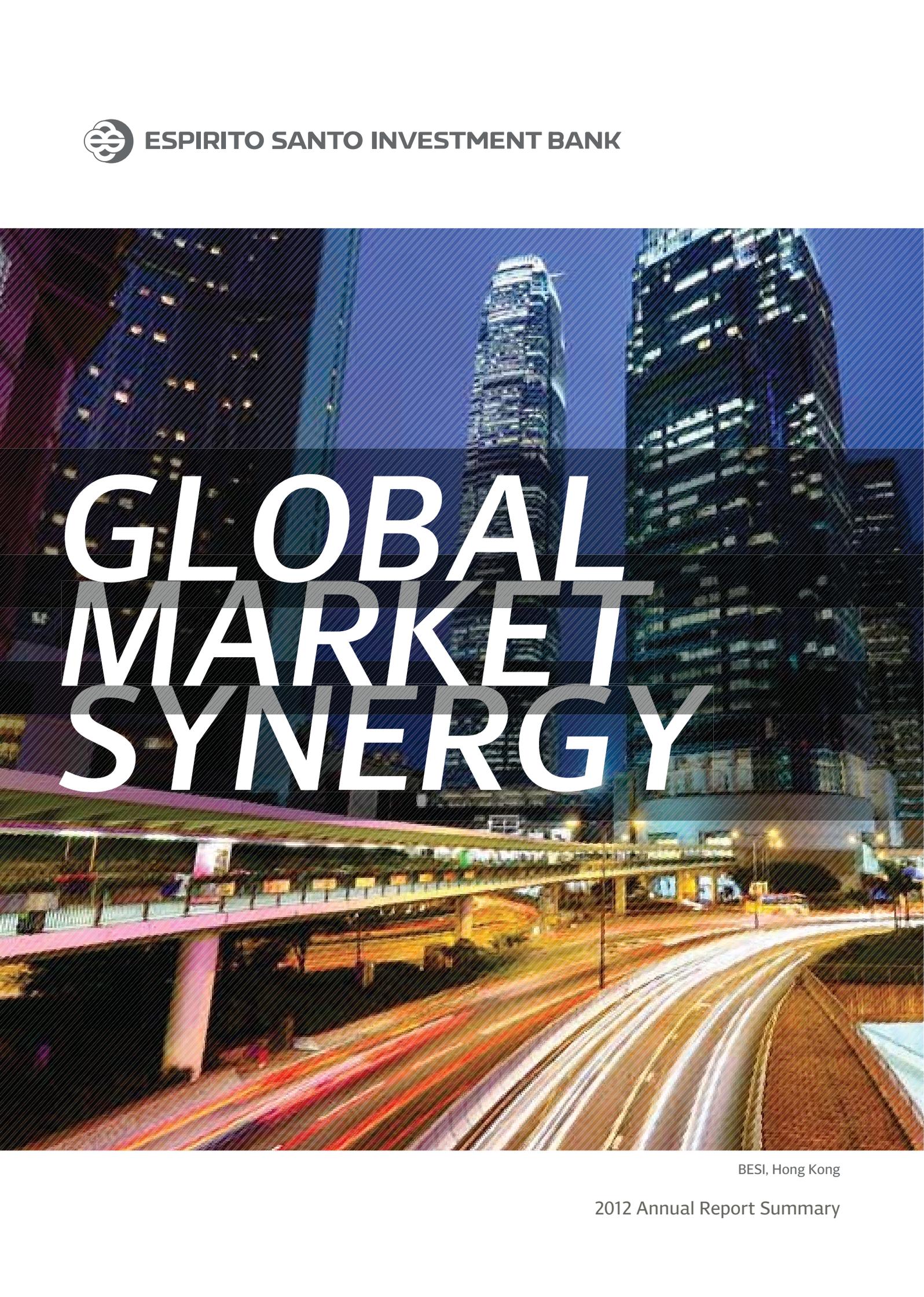




ESPIRITO SANTO INVESTMENT BANK

A nighttime photograph of a city skyline with several skyscrapers illuminated. In the foreground, there is a blurred light trail from a moving vehicle on a road or bridge, creating a sense of motion and energy.

# GLOBAL MARKET SYNERGY

BESI, Hong Kong

2012 Annual Report Summary



# ENABLING GROWTH



## ESPIRITO SANTO INVESTMENT BANK

For over 140 years, our strong family values have governed the way we do business and how we care for our Clients, our colleagues and our community. Continuously adapting our business to evolving market conditions, we differentiate ourselves by building on our collective expertise and experiences and bringing creative thinking to help solve our Clients' business needs.

Espírito Santo Investment Bank<sup>1</sup> is a leading Investment Bank with considerable strength in its European home markets and expertise in the most dynamic emerging economies. Currently present in 4 continents and with worldwide coverage, the Bank offers its Clients access to distribution platforms in the most important financial markets in the world: London, New York and Hong Kong.

*Inside Spread (left to right):* **1.** Lisbon, Portugal; **2.** London, England; **3.** Mumbai, India; **4.** Madrid, Spain; **5.** New York, U.S.A.; **6.** Sao Paulo, Brazil; **7.** Warsaw, Poland; **8.** Mexico City, Mexico

<sup>1</sup> All references to "Espírito Santo Investment Bank" or "The Bank" are deemed to refer to Banco Espírito Santo de Investimento, S.A. and/or any of its Branches or Subsidiaries taken together or separately.



# *IN THE WORLD MARKETS*



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# LETTER

In 2012, Espírito Santo Investment Bank (“the Bank”) continued to operate in a highly uncertain environment, influenced by the Eurozone’s economic and financial crisis and further reinforced by the specific problems and challenges of the adjustments in the Portuguese economy.

Despite these obstacles, the Bank generated a 9.8% year-on-year increase in the consolidated Banking Income to EUR 261 million, surpassing the record EUR 259 million achieved in 2010. Although high credit impairment levels continued, net income for the year more than doubled that of 2011, reaching EUR 22 million and operating costs were reduced by 1.4%. This growth was the result of our strategy of focusing on international growth and pursuing business and market opportunities created by the Eurozone crisis.

As part of the BES Group’s regulatory capitalization project, the Bank completed a capital increase of EUR 100 million in September of 2012, ending the year with a Core Tier I ratio of 11.6%, above the minimum compliance levels established by the Bank of Portugal (10%) and the European Banking Authority (9%).

In **Portugal**, we assumed a prominent role in the privatization process, providing advisory services to Chinese investors on the acquisition of 21.35% of Energias de Portugal S.A. (EDP) and 25% of Redes Energéticas Nacionais SGPS, S.A. (REN). We also advised the Portuguese government on the privatization of 100% of the capital of Aeroportos de Portugal S.A. (ANA), still under completion. We also assumed an important role in the reopening of the international debt market to Portuguese issuers, leading the issuance of senior debt for EDP Finance B.V. (considered **Euro Bond of the Year** by the magazine *International Financing Review*), as well as for Portugal Telecom International Finance B.V., Brisa-Concessão Rodoviária S.A. and Banco Espírito Santo S.A. We took a position of leadership in equity trading on the NYSE Euronext Lisbon with a market share of 11.9%, and were once again ranked in first place in the Mergers & Acquisitions business area.

The Bank’s international business activities remained strong in 2012 and contributed 60% to total revenues. Capitalizing on our geographic diversity, we focused our efforts on regions of higher growth, thus compensating for the slowdown in Europe’s more mature markets.

Our global development strategy included an expansion into **India**, where we began brokerage operations in May 2012, and where we plan to expand into Investment Banking in early 2013. In **South Africa**, we established an operational joint venture with Avior Research, a leading independent broker, which will grant us the exclusive distribution of equity research to our leading institutional clients in Europe and enhance our trading capabilities in South African and Pan-African markets. In **Germany**, we opened a joint representative office in Cologne with Banco Espírito Santo to leverage the financial resources of local business and investors.

In the remaining markets where we already have a strong presence, we pursued a strategy of consolidation.

In **Spain**, we reinforced our activities in the corporate sector, capitalizing on our international platform and on our close cooperation with Banco Espírito Santo for the purpose of expanding our cross-border activities and developing our Capital Markets and Mergers & Acquisitions businesses. We maintained a continued presence in the Iberian energy sector by providing financial advisory services to the EDP Group on the sale of its natural gas transmission company, Naturgas Energia Transporte. We also maintained a leading position on the Iberian Mergers & Acquisitions ranking (2<sup>nd</sup> place by number and value of announced transactions) and a prominent rating (6<sup>th</sup> place) in the Spanish brokerage market.

In **Brazil**, we continued to perform strongly. We expanded our Project Finance activities by providing advisory services in several financing operations and concession auctions, especially in the energy and transportation infrastructure areas. In the Mergers & Acquisitions and Capital Markets business areas, we participated in several major transactions promoting cross-border business, and in the Brokerage activity we rose to 21<sup>st</sup> place in the Bovespa ranking with a market share of 1.1%. Finally, we continued to develop the Wealth Management and Private Equity business areas, especially highlighting the incorporation of the first private equity fund managed by 2bCapital targeting the Brazilian market, which raised BRL 320 million for investment in its first closing.

In the **United Kingdom**, we continued our reorganization activities following the acquisition of Execution Noble, focusing on merging our brands and differentiating ourselves from the competitors. We completed several operations in the Capital Markets business area, including acting as Corporate Broker in the tender offer of GlobeOp shares and acting as Sole Bookrunner in the placement of Novae and Xchanging Plc shares.

In **Poland**, we concentrated on cross-border Mergers & Acquisitions and Capital Markets activities, while continuing to support our local and international clients, mainly through the issuance of bank guarantees. We improved our credentials in this market by acting as Joint Bookrunner in the privatization of 50% of ZE PAK, the second largest IPO of 2012 in the Warsaw Stock Exchange, and also acted as Sole Arranger in the domestic bond issue of Ciech. In the Brokerage business area, we rose to 11<sup>th</sup> place in the ranking of Polish brokers, with a cumulative market share of 3.2%.

In the **United States of America**, we continued to progress with our advisory and intermediation activities, with the objective of establishing a distribution platform in that country. Special mention should be made of the advisory services provided to Sugalidal on the acquisition of Tresmontes Luchetto Agroindustrial, a Chilean company.

In **Mexico**, our continued development of commercial relationships was remarkably successful, originating business opportunities in the areas of Project Finance, Capital Markets and Corporate Finance. Of particular importance was our participation in the IPO of Grupo Financiero Santander Mexico, the largest ever by a Mexican company.

In **Africa**, we continued to reinforce our presence in Angola, where we plan to begin operations through a local broker-dealer, and in Mozambique, where we intend to develop Investment Banking activities.

We currently operate through a brokerage firm in **Hong Kong**, and are exploring ways of expanding our presence in that market.

The beginning of 2013 was marked by an improvement in the perception of the financial markets and a greater appetite for risk. The signs of stabilization in the Eurozone could point to a recovery in the middle of the year, although global economic growth should remain low. We are aware that risks are still high and that 2013 will be another year of great challenges. We will continue to follow our development strategy, with the firm determination that we will do everything in our power to overcome the current challenges.

We wish to thank our Clients for choosing us, our Employees for their contributions and dedication, and our Shareholder for its ongoing support.

We would also like to express our appreciation to the Supervisory Board and our Auditors for their support to the improvement in the high standards in accounting and management information reporting, as well as to the Bank of Portugal, the Portuguese Securities Market Commission and the regulatory authorities in the countries where we operate, for their ongoing cooperation and trust placed in Espírito Santo Investment Bank.

**Ricardo Espírito  
Santo Silva Salgado  
(left)**

Chairman of the  
Board of Directors

**José Maria Espírito  
Santo Silva Ricciardi  
(right)**

Vice Chairman of the  
Board of Directors and  
Chief Executive Officer



# PRINCIPLES AND VALUES



Espírito Santo Investment Bank's business is built upon the following set of Principles and Values:

## **Ownership**

Our managers and employees identify with the Bank's mission and corporate values and have a strong sense of belonging to a team. Our people have a sense of ownership in the Bank's activities and participate intensely in its successes and failures. This involves a strong sense of responsibility in terms of performance and risks in relation to both the Bank and its Clients.

## **Client Orientation**

We strive to keep and develop Clients' trust by means of our professional attitude, and our intense focus on their needs. We delight in exceeding expectations, by defining strategies to maximize value and establish true partnerships.

## **Excellence**

We provide quality services and innovative and creative solutions. We constantly seek perfection by paying close attention to detail towards obtaining results that exceed expectations.

## **People Orientation**

With our employees, we value our relationships with dignity, respecting individual knowledge and skills. We continuously provide opportunities for personal and professional growth.

## **Learning Organization**

We practice an attitude of continuous learning and innovation, and promoting the diversity of ideas and the sharing of information. We are constantly engaged in the search for greater knowledge, and strive to make the Bank a source of distinctive know-how and thought leadership.

## **Passion to Win**

We are determined to keep growing and improving, using exceptional levels of energy and motivation.

## **Communication**

We express our opinions and points of view objectively and clearly, while at the same time providing others with the space to affirm and express themselves. We aim to enhance the value of information through assertiveness and active listening, and create a non-hierarchical and open-door organization that values people at every level and embodies transparency.

## **Think and Act Internationally**

We stay abreast of global trends and use this knowledge to assess and estimate how global events may impact local business. At the same time, we respect the differences between the regions where the Bank operates, and honor the cultural practices in each.

## **Ethics and Transparency**

We continuously align our corporate thought and behavior to respond appropriately to the need for human solidarity and respect for human dignity. We respect local regulations and implement corporate rules when developing businesses, and always behave ethically in the best interests of the Bank. We maintain a high level of transparency in terms of annual reports, financial accounts and other corporate documents, and ensure that employees, the Shareholder, regulators, Clients and the market in general are provided with adequate information.

# **GLOBAL REACH**



# **14 COUNTRIES 4 CONTINENTS**



# RATING, EARNINGS DISTRIBUTION PROPOSAL AND DECLARATION OF CONFORMITY

## Rating

In January 2012, following the downgrade of the Portuguese Republic's rating from BBB- to BB, S&P revised Banco Espírito Santo de Investimento ratings outlook from 'negative' to 'watch negative'. In February 2012, S&P downgraded the long-term rating of the Bank from BB to BB-, with negative outlook.

In July 2012, S&P announced it was maintaining the rating of Banco Espírito Santo de Investimento at BB- (long-term) and B (short-term), with negative outlook, following its May 2012 analysis of the implications of the EUR 1 billion rights issue of its sole Shareholder, Banco Espírito Santo, S.A., S&P also maintained the rating on the junior subordinated debt of Banco Espírito Santo de Investimento at B-.

In March 2013 S&P confirmed the long-term rating of the Portuguese Republic at BB, raising its outlook from negative to stable. As a result, S&P revised the ratings of the Portuguese banks, confirming the BB-/B rating of Banco Espírito Santo de Investimento, with negative outlook.

With regard to the Bank's subsidiaries, in February 2012, S&P revised the outlook of the long-term rating of BES Investimento do Brasil (global scale, local and foreign currency) from 'negative' to 'watch negative', and subsequently, also in February, downgraded the rating from BB to BB-, with negative outlook.

In April 2012, Moody's lowered the ratings of BES Investimento do Brasil, from Aa3.br/BR-1 to A2.br/BR-2 (Brazilian local scale) and from Ba2/Not Prime to Ba3/Not Prime, with negative outlook (local and foreign currency deposit ratings). The rating on the external debt issue in foreign currency was also lowered, from Ba2/Not Prime to Ba3/Not Prime.

## Earnings Distribution Proposal

Considering that the individual income statement of Banco Espírito Santo de Investimento, S.A. for the year ended on December 31<sup>st</sup>, 2012 showed a net profit of EUR 18,249,803.09 (eighteen million two hundred forty nine thousand eight hundred three euros and nine cents) the Board of Directors submits to the Annual General Meeting the following proposal for the distribution of earnings for the year:

- To Legal Reserve: EUR 1,824,980.31 (one million eight hundred twenty four thousand nine hundred eighty euros and thirty one cents)
- To Other Reserves and Retained Earnings: EUR 16,424,822.78 (sixteen million four hundred twenty four thousand eight hundred twenty two euros and seventy eight cents)
- Total: EUR 18,249,803.09 (eighteen million two hundred forty nine thousand eight hundred three euros and nine cents)

## Declaration of Conformity

In accordance with Article 245, number 1, paragraph c, of the Portuguese Securities Code, the Members of the Board of Directors of Banco Espírito Santo de Investimento, S.A. hereby declare that, to the best of their knowledge:

- a) The individual financial statements of Banco Espírito Santo de Investimento, S.A. for the year ended on December 31<sup>st</sup>, 2012 were prepared in accordance with the legally applicable accounting standards and the Portuguese legislation, as set forth in Article 245, number 3, of the Portuguese Securities Code;
- b) The consolidated financial statements of Banco Espírito Santo de Investimento, S.A. for the year ended on December 31<sup>st</sup>, 2012 were prepared in accordance with the legally applicable accounting standards and with Regulation (EC) no. 1606/2002 of the European Parliament and of the Council, of July 19<sup>th</sup>, as set forth in Article 245, number 3, of the Portuguese Securities Code;
- c) The financial statements referred to in paragraphs a) and b) above provide a true and appropriate image of Banco Espírito Santo de Investimento, S.A. and consolidated companies' assets, liabilities, equity and earnings;
- d) The Management Report describes faithfully Banco Espírito Santo de Investimento, S.A. and consolidated companies' business evolution, performance and financial position for the year ended on December 31<sup>st</sup>, 2012, and includes a description of the main risks and uncertainties that could affect the business.

Lisbon, March 14<sup>th</sup>, 2013  
The Board of Directors

# CONSOLIDATED FINANCIAL HIGHLIGHTS

(EUR thousands)

<b>Consolidated Income Statement</b>	<b>2012</b>	<b>2011</b>	<b>Change</b>
<b>Consolidated Banking Income</b>	<b>261,267</b>	<b>237,934</b>	<b>9.8%</b>
Fees and Commissions Income	101,110	131,467	(23.1%)
Net Interest Income and Market Results	160,157	106,467	50.4%
<b>Total Operating Expenses</b>	<b>(176,053)</b>	<b>(178,603)</b>	<b>(1.4%)</b>
Staff Costs	(111,399)	(109,218)	2.0%
General and Administrative Expenses	(58,876)	(63,866)	(7.8%)
Depreciation and Amortization	(5,778)	(5,519)	4.7%
<b>Operating Income</b>	<b>85,214</b>	<b>59,331</b>	<b>43.6%</b>
Impairment and Provisions	(46,201)	(44,169)	4.6%
<b>Profit before Income Tax</b>	<b>39,013</b>	<b>15,162</b>	<b>157.3%</b>
Income Tax	(18,471)	(5,889)	213.7%
Non-controlling interests	1,486	(212)	(800.9%)
<b>Consolidated Net Profit</b>	<b>22,028</b>	<b>9,061</b>	<b>143.1%</b>
<b>Consolidated Balance Sheet</b>	<b>2012</b>	<b>2011</b>	<b>Change</b>
<b>Assets</b>			
Financial assets held for trading	2,439,729	1,977,051	23.4%
of which: Securities	1,560,951	1,133,978	37.7%
Available-for-sale financial assets	485,917	303,220	60.3%
Loans and advances to banks	243,755	246,691	(1.2%)
Loans and advances to customers	2,187,524	2,257,945	(3.1%)
Held-to-maturity investments	107,202	727,998	(85.3%)
Other assets	1,017,736	1,046,880	(2.8%)
<b>Total Assets</b>	<b>6,481,863</b>	<b>6,559,785</b>	<b>(1.2%)</b>
<b>Equity and Liabilities</b>			
Share Capital	326,269	226,269	44.2%
Reserves and others	282,176	291,766	(3.3%)
Net profit	22,028	9,061	143.1%
Non-controlling interests	75,532	79,322	(4.8%)
<b>Total Equity</b>	<b>706,005</b>	<b>606,418</b>	<b>16.4%</b>
<b>Liabilities</b>			
Financial liabilities held for trading	751,715	791,761	(5.1%)
Deposits from banks	2,020,686	2,452,209	(17.6%)
Due to customers	967,374	859,247	12.6%
Debt securities issued	1,382,888	1,299,619	6.4%
Other liabilities	653,195	550,531	18.6%
<b>Total Liabilities</b>	<b>5,775,858</b>	<b>5,953,367</b>	<b>3.0%</b>
<b>Total Equity and Liabilities</b>	<b>6,481,863</b>	<b>6,559,785</b>	<b>(1.2%)</b>

## **Q&A - ECONOMIC OUTLOOK**

**Q**

**What were the highlights of the global economy in 2012?**

**A**

2012 was marked by a global slowdown of economic activity. This was the result of a number of factors, most notably, restrictive fiscal policies and private sector deleveraging in the main developed economies, the slowdown of demand and fears of a hard landing in China, and the uncertainty over the Eurozone debt crisis. This last factor was particularly acute during the first months of the year due to the political and fiscal instability in Greece and fears over the spreading of the crisis into neighboring economies. The second half of the year, however, was marked by a stabilization of the financial markets and the abatement of concerns over fragmentation of the Eurozone, which resulted in a significant reduction in the spreads of government bonds of peripheral economies in relation to Germany, as well as volatility levels.

**Q**

**In a year marked by political risks, what main developments stand out?**

**A**

The Eurozone saw an improvement in perception during the second half of the year which led to some progress towards better financial and fiscal integration. The improvement resulted mainly from the European Central Bank's (ECB's) launch of the Outright Monetary Transactions program. This opened the doors to the unlimited purchase of public debt securities of Eurozone economies, and was complemented by an eventual formal financial assistance program by the European Stability Mechanism (ESM). In the United States of America, where political risks also emerged as negative risks to the outlook, the agreement reached between Democrats and Republicans at the start of 2013 for the time being dispelled the more negative consequences of the fiscal cliff, thereby improving the American economic prospects, which could resume a growth rate of about 2%.

**Q**

**What course for monetary policy was taken by the main central banks?**

**A**

In the context of reduced inflationary pressures, the main central banks pursued highly expansionary monetary policies. These included the strengthening of quantitative easing by the US Federal Reserve with the so-called QE3 (which includes the acquisition, for an indeterminate period of time, of mortgage-backed securities and public debt securities at a rate of USD 85 billion per month); the long-term refinancing operations of banks sponsored by the ECB; and the quantitative easing by the Bank of England and the Bank of Japan. After the last cut of 25 bps in July, the ECB maintained the key benchmark interest rate unchanged at 0.75%.

These actions by the monetary authorities contributed to an increase in the appetite for risk at a global level. In all of 2012 the main equity markets registered impressive gains, with the 3-month Euribor rate falling from 1.36% to 0.19%, and the euro appreciating by 1.8% against the dollar, to EUR/USD 1.32.

**Q**

**In this context, how did the emerging economies perform?**

**A**

While also slowing down, the performance of emerging economies was significantly more robust, with growth rates over 5%. The growth of China and India, in particular, although slower than the previous year, still increased by 8% and 5%, respectively. The African, Latin American and Asian economies, less burdened by the weight of debt and the need to deleverage, also present brighter prospects in the next few years.

# CORPORATE HIGHLIGHTS

As the leading Investment Bank in Portugal, Espírito Santo Investment Bank has increasingly focused on a strategy of international expansion, maintaining a presence on four continents namely in the main financial markets in the world: London, New York and Hong Kong.

Since entering its core Spanish and Brazilian markets in 2000, up to its most recent expansion into India, the Bank has provided support to its Clients in their respective internationalization efforts and actively explored opportunities to expand its distinctive commercial and technical capabilities into new markets.

In the scope of its global development strategy, the Bank began its brokerage activities in India in May of 2012 through Espírito Santo Securities India Private Limited, a 75/25% partnership with the Burman Group, and has already submitted an additional application to explore other Investment Banking activities in that market, specifically Capital Markets and Mergers & Acquisitions. In South Africa, the Bank entered into a partnership with a well-known local independent broker,

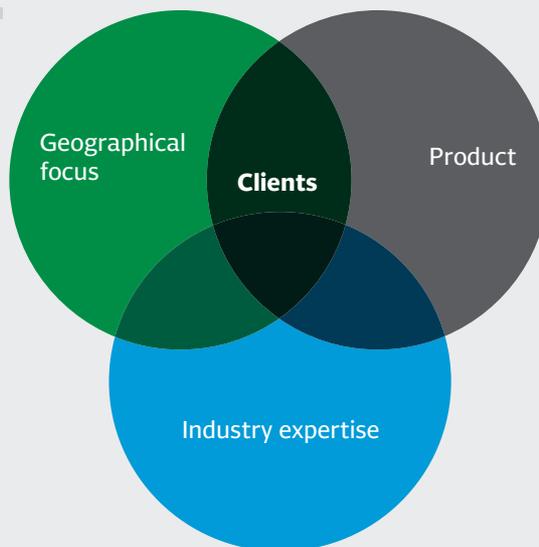
Avior Research. The scope of this strategic partnership includes the exclusive distribution of equity research to Institutional Clients in Europe as well as trading activities in the South African and Pan-African markets, thereby reinforcing the Bank's emerging markets equity offer.

The Bank's primary objective is to provide services to large and medium Corporate Clients, Institutional Clients and, in some specific segments, Private Clients. A key source of its revenue is derived from commissions earned from advisory services, brokerage and distribution services, and from revenue generated by structured credit underwriting and asset and risk management.

In order to execute this strategy, we have adopted a model of specialized commercial teams that originate business opportunities in close association with product teams, who are responsible for the development and execution of the customized solutions and services offered by the Bank in the various regions where it operates.

## BUSINESS TEAMS

- Client Relationship Management
- Deal Origination
- Wholesale Cross-selling with BES Group



## PRODUCT TEAMS

- Equity Capital Markets
- Fixed Income
- Corporate Finance
- Mid-Cap Financial Advisory
- Capital Structure Advisory
- Project Finance and Securitization
- Acquisition Finance and Other Lending
- Private Equity
- Wealth Management

# CORPORATE HIGHLIGHTS



Image: New York City

In 2012 the international expansion strategy and the development of business activities with other entities resulted in several initiatives, including:

- March 26<sup>th</sup>, 2012 – Opening of a Representative Office in Cologne, Germany
- May 17<sup>th</sup>, 2012 – The Bank of Portugal notified the Bank that it did not oppose its application to establish a subsidiary in the Cayman Islands
- September 7<sup>th</sup>, 2012 – The Bank increased its share capital by EUR 100,000,000.00 to EUR 326,269,000.00
- November 14<sup>th</sup>, 2012 – The share capital of the subsidiary, BES Investimento do Brasil S.A. – Banco de Investimento, was increased by BRL 100,000,000.00 to BRL 420,000,007.78
- December 31<sup>st</sup>, 2012 – The Bank's stake in its subsidiary Espírito Santo Investment Holdings Limited (the controlling entity of the Execution Noble Group), reached 68.4%



# EXPERIENCE LEADERSHIP SUCCESS



Image: Hong Kong



### Client Origination

We don't use cookie-cutter solutions, but instead focus on the unique needs of our Clients. This involves committing our best human and technical resources to provide solutions that meet our Clients' objectives. Our Client Origination Team is comprised of industry sector specialists throughout the Bank's global footprint.



### Private Solutions

In partnership with the Espírito Santo Private Banking Division, we have a dedicated team with vast investment banking and wealth management experience. The team offers value-added investment proposals that meet the demanding requirements of high net worth individuals.



### Capital Markets

Combining extensive experience in origination and structuring of capital markets transactions with an enlarged distribution capability in Europe, the United States of America and Emerging Markets, our Capital Markets Division is well positioned to support our Clients.



### Corporate Finance

We are the preferred financial advisor for corporate Clients wishing to complete profitable mergers and acquisitions.

In 2012, we advised on 20 announced transactions, with a global value making a of approximately EUR 13 billion.



### Mid-Cap Financial Advisory

We believe that the ambitions of our Clients are more important than their size. In a partnership with Banco Espírito Santo, we have a dedicated team that provides advisory services to mid-sized companies. Our services include financial advisory services for mergers and acquisitions, restructuring financial processes, consulting services for valuations and economic and financial feasibility studies.



### Project Finance and Securitization

We advise our Clients through all the stages of a Project Finance transaction, offering a variety of fund-raising instruments as well as an analysis of the viability of infrastructure projects. Leveraging the strength of our global presence and knowledge of local markets, we work hard to find the best financial solutions and most efficient sources of funding for projects.



### Acquisition Finance and Other Lending

We specialize in helping our Clients in their corporate acquisitions and structured finance deals. Even in the face of the current challenging economic environment, we continued to grow in the Iberian market and to develop our international business, with special focus on Brazil and Poland.



### Wealth Management

With the continued growth of the Private Banking business in Brazil, Espírito Santo Serviços Financeiros, DTVM, S.A. has been operating in the local market, with the objective of actively advising Clients in the management of their financial portfolios.



### Private Equity

In 2012 we achieved the second highest level of investment ever, while also launching the base for future development through the incorporation of the 2bCapital fund for the Brazilian market and the start of a new initiative for the Later Stage sector in the Iberian market.

## **CLIENT ORIGINATION**

### **Increased international presence in Latin America, Europe, and Asia**

The Client Origination Team strives to originate transactions for all of the Bank's product areas. Using their thorough knowledge of the market and potential opportunities, they work in close collaboration with the Bank's diverse product areas to help Corporate Clients meet their business needs and objectives.

The Team is organized according to specialization by industry and sector, where a proactive and innovative strategy is essential to the development of sustainable and lasting relationships with Clients and the market.

The Bank's leadership in the Portuguese market and the increasing globalization of its Clients has propelled the Bank's international presence, which is evolving in the context of a global economy. The Bank in 2012

increased its direct international presence, which currently includes Spain, Brazil, the United Kingdom, Poland, the United States of America, Mexico, and more recently, India.

Despite the recessionary climate that characterized 2012, the commitment and professionalism of the Bank's staff sustained the efficiency and effectiveness of its commercial and product teams, and was reflected in the significant deal flow and in the quality of the results generated.

## **PRIVATE SOLUTIONS**

### **A dedicated team with vast investment banking and wealth management experience**



The Private Solutions Team ended 2011 on a hopeful note with high expectations for 2012. Today we can state that those expectations were fulfilled and, in some cases, even exceeded.

The Division's success in meeting its very ambitious 2012 budget can be attributed to the significant improvement in the perception of Portugal's country

risk, the introduction and implementation of value-added ideas, and a well-coordinated joint approach by the Private Solutions Team and the product areas.

The business model was expanded to include other platforms of the Espírito Santo Group, thereby expanding the client base and the ability to identify new opportunities. This proved to be a good approach which will continue to generate new business in the future.

While some areas still require additional effort to develop the existing business potential, the Division's main goal for 2013 is to strengthen the established strategy in order to finalize the transactions that are in the pipeline, as well as to originate new opportunities in wealth management, thereby enhancing the Bank's Client relationships.

# CAPITAL MARKETS

## Continued expansion, in the midst of adverse market conditions



### EQUITY CAPITAL MARKETS

#### Equity Primary Markets

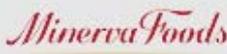
The Bank was very active in **Iberia** in 2012, most notably acting as joint Global Coordinator and Bookrunner in the Capital Increase transactions for BES (EUR 1,010 million) and Espírito Santo Financial Group (EUR 500 million), and as Financial Advisor in the public offerings of shares of BRISA (EUR 584 million) and CIMPOR (EUR 1,477 million). The Bank also participated as Co-Manager in the IPO for Grupo Financiero Santander Mexico, the largest IPO ever by a Mexican company. In equity-linked operations, the Bank was Joint Bookrunner for BES Finance's issue of bonds exchangeable for ordinary shares of Banco Bradesco (USD 450 million).

In **Poland**, the primary equity market was very active in 2012, sustained by the ongoing privatizations program. The Bank continued to strengthen its credentials in the market, acting as Joint Bookrunner in the privatization transaction for 50% of the utility ZE PAK, the second largest IPO of the year on the Warsaw Stock Exchange.

In the **United Kingdom**, the Bank acted as Corporate Broker in the recommended offer for GlobeOp, which valued the company at GBP 548 million, in the placement of shares of Novae (GBP 35 million) and of Xchanging (GBP 22 million). The corporate brokerage sector saw significant development in 2012, focusing its activities in the areas where the Bank has substantial expertise, and on Clients that will benefit from our broad and integrated range of services. The Bank was named Corporate Broker in 2012 to companies such as

The Local Shopping REIT, Assura, Xchanging and Vertu, and already in 2013, to The Laird Group, 4Imprint and Sports Direct International.

In **Brazil**, the Bank played a prominent role as: (i) Sole Placement Agent to Monteiro Aranha in the block sale of shares of Klabin (BRL 93.7 million); (ii) Joint Lead Manager in the follow-on offering of Minerva (BRL 495 million); (iii) Exclusive Broker to Oi in the acquisition of 2.8% of Portugal Telecom (EUR 99.8 million); and (iv) Co-Manager in the IPO of Banco BTG Pactual (BRL 3.2 billion).

<p style="text-align: center;"><b>PORTUGAL</b></p> <p style="text-align: center;"> <b>Brisa</b></p> <p style="text-align: center;">Public Tender Offer €584,200,000 Financial Adviser 2012</p>	<p style="text-align: center;"><b>POLAND</b></p> <p style="text-align: center;"> <b>PAK</b></p> <p style="text-align: center;">IPO PLN 681,540,600 Joint Bookrunner 2012</p>
<p style="text-align: center;"><b>BRAZIL</b></p> <p style="text-align: center;"> <i>Minerva Foods</i></p> <p style="text-align: center;">Follow-on R\$ 495,000,000 Joint Lead Manager 2012</p>	<p style="text-align: center;"><b>MEXICO</b></p> <p style="text-align: center;"> <b>Santander</b></p> <p style="text-align: center;">IPO US\$ 4,117,417,285 Co-Manager 2012</p>

# CAPITAL MARKETS

## Equity Secondary Markets

In **Iberia**, the PSI20 and IBEX35 rose 28% and 37%, respectively, during the second half of 2012, countering the heavy losses during the first half of the year. The Bank maintained its leading position in equity trading on the NYSE Euronext Lisbon and a prominent position in the Madrid Stock Exchange. The Bank's expanded global distribution capacity, coupled with the strong coordination of the Iberian teams with their peers located in the main financial centers around the world, gives us confidence in this area's performance in 2013.

In **Brazil**, BES Securities increased its market share in the segments in which it operates, rising to 21<sup>st</sup> place in the Bovespa ranking, capitalizing on its stake in the futures market where it climbed 14 places in the BM&F ranking, and attained a prominent position in the agricultural market (3<sup>rd</sup> place in the ranking of the cattle futures market).

In **Poland**, the Bank continued its strategy of selling Polish equity research to local funds and to international asset managers, relying on the London and New York platforms. This strategy enabled the Bank to increase its intermediated volumes by 54% as compared to 2011, and to rise to 11th place in the ranking of Polish brokers, with a market share of 3.2%. The Research Team increased the number of companies analyzed in Central Europe to 50.

Throughout 2012, the Bank followed several strategies to improve its market position in the **United Kingdom**. The Equities Research product began distribution in Europe and Emerging Markets under the Espírito Santo Investment Bank Research brand, and the European Equities Research function was fully integrated with the Iberian Research departments. The trading activities registered growth after the successful start of market-making activities in the UK. Small and Mid-Cap firms, which have greater exposure to the reduced liquidity of the stock market, benefitted significantly from this activity, and the Bank took advantage of its wider platform and strengthened its position in this business segment.

## Asset Management

In **Iberia**, while Assets under Management declined by 15% to EUR 158 million in 2012, the "normal profile" portfolios registered a positive performance of 8%, and the "aggressive profile" portfolios a performance of

16%, well above the best expectations at the start of the year. The priority for 2013 is to expand the client base in Portugal and Spain, as well as increasing returns of the managed portfolios.

In **Brazil**, BESAF – BES Activos Financeiros ended 2012 with total Assets under Management of BRL 1,012.7 million, an increase of 31% from the previous year. The strategic reorganization of the company and the strengthening of the team carried out in the past two years resulted in a recovery of the total Assets under Management and in the improved performance of the funds managed by BESAF, with the Structured Funds gaining significant prominence in the company's spectrum of products in 2012. One of BESAF's priorities for 2013 is to work with the BES Group distribution network across its various platforms and locations, especially Portugal, Spain, Switzerland, United States of America and Asia, to offer its range of "Brazilian market" products as an investment alternative.

## CAPITAL MARKETS – FIXED INCOME

### Debt Primary Markets

In **Iberia**, the Bank played an important role in the reopening of international debt markets to Portuguese issuers, acting as Joint Lead Manager in the senior bond issues of EDP Finance B.V., Portugal Telecom International Finance, B.V., Brisa-Concessão Rodoviária S.A and Banco Espírito Santo, S.A., for a total of EUR 2.6 billion. The EDP bond issue in September of 2012 was the first by a Portuguese issuer since January of 2011, and was considered Euro Bond of the Year by the *International Financing Review*. The Banco Espírito Santo debt issue was also the first accomplished by a Portuguese bank in international markets since April of 2010. The Bank was also Joint Lead Arranger in the public bond offerings of Portugal Telecom, EDP, ZON Multimédia and Futebol Clube do Porto – Futebol, SAD, totalling EUR 880 million, and also organized and led 10 commercial paper programs totalling EUR 286 million.

In **Poland**, the debt primary market was very active in 2012, most notably in sovereign debt offerings. Poland's rating remained high (A- according to S&P) despite the crisis in Europe, which attracted new investors. The Bank participated actively in this market with the trading of both corporate and sovereign debt. In the

# CAPITAL MARKETS

primary market, the Bank was Sole Arranger in the domestic bond issue of Ciech S.A. for PLN 320 million, the second largest producer of sodium carbonate in Europe.

In **Brazil**, the Bank acted in the International Fixed Income market as Joint Bookrunner in the bond issue for Oi (USD 1.5 billion), and as Co-Manager in the Banco do Nordeste's bond issue (USD 300 million). In the domestic fixed income market, the Bank had a prominent role in eight offerings – the debenture issues of Locamerica (BRL 120 million), Sabesp (BRL 771.1 million), N.S.O.S.P.E. (BRL 128.1 million), OAS (BRL 209 million), Águas do Mirante (BRL 66 million), Copobras (BRL 55 million) and Banco Mercantil do Brasil (BRL 47 million).

<p><b>PORTUGAL</b></p>  <p>EDP Finance, B.V.</p> <p>5.75% Notes Due 2017 €750,000,000</p> <p>Joint Lead Manager 2012</p>	<p><b>PORTUGAL</b></p>  <p>PT International Finance B.V.</p> <p>5.875% Notes Due 2018 €750,000,000</p> <p>Joint Lead Manager 2012</p>
<p><b>BRAZIL</b></p>  <p>Brasil Telecom, S.A.</p> <p>5.75% Senior Notes Due 2022 USD 1,500,000,00</p> <p>Joint Bookrunner 2012</p>	<p><b>POLAND</b></p>  <p>6M WIBOR + 490/500 b.p. Senior Bonds - Due 2017 PLN 320,000,000</p> <p>Sole Arranger 2012</p>

## Risk Management and Trading & Sales

In **Iberia**, the Corporate Risk Management area closely monitored hedging opportunities that emerged in asset classes that included commodities, interest rate, foreign exchange and equities. Most notably, commodities hedging operations for pulp, energy and CO2 helped compensate for the decrease in interest rate hedges.

In the area of Institutional Client Structuring, indexed credit risk products, especially for companies in peripheral countries (Portugal, Spain, Italy), represented about 65% of the total of products originated. This demonstrated the confidence of investors in those markets and the demand for higher yields (especially in the first semester). As in 2011, about 90% of the transactions were in the form of debt issues, which was one of the Bank's main sources of funding.

The Trading & Sales activity based its 2012 strategy on the following specific objectives: (i) focus on recurring Client activity; (ii) presentation of investment strategies; (iii) placement of new issues in primary markets; and (iv) exploration of synergies with other geographies where the Bank operates. The continuous efforts in developing and consolidating the current Institutional Client base was a key factor in the growth of this activity, more than compensating for the decrease in the number of primary market issues.

In **Brazil**, the Risk Management/Structuring area focused its attention on the expansion of its Client base in order to increase its transaction/pricing flow and reduce its dependency on individual structured transactions.

In Trading & Sales, the high level of liquidity in the Brazilian market during 2012 enabled the reduction of credit spreads to unprecedented levels, as well as an extension of maturities. The Bank participated in the distribution of issues of debentures for Sabesp (BRL 771 million), OAS (BRL 209 million), Locamerica (BRL 120 million), and the debt offering (Letras Financeiras) by BDMG (BRL 350 million). The close relationship with investors resulting from the distribution of structured products is expected to contribute towards growth in this area in 2013.

# CORPORATE FINANCE

## Targeted success in challenging global markets



### Market Overview

The downturn in Mergers & Acquisitions (M&A) activity that started in the second semester of 2011 continued throughout most of 2012. Despite the moderate recovery in 2010 and first half of 2011, the total announced transactions at the end of 2012, according to data received from Bloomberg, was still 10% below the 2008 value, the year when the global financial crisis began.

In 2012, global M&A activity declined by 1% in total number of announced transactions and 3% in value, to USD 2,220 billion. The performance in the sector improved in the last quarter of 2012 with the number of transactions increasing by 6% and the value by 53%, as compared to the same period in 2011. This was the highest quarterly growth rate since 2008.

Global cross-border transactions represented 50% of the total announced transactions. In Europe, cross-border transactions continued to be the main driver of the M&A market, representing 83% of the total value of announced transactions.

### Iberia

As in the previous two years, the M&A activity in Iberia, which totalled USD 56 billion, was negatively impacted by the high cost of sovereign debt and the subsequent increase in cost of funding for banks, by reduced liquidity for financing to the corporate sector, and by a near zero, or even negative, economic growth rate.

### Brazil

In a very challenging global market, the M&A activity in Brazil in 2012 was about the same as the previous year. Domestic transactions represented about 42% of the total, a decrease of 16.5% compared to 2011.

### United Kingdom

In 2012, M&A business in the UK reached USD 374 billion, remaining flat in the number of announced deals but registering an increase of 53% in value as compared to the previous year, due to improved performance in the last quarter of the year. Sluggish capital markets and difficulties in raising financing were the main reasons for stagnation of the market and low volume.

### Poland

Despite the size and resilience of the Polish domestic market, M&A activity in 2012 was not immune to the unfavorable international market, and registered a decrease in announced deals of 42% in number and 56% in value to a total of USD 9 billion, according to Bloomberg data.

### United States of America

In the US, M&A activity grew by 5% in number of announced deals but decreased by 5% in value as compared to 2011, for a total of USD 1,120 billion, according to data published by Bloomberg.

### 2012 Performance

In 2012, the Bank acted as advisor in 20 announced M&A deals, for an approximate total value of EUR 13 billion.

### Iberia

In a difficult macroeconomic environment, the Bank cemented its position as the “go-to” bank for Investment Bank Financial Advisory services in Iberia. It maintained its leadership position in the Portuguese M&A market and ranked second in Iberia, in both number and value of announced deals.

### Bloomberg

League Tables

1st Place M&A  
Financial Advisory  
Portugal  
(number and value  
of announced deals)  
2012

### Bloomberg

League Tables

2nd Place M&A  
Financial Advisory  
Iberia  
(number and value  
of announced deals)  
2012

# CORPORATE FINANCE



Notwithstanding its generalized strategy, the Bank maintained a strong presence in the energy sector and played a prominent role in the ongoing Portuguese privatization program.

### Brazil

The Bank's 2012 performance in M&A followed the trend of the previous years, standing out in the provision of domestic advisory services and in deals involving Brazilian assets and international investors from geographies where the Bank has a presence, most notably Portugal and Spain.

According to ANBIMA, 176 M&A deals were announced in the Brazilian market in 2012, valued at BRL 122.3 billion, with the Bank securing 11th place in the ranking of announced deals.



**ANBIMA**  
League Tables

11th Place M&A  
Financial Advisory - Brazil  
(value of announced deals)  
2012

### Poland

The Bank consolidated its M&A team during 2012 and worked on various transactions in the Polish market in diverse sectors such as financial, telecommunications, renewable energy and industrial. The Bank has achieved recognition in the market as a first-rate player and is in direct competition with the large global investment banks.

### United Kingdom

The Bank's M&A team in London is especially well-positioned to act as a platform to leverage the interest of international investors, in both mature and emerging markets where the Bank is represented, fostering cross-border deals, and with a special focus on the middle market segment.

### United States of America

The M&A team in the United States of America is mainly focused on executing cross-border deals with Iberia and Latin America, especially Brazil and Mexico, where an increase in interest and the number of opportunities is expected.

<p><b>PORTUGAL</b></p>  <p><b>中国长江三峡集团公司</b> China Three Gorges Corporation</p> <p>Acquisition of a 21.35% stake in EDP-Energias de Portugal, SA in EDP's 8th re-privatization phase €2.7 Bn - Financial Adviser 2012</p>	<p><b>SPAIN</b></p>  <p>naturgas energia</p> <p>Sale of its gas transmission company in Spain, Naturgás Energía Transporte, S.A.U. to Enagás S.A. and Ente Vasco de la Energía-EVE €262,500,000 - Financial Adviser 2013</p>
<p><b>BRAZIL</b></p>  <p>Meizler BIOPHARMA S.A.</p> <p>Sale of a 51% stake to UCB Financial Adviser 2012</p>	<p><b>PORTUGAL</b></p>  <p><b>PARPÚBLICA</b> PARTICIPAÇÕES PÚBLICAS (SGPS) S.A.</p> <p>Privatization of 100% of ANA - Aeroportos de Portugal, SA (pending) €3,100,000,00 Financial Adviser 2012</p>

## **CORPORATE FINANCE**



### **Outlook**

Despite the problems affecting the M&A market – the extreme complexity of acquisition financing transactions, the difficulties in reconciling valuations between buyers and sellers, and the deterioration of investor’s assessment of business risks - the Bank has ambitious objectives for 2013.

The Bank will continue to target the more resilient sectors where it has developed strong, well-established capabilities, most notably in the energy and infrastructure sectors.

In geographic terms, the Bank will continue to focus on cross-border deals in the markets where it is represented, on exploring valuable opportunities in mature markets (most notably through providing Financial Advisory services in the ongoing privatization programs), and on leveraging the potential growth of emerging markets,

## **MID-CAP FINANCIAL ADVISORY**

### **A dedicated team helps Mid-Cap companies reach their financial objectives**

Espírito Santo Assessoria Financeira was formed in 2004, in partnership with the Mid-Cap Corporate Division of Banco Espírito Santo, with the objective of providing Investment Banking services to the Mid-Cap corporate segment.

The main Investment Banking services provided to this market segment include financial advisory services for Mergers and Acquisitions and for financial restructuring processes, as well as pure financial consulting services, especially valuations and economic and financial feasibility studies.

The most significant commercial efforts have been carried out by Banco Espírito Santo’s Corporate Banking Centers, which are an important source of business for Espírito Santo Assessoria Financeira. To subsequently secure financial advisory mandates,

business opportunities are identified by these Centers, Investment Banking services are made available to potential clients, and visits are scheduled where the services are presented.

To expand its business sourcing channels, Espírito Santo Assessoria Financeira has established a collaboration agreement with the Private Banking Division of Banco Espírito Santo. The purpose of this initiative is to offer financial advisory services to Private Clients in the development of their investment plans, as well as with the purchase and sale of their equity holdings.

Business revenues in 2012 were in line with expectations, with a total of 8 mandates executed during the year.

# PROJECT FINANCE & SECURITIZATION

## A greater shift towards Brazil and Portuguese-speaking African countries

During 2012, the project finance area's activities continued to be inhibited by constraints in liquidity and low volumes of investment in the traditionally dynamic sectors of this market, such as infrastructure and energy.

The project finance area is less oriented to its more traditional markets and more towards those regions less affected by the current global economic situation. Among these are Brazil and African countries, especially those whose official language is Portuguese. For Clients in these areas, the Bank focuses on providing financial advisory services and structuring finance products that incorporate fundraising for projects. The Bank has already structured this type of financing for specific projects in Brazil (issuance of local project bonds) and plans to extend this practice to other regions.

The Bank's presence in strategic locations, its excellent relationship with key Clients, and the superior know-how of its teams have provided access to high profile and attractive operations and projects.

### Portugal

The Bank completed several deals in 2012, either through project structuring or renegotiation.

Although no major changes in the macroeconomic situation are expected in 2013, the Bank's reputation and its strong position in the Portuguese market create a positive outlook for the year.

### Spain

The Bank focused its 2012 activity in Spain on financial advisory services, the reassessment of projects in its current portfolio and on improving the profitability of projects under development.

In 2013, no significant changes are expected in the macroeconomic conditions in Spain, and the Project Finance team will be engaged in identifying and supporting business opportunities offered by its Spanish Clients in other locations and regions.

### United Kingdom

The UK team has been focused on structuring the Credit Fund for Infrastructure Projects, in association with the independent fund manager Sequoia Investment Management Company. There are good prospects for the completion of two closings, one in Pounds Sterling and the other in euros. When operational, the Fund should allow the Bank to expand the origination of new transactions.

### Brazil

The pace of project finance activity in Brazil remained intense due to investments in progress in the country in the infrastructure sector, especially in energy, airports, highway concessions, urban transport and wastewater systems.

In 2012, the Bank executed four new financial advisory contracts and also advised on long-term financing contracts. It also played a prominent role in structuring local bonds with maturities of up to 12 years, as an alternative funding source for infrastructure projects.

The outlook for Brazil in 2013 remains promising, with several auctions expected in various sectors throughout the year for new highway concessions, airport concessions, and port concessions, with total investments of about BRL 64 billion, as well as in the energy and sanitation sectors. The estimated investment in infrastructure over the next five years should be in the range of BRL 250 billion per year.

### Americas

Despite macroeconomic constraints involving the project finance activity in the Americas, the Bank has made progress in originating deals in which it can take a leading role and then subsequently syndicate these deals. Four financing deals were completed in 2012: two in Mexico, one in Chile and one in the United States of America.

The outlook for 2013 is promising, given the ongoing negotiations for new operations in the Andean Region, Peru and Colombia. In addition, the Bank has taken steps to enter into partnerships with multilateral development banks such as IDB, CAF and DEG in order to support projects in the region.

# ACQUISITION FINANCE & OTHER LENDING

## Supporting our Clients' corporate acquisitions and structured finance deals



In 2012, activity in the acquisition finance sector remained low, registering a decrease in volume of 34% as compared to 2011. This performance is closely related to the sovereign debt crisis in the Eurozone and to the constraints on the financial sector.

### Espírito Santo Investment Bank Activity

Noteworthy transactions completed in 2012 included:

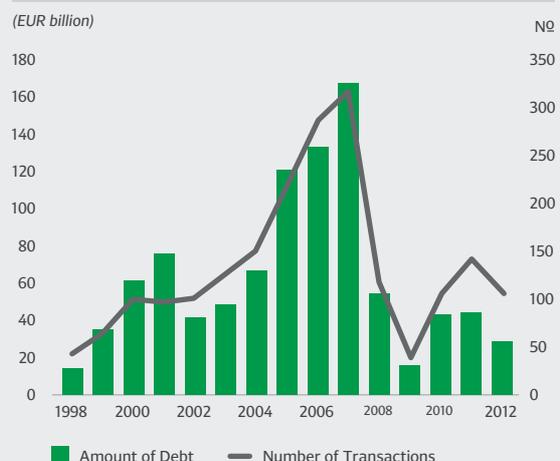
- Tagus Holdings S.A.R.L. – The Bank acted as Mandated Lead Arranger in the syndicated loan to Tagus, in the amount of EUR 590 million, for the tender offer for Brisa – Auto-Estradas de Portugal S.A.;
- AEIF Apollo S.A.R.L. – The Bank was Mandated Lead Arranger in the EUR 52 million syndicated loan to AEIF;
- WTG Corporation Limited – The Bank was Mandated Lead Arranger in the loan to WTG in the amount of EUR 9 million, for the acquisition of the share capital of IMG Energias S.A.;
- SIC – Sociedade Independente de Comunicação S.A. – The Bank acted as Mandated Lead Arranger in the EUR 20 million loan to SIC for the refinancing of the Company's activity;
- Mota Engil Central Europe, S.A. – The Bank was Mandated Lead Arranger of the short-term loan and bank guarantee of PLN 50 million to finance the Company's activity;
- Sacyr – The Bank participated in the Company's refinancing, in the amount of EUR 2.4 billion.

In Brazil, other lending activity registered an important milestone in 2012, with 141 completed transactions (including renewals and new loans), for a total of BRL 779.6 million.

The main Brazilian transactions completed in 2012 include:

- Copobras, S.A. – In a partnership with Banco Itaú BBA, structuring and execution of a BRL 55 million issue of debentures in the local market, for the extension of liabilities;
- Caramuru Alimentos – Structuring of a BRL 20 million loan through an export credit note;
- Bioserv – Structuring of a BRL 18 million loan through an export credit note;
- Grupo Proactiva – Structuring and execution of CCB (bank credit note) in the amount of BRL 43 million;
- Cemusa Inc – Structuring and execution of a USD 33 million Loan Agreement for a US subsidiary of the Spanish group FCC, through the Cayman Islands branch of BES Investimento do Brasil.

### Senior Financial Debt – European Market



Source: Standard & Poor's

# WEALTH MANAGEMENT

## More than BRL 1.2 billion in assets under management or co-management

With offices in Sao Paulo and Rio de Janeiro, BES DTVM is Espírito Santo Investment Bank's wealth management arm in Brazil. Supported by an experienced team and an "open architecture" platform, BES DTVM closely monitors the evolution of their Clients' wealth, offering products and assets best suited to meet their needs and demands.

The economic scenario in Brazil in 2012 was marked by reduced growth of the GDP and a sharp fall in interest rates. Brazilian investors, who historically have favored interest rate products, increasingly sought out other capital allocation alternatives, such as products and assets linked to the price index, fixed assets via financial instruments, and products with tax benefits.

Even in this demanding environment, the Brazilian Private Banking segment kept up the positive performance registered in 2011, with a growth of 21.4%. The industry reached BRL 527 billion in Assets under Management.

In its third year of activity, BES DTVM closed the year with BRL 1.2 billion in Assets under Co-Management, a growth of 27% from the previous year. The synergies with the Bank's other teams in Brazil has resulted in an increase in cross-selling, especially in the areas of M&A, foreign exchange, treasury products and investment funds.

# PRIVATE EQUITY

## Increases in deal flow in Brazil and Iberia

2012 was characterized by the incorporation of 2bCapital fund which targets the Brazilian market, by the termination of the investment period of the ESIF fund, and by preparations to launch a new fund in Iberia focused on later stage investments. Despite adverse macroeconomic conditions and restrictions on bank credit, we achieved the second highest level of investments ever, for a total of EUR 30 million.

The deal flow level registered a sharp increase of 35% over 2011, mainly linked to the area of later stage, particularly in the growth segment. In terms of investment, the most significant operations were the capital increase of Panicongelados, the acquisition of Sierra Sesnandez and Cova da Serpe wind farms, and in follow-on investments, the capital increase of Globalwatt. The amount of divestment was reduced, favoring the distribution of dividends and repayment of shareholder loans as a way to counteract the lack of demand. The portfolio as a whole proved to be resilient to the adverse macroeconomic conditions, with a growth of 36% from 2011 and a market value of EUR 165 million. Fundraising was concentrated on the incorporation of the 2bCapital fund for the Brazilian market and on the launch of the new later stage fund in Iberia.

### Outlook

#### Iberia

After two years of a very difficult macroeconomic environment, the outlook for 2013 seems brighter. In Portugal, the general improvement of liquidity in the economy should allow a gradual loosening of credit for investment, and the current trend of launching new funds creates the prospect of increased competition in the sector. In Spain, the year should be marked by the expectation of the return of foreign investors, following an intense restructuring of the traditional local investor base centered on the banking sector.

#### Brazil

2012 was characterized by a significant reduction in interest rates, stable inflation and a deceleration in the rate of economic growth. The expectations for 2013 are for a recovery in the rate of growth, with a goal of 3.2% by year end. There is strong interest in Private Equity in Brazil and in the region in general, including new markets such as Colombia and Peru. This is characterized by the announcement of entry or strengthening of global funds into the market. Focus on sectors associated with the domestic economy, such as consumer, retail, education and health, which are also part of the investment strategy of 2bCapital, remains strong.

# RISK MANAGEMENT

## Robust, independent and multilevel management of risk

The risk management function identifies, assesses, monitors and reports all the material risks to which Espírito Santo Investment Bank is subject, both internally and externally, so that such risks remain contained and do not impact the Bank's financial situation.

Efficient risk management and control have always played a fundamental role in the balanced and sustained growth of the Bank, contributing to optimized risk/return across the various business lines while simultaneously providing a consistently conservative risk profile in terms of solvency and liquidity.

### Core Principles

- Independence of the risk function
- Senior Management involvement through specialized committees
- Integrated view of risk
- Specialized technical resources

### Credit

- The economic recession has inevitably impacted credit risk, with the credit risk ratio reaching 9.8% (December 2011 – 8.6%);
- Impairment cost reached a prudent rate of 1.45% in 2012 (2011 – 1.41%), corresponding to a EUR 32.9 million reinforcement in provisions, raising the balance of credit provisions to approximately EUR 122 million (a 17% increase over 2011), after the use of EUR 15.3 million.
- The provision coverage of credit at risk reached 44.7%;
- The Inspection Program (OIP) carried out by the Bank of Portugal (BdP) did not require any additional provisioning by Espírito Santo Investment Bank.

### Solvency

- The capital increase of September 7<sup>th</sup> strengthened the Core Tier I capital in 15%;
- The Core Tier I ratio (according to BdP criteria) reached 11.6%, comfortably above the minimum requirements established for 2012;
- Risk Weighted Assets (RWAs) dropped by 10%, reaching a total of EUR 4,947 million as of December 31<sup>st</sup>, 2012.

- The ICAAP exercise carried out in 2012 with reference date December 31<sup>st</sup>, 2011, concluded that the Bank is in compliance with the conservative risk appetite defined by the Executive Committee, ensuring high solvency levels associated to a minimum rating target of A (Debt Holder perspective).

## Rising Overdue Loans and Provisions

### Overdue loans



### Provisions



Source: Espírito Santo Investment Bank.

## Stronger Capital Ratios

### Core Tier 1 capital (EUR million)



### Core Tier 1 ratio



### Risk-weighted Assets (EUR million)



Source: Espírito Santo Investment Bank.

## Liquidity

With capital markets not yet stabilized, at the end of 2012 the BES Group reopened the debt market for Portuguese banks, raising funding of EUR 1.6 billion up to the start of 2013.

# CORPORATE INFORMATION

## Corporate Bodies, Executive Committee and Product Divisions

### CORPORATE BODIES

#### General Meeting Board

##### Chairman

Daniel Proença de Carvalho

##### Secretary

José Miguel Alecrim Duarte

#### Board of Directors

##### Chairman

Ricardo Espírito Santo Silva Salgado

##### Vice-Chairmen

José Maria Espírito Santo Silva Ricciardi  
Francisco Ravara Cary  
Rafael Caldeira de Castel-Branco Valverde  
Miguel António Igrejas Horta e Costa  
Ricardo Abecassis Espírito Santo Silva

##### Other Members

Amílcar Carlos Ferreira de Moraes Pires  
Bernard Marcel Fernand Basecqz  
Bernardo Ernesto Simões Moniz da Maia  
Christian Georges Jacques Minzolini  
Diogo Luís Ramos de Abreu  
Duarte José Borges Coutinho Espírito Santo Silva  
Félix Aguirre Cabanyes  
Frederico dos Reis de Arrochela Alegria  
João Filipe Espírito Santo de Brito e Cunha  
José Manuel Pinheiro Espírito Santo Silva  
Luís Miguel Pina Alves Luna Vaz  
Moses Dodo  
Nicholas Mark Finegold  
Paulo José Lameiras Martins  
Pedro Mosqueira do Amaral  
Phillipe Gilles Fernand Guiral  
Tiago Vaz Pinto Cyrne de Castro

### EXECUTIVE COMMITTEE

#### Chief Executive Officer (CEO)

José Maria Espírito Santo Silva Ricciardi

##### Other Members

Francisco Ravara Cary  
Rafael Caldeira de Castel-Branco Valverde  
Miguel António Igrejas Horta e Costa  
Ricardo Abecassis Espírito Santo Silva  
Christian Georges Jacques Minzolini  
Diogo Luís Ramos de Abreu  
Félix Aguirre Cabanyes  
Frederico dos Reis de Arrochela Alegria  
Luís Miguel Pina Alves Luna Vaz  
Moses Dodo  
Paulo José Lameiras Martins  
Tiago Vaz Pinto Cyrne de Castro

#### Senior Managing Directors with a seat on the Executive Committee

Alan do Amaral Fernandes  
José Luís de Saldanha Ferreira Pinto Basto  
Pedro Miguel Cordovil Toscano Rico

#### Executive Committee Secretary

Patrícia Salgado Goldschmidt Catanho Meneses

#### Supervisory Board

##### Permanent Members

José Manuel Macedo Pereira (Presidente)  
Tito Manuel das Neves Magalhães Basto  
Mário Paulo Bettencourt de Oliveira

##### Deputy Member

Nuno Espírito Santo Leite de Faria

### STATUTORY AUDITORS

Amável Calhau, Ribeiro da Cunha e Associados – Sociedade de Revisores Oficiais de Contas represented by Amável Alberto Freixo Calhau

### PRODUCT DIVISIONS

#### Client Origination

Pedro Toscano Rico (Portugal)  
Carolina Ibañez (Spain)  
Miguel Lins (BES Investimento do Brasil, S.A.)  
Peter Tracey/Miguel Borges (Execution Noble Limited)  
Bartłomiej Dmítruk (Poland)  
Nuno David Fernandes Cardoso (United States of America)  
George Mathew (Espírito Santo Securities – India)<sup>2</sup>  
Jorge Ramos (Angola)

#### Private Solutions

Lourenço Vieira de Campos (Portugal)

#### Corporate Finance

Leonor Dantas/ Luís Vasconcelos (Portugal)  
José Miguel Rego (Spain)  
Maria Luísa Baroni (BES Investimento do Brasil, S.A.)  
Vijay Chopra (Execution Noble Limited)<sup>3</sup>  
Lukasz Pawłowski (Poland)  
Maria Luísa Baroni/ Daniel Pyne (United States of America)  
George Mathew (Espírito Santo Securities – India)<sup>2</sup>  
Tiago Félix (Cross-Border)

#### Mid-Cap Financial Advisory

Leonor Dantas

#### Acquisition Finance and Other Lending

Rui Baptista/ Pedro Ruas (Portugal)  
Rui Baptista/ Gonzalo de Liñán Amusátegui (Spain)  
Alan Fernandes (BES Investimento do Brasil, S.A.)  
Rui Baptista (Poland)

#### Project Finance and Securitization

Luís Sousa Santos (Portugal and Poland)  
Carlos Álvarez Fernández (Spain)  
Alan Fernandes (BES Investimento do Brasil, S.A.)  
Robin Earle (United Kingdom)  
Carl Adams (United States of America)

#### Capital Markets

Sílvia Costa (Portugal and Spain)  
Miguel Guiomar (BES Investimento do Brasil, S.A.)  
Peter Tracey (Execution Noble Limited)  
Tara Cemlyn-Jones (International)  
Maciej Jacenko/ Krzysztof Rosa (Poland)  
Miguel Guiomar/ Dennis Holtzapffel (United States of America)  
George Mathew (Espírito Santo Securities – India)<sup>2</sup>

#### Fixed Income

Carlos Ferreira Pinto (Portugal and Spain) – Global Coordinator  
Roberto Simões (BES Investimento do Brasil, S.A.)  
Marcus Ashworth (Execution Noble Limited)  
Krzysztof Rosa (Poland)  
Garreth Hodgson (United States of America)

#### Treasury

Carlos Nogueira (Portugal)  
Roberto Simões (BES Investimento do Brasil, S.A.)  
Krzysztof Rosa (Poland)

#### Capital Structure Advisory

Cristina Frazão (Portugal, Spain and Poland)

#### Global Loan Syndication

Lucas Martinez Vuillier (United Kingdom)  
Thomas Friebel (United States of America)

#### Global Markets

Rui Borges de Sousa (Portugal)  
Martim Amaral Neto (Spain)  
Roberto Simões (BES Investimento do Brasil, S.A.)  
Krzysztof Rosa (Poland)

#### Equities

João Baptista Pereira (Portugal and Spain)  
Rui Marques (BES Securities do Brasil, S.A.)  
Dipesh Patel (Execution Noble Limited)  
Szymon Ozog (Poland)  
Garreth Hodgson (United States of America)  
Nick Paulson-Ellis (Espírito Santo Securities – India)  
José Martins Soares (Emerging Markets Equity Research)  
Will Draper (European Equity Research)

#### Asset Management

Fernando Castro Solla (Portugal and Spain)  
Paulo César Werneck (BESAF – BES Activos Financeiros, Lda.)

#### Private Equity

João Arantes e Oliveira (Espírito Santo Capital – Sociedade de Capital de Risco, S.A.)

#### Wealth Management

Francisco Brant de Carvalho/ José Carlos Mendes (Espírito Santo Serviços Financeiros DTVM)

<sup>2</sup> Since February 18<sup>th</sup>, 2013

<sup>3</sup> Since February 1<sup>st</sup>, 2013

# CORPORATE INFORMATION

## Branches, Subsidiaries and Representative Offices

### Branches

#### Spain

Félix Aguirre Cabanyes  
Ricardo Domenech Zamora

#### London

Rafael Caldeira de Castel-Branco Valverde  
Aníbal Jorge Campos Paçó

#### New York

Moses Dodo  
Nuno David Fernandes Cardoso

#### Poland

Christian Georges Jacques Minzolini  
Krzysztof Rosa  
Bartłomiej Dmitruk

#### Cayman Islands (Branch of BES Investimento do Brasil)

Ricardo Abecassis Espírito Santo Silva  
Mércia Carmeline Alves Bruno

### Subsidiaries

#### BES Investimento do Brasil, S.A. – Banco de Investimento (Brazil)

Ricardo Abecassis Espírito Santo Silva

#### BES Securities do Brasil, S.A. – Corretora de Câmbios e Valores Mobiliários (Brazil)

Ricardo Abecassis Espírito Santo Silva

#### BESAF - BES Activos Financieros, Ltda. (Brazil)

Ricardo Abecassis Espírito Santo Silva

#### Espírito Santo Serviços Financeiros DTVM (Brazil)

Ricardo Abecassis Espírito Santo Silva

#### Espírito Santo Capital - Sociedade de Capital de Risco, S.A. (Portugal)

Francisco Ravara Cary  
João Carlos Mendes Reis Arantes e Oliveira

#### Espírito Santo Investment p.l.c. (Ireland)

Tiago Vaz Pinto Cyrne de Castro  
John Patrick Andrew Madigan

#### Execution Noble Limited (United Kingdom)

Luís Miguel Pina Alves Luna Vaz

#### Execution Noble (Hong Kong) Limited

Luís Miguel Pina Alves Luna Vaz

#### Espírito Santo Securities (India)

Luís Miguel Pina Alves Luna Vaz  
Nick Paulson-Ellis

### Representative Offices

#### Mexico City

Moses Dodo  
Hugo Antonio Villalobos Velasco

#### Germany

Mário Vieira de Carvalho



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### Disclaimer

This document constitutes a brief view on Banco Espírito Santo de Investimento, S.A. ("Bank") activities in 2012. It intends to summarize some of the main matters featured on the Bank's 2012 Annual Report and Accounts ("R&A") and contains some data extracted from it but it does not incorporate, nor in whole nor in part, the Bank's 2012 R&A.

This summary is not intended to fulfill any kind of legal requirements and was prepared exclusively for commercial and marketing purposes, aiming to give recipients some color on selected aspects of the Bank's activities in 2012.

For the full version of the Bank's 2012 R&A and attached lawfully required documentation and data please refer to [www.espiritosantoib.com](http://www.espiritosantoib.com).



**ESPIRITO SANTO INVESTMENT BANK**

2012 Annual Report Summary