

Banco Espírito Santo, S.A.
Statement of Accounts 2015

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I. Management Report

1. Board of Directors 'Message

I. The current Administration of Banco Espírito Santo, S.A. (BES) was indicated by the Bank of Portugal on August the 3rd 2014, for a year, respecting the frame of the applied resolution, on the same date, to this Institution, being its term was prorogated due to a decision of the Bank of Portugal on July the 30th 2015, with effects from August the 3rd of the same year, until the date of BES's authorization revocation towards the exercise of the activity or until a maximum deadline of one year.

As stated in the Management Report regarding the year 2014, with the application of the resolution measure the nature of BES, as an institution and its legal status were deeply changed.

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

In the sphere of BES was kept a residual group of assets, identified in the deliberations of Portugal Bank regarding the resolution.

On the other hand, the Bank of Portugal also determined the application to BES various corrective measures, the effect of which was prohibited from receiving deposits, granting credit and apply funds in any kinds of assets, except to the extent that the application of funds would prove necessary for the preservation and enhancement of its assets, and, also, exempted from compliance with the prudential rules.

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

On the date of this message, BES keeps the bank license, since the same was not (yet) discharged however, the overview of its activity is deeply restricted in virtue of the prohibitions and dismissals which target nuclear aspects of the banking activity.

Since the application of the resolution measure it is known that the banking activity license of BES would be revoked, because that is one of the commitments assumed by the Portuguese State regarding the Decision of the European Commission which approved the help of the Government which helped the resolution of BES to Novo Banco, S.A. [Decision no. SA.39250 (2014/N)].

However, the revocation is now closer than ever. Indeed, that revocation commitment was reaffirmed by the European Commission Decision No. SA43976 (2015-N), amending the previous decision, and, following a series of discussions on the resolution of BES, adopted on December 29, 2015, The Bank of Portugal said it would "ask the European Central Bank to proceed with the revocation of the authorization BES", which has already happened.

II. In the year 2015, BES activity was essentially marked by the same constraints and limitations indicated in the financial year of 2014 related Management Report resulting from the subject as resolution and the corrective measures that have been applied by The Bank of Portugal.

However, regarding the financial year of 2015 it is important to highlight the actions taken by The Bank of Portugal on December 29, which retransmitted to BES a set of senior bonds that were initially transferred to Novo Banco, SA, as well as the participation in BES society Finance and also clarified that have not been transferred to Novo Banco, SA, any claims that were contingent or unknown on the date of application of the measure of resolution, that is, on August 3, 2014.

The management, as it was required, triggered the actions necessary for compliance and enforcement of these resolutions.

As noted in the Management Report for 2014, the context in which the current BES has to perform their duties is strongly restrictive in several aspects, and large atypical measure, looming in the first place, the constraints arising the necessary compliance with the resolution as the legal framework and the powers in this context, are conferred to The Bank of Portugal, as well as those that result from the decisions of the European Commission referenced above. As it was indicated, "the protection of the interests of BES 'shareholders and creditors can only be exercised when there is a legal framework for the resolution, in particular taking into account the guiding principles and aims of the measure determined by the Bank of Portugal".

III. After less than two years from the date of the resolution, it is clear that BES was able to equip itself with a structure - rather small but efficient - which allowed (and allows) to fulfill all the missions that are in charge, in several jurisdictions both in terms of compliance with the decisions of The Bank of Portugal and therefore the resolution of measurement objectives, as in the preservation and enhancement of its assets or compliance with various legal obligations, including tax and regulations to which it is linked. And, despite their very special context, all the commitments and obligations assumed after the August 3, 2014 were scrupulously honored.

By determining the measurement resolution, only remained in its active net cash in the amount of 10 million euros. But despite the satisfaction of the burden of setting up a new structure, as well as the necessity to resort to highly specialized external services, with the inherent cost and payment of various audits, in accordance with legal provisions so determine, is EUR 104 million, approximately the current amount of net assets of the BES, including financial assets available for sale (bonds).

That is, more than ten times the amount which was indicated on August 3, 2014. It is a very significant value, achieved in a very difficult environment, which can also be increased in the short term, namely, the value of the sale of Espirito Santo Bank in Miami, now called Brickell Bank, whose final outcome awaits regulatory approval of the United States, is very encouraging the most recent signs in this regard.

It should be noted that two of the relevant developments in the 2015 financial year were precisely the sale of the stake in Aman Bank, based in Tripoli, Libya, and, also, the agreement made for the sale of Espirito Santo Bank in Miami, in the United States. As noted in the Management Report for the year 2014, the status of the BES branches has always been a central concern of this administration, particularly by the knowledge that everything less good to pass this plan, in addition to negative effects on the BES could lead to additional losses, reputational, for the Portuguese financial system, which therefore imposed in increased diligence to avoid such a scenario.

IV. Despite the mentioned recovery value has been achieved, it did not hide the essential: by virtue of the enormous disproportion between its assets and its liabilities, the percentage of credit recovery will be very low.

Therefore, it shall be emphasized the importance of one of the guiding principles of implementation of the resolution measure [cf. Article 145-B, paragraph 1, point c) of RGICSF, the wording in force at the measurement date of resolution]: that no creditor can take more damage than one who would take over the case, instead of having been resolving object, BES had entered immediately into liquidation. To give effect to this principle, the law provides that an assessment is made, in charge of an independent body designated by the Bank of

Portugal, at the expense of BES, to carry out an estimate of the level of recovery of claims of each class of creditors, according to the order of priority established by law, a BES liquidation scenario immediately prior to the implementation of Resolution measure (cf. 145-F articles, paragraph 6, and 145-H, n. No. 4, both of the RGICSF in the wording in force at the measurement date of termination).

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

V. On another level, it should be noted that we kept fully operational, with answers given in the shortest possible, specific communication channels we have created through various e-mail addresses, to maintain an institutionalized and efficient proximity to all who come to us asking for clarification of the most diverse nature. Also in BES website, created after the measurement resolution, notes a number of very high visits, which is the best indicator of the accuracy of the decision to create.

VI. Nearing the date of its entry into liquidation, it is safe to say that BES has an organizational structure and financial resources capable of conducting an orderly fashion. Known from the beginning, the inevitability of the liquidation of the institution, the administration sought to create the organizational conditions that may occur in an orderly and always so with the prospect of recovering the highest possible value for its creditors.

They take timely feasible and appropriate steps considered when detected evidence of acts prejudicial to the BES. In short, during its tenure, this administration defended the institution's interests to the extent compatible with the situation and the objectives of the resolution, whose proper implementation is also one of its duties.

Lisbon, May the 16th 2016

The President of the Board of Directors,

Luís Máximo dos Santos

2. Main events of 2015

2.1. Introduction

Activity of Banco Espirito Santo, S.A. ; ("BES", "Bank" or the "Company") in 2015 continued to be exercised in the resolution as the framework applied by the Bank of Portugal to BES on August 3, 2014, under which the majority of BES activity was transferred to a bridge bank formed for the purpose, the Novo Banco, S.A. ("Novo Banco"), being reserved for BES, essentially, the conservation activity and valuation of the assets that remained in their area after the implementation of the resolution measure.

The year 2015 may be, in essence, characterized by the maintenance of the bank's activity in the resolution as the framework and other relevant event that marked the end of the year, consistent in the deliberations of the Bank of Portugal of 29 December 2015, described below, to supplement the measure of resolution.

2.2. Event chronology

The most important events related to the activity of BES in 2015 are indicated in the table below:

- February the 11th 2015	Decision of The Bank of Portugal with a clarification that BES responsibilities which were not transferred to Novo Banco include BES liabilities relating to pensions and survivor and retirement pension supplements and survival of BES administrators who have been members Executive Committee of BES and which are covered by point i), paragraph b) of paragraph 1 of Annex 2 of the Board of Directors of The Bank of Portugal from August 3, 2014, with the wording given to it by resolution of the same Board of Directors August 11, 2014;
- February the 27th 2015	Agreement with Freslake Limited company for the sale of shares of the Aman Bank. In return for the completion of the transaction, the BEM is assigned the value of € 3,900,000 (three million, nine hundred thousand Euros) in respect of fixed and unconditional price;
- April the 27th 2015	Decision of The Bank of Portugal under paragraph 1 of Article 145-O and paragraphs 1 and 4 of Article 145-Q transfer Legal Framework for Novo Banco's right to deduct from respective taxable income all BES tax losses and for this they are not used to exercise in accordance with arrangements provided for in Article 145-AU RGICSF - May 13th, 2015; decision of The Bank of Portugal determining

	<p>that: (A) "In light of the provisions of subparagraph's (iii), (v) and (vii) of paragraph (b) of paragraph 1 of Annex 2 of the resolution of deliberation, were not transferred to the new potential obligations Bank guarantees, liabilities or contingencies that had been taken by BES, particularly in respect of retail customers, marketing, financial intermediation and distribution of debt instruments issued by entities that are part of the Espírito Santo Group, except as provided in the final part of point (vii) according to the interpretation defined in B "; and (B) "In point (vii) of paragraph (b) of paragraph 1 of Annex 2 of the resolution of deliberation, the words 'without prejudice to any non-subordinated credit' has to be understood in terms to ensure their compatibility with the principles of the exclusions provided for in the other subparagraphs, particularly in subparagraph (iii), ie only covers: (I) any non-subordinated loans that were due at the measurement date of termination by virtue of the respective term already has expired or, being the contingent claims, by virtue of the condition (since only this depended on the respective maturity) already it has been established; and (ii) any non-subordinated claims that resulted from contractual agreements (bilateral legal transactions) prior to June 30, 2014, which have complied with the rules for the expression of the will and contractual obligation of BES and whose existence can be demonstrated in the mold provided for in that point (vii) ";</p>
<p>- April the 30th 2015</p>	<p>According to a group of investors called Benacerraf Group for the sale of shares of Espírito Santo Bank. The conclusion of the transaction is subject to certain conditions, including approval by the relevant regulatory authorities. The sale price lights to USD 10,000,000.00, which may be increased by an amount equal to the positive difference between the amount of USD 5,000,000.00 and the value that will be needed to resolve certain outstanding contingencies.</p>
<p>- July the 30th 2015</p>	<p>Decision of The Bank of Portugal regarding the extension with effect from 3 August 2015 until the date of termination of BES authorization for the exercise of their activity or up</p>

	to a maximum period of one year, the mandates of the Board of Directors and the Supervision Commission;
- August the 3rd 2015	Decision of The Bank of Portugal with the "final decision regarding the members of the Board of Directors of BES whose term began in 2012".
- August the 7th 2015	Disclosure of BES balance reported on August 3rd, 2014.
- September the 15th 2015:	Resolution of the Bank of Portugal determining and confirming that the responsibilities to the Oak Finance not falling within the categories of liabilities transferred to Novo Banco as specified in the resolution of the Bank of Portugal of 3 August 2014 and if and to the extent that it is considered that this responsibility was transferred to Novo Banco by virtue of the resolution of 3 August 2014 and we were moved back to BES under the decision of the Bank of Portugal of 22 December 2014, the Bank of Portugal "applies, by this means, a resolution measure for the purposes of BRRD, and / or a reorganization measure pursuant to Directive 2001/24 / EC, by which transfers back Responsibility Oak Finance New Bank BES ";
- September the 21st 2015:	Resolution of the Bank of Portugal stating that "in the light of the provisions in subparagraph (v) of paragraph (b) of paragraph 1 of Annex 2 to the resolution of deliberation, responsibility for violation of misdemeanor provisions, including the responsibility for the payment of fines to "Banco Espírito Santo, SA Sucursal en España 'within the offense proceedings AMD / 7750/2012, the practice before August 3, 2014, of very serious offenses related to non-compliance with tax notification requirements on the prevention of money laundering and terrorist financing, was not transferred to Novo Banco SA and remained in Banco Espírito Santo, SA ".
- November 30th, 2015	Resolution of The Bank of Portugal determines that, effective from August 3, 2015, to extend the period of one year, of the measure applied to the dispensing of BES prudential rules.

<p>- December the 29th, 2015</p>	<p>Decisions of The Bank of Portugal regarding the following topics:</p> <p>(i) "Clarification and retransmission liabilities and contingent liabilities defined as excluded in subparagraphs (v) to (vii) of paragraph (b) of paragraph 1 of Annex 2 to the Resolution of The Bank of Portugal of August 3, 2014 (20 hours) in writing which was given by the Resolution of The Bank of Portugal of August 11, 2014 (17 hours) ", under which it was decided" [c] larify that, pursuant to subparagraph (b) of paragraph 1 of Annex 2 of the resolution of August 3, were not transferred from BES to the Novo Banco any liabilities or off-balance sheet BES that at 8:00 pm on August 3, 2014, were contingent or unknown (including litigation liabilities relating to litigation pending and liabilities or contingencies arising from fraud or violation of rules or regulatory determinations, criminal or misdemeanor), regardless of their nature (tax, labor, civil or other) and are or not registered in the accounts of BES ", and this decision became part of a new Annex 2C to the determination of 3 August;</p> <p>(ii) "Retransmission non-subordinated bonds of Novo Banco, SA to Banco Espírito Santo, SA", under which were returned to the BES responsibilities inherent to 5 issues of non-subordinated debt instruments with ISIN codes PTBEQBOM0010, PTBENIOM0016, PTBENJOM0015, PTBENKOM0012 and PTBEQKOM0019;</p> <p>(iii) "Retransmission of shares representing the entire share capital of BES Finance Limited Novo Banco, SA to Banco Espírito Santo, SA", under which it was decided retransmission of shares representing the entire share capital of BES Finance, Limited of Novo Banco, effective from December 29, 2015;</p> <p>(iv) "Transfers, retransmissions and changes and clarifications to Annex 2 of the resolution of August 3, 2014", under which it was decided to change or</p>
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	<p>addition of some points of the annex, including that transfer "even to the Novo Banco any credits constituted or to constitute reported the previous tax facts to August 3, 2014, whether or not recorded in the accounts of BES "and incorporating still in Annex resolutions of the Board of Portugal's Banco related to" Retransmission obligations unsubordinated of Novo Banco, SA to Banco Espírito Santo, SA" and "Retransmission of shares representing the entire share capital of BES Finance Limited of Novo Banco, SA to Banco Espírito Santo, SA ".</p> <p>According to the statement released by the Bank of Portugal on the adoption of these decisions "This set of decisions constitutes the final and definitive change of the perimeter of assets, liabilities, off-balance sheet and assets under management transferred to the new bank, which thus definitely consider fixed "and" as a result, Bank of Portugal will ask the European Central Bank to proceed with the withdrawal of the authorization of Banco Espírito Santo, SA, initiating the lawsuit settlement. "</p>
<p>- December the 30th, 2015</p>	<p>Disclosure of the financial statements of BES reported on December 31, 2014</p>

In addition to the chronology of the most important events related to BES, shall also be highlighter the following legislative changes with direct impact on BES as an institution subject to a measure of resolution:

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

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

3. Structure and corporate governance practices

3.1. Structure of the corporate governance

The structure of BES government during the year 2015, was submitted to RGICSF govern, in particular the rules governing the resolution of institutions object.

In legal terms, the members of the management board and of the surveillance institution object of the resolution measure were automatically suspended (the current wording of RGICSF, leaving the service), with the Bank of Portugal to appoint new members to the Board of Directors and a surveillance commission.

The company of legal auditors responsible for issuing the statutory certification, was not part of the BES supervisory body, remained working.

3.2. Governance organs, commissions and other social bodies

(i) Board of Directors:

Composition:

Luís Máximo dos Santos	President of the Board of Directors
César Bento Brito	Vowel of the Board of Directors
Miguel Morais Alçada	Vowel of the Board of Directors

Competences:

Administrators appointed by The Bank of Portugal have all the powers conferred by law and the articles of association to the general meeting and the board of directors, which are carried out under the guidance of The Bank of Portugal (Article 145-G, n. paragraph 2, of RGICSF).

Administrators should take all necessary measures to pursue the resolution measurement purposes and their proper implementation in accordance with the decisions of the Bank of Portugal, and this duty prevails, in case of conflict, over all other duties provided by law or the articles of association (Article 145-C, paragraph 3 and 4 of RGICSF).

The Bank of Portugal has the power to subject to its prior approval certain acts to practice by administrators and to limit their powers (Article 145-G, paragraph 5, of RGICSF). It is also the responsibility of The Bank of Portugal the replacement of any of the managers they appoint or terminate its functions (Article 145-C, paragraph 8, of RGICSF).

(ii) Surveillance Commission:

Composition:

José Vieira dos Reis	President of the Surveillance Commission
Rogério Fernandes Ferreira	Vowel of the Surveillance Commission
Vítor Pimenta e Silva	Vowel of the Surveillance Commission

Due to the death of its President, José Vieira dos Reis, which occurred on February 17, 2016, the Surveillance Commission remained in operation with the remaining two members, until the appointment of the new President Carlos Manuel Charneca Moleirinho Grenha, by the Bank of Portugal on April 6, 2016.

Competences:

The Surveillance Commission has the powers and duties conferred by law and by the statutes to the supervisory body (Article 143, paragraph 3, ex vi 145-F, paragraph 2, both of RGICSF).

(iii) Certified Public Accountant:

Effective Certified Accountant: KPMG & Associados, SROC, S.A., represented by Inês Maria Bastos Viegas Clare Neves Girão de Almeida

Alternate Certified Accountant: Fernando Gustavo Duarte Antunes (ROC)

(iv) General Assembly¹

Vice-President: Alexandre de Sousa Machado

Secretary: Nuno Miguel Matos Silva Pires Pombo

¹ With the entry into force of Law No 23-A / 2015 of 26 March, the shares voting rights can no longer be exercised during the resolution period. On the other hand, the administrators appointed by the Bank of Portugal have all the powers conferred by law and the articles of association to the general meeting. In addition, among the powers of resolution of the Bank of Portugal it is also taken into account the power to exercise, directly or through persons appointed for this purpose, the rights and powers granted to holders of shares representing the capital of the object credit institution resolution.

The President of the General Meeting (Paulo de Pitta e Cunha) submitted his resignation by letter dated 8 August 2014.

(v) Society Secretary:

Society Secretary: Ana Mendes Martins

Alternate Society Secretary: Francisco Boavida Salavessa

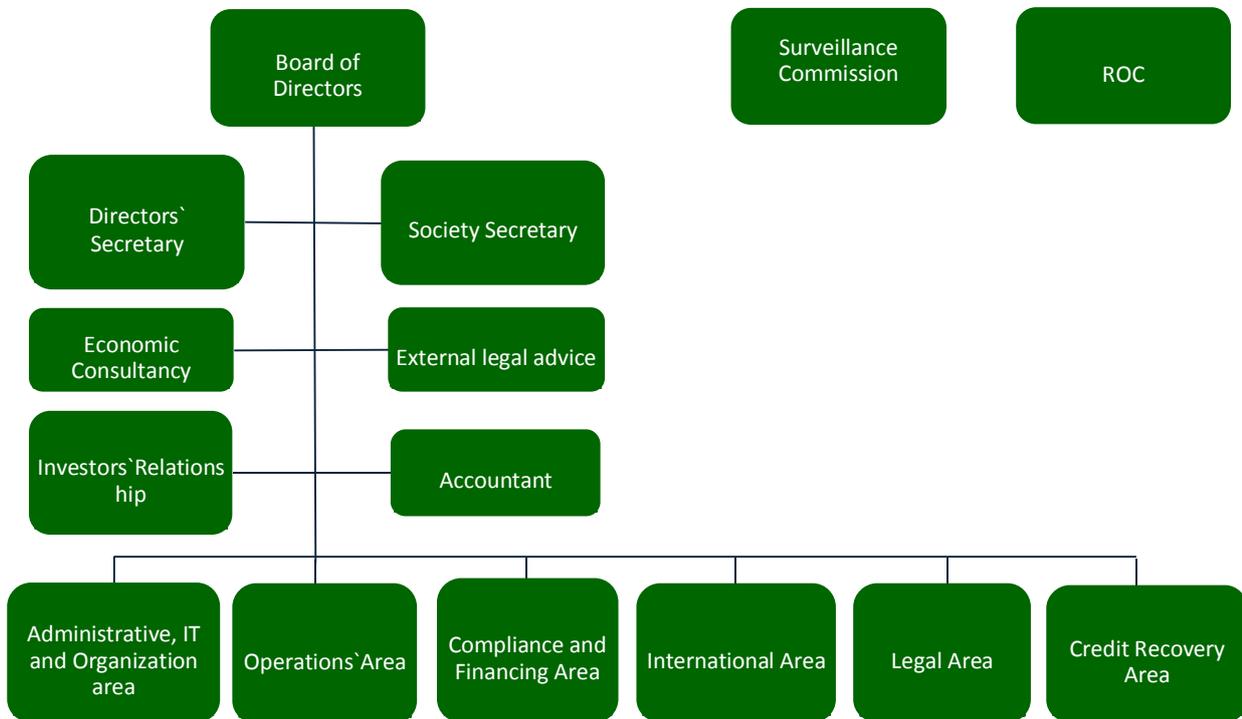
(vi) Surveillance Commission

A reference which is imposed also regarding the Remuneration Committee. Indeed, under Article 24 of the Articles of Association, the responsibility of the Remuneration Committee is to establish the remuneration of BES administrators. And, in the General Meeting of March 22, 2012, were elected for a term of four years Daniel Proença de Carvalho, Jacques dos Santos and Álvaro Pinto Correia.

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

3.3. Organic structure

It is presented in the image below the current organic structure of BES on 12/31/2015:



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

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

Luís Máximo dos Santos	Miguel Morais Alçada	César Bento Brito
Institutional Relations	Human Resources	Administrative, IT and Organization area
Regulators Relations	Legal Area	Accountancy Area
Investors Relations	Credit recovery	Finance Area
<i>Compliance/ Complaints</i>	International area	
Finance applications	Operations 'Area ²	
<i>Corporate Governance</i>		

3.4. Human Resources

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

After the efforts of constituting the employees 'team of BES, this institution had, on December 31, 2015 7 employees, considering the actual and fixed-term contract, having resorted to hiring external services within the support units to Board of Directors (Economic Consulting and Legal counsel) and Support areas of activity and Operational (Organization Area, Information Technology and Administrative, Operations Division, Financial and Compliance, Legal Department, Credit Recovery Area).

² Until December 3, 2015, this area of preferential attribution was under the responsibility of Dr. César Bento Brito.

3.5. Rules applicable to the amendment of the Company's statutes and capital increase deliberations

According to the statutes, and regarding the period prior to the application of the resolution measure, are in due force the general rules of any change of BES statutes, including deliberations on changes to the share capital, must be submitted to the General Assembly (apart from cases where the Board had its own powers to increase capital³ and to move the registered office of the company within the national territory).

Decisions on amending the articles of association must be approved by two thirds of the votes cast, whether the General Assembly is held on first or second call. For the General Assembly to decide on the first call, must be present or duly represented, shareholders holding shares corresponding to at least 50% of the capital. On the second call, the Assembly may meet with whatever the number of attending shareholders and the capital represented.

Currently, and following the implementation of the resolution measure, the directors have all the powers conferred by law and the Articles of Association to the General Assembly and may only exercise them under the guidance of The Bank of Portugal, and The Bank of Portugal also has the power to directly exercise the rights and powers conferred on the BES shareholders.

³ It was approved at the Extraordinary General Assembly of June 9, 2011 a partial amendment to the Articles of Association which gave the Board authorization, following a favorable opinion of the Audit Commission, to increase the capital in cash, by one or more times, by issuing common shares or preferred shares, redeemable or not, under the terms and conditions to be determined. The maximum amount of the authorization, in addition to the value of the capital, was 7 500 000 000.00 Euros, with an authorization valid for five years.

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

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

The legal status of BES after the application of the resolution measure, continues to be the one of a credit institution, even though it is forbidden the practice of characterizing the notion of credit institution acts in accordance to RGICSF⁴, focusing its activity on the preservation and enhancement of the assets that remained in their area after the implementation of the resolution measure.

Under the corrective intervention measures implemented in August 3, 2014 and which remained in force during the 2015 financial year, BES was forbidden to grant loans and take deposits.

Note, however, that BES is not in liquidation, fact which will only occur with the withdrawal of the authorization to conduct banking activity. Looms further that, in accordance with the commitments of the Portuguese State, the authorization to conduct banking activity of BES should be repealed with the completion of the sale of Novo Banco or at the latest by 31 December 2016.

In addition, the registration of BES as a financial intermediary with CMVM is suspended. On the other hand, even if BES kept, during the exercise of 2015, the public company status and a company with securities admitted to trading on a regulated market, the Steering Board of⁵ CMVM decided to suspend the trading of securities listed on the official market operated by Euronext Lisbon - Management Company of Regulated Markets, S.A. (Euronext Lisbon). Also the *Commission de Surveillance du Secteur Financier* (CSSF) ordered the suspension of trading in financial instruments issued by BES of trading on the *Bourse de Luxembourg* markets, from August 4 to the financial instruments that have always remained in BES sphere after the application of the Resolution measure and since December 29, 2015 for financial instruments whose responsibilities were returned to BES because of the decision of The Bank of Portugal of the same date.

⁴ Article 2-A, paragraph w): "‘Credit institution’ means a company whose business is to receive deposits or other repayable funds and to grant credit for their own account."

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

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

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

Although the accounts for the year 2015 continue to put its informational dimension on the management of BES and on their financial situation, the legal framework for their approval and supervision takes very specific outlines in a resolution object institution.

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

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

Consequently, it would be an unnecessary duplication that the Board of Directors approved, at first, the management report and the annual accounts to be presented and the results appropriation proposal, the exercise of their "traditional" functions of the Board of Directors and, in a second moment, which approved the same documents and the application of results proposed in exercise of the functions normally assigned to the General Assembly. The present management report and annual accounts which are now presented already embody the documents as approved from a corporate point of view, also not having the Board of Directors to present a plan for implementation of the results, but simply to approve how the results will be applied.

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

To this, is added that the review of the accounting documents is enhanced by the intervention of the Bank of Portugal: the powers of the Board of the General Assembly Replacement Directors, pursuant to article 145-C, paragraph 2, of RGICSF they must be carried out under the guidance of the Bank of Portugal. In this sense, this Management Report and the financial statements for the year were sent to The Bank of Portugal, with its knowledge.

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

5. Macroeconomic Environment

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

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

5.1. International economy

According to the International Monetary Fund the pace of global economic growth slowed down, having seen a 3.1% growth in 2015, with cooling, for the fifth consecutive year of growth in emerging markets and developing countries, accounting for more 70% of global growth, which was not offset by modest growth in most developed economies. Three key aspects susceptible to influence global perspectives are identified - (i) the gradual slowdown and the adjustment of economic activity in China in the areas of investment and production for consumption and services sector, (ii) the low-price sector energy and key commodities, especially oil, and (iii) a gradual contraction of the monetary policy in the United States in the context of a resilient recovery of the United States while several central banks of the developed economies continue easing monetary policy.

In the group of the most developed economies, there was a growth in the United States which is estimated in the order of 2.5% in the Eurozone countries in the order of 1.5% in the UK in the order of 2.2 %, in Japan on the order of 0.6% and 1.2% in Canada. For 2016, the IMF predicts that the worldwide economy grows 3.4% and 3.6% in 2017.

In the euro area, the euro exchange rate depreciated in effective nominal terms in 2015. The evolution of the euro exchange rate continued to reflect largely the different cyclical positions and monetary policy guidelines in the major economies. With regard to financial developments, this was marked by the monetary policy decisions of the ECB and, in particular, the asset purchase program (asset purchase program - APP), which caused a continued decline to new historical lows of money market rates, yields of government bonds and the cost of external financing for non-financial companies, with the net worth of households also continued to increase. Throughout 2015, the headline inflation in the euro area, as measured by the Harmonized Index of Consumer Prices (HICP), was very low or even negative in the context of keeping prices of raw materials low.

After the establishment, on November 4, 2014, of the Supervisory Single Engine (MUS), 2015 was the first full year in which the ECB carried out its macro-prudential and micro-prudential duties.

Were also carried out other significant progresses in 2015 in the establishment of the banking union:

- It was created the Resolution Single Engine (MUR) on January 1, 2015, with the Single Resolution Board (CUR) started preparatory work in 2015 with the development of procedures, resolutions, planning and other related assignments, controlling since 1 January 2016, all the resolution powers regarding the entities within its scope;
- On November 24, 2015, the European Commission presented a proposal for the establishment of the European system of banking union deposit guarantee, with a road map for an European system of single deposit guarantee, starting a reinsurance system, passing through a gradually larger share of funding at an European level in a co-warranty phase to a system in which all the deposit guarantees 'financing is provided by an European fund to guarantee deposits.

5.2. Portuguese economy

In 2015 the GDP of the Portuguese economy grew 1.5%, according to the National Institute of Statistics, the first positive growth rate since 2010, driven by buoyant private consumption and exports.

The external financing capacity continued to perform well, although with a reduction compared to 2014. The household savings rate has fallen sharply, and is set around 4% of the disposable income.

According to the European Commission, the public deficit in 2015 stood around 3% of the GDP, with an improved public debt ratio by 0.9 percentage points, dropping to 129.1% of the GDP. In turn, the cost of debt stood at 3.5% in 2015, less 0.1 percentage points than in 2014.

In the Portuguese financial sector, there is the application of the resolution measures to Banif - Banco Internacional do Funchal, SA, and the sale of Novo Banco, SA, interrupted in September 2015 and resumed in January 2016.

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

The Board of Directors appointed by the Bank of Portugal took over their roles in the scenario described above in point 4, and its action limited by the constraints of proper compliance with the resolution as the legal framework and the powers in this context, are conferred to the Bank Portugal, and those resulting from the European Commission's decision of the content approving the aid granted by the Government no. SA.39250 (2014/N) - Portugal, regarding the resolution measure applied to BES, including the addendum arising from the aid from the Government no. SA.43976 (2015/N). The duties of BES`supervisory directors of the interests of shareholders and lenders are well within the shaped the in legal framework for the resolution, in particular taking into account the guiding principles and aims of the measure determined by the Bank of Portugal.

BES management, during the exercise of 2015, continued to focus in the accomplishment of the following aims, namely: to maximize the recovery of credit; ensure the correct recognition of responsibility by exercising, when necessary, the defense of the rights of BES; maintain the operation of subsidiaries and defend, if necessary through the courts, the rights of BES as a shareholder, promoting the sale of holdings in the best possible conditions; communicate to the competent authorities, when known to the Board of Directors, any illicit evidence on which BES is aggrieved, allowing the determination of the liability and compensation for damage.

(I) Development of an operative structure

As mentioned above, the prompt intervention needs and ensure the best possible way, the continuity of the activity of BES without the disruption that would be natural to have lost all its operating structure, both in its dimension of human resources, both in its dimension of operational technical, yet both in terms of the know-how associated with the knowledge of the Bank's operations have ceased to be in possession of people linked to BES, imposed the operating structure had to be assembled and developed at a pace much accelerated so as to allow BES laboring under normal conditions in a very short time.

Therefore, it had to be ensured the employment of workers, and, among others, the hiring of legal advisers to provide support that is clearly indispensable to absorb and comply with the statutory resolution regime and that the rights of BES could be fully respected.

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

In addition, and as to developments regarding the technical and operating during the 2015 financial year it can be noted that, in July 2015, BES was independent of IT technical infrastructure and communications infrastructure of Novo Banco, which had been used transiently since August 2014, and was necessary to:

- Acquire and install computers and printers;
- Acquire and install communication networks `assets;
- Negotiate the contract to supply communication services and infrastructure maintenance with PT Empresas.

In the application and operation component were kept:

- The use of the autonomous application system to support the Operation Areas with a direct and safe connection to a server of GNB Informática;
- The internal application towards the management of Leasing contracts of BES;
- Management of entities and contracts, including the assessment of existing contracts, the evaluation of the economic and financial situation of the bodies which remained in BES; risk assessment and enforcement capacity of the entities that have remained in BES; trading and credit recovery; monitoring of special processes to revitalize and insolvency.

(li) Preservation and appreciation of assets

(A) Participated

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

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

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

For more individual information regarding each one of the participated ones, v. chapter **Erro! A origem da referência não foi encontrada.** infra.

(C) BES credits

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

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

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

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

(C) Monetary availabilities

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

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

To that extent, to avoid wastage and depreciation of their cash surpluses, they were invested in time deposits which had a total on December 31, 2015 of 69 million euros.

(D) BES defense in judicial processes

On the other hand, given the purpose of preservation and enhancement of BES assets, another key aspect that marked its activity was to ensure that the liability was properly defined, according to the resolution measure, ie, in broad strokes, BES only assume liabilities that may be effectively attributable to legal and contractual terms and not any other. This means that BES cannot assume any responsibility or meet indemnity or compensation claims of shareholders, investors and other alleged creditors BES where there is no strict legal duty

to carry out these responsibilities or pay the indemnity or compensation claims as determined by competent courts and before all the actuality that will be determined in the context of these legal proceedings, ensuring also equal treatment of all creditors of BES. These efforts imply, in particular, the challenge of declarative actions that BES is defendant and other protective measures that put into question the current mission appreciation of Directors of its assets, as well as the opposition to executions.

In 2015 there was a significant increase in the number of lawsuits against promoted BES, including imputing his breach of duty, as a financial intermediary for acts that occurred prior to the implementation of the resolution measure. These processes have a wide range of grounds, relating to BES activity prior to the application of the resolution measure and the scope of its current activity as a credit institution, such as financial intermediary or issuer of securities. As an example, it can be listed some of those big groups according to the presented aim:

- Indemnity Requests relating to the sale of commercial paper and preferred shares;
- Liability action arising from the non-compliance related to the latest increase in BES capital;
- Shares regarding swaps 'contracts;
- Shares regarding real estate: indemnity or repair requests;
- Shares regarding financing losses;
- Shares regarding the forgery of checks;
- Shares regarding the movement of bank accounts.
- Executions regarding fines and quota of the condominium.

BES has also been called as counter-interested in administrative proceedings incidents on the validity of the decision of The Bank of Portugal that has applied the resolution measure or against the selection of liabilities excluded from transmission by The Bank of Portugal in that decision.

(lii) Institutional relations with investors and regulators

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

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

As indicated in the management report regarding the year 2014, on August 14, 2014, was appointed the representative for the relations with the market and the CMVM;

(ii) The electronic mailboxes for shareholders and investors place their questions and requests for clarification in the resolution as the context and established internal procedures have been kept available to ensure a timely response in the face of an extraordinary influx of questions in this way;

(lii) BES website, re-enabled after the application of the resolution measure, continued to be fed with relevant information about BES and communications released to the market.

Was kept a close cooperation with the regulatory authorities, in particular the Bank of Portugal (fitting, moreover, the Board of Directors, under the law, to keep the Bank of Portugal informed about its activities and the management of the institution and observe the general guidelines and strategic objectives set by the Bank of Portugal) and the CMVM, but also with regulatory authorities in the various geographies where BES had a presence.

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

7. Subsidiaries and branches

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

- 37,350,379 shares representing approximately 55.71% of the share capital of Banco Espírito Santo Angola, SA (“BESA” or “BES Angola”);

- 3,188,525 shares representing approximately 99.99% of the share capital of Brickell Bank, previously Espirito Santo Bank of Miami;

- 4,000,802 shares representing approximately 40% of the share capital of Aman Bank for Commerce and Investment (Aman Bank) Libya.

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

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

It is described below the situation of subsidiaries and branches of BES to December 31, 2015.

(I) Participated

a) BES Angola

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

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

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

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

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

Nevertheless, they were triggered by BES competent legal reactions to the said general meeting of BES Angola to the Angolan courts, and in case if it considers that the decision of the National Bank of Angola was binding, the competent administrative appeal was lodged and the subsequent judicial review. The action regarding the impugnation of the social deliberation and the judicial review of the decision of Banco Nacional de Angola still have no decision at first instance.

b) Brickell Bank (previously, Espírito Santo Bank)

After the application of the resolution measure to BES, under which the actions of Espírito Santo Bank (ES Bank) were not transferred to Novo Banco, SA, was imposed on August 8, 2014 one stipulation and *Consent to the Issuance of a Consent Order* ("Consent Order") by the Federal Deposit Insurance Corporation (FDIC) and the Florida Office of Financial Regulation

("OFR") the administration of ES Bank, under which it undertook to submit a plan of sale, merger or liquidation this institution.

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

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

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

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

In these terms, negotiations were launched with a group of investors named Benacerraf Group to set the final terms of the transaction.

On April 30, 2015, was formalized the agreement with Benacerraf Group for the sale of shares of this bank. The conclusion of the transaction is subject to certain conditions, including approval by the relevant regulatory authorities. The sale price lights to USD 10,000,000.00, which may be increased by an amount equal to the positive difference between the amount of USD 5,000,000.00 and the value that will be needed to resolve certain outstanding contingencies.

On July 27, 2015, the Espírito Santo Bank has amended its name to Brickell Bank within the re branding strategy of the bank and was consensual either with BES or the acquiring bank, as part of the referred operation sale.

c) Aman Bank

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

In this context, the continued participation of BES share capital of Aman Bank was a source of various risks, expenses and contingent liabilities, without the existence of any reasonable

expectation of improvement of the current political and military situation in Libya or recovery of the participation of BES, was taken in 2014 the decision of proceeding to the sale of its representative participation of about 40% of the capital of Aman Bank.

On February 27, 2015, was celebrated an agreement with Freslake Limited company for the sale of shares of the Aman Bank. In return for the completion of the transaction, BES was assigned the value of € 3,900,000 (three million, nine hundred thousand Euros) regarding the fixed and the unconditional price, being that, from that date this bank was not a participated from BES.

d) Espírito Santo Health Care Investments, S.A.

The Bank has on December 31, 2015 shares representing 17.74% of the capital of Espírito Santo Health Care Investments, SA, which resulted from the execution after August 4, 2014, of a financial pledge received as collateral for an operation credit.

e) BES Finance, Limited

The shares representing the entire share capital of BES Finance Limited, were returned to BES according to the decision of the Board of Directors of Banco de Portugal on December 29, 2015, being also determined that BES and Novo Banco should take all the necessary measures to effectively implement the retransmission provided in the resolution, including through the conclusion of a contract confirmatory of the transmission.

BES Finance Limited, based in the Cayman Islands, is a vehicle society that had been constituted by BES to issue subordinated and unsubordinated obligations and has also issued preferred shares that were integrated in the consolidated perimeter of BES. On December 31, 2015, this company was only responsible for the subordinated debt instruments and preferred shares.

(li) Branches

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

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

Consequently, in the different jurisdictions in which BES had branches, even the Bank of Portugal sent the August 12, 2014 written communications giving notice of such transfer to the following regulatory bodies: the *Commission de Surveillance du Secteur Financier, Luxembourg*, the Federal Reserve Bank of New York, in the United States of America, the Bank

of England - Prudential Regulation Authority in the UK, to the Central Bank of the Bahamas in the Bahamas to the *Banco de España* in Spain, the Bank of Cape Verde, in Cape Verde, the *Superintendencia de las Instituciones del Sector Bancario*, Venezuela, and the Cayman Islands Monetary Authority in the Cayman Islands.

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

As noted, the process of asset and liability transfer not excluded, of BES branches to branches of Novo Banco abroad, followed several courses in different jurisdictions. As for the branch in Spain, Luxembourg and Venezuela the situation had yet been regularized during the year 2014: *Banco de España* determined that the BES branch in Spain has become a branch of the Novo Banco in Spain, as set out in Notice No. 34424 of October 1, 2014, that the regulatory authority; the Luxembourg branch register was canceled on October 8, 2014; the branch of BES in Venezuela was transferred, together with the banking license to Novo Banco, as approved by *Resolución no.004/15 de 15/01/2015 da Superintendencia de las Instituciones del Sector Bancario*. Regarding the other branches, it is presented, briefly, the following evolution:

- a) **Cayman Islands:** A branch of BES in the Cayman Islands is registered under the number CR-97780 with the Registry of Companies and has a restricted license of type "B", No. 100011, which allowed it to develop the banking activity, in general, only with non-residents in the territory. After the application of the resolution measure, the local regulator - the Cayman Island Monetary Authority (CIMA) - made the transfer to Novo Banco to depend on assets and liabilities not deleted, the previous constitution, in general terms, of a branch of Novo Banco and the subsequent determination and authorization for operations to be transferred. The license to conduct banking activity by BES branch was canceled by CIMA as of December 14, 2015. On December 21, 2015, the registration of BES with the Registry of Companies has been removed.
- b) **United Kingdom:** Pending the application of measurement resolution, the branch of the Bank was authorized to offer banking products and services in the United Kingdom under the right of establishment, lying registered under FC008835 number with the Companies House and licensed No bank 124 911 Financial Services in the Register of the Bank of England. After the application of the resolution measure, the local regulator - the Financial Conduct Authority (FCA) - did depend on the transfer to the branch of Novo Banco of assets and liabilities not excluded, the previous constitution, in general terms, this branch of Novo Banco and the subsequent determination and authorization for operations to be transferred. On March 24, 2015, ceased BES license

to conduct the banking activity in the United Kingdom through its branch, and its commercial register on December 31, 2015 still active until the tax reporting obligations of the branch are met. On March 14, 2016 was submitted the application for the cancellation of the registration of the branch with the Companies House, which was granted on March 18, 2016.

- c) **United States (New York):** After the recognition of all assets and liabilities not excluded and previously pertaining to BES branch were transferred to the branch of Novo Banco, BES requested the Department of Financial Services of the State of New York in December 5, 2014, the termination of the respective banking license. It was also requested the cancellation of the Branch activity log to *NYS* and *NYC Department of Finance*, being that BES has been informed that, since the *Application for Authority* had never come to be delivered, and to the extent that BES failed to submit tax returns, it is considered that BES has withdrawn activity in the New York State.
- d) **Cape Verde:** BES had an offshore branch in Cape Verde authorized by the respective regulator, Bank of Cape Verde. Following the resolution of measurement, and subsequent communications made to the regulator, the banking license of BES branch was terminated by the Bank of Cape Verde; On December 31, 2015, was solicited the registration of the completion of the liquidation of the branch;
- e) **Bahamas:** BES had a branch in Nassau, with license No. LIC1048 assigned by the Central Bank of the Bahamas. Following the communications that have been issued regarding the application of resolution measure, on April 28, 2015 the local regulator approved the waiver of the banking license of BES.

8. Internal control and risk management

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

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

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

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

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

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

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

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

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

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

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

The internal control, particularly with regarding the financial reporting process is carried out taking into account the size and the nature of BES activity and framework of the organization structure of BES after the application of the resolution measure, and the process of financial information supported by the accounting systems and management support that record, classify, associate and file in a timely manner, systematic, reliable, complete and consistent,

all the events associated with the active elements and BES liability.

9. Relevant facts occurred after the term of the exercise

Under the agreement for the sale of the shares of Bank of Miami Brickell (formerly Espírito Santo Bank), its outcome awaits the completion of the approval by the regulatory authorities of the United States, which is taking place in normal conditions. It is estimated that the transaction might be concluded until the end of the year.

In the initial agreement established with the buyers, it was predicted that the sale price lights to USD 10,000,000.00, which may be increased by an amount equal to the positive difference between the amount of USD 5,000,000.00 and the value that will be needed to resolve certain outstanding contingencies.

However, the pending contingencies were being solved, which allowed also to find that, on the date of sale, the value of USD 10,000,000.00 accrue the amount of approximately USD \$ 400,000.00 being that BES can receive an additional amount of 2 million, depending on the amounts spent by the final Brickell Bank pursuant to a settlement agreement of a contingency, which are dependent on the clearance of profits from Brickell Bank over a period of five years.

- Last March 15, 2016, BES participated in ESCHI General Assembly which approved the proposal of application of results for the year 2014, which included a distribution of dividends to shareholders, being the BES gross value of about of 9.2 million euros, which were received on March 22, 2016.

- On May 2, 2016, BES was notified of the existence of an action brought by the Insolvent Mass ESFG having as object the financial pledge agreement of June 27, 2014 and its implementation by BES, in October 2015. In this action, which runs its terms in the Luxembourg Commercial Court and whose first hearing is scheduled to the July the 8th, are also defendant to Luz Saúde, S.A. (ex-ESS), and ESHCI and SG Audit, SARL. In the action is requested, primarily, a declaration of invalidity or at least inefficiency before ESFG, the financial pledge agreement entered into on June 27, 2014, and condemnation of BES in returning the resulting credit pawn execution and the payment of compensation resulting from the 'loss of value suffered by the securities'. Alternatively, ESFG asks to be recognized the merits of the application for pauliana challenge and BES ordered to pay the assets resulting from the implementation of the financial pledge agreement in October 2014.

- On May 5, 2016 was presented to the Tax Authorities of Luxembourg, the tax declaration of the former branch of BES in that country and for the period from January 1 to August 3, 2014, which shows an estimate of charges 4.06 million Euros. This obligation is subject to the rules laid down in Article 145 of the no.7 L of RGICSF.

- On May 5, 2016, BES received a letter from The Bank of Portugal informing of the judicial decisions regarding the provisional enactment of the injunction requested by "Merrill Lynch International" on the obligations not subject the Novo Banco, relayed to BES to December 29, 2015 (identified by their ISIN code: PTBEQBOM0010, PTBNJOM0015, PTBENKOM0012 and PTBEQKOM0019). By letter of 6 May 2016, the Bank of Portugal has sent the understanding that Novo Banco and BES should comply with relay providence provisionally enacted, limited to the rights of the applicant, adjusting accordingly the accounts with effect from the provisional decreeing notified. The amount of the liabilities in question reaches up to 8,4 million euros."

- After the release of The Bank of Portugal of December 29, 2015, BES was informed by The Bank of Portugal that the Board of Directors of Banco de Portugal, in the session of March 31, 2016, decided it should be presented to the European Central Bank a proposal to repeal the BES authorization to conduct banking activity, based on Article 22, paragraph 1, f) and l) and in the Article 145-AQ, both of RGICSF, and subsequently, the Bank of Portugal submitted to the European Central Bank a proposal to repeal the BES authorization, pursuant to and for the purposes of paragraph 5 of Article 14 of Regulation (EU) No 1024 / 2013 of October 15, 2013.

10. Predictable evolution of the company

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

Similarly, in accordance with the commitments made by the Portuguese State established under the European Commission's decision on State aid No SA.39250 (2014 / N), as changed by the decision of the European Commission regarding the Government aid no. SA.43975 (2015/N) - Portugal, the authorization to conduct banking activity of BES should be repealed with the completion of the sale of Novo Banco or at the latest by August 3, 2016.

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

Arising from the national and the European legal framework and of the commitments made by the Portuguese Government that BES will be subject to a liquidation procedure.

It shall also be added that, according to the statement released by the Bank of Portugal on the adoption of these decisions "*This set of decisions constitutes the final and definitive change of the perimeter of assets, liabilities, off-balance sheet and assets under management transferred to the new bank, which thus definitely consider fixed*" and "*as a result, The Bank of Portugal will ask the European Central Bank to proceed with the withdrawal of the authorization of Banco Espírito Santo, SA, initiating the lawsuit settlement.*" As mentioned above, BES has been informed of the start of BES authorization revocation process by The Bank of Portugal to the ECB.

Until the revocation of the authorization and the entrance into liquidation of BES, the future activity of BES will remain focused in this settlement antechamber scenario, the conservation and enhancement of BES assets, with respect for the principles and solving measurement purposes and in compliance with all the legal framework and standards regulatory binding upon it.

11. Own shares

During the financial year of 2015, the BEM received in exchange 23,748,825 own shares, under the extra judicial settlement of the debtor debt settlement MQP SGPS, SA, being attributed to the shares the global and symbolic value of one Euro.

In the end of the year, BES was the holder of 24 024 116 own shares, with a book value of 801 thousand Euros.

12. Businesses between the company and the directors

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

13. Results and finance economic information

Information in thousands of euros:

Operating revenue:	(193 542)
Operating costs:	(168 302)
Costs resulting from the retransmission of senior bonds:	(2 237 624)
Result before taxes:	(2 599 468)
Net result of the exercise:	(2 598 241)

In the exercise was recorded a loss of € 2,598,241,186.88, and this result already reflects the effects of the retransmission for BES of the responsibilities associated with 5 issues of non-subordinated debt instruments with a value of about 2,238 million euros.

The net profit for the period between January 1 and December 31, 2015, in the amount of € 9,196,990,524.38 will be carried forward to the balance of retained earnings.

14. Complementary information

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

Under the terms and for the purposes of paragraph 5 of article 447 of the Commercial Companies Code, the current members of the Board of Directors of BES and the Supervision Commission shall be held, on December 31, 2015, nor were during the exercise period in 2015, of the holders of any shares of BES.

Regarding BES obligations, the administrator César Bento Brito informed the company that, by a resolution of The Bank of Portugal of December 29, 2015, to return to BES certain issues of non-subordinated debt, a bond of which was holder the Senior Bond 4.75% due in Jan 2018 with ISIN PTBENJOM0015 and with a nominal value of one hundred thousand Euros, became, on that date, an obligation of BES itself owned and subject to advertising predicted in the previously referred article 447º. Besides this bond detained by an administrator, the current members of the Board of Directors of BES and the Surveillance Commission shall be held, on December 31, 2015, nor were during the exercise period of the mandate holders of any shares or obligations of BES.

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

Note 26 ("Capital, Share Premium, Treasury Shares and Other Equity Instruments") of the Individual Balance Sheet Notes contains the identification of major shareholder's holdings of BES to December 31, 2015, containing the note 29 (Transactions with Related) a summary of transactions with related parties not having been performed any new transactions during the exercise of 2015 with the related parties.

Lisbon, May the 16th 2016

César Brito
Vowel of the Board of Directors

Miguel Alçada
Vowel of the Board of Directors

Luís Máximo dos Santos
President of the Board of Directors

II. Individual Balance and Explanatory Remarks

BANCO ESPIRITO SANTO, S.A.

EARNINGS STATEMENT ON DECEMBER 31ST 2015 AND 2014

(thousands of euros)

	Notes	31.12.2015	31.12.2014
Interests and similar earnings		3 991	1 847
Interests and similar costs		(78 681)	(34 589)
Financial margin	4	(74 690)	(32 742)
Earnings from services and commissions	5	260	220
Expenses regarding services and commissions	5	(10)	(248)
Asset results and liabilities at fair value through results	6	(61)	1 979
Results of the exchange revaluation	7	(98 712)	(55 518)
Other exploitation results	8	(20 329)	(32 052)
		(193 542)	(118 361)
Personnel costs	9	(1 409)	(13 455)
Administration general costs	11	(7 793)	(7 484)
Funds and amortisations		(28)	(35)
Net provisions from cancellation	23	(152 555)	(108 673)
Impairment of credit net of reversions and recoveries	17	(7 005)	(2 095)
Impairment of other net assets of reversions and recoveries	14/18/19	488	249
		(168 302)	(131 493)
Costs resulting from the retransmission of senior bonds	31	(2 237 624)	.
Result before taxes		(2 599 468)	(249 854)
Current taxes	12	(1 227)	4
Taxes over income		(1 227)	4
Net result in the period between August the 4th 2014 and December 31st, 2014			(249 858)
Net results in the period between January the 1st and August the 3rd 2014 2014 (discontinued activity)	30	-	(8 947 133)
Net result of the exercise		(2 598 241)	(9 196 991)

The explanatory notes attached are part of these financial demonstrations

BANCO ESPIRITO SANTO, S.A.

COMPREHENSIVE INCOMEN STATEMENT OF THE EXERCISES WHICH ENDED ON Thursday, December 31, 2015 AND 2014

	Notes	31.12.2015	31.12.2014
(thousands of euros)			
Net results in the period between August 4, 2014 and December 31, 2014			(249 858)
Net results in the period between January 1, 2014 and August 3, 2014			(8 947 133)
Net result of the exercise		(2 598 241)	(9 196 991)
<i>Items which will not be classified towards the results</i>			
Long term benefits	10	(7 078)	(8 154)
		(7 078)	(8 154)
<i>Items which can be reclassified towards the results</i>			
Financial assets available to be sold	15		
Earnings and losses of the exercise		(2 631)	-
		(2 631)	-
Other comprehensive income of January 1, 2014 to August 3, 2014			(171 542)
Full income		(9 709)	(179 696)
Total of comprehensive income of the exercise		(2 607 950)	(9 376 687)
<i>Of which:</i>			
Total of comprehensive income in the period between August 4, 2014 and December 31, 2014		-	(258 012)
Total of comprehensive income in the period between January 1, 2014 and August 3, 2014 (discontinued activity)		-	(9 118 675)

The explanatory notes attached are part of these financial demonstrations

BANCO ESPIRITO SANTO, S.A.

BALANCE
ON DECEMBER 31ST 2015 AND 2014

(thousands of euros)

	Notes	31.12.2015	31.12.2014
Asset			
Availabilities in other institutions of credit	13	3 305	20 863
Assets detained for negotiation	14	-	-
Financial assets available to be sold	15	33 237	8 505
Applications in credit institutions	16	69 149	50 076
Credit to clients	17	42 827	104 294
Other tangible assets		27	10
Intangible assets		15	22
Investments in associates and branches	18	9 185	11 350
Assets regarding current taxes		70	-
Other assets	19	1 479	1 485
Total of the Asset		159 294	196 605
Liabilities			
Liabilities detained for negotiation	14	-	10 418
Resources of other credit institutions	20	26	26
Clients' resources and other loans	21	791 486	696 277
Responsibilities represented by titles	22	2 238 114	-
Provisions	23	1 293 770	1 126 851
Liabilities regarding current taxes		12	1
Subordinated liabilities	24	992 089	934 258
Other liabilities	25	130 922	107 949
Total of liabilities		5 446 419	2 875 780
Equity			
Capital	26	6 084 696	6 084 696
Issuing premiums	26	1 038 923	1 038 923
Other capital instruments	26	191 571	191 571
Own shares	26	(801)	(801)
Reserves, retained earnings and other comprehensive income	27	(10 003 273)	(796 573)
Net result of the exercise		(2 598 241)	(9 196 991)
Total of Own Capital		(5 287 125)	(2 679 175)
Total of Liabilities and Own Capital		159 294	196 605

The explanatory notes attached are part of these financial demonstrations

BANCO ESPIRITO SANTO, S.A.
**DEMONSTRATION OF CHANGES IN OWN CAPITAL
OF THE PERIOD ENDING ON DECEMBER 31, 2015 AND 2014**

(thousands of euros)

	Capital	Issuing of date	Own shares	Others Capital	Reserves, retained earnings and other comprehensive income			Net result of the exercise	Total of Own Capital
					Fair value Value	Other reserves, Surplus results And other income full	Total		
Balance on December 31, 2013	5 040 124	1 059 750	(891)	191 724	35 278	(151 733)	(126 505)	(462 568)	5 701 684
Other full income on January 1, 2014 to August 3, 2014	-	-	-	-	(133 748)	(136 264)	(270 012)	-	(270 012)
Effect of the transfer of the asset portfolio obtained for sale to Novo Banco, S.A.	-	-	-	-	98 470	-	98 470	-	98 470
Transfer to Novo Banco, S.A.	-	-	-	-	-	-	-	(870 690)	(870 690)
Net results in the period between January the 1st 2014 and August the 3rd 2014	-	-	-	-	-	-	-	(8 076 443)	(8 076 443)
Total of full income in the period between January the 1st 2014 and August the 3rd 2014	-	-	-	-	(35 278)	(136 264)	(171 542)	(8 947 133)	(9 118 675)
Other full income in the period between August 4, 2014 and December 31, 2014	-	-	-	-	-	(8 154)	(8 154)	-	(8 154)
Actualized dividends	-	-	-	-	-	-	-	(249 655)	(249 655)
Net results in the period between August 4, 2014 and December 31, 2014	-	-	-	-	-	(8 154)	(8 154)	(249 655)	(258 812)
Total income in the period between August 4, 2014 and December 31, 2014	-	-	-	-	-	(8 154)	(8 154)	(249 655)	(258 812)
Reserve creation	1 044 572	-	-	-	-	(462 568)	(462 568)	462 568	-
Capital increase	-	-	-	-	-	-	-	-	1 044 572
Costs with the raising of the net capital	-	(23 262)	-	-	-	-	-	-	(23 262)
Interest of other capital instruments (a)	-	-	-	-	-	(876)	(876)	-	(876)
Dividends of other capital instruments	-	-	-	-	-	(6 414)	(6 414)	-	(6 414)
Other movements (b)	-	2 465	-	(163)	-	(20 514)	(20 514)	-	(18 192)
Balance on December 31, 2014	6 084 696	1 038 923	(891)	191 571	-	(796 573)	(796 573)	(9 196 991)	(2 679 175)
Other comprehensive income:									
Change in fair value, net tax	-	-	-	-	(2 631)	-	(2 631)	-	(2 631)
Actualized dividends	-	-	-	-	-	(7 078)	(7 078)	-	(7 078)
Net result of the exercise	-	-	-	-	-	-	-	(2 588 241)	(2 588 241)
Total of comprehensive income of the exercise	-	-	-	-	(2 631)	(7 078)	(9 709)	(2 588 241)	(2 687 950)
Reserve creation	-	-	-	-	-	(9 196 991)	(9 196 991)	9 196 991	-
Balance on December 31, 2015	6 084 696	1 038 923	(891)	191 571	(2 631)	(10 000 642)	(10 003 273)	(2 598 241)	(6 287 126)

(a) Matches a conditional interest paid biannually and calculated based in an annual rate of 8.5% (for the issues in Euro) and 8.0% (for the issues in USD) regarding the perpetual subordinated bonds obtained by BES with BES Finance (please, check Note 24).

(b) Movements regarding, in general, to the period from January 1, 2014 to August 3, 2014.

The explanatory notes attached are part of these financial demonstrations.

BANCO ESPÍRITO SANTO, S.A.

CASH FLOW DEMONSTRATION THE EXERCISES WHICH ENDED ON DECEMBER 31st, 2015 AND 2014

	Notes	31.12.2015	31.12.2014
(thousands of euros)			
Cash flow of operational activities			
Interests and received earnings		3 991	1 847
Interests and paid costs		(11)	-
Services and received commissions		260	231
Services and paid commissions		(10)	(248)
Cash payments to employees and suppliers		(14 076)	(7 390)
		(9 846)	(5 560)
<i>Variation in operational assets and liabilities:</i>			
Applications in credit institutions		-	(50 326)
Resources of credit institutions		(19 073)	60 651
Credit to clients		27 092	19 521
Other operational assets and liabilities		(19 595)	(29 514)
Net cash flows of operational activities, before taxes			
Over profit		(21 422)	(5 228)
Taxes over paid income		-	-
Net Cash flow of operational activities		(21 422)	(5 228)
Cash flow of investment activities			
Alienation of investments in subsidiaries and associates		3 900	-
Reception of financial assets available to be sold		-	16 158
Buy of immobilizations		(36)	(67)
Net cash flows of investment activities		3 864	16 091
Net variation and its equivalents in the period of august the 3rd 2014 to December 31st, 2014		(17 558)	10 863
Net variation and its equivalents in the period of january the 1st 2014 to August the 3rd 2014 (discontinued activity)			(988 499)
Net variation and its equivalents in the exercise		(17 558)	(977 636)
Cash and equivalents in the beginning of the period		20 863	998 499
Cash net variation and its equivalents		(17 558)	(977 636)
Cash and equivalents in the end of the period	13	3 305	20 863

The explanatory notes attached are part of these financial demonstrations

Notes to the financial statements on December 31, 2015

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

NOTE 1 - ACTIVITY

Banco Espírito Santo, S.A. (BES ou Banco), is a limited company and is headquartered in Portugal, Rua Barata Salgueiro no. 28, 6^o andar, 1250-044, Lisbon. BES's origins date back to the last quarter of the nineteenth century, having started the activity as commercial bank in 1920 following the acquisition of the Espírito Santo & C^a, banking house that was already developing retail banking operations. In 1937 came the merger of Banco Espírito Santo with Banco Comercial de Lisboa which resulted in Banco Espírito Santo and Commercial Lisbon. By public deed of July 6, 1999 began to adopt the firm Banco Espírito Santo, S.A. BES is a joint-stock company whose common shares are listed on *NYSE Euronext Lisbon*, being, however, suspended its trading since last August 1, 2014, by the Board of Directors of the Securities and Exchange Commission, the same time, as mentioned later in more detail. In addition, from February 1, 2016, CMVM determined the exclusion of BES shares of the regulated market trading.

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

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

With the implementation of this measure, it was decided to transfer to a bridge bank, Novo Banco, SA, incorporated under the provisions of Article 145 ^o-A and following of the Legal Framework, the majority of assets and liabilities, off-balance sheet assets and under management of Banco Espírito Santo, SA as of August 3, 2014, as well as its employees and other material resources. The Note 30 describes the impact of the implementation of this resolution measure in the balance sheet of BES on August 3, 2014.

Pursuant to Article 145-DA, in.º1, of the Legal Framework, the current wording to date, the implementation of this resolution measure ordered the suspension of members of the Board of Directors and BES surveillance, and the Bank Portugal, pursuant to paragraph 2, of the same standard, appointed the following members to BES` governing bodies:

Board of Directors

President - Luís Agosto Máximo dos Santos;

Vowel - César Bento Nunes de Brito;

Vowel - Miguel Morais Alçada.

Surveillance Commission

President - José Vieira dos Reis;

Vowel - Rogério Manuel Fernandes Ferreira;

Vowel - Vítor Manuel G. Pimenta e Silva.

Due to the death of its President, José Vieira dos Reis, which occurred on February 17, 2016, the Surveillance Commission remained in operation with the remaining two members, until the appointment of the new President Carlos Manuel Charneca Moleirinho Grenha, by the Bank of Portugal on April 6, 2016.

It should be noted that, according to paragraph 4 of Article 145 - Q of RGICSF, the wording currently in force after this initial transfer, which is detailed in Note 30, the Bank of Portugal may, at any time:

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

Using these powers, as announced on December 29th 2015, the Bank of Portugal held a final adjustment of the perimeter of assets, liabilities, off-balance sheet and assets under management transferred to Novo Banco, SA, which was the final and definitive change of the respective perimeter, so that was definitely fixed. This final adjustment was consolidated in the decision of Bank of Portugal retransmitting to BES a set of issues of non-subordinated debt instruments (deliberation on "Retransmission unsubordinated obligations"). Besides this, Bank of Portugal clarified and sent to BES a series of tax and legal contingencies (deliberation on "transfers, retransmissions and changes and clarifications to Annex 2 of the resolution of 3 August 2014"). On the same date, Bank of Portugal retransmitted the shares representing the entire share capital of BES Finance of Novo Banco to BES (deliberation on "retransmission of shares of BES Finance") (see Note 31).

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

- a) Corrective intervention measures comprising: (i) the prohibition of lending and investing funds in any kinds of assets (paragraph e) of paragraph 1 of Article 141 of the Legal Framework, the current wording to date), except to the extent that the application of funds is necessary for the preservation and development of its assets and (ii) the prohibition of receiving deposits (f) of paragraph 1 of Article 141 of the RGICSF, the current wording to date); and
- b) Other measures, including the exemption for a period of one year from the date of that decision, the observance of prudential rules and the exemption for a period of one year from the timely fulfillment of earlier obligations, unless such compliance is indispensable for the preservation and the valuation of its assets, in which case the Bank of Portugal may authorize, on a proposal from BES, necessary for this purpose operations. This waiver, as decided by the Board of Directors of Banco de Portugal from November 30, 2015, had its effect from 3 August 2015, extended by the period of one year.

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

Hence BES presently carries out its activity within the measurement resolution of the corrective intervention measures and other measures mentioned above, fitting to note that under Article 145-AQ, the wording currently in effect, the Bank of Portugal after checking that they are assured the purposes of measurement resolution and BES does not meet the requirements for maintenance of authorization for the exercise of their activity, can promote the revocation of the authorization to conduct banking activity, which, under the law, it produces the effects of the declaration of insolvency, followed by the liquidation of the institution in accordance with applicable law. It should also be noted that under the Commission's decision in State aid case number SA.39250 (2014/N)-Portugal on the resolution measure applied to BES, the banking license of this institution will be repealed by the end of the sales process of Novo Banco, SA., or, until August the 3rd 2016, according to the Government auxiliary process no. SA.43976 (2915/N) - Portugal - Addendum of BES Resolution of 2014.

According to the statement of December 29, 2015 referred to above, Bank of Portugal announced that it will ask the European Central Bank to revoke the authorization of BES, starting the lawsuit settlement, which, however, has already occurred.

Pursuant to the Article 145-B, paragraph 1, of RGICSF in the wording in force at the date of application of the resolution measure, applying the resolution measure, taking into account

the respective purposes, seeks to ensure that shareholders mostly take the damage in question and that the remaining losses are borne by creditors in fair and equitable conditions and according to the respective hierarchy of each class of creditors, and no such creditor take a bigger loss than the one who would take over if BES had entered immediately into liquidation. Therefore, the applicable law contemplates the realization of an assessment by an independent body designated by the Bank of Portugal which will include an estimate of the level of recovery of claims of each class of creditors in a perspective of immediate liquidation of the institution, which will make the application the provisions of Article 145-B, paragraph 3, of RGICSF in the wording in force on the date of implementation of resolution measure.

On August 1, 2014, the Board of Directors of the Securities Market Commission (CMVM) has decided, under Article 214 and paragraph b) of paragraph 2 of Article 213 of the Code Securities, the suspension of trading of the shares of Banco Espírito Santo, SA to the disclosure of material information about the issuer. The suspension of trading was extended for successive and equal periods of ten days through the respective resolutions of the CMVM. CMVM, given the developments that took place however, in a statement issued on February 1, 2016, determined the exclusion of trading on a regulated market of the shares of BES.

Considering the provisions of Resolution measure applied by the Bank of Portugal in particular for exceptions to the assets, liabilities and off-balance transferred to Novo Banco, SA, as explained in Note 30, the balance of BES, referring to December 31, 2015 it is mainly composed of balances with related parties (see Note 29 and 30) having, however, this chart been changed following the deliberations of Bank of Portugal on December 29th 2015, mainly to what concerns the retransmission to BES of the non-subordinated liabilities (please, check Note 31).

NOTE 2 - MAIN ACCOUNTANCY POLICIES

2.1. Presentation basis

As mentioned in Note 1, as determined by the Bank of Portugal, BES was prohibited from receiving deposits and granting credit, and thus exempted from compliance with the prudential ratios is expected in the European Commission Decision No SA.39250 (2014 / N) - Portugal, which will be revoked the authorization of BES to conduct banking activity which should occur at the time of sale of Novo Banco, SA. Or, at the latest, until August the 3rd 2016, as results from the Government auxiliary process no. SA.43976 (2015/N) - Portugal - Addendum of BES Resolution of 2014.

According to the statement of December 29, 2015 referred to above, Bank of Portugal announced that it will ask the European Central Bank to revoke the authorization of BES, which, however, has already occurred.

The authorization of the revocation decision will have effects on the insolvency declaration which will origin, in turn, a process of judicial BES settlement in accordance with applicable law. Thus, the assumption of continuity is not applicable to the individual financial statements of BES related to December 31, 2015 now presented.

On that basis, these individual financial statements of BES have been prepared in accordance with the Adjusted Accounting Standards (AAS) as set by the Bank of Portugal, which were adapted to the current circumstances of the Bank, in particular regarding the presentation of financial statements and made disclosures as explained in Note 2.19.

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

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

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

The preparation of financial statements in accordance with NCA requires the Bank to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of income, costs, assets and liabilities. Changes in such assumptions or differences between these and the reality may have an impact on the current estimates and judgments. The areas involving a higher degree of judgment or complexity, or where assumptions are used and significant estimates in preparing the financial statements, are disclosed in Note 3.

The financial statements of December 31, 2015 were approved by the Board of Directors on May 16, 2016.

2.2. Foreign currency operations

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

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

2.3. Derivative finance instruments

Recognition and measurement

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

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

2.4. Credit to clients

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

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

The credit to clients is initially recognized by the advanced value to the client.

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

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

Impairment

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

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

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

The conceded credit is presented in the net balance of impairment.

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

2.5. Other assets

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

• Assets available to be sold

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

Recognition and initial measurement and derecognition

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

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

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

Subsequent measurement

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

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

Impairment

In accordance with NCA, the Bank assesses whether there is objective evidence that a financial asset or group of financial assets is impaired.

A financial asset is impaired when there is objective evidence of impairment resulting from one or more events that occurred after their initial recognition, such as (i) for shares and other equity instruments, a prolonged or significant in market value below cost and (ii) debt securities, when an event or events have an impact on the value of the expected future cash flows that can be reliably estimated.

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

2.6. Financial liabilities

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

The non-derivative financial liabilities include deposits from credit institutions and customers and subordinated liabilities represented by titles and subordinated liabilities.

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

Taking into account the non-application of the going concern assumption, financial liabilities are immediately recognized at their refund value in cases where the respective loan agreements contain acceleration clauses and conditions of credit events which shows are recorded on December 31, 2015, compared to BES situation described in Note 1.

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

2.7. Compensation of finance instruments

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

2.8. Financial Guarantees

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

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

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

equals the amount of the received initial charge which is recognized in earnings during the period to which it relates. The subsequent commissions are recognized in income in the period to which they relate.

2.9. Capital instruments

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

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

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

2.10. Associates and subsidiaries

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

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

2.11. Taxes over revenue

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

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

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

The deferred tax liabilities are recognized for all taxable temporary differences and the resulting differences on initial recognition of assets and liabilities that affect neither accounting nor taxable profit, and differences relating to investments in subsidiaries to the extent that it is not likely to be reversed in the future. The deferred tax assets are recognized to the extent that it is expectable that the taxable profits in the future able to absorb the deductible temporary differences.

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

2.12. Provisions and Contingent Liabilities

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

Are classified as contingent liabilities:

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

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

2.13. Leases

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

- **As Lessor**

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

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

2.14. Interest recognition

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

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

To calculate the effective interest rate, the Group estimates the future cash flows considering all contractual terms of the financial instrument (e.g. prepayment options), excluding, however, any future credit losses. The calculation includes all fees which are an integral part of the effective interest rate, transaction costs and all other premiums or discounts directly related to the transaction. In the case of financial assets or groups of similar financial assets for which an impairment loss was recognized, interest recorded in interest income is determined based on the interest rate used to measure the impairment loss.

To what concerns derivative financial instruments, the interest component of the changes in fair value is not separated out and is classified in the income balance of assets and liabilities at fair value through results.

2.15. Commissions and services income recognition

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

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

2.16. Recognition of dividends

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

2.17. Cash and cash equivalents

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

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

2.18. Employees 'benefits

Pensions

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

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

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

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

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

2.19. Presentation of financial statements and disclosures

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

In addition, as determined by the Bank of Portugal, BES was prohibited from receiving deposits and granting credit, and thus exempted from compliance with the prudential ratios is expected in the European Commission Decision No SA.39250 (2014 / N) - Portugal, which will be revoked the authorization of BES to conduct banking activity which should occur at the time of sale of Novo Banco, SA., Or, at the latest, until August the 3rd 2016, as results from the Government auxiliary process no. SA.43976 (2015/N) - Portugal - Addendum of BES Resolution of 2014.

According to the statement of December 29, 2015, Bank of Portugal announced that with the definitive fixing the perimeter of assets, liabilities, off-balance sheet and assets under management resulting from the decisions taken that day, will ask the European Central Bank revoke the authorization of the BES, which, however, has already occurred.

Thus, the Board of Directors decided to stand before the discontinuation of the banking activity of BES since August 4, 2014, remaining only in the sphere of the Bank, the management of the remaining assets and liabilities as described in Note 30 and in Note 31. At this stage, and regarding the amounts of the year 2014 included as a comparison, the Board of Directors decided, based on the provisions of IFRS 5 'Non-current assets held for sale', particularly with regard to activities discontinued, to separately present the results of BES as well as the comprehensive income obtained in the period January 1, 2014 to August 3 2014, in a single line on the face of the statements of income and comprehensive income, respectively.

Also the NCA disclosure requirements have been adapted to the circumstances, being presented in these financial statements the disclosures that the Board of Directors considered necessary to understand the effects of the application of the resolution measure by the Bank of Portugal on August 3, 2014, and subsequent adjustments as well as the effects of the decision of Bank of Portugal on December 29, 2015 and the results activity developed by BES thereafter.

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

The NCA set forth a range of accounting treatments and require the Board of Directors to make judgments and make estimates in deciding the most appropriate accounting treatment. The main accounting estimates and judgments used in the application of accounting principles by the Bank are set out below in order to improve understanding of how their application affects the Bank's reported results and related disclosure. A broader description of the accounting policies used by the Bank are presented in Note 2 to the financial statements.

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

3.1. Fair value of the financial instruments

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

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

3.2. Losses regarding impairment in clients 'credit

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

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

3.3. Impairment of financial assets available to be sold

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

3.4. Pensions and other employees 'benefits

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

Changes to these assumptions could materially affect these values.

3.5. Provisions and Contingent Liabilities

Bank have been receiving various complaints as well as judicial proceedings which are described in the Notes 23 and 28. The determination of the amount of liabilities to be accrued or to be issued, requires the use of judgments and assumptions to determine whether there is a present obligation that could lead to an outflow of resources embodying economic benefits or to make a reliable estimate of the amount of obligation.

Other interpretations, judgments and estimates could determine different values for the provision or contingent liabilities disclosed.

NOTE 4 - FINANCING MARGIN

The amount of this item is composed by:

	31.12.2015	31.12.2014 ⁽¹⁾
		(thousands of euros)
Interests and similar earnings ⁽²⁾		
Credit interests	3 273	1 781
Availabilities' interests and applications in credit institutions	718	66
	3 991	1 847
Interests and similar costs ⁽²⁾		
Responsibilities' interests represented by titles	(466)	-
Resources' interests of clients	(16 020)	(7 969)
Interests of subordinated liabilities	(57 978)	(26 386)
Other interests and similar costs	(4 217)	(234)
	(78 681)	(34 589)
	(74 690)	(32 742)

(1) The amounts indicated and which refer to 2014 are regarding the period between August the 4th and December the 31st 2014, after the application of the Resolution Measure by Bank of Portugal to BES.

(2) Of assets/liabilities to the amortised cost and available assets to be sold.

The topic Interests and similar income includes the loan portfolio interest and interest on term deposits existing in 2015 (see Note 16 and 17).

The item costs with debt securities represented by titles, includes the cost of 466 thousand euros referring to the recognition of interest related to the senior notes retransmitted from Novo Banco to BES on December 29, 2015 (see Note 22 and 31).

The cost item with customer funds of interest, includes the cost of 15,33 million euros (2014: 7,95 million euros) related to the recognition of interest regarding the loan made by Oak Finance to the branch of Banco Espírito Santo in Luxembourg (Note 21).

To what concerns the topic of subordinated liabilities 'interests, in the amount of 58 million euros (2014: 26,4 million euros), reflects the accrued interest on bonds issued by BES by 2013, amounting to 55 million euros (2014: 25,7 million euros) and the accrued interest on bonds issued by BES by 2013, amounting to 1,1 million euros (2014: 0,7 million euros) (Please, check Note 24).

NOTE 5 - RESULTS FROM SERVICES AND COMMISSIONS

The amount of this item is composed by:

	(thousands of euros)	
	31.12.2015	31.12.2014 ⁽¹⁾
Earnings from services and commissions		
Regarding provided banking services	11	7
Regarding provided warranties	249	213
	<u>260</u>	<u>220</u>
Expenses regarding services and commissions		
Regarding third parties' banking services	(10)	(248)
	<u>(10)</u>	<u>(248)</u>
	<u>250</u>	<u>(28)</u>

(1) The amounts indicated and which refer to 2014 are regarding the period between August the 4th to December the 31st, 2014, after the application of the Resolution Measure by Bank of Portugal to BES.

On December 31 2015, the item heading Fees and commissions results represent earnings from guarantees as defined in accounting policy 2.15.

The charges for services and commissions in the amount of 10 thousand Euros (2014: Euros 248.000), refer to commissions paid and payable to Novo Banco, SA, through the intervention under documentary credits according to BES, currently referred to as Banco Económico and Aman Bank.

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

The amount of this item is composed by:

	31.12.2015			31.12.2014 ⁽¹⁾		
	Earnings	Costs	Total	Earnings	Costs	Total
Derivative finance instruments						
Contracts over exchange rates	43	104	(61)	25 617	23 640	1 977
Contracts over interest rates	-	-	-	61	59	2
	43	104	(61)	25 678	23 699	1 979
	43	104	(61)	25 678	23 699	1 979

(1) The amounts indicated and which refer to 2014 are regarding the period between August the 4th and December the 31st 2014, after the application of the resolution measure by Bank of Portugal.

Given that, with the implementation of the resolution as presented in Note 30, the activity of the Bank is subject, to the portfolio of existing derivatives on December 31, 2015, corresponds to the portfolio of August 4, 2014 after adjustments. Thus, with reference to December 31, 2015, the value of 61 million euros reflects gains from the change in fair value of existing derivative before the implementation of the resolution measure referred to and which are still active. It should be noted that during the fiscal year of 2015, all derivative financial instruments reached their maturity (Please, check Note 25).

NOTE 7 - RESULTS OF EXCHANGE REVALUATION

The amount of this item is composed by:

	31.12.2015			31.12.2014 ⁽¹⁾		
	Earnings	Costs	Total	Earnings	Costs	Total
Exchange reevaluation	51 322	150 034	(98 712)	115 696	171 214	(55 518)
	51 322	150 034	(98 712)	115 696	171 214	(55 518)

(1) The amounts indicated and which refer to 2014 are regarding the period between August the 4th and December the 31st 2014, after the application of the Resolution Measure by Bank of Portugal to BES

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

The cost is essentially justified by the appreciation of the dollar against the euro, given the exposure in the amount of 834.6 million USD with the loan made by OAK Finance (see Note 21).

NOTE 8 - OTHER OPERATING INCOME

The amount of this item is composed by:

	(thousands of euros)	
	31.12.2015	31.12.2014 ⁽¹⁾
Other exploitation results		
Contribution to the Banking Sector	(21 656)	-
Default interest receivables	1 232	-
Fines and non-documented expenses	(17)	-
Direct and indirect taxes	(2)	(648)
Others	114	(31 404)
	(20 329)	(32 052)

(1) The amounts indicated and which refer to 2014 are regarding the period between August the 4th and December the 31st 2014, after the application of the Resolution Measure by Bank of Portugal to BES.

This item includes costs relating to the contribution of the year 2015 of the Banking Sector in the amount of 21,656 thousand Euros.

The item also includes income amounting to 1,232 thousand euros relating to interest on late payments regarding the receipt of the sale value of the shares representing the capital of Espírito Santo Saúde, SGPS, S.A.

On December the 31st 2014, "Other" includes costs amounting to 31.6 million euros with respect to the effect of the correction of the OAK Finance funding that was recorded at an amortized cost until August 4, 2014, and that, due to lack of payment the services under the contract, it was recognized at their nominal value as the accounting policy described in Note 2.6 (see Note 21).

On December the 31st 2014, in "Other", are included income amounting to 3.5 million euros from the sale of the shareholder position in ES Health, the amount of 16.2 million euros, which resulted from the execution, observed after August 4, 2014, the financial pledge as a collateral of a credit operation with an entity of Grupo Espírito Santo.

NOTE 9 - PERSONNEL COSTS

The amount of this item is composed by:

	(thousands of euros)	
	31.12.2015	31.12.2014 ⁽¹⁾
Salaries and wages	1 048	213
<i>Compensations</i>	1 048	213
Compulsory social expenses	279	63
Costs with post-employment benefits	40	13 171
Other costs	42	8
	1 409	13 455

(1) The amounts indicated and which refer to 2014 are regarding the period between August the 4th and December the 31st 2014, after the application of the Resolution Measure by Bank of Portugal to BES.

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

	(thousands of euros)			
	Board of Secretary	Surveillance Commission	Other key employees Of Management	Total
December the 31st 2015				
Wages and other short term benefits	587	82	323	992
Subtotal	587	82	323	992
Long term benefits and other social expenses	134	12	73	219
Other wages and antiquity prizes	6	-	13	19
Total	727	94	409	1 230
December 31st, 2014				
Wages and other short term benefits	183	22	24	229
Subtotal	183	22	24	229
Long term benefits and other social expenses	31	3	6	40
Other wages and antiquity prizes	3	-	1	4
Total	217	25	31	273

Salaries and other short-term benefits include holiday pay to be paid in 2016, and the difference between the value added in 2014 and the amount actually paid in 2015 in this regard.

It is considered "Other key management personnel" Officers and Advisors to the Board of Directors of BES. On December 31, 2015 and 2014 there was no credit extended by BES to its key management personnel.

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

	31.12.2015	31.12.2014
Management roles	3	3
Specific roles	1	-
Secretary roles and other	3	2
	7	5

NOTE 10 - BENEFITS TO EMPLOYEES

Retirement pensions and health benefits

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

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

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

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

From the above follows the ones which remained in BES funding responsibilities of the Pension Fund financing with the necessary contributions to enable it to bear the costs of pensions and other benefits granted to directors pursuant to the executive committee plan for managers in functions in the application date of the resolution measure or covered by the decision of the Bank of Portugal of August 3, 2015 as having contributed to the worsening of the financial situation of BES, leaving Novo Banco financing the Pension Fund for the expenses regarding other pension plans and of the plan of the executive committee plan with regard

to the benefits of the directors who were not in the office in solving measurement date or contributed to the worsening of the financial situation of BES, as determined by the decision of Bank of Portugal on August 3, 2015. In short, or because of the resolution measure, started to coexist within the Pension Fund, plans for Novo Banco pension (ie the basic plan, the complementary plan and executive committee of the plan concerning non-deleted administrators) and BES pension plan (ie the executive commission plan of the above administrators).

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

Thus, it was made on May 28, 2015 and updated on October 15, 2015, the responsible actuary of the management company referred to above, the identification and separation of responsibilities and the EC complementary plan assets, and for the purpose, and as instructed by the Supervision of Insurance and Pension Funds Authority, have been identified individual responsibilities on August 3, 2014 and was divided the value of the assets proportionately to ensure an equal level of funding for the parties, registering BES on that date an impairment of EUR 13.5 million euros. As of December 31, 2015 based on a new actuarial study conducted, the failure was estimated at a value amounting to about 43.1 million euros (December the 31st, 2014: 35,1 million euros).

On March 18, 2016, BES, Novo Banco and GNB - Management Company Pension Fund submitted an application to the Board of Directors of the Insurance Supervisory Authority and Pension Funds in order to be allowed to change the Pension Fund agreement under which a sub-fund is created for BES, whose assets finances the responsibilities incumbent on it.

The pension liabilities on December 31, 2015 and 2014 recorded by BES, reflect the best estimate of the Board of Directors taking into account the requirements of IAS 19. However, it is expected that once the new constitution is approved the pension fund contract, the share of the background to affect BES enters immediately into liquidation.

Given the above, as of December 31, 2015, participants in BES pension plan are broken down as follows:

	(thousands of euros)	
	31.12.2015	31.12.2014
Retired and Surviving relatives	10	10
	10	10

As of December 31, 2015, was made by the responsible actuary of the management company, an actuarial valuation. The actuarial assumptions used to calculate pension liabilities on, December 31, 2015 are as follows:

	31.12.2015	31.12.2014
Actuarial presuppositions		
Fund income rates	2.0%	2.5%
Discount rate	2.0%	2.5%
Pensions' growing rate	0.5%	0.5%
Wage growing rate	1.0%	1.0%
Male Mortality Rate	TV 73/77 – 2 years	TV 73/77 – 1 year
Female Mortality Rate	TV 88/90 - 2 years	TV 88/90

The application of the accounting policy described in Note 2.18, is translated into the following responsibilities and coverage levels reported as on December 31, 2015 and 2014:

	(thousands of euros)	
	31.12.2015	31.12.2014
Assets/(Net responsibilities Know in balance		
Total of responsibilities	(97 598)	(91 123)
Retired	(97 598)	(91 123)
Coverages		
Balance of funds	54 495	56 054
Assets/ responsibilities Know in balance(check Note 25)	(43 103)	(35 069)
Accumulated actuarial diversions recognized in other full income	1 321 495	1 314 418

As described in Note 1, BES found itself released from the observance of prudential rules and the timely fulfillment of earlier obligations. At this stage, they are not provided by BES contributions to the pension fund, despite the lack of coverage that occurs on December 31, 2015 and 2014.

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

	(thousands of euros)	
	31.12.2015	31.12.2014
Responsibilities in the beginning of the exercise	91 123	1 226 985
Transfer to Novo Banco S.A.	-	(1 153 783)
Interest costs	2 241	1 068
(Earnings and actuarial losses of the exercise		
- Change of presuppositions	8 733	7 129
- (Earnings and experience losses	(1 523)	(2 760)
Pensions paid by the fund	(2 976)	(687)
Early retirement	-	13 171
Responsibilities in the end of the exercise	97 598	91 123

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

(thousands of euros)

	31.12.2015	31.12.2014
Balance of funds in the beginning of the exercise	56 054	1 230 558
Transfer to Novo Banco, S.A.	-	(1 170 866)
Real income of the fund		
- Projected income	1 285	834
- Actuarial (Losses)/Earnings	132	(3 785)
Pensions paid by the fund	(2 976)	(687)
Balance of funds in the end of the exercise	54 495	56 054

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

	31.12.2015	31.12.2014
Shares	23,4%	21,2%
Bonds	40,0%	19,4%
Real estate	19,0%	24,9%
Others	17,6%	34,5%
Total	100,0%	100,0%

The evolution of the actuarial assets in Other full income can be analyzed as follows:

(thousands of euros)

	31.12.2015	31.12.2014
Actuarial losses in the beginning of the exercise	1 182 762	1 174 608
(Earnings and actuarial losses of the exercise		
- Change of presuppositions	8 733	7 129
- (Earnings) And experience losses	(1 655)	1 025
Actuarial losses in the end of the exercise	1 189 840	1 182 762

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

(thousands of euros)

	31.12.2015	31.12.2014
Cost/ (earnings) Net interest	956	234
Early retirement	-	13 171
	956	13 405

The cost of interest is shown in net interest income.

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

	(thousands of euros)	
	31.12.2015	31.12.2014
In the beginning of the exercise	(35 069)	9 050
Transfer to Novo Banco, S.A.	-	(19 364)
Cost of the exercise	(956)	(13 405)
Actuarial losses recognized in other full income	(7 078)	(8 154)
Amortisation of the transition regime For reservations	-	(3 196)
In the end of the exercise	(43 103)	(35 069)

NOTE 11 - GENERAL ADMINISTRATIVE EXPENSES

The amount of this item is composed by:

	(thousands of euros)	
	31.12.2015	31.12.2014 ⁽¹⁾
Consultancy and auditing	4 627	6 244
Legal and notary	2 236	656
IT services	277	226
Rents	68	9
Representation and visits	44	14
Communications and expedition	28	1
Water, energy and fuel	10	1
Current consumption material	5	2
Advertisement and publishing	3	-
Safety and surveillance	3	-
Conservation and repair	2	-
Other costs	490	331
	7 793	7 484

(1) The amounts indicated and which refer to 2014 are regarding the period between August the 4th and December the 31st 2014, after the application of the Resolution Measure by Bank of Portugal to BES.

On December 31, 2015 the item Consultancy and Auditing includes (i) 2.8 million euros for the work to determine the estimated credit recovery level of each class of creditors in a liquidation scenario of BES immediately before the application of the Resolution measure to be performed by Deloitte Consulting, (ii) 0.9 million related to the forensic audit carried out by Deloitte to the Bank at the request of Bank of Portugal, (iii) EUR 0,38 million euros relating to the exercise of the functions of "monitoring trustee" made by Baker Tilly to check compliance with the commitments undertaken by the Portuguese Government to the European Commission in the resolution process and (iv) 0,14 million euros of audit costs by KPMG.

The item Consultancy and Auditing includes (i) the amount of 3.15 million euros for the evaluation of assets and liabilities, off-balance sheet and assets under management transferred to Novo Banco, SA, following the resolution of the measurement application as explained in Note 30 made by PWC, and (ii) 1.69 million euros to the forensic audit carried out by Deloitte to the Bank at the request of the Bank of Portugal and (iii) 0.315 million euros for the duties of "monitoring trustee" made by Baker Tilly and (v) 0.16 million euros regarding the of audit costs by KPMG.

The topic Legal Matters, litigation and legal services includes EUR 1.37 million (2014: 258 thousand euros) regarding legal services hired to the Lawyers 'Society, S ervulo e Associados.

The fees billed during 2015 and 2014 by KPMG, according to the provisions of art. 508º - F of the Commercial Societies Code are detailed as follows:

	(thousands of euros)	
	31.12.2015	31.12.2014 ⁽¹⁾
Auditing services	138	162
Total amount of the invoiced services	138	162

(1) The amounts indicated and which refer to 2014 are regarding the period between August the 4th and December the 31st, after the application of the Resolution Measure by Bank of Portugal to BES.

NOTE 12 – CURRENT TAXES

The charge to income tax for the year is as follows:

	(thousands of euros)	
	31.12.2015	31.12.2014 ⁽¹⁾
Current taxes		
Of the exercise	12	4
Corrections regarding previous exercises	(1,239)	-
	(1,227)	4
	(1,227)	4

(1) The amounts indicated and which refer to 2014 are regarding the period between August the 4th to December the 31st, 2014, after the application of the Resolution Measure by Bank of Portugal to BES.

The profit registered with corrections regarding previous years corresponds to the tax to be recovered from the 2014 IRC Settlement Statement. The amount is to be received, since the state is retaining all the tax refunds to BES, due to the existence of tax enforcement proceedings. The implementation of tax enforcement proceedings, given the provisions of Article 145-L no. 7 of RGICSF, was, however, suspended, so as a result, it is expected that these values are received (see Note 19).

NOTE 13 - AVAILABILITIES IN OTHER CREDIT INSTITUTIONS

This balance on December 31, 2015 is analyzed as follows:

	(thousands of euros)	
	31.12.2015	31.12.2014
Availabilities in other institutions of credit in the country		
Demand deposit	3 305	20 863
	3 305	20 863
	3 305	20 863

Demand deposits existing in Banco Popular on December 31, 2015 bear interest at 0.05% (2014: 0.5%). Demand deposits existing in Novo Banco and in Caixa Central de Crédito Agrícola Mútuo do not bear interest.

In the consolidated statement of cash flows as of December 31, 2015, cash and cash equivalents are broken down as follows:

	(thousands of euros)	
	31.12.2015	31.12.2014
Cash and cash equivalents:		
Availabilities in other institutions of credit	3 305	20 863
Total	3 305	20 863

As described in Note 1, BES is currently released from the observance of prudential rules and the timely fulfillment of earlier obligations. On that basis, on December 31, 2015 are not applicable to BES the compulsory requirements of minimum cash availability.

NOTE 14 - ASSETS AND LIABILITIES DETAINED FOR NEGOTIATION

On December 31, 2015, the assets caption and financial liabilities held for trading is analyzed as follows:

	(thousands of euros)	
	31.12.2015	31.12.2014
Assets detained for negotiation		
Derivatives		
Derivative assets with a positive fair value	-	330
Impairment	-	(330)
	-	-
Liabilities detained for negotiation		
Derivatives		
Derivative financing instruments with a negative fair value	-	10 418
	-	10 418

During the year 2015 all the derivatives that were in the portfolio on December 31, 2014 reached their maturity.

The occurred movements in the impairment losses were the following:

	(thousands of euros)
	Financial Assets
August the 4th 2014	820
Funds/ (repositions)	(490)
Uses	-
Differences in exchange rate and others	-
December 31st, 2014	330
Funds/ (repositions)	(330)
Uses	-
Differences in exchange rate and others	-
December the 31st 2015	-

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

(thousands of euros)

	31.12.2014		
	Notional	Fair value	
		Asset	Liability
Negotiation derivatives			
Contracts over exchange rates			
Forward			
- buys	11 320	-	
- sales	12 216		866
Currency Swaps			
- buys	74 157	-	9 552
- sales	83 765		
	181 458	-	10 418

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

(thousands of euros)

	31.12.2014		
	Buy		Fair value (net)
	Notional	Sale	
Until 3 months	62 779	70 484	7 649
From 3 months to a year	22 698	25 497	2 769
	85 477	95 981	10 418

NOTE 15 - ASSETS AVAILABLE FOR SALE

This item on December 31, 2015 is analyzed as follows:

(thousands of euros)				
	Cost ⁽¹⁾	Fair value reserve		Balance Amount
		Positive	Negative	
Bonds and other fixed income titles				-
Of other issuers	26 074	-	(3 317]	22 757
Shares	8 505	721	-	9 226
Other variable income titles	1 289	-	(35]	1 254
Balance on December 31, 2015	35 868	721	(3 352]	33 237
Bonds and other fixed income titles				-
Of other issuers	-	-	-	-
Shares	8 505	-	-	8 505
Other variable income titles	-	-	-	-
Balance on December 31, 2014	8 505	-	-	8 505

(1) Acquisition cost to what concerns shares and other capital instruments and amortised cost regarding debt titles.

During the financial year of 2015, under the extra judicial agreement Regularization of the debtor MQP SGPS, SA., were received various titles as settlement, including the most representative in the portfolio, corresponding to the Novo Banco bonds value in almost 23 million on December 31, 2015. In the course of this agreement, the Bank also received 200 units of the Albuquerque Fund as well as 53,108 units of NB Liquidity Fund.

Additionally, the Bank has on 31 December 2015 shares representing 17.74% of the capital of Espírito Santo Health Care Investments, SA, which resulted from execution after August 4, 2014, of the financial pledge received as collateral for an operation credit. Given the features of the asset concerned, the fair value as of December 31, 2015, of 9,226 thousand euros (2014: 8 505 thousand euros), was estimated based on the best estimate of the dividends expected to be paid by the entity in the short term.

NOTE 16 - APPLICATIONS IN OTHER CREDIT INSTITUTIONS

This item on December 31, 2015 is analyzed as follows:

	(thousands of euros)	
	31.12.2015	31.12.2014
Applications in national credit institutions		
Deposits in other institutions of credit	69 149	50 076
	69 149	50 076
Applications in foreign credit institutions		
Other applications	15 390	15 083
Losses due to imparity	(15 390)	(15 083)
	69 149	50 076

Deposits in other credit institutions in the country bear interest at rates between 0.6% and 2.8% (2014: 1.25% and 1.75%).

The value of investments in credit institutions abroad in the amount of 15.4 million euros refers to a deposit made by BES with the Espirito Santo Bank (Panama) (see Note 29). Taking into account the current situation of this institution, in BES' Board of Directors deemed it necessary to set up an impairment loss for the entire balance.

The occurred movements in the impairment losses were the following:

	(thousands of euros)
	Applications in Other CI
August the 4th 2014	14 833
Funds/ (repositions)	250
Uses	-
Differences in exchange rate and others	-
December 31st, 2014	15 083
Funds/ (repositions)	-
Uses	-
Differences in exchange rate and others	307
December the 31st 2015	15 390

The timing of investments in credit institutions by maturity, as of December 31, 2015 and 2014 is as follows:

	(thousands of euros)	
	31.12.2015	31.12.2014
Until 3 months	14 492	5 020
From 3 months to a year	54 657	45 056
Undetermined duration (due)	15 390	15 083
	84 539	65,159

NOTE 17 - CLIENTS` CREDITS

This item on December 31, 2015 is analyzed as follows:

	(thousands of euros)	
	31.12.2015	31.12.2014
Internal credit		
To companies		
Credits in checking account	817	6 862
Loans	18 896	107 030
<i>Factoring</i>	-	9 944
Leasing	13 363	19 148
Other credits	156	161
To individuals		
Others	-	40
	33 232	143 185
External credits		
To companies		
Loans	21 106	24 224
	21 106	24 224
Credits and due interests		
Until 3 months	-	279 770
From 3 months to a year	203	642 786
From 1 to 3 years	947 593	-
	947 796	922 556
	1 002 134	1 089 965
Losses due to imparity	(959 307)	(985 671)
	42 827	104 294

BES 'credit portfolio on December 31, 2015 is primarily comprised of loans to related parties, as it can be analyzed in Note 29.

The impairment losses recognized in the balance sheet on December 31, 2015 reflect the best estimate of the Board of Directors of BES regarding the recoverability of these credits, taking into account the current situation involving the Espírito Santo Group.

The occurred movements in the impairment losses were the following:

(thousands of euros)

Credit to clients	
August the 4th 2014	964 270
Funds / (reposition)	2 095
Uses	-
Differences in exchange rate and others	18 812
Transfers	494
December 31st. 2014	985 671
Funds / (reposition)	7 005
Uses	(58 384)
Differences in exchange rate and others	25 015
Transfers	-
December the 31st 2015	959 307

To this date, a significant portion of the loan portfolio is impaired, although the contractual maturity of some credits not yet been reached. Thus, the information presented below regarding the scheduling of loans to customers by maturity, as of December 31, 2015, however for a significant portion of the loan portfolio to its effective maturity date is in fact undetermined.

(thousands of euros)

	31 12 2015	31 12 2014
Until 3 months	2 304	13 071
From 3 months to a year	4 593	12 275
From one to five years	44 927	116 157
More than five years	2 514	25 906
Undetermined duration	947 796	922 556
	1 002 134	1 089 965

NOTE 18- INVESTMENTS IN SUBSIDIARIES AND ASSOCIATES

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

	31.12.2015						(thousands of euros)	
	Noof Shares	Participation nominal In	Value direct capital (euros)	Cost of participation	Impairment Of losses Exercise	For accumulated Impairment imparities	Net amount	31.12.2014 Net amount
BES ANGOLA	37 350 379	55,71%	14.38	273 044	-	(273 044)	-	-
BRICKELL BANK	3 188 525	99,99%	3.62	89 691	1 735	(80 506)	9 185	7 450
BES FINANCE	100 000	100,00%	1.00	25	(25)	(25)	-	-
AMAN BANK	-	-	-	-	-	-	-	3 900
				362 760	1 710	(353 575)	9 185	11 350

The resolution measure applied by Bank of Portugal to BES on August 3, 2014, entailed the transfer of almost the entire portfolio of investments in subsidiaries and associated BES to Novo Banco, with the exception of:

- (i) Shares representing the share capital of Banco Espírito Santo Angola, S.A.;
- (ii) Shares representing the capital of Espírito Santo Bank (Miami);
- (iii) Shares representing the share capital of Aman Bank (Libya);

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

With this operation, the then shareholders of the bank, including BES, saw its shares in the capital of BES Angola fully diluted and BES no longer has any interest in the capital of BES

Angola, having incurred in the full loss of the amount invested in EUR 273 million. Thus, the Board of Directors of BES decided to proceed to the recognition of an impairment in the financial statements of August 4, 2014, in the respective loss value. Nevertheless, they were triggered by BES competent legal reactions to the said general meeting of BES Angola to the Angolan courts, and in case if it considers that the decision of the National Bank of Angola was binding, was presented the competent administrative appeal and the subsequent judicial review.

To what refers to Espírito Santo Bank of Miami, was adopted on August 8, 2014, the *Federal Deposit Insurance Corporation (FDIC) a consent order*, which inter alia provided a deadline for the submission of a plan of sale, merger or liquidation of the institution. In fulfillment of this plan, it was launched a sales process of E. S. Bank and on April 30, 2015 was signed an agreement for the sale of shares of BES in this society. Based on the terms agreed with the acquirer regarding the clamping mechanism of the price of buy and sale, the impairment loss regarding this participation was updated based on the exchange rate of dollar at a value of around EUR 1.7 million (amounting in cumulative terms on December the 31st 2015 to 80.5 million euros), so that their book value corresponds to the best expectations of the respective sale value which is fixed in almost 10 million USD.

On December the 31st 2015, in a sub consolidated basis, the assets of Brickell Bank reached 476 873 thousand Euros, liabilities to 445 179 thousand Euros and shareholders' equity to 31 694 thousand Euros. On, December 31, 2014, the figures were 544 016 thousand euros, 504 209 thousand Euros and 39 807 thousand Euros, respectively.

Given the political and social situation in Libya, the Board of Directors of BES considered, as at June 30, 2014, that there are significant limitations on its ability to exercise control over the Aman Bank thus, as the financial statements of the Bank June 30, 2014, this share is now included in the consolidated accounts by the equity method. The shares of BES in this company were sold on February 27, 2015, and the buyer paid a fixed compensation and an unconditional provision of 3.9 million euros.

In the deliberation of December, the 29th 2015, which completed the resolution measure applied to the Bank, the Board of Directors of Bank of Portugal, decided to retransmit shares representing the entire share capital of BES Finance Limited (Cayman Islands) of Novo Banco, SA to Banco Espírito Santo, SA. The provision is totally endowed.

The occurred movements in the impairment losses were the following:

(thousands of euros)

Investment in subsidiaries and associates

August the 4th 2014	391 653
Funds/ (repositions)	-
Uses	-
<i>Differences in exchange rate and others</i>	-
December 31st, 2014	391 653
Funds/ (repositions)	25
Uses	(36 369)
<i>Differences in exchange rate and others</i>	(1 734)
December the 31st 2015	353 575

NOTE 19 - OTHER ASSETS

The item Other assets on December 31, 2015 is analyzed as follows:

	(thousands of euros)	
	31.12.2015	31.12.2014
Escrow account	4	4
Public administration	1 451	-
Other debtors	2 777	3 861
Other operations to be regularized	37	341
	4 269	4 206
Losses due to imparity	(2 790)	(2 721)
	1 479	1 485

The Administrative Public Sector includes the amount of € 1.2 million regarding the tax to be recovered from the statement of liquidation of the IRC 2014. The amount is to be received, since the state is retaining all the tax refunds to BES, due to the existence of tax enforcement proceedings. The implementation of tax enforcement proceedings, given the provisions of Article 145-L no. 7 of RGICSF, was, however, suspended, so as a result, it is expected that these values are received. (Please, check Note 12)

The topic Other Debtors includes the amount of 2.5 million euros (2014: 2.2 million euros) receivable from Opway Engineering SA, due to the complaint of the beneficiaries of guarantees provided by BES, in the form of letters of credit, to that entity. It was recognized an impairment loss of 100% for this asset, reflecting the best estimate of the Board of Directors of BES as the amount of this resilience, taking into account the current situation involving that entity.

The occurred movements in the impairment losses were the following:

	(thousands of euros)
	Other assets
August the 4th 2014	512
Funds/ (repositions)	(9)
Transfers	2 242
Differences in exchange rate and others	(24)
December 31st, 2014	2 721
Funds/ (repositions)	(183)
Transfers	-
Differences in exchange rate and others	252
December the 31st 2015	2 790

NOTE 20 - RESOURCES OF THE CREDIT INSTITUTIONS

The item Resources of other institutions is presented as follows:

	(thousands of euros)	
	31.12.2015	31.12.2014
Abroad		
Deposits	26	26
	26	26

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

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

NOTE 21 - CLIENTS`RESOURCES AND OTHER LOANS

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

	(thousands of euros)	
	31.12.2015	31.12.2014
Demand deposits	7 825	7 191
Term deposits	<u>1 696</u>	<u>1 628</u>
	9 521	8 819
Others	781 965	687 458
	<u>781 965</u>	<u>687 458</u>
	791 486	696 277

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

The topic Other includes the amount of 782 million euros (2014: 687 million euros) related to a loan granted to BES, through its branch in Luxembourg, pursuant to a contract with Oak Finance Luxembourg SA, on June 30, 2014, amounting to 834.6 million USD. Under this contract, the total remuneration for the duration of the corresponding loan at 6% (six percent) of the total amount, was charged in advance in the form of an equal value discount, thus corresponding to the amount disbursed to 94% of the loan value. The amount of the financing obtained is recorded at an amortized cost, in which the contract start date corresponded to the nominal value minus the interest paid in advance. However, considering that in case of non-payment of installments of capital and / or interest within the time allowed in the contract (which came to occur in the fourth quarter of 2014) the lender can indicate the same as resolved, being in this case due to the total amount of the nominal value, the Board of Directors decided to proceed to the full recognition of the nominal amount of the loan in the financial statements of December 31, 2014, which led to the recognition of an

expense in the period of August 4, 2014 to December 31, 2014 to EUR 31.6 million (see Note 8).

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

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

Notwithstanding the determination and confirmation, the Bank of Portugal also determined in said resolution which is necessary to achieve the resolution of the objectives set out in Article 31 of BRRD and Article 145-C of RGICSF, which transposes the Responsibility of Oak Finance "remains in effect (and be deemed to have remained) in BES and not pass (or is deemed to have passed) in no time to Novo Banco." Moreover, the Board of Directors of Bank of Portugal determined, in the exercise of its powers and under the above provisions to apply "a resolution measure for the purposes of BRRD and / or a reorganization measure pursuant to Directive 2001/24 / EC whereby transfers back to the Responsibility of Oak Finance of Novo Banco for BES ". It is also specified that "the transfer in question comprises all associated liabilities, interest and any liabilities arising from "cross-default" and take effect on August 3, 2014" and that Novo Banco and BES ensure that their accounting records fully reflect and act according to what it is determined.

The escalation of the customer resources and other loans, by maturity, as of December 31, 2015 is as follows:

	(thousands of euros)	
	31.12.2015	31.12.2014
Immediately Demandable	7 825	7 191
Term Demandable		
Until 3 months	783 661	688 935
From 3 months to a year	-	37
From one to five years	-	114
	783 661	689 086
	791 486	696 277

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

NOTE 22 - RESPONSABILITIES REPRESENTED BY TITLES

The balance of Liabilities item represented by securities and other loans is composed as follows:

	(thousands of euros)	
	31.12.2015	31.12.2014
Senior Bonds	2 238 114	-
	2 238 114	-

On, December 31, 2015 the main features of the subordinated debt are presented as follows:

Designation	Currency	Issuing date	31.12.2015		Interest rate	Maturity
			Balance value	Balance value		
NB 6,875% 15/07/2016	EUR	15-07-2011	81 400	84,006	6,88%	15-07-2016
NB 6,9% 28/06/2024	EUR	28-06-2012	87 000	90,076	6,90%	28-06-2024
NB 4,75% 15/01/2018	EUR	15-01-2013	500 000	522,839	4,75%	15-01-2018
NB 4,0% 21/01/2019	EUR	21-01-2014	750 000	778,356	4,00%	21-01-2019
NB 2,625% 08/05/2017	EUR	08-05-2014	750 000	762,837	2,63%	08-05-2017
			2,168,400	2,238,114		

By resolution of the Board of Directors of Bank of Portugal of December 29, 2015, it was determined to retransmit from Novo Banco to BES the liabilities arising from issues of non-subordinated debt instruments listed above, together with all liabilities, contingencies and elements off-balance sheet to the extent that they related to such debt instruments (see Note 31).

This retransmission was decided under the powers of Bank of Portugal, under the General Regime for Credit Institutions and Financial Companies and as also contemplated in the original resolution of resolution of August 3, 2014, to return to BES the liabilities which had been transferred Novo Banco under the resolution measure.

The retransmission had an immediate effect on 29 December 2015, hence the same should be also reflected in the accounts for the year 2015 of BES.

The nominal amount of the bonds returned to BES according to the guidance received from Bank of Portugal on May 13, 2016, is of 2,168 million euros, plus accrued interest until December 31, 2015 amounts to 2,238 million euros (includes 466 thousand euros relating to the accrued interest from December 29 and the end of the year, see Note 4).

With the exception of the second issue referred to above, which is not listed, the others are admitted to trading on the *Bourse du Luxembourg*, being that, however, the trading is

suspended since December 29, 2015. Therefore, to this date, the trading of these bonds issued by BES in a regulated market is suspended.

The timing of investments in credit institutions by maturity, as of December 31, 2015 and 2014 is as follows:

	(thousands of euros)	
	31.12.2015	31.12.2014
Until 3 months	51,195	-
From 3 months to a year	99,919	-
From one to five years	2,000,000	-
More than five years	87,000	-
	2 238 114	

NOTE 23 - PROVISIONS

On December 31, 2015, the balance of provisions is composed as follows:

	(thousands of euros)	
	31.12.2015	31.12.2014
Provisions for warranties and assumed commitments	35 763	37 009
Other provisions	1 258 007	1 089 842
	1 293 770	1 126 851

The movements in provisions were as follows:

	(thousands of euros)			
	Provision to General risks of credit	Others Provisions	Provisions to Warranties and commitments assumed	Total
Balance on Monday, August 04, 2014	494	1 033 494	15 432	1 049 420
Funds/ (repositions)	-	37 619	71 054	108 673
Transfers	(494)	19 090	(21 332)	(2 736)
Differences in exchange rate and others	-	(361)	(28 145)	(28 506)
Balance on Wednesday, December 31, 2014	-	1 089 842	37 009	1 126 851
Funds/ (repositions)	-	154 550	(1 995)	152 555
Transfers	-	-	-	-
Differences in exchange rate and others	-	13 615	749	14 364
Balance on December 31, 2015	-	1 258 007	35 763	1 293 770

The other provisions, whose value amounted to 1 258 million euros (2014: 1089.8 million euros), intended to cover certain contingencies, the most important being the following:

- Provisions to contingent liabilities in the amount of 667.6 million euros (2014: 667.6 million euros) related to the debt issued by Grupo Espírito Santo and endorsed by BES retail customers;
- Provisions for two licenses issued in connection with the acquisition by debt Venezuelan customers issued by Espírito Santo Group, from which may result certain obligations for BES in the amount of EUR 385.2 million (2014; 314 million euros).
- The responsibilities arising from the process of exchange of Banco Boavista Interatlântico shares for Bank Bradesco shares, which took place during the financial year of 2000. The Bank constituted provisions in the amount of 71.6 million euros (2014: 89.7 million euros) to cover possible losses with that process;
- Provision for liabilities arising from the subscription, by BES clients, of preferred shares BES of vehicles and other debt securities issued by entities of the Group in the amount of 81.2 million euros.

- Contingencies likely associated with the discontinuation of a process of setting up a subsidiary abroad, in the amount of EUR 34.9 million (2014: 3.3 million euros) due to an arbitration proceeding under the ICC arbitration rules, in Paris, by SWICORP IJAR against BEA, Algeria, and BES and that was already pending at the time of application of the resolution measure, with indemnity claims based on the alleged failure of the joint venture agreement on a financial lessor in Algeria;
- Liabilities associated with fraud cases in Switzerland in the amount of approximately EUR 2.0 million (2014: 1.4 million euros).
- Contingencies likely due to proceedings brought against BES after the resolution measure on August 3, 2014 of EUR 15 million (2014: 11.3 million euros).
- The surplus amount in the amount of 0.5 million euros (2014: 2.5 million euros) is intended to cover potential losses arising from the normal bank activity.

Additionally, BES is exposed to a group of contingencies which are detailed in Note 28.

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

NOTE 24 - SUBORDINATE LIABILITIES

The item Subordinate Liabilities is divided as follows:

	(thousands of euros)	
	31.12.2015	31.12.2014
Bonds	947 110	890 348
Loans	44 979	43 910
	992 089	934 258

On December 31, 2015 the main features of the subordinated debt are presented as follows:

Designation	Currency	Issuing date	31.12.2015		Interest rate	Maturity
			Issuing value	Balance value		
Perpetual subordinated loans	EUR	2002	23 495	24 665	Euribor 3M + 2,83%	2018 a)
Perpetual subordinated loans	EUR	2004	19 247	20 314	Euribor 3M + 0,172%	-
Subordinated bonds	EUR	2004	25 000	24 052	Euribor 6M + 1,25%	2014
Subordinated bonds	EUR	2008	50 000	51 333	Euribor 3M + 1,55%	2018
Subordinated bonds	EUR	2011	8 174	9 871	10,00%	2021
Subordinated bonds	EUR	2013	750 000	861 854	7,13%	2023
			875 916	992 089		

† Date of the next call option

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

Designation	Currency	Issuing date	31.12.2014		Interest rate	Maturity
			Balance value	Balance value		
Perpetual subordinated loans	EUR	2002	23 495	23 974	Euribor 3M + 2,83%	2018 a)
Perpetual subordinated loans	EUR	2004	19 247	19 936	4,51%	2015 a)
Subordinated bonds	EUR	2004	25 000	22 236	Euribor 6M + 1,25%	2014
Subordinated bonds	EUR	2008	50 000	50 543	Euribor 3M + 1,55%	2018
Subordinated bonds	EUR	2011	8 174	8 990	10,00%	2021
Subordinated bonds	EUR	2013	750 000	808 579	7,13%	2023
			875 916	934 258		

† Date of the next call option

On August 4, 2014, the Board of Directors of the Securities Market Commission (CMVM) has decided, under Article 214 and paragraph b) of paragraph 2 of Article 213 of the Code Securities, the suspension of trading of subordinated bonds issued by Banco Espírito Santo, SA in 2011 and admitted to trading on the official market operated by Euronext Lisbon - Management Company of Regulated Markets, SA (Euronext Lisbon), to the dissemination of information relevant. The suspension of trading was extended for successive and equal periods of ten working days. CMVM, given the developments that took place, through a statement issued on February 1, 2016, determined the exclusion of trading on a regulated market of the shares issued by BES. Also on August 4, 2014, the *Commission de Surveillance du Secteur Financier* (CSSF) ordered the immediate suspension of trading in financial

instruments issued by Banco Espírito Santo, SA of trading on the Bourse de Luxembourg markets. Thus, to this date, the trading of these bonds issued by BES is suspended.

For the two perpetual subordinated loans mentioned in this Note, we were contracted with BES Finance (see Note 29), whose shares were retransmitted to BES on December 29, 2015 following the decision of Bank of Portugal (see Note 31).

NOTE 25 - OTHER LIABILITIES

The item Other Liabilities is divided as follows:

	(thousands of euros)	
	31.12.2015	31.12.2014
Liabilities due to taxation court proceedings in due course	34 690	34 690
Escrow account	4	4
Other debtors	4 666	9 275
Due derivatives	46 839	26 782
Public administration	291	940
Retirement pensions and health benefits (check Note 10)	43 103	35 069
Other liabilities	1 329	1 189
	130 922	107 949

In the explanatory notes regarding the financing demonstrations referring to the exercise of 2014, the Board of Directors of BES indicated that the “decision of Bank of Portugal which led to the implementation of the resolution measure is unclear regarding the transfer of responsibilities arising from tax proceedings, prior to the resolution of measurement date and resulting from past events (...)”. It has also signaled that these were “judicial matters in analysis to the date of these financial demonstrations”; which was registered “a payable amount of approximately EUR 34.7 million for eventual responsibilities regarding taxation proceedings”, which will proceed to the “registration tax on income of 12 million euros”, adding, however, that these figures “may have to be adjusted in light of the conclusions that may be obtained in the course of that examination”.

However, on December 29, 2015, the Bank of Portugal adopted a resolution of "clarification and retransmission of responsibilities and contingencies defined as excluded liabilities" to allow the elimination of the doubts that exist regarding the allocation between BES and Novo Banco of liabilities for contingencies of taxation law relating to tax events prior to the implementation of the resolution measure.

Indeed, it is explained that "were not transferred from BES to Novo Banco any liabilities or off-balance sheet BES which at 20:00 pm on August 3, were contingent or unknown (including litigation liabilities related to pending litigation and liabilities for contingencies arising from fraud or violation of rules or regulatory determinations, criminal or misdemeanors),

regardless of their nature (tax, labor, civil or other) and meet or not registered in the accounts of BES.”

And it is also determined that are also transferred to Novo Banco "any credits already made or to be reported to previous tax facts to August 3, 2014, whether or not recorded in the accounts of BES.”

In the referred decision it is also determined also that BES and Novo Banco Boards of Directors "will perform all the necessary acts for the implementation and effectiveness of the proposed clarifications and retransmissions in this determination" and should also "adjust its accounting records to provisions of the decisions of Bank of Portugal "and refrain from any conduct that might prejudice.

Despite this new framework, it should be noted that the implementation of that decision of Bank of Portugal does not imply a change from previous accounting records since, for prudence, despite the doubts that we considered founded, they had already been made in accordance with the principles and guidelines which have now been established.

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

Following the decision, was made, on May 28, 2015 and updated on October the 15h, 2015, by the responsible actuary of Novo Banco Group Pension Fund, the identification and separation of responsibilities and the heritage of the Directors 'Plan under the Charter of BES Pension Fund to recognize BES and Novo Banco, having been given a funding gap of the Directors 'Plan responsibilities in the share of BES of 13,5 million Euros on August the 3rd 2014. On December 31, 2015 the amount of liabilities not covered by the pension fund amounts to 43.1 million euros (31 December 2014: 35,1 million euros) (Please, check Note 10).

BES on a date prior to August 4, 2014 had entered into derivative contracts with GES entities, and these operations have been considered in the sphere of Banco Espírito Santo, according to the measure of resolution of Bank of Portugal. Thus, since all derivatives portfolio reached

their maturity during the year 2015, BES recorded in its liabilities the liabilities owed to counter parties in the amount of about 46.8 million euros (2014: 26,8 million euros).

NOTE 26 - CAPITAL, SHARE PREMIUM, TREASURY SHARES AND OTHER EQUITY INSTRUMENTS

Ordinary shares

On December 31, 2015, the Bank's capital, amounting to 6,084,695 651.06 euros, was represented by 5,624,961,683 common shares, fully subscribed and paid by different shareholders. During the first half of 2014, the Bank increased the share capital of 5,040,124 thousand euros to 6,084,696 thousand euros, through the issuance of 1 607 million common shares.

The main share participations on December 31, 2015 and 2014, were:

	% Capital	
	31.12.2015	31.12.2014
Espírito Santo Financial Group , S.A. ⁽¹⁾	20,05%	20,05%
Credit Agricole, S.A. (France) ⁽¹⁾	14,64%	14,64%
Silchester International Investors Limited (Reino Unido) ⁽¹⁾⁽²⁾	4,95%	4,95%
Bradport, SGPS, S.A. ⁽³⁾	3,91%	3,91%
Morgan Stanley & Co. International plc ⁽¹⁾	-	2,11%
PT Prestações - Mandatária de Aquisições e Gestão de Bens, S.A. ⁽⁴⁾	2,07%	2,07%
Others	54,38%	52,27%
	100,00%	100,00%

(1) Direct and indirect participation

(2) Through investment funds

(3) Society created according to the Portuguese law totally detained by Bradesco Brazil , To which are attributed the rights Of voting

(4) Fully dominated company by Portugal Telecom, SGPS, S.A.

On August 1, 2014, the Board of Directors of the Securities Market Commission (CMVM) has decided, under Article 214 and paragraph b) of paragraph 2 of Article 213 of the Code Securities, the suspension of trading of the shares of Banco Espírito Santo, SA to the disclosure of material information about the issuer. The suspension of trading was extended for successive and equal periods of ten days through the respective resolutions of the CMVM. CMVM, given the developments that took place however, in a statement issued on February 1, 2016, determined the exclusion of trading on a regulated market of the shares of BES.

Issuing premiums

On, December 31, 2015, the issuing of premiums totaled 1,038,923 thousand euros, related to the premium paid by shareholders in capital increases.

Other capital instruments

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

(thousands of euros)							
Description	Issuing date	Currency	Balance date	Balance value	Interest rate	Payment of coupon	Possibility of refund ⁽¹⁾
Perpetual bonds	Dec/10	EUR	176 497	26 027	8,50%	15/Mar and 14/Sep	From Sept/15
Perpetual bonds	Dec/10	USD	5 080	2 973	8,00%	15/Mar and 14/Sep	From Sept/15
Perpetual loan	Dec/10	EUR	600 000	162 571		02/Jul ⁽²⁾	From Jul/14
				191 571			

(1) The reimbursement of these titles can be performed in its total, but not partially, as chosen by the issuer, after a previous approval of Bank of Portugal.

(2) From July 2014, the interest rate shall be paid quarterly based on Euribor Rate, three months, plus 2.67%, over the used amount.

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

On August 4, 2014, the Board of Directors of the Securities Market Commission (CMVM) has decided, under Article 214 and paragraph b) of paragraph 2 of Article 213 of the Code Securities, the suspension of trading of the perpetual bonds issued by Banco Espírito Santo, SA in 2010. The suspension of the trading was extended for successive and equal periods of ten working days to the disclosure of material information about the issuer, through the respective resolutions of CMVM. CMVM, given the developments that took place, through a statement issued on February 1, 2016, determined the exclusion of trading on a regulated market of the shares issued by BES.

During the month of December 2010, Banco Espírito Santo contracted with BES Finance a perpetual subordinated loan with indeterminate maturity and conditional interest (loan), which said the conditions that BES Finance had the issue of preferred shares. Given the features of this subordinated loan, the same was considered an equity instrument in accordance with the accounting policy described in Note 2.9.

Own shares

During the financial year of 2015, the BEM received in exchange 23,748,825 own shares, under the extra judicial settlement of the debtor debt settlement MQP SGPS, SA. The movement of own shares in the year 2015 is as follows:

	31.12.2015		31.12.2014	
	No. of shares	Amount (*)	No. of shares	Amount (*)
Balance in the beginning of the period/ exercise	275 291	801	275 291	801
Shares received in funds	23 748 825	-	-	-
Balance in the end of the exercise/period	24 024 116	801	275 291	801

(*) - Amount in thousands of Euros

NOTE 27 - RESERVES, RETAINED EARNINGS AND OTHER COMPREHENSIVE INCOME

Legal reserve

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

Fair value reserves

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

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

On December 31, 2015 it presents a negative fair value of approximately 2631 thousand euros, resulting from the revaluation of securities that were received after the resolution measure applied by Bank of Portugal, under the credit side of running in default. The financial assets available for sale and fair value reserves are shown in Note 15.

Earnings Account

The earnings 'account are in the amount of 9,196,991 thousand euros, by incorporation of Net Income for the year 2014, as the earnings 'account in the end of that year were nil.

NOTE 28 - COMMITMENTS AND CONTINGENT LIABILITIES

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

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

- Claims for losses incurred by an institutional customer of BES, resulting from failure on the part of non-financial entities in Espírito Santo Group, the obligation to pay debt securities issued by these. The nominal value of the underlying debt securities to this claim amount to approximately 176.8 million euros (2014: 176,8 million euros).
- Several complaints received by post or email and for which BES does not have the information needed to make an estimate as to potential liabilities that may result from them.

In addition, processes were endeavored against BES with a total value of 157.4 million euros (2014: 172.3 million euros) that the Board of Directors consider not to be likely that the settlement will be required, including:

- Process in the amount of 106 million euros (2014: 106 million euros), related to an action brought against BES by 39 authors, for alleged losses incurred in the application scope of the Bank's shares in the capital increase in May 2014.
- On December 31, 2014 was included in the arbitral proceedings in which it is claimed a value of up to EUR 31.2 million related to loss of profits under the discontinuation of a process of creation of a subsidiary abroad. The December 31, 2015, pursuant to the Resolutions of Bank of Portugal of 29 December 2015, there were changes on the effective accountability of BES in this process whose effects were accrued as of December 31, 2015 and are now disclosed in Note 23.

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

On October 2015, BES received a letter from the administrator of the insolvency of Espírito Santo Financial Group ("ESFG"), currently the subject of insolvency proceedings running terms in Luxembourg, which invokes the invalidity of the financial pledge, on June 27, 2014, by which they have been given in pledge to BES by ESFG 3,225,283 shares of Espírito Santo Saúde, SGPS, SA, and 550 shares of Espírito Santo Health Care Investments, SA. ("ESCHI"),

which belonged to the insolvent ESFG. To that extent, requires BES return to ESFG (i) the proceeds of sale of the Espírito Santo Saúde shares received by BES following the implementation of that pledge and (ii) the actions of the Espírito Santo Health Care Investments, SA. ("ESCHI") that BES appropriated pursuant to that pledge, informing BES that if it does not accept such request, there will be action in court to challenge the formal validity and material pledge, as well as its implementation. BES replied to that letter rejecting the request made on it to understand that they are unfounded fundamentals alleged regarding the invalidity of the pledge and their implementation, so react accordingly, including contesting any legal action that may you be moved in this context.

BES was recognized by ESCHI and the other members as the holder of the participation of 17.74% of the capital of ESCHI having exercised the rights attached to these shares. In this context BES participated in ESCHI the General Assembly that took place on March 15, 2016 and received dividends in the amount of 9.2 million euros, last March 22, 2016.

On May 2, 2016, BES was notified of the existence of an action brought by the Insolvent Mass ESFG having as object the financial pledge agreement of June 27, 2014 and its implementation by BES, in October 2015. In this action, which runs its terms in the Luxembourg Commercial Court and whose first hearing is scheduled to the July the 8th, are also defendant to Luz Saúde, S.A. (ex-ESS), and ESHCI and SG Audit, SARL. In the action is requested, primarily, a declaration of invalidity or at least inefficiency before ESFG, the financial pledge agreement entered into on June 27, 2014, and condemnation of BES in returning the resulting credit pawn execution and the payment of compensation resulting from the 'loss of value suffered by the securities'. Alternatively, ESFG asks to be recognized the merits of the application for pauliana challenge and BES ordered to pay the assets resulting from the implementation of the financial pledge agreement in October 2014.

Other contingent liabilities and commitments

Apart from the derivative financial instruments existed on December 31, 2015, the following balances related to off-balance sheet accounts:

	(thousands of euros)	
	31.12.2015	31.12.2014
Contingent liabilities		
Warranties and endorsements	315 597	333 827
Open documentary credits	16 731	101 171
	332 328	434 998
Total	332 328	434 998

The guarantees and sureties are banking operations that do not translate themselves in a fund-raising by the Bank. On December 31, 2015 the topic Other includes the amount of 57.2

million euros (2014: 75.5 million euros), in guarantees provided to related parties, as can be analyzed in Note 29. BES constituted provisions in the amount of 35.8 million euros (2014: 37 million euros) to cover these guarantees issued (see Note 23).

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

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

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

	(thousands of euros)	
	31.12.2015	31.12.2014
Amounts received to charged	2 005	2 005
	2 005	2 005

NOTE 29 - RELATED PARTY TRANSACTIONS

A summary of the balances with the related parties on December 31, 2015 can be shown as follows:

	(thousands of euros)								
	31.12.2015								
	Financial				Warranties done	Liabilities	Earnings	Costs	
Applications in availabilities in institutions in credit	Credit	Titles	Others	Total					
Rio Forte and Subsidiaries									
RIO FORTE	-	189 992	-	-	189 992	251	1	-	9 494
ES SAUDE	-	12 959	-	-	12 959	2 295	-	626	-
ES IRMÁOS	-	320	-	-	320	64	-	-	-
ES PROPERTY	-	(10)	-	-	(10)	1 866	-	63	-
ES HEALTH CARE	-	-	9 226	-	9 226	-	-	-	-
	-	203 261	9 226	-	212 487	4 476	1	689	9 494
Impairment	-	(171 243)	-	-	(171 243)	(2 117)	-	-	-
Net amount of imparity	-	32 018	9 226	-	41 244	2 359	1	689	9 494
ESFG and Banks									
ES FINANCIAL GROUP	-	494 049	-	-	494 049	-	77	-	-
ESF PORTUGAL, SGPS, SA	-	-	-	-	-	-	234	-	-
BESA	-	-	-	-	-	-	-	-	-
BES Finance Ltd	-	-	-	-	-	-	43 909	-	1 069
ESPIRITO SANTO FINANCIÉRIA	-	-	-	-	-	-	30 577	-	8 271
BANQUE PRIVÉE ESPIRITO SANTO	-	-	-	-	-	409	733	-	60
ES BANK PANAMA	15 390	-	-	-	15 390	-	14 576	-	1 223
ESBANKERS (Dubai)	-	-	-	-	-	-	952	-	86
ESFG INTERNATIONAL	-	-	-	-	-	-	2 505	-	-
GES HOTELS	-	(3)	-	-	(3)	-	20	-	-
GES VIAGENS	-	79	-	-	79	1 237	-	29	-
OTHERS	-	-	-	-	-	-	214	223	-
	15 390	494 125	-	-	509 515	1 880	93 633	252	10 709
Impairment	(15 390)	(494 048)	-	-	(509 438)	(1 534)	-	-	-
Net amount of imparity	-	79	-	-	79	346	93 633	252	10 705
Others									
ESCOM	-	249 176	-	175	249 351	-	-	-	-
OPWAY	-	23 438	-	2 485	25 923	50 778	2 485	38	243
CONSTRUCCIONES SARRIÓN	-	-	-	98	98	-	-	416	-
OTHERS	-	-	-	-	-	-	5 325	-	-
	-	272 614	-	2 758	275 372	50 778	7 810	454	243
Impairment	-	(263 289)	-	(2 660)	(265 949)	(32 112)	-	-	-
Net amount of imparity	-	9 325	-	98	9 423	18 666	7 810	454	243
Total GES	15 390	970 008	9 226	2 758	997 374	57 134	101 444	1 395	20 446
Impairment	(15 390)	(928 577)	-	(2 660)	(946 628)	(35 763)	-	-	-
GES total net of imparity	-	41 423	9 226	98	50 746	21 371	101 444	1 395	20 446
outside GES									
MOP SGPS SA	-	-	-	-	-	-	-	2 897	-
IMATOSGIL INVEST SL	-	31 304	-	-	31 304	-	-	1 457	-
OAK Finance	-	-	-	-	-	-	781 995	-	94 507
Tranquilidade	-	830	-	-	830	35	-	-	-
	-	32 134	-	-	32 134	35	781 995	4 354	94 507
Impairment	-	(30 730)	-	-	(30 730)	-	-	-	-
Net amount of imparity	-	1 404	-	-	1 404	35	781 995	4 354	94 507
Gross total	15 390	1 002 134	9 226	2 758	1 029 508	57 169	883 409	5 741	114 953
Impairity total	(15 390)	(959 307)	-	(2 660)	(977 358)	(35 763)	-	-	-
Net total	-	42 827	9 226	98	52 150	21 404	883 409	5 741	114 953

BES balances with related parties on December 31, 2014 can be shown as follows:

	31.12.2014							
	Financial				Warranties done	Liabilities	Earnings	Costs
	Applications in availabilities in institutions credit	Credit	Titles	Others				
(thousands of euros)								
Rio Forte and Subsidiaries								
RIO FORTE	-	189 908	-	22	189 928	466	1	370
ES SAUDE	-	23 505	-	-	23 505	2 947	-	-
ES IMAÇOS	-	325	-	-	325	64	-	-
ES PROPERTY	-	2 099	-	-	2 099	1 976	-	-
ES HEALTH CARE	-	-	8 505	-	8 505	-	-	-
	-	215 835	8 505	22	224 362	5 453	1	3 711
Impairment	-	(161 776)	-	(22)	(161 798)	(2 437)	-	-
<i>Net amount of imparity</i>	-	54 059	8 505	-	62 564	3 016	1	3 711
ESFG and Banks								
ES FINANCIAL GROUP	-	494 004	-	-	494 004	-	77	-
ESF PORTUGAL, SGPS, SA	-	-	-	-	-	-	234	-
BESA	-	-	-	-	-	371	-	-
ESPIRITO SANTO FINANCIEREA	-	-	-	256	256	-	22 307	-
BANQUE PRIVÉE ESPIRITO SANTO	-	-	-	-	-	409	423	6
ES BANK PANAMA	15 083	-	-	-	15 083	-	13 353	249
ESBANKERS (Dubai)	-	-	-	74	74	-	866	207
ESFG INTERNATIONAL	-	-	-	-	-	-	2 505	-
GES HOTELS	-	31	-	-	31	34	-	-
GES VIAGENS	-	466	-	-	466	1 762	-	-
OTHERS	-	-	-	4	4	-	196	61
	15 083	494 501	-	334	509 918	2 576	39 961	523
Impairment	(15 083)	(494 023)	-	-	(509 106)	(1 740)	-	-
<i>Net amount of imparity</i>	-	478	-	334	812	836	39 961	523
Others								
ESCOM	-	224 112	-	175	224 287	-	-	1 401
OPWAY	-	32 083	-	2 244	34 327	56 276	-	99
OTHERS	-	-	-	-	-	-	5 325	-
	-	256 195	-	2 419	258 614	56 276	5 325	1 500
Impairment	-	(238 292)	-	(2 419)	(240 711)	(32 831)	-	-
<i>Net amount of imparity</i>	-	17 903	-	-	17 903	23 445	5 325	1 500
Total GES	15 083	966 531	8 505	2 775	992 894	64 305	45 287	4 234
Impairment	(15 083)	(894 091)	-	(2 441)	(911 615)	(37 008)	-	-
GES total net of imparity	-	72 440	8 505	334	81 279	27 297	45 287	4 234
outside GES								
MQP SGPS SA	-	88 084	-	-	88 084	-	-	805
IMATOSGIL INVEST SL	-	33 549	-	-	33 549	-	-	349
OAK Finance	-	-	-	-	-	-	687 458	100 251
Tranquilidade	-	1 526	-	-	1 526	11 205	-	-
Others	-	275	-	-	275	-	-	-
	-	123 434	-	-	123 434	11 205	687 458	1 154
Impairment	-	(91 580)	-	-	(91 580)	(1)	-	-
<i>Net amount of imparity</i>	-	31 854	-	-	31 854	11 204	687 458	1 154
Gross total	15 083	1 089 965	8 505	2 775	1 116 328	75 510	732 745	5 388
Impairity total	(15 083)	(985 671)	-	(2 441)	(1 003 195)	(37 009)	-	-
Net total	-	104 294	8 505	334	113 133	38 501	732 745	5 388

NOTE 30 - ACCOUNTING REGISTRATION OF RESULTS OF INDEPENDENT ASSESSMENT AND TRANSFER OF ASSETS AND LIABILITIES FOR NEW BANK SA

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

The resolution measure came to determine:

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

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

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

- (v) Credit Rights on Espírito Santo International and its shareholders, the shareholders of Espírito Santo Control, entities that are in a controlling or group relationship, pursuant to Article 21 of the Portuguese Securities Code, Espírito Santo International and credits held on the entities that are in a controlling or group relationship, in accordance with Article 21 of the Portuguese Securities Code, with Espírito Santo Financial group (Espírito Santo group), except (a) of credit claims on the Espírito Santo financial Group, backed by financial lien on all shares of Companhia de Seguros Tranquilidade, SA, (B) of claims for entities falling within the scope of consolidated BES supervision (BES Group) and (C) of claims for insurance companies supervised by the Insurance Institute of Portugal, namely: Companhia de Seguros Tranquilidade, Insurance-Life T-company, Europ Assistance and Insurance Logo;
 - (vi) Cash availability in the amount of ten million euros to enable the Board of Directors of BES undertake the necessary steps for the rehabilitation and development of its assets and satisfy its burden of tax or administrative nature.
- (b) BES liabilities to third parties which are liabilities or off-balance sheet this is transferred in its entirety to Novo Banco, SA, except for the following (Excluded Liabilities):
- (i) Liabilities to (a) the respective shareholders whose holding is less than 2% of the share capital or by persons or entities in the two years preceding the transfer have had an interest equal to or greater than 2% of the share capital BES, members of the management or the Supervision Commissions, auditors or firms of auditors or persons of similar status in other companies in a control or group relationship with the institution, (b) the persons or entities who have been shareholders exercised the functions or provided the services referred to in the preceding paragraph in the four years prior to the creation of Novo Banco, SA, and whose action or failure to act caused the financial difficulties of the credit institution or have contributed to the deterioration in such a situation; (c) spouses or relatives in 1st degree or third parties acting on behalf of persons or entities referred to above; (d) those responsible for the facts related to the credit institution, or which of them have taken advantage, directly or through an intermediary, and which are the cause of financial difficulties or contributed to, by act or omission within the scope of their responsibilities, to aggravate that situation, according to Bank of Portugal;
 - (ii) Obligations contracted towards entities that are part of Espírito Santo Group and constituting subordinated claims under Articles 48 and 49 of the Bankruptcy Code and Corporate Recovery, except for entities within BES Group whose

responsibilities before BES were transferred to Novo Banco, without prejudice, as to these entities, the exclusion provided in subparagraph (v);

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

According to the first part of paragraph 4 of Article 145-H of RGICSF in the wording in force on the date of implementation of resolution measure to Banco Espírito Santo, SA, the assets, liabilities, off-balance sheet and assets under management transferred to Novo Banco, SA,

were the subject of an evaluation, reported the time of the transfer, held by a third party (the “independent evaluation”) paid by BES.

Under the Annex 2 of the resolution of August 3, 2014, the transfer of assets, liabilities, off-balance sheet and assets under management for Novo Banco, SA, was held by the respective adjusted book value according to the independent evaluation results, therefore BES registered the corresponding impacts, in compliance with such resolution of August 3, 2014.

Accordingly, the assets, liabilities, off-balance sheet and assets under management remaining in BES were determined by Bank of Portugal, in terms of measurement resolution, differential compared with assets, liabilities, off-balance sheet and assets under management selected by Bank of Portugal to be transferred to Novo Banco SA.

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

	3.8.2014				
	Initial situation	Adjustments From the independent evaluation	Balance after adjustments From the independent evaluation	Transfer To Novo Banco, S.A.	Final balance After the application of The resolution measure
Assets					
Cash and availabilities in central banks	546 395	-	546 395	(546 395)	-
Availabilities in other banks	369 414	-	369 414	(359 414)	10 000
Financial assets detained for negotiation	1 272 232	3 512	1 275 744	(1 274 803)	941
Financial assets with a fair value through results	1 657 582	(115 779)	1 541 803	(1 541 803)	-
Financial assets available to be sold	8 164 915	122 631	8 287 546	(8 287 546)	-
Applications in banks	5 360 708	(2 750 380)	2 610 328	(2 598 474)	11 854
Credit to clients	34 510 501	(1 126 261)	33 384 240	(33 222 571)	161 669
Investments detained until maturity	551 082	(551 082)	-	-	-
Assets with buyback agreement	-	-	-	-	-
Derivatives of covering	353 469	(43)	353 426	(353 090)	336
Non-current assets detained to be sold	1 307 259	(139 776)	1 167 483	(1 167 483)	-
Investment properties	-	-	-	-	-
Other tangible assets	316 372	(1 061)	315 311	(315 311)	-
Intangible assets	102 043	-	102 043	(102 043)	-
Investments in associates	2 196 114	(87 273)	2 108 841	(1 780 152)	328 689
Assets regarding current taxes	14 818	-	14 818	(14 818)	-
Assets regarding deferred taxes	2 092 122	1 356 791	3 448 913	(3 065 022)	383 891
Other assets	3 117 464	2 463	3 119 927	(3 015 989)	103 938
Asset's total	61 932 490	(3 286 258)	58 646 232	(57 644 914)	1 001 318
Passive					
Central banks' resources	13 472 827	-	13 472 827	(13 472 827)	-
Financial liabilities detained for negotiation	1 061 746	27 185	1 088 931	(1 087 235)	1 696
Other financial assets with a fair value through results	-	-	-	-	-
Resources of other banks	5 356 123	-	5 356 123	(5 356 097)	26
Clients' resources and other loans	26 856 274	-	26 856 274	(26 224 376)	631 898
Responsibilities represented by titles	7 927 383	-	7 927 383	(7 927 383)	-
Financial liabilities associated to transferred assets	271 802	-	271 802	(271 802)	-
Derivatives of covering	87 348	(3 850)	83 498	(83 307)	191
Provisions	1 960 201	140 446	2 100 641	(1 094 523)	1 006 118
Liabilities regarding current taxes	18 326	-	18 326	(18 326)	-
Liabilities regarding deferred taxes	231 296	30 692	261 988	(245 081)	16 907
Passivos subordinados	907 871	-	907 871	-	907 871
Outros passivos	935 671	83 187	1 018 858	(993 267)	25 591
Total de Passivo	59 086 868	277 654	59 364 522	(56 774 224)	2 590 298
Capital Próprio					
Capital	6 084 696	-	6 084 696	-	6 084 696
Prémios de emissão	1 039 147	-	1 039 147	-	1 039 147
Outros instrumentos de capital	191 571	-	191 571	-	191 571
Ações próprias	(801)	-	(801)	-	(801)
Ações preferenciais	-	-	-	-	-
Reservas, resultados transitados e outro e outro rendimento integral	(679 362)	(207 906)	(887 268)	-	(887 268)
Resultado do período/exercício	(3 789 629)	(3 356 006)	(7 145 635)	(870 690)	(8 016 325)
Total de Capital Próprio	2 845 622	(3 563 912)	(718 290)	(870 690)	(1 588 980)
Total do Capital e Passivo	61 932 490	(3 286 258)	58 646 232	(57 644 914)	1 001 318

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

	3.8.2014
Own capital - initial situation	2 845 622
Adjustments deriving from the valorization by the independent entity	
Impairment of financing to BES Angola	(2 750 380)
Credit impairment and debt titles	(1 401 902)
Reevaluation of real estate assets	(476 682)
Valorization of securitization titles and other consolidated financial participations	(262 129)
Valorization of finance instruments	(1 381)
Others	2 463
Deferred taxes over adjustments	1 326 099
Own capital after adjustments deriving from the valorization by the independent entity	(718 290)
Transfer to Novo Banco, S.A.	(870 690)
Own capital after the application of the resolution measure	(1 588 980)

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

	4.8.2014			
	Final balance After the application of resolution measure	Reclassifications	Adjustments Decided by Board of Secretary	Balance after Adjustments
Asset				
Cash and availabilities in central banks	-	-	-	-
Availabilities in other institutions of credit	10 000	-	-	10 000
Assets detained for negotiation	941	(121)	(820) d)	-
Financial assets on the fair value through results	-	-	-	-
Financial assets available to be sold	-	-	-	-
Applications in credit institutions	11 854	-	(11 854) d)	-
Credit to clients	161 669	-	(18 052) d)	143 617
Investment detained until maturity	-	-	-	-
Assets with rebuy agreement	-	-	-	-
Coverage derivatives	334	(336)	-	-
Non-current assets detained for sale	-	-	-	-
Investment properties	-	-	-	-
Other tangible assets	-	-	-	-
Intangible assets	-	-	-	-
Investments in associates	328 689	-	(317 339) a)	11 350
Assets regarding current taxes	-	-	-	-
Assets regarding deferred taxes	383 891	-	(383 891) b)	-
Other assets	103 938	(35 893)	(39 580) e)	28 465
Total of the Asset	1 001 318	(36 350)	(771 536)	193 432
Passive				
Central banks' resources	-	-	-	-
Liabilities detained for negotiation	1 698	11 526	-	13 222
Other financial liabilities on the fair value through results	-	-	-	-
Resources of other credit institutions	26	-	-	26
Clients' resources and other loans	631 898	(35 893)	-	596 005
Responsibilities represented by titles	-	-	-	-
Financial liabilities associated to transferred assets	-	-	-	-
Coverage derivatives	191	(191)	-	-
Provisions	1 006 118	-	43 302 c)	1 049 420
Liabilities regarding current taxes	-	-	-	-
Liabilities regarding deferred taxes	16 907	-	(16 907) b)	-
Subordinated liabilities	907 871	-	-	907 871
Other liabilities	25 591	(11 792)	34 407 c)	48 206
Total of liabilities	2 590 298	(36 350)	60 802	2 614 750
Equity				
Capital	6 084 696	-	-	6 084 696
Issuing premiums	1 039 147	-	-	1 039 147
Other capital instruments	191 571	-	-	191 571
Own shares	(801)	-	-	(801)
Preferential shares	-	-	-	-
Reserves, transmitted results and other comprehensive income	(887 268)	-	98 470	(788 798)
Exercise/period result	(8 016 325)	-	(930 808)	(8 947 133)
Total of Own Capital	(1 588 980)	-	(832 338)	(2 421 318)
Total of Capital and Liabilities	1 001 318	(36 350)	(771 536)	193 432

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

a) Investment in subsidiaries and associates

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

The Board of Directors of BES concluded negotiations for the sale of holdings in ES Bank Miami, now called Brickell Bank, and Aman Bank. Based on the amount agreed for the sale of shares representing the capital stock of these companies, as result of the sales contracts

already signed with the respective buyers, an impairment loss was recognized. Based on this, the impairments for these holdings were increased by approximately EUR 44.3 million euros.

b) Assets/liabilities regarding deferred taxes

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

c) Provisions/Other liabilities

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

On the date of the resolution, was determined by the Board of Directors of BES that the decision of Bank of Portugal which led to the implementation of the resolution measure is unclear as to the transfer of responsibilities arising from tax proceedings, prior to the date of the resolution measure. It is a matter of legal nature under analysis to date. However, for the purpose of preparing the financial statements of August 4, 2014, the Board of Directors made an estimate and proceeded to record a liability of approximately EUR 34.4 million for contingent liabilities with tax cases. As mentioned in Note 25, this situation was clarified with the decision of Bank of Portugal of December 29, 2015, not having this clarification had an impact on the financial statements.

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

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

e) Other assets

Following the discontinuation of the banking activity of BES as referred to in Notes 1 and 2.19, the Board of Directors of BES understood to proceed with the immediate recognition of costs that had to be deferred under this activity and which were classified under other assets.

NOTE 31 - ACCOUNTANCY REGISTER OF THE DECISION OF BANK OF PORTUGAL OF DECEMBER 29TH 2015

On December 29, 2015 Bank of Portugal, under the powers conferred by RGICS, decided, in the Board of Directors 'meeting occurred on that same day to retransmit to BES the responsibility for the insubordinate obligations (senior) issued by this and that were aimed at institutional investors. The value of the retransmitted obligations to BES as guidance received from the Bank of Portugal on May 13, 2016, amounted to about 2,238 million euros, of which 2,168 million euros correspond to the nominal value and the rest of the accrued interest.

After the deliberation, Bank of Portugal announced on December 29th 2015, after proceeding to a final adjustment of the perimeter of assets, liabilities, off-balance sheet and assets under management transferred to Novo Banco, SA, which was the final and definitive change of the respective perimeter, so that was definitely fixed. This final adjustment was consolidated, in addition to the retransmission of such senior obligations, (a) in the clarification that were not transferred to the New Bank any claims that were contingent or unknown in the application of the withdrawal measure to Banco Espírito Santo, SA; (b) in the retransmission to the Banco Espírito Santo, SA's participation in the society BES Finance, which is necessary to ensure the full compliance and enforcement resolution of measurement with regard to not transfer to the new Bank of subordinated debt instruments issued by Banco Espírito Santo, SA; and (c) in the clarification that the resolution fund shall neutralize, using a compensatory way with Novo Banco, the possible adverse effects of future decisions, resulting from the resolution process, which result in liabilities or contingencies.

In a communication to BES as of February 2016, the Bank of Portugal stated that the decision taken on December 29, 2015, in particular as regards the retransmission of senior bonds and shares of BES Finance, with effect from December 29, 2015.

On that basis, the Board of Directors of BES promoted the corresponding required accounting adjustments, with effect from December 29, 2015 in order to comply with this resolution. At this stage, the Bank recognized a cost in the income statement in the amount of 2,238 million euros, due to the recognition of senior notes as a liability (see Note 22).

NOTE 32 - SUBSEQUENT EVENTS

Under the agreement for the sale of the shares of Bank of Miami Brickell (formerly Espírito Santo Bank), its outcome awaits the completion of the approval by the regulatory authorities of the United States, which is taking place in normal conditions. It is estimated that the transaction might be concluded until the end of the year.

Last March 15, 2016, BES participated in ESCHI General Assembly which approved the proposal of application of results for the year 2014, which included a distribution of dividends to shareholders, being the BES gross value of about of 9.2 million euros, which were received on March 22, 2016.

After the release of Bank of Portugal of December 29, 2015, BES was informed by Bank of Portugal that the Board of Directors of Banco de Portugal, in the session of March 31, 2016, decided it should be presented to the European Central Bank a proposal to repeal the BES authorization to conduct banking activity, based on Article 22, paragraph 1, f) and l) and in the Article 145-AQ, both of RGICSF, and subsequently, the Bank of Portugal submitted to the European Central Bank a proposal to repeal the BES authorization, pursuant to and for the purposes of paragraph 5 of Article 14 of Regulation (EU) No 1024 / 2013 of October 15, 2013.

On May 5, 2016 was presented to the Tax Authorities of Luxembourg, the tax declaration of the former branch of BES in that country and for the period from January 1 to August 3, 2014, which shows an estimate of charges 4.06 million Euros. This obligation is subject to the rules laid down in Article 145 of the no.7 L of RGICSF.

On May 5, 2016, BES received a letter from Bank of Portugal informing of the judicial decisions regarding the provisional enactment of the injunction requested by "Merrill Lynch International" on the obligations not subject the Novo Banco, relayed to BES to December 29, 2015 (identified by their ISIN code: PTBEQBOM0010, PTBNJOM0015, PTBENKOM0012 and PTBEQKOM0019). By letter of 6 May 2016, the Bank of Portugal has sent the understanding that Novo Banco and BES should comply with relay providence provisionally enacted, limited to the rights of the applicant, adjusting accordingly the accounts with effect from the provisional decreeing notified. The amount of the liabilities in question reaches up to 8,4 million euros."

With the exception of these events, there were no subsequent relevant facts after the balance sheet date.

Lisbon, May the 16th 2016

César Brito
Vowel of the Board of Directors

Miguel Alçada
Vowel of the Board of Directors

Luís Máximo dos Santos
President of the Board of Directors

III. Accounts 'Legal Certification and Auditing Report

AUDITORS' REPORT

**(This report is a free translation to English from the original Portuguese version.
In case of doubt or misinterpretation the Portuguese version will prevail)**

Introduction

1. In accordance with the applicable legislation, we present our Auditors' Report on the financial information included in the Annual Report of the Board of Directors and in the accompanying financial statements as at and for the year ended 31 December 2015, of **Banco Espírito Santo, S.A. ("BES")**, which comprise the balance sheet as at 31 December 2015 (showing total assets of Euro 159,294 thousand and total negative equity of Euro 5,287,125 thousand, including a net loss of Euro 2,598,241 thousand), the statements of income, of comprehensive income, of cash flows and of changes in equity for the year then ended, and the corresponding Notes.

Responsibilities

2. The Board of Directors is responsible for:
 - a) the preparation of financial statements in accordance with the Adjusted Accounting Standards ("NCA") issued by the Bank of Portugal, adjusted for the non-application of the going concern assumption, that present fairly, in all material respects, the financial position of the Bank, the results of its operations, comprehensive income, changes in equity and its cash flows;
 - b) maintaining historical financial information prepared in accordance with NCA which is complete, true, current, clear, objective and lawful as required by the Portuguese Securities Market Code ("Código dos Valores Mobiliários");
 - c) the adoption of adequate accounting policies and criteria;
 - d) the maintenance of an appropriate internal control system; and
 - e) the communication of any relevant fact that may have influenced its activity of the Bank, its financial position or results.

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

Scope

4. We conducted our audit in accordance with the Technical Standards and Guidelines issued by the Portuguese Institute of Statutory Auditors (“Ordem dos Revisores Oficiais de Contas”), which require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements. Accordingly our audit included:
 - verification, on a sample basis, of the information underlying the figures and disclosures contained therein, and an assessment of the estimates, based on judgements and criteria defined by the Board of Directors, used in the preparation of the referred financial statements;
 - evaluation of the appropriateness of the accounting policies used and of their disclosure, taking into account the applicable circumstances;
 - assessment of the appropriateness of the overall presentation of the financial statements; and
 - assessment of whether the financial information is complete, true, current, clear, objective and lawful.
5. Our audit also included the verification that the financial information included in the Board of Directors report is consistent with the financial statements, as well as the verification of the disclosures required by numbers 4 and 5 of article 451, of the Portuguese Companies Code (“Código das Sociedades Comerciais”).
6. We believe that our audit provides a reasonable basis for our opinion.

Opinion

7. In our opinion, the financial statements referred to above, present fairly, in all material respects, the financial position of **Banco Espírito Santo S.A.** at 31 December 2015, the results of its operations, comprehensive income, changes in equity and its cash flows for the year then ended in accordance with NCA as established by the Bank of Portugal, adjusted by the non-application of the going concern, and the information contained therein is complete, true, current, clear, objective and lawful.

Emphasis

8. Without affecting the opinion expressed in paragraph 8 above, we draw attention to the following matters:

8.1 The Auditor's Report related to 31 December 2014, included in paragraph 2 and 13 the basis for the presentation of the financial statements as of 31 December 2014, which mentioned that **(i)** those financial statements included the assets and liabilities, off-balance sheet items and assets under management by BES, that remained in BES after the application of the resolution measure by the Bank of Portugal on 3 August 2014, which resulted in the transfer of the majority of BES's business activity, as well as of the respective assets and liabilities recognised on the balance sheet as at 3 August 2014, to a bridge bank created for this purpose, designated Novo Banco, S.A.; **(ii)** in the preparation of those financial statements, the Board of Directors had in consideration only the decisions, understandings and clarifications which had been communicated by the Bank of Portugal until 18 December 2015; **(iii)** the Bank of Portugal may, at any time, issue new understandings or clarifications or take new decisions, including transfers or re-transfers, between BES and Novo Banco, S.A. of assets, liabilities, off-balance sheet items and assets under management, thus, the value of the equity as at 31 December 2014 and of the net income for the year then ended may be subject to significant changes, not related to the recovery of business assets and / or liquidation of BES, if the Bank of Portugal shall determine so, impacts that could not be anticipated at the date of the approval of those financial statements by the Board of Directors.

Notwithstanding Article n.º 145-Q, paragraph 4, in Regime Geral das Instituições de Crédito e Sociedades Financeiras ("RGICSF"), in its new version, which allows the Bank of Portugal, after the initial transfer which is detailed in Note 30, at any time, (i) to transfer other rights and obligations from BES to Novo Banco and (ii) to return to BES rights and obligations that had been transferred to Novo Banco, the Bank of Portugal announced that on 29 December 2015 had made a final adjustment to the scope of assets, liabilities, off-balance sheet items and assets under management that were transferred to Novo Banco, S.A., which turned to be the final and definitive change of the referred scope having the Bank of Portugal considered it to be finally determined.

8.2 The Auditor's Report related to 31 December 2014, included in paragraph 8 a qualification related to the fact that, as mentioned in Note 30 from Notes to the Accounts, assets, liabilities, off-balance sheet items and assets under management, that were transferred to Novo Banco, S.A., were determined by the Bank of Portugal under the terms of the resolution measure, having been subject to an assessment, conducted by an independent entity appointed for this purpose by the Bank of Portugal in accordance with the first part of n.º 4 of Article 145-H of RGICSF, in the wording in force at the date of the application of the resolution measure to BES.

In the Note 30, it is also stated that the Board of Directors of BES in duty since 4 August 2014, did not make any judgments in relation to the adjustments arising from that assessment under the first part of n.º 4 of Article 145 -H of RGICSF, in the wording in

force at the date of the application of the resolution measure, and on the selection of assets, liabilities, off-balance sheet items and assets under management, transferred under the resolution measure, being only required to ensure the proper accounting, in the accounting records, of the respective overall impact in the amount of Euro 4,434,602 thousand in the 31 December 2014 financial statements.

Thus, the selection of assets, liabilities, off-balance sheet and assets under management transferred in accordance with the resolution measure, as well as their respective values, were determined by external parties to BES, not having been subject to appreciation or deliberation by the respective Board of Directors and were not, therefore, subject to our examination. Therefore, with reference to 31 December 2014 (amounts shown for comparison in the financial statements of 31 December 2015), we do not express an opinion on the above mentioned adjustments made by BES with global impact on its equity in the amount of Euro 4,434,602 thousands, since the respective identification and evaluation were, as defined in the RGICSF, carried out by external parties to BES, nor consequently, we give an opinion on the accumulated negative result for the period from 1 January to 3 August 2014, in portion of Euro 8,016,325 thousand included as part of the discontinued operations, which represented the interim results included in the final balance of 4 August 2014 after the implementation of the resolution measure (as per Note 30), not having been subject to representation made by the Board of Directors.

The implication towards this adjustment only affect the comparative figures presented in the financial statements described in paragraph 1, not having impact in the results of the 2015 operations.

- 8.3** The Auditor's Report related to 31 December 2014 included in paragraph 9 a qualification related to the fact that at the date of that report, BES was still analyzing issues regarding the transfer of certain liabilities and contingencies related to tax matters having the Bank recognized on 31 December 2014, (i) a liability of approximately Euro 34.7 million for tax exposures and (ii) an estimate of the income tax for the year of Euro 4 thousand. On this basis, we were not able to express an opinion on the possible impact arising from the outcome of the conclusions of the referred ongoing analysis, in the financial statements of BES as at 31 December 2014.

As mentioned in Note 25, this situation was solved so this qualification is not applicable to the 31 December 2015 financial statements.

- 8.4.** The Auditor's Report related to 31 December 2014, included in paragraph 11 a qualification due to the fact that on the 29 December 2015, after the approval of the financial statements by the Board of Directors of BES, which occurred in the meeting of 18 December 2015, the Bank of Portugal, in accordance its competences under RGICSF, determined to retransmit to BES the liability for non-subordinated bonds (senior) issued by BES and that were aimed for institutional investors. The nominal value of the bonds retransmitted to BES, after the Bank of Portugal clarification on 13 May 2016 amounts to Euro 2,168 million.

As described in Note 31, the Board of Directors of BES has implemented the Bank of Portugal's deliberation and has ensured the proper accounting, in the accounting records, being therefore the situation solved.

- 8.5** In Note 1 Financial Statements, it is mentioned that by determination of the Bank of Portugal, BES is prohibited to receive deposits and grant loans and, also, exempted from the compliance with prudential ratios, being set out in European Commission Decision No SA.39250 (2014 / N) - Portugal, that the banking license of BES will be revoked, which is expected to occur by the end of the sales process of Novo Banco, S.A. or until 3 August 2016 as a result of BES Addendum Resolution 2014. The decision to revoke the banking license shall cause the effects of an insolvency declaration which will then result on the liquidation of BES, in accordance with applicable law. After the release at 29 December 2015, the Bank of Portugal announced that would request the European Central Bank to proceed with the revoke of the authorization of BES, which was made.

As mentioned in note 32, after the announcement of 29 December 2015, BES was informed that the Board of Directors of the Bank of Portugal, in a meeting held on 31 March 2016, has deliberated to present a proposal to the European Central Bank to revoke BES banking license, based on article 22º, paragraph 1, f) and l) and on the article 145º-AQ, both from RGICSF. Subsequently, the Bank of Portugal submitted to the European Central Bank a proposal to revoke BES authorization, for the purposes of paragraph 5 of article 14º of Regulation (EU) No 1024/2013 of 15 October 2013.

On this basis, it is mentioned in the Note 2.1 of the Notes to the Accounts that the going concern assumption is not applicable to the preparation of the financial statements referred to above. Considering this assumption, the disclosures included in the financial statements referred to in paragraph 1, as described in Note 2.19, were adjusted accordingly.

- 8.6** Also in the Note 1, it is referred that in the context of the n.º 1 c) of the article n.º 145-B of RGICSF, in the wording in force at the date of the application of the resolution measure, no lender may assume a loss greater than that it would take if BES had gone into liquidation on the date of the resolution measure, on 3 August 2014. Therefore, the law requires that an evaluation is performed by an independent entity appointed by the Bank of Portugal, which must determine an estimate of the level of recovery of the amounts of each class of creditors with a view of an immediate liquidation of the Bank, taking as a basis all the assets and liabilities held by BES before the resolution measure. This will allow the compliance with the provisions of Article 145-B, n.º 3, of RGICSF, in the wording in force at the date of the application of the resolution measure.
- 8.7** As described in Notes 24 and 29 of the Notes to the Financial Statements, several claims from clients and third parties and/or legal proceedings were brought against the Bank. The financial statements of BES as at 31 December 2015 include (i) the amount of Euro 1,258,007 thousand (31 December 2014: Euro 1,089,842 thousand) recorded in provisions to cover liabilities arising from these claims and / or processes that the Board of Directors was able to quantify and (ii) a disclosure about complaints and / or processes in relation to which information available does not allow the Board of Directors to judge if BES has or not a present obligation that could lead to an outflow of

resources embodying economic benefits or make a sufficiently reliable estimate of the amount of the obligation.

Report on Other Legal Requirements

9. It is also our opinion that the financial information included in the Board of Directors report is consistent with the financial statements and that the Report on Corporate Governance includes the information required by the article 245.º-A of the Código dos Valores Mobiliários.

Lisbon, 30 December 2015

KPMG & Associados
Sociedade de Revisores Oficiais de Contas, S.A. (nº 189)
represented by
Inês Maria Bastos Viegas Clare Neves (ROC n.º 967)

IV. Report and Opinion of the Supervisory Board

1. Introduction

Following the decision of the Board of Directors of Bank of Portugal of 3 August 2014, was appointed the Supervision Commission of Banco Espírito Santo, SA(BES), in accordance with the legal and statutory provisions, in particular as provided in paragraph 2 of Article 145-D of the General Law on Credit Institutions and Financial Companies (RGICSF), approved by Decree-Law No. 298/92 of December 31th.

Due to the death of its President, José Vieira dos Reis, which occurred on February 17, 2016, the Surveillance Commission remained in operation with the remaining two members, until the appointment of the new President Carlos Manuel Grenha, by the Bank of Portugal on April 6, 2016.

The Surveillance Commission checked the accounting documents of the year 2015 of BES, from May the 16th 2016, including the Management Report, the Corporate Governance Report, the individual balance sheet as of December 31, 2015, showing a total of 156 294 thousand euros (in 2014, 196 605 thousand euros) and total equity negative 5 287 125 thousand euros (in 2014, 2 679 175 thousand euros), including a net income for the year negative 2 598 241 thousand euros (in 2014, 9 196 991 thousand euros), the income Statement and comprehensive income, the statement of changes in equity and statement for the year Cash Flow ended that date and the corresponding Notes.

2. Verification of the financial statements reported on Thursday, December 31, 2015

The Supervision Commission held, to date, several meetings, including with the Board of Directors, having been provided by the same the clarification and the information that were requested and given, monitored the most relevant aspects arising from the application of the resolution measure of Bank of Portugal and noted the following financial information was being made available to him.

A KPMG & Associados - Statutory Auditors, S.A. (KPMG), which is responsible for auditing the financial information of special purpose BES reported on August 4, 2014 and issuing a legal certification of accounts and the statutory audit report of accounts relating to the years 2014 and 2015 met and collaborated, also, with the Surveillance Commission in the course of their duties.

Before issuing this report and opinion, the Supervision Commission took into account the contents of the legal certification of accounts and audit report prepared by KPMG on the

documents of BES accounts for the year 2015.

3. Resolution measure the application of the Bank of Portugal and the subsequent period up to the year 2015 closing

3.1. Framing

With the application of the resolution measure and corrective, it was decided to transfer to Novo Banco, SA, incorporated under the provisions of Article 145-A and following of the RGICSF the majority of assets and liabilities, off-balance sheet assets and BES under management, as of August 3, 2014, as well as its employees and other material resources.

It should be noted that, in accordance with paragraph 5 of Article 145-H of RGICSF, after the original transfer, the Bank of Portugal may, at any time:

- i) Transfer other assets, liabilities, off-balance sheet and assets under management of BES to Novo Banco, S.A.;
- ii) Transfer assets, liabilities, off-balance sheet and assets under the management of Novo Banco, S.A. to BES.

Using these powers, as announced on December 29th 2015, the Bank of Portugal held a final adjustment of the perimeter of assets, liabilities, off-balance sheet and assets under management transferred to Novo Banco, SA, which was the final and definitive change of the respective perimeter, so that was definitely fixed. In Notes 1 and Activity 31- Bookkeeping Deliberation of the Bank of Portugal of 29 December 2016, the explanatory notes detail these adjustments.

Considering that BES presently carries out its activity within the resolution measure, of the corrective intervention measures and other measures determined by the Bank of Portugal, the continuity presupposition was not applied.

3.2. Impacts of the application of the Resolution Measure and Evolution in 2014

The implementation of the resolution measure resulted in a transfer of assets and rights and obligations of the BES accounts for Novo Banco, SA, disclosed in these accounts in note 30 - Accounting Register of the Independent Evaluation Results and Transfer of Assets and Liabilities to Novo Banco, SA of the Notes and, previously, in the special purpose financial information reported on August 4, 2014 and the accounts for the year 2014.

3.3. Variations regarding the exercise period of 2015

The variations regarding the exercise period of 2015 are presented in the following chart:

Thousands of Euros

Items	Balance on 31.12.2014	Balance on 31.12.2015	Variations
Assets	196 605	159 294	-37 311
Liabilities	2 875 780	5 446 419	2 570 639
Exercise result	-9 196 991	-2 598 241	6 598 750
Equity	-2 679 175	-5 287 125	-2 607 950

The main impact, described in Note 31 of the Explanatory Notes, with respect to the act of "retransmit for BES the responsibility for unsubordinated obligations (senior) issued by the same and which were aimed at institutional investors. The value of the retransmitted obligations to BES as guidance received from the Bank of Portugal on May 13, 2016, amounted to about 2,238 million euros, of which 2,168 million euros correspond to the nominal value and the rest of the accrued interest".

The financial statements presented by the Board of Directors of BES have been adapted taking into account the discontinuation of banking activity and the current circumstances of BES, so that the financial statements do not include all the disclosures required in accordance with the requirements of the NCA and, regarding the exposed, are adjusted by the non-application of the continuity presupposition.

4. Supervening events and materials

As mentioned in previous reports, application of the measure of resolution by the Bank of Portugal BES could be adjusted at any time; the intervention perimeter of the Bank of Portugal was fixed to the statement issued on 29 December 2015, briefly described in the previous 3.3. section.

In Note 23-Contingent liabilities and commitments of the Explanatory Notes the Board of Directors of BES assume that were not met conditions for the recognition of provisions associated with the development of complaints and certain legal actions against BES in conjunction with the possible occurrence of facts that do not have come to the attention of this Commission, may constitute supervening events or matters which, once known, cause significant impacts on the nature of the accounting documents as of the date of December 31, 2015.

It shall also be recalled that is set out in the European Commission Decision No SA.39250 (2014 / N) - Portugal, which will repeal BES license to conduct any banking activity, which is supposed to occur until the sale of Novo Banco, SA, or at the latest, until August 3, 2016, the results of the State aid case No SA.43976 (2015 / N) - Portugal - Addition of 2014 BES resolution decision that will produce the effects of insolvency declaration, followed by the liquidation of the institution in accordance with applicable law.

It should also be noted that after the implementation of the resolution measure, a very significant part of the activity that BES was developing was considered discontinued as referred to in Notes 2.19, 30 and 31 of the explanatory Notes to the financial statements at Thursday, December 31, 2015.

In addition, from February 1, 2016, CMVM determined the exclusion of BES shares of the regulated market trading.

5. Accounts and subsequent events

On December 29, 2015 Bank of Portugal, under the powers conferred, relayed to BES responsibility for unsubordinated obligations (senior) issued by this and that were aimed at institutional investors. The nominal value of the bonds amounted to 2168 million of euros, as detailed in Note 22 of the Annex; this fact was the subject of the guidelines and of final clarification by the Bank of Portugal on May 13 2016, with BES undertaken the necessary adjustments in under review exercise of all, with the final impact on the liabilities, net profit and capital of 2238 million, including accrued interest.

As mentioned in Note 32 of the Annex, BES delivered to Tax Authorities of Luxembourg on May 5, 2016 the tax declaration of the former branch of BES in that country concerning the period from 1 January to 3 August 2014, reflecting an estimated charge of about 4 million not reflected in the accounts of the 2015 fiscal year.

As described in note 32 of the Annex, "on May 5, 2016, BES received a letter from the Bank of Portugal to inform regarding the court decisions of provisional enactment of the injunction requested by" Merrill Lynch International "concerning unsubordinated obligations of Novo Banco retransmitted to BES on December 29, 2015. By letter of 6 May 2016, the Bank of Portugal has sent the understanding that Novo Banco and BES should comply with relay providence provisionally enacted, limited to the rights of the applicant, adjusting accordingly the accounts with effect from the provisional decreeing notified. The amount of the liabilities in question reaches up to 8,4 million euros."

6. Statement

In view of the above and taking into account the content of the legal certification of accounts and audit report of the official auditor for the provision of documents reported on December 31, 2015 and in particular the reservations and emphasis referred to therein, the Commission Audit is of the opinion that the financial statements of Banco Espírito Santo, SA mentioned in point 1. Introduction, are presented, in all material respects, in accordance with NCA, except for the whole of the required disclosures and the application of the going concern assumption, given the terms and resolution measurement conditions taken by the Bank of Portugal on August 3, 2014, and the decisions, clarifications and adjustments of this entity of the measure.

Accordingly, the Supervision Commission believes that the aforementioned provision of financial statements for the year 2015 are in a position to be approved as well as the profit appropriation proposal.

Finally, the Supervision Commission notes with appreciation, and thank the collaboration which was given by the Board of Directors and BES services.

Lisbon, May 20th 2016

THE SURVEILLANCE COMMISSION

Carlos Manuel Grenha, President

Rogério M. Fernandes Ferreira, Vowel

Vítor Pimenta e Silva, Vowel