

# BESI

## GLOBAL MARKET STRATEGY FIT FOR A NEW ERA



HONG KONG

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# BESI FIT FOR A NEW ERA

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The Bank will reinforce its global reach and local focus development strategy, consolidating its position as a top tier investment bank in Iberia, Latin America and Sub-Saharan African countries while growing its presence in global distribution financial centres (London and New York).

Presently, BESI is well positioned to capture part of the large cross-border flows between Asia, Europe, Latin America and Africa. The development of a distribution platform with Haitong Group will enhance geographical complementarities and capital flows within these regions, firmly supporting the international expansion strategy of BESI's new shareholder.

BESI's integration in the Haitong Group will set a world of opportunities to the Bank, as well as to its Clients.

## MESSAGE FROM THE CHIEF EXECUTIVE OFFICER

“The end of 2014 marked a turning point in the history of BES I. After being part of Banco Espírito Santo Group for nearly three decades, on 8 December 2014 BES I embarked on a new phase of development, after Novo Banco entered into an agreement to sell 100% of its share capital to Chinese based Haitong Group.

Despite the negative impacts of the BES I resolution process, BES I succeeded to preserve the confidence of the majority of its Clients, maintaining most of its mandates as at the date of application of the resolution measure to BES I and even originating new transactions. BES I's resilience is demonstrated in its very positive operational performance for the year.

The Bank's operating results totalled EUR 89 million at the end of 2014, a year-on-year increase of 18.5%. Banking Income reached EUR 250 million, slightly above (+1.2%) its 2013 level, while Operating Costs were reduced by 6.4% year-on-year, to EUR 161 million. These results were mainly achieved in the first half of the year, in a context of economic recovery both in Portugal and in the Eurozone, combined with an improvement in financing conditions in Portugal that culminated with the country's “clean exit” from the external financial assistance programme.

Despite the improvement in operating performance, the Bank posted a net loss for the year of EUR 138 million. The recognition of Impairments and Provisions in the amount of EUR 256 million reflecting the adjustments made as a result of the ECB's Asset Quality Review (AQR), the financial problems experienced by Banco Espírito Santo Group/ Espírito Santo Group, and the preparation of Novo Banco's opening balance sheet, were responsible for the negative results reported in 2014.

The Capital Markets business area had another year of intense activity, concluding 60 operations

for a total of EUR 23 billion, mainly in Portugal, Spain and Brazil. For their relevance, the following are noteworthy:

- > Leadership of the Portuguese Republic issues: EUR 3 billion in February and EUR 600 million in June;
- > Completion of several debt issues in Portugal for a total of EUR 8.1 billion;
- > Leadership of the BRL 13,960 million follow on offering of Oi, in Brazil;
- > Leadership of the first transactions in India (placement of SKS Microfinance and Muthoot Finance shares);
- > Completion of three senior bonds operations in Mexico (ICA, Arendal and Famsa), for a total amount of USD 860 million;
- > Leadership of the Polish IPOs ranking by value published by Parkiet, a Polish daily newspaper.

The Bank remained focused on the advisory and intermediation activities during 2014. In Mergers & Acquisitions BES I maintained the leadership in Portugal (by number of announced transactions). The Brokerage business showed signs of picking up, especially in Iberia, where it benefited from an improvement in market sentiment. The Fixed Income area was also quite active in the period, following the reduction of risk premia in the Eurozone peripheral countries.

Lending activities continued to be penalised by the small number of new projects, particularly in Europe. In Project Finance, the Bank concentrated its activity in Portugal and in the emerging markets, especially Latin America (Brazil, Mexico, Peru and Panama), having concluded several operations, both financing/ refinancing and financial advisory.

“On 8 December 2014 BES I embarked on a new phase of development, after Novo Banco entered into an agreement to sell 100% of its share capital to Chinese based Haitong Group.”



José Maria Ricciardi  
Chief Executive Officer

The international activity represented 46% of Banking Income in 2014, supported by the following activity guidelines in the different geographies:

> In Spain the business focused on the development of cross-border transactions, mainly M&A and Capital Markets;

> In Brazil, lending was prominent during the first half of the year, fuelled by business opportunities arising from the ongoing development of infrastructure in the country, while M&A and Capital Markets activities were also strong;

> In the United Kingdom, the Capital Markets activity propelled the secondary market business, and equally so in Poland where BESI was considered #2 Best Investment Bank in 2014 by a reputed economic magazine;

> In the United States of America and Mexico, 2014 was the best year to date for the Bank, underpinned by the focus placed on cross-border transactions, considerable commercial efforts to originate projects and the successful cooperation of the Structured Finance, Capital Markets and Syndication teams in the origination of profitable operations;

> In India, the Bank endeavoured to acquire new Clients and increase its market share, while closing its first Capital Markets deals.

Our expectations for 2015 are clearly positive. BESI's acquisition by the Chinese Haitong Group represents a unique opportunity for development which we wish to build upon, expanding our activity in Asia and Haitong's international presence in Europe, America and Africa. The first half of 2015 will be a period of transition of shareholders that will only end when the acquisition is formally approved by the various regulatory authorities.

During this period BESI will be limited to ordinary course of business management.

We owe a word of great appreciation to our Clients, who stayed with us in this difficult second half of 2014 and maintained their trust in BESI. To them our thanks and the commitment to return their loyalty with excellence in our service. To our Employees, a word of recognition for their commitment and professionalism. We are aware that the quality of our teams was crucial to attract the interest of our new shareholder.

We also express our appreciation to the Supervisory Board and our Auditors for their contribution to the increasingly high standards in accounting and management information reporting and also to the Bank of Portugal, the Portuguese Securities Market Commission and the supervision authorities in the countries where we are present, for their constant cooperation and trust.

Finally, we reaffirm to our future shareholder, Haitong International, that all the management team and employees of BESI face the future with great motivation as an integral part of the Haitong Group, whose trust we won't fail to deserve."

"All the management team and employees of BESI face the future with great motivation as an integral part of the Haitong Group"

# PRINCIPLES AND VALUES

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BESI 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 maintain and develop Clients' trust by means of our professional attitude, and our intense focus on their need. We delight in exceeding expectations, by defining strategies to maximise 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

We treat Employees with dignity, respecting individual knowledge and skills. We continuously provide opportunities for personal and professional growth.

## LEARNING ORGANISATION

We practice an attitude of continuous learning and innovation, and promote 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 honour the cultural practices in each.

## ETHICS AND TRANSPARENCY

We continuously align our corporate thought and behaviour 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.



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# EXPERIENCE LEADERSHIP SUCCESS

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## DEVELOPMENT STRATEGY

BESI embarked on 8 December 2014 on a new phase of development, after Novo Banco entered into an agreement to sell 100% of its share capital to the Chinese Haitong Group.

The Bank's new shareholder - Haitong Securities Co., Ltd., through its subsidiary Haitong International Holdings Limited - is the largest Chinese investment bank (by total assets and net assets), employs around 7,500 people and provides financial services to approximately 4.7 million retail Clients and more than 15,000 corporate and institutional Clients spread through several regions in Asia: China, Hong Kong, Macau and Singapore. For Haitong Group this acquisition provides an opportunity to expand its presence in the European and North American developed markets, as well as in the emerging markets of South America and Africa, thus bolstering its international activity.

The change in BESI's shareholder structure is pending the necessary regulatory approvals and should be concluded by mid-2015. Once the acquisition is concluded, the priority focus will be set on the profitability of the operations and on the development of a joint distribution platform enabling the expansion of BESI's activity in Asia as well as the reinforcement of its presence in the main financial western markets of London and New York.

During this transitional period, BESI's activity trails the following lines of orientation:

### Reduction of Risk Weighted Assets

The constraints and other effects resulting from the resolution of BES called for a very significant reduction in BESI's Balance Sheet and Risk Weighted Assets in order to maintain a solid capital base. The asset light business model is maintained, stressing an Origination/Distribution approach where the balance sheet is used for the structuring of financings for subsequent distribution.

### Focus on Investment Banking activities

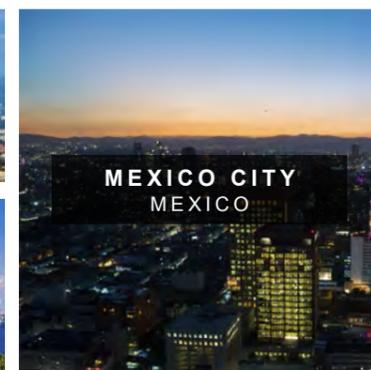
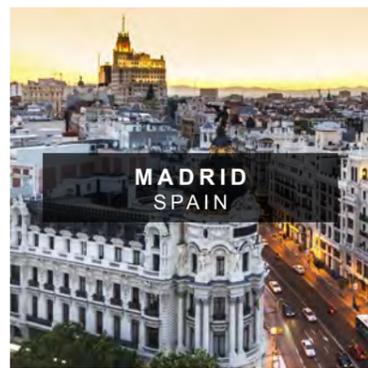
The Bank continues to promote an integrated cross-border offer of investment banking services, focusing its engagement in fee-generating, less capital intensive business areas, essentially M&A and Capital Markets.

### Fixed Costs Control

In order to maximise return on invested capital, BESI remains committed to streamlining its costs structure especially in its more traditional geographies (Portugal, Spain and Brazil).

# ENABLING GROWTH IN THE WORLD MARKETS

# 16 COUNTRIES 4 CONTINENTS





# CONSOLIDATED FINANCIAL HIGHLIGHTS

(EUR thousand)

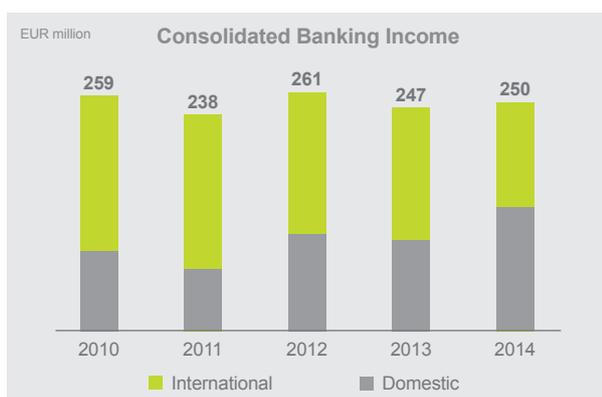
Consolidated Income Statement	31.12.2014	31.12.2013	Change
<b>Consolidated Banking Income</b>	<b>249,775</b>	<b>246,899</b>	<b>1.2%</b>
Fees and Commissions Income	98,322	102,274	(3.9%)
Net Interest Income and Market Results	151,453	144,625	(4.7%)
<b>Total Operating Expenses</b>	<b>(160,959)</b>	<b>(171,976)</b>	<b>(6.4%)</b>
Staff Costs	(96,289)	(104,880)	(8.2%)
General and Administrative Expenses	(57,449)	(60,370)	(4.8%)
Depreciation and Amortisation	(7,221)	(6,726)	7.4%
<b>Operating Income</b>	<b>88,816</b>	<b>74,923</b>	<b>18.5%</b>
Impairment and Provisions	(256,163)	(59,497)	330.5%
<b>Profit before Income Tax</b>	<b>(167,347)</b>	<b>15,426</b>	<b>N/A</b>
Income Tax	29,716	(8,063)	N/A
Non-controlling interests	(862)	(301)	186.4%
<b>Consolidated Net Profit</b>	<b>(138,493)</b>	<b>7,062</b>	<b>N/A</b>
Consolidated Balance Sheet	31.12.2014	31.12.2013	Change
Financial assets held for trading	1,468,473	1,604,606	(8.5%)
- Securities	809,715	1,025,938	(21.1%)
Available-for-sale-financial assets	554,680	783,352	(29.2%)
Loans and advances to banks	34,308	433,623	(92.1%)
Loans and advances to customers	1,549,218	1,946,582	(20.4%)
Held-to-maturity investments	0	314,329	(100.0%)
Other assets	834,740	879,307	(5.1%)
<b>Total Assets</b>	<b>4,441,419</b>	<b>5,961,799</b>	<b>(25.5%)</b>
Share capital	326,269	326,269	0.0%
Share premium and other equity instruments	12,527	12,527	0.0%
Reserves	188,921	221,753	(14.8%)
Net Profit	(138,493)	7,062	N/A
Non-controlling interests	48,379	51,884	(6.8%)
<b>Total Equity</b>	<b>437,603</b>	<b>619,495</b>	<b>(29.4%)</b>
Financial liabilities held for trading	621,550	480,688	29.3%
Deposits from banks	1,397,284	1,680,584	(16.9%)
Due to customers	448,912	1,054,389	(57.4%)
Debt securities issued	1,072,210	1,449,549	(26.0%)
Other liabilities	463,860	677,094	(31.5%)
<b>Total Liabilities</b>	<b>4,003,816</b>	<b>5,342,304</b>	<b>(25.1%)</b>
<b>Total Equity and Liabilities</b>	<b>4,441,419</b>	<b>5,961,799</b>	<b>(25.5%)</b>

# FINANCIAL OVERVIEW

2014 was marked by several non-recurrent events that hindered the activity of BESI and its results.

During the first half of the year the Bank's operational activity strongly improved, bolstered by a climate of rising optimism. However, this was followed by weeks of growing difficulties for GES and GBES after which the Bank of Portugal determined the resolution of BES in August. Uncertainty about the unfolding of events combined with the operational difficulties arising from the application of the resolution plan and the suspension of the rating caused BESI's activity to slow down during the second half of the year.

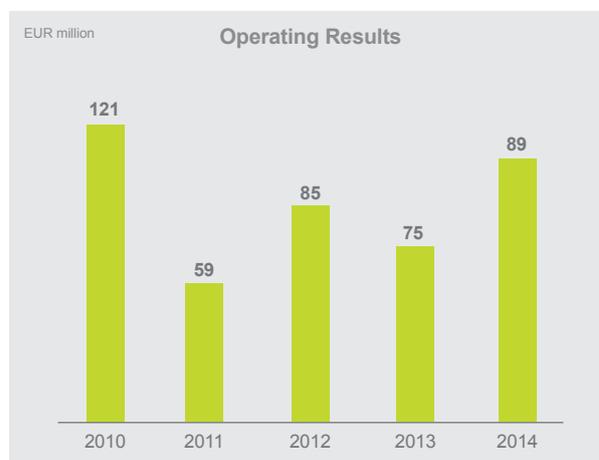
Banking Income reached EUR 250 million, slightly above (+1.2%) 2013 level. Net Interest Income fell by 19.8% year-on-year, to EUR 66 million, due to the increase in funding costs and the contraction of the Credit and Financial Assets portfolios. Fees and Commissions registered a small reduction (-3.9%) compared to 2013, totalling EUR 98 million, being supported by the strong performance of the Capital Markets and Project Finance business areas, both in Portugal and in the Americas. Capital Markets results increased by 37.1%, to EUR 86 million, mainly underpinned by gains on public debt transactions.



Source: BESI

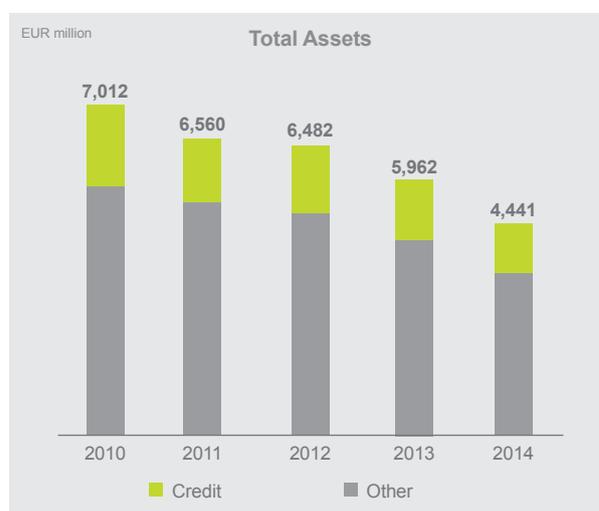
Operating Costs retreated by 6.4% year-on-year, to EUR 161 million, the result of lower Staff Costs. This reduction mainly reflects the reorganisation of some of BESI's activities. The measures taken by the Bank to reduce General and Administrative Costs also permitted to cut down these costs by 4.8% year-on-year. The Cost to Income improved, decreasing from 69% in 2013 to 64% in 2014.

Thanks to the reduction in Operating Costs, Operating Results increased by 18.5%, to EUR 89 million, the highest in the last four years.



Source: BESI

Impairments and Provisions, which reached the exceptional amount of EUR 256 million, reflecting the adjustments made as a result of the ECB's Asset Quality Review (AQR), the financial problems experienced by GBES/GES, and the preparation of Novo Banco's opening balance sheet, were responsible for a EUR 138 million loss in 2014.



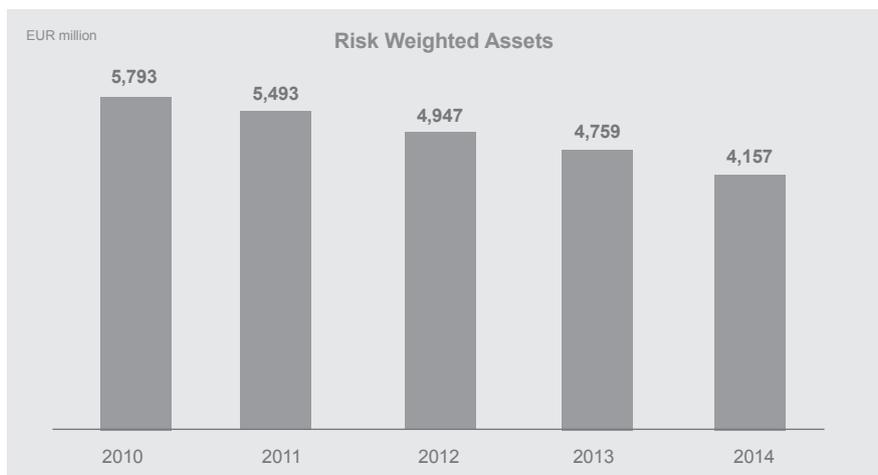
Source: BESI

BESI's balance sheet suffered a very sharp contraction (-25.5%), slimming down from nearly EUR 6 billion at the end of 2013 to approximately EUR 4.4 billion at the end of 2014. The resolution of BES, followed by the creation of Novo Banco (a bank held by the Resolution Fund) resulted in multiple operational constraints, namely difficulties of access to the markets due to the suspension of the rating. It was thus necessary to trim down the balance sheet to a level more compatible with the current context, adjusting BESI's activity to a new reality.

The shrinking of the balance sheet also stemmed from the need to reinforce BESl's capital base through the reduction of its Risk Weighted Assets.

At the end of 2014 Risk Weighted Assets had decreased by 12.7%, to EUR 4,157 million.

As of 31 December 2014, Core Tier 1 stood at 9.44%, well above the regulatory levels.



Source: BESl

## RATING

Currently, BESl is developing the rating process with Standard & Poor's, which is expected to be concluded

after the completion of BESl's shares acquisition by the Haitong Group.

## EARNINGS DISTRIBUTION PROPOSAL

Considering that the individual income statement for the year ended on 31 December 2014 showed a net loss of EUR 28,900,083.00 (twenty eight million nine hundred thousand and eighty three euros) the Board of Directors submits to the Annual General Meeting the following proposal for the distribution of the year's results:

> **TO OTHER RESERVES AND RETAINED EARNINGS:** EUR -28,900,083.00 (net loss of twenty eight million nine hundred thousand and eighty three euros).

> **TOTAL: EUR -28,900,083.00** (net loss of twenty eight million nine hundred thousand and eighty three euros).

## 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 31 December 2014 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 31 December 2014 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 19th, 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 give a true and fair view 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 31 December 2014, and includes a description of the main risks and uncertainties that could affect the business.

Lisbon, 30 March 2015



## Q&A

# MACROECONOMIC ENVIRONMENT IN 2014

### WHAT CHARACTERIZED THE PERFORMANCE OF THE GLOBAL ECONOMY IN 2014?

The world economy grew by 3.3% in 2014, maintaining the pace of expansion observed in the previous year. This was underlined by uneven performances across the various economic areas, with the advanced economies seeing an upturn in activity and the emerging economies slowing down their pace of growth. Supported by an expansionary monetary policy, a less restrictive fiscal policy and a sharp fall in the price of oil, the United States' GDP grew by 2.4% in 2014, after having risen by 2.2% in the previous year. The Federal Reserve maintained the Fed funds rate unchanged at 0%-0.25% and pursued a quantitative easing policy up to October, signalling a patient approach towards future interest rate hikes. In this context, and in the absence of relevant inflationary

pressures, the yield on the 10-year Treasuries dropped from 3.03% to 2.17%. The reduction of the rate of unemployment from 6.7% to 5.6% of the labour force did not feed wage-induced inflationary strains. Year-on-year inflation remained very contained, standing at 0.8% at year-end. This scenario of low inflation in the developed economies was underlined by the sharp fall in oil prices (the Brent fell by 49.7%, to USD 55.8/barrel and the WTI by 45.9%, to USD 53.3/barrel). This behaviour of oil prices translates the moderation of demand but even more so the expansion of supply caused by the increase in shale oil production and the OPEC's decision not to curb its output in response to the fall in prices.

### WHICH WERE THE MAIN DEVELOPMENTS IN THE EMERGING ECONOMIES?

The emerging markets in general were penalised by the Fed's start of quantitative easing tapering, fears over the slowdown of activity in China and an increase in geopolitical risks, mainly associated to tensions between Ukraine and Russia. The growth pace of the Chinese economy relented, sliding from 7.7% to 7.4%, mainly through the cooling down of the real estate and manufacturing industries. This deceleration trend was however countered as from the second quarter of the year by a set of selective economic policy stimuli.

India's economy fared quite well in 2014, supported by the acceleration of activity in manufacturing and services, particularly in the financial and real estate sectors. GDP is estimated to have grown by 7.4% in the year ended in March 2015, surpassing its 6.9% increase in the previous year. This translated into a reduction in long-term interest rates in the financial markets, despite the Fed's tapering of its

QE programme, supporting the drop in the 10-year yield from 9.104% in April to 7.857% in December (-124.7 bps). On the foreign exchange front, the rupee recovered against the dollar by nearly 6% in the first five months of the year. In alignment with the other emerging markets' currencies, as the FED started tapering QE in May the rupee initiated a downward trend, closing the year at USD/INR 63.255. The year-on-year inflation rate retreated from 7.24% in January to 5.86% in December. In Brazil, the persistence of inflationary pressures and the depreciating trend of the real (-10.8% against the dollar) prompted the Central Bank to lift the SELIC rate from 10% to 11.75% (with a new hike, to 12.25%, in January 2015). GDP registered marginal growth only, of 0.1%, after increasing by 2.5% in 2013. In Angola, economic activity is reckoned to have decelerated from 6.8% to 3.9% in 2014. Liquidity constraints and the drop in demand caused by falling oil revenues had a negative impact on the Portuguese exports to Angola.



## HOW WAS THE PERFORMANCE OF THE EUROPEAN DEVELOPED ECONOMIES?

Europe also shared in the recovery of economic activity seen in the advanced economies, although at differing paces across the region. After sliding by 0.5% in 2013 the Eurozone's GDP increased by 0.8% in 2014. The ECB announced two 10 bps cuts to the main refinancing operations, respectively in June and September that brought down the rate to 0.05%. The 3-month Euribor dropped from a peak of 0.347% at the beginning of the second quarter to 0.078% at the end of the year, while the 10-year Bunds yield retreated from 1.929% to 0.541%. The euro lost 12.3% against the dollar, to EUR/USD 1.21, and this trend persisted into the beginning of 2015, with the euro trading at around EUR/USD 1.13. The end of 2014 and start of 2015 were marked by mounting political uncertainty, linked to the deterioration in the perceived risk of Greece and

an increase in financial markets' volatility. Fuelled by buoyant domestic demand, the United Kingdom's GDP grew by 2.6% in 2014, picking up from 1.7% in 2013. With inflation on a downward trend (0.5% year-on-year in December), the Bank of England kept the base rate unchanged at 0.5%. The pound gained 7.2% against the euro. In Poland, despite the negative impact of the EU's sanctions on Russia, GDP grew by 3.3%, supported by the expansion of private consumption and investment, by 3% and 9.4%, respectively. The Central Bank of Poland cut the key benchmark rate in October, from 2.5% to 2%, in response to the fall of inflation to negative values. In the full year the zloty fell by nearly 3% against the euro.

## WHAT WERE THE MAIN DEVELOPMENTS IN IBERIAN ECONOMIES IN 2014?

2014 was marked by the exit of Spain and Portugal from their bailout programmes and by an improvement in the perceived risk of these economies. After contracting by 1.2% in 2013, Spain's GDP grew by 1.4% in 2014, underpinned by the recovery of domestic demand and the stabilisation of the real estate sector. The yield on the Spanish 10-year public debt securities fell from 4.15% to 1.6%. In Portugal, following three years of contraction, GDP grew by 0.8% in 2014, mainly supported by the recovery of domestic demand. Private consumption increased by 1.7%, after falling by 1.4% in 2013, benefiting from an increase in real

disposable income and an improvement in households confidence. The average rate of unemployment decreased from 16.2% to 13.9% of the labour force. The deficit in the public accounts is estimated to have been around 3.7% of GDP (excluding non-recurrent effects), below the target of 4%. The yield on the 10-year Portuguese Treasury bonds fell from 6.13% to 2.69% in 2014, and continued to slide through the beginning of 2015.



## SAO PAULO

23°35'20.3"S 46°40'53.8"W

# COMPANY EVENTS

## FEBRUARY 2014

> The share capital of Espírito Santo Securities India Private Limited was increased from INR 50,269,030 to INR 59,099,630.

## MAY 2014

> BES Investimento do Brasil, S.A. acquired 50% of BESAF - BES Activos Financeiros, Ltda., increasing its stake to 100% of the company's share capital.

## JULY 2014

> BES Investimento do Brasil, S.A. fully subscribed the capital increase of BESAF – BES Activos Financeiros, Ltda., an investment of BRL 28,130,000.

> BES Investimento do Brasil, S.A. purchased all the shares of Gespar Participações Ltda. from BES Securities do Brasil, S.A..

> The subsidiary BESAF – BES Activos Financeiros, Ltda. changed its name to Espírito Santo Participações, Ltda..

> The subsidiary Gespar Participações was merged into Espírito Santo Participações, Ltda..

## AUGUST 2014

> The Bank of Portugal applied a resolution measure to Banco Espírito Santo, S.A., the former shareholder of Banco Espírito Santo de Investimento, S.A., under the terms of which BESl's entire share capital was transferred to Novo Banco, S.A., the bank created in the context of this measure.

## SEPTEMBER 2014

> Banco Espírito Santo de Investimento, S.A.. acquired from Espírito Santo Investimentos a 43.58% stake in BES Investimento do Brasil, S.A., an investment of BRL 297,285,000.

## OCTOBER 2014

> The subsidiary ESSI, SGPS, S.A. was merged by incorporation into Banco Espírito Santo de Investimento, S.A. with effects for accounting purposes as from August 2014.

## NOVEMBER 2014

> Banco Espírito Santo de Investimento, S.A. acquired from Espírito Santo Investimentos a 36.42% stake in BES Investimento do Brasil, S.A., increasing its stake in the latter to 80%.

> Espírito Santo Investimentos reduced its share capital by BRL 156,000,000, which it paid back to Banco Espírito Santo de Investimento, S.A..

> The subsidiary Espírito Santo Investment Holdings Limited changed its name to BESl UK Limited.

## DECEMBER 2014

> Espírito Santo Participações Ltda. purchased all the shares of Espírito Santo Investimentos from Banco Espírito Santo de Investimento, S.A..

> The subsidiary ESSI Investimentos, SGPS, S.A. was merged by incorporation into Banco Espírito Santo de Investimento, S.A..

> Novo Banco, S.A. entered into an agreement to sell to Haitong International Holdings Limited the entire share capital of Banco Espírito Santo de Investimento, S.A., for EUR 379,000,000 (three hundred seventy nine million euros). Haitong International Holdings Limited is a Hong Kong based wholly-owned subsidiary of Haitong Securities Co.,Ltd., a company whose shares are listed on the Shanghai Stock Exchange and the Stock Exchange of Hong Kong Limited.



## INVESTMENT BANKING BUSINESS

BESI provides services to large and medium-sized Corporate Clients, Institutional Clients, and in some specific segments, Private Clients. The Bank's main source of revenues is derived from commissions from advisory services, brokerage and securities placement and from revenues generated by structured credit underwriting and asset and risk management.

The Bank has adopted in the various geographies where it operates a matrix-based team structure with the Client Relationship and Origination teams working closely together with the product and execution teams.

### BUSINESS TEAMS

- › Client Relationship
- › Deal Origination
- › Wholesale cross-selling with Novo Banco Group



### PRODUCT TEAMS

- › Capital Markets
- › Equities
- › Fixed Income
- › Corporate Finance
- › Mid-Cap Financial Advisory
- › Capital Structure Advisory
- › Project Finance and Securitisation
- › Acquisition Finance and Other Loans
- › Treasury
- › Asset Management
- › Private Equity



### CLIENT RELATIONSHIP AND ORIGATION

BESI works closely with the corporate Clients; the Client Relationship and Origination Team tracks unique opportunities at national and international level, supported by its extensive knowledge of the markets.

### PRIVATE SOLUTIONS

BESI offers a broad range of investment solutions that meet the most demanding requirements of High Net Worth Private Clients.



### CAPITAL MARKETS

BESI recognised track record in the capital markets is bolstered by its strong expansion into emerging markets and the development of its international distribution capabilities.



### EQUITIES

BESI is a relevant player in the markets where it operates, having a strong distribution capability among its wide base of domestic and international Clients, both institutional and private.



### FIXED INCOME

BESI ensures a good distribution capacity and geographical coverage; the Fixed Income structuring and sales teams provide a wide range of services to the Bank's institutional Clients.



### CORPORATE FINANCE

Geographic diversification and industry specific expertise makes BESI "The Reference Bank" in the provision of investment banking services.



### MID-CAP FINANCIAL ADVISORY

BESI provides financial advisory services for M&A and financial restructuring processes, as well as pure financial consulting services, namely valuations and economic and financial feasibility studies.



### PROJECT FINANCE AND SECURITISATION

Through its local teams based in the main financial centres and its extensive knowledge of the specifics of the various markets BESI offers a true competitive edge to its Clients.



### ACQUISITION FINANCE AND OTHER LOANS

BESI is a reference player in loan structuring, underwriting and syndication for medium-sized and large corporate acquisitions.



### ASSET MANAGEMENT

BESI adds value to its Clients' asset portfolios through a synergic combination between the teams' local expertise and a dynamic, flexible and balanced management.



### PRIVATE EQUITY

BESI has an experienced management team, focusing on development capital and equity buyout investments and the infrastructure and energy sectors.



## CLIENT RELATIONSHIP AND ORIGINATION

The Client Relationship and Origination team strives to originate transactions for all the Bank's product areas. It works closely with corporate Clients to identify their needs and projects, supported by its extensive knowledge of the national and international market opportunities.

The Client Relationship and Origination team is specialised by industry sectors in a proactive and innovative approach aimed at developing sustainable and lasting Client relationships.

While keeping focused on the Portuguese investment banking market, where traditionally it has been

the leader, the Bank further reinforced its direct international presence in 2014, originating cross-border opportunities for its Clients.

The commitment and professionalism of the Bank's staff supported an efficient and effective stance across most of its commercial and product teams, in particular during the first half of 2014. During the second half of the year, the events that culminated with the collapse of Espírito Santo Group (GES)'s reference shareholder and the resolution of BES had far-reaching harmful impacts on the Portuguese economy and on BES's business environment, causing a downturn in its activity, both in Portugal and abroad.

## PRIVATE SOLUTIONS

The Private Solutions division provides proprietary customised solutions to the High Net Worth Clients segment, which are originated in the various markets where BES operates.

2014 was a year of unusual intensity. During the first half we witnessed an improvement in private investors' confidence, namely after the end of the financial assistance programme to Portugal. However, the subsequent release of lacklustre macroeconomic data, the volatile behaviour of the equity and bond markets, and lastly, but with the greater impact, the resolution measure applied to BES, resulted in a full reversal in investor sentiment.

All these factors had a strong impact on the Private Solutions Division, notably due to the high level of uncertainty surrounding the outcome of BES's resolution measure and the consequent degradation of the Espírito Santo brand. Hence, despite the

diversification and prudent management of the Clients' portfolios, which averted a greater erosion of their assets, a reduction in Assets under Management through their transfer to other institutions (mainly abroad) was inevitable.

Therefore, it is worth stressing the recovery initiated as from the last quarter of the year. Thanks to the team's fair approach to the market and its offer of distinctive wealth management and investment banking solutions, it was possible to restore customer confidence and win back a large portion of the assets.

# CAPITAL MARKETS

After one very active semester in the Capital Markets business, the second half of the year was more subdued, due to market volatility, but even so the Bank hit a record of 60 transactions concluded in 2014, corresponding to a total of approximately EUR 23 billion.

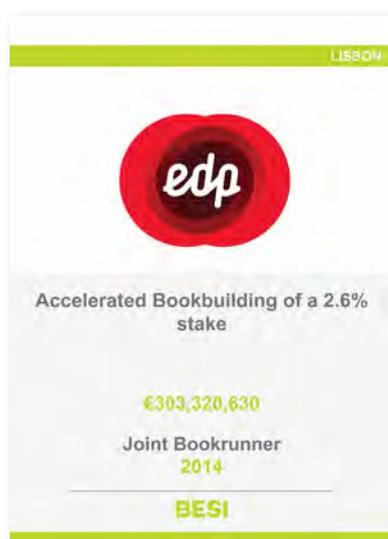
Once again, BESI played a prominent role in the issuance of debt in the Portuguese market, reaching #2 position in Dealogic's ranking of Portuguese Debt Capital Markets by Bookrunner Parent (by number of transactions).

In **Portugal**, the Bank acted as Joint Lead Manager on the bond issues by the Portuguese Republic, EDP, Brisa, Parpública and Colep, as Sole Lead Manager on the bond issues by Mota-Engil, Celbi, Impresa, Bial and Sonae Investimentos and as Joint Global Coordinator on the bond issue by Porto SAD. In equity and equity-linked transactions, BESI acted as Joint Global Coordinator on the IPO of Espírito Santo Saúde (EUR 150 million), as Co-Lead Manager on the second phase of the privatisation of REN (EUR 157 million), and as Joint Bookrunner on the capital increase of Sonae Indústria (EUR 112 million) and on the placement of existing shares of several companies: EDP (2.6%), Mota-Engil (16.8%) and ZON (currently "NOS", 3%), for a total of EUR 538 million.

In **Spain**, the Bank was Co-Manager on the capital increase of Liberbank (EUR 475 million) and on the high-yield bond issues of Isolux-Corsan, Tecnomcom, Ortiz Group and Antolin Group, for an aggregate amount of EUR 1,085 million.

In **Poland**, BESI once again stood out for its remarkable performance in this business area, taking part in several reference transactions both in terms of amount and visibility, namely as:

- > Joint Bookrunner on the privatisation of a 3.5% of the existing shares of PGE (PLN 1,325 million), the largest accelerated bookbuilding transaction to take place in this country in 2014;
- > Joint Global Coordinator and Joint Bookrunner on the IPOs of Skarbiec Holding (PLN 44 million) and Masterlease (PLN 210 million);
- > Co-Manager on the IPO of Alumetal (PLN 293 million);
- > Sole Arranger on the placement of bond issues by American Heart of Poland, Paged, Kredyt Inkaso and Globe Trade Centre.





Reflecting its activity in 2014, the Bank rose to #1 position (from #3 position in 2013) in the Polish IPOs ranking by value in 2014 published by Parkiet, a Polish daily financial newspaper.

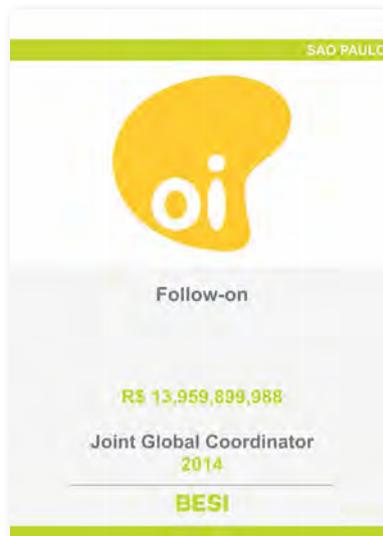
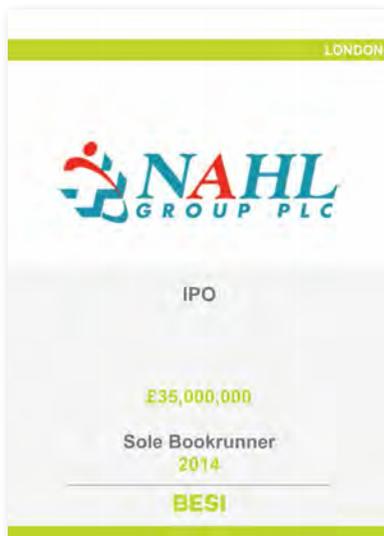
In the **United Kingdom**, BESI stood out in 2014 for its role in the IPOs of Euronext (EUR 845 million) and NAHL (GBP 35 million) where it acted as Lead Manager and Sole Bookrunner, respectively.

In **Brazil**, the capital increase of Oi (BRL 13,960 million), in which the Bank was Joint Global Coordinator & Joint Bookrunner, was the main transaction concluded by BESI's Capital Markets area. Still on the equities front, BESI was Sole Placement Agent on the sale of existing shares of Klabin (BRL 50.2 million).

The Bank's participation in these operations gave it a prominent #2 position in ANBIMA's equities ranking, by value and number of operations in 2014.

On the debt front, BESI participated in six issues of bonds and debentures and also on an issue of asset-backed securities for a total of BRL 1,448 million, acting as:

- > Joint Bookrunner on the BRL 700 million issue of infrastructure debentures by Santo Antônio Energia;
- > Joint Lead Manager on the following issues:
  - > Ouro Verde (BRL 250 million);
  - > BDMG (BRL 248 million);
  - > Taurus (BRL 100 million);
  - > Bematech BRL 50 million); and
- > Lead Manager on the BRL 100 million issue of debentures by Copobras.





As a result of its performance, the Bank reached #9 position in ANBIMA's ranking, by number of Fixed-Income transactions concluded in the local market in 2014.

In addition, BESI participated in various structured transactions, namely acting as:

- > Lead Manager on OMNI's BRL 159 million issue of FIDCs;
- > Lead Manager on the BRL 41.5 million issue of CRAs (Agribusiness Receivables Certificates) by GaiaAgro;
- > Lead Manager on the BRL 22.4 million issue of CRIs by GaiaSec.

BESI's reached #3 position in ANBIMA's ranking, by number of CRA transactions closed in 2014.

In Mexico, the Bank expanded its presence in the debtmarket, having completed several bond issues (for a total of USD 860 million), acting as:

- > Joint Bookrunner on ICA's USD 700 million bond issue;
- > Sole Lead Manager and Joint Lead Manager on Arendal's bond issues, in the amount of USD 80 million and USD 20 million, respectively; and
- > Sole Bookrunner on Famsa's USD 60 million bond issue.

Finally, in 2014, BESI made its debut on the India Capital Market, acting as Bookrunning Lead Manager on the placement of a block of shares of SKS Microfinance (INR 3,976 million) and as Joint Bookrunner on the placement of a 6.4% stake in Muthoot Finance (USD 68.5 million).

NEW YORK



8,875% Notes  
Due 2024

US\$ 700,000,000

Joint Bookrunner  
2014

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BESI

MUMBAI



Qualified Institutions Placement

INR 3,975,870,150

Book Running Lead Manager  
2014

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BESI



## EQUITIES

BESI's trading volume in **Portugal** increased by 10%, mainly underpinned by the activity developed during the first half of the year, which surpassed expectations. In **Spain** the Bank suffered a 16% reduction in trading volume as some national and international Clients suspended their activity after the BES resolution measure. However, mainly towards the end of the year some of these Clients resumed their business, no doubt influenced by the change in BESI's shareholder structure and its shareholder's solid track record in this business.

In the **United Kingdom**, BESI's performance in 2014 was positive, being mainly supported by the strong activity in the first half of the year. The Bank participated in two important Capital Market operations - the IPOs of Euronext and NAHL - that gave a significant boost to activity in the secondary market. The distribution platform, both in Europe as in the emerging markets, pursued its integration and development process during the year.

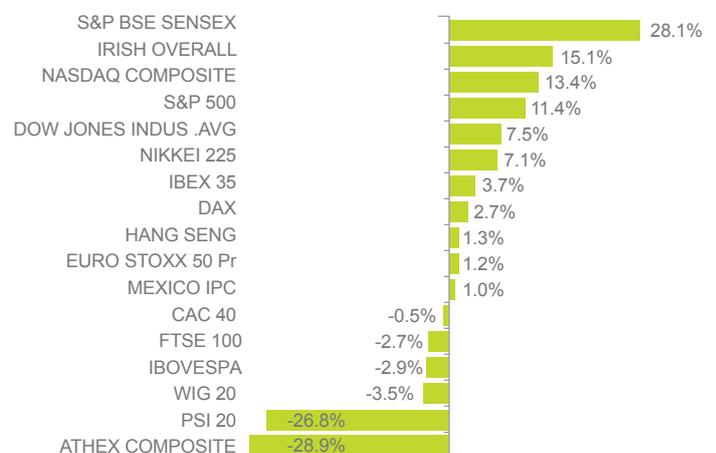
In **Poland**, BESI maintained its strategy of selling its domestic equities research product to both local and international funds, through its London and New York platforms. In March 2014 the Bank's research team rose to #2 position in the ranking of Forbes magazine, one of the most prestigious in Poland. In January 2015 the research team advanced to #2 position in Parkiet's (daily Polish newspaper) ranking of best research brokers, which is based on institutional investors' votes.

In **Brazil**, the equity market was characterised by strong volatility, the result of a very uncertain political scenario. The Bovespa index closed the year with an accumulated loss of 2.9% and trading volume close to 2013 level. At year-end BES Securities do Brasil was in #28 position in the Bovespa ranking, with a market

share of 0.7% (#23 position in 2013 with a 1% market share) and in #21 position in the BM&F futures ranking, with a market share of 0.9%. In the overall commodity futures ranking, BES Securities do Brasil maintained its #3 position.

In **India** and during the first half of the year, the results of BESI's business with Institutional Clients were very positive, having benefited from the optimistic market momentum, the increase in market share and the acquisition of new Clients. The research team's coverage of circa 100 listed Indian companies, plus the corporate access service, also complemented and contributed to this good performance. As from the second half of the year there was a downfall in trading volume, mainly from Institutional Clients.

Leading Stock Market Performance in 2014



Source: Bloomberg (local currency)



## FIXED INCOME

In the Risk Management for Corporate Clients activity, BESI substantially increased the number of closed deals, mostly interest rate hedges, where it concluded several interesting operations. Because of the market volatility, commodity transactions were an important source of revenue, though with a smaller weight than in the previous year. The growth of BESI's activity in Mexico, particularly in Debt Capital Markets operations, allowed the Bank to close sizeable currency hedges. During the year, BESI continued to focus on restructuring the existing operations and supporting the syndication areas with the sale of part of the derivatives portfolio.

Regarding Risk Management for Institutional Clients, there was an increase in demand for structured products from Iberian investors, both private/retail banking Clients and institutional Clients, leading to a substantial increase in the amount of structured products placed, and funding raised, compared to the same period in 2013. Secondary market activity remained buoyant and even increased compared to 2013, in both number of deals and volume. Products indexed to the credit and stock markets remained the most sought for, with an increase in demand for equity-linked products.

In Brazil, 2014 was a year of great challenges for BESI's Risk Management activity. Over the year

companies gradually reduced demand for derivative transactions instead shifting their interest to funding operations. Moreover, the resolution of BES in August posed serious restrictions on the origination of new mandates and new Clients, significantly confining BESI's activity.

The Market Making and Sales activity in the Iberian Peninsula registered strong volume growth in 2014. In the Iberian segment, activity kept growing through most the year, benefiting from the ECB's announcement of new measures to stimulate liquidity and lending in the Eurozone. During the year, BESI added new securities to its automated quotations system via Bloomberg, and also new accounts. At present there are over 600 active users, corresponding to more than 250 Institutional Clients, and the number of requests to the platform increased to a daily average exceeding 200. The Sales teams were strongly involved in the placement of primary market issues, once again contributing to their successful execution. In Brazil, BESI actively participated in the distribution of eight primary market operations in the domestic market, totalling BRL 1.7 billion, also mostly concentrated in the first half of the year. During the second half the Bank played a very important role in the sale of assets from its own portfolio, the result of the restrictions experienced following the resolution of Banco Espírito Santo.

# CORPORATE FINANCE

In 2014, BESl acted as advisor on 16 announced M&A transactions, for a total value of approximately EUR 9 billion.

Despite the difficult operating conditions during the second half of the year, the Bank remained the undisputed leader of the Portuguese M&A market and ranked #6 in Iberia, by number of announced transactions. This performance confirms its position as a reference player in the provision of investment banking services in the **Iberia**.

BESl's generalist strategy allowed it to provide advisory services on a considerable number of relevant transactions across a diversified range of sectors. The Bank participated in the sale processes of reference Iberian companies to international investors, namely providing advisory services:

- > to Espírito Santo Saúde, on one the most competitive tender offers ever in Portugal, with four bidders and several price revisions, which ended with the purchase of the company by Fidelidade (Fosun);
- > on the sale of Tranquilidade to Apollo Global Management (concluded in January 2015);
- > to EDP, on the sale of Gás de Múrcia and other EDP Group assets to Redexis (Goldman Sachs Infrastructure Partners) (concluded in January 2015);
- > on the sale of PT Portugal to Altice (under way at the end of 2014).

In **Brazil**, BESl's M&A activity in 2014 broadly followed the trend of previous years, with the Bank providing advisory services to domestic deals and also cross-border transactions, namely with Portugal and Spain.

In particular, the Bank advised PT on its merger process with OI, an operation announced in 2013 that was still ongoing at the end of 2014.

As in 2013, M&A activity in **Poland** was mostly steered by the consolidation trends in various sectors of the Polish economy. During the year BESl took part in several relevant projects, including:

- > Issuance of a Fairness Opinion in connection to the public tender offer for 66% of the share capital of Ciech S.A., a Polish chemical company, launched by the KI Chemistry of Kulczyk Investments group;
- > Financial advisory services on the restructuring process of Polimex Mostostal S.A., a Polish engineering and building company, which included raising funds and organising the largest debt-to-equity swap operation ever in the history of the Polish Stock Exchange;
- > Financial advisory services to BlueMedia S.A. on the sale of 100% of the shares of BluePay S.A., a Polish company providing mobile telecommunications and online payment solutions services, to Polski Tytuł S.A.;
- > Financial advisory services to TDJ S.A. on the acquisition of 100% of the share capital of FPM S.A., a Polish company specialising on the production of





## MUMBAI

19°4'22"N 72°52'57"E

machinery and equipment for power plants, heating and energy plants and companies that generate energy for own use (at the end of 2014 this deal was pending the authorisation of the competition authority).

The Polish M&A team was also involved in several deals still under way, on both buy and sell sides, in the financial, health and services sectors.

The M&A team in the **United Kingdom** maintained the focus of its strategy on the private equity firms and middle market segment, where it mainly targeted the Telecommunications, Services, Manufacturing, Retail, Financial Institutions and Specialised Finance sectors.

The Bank provided advisory services to the ACM Shipping plc group on its merger with the Braemar Shipping Services plc group, which resulted in the second largest sea freight forwarding agent at global level.

In the **United States of America**, BESI provided financial advisory services to the following companies:

- > Soares da Costa Group, on the sale of its subsidiary Prince Contracting LCC to Grupo Dragados, the construction arm of ACS, one of the largest infrastructure and construction conglomerates in the world, present in more than 40 countries;
- > Efacec, on the sale of its power transformers business in the US to Virginia Transformer Corporation, the second largest manufacturer of transformers in the US by capacity and the third by sales;
- > EDP Renewables North America, on the sale of a minority stake in a portfolio of wind farms in the US (1101 MW) to Fiera Axium Infrastructure, a Canadian infrastructure fund (operation under way at the end of 2014, pending the approval of the North American regulators);

Although not having concluded any M&A transactions in India in 2014, the Bank was involved in and provided financial advisory services on several cross-border transactions, under way at the end of the year.

LONDON



Recommended Merger of Braemar Shipping and CAM Shipping

€ 181,000,000

Sole Financial Adviser, Corporate Broker  
2014

**BESI**

NEW YORK



Financial advisory services to EDP Renewables North America LLC in the sale of minority interests in a portfolio of 7 wind farms in the USA to Fiera Axium

Financial Adviser  
2014

**BESI**

WARSAW



Restructuring Process Polimex Mostostal S.A.

Financial Adviser  
2014

**BESI**



## MID-CAP FINANCIAL ADVISORY

The Mid-Cap Financial Advisory area was created in 2004, when BESI, working together with the Medium-Size Companies Division of BES (now Novo Banco) realised that the offer of financial services to this segment was quite scarce.

The investment banking services provided by this business area include financial advisory services for M&A and financial restructuring processes, as well as pure financial consulting services, namely valuations and economic and financial feasibility studies.

The activity developed in 2014 evolved as expected, with 11 transactions concluded during the year.

LISBOA

**TOMÁS DE OLIVEIRA**  
EMPREITEIROS, S.A.

Financial Restructuring of  
Tomás de Oliveira

Financial Adviser  
2014

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**BESI**

LISBOA

**envc**  
ESTALHEIROS NAVAIS DE VIANA DO CASTELO, S.A.

Sale of the Ferry "Atlântida"

Financial Adviser  
2014

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**BESI**

LISBOA

**CODIMETAL**  
Industrias, S.L.

Fundraising and Financial  
Restructuring

Financial Adviser  
2014

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**BESI**

LISBOA

**ROSA&TEIXEIRA**

Valuation of Rosa & Teixeira

Financial Adviser  
2014

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**BESI**

LISBOA

**URBANOS®**

Fundraising and Financial  
Restructuring

Financial Adviser  
2014

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**BESI**

LISBOA

**valbopan**  
by Investwood

Valuation of Valbopan

Financial Adviser  
2014

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**BESI**

# PROJECT FINANCE AND SECURITISATION

BESI's project finance activities were severely curtailed by the events surrounding the GBES in 2014, culminating in the resolution of BES by the Bank of Portugal. Even so, the Bank was able to participate in most of the deals that took place in Portugal, assuming a leading position in the structuring and arrangement of finance for various projects.

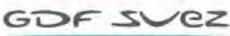
During the year BESI concluded three new operations in **Portugal**:

- > Norteshopping – the structuring and arrangement of EUR 135 million refinancing for a shopping centre in the north of Portugal;
- > Neoen – the structuring and arrangement of EUR 34.4 million finance for a set of solar fotovoltaic farms with 22 MW total installed capacity;
- > Lusovento – the structuring and arrangement of EUR 144 million finance for a portfolio of wind farms with 214 MW total installed capacity.

In **Brazil**, BESI provided financial advisory and structuring services to nine projects, involving a total investment of approximately BRL 11 billion, namely in the road, energy, solid waste, hospitals and public lighting sectors.

BESI expanded its role as structuring agent in Project Finance Bond issues on the Capital Market aimed at financing long-term projects (such as Águas do Mirante), as onlending agent on long-term loans through BNDES (namely to Viracopos, an operation approved in 2013, with disbursements throughout 2014), as provider of bank guarantees to secure Client obligations (namely of Tecneira and Gestamp), and as medium-term finance provider (namely to Águas de Mandaguahy).

LISBOA




Lusovento Portfólio 214 MW - Wind Farms

€ 144,000,000

Coordinator, Structuring Bank  
2014

**BESI**

SÃO PAULO



Bridge Loan to Águas do Mirante through Debenture

R\$ 155,000,000

Coordinator  
2014

**BESI**

SÃO PAULO



Financial Advisory Services to participate in the bid process of three Public Hospitals in the State of São Paulo (Contract Estimated Value)

R\$ 5,100,000,000

Financial Adviser  
2014

**BESI**

SÃO PAULO





Financial Arranger for the Long-Term Financing with BASA for the construction of Hospital Zona Norte de Manaus

R\$ 181,969,037

Financial Adviser  
2014

**BESI**

SÃO PAULO




Long Term Loan for a wind farm with 30 MW installed capacity in Ceará Brasil

R\$ 120,000,000

Mandated Lead Arranger  
2014

**BESI**

SÃO PAULO



Financial Advisory Services to Consórcio Desenvolvimento Nova Tamoios in the bid process of Rodovia dos Tamoios SP - 099

R\$ 3,700,000,000

Financial Adviser  
2014

**BESI**



In **Spanish Latin America**, BESI engages in the structuring of financing operations, through syndication and/or capital market structures. The Bank's successful positioning as a highly specialised player in the structuring of complex transactions and in particular its disintermediation capacity in the Capital Markets, are demonstrated by its continued success in the region.

From its base in **New York**, BESI increased its Latin American origination activities and won important mandates in Mexico, Panama, Chile, and particularly in Peru.

The Project Finance team closely coordinated its activity with the Debt Capital Markets and Syndication teams, streamlining the balance sheet through the rotation of assets and increasing profitability. The team has relied on successfully originating structured transactions, executing and subsequent sell-down, allowing for the recycling of capital.

This model proved a great success for the New York Branch, because it permitted to increase the number of transactions concluded, and enhanced profitability through the continuous rotation of the invested capital.

In 2014, the Bank closed seven transactions totalling approximately USD 630 million, including the following:

- > Interenergy (Penonome II) – the structuring and arrangement of a USD 100 million financing for the construction in Panama of the largest wind farm in Central America. Together with IFC, BESI placed the entire financing with a group of multilateral organisations and commercial banks;
- > Genrent – the origination and structuring of a USD 30 million financing for the construction of a thermal power plant in Peru, where the entire long-term financing is provided by multi-lateral organisations;
- > Arendal – the structuring of a USD 60 million short-term financing for the construction of an important gas pipeline. This financing was subsequently refinanced through a bond issue structured by the Capital Markets team;
- > ICA - BESI supported the short-term cash needs of ICA, the largest construction firm in Mexico, which led to the Capital Markets division leading a bond issue for the same Client.

NEW YORK



Financing for the construction of a 215 MW wind farm in Penonome, Panama

**US\$ 100,000,000**

Mandated Lead Arranger, Bookrunner  
2014

**BESI**

NEW YORK



Standby Letter of Credit to guarantee Autovía Querétaro's capital requirements in a road project in Mexico

**MXN 689,000,000**

LC Issuer  
2014

**BESI**

# ACQUISITION FINANCE AND OTHER LOANS

As from the second half of the year, and as a result of the events that involved the GES and culminated with the resolution of Banco Espírito Santo, the Portuguese banking sector was put under huge strain. Profitability was harmed by the recognition of loan impairments and the high cost of funding compared to their European peers. In this context, and also due to the still fragile situation of companies, the activity of banks remained largely concentrated on loan refinancing and on supporting the exporting companies, namely in the SMEs segment.

Given the scarcity of new transactions in **Portugal** and the restrictions on liquidity, BESI focused its activity in Iberia on the management of its portfolio and on providing refinancing advisory services.

In **Poland**, the Bank mainly engaged in issuing bank guarantee lines, both for international Clients operating in the country and for local Clients. In 2014 such operations totalled more than PLN 300 million.

The Acquisition Finance and Other Loans activity in **Brazil** maintained its focus on the management of the existing loan book, which suffered a significant contraction in the second half of 2014 due to the liquidity restrictions felt in the period. This contraction (-40%) was particularly acute in the Other Loans portfolio, as the Acquisition Finance related portfolio remained practically flat.

During the year, the Bank took part in transactions with higher rates of return and shorter maturities (improving return on allocated capital), in club-deals with customised structures and reinforced security packages, and in the structuring of loans in USD, through BESI Brasil's subsidiary in the Cayman Islands. This subsidiary has had a very important role in boosting relations with Brazilian exporting Clients, through its participation in exports pre-payment syndicated transactions.

<p>LISBON</p>  <p>Refinancing</p> <p>€ 216,185,659</p> <p>Mandated Lead Arranger 2014</p> <p>BESI</p>	<p>LISBON</p>  <p>Refinancing</p> <p>€ 69,512,608</p> <p>Mandated Lead Arranger 2014</p> <p>BESI</p>	<p>WARSAW</p>  <p>Guarantee Line</p> <p>PLN 17,000,000</p> <p>Sole Mandated Lead Arranger 2014</p> <p>BESI</p>	<p>WARSAW</p>  <p>Multipurpose Facility</p> <p>PLN 40,000,000</p> <p>Sole Mandated Lead Arranger 2014</p> <p>BESI</p>
<p>SÃO PAULO</p>  <p>Debentures</p> <p>R\$ 110,000,000</p> <p>Lead Manager 2014</p> <p>BESI</p>	<p>SÃO PAULO</p>  <p>Debentures</p> <p>R\$ 100,000,000</p> <p>Lead Coordinator 2014</p> <p>BESI</p>	<p>SÃO PAULO</p>  <p>Export Pre-Payment</p> <p>US\$ 140,000,000</p> <p>Arranger 2014</p> <p>BESI</p>	<p>SÃO PAULO</p>  <p>Export Pre-Payment</p> <p>US\$ 100,000,000</p> <p>Arranger 2014</p> <p>BESI</p>



## ASSET MANAGEMENT

For the Discretionary Management business, whose distribution was for years grounded on the partnership with the commercial networks of Banco Espírito Santo, the resolution measure represented one of the greatest challenges in its history. Still, thanks to the credibility accrued over years of good results and a fully independent management stance, the Client basis and the pool of Assets under Management proved extraordinarily resilient, suffering a reduction of 13% only from the EUR 296 million high achieved on 30 July. In the full year, total Assets under Management grew by more than 16%, reaching EUR 247 million.

The highlights of the year were the results achieved by the portfolios, with gains of 7.4% in the normal-profile portfolio and 11.1% in the aggressive-profile portfolio. These results, which are very positive in light of the performance of the equity markets in general (and of European markets in particular) and also taking into account the underlying risk context in which they were obtained, emphasise the team's capacity to focus and to perform.

## PRIVATE EQUITY

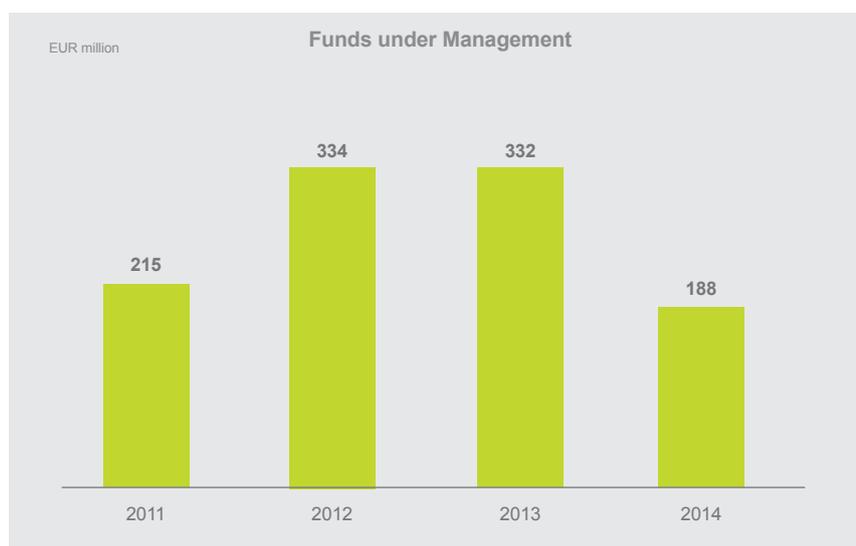
2014 was marked by the start of the liquidation process of the ES Ibéria I fund and by a substantial amount of divestment, which was fuelled by an improvement in macroeconomic conditions and the growing maturity of the investment portfolio.

During the year, 105 investment opportunities were analysed, mostly on the later stage segment (35% less than in 2014). This decrease is mainly explained by the lower number of opportunities in Spain, and also by the start of the liquidation period of the ES Ibéria I fund. Total investment in 2014 amounted to approximately EUR 4.9 million, namely including the capital increases of Epedal and Ramos Ferreira (in both cases resulting from the commitments assumed at the time of the initial investment, in 2013), and the buyout investment in Otherlog, a logistics firm.

Divestment reached EUR 23 million, at acquisition cost, a sizeable amount that includes the sale of the entire stakes held in Synergy, the TLCI Group, Genomed, Rodi, Providência and LogiC. Increased distributions received from subsidiaries – LogiC, GLT, Sicame, Coporgest, Globalwatt, Windpart e Ventos Paralelos - also reflect the growing maturity of the portfolio and these companies' good operational performance.

Towards the end of the year, and as a result of the resolution process of Banco Espírito Santo, the Bank divested from its private equity business in Brazil, selling its stake in 2bCapital, S.A..

Funds under management reached EUR 188 million, underpinned by the above mentioned divestments.



Source: BESI



## INTEGRATED RISK MANAGEMENT

BESI is exposed to various types of risk arising from external and internal factors induced by the characteristics of the markets where it operates. These include credit risk, market risk, liquidity risk and operational risk.

The objective of the Risk Management function - a key function to the development of BESI's activities - is to identify, assess, monitor and report all the material risks to which BESI is subject to, both internally and externally, so that such risks remain within limits that are consistent with the risk profile and risk tolerance level approved by the management body of each institution and therefore do not affect that institution's financial solvency.

The Risk Management function operates independently from the business areas, providing advice on risk management to the decision-takers of the Bank. The BESI has in place systems to identify, monitor and manage risks, as well as areas to support the business development.

### SOLVENCY

As of 31 December 2014, BESI Core Tier I ended up at 9.44%, well above the regulatory levels. At the end of 2014 Risk Weighted Assets had decreased by 12.7%, to EUR 4,157 million.

#### Capital Ratios

SOLVENCY	DEC-14	DEC-13
CORE TIER I ratio	9.44%	11.03%
TIER I ratio	9.44%	10.96%
Solvency ratio	9.44%	11.09%

Note: under the Bank of Portugal's criteria



## CREDIT

Credit provisions were reinforced by EUR 169,605 thousand, which represents a 347% year-on-year increase in the provision charge (EUR 37,875 thousand in 2013). The impairment cost (net charges/customer loans) climbed to 9.94%, from 1.89% in 2013. As a result, the credit provisions/gross customer loans ratio increased from 6.27% in December 2013 to 15.48% in December 2014.

(EUR Thousand)

	2014	2013
Gross loans	1,706,884	2,027,742
Overdue loans and interest	126,114	48,975
Credit provisions	283,780	130,135
Overdue loans and interest / Gross loans	7.39%	2.42%
Credit provisions / Overdue loans and interest	225.0%	265.7%
Credit at Risk <sup>(1)</sup>	510,757	246,152

(1) According to Instruction 23/2011 of Bank of Portugal, credit at risk includes: a) total value of credit with capital or interest past due by 90 days or more; b) other restructured credit, where the principal or interest payments were past due by more than 90 days and have been capitalized or refinanced without full coverage by collaterals or the interest fallen due have not yet been fully paid by the debtor; and c) credits of an insolvent or bankrupt debtor.

Source: BESI

## MARKET

Consolidated Value at Risk (VaR) in the trading book and including trading positions in commodities and FX positions totalled EUR 9,844 thousand in December 2014, which is EUR 5,798 thousand less than in December 2013.

The BESI's banking book exposure to interest rate risk, assuming a parallel yield curve shift of 200 bps, shows a negative impact of EUR 7,333 thousand, which compares with a EUR 38,953 thousand negative impact in December 2013.

## LIQUIDITY

BESI's liquidity gap up to one year improved from EUR -1,200,705 thousand on 31 December 2013 to EUR -840,143 thousand at the end of the reporting year. This positive change is a result of the balance sheet deleveraging. The Bank maintained its recurrent dependence on short-term funding provided by Novo Banco due to liquidity management being integrated at Novo Banco Group level.

# CORPORATE BODIES AND EXECUTIVE COMMITTEE

## CORPORATE BODIES

### GENERAL MEETING BOARD

#### > Chairman

Daniel Proença de Carvalho

#### > Secretary

José Miguel Alecrim Duarte

### BOARD OF DIRECTORS

#### > Interim Chairman and Vice-Chairman

José Maria Espírito Santo Silva Ricciardi

#### > Vice-Chairmen

Francisco Ravara Cary<sup>1</sup>

Rafael Caldeira de Castel-Branco Valverde

Miguel António Igrejas Horta e Costa

#### > Members

Alan do Amaral Fernandes

Bernard Marcel Fernand Basecqz

Christian Georges Jacques Minzolini

Duarte José Borges Coutinho Espírito Santo Silva

Félix Aguirre Cabanyes

Frederico dos Reis de Arrochela Alegria

João Filipe Espírito Santo de Brito e Cunha

Luis Miguel Pina Alves Luna Vaz

Paulo José Lameiras Martins

Pedro Mosqueira do Amaral

Phillipe Gilles Fernand Guiral

Tiago Vaz Pinto Cyrne de Castro

### SUPERVISORY BOARD

#### > Permanent Members

José Manuel Macedo Pereira (Chairman)

Tito Manuel das Neves Magalhães Basto

Mário Paulo Bettencourt de Oliveira

#### > Deputy Member

Paulo Ribeiro da Silva

## EXECUTIVE COMMITTEE

#### > Chief Executive Officer

José Maria Espírito Santo Silva Ricciardi

#### > Deputy Chief Executive Officer

Francisco Ravara Cary<sup>1</sup>

#### > Members

Rafael Caldeira de Castel-Branco Valverde

Miguel António Igrejas Horta e Costa

Alan do Amaral Fernandes

Christian Georges Jacques Minzolini

Félix Aguirre Cabanyes

Frederico dos Reis de Arrochela Alegria

Luis Miguel Pina Alves Luna Vaz

Paulo José Lameiras Martins

Tiago Vaz Pinto Cyrne de Castro

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

José Luís de Saldanha Ferreira Pinto Basto

Nuno David Fernandes Cardoso

Pedro Miguel Cordovil Toscano Rico

#### > Executive Committee Secretary

Patrícia Salgado Goldschmidt Catanho Meneses

## STATUTORY AUDITORS

Amável Calhau, Ribeiro da Cunha e Associados –

Sociedade de Revisores Oficiais de Contas

Represented by José Maria Rego Ribeiro da Cunha

## EXTERNAL AUDITORS

KPMG & Associados - Sociedade de Revisores

Oficiais de Contas, S.A

## PRODUCT DIVISIONS

#### > CLIENT RELATIONSHIP AND ORIGINATION

Pedro Toscano Rico (Portugal)

Carolina Ibañez (Spain)

Miguel Lins (Brazil)

Manny Chohhan (United Kingdom)

Bartłomiej Dmitruk (Poland)

Nuno Cardoso (United States of America and

Mexico)

George Mathew (India)

Jorge Ramos (Angola)

#### > PRIVATE SOLUTIONS

Leopoldo Matos

#### > CORPORATE FINANCE

Leonor Dantas / Luis Vasconcelos (Portugal)

José Miguel Rego (Spain)

Maria Luísa Baroni (Brazil)

Paulo Barradas (United Kingdom)

Lukasz Pawlowski (Poland)

Maria Luísa Baroni / Daniel Pyne (United States of

America and Mexico)

George Mathew (India)

#### > MID-CAP FINANCIAL ADVISORY

Leonor Dantas

#### > ACQUISITION FINANCE

#### AND OTHER LOANS

Rui Baptista (Portugal and Spain)

Alan Fernandes (Brazil)

Rui Baptista / Bartłomiej Dmitruk (Poland)

Nuno Cardoso (United States of America and

Mexico)

#### > PROJECT FINANCE AND SECURITISATION

Luís Sousa Santos (Portugal and Poland)

Carlos Álvarez Fernández (Spain)

Alan Fernandes (Brazil)

Robin Earle (United Kingdom)

Nuno Cardoso (United States of America and Mexico)

#### > CAPITAL MARKETS

Sílvia Costa (Portugal and Spain)

Miguel Guiomar (Brazil)

Manny Chohhan (United Kingdom)

Maciej Jacenko / Krzysztof Rosa (Poland)

Dennis Holtzapffel (United States of America and Mexico)

George Mathew (India)

#### > FIXED INCOME

Carlos Ferreira Pinto (Portugal) – Global Coordinator

Sílvia Nadelar (Spain)

Roberto Simões (Brazil)

Marcus Ashworth (United Kingdom)

Krzysztof Rosa (Poland)

Rodrigo Carvalho (United States of America and Mexico)

#### > TREASURY

Carlos Nogueira (Portugal)

Roberto Simões (Brazil)

Krzysztof Rosa (Poland)

#### > CAPITAL STRUCTURE ADVISORY

Cristina Frazão (Portugal, Spain and Poland)

#### > GLOBAL LOAN SYNDICATION

Lucas Martinez Vuillier (Europe)

Thomas Friebe (Americas)

#### > GLOBAL MARKETS

Rui Borges de Sousa (Europe)

Roberto Simões (Brazil)

Krzysztof Rosa (Poland)

#### > EQUITIES

João Baptista Pereira (Portugal and Spain)

Rui Marques (Brazil)

Garreth Hodgson (United Kingdom)

Szymon Ozog (Poland)

Rodrigo Carvalho (United States of America)

George Mathew (India)

#### > RESEARCH

Nick Wilson (Equity Research - Europe)

Filipe Rosa (Equity Research – Portugal and Spain)

Catarina Pedrosa (Equity Research – Brazil)

Konrad Książczkowski (Equity Research - Poland)

José Martins Soares (Cross Asset Research)

#### > ASSET MANAGEMENT

Fernando Castro Solla (Portugal and Spain)

#### > PRIVATE EQUITY

José Pinto Basto

<sup>1</sup> In March 2015 Mr. Francisco Ravara Cary handed in his resignation as Vice-Chairman of the Board of Directors.

# 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

Nuno David Fernandes Cardoso  
Pedro Miguel Cordovil Toscano Rico

### POLAND

Christian Georges Jacques Minzolini  
Krzysztof Rosa  
Bartłomiej Dmitruk

### CAYMAN ISLANDS (BRANCH OF BES INVESTIMENTO DO BRASIL)

Alan do Amaral Fernandes  
Mércia Carmeline Alves Bruno

## SUBSIDIARIES

### BES INVESTIMENTO DO BRASIL, S.A. – BANCO DE INVESTIMENTO (BRAZIL)

Rafael Caldeira de Castel-Branco Valverde

### BES SECURITIES DO BRASIL, S.A. – CORRETORA DE CÂMBIOS E VALORES MOBILIÁRIOS (BRAZIL)

Rafael Caldeira de Castel-Branco Valverde

### ESPÍRITO SANTO CAPITAL - SOCIEDADE DE CAPITAL DE RISCO, S.A. (PORTUGAL)

Francisco Ravara Cary

### ESPÍRITO SANTO INVESTMENT P.L.C. (IRELAND)

Tiago Vaz Pinto Cyrne de Castro  
John Patrick Andrew Madigan

### BESI UK LIMITED (UNITED KINGDOM)

Luís Miguel Pina Alves Luna Vaz

### EXECUTION NOBLE LIMITED (UNITED KINGDOM)

Luís Miguel Pina Alves Luna Vaz

### ESPÍRITO SANTO SECURITIES INDIA PRIVATE LIMITED (INDIA)

Luís Miguel Pina Alves Luna Vaz  
George Mathew Verghese

### LUSITANIA CAPITAL, S.A.P.I. DE C.V., SOFOM, E.N.R.

Tiago Vaz Pinto Cyrne de Castro  
Hugo Antonio Villalobos Velasco  
Nuno David Fernandes Cardoso

## REPRESENTATIVE OFFICES

### MEXICO CITY

Hugo António Villalobos Velasco

### GERMANY

Mário Vieira de Carvalho

Disclaimer: This document constitutes a brief view on Banco Espírito Santo de Investimento, S.A. ("Bank") activities in 2014. It intends to summarise some of the main matters featured on the Bank's 2014 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 2014 R&A.

This summary is not intended to fulfil any kind of legal requirements and was prepared exclusively for commercial and marketing purposes, aiming to give recipients some colour on selected aspects of the Bank's activities in 2014.

For the full version of the Bank's 2014 R&A and attached lawfully required documentation and data please refer to <http://www.espiritosantoib.com>

# BESI

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