



# BANCO ESPIRITO SANTO

## BES Group Presentation

October 2011



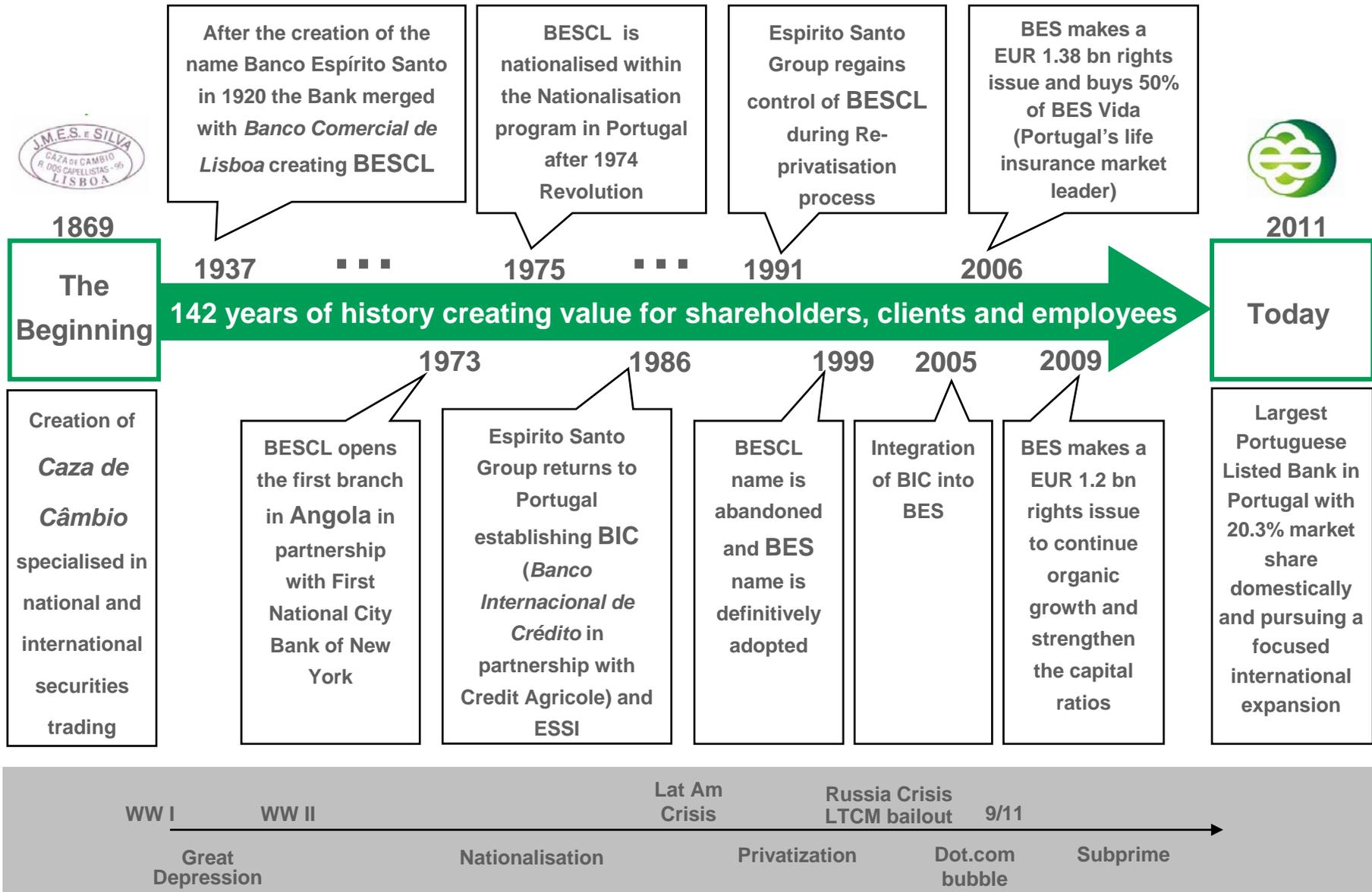
# Agenda

- I. **BES Group: a long and successful organic growth story**
- II. **Strategic review: successfully deployed domestic strategy complemented by selective international expansion**
- III. **Solid track record of profitable growth**
- IV. **Conclusion**

## BES Today

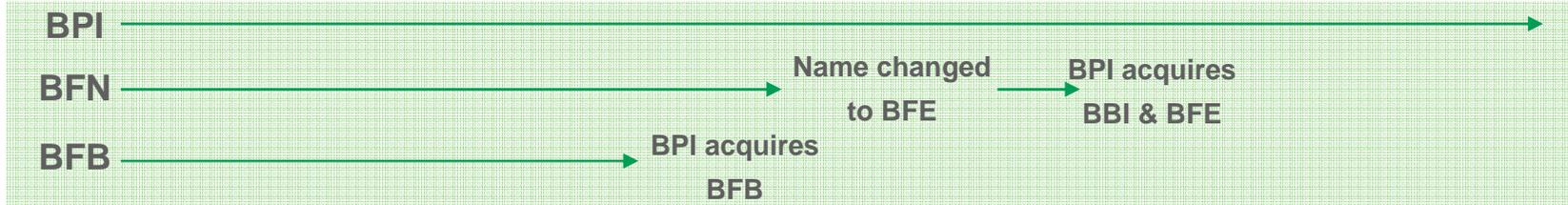
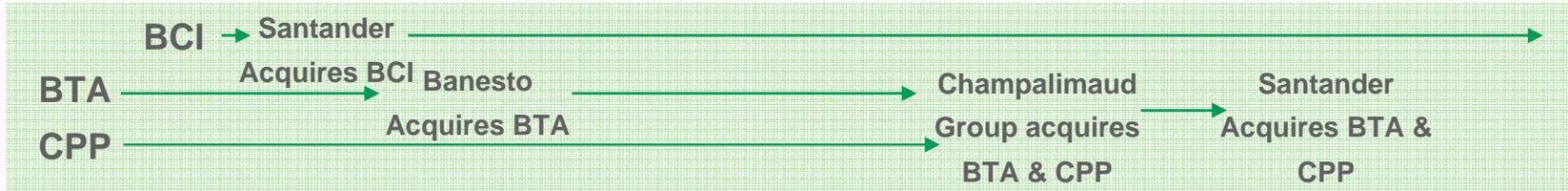
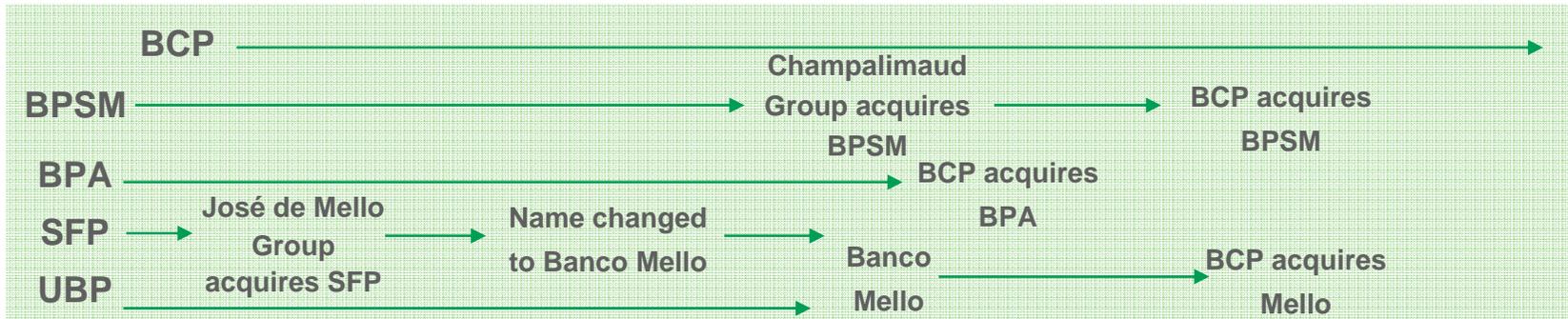
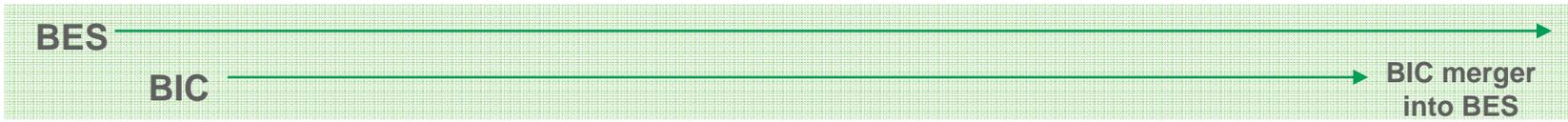
- **Largest listed Portuguese Bank by market cap** (EUR 2.3bn as of 31 Sep. 2011), and the **2nd largest private financial institution in Portugal** by net assets (EUR 80.2 bn at 30 June 11)
- **Stable shareholder base** since its reprivatisation in 1991/1992, with **ESFG and Credit Agricole holding 50.8% of the share capital**. Other reference shareholders include Portugal Telecom (2.6%) and Banco Bradesco (6.05%)
- **Strong market position, with an average market share of 20.3%** in the Portuguese banking market (24.2% in the corporate business) and **2.1 mn Clients worldwide**
- **Wide international presence in 23 countries and 4 continents**, focused on countries with cultural and economic ties to Portugal namely Spain, Angola and Brazil. Deployment of international presence leveraging on BES core competences in the domestic market, namely in corporate banking, private banking, investment banking and trade finance
- 1H11 **Cost-to-income of 45.7%** places BES in the leading position in terms of efficiency among listed Portuguese banks
- **Despite a strict financial discipline and resilient profitability, BES ratings have been impacted by Sovereign rating actions:** S&P: BBB- /Neg; Moody's: Ba1 /CWN; DBRS: BBB (High)/Neg
- **Solid solvency ratios, with a Core Tier I of 8.2% and a Tier I of 9.2%**

# The foundations of BES trace back to the XIX century



# BES is a unique story of organic growth in the Portuguese market, where the banking sector has been in a consolidation process since the 80s

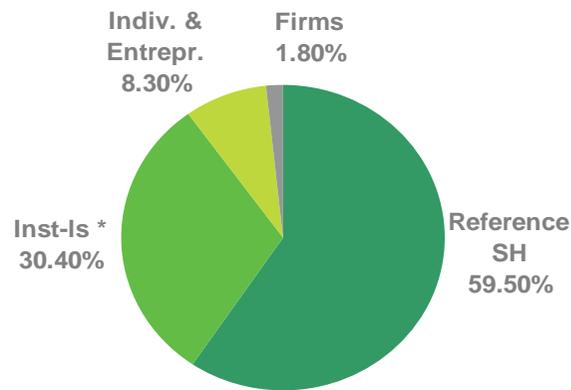
1985 1986 ... 1988 1989 1990 1991 ... 1993 ... 1995 1996 ... 2000 ... 2005 ... 2011



A stable shareholder base has been key to implement a long term consistent strategy. Core shareholders have always been supportive, allowing the Bank to maintain a strong organic growth path

### BES shareholding structure

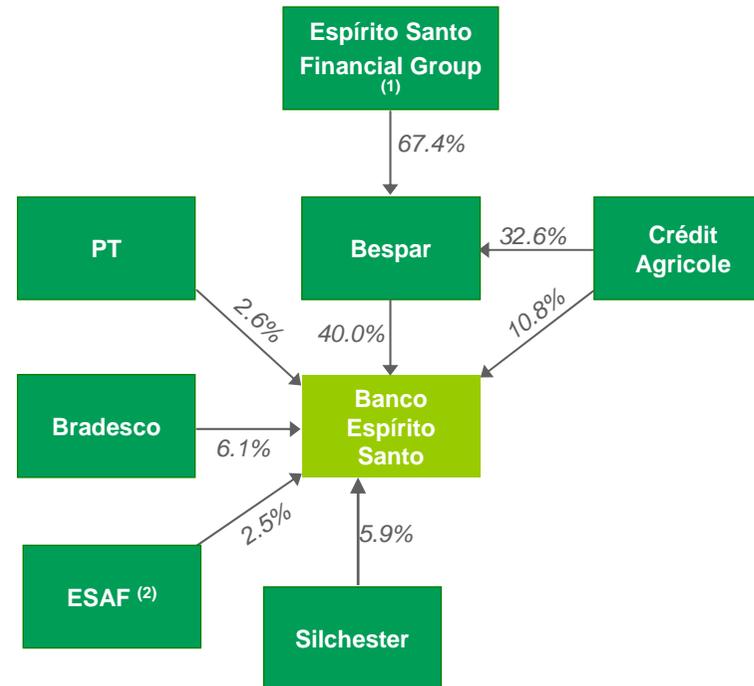
30 June 2011



\* Includes qualified holding of Silchester (5.93%)

### BES main shareholders

30 June 2011



(1) Direct and indirect stake of ESFG in Bespar

(2) Through ES Premium mutual fund

## Consistent long term strategy produced evident benefits: BES share price has been clearly outperforming the sector in Europe



# Agenda

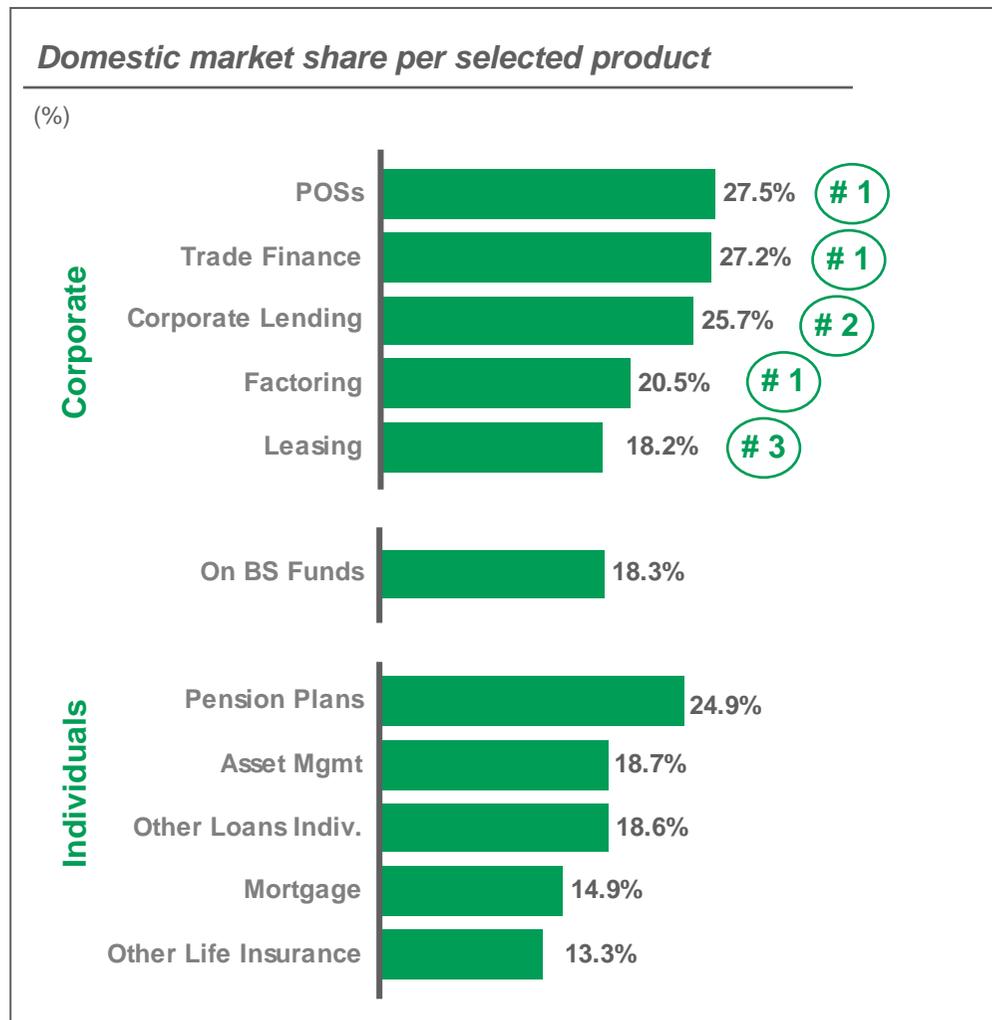
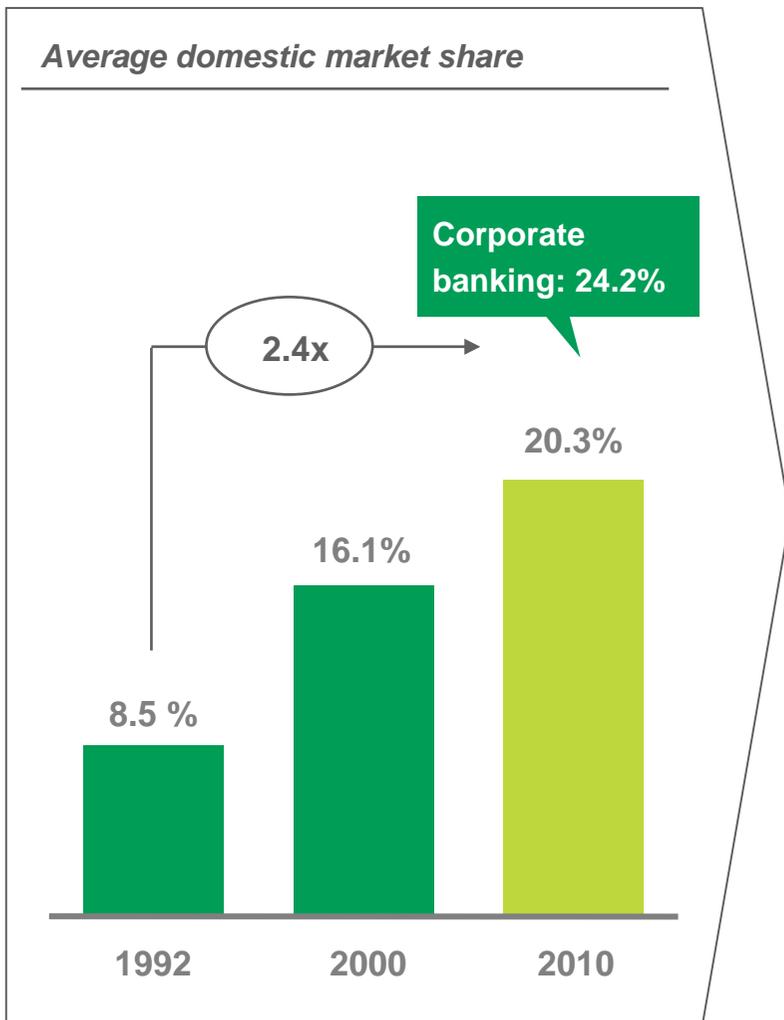
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Traditional conservative management and long term value creation focus have allowed BES to build a strong domestic franchise, with significant market share on both retail and corporate segments



## In order to sustain long-term profitability and complement Domestic business, BES has been developing its International activities...

### *Main strategic priorities*

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#### Domestic Businesses

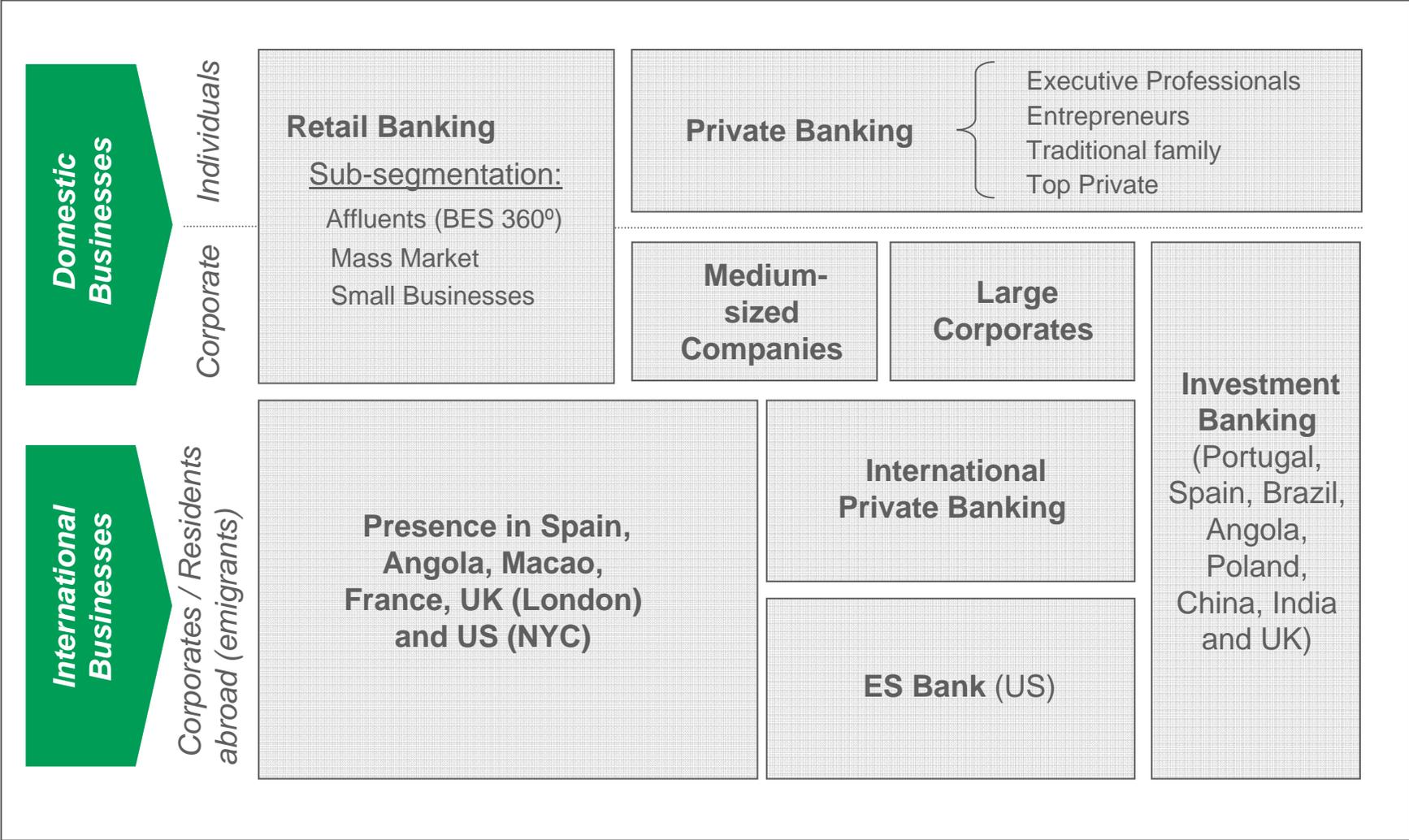
- BES has a clear and consistent domestic strategy and is focusing on continuously adapting it to current economic and financial context
  - Intensifying the growth of client funds, with an increased focus on longer-term client funds
  - Sustaining strong levels of client acquisition, leveraging different acquisition channels (particularly Cross-Segment)
  - Reinforcing the coordination between the commercial activities and risk, capital and liquidity management
  - Focusing on selected cross-selling opportunities (auto insurance, home insurance, ...) in order to increase client loyalty and to sustain banking income growth

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#### International Businesses

- International activities are focused in a set of markets where Portugal has strong cultural or economic affinities, with significant growth potential and where Portuguese companies are expanding their activity to (these markets typically generate a balanced activity between credit and funds)
- In this context, Investment Banking is also increasing the focus of its strategy around fee-generating activities, namely **brokerage** (where it ranks #1 in Portugal and #4 in Spain) and **M&A Advisory** (#1 in Portugal, #2 in the Iberian M&A market, #2 in Brazil)

... alongside with a commercial segmented and sub-segmented market approach, which lead to a more tailored value proposition and allows BES to better serve its clients



# International expansion complements domestic business and has always been based on a strong rationale, with focused geographic exposure and leveraging on BES core competences

## *BES International Strategy Rationale*

- 1** **Focus on countries with cultural and increasingly economic ties with Portugal**, namely Angola, Brazil and Spain
- 2** **Exposure to high growth emerging economies**, that typically have strong commodity resources, rising importance in international trade, high liquidity pools and big infrastructures programmes
- 3** **Support the internationalisation of BES corporate client base**, helping them to expand their activity to key strategic markets where BES has a physical presence
- 4** **Leverage on BES core competences in the domestic market**, namely in terms of corporate banking, private banking, investment banking and trade finance



## The backbone of international business of BES Group is Angola, Spain and Brazil, complemented by the BES competence centre in the UK

	<u>Rationale</u>	<u>Business Lines</u>	<u>Key indicators (1H11)</u>	<u># Exporting Companies</u>
 <b>Angola</b>	<p><i>Be part of one of the fastest economies in the world with increasing economic links with Portugal</i></p>	<ul style="list-style-type: none"> <li>▪ Corporate Banking</li> <li>▪ Private Banking</li> <li>▪ Investment Banking</li> </ul>	<p>Net income: EUR 41.7 mn            Credit: EUR 3.2bn            Cust. Funds: EUR 2.2bn            Total Assets: EUR 6.0bn</p>	<div style="background-color: #008000; color: white; border-radius: 50%; width: 40px; height: 40px; display: flex; align-items: center; justify-content: center; margin: 0 auto;"> <span style="font-size: 24px; font-weight: bold;">7,132</span> </div>
 <b>Brazil</b>	<p><i>Consolidated emerging economy with strong growth prospects, high liquidity and strong ties with Portugal</i></p>	<ul style="list-style-type: none"> <li>▪ Investment Banking</li> <li>▪ Strategic partnership with Bradesco</li> </ul>	<p>Net income: EUR 13.6mn            Credit: EUR 446.6mn            Total Assets: EUR 2.7bn</p>	<div style="background-color: #008000; color: white; border-radius: 50%; width: 40px; height: 40px; display: flex; align-items: center; justify-content: center; margin: 0 auto;"> <span style="font-size: 24px; font-weight: bold;">1,300</span> </div>
 <b>Spain</b>	<p><i>Natural expansion. Portugal 1st trade partner. Focus on cross border business serving mainly SME's</i></p>	<ul style="list-style-type: none"> <li>▪ Corporate Banking</li> <li>▪ Private Banking</li> <li>▪ Investment Banking</li> </ul>	<p>Net income: EUR 6.6mn            Credit: EUR 3.6bn            Total Assets: EUR 4.8bn            # 4 Madrid stock exchange*</p>	<div style="background-color: #008000; color: white; border-radius: 50%; width: 40px; height: 40px; display: flex; align-items: center; justify-content: center; margin: 0 auto;"> <span style="font-size: 24px; font-weight: bold;">4,093</span> </div>
 <b>UK</b>	<p><i>Presence in one of the worlds financial capitals, developing wholesale and IB business</i></p>	<ul style="list-style-type: none"> <li>▪ Wholesale Banking</li> <li>▪ Funding</li> <li>▪ Project Finance</li> <li>▪ Structured Trade Fin.</li> <li>▪ Leveraged Finance</li> </ul>	<p>Net income: EUR 7.5mn            Credit: EUR 2.1bn            Total Assets: EUR 5.1bn</p>	

\* 6.8% market share

# The importance of international business for BES has been increasing over time and has been key to overcome the domestic business slowdown

*BES has reinforced its International presence in 2010*



Acquisition of 50.1% of Execution Holdings Limited (HQ in London)



Acquisition of Gespastor asset management firm from Banco Pastor



Acquisition of 25.1% stake in *Moza Banco*

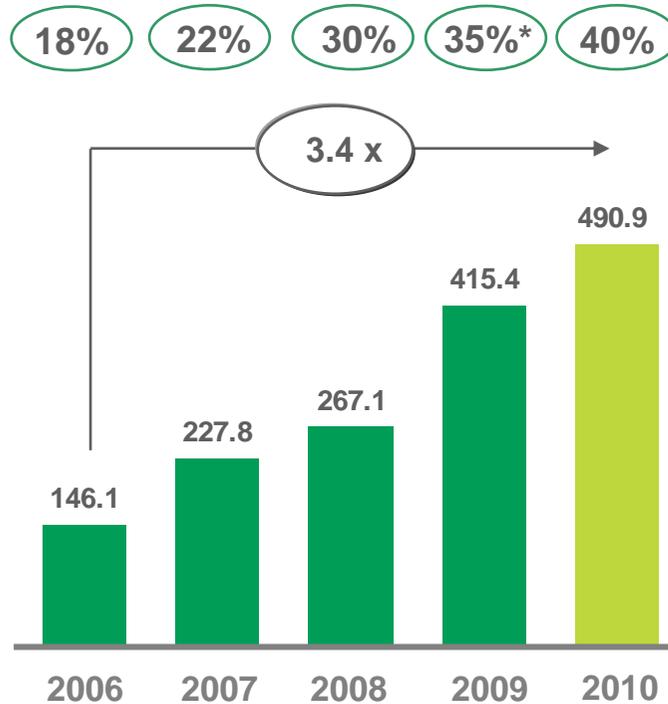


Establishment of Banco Espírito Santo in Cape Verde



Opening of a Representative office

***International Operating Income Evolution***  
(EUR mn)



*Weight in consolidated*

\* Based on recurrent 2009 operating income

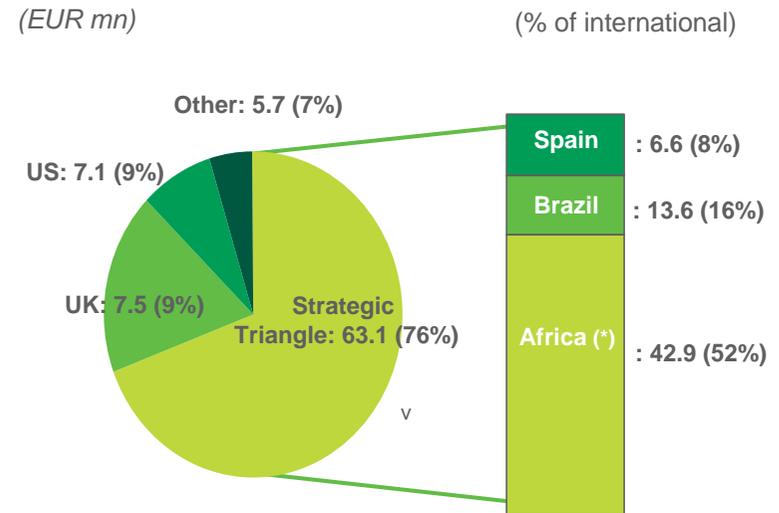
The strategic triangle composed of Africa, Brazil and Iberia has been the main driver for international growth and is expected to continue providing strong prospects

### BES Group International Presence



After having reinforced its international presence in 2010, BES is now present in 23 countries across 4 continents

### 1H11 International Net Income Breakdown



	1H10	1H11	YoY
<b>Strategic Triangle</b>	<b>47.8</b>	<b>63.1</b>	<b>32%</b>
<i>% of international</i>	50%	76%	
<i>% of consolidated</i>	17%	40%	
<b>Total International</b>	<b>96.1</b>	<b>83.3</b>	<b>-13%</b>

(\*) Includes Angola, C. Verde, Libya and Mozambique

# The Investment Banking unit is also pursuing a strong internationalisation strategy, consistent with the Group's international presence.

## Main Activities

- Corporate Finance / M&A, Project Finance, Acquisition Finance
- Equity Capital Markets, Debt Capital Markets, Fixed Income
- Private Equity



**Portugal and Spain:** Full Investment Bank; Brokerage: #1 in Portugal (12% market share); #4 in Spain (6.8% market share). #1 in M&A in Portugal and #2 in Iberia, by number of deals.



**Brazil:** Full Investment Bank. Gradually increasing market share in Brazilian Stock Exchange, now at 1.6%, #23. #2 in the M&A league tables, by both number of deals and value of closed transaction.



**Angola:** Project Finance and Corporate Finance.



**UK:** Project and Corporate Finance and Brokerage. Acquisition of 50.1% of Execution Noble. Reinforced market position in equities and fixed income brokerage.



**Poland:** Full Investment Bank. #12 in brokerage in Polish market (2.5% market share); voted 6th best sales trading desk and 10th best broker in Poland by Institutional Investors\*



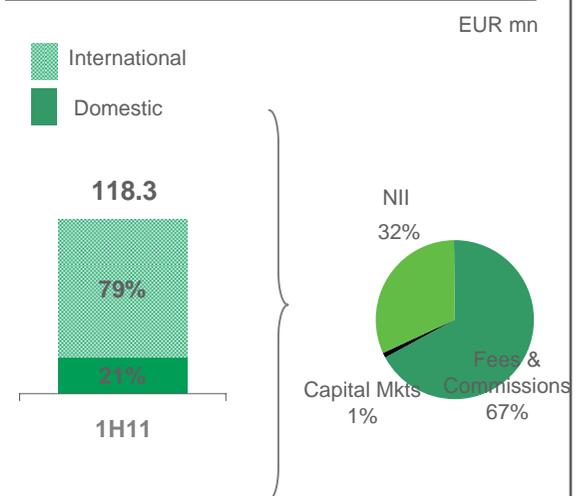
**USA:** Full Investment Bank



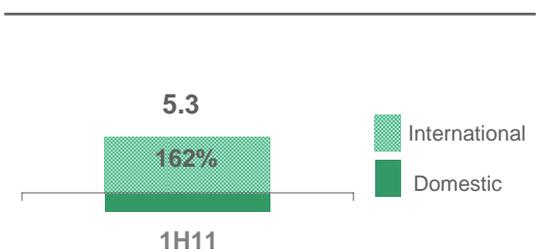
**China and India:** Access to these emerging markets following the acquisition of a controlling stake in Execution Noble

\* Source: Forbes Magazine

## 1H11 Banking Income: EUR 118.3mn



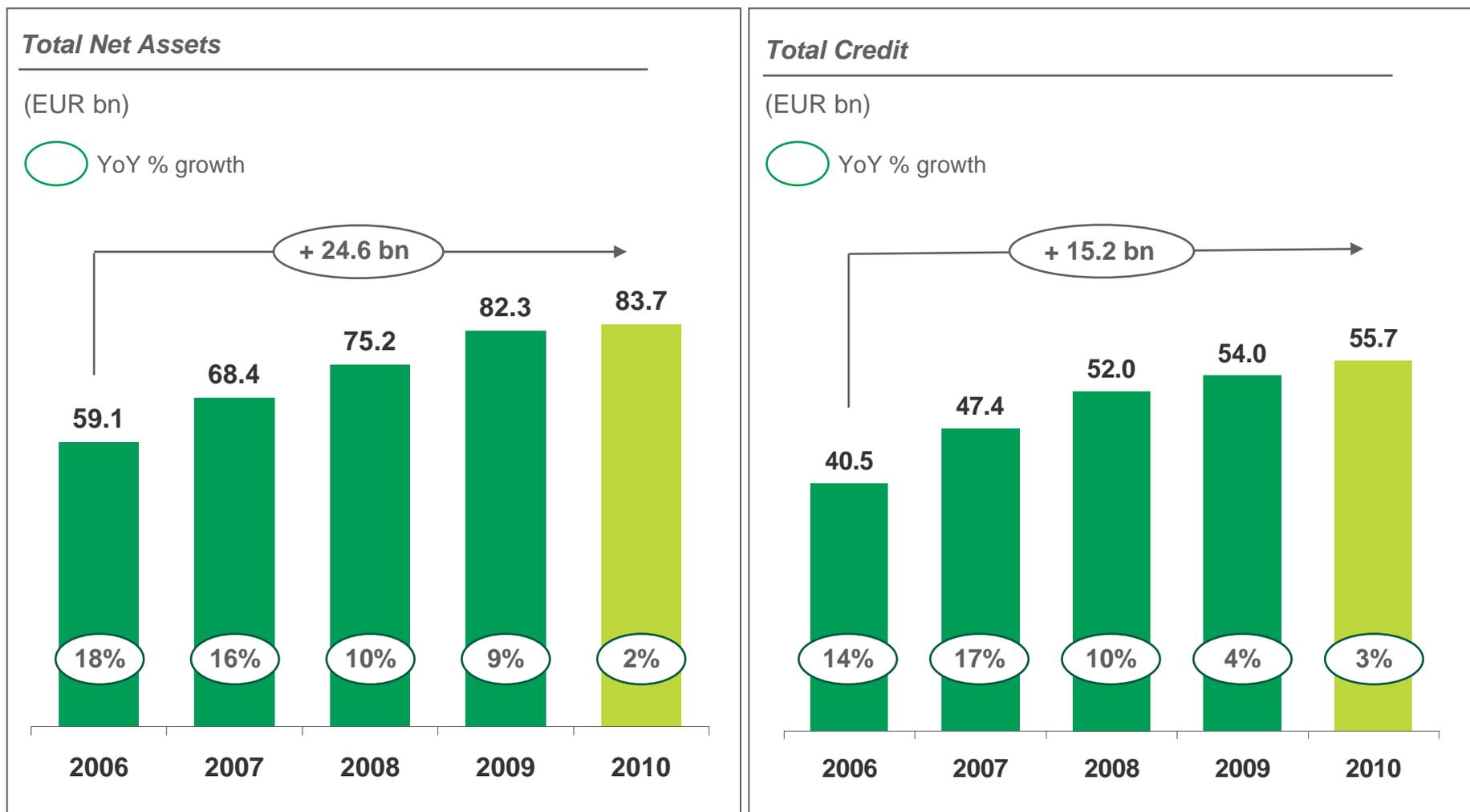
## 1H11 Net Income: EUR 5.3mn



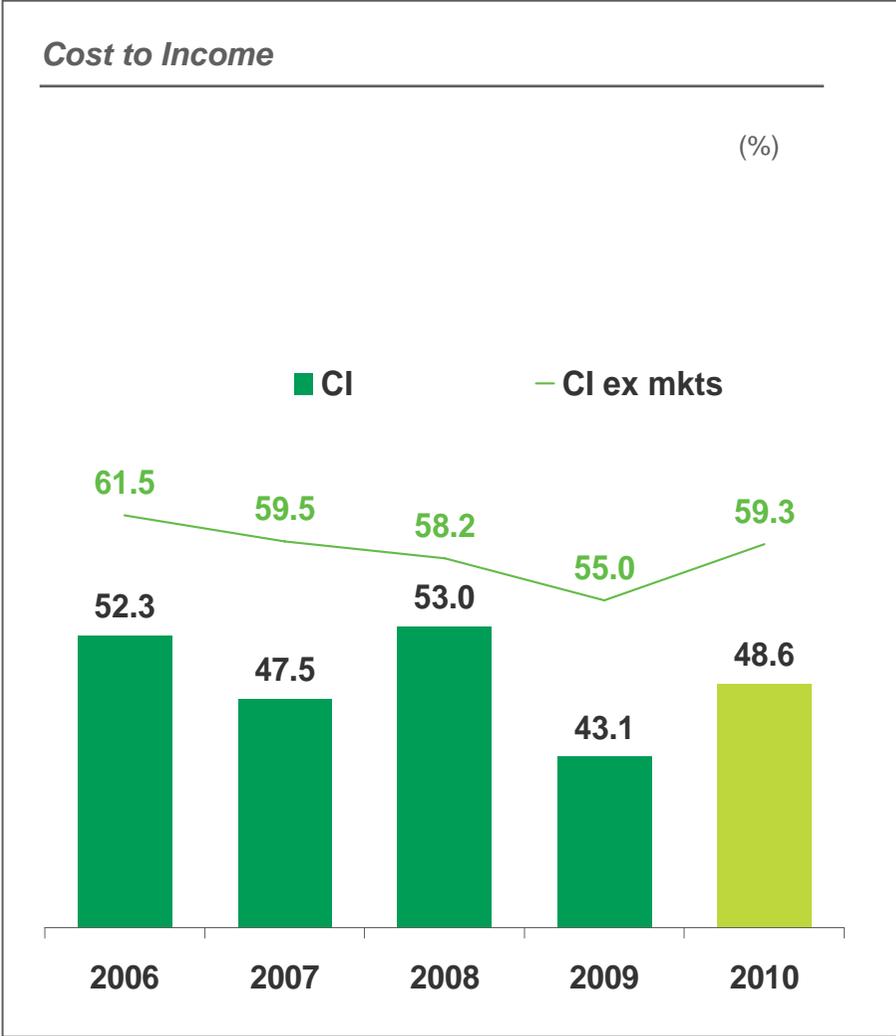
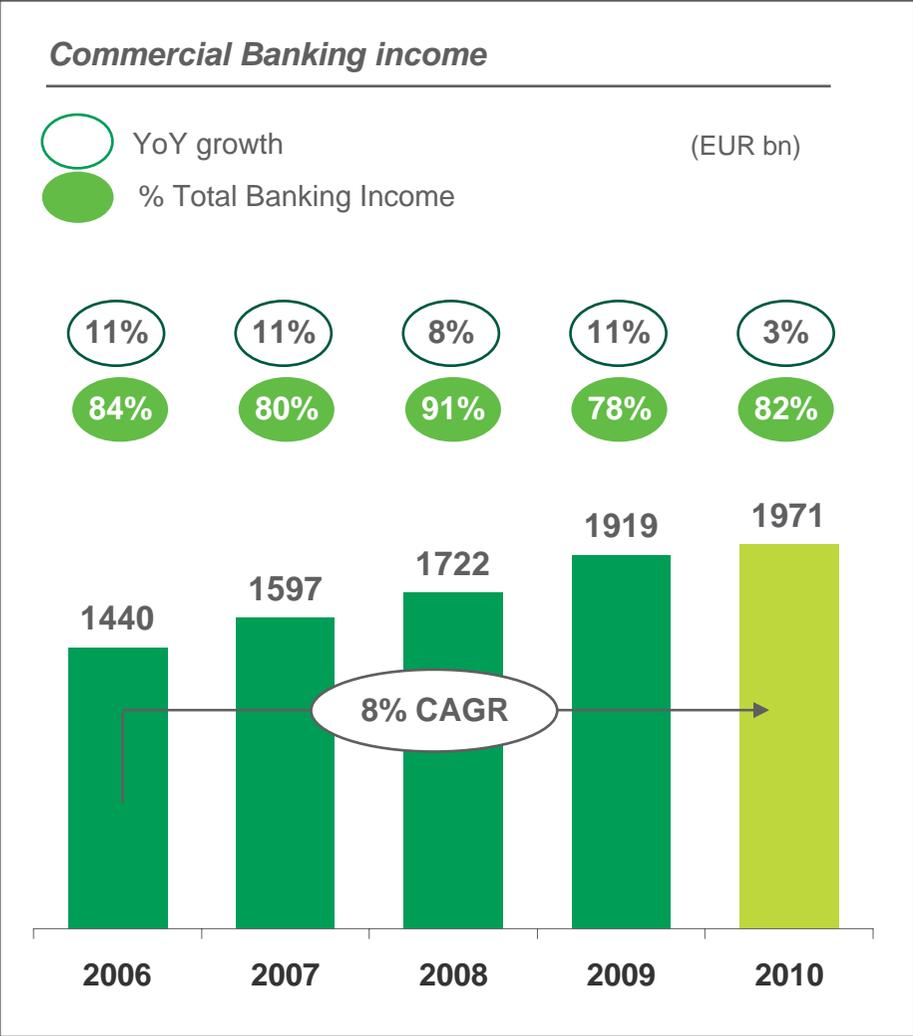
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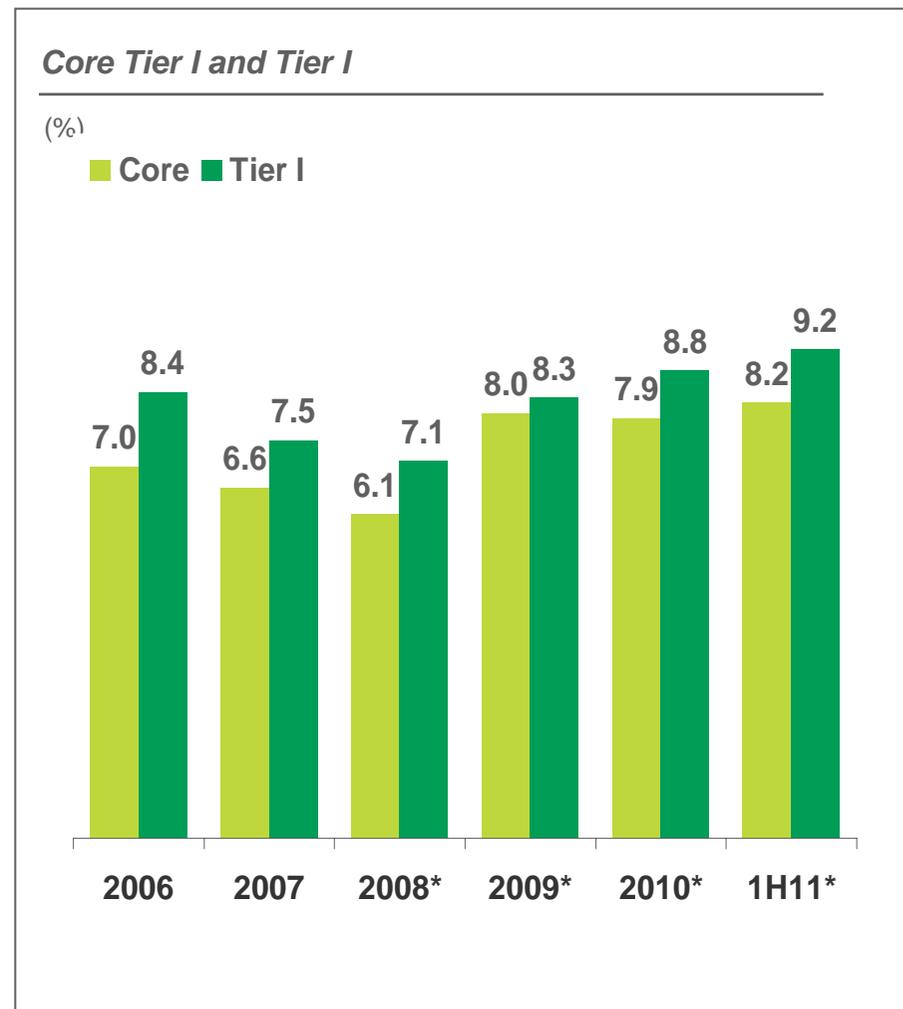
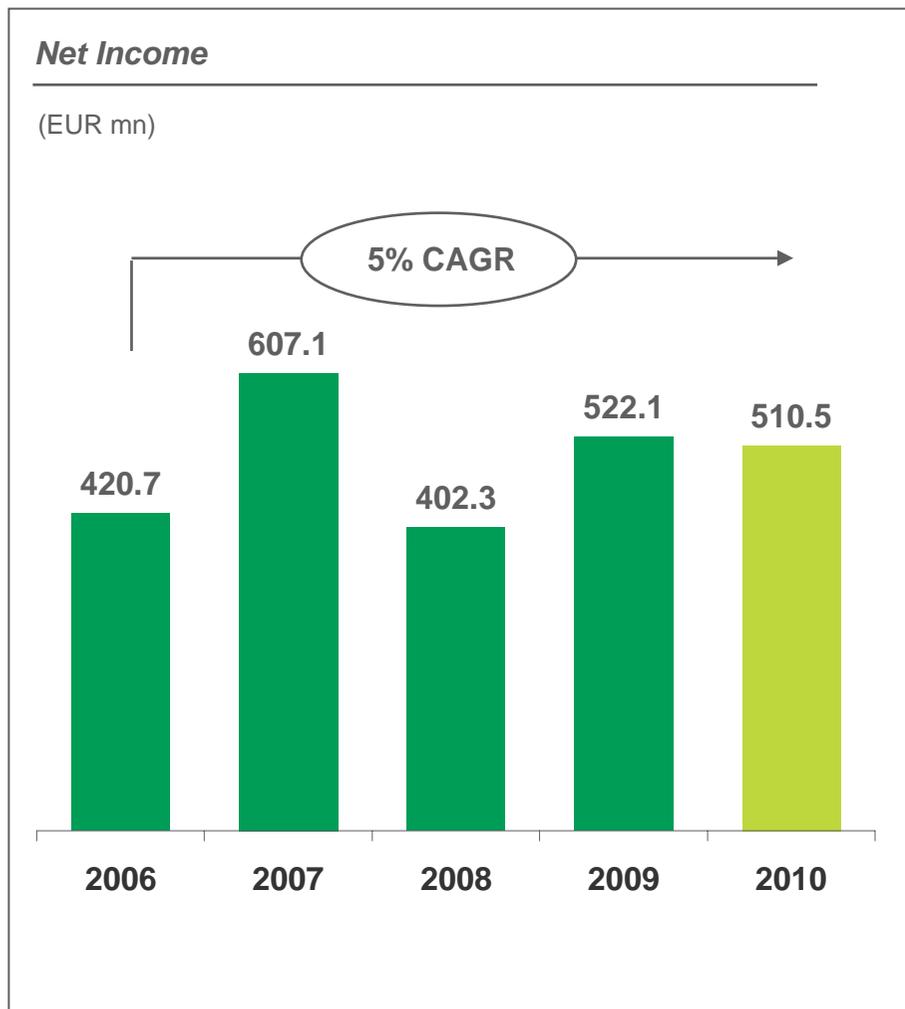
**In the past 5 years, and despite the recent financial and economic crisis, BES continued to increase its activity**



This activity increase has been reflected in the P&L, where Commercial Banking Income increased 8% per annum since 2006 and efficiency levels have improved



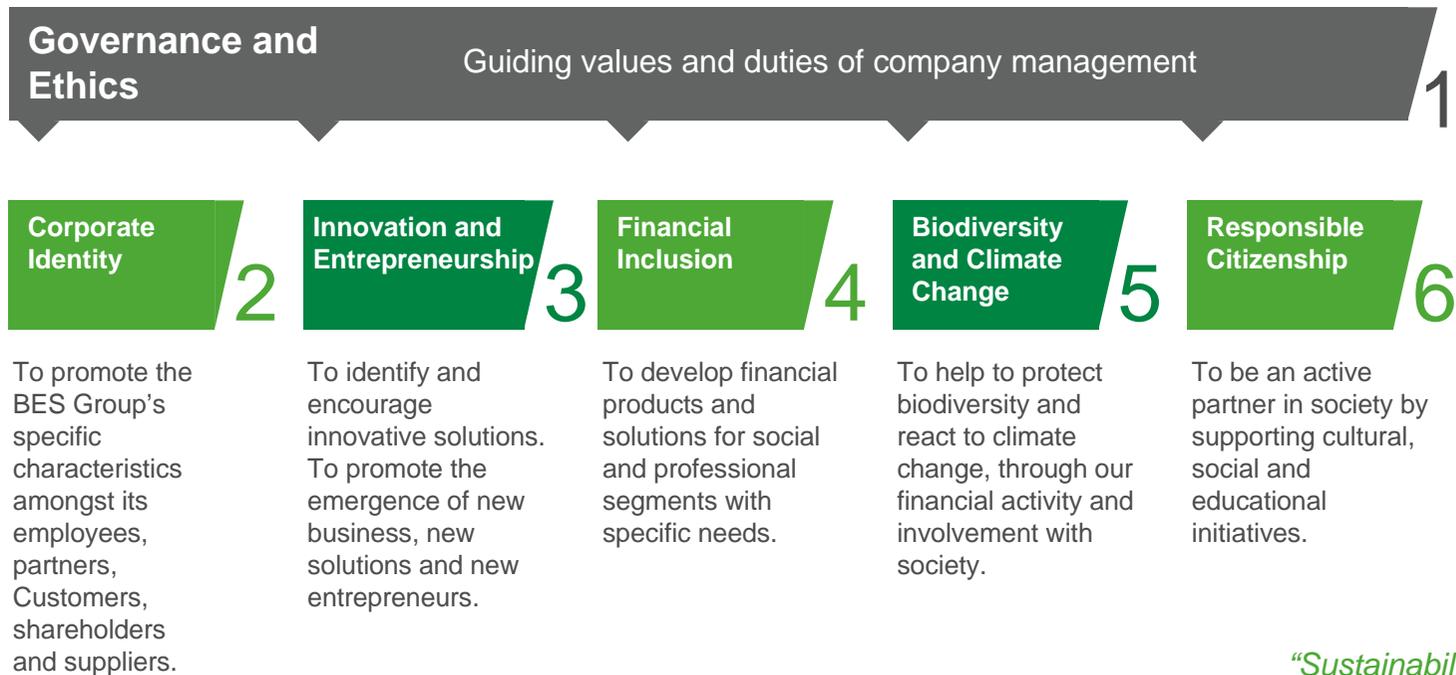
**BES has been able to keep delivering strong results, even in extremely difficult times, maintaining adequate solvency ratios**



(\*) Calculated under IRB Foundation.  
Data for 1H11 is preliminary

# Financial growth is well balanced with sustainable growth: BES is recognised by independent entities as an example of sustainable management

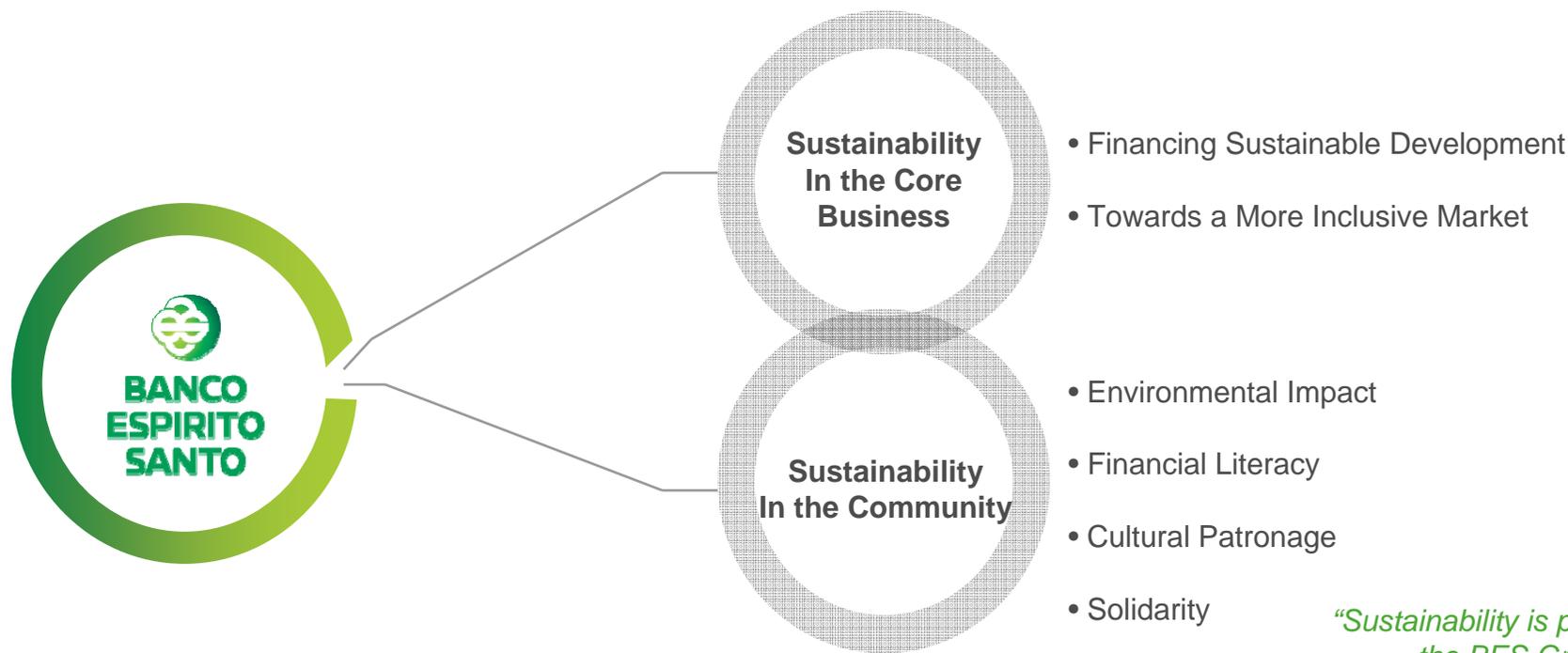
BES Group's developed a six-tier strategy:



*“Sustainability is part of the BES Group's DNA.”*



Sustainability has essentially been achieved by the adoption of a set of measures and behaviours by the more relevant business areas and by the creation of innovative products which make a positive contribution towards the development of the Bank and of the communities in which it operates and which it influences.



*“Sustainability is part of the BES Group’s DNA.”*



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## BES is a clear and attractive equity story, with a focused strategy providing substantial international growth prospects backed by a strict financial discipline

### Clear and profitable strategy

- ✓ Resilient profitability in very difficult macro and market conditions
- ✓ Strong domestic franchise, complemented by clear and consistent international expansion, namely to high growth countries with increasing economic ties to Portugal
- ✓ Focus on efficiency with the implementation of cost cutting measures, to keep operating costs under control

### Prudent and conservative management

- ✓ Proved financial discipline in funding and liquidity management
- ✓ Clear 2Y plan to deleverage balance sheet, aimed at LTD ratio of 120% by Ye 2012
- ✓ Resilient asset quality with strong provision reserve
- ✓ Focus on reinforcing the deposits base (core deposits increased 23% YoY in the 1H11)
- ✓ Reinforced solvency ratios: Core Tier I of 8.2% and a Tier I of 9.2%.
- ✓ Limited exposure to European sovereign debt ( 4% of net assets in the 1H11)

### Strong prospects

- ✓ Increasing contribution of international business should mitigate domestic economy
- ✓ International expansion expected to increase weight in BES Group's results, sustaining profitability

## Investor Relations

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**NUMBER OF SHARES:** 1,167 million  
**SHARE CAPITAL:** EUR 3.5 bn  
**SECTOR:** Financial Services: Banking  
**INDEX MEMBERSHIP:** 36 Indices, including:  
PSI20, Euronext 100,  
Eurostoxx, Stoxx Banks  
FTSE4GOOD

**LISTING:** NYSE Euronext  
**BLOOMBERG:** BES PL  
**REUTERS:** BES.LS  
**ISIN CODE:** PTBES0AM0007  
**RATINGS:** DBRS: BBB (high) / Negative / R-2  
Moody's: Ba2 / Negative / NP  
S&P: BBB- / Negative / A3



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