

Listing Particulars dated 4 February 2013

BES Finance Ltd.

(incorporated with limited liability in the Cayman Islands)

U.S.\$450,000,000

3.50 per cent. Guaranteed Exchangeable Bonds due 2015 exchangeable into the common shares of Banco Bradesco S.A.

(incorporated under the laws of Brazil),

unconditionally and irrevocably guaranteed by

Banco Espírito Santo, S.A.

(incorporated with limited liability in Portugal)

(acting through its London branch)

Issue Price: 100.00 per cent.

The U.S.\$450,000,000 3.50 per cent. Guaranteed Exchangeable Bonds due 2015 (the **Bonds**) were issued by BES Finance Ltd. (the **Issuer**) on 6 December 2012 (the **Closing Date**) at an issue price of 100.00 per cent. of their principal amount (the **Issue Price**). The payments of all amounts owing in respect of the Bonds will be unconditionally and irrevocably guaranteed by Banco Espírito Santo, S.A., acting through its London Branch (the **Guarantor**) pursuant to the Trust Deed (as defined herein).

Unless previously exchanged, redeemed or purchased and cancelled, the Bonds will be redeemed by the Issuer on 6 December 2015 (the **Maturity Date**) at 100.00 per cent. of their principal amount. The Bonds are subject to redemption at the option of the Issuer, in whole but not in part only, at their principal amount, together with interest accrued to the date of redemption, at any time if 85 per cent. or more in aggregate principal amount of the Bonds issued have been exchanged, redeemed or purchased and cancelled. In addition, the Issuer may, at its option, redeem all, but not some only, of the Bonds at any time at their principal amount, together with any interest accrued to the date of redemption, in the event of certain tax changes. See “*Terms and Conditions of the Bonds – Redemption and Purchase*”.

The Bonds bear interest from (and including) 6 December 2012 at the rate of 3.50 per cent. per annum payable semi-annually in arrear on 6 June and 6 December in each year, commencing on 6 June 2013. Payments on the Bonds shall be made in U.S. dollars without deduction or withholding for or on account of any Portuguese or Cayman Islands taxes unless required by law. In the event that any such deduction or withholding is required by law, the Issuer or the Guarantor, as the case may be, will pay additional amounts in respect thereof, subject to certain exceptions as described herein. See “*Terms and Conditions of the Bonds – Taxation*”.

Subject to the Bondholders’ right to make, and the Issuer’s right to accept in the circumstances described herein, a Physical Settlement Election (as defined herein), Exchange Rights in the Bonds will be satisfied by the Issuer by payment of the Cash Amount (as defined herein) in exchange for the Bonds at any time on or after 16 January 2013 and up to the close of business on the seventh São Paulo Business Day prior to the Maturity Date or, if such Bond shall have been called for redemption prior to the Maturity Date, then prior to the close of business on the seventh São Paulo Business Day prior to the date fixed for redemption thereof. Exchange Rights in respect of which a Physical Settlement Election is effective will be satisfied by the transfer and delivery to the relevant Bondholder of a pro rata share of the Exchange Property (as defined herein and which shall initially comprise common shares in Banco Bradesco S.A. (the **Bradesco Shares**)), which shall be subject to adjustment pursuant to the Terms and Conditions of the Bonds. See “*Terms and Conditions of the Bonds – Exchange Right*”. The Bradesco Shares are listed on the official list of the São Paulo Stock Exchange and are admitted to trading on the São Paulo Stock Exchange (*Bovespa*). On 31 January 2013, the closing price of the Bradesco Shares on the São Paulo Stock Exchange (*Bovespa*) was BRL 35.39 per Bradesco Share.

These Listing Particulars have been prepared for the purposes of admission of the Bonds to the official list of the Luxembourg Stock Exchange and to trading on the Luxembourg Stock Exchange’s Euro MTF Market (the **Euro MTF Market**) and may be used solely for the purposes for which they have been published.

These Listing Particulars constitute a prospectus for the purposes of the Luxembourg Act dated 10 July 2005 relating to prospectuses for Securities, as amended.

An investment in the Bonds involves certain risks. See “Risk Factors” commencing on page 9 for a discussion of certain factors that should be carefully considered by investors.

None of the Bonds, the Guarantee or the Bradesco Shares to be delivered upon exchange of the Bonds have been or will be registered under the United States Securities Act of 1933, as amended (the **Securities Act**) or with any securities regulatory authority of any other jurisdiction. The Bonds have been offered and sold in offshore transactions outside the United States in reliance on Regulation S (**Regulation S**) under the Securities Act and, except in a transaction exempt from the registration requirements of the Securities Act, may not be offered, sold or delivered within the United States or to or for the benefit of U.S. persons.

The Bonds are initially in the form of a registered global bond (the **Global Bond**), without interest coupons, which was

deposited with and registered in the name of, a nominee for Euroclear Bank S.A./N.V. (**Euroclear**) and Clearstream Banking, *société anonyme* (**Clearstream, Luxembourg**) on the Closing Date. The Global Bond will be exchangeable for definitive registered Bonds, without interest coupons, in the denomination of U.S.\$200,000 and integral multiples of U.S.\$100,000 in excess thereof, only in the limited circumstances set out therein.

Each of the Issuer and the Guarantor accepts responsibility for the information contained in these Listing Particulars with respect to the Issuer, the Guarantor, the BES Group (as defined below) and the Bonds, and, to the best of the knowledge of the Issuer and the Guarantor (each having taken all reasonable care to ensure that such is the case), such information is in accordance with the facts and does not omit anything likely to affect the import of such information.

These Listing Particulars were not prepared in connection with the offering of the Bonds and none of the Lead Managers (as defined below) was involved in the preparation of, or has reviewed or made any investigation or enquiry with respect to, these Listing Particulars. No representation or warranty, express or implied, is made by any of the Lead Managers as to the accuracy, completeness or sufficiency of the information set out or incorporated in these Listing Particulars.

These Listing Particulars should be read and construed with any documents incorporated herein by reference, see “*Documents Incorporated by Reference*”. These Listing Particulars do not constitute an offer of, or an invitation by or on behalf of the Issuer or the Guarantor to subscribe for or purchase any of the Bonds or the Bradesco Shares. Information incorporated by reference in these Listing Particulars relating to Banco Bradesco S.A. (**Bradesco**) and its subsidiaries and subsidiary undertakings taken as a whole (the **Bradesco Group**) and the Bradesco Shares and the information contained under paragraph 12 of the section “*General Information*” (such information, the **Bradesco Information**) comprises and is extracted from documents which are all publicly available. Such documents were not prepared in connection with the offering of the Bonds and none of the Issuer or the Guarantor has made any investigation or enquiry with respect to such documents or the Bradesco Information. None of the Issuer or the Guarantor accepts responsibility for the Bradesco Information. The incorporation by reference of the Bradesco Information shall not create any implication that there has been no change relating to Bradesco, the Bradesco Group or the Bradesco Shares since the date thereof or that the information contained therein is current as at any time subsequent to its date. None of the Issuer or the Guarantor has had access to Bradesco’s books, records or other non-public information. Therefore, information concerning Bradesco, the Bradesco Group or the Bradesco Shares that has not been made public is not available to the Issuer or the Guarantor. None of the Issuer or the Guarantor has been involved in the preparation of the Bradesco Information and, for the foregoing reasons, none of the Issuer or the Guarantor is in a position to verify any such information or pass judgement on its completeness. None of the Issuer or the Guarantor makes any representations or warranties as to the accuracy, completeness or sufficiency of the Bradesco Information.

Bradesco has not participated in the preparation of these Listing Particulars or in establishing the terms of the Bonds. Consequently, there can be no assurance that all events occurring prior to the date hereof (including events that would affect the accuracy or completeness of the publicly available documents referred to above or the Bradesco Information) that would affect the trading price of the Bradesco Shares (and, therefore, the trading price of the Bonds) have been publicly disclosed. Subsequent disclosure of any such events or the disclosure of, or failure to disclose, material future events concerning Bradesco, the Bradesco Group and the Bradesco Shares could affect the trading price of the Bradesco Shares and, consequently, affect the value of the Cash Amount payable upon exchange of the Bonds or the value of the Exchange Property deliverable upon exchange of the Bonds, as the case may be, and, therefore, the trading price of the Bonds.

No person is authorised to give any information or to make any representation not contained in these Listing Particulars and any information or representation not so contained must not be relied upon as having been authorised by or on behalf of the Issuer or the Guarantor. Neither the delivery of these Listing Particulars nor any offer, sale or delivery made in connection with the issue of the Bonds shall, under any circumstance, constitute a representation that there has been no change or development likely to involve a change in the condition (financial or otherwise) of the Issuer, the Guarantor or the BES Group since the date hereof or create any implication that the information contained herein is correct as of any date subsequent to the date hereof or the date as of which that information is stated herein to be given.

Neither the Issuer nor the Guarantor is providing any advice or recommendation in these Listing Particulars on the merits of the purchase, subscription for or investment in the Bonds or the Bradesco Shares or the exercise of any rights conferred by the Bonds or the Bradesco Shares.

These Listing Particulars (including the information incorporated by reference herein) are not intended to provide the basis of any credit or other evaluation and should not be considered as a recommendation by the Issuer, the Guarantor or the Trustee that any recipient of these Listing Particulars should purchase the Bonds. Each potential purchaser of Bonds should determine for itself the relevance of the information set out or incorporated by reference in these Listing Particulars and its purchase of Bonds should be based upon such investigations as it deems necessary.

Unless otherwise specified or the context requires, references to (i) **dollar, Dollar, U.S. dollars** and **U.S.\$** refer to the lawful currency of the United States of America, (ii) **BRL** refers to the lawful currency of Brazil, (iii) **EUR, Euro, euro** and **€** refer to the currency introduced at the start of the third stage of European economic and monetary union pursuant to the Treaty establishing the European Community, as amended, and (iv) **BES Group** means the Guarantor and its consolidated subsidiaries.

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DOCUMENTS INCORPORATED BY REFERENCE

Each document incorporated herein by reference is current only as at the date of such document, and the incorporation by reference of such documents shall not create any implication that there has been no change in the affairs of the Issuer, the Guarantor, the BES Group or Bradesco, as the case may be, since the date thereof or that the information contained therein is current as at any time subsequent to its date. Any statement contained therein shall be deemed to be modified or superseded for the purposes of these Listing Particulars to the extent that a subsequent statement contained herein modifies or supersedes that statement. Any such statement so modified or superseded shall not be deemed, except as so modified or superseded, to constitute a part of these Listing Particulars.

Furthermore, in relation to the Form 20-F (as defined below) of Bradesco, the Issuer and the Guarantor were not involved in the preparation of such information and are not in a position to verify any such information. The Issuer and the Guarantor do not make any representations or warranties as to the accuracy, completeness or sufficiency of such information and nothing contained herein is, or shall be relied upon as, a representation or warranty of such information.

The documents set out below are incorporated herein by reference:

- (a) The following sections of the €20,000,000,000 Euro Medium Term Note Programme Prospectus of the Issuer and the Guarantor dated 29 May 2012 (the **Programme Offering Circular**):
 - (i) BES Finance Ltd. (pages 221 to 227), which includes:
 - the date of incorporation and legislation under which the Issuer operates (page 221);
 - a description of the Issuer's position within the BES Group (page 221); and
 - a description of the Issuer's principal activities and services (page 221); and
 - (ii) Banco Espírito Santo, S.A. and BES Group (pages 227 to 300), which includes:
 - the date of incorporation and legislation under which the Guarantor operates (page 227);
 - a description of the BES group and the Guarantor's position within it (pages 247 to 249); and
 - a description of the Guarantor's principal activities, products and services (pages 231 to 246).
- (b) The unaudited consolidated and non-consolidated interim financial statements of the Guarantor for the nine months ended 30 September 2012, as set out on pages 47-191 and the management report as set out on pages 3-46, of the Guarantor's 2012 interim report, including:
 - (i) statements of income (pages 48, 50, 52 and 53);
 - (ii) balance sheet (pages 47, 49 and 54);
 - (iii) statement of changes in equity (page 55);
 - (iv) cashflow statements (page 56);
 - (v) accounting policies and explanatory notes (pages 57-191);
 - (vi) the amount of issued share capital, number and classes of securities and their principal characteristics (pages 149-153);
 - (vii) the amount of any debt securities convertible or exchangeable into the share capital of the Guarantor (pages 149-153 which should be read in conjunction with page 242 of the Guarantor's

2011 annual report referred to at paragraph (c) below); and

- (viii) information concerning the recent developments and prospects of the Guarantor (pages 3-46).
- (c) The auditors' report and audited consolidated and non-consolidated annual financial statements of the Guarantor for the financial year ended 31 December 2011, as set out on pages 98-203 of the Guarantor's 2011 annual report, including:
 - (i) statements of income (pages 100, 101, 127 and 128);
 - (ii) balance sheet (pages 102, 129 and 130);
 - (iii) statement of changes in equity (page 103);
 - (iv) cashflow statements (page 104);
 - (v) accounting policies and explanatory notes (pages 105-199); and
 - (vi) auditors' report (pages 200-202).
- (d) The auditors' report and audited consolidated and non-consolidated annual financial statements of the Guarantor for the financial year ended 31 December 2010, as set out on pages 78-191 of the Guarantor's 2010 annual report, including:
 - (i) statements of income (pages 79, 81, 92 and 93);
 - (ii) balance sheet (pages 78, 80 and 94);
 - (iii) statement of changes in equity (page 95);
 - (iv) cashflow statements (page 96);
 - (v) accounting policies and explanatory notes (pages 97-187); and
 - (vi) auditors' report (page 190).
- (e) The unaudited non-consolidated interim financial statements of the Issuer for the six months ended 30 June 2012, as set out on pages 2 to 34 of the Issuer's 2012 interim report and the introductory management report thereto, including:
 - (i) statements of income (pages 2 and 3);
 - (ii) balance sheet (page 4);
 - (iii) statement of changes in equity (page 5);
 - (iv) cashflow statements (page 6);
 - (v) accounting policies and explanatory notes (pages 7-34);
 - (ix) the amount of issued share capital, number and classes of securities and their principal characteristics (pages 32-33);
 - (x) the amount of any debt securities convertible or exchangeable into the share capital of the Issuer (pages 32-33); and
 - (xi) information concerning the recent developments and prospects of the Issuer (introductory management report).

- (f) The auditors' report and audited non-consolidated annual financial statements of the Issuer for the financial year ended 31 December 2011, as set out in the Issuer's financial statements and notes to the financial statements for the years ended 31 December 2011 and 2010, including:
- (i) income statement (pages 2 and 3);
 - (ii) balance sheet (page 4);
 - (iii) statement of changes in equity (page 5);
 - (iv) cashflow statements (page 6);
 - (v) accounting policies and explanatory notes (pages 7 to 44); and
 - (vi) auditors' report (pages 45 and 46).
- (g) The auditors' report and audited non-consolidated annual financial statements of the Issuer for the financial year ended 31 December 2010, as set out in the Issuer's financial statements and notes to the financial statements for the years ended 31 December 2010 and 2009, including:
- (i) income statement (pages 2 and 3);
 - (ii) balance sheet (page 4);
 - (iii) statement of changes in equity (page 5);
 - (iv) cashflow statements (page 6);
 - (v) accounting policies and explanatory notes (pages 7 to 50); and
 - (vi) auditors' report (pages 51 and 52).
- (h) The report on Form 20-F dated 30 April 2012 filed by Bradesco with the United States Securities and Exchange Commission (**SEC**) (**Form 20-F**), including:
- (i) the auditors' report and audited consolidated annual financial statements of Bradesco for the financial year ended 31 December 2011, as set out on pages F-3 and F-5 to F-136 of Form 20-F, which includes:
 - statements of income (pages F-5 and F-6);
 - balance sheet (page F-7);
 - statement of changes in equity (pages F-8 and F-9);
 - cashflow statements (pages F-10 and F-11);
 - accounting policies and explanatory notes (pages F-12 to F-136); and
 - auditors' report (page F-3);
 - (ii) the auditors' report and audited consolidated annual financial statements of Bradesco for the financial year ended 31 December 2010, as set out on pages F-4 to F-136 of Form 20-F, which includes:
 - statements of income (pages F-5 and F-6);
 - balance sheet (page F-7);

- statement of changes in equity (pages F-8 and F-9);
 - cashflow statements (pages F-10 and F-11);
 - accounting policies and explanatory notes (pages F-12 to F-136); and
 - auditors' report (page F-4);
- (iii) a description of the Bradesco Shares and the rights attached thereto, as set out on pages 187 to 195 and pages F-124 to F-125 of Form 20-F, which includes information regarding:
- the rights attached to Bradesco Shares (pages 189 to 192 and 194);
 - the form and transfer of Bradesco Shares (page 192);
 - shareholder meetings (page 188); and
 - dividends and distributions (pages 187-188); and
- (iv) information on Bradesco and its capital, as set out on pages 9 to 203 and pages F-124 to F-125 of Form 20-F, which includes:
- the amount of issued capital, number and classes of securities and details of their principal characteristics (pages 184 to 192 and pages F-124 to F-125);
 - the amount of any debt securities convertible or exchangeable into the share capital of Bradesco (page 9 and pages F-124 to F-125);
 - a description of the Bradesco group and Bradesco's position within it (pages 22 to 25); and
 - a description of Bradesco's principal activities, products and services (pages 27 to 28 and pages 37 to 120).
- (i) The (I) reports on Form 6-K filed by Bradesco with the SEC dated 4 May, 11 May, 21 May, 1 June, 11 June, 27 June, 29 June, 11 July, 23 July, 30 July, 13 August, 23 August, 12 September, 19 September, 10 October, 17 October, 22 October, 23 October, 26 October (**Q3 Form 6-K**), 9 November, 19 November, 28 November, 10 December, 11 December, 18 December and 26 December 2012 and 11 January 2013 and (II) reports on Form 6-K/A filed by Bradesco with the SEC dated 29 May, 28 June, 18 July, 16 August, 23 October, 5 November and 28 December 2012, which include the auditors' report and audited consolidated interim financial statements of Bradesco for the nine months ended 30 September 2012, as set out on pages 106-205 and 207 of the Q3 Form 6-K and the press release set out on pages 5 to 30 of the Q3 Form 6-K, including:
- (i) statements of income (page 110);
 - (ii) balance sheet (pages 106-109);
 - (iii) statement of changes in equity (page 111);
 - (iv) value added statement (page 112);
 - (v) cashflow statements (page 113);
 - (vi) accounting policies and explanatory notes (pages 114-205);
 - (vii) auditors' report (page 207); and

(viii) information concerning the recent developments and prospects of Bradesco (pages 5-30).

All information included in the 2011 and 2010 Annual Reports of the Issuer and the Guarantor, but not expressly identified above, is provided for information purposes only.

Documents incorporated by reference into these Listing Particulars under paragraph (a) to (g) inclusive above will, for so long as any Bonds are outstanding, be available free of charge at the specified offices of the Paying, Transfer and Exchange Agents (as defined herein) and at the registered offices of the Issuer and the Guarantor. Documents incorporated by reference under paragraph (h) to (i) inclusive above should be available on the SEC website (*<http://www.sec.gov>*).

In addition, documents incorporated by reference into these Listing Particulars under paragraph (a) to (i) inclusive above will be published on the Luxembourg Stock Exchange's web site (*www.bourse.lu*).

RISK FACTORS

The Issuer and the Guarantor believe that the following factors may affect their ability to fulfil their respective obligations under the Bonds. Most of these factors are contingencies which may or may not occur and neither the Issuer nor the Guarantor is in a position to express a view on the likelihood of any such contingency occurring.

Factors which the Issuer and the Guarantor believe may be material for the purpose of assessing the market risks associated with the Bonds are also described below.

The Issuer and the Guarantor believe that the factors described below represent the principal risks inherent in investing in the Bonds, but neither the Issuer nor the Guarantor represents that the statements below regarding the risks of holding any Bonds are exhaustive. Prospective investors should also read the detailed information set out elsewhere in these Listing Particulars (including any documents deemed to be incorporated by reference herein) and reach their own views prior to making any investment decision.

Terms used below but not defined shall have the meanings set out under “Terms and Conditions of the Bonds”.

Risk Factors Relating to the Issuer

1 Factors that may affect the Issuer’s ability to fulfil its obligations under the Bonds

The Issuer is a funding vehicle of the BES Group. As such it raises funds to the Guarantor by way of intra-group loans. In the event that the Guarantor fails to make a payment under an intra-group loan, the Issuer may not be able to meet its payment obligations under the Bonds. The Issuer reported a negative net income of EUR 141,062,807 for the financial year ended 31 December 2011 compared to a positive net income of EUR 40,120,931 for the financial year ended 31 December 2010. The negative net income for the 2011 period resulted primarily from an increase in losses from foreign exchange differences and an increase in other operating expense. For the half yearly period ended 30 June 2012 (as reported in the unaudited non-consolidated interim financial statements of the Issuer for the six months ended 30 June 2012), the Issuer reported a positive net income of EUR 10,621,345. To the extent that the Issuer’s earnings and profitability are adversely affected in the future, this may negatively affect the Issuer’s operational results and financial condition.

Risks Factors Relating to the Guarantor

2 Factors that may affect the Guarantor’s ability to fulfil its obligations under the Bonds

2.1 Economic environment

As a financial group whose core business is banking (taking deposits and using them to grant loans) in Portugal, the state of the Portuguese economy affects the performance of the BES Group. For the year ended 31 December 2011, 74 per cent. of the BES Group’s net assets and 50.9 per cent. of operating income derived from its activities in Portugal (as at and for the year ended 31 December 2010: 73 per cent. and 61.7 per cent., respectively). Consequently, the BES Group is particularly exposed to the macroeconomic conditions which affect growth, particularly in the Portuguese market.

Portugal’s gross domestic product (**GDP**) stagnated in 2008, experienced a contraction of 2.9 per cent. in 2009 and grew 1.9 per cent. in 2010. In 2010, the Portuguese public deficit represented 9.8 per cent. of Portugal’s GDP and national public debt amounted to 93.4 per cent. of GDP. Unemployment grew from 9.5 per cent. in 2009 to 10.8 per cent. at the end of 2010.

As a result of deteriorating economic conditions, the Portuguese government requested financial assistance from the Member States of the European Union (the **EU**) through the European Financial Stability Facility (the **EFSF**) and the International Monetary Fund (the **IMF**) in April 2011. On 5 May 2011, the Portuguese government, with the support of the main Portuguese political parties, agreed to an economic and financial stabilisation programme jointly provided by the IMF and the EU (the **Stabilisation Programme**). The Stabilisation Programme is expected to provide significant financial support of €78 billion over a three-year period in the form of a co-operative package of IMF and EU funding, including a €26 billion three-year loan under the IMF’s extended fund facility, with the remaining €52 billion in funding being provided by the EU

at an interest rate expected to be between 3.5 per cent. and 4 per cent. On 10 May 2011, the European Commission approved the Stabilisation Programme and, on 16 May 2011, EU finance ministers approved the Stabilisation Programme. The availability of the funding is dependent on the implementation of budgetary and structural measures by the Portuguese government, which will be subject to quarterly reviews by the EU and the IMF for the duration of the Stabilisation Programme.

As part of the Stabilisation Programme, the Portuguese government has committed to implement measures to decrease expenses and increase revenues that, subject to certain assumptions, were intended to reduce the general government deficit to a level of approximately 5.9 per cent. of GDP in 2011, to approximately 5.0 per cent. of GDP in 2012 and approximately 3.0 per cent. of GDP in 2013.

In addition, the Stabilisation Programme aims to put the Portuguese public debt to GDP ratio on a downward path from 2013 and maintain fiscal consolidation over the medium-term up to a balanced budgetary position, mainly by containing growth in expenditure and by supporting competitiveness through a budget-neutral adjustment to the tax structure. The Stabilisation Programme contains structural measures and policy guidelines designed to boost the country's competitiveness and improve Portugal's growth rates in the medium term with a view to repaying the country's large debt burden. Specifically, the Stabilisation Programme includes, among other things, measures intended to:

- increase revenues, in part through the increase of tax rates for goods and services;
- improve the flexibility of the labour market;
- reduce the level of pensions for certain government employees; and
- improve the competitiveness of the Portuguese economy.

The implementation of the required measures is subject to the continued commitment of the Portuguese government. Changes in the government or government policy, including as a result of rescue plans elsewhere in Europe, could have an impact on the timing and scope of the structural reforms that Portugal has to implement in order to meet the conditions of the Stabilisation Programme. Furthermore, implementation of these structural reforms may meet considerable opposition from labour unions and the general public in Portugal, which could put pressure on the Portuguese government's ability to meet the requirements of such measures in the future. In addition, European politics (including national elections in EU Member States) may affect the availability of funding for Portugal and other European countries.

The outlook for the Portuguese economy is conditioned by the implementation of the Stabilisation Programme. The need to reach a public deficit of 4.5 per cent. of GDP in 2012, as initially projected, translated into the adoption of a very restrictive fiscal policy, with negative impacts on economic activity in the near term. At the same time, the private sector – corporate, financial and households – continues its deleveraging process. Under these circumstances, GDP is expected by the Portuguese Government to decrease approximately 3.0 per cent. in 2012, after having contracted 1.6 per cent. in 2011 (source: Portuguese Ministry of Finance). This is mainly associated with a significant contraction in domestic demand, of around 10 per cent. in real and accumulated terms in these two years (source: Portuguese Ministry of Finance). Albeit slowing down, exports have posted strong growths while imports have fallen significantly, in line with internal demand.

The State Budget for 2012 submitted by the Portuguese Government reaffirmed the fiscal target established in the Memorandum of Understanding agreed with the International Monetary Fund, European Commission and European Central Bank (the **Troika**). The detection of deviations from the target for 2011 (deficit of 5.9 per cent. of GDP) has resulted in the need of extraordinary and non-recurring corrective measures. Detected deviations derived from several factors, principally a lower than expected decrease in compensation of public employees, non-tax revenues that were lower than the target (for example, dividends), one-off expenses relating to the privatisation of Banco Português de Negócios and the re-classification and integration of two public companies of the Autonomous Region of Madeira into the general public accounts of the Portuguese government. The announced corrective measures (which were agreed with the Troika) include an extraordinary surtax (equivalent to 50 per cent. of the Christmas bonus), a rise in VAT on gas and electricity invoices from 6 per cent. to 23 per cent. in October 2011 and the transfer of the banking sector pension funds to the Portuguese national social security regime. With the adoption of those measures, the final Government deficit in 2011 reached 4.4 per cent. of GDP.

Since no extraordinary measures could be used in 2012, the Portuguese Government announced a series of additional more permanent measures to reduce public deficit. Amongst these are: (i) a decrease in compensation of employees, achieved mainly by suspending public servants' Christmas and holiday pay; (ii)

a decrease in social transfers, by suspending the payment of pensions relating to the 13th and 14th month-pay and cuts in health expenditure, and (iii) tax rises, including VAT and other consumption tax as well as income and property taxes.

While spending in 2012 performed somewhat better than budgeted, revenues lagged significantly behind budget plans. In order to allow partial operation of automatic fiscal stabilizers, in September 2012, during the fifth assessment of the adjustment programme by the Troika, deficit targets were revised upward to 5 per cent. of GDP in 2012 and from 3 per cent. to 4.5 per cent. in 2013. The 2014 deficit target, at 2.5 per cent. of GDP, remains below the threshold of the Stability and Growth Pact of 3 per cent. (source: IMF).

The 2013 Budget presented by the Portuguese government is aiming at fiscal savings in the amount of 3.2 per cent. of GDP, or close to EUR 5.3 billion. Spending cuts will reach EUR 2.7 billion in 2013, but the partial reinstatement of bonuses to public sector workers and pensioners will lead to net cuts of close to EUR 1 billion. On the expenditure side, the 2013 Budget includes:

- a 0.4 per cent. of GDP (EUR 727 million) reduction in wage spending, mainly through a minimum 2 per cent. reduction in the number of public sector workers and further cuts in non-wage workers compensation;
- a 0.7 per cent. of GDP (EUR 1223 million) cut in social benefit and health spending, including: a progressive reduction in pensions above EUR 1350;
- a 0.3 per cent. of GDP (around EUR 500 million) cut in subsidies and intermediate consumption spending;
- a 0.2 per cent. of GDP (EUR 252 million) cut in investment spending, mainly associated with SOEs reclassified as part of the General Government sector.

On the revenue side, measures include, among others:

- a 1.8 per cent. of GDP (EUR 3025 million) increase in income taxes, of which 1.7 per cent. (EUR 2810 million) is associated with the rise in personal income tax (IRS);
- Capital gains tax rate will increase to 28 per cent., from 26.5 per cent.;
- Corporate tax revenues will increase through a widening of the tax base;
- Revenues from the municipal property tax (IMI) are expected to increase by around 0.2 per cent. of GDP (EUR 340 million), through a higher top rate and the impact of property revaluations.

This new set of restrictive fiscal measures should result in a new contraction of activity in 2013, mainly through the negative impact on families' disposable income and consequently on consumption. GDP is thus expected to contract 1 per cent. in 2013 (source: IMF).

The six assessments of the adjustment programme conducted by the Troika so far have all been favourable. Accordingly, all tranches of financial assistance have been released. Portugal has received €62.1 billion out of a total of €78 billion of official assistance under the Stabilisation Programme, as reported by the IMF.

The principal risks to the Portuguese domestic outlook stem from the possibility of further deterioration in macroeconomic conditions outside of Portugal, particularly in Europe in light of the growing signs of recession in the Euro Zone. Although slowing down, Portuguese exports have maintained some strength and an increasing proportion of exports to emerging markets in Africa, Latin America and Asia are growing in significance. However, a worse than expected performance in the Euro Zone may lead to a steeper fall in Portuguese GDP in 2013. The stabilisation of the financial situation of the Euro Zone is therefore critical to any stabilisation in Portugal. The ongoing deleveraging process in the Portuguese economy has already led to a decrease in external deficit of 8.4 per cent. of GDP at the end of 2010 to 5.1 per cent. at the end of 2011, and it is expected to continue, reaching 1.1 per cent. of GDP at the end of 2012; for 2013, a surplus of the current and capital account is expected (source: Portuguese National statistical Institute).

Even if the Stabilisation Programme is successfully implemented, it is uncertain whether it will achieve the set targets. A failure of these measures may exacerbate current negative macroeconomic conditions in Portugal and may prolong the recession. In such a case, the market reaction is likely to be negative and business activity may deteriorate, which may have a material adverse effect on the BES Group's business, financial condition and results of operations.

Furthermore, the implementation of the required measures could have a material adverse effect on the Portuguese economy, at least in the short term, due to its recessionary nature. It is also uncertain whether the success of the Stabilisation Programme will enable the Portuguese economy to grow sufficiently to ease Portugal's financial constraints. Any further significant deterioration of global economic conditions,

including the credit profile of other EU countries, or the creditworthiness of Portuguese or international banks, or changes to the Euro Zone, may give rise to concerns regarding the ability of Portugal to meet its funding needs. In particular, during the second half of 2011 and into 2012 as the EU worked to develop a further rescue plan for Greece, the risk of sovereign default intensified and this raised concerns about the contagion effect such a Greek default would have on other economies. The focus of such contagion was largely directed at Portugal, as well as Ireland, Spain and Italy.

In addition, even if the Stabilisation Programme is enacted and implemented in full, concerns relating to Portuguese public finances and negative financial contagion from events outside Portugal may continue to affect the liquidity and profitability of financial institutions in Portugal, resulting in, among other things, lower market values for Portuguese government debt; limited liquidity in the Portuguese banking system and reliance on external funding; increased competition for, and thus cost of, customer deposits; limited credit extension to customers; and a deterioration of credit quality. A failure to successfully implement the provisions of the Stabilisation Programme and to attain its fiscal targets may lead to the termination of financial support from the IMF and the EU, which would create the conditions for a credit event with respect to Portugal's government debt.

The adverse macroeconomic conditions in Portugal have significantly affected, and are expected to continue to adversely affect, the behaviour and the financial situation of the BES Group's clients, and consequently, the supply and demand of the products and services that the BES Group has to offer. In particular, limited growth in customer loans is expected in the coming years, which will make it difficult for the BES Group to generate enough interest income to maintain its net interest margin. Furthermore, the continuing growth of unemployment, the reduction of the profitability of enterprises and an increase in company and personal insolvencies have had, and are expected to continue to have, a negative influence on the BES Group's clients' ability to pay back loans, and, consequently, could cause an increase in the ratio of overdue loans, which might exceed the standard historic average, reflecting a deterioration of the quality of assets of the BES Group.

2.2 Global economic conditions and the European sovereign debt crisis

The BES Group's businesses and performance are being and may continue to be negatively affected by current local and global economic conditions and adverse perceptions of those conditions and future economic prospects. The outlook for the global economy over the near to medium term remains challenging, particularly in Portugal and other European countries, with a slow recovery in the United States. Expectations with respect to global economic activity deteriorated significantly at the end of 2011, with tighter liquidity and more restrictive financing conditions having constrained investment and consumption growth in Europe. External demand shows signs of moderation, as the main emerging economies have fought inflationary pressures and the United States has continued to face high unemployment rates and low personal income growth. While sustained support from governments and central banks initially served to consolidate the economic recovery that began in 2009, increased government intervention in 2010 saw government debt and/or fiscal deficits soar in a number of European countries, leading, together with other factors, to the European sovereign debt crisis. The European sovereign debt crisis continued throughout 2011 and, despite recent agreements reached by the EU and Euro Zone Member States and the resolution of a Greek bail-out plan, uncertainty regarding the resolution of the European sovereign debt crisis and the stability of the Euro remains.

In particular, during 2011, the heightened perceived risk of sovereign default relating to certain EU Member States, in particular Greece, had a negative impact on global financial markets. Against a background of increasing unease over the macro/financial implications of sizeable fiscal imbalances among several Euro sovereign issuers, including Portugal, investors have reduced their investment in these countries and the default, or a significant decline in the credit rating, of one or more sovereigns or financial institutions could cause severe stress in the financial system generally and could adversely affect the markets in which the BES Group operates.

Continued reduction in investment flows may further restrict economic recovery. Such challenging economic and market conditions exert downward pressure on asset prices and on credit availability, and upward pressure on funding costs, and may continue to impact asset recovery rates and the credit quality of the BES Group's businesses, customers and counterparties, including sovereigns. In particular, the BES Group has significant exposure to customers and counterparties in the EU (particularly in Portugal) and would be affected by any restructuring of the terms, principal, interest or maturity of their borrowings.

Any significant deterioration in the global economy, including in the credit profiles of other EU Member States or in the solvency of Portuguese or international banks, or certain other economic changes in the Euro Zone, could:

- negatively affect the capacity of the Republic of Portugal to satisfy its financing needs;
- have a direct negative impact on the value of the Guarantor's portfolio of Portuguese public debt securities (as of 31 December 2011, the Guarantor held approximately €2.9 billion in Portuguese public debt). In relation to the sovereign debt of other EU periphery economies, the BES Group held €4 million of Spanish public debt and had no exposure to Italian, Irish, Hungarian or Greek public debt as of 31 December 2011. The Guarantor is a market maker of Portuguese sovereign debt and also takes risk positions in such sovereign debt with the amount of its holdings and the portfolio's average maturity varying from time to time as a result of its market making and risk taking activities and its view regarding the attractiveness of such debt. For example, recently the Guarantor has increased its holdings of Portuguese sovereign debt by approximately €1.5 billion and lengthened the portfolio's maturity profile;
- have a significant adverse effect on the Guarantor's capacity to raise and/or generate capital and comply with minimum regulatory capital requirements;
- significantly restrict the Guarantor's ability to obtain liquidity; and
- negatively affect the Guarantor's capital position, its operational results and its financial condition. As a consequence of the systemic risk resulting from the sovereign debt crisis in the Euro area, the EU summit of 27 October 2011 decided that banks subject to the European Banking Authority's (**EBA**) stress tests should reinforce their capital ratios in order to achieve, by 30 June 2012, a Core Tier 1 ratio of 9 per cent. after a mark-to-market valuation of sovereign debt exposures held by those institutions as of 30 September 2011. The Guarantor's total capital needs, applying EBA's methodology, as of 30 September 2011, were €810 million, of which €121 million resulted from the mark-to-market valuation of the sovereign debt exposure. Notwithstanding the fact that the EBA stress tests are performed at the ESFG Group level (a major shareholder of the Guarantor and a company for which the Guarantor is a significant investment), the Guarantor has used the same methodology to calculate its total capital needs, as presented above.

The possibility of a Greek default and the contagion effect it may have on other EU economies such as Ireland, Italy, Spain and especially Portugal continues to create market instability, despite the strong positive effect from the three-year liquidity operations from the ECB in December 2011 and February 2012, which contributed to the stabilisation of the financial markets and a significant improvement in terms of the liquidity available in the market. These downward pressures on growth were not counterbalanced by fiscal policy stimuli, as European governments pursued restrictive fiscal policies, not only in the European periphery economies, but also in the main core European economies. The Euro Zone economy contracted by 0.5 per cent. in 2012, exerting additional pressure on the Portuguese economy.

2.3 Financial markets

The performance of the BES Group is generally influenced by conditions in the global financial markets and the macroeconomic conditions in the countries in which it operates. In particular, the global financial system has operated under difficult conditions since August 2007 and the financial markets have had particularly negative performances after the insolvency of several international financial institutions since September 2008. This situation has caused unprecedented disruptions in the financial markets worldwide in relation to liquidity and funding of the international banking system. Furthermore, this situation has put significant pressure on the core business of many investment banks, commercial banks and insurance companies worldwide. In response to the instability and lack of liquidity in the market, some countries, including some members of the EU and the United States of America, have intervened by injecting liquidity and capital into the system with the goal of stabilising these financial markets and, in some cases, preventing the insolvency of certain financial institutions.

Despite these measures, volatility in the capital markets has continued at an extraordinary level compared to the past. The potential impact of the sovereign debt crisis in Europe has exacerbated investors' fears and created a cloud of uncertainty with respect to the European financial sector, particularly with respect to the economies in the periphery of the Euro Zone. These developments have created an unfavourable environment for banking activity generally. The current economic environment creates challenges for the

BES Group and may adversely affect its business, financial condition and results of operations in the following ways:

- The circumstances mentioned above have caused a general slowdown in the business of the BES Group, an increase in its funding costs (both wholesale and retail) and a reduction in its share prices and asset values. Any worsening of the current economic climate could jeopardise the BES Group's strategy or exacerbate these trends and adversely affect its financial performance and condition.
- The BES Group is exposed to potential losses if certain financial institutions, or other counterparties to the BES Group, become insolvent or are not able to meet their financial obligations to the BES Group. Moreover, the performance of the BES Group may be influenced by an inability to recover the value of its assets at percentage levels consistent with its historical recovery estimates, particularly as such estimates could prove to be inaccurate in light of the unprecedented turbulence in the markets.
- Numerous banks worldwide have been and are being supported in part by various "rescue plans" and other types of support by their home country governments. The BES Group is uncertain as to how much longer governmental support will be needed to keep these banks solvent and whether governments will have the means or the political will to continue, or if necessary expand, this support. Any failure of government support to continue, or if necessary to expand, could result in more bank failures and a heightened lack of confidence in the global banking system, thus increasing the challenges faced by the Guarantor and other financial institutions.
- In addition, external intervention from the EU and the IMF might involve a reorganisation of the Portuguese banks. Whilst this may erode their deposit base and negatively impact upon their financing needs, it might also provide the conditions necessary to ensure that Portuguese banks have access to regular funding during the Stabilisation Programme. There can be no assurance, however, that the funding requirements originally anticipated will be adequate. There might also be difficulties in resuming market-based financing when the Stabilisation Programme is completed. In the future, Portuguese banks might be required to comply with more stringent regulatory capital ratios that necessitate recapitalisation. In the context of the programme agreed by the Portuguese government with the Troika, the Bank of Portugal implemented higher minimum Core Tier 1 ratios for Portuguese banks to be met by December 2011 and December 2012 of 9 per cent. and 10 per cent., respectively. BES Core Tier 1 ratio as of 31 December 2011 was 9.2 per cent. In addition, as a consequence of the systemic risk resulting from the sovereign debt crisis in the Euro area, the European Banking Authority decided that banks subject to stress tests should reinforce their capital ratios in order to achieve, by 30 June 2012, a Core Tier 1 ratio of 9 per cent., after a mark-to-market valuation of sovereign debt exposures held by those institutions as of 30 September 2011.

In general, the current economic conditions and unfavourable financial environment, including those potential developments outlined above, could have a material adverse effect on the BES Group's business, financial condition and results of operations.

2.4 Banking markets

The BES Group faces intense competition in all of its areas of operation (including, among others, corporate and retail banking, investment banking, specialised credit and asset management), both in Portugal and its international markets. Competition for customer deposits has been especially intense in Portugal. The BES Group's competitors in the markets in which it is active are principally commercial and investment banks.

The continuing financial crisis could introduce additional competitive challenges, as many national governments (including the Portuguese government) seek to provide support in a variety of forms to banks organised in their jurisdictions. Depending on the level of this government support and the financial strength of the banks in question, this support could strengthen the competitive position of these banks and intensify the competition faced by the BES Group.

Structural changes in the Portuguese economy in the past have significantly increased competition in the Portuguese banking sector. These changes are principally related to the privatisation of several sectors of the economy, including banking and insurance, as well as to the integration of the Portuguese economy into the European Union and the introduction of the Euro. Mergers and acquisitions involving the largest Portuguese banks have resulted in a significant concentration of market share, a process which may continue. Competition has further increased with the emergence of non-traditional distribution channels such as internet and telephone banking. The five main financial groups in the Portuguese banking sector (without

double-counting institutions already consolidated in financial groups) are (ranking in terms of assets as of 31 December 2011): Caixa Geral de Depósitos, the Millennium BCP Group, the BES Group, the Santander Totta Group and BPI Group, which represented approximately 78 per cent. of total assets in the Portuguese banking system, according to the Portuguese Banking Association statistics (December 2011).

Competition for customer deposits has been especially intense in Portugal. Competition in the Portuguese market can have an adverse effect on the activities of the BES Group. The competition is affected by consumer demand, technological changes, the impact of consolidation, regulatory actions and other factors. If the BES Group is unable to provide attractive product and service offerings that are profitable, it may lose market share or incur losses on some or all of its activities, which could adversely affect its financial condition and its results of operations. Although BES believes that it is in a strong position to continue to compete in the markets in which it operates, there can be no assurance that it will be able to compete effectively in these markets.

In addition, competition in the Angolan market is robust, with international banks competing against some very strong local and regional players. BES believes that increased competition in Angola could put pressure on its operations there.

2.5 Economic conditions in the international markets and adverse political, governmental or economic developments related to its international expansion

The BES Group continues to pursue its international strategy, with particular emphasis on expanding its market position in Spain, Brazil and Africa (namely in Angola, Mozambique, Libya and Cape Verde) and continuing to capitalise on its established positions in France, Luxembourg, the United Kingdom, the United States and Macao. The BES Group's performance, results of operations and financial condition are affected by the economic conditions and levels of economic activity in the countries where the BES Group operates, including in Spain, Brazil and Angola. Consequently, a protracted global economic decline could reduce the overall level of economic activity of any one or more of the international markets where the BES Group's operates, which could have an adverse effect on the BES Group and its results of operations and financial condition.

Accordingly, the BES Group gives no assurance that it will be successful in Spain, Brazil, Angola or any of the other international markets in which it operates. The BES Group's international operations are exposed to the risk of adverse political, governmental or economic developments in the countries in which it operates and other risks associated with doing business in emerging markets. In particular, certain countries where the BES Group has operations, including Angola, have experienced political, civil and economic instability in the past and may face such instability again in the future. These factors could have a material adverse effect on the BES Group's financial condition and results of operations.

In Libya, which is still consolidating the political and government changes following the fall of the Ghadafi regime, the BES Group has exposure through a participation of 40 per cent. in Aman Bank (with management control). Although Aman Bank has not been the subject of sanctions, and did not suffer significant damage to its infrastructure during the war to overthrow the previous regime, there can be no assurance regarding its future performance due to uncertainty following the regime change, particularly as the country transitions to a new government and institutions.

2.6 Interest rate risk

The BES Group is subject to the risks typical of banking activities, such as interest rate fluctuations. Interest rate risk may be defined as the impact on shareholders' equity or on net interest income due to an adverse change in market interest rates. As is the case with other banks in Portugal, the BES Group, and especially its corporate and retail segment, is particularly exposed to differentials between the interest rates payable by it on deposits and the interest rates that it is able to charge on loans to customers and other banks. This exposure comes from the fact that, in the Portuguese market, loans typically have variable interest rates, whereas the interest rates applicable to deposits are usually fixed for periods that may vary between three months and three years. As a result, Portuguese banks, including the Guarantor, frequently experience difficulties in adjusting the interest rates that they pay for deposits in line with market interest rate changes. This trend is reinforced by intense competition in the sector and the current low interest rate environment that puts pressure on a bank's deposit margin.

Interest rates are sensitive to several factors that are out of the BES Group's control, including fiscal and

monetary policies of governments and central banks, as well as domestic and international economic and political conditions. Changes in market interest rates can affect the interest rates that the BES Group actually charges and receives on its interest-earning assets, in a different way when compared to the rates that the BES Group pays for its interest bearing liabilities. This difference may reduce the net interest margin, which could have a material adverse effect on the BES Group's results of operations.

As a result of the sovereign debt crisis and the weak European economic conditions and outlook, the ECB announced its decision to lower its benchmark interest rate for the Euro Zone from 1.1 per cent. to 0.75 in July 2012.

A rise in interest rates could reduce the demand for credit and the BES Group's ability to generate credit for its clients, as well as contribute to an increase in the credit default rate. Conversely, a reduction in the level of interest rates may adversely affect the BES Group through, among other things, a lower margin on deposits, a decrease in demand for deposits and an increase in competition in deposit-taking and lending to customers. As a result of these factors, significant changes or volatility in interest rates could have a material adverse impact on the business, financial condition or operating results of the BES Group.

The BES Group has been re-pricing its loan portfolio. However, it has not re-priced its portfolio of mortgages, which represented, on 30 June 2012, 22.3 per cent. of the gross loans to its clients. Therefore, the BES Group is dependent on obtaining higher spreads on new loan production to impact, on a long-term basis, the average interest spread of its global mortgages portfolio. If the BES Group is unable to adjust the interest rate payable on deposits in line with the changes in market interest rates receivable by it on loans, or if the BES Group's monitoring procedures are unable to manage adequately interest rate risk, its net interest income could rise less or decline more than its interest expense, in which case the BES Group's results could be negatively affected.

2.7 Credit risk

Risks arising from changes in credit quality and the repayment of loans and amounts due from borrowers and counterparties are inherent in a wide range of the BES Group's business. Adverse changes in the credit quality of the BES Group's borrowers and counterparties, a general deterioration in Portuguese or global economic conditions or increased systemic risks in financial systems could affect the recovery and value of the BES Group's assets and require an increase in provision for bad and doubtful debts and other provisions. Over the past three years, the BES Group has set aside provisions for loan losses of €539.9 million, €351.8 million and €600.6 million in each of 2009, 2010 and 2011, respectively. Accordingly, the BES Group is subject to credit risk, i.e. the risk that the BES Group's clients and other counterparties are unable to fulfil their payment obligations.

The BES Group is exposed to different counterparties in the normal course of its business, but its exposure to counterparties in the financial services industry is significant. This exposure can arise through trading, lending, deposit-taking, clearance and settlement and numerous other activities and relationships. These counterparties include institutional clients, brokers and dealers, commercial banks and investment banks. Many of these relationships expose the BES Group to credit risk in the event of default of a counterparty or client. In addition, the BES Group's credit risk may be exacerbated when the collateral it holds cannot be realised at, or is liquidated at prices not sufficient to recover, the full amount of the loan or derivative exposure it is due to cover. Many of the hedging and other risk management strategies utilised by the BES Group also involve transactions with financial services counterparties. The insolvency of these counterparties may impair the effectiveness of the BES Group's hedging and other risk management strategies, which could in turn have a material adverse effect on the BES Group's financial condition and results of operations.

Although the BES Group regularly reviews its exposure to its clients and other counterparties, as well as its exposure to certain economic sectors and regions which the BES Group believes to be particularly critical, payment defaults may arise from events and circumstances that are unforeseeable or difficult to predict or detect. In addition, the collateral and security provided to the BES Group may be insufficient to cover the exposure or others' obligations to it, for example, as a result of sudden market declines that reduce the value of the collateral. Accordingly, if a major client or other significant counterparty were to default on its obligations, this could have a material adverse effect on the BES Group's financial condition and results of operations.

The BES Group actively manages credit risk and analyses credit transactions. Expectations about future credit losses may, however, be incorrect for a variety of reasons. An unexpected decline in general economic

conditions, unanticipated political events or a lack of liquidity in the economy may result in credit losses which exceed the amount of the BES Group's provisions or the maximum probable losses envisaged by its risk management models. As the BES Group's operations are mostly concentrated in Portugal, it is particularly exposed to the risk of a general economic downturn or other events which affect default rates in Portugal. An increase in the BES Group's provisions for loan losses or any loan losses in excess of these provisions could have a material adverse effect on the BES Group's financial condition and results of operations. The BES Group's exposure to credit risk was €89.6 billion as at 30 June 2012.

2.8 *Market risk*

The BES Group currently engages in various treasury activities for its own account, including entering into interest rate, credit, liquidity and exchange rate derivative transactions as well as taking positions in fixed income and equity in the domestic and international markets and trading in the primary and secondary markets for government securities.

The BES Group presented a value at risk (**VaR**) of €65.7 million as at 30 June 2012 in its trading positions in respect of shares, interest rates, volatility and credit spread, commodities and foreign exchange (excluding the position of foreign exchange relating to shares of the portfolio of assets available for sale and the portfolio of assets at fair value), which compares with €47.5 million as at 31 December 2011. VaR is calculated using the Monte Carlo simulation, with 99 per cent. confidence level and an investment period of 10 days.

Proprietary trading involves a certain degree of risk. Future proprietary trading results will in part depend on market conditions, and although the BES Group seeks to actively manage its capital markets exposure, it cannot assure it will be successful in doing so. Current market conditions are characterised by extreme volatility, which increases the likelihood of negative proprietary trading results and puts downward pressure on asset valuations. Protracted adverse market movements, particularly asset price declines, can reduce the level of activity in the market or reduce market liquidity. These developments can lead to material losses if the BES Group cannot close out deteriorating positions in a timely way. This may especially be the case for assets for which there are less liquid markets.

Assets that are not traded on stock exchanges or other public trading markets, such as derivative contracts between banks, may have values that the BES Group calculates using models other than publicly quoted prices. Monitoring the deterioration of prices of assets like these is difficult and could lead to losses that the BES Group does not anticipate. As such, the BES Group could incur significant losses, which could have a material adverse effect on the BES Group's financial condition and results of operations.

2.9 *Liquidity risk*

Liquidity risk arises from the present or future inability to pay liabilities as they mature. Banks, principally by virtue of their business of providing long-term loans and receiving short-term deposits, are subject to liquidity risk. Over the last few years, many banks have resorted to obtaining funds from market sources instead of their traditional sources (retail deposits).

As of 31 December 2011, the BES Group's cumulative liquidity gap, calculated in accordance with Bank of Portugal Instruction 13/2009, was negative €0.6 billion (31 December 2010: €5.5 billion). The liquidity buffer, i.e. the amount of liquid assets that mature within more than one year, was €2.8 billion as at the same date (31 December 2010: €5.5 billion).

The maintenance of sufficient customer deposits to fund the BES Group's loan portfolio is subject to certain factors outside the BES Group's control, such as depositors' concerns relating to the economy in general, the financial services industry or the BES Group specifically, ratings downgrades, significant further deterioration in economic conditions in the Republic of Portugal and the existence and extent of deposit guarantees. Any of these factors on their own or in combination could lead to a reduction in the BES Group's ability to access customer deposit funding on appropriate terms in the future and could result in deposit outflows, both of which would have an impact on the BES Group's ability to fund its operations and meet its minimum liquidity requirements, and may require the Guarantor to increase its use of sources other than deposits, if available, to fund its loan portfolio.

The BES Group's liquidity could also be impaired by an inability to access debt markets, an inability to sell assets or redeem its investments, other outflows of cash or collateral deterioration. These situations may

arise due to circumstances that the BES Group is unable to control, such as continued general market disruption, loss in confidence in financial markets, uncertainty and speculation regarding the solvency of market participants, credit rating downgrades or operational problems that affect third parties. Access to the financial markets has been limited since the disruptions in the credit markets in 2007. Funding in the interbank markets or via the capital markets has been very difficult, especially since 2010, for banks from the EU periphery economies. Even a perception among market participants that a financial institution is experiencing greater liquidity risk can cause significant damage to the institution. Specific ways in which the BES Group could find its liquidity further impaired include the following:

- The BES Group's ability to sell assets may be impaired if other market participants are seeking to sell similar assets at the same time or are not in the position to finance themselves or are distressed sellers, or because the market value of assets, including financial instruments underlying derivative transactions to which the BES Group is a party, is difficult to ascertain, as has occurred in the recent past.
- Financial institutions with which the BES Group interacts may exercise set-off rights or the right to require additional collateral, which could further impair the BES Group's liquidity position.
- If the customers with which the BES Group has outstanding but undrawn lending commitments were to draw down on these credit lines at a rate that is higher than BES is anticipating, this could put increased pressure on the BES Group's liquidity position.
- The BES Group's contingency plan for liquidity stress scenarios relies in part on its ability to enter into repo transactions with the European Central Bank. If the European Central Bank were to suspend its repo programme, and if no similar source of repo financing were to exist in the market at that time, this could severely impede BES' ability to manage a period of liquidity stress.
- An increase in interest rates and/or credit spreads, as well as any restriction on the availability of credit, including, but not limited to, inter-bank credit, could impact the BES Group's ability to borrow on a secured or unsecured basis, which may have a material adverse effect on the BES Group's liquidity and results of operations.

Any of these events could cause the BES Group to curtail its business activities and could increase its cost of funding, both of which could have a material adverse effect on the BES Group's business and results of operations.

Although the BES Group puts significant effort in liquidity risk management and focuses on maintaining liquidity surplus in the short term, the BES Group is exposed to the general risk of liquidity shortfalls and cannot ensure that the procedures in place to manage such risks will be suitable to eliminate liquidity risk.

Reliance on the European Central Bank for funding and liquidity

As a result of the very difficult conditions in the capital markets for short or medium-long term funding, the BES Group's liquidity operations with the ECB are very important. The ECB currently makes funding available to European banks that satisfy certain conditions to obtain such funding, including pledging eligible collateral.

As of 30 June 2012, the BES Group's total portfolio of securities eligible for rediscount with the ECB was €22.6 billion (31 December 2011: €15.1 billion). The ECB establishes the valuation and the eligibility criteria for collateral assets to be used on repo transactions with financial institutions. Changes to these valuations or the eligibility criteria can have a negative impact on the amount of available assets for that purpose, and reduce the liquidity lines available from the ECB. Additionally, further downgrades of the credit rating of the Republic of Portugal or Portuguese corporations would result in increased haircuts to any eligible collateral or such debt not being eligible and consequently a reduction in the pool of assets that might be considered eligible collateral.

As of 30 June 2012, BES had outstanding borrowings of €13.7 billion from the ECB (31 December 2011: €8.8 billion), borrowed against the BES Group's portfolio of securities eligible for rediscount with the ECB. In the current environment, the curtailment or termination of liquidity operations by the ECB could result in the BES Group having to dispose of its assets, potentially with a high discount to their book values, in order to comply with its obligations and to seek alternative sources of funding which might only be available, if at all, at unfavourable conditions and could significantly increase its funding costs. This would have a corresponding negative impact on its results of operations and financial condition. Nonetheless, due to significant instability and volatility in the financial markets, in October 2011, the ECB announced new long-

term refinancing operations with maturities of 12 and 13 months (in the amounts to be requested by the banks) and the maintenance, until at least June 2012, of the normal liquidity lending operations in unlimited amounts (for one week, one month and three months). In addition, in December 2011, the ECB decided to lower the key benchmark rate to 1 per cent. and announced a number of measures to facilitate the Euro Zone banking sector's access to liquidity and the restoration of the ordinary course of the interbank money markets: (i) the reduction of the reserve requirement ratio for European banks from 2 per cent. to 1 per cent.; (ii) two unlimited three-year liquidity facilities (instead of the previous maximum term of 13 months) to be made available on 21 December 2011 and 29 February 2012 (the total amount borrowed by the BES Group under these facilities is €10.2 billion); and (iii) the loosening of the eligibility criteria for collaterals accepted by the ECB. In July 2012, the ECB decided to lower the benchmark rate to 0.75 per cent. and on September 2012, the ECB announced its commitment to buying potentially unlimited amounts of short-dated sovereign bonds under strict conditionality – a programme called Outright Monetary Transactions.

The BES Group has been implementing measures in order to diversify its financing sources beyond the ECB, and has accelerated the deleveraging process by making an effort to increase customer funds and reduce customer loans. This risks increasing the cost of deposits, which may not be completely offset by the process of repricing of loans and could adversely impact the net interest margin. There can be no assurances as to when BES will again be able to access the public wholesale markets or the cost of any market funding if and when such markets should become available.

In addition to the usual and to the extraordinary liquidity measures provided by the ECB, there is a special measure, the Emergency Liquidity Assistance, to allow all Euro Zone central banks to support domestic financial institutions, which is applicable only to illiquid but solvent financial institutions. However, this is a temporary measure, which aims to re-establish the normal monetary transmission mechanisms and ensure the stability of the financial system, and the availability, quantum and conditionality of any funding is uncertain.

2.10 Operational risk

The BES Group is subject to certain operational risks, including interruption of service, errors, fraud by third parties (including large-scale organised frauds, as a result of the BES Group's financial operations), breach or delays in the provision of services and compliance with risk management requirements. The BES Group continually monitors these risks by means of, among other things, advanced administrative and information systems and insurance coverage in respect of certain operational risks. However, the BES Group may be unable to successfully monitor or prevent these risks in the future. Any failure to successfully execute the BES Group's operational risk management and control policies could have a material adverse effect on the BES Group's financial condition and results of operations.

2.11 Risks associated with the implementation of its risk management policies

The BES Group is exposed to a number of risks, including, among other things, market risk, credit risk, liquidity risk and operational risk. Although the Guarantor has implemented risk management policies for each of the risks that it is exposed to, the policies and procedures it employs to identify, monitor and manage these risks may not be fully effective.

2.12 Risks associated with the increasing dependence on information technology systems

Banks and their activities are increasingly dependent on highly sophisticated information technology (IT) systems. IT systems are vulnerable to a number of problems, such as software or hardware malfunctions, malicious hacking, physical damage to vital IT centres and computer viruses. Harmonising the IT systems in the BES Group to create a consistent IT architecture poses significant challenges. IT systems need regular upgrading to meet the needs of changing business and regulatory requirements and to keep pace with possible expansion into new markets.

The BES Group may not be able to implement necessary upgrades on a timely basis, and upgrades may fail to function as planned. In addition to costs that may be incurred as a result of any failure of its IT systems, the BES Group could face fines from bank regulators if its IT systems fail to enable it to comply with applicable banking or reporting regulations.

The BES Group maintains back-up systems for its operations, with one of those back-up systems being

located in Portugal outside of its premises. However, there are limited scenarios, for example in the event of a major catastrophe resulting in the failure of its information systems, where the BES Group could lose certain recently entered data with regard to its Portuguese operations or could lose more significant portions of data with regard to its international operations.

The BES Group is reliant on its outsourcing contract with IBM for the maintenance and operation of its IT systems. Should IBM become unwilling or unable to fulfil its obligations under the outsourcing contract, the BES Group could find the smooth functioning of its IT systems compromised.

A major disruption of the BES Group's IT systems, whether under the scenarios outlined above or under other scenarios, could have a material adverse effect on the normal operation of the BES Group's business and thus on its financial condition and results of operations.

2.13 Risks associated with the ability to maintain its customer base

The BES Group's success depends on its ability to maintain its customer base and to offer its customers a wide range of high quality and competitive products and consistently high levels of service. The BES Group has sought to achieve this objective by segmenting its branch networks to better serve the diverse needs of each customer segment through, among other things, cross-selling the products and services of the BES Group's subsidiaries through its marketing and distribution networks in Portugal. Any failure to maintain the BES Group's customer base or to offer the BES Group's customers a wide range of high quality and competitive products or consistently high levels of service could have a material adverse effect on the BES Group's financial condition and results of operations.

2.14 Regulation

Banking activities in Portugal are subject to extensive regulation by supervision authorities, which have broad administrative powers over many aspects of the financial services business, which include liquidity, capital adequacy and permitted investments, ethical issues, money laundering, privacy, securities (including debt instruments) issuance and offering/placement, financial intermediation issues, record-keeping and marketing and selling practices, among others. These various regulations can significantly increase the cost structure of a bank and limit its possibilities for increasing its income.

Specific examples where regulation can impact the conduct of the BES Group's business include the following:

- The minimum cash requirement to be held with the Bank of Portugal applicable to Portuguese banks was fixed at 2 per cent. of the total amount of deposits until 18 January 2012, when the reserve requirement ratio was reduced to 1 per cent. An increase in this percentage or a decline in the rate accrued on those cash reserves would have an adverse impact on the BES Group's net income.
- Further to the Stabilisation Programme agreed by the Troika and the Portuguese government in the second quarter of 2011, Portuguese banks are required to maintain a minimum Core Tier 1 Capital ratio of 9 per cent. by 31 December 2011 and 10 per cent. by 31 December 2012 (Notice no. 3/2011 issued by the Bank of Portugal).
- Banks subject to the EBA's stress tests, including BES, are required to reinforce their capital ratios in order to achieve, by 30 June 2012, a Core Tier 1 ratio of 9 per cent. after a mark-to-market valuation of sovereign debt exposures held by those institutions as of 30 September 2011.

The BES Group capital ratios are calculated under the Basel II regulations. As from the first quarter of 2009, BES has been authorised by the Bank of Portugal to use the Internal Ratings Based (**IRB**) approach to calculate credit risk extended by the Guarantor's headquarters, the Guarantor's London branch and BES Investimento, to be extended with a roll-out to other BES Group entities and portfolios. The Standardised Approach method (**TSA method**) is used for operational risk.

At the end of the third quarter of 2010, the Basel Committee on Banking Supervision issued guidance relating to amendments to its existing rules for calculating regulatory capital for internationally active banks (commonly referred to as Basel II), which are included in further recommendations known as Basel III. The Basel III recommendations were finalised on 1 January 2011 and include changes to capital requirements and the introduction of a leverage ratio and liquidity standards.

The Basel III recommendations propose a number of changes to the regulatory capital framework, including changes to deductions from capital and the risk weighting of certain classes of asset from 1 January 2013. In particular, the net asset value of insurance subsidiaries will be required to be deducted, which will adversely affect the BES Group's capital ratios following its acquisition of the remaining 50 per cent. stake in BES Vida. The recommendations also require banks to increase their regulatory capital as a percentage of risk-weighted assets to achieve by 1 January 2019:

- Minimum Common Equity Tier 1 ratio: 7 per cent. (made up of a 4.5 per cent. minimum requirement and an additional 2.5 per cent. capital conservation buffer);
- Minimum Tier 1 ratio: 8.5 per cent. (made up of a 6 per cent. minimum requirement and an additional 2.5 per cent. of capital conservation buffer);
- Total capital ratio: 10.5 per cent.;
- Introduction of an additional counter-cyclical buffer of between 0 per cent. and 2.5 per cent. of risk weighted assets to be composed of Common Equity Tier 1 capital under conditions to be determined by the regulatory authorities; and
- Establishment of transitional periods to the absorption of the deductions of capital items not eligible under Basel III and new deductions to the capital base.

All relevant banks will benefit from a transitional period (from 1 January 2013 to 1 January 2019) to comply with the capital rules adopted.

The liquidity changes include the proposed introduction of short-term and longer-term standards for funding liquidity referred to as the Liquidity Coverage Ratio and the Net Stable Funding Ratio. The Liquidity Coverage Ratio, which is recommended for introduction in 2015, addresses the sufficiency of high quality liquid assets to meet short-term liquidity needs under a specified acute stress scenario which may not fall below 100 per cent. of the estimated net cash outflows for the following 30 days. The Net Stable Funding Ratio, which is recommended for introduction in 2018, will seek to establish a minimum acceptable amount of stable funding based on the liquidity characteristics of an institution's assets and activities over a one-year period.

The Basel III rules have not yet been approved by the European Union and their incorporation into European and national law has, accordingly, not yet taken place. On 20 July 2011, the European Commission adopted a legislative package of proposals (known as **CRD IV**) to implement the changes through the replacement of the existing Capital Requirements Directive with a new Directive and Regulation. As with Basel III, the proposals contemplate the entry into force of the new legislation from January 2013, with full implementation by January 2019; however, the proposals allow individual Member States to implement the stricter definition and/or level of capital more quickly than is envisaged under Basel III.

The leverage ratio is defined as Tier 1 capital divided by a measure of non-risk weighted assets. If Basel III is followed under CRD IV, the leverage ratio may not fall below 3 per cent. effective as of 2017. The ultimate aim of Basel III/CRD IV is to reduce leverage in order to bring institutions' assets more in line with their capital.

At 30 June 2012, the total capital ratio of the BES Group was 11.1 per cent., with its Tier 1 ratio and Core Tier 1 ratio equal to 10.4 per cent. and 9.9 per cent., respectively. Such ratios were, respectively, 10.7 per cent., 9.4 per cent. and 9.2 per cent. at 31 December 2011. The capital adequacy requirements applicable to the BES Group limit its ability to advance loans to customers and may require it to issue additional equity capital or subordinated debt in the future, which are expensive sources of funds. Furthermore, capital adequacy ratios such as those mandated by Basel II have a "procyclical" effect, meaning that, in difficult credit environments such as at present, a bank may find its capital ratios decreased at precisely the time that the economy is most in need of increased financing activity. Thus, as a result of this "procyclical" effect, capital adequacy requirements intended to ensure the health of banks can in fact exacerbate the effect of an economic downturn, further adding to the strain on the banking system.

In addition, the Bank of Portugal has established minimum provisioning requirements regarding loans, non-performing loans, overdue loans, impairment for securities and equity holdings, sovereign risk and other contingencies. Therefore, any change in increase in the amount of these requirements could have an adverse impact on the BES Group's financial condition and results of operations.

The regulatory laws governing banking activity may change at any time in ways which may have an adverse

effect on the business of the BES Group. Furthermore, the BES Group cannot predict the timing or form of any future regulatory initiatives. Changes in existing regulatory laws may materially affect the way in which the BES Group conducts its business, the products and services it can offer and the value of its assets.

In addition, the BES Group's operations are subject to national regulation in each jurisdiction in which it operates. Often, these regulations are complex and costly to comply with in terms of time and other resources. Breach of applicable regulations may lead to penalties, fines, compliance costs, reputational harm and even loss of licences to operate. For example, in October 2011, the BES Group settled with the U.S. Securities and Exchange Commission in respect of various alleged violations of U.S. securities laws relating to engaging in certain transactions in the United States and has agreed to pay U.S.\$7 million. Recently, BES has also settled with the Federal Reserve Board and agreed to pay a U.S.\$975,000 penalty with respect to matters relating to the sale of unregistered securities to U.S. customers.

2.15 Risks relating to the Guarantor's shareholding and corporate structure

As of 30 June 2012, the major shareholders of the Guarantor hold, directly or indirectly, approximately 48.21 per cent. of the voting rights of the Guarantor and have the ability to exercise significant influence over or determine the outcome of certain shareholder actions.

Crédit Agricole, the second largest shareholder of the Guarantor, with a holding of 10.81 per cent., is ESFG's strategic partner (the largest shareholder, with 37.4 per cent. of voting rights) in banking and insurance.

Risk Factors Relating to the Bonds

3 Factors which are material for the purpose of assessing the market risks associated with the Bonds

3.1 The Bonds may not be a suitable investment for all investors

Each potential investor in the Bonds must determine the suitability of that investment in light of its own circumstances. In particular, each potential investor should:

- have sufficient knowledge and experience to make a meaningful evaluation of the Bonds, the merits and risks of investing in the Bonds and the information contained or incorporated by reference in these Listing Particulars or any applicable supplement to these Listing Particulars;
- have access to, and knowledge of, appropriate analytical tools to evaluate, in the context of its particular financial situation, an investment in the Bonds and the impact the Bonds will have on its overall investment portfolio;
- have sufficient financial resources and liquidity to bear all of the risks of an investment in the Bonds, including where the currency for principal or interest payments is different from the potential investor's currency;
- understand thoroughly the terms of the Bonds and be familiar with the behaviour of any relevant indices and financial markets; and
- be able to evaluate (either alone or with the help of a financial adviser) possible scenarios for economic, interest rate and other factors that may affect its investment and its ability to bear the applicable risks.

The Bonds are complex financial instruments. Sophisticated institutional investors generally do not purchase complex financial instruments as stand-alone investments. They purchase complex financial instruments as a way to reduce risk or enhance yield with an understood, measured, appropriate addition of risk to their overall portfolios. A potential investor should not invest in the Bonds unless it has the expertise (either alone or with a financial adviser) to evaluate how the Bonds will perform under changing conditions, the resulting effects on the value of the Bonds and the impact this investment will have on the potential investor's overall investment portfolio.

3.2 Risks attached to the exercise of Exchange Rights

Investors should be aware that the Bonds, which are either exchangeable for (i) a Cash Amount in lieu of a pro rata share in the Exchange Property or (ii) a pro rata share of the Exchange Property, bear certain additional risks. Depending on the performance of the underlying Bradesco Shares (or any other securities or assets comprising the Exchange Property from time to time), the value of the Exchange Property may be substantially lower than when the Bonds were initially purchased. In addition, the Cash Amount or pro rata

share of the Exchange Property, as the case may be, to be delivered upon exchange of Bonds may vary substantially between the date on which Exchange Rights are exercised under the Bonds and the date on which such Exchange Property is delivered. See “*Terms and Conditions of the Bonds – Exchange Right*”.

3.3 *Limited liquidity on Bovespa*

The principal trading market for the Bradesco Shares is the São Paulo Stock Exchange (*Bovespa*). Bovespa is less liquid than major markets in Western Europe and the United States. As a result, Bondholders may have difficulty assessing the past performance of the Bradesco Shares based on Bradesco’s prior trading record on the Bovespa. The Issuer and the Guarantor cannot provide assurances about the future liquidity of the market for the Bradesco Shares.

3.4 *Further issues or sales of Bradesco Shares*

There can be no certainty as to the effect, if any, that future issues or sales of Bradesco Shares, or the availability of such Bradesco Shares for future issue or sale, would have on the market price of the Bradesco Shares prevailing from time to time and, therefore, on the value of the Exchange Property and, consequently, the price of the Bonds. Although there are restrictions on the Guarantor, its Subsidiaries and any other party acting on its behalf, directly or indirectly, issuing, offering, selling or otherwise transferring or disposing of any Bradesco Shares or any securities convertible into or exercisable or exchangeable for Bradesco Shares, or selling or granting options, rights or warrants with respect to any Bradesco Shares, or entering into agreements with the same economic results for a period of 90 days from 28 November 2012, sales of substantial numbers of Bradesco Shares in the public market, or a perception in the market that such sales could occur, could adversely affect the prevailing market price of the Bradesco Shares and the Bonds.

Risks Relating to the Bonds Generally

4 Certain risks relating to the Bonds generally

4.1 *Modification and substitution*

The conditions of the Bonds contain provisions for calling meetings of Bondholders to consider matters affecting their interests generally. These provisions permit defined majorities to bind all Bondholders, including Bondholders who did not attend and vote at the relevant meeting and Bondholders who voted in a manner contrary to the majority.

The conditions of the Bonds also provide that the Trustee may, without the consent of Bondholders, agree to (i) modifications of the Bonds which are not, in the opinion of the Trustee, materially prejudicial to the interests of the Bondholders or (ii) modifications to the Bonds or the Trust Deed of a formal, minor or technical nature or which are made to correct a manifest error or to comply with mandatory provisions of the law of the jurisdiction in which the Issuer is incorporated or (iii) the substitution of another company as principal debtor under any Bonds in place of the Issuer, in the circumstances described in Condition 16 of the Bonds.

4.2 *EU Savings Directive*

The European Council Directive 2003/48/EC on the taxation of savings income (the **Directive**) requires EU Member States to provide to the tax authorities of other EU Member States details of payments of interest and other similar income paid by a person established within its jurisdiction to (or for the benefit of) an individual or certain other persons in that other EU Member State, except that Austria and Luxembourg will instead impose a withholding system for a transitional period (subject to a procedure whereby, on meeting certain conditions, the beneficial owner of the interest or other income may request that no tax be withheld), unless during such period they elect otherwise. The European Commission has proposed certain amendments to the Directive, which may, if implemented, amend or broaden the scope of the requirements described above.

A number of third countries and territories, including Switzerland, have adopted similar measures to the Directive (a withholding system in the case of Switzerland).

If a payment were to be made or collected through a Member State which has opted for a withholding system, or through a non-EU country which has adopted similar measures and has opted for a withholding system, or through certain dependent or associated territories which have adopted similar measures and which have opted for a withholding system, and an amount of, or in respect of, tax were to be withheld from that payment, neither the Issuer, the Guarantor, any Paying, Transfer and Exchange Agent nor any

other person would be obliged to pay additional amounts with respect to any Bond as a result of the imposition of such withholding tax. The Issuer is required to maintain a Paying, Transfer and Exchange Agent in a Member State that will not be obliged to withhold or deduct tax pursuant to the Directive.

4.3 Bonds where denominations involve integral multiples: definitive Bonds

It is possible that Bonds may be traded in amounts that are not integral multiples of the minimum Authorised Denomination. Should definitive Bonds be printed, a holder who, as a result of trading such amounts, holds an amount which is less than the minimum Authorised Denomination in his account with the relevant clearing system at the relevant time may not receive a definitive Bond in respect of such holding and would need to purchase a principal amount of Bonds such that its holding amounts to an Authorised Denomination. If definitive Bonds are issued, Bondholders should be aware that definitive Bonds which have a denomination that is not an integral multiple of the minimum Authorised Denomination may be illiquid and difficult to trade.

Risks Relating to the Market Generally

5 The principal market risks, including liquidity risk, exchange rate risk, interest rate risk and credit risk

5.1 The secondary market generally

The Bonds are new securities which may not be widely distributed and for which there is currently no established trading market, and one may never develop. If a market does develop, it may not be very liquid. Therefore, investors may not be able to sell their Bonds easily or at prices that will provide them with a yield comparable to similar investments that have a developed secondary market. Illiquidity may have a severely adverse effect on the market value of Bonds.

5.2 Exchange rate risks and exchange controls

The Issuer will pay principal and interest on the Bonds, and the Guarantor will make any payments under the guarantee, in U.S. dollars. This presents certain risks relating to currency conversions if an investor's financial activities are denominated principally in a currency or currency unit (the **Investor's Currency**) other than U.S. dollars. These include the risk that exchange rates may significantly change (including changes due to devaluation of the U.S. dollar or revaluation of the Investor's Currency) and the risk that authorities with jurisdiction over the Investor's Currency may impose or modify exchange controls. An appreciation in the value of the Investor's Currency relative to the U.S. dollar would decrease (i) the Investor's Currency-equivalent yield on the Bonds, (ii) the Investor's Currency-equivalent value of the principal payable on the Bonds and (iii) the Investor's Currency-equivalent market value of the Bonds.

Government and monetary authorities may impose (as some have done in the past) exchange controls that could adversely affect an applicable exchange rate. As a result, investors may receive less interest or principal than expected, or no interest or principal.

5.3 Interest rate risks

Investment in the Bonds involves the risk that subsequent changes in market interest rates may adversely affect the value of the Bonds.

5.4 Credit ratings may not reflect all risks

One or more independent credit rating agencies may assign credit ratings to the Bonds. The ratings may not reflect the potential impact of all risks related to structure, market, additional factors discussed above, and other factors that may affect the value of the Bonds. A credit rating is not a recommendation to buy, sell or hold securities and may be revised or withdrawn by the rating agency at any time.

Legal investment considerations may restrict certain investments

The investment activities of certain investors are subject to legal investment laws and regulations, or review or regulation by certain authorities. Each potential investor should consult its legal advisers to determine whether and to what extent (i) Bonds are legal investments for it, (ii) Bonds can be used as collateral for various types of borrowing and (iii) other restrictions apply to its purchase or pledge of any Bonds. Financial institutions should consult their legal advisers or the appropriate regulators to determine the appropriate treatment of Bonds

under any applicable risk-based capital or similar rules.

TERMS AND CONDITIONS OF THE BONDS

The issue of the U.S.\$450,000,000 3.50 per cent. Guaranteed Exchangeable Bonds due 2015 (the **Bonds**) of BES Finance Ltd. (the **Issuer**) was authorised by resolutions of the Board of Directors of the Issuer passed on 29 November 2012. The giving of the guarantee by Banco Espírito Santo, S.A., acting through its London Branch (the **Guarantor**) was authorised by resolutions of the Executive Committee of the Guarantor passed on 28 November 2012. The Bonds are constituted by a trust deed (the **Trust Deed**) dated 6 December 2012 (the **Closing Date**) and made between the Issuer, the Guarantor and BNY Mellon Corporate Trustee Services Limited (the **Trustee**, which term shall, where the context so permits, include all other persons or companies acting as trustee or trustees thereof) as trustee for the holders of the Bonds. The Issuer and the Guarantor have entered into a paying, transfer and exchange agency agreement (the **Agency Agreement**) with the Trustee, The Bank of New York Mellon as principal paying, transfer and exchange agent, The Bank of New York Mellon (Luxembourg) S.A. as registrar and the other paying, transfer and exchange agents named therein. The registrar, the principal paying, transfer and exchange agent and the other paying, transfer and exchange agents for the time being are referred to below, respectively, as the **Registrar**, the **Principal Paying, Transfer and Exchange Agent** and the **Paying, Transfer and Exchange Agents** (which expression shall include the Principal Paying, Transfer and Exchange Agent). The statements in these terms and conditions of the Bonds (the **Conditions**) include summaries of, and are subject to, the detailed provisions of the Trust Deed, which includes the form of the Bonds. Copies of the Trust Deed and the Agency Agreement are available for inspection by Bondholders at the registered office of the Trustee being at the Closing Date at One Canada Square, London E14 5AL and at the specified office(s) of the Paying, Transfer and Exchange Agents. The Bondholders (as defined in Condition 1.2) are entitled to the benefit of the Trust Deed and are bound by, and are deemed to have notice of, all the provisions of the Trust Deed and the Agency Agreement applicable to them.

1. FORM, DENOMINATION AND TITLE

1.1 Form and Denomination

The Bonds are in registered form, serially numbered, in the denomination of U.S.\$200,000 and integral multiples of U.S.\$100,000 in excess thereof (each, an **Authorised Denomination**) and are each represented by a registered certificate (each a **Certificate** and, together, the **Certificates**).

1.2 Title

Title to the Bonds will pass by registration and transfer as described in Conditions 3 and 4, respectively. In these Conditions, in relation to a Bond, **Bondholder** and **holder** means the persons in whose name a Bond is registered in the Register (as defined in Condition 3). The registered holder of any Bond will (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 interest in it or any writing on, or theft or loss of it) and no person will be liable for so treating the holder.

2. STATUS OF THE BONDS AND GUARANTEE

2.1 Status of the Bonds

The Bonds are direct, unconditional, unsecured (subject to the provisions of Condition 5) and unsubordinated obligations of the Issuer and rank and will rank *pari passu* with all present and future unsecured (subject as aforesaid) and unsubordinated obligations of the Issuer, without any preference among themselves by reason of priority of date of issue, currency of payment or otherwise, except for obligations given priority by law.

2.2 Guarantee of the Bonds

The Guarantor has in the Trust Deed unconditionally and irrevocably guaranteed the due and punctual payment by the Issuer of the principal of, and interest on, the Bonds and all other amounts payable under or pursuant to the Trust Deed (the **Guarantee**).

The obligations of the Guarantor under the Guarantee constitute direct, unconditional, unsecured (subject to the provisions of Condition 5) and unsubordinated obligations of the Guarantor and rank and will *rank pari passu* with all present and future unsecured (subject as aforesaid) and unsubordinated obligations (including those arising under deposits received in its banking business) of the Guarantor, except for obligations given priority by law.

3. REGISTRATION

The Issuer will cause a register (the **Register**) to be kept at the specified office of the Registrar outside the United Kingdom in which will be entered the names and addresses of the holders of the Bonds and the particulars of the Bonds held by them and of all transfers and redemptions of Bonds.

4. TRANSFER OF BONDS

4.1 Transfer

Each Bond may, subject to the terms of the Agency Agreement and to Conditions 4.2, 4.3 and 4.4, be transferred in whole but not in part by lodging the Certificate in respect of the relevant Bond (with the form of application for transfer in respect thereof duly executed and duly stamped where applicable) at the specified office of the Registrar or any Paying, Transfer and Exchange Agent.

No transfer of a Bond will be valid unless and until entered on the Register. A Bond may be registered only in the name of, and transferred only to, a named person (or persons, not exceeding four in number).

The Registrar will, within 14 Business Days (in the city of the Registrar's specified office) of any duly made application for the transfer of a Bond, deliver a new Certificate in respect of the Bond to the transferee, at the specified office of the Registrar, or (at the risk and, if mailed at the request of the transferee otherwise than by ordinary mail, at the expense of the transferee) mail the Certificate in respect of the Bond by uninsured mail to such address as the transferee may request.

4.2 Formalities Free of Charge

Such transfer will be effected without charge subject to (i) the person making such application for transfer paying or procuring the payment of any taxes, duties and other governmental charges in connection therewith and (ii) the Registrar being satisfied with the documents of title and/or identity of the person making the application.

4.3 Closed Periods

Neither the Issuer nor the Registrar will be required to register the transfer of any Bond:

- (a) during the period of seven Business Days (in the city of the Registrar's specified office) immediately prior to the Maturity Date or any earlier date fixed for redemption of the Bonds pursuant to Condition 11.2 or Condition 11.3;
- (b) in respect of which an Exchange Notice (as defined below) has been delivered in accordance with Condition 8.2; or
- (c) during the period of 14 Business Days (in the city of the Registrar's specified office) ending on (and including) any Record Date (as defined below) in respect of any payment of interest on the Bonds.

4.4 Regulations

All transfers of Bonds and entries on the register of Bondholders will be made subject to the detailed regulations concerning transfer of Bonds set forth in the Agency Agreement. The regulations may be changed by the Issuer with the prior written approval of the Trustee and the Registrar. A copy of the current regulations will be mailed (free of charge) by the Registrar to any Bondholder upon request.

5. NEGATIVE PLEDGE

So long as any of the Bonds remains outstanding (as defined in the Trust Deed), neither the Issuer nor the Guarantor shall create or permit to be outstanding any Security Interest, mortgage, charge, lien, pledge or other similar encumbrance or security interest upon the whole or any part of its undertaking or assets, present or future (including any uncalled capital), to secure any Indebtedness (as defined below) or any guarantee or indemnity given in respect of any Indebtedness, without, in the case of the creation of any Security Interest, encumbrance or security interest, at the same time and, in any other case, promptly granting to the Bondholders either, at the option of the Issuer, an equal and rateable interest in the same or providing to the Bondholders such other security as either:

- (a) the Trustee shall, in its absolute discretion, deem to be not materially less beneficial to the Bondholders; or
- (b) as shall be approved by an Extraordinary Resolution of the Bondholders.

Indebtedness means any borrowings having an original maturity of more than one year in the form of or represented by bonds, notes, debentures or other securities (not comprising, for the avoidance of doubt preference shares or other equity securities) but excluding any Covered Bonds (as defined below):

- (a) where more than 50 per cent. in aggregate principal amount of such bonds, notes, debentures or other securities are initially offered outside the Portuguese Republic; and

- (b) which with the consent of the Issuer and the Guarantor, are, or are intended to be, listed or traded on any non-Portuguese domestic stock exchange, over-the-counter or other organised market for securities (whether or not initially distributed by way of private placing).

Covered Bonds means any covered bonds (*Obrigações Hipotecárias*) issued by the Guarantor, the obligations of which benefit from a special creditor privilege (*privilégio creditório especial*) as a result of them being collateralised by a defined pool of assets comprised of mortgage loans or other loans permitted by applicable Portuguese legislation to be included in the pool of assets and where the requirements for that collateralisation are regulated by applicable Portuguese legislation.

Security Interest means any mortgage, charge, lien, pledge, or other similar encumbrance or security interest.

6. DEFINITIONS

For the purpose of these Conditions, the following words and phrases shall have the following meanings:

Additional Exchange Property has the meaning set out in Condition 8.2;

Applicable Period means each successive period of three calendar months commencing on the first day of each financial period of Bradesco;

Authorised Officers has the meaning given in the Trust Deed;

Bondholder has the meaning set out in Condition 1.2;

Bradesco means Banco Bradesco S.A.;

Bradesco Shares means fully paid common shares in the capital of Bradesco and all other (if any) shares or stock resulting from any subdivision, consolidation or reclassification of those shares which, as between themselves, have no preference in respect of dividends or amounts payable in the event of any voluntary or involuntary liquidation or winding-up of Bradesco;

BRL means the lawful currency of Brazil;

Business Day means, in relation to any place, a day (other than a Saturday or a Sunday) on which commercial banks and foreign exchange markets settle payments generally in such place;

Capital Distribution means:

- (a) in relation to a Bradesco Share, in respect of an Applicable Period (being an Applicable Period during which the Closing Date falls, and each Applicable Period thereafter), the amount in cash equal to the amount by which the division of:
- (i) an amount equal to (a) the aggregate of the Fair Market Value or Fair Market Values of any Dividend or Dividends per Bradesco Share paid or made in such Applicable Period plus (b) the aggregate of the Fair Market Value or Fair Market Values of any other Dividend or Dividends (if any) per Bradesco Share paid or made in any earlier Applicable Period falling in the same financial period as such first mentioned Applicable Period (other than any Dividend or part thereof previously determined to be a Capital Distribution); by
 - (ii) the arithmetic mean of the Volume Weighted Average Price of the Bradesco Shares for each of the 90 consecutive Trading Days ending on the Trading Day immediately preceding the date on which the Bradesco Shares are trading ex the last Dividend paid or made in such Applicable Period, expressed as a percentage, exceeds 3.50 per cent.; and
- (b) in relation to any Relevant Security (other than Bradesco Shares) comprised in the Exchange Property, any Dividend paid or made in any financial period of the relevant issuer (the **Relevant Dividend**) if and to the extent that the sum of (i) the Fair Market Value of the Relevant Dividend per Relevant Security and (ii) the Fair Market Value of any other Dividend per Relevant Security paid or made in such financial period (other than any Dividend or part thereof previously determined to be a Capital Distribution in respect of such financial period), exceeds 3.50 per cent. of the Reference Amount, in which case the amount of such Capital Distribution shall be the amount of such excess,

disregarding, in each case, any Dividend in respect of a Relevant Security which is trading ex that Dividend on or prior to the Closing Date.

For the purpose of this definition of Capital Distribution only:

- (i) **Reference Amount** means the average of the Volume Weighted Average Price of the Relevant Securities on the 60 consecutive Trading Days ending on the Trading Day immediately preceding the date on which the Relevant Dividend is announced;
- (ii) the Fair Market Value of a Dividend shall be determined as at the date of announcement of the relevant Dividend; and
- (iii) in making any such calculation, such adjustments (if any) shall be made as an independent financial institution of international repute selected by the Issuer and approved by the Trustee may consider appropriate to reflect any Sub-division, Consolidation or Redenomination of the Relevant Securities or any change in the number of Relevant Securities comprising Exchange Property pursuant to Condition 8.5 (Adjustments to the Exchange Property) in issue in relation to financial periods being compared;

Cash Amount has the meaning provided in Condition 8.1;

CBLC has the meaning provided in Condition 8.2;

Change Date has the meaning provided in Condition 8.2;

Clearstream, Luxembourg means Clearstream, Banking, *société anonyme*;

Dividend means any dividend or distribution (determined on a gross basis), whether of cash, assets or other property, and whenever paid or made and however described and shall include any distribution or repayment of capital (and any interest on capital thereon determined on a gross basis), whether upon a reduction in the par value or nominal value of any Relevant Securities or otherwise, and howsoever described, (and a distribution of assets includes, without limitation, an issue of shares or other securities credited as fully or partly paid up) provided that:

- (a) where a cash Dividend is announced which is to be, or may at the election of a holder or holders of Relevant Securities be, satisfied by the issue or delivery of Relevant Securities or other property or assets, then the Dividend in question shall be treated as a Dividend of:
 - (i) the Fair Market Value on the date of announcement of such Dividend of the cash Dividend so announced; and/or
 - (ii) the Fair Market Value on the date of announcement of such Dividend of such Relevant Securities or other property or assets to be issued or delivered in satisfaction of such Dividend,
 the Issuer being entitled to make such election as it may see fit in respect of any such Dividend for the purposes of these Conditions;
- (b) any issue of Relevant Securities falling within Condition 8.5(a) or 8.5(c) shall be disregarded;
- (c) any offer by or on behalf of a Relevant Company of Relevant Securities or other securities or options, warrants or rights to subscribe or purchase further Relevant Securities (or any of them) or other securities falling within Condition 8.5(b) shall be disregarded; and
- (d) a repurchase or redemption by or on behalf of a Relevant Company of Relevant Securities shall be disregarded;

dollars and U.S.\$ means the lawful currency of the United States of America;

Equivalent Amount has the meaning set out in Condition 8.2;

Euroclear means Euroclear Bank S.A./N.V.;

Exchange Date has the meaning set out in Condition 8.2;

Exchange Expenses has the meaning set out in Condition 8.2;

Exchange Notice has the meaning set out in Condition 8.2;

Exchange Period has the meaning set out in Condition 8.1;

Exchange Property has the meaning set out in Condition 8.4;

Exchange Right has the meaning set out in Condition 8.1;

Extraordinary Resolution has the meaning given in the Trust Deed;

Fair Market Value means, with respect to any property on any date, the fair market value of that property as determined by an independent financial institution of international repute, acting as an expert, selected by the Issuer and approved by the Trustee; provided that:

- (a) the fair market value of a cash Dividend paid or to be paid per Relevant Security shall be the amount of such cash Dividend per Relevant Security;
- (b) where shares, options, warrants or other securities or rights are publicly traded in a market of adequate liquidity (as determined by such financial institution) the fair market value of such shares, options, warrants or other securities or rights shall equal the arithmetic mean of the daily volume weighted average price of such shares, options, warrants or other securities or rights during the period of ten Trading Days on the relevant market commencing on the first such Trading Day such shares, options, warrants or other rights are publicly traded, or such shorter period as such shares, options, warrants or other securities or rights are publicly traded; and
- (c) in each case converted into the currency in which the Relevant Securities are traded on the Relevant Exchange (in the case of Bradesco Shares) or the principal stock exchange or securities market on which such Relevant Securities (if other than Bradesco Shares) are then listed or quoted or dealt in (if expressed in a currency other than such currency) at the Screen Rate on such date (or, in the case of (b), at the average of the Screen Rate on each Trading Day in the relevant period);

Final Date means, in relation to any Offer, the date such Offer becomes or is declared unconditional in all respects;

financial period means any annual financial period of the Relevant Company in respect of which audited financial statements are prepared, provided that if the Relevant Company shall change its financial year end, such modification shall be made in the operation of the definition of **Capital Distribution** as shall be determined to be reasonable and appropriate by an international financial institution of international repute selected by the Issuer and approved by the Trustee;

Further Amount has the meaning set out in Condition 8.2;

Interest Payment Date has the meaning set out in Condition 7.1;

Interest Period has the meaning set out in Condition 7.1;

Maturity Date means 6 December 2015;

Offer means an offer to the holders of any Relevant Securities comprising Exchange Property, whether expressed as a legal offer, an invitation to treat or in any other way, in circumstances where such offer is available to all holders of the applicable Relevant Securities (or all or substantially all such holders other than any holder who is, or is connected with, or is deemed to be acting in concert with, the person making such offer or to whom, by reason of the laws of any territory or requirements of any recognised regulatory body or any stock exchange in any territory, it is determined not to make such an offer) and that results in the person making the offer acquiring or owning at least 60 per cent. of all such outstanding and issued Relevant Securities;

Offer Consideration has the meaning set out in Condition 9;

Physical Settlement Election has the meaning set out in Condition 8.3;

Physical Settlement Election is in effect or an **effective Physical Settlement Election** means that a Physical Settlement Election has been made by a Bondholder and the Issuer has accepted and agreed to such Physical Settlement Election in the manner prescribed by these Conditions;

Presentation Date has the meaning set out in Condition 13;

pro rata share means, for each Bond at any time, a fraction of the Exchange Property the numerator of which shall be the principal amount of such Bond and the denominator of which shall be the aggregate principal amount of all the Bonds (including the Bond to which the pro rata share relates) which are outstanding at such time (excluding for this purpose the principal amount of any Bonds in respect of which Exchange Rights have been exercised by a Bondholder but the (i) Cash Amount has not yet been paid or (ii) (in the case of an effective Physical Settlement Election) the pro rata share of the Exchange Property has not yet been delivered, in each case, to the relevant Bondholder and excluding from the Exchange Property the pro rata share of the Exchange Property in respect of such Bond);

Rating Agency means DBRS Ratings Limited, Moody's Investor Services, Inc. and/or Standard & Poor's Rating Services, a division of the McGraw-Hill Companies Inc. and their respective successors or any other rating agency selected by the Issuer and approved by the Trustee;

Realisation Proceeds means the proceeds of sale (after the deduction of costs and expenses of such sale) of the relevant Exchange Property or the relevant dividends or other income or distributions or rights, as the case may be, carried out by an independent broker or financial institution selected by the Issuer and approved by the Trustee, on an arm's length basis (converted if necessary into dollars at the Screen Rate on the date of receipt of such proceeds);

Record Date means the seventh Business Day (in the city of the Registrar's specified office) before the due date for the relevant payment;

Registered Securities has the meaning set out in Condition 8.2;

Registration Date in respect of any Registered Securities means the date on which the relevant Bondholder is registered as the holder of such Registered Securities;

Regulation S has the meaning set out in Condition 8.3;

Relevant Bond has the meaning set out in Condition 7.3;

Relevant Company means Bradesco, and any corporation or company derived from or resulting or surviving from the spin-off, incorporation, merger, consolidation, amalgamation, reconstruction or acquisition of Bradesco with, into or by such other corporation or company, and any other entity, all or part of the share capital of which is, or all or some of the securities of which are, at the relevant time included in the Exchange Property;

Relevant Date means whichever is the earlier of:

- (a) the day on which all sums due in respect of the Bonds up to that day are received by or on behalf of the relevant Bondholder; and
- (b) the day seven days after that on which notice is duly given to Bondholders that, upon surrender of the relative Certificate, such payment will be made, provided that payment is in fact made upon such surrender;

Relevant Event has the meaning set out in Condition 8.5(c);

Relevant Exchange means the Sao Paulo Stock Exchange – Bovespa or, if the Bradesco Shares are no longer admitted to trading on Sao Paulo Stock Exchange – Bovespa, the principal stock exchange or securities market on which the Bradesco Shares are traded or dealt in;

Relevant Securities means any securities of any Relevant Company which at the relevant time are included in the Exchange Property;

Required Transfer Steps has the meaning set out in Condition 8.2;

Reserved Matters has the meaning given in the Trust Deed;

Rights Issue has the meaning set out in Condition 8.5(b);

Sao Paulo Business Day means a day (other than a Saturday or Sunday) on which commercial banks and foreign exchange markets are open for business in Sao Paulo;

Screen Rate means, on any day, and, in respect of the conversion of one currency into another currency, the rate of exchange between such currencies appearing on the relevant Reuters page as at or about 12 noon (London time) on that day (or, in the case of a conversion between dollars and BRL, the USDBRL FX Rate on that day), or, in the case of a rate of exchange to be taken from a Reuters page, if the relevant page is not available or that rate of exchange does not appear on the relevant page at that time on that day, the rate of exchange between such currencies appearing on such other screen or information service, or determined in such other manner, as the Issuer shall determine, with the approval of the Trustee;

securities means shares or other securities (including without limitation any options, warrants, convertible bonds, evidence of indebtedness or rights to subscribe or purchase shares or other securities);

Securities Act has the meaning set out in Condition 8.3;

Settlement Date means, in the case of the exercise of Exchange Rights in respect of which a Physical Settlement Election is in effect, the date falling 14 Sao Paulo Business Days after the relevant Exchange Date;

Settlement Period means the period from (and including) the Exchange Date to (and including) the Settlement Date;

Stamp Taxes has the meaning set out in Condition 8.2;

Sub-division, Consolidation or Redenomination has the meaning set out in Condition 8.5(a);

Subsidiary means any company which is for the time being a subsidiary within the meaning of Section 1159 of the Companies Act 2006;

Substituted Principal Obligor has the meaning set out in Condition 16;

Trading Day means:

- (a) in respect of Bradesco Shares, a day (other than a Saturday or Sunday) on which the Relevant Exchange is open for business; and
- (b) in respect of any other Relevant Securities or any other securities or options, warrants or other rights, a day (other than a Saturday or Sunday) on which the stock exchange or other securities market on which such Relevant Securities or any other securities or options, warrants or other rights are principally traded is open for business;

USDBRL FX Rate means, on any day, the average of the bid and ask prices appearing on Bloomberg page BZFXPTAX <Index> or, if that page is not available or that rate of exchange does not appear on that page at that time on that day, the rate of exchange between such currencies appearing on such other screen or information service, or determined in such other manner, as the Issuer shall determine, with the approval of the Trustee;

Value of the Exchange Property on any day means the aggregate of:

- (a) the value of publicly traded securities included in the Exchange Property, which shall be deemed to be the Volume Weighted Average Price of such securities on such day, provided that if such day is not a day on which the Relevant Exchange or, as the case may be, such other stock exchange or other securities market is open for business or, if there is no such Volume Weighted Average Price, then the value of such publicly traded securities shall be the Volume Weighted Average Price on the immediately preceding such day, converted (if necessary) into dollars at the Screen Rate on such day; and
- (b) the value of all other assets and of publicly traded securities for which a value cannot be determined pursuant to (a) above included in the Exchange Property, which shall be deemed to be the value on such day (converted (if necessary) into dollars as aforesaid) as certified by an independent financial institution (in the case of securities) or independent appraiser (in the case of other assets (other than cash)) of international repute selected by the Issuer and approved by the Trustee; and
- (c) the value of cash shall be deemed to be the amount thereof (converted (if necessary) into dollars as aforesaid),

provided that (A) if on any day any such publicly traded securities are quoted on the Relevant Exchange or, as the case may be, such stock exchange or other securities market as aforesaid cum any dividend or other entitlement, or any assets or publicly traded securities the value of which is to be determined pursuant to (b) above have the benefit of, or are entitled to, or carry the right to, any dividend or other entitlement, in any such case in respect of which the record date or other due date for the establishment of entitlement falls prior to the relevant Exchange Date, then the value of any such assets or publicly traded securities on such day shall be reduced by an amount equal to the gross amount of any such dividend or other cash entitlement or, as the case may be, the value (as determined by an independent financial institution as aforesaid) of any entitlement or dividend where that is other than cash and (B) if on any day any such publicly traded securities are quoted on the Relevant Exchange or, as the case may be, such stock exchange or other securities market as aforesaid ex any dividend or other entitlement, or any assets or publicly traded securities the value of which is to be determined pursuant to (b) above do not have the benefit of, or are not entitled to, or do not carry the right to, any dividend or other entitlement, in any such case in respect of which the record date or other due date for the establishment of entitlement falls on or after the relevant Exchange Date, then the value of any such assets or publicly traded securities on such day shall be increased by an amount equal to the gross amount of any such dividend or other cash entitlement or, as the case may be, the value (as determined by an independent financial institution as aforesaid) of any entitlement or dividend where that is other than cash less (in any such case) the amount (if any) in respect of any such dividend, entitlement or, as the case may be, value to which the Bondholder is otherwise entitled pursuant to any other provision of these Conditions; and

Volume Weighted Average Price means, in respect of any Trading Day:

- (a) in the case of Bradesco Shares, the volume weighted average price of the Bradesco Shares as obtained or derived from the Relevant Exchange on that Trading Day or if no transaction in respect of the Bradesco Shares takes place on that Trading Day, the average of the closing bid and offer prices on that day in respect of the Bradesco Shares as derived from the Relevant Exchange, and
- (b) in the case of any other Relevant Security, the volume weighted average price as obtained or derived from the stock exchange or other securities market on which such Relevant Security is principally traded on that Trading Day or if no transaction in respect of the Relevant Security takes place on that Trading Day, the average of the closing bid and offer prices on that day in respect of the Relevant Security as derived from such stock exchange or other securities market.

7. INTEREST

7.1 Interest Rate

Each Bond bears interest on its principal amount from (and including) the Closing Date at the rate of 3.50 per cent. per annum, payable semi-annually in arrear in equal instalments on 6 June and 6 December of each year (each an **Interest Payment Date**), the first Interest Payment Date being 6 June 2013 and the amount of interest payable on each Bond on each Interest Payment Date will amount to U.S.\$1,750 per U.S.\$100,000 principal amount of a Bond. The period beginning on (and including) the Closing Date and ending on (but excluding) the first Interest Payment Date and each successive period beginning on (and including) an Interest Payment Date and ending on (but excluding) the next succeeding Interest Payment Date is called an **Interest Period**.

If interest is required to be calculated for a period of less than a full Interest Period, it shall be calculated on the basis of a 360 day year consisting of 12 months of 30 days each and, in the case of an incomplete month, the number of days elapsed on the basis of a month of 30 days.

7.2 Accrual of Interest

Each Bond will cease to bear interest:

- (a) where the Exchange Right (as defined below) shall have been exercised in respect thereof, from (and including) the Interest Payment Date immediately preceding the relevant Exchange Date or, if none, the Closing Date (but without prejudice to Condition 7.3); or
- (b) where such Bond is redeemed, from, and including, the due date for redemption unless, upon due surrender of the relative Certificate, payment of the full amount due is improperly withheld or refused, in which event such Bond shall continue to bear interest (both before and after judgment) as provided in the Trust Deed.

7.3 Interest upon Exchange prior to Early Redemption

If:

- (a) any notice requiring the redemption of any Bonds is given pursuant to Condition 11.2 or Condition 11.3 on or after (or within 15 days before) the record date or other due date for the establishment of entitlement in respect of any dividend, distribution or interest payable in respect of the Bradesco Shares (or other Relevant Securities comprising on such date more than one-quarter by Value of the Exchange Property);
- (b) such notice specifies a date for redemption falling on or before (or within 14 days after) the Record Date in respect of the next following Interest Payment Date; and
- (c) the Exchange Date in respect of any Bond which is the subject of any such notice (a **Relevant Bond**) falls after such record date or other due date for the establishment of entitlement and on or before the Record Date in respect of the Interest Payment Date next following such record date or other due date for the establishment of entitlement,

then interest shall accrue on each Relevant Bond from, and including, the preceding Interest Payment Date (or, if the relevant Exchange Date falls on or before the first Interest Payment Date, from, and including, the Closing Date) to, but excluding, the relevant Exchange Date.

Any such interest shall be paid by the Issuer not later than 14 days after the relevant Exchange Date by transfer to a dollar account maintained with a bank in New York in accordance with instructions given by the relevant Bondholder in the relevant Exchange Notice.

8. EXCHANGE RIGHT

8.1 Exchange Period, Exchange Rights and Cash Amount

Each Bondholder shall have the right at any time during the Exchange Period (the **Exchange Right**) to (i) require the Issuer to deliver the Cash Amount in exchange for the Bonds or (ii) make a Physical Settlement Election (as defined in Condition 8.3).

Upon the delivery of an Exchange Notice by a Bondholder as set out in Condition 8.2, the Issuer shall (i) (unless a Physical Settlement Election is in effect) on the Cash Payment Date (as defined below) satisfy the Exchange Rights in respect of the relevant Bonds by making a payment to the relevant Bondholder of the Cash Amount (together with any amounts which may be payable by the Issuer in respect of, or following, such exercise, including any interest payable pursuant to Condition 7.3) by transfer to a dollar account maintained with a bank in New York in accordance with instructions given by the relevant Bondholder in the relevant Exchange Notice or (ii) (where a Physical Settlement Election is in effect) deliver to the relevant Bondholder on the Settlement Date (as defined in Condition 6) a pro rata share of the Exchange Property in the manner specified in Condition 8.2.

Cash Amount means a sum in cash in dollars equal to the average of the Value on each Sao Paulo Business Day in the Cash Averaging Period of the relevant pro rata share of the Exchange Property.

Cash Averaging Period means the period of 20 consecutive Sao Paulo Business Days commencing on the relevant Exchange Date.

Cash Payment Date means the date falling five New York Business Days after the last day of the Cash Averaging Period.

Subject to and upon compliance with these Conditions, the Exchange Right attaching to any Bond may be exercised by the holder thereof at any time on and after 16 January 2013 up to (and including) the close of business (at the place where the Certificate in respect of such Bond is deposited for exchange) on the date which falls seven Sao Paulo Business Days prior to the Maturity Date or if such Bond shall have been called for redemption pursuant to Condition 11.2 or Condition 11.3 prior to the Maturity Date, then up to the close of business (at the place aforesaid) on the date which falls seven Sao Paulo Business Days prior to the date fixed for redemption thereof unless there shall be default in making payment in respect of such Bond on such date fixed for redemption, in which event the Exchange Right shall extend up to the close of business (at the place aforesaid) on the date on which the full amount of such payment is made, or if earlier, the date on which notice is duly given to Bondholders that, upon surrender of the relative Certificate, such payment will be made (provided that payment is in fact made upon such surrender) or, if earlier, the Maturity Date subject as provided in Condition 8.2.

For the purposes of the paragraph above, the date which falls seven Sao Paulo Business Days prior to the Maturity Date is expected to be 26 November 2015.

If the Trustee shall give notice to the Issuer (with a copy to the Guarantor) declaring the Bonds to be immediately due and repayable pursuant to Condition 14, notice of such fact shall forthwith be given by the Issuer to the Bondholders in accordance with Condition 18 and each Bondholder shall (whether or not the Exchange Right attaching to its Bond is then otherwise exercisable) be entitled at any time after the date on which the Bonds become so due and repayable (the **Due Date**) until the date being the last day of the period of two weeks after the Due Date (but not thereafter) to elect (by delivering in accordance with the provisions of this Condition 8 a duly signed and completed Exchange Notice, together with the relevant Certificate, to the specified office of any Paying, Transfer and Exchange Agent) in lieu of having his Bond repaid, to exercise the Exchange Right in respect of such Bond as at the Due Date (and references to the Exchange Date shall be construed accordingly), save that no such election may be made in respect of a Bond the Certificate in respect of which has been presented for payment on or after the Due Date (provided that payment in full of all amounts then due on the relevant Bond is made upon such presentation). Subject as provided in this Condition 8, Exchange Rights shall lapse in the event that the Trustee shall give notice to the Issuer that the Bonds are immediately due and repayable.

The period during which Bondholders shall be entitled to exercise Exchange Rights pursuant to these Conditions is referred to as the **Exchange Period**.

Where a Physical Settlement Election is in effect in respect of an exercise of Exchange Rights, no fraction of a Relevant Security or any other property comprised in the Exchange Property which is not divisible shall be delivered on exercise of the Exchange Rights and the Issuer shall not be under any obligation to make any payment to Bondholders in respect of any such fraction and any such fraction will be rounded down to the nearest whole multiple of a Relevant Security or unit of any such other property, as the case may be.

Where a Physical Settlement Election is not in effect in respect of an exercise of Exchange Rights, then in determining the relevant pro rata share of the Exchange Property for the purposes of determining the Cash

Amount payable in respect of such exercise, any Relevant Security or any other property constituting the relevant pro rata share of the Exchange Property shall, if necessary, be rounded down to four decimal places.

If more than one Bond is to be exchanged by a Bondholder pursuant to any one Exchange Notice, the Cash Amount to be paid or (where a Physical Settlement Election is in effect) the Exchange Property to be delivered, together with any sum payable to that Bondholder, shall be calculated on the basis of the aggregate principal amount of such Bonds the subject of the relevant Exchange Notice.

8.2 Procedure for Exchange

- (a) To exercise the Exchange Right in respect of any Bond, the holder thereof must complete, execute and deposit at his own expense at any time during the Exchange Period and during normal business hours at the specified office of any Paying, Transfer and Exchange Agent, a notice of exchange (an **Exchange Notice**) containing, where applicable, the information prescribed by Condition 8.3, in the form (for the time being current) obtainable from the specified office of each Paying, Transfer and Exchange Agent, together with the Certificate in respect of such Bond and any amount to be paid by the Bondholder pursuant to this Condition 8.2. An Exchange Notice once delivered shall be irrevocable.

Exchange Rights may only be exercised in respect of an Authorised Denomination.

- (b) The exchange date in respect of a Bond (the **Exchange Date**) in respect of which the Exchange Right shall have been exercised by a Bondholder will be the Sao Paulo Business Day immediately following (i) the date of the delivery of the Exchange Notice and the Certificate in respect of the relevant Bond and (ii) in the case of Bonds in respect of which a Physical Settlement Election is made, the date on which any payment required to be made by such Bondholder under these Conditions in connection with the exercise of such Exchange Rights has been made.
- (c) The Issuer, failing whom the Guarantor, will pay any stamp, registration, documentary, transfer or other similar taxes or duties (including penalties) arising on the transfer or delivery of any Exchange Property to or to the order of a Bondholder pursuant to the exercise of Exchange Rights in respect of which a Physical Settlement Election is in effect (**Stamp Taxes**) which are payable or imposed in the Cayman Islands, Portugal and the jurisdiction in which the relevant Exchange Property is situated (and for this purpose any securities in registered form comprising Exchange Property shall be deemed to be situated in the jurisdiction in which the register (or in the case of more than one register, the principal register or the register on which such securities are recorded or maintained) is located). Subject to the above, a Bondholder exercising Exchange Rights in respect of which a Physical Settlement Election is in effect must pay any taxes and capital, stamp, issue, registration, documentary, transfer or other duties (including penalties) arising on exchange and/or on the transfer, delivery or other disposition of Exchange Property arising on exercise of such Exchange Rights (**Exchange Expenses**). If the Issuer, failing whom the Guarantor, shall fail to pay any Stamp Taxes for which it is responsible as provided above, the relevant holder shall be entitled to tender and pay the same and the Issuer, failing whom the Guarantor, as a separate and independent stipulation, covenants to reimburse each such Bondholder in respect of the payment of such Stamp Taxes and any penalties payable in respect thereof. Each Bondholder must pay all, if any, taxes arising by reference to any disposal or deemed disposal of a Bond in connection with the exercise of Exchange Rights.

For the avoidance of doubt, the Trustee and the Agents shall not be responsible for determining whether any such taxes or capital, stamp, issue and registration and transfer taxes and duties are payable or the amount thereof and it shall not be responsible or liable for any failure by the Issuer, the Guarantor or any Bondholder to pay such taxes or capital, stamp, issue and registration and transfer taxes and duties.

- (d) Where a Physical Settlement Election is in effect, the Issuer shall as soon as practicable, and in any event not later than the Settlement Date (and subject as provided in these Conditions):
 - (i) in respect of Bradesco Shares (or other shares, debentures, subscription warrants, participation certificates or other securities of companies incorporated in Brazil) comprising the relevant pro rata share of the Exchange Property, take all actions necessary for effecting the transfer of such Bradesco Shares (or other shares, debentures, subscription warrants, participation certificates or other securities of companies incorporated in Brazil) to the relevant Bondholder (or to the person designated for such purpose in the Relevant Exchange Notice) including, in the case of Bradesco Shares, inter alia, the Required Transfer Steps specified below;
 - (ii) procure that Relevant Securities (other than Bradesco Shares or other shares, debentures, subscription warrants, participation certificates or other securities of companies incorporated in Brazil) comprising the relevant pro rata share of the Exchange Property to be delivered on exercise

of Exchange Rights are transferred into such name as the Bondholder shall direct pursuant to the Exchange Notice and shall procure that forms of transfer and certificates (if certificates for the Relevant Securities are then generally being issued) together with all other documents of title and evidence of ownership and all other documents necessary to transfer or evidence the transfer of such Relevant Securities will be despatched by mail, and free of charge (but uninsured and at the risk of the person entitled thereto) to such address, subject to applicable securities laws, as the Bondholder may request (as specified in the relevant Exchange Notice); and

- (iii) procure that such documents of title and evidence of ownership of any other Exchange Property to be delivered on exercise of Exchange Rights shall be despatched and that payment of any part of the Exchange Property comprising cash to be delivered on exercise of Exchange Rights (converted if necessary into dollars at the Screen Rate on the relevant Exchange Date) shall be made, in each case in accordance with directions given by the relevant Bondholder in the Exchange Notice.

Notwithstanding (i) to (iii) above, in the event that the Issuer delivers a certificate to the Trustee signed by two Authorised Officers to the effect that the bookkeeper of the Bradesco Shares or the CBLC, as the case may be, or the Brazilian Central Bank (or, where the Exchange Property is comprised of Relevant Securities other than Bradesco Shares and certificates for such Relevant Securities are not then generally being issued, the clearing system through which the transfer of such Relevant Securities is required to be effected) has been closed for a continuous period of two or more days (excluding Saturdays and Sundays and save by reason of holidays, statutory or otherwise) in the Settlement Period, then the Issuer will notify the relevant Bondholder in accordance with Condition 18 or at the address of the Bondholder specified in the relevant Exchange Notice (as the Issuer may determine) and the date for such delivery shall be the later of a date falling within the Settlement Period and the earliest practicable date on which the relevant Exchange Property may be delivered or transferred to the relevant Bondholder designated in the relevant Exchange Notice or, as the case may be, the relevant clearing system.

Neither the Issuer nor the Guarantor shall be responsible or liable to any person for any delay in the delivery of any property comprising Exchange Property following exercise of Exchange Rights arising as a result of a failure by the relevant Bondholder to supply all information and details as required by the relevant Exchange Notice.

If the Exchange Property has changed in whole or in part as a result of an Offer or as a result of the compulsory acquisition of any Relevant Securities following an Offer, then the Issuer will deliver the relevant Exchange Property as soon as is reasonable practicable.

- (e) If, at any time when the transfer or delivery of any Exchange Property (other than cash) is required pursuant to an effective Physical Settlement Election, such transfer or delivery would, as certified to the Trustee by two Authorised Officers of the Issuer, be unlawful under the laws of any applicable jurisdiction or contrary to any official declaration, order, directive or regulation in any applicable jurisdiction, the Issuer will notify the relevant Bondholder in accordance with Condition 18 or at the address of the Bondholder specified in the relevant Exchange Notice (as the Issuer may determine) and the Issuer will make a cash payment equal to the aggregate of the Realisation Proceeds. The Issuer will pay any such amount to the relevant Bondholder not later than ten New York Business Days after the relevant Settlement Date.
- (f) In these Conditions, **Required Transfer Steps** means:
 - (i) the issue by the Issuer's representative in Brazil of a notification of transfer to Bradesco and to (i) the relevant bookkeeper of the Bradesco Shares or (ii) if at the relevant time, the Bradesco Shares are subject to the custody of the Brazilian Settlement and Custody Company (the **CBLC**), the relevant participant of CBLC responsible for the registration of ownership of such Bradesco Shares; and
 - (ii) the registration, together with Bradesco and the relevant Bondholder, of the actual transfer of the Bradesco Shares on the relevant bookkeeper's register or, as the case may be, with the CBLC and, in each case, the corresponding registration of foreign investment maintained by Bradesco at the Brazilian Central Bank.
- (g) If:
 - (i) the Exchange Date in respect of any Bond shall be on or after the date of any public announcement affecting the composition of any part of the Exchange Property (other than Bradesco Shares or other securities in registered form (**Registered Securities**) in circumstances where the relevant

entitlement is determined by reference to a record date in respect thereof), but before the date on which such change is effective; or

- (ii) the Exchange Date in respect of any Bond shall be after the record date or other due date for the establishment of the relevant entitlement in respect of any Rights Issue or any Subdivision, Consolidation or Redenomination or Relevant Event in respect of any Registered Securities comprising Exchange Property but before the date on which adjustment of the Exchange Property becomes effective; or
- (iii) the Exchange Date in respect of any Bond shall be on or before the record date or other due date for the establishment of the relevant entitlement in respect of any Rights Issue or any Subdivision, Consolidation or Redenomination or Relevant Event in respect of any Registered Securities comprising Exchange Property in circumstances where the Registration Date in respect of such Registered Securities is after such record date or other due date for the establishment of the relevant entitlement and the relevant Bondholder would not otherwise receive the relevant entitlement but the Issuer has received or is entitled to receive such entitlement,

then, in each case, the relevant Bondholder shall be entitled to receive (i) a further cash amount (**Further Amount**), equal to the Value of the additional pro rata amount of the Exchange Property by reference to which the Cash Amount would have been determined or (ii) (where a Physical Settlement Election is in effect in respect of the exercise of such Bondholder's Exchange Rights and unless the Issuer is able to confer on or deliver to the relevant Bondholder the relevant entitlement) such pro rata amount or, as the case may be, a further pro rata amount of the Exchange Property (**Additional Exchange Property**) as would have been receivable, in each case, had the relevant Exchange Date occurred immediately after the date on which such change in the composition of the Exchange Property became effective or, as the case may be, had the relevant Registration Date in respect of such Registered Securities been immediately before such record date. In the case of (i) above, such Value shall be determined as at the date on which the relevant change in the composition of the Exchange Property is or would be effective (the **Change Date**) and the Further Amount shall be paid by transfer to a dollar account by not later than the latest of (a) five New York Business Days after the Change Date and (b) the Cash Payment Date in accordance with instructions given by the relevant Bondholder in the relevant Exchange Notice.

- (h) Where a Physical Settlement Election is in effect in respect of the exercise of Exchange Rights, the relevant Bondholder (or the person designated in the relevant Exchange Notice) will be the owner of the pro rata share of the Exchange Property to be delivered upon exchange with effect from the Exchange Date and, in respect of any Additional Exchange Property, will be entitled to all rights, distributions or payments in respect of such Additional Exchange Property from the Exchange Date for the Exchange Property previously delivered pursuant to such exchange.
- (i) Subject as provided herein, Exchange Property delivered on exercise of Exchange Rights in respect of which a Physical Settlement Election is in effect shall not include any dividends or other income thereon or other distributions or rights in respect thereof, declared, paid or made by reference to a record date or other due date for the establishment of the relevant entitlement falling prior to the relevant Exchange Date.

Exchange Property delivered or transferred or to be delivered or transferred upon exchange in satisfaction of an effective Physical Settlement Election shall rank for and be entitled to all dividends, interest and other income, payments and distributions and rights thereon or in respect thereof declared, paid, made or granted by reference to a record date or other due date for the establishment of entitlement falling on or after the relevant Exchange Date.

- (j) If, where a Physical Settlement Election is in effect, the record date or other due date for the establishment of the relevant entitlement for the payment of any dividend, interest or other income, payment or distribution or rights on or in respect of the Exchange Property delivered or transferred or to be delivered or transferred upon exchange in satisfaction of an effective Physical Settlement Election falls on or after the Exchange Date but before the relevant Settlement Date (or any other date from which the relevant Bondholder is treated as the owner of, or entitled to all rights and entitlement to, such Exchange Property) with the effect that the relevant Bondholder is not entitled to such dividend, interest or other income, payment or distribution of rights, the Issuer will (unless it is able to confer on or deliver to the relevant Bondholder an entitlement to receive such dividend, interest or other income, or distribution or rights or unless and to the extent that the same is taken into account for the purposes of paragraph (g) of this Condition 8.2):

- (i) (in the case of dividends, interest or other income or distributions or rights to be paid in cash) pay, or procure the payment to, the exchanging Bondholder in lieu of such dividend, interest or other income or distribution or rights, an amount equal thereto, converted if necessary into dollars at the Screen Rate on the date of receipt thereof by the Issuer (the **Equivalent Amount**);
- (ii) (in the case of dividends, or other income or distributions or rights satisfied or made otherwise than in cash) deliver, or procure the delivery of, the same to the relevant Bondholder not later than ten Sao Paulo Business Days after the receipt by the Issuer of such dividend or other income or distribution or rights, save that if, at any time when the delivery of any such dividend or other income or distribution or rights is required, delivery would, as certified to the Trustee by two Authorised Officers of the Issuer, be unlawful under the laws of any applicable jurisdiction or contrary to any official declaration, order, directive or regulation in any applicable jurisdiction, the Issuer, failing whom the Guarantor, will make a cash payment equal to the aggregate Realisation Proceeds of such dividend or other income or distribution or rights; and
- (iii) the Issuer, failing whom the Guarantor, will pay the Equivalent Amount or any such cash amount referred to in (ii) above to the relevant Bondholders not later than ten Sao Paulo Business Days after the receipt by the Issuer of such dividend, interest or other income, payment or distribution or rights.

8.3 Physical Settlement Election and Exchange Notices

A Bondholder shall be entitled to elect in an Exchange Notice to receive its respective pro rata share to the Exchange Property in lieu of the Cash Amount (a **Physical Settlement Election**), but the Issuer shall have absolute discretion to accept or reject such Physical Settlement Election. To the extent that the Issuer, in its absolute discretion, chooses to reject or is deemed to have rejected a Physical Settlement Election of a Bondholder, the relevant Bondholder will automatically, and by default, receive the Cash Amount in accordance with the foregoing provisions of these Conditions.

The Issuer shall give an irrevocable notice of its acceptance or rejection of a Physical Settlement Election to the relevant Bondholder at the address specified by the relevant Bondholder in the relevant Exchange Notice by no later than seven Sao Paulo Business Days after the relevant Exchange Date save that failure to give such notice by such time shall not constitute an Event of Default and, if no such notice is given by such time, the Issuer shall be deemed to have rejected the relevant Physical Settlement Election.

An Exchange Notice delivered pursuant to these Conditions shall:

- (i) specify the name and address of the Bondholder;
- (ii) specify the number and aggregate principal amount of Bonds being exchanged;
- (iii) (where the Bond(s) is/are represented by a Global Bond held by a common depositary for Euroclear and Clearstream, Luxembourg) specify the Bondholder's account at Euroclear or Clearstream, Luxembourg to be debited with such Bonds, and an irrevocable authorisation to Euroclear or Clearstream, Luxembourg to effect such debit;
- (iv) contain a representation and warranty from the Bondholder that the Bonds to be exchanged are owned by it (or a person for whose account it holds the Bonds) free from all liens, charges, encumbrances and other third party rights;
- (v) specify whether or not a Physical Settlement Election is being made;
- (vi) (where a Physical Settlement Election is made) specify in the case of Exchange Property comprising securities, the number and account name of the security account(s) at CBLC (if applicable), Euroclear, Clearstream, Luxembourg or such other clearing system through which such securities are cleared and which is to be credited with any such Exchange Property or, in the case of any securities comprised in the Exchange Property that are not cleared through a clearing system, the address to which any relevant certificates are to be sent, uninsured and at the risk of the relevant Bondholder;
- (vii) (where a Physical Settlement Election is made) contain an indemnity from the Bondholder to the Issuer in respect of all Exchange Expenses that may be payable in respect of the exchange;
- (viii) specify a dollar account with a bank in New York to which the Cash Amount, any Exchange Property comprising cash and any other amount payable by the Issuer, is to be paid by or on behalf of the Issuer and the number and account name of a dollar account with a bank in New York from which any Exchange Expenses and any other expenses payable by the Bondholder and arising

out of the exercise of its Exchange Right as set forth in these Conditions and/or the Exchange Notice shall be debited, the delivery of such Exchange Notice to any Paying, Transfer and Exchange Agent constituting authorisation of such debit by the exchanging Bondholder;

- (ix) (where a Physical Settlement Election is made) contain a confirmation from the Bondholder that either (i) (a) it has appointed a Brazilian attorney (and shall specify the identity and address of such attorney), and (b) it already has “registered investment” as a foreign direct investor (within the meaning of Brazilian Law No. 4,131/62 and Circular No. 2997/00, as amended, of the Brazilian Central Bank) in companies incorporated in Brazil on the date of delivery of the Exchange Notice, and consequently bears an enrolment number in the Electronic Registration Statement – Foreign Direct Investment mode (**RDE-IED**) of the Brazilian Central Bank Information System, and a number of enrolment in the Brazilian General Taxpayers Registry, or (ii) it has appointed (and shall specify the identity and address of such attorney) or will appoint a Brazilian attorney which has or will make the necessary enrolments with the Brazilian General Taxpayers Registry, the Central Bank of Brazil and, if applicable, the relevant participant of CBLC responsible for the registration of ownership of the shares, prior to the Settlement Date;
- (x) (where a Physical Settlement Election is made) contain a representation and warranty from the Bondholder that, at the time of signing and delivery of the Exchange Notice, (A) it is not “a person resident in the United States” within the meaning of Section 12(g) of the U.S. Securities Exchange Act, as amended and Rule 12g-3-2(a) thereunder, (B) it understands that the Bradesco Shares and/or any other part of the Exchange Property have not been registered under the U.S. Securities Act of 1933, as amended (the **Securities Act**) and (C) it is not a U.S. person nor acting for the account or benefit of a U.S. person and is located outside the United States within the meaning of Regulation S (**Regulation S**) under the Securities Act, is acquiring the Bradesco Shares and/or any other part of the Exchange Property in an offshore transaction (as defined in Regulation S) in accordance with Rule 903 or 904 of Regulation S and understands that the Bradesco Shares and/or any other part of the Exchange Property may not be delivered within the United States upon exchange of the Bonds and may not be resold in the United States except pursuant to an exemption from the registration requirements of the Securities Act; and
- (xi) contain an authorisation from the Bondholder authorising the production of such Exchange Notice in any applicable administrative or legal proceedings.

8.4 The Exchange Property

The **Exchange Property** shall initially comprise 26,054,030 Bradesco Shares and shall include all Relevant Securities and other property arising out of or derived or resulting therefrom and such other property, in each case as may be deemed or required to comprise all or part of the Exchange Property pursuant to these Conditions, but excluding any such property as may or may be deemed to have ceased to form part of the Exchange Property.

On the exercise of Exchange Rights, the pro rata share of the Exchange Property in respect of each U.S.\$100,000 principal amount of Bonds will initially comprise 5,789.78 Bradesco Shares (based on an initial Exchange Price of U.S.\$17.2718 per Bradesco Share and a USDBRL FX Rate of 2.0910) subject to adjustment pursuant to these Conditions.

All Exchange Property transferred or delivered upon exercise of Exchange Rights shall be transferred or delivered with full title guarantee and free from any and all security interests or other adverse interests.

Except in the circumstances provided in these Conditions, dividends and other income and other benefits and rights derived from the Exchange Property shall not comprise part of the Exchange Property.

8.5 Adjustments to the Exchange Property

(a) *Sub-division, Consolidation or Redenomination*

If any Relevant Securities comprising the Exchange Property shall be sub-divided or consolidated, re-classified or re-denominated or in any other manner have their par value changed (**Sub-division, Consolidation or Redenomination**) then the securities resulting from such Consolidation, Sub-division or Redenomination so far as attributable to the Exchange Property, shall be included in the Exchange Property.

(b) *Rights issues*

If further Relevant Securities or other securities, or options, warrants or rights to subscribe or purchase further Relevant Securities (or any of them) or other securities, shall be offered by way of rights to

holders of Relevant Securities (or any of them) (a **Rights Issue**), then the Issuer shall notify the Trustee and, by not later than the latest day for accepting or taking up any such rights (or by such other time as the Trustee may approve), either:

- (i) on an arm's length basis in good faith, procure the sale by an independent broker or financial institution selected by the Issuer and approved by the Trustee of sufficient rights to enable the whole of the balance of such rights to be taken up and procure the application of the proceeds of sale, after the deduction of the costs and expenses of such sale, in the taking up of such rights (with any excess proceeds of sale being added to and forming part of the Exchange Property); or
- (ii) add to the Exchange Property such number of Bradesco Shares or other securities or options, warrants or rights as would have been subscribed or purchased if sufficient rights had been sold on an arm's length basis in good faith to enable (after the deduction of the costs and expenses of such sale) the whole of the balance of such rights to be taken up, together with an amount equal to what would have been any such excess proceeds of sale as aforesaid, and, in the absence of any such election, paragraph (ii) shall apply and provided that, if such rights may not be sold, the Issuer shall use any part of the Exchange Property comprising cash to take up such rights and/or, on an arm's length basis, sell sufficient Relevant Securities to enable (after the deduction of the costs and expenses of such sale) the whole of the balance of such rights to be taken up, with, in any such case, any excess proceeds of sale being added to and forming part of the Exchange Property.

Any Relevant Securities or other securities or options, warrants or rights taken up pursuant to this paragraph and any excess proceeds of sale as aforesaid shall be added to and form part of the Exchange Property. Pending application of the provisions of this paragraph, such rights shall form part of the Exchange Property.

(c) *Bonus Issues, Capital Distributions and Reorganisation*

If any of the following events occurs (each a **Relevant Event**):

- (i) Relevant Securities or other securities are issued credited as fully paid to holders of Relevant Securities comprised in the Exchange Property by way of capitalisation of profits or reserves or otherwise by virtue of being holders of Relevant Securities (otherwise than in lieu of the whole or any part of a cash dividend which such holders would or could otherwise have received);
- (ii) any Capital Distribution is made in respect of any Relevant Securities comprised in the Exchange Property;
- (iii) (subject as provided in Condition 8.10(B)) a Relevant Company (or any person by or on behalf of a Relevant Company) purchases or redeems any Relevant Securities comprising Exchange Property; or
- (iv) pursuant to any scheme of arrangement, reorganisation, amalgamation, reconstruction, merger, demerger or any like or similar event of any company or companies (whether or not involving liquidation or dissolution), any further Relevant Securities or other securities, property or assets (including cash) are issued, distributed or otherwise made available to holders of Relevant Securities or other securities comprised in the Exchange Property,

then the further Relevant Securities, securities or other property or assets (including cash) received in relation to the Relevant Event, so far as attributable to the Exchange Property or, as the case may be, the Capital Distribution in respect of the Relevant Securities comprising the Exchange Property, shall be included as part of the Exchange Property (and, if applicable, applied in accordance with Condition 8.8).

Any determination as to whether a Capital Distribution has been paid or made and any adjustment to the Exchange Property in respect of a Capital Distribution shall take effect (A) in relation to a Bradesco Share, on the last day of the relevant Applicable Period and (B) in relation to any Relevant Security (other than Bradesco Shares), on the date on which any Dividend is paid or made that, either itself or together with any other applicable Dividends previously paid or made in the relevant financial period, constitutes a Capital Distribution.

8.6 Notice of Change in Exchange Property

The Issuer shall give notice to the Trustee, to the Bondholders in accordance with Condition 18, to the Principal Paying, Transfer and Exchange Agent and to the Luxembourg Stock Exchange (so long as the Bonds are listed on the Luxembourg Stock Exchange) of any change in composition of the Exchange Property as soon

as reasonably practicable following such change, and shall give such details as the Trustee may require of the pro rata share of the Exchange Property in respect of each Bond following such change.

8.7 Release from the Exchange Property

Upon (i) payment of the Cash Amount or (ii) (where a Physical Settlement Election is in effect) delivery of Exchange Property to the relevant Bondholder or (iii) upon redemption of the Bonds or upon any purchase and cancellation of the Bonds, the pro rata share of the Exchange Property or the relevant part thereof attributable to each relevant Bond shall cease to be part of the Exchange Property and the Exchange Property shall be reduced accordingly.

8.8 Purchase of Relevant Securities etc.

If any cash amount or securities or other property is received under or pursuant to these Conditions in respect of Exchange Property which is to be added to and form part of the Exchange Property (other than (i) any Bradesco Shares or Relevant Securities of a class already comprised in the Exchange Property, (ii) as included in the Offer Consideration added to and forming part of the Exchange Property pursuant to Condition 9 and (iii) any amount to be sold pursuant to this Condition 8) before the Exchange Rights lapse, such cash amount shall be applied, and such securities or other property shall be sold by the Issuer and the proceeds of such sale (net of any costs and expenses incurred in connection with such sale) shall be applied, by the Issuer as soon as reasonably practicable and to the extent possible in purchasing additional Bradesco Shares (not then comprised in the Exchange Property) or, where the Exchange Property comprises Relevant Securities other than Bradesco Shares, additional units of such securities. Any such additional Bradesco Shares or other securities purchased shall thereafter form part of the Exchange Property.

8.9 Voting Rights etc.

Bondholders and the Trustee shall have no voting rights in respect of the Bradesco Shares or any other part of the Exchange Property.

Where a cash Dividend is announced by a Relevant Company in respect of Relevant Securities which may, at the election of a holder or holders of such Relevant Securities, be satisfied by the issue or delivery of Relevant Securities or other property or assets, the Issuer shall be entitled to make such election as it may determine in its sole discretion.

In exercising any voting rights attaching to the Bradesco Shares and other Relevant Securities that it may have or making any such election to which it may be entitled, neither the Issuer nor the Guarantor is obliged to take account of the interests of the Bondholders and it is therefore possible that the Issuer or the Guarantor may act in a manner which is contrary to the best interests of the Bondholders in exercising any such voting rights.

8.10 Maintenance of Exchange Property

Exchange Rights are not exercisable in respect of any specific Bradesco Shares or other property comprising Exchange Property from time to time and no Bradesco Shares or other Exchange Property has been or will be charged or otherwise placed in custody or escrow or set aside to secure or satisfy the Issuer's obligations in respect of the exercise of Exchange Rights. At any time the Issuer and/or the Guarantor may or may not be the owner of the whole or any part of Bradesco Shares or other property comprising Exchange Property from time to time and neither the Issuer nor the Guarantor is under any obligation to hold any Bradesco Shares and/or other Exchange Property and may sell or otherwise dispose of the same at any time. The composition of the Exchange Property may also change as a result of the operation of the Conditions.

The arrangements described herein do not amount to any security interest in favour of Bondholders to secure the debt obligations of the Bonds or to secure performance of the Exchange Rights thereunder.

Accordingly, in the event that any of the Issuer or the Guarantor at any time hold any Bradesco Shares or other property comprising Exchange Property from time to time and such person is or becomes insolvent, bankrupt or in liquidation, such Exchange Property will form part of the assets of such person available on a pari passu basis to all unsecured creditors of such person.

Ownership of Exchange Property: At any particular time, the Issuer may or may not hold or be the beneficial owner of any Exchange Property. However, these Conditions shall be read and construed as though at all times the Issuer was the holder and beneficial owner of the Exchange Property underlying the outstanding Bonds. Accordingly, subject as provided in (B), for the purposes of determining whether and to what extent any adjustment should be made to the Exchange Property at any time, for the purposes of these Conditions, the Issuer shall be deemed to be entitled to receive such further or other Bradesco Shares, Relevant Securities, securities, property or assets including cash and/or consideration on the date the Issuer would have been entitled to receive the same, and to make any relevant elections in respect thereof or relating thereto, as it would have been entitled to receive and or make had it at all relevant times been the holder and beneficial

owner of such Exchange Property in respect of all outstanding Bonds, and references in these Conditions to the Exchange Property being adjusted shall be construed accordingly. In particular (and without limitation):

- (A) (i) *Rights Issues*: in the case of a Rights Issue, the Exchange Property shall be increased by the Relevant Securities or other securities or options, warrants or rights and any excess proceeds of sale which would have been added to the Exchange Property had the Issuer been the holder and beneficial owner of the Relevant Securities or other securities comprising the Exchange Property at all relevant times and complied with its obligations under Condition 8.5(b) in relation thereto;
- (i) *Purchase or Redemption of Exchange Securities etc.*: If pursuant to Condition 8.8 the Issuer is required to purchase additional Bradesco Shares or other securities and at the relevant time the Issuer is not the holder and beneficial owner of sufficient Exchange Property in respect of all outstanding Bonds, such additional Bradesco Shares or other securities as could have been purchased with the relevant amount of cash or, as the case may be, the net proceeds of sale of the relevant securities or other property if the Issuer had been the holder or beneficial owner of such sufficient Exchange Property shall be added to the Exchange Property;
- Dividends*: for the purposes of proviso (a) to the definition of “Dividend” and Condition 8.9, if and to the extent that the Issuer does not own the Relevant Securities at the relevant time, then the Issuer shall be entitled to specify by notice to the Trustee (by not later than the last day on which a holder of the Relevant Securities would be required to make the relevant election referred to in that definition) that it is to be treated as if it had made such election as it shall specify in such notice, failing which the Dividend shall be treated as a Dividend of the higher of (i) the Fair Market Value of the cash Dividend so announced and (ii) the Fair Market Value on the date of announcement of such Dividend of such Relevant Securities or other property or assets;
- (ii) *Realisation Proceeds*: if, at any time when the Realisation Proceeds are to be determined, the Issuer is not at the relevant time the holder and beneficial owner of sufficient Exchange Property to make the relevant sale or disposal, then the Realisation Proceeds in respect thereof will be calculated as if the Issuer had, at the relevant time, been the holder and beneficial owner of sufficient Exchange Property and had sold the same as provided in these Conditions;
- (iii) *Sale of Exchange Property*: where any of the provisions of the Trust Deed or these Conditions require the Issuer to sell any property comprising Exchange Property or deriving therefrom or received in respect thereof, then such provisions shall operate as if the Issuer had sold the same as provided in these Conditions, and an amount equal to that which would have been the net proceeds of such sale and required to be applied as provided in these Conditions (whether in the purchase of other assets or securities to comprise or be added to the Exchange Property, in payment to Bondholders or otherwise) shall be or, as the case may be, be treated as being so applied by the Issuer, with any amount representing what would have been the balance of proceeds of any such sale being treated as being applied as so provided;
- (iv) *Time or date of receipt*: any reference in the Trust Deed or these Conditions to the time or date of receipt by the Issuer of any property or assets shall be construed as a reference to the time at, or date on, which the Issuer would otherwise have received or would have first been entitled to receive the same had it been the holder and beneficial owner of sufficient Exchange Property in respect of all outstanding Bonds at all relevant times; and
- (v) *Delivery of Exchange Property*: any provisions of the Trust Deed or these Conditions in respect of the obligation of the Issuer to deliver or distribute all or any part of the Exchange Property or other property or assets (including cash) shall operate as if at all relevant times the Issuer was the holder and beneficial owner of sufficient Exchange Property in respect of all outstanding Bonds at all relevant times, and the Issuer shall be required to deliver or distribute the same accordingly.
- (B) *Purchase or Redemption of Exchange Securities*: Condition 8.5(c)(iii) shall be disregarded unless thereafter the total outstanding Relevant Securities are less than the number required to be comprised in the Exchange Property, in which case to the extent of such shortfall, the Issuer shall be treated as if it were the holder and beneficial owner of such Relevant Securities and the provisions of Condition 8.5(c)(iii) shall apply accordingly in respect of the number of Relevant Securities representing such shortfall.

8.11 Other Adjustments to the Exchange Property

If the Issuer (with the prior written approval of the Trustee) determines that an adjustment should be made to the Exchange Property as a result of one or more events or circumstances not referred to in Condition 8.5 even if the

relevant event is or circumstances are specifically excluded from the operation of Condition 8.5, the Issuer shall, at its own expense and acting reasonably, request an independent financial institution of international repute (selected by the Issuer and approved in writing by the Trustee), acting as an expert, to determine as soon as practicable what adjustment (if any) to the Exchange Property is fair and reasonable to take account thereof and the date on which such adjustment should take effect and upon such determination the Issuer and the Trustee shall procure that such adjustment (if any) shall be made and shall take effect in accordance with such determination, provided that an adjustment shall only be made pursuant to this Condition 8.11 if such financial institution is so requested to make such determination in writing not more than 21 days after the occurrence of the relevant event or circumstance.

9. GENERAL OFFERS

In the event of an Offer for Relevant Securities in a Relevant Company, then, with effect from the Final Date, the Exchange Property will be deemed to consist, in whole or in part, of the consideration for the Relevant Securities acquired under the Offer or if there is alternative consideration, such consideration as the Issuer may elect for the purposes of these Conditions to be treated as the consideration in respect of the relevant Offer (the **Offer Consideration**).

The Issuer shall, to the extent that, at the time of any Offer, it is a holder of any Relevant Securities subject of such Offer, give notice to the Trustee and the Bondholders in accordance with Condition 18 forthwith upon becoming aware of the existence of such Offer.

In the event that the Offer Consideration consists wholly or partly of cash, such cash shall be added to and form part of the Exchange Property and if the Exchange Date in respect of any Bond falls after the Final Date, then the relevant Bondholder shall be entitled to receive, in addition to a Cash Amount or, where a Physical Settlement Election is in effect, the pro rata share of the Exchange Property, in each case, pursuant to Condition 8, an amount (the Premium Compensation Amount) in respect of each Bond surrendered for exchange calculated in accordance with the following formula:

$$PC = K^2 * (\text{Principal} - IP) * (T/C) * (CB/(CB+CS))$$

Where:

PC	=	Premium Compensation Amount per Bond
K	=	the lesser of (a) IP/MP and (b) MP/IP
Principal	=	U.S.\$100,000
IP	=	U.S.\$84,745.76
CB	=	the Offered Cash Amount
CS	=	the Offered Property Value
MP	=	Value of the pro rata share of the Exchange Property for one Bond on the last day for acceptance of the Offer, or if the Offer is extended, the last day for acceptance of the Offer as so extended (the Offer Record Date)
C	=	1095 days, being the number of days from (but excluding) the Closing Date to (and including) the Maturity Date
T	=	the number of days from (but excluding) the Offer Record Date to (and including) the Maturity Date (which shall be zero if the Offer Record Date occurs after such date)

For the purposes of calculating the Premium Compensation Amount:

Offered Cash Amount means the cash amount in dollars (or, where applicable, converted into dollars at the (i) USDBRL FX Rate (if the relevant Offer Consideration is expressed in BRL) or (ii) the applicable Screen Rate (if the relevant Offer Consideration is expressed in any currency other than BRL), on the Final Date) comprising the whole or part of the Offer Consideration for one Relevant Security in the Offer (other than cash paid in respect of fractional entitlements to the Offered Property) provided that if the Offered Property comprises securities that are not shares (such as (i) debt instruments not linked to the variation of a share price or debt instruments not giving rights to subscribe for shares by way of conversion, exchange or reimbursement, (ii) securities representing optional contracts or (iii) specific rights (certificates of guaranteed value, warrants to subscribe or acquire shares or others)) having a limited duration, such securities will be deemed, for the purpose of this definition, to form part of the Offered Cash Amount in an amount equal to their Fair Market Value at the close of business on the Final Date;

Offered Property means the Offer Consideration for one Relevant Security in the Offer (excluding the Offered Cash Amount); and

Offered Property Value means the Fair Market Value of the Offered Property at the close of business on the Final Date. In the case of an Offer the Offer Consideration in respect of which is entirely in cash, the Offered Property Value shall be zero.

The provisions of this Condition 9 shall apply *mutatis mutandis* to any subsequent Offer, with the result that such Bondholder may become entitled to receive more than one Premium Compensation Amount.

10. UNDERTAKINGS

The Issuer undertakes to obtain and/or maintain all applicable consents and approvals which are required for the performance of its obligations under the Bonds and the Trust Deed.

If a payment calculated by reference to the Realisation Proceeds is to be made pursuant to these Conditions, the Issuer shall procure that the relevant sale is made as soon as reasonably practicable and in any event in such time to enable the relevant payment to be made by the time specified in these Conditions.

11. REDEMPTION AND PURCHASE

11.1 Final Redemption

Unless previously redeemed, exchanged or purchased and cancelled, the Issuer will redeem the Bonds at their principal amount on the Maturity Date.

11.2 Redemption at the Option of the Issuer

Subject to what follows, the Bonds may be redeemed at the option of the Issuer in whole, but not in part, at their principal amount, together with accrued interest to such date, at any time if prior to the date on which the relevant notice of redemption is given by the Issuer, 85 per cent. or more in aggregate principal amount of the Bonds issued has been redeemed, exchanged or purchased and cancelled.

In order to exercise such option the Issuer shall give not less than 30 nor more than 60 days' notice to the Bondholders in accordance with Condition 18 (which notice shall be irrevocable and shall oblige the Issuer to redeem the Bonds on the date for redemption specified in such notice).

Such notice shall specify:

- (i) the date when the relevant redemption will take place;
- (ii) the last day on which Exchange Rights may be exercised by a Bondholder; and
- (iii) the Value of the pro rata share of the Exchange Property attributable to each Bond as at the most recent practicable date prior to the giving of the relevant notice.

11.3 Redemption for Tax Reasons

The Bonds may be redeemed at the option of the Issuer in whole, but not in part (subject as provided below), at any time on giving not less than 30 nor more than 60 days' notice to the Trustee and, in accordance with Condition 18, the Bondholders (which notice shall be irrevocable and shall oblige the Issuer to redeem the Bonds on the date for redemption specified in such notice (the **Tax Redemption Date**)), if:

- (a) on the occasion of the next payment due under the Bonds, the Issuer has or will become obliged to pay additional amounts as provided or referred to in Condition 13 or the Guarantor would be unable for reasons outside its control to procure payment by the Issuer and in making payment itself would be required to pay such additional amounts, in either case as a result of any change in, or amendment to, the laws or regulations of any Relevant Tax Jurisdiction or any political subdivision or any authority thereof or therein having power to tax, or any change in the application or official interpretation of such laws or regulations, which change or amendment becomes effective on or after the Closing Date;
- (b) the Issuer satisfies the Trustee immediately prior to the giving of such notice as to (a) above; and
- (c) such obligation cannot be avoided by the Issuer or the Guarantor 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 or the Guarantor, as the case may be, would be obliged to pay such additional amounts were a payment in respect of the Bonds then due.

Prior to the publication of any notice of redemption pursuant to this Condition 11.3, the Issuer shall deliver to the Trustee a certificate signed by two Authorised Officers of the Guarantor 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 or the Guarantor has or will become obliged to pay such additional amounts as a

result of such change or amendment. The Trustee shall be entitled to accept any such certificate and opinion delivered to it as sufficient evidence of the satisfaction of such conditions precedent in which event they shall be conclusive and binding on the Bondholders.

Bonds redeemed pursuant to this Condition 11.3 will be redeemed at their principal amount, together with interest accrued to (but excluding) the Tax Redemption Date.

Relevant Tax Jurisdiction means (i), in respect of payments made by the Issuer, the Cayman Islands and (ii) in respect of payments made by the Guarantor, the United Kingdom and Portugal.

If the Issuer gives a notice of redemption pursuant to this Condition 11.3, each Bondholder will have the right to elect that his Bonds shall not be redeemed and that the provisions of Condition 13 shall not apply in respect of any payment of interest to be made on such Bonds which falls due after the relevant Tax Redemption Date, whereupon no additional amounts shall be payable in respect thereof pursuant to Condition 13 and payment of all amounts of interest on the Bonds shall be made subject to the deduction or withholding of any taxation required to be withheld or deducted by or on behalf of any Relevant Tax Jurisdiction. To exercise such right, the holder of the relevant Bond must present the relevant Bond for annotation to, and complete, sign and deposit a duly completed and signed notice of election (in the form for the time being current and obtainable from the specified offices of the Issuer, the Guarantor and the Principal Paying, Transfer and Exchange Agent) at the specified offices of the Issuer, the Guarantor and the Principal Paying, Transfer and Exchange Agent on or before the day falling ten days prior to the Tax Redemption Date.

11.4 Purchase

The Issuer, the Guarantor or any of their respective Subsidiaries may at any time purchase Bonds in the open market or otherwise at any price.

11.5 Cancellation

Bonds purchased by the Issuer, the Guarantor or any of their respective Subsidiaries may be held, re-issued (in the case of the Issuer) or sold or cancelled. All Bonds redeemed or exchanged will be cancelled and may not be re-issued or resold.

12. PAYMENT

12.1 Payments in respect of Bonds

Payment of principal and interest due on the Bonds will be made by transfer to the persons shown in the Register at the close of business on the Record Date and, other than in the case of a payment of interest on an Interest Payment Date, subject to the surrender of the Certificates in respect of the Bonds at the specified office of the Registrar or any of the Paying, Transfer and Exchange Agents. Payment of all other amounts will be made as provided in these Conditions.

12.2 Method of Payments

Each payment referred to in Condition 12.1 will be made in dollars by transfer to a dollar account specified by the relevant Bondholder maintained with a bank in New York.

12.3 Agents

The names of the initial Paying, Transfer and Exchange Agents and their initial specified offices are set out below. The Issuer reserves the right under the Agency Agreement at any time with the prior written approval of the Trustee to remove any Paying, Transfer and Exchange Agent, and to appoint other or further Paying, Transfer and Exchange Agents, provided that there will at all times be:

- (a) a Principal Paying, Transfer and Exchange Agent and a Registrar;
- (b) a Paying, Transfer and Exchange Agent having specified offices in a city in continental Western Europe (which shall be Luxembourg, so long as the Bonds are listed on the Luxembourg Stock Exchange); and
- (c) where possible, a Paying, Transfer and Exchange Agent in a European Union member state that is not 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.

Notice of any such removal or appointment and of any change in the specified office of any Paying, Transfer and Exchange Agent will be given as soon as practicable to Bondholders in accordance with Condition 18.

12.4 Payments subject to fiscal laws

All payments in respect of the Bonds are subject in all cases to any applicable fiscal or other laws and regulations. No commissions or expenses shall be charged to the Bondholders in respect of such payments.

12.5 Fractions

When making payments to Bondholders, if the relevant payment is not of an amount which is a whole multiple of the smallest unit of the relevant currency in which such payment is to be made, such payment will be rounded down to the nearest unit.

12.6 Delay in payment

Bondholders will not be entitled to any interest or other payment, including in respect of or relating to the exercise of Exchange Rights, for any delay after the due date in receiving the amount due:

- (a) as a result of the due date not being a Business Day in New York or the place of the specified office of the Principal Paying, Transfer and Exchange Agent where the relevant Certificate is surrendered (where such surrender is required as a precondition to payment); or
- (b) if the Bondholder is late in surrendering the Certificate in respect of the relevant Bond (if required to do so).

13. TAXATION

All payments of principal and interest in respect of the Bonds by the Issuer or the Guarantor will be made without withholding or deduction for or on account of any present or future taxes or duties of whatever nature imposed or levied by or on behalf of any Relevant Tax Jurisdiction (as defined above) or any political subdivision or any authority thereof or therein having power to tax, unless such withholding or deduction is required by law. In such event, the Issuer or the Guarantor, as the case may be, will pay such additional amounts as shall be necessary in order that the net amounts received by the holders of the Bonds after such withholding or deduction shall equal the respective amounts of principal and interest which would otherwise have been receivable in respect of the Bonds in the absence of such withholding or deduction; except that no such additional amounts shall be payable with respect to any Bond:

- (a) to or on behalf of, a Bondholder which is liable to such taxes, duties, assessments or governmental charges in respect of such Bond by reason of its having some connection with the Relevant Tax Jurisdiction by which such taxes, duties, assessments or charges have been imposed, levied, collected, withheld or assessed other than the mere holding of the Bond; and/or
- (b) where such withholding or deduction is imposed on a payment to or for an individual and is required to be made pursuant to European Council Directive 2003/48/EC or any law implementing or complying with, or introduced in order to conform to, such Directive; and/or
- (c) (other than in the case of a payment of interest on an Interest Payment Date) surrendered for payment more than 30 days after the Presentation Date, except to the extent that the Bondholder would have been entitled to an additional amount on surrendering the same for payment on such thirtieth day.

The provisions of this Condition 13 shall not apply in respect of any payments of interest in respect of any Bonds which are the subject of a Bondholder election pursuant to Condition 11.3.

In this Condition 13, **Presentation 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 Principal Paying, Transfer and Exchange Agent or the Trustee on or prior to such 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 Bondholders in accordance with Condition 18.

14. EVENTS OF DEFAULT

If any one or more of the following events (each an **Event of Default**) shall occur and be continuing:

- (a) default is made in the payment of any principal or interest due in respect of the Bonds or any of them and such default continues, in the case of principal, for a period of five Business Days in Lisbon or, in the case of interest, for a period of ten Business Days in Lisbon; or
- (b) the Issuer or the Guarantor fails to perform or observe any of its other obligations in respect of the Bonds or under the Trust Deed and (except where in the opinion of the Trustee such default is not capable of remedy where no such continuation or notice as is hereinafter referred to will be required) such failure continues for the period of 30 days (or such longer period as the Trustee may permit) after notice has been given to the Issuer or, as the case may be, the Guarantor requiring the same to be remedied; or
- (c) the repayment of any indebtedness owing by the Issuer or by the Guarantor is accelerated by reason of default and such acceleration has not been rescinded or annulled, or the Issuer or the Guarantor defaults (after whichever is the longer of any originally applicable period of grace and 14 days after the due date)

in any payment of any indebtedness or in the honouring of any guarantee or indemnity in respect of any indebtedness provided that no such event shall constitute an Event of Default unless the indebtedness whether alone or when aggregated with other indebtedness relating to all (if any) other such events which shall have occurred shall exceed U.S.\$10,000,000 (or its equivalent in any other currency or currencies) or, if greater, an amount equal to 1 per cent. of the Guarantor's Shareholders' Funds; or

- (d) any order shall be made by any competent court or resolution passed for the winding up or dissolution of the Issuer or the Guarantor (other than for the purpose of an amalgamation, merger or reconstruction approved by the Trustee or by an Extraordinary Resolution of the Bondholders); or
- (e) the Issuer or the Guarantor shall cease to carry on the whole or substantially the whole of its business (other than for the purpose of an amalgamation, merger or reconstruction approved by the Trustee or by an Extraordinary Resolution of the Bondholders); or
- (f) the Issuer or the Guarantor shall stop payment or shall be unable to, or shall admit inability to, pay its debts as they fall due, or shall be adjudicated or found bankrupt or insolvent by a court of competent jurisdiction or shall make a conveyance or assignment for the benefit of, or shall enter into any composition or other arrangement with, its creditors generally; or
- (g) a receiver, trustee or other similar official shall be appointed in relation to the Issuer or the Guarantor or in relation to the whole or a substantial part of the assets of either of them or a temporary manager of the Guarantor is appointed by the Bank of Portugal or an encumbrancer shall take possession of the whole or a substantial part of the assets of the Issuer or the Guarantor, or a distress or execution or other process shall be levied or enforced upon or sued out against the whole or a substantial part of the assets of either of them and in any of the foregoing cases it or he shall not be discharged within 60 days; or
- (h) the Guarantor sells, transfers, lends or otherwise disposes of the whole or a major part of its undertaking or assets (including shareholdings in its Subsidiaries or associated companies) and such disposal is substantial in relation to the assets of the Guarantor and its Subsidiaries as a whole, other than selling, transferring, lending or otherwise disposing on an arm's length basis; or
- (i) except where the Issuer has been substituted as principal debtor pursuant to Condition 16, the Issuer ceases to be a Subsidiary wholly owned and controlled, directly or indirectly, by the Guarantor; or
- (j) the Guarantee is terminated or shall cease to be in full force and effect,

then the Trustee at its discretion may, and if so requested in writing by the holders of not less than 20 per cent. of the principal amount of the Bonds then outstanding or if so directed by an Extraordinary Resolution of the Bondholders shall (subject in each case to being indemnified and/or secured and/or prefunded to its satisfaction), give notice to the Issuer that the Bonds are, and they shall accordingly thereby forthwith become, immediately due and repayable at their principal amount, together with accrued interest (as provided in the Trust Deed) provided that, in the case of any such Events of Default other than those described in sub-paragraphs (a) and (d) above, the Trustee shall have certified to the Issuer that such Event of Default is in its opinion materially prejudicial to the interests of the Bondholders.

As used above:

Guarantor's Shareholders' Funds means, at any relevant time, a sum equal to the aggregate of the Guarantor's shareholders' equity as certified by the Auditors (as defined in the Trust Deed) of the Guarantor by reference to the latest audited consolidated financial statements of the Guarantor.

15. PRESCRIPTION

Claims in respect of principal or interest or other amounts payable on the Bonds will become void unless made within ten years (in the case of principal or such other amounts) and two years (in the case of interest) from the Relevant Date in respect thereof.

16. MEETINGS OF BONDHOLDERS, MODIFICATION AND WAIVER, ENTITLEMENT OF TRUSTEE, SUBSTITUTION, CHANGE AND INDEMNIFICATION OF TRUSTEE

The Trust Deed contains provisions for convening meetings of the Bondholders to consider any matter affecting their interests, including the sanctioning by Extraordinary Resolution of a modification of any provisions of these Conditions or any relevant provisions of the Trust Deed. Such a meeting may be convened by the Issuer, the Guarantor or the Trustee (either itself or at the request (subject to being indemnified and/or secured and/or prefunded to its satisfaction) of Bondholders holding not less than 5 per cent. in principal amount of the Bonds for the time being outstanding). The quorum at any such meeting for passing an Extraordinary Resolution is one or more persons present holding or representing not less than a clear majority in

principal amount of the Bonds for the time being outstanding, or at any adjourned meeting one or more persons present whatever the principal amount of the Bonds so held or represented by it or them, except that at any meeting the business of which includes the modification of Reserved Matters, the quorum shall be one or more persons present holding or representing not less than two-thirds in principal amount of the Bonds for the time being outstanding, or at any adjourned such meeting one or more persons present holding or representing not less than one-third in principal amount of the Bonds for the time being outstanding. An Extraordinary Resolution passed at any meeting of the Bondholders shall be binding on all the Bondholders, whether or not they are present at the meeting. The Trust Deed provides that a written resolution signed by or on behalf of the holders of not less than 90 per cent. in principal amount of Bonds outstanding shall be as valid and effective as a duly passed Extraordinary Resolution.

The Trust Deed provides that the Trustee may agree, without the consent of the Bondholders, to any modification of, or to any waiver or authorisation of any breach or proposed breach of, any of these Conditions or any of the provisions of the Trust Deed, or may determine that any condition, event or act which, but for such determination, would constitute an Event of Default or Potential Event of Default (as defined in the Trust Deed), shall not be treated as such which in any such case, in the opinion of the Trustee, is not materially prejudicial to the interests of the Bondholders or to any modification of any of these Conditions of the Bonds or any of the provisions of the Trust Deed or the Agency Agreement which is (in the opinion of the Trustee) of a formal, minor or technical nature or which is made to correct a manifest error or to comply with mandatory provisions of law. Any such modification, waiver, authorisation or determination shall be binding on the Bondholders and, unless the Trustee agrees otherwise, shall be notified to the Bondholders as soon as practicable thereafter in accordance with Condition 18.

In connection with the exercise by it of any of its trusts, powers, authorities or discretions (including, but without limitation, any modification, determination, waiver, authorisation or substitution), the Trustee shall have regard to the interests of the Bondholders as a class but shall not have regard to any interests arising from circumstances particular to individual Bondholders (whatever their number) and, in particular, but without limitation, shall not have regard to the consequences of such exercise for individual Bondholders (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 or any political sub-division thereof and the Trustee shall not be entitled to require, nor shall any Bondholder be entitled to claim, from the Issuer, the Trustee or any other person any indemnification or payment in respect of any tax consequence of any such exercise upon individual Bondholders, except to the extent already provided for in Condition 13 and/or any undertaking given in addition to, or in substitution for, Condition 13 pursuant to the Trust Deed.

The Trust Deed contains provisions permitting the Trustee to agree (if it is satisfied that to do so would not be materially prejudicial to the interests of Bondholders), without the consent of the Bondholders, to the substitution at any time or times of any other entity in the place of the Issuer as the principal debtor (a **Substituted Principal Obligor**) under the Trust Deed and the Bonds. By subscribing to or purchasing the Bonds, the Bondholders expressly consent to any such substitution of the Issuer and expressly consent to the release of the Issuer from any and all obligations in respect of the Bonds and are deemed to have expressly accepted such substitution. Such agreement shall be subject to the relevant provisions of the Trust Deed, including an irrevocable and unconditional guarantee by the Guarantor in form and substance satisfactory to the Trustee, the making of appropriate arrangements to safeguard the Exchange Rights, the preparation of a supplement with certain supplementary information in relation to the Substituted Principal Obligor to be filed with the Luxembourg Stock Exchange (as long as the Bonds are listed on the Luxembourg Stock Exchange), and the Issuer having confirmed in writing to the Trustee (such confirmation to be signed by two Authorised Officers of the Issuer) that the Bonds have a credit rating from a Rating Agency and that following the substitution of the Substituted Principal Obligor the credit rating of any Rating Agency applicable to the Bonds will not be lower than the credit rating applicable to the Bonds immediately prior to such substitution. Notice of the substitution will be given by the Issuer to the Bondholders in accordance with Condition 18.

The Trust Deed contains general provisions for the retirement and removal of the Trustee.

The Trust Deed contains provisions for the indemnification of the Trustee and for its relief from responsibility, including provisions relieving it from taking proceedings to enforce repayment or taking steps to enforce the Exchange Rights unless indemnified and/or secured and/or prefunded to its satisfaction. The Trustee has no responsibility for the validity or value of the Exchange Property nor for any insufficiency of the Exchange Property resulting from the Trustee or the Issuer being liable for tax in respect of the Exchange Property. The Trust Deed absolves the Trustee from responsibility for loss, diminution in value or theft of all or part of the Exchange Property.

The Trustee is entitled to enter into business transactions with the Issuer and/or the Guarantor and/or any other entity whose securities are from time to time comprised in the Exchange Property or any entity related to any of them without accounting for any profit as more particularly described in the Trust Deed.

Any certificate, opinion or report of any expert or other person called for by or provided to the Trustee (whether or not addressed to the Trustee) in accordance with or for the purposes of the Trust Deed may be relied upon by the Trustee as sufficient evidence of the facts therein notwithstanding that such certificate or report and/ or any engagement letter or any other document entered into by the Trustee in connection therewith contains a monetary or other limit on the liability of such expert or such other person in respect thereof.

17. REPLACEMENT OF BONDS

If any Certificate is mutilated, defaced, destroyed, stolen or lost, it may be replaced at the specified office of the Paying, Transfer and Exchange Agent in Luxembourg upon payment by the claimant of such costs 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 Certificates must be surrendered before replacements will be issued.

18. NOTICES

All notices regarding the Bonds shall be mailed to Bondholders at their respective addresses in the Register and will be deemed to have been given on the fourth weekday after the date of mailing. So long as Bonds are listed on the Luxembourg Stock Exchange and the rules of that exchange so require, notices shall also be published on the Luxembourg Stock Exchange's website, *www.bourse.lu*. Any such notice will be deemed to have been given on the date of the first publication. If publication as provided above is not practicable, notice will be given in such other manner, and will be deemed to have been given on such date, as the Trustee may approve.

19. FURTHER ISSUES

The Issuer may from time to time without the consent of the Bondholders and in accordance with the Trust Deed create and issue further securities either having the same terms and conditions as the Bonds in all respects (or in all respects except for the first payment of interest on them) and so that such further issue shall be consolidated and form a single series with the outstanding securities of any series (including the Bonds) or upon such terms as the Issuer may determine at the time of their issue provided that, in the case of any further bonds consolidated and forming a single series with the Bonds, the pro rata share of the Exchange Property of a Bondholder immediately before such consolidation shall be the same as his pro rata share of the Exchange Property immediately following such consolidation. References in these Conditions to the Bonds include (unless the context requires otherwise) any other securities issued pursuant to this Condition 19 and forming a single series with the Bonds. Any further securities forming a single series with the outstanding securities of any series (including the Bonds) constituted by the Trust Deed or any deed supplemental to it shall, and any other securities may (with the consent of the Trustee) be constituted by a deed supplemental to the Trust Deed. The Trust Deed contains provisions for convening a single meeting of the Bondholders and the holders of securities of other series where the Trustee so decides.

20. ENFORCEMENT

The Trustee may at any time, at its discretion and without notice, take such proceedings against the Issuer and/or the Guarantor as it may think fit to enforce the provisions of the Trust Deed and/or the Bonds, but it shall not be bound to take any proceedings or any other action in relation to the Trust Deed and/or the Bonds unless:

- (a) it shall have been so directed by an Extraordinary Resolution of the Bondholders or so requested in writing by the holders of at least 20 per cent. in principal amount of the Bonds then outstanding, and
- (b) it shall have been indemnified and/or secured and/or prefunded to its satisfaction.

No Bondholder shall be entitled to proceed directly against the Issuer unless the Trustee, having become bound so to proceed, fails so to do within a reasonable period and such failure shall be continuing.

No person shall have any right to enforce any term or condition of the Conditions or the Trust Deed under the Contracts (Rights of Third Parties) Act 1999.

21. GOVERNING LAW AND SUBMISSION TO JURISDICTION

The Bonds and the Trust Deed (and any non-contractual obligations arising out of or in connection with the Bonds and/or the Trust Deed) are governed by, and shall be construed in accordance with, English law.

Each of the Issuer and the Guarantor has agreed in the Trust Deed for the benefit of the Bondholders and the Trustee that the courts of England shall have jurisdiction to hear and determine any suit, action or proceedings, and to settle any disputes, which may arise out of or in connection with the Bonds and the Trust Deed

(including a dispute relating to any non-contractual obligations arising out of or in connection with the Bonds and/or the Trust Deed) (respectively, **Proceedings** and **Disputes**) and, for such purposes, irrevocably submits to the jurisdiction of such courts.

Each of the Issuer and the Guarantor has in the Trust Deed waived any objection which it might now or hereafter have to the courts of England being nominated as the forum to hear and determine any Proceedings and to settle any Disputes, and agreed not to claim that any such court is not a convenient or appropriate forum. The submission to the jurisdiction of the courts of England shall not (and shall not be construed so as to) limit the right of any Bondholder or the Trustee to take Proceedings in any other court of competent jurisdiction, nor shall the taking of Proceedings in any one or more jurisdictions preclude the taking of Proceedings in any other jurisdiction (whether concurrently or not) if and to the extent permitted by law.

Each of the Issuer and the Guarantor appoints the London branch of the Guarantor at its office in London for the time being (being as at the Closing Date at 10 Paternoster Square, London, EC4M 7AL) as its agent for service of process, and undertakes that, in the event of the London branch of the Guarantor ceasing so to act, it will appoint another person as its agent for service of process in England in respect of any Proceedings.

SUMMARY OF PROVISIONS RELATING TO THE BONDS IN GLOBAL FORM

The Bonds are represented by a Global Bond in registered form and the Global Bond has been deposited with, and registered in the name of, a common depositary for Euroclear and Clearstream, Luxembourg. Interests in the Global Bond will be exchangeable for definitive Bonds in registered form only in the limited circumstances described below.

The Global Bond contains provisions which apply to the Bonds while they are in global form, some of which modify the effect of the Conditions set out in this document. The following is a summary of certain of these provisions.

Capitalised terms used in this section and not otherwise defined have the meanings given to them in the Conditions.

1. Exchange

The Global Bond will be exchangeable (free of charge to the holder and the Bondholders) in whole, but not in part, for the definitive certificates representing the Bonds described below if, but only if, the Global Bond is held on behalf of Clearstream, Luxembourg and/or Euroclear and either such clearing system is closed for business for a continuous period of 14 days (other than by reason of holidays, statutory or otherwise) or announces an intention permanently to cease business or does in fact do so and no alternative clearing system satisfactory to the Trustee is available.

On or after the Bond Exchange Date (as defined below), the Issuer will deliver, or procure the delivery of, an equal aggregate nominal amount of duly executed and authenticated certificates in registered form, printed in accordance with any applicable legal and stock exchange requirements and in or substantially in the form set out in the Trust Deed. On exchange of the Global Bond, the Issuer will, if the holder of the Global Bond so requests, procure that it is cancelled and returned to the holder together with any relevant certificates.

Bond Exchange Date means a day falling not less than 40 days after that on which the notice requiring exchange is given by the holder of the Global Bond to the Trustee, the Bondholders and the Principal Paying, Transfer and Exchange Agent and on which banks are open for business in the city in which the specified office of the Principal Paying, Transfer and Exchange Agent is located.

2. Exchange Rights

Exchange Rights in respect of Bonds represented by the Global Bond are exercisable by presentation of the Global Bond to or to the order of the Principal Paying, Transfer and Exchange Agent for notation of exercise of the Exchange Rights, together with one or more duly completed exchange notices (which may be in electronic form and given in accordance with the rules and procedures of the relevant clearing system) (and an appropriate entry will be made in the register maintained in respect of the Bonds). Delivery of the exchange notice will constitute confirmation by the beneficial owner of the Bonds to be exchanged that the information and the representations in the exchange notice are true and accurate on the date of delivery.

3. Redemption, Purchase and Cancellation

Cancellation of any Bond represented by the Global Bond which is to be cancelled following its redemption or purchase or exchange will be effected by an appropriate entry in the register maintained in respect of the Bonds by or on behalf of the Principal Paying, Transfer and Exchange Agent.

4. Notices

So long as all the Bonds are represented by the Global Bond, and such Global Bond is held on behalf of Clearstream, Luxembourg and/or Euroclear, notices to Bondholders may be given by delivery of the relevant notice to Clearstream, Luxembourg and/or Euroclear for communication by them to entitled accountholders in substitution for notification as required by the Conditions, except that so long as the Bonds are listed on the Luxembourg Stock Exchange and the rules of the Luxembourg Stock Exchange so require, notices shall also be published on the Luxembourg Stock Exchange's website, *www.bourse.lu*. Any such notice shall be deemed to have been given on the day the same has been delivered to the relevant clearing systems.

5. Prescription

Claims against the Issuer in respect of principal or interest or other amounts payable on the Bonds while the Bonds are represented by the Global Bond will become void unless the Global Bond is presented for

payment within a period of 10 years (in the case of principal and such other amounts) and two years (in the case of interest) from the appropriate Relevant Date in respect thereof.

6. Trustee's Powers

In considering the interests of Bondholders in circumstances where the Global Bond is held on behalf of Euroclear and/or Clearstream, Luxembourg, the Trustee may, to the extent it considers it appropriate to do so in the circumstances, have regard to such information as may have been made available to it by or on behalf of the relevant clearing system or its operator as to the identity of its accountholders (either individually or by way of category) with entitlements in respect of the Bonds represented by the Global Bond and may consider such interests as if such accountholders were the holders of the Bonds represented by the Global Bond.

7. Clearing Systems

Any reference herein to Clearstream, Luxembourg and/or Euroclear shall, whenever the context so permits, be deemed to include a reference to any additional or alternative clearing system approved by the Issuer, the Principal Paying, Transfer and Exchange Agent and the Trustee.

8. Meetings

The holder of the Global Bond will be treated as having one vote in respect of each U.S.\$100,000 in principal amount of Bonds for which such Global Bond may be exchanged at any meeting of Bondholders.

USE OF PROCEEDS

The net proceeds of the offering of the Bonds were €450,000,000 which will be used by the Issuer for general funding requirements of the BES Group.

TAXATION

The following summary of certain taxation matters of Brazil, the Cayman Islands, Luxembourg and Portugal is based on the laws and practice in force as of the date of these Listing Particulars and is subject to any changes in law and practices (and the interpretation and application thereof) occurring after such date, which changes could be made on a retroactive basis. The following summary does not purport to be a comprehensive description of all the tax considerations that may be relevant to a decision to purchase, own or dispose of the Bonds, or to exchange Bonds for Bradesco Shares, and does not purport to deal with the tax consequences applicable to all categories of investors, some of which (such as dealers in securities) may be subject to special rules. This summary is of a general nature based on the understanding of the Issuer and the Guarantor of current law and practice. Investors should consult their professional advisers on the possible tax consequences of their subscribing for, purchasing, holding, selling or redeeming Bonds and exchanging Bonds for Bradesco Shares under the laws of their country of citizenship, residence, domicile or incorporation.

Prospective investors should consult their professional advisers on the possible tax consequences of buying, holding or selling any Bonds under the laws of their country of citizenship, residence or domicile.

Brazil

Brazilian Tax Considerations

The following is a general summary of the Brazilian tax considerations relating to an investment in the Bonds by non-residents in Brazil. It is based on the tax laws of Brazil in effect on the date of these Listing Particulars and is subject to any changes in Brazilian law that may come into effect after such date. The information set forth below is intended to be a general description only and does not address all possible tax consequences relating to an investment in the Bonds.

PROSPECTIVE HOLDERS SHOULD CONSULT THEIR OWN TAX ADVISER AS TO THE CONSEQUENCES OF PURCHASING THE BONDS.

Taxation of the Bonds

Interest, fees, commissions (including any original issue discount and any redemption premium) and any other income payable by an offshore branch of a Brazilian company to an individual, entity, trust or organization domiciled outside Brazil in respect of debt obligations derived from the issuance by an offshore issuer of international debt securities, such as the Bonds, are not subject to withholding income tax, nor any other Brazilian tax, such as stamp duties, exit taxes and contributions.

Taxation of Bradesco Shares

Dividends

Dividends paid by a Brazilian corporation to a non-resident holder of Bradesco Shares are currently not subject to withholding income tax in Brazil, to the extent such amounts are related to profits generated after 1 January 1996. Dividends paid from profits generated before 1 January 1996 may be subject to Brazilian withholding income tax at varying rates, according to the tax legislation applicable to each corresponding year.

Interest on shareholders' Equity

Law No. 9,249 dated 26 December 1995, as amended, permits Brazilian companies to pay interest on shareholders' equity to shareholders, and to treat those payments as a deductible expense for the purposes of calculating corporate income tax and, since 1998, the social contribution tax, up to the limits described below. These distributions may be paid in cash. For tax purposes, this interest cannot exceed the daily pro rata variation of the long-term interest rate (**TJLP**), as determined by the Central Bank from time to time, and the amount of deduction may not exceed the greater of:

- 50 per cent. of the relevant Company's net income (after the deduction of any allowances for social contribution taxes, but before taking into account allowances for income tax and interest on shareholders' equity itself) for the period in respect of which the calculation of the payment is based; and
- 50 per cent. of the sum of retained profits and profit reserves of the relevant Company as of the date of the start of the period in respect of which the payment is made.

Payment of interest on shareholders' equity to a non-resident holder is subject to withholding income tax at

the rate of 15 per cent. or 25 per cent. if the non-resident holder is domiciled in a tax haven (a Tax Haven) – that is, a country or location that does not impose income tax or where the maximum income tax rate is lower than 20 per cent. or where the laws of that country or location impose restrictions on disclosing the shareholding composition or the ownership of the investment. Payments of interest on shareholders' equity, net of withholding income tax, may be considered as an advance of the minimum dividend payments established in Bradesco's corporate documents or by Brazilian corporate law (a Mandatory Dividend) related to the net income at the end of the year. According to applicable law, Bradesco is required to pay to its shareholders an amount sufficient to ensure that the net amount they receive as interest on shareholders' equity, after payment of any applicable withholding tax, plus the amount of dividends paid to them, is at least equivalent to the Mandatory Dividend amount.

Additionally, Law No. 11,727 also changed the scope of new transactions that would be subject to Brazilian transfer pricing and thin capitalisation rules, with the creation of the concept of a privileged tax regime. Pursuant to Law No. 11,727, a jurisdiction will be considered a privileged tax regime if it:

- (i) does not tax income or taxes it at a maximum rate lower than 20 per cent.;
- (ii) grants tax advantages to a non-resident entity or individual (a) without the need to carry out a substantial economic activity in the country or a said territory or (b) conditioned upon the non-exercise of a substantial economic activity in the country or a said territory;
- (iii) does not tax proceeds or taxes proceeds generated abroad at a maximum rate lower than 20 per cent.; or
- (iv) restricts the ownership disclosure of assets and ownership rights or restricts disclosure about economic transactions carried out.

Although the interpretation of the current Brazilian tax legislation could lead to the conclusion that the above mentioned concept of "privileged tax regime" should apply only for the purposes of Brazilian transfer pricing and thin capitalisation rules, it is unclear whether such concept would also apply to the payment of interest on shareholders' equity to a non-resident holder for purposes of this law. There is no judicial guidance as to the application of Law No. 11,727 of June 24, 2008 and, accordingly, we are unable to predict whether the Brazilian Internal Revenue Service or the Brazilian courts may decide that the "privileged tax regime" concept shall be applicable to deem a non-Brazilian resident as a resident of a Tax Haven when making payments of interest on shareholders' equity. However, in the event that the "privileged tax regime" concept is interpreted to be applicable to transactions such as this by a non-Brazilian resident, this tax law would accordingly result in the imposition of taxation to a non-Brazilian resident that meets the privileged tax regime requirements in the same way applicable to a resident of a Tax Haven.

Gains

According to Law No. 10,833 dated 29 December 2003, the gains realised on a disposition or sale of assets located in Brazil, such as Bradesco Shares, by a non-resident shareholder, whether to another non-Brazilian resident or to a Brazilian resident, are subject to income tax in Brazil.

In this sense, upon a disposition of Bradesco Shares, as they are assets located in Brazil, the non-resident shareholder may be subject to income tax on the gains assessed, following the rules described below, regardless of whether or not the disposition is conducted in Brazil or with a Brazilian resident.

In general, capital gains realised as a result of a disposition or sale transaction are the positive difference between the amount realised on the sale or exchange of shares and their respective acquisition cost.

There is a controversy regarding the currency that should be considered for the purposes of determining the capital gain realised by a non-resident shareholder on a sale or disposition of shares in Brazil, more specifically whether such capital gain is to be determined in foreign or local currency.

Under Brazilian law, income tax rules on such gains can vary depending on the domicile of the non-resident shareholder, the type of registration of the investment held by the non-resident shareholder with the Central Bank of Brazil and how the disposition is carried out, as described below.

Capital gains realised by a non-resident shareholder on a sale or disposition of Bradesco Shares carried out on the Brazilian stock exchange (which includes the transactions carried out on the organised over-the-counter market) are:

- (i) exempt from income tax, when assessed for a non-resident shareholder that (a) has registered its investment in Brazil before the Central Bank of Brazil under the provisions of CMN Resolution No. 2,689 (a **2,689 Holder**) and (b) is not a resident in a Low or Nil Tax Jurisdiction; or
- (ii) subject to income tax at a rate of 15.0 per cent. in any other case, including a case of gains realised by a non-resident shareholder that is not a 2,689 Holder or is a Low or Nil Taxation Jurisdiction Holder.

Except where the exemption applies, a withholding income tax of 0.005 per cent. on the sale price shall be applicable and can be offset against any income tax due on the capital gain.

In the case of a redemption of Bradesco Shares or a capital reduction of Bradesco, the positive difference between the amount effectively received by the non-resident shareholder and the corresponding acquisition cost is treated, for tax purposes, as a capital gain derived from the sale or exchange of shares that is not carried out on a Brazilian stock exchange and is therefore subject to income tax at the rate of 15 per cent. or 25 per cent., as the case may be. Any exercise of pre-emptive rights relating to the Bradesco Shares will not be subject to Brazilian income tax. Gains realised by a non-resident shareholder on the disposition of pre-emptive rights in Brazil will be subject to Brazilian income tax according to the same rules applicable to the sale or disposition of the shares.

There can be no assurance that the current favourable tax treatment of 2,689 Holders will continue in the future.

Generally, there are no stamp, transfer or other similar taxes in Brazil with respect to the transfer, assignment or sale of the Bradesco Shares nor any inheritance, gift or succession tax applicable to the ownership, transfer or disposition of the Bradesco Shares, except for gift and inheritance taxes on the beneficiary by the Brazilian State in which it resides.

Tax on Financial Transactions (IOF)

IOF is a tax levied on foreign exchange, securities/bonds, credit and insurance transactions. The IOF rate may be changed by an Executive Decree (rather than a law). An Executive Decree increasing the IOF rate would take effect from its publication date, with no retroactive effects. Under the IOF regulations currently in force, the Minister of Finance is empowered to establish the applicable IOF rate which can be increased at any time up to 25 per cent., with no retroactive effects.

Pursuant to Decree No. 6,306 of 14 December 2007, as amended, foreign exchange transactions are subject to the IOF. Decree No. 6,306 sets out that the current general IOF rate is 0.38 per cent. Currently, dividend income and interest on shareholders' equity are subject to the assessment of IOF at a rate of 0.0 per cent. when paid to non-resident shareholders.

Cayman Islands

The following is a discussion on certain Cayman Islands income tax consequences of an investment in the Bonds. The discussion is a general summary of present law, which is subject to prospective and retroactive change. It is not intended as tax advice, does not consider any investor's particular circumstances and does not consider tax consequences other than those arising under Cayman Islands law.

Existing Cayman Islands Laws

Payments of interest and principal on the Bonds will not be subject to taxation in the Cayman Islands and no withholding will be required on the payment of interest and principal or a dividend or capital to any holder of the Bonds nor will gains derived from the disposal of the Bonds be subject to Cayman Islands income or corporation tax. The Cayman Islands currently have no income, corporation or capital gains tax and no estate duty, inheritance tax or gift tax.

No stamp duty is payable in respect of the issue of the Bonds or certificates representing the Bonds. An instrument of transfer in respect of a Bond or a certificate representing a Bond is stampable if executed in or brought into the Cayman Islands.

The Issuer has been incorporated under the laws of the Cayman Islands as an exempted company with limited liability and, as such, has obtained an undertaking from the Governor in Council (now the Governor in Cabinet) of the Cayman Islands in the following form:

The Tax Concessions Law 1999 Revision – Undertaking as to Tax Concessions

In accordance with the provision of section 6 of The Tax Concessions Law (1999 Revision), the Governor in Council undertakes with the Issuer:

- that no law which is hereafter enacted in the Islands imposing any tax to be levied on profits, income, gains or appreciations shall apply to the Issuer or its operations; and
- in addition, that no tax to be levied on profits, income, gains or appreciations or which is in the nature of estate duty or inheritance tax shall be payable:
 - (i) on or in respect of the shares, debentures or other obligations of the Issuer; or
 - (ii) by way of the withholding, in whole or in part, of any relevant payment as defined in Section 6(3) of the Tax Concessions Law (1999 Revision).

These concessions shall be for a period of 20 years from 14 January 1997.

Luxembourg

The following summary is of a general nature and is included herein solely for information purposes. It is based on the laws presently in force in Luxembourg, though it is not intended to be, nor should it be construed to be, legal or tax advice. Prospective investors in the Bonds should therefore consult their own professional advisers as to the effects of state, local or foreign laws, including Luxembourg tax law, to which they may be subject.

Withholding Tax and Self-Applied Tax

(i) Non-resident holders of Bonds

Under Luxembourg general tax laws currently in force and subject to the laws of 21 June 2005 (the **Laws**) mentioned below, there is no withholding tax on payments of principal, premium or interest made to non-resident holders of Bonds, nor on accrued but unpaid interest in respect of the Bonds, nor is any Luxembourg withholding tax payable upon redemption or repurchase of the Bonds held by non-resident holders of Bonds.

Under the Laws implementing the Directive and ratifying the treaties entered into by Luxembourg and certain dependent and associated territories of EU Member States (the **Territories**), payments of interest or similar income made or ascribed by a paying agent established in Luxembourg (within the meaning of the Directive) to or for the immediate benefit of an individual beneficial owner or a residual entity, as defined by the Laws, which is a resident of, or established in, an EU Member State (other than Luxembourg) or one of the Territories, will be subject to a withholding tax unless the relevant recipient has adequately instructed the relevant paying agent to provide details of the relevant payments of interest or similar income to the fiscal authorities of his/her/its country of residence or establishment, or, in the case of an individual beneficial owner, has provided a tax certificate issued by the fiscal authorities of his/her country of residence in the required format to the relevant paying agent.

Where withholding tax is applied, it is currently levied at a rate of 35 per cent. Responsibility for the withholding of the tax will be assumed by the Luxembourg paying agent. Payments of interest under the Bonds coming within the scope of the Laws would at present be subject to withholding tax of 35 per cent. The withholding tax system will only apply during a transitional period, the ending of which depends on the conclusion of certain agreements relating to information with certain third countries.

The European Commission had proposed certain amendments to the Directive, which may, if implemented, amend or broaden the scope of the requirements described above.

(ii) Resident holders of Bonds

Under Luxembourg general tax laws currently in force and subject to the law of 23 December 2005 as amended by the law of 17 July 2008 (the **Law**) mentioned below, there is no withholding tax on payments of principal, premium or interest made to Luxembourg resident holders of Bonds, nor on accrued but unpaid interest in respect of Bonds, nor is any Luxembourg withholding tax payable upon redemption or repurchase of Bonds held by Luxembourg resident holders of Bonds.

Under the Law, payments of interest or similar income made or ascribed by a paying agent established in Luxembourg (defined in the same way as in the Directive) to or for the benefit of an individual beneficial owner who is a resident of Luxembourg will be subject to a withholding tax of 10 per cent. Such withholding tax will be in full discharge of income tax if the beneficial owner is an individual acting in the course of the

management of his/her private wealth. Responsibility for the withholding of the tax will be assumed by the Luxembourg paying agent. Payments of interest under the Bonds coming within the scope of the Law would be subject to withholding tax of 10 per cent.

Pursuant to the Law, Luxembourg resident individuals, acting in the course of their private wealth, can opt to self-declare and pay a 10 per cent. tax on interest payments made after 31 December 2007 by paying agents (defined in the same way as in the Directive) located in an EU Member State other than Luxembourg, a Member State of the European Economic Area other than an EU Member State or a State or territory which has concluded an international agreement directly related to the Directive.

Portugal

The following is a summary of the Portuguese withholding tax treatment at the date hereof in relation to certain aspects of the Portuguese taxation of payments of principal and interest in respect of the Bonds. This summary does not deal with other Portuguese tax aspects regarding the Bonds and relates only to the position of persons who are absolute beneficial owners of the Bonds. The following is a general guide, does not constitute tax or legal advice and should be treated with appropriate caution. Bondholders who are in any doubt as to their tax position should consult their professional advisers.

The reference to “interest”, “investment income” and “capital gains” in the paragraphs below means “interest”, “investment income” and “capital gains” as understood in Portuguese tax law. The description below does not take any account of any different definitions of “interest”, “investment income” or “capital gains” which may prevail under any other law or which may be created by the Conditions or any related documentation.

Bondholder’s Income Tax

Income generated by the holding (distributions) or disposal (capital gains) of the Bonds is generally subject to the Portuguese tax regime for debt securities (*obrigações*).

Economic benefits derived from interest, amortisation, reimbursement premiums and other instances of remuneration arising from the Bonds are designated as investment income for Portuguese tax purposes.

Withholding tax

Under current Portuguese law, investment income (including interest) payments arising from the Bonds made by the Issuer to Portuguese tax resident companies and by non-resident legal persons with a permanent establishment in Portugal to which the income is attributable are included in their taxable profits and are subject to a corporate income tax rate of 25 per cent., to which is added a municipal surcharge (*derrama municipal*) of up to 1.5 per cent. over the taxable profits. A state surcharge (*derrama estadual*) of 3 per cent. on the part of the taxable profits subject to and not exempt from corporate income tax from €1,500,000 to €10,000,000, and of 5 per cent. on the part of the taxable profits exceeding €10,000,000, is also applicable.

If the payment of investment income (including interest) arising from the Bonds is made available to Portuguese resident individuals through a Portuguese resident entity or a Portuguese permanent establishment of a non-resident entity, Portuguese withholding tax applies at a rate of 35 per cent., which is the final tax on that income.

If the interest payments arising from the Bonds is not received through an entity resident or located in Portugal for tax purposes, an autonomous tax rate of 35 per cent. will apply to Portuguese tax resident individuals.

Investment income (including interest) payments arising from the Bonds made by the Issuer to individuals or companies that are not resident in Portugal for tax purposes and without permanent establishment to which the income may be attributable are not subject to Portuguese income tax.

Payments of principal on the Bonds are not subject to Portuguese withholding tax. For these purposes, principal shall mean all payments carried out without any remuneration component.

Capital gains

Under current Portuguese law, capital gains obtained on the disposal of the Bonds by companies resident in Portugal for tax purposes and by non-resident legal persons with a permanent establishment in Portugal to which the capital gains are attributable are subject to a corporate income tax rate of 25 per cent. to which is added a municipal surcharge (*derrama municipal*) of up to 1.5 per cent. over the Portuguese corporate Bondholders taxable profits. A state surcharge (*derrama estadual*) of 3 per cent. on the part of the taxable profits subject to and not

exempt from corporate income tax from €1,500,000 to €10,000,000, and of 5 per cent. on the part of the taxable profits exceeding €10,000,000, is also applicable.

Capital gains obtained by Portuguese resident individuals on the disposal of the Bonds are taxed at a rate of 26.5 per cent. levied on the positive difference between the capital gains and capital losses of each year. In this respect, an income tax exemption applies if the annual positive difference obtained with the transfer of shares, bonds or other debt securities does not exceed €500.

Stamp Tax

No stamp tax applies to the acquisition through gift or inheritance of the Bonds by individuals resident in Portugal for tax purposes.

The acquisition through gift or inheritance of the Bonds by companies resident in Portugal for tax purposes and by non-resident legal persons with a permanent establishment in Portugal is subject to a corporate income tax rate of 25 per cent. to which is added a municipal surcharge (*derrama municipal*) of up to 1.5 per cent. over the Portuguese corporate Bondholders taxable profits. A state surcharge (*derrama estadual*) of 3 per cent. on the part of the taxable profits subject to and not exempt from corporate income tax from €1,500,000 to €10,000,000, and of 5 per cent. on the part of the taxable profits exceeding €10,000,000, is also applicable.

EU Savings Directive

Portugal has implemented the EC Council Directive 2003/48/EC of 3 June 2003 on taxation of savings income into the Portuguese law through Decree-Law no 62/2005, of 11 March 2005, as amended by Law no 39-A/2005, of 29 July 2005.

United Kingdom

The comments below are of a general nature based on current United Kingdom tax law as applied in England and Wales and HM Revenue & Customs practice (which may not be binding on HM Revenue & Customs). The comments below are only intended to describe the United Kingdom withholding tax implications in respect of payments of interest on the Bonds and are not intended to be exhaustive. They relate only to the position of persons who are the absolute beneficial owners of their Bonds and Coupons and may not apply to certain classes of persons such as dealers, certain professional investors, or persons connected with the Issuer. Any Bondholders who are in doubt as to their own tax position should consult their professional advisers.

Withholding Tax

Payments of interest on the Bonds by the Issuer may be made without withholding or deduction for or on account of United Kingdom income tax.

Payments in respect of the Guarantee

The United Kingdom withholding tax treatment of payments by the Guarantor under the terms of the Guarantee in respect of interest on the Bonds (or other amounts due under the Bonds other than the repayment of amounts subscribed for the Bonds) is uncertain. In particular, such payments by the Guarantor may not be eligible for the exemption in respect of bonds listed on a recognised stock exchange described above in relation to payments of interest by the Issuer. Accordingly, if the Guarantor makes any such payments, these may be subject to United Kingdom withholding tax at the basic rate.

Information Reporting

Persons in the United Kingdom paying interest to or receiving interest on behalf of another person who is an individual may be required to provide certain information to HM Revenue & Customs regarding the identity of the payee or person entitled to the interest and, in certain circumstances, such information may be exchanged with tax authorities in other countries.

General

EU Savings Directive

The Directive requires EU Member States to provide to the tax authorities of other EU Member States details of payments of interest and other similar income paid by a person established within its jurisdiction to (or for the benefit of) an individual or certain other persons in that other EU Member State, except that Austria and Luxembourg will instead impose a withholding system for a transitional period (subject to a procedure whereby, on meeting certain conditions, the beneficial owner of the interest or other income may request that no tax be withheld) unless during such period they elect otherwise. The European Commission has proposed certain amendments to the Directive, which may, if implemented, amend or broaden the scope of the requirements described above.

A number of third countries and territories including Switzerland have adopted similar measures to the Directive (a withholding system in the case of Switzerland).

GENERAL INFORMATION

1. The creation and issue of the Bonds has been authorised by resolutions of the Board of Directors of the Issuer passed on 29 November 2012. The giving of the guarantee by the Guarantor was authorised by resolutions of the Executive Committee of the Guarantor passed on 28 November 2012.
2. Save as disclosed in these Listing Particulars, there has been no significant change in the financial or trading position of the Issuer since 31 December 2011 or of the Guarantor or the BES Group since 31 December 2011, and no material adverse change in the financial position or prospects of the Issuer, the Guarantor or the BES Group since 31 December 2011.
3. There are no governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which either the Issuer or the Guarantor is aware) which may have or have had in the past 12 months a significant effect on the financial position or profitability of either the Issuer, the Guarantor or the BES Group nor is the Issuer or the Guarantor aware of any such proceedings being threatened.
4. KPMG & Associados, SROC, S.A. Edifício Monumental, Avenida Praia da Vitória, 71A, 11° 1069 -006, Lisbon, Portugal, chartered accountants and registered auditors, a member of *Ordem dos Revisores Oficiais de Contas*, are the appointed auditors of the Issuer and have audited the respective financial statements of the Issuer for the years ending 31 December 2011 and 2010, prepared in accordance with International Financial Reporting Standards as adopted by the European Union.
5. KPMG & Associados, SROC, S.A. Edifício Monumental, Avenida Praia da Vitória, 71A, 11° 1069 -006, Lisbon, Portugal, chartered accountants and registered auditors, a member of *Ordem dos Revisores Oficiais de Contas*, are the appointed auditors of the Guarantor and have audited the respective financial statements of the Guarantor for the years ending 31 December 2011 and 2010, prepared in accordance with International Financial Reporting Standards as adopted by the European Union.
6. For so long as any Bonds are outstanding, executed copies of the following documents in respect of the Bonds will, when published, be available for inspection free of charge during usual business hours at the specified offices of the Paying, Transfer and Exchange Agents:
 - (a) these Listing Particulars and the Programme Offering Circular;
 - (b) the Paying, Transfer and Exchange Agency Agreement;
 - (c) the Trust Deed;
 - (d) the constitutional documents of the Issuer and the Guarantor;
 - (e) the auditors' report and audited annual financial statements of the Issuer for the financial year ended 31 December 2011;
 - (f) the auditors' report and audited annual financial statements of the Issuer for the financial year ended 31 December 2010;
 - (g) the auditors' report and audited consolidated and non-consolidated annual financial statements of the Guarantor for the financial year ended 31 December 2011;
 - (h) the auditors' report and audited consolidated and non-consolidated annual financial statements of the Guarantor for the financial year ended 31 December 2010; and
 - (i) the most recently published audited non-consolidated annual financial statements and unaudited non-consolidated half-yearly financial statements of the Issuer and the most recently published audited consolidated and non-consolidated annual financial statements and consolidated or non-consolidated quarterly financial statements of the Guarantor, in each case together with any audit or review reports prepared in connection therewith. The Issuer does not prepare consolidated financial statements.

The documents referred to at paragraphs (a) and (c) to (i) inclusive above are also available to any interested person at the specified offices of the Paying, Transfer and Exchange Agents.
7. The yield to maturity of the Bonds is 3.50 per cent. per annum. The yield to maturity is calculated at the Closing Date on the basis of the initial issue price. It is not an indication of future yield.

8. The Bonds have been accepted for clearance through the Clearstream, Luxembourg and Euroclear systems with a Common Code of 086157730. The International Securities Identification Number for the Bonds is XS0861577301.
9. The Bonds were issued pursuant to a subscription agreement dated 28 November 2012 between the Issuer, the Guarantor, Banco Espírito Santo de Investimento, S.A., sucursal en España (**BESI**), Citigroup Global Markets Limited (**Citigroup**) and Morgan Stanley & Co. International plc (together with BESI and Citigroup, the **Lead Managers**), pursuant to which the Lead Managers subscribed and paid for, or procured subscriptions and payment for, the Bonds.
10. So far as the Issuer is aware, no person involved in the issue of the Bonds has an interest material to the offer.
11. The estimated total expenses related to the admission to trading of the Bonds are Euro 2,830.
12. The Bradesco Shares are traded under the symbol “BBDC3”. The table below sets out, for the periods indicated, the reported high and low closing sales prices per Bradesco Share on the Sao Paulo Stock Exchange – Bovespa, the principal market for the Bradesco Shares.

Period	Price per Bradesco Share	
	High	Low
<i>(in BRL)</i>		
2010		
First Quarter	31.00	24.65
Second Quarter	26.87	22.95
Third Quarter	26.95	23.08
Fourth Quarter	28.89	24.79
2011		
First Quarter	27.88	23.40
Second Quarter	28.24	25.30
Third Quarter	26.99	21.40
Fourth Quarter	25.65	22.09
2012		
First Quarter	28.35	25.21
Second Quarter	27.30	22.86
Third Quarter	29.00	23.82
Fourth Quarter	35.83	25.60
2013		
January (till 31 January)	37.00	34.17
(Source: Bloomberg. Prices are adjusted for stock splits and stock dividends)		

Information about the past and the further performance of the Bradesco Shares and their volatility can be obtained from the Bradesco Group website (www.bradesco.com.br/ri/eng/).

Notices regarding general meetings of the Bondholders of the Bradesco Shares are published in the Official Gazette of the State of Sao Paulo and the Diário do Comércio, both in the state of Sao Paulo. The notice must be published three times, beginning at least 15 days prior to the scheduled date for the general meeting. The notice must contain the meeting's agenda.

Bradesco was incorporated on 10 March 1943 and has adopted the form of a private openly-held joint-stock company (*sociedade anônima de capital aberto*) and has its corporate head office at Cidade de Deus, 4th floor Prédio Novo, Vila Yara, Osasco, SP, Brazil.

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