

PROPOSAL

(Refers to **Item Five** in the Agenda of the Annual General Meeting of April 17th, 2006)

The Board of Directors of “BANCO ESPÍRITO SANTO, S.A.” hereby submits to the Shareholders gathered in this General Meeting a proposal to increase the Bank’s registered share capital from euro 1,500,000,000 to up to euro 2.500,000,000 through the issue of up to 200,000,000 new shares of euro 5 nominal value (the “New Shares”), under the following terms and conditions:

A) Form of the share capital increase:

- (i) incorporation of free reserves (share issuance premiums) in the amount of euro 250,000,000, through the issuance of 50,000,000 New Shares to be distributed to current Shareholders;
- (ii) cash contributions in the amount of up to euro 750,000,000, through the issuance of 150,000,000 New Shares to be preferentially subscribed by the Shareholders;

B) Amount of the share capital increase: up to euro 1,000,000,000;

C) Nominal value of the new shares: each New Share will have the nominal value of euro 5;

D) Nature of the new contributions: the capital increase will be paid up in cash and through the incorporation of reserves, and the shares resulting from the capital increase hereby proposed will be identical in nature to the existing shares, and confer the same rights, namely to the dividend that may be approved for distribution in fiscal year 2006;

E) The subscription of the 200,000,000 New Shares will be carried out under the following terms and conditions:

- (i) 50,000,000 New Shares will correspond to the part of the share capital increase made through the incorporation of reserves available for the purpose, being distributed to current Shareholders with a ratio of 1 new share for each 6 shares held;

- (ii) 150,000,000 New Shares will be subscribed by current Shareholders at a price payable in cash to be established by the Board of Directors in accordance with market conditions; the Board of Directors shall also decide on the subscription rights to be attributed to each shareholder according to the number of shares held;
- F)** The share premium that will result from the capital increase will correspond to the difference between the shares' nominal value and the subscription value that may be determined under the above terms and conditions.
- G)** The New Shares which are not subscribed within the period established for subscription will be allocated pro-rata to Shareholders who declared their intent of subscribing a number of shares exceeding that to which they were entitled, such pro-rata allocation being made under the terms of article 458 of the Companies Code.
- H)** Term of payment of the contributions:
Contributions shall be made upon subscription, which will take place at "Banco Espírito Santo, S.A." on a date to be announced in due time.
- I)** Participants in the share capital increase:
- The Shareholders of "Banco Espírito Santo, S.A.".
- J)** The share capital increase hereby proposed will be limited – in the part payable in cash – to the subscriptions received.

Lisbon, March 9th, 2006

The Board of Directors