

## APPLICABLE FINAL TERMS

18<sup>th</sup> of October 2010

**BANCO ESPÍRITO SANTO DE INVESTIMENTO, S.A.**

(acting through its Head Office)

**€ 50,000,000 Undated Deeply Subordinated Notes (the "Notes")**

**issued pursuant to the €2,500,000,000 Euro Medium Term Note Programme**

The Offering Circular referred to below (as completed by these Final Terms) has been prepared on the basis that, except as provided in sub-paragraph (ii) below, any offer of Notes in any Member State of the European Economic Area which has implemented the Prospectus Directive (2003/71/EC) (each, a **Relevant Member State**) will be made pursuant to an exemption under the Prospectus Directive, as implemented in that Relevant Member State, from the requirement to publish a prospectus for offers of the Notes. Accordingly any person making or intending to make an offer of the Notes may only do so:

- (i) in circumstances in which no obligation arises for the Issuer or any Dealer to publish a prospectus pursuant to Article 3 of the Prospectus Directive or supplement a prospectus pursuant to Article 16 of the Prospectus Directive, in each case, in relation to such offer; or
- (ii) in those Public Offer Jurisdictions mentioned in Paragraph 35 of Part A below, provided such person is one of the persons mentioned in Paragraph 35 of Part A below and that such offer is made during the Offer Period specified for such purpose therein.

Neither the Issuer nor any Dealer has authorised, nor do they authorise, the making of any offer of Notes in any other circumstances.

### PART A – CONTRACTUAL TERMS

Terms used herein shall be deemed to be defined as such for the purposes of the Terms and Conditions of the Undated Deeply Subordinated Notes (the **Conditions**) set forth in the Offering Circular dated 21 July, 2010. 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 21 July 2010 which constitutes a base prospectus for the purposes of the Prospectus Directive (Directive 2003/71/EC) (the **Prospectus Directive**). 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 21 July 2010. Copies of such Offering Circular are available for viewing at [www.esinvestment.com](http://www.esinvestment.com) and during normal business hours at Edifício Quartz, Rua Alexandre Herculano, 38 1269-161 Lisboa, Portugal and copies may be obtained at the same address. Full information on the Issuer and the offer of the Notes is only available on the basis of the combination of these Contractual Terms and the Offering Circular.

<b>1. Issuer:</b>	Banco Espírito Santo de Investimento, S.A. (acting through its head office)
<b>2. (i) Series Number:</b>	502
<b>3. Specified Currency or Currencies:</b>	EUR
<b>4. Aggregate Nominal Amount:</b>	EUR 50,000,000
<b>5. (i) Issue Price:</b>	100 per cent. of the Aggregate Nominal Amount
<b>(ii) Net Proceeds:</b>	EUR 50,000,000
<b>6. (a) Specified Denominations:</b>	EUR 1,000
<b>(b) Calculation Amount:</b>	EUR 1,000, subject to Condition 3 (c) (" <i>Loss Absorption</i> ")
<b>7. (i) Issue Date:</b>	20 October 2010
<b>(ii) Interest Commencement Date:</b>	Issue date subject to Condition 5 (d) (" <i>Interest Cancellation</i> "). See page 99 of the Offering Circular for further details.



Subject to Condition 5 (d) ("*Interest Cancellation*") means that the Issuer will 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 in the following circumstances:

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.

(each an "Interest Cancellation Event").

In addition, the payment of interest when no Interest Cancellation Event has occurred is conditional upon, and dependent on, a discretionary decision of BESI, and 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.

**8. Maturity Date:**

Not Applicable

**9. Interest Basis:**

Subject to Condition 5 (d) ("*Interest Cancellation*"), fixed rate of 8.5 per cent. per annum payable semi-annually in arrears.

**10. Redemption/Payment Basis:**

Redemption (if applicable) at par. Subject to Condition 3 (c) ("*Loss Absorption*"). See page 92 of the Offering Circular for further details. Subject to Condition 3 (c) ("*Loss Absorption*") means that the nominal amount of the Undated Deeply Subordinated Notes will be reduced as may be necessary to absorb the losses of BESI, since the Notes will be available and may be used to absorb any losses of BESI, in order to allow BESI to continue its business activities.



The reduction of the nominal amount of the Notes will be made in proportion to BESI's equity including the Undated Deeply Subordinated Notes and other instruments also eligible to Tier 1 Capital subject to limits and on a *pari passu* basis, further to a decision of the competent corporate body of BESI or a direction received from the Bank of Portugal and will take place 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.

Notwithstanding any other provision, the nominal amount of each Undated Deeply Subordinated Note shall never be reduced to an amount lower than €0.01. 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 with the approval of the Bank of Portugal and 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 foregoing, 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.

**11. Change of Interest Basis or Redemption/Payment Basis:**

**12. Put/Call Options:**

Not Applicable.

Issuer Call, subject to Condition 7 (b) ("*Redemption at the Option of the Issuer (Issuer Call)*"). See page 104 of the Offering Circular for further details. Subject to Condition 7 (b) means that the Issuer may only redeem the Notes under the terms of such Condition 7 (b), i.e., 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 Notes being redeemed are 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.

13. Status of the Notes: Undated Deeply Subordinated Notes
14. Method of distribution: Non-syndicated
15. Governing Law: English law except that Conditions 3 (a), 3 (c), first paragraph of condition 5, 5 (d), 5 (e) and 7 shall be governed by Portuguese Law

#### PROVISIONS RELATING TO INTEREST (IF ANY) PAYABLE

16. Fixed Rate Note Provisions: Applicable
- (i) Rate(s) of Interest: 8.5 per cent. per annum payable semi-annually in arrears subject to Condition 5 (d) ("*Interest Cancellation*").
- (ii) Interest Payment Date(s): Interest will be paid semi-annually on 20 April and 20 October, subject in each case to adjustment in accordance with the Following Business Day Convention and subject to Condition 5 (d) ("*Interest Cancellation*")
- (iii) Fixed Coupon Amount(s): Not Applicable
- (iv) Broken Amount(s): Not Applicable
- (v) Fixed Day Count Fraction: 30/360
- (vi) Determination Date(s): Not Applicable
- (vii) Other terms relating to the method of calculating interest for Fixed Rate Notes: None
17. Floating Rate Note Provisions: Not Applicable
18. Zero Coupon Note Provisions: Not Applicable
19. Indexed Note Provisions: Not Applicable
20. Dual Currency Note Provisions: Not Applicable
21. Credit Linked Notes/First to Default: Not Applicable

#### PROVISIONS RELATING TO REDEMPTION

22. Issuer Call: Applicable, subject to Condition 7 (b) and to the prior consent of the Bank of Portugal
- (i) Optional Redemption Date(s): Any Interest Payment Date starting (and including) on the 10<sup>th</sup> Interest Payment Date, subject to the prior consent of the Bank of Portugal
- (ii) Optional Redemption Amount(s) and method, if any, of calculation of such amount(s): 100 per cent. per Calculation Amount, subject to Condition 3 (c) ("*Loss Absorption*").
- (iii) If redeemable in part:
- (a) Minimum Redemption Amount: Not Applicable
- (b) Higher Redemption Amount: Not Applicable
- (iv) Notice period (if other than as set out in the Conditions): Not less than 30 days prior notice to the Noteholders.
23. Investor Put: Not Applicable
24. Final Redemption Amount: Not Applicable
25. Early Redemption Amount of each Note payable: 100 per cent. per Calculation Amount, subject to



on redemption for tax reasons or for reason of Disqualification as Original Own Funds:

Condition 3 (c) ("Loss Absorption").

## GENERAL PROVISIONS APPLICABLE TO THE NOTES

26. (a) Form of Notes:

Dematerialised book-entry (*escriturais*) registered (*nominativas*) form held through Interbolsa

(b) New Global Note:

No

27. Additional Financial Centre(s) or other special provisions relating to Payment Dates:

Business Days for payments: TARGET2 and Lisbon

28. Talons for further Coupons to be attached to Definitive Notes (and dates on which such Talons mature):

No

29. Details relating to Partly Paid Notes:

Not Applicable

amount of each payment comprising the Issue Price and date on which each payment is to be made and consequences (if any) of failure to pay, including any right of the Issuer to forfeit the Notes and interest due on late payment:

30. Details relating to Instalment Notes:

(i) Instalment Amount(s):

Not Applicable

(ii) Instalment Date(s):

Not Applicable

31. Other final terms:

To benefit from the withholding tax exemptions set forth in Decree Law 193/2005 of 7 November 2005, as amended, Beneficiaries shall provide the relevant tax certification in accordance with the procedures and rules as described in "*Portuguese Taxation*" in the Offering Circular. If such tax certifications are not filed and delivered in accordance with Decree Law 193/2005 of 7 November 2005, no gross-up on interest shall be due by the Issuer

## DISTRIBUTION

32. If syndicated, names and addresses of Managers and underwriting commitments:

Not Applicable

33. If non-syndicated, name and address of relevant Dealer:

Banco Espírito Santo de Investimento, S.A.  
Rua Alexandre Herculano, 38  
1269-161 Lisbon, Portugal  
See further Paragraph 10 of Part B below

34. Total commission and concession:

Not Applicable

35. U.S. Selling Restrictions:

TEFRA not applicable

36. Non exempt Offer:

An offer of the Notes may be made by the Dealer, Banco Espírito Santo, S.A. and Banco Electrónico de Serviço Total, S.A. /other parties authorised by the Dealer (together with the Dealer, the **Financial Intermediaries**) other than pursuant to Article 3(2) of the Prospectus Directive in Portugal (**Public Offer Jurisdictions**) during the period from 13 September 2010 until 15 October 2010 (**Offer Period**). See further Paragraph 10 of Part B below.

37. Additional selling restrictions:

Not Applicable

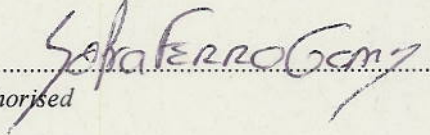
## PURPOSE OF FINAL TERMS

These Final Terms comprise the final terms required for issue and public offer in the Public Offer Jurisdictions and admission to trading on the Irish Stock Exchange and on Euronext Lisbon of the Notes described herein pursuant to the €2,500,000,000 Euro Medium Term Note Programme of Espírito Santo Investment plc. and Banco Espírito Santo de Investimento, S.A.

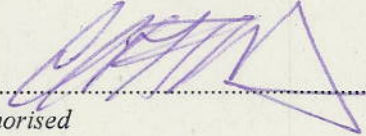
## RESPONSIBILITY

The Issuer accepts responsibility for the information contained in these Final Terms.

Signed on behalf of the Issuer:

By:   
Duly authorised

Sofia Gomes  
Debt Capital Markets Origination  
Associate

By:   
Duly authorised

Carlos Nogueira  
Treasury  
Senior Managing Director



## PART B – OTHER INFORMATION

### 1. LISTING AND ADMISSION TO TRADING

Irish Stock Exchange and Euronext Lisbon  
Application has been made by the Issuer (or on its behalf) for the Notes to be admitted to trading on the Regulated Market of the Irish Stock Exchange and on Euronext Lisbon with effect from 20 October 2010.

### 2. RATINGS

Ratings:

The Notes to be issued have been rated:

S&P: BBB- “p” (preliminary rating subject to the final confirmation by S&P)

### 3. INTERESTS OF NATURAL AND LEGAL PERSONS INVOLVED IN THE ISSUE

Save for any fees payable to the Dealer, so far as the Issuer is aware, no person involved in the issue of the Notes has an interest material to the offer.

### 4. REASONS FOR THE OFFER, ESTIMATED NET PROCEEDS AND TOTAL EXPENSES

(i) Reasons for the offer:

Besides the reasons mentioned in the Offering Circular, to increase the issuer's original own funds (*fundos próprios de base*).

(ii) Estimated net proceeds:

EUR 50,000,000

(iii) Estimated total expenses:

None

### 5. YIELD (*Fixed Rate Notes only*)

Indication of yield:

8.5%

### 6. HISTORIC INTEREST RATES (*Floating Rate Notes only*)

Not applicable.

### 7. PERFORMANCE OF INDEX/FORMULA, EXPLANATION OF EFFECT ON VALUE OF INVESTMENT AND ASSOCIATED RISKS AND OTHER INFORMATION CONCERNING THE UNDERLYING (*Indexed Notes only*)

Not applicable.

### 8. PERFORMANCE OF RATE[S] OF EXCHANGE AND EXPLANATION OF EFFECT ON VALUE OF INVESTMENT (*Dual Currency Notes only*)

Not applicable

### 9. OPERATIONAL INFORMATION

(i) ISIN Code:

PTESSMOM0016

(ii) Common Code:

054059566

(iii) Any clearing system(s) other than Euroclear Bank S.A./N.V. and Clearstream Banking, société anonyme and the relevant identification number(s):

Interbolsa – Sociedade Gestora de Sistemas de Liquidação e de Sistemas Centralizados de Valores Mobiliários, S.A

(iv) Delivery:

Delivery against payment

(v) Names and addresses of additional Paying Agent(s) (if any):

Banco Espírito Santo de Investimento, S.A.

(vi) Intended to be held in a manner which would allow Eurosystem eligibility:

Yes

### 10. TERMS AND CONDITIONS OF THE OFFER

Offer Price:

Issue Price



Period of the offer:	From 13 September 2010 until 15 October 2010 ("Offer Period"). The Offer Period may be closed early if and when the applications received match the Aggregate Nominal Amount of the Notes offered.
Conditions to which the offer is subject:	Not applicable
Description of the application process:	<p>The application process can be made on any of the retail branches of the Financial Intermediaries.</p> <p>The amount of application will depend on the remaining Aggregate Nominal Amount at the time of the application.</p>
Details of the minimum and/or maximum amount of application:	The minimum amount of application is EUR 1,000 and the maximum amount of application is the Aggregate Nominal Amount
Description of possibility to reduce subscriptions and manner for refunding excess amount paid by applicants:	Not applicable
Details of the method and time limits for paying up and delivering the Notes:	Not applicable
Manner in and date on which results of the offer are to be made public:	After the end of the Offer Period, the results of the offer will be published on the CMVM ( <i>Comissão do Mercado de Valores Mobiliários</i> ) website: <a href="http://www.cmvm.pt">www.cmvm.pt</a>
Procedure for exercise of any right of pre-emption, negotiability of subscription rights and treatment of subscription rights not exercised:	Not applicable
Categories of potential investors to which the Notes are offered and whether tranche(s) have been reserved for certain countries:	The Notes will be offered to the general public.
Process for notification to applicants of the amount allotted and the indication whether dealing may begin before notification is made:	The Notes will be allotted at the end of the application process, so the investor is immediately informed of the amount allotted. There will be no dealing before the notification is made.
Amount of any expenses and taxes specifically charged to the subscriber or purchaser:	<p>Expenses: Besides the amount of application there may be other expenses associated with the purchase of the Notes that must be specified by the Financial Intermediaries when the application process takes place.</p> <p>Taxes: Please see the section entitled "<i>Taxation</i>" in the Offering Circular.</p>
Name(s) and address(es), to the extent known to the Issuer, of the placers in the various countries where the offer takes place.	<p>Banco Espírito Santo de Investimento, S.A. Rua Alexandre Herculano, 38 1269-161 Lisboa, Portugal</p> <p>Banco Espírito Santo, S.A. Av. da Liberdade, 195 1250-142 Lisboa, Portugal</p> <p>Banco Electrónico de Serviço Total, S.A. Rua Alexandre Herculano, 38, 4º 1269-161 Lisboa, Portugal</p>