Statements of Cash Flows for the year then ended and the related Notes.

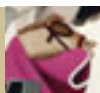
We have also verified the appropriate application of the accounting policies in accordance with the Plan of Accounts for the Banking Sector and the consolidation rules in the preparation of the financial statements of the Bank.

From the Board of Directors and staff we obtained all the information required, and we take this opportunity to thank the excellent cooperation received.

Furthermore, we reviewed the Statutory Auditors' Report on the individual and consolidated financial statements prepared by the statutory auditor, which have been issued without any qualification, with which we agree.

We have reviewed the Report of the Board of Directors, which describes the Bank's activity during the year, both on an individual and consolidated basis, which has been in conformity with the law and statutory requirements.

We also reviewed the unqualified Independent Auditors' Report of the Bank and the Group for 2002 issued by KPMG.



All considered, we are of the opinion that the Annual General Meeting of Banco Espírito Santo, S.A. may approve:

- a) The Report of the Board of Directors and the Individual and Consolidated Accounts of the Bank for the financial year ended 31 December 2002;
- b) The proposed appropriation of profit for the year as set out in the Board of Directors' report;
- c) The management of the Bank performed by the Board of Directors for 2002, as well as a vote of gratitude in the effective manner they exercise their duties.

Lisbon, 10 March, 2003

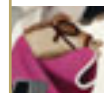
The Supervisory Board

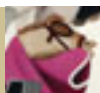
Jacques dos Santos (Chairman)

José Queiroz Lopes Raimundo (Member)

João Augusto & Associados, SROC  
represented by

Inês Maria Bastos Viegas Clare Neves Girão de Almeida (Official Auditor No. 967)





## 9.7> Audit Report (Issued by the Statutory Auditor, a CMVM Registered Auditor)

### Introduction

1. In accordance with the applicable legislation, we present our Audit Report on the financial information included in the Annual Report of the Board of Directors and in the accompanying financial statements for the year ended 31 December 2002, of Banco Espírito Santo, S.A., which comprise the Balance Sheet as at 31 December 2002 (showing total assets of euro 29,415,826 thousand and shareholders' equity of euro 2,001,284 thousand, including a profit for the year of euro 129,274 thousand), the Statement of Income, by nature and by functions and the Cash Flow Statements for the year then ended and the corresponding Notes.

### Responsibilities

2. It is the responsibility of the Bank's Board of Directors:

- a) preparing financial statements that present fairly, in all material respects, the financial position of the Bank, the results of its operations and its cash flows;
- b) maintaining historical financial information, prepared in accordance with the generally accepted accounting principles and that is complete, true, timely, clear, objective and lawful as required by the Securities Code (Código dos Valores Mobiliários);
- c) adopting adequate accounting criteria and policies;
- d) maintaining an appropriate system of internal control; and
- e) providing information of any relevant fact influencing its business, financial situation or results.

3. It is our responsibility to verify the financial information included in the above referred documents, namely as to whether it is complete, true, timely, clear, objective and lawful as required by the Código dos Valores Mobiliários, and to issue a professional and independent report based on our audit.

### Scope

5. Our audit was performed in accordance with the Rules and Technical Recommendations of the Portuguese Institute of Chartered Accountants (Ordem dos Revisores Oficiais de Contas), which require that we plan and perform the audit to obtain a reasonable degree of assurance as to whether or not the financial statements are free of material misstatements. Accordingly our audit included:

- a) verification, on a test basis, of information underlying the figures and its disclosures contained in the financial statements, and an assessment of the estimates, based on the judgements and criteria defined by the Board of Directors, used in their preparation;

b) assessment of the appropriateness of the accounting policies used and of their disclosure, taking into account the circumstances;

c) verification of the applicability of the going concern principle;

d) assessment of the appropriateness of the overall presentation of the financial statements; and

e) assessment of whether the financial information, is complete, true, timely, clear, objective and lawful.

**6.** Our review also included the verification that the financial information contained in the Annual Report of the Board of Directors is consistent with the financial statements presented.

**7.** We believe that our audit provides a reasonable basis for the expression of our opinion.

### **Opinion**

**8.** In our opinion, the above mentioned financial statements present fairly in all material respects the financial position of Banco Espírito Santo, S.A. as at 31 December 2002, the results of its operations and the cash flows for the year then ended in accordance with the accounting principles generally accepted in Portugal for the banking sector, and the information contained therein is complete, true, timely, clear, objective and lawful.

### **Emphasis**

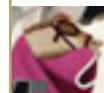
**9.** Without affecting our opinion expressed in the previous paragraph we draw attention to the following:

a) We were appointed as auditors of Banco Espírito Santo, S.A. in September 2002 for performing an audit of the financial statements for the year ending 31 December 2002. The comparative figures for the year ended 31 December 2001 are presented in accordance with the requirements of the Bank of Portugal and were subject to an audit performed by another statutory auditor, also registered with CMVM, who issued an unqualified audit report dated 11 March 2002.

That report included the following emphasis of matter:

i. In 2001, with the authorization of the Bank of Portugal, Banco Espírito Santo, S.A. accounted for the curtailment losses related to early retirements occurred in that period and the unrecognised prior service costs as a charge against Share Premium.

ii. At 31 December 2001, the strategic investment in PT Multimédia, SGPS, S.A. was carried at cost in the balance sheet, following the rules of the Bank of Portugal in place at that time. This cost was above the respective market price by approximately euro 198



million. Following the issuance of the Regulation 4/2002, under which the Bank of Portugal established the basis for the provisioning of the unrealised losses associated with the strategic investments held by financial institutions, Banco Espírito Santo, S.A. provided for an amount of euro 15.3 million, corresponding to a part of the unrealised losses with the investment in PT Multimédia, SGPS, S.A., determined as at 31 December 2002 following the transitional provisions of the referred Regulation. The effect of the application of Regulation 4/2002 is disclosed in Note 9 of the Notes to the Financial Statement.

Lisbon, 25 February 2003

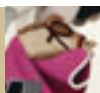
João Augusto & Associados, SROC, S.A.

(Registered n.º 1034 with CMVM)

Represented by

Inês Maria Bastos Viegas Clare Neves Girão de Almeida

(ROC n.º 967)



## **Audit Report**

### **(Issued by the Statutory Auditor, a CMVM Registered Auditor)**

#### **Introduction**

1. In accordance with the applicable legislation, we present our Audit Report on the financial information included in the Annual Report of the Board of Directors and in the accompanying consolidated financial statements for the year ended 31 December 2002, of Banco Espírito Santo, S.A., which comprise the Consolidated Balance Sheet as at 31 December 2002 (showing total assets of euro 41,233,823 thousand and shareholders' equity of euro 2,001,480 thousand, including a profit for the year of euro 222,461 thousand), the Consolidated Statement of Income, by nature and by functions and the Consolidated Cash Flow Statements for the year then ended and the corresponding Notes.

#### **Responsibilities**

2. It is the responsibility of the Bank's Board of Directors:

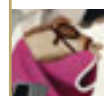
- a) preparing consolidated financial statements that present fairly, in all material respects, the consolidated financial position of the Bank, the results of its operations and its cash flows;
- b) maintaining historical financial information, prepared in accordance with the generally accepted accounting principles and that is complete, true, timely, clear, objective and lawful as required by the Securities Code (Código dos Valores Mobiliários);
- c) adopting adequate accounting criteria and policies;
- d) maintaining an appropriate system of internal control; and
- e) providing information of any relevant fact influencing the business of the Bank and of its subsidiaries, their financial situation or results.

3. It is our responsibility to verify the consolidated financial information included in the above referred documents, namely as to whether it is complete, true, timely, clear, objective and lawful as required by the Código dos Valores Mobiliários, and to issue a professional and independent report based on our audit.

#### **Scope**

5. Our audit was performed in accordance with the Rules and Technical Recommendations of the Portuguese Institute of Chartered Accountants (Ordem dos Revisores Oficiais de Contas), which require that we plan and perform the audit to obtain a reasonable degree of assurance as to whether or not the consolidated financial statements are free of material misstatements. Accordingly our audit included:

- a) verification that the financial statements of the companies included in the consolidation have been properly audited and, in those significant cases in which they were not, verification, on a test basis, of the information underlying the figures and its disclosures



contained therein, and an assessment of the estimates, based on the judgements and criteria defined by the Board of Directors, used in their preparation;

b) verification of the consolidation operations and of the application of the equity method;

c) assessment of the appropriateness of the accounting policies used and of their disclosure, taking into account the circumstances;

d) verification of the applicability of the going concern principle;

e) assessment of the appropriateness of the overall presentation of the financial statements; and

f) assessment of whether the consolidated financial information, is complete, true, timely, clear, objective and lawful.

**6.** Our review also included the verification that the consolidated financial information contained in the Annual Report of the Board of Directors is consistent with the financial statements presented.

**7.** We believe that our audit provides a reasonable basis for the expression of our opinion.

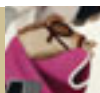
### **Opinion**

**8.** In our opinion, the above mentioned consolidated financial statements present fairly in all material respects the consolidated financial position of Banco Espírito Santo, S.A. as at 31 December 2002, the consolidated results of its operations and cash flows for the year then ended in accordance with the accounting principles generally accepted in Portugal for the banking sector, and the information contained therein is complete, true, timely, clear, objective and lawful.

### **Emphasis**

**9.** Without affecting our opinion expressed in the previous paragraph we draw attention to the following:

a) We were appointed as auditors of Banco Espírito Santo, S.A. in September 2002 for performing an audit of the financial statements for the year ending 31 December 2002. The comparative figures for the year ended 31 December, 2001 are presented in accordance with the requirements of the Bank of Portugal and were subject to an audit performed by another statutory auditor, also registered with CMVM, who issued an unqualified audit report dated 11 March 2002.



That report included the following emphasis of matter:

- i. In 2001, with the authorization of the Bank of Portugal, Banco Espírito Santo, S.A. accounted for the curtailment losses related to early retirements occurred in that period and the unrecognised prior service costs as a charge against Share Premium.
- ii. At 31 December 2001, the strategic investment in PT Multimédia, SGPS, S.A. was carried at cost in the balance sheet, following the rules of the Bank of Portugal in place at that time. This cost was above the respective market price by approximately euro 198 million. Following the issuance of the Regulation 4/2002, under which the Bank of Portugal established the basis for the provisioning of the unrealised losses associated with the strategic investments held by financial institutions, Banco Espírito Santo, S.A. provided for an amount of euro 15.3 million, corresponding to a part of the unrealized losses with the investment in PT Multimédia, SGPS, S.A., determined as at 31 December 2002 following the transitional provisions of the referred Regulation. The effect of the application of Regulation 4/2002 is disclosed in Note 9 of the Notes to the Financial Statement.

Lisbon, 25 February 2003

João Augusto & Associados, SROC, S.A.

(Registered no. 1034 with CMVM)

Represented by

Inês Maria Bastos Viegas Clare Neves Girão de Almeida (ROC no. 967)

