



Espírito Santo Financial Group S.A.

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ESPÍRITO SANTO FINANCIAL GROUP S.A. ANNOUNCES CONCLUSION OF THE REORGANISATION OF ITS SHAREHOLDINGS IN THE INSURANCE SECTOR

Luxembourg/Portugal – 27 June, 2006 -- Espírito Santo Financial Group (“ESFG”) (Euronext Lisbon: ESF) announced today the conclusion of the reorganisation of the shareholding positions in its insurance operations in Portugal, first announced on 20th February 2006.

Thus, ESFG bought the remaining 33.3% of Partran, the sub-holding company which detains 100.0% of Companhia de Seguros Tranquilidade (“Tranquilidade”), for 28.2 million Euros, from Predica (a subsidiary of Crédit Agricole), assuming therefore complete control of this company. At the end of 2005, Tranquilidade was the third largest non-life insurance company in Portugal, with a market share of 8.5%, which markets its products through a network of agents. This network is also a major distributor of certain banking products originating from ESFG’s principal banking subsidiary, Banco Espírito Santo (“BES”).

As a consequence, Tranquilidade will develop and implement its new strategy as a wholly owned subsidiary of ESFG, dedicated to all insurance activities marketed through non *bancassurance* channels. Therefore, it is expanding into the life insurance business by the acquisition of the non *bancassurance* life portfolio hitherto held at Companhia de Seguros Tranquilidade Vida (“Tranquilidade Vida”), through a wholly owned subsidiary T-Vida, Companhia de Seguros S.A. (“T-Vida”), for an amount of 50.0 million Euros. It will also develop further its distribution activity of certain BES’ products, an area where considerable success has been achieved over recent years.

ESFG’s interests in Tranquilidade Vida and Espírito Santo, Companhia de Seguros remains strong as their shareholding positions move closer to BES, as indicated below.

Indeed, BES completed today the following two transactions: the acquisition of 50.0% of Companhia de Seguros Tranquilidade Vida and the sale of 15.0% of Espírito Santo,

Companhia de Seguros, S.A. (where BES continues to hold a 25.0% stake). These insurance companies changed their names to BES Vida, Companhia de Seguros, S.A. (BES Vida), and BES, Companhia de Seguros, S.A. (BES Seguros), respectively.

BES bought a stake in BES Vida in order to reinforce its position in the life *bancassurance* business in Portugal and to benefit from one of the areas with highest growth rates of the financial business in Portugal. BES Vida is the third largest life-insurance company in Portugal with a market share of 17.6%, a premium income of euro 1.2 billion and around euro 6 billion in assets under management in 2005. Furthermore, BES Vida is the leading provider of pensions and savings in the Portuguese market with a market share of nearly 30.0%.

Crédit Agricole – BES’ partner in the *bancassurance* area – has a 50.0% stake and will have the management control, in each of the two above-mentioned insurance companies.

BES Vida and BES Seguros will benefit from the experience of the leading company in the French *bancassurance* market, where Predica (Crédit Agricole’s insurance subsidiary) has a market share above 15% and more than 144.0 billion Euros in funds under management.

The *bancassurance* businesses – where BES Vida and BES Seguros will exclusively focus – were previously valued at 900.0 million Euros and 80.0 million Euros, respectively.

The life insurance portfolio – that resulted hitherto from the non-*bancassurance* activity at BES Vida – will be transferred at a price of 50.0 million Euros to a new insurance firm, T-Vida, Companhia de Seguros, S.A., a wholly owned subsidiary of Tranquilidade, which is yet to be created. This transfer is still subject to the approval of the relevant authorities.

BES paid a total of 475.0 million Euros for the acquisition of BES Vida, and received 12.0 million Euros for the sale of the stake in BES Seguros.

The final prices as well as any revisions thereof, reflect the *bancassurance* business valuation of each insurance company, their respective sales objectives for 2005-2009 and a number of statements supplied by the selling entities, concerning the insurance companies’ activities. Furthermore, in the case of BES Vida, the evaluation assumes that this insurance firm can use, going forward, the accumulated tax losses till 2005.

The BES Group will be the sole distributor of products and services provided by both insurance firms during the period of 25 years, with exclusivity periods lasting 5 years each and renewable successively for up to 25 years.

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The Espírito Santo Financial Group provides, through its subsidiaries, a global and diversified range of financial services to its clients including Commercial banking, Insurance, Investment

banking, Stock-brokerage and Asset management in Portugal and internationally. For additional information on Espírito Santo Financial Group, its subsidiaries, operations and results, please visit the Company's website on www.esfg.com