







Contents

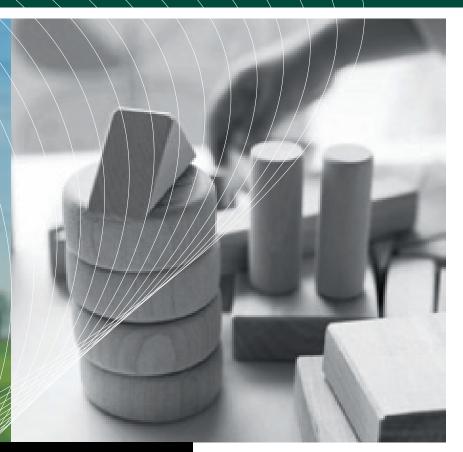
| \leq | 01 | Management Report | 5 |
|--------|----|---|----|
| | | Joint Message of the Chairman of the Board of Directors | |
| | | and the Chairman of the Executive Committee | 7 |
| | 2 | Key Indicators | 10 |
| | 3 | BES Group | 15 |
| | | 3.1 Corporate Bodies | 15 |
| | | 3.2 Milestones | 18 |
| | | 3.3 Main Events in 2004 | 20 |
| | | 3.4 Strategy and Business Model | 22 |
| | | 3.5 Geographical Presence and Distribution Network | 24 |
| | | 3.6 Human Resources | 26 |
| | | 3.7 The BES Brand | 30 |
| | | 3.8 Social Responsibility and Sustainable Development | 34 |
| | | 3.9 The BES Share | 38 |
| | 4 | Economic Environment | 42 |
| | | 4.1 International Economic Situation | 42 |
| | | 4.2 Economic Situation in Portugal | 45 |
| | 5 | Main Business Areas | 47 |
| | | 5.1 Retail Banking | 47 |
| | | 5.2 Private Banking | 49 |
| | | 5.3 Corporate Banking | 49 |
| | | 5.4 Investment Banking | 51 |
| | | 5.5 Asset Management | 53 |
| | 6 | Financial Management and Capital Markets | 55 |
| | 7 | Risk Management | 58 |
| | | 7.1 The Function of Risk Control | 58 |
| | | 7.2 The New Capital Accord | 58 |

| 04 | | 321 |
|----|--|-----|
| 03 | Corporate Governance Report | 239 |
| | 6 Audit Report on the Consolidated Financial Statements | 236 |
| | 5 Audit Report issued by the Statutory Auditor | 234 |
| | 4 Report of the Supervisory Board | 233 |
| | 3 Auditors' Report | 232 |
| | 2 Notes to the Financial Statements | 140 |
| | 1.8 Annex to the Financial Statements | 136 |
| | 1.7 Individual and Consolidated Statements of Cash Flows | 135 |
| | 1.6 Individual and Consolidated Statement of Income by Function | 132 |
| | 1.5 Consolidated Statement of Income | 132 |
| | 1.4 Consolidated Balance Sheet | 130 |
| | 1.3 BES Securities and Investments Portfolio | 4 |
| | 1.2 Statement of Income of Banco Espírito Santo | 112 |
| | I.I Balance Sheet of Banco Espírito Santo | 110 |
| 02 | Individual and Consolidated Financial Statements | 110 |
| 02 | Financial Statements and Notes to the Financial Statements | 108 |
| 9 | Transition to the International Financial Reporting Standards (IFRS) Final Note | 104 |
| 0 | 8.3 Financial Analysis of the Main Business Units | 86 |
| | 8.2 Financial Analysis of Banco Espírito Santo | 81 |
| | 8.1 Financial Analysis of BES Group | 68 |
| 8 | | 68 |
| | 7.6 Operational Risk | 66 |
| | 7.5 Liquidity Risk | 66 |
| | 7.4 Market Risk | 65 |
| | 7.3 Credit Risk | 58 |
| | | |



We build projects

ANNUAL REPORT 2004





Management Report

0

Joint Message of the Chairman of the Board of Directors and the Chairman of the Executive Committee

Dear Shareholders,

In 2004, the economic climate in Portugal was marked by instability and uncertainty, and by a longer than expected economic recovery. Notwithstanding these constraints, the Banco Espírito Santo Group (BES Group) was once again capable of facing up to the challenges, accomplishing a series of ambitious objectives and initiatives.

Last year was therefore a year of reaffirmation of the Group's multispecialist dimension as a factor generating added profitability. This is mirrored in the Group's increasing capacity to counter the declining trend of net interest income in banking revenues due to the very low level of interest rates and the intensity of competition in our market. On the other hand, a specialised approach to the higher value customer segments also contributed to a performance characterised by continued growth and the preservation of profitability and efficiency at very competitive levels.

The focus on service quality firmly assumed at all levels and across the entire Group, was another aspect underlying the good progress made, which was recognised not only by the Clients – as shown by the significant increase in the level of satisfaction for services provided and in the average number of products sold to each client – but also by external independent entities, which in 2004 rewarded BES Group's work in various business areas.

The focus on service quality backed the progress made, which was recognised by Clients and external independent entities.

So despite the uncertainties and tough economic environment, the Group's activity was quite dynamic: total assets increased 8.7%, loans rose by 10.2% and total customer funds by 7.2%. In loans to individuals, a selective growth policy privileged higher value and lower risk segments, specifically the Affluent segment. Mortgage credit, including securitised loans, grew 8.5% while other loans to individuals increased 17.9%. In the corporate segment where BES Group holds a traditionally strong position, grew at the same pace as the overall credit portfolio (10.6%). Customer funds were up by 7.2%, which is slightly less than the increase in on-balance sheet customer loans. The transformation ratio of customer funds into credit stood at 99% at the end of the year.

In this context, consolidated net income for the year totalled euro 275.2 million, a year-on-year increase of 11.6% on a like-for-like basis and corresponding to return on equity of 13.9%. Commercial banking income rose by 4.3%, to euro 1,247 million (versus euro 1,195.6 million in 2003).

Some segments in particular gave a significant contribution to this performance, namely 360°, Small Businesses and Medium-sized Companies (whose financial flows grew by respectively 16.4%, 16% and 15%). This growth was also driven by the Group's operating units in general, notably Banco Espírito Santo de Investimento, whose earnings soared by 99.3%, but also Banco Internacional de Crédito, Crediflash (credit cards) and ESAF (asset management).

Operating costs increased by 5.8%, to euro 750.2 million. This increase was influenced by a number of non recurrent expenses aimed at stimulating business and strengthening BES Group recognition. The evolution of costs also reflects the adaptation of the information systems to the introduction of the IFRS and the reinforcement of skills within the scope of Basel II, so as to put in place the conditions for application of the Internal Ratings Based model (IRB).

Under the current national and international macroeconomic environment, it is advisable to stick to a prudent policy in terms of risk coverage by provisions. Credit provisions were thus reinforced by euro 227 million, or 9.0% versus 2003. Provisions for country risk and other purposes, though declining, reached euro 123.2 million, permitting to reinforce the Fund for General Banking Risks from a total of euro 126.4 million at the end of 2003 to euro 151.6 million. The Group's credit provisioning policy led to a significant improvement in the coverage ratios of overdue loans.

On the other hand, the solvency ratio remains at comfortable levels: 12.06% according to Bank of Portugal rules (vs. 11.05% at the end of 2003) and 13.88% according to the BIS criteria (13.13% in December 2003).

In 2005, Banco Espírito Santo Group will pursue a growth strategy whose main objectives are to reinforce its competitive positioning and market share, to continue to rank among the most efficient banks in the Iberian Peninsula, and to put in place the conditions ensuring a return on equity above the European banking sector average.

On the international front, it is important to highlight the activities developed by the area of investment banking, namely through project finance operations. In addition to the value they bring into the Group's accounts, these operations also help spread an image of high professionalism and competence that not only serves the Espírito Santo Brand but also promotes and projects the idea of Portugal as a competitive country, ready to play an active role in the economic development of Europe.

In the Spanish market, the asset managers Lusogest and Lusopensiones were purchased from Banco Simeón (CGD Group), leading to an increase in assets under management of more than euro 200 million. At the beginning of 2005 the Bank of Spain authorised the acquisition of Banco Inversión, an institution that specialises in private banking and affluent segments. Banco Espírito Santo (Spain) is thus set to rank among the twelve largest groups in this segment and the twenty seven largest managers of investment funds.

In 2005, Banco Espírito Santo Group will pursue a growth strategy whose main objectives are to reinforce its competitive positioning and market share, to continue to rank among the most efficient banks in the Iberian Peninsula, and to put in place the conditions ensuring a return on equity above the European banking sector average. Such objectives can only be pursued with the confidence and trust of Shareholders and Customers and with the dedicated and loyal professionalism of all Employees. Our final words, of appreciation and gratitude, therefore go to Shareholders, Customers and Employees. Without them, our mission would be totally devoid of sense.

To the monetary and financial authorities and the Supervisory Board, we also wish to express our high esteem and grateful recognition.

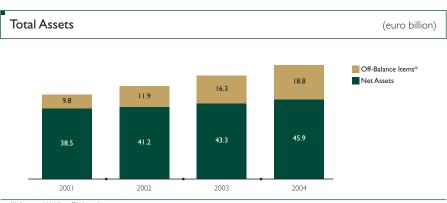
Ricardo Espírito Santo Silva Salgado

António Luís Roquette Ricciardi

02 Key Indicators

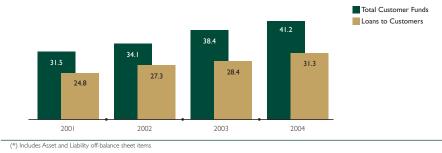
| | 2001 | 2002 | 2003 | 2004 |
|---|--------|--------|--------|--------|
| BALANCE (euro million) | | | | |
| Total Assets (*) | 48,366 | 53,120 | 59,554 | 64,734 |
| Net Assets | 38,523 | 41,234 | 43,283 | 45,901 |
| Loans and Advances to Customers (Gross) | 24,569 | 25,795 | 26,042 | 28,088 |
| Total Customer Funds | 31,497 | 34,059 | 38,401 | 41,159 |
| Own Funds | 3,522 | 4,246 | 4,492 | 5,064 |
| PROFITABILITY (%) | | | | |
| Return on Assets (ROA) | 0.55 | 0.57 | 0.61 | 0.63 |
| Return on Equity (ROE) | 15.57 | 13.10 | 13.44 | 13.90 |
| SOLVENCY (%) | | | | |
| BIS Ratio | | | | |
| - Total | 10.74 | 12.64 | 3. 3 | 13.88 |
| - TIER I | 6.41 | 7.01 | 7.76 | 7.71 |
| Bank of Portugal Ratio | | | | |
| - Total | 9.28 | 10.74 | 11.05 | 12.06 |
| - TIER I | 5.83 | 6.06 | 6.55 | 6.74 |
| ASSET QUALITY (%) | | | | |
| Overdue Loans > 90 days / Gross Loans | 1.50 | 1.87 | 1.83 | 1.65 |
| Coverage of Overdue Loans > 90 days | 161.1 | 148.7 | 152.7 | 167.1 |
| PRODUCTIVITY / EFFICIENCY | | | | |
| Operating Costs / Total Assets (%) | 1.48 | 1.36 | 1.20 | 1.16 |
| Assets per Employee (euro thousand) | 5,992 | 7,017 | 8,262 | 8,870 |
| Cost to Income (%) | 58.2 | 53.4 | 50.0 | 52.6 |
| RATINGS | | | | |
| Short Term | | | | |
| STANDARD & POOR'S | A 2 | A 2 | A 2 | A 2 |
| MOODY'S | ΡΙ | ΡI | ΡI | ΡI |
| FITCHRatings | - | FI | FI | FI |
| Long Term | | | | |
| STANDARD & POOR'S | Α- | Α- | Α- | Α- |
| MOODY'S | ΑI | ΑI | ΑI | ΑI |
| FITCHRatings | - | A+ | A+ | A+ |

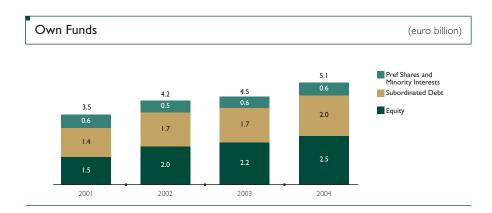
(*) Includes net assets, asset management, other off balance sheet liabilities and securitised loans.

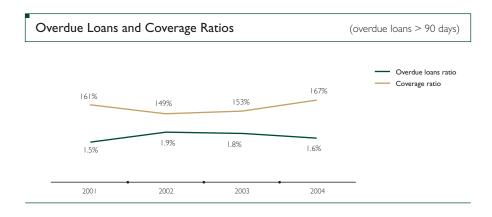


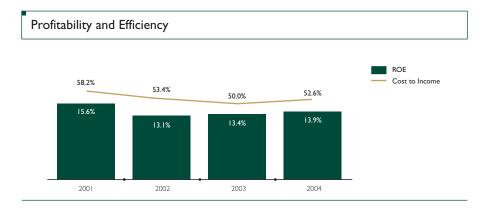
(*) Asset and Liability off-balance Items.

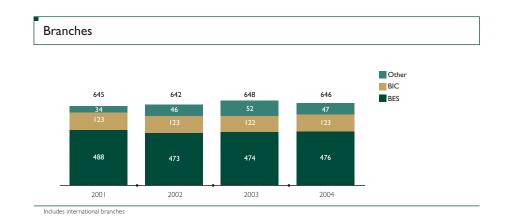












| Results and Profitability | | | | | |
|--|-----------------|---------|---------|---------|---------|
| | SYMBOL. | 2001 | 2002 | 2003 | 2004 |
| AVERAGE BALANCE (euro million) | | | | | |
| Financial Assets | FA | 33,025 | 35,559 | 37,072 | 39,238 |
| Capital and Reserves | KP | 1,270 | 1,698 | 1,861 | 1,979 |
| Net Assets | NĀ | 36,026 | 39,065 | 41,009 | 43,842 |
| INCOME STATEMENT (euro million) | | | | | |
| Net Interest Income | NII | 718.6 | 808.2 | 749.3 | 701.2 |
| + Fees and Commissions | FC | 382.6 | 407.3 | 469.5 | 545.8 |
| = Commercial Banking Income | CBI | 1,101.2 | 1,215.5 | 1,218.8 | 1,247.0 |
| + Capital Market Results | CMR | 125.8 | 138.5 | 213.4 | 180.4 |
| = Banking Income | BI | 1,227.0 | 1,354.0 | 1,432.2 | I,427.4 |
| - Operating Costs | OC | 714.1 | 722.7 | 716.6 | 750.2 |
| - Net Provisions | Prov | 204.8 | 280.8 | 381.5 | 357.7 |
| + Extraordinary Results and Other | XR | -23.4 | -57.2 | 8.3 | 38.0 |
| = Profit Bef.Tax and Min. Interests | PBT | 284.7 | 293.4 | 342.4 | 357.5 |
| - Income Tax | IT | 38.6 | 38.5 | 55.0 | 42.3 |
| - Minority Interests | MI | 48.4 | 32.3 | 37.2 | 40.0 |
| = Net Income | NI | 197.7 | 222.5 | 250.2 | 275.2 |
| Profitabiliy (%) | | | | | |
| Net Interest Margin | NII / FA | 2.18 | 2.27 | 2.02 | 1.79 |
| + Return on Fees and Commissions | FC / FA | 1.16 | 1.15 | 1.27 | 1.39 |
| + Return on Capital Market Results | CMR / FA | 0.38 | 0.39 | 0.58 | 0.46 |
| = Business Margin | BI / FA | 3.72 | 3.81 | 3.86 | 3.64 |
| Weighting of Operating Costs | OC / FA | 2.16 | 2.03 | 1.93 | 1.91 |
| - Weighting Provisions | Prov / FA | 0.62 | 0.79 | 1.03 | 0.9 |
| - Minority Interests and Other Costs | (MI+IT+XR) / FA | 0.33 | 0.36 | 0.23 | 0.11 |
| = Return on Financial Assets | NP / FA | 0.60 | 0.63 | 0.68 | 0.70 |
| × Weighting on Financial Assets | FA/ NA | 0.92 | 0.91 | 0.90 | 0.89 |
| = Return on Assets (ROA) | NP / NA | 0.55 | 0.57 | 0.61 | 0.63 |
| × Placements Multiplier | NA / KP | 28.38 | 23.01 | 22.04 | 22.14 |
| = Return on Equity (ROE) | NP / KP | 15.57 | 13.10 | 13.44 | 13.90 |

Bank of Portugal Reference Indicators

According to Bank of Portugal Instruction no. 16/2004, credit institutions should include certain established reference indicators (calculated in accordance with the methodology set forth in the above mentioned regulation), when releasing information concerning Solvency, Credit Quality, Profitability and Efficiency.

The table below lists these indicators for December 2004 and 2003.

| Indicators | | (%) |
|---|--------|--------|
| | 2003 | 2004 |
| SOLVENCY | | |
| Regulatory Capital / Risk Weighted Assets | 11.05% | 12.06% |
| Tier I / Risk Weighted Assets | 6.55% | 6.74% |
| ASSET QUALITY | | |
| Overdue and Doubtful Loans ^(a) / Total Loans to Customers | 2.07% | 2.02% |
| Overdue and Doubtful Loans Net of Provisions ^(b) / | | |
| Loans to Customers Net of Provisions ^(b) | 0.53% | 0.47% |
| PROFITABILIY | | |
| Income before Taxes and Minorities / Average Equity ^(c) | 13.81% | 13.35% |
| Banking Income ^(d) / Average Net Assets | 3.48% | 3.23% |
| Income before Taxes and Minorities / | | |
| Average Net Assets | 0.84% | 0.82% |
| EFFICIENCY | | |
| General Costs ^(d) + Depreciation / Banking Income ^(d) | 50.2% | 52.9% |
| Staff Costs / Banking Income ^(d) | 22.3% | 23.3% |

(a) According to BoP Circular Letter no. 99/03/2003.
 (b) Loans to Customers net of provisions for overdue loans and for doubtful loans.
 (c) Includes average Minority Interests.
 (d) According to BoP regulation no. 16/2004.

BES Group

3.1 Corporate Bodies

In light of BES's statute as a public traded company, its corporate bodies are elected at General Meetings and are located in the Bank's registered office. Their composition for the 2004-2007 four-year mandate, as elected by the General Meeting of March 30th, 2004, is as follows:

Board of Directors

António Luís Roquette Ricciardi (Chairman) Ricardo Espírito Santo Silva Salgado (Vice-Chairman) Jean Gaston Pierre Marie Victor Laurent (Vice-Chairman) 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⁽¹⁾ Aníbal da Costa Reis de Oliveira José Manuel Ferreira Neto Manuel de Magalhães Villas-Boas Manuel Fernando Moniz Galvão Espírito Santo Silva losé Maria Espírito Santo Silva Ricciardi Jean-Luc Louis Marie Guinoiseau Rui Manuel Duarte Sousa da Silveira Joaquim Aníbal Brito Freixial de Goes Francisco Luís Murteira Nabo⁽²⁾ Pedro José de Sousa Fernandes Homem llídio da Costa Leite de Pinho Herman Agneessens Patrick Gérard Daniel Coudène Michel Victor Francois Vilatte 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 Witt José Manuel Ruivo da Pena Michel Marin Le Masson⁽²⁾ Jean Frédéric de Leusse Amílcar Carlos Ferreira de Morais Pires

The Board of Directors delegates the day-to-day management of the Bank to an Executive Committee composed of the following members of the Board of Directors:

Ricardo Espírito Santo Silva Salgado (Chairman) Mário Mosqueira do Amaral José Manuel Pinheiro Espírito Santo Silva José Manuel Ferreira Neto António José Baptista Souto Jorge Alberto Carvalho Martins José Maria Espírito Santo Silva Ricciardi Jean-Luc Louis Marie Guinoiseau Rui Manuel Duarte Sousa da Silveira Joaquim Aníbal Brito Freixial de Goes Pedro José de Sousa Fernandes Homem Patrick Gérard Daniel Coudène Amílcar Carlos Ferreira de Morais Pires

General Meeting

Carlos Fernando Olavo Corrêa de Azevedo (Chairman) Eugénio Fernando de Jesus Quintais Lopes (Vice-Chairman) José Jácome da Costa Marques Henriques (Secretary)

Supervisory Board

Joaquim de Jesus Taveira dos Santos (Chairman) José Queirós Lopes Raimundo (Member) KPMG & Associados, Sociedade de Revisores Oficiais de Contas, S.A., represented by Inês Maria Bastos Viegas Clare Neves Girão de Almeida (Statutory Auditors)(3) Jean-Éric Gaign (Deputy Statutory Auditor) José Manuel Macedo Pereira (Substitute)

Company Secretary

Eugénio Fernando Quintais Lopes (Secretary) Pedro Moreira de Almeida Queiroz de Barros (Deputy Secretary)

(1) Manuel Pinho renounced to his mandate as member of the Board of Directors in March 2005

(1) Financia r limit of produced on the minimate at minimate and the state of the basic of bit centers in the field of the state of the basic of

Executive Committee

Ricardo Espírito Santo Salgado _{Chairman} Mário Mosqueira do Amaral José Manuel Pinheiro Espírito Santo Silva José Manuel Ferreira Neto António José Baptista do Souto Jorge Alberto Carvalho Martins

José Maria Espírito Santo Silva Ricciardi Jean-Luc Louis Marie Guinoiseau Rui Manuel Duarte Sousa da Silveira Joaquim Aníbal Brito Freixial de Goes Pedro José de Sousa Fernandes Homem Patrick Gérard Daniel Coudène Amílcar Carlos Ferreira de Morais Pires



Ricardo Espírito Santo Salgado



Mário Mosqueira do Amaral



José Manuel Pinheiro Espírito Santo Silva



José Manuel Ferreira Neto



António José Baptista do Souto



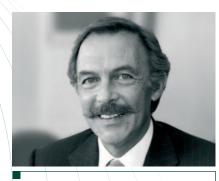
Jorge Alberto Carvalho Martins



José Maria Espírito Santo Silva Ricciardi



Jean-Luc Louis Marie Guinoiseau



Rui Manuel Duarte Sousa da Silveira



Joaquim Aníbal Brito Freixial de Goes



Pedro José de Sousa Fernandes Homem



Patrick Gérard Daniel Coudène



Amílcar Carlos Ferreira de Morais Pires

3.2 Milestones

1869

The origin of Banco Espírito Santo goes back to 1869 and to the trading business of José Maria do Espírito Santo e Silva, carried out from the "Caza de Cambio" at Calçada dos Paulistas. His successes in business led him to open a second establishment in 1880.

1884

KIX Centur

In his own name or associated with others, but always as the majority partner, José Maria do Espírito Santo e Silva founded several banking houses: Beirão, Silva Pinto & C^a. (1884-1887), Silva, Beirão, Pinto & C^a. (1897-1911), J. M. Espírito Santo Silva (1911-1915), J. M. Espírito Santo Silva & C^a. (1915).

1915

Following the death of its founder on December 24th, 1915, the firm was dissolved. With the firm's assets and liabilities, his heirs and former partners set up the Casa Bancária Espírito Santo Silva & C^a., under the management of his eldest son, José Ribeiro do Espírito Santo e Silva.

1920

On April 9th, 1920, the Banking House was made into a public company under the name of Banco Espírito Santo (BES). Throughout the difficult 20s BES consolidated its position in Portuguese banking, not withstanding the political, economic and social upheavals that led various banks into bankruptcy.

During the next decade, the implementation of a renewed management model, and the prolonged expansionist phase of the Portuguese economy created the conditions for BES to rise to the position of first Portuguese private bank before the end of the 30s.

1937

BES reinforces its position in the market through the merger with Banco Comercial de Lisboa, originating Banco Espírito Santo e Comercial de Lisboa (BESCL).

In the following years, BESCL consolidated its position as the undisputed leader in Portuguese banking. After playing a major role during the 2nd World War, the Bank focused its activity in supporting the development of the economy and the industry's modernization effort.

1966

BESCL acquires the Blandy Brothers banking house, operating at Funchal, Madeira, twenty years after doing a similar operation with Caixa de Crédito Micaelense (of Ponta Delgada, Azores).

Till the mid-70s the Bank strengthened its position in Portugal, by launching a number of pioneering products, namely personal loans (1965) and traveller's cheques (1966).

1973

The Bank strengthens its position abroad, setting up the Banco Inter-Unido, in Angola, in partnership with the First National City Bank of New York.

1975

Under Decree-Law no. 132-A of March 14th, 1975, all Portuguese credit institutions and insurance companies were nationalized. Prevented from carrying out business activities in Portugal, the Espírito Santo Group, under the leadership of Manuel Ricardo Pinheiro Espírito Santo Silva, rebuilt its financial interests abroad, mainly in Brazil, Switzerland, France and the United States.

1986

Century

After banking activities were again opened to private initiative, the Espírito Santo Group, under a joint venture with Caisse Nationale du Crédit Agricole and backed up by a hard core of Portuguese shareholders, set up Banco Internacional de Crédito, thus marking the Group's return to Portugal.

In the same year, Espírito Santo Sociedade de Investimento (ESSI, the precursor of BES Investimento) was acquired, with the participation of Union des Banques Suisses (UBS) and Kredietbank, from Luxembourg, among other financial institutions.

1989

Creation of Euroges, a factoring company.

1990

Creation of Bescleasing, a leasing firm.

|99|

The reprivatisation of BESCL begins, and the Espírito Santo Group, in partnership with Caisse Nationale du Crédit Agricole, regains control of the Bank. In the same year, Crediflash (credit cards) was incorporated and the broker ESER was acquired.

1992

Creation of ESAF, the Group's holding company for asset management business. BES enters the Spanish market following the acquisition of Banco Industrial del Mediterráneo, later transformed into Banco Espírito Santo (Spain).

1995

BES opens Banco Espírito Santo do Oriente (BESOR), in Macao.

1999

By public deed of 6th July, Banco Espírito Santo e Comercial de Lisboa changes its name to Banco Espírito Santo.

2000

The Group consolidates its international investments in Spain, through the acquisition of Benito y Monjardín and GES Capital.

In Brazil, a joint venture is established with the Bradesco Group, initiated with BES's acquisition of 3.25% of Bradesco and Bradesco's acquisition of 3% of BES. This partnership leads to the establishment of joint holdings in BES Investimento do Brasil and in the broker BES Securities do Brasil. In the US, the Group purchases Espírito Santo Bank, a bank specialising in private banking activities directed to customers in Latin America, particularly in Brazil.

In Portugal, a joint venture is established with the Portugal Telecom Group to develop a project in the area of e-finance – leading to the creation of Banco BEST in 2001.

2001

Incorporation of Banco Espírito Santo de Angola (BESA), a bank set up under Angolan law to provide the whole range of banking products and services.

2002

Banco Espírito Santo dos Açores, held by Banco Espírito Santo as majority shareholder and by Caixa Económica da Misericórdia de Ponta Delgada and Bensaúde Participações, SGPS, starts its business in July.

2003

Within the scope of the Group's international expansion policy, in January 2003 BES acquires Bank Espírito Santo International, Limited. In the same year the subsidiaries Besleasing Mobiliária, Besleasing Imobiliária and Euroges were merged into a single company and Espírito Santo Dealer was integrated into Banco Espírito Santo de Investimento. In December, BES acquired a stake of 45% in Locarent (rent-a-car), the outcome of a partnership between BES (45%), CGD (45%) and Serfingest, SGPS (10%).

 \mathbf{X}

Century

3.3 Main Events in 2004

January, 23rd

BES informs the market that its subsidiaries Espírito Santo Activos Financeiros and Banco Espírito Santo (Spain) have reached an agreement for the acquisition of the entire share capital of the asset management units (Lusogest, SGIIC and Lusopensiones, SGFP) of Banco Simeón (CGD Group in Spain). The deal included a commercial agreement for the distribution of BES Group's asset management products through Banco Simeón branch network.

January, 26th

Banco Espírito Santo subscribes to the United Nations Global Compact's 10 Principles, stepping up its commitment to the values of sustainable development.

January, 30th

Banco Espírito Santo de Investimento (BESI) receives the prize for Arranger of the Year 2003 in the Transport and Infrastructures sectors awarded by the Infrastructure Journal, a reputed international publication specialising in Project Finance.

February, 5th

BES Group announces 2003 consolidated results. Net income reached euro 250.2 million, up by 14.4% on a comparable basis and corresponding to ROE of 13.4%.

February, 6th

Launch of "BES 360°", a new commercial approach to the affluent segment. It consists in providing a customer centric global service that seeks to address the customer's financial needs from every angle and is under the permanent monitoring of a Dedicated Manager.



February



Ist Edition of "Valor BES", a quarterly newsletter dedicated to the shareholders. The theme of this first issue was "BES on the forefront of Corporate Governance".

February, 10th

The process of merger by incorporation of Euroges, Besleasing Mobiliária and Besleasing Imobiliária is concluded, giving rise to a new company named Besleasing e Factoring, Instituição Financeira de Crédito. This operation will contribute to expand the businesses formerly developed by each of these companies, by increasing national coverage and permitting a multi-product approach.

March, 19th

BES holds the fourth edition of the Strategy Day, an event dedicated to institutional investors and analysts where issues related to Group strategy and activity are widely discussed.

March, 29th



BES presents the first Social Responsibility Report in the Portuguese financial sector, under the title "Financial Knowledge at the Service of Sustainable Development"

March, 30th

Annual General Meeting is held to approve the Annual Report and Accounts and proposed distribution of earnings. The meeting also elected the corporate bodies of Banco Espírito Santo for the 2004-2007 mandate.

March, 31st

BES Group informs the market that its subsidiary BES Finance Limited has on the 30th March increased its issue of preference shares from euro 450 million to euro 600 million, corresponding to the issuance of 150,000 new preference shares with a par value of euro 1,000 each.

April, 14th

Payment of the dividends on the 2003 results. The gross dividend of euro 0.330 per share corresponds to a net dividend of euro 0.2805 for resident shareholders and euro 0.2475 for non-resident shareholders. The payout ratio was 39.56% on a consolidated basis and 52.62% on an individual basis.

April, 27th

Announcement of first quarter results. BES Group posts net income of euro 67.2 million, corresponding to a year-on-year increase of 15.2% on a like-for-like basis and to ROE of 14.0%.

May, 17th

BES pioneered the introduction of specific services for the 3rd generation of mobile phones (3G or UMTS), launching a new and effective platform for customer communication with the bank. 3G technology made it possible to provide financial advisory services anywhere and at any time of the day, by video call.

June, 14th

BES is elected Best Market Maker in 2003 in the Portuguese public debt market by the manager of government bonds MTS Spa.

June, 24th

BES informs the market of the delisting and registration from the NYSE of the preference shares issued by Espírito Santo Overseas Limited in August 1999, in the amount of US\$ 150 million.

June, 30th

BES Group sells its 15% stake in Credibom to Sofinco, generating a capital gain of euro 24.8 million.

July, 16th

Banco Espírito Santo de Investimento is elected Best M&A House and Best Equity House in 2004 by Euromoney magazine, becoming the first Portuguese financial institution to receive two Euromoney Awards for Excellence in the same year.

July, 27th

Announcement of first half results. BES Group reaches net income of euro 131.8 million, corresponding to a year-on-year increase of 19.8% on a comparable basis and to ROE of 13.4%.

July, 29th

BES informs the market that on September 1st, 2004 its subsidiary Espírito Santo Overseas Limited will redeem in whole the 6 million preference shares, Series B, in the amount of US\$ 150 million, issued on August 25th, 1999.

August, 2nd

BES informs the market that the transaction involving the asset managers Lusogest and Lusopensiones in Spain was concluded on July 30th.

August, 6th

Euro Medium Term Notes (EMTN) Programme is increased from euro 7 billion to euro 10 billion.

August, 27th

BES informs the market that its wholly owned subsidiary Tech Ventures, SGPS sold the entire stake held in Clarity Payment Solutions, obtaining a capital gain of euro 20.7 million.

September, 6th

BES informs the market that its subsidiary Banco Espírito Santo, S.A. (Spain) reached an agreement with Hypovereinsbank (HVB Group) for the acquisition of the entire share capital of Banco Inversión.

September, 22nd

Banco Espírito Santo is awarded the Prize for Best Portuguese Bank by Global Finance magazine, an accolade granted within the scope of an initiative that distinguishes the World's Best Banks.

October, 6th

Banco Espírito Santo launches the BES 95

Plan, an innovating medium to long-term savings product that is part investment, part loan and seeks to offer the customer an absolute positive return.

October, 26th

Announcement of third quarter results. BES Group's net income for the first nine months of 2004 reached euro 173.5 million, an increase of 15.1% on a comparable basis, corresponding to ROE of 11.7%.

November, 11th

BES informs the market about a securitisation residential of mortgages (RMBS) in the amount of euro 1.2 billion (Lusitano Mortgages No.3).

November, 12th



Banco Espírito Santo launches the "Poupança BES Júnior", a savings product for young customers up to 18 years old.

December, 29th

Banco Espírito Santo issues the "Principles of Conduct for Suppliers" with the purpose of communicating the Group's values to present and future suppliers. These principles were established based on the 10 principles of the United Nations Global Compact.

BES Group reaches net income of euro 275.2 million in 2004, corresponding to a year-on-year increase of 11.6% on a comparable basis and to ROE of 13.9%.

3.4 Strategy and Business Model

Banco Espírito Santo Group develops its banking activity of providing a universal range of financial services with the fundamental concern of creating value for its Shareholders while simultaneously meeting the needs of Customers and Employees, all framed by its overall duty of social responsibility.

The aim of sustained value creation for the Shareholders is underpinned by a constant focus on the Customers and an increasingly deep knowledge of their individual needs, so as to be able to offer them a specialized and high quality service leading to long-term broad-based relationships.

At the same time, a highly skilled workforce, dedicated and imbued with a critical spirit, decisively contributes to the Group's constant fine-tuning and renewal. Hence Banco Espírito Santo Group is positively committed to a Human Resources policy that offers its employees attractive prospects of career development, capable of satisfying and retaining the best.

Banco Espírito Santo Group fully assumes the social responsibility that falls on it by virtue of its presence and role in Portuguese society, seeking in all manners at its reach to set an example and to contribute to a more harmonious and balanced social development.

This coming together of goals and interests is consistently incorporated in the Group's strategic design of pursuing in its business growth path and consolidating its top-ranking position in profitability and efficiency.

Viewing these objectives, Banco Espírito Santo Group adopts as the main pillar of development and strategic differentiation the provision of a service characterized by excellence and permanent focus on the needs of each Customer, setting itself as a universal financial group serving all segments of individual, corporate and institutional Clients and offering a full range of financial products and services.

A highly diversified customer base – matched within the Group by its organisation into business areas, of which the more important are Retail, Private, Corporate and Investment banking – has over time proved essential to the generation of revenues, translating into a pattern of sustained growth of results.

Throughout its history, Banco Espírito Santo Group and its solid and stable core of shareholders have successfully withstood different economic contexts, always steered by the standards of high consistence and prudence that should guide banking activities.

At the same time, the Group has maintained a position of total openness towards embracing technological innovation at the service of business, not only to improve service quality and to meet the Customers' needs and convenience, but also to raise efficiency levels and consequently foster value creation.

Faced with the increasing globalisation of financial markets, Banco Espírito Santo Group is fully aware of the need to add to its scope and dimension as a factor that breeds economies of scale and operating efficiency gains. To this end, the Group assumes itself as a Portuguese financial institutional with an increasingly international dimension, choosing as privileged markets for its operations the Iberian Peninsula, Brazil and Angola. In these regions, the Group's strategy is to serve local customers in target segments but also those who do business on a transnational scale.

This growing implantation beyond domestic frontiers – fuelling high growth levels that complement the full exploitation of the potential of the national customer base -, a firm bet on excellence and constant fine-tuning of the service provided, and operating efficiency in the activities developed, are assumed as critical requisites for reinforcing BES Group's strategic autonomy in the medium and long term.

