

Banco Espírito Santo do Oriente, S.A.



Financial Report

Unaudited information
(Expressed in Macau Patacas)

BANCO ESPÍRITO SANTO DO ORIENTE, S.A.
Balance sheet as at 30 June 2013

ASSETS	GROSS ASSETS	PROVISIONS DEPRECIATION & AMORTIZATION	NET ASSETS
CASH	287,767.81		287,767.81
DEPOSITS WITH AMCM	99,542,564.94		99,542,564.94
VALUES FOR COLLECTION	17,441,750.00		17,441,750.00
DEPOSITS ON DEMAND WITH LOCAL CREDIT INSTITUTIONS	1,667,590.55		1,667,590.55
DEPOSITS ON DEMAND WITH FOREIGN CREDIT INSTITUTIONS	119,839,872.48		119,839,872.48
OTHER VALUES	95,209.26		95,209.26
LOANS AND ADVANCES	726,834,934.02	(211,803.00)	726,623,131.02
PLACEMENTS WITH LOCAL CREDIT INSTITUTIONS	-		-
DEPOSITS AT CALL AND AT TERM ABROAD	2,504,795,980.00		2,504,795,980.00
SHARES, BONDS AND OTHER SECURITIES	67,225,725.99	(49,589.00)	67,176,136.99
DEBTORS	1,245,189.50		1,245,189.50
OTHER APPLICATIONS	-		-
INVESTMENTS	190,000.00		190,000.00
EQUIPMENT	3,192,323.84	(3,029,903.72)	162,420.12
DEFERRED EXPENDITURES	183,395.56	(137,526.00)	45,869.56
INSTALLATION EXPENDITURES	4,316,303.50	(1,545,949.00)	2,770,354.50
CONSTRUCTIONS IN PROGRESS	-		-
INTERNAL ACCOUNTS	20,885,041.03		20,885,041.03
TOTAL	3,567,743,648.48	(4,974,770.72)	3,562,768,877.76

Unaudited information (continued)

(Expressed in Macau Patacas)

Balance sheet as at 30 June 2013 (continued)

LIABILITIES	SUB-TOTALS	TOTAL
DEPOSITS ON DEMAND	111,582,851.37	3,034,675,644.57
FIXED TERM DEPOSITS	1,377,740,133.80	
PUBLIC SECTOR DEPOSITS	1,545,352,659.40	
BORROWING FROM LOCAL CREDIT INSTITUTIONS	10,000,000.00	28,219,950.68
CHEQUES & PAYMENT ORDERS	17,515,594.03	
CREDITORS	561,594.52	
OTHER LIABILITIES	142,762.13	
INTERNAL ACCOUNTS	34,840,869.51	
PROVISIONS FOR OTHER RISKS AND CHARGES	9,725,634.00	
SHARE CAPITAL	200,000,000.00	
LEGAL RESERVES	46,949,744.79	
OTHER RESERVES	112,873.04	
RESULTS CARRIED FORWARD	180,989,444.41	
PROFIT FOR THE PERIOD ENDED	27,254,716.76	208,244,161.17
		3,562,768,877.76

Unaudited information (continued)

(Expressed in Macau Patacas)

Balance sheet as at 30 June 2013 (continued)

MEMORANDUM ITEMS	AMOUNT
VALUES HELD IN DEPOSIT	4,155.68
VALUES HELD FOR COLLECTION	64,647,482.32
VALUES HELD AS GUARANTEE	1,573,469,939.76
BANK GUARANTEES	139,612,552.93
LETTER OF CREDIT ISSUED	129,510,702.61
ACCEPTANCES OUTSTANDING	161,208,285.48
OTHER MEMORANDUM ITEMS	2,982,949,140.34

Unaudited information (continued)

(Expressed in Macau Patacas)

BANCO ESPÍRITO SANTO DO ORIENTE, S.A.

Operating Profit and Loss

For the six months ended 30 June 2013

DEBIT	AMOUNT	CREDIT	AMOUNT
INTEREST EXPENSE	48,316,474.25	INTEREST INCOME	79,661,877.09
STAFF COSTS:		BANKING SERVICES INCOME	97,304.48
MANAGEMENT REMUNERATION	2,922,428.02	OTHER BANKING SERVICES INCOME	12,359,690.84
EMPLOYEES REMUNERATION	3,520,728.40	SECURITIES & FINANCIAL INVESTMENT INCOME	112,977.97
SOCIAL EXPENSES	261,932.70	OTHER BANKING INCOME	150,117.34
OTHER STAFF COSTS	228,588.00		
THIRD PARTY SUPPLIES	149,064.28		
THIRD PARTY SERVICES	5,401,595.67		
OTHER BANKING EXPENSES	3,561,057.63		
INDUSTRIAL AND OTHER TAXES	76,370.02		
OTHER EXPENSES	65,919.99		
DEPRECIATION AND AMORTIZATION	411,289.00		
PROVISIONS FOR OTHER RISKS AND CHARGES	211,803.00		
OPERATING PROFIT FOR THE PERIOD ENDED	27,254,716.76		
TOTAL	92,381,967.72	TOTAL	92,381,967.72

Unaudited information (continued)

(Expressed in Macau Patacas)

BANCO ESPÍRITO SANTO DO ORIENTE, S.A.

Net Profit and Loss

For the six months ended 30 June 2013

DEBIT	AMOUNT	CREDIT	AMOUNT
OPERATING LOSS FOR THE PERIOD ENDED	-	OPERATING PROFIT FOR THE PERIOD ENDED	27,254,716.76
PRIOR YEAR LOSS	-	PRIOR YEAR GAIN	-
EXCEPTIONAL LOSS	-	EXCEPTIONAL PROFIT	-
COMPLEMENTARY INCOME (CORPORATE) TAX	-	PROVISIONS UTILIZED	-
NET PROFIT FOR THE PERIOD ENDED	27,254,716.76	NET LOSS FOR THE PERIOD ENDED	-
TOTAL	27,254,716.76	TOTAL	27,254,716.76

The Chief Executive Officer,
José Morgado

The Head of Accounting,
Francisco F. Frederico

Macau, 30 June 2013

Unaudited information (continued)

(Expressed in Macau Patacas)

Governing Bodies

Board of the General Meeting

Maria de Lurdes Nunes Mendes da Costa (Chairperson)

Rui Luís Cabral de Sousa (Secretary)

Board of Directors

Pedro José de Sousa Fernandes Homem (Chairman)

José Manuel Trindade Morgado

Carlos José Nascimento Magalhães Freire

Jorge Manuel da Conceição Góis

Manuel Alexandre da Rocha Barreto

Paulo Jorge Gonçalves Dias Afonso

Rui Manuel Fernandes Pires Guerra

Paulo Jorge Carrageta Ferreira

Amílcar Carlos Ferreira de Moraes Pires

Executive Committee

José Manuel Trindade Morgado (Chief Executive Officer or “CEO”)

Carlos José Nascimento Magalhães Freire (Deputy CEO)

Jorge Manuel da Conceição Góis

Manuel Alexandre da Rocha Barreto

Rui Manuel Fernandes Pires Guerra

Paulo Jorge Gonçalves Dias Afonso

Paulo Jorge Carrageta Ferreira

Supervisory Board

Ricardo Abecassis Espírito Santo Silva (Chairman)

José Manuel Macedo Pereira

Joaquim Jorge Perestrelo Neto Valente

Unaudited information (continued)

(Expressed in Macau Patacas)

Substantial shareholder of the Bank

	<u>Ordinary shares of MOP1,000 each</u>	
	<i>Total number of ordinary shares held</i>	<i>% of total issued shares</i>
Banco Espírito Santo, S.A.	199,500	99.75%

Unaudited information (continued)

(Expressed in Macau Patacas)

1 The Cash flow statement

Operating activities

Profit before taxation 27,254,717

Adjustments for:

Depreciation and amortization 411,289

Amortization of premium on securities
investments -

Provisions 211,803

Gain on sale of shares, bonds and other
securities -

Foreign exchange gain (45,600)

27,832,209

Decrease/(increase) in operating assets

Change in loans and advances (18,559,574)

Change in placements with foreign credit
institutions with original maturity over
three months 1,109,471,050

Change in other assets 14,509,164

(Decrease)/increase in operating liabilities

Change in deposits on demand 62,708,640

Change in fixed term deposits (1,257,024,122)

Change in borrowings from local credit
institutions 4,850,000

Change in other liabilities 8,961,670

Change in other payables (3,324,914)

Cash (used in)/generated from operating activities

(50,575,877)

Taxation paid -

Net cash (used in)/generated from operating activities

(50,575,877)

Unaudited information (continued)
(Expressed in Macau Patacas)

1 The Cash flow statement (continued)

Investing activities

Proceeds from sale or redemption of shares, bonds, and other securities	-
Purchase of fixed assets and deferred expenses	(57,957)

Net cash (used in)/generated from investing activities (57,957)

Net increase/(decrease) in cash and cash equivalents (50,633,834)

Cash and cash equivalents at 1 January 2,366,760,410

Cash and cash equivalents at 30 June 2,316,126,576

Unaudited information (continued)

(Expressed in Macau Patacas)

2 Off-balance sheet exposures other than derivative transactions

At 30 June 2013, the Bank had the following contingent liabilities and outstanding commitments:

(a) **Off balance sheet items outstanding (contract amount) at the balance sheet date (in MOP):**

Bank guarantees issued	139,612,553
Values held in deposit	4,156
Values held as guarantees	1,573,469,940
Letter of Credit	119,742,367
Undrawn facilities	808,742,473
Risk participation	9,768,335
Acceptance outstanding	161,208,285

(b) **Operating lease commitments**

At 30 June 2013, the Bank had future aggregate minimum lease payments under operating leases as follows (in MOP):

Up to one year	3,641,569
From one year to five years	2,859,172
	<hr/>
	6,500,741
	<hr/> <hr/>

3 Derivatives

As at 30 June 2013, the notional amount of interest-bearing off balance sheet financial instruments is as follows:

	<i>Notional amount MOP In '000'</i>	<i>Credit risk weighted amount MOP In '000'</i>
Foreign currency swaps	<u>2,174,207</u>	<u>0</u>

The notional amounts of these contracts indicate the volume of transactions outstanding and do not represent amounts at risk.

Unaudited information (continued)

(Expressed in Macau Patacas)

4 Related party transactions

The volume of related party transactions, outstanding balances at 30 June 2013 and related income and expense for the first six months are as follows:

(a) *Transactions with key management personnel*

Key management personnel of the Bank

In addition to the transactions and balances disclosed elsewhere in these financial information, the Bank provided commercial banking services to key management personnel of the Bank. The commercial banking services were provided in the ordinary course of business and on substantially the same terms as for comparable transactions with persons of a similar standing or, where applicable, with other employees.

(b) *Transactions with group companies*

The Bank entered into transactions with related parties in the normal course of its banking business including lending, acceptance and placement of inter-bank deposits, correspondent banking transactions and guarantees issued. The transactions were priced at the relevant market rates at the time of each transaction.

The amount of related party transactions during the six-month period is set out below (in MOP):

Interest income	64,972,542
Interest expense	4,330,769
Commission received from services	3,888,388
Commission paid for custody service and other services	7,388

The outstanding amounts of related party transactions as at the end of the reporting period are set out below (in MOP):

Assets:

Placements with foreign credit institutions	2,504,795,980
Sundry Debtors	468,183
Deposits on demand with foreign credit institutions	99,409,605
Loans and advances to customers (forfeiting)	153,324,182
Interest receivables	13,826,214

Unaudited information (continued)

(Expressed in Macau Patacas)

4 Related party transactions (continued)

(b) Transactions with group companies (continued)

Liabilities:

Fixed term deposits	163,466,375
Current Accounts	11,481
Fixed customers deposits	606,496
Deposits on demand	586,299
Interest payables	31,670
Deferred income (forfeiting)	1,589,248

Off-balance sheet items:

Guarantees taken	5,193,305
------------------	-----------

5 Capital

(a) Share capital

Authorized, issued and fully paid (in MOP):

200,000 shares of MOP1,000 each	<u>200,000,000</u>
---------------------------------	--------------------

Unaudited information (continued)

(Expressed in Macau Patacas)

5 *Capital (continued)*

(b) *Capital management*

(i) Own funds

The Bank's own fund as of 30 June 2013 amounted to MOP 465.03 million. The value of own funds is the sum of core capital and supplementary capital less the amounts subject to deductions (if there were any).

Component of own fund is as follows (in MOP):

Share capital	200,000,000
Legal reserve	46,949,745
Other reserve	112,873
Retained earnings	180,989,444
Profit for the period	27,254,717
	<hr/>
Total core capital	455,306,779
General provision/ Total supplementary capital	9,725,634
	<hr/>
Total amount of own funds	<u>465,032,413</u>

Unaudited information (continued)

(Expressed in Macau Patacas)

5 *Capital (continued)*

(b) *Capital management (continued)*

(i) Own funds (continued)

The Bank's core capital consists of the following:

- Paid-up share capital pertains to 200,000 equity shares of authorized, issued and fully paid shares. The Bank does not have any other capital instruments except for these equity shares as qualifying capital.
- Legal reserve is a non-distributable reserve set aside from profit each year in accordance with Financial System Act of Macau ("FSAM") which provides that an amount of not less than 20% of the profit after taxation be set aside each following year until the reserve reaches 50% of the Bank's issued share capital and thereafter 10% of the profit after taxation be set aside each year until the reserve is equal to the Bank's issued share capital.
- Other reserve pertains to the one-time transfer of retained profits in the prior year.
- Retained earnings are the accumulated undistributed profits, net of legal reserves set aside in accordance with FSAM. Profit for the year pertains to the income earned for the period.

The Bank's supplementary capital represents the statutory reserves on general provision calculated in accordance with AMCM rules.

(ii) Operational Risk Adjusted Solvency ratio

As of 30 June 2013, the Bank has maintained an Operational Risk Adjusted Solvency Ratio of 32.06% against AMCM minimum regulatory requirement of 8%. The Operational Risk Adjusted Solvency Ratio is calculated with the Bank's own fund expressed as a percentage of the sum of its weight credit risk exposures, weighted market risk exposures and weighted operational risk exposures. The solvency ratio is calculated in accordance with Notice no. 002/2011-AMCM.

The BES Group's solvency ratio is 10.7%, calculated as the Group total Regulatory Capital over Risk Weighted Assets ("RWA"). BES Group's Core Tier ratio was 10.4% meeting the Bank of Portugal's minimum requirement of 10%. Under the European Banking Authority ("EBA") calculation method, the Core Tier I ratio is 9.5% meeting the EBA minimum requirement of 9%.

Unaudited information (continued)

(Expressed in Macau Patacas)

6 Credit risk management

(a) Geographic distribution of exposures

The geographical analysis is classified by location of the borrowers after taking into account the transfer of risk. In general, risk transfer applies when a loan is guaranteed by a party situated in an area different from the counterparty.

(i) Geographical analysis of loans and advances to customers

	<i>Gross loans and advances to customers</i> MOP	<i>Overdue loans and advances (less than 6 months)</i> MOP	<i>Specific provision made</i> MOP
Macau SAR	438,107,153	429,434	211,803
Of which:			
- Banks	-	-	-
- Government/Public sectors	-	-	-
- Others	438,107,153	429,434	211,803
Portugal	153,324,182	-	-
Of which:			
- Banks	153,324,182	-	-
- Government/Public sectors	-	-	-
- Others	-	-	-
Hong Kong SAR	97,807,798	-	-
Of which:			
- Banks	-	-	-
- Government/Public sectors	-	-	-
- Others	97,807,798	-	-
India	29,711,697	-	-
Of which:			
- Banks	-	-	-
- Government/Public sectors	-	-	-
- Others	29,711,697	-	-

Unaudited information (continued)

(Expressed in Macau Patacas)

6 Credit risk management (continued)

(a) Geographic distribution of exposures (continued)

(i) Geographical analysis of loans and advances to customers (continued)

Others	7,884,104	-	-
	-----	-----	-----
Of which:			
- Banks	7,884,104	-	-
- Government/Public sectors	-	-	-
- Others	-	-	-
	-----	-----	-----
Total	726,834,934	429,434	211,803
	=====	=====	=====

Unaudited information (continued)
(Expressed in Macau Patacas)

6 Credit risk management (continued)

(a) Geographic distribution of exposures (continued)

(ii) Geographical analysis of investments in debt and other securities

<i>Region</i>	<i>Gross Investments MOP</i>
Hong Kong SAR	35,266,926
Of which:	
- Banks	31,958,800
- Government/Public sectors	-
- Others	3,308,126
United Kingdom	15,979,400
Of which:	
- Banks	15,979,400
- Government/Public sectors	-
- Others	-
Netherlands	15,979,400
Of which:	
- Banks	-
- Government/Public sectors	-
- Others	15,979,400
Total	<u>67,225,726</u>

Unaudited information (continued)

(Expressed in Macau Patacas)

6 Credit risk management (continued)

(b) Industry distribution of exposures

The following information concerning the further analysis of loans and advances to customers by industry sectors is prepared by classifying the advances according to the usage of the advances in respect of industry sectors.

	<i>Gross loans and advances to customers</i> MOP	<i>Overdue loans and advance (less than 6 months)</i> MOP	<i>Specific provision made</i> MOP
Manufacturing	324,122,421	-	-
Construction and public works	13,843,000	-	-
Trading	132,481,783	429,434	211,803
Restaurants, hotels, etc	50,819,448	-	-
Transportation, storage and communication	4,368,476	-	-
Personal loans	908,611	-	-
Banks and other monetary and finance institutions	161,208,286	-	-
Housing business	-	-	-
Laundries and dyer's shop	13,455,803	-	-
Property sales	7,526,948	-	-
Others	18,100,158	-	-
	<u>726,834,934</u>	<u>429,434</u>	<u>211,803</u>

Unaudited information (continued)

(Expressed in Macau Patacas)

6 Credit risk management (continued)

(c) Maturity analysis on assets and liabilities

Analysis of assets and liabilities by remaining maturity

The following maturity profile is based on the remaining period as at 30 June 2013 to the contractual maturity date:

	<i>Maturity date of financial instruments</i>							<i>Total</i> MOP
	<i>On demand</i> MOP	<i>Up to</i> <i>1 month</i> MOP	<i>1 to 3</i> <i>months</i> MOP	<i>3 to 12</i> <i>months</i> MOP	<i>1 to 3</i> <i>years</i> MOP	<i>More than</i> <i>3 years</i> MOP	<i>Within an</i> <i>indefinite period</i> MOP	
Assets								
Cash and balances with and loans and advances to banks	238,779,546	935,618,900	1,569,177,080	-	-	-	-	2,743,575,526
Other securities	3,258,537	-	-	-	-	-	63,917,600	67,176,137
Loans and advances to customers	54,630,229	93,502,724	152,612,425	105,322,017	320,555,736	-	-	726,623,131
Interest receivables	-	9,474,299	7,801,331	447,187	-	-	-	17,722,817
	<u>296,668,312</u>	<u>1,038,595,923</u>	<u>1,729,590,836</u>	<u>105,769,204</u>	<u>320,555,736</u>	<u>-</u>	<u>63,917,600</u>	<u>3,555,097,611</u>

Unaudited information (continued)

(Expressed in Macau Patacas)

6 Credit risk management (continued)

(c) Maturity analysis on assets and liabilities (continued)

Analysis of assets and liabilities by remaining maturity (continued)

	On demand MOP	Maturity date of financial instruments					Within an indefinite period MOP	Total MOP
		Up to 1 month MOP	1 to 3 months MOP	3 to 12 months MOP	1 to 3 years MOP	More than 3 years MOP		
Liabilities								
Deposits and balances of banks and financial institutions	-	10,000,000	-	-	-	-	-	10,000,000
Deposits from non-bank customers	110,996,552	206,520,215	978,221,473	29,532,071	-	-	-	1,325,270,311
Deposits from public sector entities	-	501,121,712	958,655,376	85,575,571	-	-	-	1,545,352,659
Deposits from holding and associated companies	586,299	163,466,375	-	-	-	-	-	164,052,674
Interest payables	-	2,984,026	5,177,746	645,245	-	-	-	8,807,017
	<u>111,582,851</u>	<u>884,092,328</u>	<u>1,942,054,595</u>	<u>115,752,887</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,053,482,661</u>
Net asset (liability) position	<u>185,085,461</u>	<u>154,503,595</u>	<u>(212,463,759)</u>	<u>(9,983,683)</u>	<u>320,555,736</u>	<u>-</u>	<u>63,917,600</u>	<u>501,614,950</u>

Unaudited information (continued)

(Expressed in Macau Patacas)

6 Credit risk management (continued)

(d) Analysis of past due assets

As of 30 June 2013, there were MOP429,434 that have been past due for more than 3 months but less than 6 months. This amount represents 0.06% of its total loans and advances. The amount of specific provision made was MOP211,803.

7 Market risk management

The capital charge for market risk calculated in accordance with Notice no. 011/2007-AMCM guidelines as follows:

	MOP In '000'
Capital charge on foreign exchange	
Exposure/Total capital charge for market risk	27
Weighted Market Risk Exposure	340

8 Interest rate risk

Sensitivity analysis

The following table indicates the instantaneous change in the Bank's economic values of own funds that would arise if interest rates to which the Bank has significant exposure at the balance sheet date had changed at that date, assuming all other risk variables remained constant. Actual changes in the Bank's economic values of own funds resulting from the change in interest rates may differ from the result of the sensitivity analysis.

As of 30 June 2013, interest rate risk weighted position on all currencies, measured as its impact in the economic values of own funds as follows:

	MOP In '000'
MOP	(2,541)
HKD	151
USD	3,248

The impact on economic value as a percentage of our own funds is 0.2%.

Unaudited information (continued)

(Expressed in Macau Patacas)

9 Foreign exchange risk

The following table indicates the concentration of currency risk as of 30 June 2013:

(In thousand of MOP equivalent)

	<i>HKD</i>	<i>CAD</i>	<i>CNY</i>	<i>EUR</i>	<i>GBP</i>	<i>USD</i>
Spot assets	196,339	117	91	99,220	128	2,983,754
Spot liabilities	(38,580)	-	-	(99,254)	-	(799,546)
Forward sales	-	-	-	-	-	(2,172,805)
Net long (short) position	<u>157,759</u>	<u>117</u>	<u>91</u>	<u>(34)</u>	<u>128</u>	<u>11,403</u>

10 Liquidity risk

(a) Average liquidity

(i) Average weekly liquidity for the first six months

	MOP In '000'
Minimum weekly cash in hand	62,526
Average weekly cash in hand	229,774

The average weekly liquidity is computed as the product of specified assets and liabilities by proportion designated in accordance with AMCM's requirements, as reported in the weekly return submitted to AMCM.

(ii) Liquidity ratio for the first six months

	In Percentage
1 month current ratio	108.77%
3 months current ratio	260.32%

The liquidity ratio is computed as the simple average of the percentage of specified assets to liabilities in the last week of each calendar month in accordance with AMCM's requirement, as reported in the monthly return submitted to AMCM.

Unaudited information (continued)

(Expressed in Macau Patacas)

10 Liquidity risk (continued)

(b) Average solvency assets

	MOP In '000'
Average specified liquid assets	3,226,033
Average total basic liabilities	3,061,914
Ratio of specified liquid assets to basic liabilities	105.59%

The average ratio of solvency assets to underlying liabilities is computed as the simple average of each calendar month's average ratio in accordance with AMCM's requirement, as reported in the monthly return submitted to AMCM.