

SUPPLEMENT dated 14 May 2010

TO THE OFFERING CIRCULAR dated 27 July, 2009

Espírito Santo Investment p.l.c.

(incorporated with limited liability in Ireland)

Banco Espírito Santo de Investimento, S.A.

(incorporated with limited liability in the Republic of Portugal)

(acting through its head office, its London branch or its New York branch)

€2,500,000,000

Euro Medium Term Note Programme

**with the benefit of a
Keep Well Agreement
provided by**

Banco Espírito Santo de Investimento, S.A.

This is a supplement (the “**Supplement**”) to the offering circular dated 27 July 2009 (the “**Offering Circular**”) prepared in connection with the Euro Medium Term Note Programme (the “**Programme**”) established by **Espírito Santo Investment p.l.c.** (an “**Issuer**”) and **Banco Espírito Santo de Investimento, S.A.** (“**BESI**” and an “**Issuer**”). Terms defined in the Offering Circular shall have the same meaning when used in this Supplement. The Offering Circular and this Supplement together comprise a base prospectus for the purposes of Article 5.4 of the Prospectus Directive.

The Supplement has been approved by the Irish Financial Services Regulatory Authority (the Financial Regulator), as competent authority under the Prospectus Directive. The Financial Regulator only approves this Supplement as meeting the requirements imposed under Irish and EU law pursuant to the Prospectus Directive.

The Issuers accept responsibility for the information contained in this Supplement and declare that, having taken all reasonable care to ensure that such is the case, the information contained in this Supplement is, to the best of their knowledge, in accordance with the facts and does not omit anything likely to affect the import of such information.

This Supplement should be read in conjunction with the Offering Circular.

To the extent that there is any inconsistency between any statement in, or incorporated by reference into, this Supplement and any other statement in, or incorporated by reference into, the Offering Circular, the statements in, or incorporated by reference into this Supplement will prevail.

The language of the Supplement is English. Certain legislative references and technical terms have been cited in their original language in order that the correct technical meaning may be ascribed to them under applicable law.

Save as disclosed in this Supplement, no other significant new factor, material mistake or inaccuracy relating to information included in, or incorporated by reference into, the Offering Circular has arisen or been noted, as the case may be, since the publication of the Offering Circular.

This Supplement is dated 14 May 2010.

I. AMENDMENTS TO THE OFFERING CIRCULAR:

1. **On page 1 of the Offering Circular, the twelfth paragraph shall be considered replaced as follows:**

“Notice of the aggregate nominal amount of Notes, interest (if any) payable in respect of Notes, the issue price of Notes and any other terms and conditions not contained herein which are applicable to each Tranche (as defined under “*Terms and Conditions of the Notes*” and “*Terms and Conditions of the Undated Deeply Subordinated Notes*”) of Notes will be set out in a final terms supplement (the **Final Terms**) which, with respect to Notes to be listed on the Irish Stock Exchange will be delivered to the Financial Regulator and the Irish Stock Exchange on or before the date of issue of the Notes of such Tranche.”

2. **Section entitled “Summary of the Programme” in the Offering Circular**

(a) on page 9 the paragraph opposite “Negative Pledge” shall be read as follows:

“The terms of the Senior Notes will contain a negative pledge provision as further described in Condition 4. The terms of the Subordinated Notes and of the Undated Deeply Subordinated Notes will contain no negative pledge.”

(b) on page 9 the paragraph opposite “Events of Default” shall be read as follows:

“The terms of the Notes other than those of the Undated Deeply Subordinated Notes, will contain, amongst others, the following events of default:

(a) default in payment of any principal or interest due in respect of the Notes, continuing for a specified period of time;

(b) (in the case of the Senior Notes only) non-performance or non-observance by the relevant Issuer of any of its other obligations under the Terms and Conditions or the Trust Deed continuing for a specified period of time;

(c) (in the case of the Senior Notes only) the repayment of indebtedness is accelerated by reason of default or there is a default in the payment of any indebtedness subject to a cross default threshold of U.S.\$10,000,000 or, if higher, a sum equal to one per cent. of BESI's Shareholders' Funds, all as further described in Condition 10; and

(d) events relating to the insolvency or winding up of the Issuer or (where the Issuer is ESIP) BESI.”

(c) on page 9 the paragraph opposite “Status of the Dated Subordinated Notes” shall be read as follows:

“The Dated Subordinated Notes and the relative Receipts and Coupons (if any) will constitute direct and unsecured obligations of the relevant Issuer, subordinated as hereinafter referred to, and will rank pari passu without any preference among themselves. The claims of the holders of the Dated Subordinated Notes and the relative Receipts and Coupons (if any) will, in the event of the bankruptcy or winding up of the relevant Issuer, be subordinated in right of payment in the manner provided in the Trust Deed to the claims of all unsubordinated creditors of the relevant Issuer and will rank, in the event of the winding up of the Issuer, at least pari passu in right of payment with all other Subordinated Indebtedness (as defined in Condition 3(b)), present and future, of the relevant Issuer.”

(d) on page 9 the paragraph opposite “Status of the Undated Subordinated Notes” shall be read as follows:

“The Undated Subordinated Notes and the relative Coupons (if any) will constitute direct and unsecured obligations of the relevant Issuer, subordinated as hereinafter referred to, and will rank *pari passu* without any preference among themselves. The claims of the holders of the Undated Subordinated Notes and the relative Coupons (if any) will, in the event of the bankruptcy or winding up of the relevant Issuer, be subordinated in right of payment in the manner provided in the Trust Deed to the claims of Senior Creditors of the Issuer (as defined in Condition 3(c)(ii)).

In order to allow the Issuer (and, where the Issuer is ESIP, BESI, by virtue of the corresponding provision of the Keep Well Agreement) to continue its (their) business activities, any amounts which, but for the provisions of Condition 5(e) or, as the case may be, the insolvency of ESIP or BESI, would be payable as interest or principal on the Undated Subordinated Notes (or the corresponding amounts BESI is required to make available to ESIP under the Keep Well Agreement) will be available to meet the losses of the relevant Issuer (or the Keep Well Provider, as the case may be).”

(e) on page 10 a new paragraph shall be included after the paragraph “Status of the Undated Subordinated Notes” as follows:

“Status of the Undated Deeply Subordinated

Notes

The Undated Deeply Subordinated Notes may be issued by BESI only. The Undated Deeply Subordinated Notes and the Coupons relating thereto (if any) constitute direct, unsecured and, in accordance with Condition 3 of the Terms and Conditions of the Undated Deeply Subordinated Notes, subordinated obligations of BESI and rank *pari passu* without any preference among themselves. The claims of the holders of the Undated Deeply Subordinated Notes and the relative Coupons (if any) will, in the event of the bankruptcy or winding up of BESI, be subordinated in right of payment in the manner provided in the Terms and Conditions of the Undated Deeply Subordinated Notes and in the relevant provisions of the Trust Deed to the claims of Senior Creditors of BESI (as defined in Condition 3 of the Undated Deeply Subordinated Notes) and to all other present and future responsibilities of BESI, including any present or future undated subordinated debt of BESI, unless expressly provided otherwise by the terms of such debt.

In order to allow BESI to continue its business activities, any amounts which, but for the provisions of Condition 5(d) or, as the case may be, the insolvency of BESI, would be payable as interest or principal on the Undated Deeply Subordinated Notes will be available to meet the losses of BESI.”

(f) on page 10 the paragraph opposite “Governing Law” shall be read as follows:

“The Bearer Notes and Registered Notes (other than Interbolsa Notes) will be governed by, and construed in accordance with, English law except that: (i) in relation to Subordinated Notes, Conditions 3(b) and 3(c) will be governed by, and construed in accordance with, Irish law, and (ii) in relation to Undated Deeply Subordinated Notes, Conditions 3 (a); Condition 3 (c); the first paragraph of Condition 5; Condition 5 (d);

Condition 5 (e) and Condition 7 and the equivalent provisions of the Trust Deed shall be governed by, and construed in accordance with, Portuguese law. Interbolsa Notes will be governed by and construed in accordance with Portuguese law.

The Trust Deed will be governed by, and construed in accordance with, English law except that, in relation to Subordinated Notes, clauses 6(B) and 6(C) will be governed by, and construed in accordance with, Irish law. Interbolsa Notes are not constituted by the Trust Deed.

The Keep Well Agreement will be governed by, and construed in accordance with, English law, except that clauses 3 and 4 will be governed by, and construed in accordance with, Portuguese law.”

3. Section entitled “Overview of the Programme” in the Offering Circular

(a) on page 12 the paragraph opposite “Maturities” shall be read as follows:

“The Notes will have such maturities as may be agreed between the relevant Issuer and the relevant Dealer, subject to such minimum or maximum maturities as may be allowed or required from time to time by the relevant central bank (or equivalent body) or any laws or regulations applicable to the relevant Issuer or the relevant Specified Currency.

At the date of this Offering Circular, the minimum maturity of Subordinated Notes will be five years and one day and Undated Deeply Subordinated Notes will have no maturity date, to enable such Notes to qualify as capital for supervisory purposes from time to time.”

(b) on page 14 the paragraph opposite “Redemption” shall be read as follows:

“The applicable Final Terms will indicate either that the relevant Notes of such Tranche cannot be redeemed prior to their stated maturity (other than in specified instalments (see below), if applicable, or for taxation reasons or following an Event of Default) or that such Notes will be redeemable at the option of the relevant Issuer (but subject to the prior consent of the Bank of Portugal in respect of Subordinated Notes and Undated Deeply Subordinated Notes) and/or the Noteholders (in the case of Senior Notes only) upon giving not less than 30 nor more than 60 days' irrevocable notice (or such other notice period (if any) as is indicated in the applicable Final Terms) to the Noteholders or the relevant Issuer, as the case may be, on a date or dates specified prior to such stated maturity and at a price or prices and on such other terms as may be agreed between the relevant Issuer and the relevant Dealer.

Any early redemption of Dated Subordinated Notes, and any redemption of Undated Subordinated Notes or Undated Deeply Subordinated Notes shall be subject to the prior consent of the Bank of Portugal.

The applicable Final Terms may provide that Notes may be redeemable in two or more instalments of such amounts and on such dates as are indicated in the applicable Final Terms.

Notes having a maturity of less than one year may be subject to restrictions on their denomination and distribution, see “*Certain Restrictions – Notes having a maturity of less than one year*” above.”

4. Section entitled “Risk Factors” in the Offering Circular

(a) on page 18 a new paragraph shall be included after the paragraph “Notes subject to optional redemption by the relevant Issuer” as follows:

“Redemption of Undated Deeply Subordinated Notes

“BESI may only choose to redeem the Undated Deeply Subordinated Notes (Issuer Call) after the fifth anniversary of the issue date thereof, unless the Bank of Portugal expressly authorises an optional redemption before the lapse of such period for considering that the relevant Tranche of Undated Deeply Subordinated Notes being redeemed is replaced with another Tranche which in the opinion of the Bank of Portugal satisfies at least the same requirements as the redeemed Undated Deeply Subordinated Notes in terms of eligibility as Tier 1 capital of BESI.

BESI may redeem the Undated Deeply Subordinated Notes before the fifth anniversary of the issue date thereof and at any time, in whole (but not in part) if: (i) as a result of any change in law or regulations, or any change in the application or official interpretation thereof, the proceeds of the Undated Deeply Subordinated Notes cease to be eligible as Tier 1 Capital (*Fundos próprios de base* (“**original own funds**” or “**Tier 1 Capital**”) for BESI.; or (ii) certain tax events as further described in Condition 7 (*Redemption and Purchase*) take place, in both cases provided that the prior approval of the Bank of Portugal has been obtained.

Any redemption of the Undated Deeply Subordinated Notes will be subject to Condition 7 of the Undated Deeply Subordinated Notes (*Redemption and Purchase*) and to the prior approval of the Bank of Portugal.”

(b) on page 19 after the paragraph “Fixed/Floating Rate Notes” the following text shall be included:

“BESI may decide not to pay interest on the Undated Deeply Subordinated Notes or be required by the terms of the Undated Deeply Subordinated Notes not to pay such interest.

BESI may elect, and in certain circumstances shall be required, not to pay interest falling due on the Undated Deeply Subordinated Notes on any Interest Payment Date. The holder of Undated Deeply Subordinated Notes will only be entitled to receive payments in respect of interest under the Undated Deeply Subordinated Notes on a given Interest Payment Date if the Executive Committee of BESI so decides in its absolute discretion, subject to the provisions in respect of a “Interest Cancellation Event”.

Any interest not so paid on any such Interest Payment Date shall be forfeited and shall no longer be due and payable by BESI. See Condition 5 of the Undated Deeply Subordinated Notes (Interest and Interest Cancellation).

In addition, in certain circumstances, payment of interest will be suspended automatically upon the occurrence of an Interest Cancellation Event. See Condition 5 of the Undated Deeply Subordinated Notes (Interest and Interest Cancellation).

It is possible that in certain circumstances, external authorities may require BESI to suspend payments of interest in circumstances which are not covered by the Terms and Conditions of the Undated Deeply Subordinated Notes. Under the Terms and Conditions of the Undated Deeply Subordinated Notes, in case the Executive Committee of BESI decides not to pay interest on a given Interest Payment Date, or if the conditions specified in Condition 5 (d)(i) of the Undated Deeply Subordinated Notes are not met regarding Distributable Funds, compliance by BESI with the Own Funds Requirements Regulations is not ensured, interest will not accrue and will not become due and payable in respect of such Interest Payment Date. The possibility that no interest payments are made on a given Interest Payment Date may adversely affect the market value of the Undated Deeply Subordinated Notes.”

The Undated Deeply Subordinated Notes are deeply subordinated obligations and will be subordinated to all BESI's existing and future indebtedness.

The Undated Deeply Subordinated Notes are by their terms deeply subordinated in right of payment to all current and future unsubordinated and ordinarily subordinated indebtedness of BESI issued by it. If any judgment is rendered by any competent court declaring the judicial liquidation of BESI or if BESI is liquidated for any other reason, the rights of payment of the holders of Undated Deeply Subordinated Notes shall rank in priority only to any payments to holders of BESI's ordinary shares. In the event of incomplete payment of unsubordinated creditors, the obligations of BESI in connection with the Undated Deeply Subordinated Notes will be terminated. Although the Undated Deeply Subordinated Notes may pay a higher rate of interest than comparable notes which are not deeply subordinated, there is a greater potential risk that an investor in the Undated Deeply Subordinated Notes will lose all or some of its investment should BESI become insolvent.

There is no restriction on the amount of debt that BESI may issue that ranks senior to the Undated Deeply Subordinated Notes or on the amount of securities that it may issue that rank *pari passu* with the Undated Deeply Subordinated Notes. The issue of any such debt or securities may reduce the amount recoverable by investors upon the bankruptcy of BESI. If BESI's financial condition were to deteriorate, the holders of Undated Deeply Subordinated Notes could suffer direct and materially adverse consequences, including cancellation of interest and reduction of interest and principal and, if BESI were liquidated (whether voluntarily or involuntarily), the holders of Undated Deeply Subordinated Notes could suffer loss of their entire investment.

There are no events of default under the Undated Deeply Subordinated Notes.

The Terms and Conditions of the Undated Deeply Subordinated Notes do not provide for events of default allowing acceleration of the Undated Deeply Subordinated Notes if certain events occur and the holders of Undated Deeply Subordinated Notes will not be entitled to initiate insolvency proceedings against BESI for failure of any payment under the Undated Deeply Subordinated Notes. Accordingly, if BESI fails to meet any obligations under the Undated Deeply Subordinated Notes, including the payment of any interest, investors will not have the right of acceleration of principal.

The Undated Deeply Subordinated Notes will be available to cover losses of BESI

The Undated Deeply Subordinated Notes are being issued for capital adequacy regulatory purposes with the intention and purpose of being eligible as Tier 1 Capital of BESI. See Condition 3 of the Undated Deeply Subordinated Notes (Status of the Undated Deeply Subordinated Notes and Subordination). Such eligibility depends upon a number of conditions being satisfied, which are reflected in the Terms and Conditions of the Undated Deeply Subordinated Notes. One of these relates to the ability of the Undated Deeply Subordinated Notes and the proceeds of their issue to be available to absorb any losses of BESI. Accordingly, in certain circumstances and/or upon the occurrence of certain events, payments of interest under the Undated Deeply Subordinated Notes may be restricted and, in certain cases, forfeited and the amount of interest and the principal amount of the Undated Deeply Subordinated Notes may be reduced. See Condition 5 of the Undated Deeply Subordinated Notes (Loss Absorption).

Under the mentioned conditions, the Undated Deeply Subordinated Notes will be available and may be used to absorb losses of BESI, if that is necessary for BESI to continue its business activities, proportionally to BESI's share capital and to the nominal amount of any other subordinated debt of BESI forming part of BESI's original own funds, in accordance with a decision taken by the Executive Committee of BESI to that effect or further to a direction received from the Bank of Portugal in case BESI is at risk of failing to comply with the Own Funds Requirements Regulations applicable to it. In these circumstances the nominal amount of the Undated Deeply Subordinated Notes will be reduced to the extent necessary to absorb BESI's losses, whenever the Tier 1 Capital of BESI ("*Fundos próprios de base*" or "original own funds") is below its share capital or

there is the risk that BESI will fail to comply with the Own Funds Requirements Regulations applicable to it, in the proportion between the nominal amount of the Undated Deeply Subordinated Notes, the nominal amount of any other subordinated indebtedness qualifying as Tier 1 Capital and BESI's share capital and up to a minimum of €0.01 per Undated Deeply Subordinated Note. The nominal amount so reduced will only be reinstated and recorded as a subordinated credit in certain specified circumstances. The potential reduction of the nominal amount will very likely negatively affect the market value of the Undated Deeply Subordinated Notes then outstanding and will increase the risk of capital loss under the investment in the Undated Deeply Subordinated Notes, either in whole or in part, considering that such reduced amount will only be reinstated in certain circumstances.

The Undated Deeply Subordinated Notes are undated securities and need not be redeemed by BESI.

The Undated Deeply Subordinated Notes are undated securities in respect of which there is no fixed redemption or maturity date. BESI is under no obligation to redeem the Undated Deeply Subordinated Notes at any time (and any redemption has to comply with the provisions of Condition 7 of the Undated Deeply Subordinated Notes (*Redemption and Purchase*) and, in any event, be subject to the prior approval of the Bank of Portugal. BESI may only redeem the Undated Deeply Subordinated Notes within the five years subsequent to their issue date if: (i) the Bank of Portugal is of the opinion that the relevant Tranche of Undated Deeply Subordinated Notes being redeemed is replaced with another Tranche which is the opinion of the Bank of Portugal satisfies at least the same requirements as the Redeemed Notes in terms of eligibility as Tier 1 capital of BESI; (ii) the proceeds of the issue of the Undated Deeply Subordinated Notes cease to be eligible as Tier 1 Capital for BESI; or (iii) certain tax events occur, in any case provided that the Bank of Portugal has previously approved such redemption. For further detail please see Condition 7 (*Redemption and Purchase*).

The holders of Undated Deeply Subordinated Notes have no right to require redemption of the Undated Deeply Subordinated Notes, except if a judgment is issued for the insolvent judicial liquidation of BESI or if the BESI is wound up for any other reason. The holders of Undated Deeply Subordinated Notes have no right to file for the insolvent judicial liquidation of BESI for reason of no payment of any amounts under the Undated Deeply Subordinated Notes.”

(c) on page 21 the paragraph entitled “Some Notes may be subordinated to most of ESIP's liabilities” shall be read as follows:

“Some Notes may be subordinated to most of the relevant Issuer's liabilities

If in the case of any particular Tranche of Notes the relevant Final Terms specify that the Notes are subordinated obligations of the Issuer and the Issuer is declared insolvent and a winding up is initiated, it will be required to pay the holders of senior debt and meet its obligations to its unsecured creditors in full before it can make any payments on the relevant Notes. If this occurs, the Issuer may not have enough assets remaining after these payments to pay amounts due under the relevant Notes.”

5. Section entitled “Document incorporated by reference” in the Offering Circular

The following documents which have previously been published or are published simultaneously with this Offering Circular and have been filed with the Irish Stock Exchange or approved by the Financial Regulator shall be incorporated in, and form part of, this Offering Circular:

- the auditors' report and audited statutory financial statements for each of the financial years ended 31 December 2008 and 31 December 2009 of ESIP;
- the auditors' report and audited statutory consolidated financial statements for the financial year ended 31 December 2008 of BESI; and

- summary unaudited consolidated interim financial statements for the three months ended 31 March 2009 of BESI.
- summary unaudited consolidated interim financial statements for the six months ended 30 June 2009 of BESI and summary unaudited interim financial statements for the six months ended 30 June 2009 of ESIP.
- summary unaudited consolidated interim financial statements for the nine months ended 30 September 2009 of BESI.

Following the publication of this Offering Circular a supplement may be prepared by the Issuers and approved by the Financial Regulator in accordance with Article 16 of the Prospectus Directive. Statements contained in any such supplement (or contained in any document incorporated by reference therein) shall, to the extent applicable (whether expressly, by implication or otherwise) be deemed to modify or supersede statements contained in this Offering Circular or in a document which is incorporated by reference in this Offering Circular. Any statement so modified or superseded shall not, except as so modified or superseded, constitute a part of this Offering Circular.

Copies of documents incorporated by reference in this Offering Circular, together with the Portuguese version of the auditors' report and audited statutory consolidated financial statements for the financial year ended 31 December 2009 of BESI, can be obtained from the registered office of each of the Issuers.

Any documents themselves incorporated by reference in the documents incorporated by reference in this Offering Circular shall not form part of this Offering Circular. ESIP and BESI will, in the event of any significant new factor, material mistake or inaccuracy relating to information included in this Offering Circular which is capable of affecting the assessment of any Notes, prepare a supplement to this Offering Circular or publish a new Offering Circular for use in connection with any subsequent issue of Notes.

6. Section entitled “General Description of the Programme” in the Offering Circular

(a) on page 26 the first paragraph shall be read as follows:

“Under the Programme, either Issuer may from time to time issue Notes denominated in any currency (including euro) subject as set out herein. A summary of the Terms and Conditions of the Programme and the Notes appears below. The applicable terms of any Notes will be agreed between the relevant Issuer and the relevant Dealer prior to the issue of the Notes and will be set out either in the Terms and Conditions of the Notes or in the Terms and Conditions of the Undated Deeply Subordinated Notes endorsed on, attached to, or incorporated by reference into, the Notes, as modified and supplemented by the applicable Final Terms attached to, or endorsed on or incorporated by reference into such Notes, as more fully described under “*Form of the Notes*” below.”

7. Section entitled “Applicable Final Terms” for Notes issued under the Programme with a denomination of less than €50,000 (or its equivalent in another currency), subsection “Part A - Contractual Terms” in the Offering Circular

(a) on page 32 the third paragraph shall be read as follows:

“Terms used herein shall be deemed to be defined as such for the purposes of the [Terms and Conditions / Terms and Conditions of the Undated Deeply Subordinated Notes] (the **Conditions**) set forth in the Offering Circular dated [original date]. This document constitutes the Final Terms of the Notes described herein for the purposes of Article 5.4 of the Prospectus Directive and must be read in conjunction with the Offering Circular dated 27 July 2009 which constitutes a base prospectus for the purposes of the Prospectus Directive (Directive 2003/71/EC) (the **Prospectus Directive**), save in respect of the Conditions which are extracted from the Offering Circular dated [original date] and are attached hereto. Full information on the Issuer and the offer of the Notes is only available on the basis of the combination of these Final Terms and the Offering Circular dated 27 July 2009 and [original date]. Copies of such Offering Circulars are available for viewing [at [website]] [and] during normal business hours at [address]“.

(b) on page 33 the paragraph opposite point “7. (ii) Interest Commencement Date” shall be read as follows:

“[specify/Issue Date/Not Applicable]
(N.B. An Interest Commencement Date will not be relevant for certain Notes, for example Zero Coupon Notes.) In addition, the Interest Commencement Date may be subject to Condition 5 (d) (“Interest Cancellation”) in case of Undated Deeply Subordinated Notes.)”

(c) on page 33 the paragraph opposite point “9. Interest Basis” shall be read as follows:

“[[] per cent. Fixed Rate]
[[LIBOR/EURIBOR] [] per cent. Floating Rate]
[Zero Coupon]
[Indexed Interest Notes]

[And subject to Condition 5 (d) (“Interest Cancellation”) (for Undated Deeply Subordinated Notes)]
[specify other]
(further particulars specified below)”

(d) on page 34 the paragraph opposite point “13. Status of the Notes” shall be read as follows:

“*[Senior/[Dated/Undated] Subordinated] /Undated Deeply Subordinated Notes s]*”

(e) on page 34 a new footnote (5) shall be included as follows:

“Undated Deeply Subordinated Notes may only be issued by BESI”

(f) on page 34 after point 14 “Method of Distribution” the following point shall be included:

“15. Governing Law []
[Conditions 3 (a), 3 (c), first paragraph of condition 5, 5 (d), 5 (e) and 7 shall be governed by Portuguese Law (for Undated Deeply Subordinated Notes)]”

(g) on page 35 the paragraph opposite point “16. Floating Rate Note Provisions (i) Specified Period(s)/Specified Interest” shall be read as follows:

“ [] [subject to Condition 5 (d) (“Interest Cancellation”)] (for Undated Deeply Subordinated Notes)]”

(h) on page 35 the paragraph opposite point “16. Floating Rate Note Provisions (ii) First Interest Payment Date” shall be read as follows:

“ [] [Subject to Condition 5 (d) (“Interest Cancellation”)] (for Undated Deeply Subordinated Notes)] “

(i) on page 34 footnote 5. stating that “Subordinated Notes may only be issued by ESIP” shall be deleted.

(j) on page 36 the paragraph opposite point “16. Floating Rate Note Provisions (ix) Minimum Rate of Interest” shall be read as follows:

“ [] per cent. per annum [subject to Condition 5 (d) (“Interest Cancellation”)] (for Undated Deeply Subordinated Notes)]”

(k) on page 36 the paragraph opposite point “16. Floating Rate Note Provisions (x) Maximum Rate of Interest” shall be read as follows:

“ [] per cent. per annum [subject to Condition 5 (d) (“Interest Cancellation”)] (for Undated Deeply Subordinated Notes)]”

(l) on page 36 the paragraph opposite point “17. Zero Coupon Note Provisions”:

“ [Applicable/Not Applicable (for Undated Deeply Subordinated Notes)] (If not applicable, delete the remaining subparagraphs of this paragraph) ”

(m) on page 37 the paragraph opposite point “18. Index Note Provisions (v) Interest Period(s)” shall be read as follows:

“ [] [Subject to Condition 5 (d) (“*Interest Cancellation*”) (for Undated Deeply Subordinated Notes)]”

(n) on page 37 the paragraph opposite point “18. Index Note Provisions (vi) Specified Interest Payment Dates” shall be read as follows:

“ [] [subject to the Issuer’s competent corporate body decision and to Condition 5 (d) (“*Interest Cancellation*”) (for Undated Deeply Subordinated Notes)]”

(o) on page 37 the paragraph opposite point “18. Index Note Provisions (ix) Minimum Rate of Interest” shall be read as follows:

“ [] per cent. per annum [subject to Condition 5 (d) (“*Interest Cancellation*”) (for Undated Deeply Subordinated Notes)]”

(p) on page 37 the paragraph opposite point “18. Index Note Provisions (x) Maximum Rate of Interest” shall be read as follows:

“ [] per cent. per annum [subject to Condition 5 (d) (“*Interest Cancellation*”) (for Undated Deeply Subordinated Notes)]”

(q) on page 38 in section “Provisions Relating to Redemption” the paragraph opposite point “22. Investor Put” shall be read as follows:

“ [Applicable/Not Applicable] (for Undated Deeply Subordinated Notes)]”
(If not applicable, delete the remaining subparagraphs of this paragraph)”

8. Section entitled “Applicable Final Terms” for Notes issued under the Programme with a denomination of at least €50,000 (or its equivalent in another currency), subsection “Part A - Contractual Terms” in the Offering Circular

(a) on page 47 the third paragraph shall be read as follows:

“Terms used herein shall be deemed to be defined as such for the purposes of the [Terms and Conditions / Terms and Conditions of the Undated Deeply Subordinated Notes] (the **Conditions**) set forth in the Offering Circular dated [original date]. This document constitutes the Final Terms of the Notes described herein for the purposes of Article 5.4 of the Prospectus Directive and must be read in conjunction with the Offering Circular dated 27 July 2009 which constitutes a base prospectus for the purposes of the Prospectus Directive (Directive 2003/71/EC) (the **Prospectus Directive**), save in respect of the Conditions which are extracted from the Offering Circular dated [original date] and are attached hereto. Full information on the Issuer and the offer of the Notes is only available on the basis of the combination of these Final Terms and the Offering Circular dated 27 July 2009 and [original date]. Copies of such Offering Circulars are available for viewing [at [website]] [and] during normal business hours at [address] [and copies may be obtained from [address]].“

(b) on page 49 the paragraph opposite point “7. (ii) Interest Commencement Date” shall be read as follows:

“*[specify/Issue Date/Not Applicable]*
(N.B. An Interest Commencement Date will not be relevant for certain Notes, for example Zero Coupon Notes.) In addition, the Interest Commencement Date may be subject to Condition 5 (d) (“Interest Cancellation”) in case of Undated Deeply Subordinated Notes.)”

(c) on page 49 the paragraph opposite point “9. Interest Basis” shall be read as follows:

“*[[] per cent. Fixed Rate]*
[[LIBOR/EURIBOR] [] per cent. Floating Rate]
[Zero Coupon]
[Indexed Interest Notes]

[And subject to Condition 5 (d) (“Interest Cancellation”) (for Undated Deeply Subordinated Notes)]
[specify other]
(further particulars specified below)”

(d) on page 49 the paragraph opposite point “13. Status of the Notes” shall be read as follows:

“*[Senior/[Dated/Undated] Subordinated] /Undated Deeply Subordinated Notes +]*”

(e) on page 49 a new footnote (4) shall be included as follows:

“Undated Deeply Subordinated Notes may only be issued by BESI”

(f) on page 49 after point 14 “Method of Distribution” the following point shall be included:

“15. Governing Law []
[Conditions 3 (a), 3 (c), first paragraph of condition 5, 5 (d), 5 (e) and 7 shall be governed by Portuguese Law (for Undated Deeply Subordinated Notes)]”

(g) on page 50 the paragraph opposite point “16. Floating Rate Note Provisions (i) Specified Period(s)/Specified Interest” shall be read as follows:

“ [] [subject to Condition 5 (d) (“Interest Cancellation”) (for Undated Deeply Subordinated Notes)]”

(h) on page 50 the paragraph opposite point “16. Floating Rate Note Provisions (ii) First Interest Payment Date” shall be read as follows:

“ [] [Subject to Condition 5 (d) (“Interest Cancellation”) (for Undated Deeply Subordinated Notes)] “

(i) on page 49 footnote 4. stating that “Subordinated Notes may only be issued by ESIP” shall be deleted.

(j) on page 51 the paragraph opposite point “16. Floating Rate Note Provisions (ix) Minimum Rate of Interest” shall be read as follows:

“ [] per cent. per annum [subject to Condition 5 (d) (“Interest Cancellation”) (for Undated Deeply Subordinated Notes)]”

(k) on page 51 the paragraph opposite point “16. Floating Rate Note Provisions (x) Maximum Rate of Interest” shall be read as follows:

“ [] per cent. per annum [subject to Condition 5 (d) (“Interest Cancellation”) (for Undated Deeply Subordinated Notes)]”

(l) on page 51 the paragraph opposite point “17. Zero Coupon Note Provisions” shall be read as follows:

“ [Applicable/Not Applicable (for Undated Deeply Subordinated Notes)] (If not applicable, delete the remaining subparagraphs of this paragraph)”

(m) on page 52 the paragraph opposite point “18. Index Note Provisions (v) Interest Period(s)” shall be read as follows:

“ [] [Subject to Condition 5 (d) (“Interest Cancellation”) (for Undated Deeply Subordinated Notes)]”

(n) on page 52 the paragraph opposite point “18. Index Note Provisions (vi) Specified Interest Payment Dates” shall be read as follows:

“ [] [subject to the Issuer’s competent corporate body decision and to Condition 5 (d) (“Interest Cancellation”) (for Undated Deeply Subordinated Notes)]”

(o) on page 52 the paragraph opposite point “18. Index Note Provisions (ix) Minimum Rate of Interest” shall be read as follows:

“ [] per cent. per annum [subject to Condition 5 (d) (“Interest Cancellation”) (for Undated Deeply Subordinated Notes)]”

(p) on page 52 the paragraph opposite point “18. Index Note Provisions (x) Maximum Rate of Interest” shall be read as follows:

“ [] per cent. per annum [subject to Condition 5 (d) (“Interest Cancellation”) (for Undated Deeply Subordinated Notes)]”

(q) on page 53 in section “Provisions Relating to Redemption” the paragraph opposite point “22. Investor Put” shall be read as follows:

“ [Applicable/Not Applicable] (for Undated Deeply Subordinated Notes)]”
(If not applicable, delete the remaining subparagraphs of this paragraph)”

9. Section entitled “Terms and Conditions of the Notes” in the Offering Circular

(a) on page 61 after the section title “Terms and Conditions of the Notes”, the sub-title “Terms and Conditions of the Senior Notes, the Dated Subordinated Notes and the Undated Subordinated Notes” shall be read before the beginning of the first paragraph

(b) on page 66 subparagraph “(b) Status and Subordination of the Dated Subordinated Notes” of Condition 3 (Status and Subordination) shall be read as follows:

- “(i) The Dated Subordinated Notes and the Receipts and Coupons relating thereto (if any) constitute direct, unsecured and, in accordance with sub-paragraph (ii) below, subordinated obligations of the Issuer and rank *pari passu* without any preference among themselves.
- (ii) The claims of the holders of the Dated Subordinated Notes and the Receipts and Coupons relating thereto (if any) will, in the event of the bankruptcy or winding up of the Issuer, be subordinated in right of payment in the manner provided in the Trust Deed to the claims of all unsubordinated creditors of the Issuer and will rank, in the event of the winding up of the Issuer, at least *pari passu* in right of payment with all other Subordinated Indebtedness, present and future, of the Issuer.

For the purposes of this paragraph (b), **Subordinated Indebtedness** means all indebtedness of the Issuer which is subordinated, in the event of the bankruptcy or winding up of the Issuer, in right of payment to the claims of unsubordinated creditors of the Issuer other than indebtedness which ranks or is expressed to rank junior to the Dated Subordinated Notes and for this purpose indebtedness shall include all liabilities, whether actual or contingent.”

(c) on page 66 subparagraph “(c) Status and Subordination of the Undated Subordinated Notes” of Condition 3 (Status and Subordination) shall be read as follows:

- “(i) The Undated Subordinated Notes and the Coupons relating thereto (if any) constitute direct, unsecured and, in accordance with paragraph (ii) below, subordinated obligations of the Issuer and rank *pari passu* without any preference among themselves.
- (ii) The claims of the holders of the Undated Subordinated Notes and the Coupons relating thereto (if any) will, in the event of the bankruptcy or winding up of the Issuer, be subordinated in right of payment in the manner provided in the Trust Deed to the claims of Senior Creditors of the Issuer (as defined below). For the purpose of this sub-paragraph (ii), **Senior Creditors of the Issuer** means creditors (1) who are unsubordinated creditors of the Issuer; or (2) who are subordinated creditors of the Issuer (including the holders of Dated Subordinated Notes and the Receipts and Coupons relating thereto (if any)) other than those whose claims rank, or are expressed to rank, *pari passu* with or junior to the claims of the holders of the Undated Subordinated Notes and the Coupons relating thereto (if any) (whether only in the event of a bankruptcy or winding up of ESIP or otherwise).

In order to allow ESIP (and BESI, by virtue of the corresponding provision of the Keep Well Agreement only) to continue its (their) business activities, any amounts which, but for the provisions of Condition 5(e) or, as the case may be, the insolvency of ESIP or BESI, would be payable as interest or principal on the Undated Subordinated Notes (or the corresponding amounts BESI is required to make available to ESIP under the Keep Well Agreement) will be available to meet the losses of ESIP (or BESI, as the case may be).”

10. Inside Section “Terms and Conditions of the Notes” and before Section “Use of Proceeds” in the Offering Circular

(a) After page 97 a new set of terms and conditions shall be considered included, as follows:

“TERMS AND CONDITIONS OF THE UNDATED DEEPLY SUBORDINATED NOTES

*The following are the Terms and Conditions of the Undated Deeply Subordinated Notes (referred to herein as the **Conditions**) which will be incorporated by reference into each Note settled by LHC Clearnet, S.A. the clearing system operated at Interbolsa-Sociedade Gestora de Sistemas de Liquidação e de Sistemas Centralizados de Valores Mobiliários S.A., each Global Note (as defined below), each Global Certificate (as defined below), each definitive Note and each definitive Registered Certificate (as defined below), in the latter case only if permitted by the relevant stock exchange or other relevant authority (if any) and agreed by the relevant Issuer and the relevant Dealer at the time of issue but, if not so permitted and agreed, such definitive Note or definitive Registered Certificate will have endorsed thereon or attached thereto such Terms and Conditions. The applicable Final Terms in relation to any Tranche of Notes may specify other terms and conditions which shall, to the extent so specified or to the extent inconsistent with the following Terms and Conditions, replace or modify the following Terms and Conditions for the purpose of such Notes. The applicable Final Terms (or the relevant provisions thereof) will be endorsed upon, or attached to, each Global Note, each Global Certificate, definitive Note and definitive Registered Certificate and will be incorporated into and applicable to each Interbolsa Note (as defined below). Reference should be made to **Form of the Notes** above for a description of the content of Final Terms which will include the definitions of certain terms used in the following Terms and Conditions or specify which of such terms are to apply in relation to the relevant Notes.*

This Note is one of a Series (as defined below) of Notes issued by Banco Espírito Santo de Investimento, S.A. (**BESI**) acting through its head office, its London branch or its New York branch constituted, except in the case of Interbolsa Notes (as defined below), by a Trust Deed dated 23 April, 1999 (as modified and/or supplemented and/or restated from time to time, the **Trust Deed**) made between ESIP, BESI (in its capacity as issuer and, in the case of ESIP Notes, as provider of a Keep Well Agreement (as defined below)) and Citicorp Trustee Company Limited (the **Trustee**, which expression shall include any successor as trustee). Interbolsa Notes are constituted by entries in the individual securities accounts opened by Noteholders with the Affiliate Members of Interbolsa (as defined below).

References herein to the **Issuer** shall be references to BESI, as specified as such in the applicable Final Terms. Only BESI may issue Undated Deeply Subordinated Notes.

References herein to the **Notes** shall be references to the Notes of this Series and shall mean:

- (i) in relation to any Notes represented by a global Note (a **Global Note**) or a restricted or unrestricted registered global certificate (a **Global Certificate**), units of the lowest Specified Denomination in the Specified Currency;
- (ii) any Bearer Notes (as defined below) in definitive form (**Definitive Notes**) issued in exchange for a Global Note;
- (iii) any Global Note;
- (iv) any Registered Notes in definitive form (as defined below) represented by registered certificates (**Registered Certificates**) in definitive form;
- (v) any Global Certificate; and

- (vi) Notes held through Interbolsa – Sociedade Gestora de Sistemas de Liquidação e de Sistemas Centralizados de Valores Mobiliários, S.A. (**Interbolsa**) (each an **Interbolsa Note**).

The Undated Deeply Subordinated Notes (other than Interbolsa Notes), the Receipts (as defined below) and the Coupons (as defined below) have the benefit of an Agency Agreement dated 23 April 1999 (as amended and/or supplemented and/or restated from time to time, the **Agency Agreement**) and made between the ESIP, BESI (in its capacity as issuer and, in the case of ESIP Notes, as provider of a Keep Well Agreement), the Trustee, Citibank, N.A. as issuing and principal paying agent (the **Agent**, which expression shall include any successor agent specified in the applicable Final Terms), Citigroup Global Markets Deutschland AG & Co. KGaA as registrar (**Registrar**), transfer agent (**Transfer Agent**), exchange agent (**Exchange Agent**) and agent bank and the other paying agents and transfer agents named therein. The Interbolsa Notes have the benefit of the Agency Agreement, as amended by an amendment agreement (as amended and/or supplemented and/or restated from time to time, the **Interbolsa Notes Agency Agreement**) dated 25 July 2007 made among the Issuers, the Trustee, the Agent, Banco Espírito Santo de Investimento, S.A. acting as paying agent in Portugal (the **Portuguese Paying Agent** which expression shall include any successor Portuguese Paying Agent) and the other paying agents named therein (together with the Agent, the Portuguese Paying Agent and the other paying agents named in the Agency Agreement, the **Paying Agents**, which expression shall include any additional or successor paying agents) and of the common representative appointment agreement dated 25 July 2007, (as amended and/or supplemented and/or restated from time to time, the **Common Representative Appointment Agreement**) made between BESI, as issuer, and Vieira de Almeida & Associados – Sociedade de Advogados R.L., as common representative of the holders of Interbolsa Notes (*representante comum dos obrigacionistas*) (the **Common Representative**).

The Trustee acts for the benefit of the holders for the time being of the Notes, other than Interbolsa Notes (the **Noteholders**, which expression shall, in relation to any Notes represented by a Global Note or a Global Certificate, be construed as provided below), the holders of the Receipts (the **Receiptholders**) and the holders of the Coupons (the **Couponholders**, which expression shall, unless the context otherwise requires, include the holders of the Talons), in accordance with the provisions of the Trust Deed. The holders of Interbolsa Notes shall at all times be entitled, by means of an Extraordinary Resolution, to appoint and dismiss a Common Representative to act as their common representative, as further described in Condition 15.

Interest bearing Definitive Notes (unless otherwise indicated in the applicable Final Terms) have interest coupons (**Coupons**) and, if indicated in the applicable Final Terms, talons for further Coupons (**Talons**) attached on issue. Any reference herein to Coupons or coupons shall, unless the context otherwise requires, be deemed to include a reference to Talons or talons. None of the Interbolsa Notes, Global Notes or Global Certificates have Receipts, Coupons or Talons attached on issue.

The Final Terms for this Undated Deeply Subordinated Note (or the relevant provisions thereof) are set out in Part A of the Final Terms attached to, endorsed on or incorporated into this Note which supplement these Terms and Conditions and may specify other terms and conditions which shall, to the extent so specified or to the extent inconsistent with these Terms and Conditions, replace or modify these Terms and Conditions for the purposes of this Note. References to the **applicable Final Terms** are to Part A of the Final Terms (or the relevant provisions thereof) attached to, endorsed on or incorporated into this Note.

Any reference to **Noteholders** or **holders** in relation to any Notes shall mean (i) in the case of Bearer Notes (other than Interbolsa Notes), the holders of the Global Notes and definitive Notes and shall, in relation to any Notes represented by a Global Note, be construed as provided below, (ii) in the case of Registered Notes, the person in whose name a Registered Note is registered and shall, in relation to any Notes represented by a Global Certificate, be construed as provided below or (iii) in the case of Interbolsa Notes, each person shown in the book-entry records of a financial institution, which is licensed to act as a financial intermediary under the Portuguese Securities Code (*Código dos Valores Mobiliários*) (the **Portuguese Securities Code**) and which is entitled to hold control accounts with Interbolsa on behalf of their customers (and includes any depositary

banks appointed by Euroclear and/or Clearstream, Luxembourg for the purpose of holding accounts on behalf of Euroclear and/or Clearstream, Luxembourg) (each such institution an **Affiliate Member of Interbolsa**), as having an interest in the principal amount of the Interbolsa Notes.

As used herein, **Tranche** means Notes which are identical in all respects (including as to listing and admission to trading) and **Series** means a Tranche of Notes together with any further Tranche or Tranches of Notes which are (i) expressed to be consolidated and form a single series and (ii) identical in all respects (including as to listing and admission to trading) except for their respective Issue Dates, Interest Commencement Dates and/or Issue Prices.

Copies of the Trust Deed, the Agency Agreement, the Interbolsa Notes Agency Agreement, the Common Representative Appointment Agreement and the applicable Final Terms are available for inspection during normal business hours at the office of the Trustee (at Citigroup Centre, Canada Square, Canary Wharf, London E14 5LB) and at the specified office of each of the Agent and the other Paying Agents and at the registered office of the Issuer save that, if this Note is neither admitted to trading on a regulated market in the European Economic Area nor offered in the European Economic Area in circumstances where a prospectus is required to be published under the Prospectus Directive, the applicable Final Terms will only be available for inspection by a Noteholder holding one or more Notes and such Noteholder must produce evidence satisfactory to the Trustee or the relevant Paying Agent as to its holding of Notes and as to its identity. In the case of Bearer Notes and Registered Notes (other than Interbolsa Notes) the Noteholders, the Receiptholders and the Couponholders are deemed to have notice of, and are entitled to the benefit of, all the provisions of the Trust Deed, the Agency Agreement and the applicable Final Terms which are binding on them. In the case of Interbolsa Notes, the Noteholders are deemed to have notice of, and are entitled to the benefit of, all the provisions of the Agency Agreement, to the extent amended by the Interbolsa Notes Agency Agreement and the applicable Final Terms which are applicable to them.

Words and expressions defined in the Trust Deed or the Agency Agreement or used in the applicable Final Terms shall have the same meanings where used in these Terms and Conditions unless the context otherwise requires or unless otherwise stated and provided that, in the event of inconsistency between the Agency Agreement and the Trust Deed, the Agency Agreement will prevail in respect of Interbolsa Notes and the Trust Deed will prevail in all other cases and, in the event of inconsistency between the Agency Agreement or the Trust Deed and the applicable Final Terms, the applicable Final Terms will prevail.

1. Form, Denomination and Title

The Notes are in bearer form or, in the case of Registered Notes, registered form or, in the case of Interbolsa Notes, represented in dematerialised book-entry (*escripturais*) form. Interbolsa Notes will either be bearer Notes (*ao portador*) or registered Notes (*nominativas*), as specified in the applicable Final Terms. Definitive Notes, shall be serially numbered, and in the Specified Currency and the Specified Denomination(s). Notes of one Specified Denomination may not be exchanged for Notes of another Specified Denomination.

This Note is an Undated Deeply Subordinated Note, as indicated in the applicable Final Terms.

This Note is a Fixed Rate Note, a Floating Rate Note, an Indexed Interest Note, an Indexed Redemption Amount Note, or a Dual Currency Note or a combination of any of the foregoing, depending upon the Interest/Payment Basis shown in the applicable Final Terms.

Definitive Notes are issued with Coupons attached.

Registered Notes are represented by registered certificates (**Registered Certificates**) and, save as provided in Condition 2(b), each Registered Certificate shall represent the entire holding of Registered Notes by the same holder. Subject as set out below, title to the Bearer Notes, to Receipts and Coupons (except to Interbolsa Notes) will pass by delivery. The Issuer, the Trustee and any Paying Agent may to the fullest extent

permitted by applicable law deem and treat the bearer of any such Note, Receipt or Coupon as the absolute owner thereof (whether or not overdue and notwithstanding any notice of ownership or writing thereon or notice of any previous loss or theft thereof) for all purposes but, in the case of any Global Note, without prejudice to the provisions set out in the next succeeding paragraph. Title to the Registered Notes shall pass by registration in the register that the Issuer shall procure to be kept by the Registrar in accordance with the provisions of the Agency Agreement (the **Register**).

For so long as any of the Notes is represented by a Global Note or a Global Certificate held on behalf of Euroclear Bank S.A./N.V. (**Euroclear**) and/or Clearstream Banking, société anonyme (**Clearstream, Luxembourg**) and/or The Depository Trust Company (**DTC**) each person (other than Euroclear or Clearstream, Luxembourg or DTC) who is for the time being shown in the records of Euroclear or of Clearstream, Luxembourg or of DTC as the holder of a particular nominal amount of such Notes (in which regard any certificate or other document issued by Euroclear or Clearstream, Luxembourg or DTC as to the nominal amount of such Notes standing to the account of any person shall be conclusive and binding for all purposes save in the case of manifest error) shall be treated by the Issuer, the Trustee, the Registrar, the Agent and any other Paying Agent and Transfer Agent as the holder of such nominal amount of such Notes for all purposes other than with respect to the payment of principal or interest on such nominal amount of such Notes, for which purpose the bearer of the relevant Global Note or Global Certificate shall be treated by the Issuer, the Trustee, the Registrar, Agent and any other Paying Agent and Transfer Agent as the holder of such nominal amount of such Notes in accordance with and subject to the terms of the relevant Global Note or Global Certificate and the expressions **Noteholder** and **holder of Notes** and related expressions shall be construed accordingly. Notes which are represented by a Global Note or a Global Certificate will be transferable only in accordance with the rules and procedures for the time being of Euroclear, Clearstream, Luxembourg or DTC, as the case may be.

References to Euroclear and/or Clearstream, Luxembourg and/or DTC and/or Interbolsa shall, whenever the context so permits, be deemed to include a reference to any additional or alternative clearing system approved by the Issuer, the Trustee (except in respect of references to Interbolsa) the Common Representative (in respect of references to Interbolsa only) the Registrar (in respect of references to Registered Notes only) and the Agent.

Title to the Interbolsa Notes will be evidenced by book-entries in accordance with the Portuguese Securities Code and the regulations issued by Comissão do Mercado de Valores Mobiliários (Portuguese Securities Market Commission, the **CMVM**), by Interbolsa or otherwise applicable thereto. Each person shown in the book-entry records of a financial institution, which is licensed to act as a financial intermediary and which is entitled to hold control accounts with Interbolsa (each such institution an **Affiliate Member of Interbolsa**), as having an interest in the Interbolsa Notes shall be the holder of the principal amount of the Interbolsa Notes recorded.

Title to the Interbolsa Notes is subject to compliance with all rules, restrictions and requirements applicable to the activities of Interbolsa.

One or more certificates in relation to the Interbolsa Notes (each, a **Certificate**) will be delivered by the relevant Affiliate Member of Interbolsa in respect of a registered holding of Interbolsa Notes upon the request by the relevant Noteholder and in accordance with that Affiliate Member of Interbolsa's procedures pursuant to article 78 of the Portuguese Securities Code.

The Interbolsa Notes will be registered in the relevant control issue account of the Issuer with Interbolsa and will be held in control accounts by each Affiliate Member of Interbolsa on behalf of the Noteholders. Such control accounts will reflect at all times the aggregate number of Interbolsa Notes held in individual securities accounts opened with the Affiliate Members of Interbolsa by Noteholders, which are clients of the Affiliate Members of Interbolsa and include Euroclear and Clearstream, Luxembourg.

The person or entity registered in the relevant individual securities accounts of an Affiliate Member of Interbolsa book-entry registry of the Central de Valores Mobiliários (the **Book-Entry Registry** and each such entry therein, **Book Entry**) as the holder of any Interbolsa Note shall (except as otherwise required by law) be treated as its absolute owner for all purposes (whether or not it is overdue and regardless of any notice of ownership, trust or any other interest therein).

The Issuer and the Paying Agents may (to the fullest extent permitted by applicable law) deem and treat the person or entity registered in the Book-Entry Registry as the holder of any Interbolsa Note and the absolute owner for all purposes. Proof of such registration is made by means of a Certificate.

No Noteholder will be able to transfer Interbolsa Notes, or any interest therein, except in accordance with Portuguese law and regulations. Interbolsa Notes may only be transferred in accordance with the applicable procedures established by the Portuguese Securities Code and the regulations issued by the CMVM and Interbolsa.

2. Transfers of Registered Notes

(a) Transfer of Registered Notes

One or more Registered Notes may be transferred upon the surrender (at the specified office of the Registrar or any Transfer Agent) of the Registered Certificate representing such Registered Notes to be transferred, together with the form of transfer endorsed on such Registered Certificate, (or another form of transfer substantially in the same form and containing the same representations and certifications (if any), unless otherwise agreed by the Issuer), duly completed and executed and any other evidence as the Registrar or Transfer Agent may require. In the case of a transfer of part only of Registered Notes represented by one Registered Certificate, a new Registered Certificate shall be issued to the transferee in respect of the part transferred and a further new Registered Certificate in respect of the balance not transferred shall be issued to the transferor. All transfers of Notes and entries on the Register will be made subject to the detailed regulations concerning transfers of Notes scheduled to the Agency Agreement. The regulations may be changed by the Issuer, with the prior written approval of the Registrar and the Trustee. A copy of the current regulations will be made available by the Registrar to any Noteholder upon request.

(b) Exercise of Options or Partial Redemption in Respect of Registered Notes

In the case of an exercise of an Issuer's option in respect of, or a partial redemption of, a holding of Registered Notes represented by a single Registered Certificate, a new Registered Certificate shall be issued to the holder to reflect the exercise of such option or in respect of the balance of the holding not redeemed. In the case of a partial exercise of an option resulting in Registered Notes of the same holding having different terms, separate Registered Certificates shall be issued in respect of those Notes of that holding that have different terms. New Registered Certificates shall only be issued against surrender of the existing Registered Certificates to the Registrar or any Transfer Agent. In the case of a transfer of Registered Notes to a person who is already a holder of Registered Notes, a new Registered Certificate representing the enlarged holding shall only be issued against surrender of the Registered Certificate representing the existing holding.

(c) Delivery of New Registered Certificates

Each new Registered Certificate to be issued pursuant to Conditions 2(a) or (b) shall be available for delivery within three business days of receipt of the request for exchange or form of transfer and surrender of the Registered Certificate for exchange. Delivery of the new Registered Certificate(s) shall be made at the specified office of the Transfer Agent or of the Registrar (as the case may be) to whom delivery or surrender of such request for exchange, form of transfer, Eurobond Put Notice or Registered Certificate shall have been made or, at the option of the holder making such delivery or surrender as aforesaid and as specified in the

relevant request for exchange, form of transfer, Eurobond Put Notice or otherwise in writing, be mailed by uninsured post at the risk of the holder entitled to the new Registered Certificate to such address as may be so specified, unless such holder requests otherwise and pays in advance to the relevant Transfer Agent the costs of such other method of delivery and/or such insurance as it may specify. In this Condition 2(c), “business day” means a day, other than a Saturday or Sunday, on which banks are open for business in the place of the specified office of the relevant Transfer Agent or the Registrar (as the case may be).

(d) Exchange Free of Charge

Exchange and transfer of Notes and Registered Certificates on registration, transfer, exercise of an option or partial redemption shall be effected without charge by or on behalf of the Issuer, the Registrar or the Transfer Agents, but upon payment of any tax or other governmental charges that may be imposed in relation to it (or the giving of such indemnity as the Registrar or the relevant Transfer Agent may require).

(e) Closed Periods

No Noteholder may require the transfer of a Registered Note to be registered (i) during the period of 15 days ending on the due date for redemption of that Note, (ii) during the period of 15 days prior to any date on which Notes may be called for redemption by the Issuer at its option pursuant to Condition 7(b), (iii) after any such Note has been called for redemption or (iv) during the period of seven days ending on (and including) any Record Date.

(f) Special Rules Governing Exchanges between Restricted Registered Notes and Unrestricted Registered Notes

Restricted Registered Notes will bear a legend to the effect set forth in “*Subscription and Sale – Transfer Restrictions*” and will be subject to the restrictions on transfer and certification requirements discussed under “*Subscription and Sale – Transfer Restrictions*”. Persons wishing to take delivery of Restricted Registered Notes will at all times be subject to such transfer restrictions and certification requirements. Transfers of Restricted Registered Notes to a person who takes delivery in the form of Unrestricted Registered Notes may be made only upon delivery by the transferor of a written certification (in the form provided in the Agency Agreement) to the effect that such transfer is being made in accordance with Regulation S under the Securities Act. Transfers of Unrestricted Registered Notes to a person who takes delivery in the form of Restricted Registered Notes, may be made only upon delivery by the transferor of written certification (in the form provided in the Agency Agreement) to the effect that such transfer is being made to a person who the transferor reasonably believes is a “qualified institutional buyer” within the meaning of Rule 144A in a transaction meeting the requirements of Rule 144A or otherwise in accordance with the transfer restrictions described under the caption “*Subscription and Sale – Transfer Restrictions*” and in accordance with any applicable securities laws of any state of the United States or any other jurisdiction.

3 Status and subordination

(a) Status and Subordination of the Undated Deeply Subordinated Notes

- (i) The Undated Deeply Subordinated Notes and the Coupons relating thereto (if any) constitute direct, unsecured and, in accordance with paragraph (iii) below, subordinated obligations of BESI and rank *pari passu* without any preference among themselves.
- (ii) The proceeds of the issue of the Undated Deeply Subordinated Notes will be treated for regulatory purposes as original own funds (*fundos próprios de base*) for BESI. *Fundos próprios de base* (“**original own funds**” or “**Tier 1 Capital**”) shall have the meaning given to it in Article 5 and 17-A of *Aviso do Banco de Portugal n.º 12/92*, as amended issued by the Bank of Portugal,

or otherwise recognised as *fundos próprios de base* by the Bank of Portugal, or any successor supervisory authority.

- (iii) In the event of bankruptcy or winding up of BESI the holders of the Undated Deeply Subordinated Notes will be entitled to receive payment of the nominal amount of the Undated Deeply Subordinated Notes, plus the interest corresponding to the time elapsed since the last Interest Payment Date, to the extent such interest is due and payable in accordance with the provisions of Condition 5 (d) (*Interest Cancellation*). The claims of the holders of the Undated Deeply Subordinated Notes and the Coupons relating thereto (if any) will, in the event of the bankruptcy or winding up of BESI, be subordinated in right of payment in the manner provided in the Trust Deed, and will:
- A. be subordinated to the claims of Senior Creditors of BESI (as defined below). For the purpose of this sub-paragraph (iii), **Senior Creditors of BESI** means creditors (1) who are unsubordinated creditors of BESI; or (2) who are subordinated creditors of BESI (including the holders of Dated Subordinated Notes and of Undated Subordinated Notes and the Receipts and Coupons relating thereto (if any)) other than those whose claims rank, or are expressed to rank, *pari passu* with or junior to the claims of the holders of the Undated Deeply Subordinated Notes and the Coupons relating thereto (if any) (whether only in the event of a bankruptcy or winding up of BESI or otherwise);
 - B. be subordinated to all other responsibilities of BESI, including any undated subordinated debt of BESI, to which a higher ranking has been assigned (except for the credits arising from any other guarantee or contractual obligation of BESI which has expressly been ranked equally or junior to the Undated Deeply Subordinated Notes;
 - C. rank equally with any other obligations of BESI expressed to be equally ranking, if any; and
 - D. rank in priority to any payments in respect of the ordinary shares of BESI and of any other securities ranking junior to the Undated Deeply Subordinated Notes, if any.

In order to allow BESI to continue its business activities, any amounts which, but for the provisions of Condition 5(d) or, as the case may be, the insolvency of BESI, would be payable as interest or principal on the Undated Deeply Subordinated Notes will be available to meet the losses of BESI.

(b) No Set Off in respect of Undated Deeply Subordinated Notes

Subject to applicable law, no holder of an Undated Deeply Subordinated Note or a Receipt or Coupon relating thereto (if any) may exercise or claim any right of set-off in respect of any amount owed by it to BESI arising under or in connection with the Undated Deeply Subordinated Notes and the Receipts and Coupons relating thereto (if any) and each holder of an Undated Deeply Subordinated Note or a Receipt or Coupon relating thereto (if any) shall, by virtue of its subscription, purchase or holding of any such Note, Receipt or Coupon, be deemed to have waived all such rights of set-off.

(c) Loss Absorption

The Undated Deeply Subordinated Notes will be available and may be used to absorb any losses of BESI, in order to allow BESI to continue its business activities, and the nominal amount of the Undated Deeply Subordinated Notes may be used to absorb such losses, in proportion to BESI's equity including the Undated Deeply Subordinated Notes and other instruments also eligible to Tier 1 Capital subject to limits, further to a decision of the competent corporate body of BESI or a direction received from the Bank of Portugal.

In these circumstances, the nominal amount of the Undated Deeply Subordinated Notes will be reduced as may be necessary to absorb the losses of BESI, whenever the amount of BESI's equity excluding the Undated Deeply Subordinated Notes and other instruments also eligible to Tier 1 Capital subject to limits is below the amount of the share capital of BESI or whenever BESI is at risk of noncompliance with the Own Funds Requirements Regulations, at individual or consolidated level as appropriate, in the opinion of either BESI or the Bank of Portugal. Such reduction will be effected proportionally between the nominal amount of the Undated Deeply Subordinated Notes and BESI's equity including the Undated Deeply Subordinated Notes and other instruments also eligible to Tier 1 Capital subject to limits on a *pari passu* basis. Notwithstanding any other provision, the nominal amount of each Undated Deeply Subordinated Note shall never be reduced to an amount lower than €0.01. Subject to prior approval of the Bank of Portugal, the nominal amount of the Undated Deeply Subordinated Notes so reduced can only be reinstated and registered as a subordinated credit as if it had never been reduced to the extent that BESI's equity registers a positive variation resulting from gains, proportionally between the nominal amount of the Undated Deeply Subordinated Notes and BESI's equity including the Undated Deeply Subordinated Notes and other instruments also eligible to Tier 1 Capital subject to limits on a *pari passu* basis.

Without prejudice to the following paragraph, in the determination of the proportional amount to allocate to the Undated Deeply Subordinated Notes, the losses or the gains, as the case may be, will be multiplied by the quotient of (i) the nominal amount of the Undated Deeply Subordinated Notes and (ii) the sum of this nominal amount with the then existing BESI's equity including the Undated Deeply Subordinated Notes and other instruments also eligible to Tier 1 Capital subject to limits. The determination of the proportional amount is based in individual or consolidated level as appropriate.

The reinstatement of the previously reduced nominal amount of the Undated Deeply Subordinated Notes, when made *pari passu* with the existing BESI's equity in accordance with the provisions above, shall be made taking into account the existing BESI's equity including the Undated Deeply Subordinated Notes and other instruments also eligible to Tier 1 Capital subject to limits as at the time of such reinstatement, regardless of the fact that such BESI's equity at the time of the reduction could have been in a different amount.

4. Negative Pledge

There is no negative pledge in respect of the Undated Deeply Subordinated Notes.

5. Interest and Interest Cancellation

Payments of interest on the Undated Deeply Subordinated Notes will occur in accordance with the provisions of this Condition 5 and will be subject to a discretionary decision of the Executive Committee of BESI as specified in subparagraph (d) below, without prejudice to the provision of paragraph (iii) below (*Priority of Interest*). If the Executive Committee of BESI decides not to make an interest payment on any Interest Payment Date, the amount of such interest payment will not be due, and will be forfeited in accordance with subparagraph (d) of this Condition 5.

(a) Interest on Fixed Rate Notes

Each Fixed Rate Note bears interest from (and including) the Interest Commencement Date at the rate(s) per annum equal to the Rate(s) of Interest payable in arrear (subject to the provisions of Condition 5(d)) on the Interest Payment Date(s) in each year. For so long as any of the Fixed Rate Notes is represented by a Global Note held on behalf of Clearstream, Luxembourg and/or Euroclear, interest will be calculated on the full nominal amount outstanding of the Fixed Rate Notes and will be paid to Clearstream, Luxembourg and Euroclear for distribution by them to entitled accountholders in accordance with their usual rules and operating procedures. In respect of each definitive Fixed Rate Note, interest will be calculated on its outstanding nominal amount. Interest on Fixed Rate Notes which are Interbolsa Notes will be calculated on the full nominal amount outstanding of the Fixed Rate Notes and will be paid to the Affiliate Members of Interbolsa for distribution by

them to the accounts of entitled Noteholders in accordance with Interbolsa's usual rules and operating procedures.

If the Notes are in definitive form, except as provided in the applicable Final Terms, the amount of interest payable on each Interest Payment Date in respect of the Fixed Interest Period ending on (but excluding) such date will amount to the Fixed Coupon Amount. Payments of interest on any Interest Payment Date will, if so specified in the applicable Final Terms, amount to the Broken Amount so specified.

As used in these Terms and Conditions, **Fixed Interest Period** means the period from (and including) an Interest Payment Date (or the Interest Commencement Date) to (but excluding) the next (or first) Interest Payment Date.

Except in the case of Notes in definitive form where an applicable Fixed Coupon Amount or Broken Amount is specified in the applicable Final Terms, interest shall be calculated in respect of any period by applying the Rate of Interest to:

- (A) in the case of Fixed Rate Notes which are represented by a Global Note or Interbolsa Notes the aggregate outstanding nominal amount of the Fixed Rate Notes represented by such Global Note or Interbolsa Notes; or
- (B) in the case of Fixed Rate Notes in definitive form, the Calculation Amount;

and, in each case, multiplying such sum by the applicable Fixed Day Count Fraction and rounding the resultant figure to the nearest sub-unit of the relevant Specified Currency, half of any such sub-unit being rounded upwards or otherwise in accordance with applicable market convention. Where the Specified Denomination of a Fixed Rate Note in definitive form is a multiple of the Calculation Amount, the amount of interest payable in respect of such Fixed Rate Note shall be the product of the amount (determined in the manner provided above) for the Calculation Amount and the amount by which the Calculation Amount is multiplied to reach the Specified Denomination, without any further rounding.

For the purposes of these Terms and Conditions:

Fixed Day Count Fraction means, in respect of the calculation of an amount of interest in accordance with this Condition 5(a):

- (i) if **Actual/Actual (ICMA)** is specified in the applicable Final Terms:
 - (a) in the case of Notes where the number of days in the relevant period from (and including) the most recent Interest Payment Date (or, if none, the Interest Commencement Date) to (but excluding) the relevant payment date (the **Accrual Period**) is equal to or shorter than the Determination Period during which the Accrual Period ends, the number of days in such Accrual Period divided by the product of (1) the number of days in such Determination Period and (2) the number of Determination Dates (as specified in the applicable Final Terms) that would occur in one calendar year; or
 - (b) in the case of Notes where the Accrual Period is longer than the Determination Period during which the Accrual Period ends, the sum of:
 - (1) the number of days in such Accrual Period falling in the Determination Period in which the Accrual Period begins divided by the product of (x) the number of days in such Determination Period and (y) the number of Determination Dates (as specified in the applicable Final Terms) that would occur in one calendar year; and

- (2) the number of days in such Accrual Period falling in the next Determination Period divided by the product of (x) the number of days in such Determination Period and (y) the number of Determination Dates that would occur in one calendar year; and
- (ii) if **30/360** is specified in the applicable Final Terms, the number of days in the period from (and including) the most recent Interest Payment Date (or, if none, the Interest Commencement Date) to (but excluding) the relevant payment date (such number of days being calculated on the basis of a year of 360 days with 12 30-day months) divided by 360.

In these Terms and Conditions:

Determination Period means each period from (and including) a Determination Date to (but excluding) the next Determination Date (including, where either the Interest Commencement Date or the final Interest Payment Date is not a Determination Date, the period commencing on the first Determination Date prior to, and ending on the first Determination Date falling after, such date); and

sub-unit means, with respect to any currency other than euro, the lowest amount of such currency that is available as legal tender in the country of such currency and, with respect to euro, one cent.

(b) Interest on Floating Rate Notes and Indexed Interest Notes

- (i) Interest Payment Dates

Each Floating Rate Note and Indexed Interest Note bears interest from (and including) the Interest Commencement Date and such interest will be payable in arrears (subject to the provisions of Condition 5(d)) on either:

- (A) the Specified Interest Payment Date(s) in each year specified in the applicable Final Terms; or
- (B) if no express Interest Payment Date(s) is/are specified in the applicable Final Terms, each date (each such date, together with any Specified Interest Payment Date(s), an **Interest Payment Date**) which falls on the number of months or other period specified as the Specified Period in the applicable Final Terms after the preceding Interest Payment Date or, in the case of the first Interest Payment Date, after the Interest Commencement Date.

Such interest will be payable in respect of each Interest Period (which expression shall, in these Terms and Conditions, mean the period from (and including) an Interest Payment Date (or the Interest Commencement Date) to (but excluding) the next (or first) Interest Payment Date). For so long as any of the Floating Rate Notes or Indexed Interest Notes is represented by a Global Note held on behalf of Clearstream, Luxembourg and/or Euroclear, interest will be calculated on the full nominal amount outstanding of the relevant Notes and will be paid to Clearstream, Luxembourg and Euroclear for distribution by them to entitled accountholders in accordance with their usual rules and operating procedures. In respect of each definitive Floating Rate Note or Indexed Interest Note, interest will be calculated on its outstanding nominal amount. Interest on Floating Rate Notes or Indexed Interest Notes which are Interbolsa Notes will be calculated on the full nominal amount outstanding of the relevant Notes and will be paid to the Affiliate Members of Interbolsa for distribution by them to the accounts of entitled Noteholders in accordance with Interbolsa's usual rules and operating procedures.

If a Business Day Convention is specified in the applicable Final Terms and (x) if there is no numerically corresponding day in the calendar month in which an Interest Payment Date should

occur or (y) if any Interest Payment Date would otherwise fall on a day which is not a Business Day, then, if the Business Day Convention specified is:

- (1) in any case where Specified Periods are specified in accordance with Condition 5(b)(i)(B) above, the Floating Rate Convention, such Interest Payment Date (i) in the case of (x) above, shall be the last day that is a Business Day in the relevant month and the provisions of (B) below shall apply *mutatis mutandis* or (ii) in the case of (y) above shall be postponed to the next day which is a Business Day unless it would thereby fall into the next calendar month, in which event (A) such Interest Payment Date shall be brought forward to the immediately preceding Business Day and (B) each subsequent Interest Payment Date shall be the last Business Day in the month which falls the Specified Period after the preceding applicable Interest Payment Date; or
- (2) the Following Business Day Convention, such Interest Payment Date shall be postponed to the next day which is a Business Day; or
- (3) the Modified Following Business Day Convention, such Interest Payment Date shall be postponed to the next day which is a Business Day unless it would thereby fall into the next calendar month, in which event such Interest Payment Date shall be brought forward to the immediately preceding Business Day; or
- (4) the Preceding Business Day Convention, such Interest Payment Date shall be brought forward to the immediately preceding Business Day.

In this Condition, **Business Day** means a day which is both:

- (A) a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in London in the case of Bearer Notes and Registered Notes (other than Interbolsa Notes), Lisbon in the case of Interbolsa Notes and each Additional Business Centre specified in the applicable Final Terms; and
- (B) either (1) in relation to any sum payable in a Specified Currency other than euro, a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in the principal financial centre of the country of the relevant Specified Currency (if other than London and any Additional Business Centre and which, if the Specified Currency is Australian dollars or New Zealand dollars, shall be Sydney and Auckland, respectively) or (2) in relation to any sum payable in euro, a day on which the TARGET2 system is open.

In these Terms and Conditions, **TARGET2 system** means the Trans-European Automated Real-Time Gross Settlement Express Transfer (TARGET2) System.

(ii) Rate of Interest

The Rate of Interest payable from time to time in respect of Floating Rate Notes and Indexed Interest Notes will be determined in the manner specified in the applicable Final Terms.

(A) *ISDA Determination for Floating Rate Notes*

Where ISDA Determination is specified in the applicable Final Terms as the manner in which the Rate of Interest is to be determined, the Rate of Interest for each Interest Period will be the relevant ISDA Rate plus or minus (as indicated in the applicable Final Terms) the Margin (if any). For the purposes of this sub-paragraph (A), **ISDA Rate** for an Interest

Period means a rate equal to the Floating Rate that would be determined by the Agent or other person specified in the applicable Final Terms under an interest rate swap transaction if the Agent or other person specified in the applicable Final Terms were acting as Calculation Agent for that swap transaction under the terms of an agreement incorporating the 2006 ISDA Definitions, as amended and updated as at the Issue Date of the first Tranche of the Notes, published by the International Swaps and Derivatives Association, Inc. (the **ISDA Definitions**) and under which:

- (1) the Floating Rate Option is as specified in the applicable Final Terms;
- (2) the Designated Maturity is a period specified in the applicable Final Terms; and
- (3) the relevant Reset Date is either (i) if the applicable Floating Rate Option is based on the London inter-bank offered rate (**LIBOR**) or on the Euro-zone inter-bank offered rate (**EURIBOR**), the first day of that Interest Period or (ii) in any other case, as specified in the applicable Final Terms.

For the purposes of this sub-paragraph (A), **Floating Rate, Calculation Agent, Floating Rate Option, Designated Maturity** and **Reset Date** have the meanings given to those terms in the ISDA Definitions.

(B) *Screen Rate Determination for Floating Rate Notes*

Where Screen Rate Determination is specified in the applicable Final Terms as the manner in which the Rate of Interest is to be determined, the Rate of Interest for each Interest Period will, subject as provided below, be either:

- (1) the offered quotation; or
- (2) the arithmetic mean (rounded if necessary to the fifth decimal place, with 0.000005 being rounded upwards) of the offered quotations,

(expressed as a percentage rate per annum) for the Reference Rates which appears or appear, as the case may be, on the Relevant Screen Page as at 11.00 a.m. (London time, in the case of LIBOR, or Brussels time, in the case of EURIBOR) on the Interest Determination Date in question plus or minus (as indicated in the applicable Final Terms) the Margin (if any), all as determined by the Agent or other person specified in the applicable Final Terms. If five or more of such offered quotations are available on the Relevant Screen Page, the highest (or, if there is more than one such highest quotation, one only of such quotations) and the lowest (or, if there is more than one such lowest quotation, one only of such quotations) shall be disregarded by the Agent or other person specified in the applicable Final Terms for the purpose of determining the arithmetic mean (rounded as provided above) of such offered quotations.

The Agency Agreement contains provisions for determining the Rate of Interest in the event that the Relevant Screen Page is not available or if, in the case of (1) above, no such quotation appears or, in the case of (2) above, fewer than three such offered quotations appear, in each case as at the time specified in the preceding paragraph. Alternatively, provisions dealing with this may be included in the applicable Final Terms.

If the Reference Rate from time to time in respect of Floating Rate Notes is specified in the applicable Final Terms as being other than LIBOR or EURIBOR, the Rate of Interest in respect of such Notes will be determined as provided in the applicable Final Terms.

(C) *Other Determination*

Interest may also be payable from time to time in respect of Floating Rate Notes and Indexed Interest Notes in accordance with such other manner of determination as may be specified in the applicable Final Terms.

(iii) Minimum and/or Maximum Interest Rate

If the applicable Final Terms specifies a Minimum Interest Rate for any Interest Period, then, in the event that the Rate of Interest in respect of such Interest Period determined in accordance with the provisions of paragraph (ii) above is less than such Minimum Interest Rate, the Rate of Interest for such Interest Period shall be such Minimum Interest Rate.

If the applicable Final Terms specifies a Maximum Interest Rate for any Interest Period, then, in the event that the Rate of Interest in respect of such Interest Period determined in accordance with the provisions of paragraph (ii) above is greater than such Maximum Interest Rate, the Rate of Interest for such Interest Period shall be such Maximum Interest Rate.

(iv) Determination of Rate of Interest and Calculation of Interest Amounts

The Agent, in the case of Floating Rate Notes, and the Calculation Agent, in the case of Indexed Interest Notes, will at or as soon as practicable after each time at which the Rate of Interest is to be determined, determine the Rate of Interest for the relevant Interest Period. In the case of Indexed Interest Notes, the Calculation Agent will notify the Agent of the Rate of Interest for the relevant Interest Period as soon as practicable after determining the same.

The Agent will calculate the amount of interest (the **Interest Amount**) payable on the Floating Rate Notes or Indexed Interest Notes for the relevant Interest Period by applying the Rate of Interest to:

- (A) in the case of Floating Rate Notes or Indexed Interest Notes which are either Interbolsa Notes or are represented by a Global Note, the aggregate outstanding nominal amount of the Notes; or
- (B) in the case of Floating Rate Notes or Indexed Interest Notes in definitive form, the Calculation Amount;

and, in each case, multiplying such sum by the applicable Day Count Fraction, and rounding the resultant figure to the nearest sub-unit of the relevant Specified Currency, half of any such sub-unit being rounded upwards or otherwise in accordance with applicable market convention.

Where the Specified Denomination of a Floating Rate Note or an Indexed Interest Note in definitive form is a multiple of the Calculation Amount, the Interest Amount payable in respect of such Note shall be the product of the amount (determined in the manner provided above) for the Calculation Amount and the amount by which the Calculation Amount is multiplied to reach the Specified Denomination, without any further rounding.

Day Count Fraction means, in respect of the calculation of an amount of interest for any Interest Period:

- (1) if “Actual/Actual (ISDA)” or “Actual/Actual” is specified in the applicable Final Terms, the actual number of days in the Interest Period divided by 365 (or, if any portion of that Interest Period falls in a leap year, the sum of (A) the actual number of days in that portion of the Interest

Period falling in a leap year divided by 366 and (B) the actual number of days in that portion of the Interest Period falling in a non-leap year divided by 365);

- (2) if “Actual/365 (Fixed)” is specified in the applicable Final Terms, the actual number of days in the Interest Period divided by 365;
- (3) if “Actual/365 (Sterling)” is specified in the applicable Final Terms, the actual number of days in the Interest Period divided by 365 or, in the case of an Interest Payment Date falling in a leap year, 366;
- (4) if “Actual/360” is specified in the applicable Final Terms, the actual number of days in the Interest Period divided by 360;
- (5) if “30/360”, “360/360” or “Bond Basis” is specified in the applicable Final Terms, the number of days in the Interest Period divided by 360, calculated on a formula basis as follows:

$$[360 \times (Y_2 - Y_1)] + [30 \times (M_2 - M_1)] + (D_2 - D_1)$$

Day Count Fraction = _____

360

where:

“Y₁” is the year, expressed as a number, in which the first day of the Interest Period falls;

“Y₂” is the year, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

“M₁” is the calendar month, expressed as a number, in which the first day of the Interest Period falls;

“M₂” is the calendar month, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

“D₁” is the first calendar day, expressed as a number, of the Interest Period, unless such number is 31, in which case D₂ will be 30; and

“D₂” is the calendar day, expressed as a number, immediately following the last day included in the Interest Period, unless such number would be 32 and D₂ is greater than 29, in which case D₂ will be 30;

- (6) if “30E/360” or “Eurobond Basis” is specified in the applicable Final Terms, the number of days in the Interest Period divided by 360, calculated on a formula basis as follows:

$$[360 \times (Y_2 - Y_1)] + [30 \times (M_2 - M_1)] + (D_2 - D_1)$$

Day Count Fraction = _____

360

where:

“Y₁” is the year, expressed as a number, in which the first day of the Interest Period falls:

“Y₂” is the year, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

“M₁” is the calendar month, expressed as a number, in which the first day of the Interest Period falls;

“M₂” is the calendar month, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

“D₁” is the first calendar day, expressed as a number, of the Interest Period, unless such number would be 31, in which case D₁ will be 30; and

“D₂” is the calendar day, expressed as a number, immediately following the last day included in the Interest Period, unless such number would be 31, in which case D₂ will be 30; and

- (7) if “30E/360 (ISDA)” is specified in the applicable Final Terms, the number of days in the Interest Period divided by 360, calculated on a formula basis as follows:

$$[360 \times (Y_2 - Y_1)] + [30 \times (M_2 - M_1)] + (D_2 - D_1)$$

Day Count Fraction = _____

360

where:

“Y₁” is the year, expressed as a number, in which the first day of the Interest Period falls:

“Y₂” is the year, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

“M₁” is the calendar month, expressed as a number, in which the first day of the Interest Period falls;

“M₂” is the calendar month, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

“D₁” is the first calendar day, expressed as a number, of the Interest Period, unless (i) that day is the last day of February or (ii) such number would be 31, in which case D₁ will be 30; and

“D₂” is the calendar day, expressed as a number, immediately following the last day included in the Interest Period, unless (i) that day is the last day of February but not the Maturity Date or (ii) such number would be 31 and D₂ will be 30.

- (v) Notification of Rate of Interest and Interest Amounts

The Agent will cause the Rate of Interest and each Interest Amount for each Interest Period and the relevant Interest Payment Date to be notified to the Issuer and any stock exchange or other relevant authority on which the relevant Floating Rate Notes or Indexed Interest Notes are for the time being listed or by which they have been admitted to listing and notice thereof to be published in accordance with Condition 14 as soon as possible after their determination but in no event later than the fourth London Business Day (as defined below) thereafter. Each Interest

Amount and Interest Payment Date so notified may subsequently be amended (or appropriate alternative arrangements made by way of adjustment) without prior notice in the event of an extension or shortening of the Interest Period. Any such amendment will be promptly notified to each stock exchange or other relevant authority on which the relevant Floating Rate Notes or Indexed Interest Notes are for the time being listed and to the Noteholders in accordance with Condition 14. For the purposes of these Terms and Conditions, **London Business Day** means a day (other than a Saturday or a Sunday) on which banks and foreign exchange markets are open for business in London.

- (vi) Determination or calculation by Trustee or by a designated bank

If for any reason at any time the Agent or, as the case may be, the Calculation Agent defaults in its obligation to determine the Rate of Interest or the Agent defaults in its obligation to calculate any Interest Amount in accordance with sub-paragraph (ii)(A) or (B) above, as the case may be, and, in each case, (iv) above, then (A) (except in respect of Interbolsa Notes), the Trustee or (B) (in respect of Interbolsa Notes), any bank designated by the Common Representative for such purpose or, if no such bank is designated, a meeting of the Noteholders by Extraordinary Resolution, shall determine the Rate of Interest at such rate as, in its absolute discretion (having such regard as it shall think to the foregoing provisions of this Condition, but subject always to any Minimum or Maximum Rate of Interest specified in the applicable Final Terms), it shall deem fair and reasonable in all the circumstances or, as the case may be, the Trustee, designated bank or meeting of holders of Interbolsa Notes, as the case may be, shall calculate the Interest Amount(s) in such manner as it shall deem fair and reasonable in all the circumstances and each such determination or calculation shall be deemed to have been made by the Agent or the Calculation Agent, as applicable.

- (vii) Certificates to be Final

All certificates, communications, opinions, determinations, calculations, quotations and decisions given, expressed, made or obtained for the purposes of the provisions of this Condition 5(b), whether by the Agent or, if applicable, the Calculation Agent (except in respect of Interbolsa Notes) or (except in respect of Interbolsa Notes) the Trustee or (in the case of Interbolsa Notes) by or on behalf of the Common Representative, shall (in the absence of wilful default, bad faith or manifest error) be binding on the Issuer, the Trustee, the Common Representative, the Agent, the Calculation Agent (if applicable), the other Paying Agents and all Noteholders, Receiptholders and Couponholders and (in the absence of wilful default or bad faith) no liability to the Issuer, the Noteholders, the Receiptholders or the Couponholders shall attach to the Agent or the Calculation Agent (if applicable) or the Trustee or the Common Representative in connection with the exercise or non-exercise by it of its powers, duties and discretions pursuant to such provisions.

(c) Dual Currency Notes

In the case of Dual Currency Notes, if the rate or amount of interest falls to be determined by reference to an exchange rate, the rate or amount of interest payable shall be determined in the manner specified in the applicable Final Terms.

(d) Interest Cancellation

The payment of interest is conditional upon, and dependent on, a discretionary decision of BESI, without prejudice to the provision of paragraph (iii) below (*Priority of Interest*). The Executive Committee of BESI may in its discretion decide on the payment of interest in case no Interest Cancellation Event has occurred or is continuing.

Subject to a decision to pay interest being taken by the competent corporate body of BESI and to the verification or absence of an Interest Cancellation Event, the Undated Deeply Subordinated Notes will bear interest in accordance with the relevant provisions of the applicable Final Terms.

i) Interest Cancellation Event

BESI will in any case be prevented from making any interest payments, and interest shall not accrue or otherwise become due and payable to the relevant holders, regardless of a decision to that effect being taken by BESI's Executive Committee:

a) to the extent the sum of such envisaged interest payment and (i) the amount of dividends paid, decided or pending payment and the amount of secured payments made by BESI and (ii) the amount of secured payments which are equally ranked in terms of their entitlement to the profits of BESI, in each case which have already been paid in the then current fiscal year, exceed the Issuer's Distributable Funds; or

b) if notwithstanding the fact that the sum mentioned in a) above does not exceed the Issuer's Distributable Funds, the Issuer is in violation of the Own Funds Requirements Regulation, or to the extent that such payment would cause a breach by the Issuer of the Own Funds Requirements Regulation;

c) if, other than in the circumstances mentioned in a) and b) above, (i) the Executive Committee of BESI, or (ii) the Bank of Portugal, are of the opinion that such payment may compromise compliance by BESI with the Own Funds Requirements Regulation, taking into consideration the (past and expected) evolution of the financial situation of BESI; or

d) to the extent that the nominal amount of the Undated Deeply Subordinated Notes has been reduced pursuant to Condition 3 (c) (*Loss Absorption*) and until such nominal amount has been reinstated in full and registered as a subordinated credit has if it had never been reduced.

“**Affiliate**”, for the purposes of this Condition 5 shall mean any entity which is in a control situation with BESI or over which BESI exercises actual control, in accordance with the Portuguese Banking Law, enacted by Decree-Law n° 298/92 of 31st December as amended and/or replaced and/or reinstated from time to time.

“**Distributable Funds**” means, for the purposes hereof, and in respect of any fiscal year of BESI, calculated by reference to the last day of the immediately preceding fiscal year, the sum of earned profits held and any other reserves and amounts capable of distribution to the shareholders of BESI in accordance with Portuguese law, plus or less, as the case may be, the amount of any profits or losses arising on such preceding fiscal year, in any case net of (i) the amounts necessary to set up or reinstate any reserves which are mandatory pursuant to a legal or statutory requirement; and (ii) the amount which is to be statutorily applied by BESI in making distributions to BESI's employees and directors, but in any case prior to the deduction of the payment of any dividends or other payments in respect of the ordinary shares of BESI or any other securities which are subordinated to the Undated Deeply Subordinated Notes, in respect of such fiscal year.

“**Own Funds Requirements Regulations**” means, at any given time, all regulations, requirements, directions and policies then in force relating to own funds requirements, issued by the Bank of Portugal or applicable to credit institutions in Portugal, including any such regulations, requirements, directions and policies as may be applicable in the future specifically to BESI.

ii) No obligation to pay interest

In case the Executive Committee of BESI does not decide to make an interest payment on an Interest Payment Date, the relevant interest amounts will not accrue or become due and payable, and shall be forfeited and the holders of the Undated Deeply Subordinated Notes will not be entitled to claim any payments in respect of interest relating to the Interest Period ending on such Interest Payment Date.

iii) Priority of interest

The Issuer undertakes that, prior to the distribution of any revenues, the amortization or acquisition of own shares or other securities subordinated to the Undated Deeply Subordinated Notes and after the approval of such payments by the Issuer's competent corporate body (or, where such approval has not yet occurred, such payments have been formally proposed), the Issuer will, in any circumstances, regardless of a decision of the Issuer's Executive Committee being taken to that effect, set aside enough monies for the payment of interest amounts which will become due subsequently to the mentioned distribution, amortization or acquisition, as the case may be, in case the interest payments are due annually, or, if interest payments are due more than once every year, enough monies to cover interest payments during the period of one year. Notwithstanding the foregoing, no payment of interest will be made in violation of the Interest Cancellation Events provisions.

If the distribution of revenues, acquisition or amortization referred to above takes place, namely by means of the payment of dividends to the shareholders of BESI, and subject to the Interest Cancellation Events provisions, the payment of the interest amounts out of the monies set aside by BESI to that effect will be made in the following Interest Payment Date (in case the Interest Period is one year) or in installments during the subsequent Interest Payment Dates up to a maximum of one year (in case the Interest Period is of less than one year).

(e) *Accrual of Interest*

Without prejudice to the provision of sub-paragraph (d) above, each Undated Deeply Subordinated Note (or in the case of the redemption of part only of an Undated Deeply Subordinated Note, that part only of such Undated Deeply Subordinated Note) will cease to bear interest (if any) from the date for its redemption unless, upon due presentation thereof to the extent presentation is required, payment of principal is improperly withheld or refused. In such event interest will continue to accrue until due payment in accordance with the relevant provisions of the applicable Final Terms.

6. Payments

(a) *Method of Payment*

Subject as provided below:

- (i) payments in a Specified Currency other than euro will be made by transfer to an account in the relevant Specified Currency maintained by the payee with, or, at the option of the payee, by a cheque in such Specified Currency drawn on, a bank (which, in the case of a payment in Japanese Yen to a non-resident of Japan, shall be a non-resident account) in the principal financial centre of the country of such Specified Currency (which, if the Specified Currency is Australian or New Zealand dollars, shall be Sydney and Auckland, respectively); and
- (ii) payments in euro will be made by credit or transfer to a euro account (or any other account to which euro may be credited or transferred) specified by the payee or, at the option of the payee, by a euro cheque.

Payments will be subject in all cases to any fiscal or other laws and regulations applicable thereto in the place of payment, but without prejudice to the provisions of Condition 8. References to **Specified Currency** will include any successor currency under applicable law.

(b) Bearer Notes: Presentation of Definitive Notes, Receipts and Coupons

Payments of principal in respect of Definitive Notes will be made in the manner provided in paragraph (a) above only against presentation and surrender of Definitive Notes, and payments of interest, including Arrears of Interest (if any), in respect of Definitive Notes will (subject as provided below) be made as aforesaid only against presentation and surrender of Coupons, in each case at the specified office of any Paying Agent outside the United States (which expression, as used herein, means the United States of America (including the States and the District of Columbia, its territories, its possessions and other areas subject to its jurisdiction)).

Upon the date on which any Definitive Note becomes due and repayable, unmatured Receipts (if any) relating thereto (whether or not attached) shall become void and no payment shall be made in respect thereof.

Fixed Rate Notes in definitive form (other than Dual Currency Notes or Indexed Notes) should be presented for payment together with all unmatured Coupons appertaining thereto (which expression shall for this purpose include Coupons falling to be issued on exchange of matured Talons), failing which the amount of any missing unmatured Coupon (or, in the case of payment not being made in full, the same proportion of the amount of such missing unmatured Coupon as the sum so paid bears to the sum due) will be deducted from the sum due for payment. Each amount of principal so deducted will be paid in the manner mentioned above against surrender of the relative missing Coupon at any time before the expiry of 10 years after the Relevant Date (as defined in Condition 8) in respect of such principal (whether or not such Coupon would otherwise have become void under Condition 9) or, if later, five years from the date on which such Coupon would otherwise have become due, but in no event thereafter.

Upon any Fixed Rate Note in definitive form becoming due and repayable prior to its Maturity Date, all unmatured Talons (if any) appertaining thereto will become void and no further Coupons will be issued in respect thereof.

Upon the date on which any Floating Rate Note, Dual Currency Note or Indexed Note in definitive form becomes due and repayable, unmatured Coupons and Talons (if any) relating thereto (whether or not attached) shall become void and no payment or, as the case may be, exchange for further Coupons shall be made in respect thereof.

If the due date for redemption of any Definitive Note or Registered Note is not an Interest Payment Date, interest (if any) accrued in respect of such Note from (and including) the preceding Interest Payment Date or, as the case may be, the Interest Commencement Date shall be payable only against surrender of the relevant Definitive Note or Registered Note, as the case may be.

(c) Payments in respect of Global Notes

Payments of principal and interest (including Arrears of Interest (if any)) in respect of any Global Note will be made in the manner specified above in relation to Definitive Notes and otherwise in the manner specified in the relevant Global Note against presentation or surrender, as the case may be, of such Global Note at the specified office of any Paying Agent outside the United States. A record of each payment made against presentation or surrender of any Global Note, distinguishing between any payment of principal and any payment of interest, will be made on such Global Note by the Paying Agent to which it is presented and such record shall be *prima facie* evidence that the payment in question has been made.

Unless otherwise specified, the holder of a Global Note (or, as provided in the Trust Deed, the Trustee) shall be the only person entitled to receive payments in respect of Notes represented by such Global Note and

the Issuer will be discharged by payment to, or to the order of, the holder of such Global Note (or the Trustee, as the case may be) in respect of each amount so paid. Each of the persons shown in the records of Euroclear or Clearstream, Luxembourg as the beneficial holder of a particular nominal amount of Notes represented by such Global Note must look solely to Euroclear or Clearstream, Luxembourg, as the case may be, for his share of each payment so made by the Issuer to, or to the order of, the holder of such Global Note. No person other than the holder of such Global Note or the Trustee, as the case may be, shall have any claim against the Issuer in respect of any payments due on such Global Note.

(d) Payments in respect of Interbolsa Notes

Payment of principal and interest in respect of Interbolsa Notes will be credited by the Issuer in the payment current-account which the Portuguese Paying Agent uses for payments in respect of securities held through Interbolsa, and (i) **if made in euro** will be (a) credited, according to the procedures and regulations of Interbolsa, by the Portuguese Paying Agent to the payment current account which the Affiliate Members of Interbolsa (whose control accounts with Interbolsa are credited with such Notes) use for payments in respect of securities held through Interbolsa and thereafter (b) credited by such Interbolsa Affiliate Members from the aforementioned payment current-accounts to the accounts of the Noteholders or through Euroclear and Clearstream, Luxembourg to the accounts with Euroclear and Clearstream, Luxembourg of the beneficial owners of those Notes, in accordance with the rules and procedures of Interbolsa, Euroclear or Clearstream, Luxembourg, as the case may be; (ii) **if made in currencies other than euro** will be (a) transferred, on the payment date and according to the procedures and regulations applicable by Interbolsa, from the account held by the Portuguese Paying Agent in the Foreign Currency Settlement System (*Sistema de Liquidação em Moeda Estrangeira*), managed by Caixa Geral de Depósitos, S.A., to the relevant accounts of the relevant Affiliate Members of Interbolsa, and thereafter (b) transferred by such Affiliate Members of Interbolsa from such relevant accounts to the accounts of the Noteholders of those Notes or through Euroclear and Clearstream, Luxembourg to the accounts with Euroclear and Clearstream, Luxembourg of the beneficial owners of those Notes, in accordance with the rules and procedures of Interbolsa, Euroclear or Clearstream, Luxembourg, as the case may be.

(e) Payments in respect of Registered Notes

- (i) Payments of principal in respect of Registered Notes shall be made against presentation and surrender of the relevant Certificates at the specified office of any of the Transfer Agents or of the Registrar and in the manner provided in paragraph (ii) below.
- (ii) Interest on Registered Notes shall be paid to the person shown on the Register at the close of business on the fifteenth day before the due date for payment thereof (the **Record Date**). For purpose of this Condition 6(e), **DTC business day** means any day on which DTC is open for business. Payments of interest on each Registered Note shall be made in the relevant currency by cheque drawn on a bank and mailed to the holder (or to the first named of joint holders) of such Note at its address appearing in the Register. Upon application by the holder to the specified office of the Registrar or any Transfer Agent before the Record Date, such payment of interest may be made by transfer to an account in the relevant currency maintained by the payee with a bank.

Each of the persons shown in the records of Euroclear or Clearstream, Luxembourg as the beneficial holder of a particular nominal amount of Notes represented by a Global Certificate must look solely to Euroclear or Clearstream, Luxembourg, as the case may be, for his share of each payment so made by the Issuer to, or to the order of, the holder of such Global Certificate.

(f) Payments through DTC

Registered Notes will be issued in the form of one or more Global Certificates and may be registered in the name of, or in the name of a nominee for, DTC. Payments of principal and interest in respect of Registered Notes denominated in U.S. Dollars will be made through DTC. Payments of principal and interest in respect of Registered Notes registered in the name of, or in the name of a nominee for, DTC and denominated in a Specified Currency other than U.S. Dollars will be made or procured to be made by the Agent in the Specified Currency in accordance with the following provisions. The amounts in such Specified Currency payable by the Agent or its agent to DTC with respect to Registered Notes held by DTC or its nominee will be received from the Issuer by the Agent who will make payments in such Specified Currency by wire transfer of same day funds to the designated bank account in such Specified Currency of those DTC participants entitled to receive the relevant payment who have made an irrevocable election to DTC, in the case of interest payments, on or prior to the third DTC business day after the Record Date for the relevant payment of interest and, in the case of payments of principal, at least 12 DTC business days prior to the relevant payment date, to receive that payment in such Specified Currency. The Agent, after the Exchange Agent has converted amounts in such Specified Currency into U.S. Dollars, will cause the Exchange Agent to deliver such U.S. Dollar amount in same day funds to DTC for payment through its settlement system to those DTC participants entitled to receive the relevant payment who did not elect to receive such payment in such Specified Currency. The Agency Agreement sets out the manner in which such conversions are to be made.

(g) General provisions applicable to payments (not applicable to Interbolsa Notes)

Notwithstanding the foregoing provisions of this Condition, if any amount of principal and/or interest in respect of any Note is payable in U.S. dollars, such U.S. dollar payments of principal and/or interest in respect of such Note will be made at the specified office of a Paying Agent in the United States if:

- (i) the Issuer has appointed Paying Agents with specified offices outside the United States with the reasonable expectation that such Paying Agents would be able to make payment in U.S. dollars at such specified offices outside the United States of the full amount of principal and interest on the Notes in the manner provided above when due;
- (ii) payment of the full amount of such principal and interest at all such specified offices outside the United States is illegal or effectively precluded by exchange controls or other similar restrictions on the full payment or receipt of principal and interest in U.S. dollars; and
- (iii) such payment is then permitted under United States law without involving, in the opinion of the Issuer, adverse tax consequences to the Issuer.

(h) Payment Day

If the date for payment of any amount in respect of any Note, Receipt or Coupon is not a Payment Day, the holder thereof shall not be entitled to payment until the next following Payment Day in the relevant place and shall not be entitled to further interest or other payment in respect of such delay. For these purposes, **Payment Day** means any day which (subject to Condition 9) is:

- (i) a day on which commercial banks and foreign exchange markets settle payments in:
 - (A) the relevant place of presentation;
 - (B) London in the case of Bearer Notes and Registered Notes (other than Interbolsa Notes);
 - (C) in respect of Interbolsa Notes only, Lisbon; and
 - (D) each Additional Financial Centre specified in the applicable Final Terms; and

- (ii) either (1) in relation to any sum payable in a Specified Currency other than euro, a day on which commercial banks and foreign exchange markets settle payments in the principal financial centre of the country of the relevant Specified Currency (if other than the place of presentation, London, Lisbon (in the case of Interbolsa Notes only) and any Additional Financial Centre and which, if the Specified Currency is New Zealand dollars, shall be Auckland), or (2) in relation to any sum payable in euro, a day on which the TARGET2 system is open.

(i) Interpretation of Principal and Interest

Any reference in these Terms and Conditions to principal in respect of the Notes shall be deemed to include, as applicable:

- (i) any additional amounts which may be payable with respect to principal under Condition 8 or, except in the case of Interbolsa Notes, pursuant to any undertakings given in addition thereto or in substitution therefor pursuant to the Trust Deed;
- (ii) the Final Redemption Amount of the Notes;
- (iii) the Redemption Amount of the Notes;
- (iv) the Optional Redemption Amount(s) (if any) of the Notes;
- (v) in relation to Zero

Coupon Notes, the Amortised Face Amount (as defined below); and

- (vi) any premium and any other amounts which may be payable by the Issuer under or in respect of the Notes.

Any reference in these Terms and Conditions to interest in respect of the Notes shall be deemed to include, as applicable, any additional amounts which may be payable with respect to interest under Condition 8, except in the case of Interbolsa Notes, or pursuant to any undertakings given in addition thereto or in substitution therefor pursuant to the Trust Deed.

7. Redemption and Purchase

Redemption

The Undated Deeply Subordinated Notes are not subject to mandatory redemption by the Issuer and will only be redeemed in the circumstances referred to under Condition 7, in any case provided that such redemption has been expressly authorised by the Bank of Portugal.

The Issuer may not choose to redeem the Undated Deeply Subordinated Notes (*Issuer Call*) before the fifth anniversary of their issue date other than in the specific circumstances described in paragraphs (a), (b) and (c) below, and in any case provided that the Bank of Portugal has previously approved such redemption.

In the situations specified in this Condition 7 the Undated Deeply Subordinated Notes will be redeemed by the Issuer at their Final Redemption Amount specified in, or determined in the manner specified in, the applicable Final Terms in the relevant Specified Currency on the relevant redemption date. Each Undated Deeply Subordinated Note is undated and accordingly has no final maturity date and is only redeemable or payable in accordance with the following provisions of Condition 7.

(a) Redemption for Tax Reasons

The Undated Deeply Subordinated Notes may be redeemed at the option of the Issuer (subject to the prior consent of the Bank of Portugal) in whole, but not in part, at any time (if this Undated Deeply Subordinated Note is neither a Floating Rate Note nor an Indexed Interest Note) or on any Interest Payment Date (if this Undated Deeply Subordinated Note is either a Floating Rate Note or an Indexed Interest Note), on giving not less than 30 nor more than 60 days' notice to the Agent, the Trustee (except in respect of Interbolsa Notes), the Common Representative (in respect of Interbolsa Notes) and in accordance with Condition 14, the Noteholders (which notice shall be irrevocable), if the Issuer satisfies the Trustee (except in respect of Interbolsa Notes), the Common Representative (in respect of Interbolsa Notes only) and the Portuguese Paying Agent immediately prior to the giving of such notice that:

- (i) on the occasion of the next payment due in respect of the Notes, the Issuer has or will become obliged to pay additional amounts as provided or referred to in Condition 8 as a result of any change in, or amendment to, the laws or regulations of the Relevant Tax Jurisdiction (as defined in Condition 8) or any change in the application or official interpretation of such laws or regulations, which change or amendment becomes effective on or after the date on which agreement is reached to issue the first Tranche of the Notes; and

- (ii) such obligation cannot be avoided by the Issuer taking reasonable measures available to it,

provided that no such notice of redemption shall be given earlier than 90 days prior to the earliest date on which the Issuer would be obliged to pay such additional amounts were a payment in respect of the Notes then due.

Prior to the publication of any notice of redemption pursuant to this Condition, the Issuer shall deliver to the Trustee (in respect of any Undated Deeply Subordinated Note other than an Interbolsa Note) or to the Portuguese Paying Agent and the Common Representative (in respect of Interbolsa Notes only) a certificate signed by two Directors of the Issuer stating that the Issuer is entitled to effect such redemption and setting forth a statement of facts showing that the conditions precedent to the right of the Issuer so to redeem have occurred, and an opinion of independent legal advisers of recognised standing to the effect that the Issuer has or will become obliged to pay such additional amounts as a result of such change or amendment. The Trustee or, as the case may be the Agent and the Common Representative shall be entitled to accept such certificate and

opinion as sufficient evidence of the satisfaction of such conditions precedent in which event they shall be conclusive and binding on the Noteholders, the Receiptholders and the Couponholders.

Undated Deeply Subordinated Notes redeemed pursuant to this Condition 7(a) will be redeemed at their Redemption Amount referred to in paragraph (d) below together (if appropriate) with interest accrued to (but excluding) the date of redemption.

(b) Redemption at the Option of the Issuer (Issuer Call)

If Issuer Call is specified in the applicable Final Terms, the Issuer may (subject to the prior consent of the Bank of Portugal and other than during the first five years following the issue date of the Undated Deeply Subordinated Notes, or, if prior to such date, provided that the Bank of Portugal has expressly confirmed its understanding that the relevant Tranche of Undated Deeply Subordinated Notes being redeemed is replaced with another Tranche which in the opinion of the Bank of Portugal satisfies at least the same requirements as the Redeemed Notes in terms of eligibility as Tier 1 capital of the Issuer), having given:

- (i) not less than 30 nor more than 60 days' notice to the Noteholders in accordance with Condition 14; and
- (ii) not less than 15 days before the giving of the notice referred to in (i), notice to the Agent and (except in the case of Interbolsa Notes) the Trustee and (in respect of Interbolsa Notes) to the Common Representative;

(which notices shall be irrevocable and shall specify the date fixed for redemption), redeem all or some only (as specified in the applicable Final Terms) of the Undated Deeply Subordinated Notes then outstanding on any Optional Redemption Date and at the Optional Redemption Amount(s) specified in, or determined in the manner specified in, the applicable Final Terms together, if appropriate, with interest accrued to (but excluding) the relevant Optional Redemption Date, without prejudice to the provisions relating to Interest Cancellation Events. Any such redemption must be of a nominal amount equal to the Minimum Redemption Amount or a Higher Redemption Amount. In the case of a partial redemption of Notes, the Notes to be redeemed (**Redeemed Notes**) will be selected (i) individually by lot, in the case of Redeemed Notes represented by definitive Notes, (ii) for Notes other than Interbolsa Notes in accordance with the rules of Euroclear and/or Clearstream, Luxembourg (to be reflected in the records of Euroclear and Clearstream, Luxembourg as either a pool factor or a reduction in nominal amount, at their discretion), in the case of Redeemed Notes represented by a Global Note or a Global Certificate, not more than 30 days prior to the date fixed for redemption (such date of selection being hereinafter called the **Selection Date**) and (iii) in accordance with the rules of Interbolsa, in the case of Redeemed Notes that are Interbolsa Notes. In the case of Redeemed Notes represented by definitive Notes, a list of the serial numbers of such Redeemed Notes will be published in accordance with Condition 14 not less than 15 days prior to the date fixed for redemption. No exchange of the relevant Global Note will be permitted during the period from (and including) the Selection Date to (and including) the date fixed for redemption pursuant to this paragraph (b) and notice to that effect shall be given by the Issuer to the Noteholders in accordance with Condition 14 at least 15 days prior to the Selection Date.

For the avoidance of doubt, BESI will not be able to exercise an Issuer Call within the five years subsequent to the issue date of the Undated Deeply Subordinated Notes other than with the prior approval of the Bank of Portugal, such approval being conditional upon the Bank of Portugal confirmation that the relevant Tranche of Undated Deeply Subordinated Notes being redeemed is replaced with another Tranche which in the opinion of the Bank of Portugal satisfies at least the same requirements as the Redeemed Notes in terms of eligibility as Tier 1 capital of BESI.

(c) Redemption for reason of Disqualification as Original Own Funds

If a Disqualification as Original Own Funds Event has occurred and is continuing, the Undated Deeply Subordinated Notes will be redeemed on any date, at the Issuer's option, by giving not less than 30 nor more than 60 days' notice to the holders and subject to the prior consent of the Bank of Portugal. In such circumstances the Undated Deeply Subordinated Notes will be redeemed at their nominal amount, together (if appropriate) with interest accrued to (but excluding) the date of redemption.

"Disqualification as Original Own Funds Events" means any change (i) in any applicable law or regulations, or (ii) in the application or official interpretation of such laws or regulations, as a result of which the Executive Committee of BESI decides, or the Bank of Portugal either publicly or by means of individual notification to BESI determines, that for the purposes of the Own Funds Requirements Regulations the Undated Deeply Subordinated Notes are no longer eligible as Tier 1 Capital for BESI.

(d) Redemption Amounts

For the purpose of paragraph (a), (b) and (c) above, each Note will be redeemed at its Redemption Amount which shall be as specified in the applicable Final Terms.

(e) Purchases

BESI or any of the companies included in the same group as BESI (either BESI subsidiaries, the parent company (ESFG) or any other companies included for accounting purposes within ESFG consolidated perimeter) may, subject to the prior consent of the Bank of Portugal, at any time purchase Notes (provided that, in the case of Definitive Notes, all unmatured Receipts, Coupons and Talons appertaining thereto are purchased therewith) at any price in the open market or otherwise. Such Notes may be held, reissued, resold or, at the option of the Issuer, surrendered to any Paying Agent for cancellation. In accordance with the existing Own Funds Requirements Regulations and the related executing measures recognized by the Bank of Portugal, BESI and any of the companies included in the same group as BESI (either BESI subsidiaries, the parent company (ESFG) or any other companies included for accounting purposes within ESFG consolidated perimeter) are currently not allowed to hold Undated Deeply Subordinated Notes in excess of the lower of: a) 10 per cent. of a specific issue amount, and b) 3 per cent. of all issues of Undated Deeply Subordinated Notes outstanding, or c) any other specific thresholds which are recognized by the Bank of Portugal in the future.

(f) Cancellation

All Global Notes and definitive Notes which are redeemed will forthwith be cancelled (together with all unmatured Receipts and Coupons attached thereto or surrendered therewith at the time of redemption). All Global Notes and definitive Notes so cancelled and all Global Notes and definitive Notes purchased and cancelled pursuant to paragraph (e) above (together with all unmatured Receipts and Coupons cancelled therewith) shall be forwarded to the Agent and cannot be reissued or resold.

All Interbolsa Notes which are (a) redeemed or (b) purchased by or on behalf of the Issuer or any of the companies included in the same group as the Issuer (either BESI subsidiaries, the parent company (ESFG) or any other companies included for accounting purposes within ESFG consolidated perimeter) will forthwith be cancelled by Interbolsa following receipt by Interbolsa of notice thereof by the Portuguese Paying Agent, and accordingly such Interbolsa Notes may not be held, reissued or resold and shall not entitle the holder to vote at any meetings of the Noteholders and shall not be deemed to be outstanding for the purposes of calculating quorums at meetings of the Noteholders or for the purposes of Condition 15 or the Agency Agreement, as amended by the Interbolsa Notes Agency Agreement.

8. Taxation

All payments of principal and interest in respect of the Notes, Receipts and Coupons by the Issuer will be made without withholding or deduction for, or on account of, any present or future taxes, duties, assessments

or governmental charges of whatever nature imposed or levied by or on behalf of a Relevant Tax Jurisdiction (as defined below) unless such withholding or deduction is required by law. In the event that the Issuer or any person acting on its behalf is required by law to make any such withholding or deduction, the Issuer will pay such additional amounts as shall be necessary in order that the net amounts received by the holders of the Notes, Receipts or Coupons after such withholding or deduction shall equal the respective amounts of principal and interest which would otherwise have been receivable in respect of the Notes, Receipts or Coupons, as the case may be, in the absence of such withholding or deduction; except that no such additional amounts shall be payable with respect to any Note, Receipt or Coupon:

- (i) presented (or in respect of which the Registered Certificate representing it is presented) for payment in the Relevant Tax Jurisdiction; or
- (ii) presented (or in respect of which the Registered Certificate representing it is presented) for payment by or on behalf of a Noteholder, Receiptholder or Couponholder who is liable for such taxes, duties, assessments or governmental charges in respect of such Note, Receipt or Coupon by reason of his having some connection with the Relevant Tax Jurisdiction other than the mere holding of such Note, Receipt or Coupon; or
- (iii) in the case of Bearer Notes and Registered Notes (other than Interbolsa Notes) presented (or in respect of which the Registered Certificate representing it is presented) for payment more than 30 days after the Relevant Date (as defined below) except to the extent that the holder thereof would have been entitled to an additional amount on presenting the same for payment on the expiry of such period of 30 days assuming that day to have been a Payment Day (as defined in Condition 6(h)); or
- (iv) in the case of Bearer Notes and Registered Notes (other than Interbolsa Notes) presented (or in respect of which the Registered Certificate representing it is presented) for payment by or on behalf of a Noteholder, Receiptholder or Couponholder who is or was able to avoid such withholding or deduction by presenting any form or certificate or by making a declaration of non-residence or other claim for exemption; or
- (v) in the case of Interbolsa Notes, presented for payment by or on behalf of a Noteholder, Receiptholder or Couponholder in respect of whom the information and documentation (which may include certificates) required in order to comply with Portuguese Decree-Law 193/2005 of 7th November, 2005, as amended, and any implementing legislation, is not received before the Income Payment Date (as defined below); or
- (vi) in the case of Interbolsa Notes, presented for payment by or on behalf of a Noteholder, Receiptholder or Couponholder resident for tax purposes in the Republic of Portugal or any political subdivision or any authority thereof or therein having power to tax or a resident in a tax haven jurisdiction as defined in Order 150/2004, of 13th February, 2004 (Portaria do Ministério das Finanças e da Administração Pública no. 150/2004) as amended from time to time, issued by the Portuguese Minister of Finance and Public Administration, with the exception of central banks and governmental agencies of those blacklisted jurisdictions, or a non-resident legal entity held, directly or indirectly, in more than 20 per cent. by entities resident in the Republic of Portugal; or
- (vii) in the case of Interbolsa Notes, presented for payment by or on behalf of a Noteholder, Receiptholder or Couponholder which is (i) a Portuguese resident legal entity subject to Portuguese corporate income tax (with the exception of entities that benefit from a waiver of Portuguese withholding tax or from Portuguese income tax exemptions), or (ii) a legal entity not

resident in the Portuguese territory acting with respect to the holding of the Notes through a permanent establishment in Portuguese territory, or

- (viii) where such withholding or deduction is imposed on a payment to an individual and is required to be made pursuant to European Council Directive 2003/48/EC on the taxation of savings income or any law implementing or complying with, or introduced in order to conform to, such Directive;
- (ix) presented for payment by or on behalf of a holder who would be able to avoid such withholding or deduction by presenting the relevant Note, Receipt or Coupon to another Paying Agent in a Member State of the European Union;
- (x) where the Relevant Tax Jurisdiction is Ireland, where such Note (or such Note to which a Receipt or Coupon relates):
 - (a) is an unlisted Note; or
 - (b) is not an Exempted Wholesale Debt Instrument (as defined in the Irish Taxation section of this Offering Circular); or
 - (c) the beneficial owner of that Note is not either of:
 - (A) a body corporate resident in an EU Member State or in a territory that has concluded a double taxation treaty with Ireland that is either in effect or has been concluded but not made effective that does not hold the Note in connection with an Irish branch or agency of that body corporate; or
 - (B) a person entitled to avail of the terms of a double taxation treaty with Ireland that exempts from Irish tax the interest income on the Note for that person and who has performed the required procedures whereby the Issuer has obtained an authorisation from the Irish Revenue Commissioners to make payments on the Note to that person without deduction of Irish tax and such authorisation applied at the date on which the relevant interest payment was made; or
- (xi) where the Relevant Tax Jurisdiction is the United States, on account of any tax, assessment or governmental charge that would not have been imposed but for the existence of any present or former connection between such holder (or between a fiduciary, settlor, beneficiary, member or shareholder of, or holder of a power over, such holder, if such holder is an estate, trust, partnership or corporation) and the United States, including, without limitation, such holder (or fiduciary, settlor, beneficiary, member, shareholder or holder of a power) being considered as:
 - (A) being or having been present or engaged in a trade or business in the United States or having or having had a permanent establishment therein;
 - (B) having a current or former relationship with the United States, including a relationship as a citizen or resident or being treated as a resident thereof;
 - (C) being or having been a controlled foreign corporation or a passive foreign investment company, each as defined for United States Federal income tax purposes, a corporation that has accumulated earnings to avoid United States Federal income tax, or a private foundation or other tax-exempt organisation; or
 - (D) a “10-per cent shareholder” of the Issuer as defined in Section 871(h)(3)(B) of the United States Internal Revenue Code of 1986, as amended (the **Code**);

- (xii) where the Relevant Tax Jurisdiction is the United States and the Note is a Registered Note, any tax, assessment or governmental charge that would not have been imposed or withheld but for the failure of the holder, if required, to comply with certification, identification or information reporting or any other requirements under United States income tax laws and regulations, without regard to any tax treaty, with respect to the payment, concerning the nationality, residence, identity or connection with the United States of the holder or a beneficial owner of such Note, Receipt or Coupon, if such compliance is required by United States income tax laws and regulations, without regard to any tax treaty, as a precondition to relief or exemption from such tax, assessment or governmental charge; or
- (xiii) where the relevant tax, duty, assessment or other governmental charge is payable otherwise than by withholding or deduction from payments of (or in respect of) principal of or any premium or interest on any of the Notes, or is any estate, inheritance, gift, sale, transfer, personal property or similar tax, duty, assessment or other governmental charge.

Additionally, no additional amounts shall be payable in the case of a Note issued by BESI's New York branch to any holder who is a fiduciary or a partnership or other than the sole beneficial owner of the Note, Receipt or Coupon to the extent that such payment would be required by the laws of the United States to be included in the income for tax purposes of the beneficiary or settlor with respect to such fiduciary or member of such partnership or beneficial owner who itself would not have been entitled to a payment of additional amounts had it been the direct holder of such Note.

As used herein:

- (i) **Relevant Date** means the date on which such payment first becomes due, except that, if the full amount of the moneys payable has not been duly received by the Agent or (other than in the case of Interbolsa Notes) the Trustee on or prior to such due date, it means the date on which, the full amount of such moneys having been so received, notice to that effect is duly given to the Noteholders in accordance with Condition 14;
- (ii) **Relevant Tax Jurisdiction** means:
 - (a) Ireland in the case of ESIP Notes;
 - (b) Portugal in the case of BESI Notes issued through BESI's head office;
 - (c) Portugal and the United Kingdom in the case of BESI Notes issued through its London branch; and
 - (d) Portugal and the United States in the case of BESI Notes issued through its New York branch,or, in any such case, any political subdivision or any authority thereof or therein having power to tax;
- (iii) **Noteholder** or **holder** means, in the case of Interbolsa Notes, the holder of the Interbolsa Notes who is the effective beneficiary of the income arising thereto; and
- (iv) **United States** means the United States of America, the Commonwealth of Puerto Rico and each possession of the United States of America and place subject to its jurisdiction.

9. Prescription

The Global Notes, definitive Notes, Receipts and Coupons will become void unless presented for payment within a period of 10 years (in the case of principal) and five years (in the case of interest) after the Relevant Date (as defined in Condition 8) therefor.

There shall not be included in any Coupon sheet issued on exchange of a Talon any Coupon the claim for payment in respect of which would be void pursuant to this Condition or Condition 6(b) or any Talon which would be void pursuant to Condition 6(b).

Claims for principal and interest in respect of the Interbolsa Notes shall become void unless the relevant Certificates are surrendered within 20 years and five years respectively of the Relevant Date.

10. Events of Default relating to Undated Deeply Subordinated Notes

There will be no events of default in respect of the Undated Deeply Subordinated Notes.

11. Replacement of Global Notes, definitive Note, Receipts, Coupons and Talons

Should any Global Note, Global Certificate, definitive Note, Receipt, Coupon or Talon be lost, stolen, mutilated, defaced or destroyed, it may be replaced at the specified office of the Agent (in the case of Bearer Notes, Receipts, Coupons and Talons) and of the Registrar (in the case of Registered Notes) or any other place approved by the Trustee of which notice shall have been published in accordance with Condition 14 upon payment by the claimant of such costs, expenses, taxes and duties as may be incurred in connection therewith and on such terms as to evidence and indemnity as the Issuer may reasonably require. Mutilated or defaced Global Notes, definitive Note, Receipts, Coupons or Talons must be surrendered before replacements will be issued.

12. Agent, Paying Agents, Transfer Agents, Exchange Agent and Registrar

The names of the initial Agent and the other initial Paying Agents, Transfer Agents, Exchange Agent and Registrar and their initial specified offices are set out below.

The Issuer is entitled with the prior written approval of the Trustee, save that such approval will not be required in respect of the Portuguese Paying Agent, to vary or terminate the appointment of any Paying Agent, Transfer Agent, Exchange Agent or Registrar and/or appoint additional or other Paying Agents or Transfer Agents and/or approve any change in the specified office through which any Paying Agent, Transfer Agent, Exchange Agent or Registrar acts, provided that:

- (i) so long as the Notes are listed on any stock exchange or admitted to listing by any other relevant authority, there will at all times be a Paying Agent (which may be the Agent) with a specified office in such place as may be required by the rules and regulations of the relevant stock exchange or such other relevant authority;
- (ii) there will at all times be a Paying Agent with a specified office in a city approved by the Trustee in continental Europe outside each Relevant Tax Jurisdiction (as defined in Condition 8);
- (iii) there will at all times be an Agent;
- (iv) the Issuer undertakes that it will ensure that it maintains a Paying Agent in a Member State of the European Union (other than each Relevant Tax Jurisdiction) that will not be obliged to withhold or deduct tax pursuant to European Council Directive 2003/48/EC or any law implementing or complying with, or introduced in order to conform to, such Directive;
- (v) there will at all times be a Registrar in relation to Registered Notes;

- (vi) there will at all times be a Transfer Agent in relation to Registered Notes; and
- (v) there will at all times be a Paying Agent in Portugal capable of making payment in respect of the Interbolsa Notes as contemplated by these terms and conditions, the Agency Agreement, as amended by the Interbolsa Notes Agency Agreement and applicable Portuguese law and regulation.

In addition, the Issuer shall forthwith appoint a Paying Agent having a specified office in New York City in the circumstances described in the final paragraph of Condition 6(e). Any variation, termination, appointment or change shall only take effect (other than in the case of insolvency, when it shall be of immediate effect) after not less than 30 nor more than 45 days' prior notice thereof shall have been given to the Noteholders in accordance with Condition 14.

13. Exchange of Talons

On and after the Interest Payment Date on which the final Coupon comprised in any Coupon sheet matures, the Talon (if any) forming part of such Coupon sheet may be surrendered at the specified office of the Agent or any other Paying Agent in exchange for a further Coupon sheet including (if such further Coupon sheet does not include Coupons to (and including) the final date for the payment of interest due in respect of the Note to which it appertains) a further Talon, subject to the provisions of Condition 9.

14. Notices

Notices to the holders of Registered Notes shall be mailed to them at their respective addresses in the Register and deemed to have been given on the fourth weekday (being a day other than a Saturday or a Sunday) after the date of mailing and, so long as the Notes are listed on the Irish Stock Exchange, and the rules of that exchange so require, shall be published in a daily newspaper with a general circulation in Ireland (which is expected to be the *Irish Times*). All notices regarding the Bearer Notes shall be published (i) in a leading English language daily newspaper of general circulation in London, (ii) (in respect of any Notes listed on the Irish Stock Exchange (so long as that exchange requires)) in an English language daily newspaper published and circulating nationally in Ireland and (iii) if the Notes are Interbolsa Notes, by registered mail, by publication in a leading newspaper having general circulation in Portugal (which is expected to be *Diário de Notícias*) or by any other way which complies with the Portuguese Securities Code and Interbolsa's rules on notices to investors, including the disclosure of information through the CMVM (the Portuguese Securities Market Commission) official website (www.cmvm.pt). It is expected that any publication under (i) and (ii) above will be made in the *Financial Times* in London and *The Irish Times* in Dublin. The Issuer shall also ensure that notices are duly published in a manner which complies with the rules and regulations of any stock exchange or other relevant authority on which the Notes are for the time being listed or by which they are admitted to trading. Any such notice will be deemed to have been given on the date of the first publication or, where required to be published in more than one newspaper, on the date of the first publication in each such newspaper or where published in such newspapers on different dates, the last date of such first publication.

Until such time as any Definitive Notes are issued, there may (provided that, in the case of Notes listed on a stock exchange or admitted to trading by another relevant authority, such stock exchange or other relevant authority permits), so long as the Global Note(s) is or are held in its/their entirety on behalf of Euroclear and Clearstream, Luxembourg, be substituted for such publication in such newspaper(s) the delivery of the relevant notice to Euroclear and Clearstream, Luxembourg for communication by them to the holders of the Notes. Any such notice shall be deemed to have been given to the holders of the Notes on the seventh day after the day on which the said notice was given to Euroclear and Clearstream, Luxembourg.

Notices to be given by any holder of the Notes shall be in writing and given by lodging the same with the Portuguese Paying Agent in the case of Interbolsa Notes and by lodging the same, together with the relative Note or Notes, with the Agent in the case of Bearer Notes or, together with the relative Registered Certificate or

Registered Certificates, with the Registrar in the case of the Registered (other than Interbolsa Notes). Whilst any of the Notes is represented by a Global Note, such notice may be given by any holder of a Note to the Agent via Euroclear and/or Clearstream, Luxembourg, as the case may be, in such manner as the Agent and Euroclear and/or Clearstream, Luxembourg, as the case may be, may approve for this purpose.

Any holder of an Interbolsa Note may give notice to the Portuguese Paying Agent and the Agent through Interbolsa in such manner as the Portuguese Paying Agent, the Agent and Interbolsa may approve for this purpose.

15. Meetings of Noteholders, Modification and Waiver

(a) Meetings in respect of Notes other than Interbolsa Notes

This Condition 15(a) does not apply to Interbolsa Notes. The Trust Deed contains provisions for convening meetings of the Noteholders to consider any matter affecting their interests, including modification by an Extraordinary Resolution of the Noteholders of any of these Terms and Conditions or any of the provisions of the Notes, the Receipts, the Coupons or the Trust Deed, provided that (i) the modification of certain of these Terms and Conditions and certain of the provisions of the Notes, the Receipts, the Coupons or the Trust Deed (concerning *inter alia* the date of maturity of the Notes or any date for payment of interest thereon, the amount of principal or the rate of interest payable in respect of the Notes, the currency of payment of the Notes, Receipts or Coupons or the status and, if applicable, subordination of the Notes or certain provisions of the Trust Deed) may only be made at a meeting at which the necessary quorum will be one or more persons holding or representing not less than two-thirds in nominal amount of the Notes for the time being outstanding, or at any adjourned such meeting one or more persons holding or representing not less than one-third in nominal amount of the Notes for the time being outstanding, and (ii) any modification of any of these Terms and Conditions or any of the provisions of the Notes, the Receipts, the Coupons or the Trust Deed that the Issuer, in its absolute discretion, believes would or might cause the Notes to cease to be eligible as Tier 1 Capital of the Issuer (or to cease to be eligible for such other regulatory capital treatment as may apply to such Notes immediately prior to any such modification) may only be made with the prior consent of the Bank of Portugal and shall not take effect until such consent is obtained. An Extraordinary Resolution passed at any meeting of the Noteholders shall be binding on all the Noteholders, whether present or not, and on all Receiptholders and Couponholders.

The Trust Deed provides that the Trustee may agree, without the consent of the Noteholders, Receiptholders or Couponholders, to any modification, or to any waiver or authorisation of any breach or proposed breach, of any of these Terms and Conditions or any provision of the Trust Deed or the Notes, Receipts or Coupons or determine that any Event of Default or Potential Event of Default (as defined in the Trust Deed) which, in the opinion of the Trustee, is not materially prejudicial to the interests of the Noteholders shall not be treated as such. The Trustee may also agree without such consent to any modification of any of these Terms and Conditions or any provision of the Trust Deed or the Notes, Receipts or Coupons which, in the opinion of the Trustee, is made to correct a manifest error or which is of a formal, minor or technical nature.

In connection with the exercise by it of any of its trusts, powers, authorities or discretions (including, but without limitation, any modification, waiver or authorisation), the Trustee shall have regard to the general interests of the Noteholders as a class but shall not have regard to any interests arising from circumstances particular to individual Noteholders, Receiptholders or Couponholders (whatever their number) and, in particular, but without limitation, shall not have regard to the consequences of such exercise for individual Noteholders, Receiptholders and Couponholders (whatever their number) resulting from their being for any purpose domiciled or resident in, or otherwise connected with, or subject to the jurisdiction of, any particular territory and the Trustee shall not be entitled to require, nor shall any Noteholder, Receiptholder or Couponholder be entitled to claim, from the Issuer or any other person any indemnification or payment in respect of any tax consequence of any such exercise upon individual Noteholders, Receiptholders or

Couponholders except to the extent already provided for in Condition 8 and/or any undertaking given in addition to, or in substitution for, Condition 8 pursuant to the Trust Deed.

Any such modification, waiver or authorisation shall be binding on the Noteholders, Receiptholders and Couponholders and, unless the Trustee agrees otherwise, any such modification shall be notified to the Noteholders as soon as practicable thereafter in accordance with Condition 14.

Nothing in these Terms and Conditions or the Trust Deed shall require the Trustee to have regard to the interests of Noteholders insofar as those interests arise by virtue of a holding of Interbolsa Notes. For the avoidance of doubt, without prejudice to any rights assumed under Notes which are not Interbolsa Notes, a holder of Interbolsa Notes shall neither, by virtue of such holding of Interbolsa Notes, count towards a quorum, nor be entitled to vote, in respect of a resolution to amend the Trust Deed.

(b) Meetings in respect of Interbolsa Notes

The remainder of this Condition 15 applies only to Interbolsa Notes.

Meetings

Meetings of the holders of Interbolsa Notes may be convened to consider any matter affecting their interests, including the sanctioning by Extraordinary Resolution of a modification of the terms and conditions of the Notes and the appointment or dismissal of the Common Representative and are governed by the Portuguese Commercial Companies Code enacted by Decree-Law 262/86 of 2nd September, as amended, and by the Common Representative Appointment Agreement. Such meetings may be convened by the Common Representative (if any) or, if no Common Representative has been appointed, or an appointed Common Representative fails to convene a meeting, by the chairman of the general meeting of shareholders of the Issuer, and shall be convened if requested by Noteholders holding not less than 5 per cent. in principal amount of the Notes for the time being outstanding. The quorum required for a meeting convened to pass a resolution other than an Extraordinary Resolution will be any person or persons holding or representing Notes then outstanding, regardless of the principal amount thereof. The quorum required for a meeting convened to pass an Extraordinary Resolution will be a person or persons holding or representing at least 50 per cent. of the Notes then outstanding or, at any adjourned meeting, any person or persons holding or representing any of the Notes then outstanding, regardless of the principal amount thereof. The number of votes required to pass a resolution other than an Extraordinary Resolution is a majority of the votes cast at the relevant meeting. The majority required to pass an Extraordinary Resolution is at least 50 per cent. of the principal amount of the Notes then outstanding or, at any adjourned meeting, two-thirds of the votes cast at the relevant meeting. Resolutions passed at any meeting of the Noteholders will be binding on all Noteholders, whether or not they are present at the meeting or have voted against the approved resolutions.

Dismissal and substitution of the Common Representative

The Noteholders may dismiss and substitute the Common Representative by means of an Extraordinary Resolution passed for such purpose upon the terms and conditions of the Common Representative Appointment Agreement.

Notification

Any modification, abrogation, waiver or authorisation in accordance with this Condition 15 shall be binding on the Noteholders and shall be notified by the Issuer to the Noteholders as soon as practicable thereafter in accordance with Condition 14 (Notices).

Matters required to be approved by Extraordinary Resolution

An Extraordinary Resolution will be required to effect any of the following:

- (i) without prejudice to the provisions of Condition 5, to change any date fixed for payment of principal or interest in respect of the Notes, reduction of the amount of principal or interest due on any date in respect of the Notes or variation of the method of calculating the amount of any payment in respect of the Notes on redemption or maturity;
- (ii) to approve the modification or abrogation of any of the provisions of these Conditions;
- (iii) to approve any amendment of this definition;
- (iv) to waive or authorise and breach or proposed breach of any of these Terms and Conditions; and
- (v) to approve any other matter in respect of which these Conditions require an Extraordinary Resolution to be passed.

Notwithstanding the foregoing, and for the avoidance of doubt, any modification of any of these Terms and Conditions or any of the provisions of the Notes, the Receipts, the Coupons or the Common Representative Appointment Agreement that the Issuer, in its absolute discretion, believes would or might cause the Notes to cease to be eligible as Tier 1 Capital of the Issuer (or to cease to be eligible for such other regulatory capital treatment as may apply to such Notes immediately prior to any such modification) may only be made with the prior consent of the Bank of Portugal and shall not take effect until such consent is obtained.

Matters in the discretion of the Agent and the Issuer

Except for those matters required to be approved by Extraordinary Resolution, the Agent, the Common Representative and the Issuer may agree, without the consent of the Noteholders, to: (i) any modification of the Notes which is not materially prejudicial to the interests of the Noteholders; or (ii) any modification of the Notes which is of a formal, minor or technical nature or is made to correct a manifest error or to comply with mandatory provisions of the law of the jurisdiction in which the Issuer is incorporated. Any such modification shall be binding on the Noteholders and shall be notified to the Noteholders in accordance with Condition 14 as soon as practicable thereafter.

16. Further Issues

The Issuer shall be at liberty from time to time without the consent of the Noteholders, Receiptholders or Couponholders to create and issue further notes having terms and conditions the same as the Notes or the same in all respects save for the amount and date of the first payment of interest thereon and so that the same shall be consolidated and form a single Series with the outstanding Notes.

17. Indemnification

The Trust Deed contains provisions governing the responsibility of the Trustee and providing for its indemnification in certain circumstances including provisions relieving it, unless indemnified or secured (whether by payment in advance or otherwise) to its satisfaction, from taking proceedings to enforce repayment. The Trustee shall be entitled to enter into business transactions with the Issuer and/or any Subsidiary of the Issuer without accounting for any profit resulting therefrom.

18. Disapplication of Contracts (Rights of Third Parties) Act 1999

This Condition applies if the Notes are governed by English law. No person shall have any right to enforce any term or condition of this Note under the Contracts (Rights of Third Parties) Act 1999, but this does not affect any right or remedy of a third party which exists or is available apart from that Act.

19. Governing Law and Submission to Jurisdiction

The Trust Deed, the Notes other than Interbolsa Notes, the Receipts and the Coupons (and any non-contractual obligations arising out of or in connection with them) are governed by, and shall be construed in accordance with, English law except that Condition 3 (a) (*Status and Subordination of the Undated Deeply Subordinated Notes*); Condition 3 (c) (*Loss Absorption*); the first paragraph of Condition 5; Condition 5 (d) (*Interest Cancellation*); Condition 5 (e) (*Accrual of Interest*) and Condition 7 (*Redemption*) and the equivalent provisions of the Trust Deed are governed by, and shall be construed in accordance with, Portuguese law, and Interbolsa Notes, the Agency Agreement, in respect of the Interbolsa Notes, to the extent amended by the Interbolsa Notes Agency Agreement and the Common Representative Appointment Agreement (and any non-contractual obligations arising out of or in connection with them) are governed by and shall be construed in accordance with Portuguese law.

The Issuer has in the Trust Deed irrevocably agreed for the benefit of the Trustee, the Noteholders, the Receiptholders and the Couponholders that the courts of England are to have jurisdiction to settle any disputes which may arise out of or in connection with the Trust Deed, the Notes, other than Interbolsa Notes, the Receipts and/or the Coupons and that accordingly any suit, action or proceedings arising out of or in connection therewith (together referred to as **Proceedings**) may be brought in such courts.

The Issuer has in the Trust Deed irrevocably and unconditionally waived and agreed not to raise any objection which it may have now or hereafter to the laying of the venue of any Proceedings in any such court and any claim that any such Proceedings have been brought in an inconvenient forum and has further irrevocably and unconditionally agreed that a judgment in any such Proceedings brought in the English courts shall be conclusive and binding upon it and may be enforced in the courts of any other jurisdiction. Nothing contained in this Condition shall limit any right to take Proceedings against the Issuer in any other court of competent jurisdiction, nor shall the taking of Proceedings in one or more jurisdictions preclude the taking of Proceedings in any other jurisdiction, whether concurrently or not.

The Issuer agrees for the exclusive benefit of the Noteholders that the courts of Portugal are to have jurisdiction to settle any disputes which may arise out of or in connection with the Common Representative Appointment Agreement and/or the Interbolsa Notes and that accordingly any suit action or proceedings (together referred to as **Proceedings in Respect of Interbolsa Notes**) arising out of or in connection with the Common Representative Appointment Agreement and/or the Interbolsa Notes may be brought in such courts.

The Issuer has in the Trust Deed appointed Banco Espírito Santo, London Branch to accept service of process in England in connection with any Proceedings, and has undertaken that, in the event of Banco Espírito Santo, London Branch ceasing so to act, it will appoint such other person as the Trustee may approve as its agent for that purpose.

21. Common Representative

In the case of Interbolsa Notes, the holders of the Notes shall at all times be entitled to appoint and dismiss a Common Representative by means of an Extraordinary Resolution and pursuant to the Common Representative Appointment Agreement. Upon the appointment of a new Common Representative by the holders of the Notes pursuant to this Condition, any previously appointed and dismissed Common Representative will immediately cease its engagement and will be under the obligation immediately to transfer to the new Common Representative appointed by the holders of the Notes all documents and information then held by such Common Representative pertaining to the Notes.”

(...)

11. In the Section entitled “Description of BESI” in the Offering Circular

a) On page 103 under the subtitle “Espírito Santo Investimentos, S.A.” the last sentence shall be read as follows:

“In 2009 BESI Brazil increased its share capital: in April, from R\$150,000,000 to R\$200,000,000 and in November to R\$ 300,000,000.84.”

b) On page 104 under the subtitle “Recent Developments”, 1st paragraph, shall be read as follows:

“At the beginning of 2008, BESI announced the acquisition by ESSI – Sociedade Gestora de Participações Sociais, S.A. (**ESSI**), a company totally owned by BESI, for €35.5 million, of 9.95% of Evolution Group, Plc. (**EVG**), a UK based investment bank specialised in Brokerage and Capital Markets activities, present in the UK, U.S. and Asia. In November 2009, ESSI – Sociedade Gestora de Participações Sociais, S.A. sold 9.6% of the share capital of EVG.”

c) On page 104 a new paragraph shall be included after the last paragraph as follows:

“In February 2010, BESI announced that it had agreed terms with the Board of Directors of Execution Holdings Limited, now known as Execution Noble (**Execution Noble**), the international investment banking group, of a recommended offer for BESI to acquire a 50.1% stake in Execution Noble. The combined group provides the foundation for a new international leader in integrated investment banking services, with a significant distribution platform and presence in key emergent markets, including Brazil and India. It will offer a full range of product strengths in: corporate finance / M&A; capital markets; corporate broking; research; corporate access; equities, derivatives and fixed income sales and trading.

Completion of the offer is subject to obtaining the necessary regulatory consents and the satisfaction or waiver of a number of other conditions customary in an offer of this sort.”