

PROPOSAL
REFORMULATION OF COMPANY BYLAWS
(refers to **Item Three** of the agenda of the
General Meeting of Shareholders in December 2006)

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Proposal of the Board of Directors

Considering that:

- a) The reform of the Portuguese Companies Code, approved by Decree Law 76-A/2006, from 29 March, created a new corporate governance framework, allowing the listed companies, such as Banco Espírito Santo, to regulate its management and supervision structure differently.
- b) Within the terms of the mentioned reform, Banco Espírito Santo may not maintain its current supervision structure, which is based on the Fiscal Board (*"Conselho fiscal"*), including a certified auditor. One of the main points of the approved reform is the mandatory separation between the supervision of the company and the auditing of the accounts.
- c) Since there is a need to change the Company Supervision structure, removing the certified auditor from the supervision corporate body, Banco Espírito Santo has to choose between the following two supervision frameworks:
 - a. Maintaining the Fiscal Board.
 - b. Institutionalising the Audit Committee within the Board of Directors.
- d) After having analysed the advantages and disadvantages of each structure, the Board of Directors considers as preferable to maintain and institutionalise its current Audit Committee, while dissolving the Fiscal Board.
- e) In fact, the Audit Committee is becoming internationally a preferred structure of company supervision in more developed markets. By selecting a similar structure, Banco Espírito Santo offers foreign analysts and investors the

possibility to compare more easily and efficiently the corporate governance structures. The Fiscal Board, even if exercising similar functions to those of the Audit Committee, is always a more difficult structure to explain to foreign organisations that contact the Bank, given that they prefer to deal with commonly known structures.

- f) Furthermore, Banco Espírito Santo has an Audit Committee within the Board of Directors, created in 2002 to satisfy the regulatory requirements of the US market and that has been successfully undertaking its activities, in what we believe is a good signal for the choice made by the Board of Directors, that is now proposed to the General Meeting.
- g) In line with the change of the supervision structure, Chapter III of the Corporate Bylaws, currently named “General Meeting of Shareholders and Management and Supervisory Structure” has been significantly amended.
- h) However the Companies Code reform was not limited to amendments in the management and supervision of listed companies. Therefore, it is also necessary to make the required adjustments in the other Chapters of the Company Bylaws, in order to update the Bylaws in conformity with the current law.
- i) Simultaneously, the Board of Directors reformulated the text and the order of the contents of the company bylaws in general. The version that is currently in force dates back to the time immediately after the re-privatisation of the Bank. It contains items that can now be changed, given the fact that since that date there was a significant change in the regulations applicable to securities and to corporate governance, that suggest the need for updating the Banco Espírito Santo bylaws in these areas, while maintaining the essential structure intact.
- j) For these reasons, changes are proposed to all the articles of the company bylaws, except for the article N. 3, that stipulates the object of the company, and will remain unchanged. Given the extent of the changes proposed, we

suggest that the Shareholders approve in one single vote the new version of the bylaws of Banco Espírito Santo.

- k) The Bank of Portugal has already issued the authorisation, in accordance to the article 34 of the legal Framework for Credit Institutions and Financial Companies, to change the supervision structure of Banco Espírito Santo.

We therefore propose the General Meeting to take the following resolution:

Approve the amendments to the company bylaws, in accordance to the version presented immediately below, that consists of thirty two articles divided in six chapters:

“Corporate Bylaws of Banco Espírito Santo, S.A.

Chapter I

Name, Registered Office, Duration and Object

Article 1

Nature and Name

1. The company is a public limited company and takes the name Banco Espírito Santo, Sociedade Anónima.
2. The company shall be governed by these bylaws, by general legislation on listed public limited companies («*sociedades abertas*») and by general and special rules applicable to its object.

Article 2

Registered Office, Duration and Forms of Representation

1. The company’s registered office is at number 195 Avenida da Liberdade, parish of Coração de Jesus, in Lisbon, and its duration shall be indefinite.
2. By a simple resolution of the Board of Directors and as permitted by law, the

company may relocate its registered office within Portuguese territory and may set up, transfer or close branches, agencies or any other forms of representation in Portugal or abroad.

Article 3

Object

1. The company's object is banking activity.
2. The company may participate in company groupings and in European economic interest groupings and can also subscribe or acquire shares or equity quotas in limited liability companies, irrespective of their object or any special laws to which they may be subject.

Chapter II

Share Capital, Shares and Bonds

Article 4

Share Capital

The company's share capital is fully paid up and is two billion, five hundred million euros. It is represented by five hundred million shares with a par value of five euros each.

Article 5

Shares

The company's shares are all nominative, recorded in book-entry form.

Article 6

Pre-emptive Rights in Capital Increases

In cash share capital increases, shareholders shall have pre-emptive rights to subscribe to the new shares, unless these rights are limited or suppressed by the General Meeting of Shareholders resolution approving the capital increase.

Article 7

Preference Shares

The company may issue redeemable or unredeemable preference shares with or without voting rights, as permitted by law.

Article 8

Bonds and Other Securities

1. The company may issue any type of debt permitted by law, namely bonds, convertible bonds and bonds with share subscription rights or any other securities as set forth in legislation.
2. The Board of Directors shall be responsible for resolutions to issue bonds or other securities, except in the case of the issue of securities which are the sole prerogative of the General Meeting of Shareholders.

Article 9

Operations in Own Securities

The company, through the Board of Directors, may conduct operations on its own shares, bonds and other securities, as permitted by law.

Chapter III

General Meeting of Shareholders and Management and Supervisory Structure

Section I

General Provisions

Article 10

Organisation of the Company

1. The shareholders shall decide at General Meetings of Shareholders on matters assigned to them by law and by the company's bylaws and on any matters not included in the competence of the other corporate bodies.
2. The Board of Directors is responsible for managing the company.

3. The Audit Committee and Certified Auditor are responsible for financial supervision of the company.

4. The company shall also appoint a Secretary.

Article 11

Terms of Office and Elections

1. The Officers of the General Meeting of Shareholders, the members of the Board of Directors and Audit Committee and the Certified Auditor shall be appointed from lists by the General Meeting of Shareholders. They shall hold office for four years and may be re-elected one or more times.

2. The members elected to the General Meeting of Shareholders, Board of Directors and Audit Committee may be shareholders or not.

3. Those elected shall be deemed to take office immediately after election. At the end of their terms of office, they shall remain in office until their replacements are appointed.

4. In the case of the Board of Directors and Audit Committee, the General Meeting of Shareholders shall determine the number of elected members. If no specific resolution is passed, the number of directors determined is considered to be the number elected.

Article 12

Minutes

1. Resolutions made by all the corporate bodies and any declarations of vote shall be recorded in minutes.

2. The minutes shall be signed by all the members participating in a meeting.

3. Participants in meetings may dictate summaries of their declarations for the record.

Section II

General Meeting of Shareholders

Article 13

Competencies of the General Meeting of Shareholders

The General Meeting of Shareholders is responsible for:

- a) Electing the Officers of the General Meeting of Shareholders, the Board of Directors, the Audit Committee and the Certified Auditor. The Certified Auditor is elected on the proposal of the Audit Committee;
- b) Appraising the Board of Directors' report and discussing and voting on the balance sheet, accounts and other documentation required by law;
- c) Deciding on the appropriation of profits for the financial year;
- d) Deciding on any amendments to the bylaws and on share capital increases;
- e) Dealing with any other matters for which it has been convened or for which it has legal powers.

Article 14

General Meetings of Shareholders

The General Meeting of Shareholders shall meet at least once a year and whenever the Boards of Directors, Audit Committee or shareholders representing at least five percent of the share capital request the Chairperson to convene it.

Article 15

Officers and Convening of the General Meeting of Shareholders

1. The officers of the General Meeting of Shareholders are the Chairperson, Vice-Chairperson and Secretary.
2. The General Meeting of Shareholders is convened and presided over by the Chairperson or, in his/her absence, by the Vice-Chairperson.
3. The General Meeting of Shareholders is convened under the terms and with the minimum notice required by law, with an express indication of the agenda.
4. A General Meeting of Shareholders convened at the request of shareholders owning shares legally conferring on them the right to do so shall not be held without the presence of the shareholders who requested such convening.

5. Demands that the minutes of the General Meeting of Shareholders are drawn up by a notary, when the law so allows, must be made in a letter, with a the signature legally certified, addressed to the Chairperson, delivered to the company's registered office by the fifth working day prior to the scheduled day of the General Meeting of Shareholders.

Article 16

Participation and Voting Rights

1. Only shareholders with voting rights, whose shares are registered in their name in a securities account on the fifth working day preceding the date of the General Meeting of Shareholders and who give evidence of this registration to the company by the fifth working day preceding the date of the meeting by means of a letter issued by the registration entity certifying said registration and the blocking of the shares until the end of the General Meeting of Shareholders, may attend and participate in the General Meeting of Shareholders or each of its sessions, in case of suspension.

2. One hundred shares represent one vote.

3. Shareholders without voting rights and bondholders are not allowed to attend General Meetings of Shareholders. Shareholders who do not own the required number of shares may form groups, as permitted by law.

4. Shareholders with voting rights may be represented by another shareholder or any other person with full legal capacity. Legal persons shall be represented by whoever they appoint for the purpose.

5. Shareholders wishing to be represented shall submit their powers of attorney to the company, and legal persons shall indicate the name of the person representing them by the fifth working day prior to the date of the General Meeting of Shareholders. The Chairperson may, however, permit the participation in the meeting of representatives not indicated within this time limit if this will not prejudice the proceedings of the meeting.

Article 17

Postal votes

1. Postal votes are allowed.

2. Postal votes count towards the formation of the General Meeting of Shareholders quorum and are also valid for the second call of the General Meeting of Shareholders for which they were issued. The Chairperson shall verify their authenticity and regularity under the terms announced in the call to the General Meeting of Shareholders.
3. The Chairperson shall also be responsible for ensuring that postal votes remain confidential until voting takes place.
4. Postal votes shall be deemed to have been revoked if the shareholder or his/her proxy is in attendance at the General Meeting of Shareholders.
5. Postal votes count as votes against motions submitted after their date of issue.

Article 18

Quorum

1. The General Meeting of Shareholders may not be held on first call unless shareholders owning fifty percent of the share capital are present or represented, irrespective of the matters on the agenda.
2. On second call, the General Meeting may pass resolutions whatever the number of shareholders present or represented and the shared capital that they represent.

Article 19

Majority

1. Without prejudice to cases in which the law or bylaws require a qualified majority, the General Meeting of Shareholders shall pass resolutions by majority of votes.
2. Resolutions on amendments to the company's bylaws, mergers, splits, transformation of the company or any other matters for which the law requires a qualified majority, without specifying, must be approved by two-thirds of the votes issued, whether the General Meeting of Shareholders meets on first or second call.

Section III

Board of Directors

Article 20

Members

1. The Board of Directors shall comprise a minimum of eleven and a maximum of thirty-one members elected by the General Meeting of Shareholders, which shall appoint the Chairperson of the Board of Directors and, if deemed appropriate, one or more Vice-Chairpersons from among their members.
2. The Chairperson of the Board of Directors shall be replaced in his/her absence by the Chairperson of the Executive Committee and shall have the casting vote.
3. In case of absence or definitive impediment of any director, a replacement shall be co-opted. The new director shall remain in office until the end of the period for which the replaced director was elected.
4. If a legal person is elected, it shall appoint a natural person to take office on its behalf and shall replace him/her in case of permanent impediment, resignation or dismissal by the legal person that appointed him/her.
5. The liability of each director shall be bailed in one of the forms and in the amounts allowed or required by law.

Article 21

Competencies of the Board of Directors

The Board of Directors is responsible for exercising the broadest powers of management and representation of the company and for performing all necessary acts in the pursuit of the activities comprising its object, namely:

- a) Managing the company's business and performing all acts and operations pertaining to its object that do not fall within the specific responsibility of its other corporate bodies;
- b) Actively and passively representing the company in and out of court, with the powers to withdraw, compromise or enter a plea in any suits and to sign arbitration agreements;

- c) Deciding on the issue of bonds and other securities as permitted by law;
- d) Buying, selling or in any way disposing of or encumbering rights pertaining to shareholdings and movable and immovable assets;
- e) Establishing the company's administrative organisation and its internal rules of operation;
- f) Appointing legal or other proxies with any powers that it sees fit, including those of subrogation;
- g) Co-opting replacements for directors permanently prevented from fulfilling their duties, with co-opted members' term of office lasting until the end of the period for which the replaced directors were elected, without prejudice to ratification thereof by the next General Meeting of Shareholders;
- h) Exercising any other powers invested in it by law or the General Meeting of Shareholders.

Article 22

Executive Committee

1. The Board of Directors may delegate the everyday running of the company to an Executive Committee and charge one or more directors with certain management matters.
2. The Chairperson and the other members of the Executive Committee shall be selected by the Board of Directors from among its members.
3. The Board of Directors shall establish the duties of the Executive Committee in the everyday running of the company, delegating to it all powers not prohibited by law, when necessary.
4. The Chairperson of the Executive Committee, who shall have the casting vote, shall:
 - a) Ensure that all information on activity and on resolutions of the Executive Committee is passed on to the other members of the Board of Directors;
 - b) Ensure that the delegation limits, the company's strategy and its duty to cooperate with the Chairperson of the Board of Directors are respected;
 - c) Coordinate the activities of the Executive Committee, presiding over its meetings

and ensuring that its resolutions are implemented.

5. The Executive Committee shall operate as defined by the Board of Directors, without prejudice to any changes that the Board of Directors may decide to make to the way in which it operates. The following specifications must always be included:

a) Although proxies are allowed, the Executive Committee may only pass resolutions if the majority of its members are present;

b) The Executive Committee shall meet whenever company interests so require and at least twice a month.

6. The Board of Directors may authorise the Executive Committee to charge one or more of its members with dealing with certain matters and assign to one or more of its members some of the powers delegated to it.

Article 23

Meetings and resolutions

1. The Board of Directors shall fix the dates of its ordinary meetings, which shall take place at least once a quarter, and it shall hold extraordinary meetings whenever convened by the Chairperson, two directors or the Audit Committee.

2. The Board of Directors shall not operate without the presence of the majority of its members. In urgent circumstances, the Chairperson of the Board of Directors may waive the presence of this majority if it exists through postal votes or proxies, under the terms of the following paragraph.

3. Any member of the Board of Directors is allowed to appoint another member as proxy, though no power of attorney may be used more than once and no director may represent more than one member at any meeting.

4. Board meetings may be held by telematic means if the company can guarantee the authenticity of statements and security of communications, keeping a record of their content and the participants.

5. Directors missing more than half of the meetings taking place in a financial year without justification accepted by the Board of Directors shall be considered to incur in a situation of permanent fault. The same shall apply to executive directors who miss

more than one-fifth of the meetings of the Executive Committee in the same period without justification accepted by the Board of Directors.

6. The resolutions of the Board of Directors shall be taken by absolute majority of the votes of the members present or represented.

Article 24

Remuneration

1. The directors' remuneration, which may not be the same for all, shall be established by the General Meeting of Shareholders or by a Remuneration Committee.

2. The Remuneration Committee, if any, shall consist of two or more members, shareholders or not, elected by the General Meeting of Shareholders for four-year periods. They may be re-elected.

3. In the case of the members of the Executive Committee, a variable remuneration corresponding to a percentage of the company's profits may be added to their fixed remuneration. In this case, the overall amount intended for the members of the Executive Committee shall not exceed five percent of the net profit in any financial year.

Article 25

Retirement pensions

Directors are entitled to a retirement pension, or retirement pension supplement if they are or have been members of the Executive Committee, under the terms approved by General Meeting of Shareholders regulations.

Section IV

Audit Committee

Article 26

Members

1. The running of the company shall be supervised by an Audit Committee elected by the General Meeting of Shareholders and consisting of a minimum of three and a

maximum of five directors, one of whom shall be its Chairperson.

2. The members of the Audit Committee shall be appointed at the same time as the members of the Board of Directors. The lists submitted for the board shall indicate which members are intended to form part of the Audit Committee and the name of the Chairperson.

3. The Chairperson of the Audit Committee shall be responsible for convening and presiding over the meetings of the Audit Committee and shall have the casting vote.

4. The Audit Committee shall hold ordinary meetings at least once every two months and whenever the Chairperson sees fit or any of the other members so request.

5. The majority of its members must be present for the Audit Committee to pass resolutions.

6. Members of the Audit Committee missing more than half the meetings of the Audit Committee in any financial year without an accepted justification shall be considered to incur in a situation of permanent fault.

Article 27

Competencies of the Audit Committee

In addition to the responsibilities assigned to it by law, the Audit Committee is responsible in particular for:

- a) Supervising the management of the company;
- b) Ensuring that the law and the company's bylaws are respected;
- c) Checking that the books, accounting records and supporting documents are in order;
- d) Verifying the accuracy of the financial statements;
- e) Checking the effectiveness of the risk management system, internal control system and internal audit system;
- f) Receiving reports on irregularities from shareholders, company employees or others;
- g) Supervising the preparation and disclosure of financial information;
- h) Proposing a Certified Auditor for appointment by the General Meeting of Shareholders;

- i) Supervising the audit of the company's financial statements;
- j) Ensuring that the Certified Auditor is independent with regard to additional services provided;
- l) Hiring the services of experts to assist one or more of its members in their duties. The hiring and remuneration of experts shall take into account the importance of the matters entrusted to them and the company's economic situation;
- m) Performing any other duties under the law or set forth in the company's bylaws.

Section V

Certified Auditor

Article 28

Appointment and Responsibilities

1. The company's accounts shall be examined by a Certified Auditor or company of certified auditors appointed by the General Meeting of Shareholders at the suggestion of the Audit Committee.
2. There shall be a substitute Certified Auditor.

Section VI

Company Secretary

Article 29

Appointment and Responsibilities

1. The Secretary and his/her substitute shall be appointed by the Board of Directors and their term of office shall coincide with that of the Board of Directors appointing them.
2. The Secretary's responsibilities are those laid down by law.

Chapter IV
Binding of the company

Article 30
Binding

The company is bound:

- a) By the majority of the members of the Board of Directors;
- b) By the Chairperson of the Board of Directors and the Chairperson of the Executive Committee;
- c) By a Vice Chairperson of the Board of Directors and the Chairperson of the Executive Committee;
- d) By two directors belonging to the Executive Committee;
- e) By a member of the Executive Committee acting together with a proxy within the limits fixed in the power of attorney;
- f) By two directors belonging to the Audit Committee, within their powers;
- g) By company proxies within the limits of their power of attorney.

Chapter V
Appropriation of Profits

Article 31

Appropriation of Profits and Creation of Reserves

1. The net profits of each financial year shall be appropriated as follows:
 - a) To cover losses from previous years;
 - b) To set up or reincorporate the legal reserve and other reserves required by law;
 - c) The remainder for dividend to shareholders and to set up, reincorporate or increase reserves not required by law or for other specific purposes in the company's interest, as decided by the General Meeting of Shareholders.

2. Under the terms and within the limits of the law, advances on profits may be paid to shareholders during the financial year.

Chapter VI

Dissolution and Liquidation

Article 32

Dissolution and Liquidation

1. The company shall only be dissolved in cases provided for by law or by resolution of a qualified majority of seventy-five percent of votes of the General Meeting of Shareholders.
2. The liquidation of the company shall be the responsibility of a liquidation committee comprising the members of the Executive Committee in office on the date of dissolution, unless the General Meeting of Shareholders that voted on the dissolution decides otherwise.”

Lisbon, 20 November 2006

The Board of Directors,