



Espírito Santo Financial Group S.A.

(incorporated with limited liability in the Grand Duchy of Luxembourg – société anonyme – registered with the Register of Commerce and Companies under number B-22.232)

€200,000,000 3.125 per cent. Exchangeable Bonds due 2018

exchangeable into ordinary shares in the capital of

Banco Espírito Santo, S.A.

(incorporated with limited liability in Portugal)

Issue price: 100 per cent.

The €200,000,000 3.125 per cent. Exchangeable Bonds due 2018 (the “**Bonds**”) were issued by Espírito Santo Financial Group S.A. (the “**Issuer**”) on 2 December 2013 (the “**Issue Date**”) at an issue price of 100 per cent. of their principal amount (the “**Issue Price**”). The Bonds constitute direct, unconditional, unsubordinated and (subject to Condition 3) unsecured obligations of the Issuer. Interest will be payable semi-annually in arrear on 2 June and 2 December of each year (each an “**Interest Payment Date**”) with the first payment of interest being made on 2 June 2014. Interest will accrue at a rate of 3.125 per cent. per annum. A Trust Deed has been entered into between the Issuer and BNY Mellon Corporate Trustee Services Limited as trustee (the “**Trustee**”).

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. References in these Listing Particulars to Bonds being “**listed**” (and all related references) shall mean that the Bonds have been admitted to trading on the Euro MTF Market and are listed on the official list of the Luxembourg Stock Exchange. The Euro MTF Market is not a regulated market for the purposes of the Markets in Financial Instruments Directive (Directive 2004/39/EC). These Listing Particulars constitute a prospectus for the purposes of the Luxembourg Act dated 10 July 2005 relating to prospectuses for securities, as amended.

Unless previously exchanged, redeemed or purchased and cancelled, the Bonds will be redeemed at their principal amount on 2 December 2018 (the “**Final Maturity Date**”). The Issuer has certain optional redemption rights with respect to the Bonds as described in Condition 11(b) (“*Redemption at the Option of the Issuer*”). Bondholders have certain optional redemption rights with respect to the Bonds as described in Condition 11(c) (“*Redemption at the Option of the Issuer*”).

Subject to the rights of the Issuer to make a Cash Election (as defined in the section entitled “*Terms and Conditions of the Bonds*”) (the “**Conditions**”) and as more fully described in the Conditions, the Bonds will be exchangeable for a *pro rata* share of the Exchange Property (as defined in the Conditions) at any time during the period from (and including) 13 January 2014 up to (and including) the close of business (at the place where the Bond is deposited for exchange) on the date which falls 40 Luxembourg and Lisbon business days prior to the Final Maturity Date, or if such Bond is to be redeemed pursuant to Condition 11(b) prior to the Final Maturity Date, then up to (and including) the close of business (at the place aforesaid) on the date which falls 10 Luxembourg and Lisbon 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. The Exchange Property initially comprises 152,334,526 ordinary shares (the “**Shares**” or “**BES Shares**”) in Banco Espírito Santo, S.A.

None of the Bonds or the 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 are being offered and sold in offshore transactions outside the United States of America in reliance on 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 of America or to or for the benefit of U.S. persons.

The Bonds are initially represented by a global Bond (the “**Global Bond**”) registered in the name of, and held by a nominee or on behalf of, a common depository for Euroclear Bank SA/NV (“**Euroclear**”) and/or Clearstream Banking, *société anonyme* (“**Clearstream, Luxembourg**”).

The Issuer accepts responsibility for the information contained in these Listing Particulars with respect to the Issuer and the Issuer and its consolidated subsidiaries taken as a whole (“**ESFG**”). To the best of the knowledge of the Issuer (having taken all reasonable care to ensure that such is the case) the information contained in these Listing Particulars 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 Joint Bookrunners (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 Joint Bookrunners as to the accuracy, completeness or sufficiency of the information set out or incorporated in these Listing Particulars.

These Listing Particulars are to be read in conjunction with all documents that are deemed to be incorporated herein by reference (see “*Documents Incorporated by Reference*”). These Listing Particulars should be read and construed on the basis that such documents are incorporated and form part of the Listing Particulars. These Listing Particulars may only be used for the purposes for which they have been published.

Information incorporated by reference in these Listing Particulars relating to Banco Espírito Santo, S.A. and its consolidated subsidiaries taken as a whole (“**BES**”) and the BES Shares and the information contained under paragraph 9 of the section “*General Information*” (such information, the “**BES 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 the Issuer has not made any investigation or enquiry with respect to such documents or the BES Information. The Issuer does not accept responsibility for the BES Information. The incorporation by reference of the BES Information shall not create any implication that there has been no change relating to Banco Espírito Santo, S.A., BES or the BES Shares since the date thereof or that the information contained therein is current as at any time subsequent to its date. The Issuer has not had access to Banco Espírito Santo, S.A.’s books, records or other non-public information. Therefore, information concerning Banco Espírito Santo, S.A., BES or the BES Shares that has not been made public is not available to the Issuer. The Issuer had not been involved in the preparation of the BES Information and, for the foregoing reasons, the Issuer is not in a position to verify any such information or pass judgement on its completeness. The Issuer makes no representations or warranties as to the accuracy, completeness or sufficiency of the BES Information.

Banco Espírito Santo, S.A. 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 BES Information) that would affect the trading price of the BES 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 Banco Espírito Santo, S.A., BES and the BES Shares could affect the trading price of the BES Shares and, consequently, affect the value of the Cash Alternative 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. Neither the delivery of these Listing Particulars nor any offer, sale or delivery made in connection with 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, Banco Espírito Santo, S.A. or BES 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.

The Issuer is not providing any advice or recommendation in these Listing Particulars on the merits of the purchase, subscription for or investment in the Bonds or the BES Shares or the exercise of any rights conferred by the Bonds or the BES 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 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.

All references in this document to “EUR”, “euro” and “€” refer to the currency introduced at the start of the third stage of European economic and monetary union, and as defined in Article 2 of Council Regulation (EC) No. 974/98 of 3 May 1998 on the introduction of the euro, as amended.

An investment in the Bonds involves certain risks. Prospective investors should have regard to the factors described under the heading “Risk Factors” beginning on page 5 of these Listing Particulars.

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RISK FACTORS

The Issuer believes that the following factors may affect its ability to fulfil its obligations under the Bonds which may in turn result in investors losing the value of their investment. Most of these factors are contingencies which may or may not occur and the Issuer is not in a position to express a view on the likelihood of any such contingency occurring.

In addition, factors which the Issuer believes may be material for the purpose of assessing the market risks associated with the Bonds are also described below.

The Issuer believes that the factors described below represent the principal risks inherent in investing in the Bonds. However, the Issuer does not represent 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 incorporated by reference herein) and reach their own views prior to making any investment decision.

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

This section describes some of the risks that could affect ESFG's businesses.

The risks below are not the only risks that ESFG faces – some risks are not yet known to ESFG and some that ESFG does not currently believe to be material could later turn out to be material. All of these risks could materially affect ESFG's business, its revenues, operating income, net income, net assets and liquidity and capital resources and the price at which the Bonds trade.

Risks relating to the Portuguese economy

The performance of ESFG is generally influenced by conditions in the global financial markets and the macroeconomic environment of the countries in which it operates. The core businesses of ESFG are banking and insurance (both life and non-life). As its operations are concentrated mainly in Portugal, ESFG is dependent on the state of the Portuguese economy. A downturn in the Portuguese economy, in particular, could have a material adverse effect on ESFG's business, financial condition and results of operations.

For the year ended 31 December 2013, 64.19 per cent. of ESFG's net assets (as of 31 December 2012: 67.7 per cent. of ESFG's net assets) and 42.38 per cent. of its operating loss (as of 31 December 2012: 76.3 per cent. of its operating income) were derived from its activities in Portugal. Consequently, ESFG is particularly exposed to the macroeconomic conditions which affect growth, particularly in the Portuguese market.

As a result of deteriorating economic conditions in Portugal since the crisis that began in mid-2007, the Portuguese government requested external assistance from the International Monetary Fund (the "IMF"), the European Commission ("EC") and the European Central Bank ("ECB", together with the IMF and EC the "Troika") in April 2011. The Economic Adjustment Programme (the "Adjustment Programme"), agreed with the Troika, provided for the availability of financial support to Portugal in the amount of EUR 78 billion over a three year period ending 17 May 2014 (for technical reasons an extension of six weeks was granted to complete a final assessment and the disbursement of the last tranche of EUR 500 million), subject to the implementation of a series of budgetary and structural measures, which is subject to quarterly reviews for the duration of the Adjustment Programme.

As part of the Adjustment Programme, the Portuguese government committed to meet certain budgetary and public debt targets and to implement a series of structural reforms 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 (target reviewed in September 2012), approximately 5.5 per cent. of GDP in 2013 and 4.0 per cent. in 2014 (targets reviewed in February 2013). In addition, the Adjustment Programme is intended to lead to a reduction in the Portuguese public debt to GDP ratio after 2013 and contains structural measures and policy guidelines designed to boost the country's competitiveness and improve Portugal's growth rates in the medium term.

Portugal complied with the targets imposed by the Troika. The last assessment of the Adjustment Programme in April 2014 was positive. To date, Portugal has received EUR 76.1 billion from the Adjustment Programme.

The performance of the Portuguese economy since 2011 has been highly dependent on the implementation of the Adjustment Programme. The need to reduce the public deficit was addressed by the adoption of very restrictive budgetary policies, with a negative impact on economic activity in the near term. At the same time, the private sector (corporate, financial and households) continued its deleveraging process. Under these circumstances, GDP decreased by approximately 1.4 per cent. in 2013, after having contracted by 3.2 per cent. in 2012 and by 1.3 per cent. in 2011 according to Statistics Portugal. This contraction is mainly a result of the significant decline in domestic demand, equalling approximately 13.7 per cent. (according to the Portuguese Ministry of Finance) in real and accumulated terms for this three-year period. In 2013, the favourable performance of exports and a stabilisation trend in domestic demand translated into the recovery of economic activity from the second quarter. While GDP fell by 1.4 per cent. in 2013, there were positive quarterly fluctuations in the second quarter (1.1 per cent., 0.3 per cent. and 0.6 per cent.) as well as overall growth during the fourth quarter (1.7 per cent., following 11 quarters of contraction). In the first quarter of 2014, GDP fell 0.7 per cent. when compared to the fourth quarter of 2013, increasing uncertainty as to the level of economic recovery although it represented an increase of 1.2 per cent. as compared to the first quarter of 2013. The deleveraging and financial rebalancing of all business sectors resulted in a surplus of external accounts of 2.0 per cent. of GDP in 2013 according to Statistics Portugal. The recovery of activity and the fiscal consolidation measures contributed towards a reduction in the general government deficit (as adjusted by the Troika's criteria) to about 4.5 per cent. of GDP in 2013, according to the Portuguese Ministry of Finance, which is below the target of 5.5 per cent. of GDP, with expenditure and income showing better than expected performance, thereby creating a favourable context for budgetary implementation in 2014. In previous years the Portuguese government deficit was also below set targets: 4.3 per cent. in 2011 (target of 5.9 per cent.) and 4.7 per cent. (revised target of 5 per cent.) The main risk relating to budgetary implementation is the rejection of certain measures (which BES estimates accounted for 0.5 per cent. of GDP in total) by the Constitutional Court of Portugal. Notwithstanding these improvements, budgetary policy will continue to be quite restrictive in 2014 and thus continue to have an impact on economic growth.

Although the outlook for the recovery of economic activity in Portugal has improved, with both the Portuguese government and the Troika moving their GDP forecasts upwards to 1.2 per cent. and 1.5 per cent. for 2014 and 2015, respectively, and the unemployment rate is expected to fall to 15.7 per cent. in 2014 and 14.8 per cent. in 2015, risks remain to the Portuguese economy, including the impact of continued weak growth in many parts of the global economy.

The positive sentiment towards the peripheral countries of the Euro Zone in general, and Portugal in particular, has contributed to a significant decrease in the public debt yields. In relation to the end of the Adjustment Programme on 17 May 2014, discussions about Portugal's exit from the Adjustment Programme have intensified and the Portuguese government has announced a "clean" exit without a precautionary programme. The need for short-term financing has been reduced, global funding needs for 2014 have already been covered and the forthcoming debt issuances should partially pre-finance 2015 funding needs. Nonetheless, market risks remain high and uncertainties continue as to the financing conditions Portugal will face upon the completion of the Adjustment Programme. Following the exit from the Adjustment Programme, the Portuguese sovereign yields may suffer from increased volatility, which might in turn have a negative impact on the funding conditions for ESFG.

Given its high level of public debt, even with the successful conclusion of the Adjustment Programme, Portugal will need to continue to pursue a fiscal consolidation strategy and implement structural reforms that favour medium term growth, provide for the reduction of budgetary deficit (the target for 2015 is 2.5 per cent. of GDP) and reduce the public debt ratio from 2014 onwards. The implementation of such measures requires the continued commitment of the Portuguese government. Possible changes to the Portuguese government or to governmental policies may have an effect on budget execution and on structural reform. In addition, significant resistance from unions and/or the Portuguese public to these continuing reforms may put pressure on the Portuguese government's capacity to implement such measures in the future.

Concerns relating to Portuguese public finances and to political and social stability in Portugal have affected, and may continue to affect, the liquidity and profitability of financial institutions in Portugal, resulting in, amongst 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.

The macroeconomic conditions in Portugal adversely affect the behaviour and the financial condition of ESFG's clients, and consequently, the supply and demand of the products and services that ESFG offers. In particular, and despite the recent signs of stabilisation of the labour market and the reduction of corporate insolvencies, it is expected that the high unemployment rates, the low profitability and the high level of indebtedness of companies and an increase in company and personal insolvencies will continue to have a negative influence on ESFG's clients' ability to pay back loans, and, consequently, could cause an increase in overdue loans and in impairments related to loans and other financial assets. The occurrence of any one or more of these events could have a material adverse effect on the business, financial condition, results of operations and prospects of ESFG.

ESFG's business and performance are, and may continue to be, negatively affected by actual or perceived risks relating to global economic conditions and to the Euro Zone sovereign debt crisis

ESFG's businesses and performance are, and may continue to be, negatively affected by local and global economic conditions and adverse perceptions of those conditions and future economic prospects.

In particular, 2013 was characterised by moderate optimism concerning global macroeconomic indicators. The United States and Europe registered economic recovery in the second half of 2013, although the recovery in Europe remained weak. Although the year began with certain adverse events that affected confidence, namely political instability in Italy and the Cyprus crisis, financial markets in the Euro Zone stabilised during the second half of 2013 and there was a gradual improvement in business growth forecasts. Improved confidence in the Euro Zone economies was extended to the economies of peripheral Euro Zone countries such as Portugal.

Despite the favourable forecasts for the global economy in the near and medium term, sustainable economic growth continues to be a challenge, especially in the peripheral countries of the Euro Zone, including Portugal. It is therefore expected that the central banks of the main global economies will maintain expansionary monetary policies, to boost demand in those economies. Some factors may negatively affect forecasts for the global economy, namely the volatility felt in emerging markets, political tensions in Ukraine and Venezuela and the evolution of interest rates in developed countries, given the tapering of the asset purchase programme in the United States.

Deflationary pressures on the Euro Zone also represent a risk to the Portuguese economy, as the persistence of low inflation rates can lead to the postponement of investment decisions as well as to debt increases in real terms. In this context, it is expected that the ECB will keep or broaden its expansionist policies.

Adverse economic and market conditions pose various challenges and exert downward pressure on asset prices and on credit availability, increase funding costs, and impact credit recovery rates and the credit quality of ESFG's businesses, customers and counterparties, including issuers of sovereign debt. In particular, ESFG has significant exposure to customers and counterparties in the EU (particularly in Portugal) that would be affected by the restructuring of the terms, principal, interest or maturity of their borrowings.

During the next few years, a combination of anticipated recovery in private sector demand and of a reduced pace of fiscal austerity in Europe and the United States is likely to result in a return by central banks towards more conventional monetary policies, following the recent period that has been characterised by highly accommodative policies, which have helped to support demand at a time of very pronounced fiscal tightening and balance sheet repair. The possibility of a withdrawal of such programmes or slowing of monetary stimulus by one or more governments could lead to a generally weaker than expected growth, or even contracting GDP, reduced business confidence, higher levels of unemployment, adverse changes to levels of inflation, potentially higher interest rates and falling property prices, and consequently to an increase in delinquency rates and default rates among customers. Any further slowing of monetary

stimulus and the actions and commercial soundness of other financial institutions have the potential to impact market liquidity. The adverse impact on the credit quality of ESFG's customers and counterparties, coupled with a decline in collateral values, could lead to a reduction in recovery rates and high levels of impairment provisions, which could have a material adverse effect on ESFG's business, financial condition and results of operations.

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 other economic changes in the Euro Zone could:

- negatively affect the capacity of Portugal to satisfy its financing needs;
- have a direct negative impact on the value of ESFG's portfolio of Portuguese public debt securities (as of 31 March 2014, BES held approximately EUR 5 billion in Portuguese public debt). In relation to the sovereign debt of other EU periphery economies, BES held EUR 693 million of Spanish public debt, EUR 908 million of Italian public debt and EUR 178 million of Greek public debt. BES 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;
- have a significant adverse effect on ESFG's capacity to raise and/or generate capital and comply with minimum regulatory capital requirements;
- significantly restrict ESFG's ability to obtain liquidity; and
- negatively affect ESFG's capital position, its operational results and its financial condition.

ESFG's business, financial condition and results of operations may be affected by economic, political or governmental conditions in other countries where it operates

ESFG's performance, financial condition and results of operations are affected by the economic conditions and levels of economic activity in countries other than Portugal where ESFG operates. These countries include, but are not limited to, Spain, Angola, Mozambique, Libya, Brazil, the United Kingdom, France, Luxembourg, Switzerland, Poland, India, Panama, the United States, Dubai and Venezuela, among others.

A downturn in the economy of any of these countries could adversely affect ESFG's customers and, therefore, levels of demand for its products and services and as a result, its financial condition and results of operations. Higher unemployment, reduced corporate profitability and increased corporate and personal insolvency rates in other countries outside Portugal, may reduce the ability of borrowers' in those countries to repay loans and may result in an increase in defaults by ESFG's customers on the loans extended to them, as well as a reduction in the amount of premiums written in the insurance business.

Protracted economic decline could reduce the overall level of economic activity in the market, thereby reducing ESFG's ability to collect deposits and forcing it to satisfy its liquidity requirements by resorting to the more expensive capital markets and wholesale markets as a result.

In addition, ESFG's international operations are exposed to the risk of possible adverse political, governmental or economic developments in the countries in which they operate. These factors could have a material adverse effect on ESFG's business, financial condition and results of operations.

Accordingly, ESFG can give no assurance that it will be successful in Spain, Brazil, Angola or any of the other international markets in which it operates. ESFG'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 ESFG has operations, especially Libya and Venezuela, have been subject to U.S. and/or international sanctions (for example sanctions administered by the Office of Foreign Assets Control of the U.S. Treasury Department (OFAC)) and have experienced political, social and economic instability in the past and may face such

instability again in the future. Additionally, the results for the international activity of ESFG are subject to the exchange rate volatility of the currencies of the countries in which it operates, which is particularly relevant in emerging market countries. For example, in 2013, as a result of the significant devaluation that affected the Venezuelan currency, ESFG's operations in Venezuela recognised a loss of EUR 7 million, although, in local currency terms, its operational results were positive.

Any of these factors can have a material adverse effect on ESFG's business strategy, financial condition and results of operations.

Financial Markets

The performance of ESFG is generally influenced by conditions in the global financial markets and the macroeconomic conditions in the countries in which it operates. Since the beginning of the financial crisis, the global financial system has operated under difficult conditions and the markets are still recovering from the negative effects following the insolvency of several international banks since September 2008. As a result, over the past five years there have been periods of unprecedented disruptions in the financial markets worldwide in relation to liquidity and funding of the international banking system. In addition, this situation 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) intervened by injecting liquidity and capital into the financial system with the goal of stabilising these financial markets and, in some cases, preventing the insolvency of certain banking institutions.

Despite these measures, volatility in the capital markets has continued. The sovereign debt crisis in Europe in the 2010 to 2012 period exacerbated investors' fears and led to uncertainty with respect to the European financial sector, particularly with respect to the economies in the periphery of the Euro Zone. Although financial and economic conditions in the Euro Zone stabilised during 2013, certain adverse factors remained, including political instability in Ukraine and Italy and the financial crisis in Cyprus. Greater stability in the financial markets resulted from a strong improvement in systemic risks related to the sovereign debt crisis, as well as a gradual improvement in business growth forecasts. New steps toward consolidation in the banking sector also contributed to a boost in confidence. Nevertheless, the risk of default and the possibility that the contagion effect spreads to other EU member states remains.

The impact a sovereign default could have on the Euro Zone countries, including the potential exit of some countries from the Euro Zone, continues to raise concerns, though to a lesser extent, about the ongoing viability of the euro currency and the European Economic and Monetary Union.

A worsening of the economic and financial climate may create challenges for ESFG and the occurrence of any one or more of the events described above may adversely affect its business, financial condition and results of operations in the following ways:

- a general slowdown in the business of ESFG may increase its funding costs (both wholesale and retail) and reduce its share prices and asset values, which may have a material adverse effect on its financial performance and condition;
- an exposure of ESFG to potential losses if certain financial institutions or other counterparties to ESFG, become insolvent or are not able to meet their obligations to ESFG. Moreover, the performance of ESFG 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 if significant volatility returned to the financial markets; and
- numerous banks worldwide continue to be supported in part by various "rescue plans" and other types of support by their home country governments and ESFG is unable to determine 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 ESFG and other financial institutions. With the goal of reducing or completely

eliminating the link between the sovereign and the financial system, the Euro Zone has recently adopted legislation relating to a unified regulatory framework for the banking industry (the “**Banking Union**”) so that in future financial crises countries no longer have to bear the support to the financial system. This new regulation will limit the support governments can give to financial institutions in the future.

In general, the deterioration of economic conditions and an unfavourable financial environment, including those potential developments outlined above, could have a material adverse effect on ESFG’s business, financial condition and results of operations.

ESFG is subject to the risk that liquidity may not be available, and this risk may be exacerbated by market conditions

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.

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

ESFG’s liquidity could also be impaired, namely by an inability to access the capital 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 ESFG is unable to control, such as market volatility, 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 financial markets has been challenging since the disruptions in the financial markets in 2007. Despite the improvement in the markets since mid 2013, funding in the interbank markets or via the capital markets has been very difficult, especially since 2010 for banks in 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 ESFG could find its liquidity further impaired include the following:

- increased difficulty selling ESFG assets, particularly if other participants in distressed situations are seeking to sell similar assets or because the market value of assets, including financial instruments underlying derivative transactions, has become difficult to ascertain, which has occurred in the recent past;
- financial institutions with which ESFG interacts may exercise set-off rights or the right to require additional collateral;
- if the customers with which ESFG has outstanding but undrawn lending commitments were to draw down on these credit lines at a rate that is higher than ESFG is anticipating;
- ESFG’s contingency plan for liquidity stress scenarios relies largely on its ability to enter into repo transactions with the ECB. If the ECB were to suspend its repo programme, and if no similar source of repo financing were to exist in the market, this could severely impede ESFG’s ability to manage a period of liquidity stress; and
- increase in credit spreads, as well as any restriction to inter-bank credit and other credit.

Any of these events could cause ESFG to curtail its business activities and could increase its cost of funding, both of which could have a material adverse effect on ESFG’s financial condition and results of operations.

Although ESFG puts significant effort into liquidity risk management and focuses on maintaining a liquidity surplus in the short term, ESFG is exposed to the general risk of liquidity shortfalls and cannot ensure that the procedures in place to manage such risks will be adequate or sufficient.

Funding risk

The Issuer raises funds by issuing ordinary and preferred shares and senior and subordinated notes in the international capital markets. The Issuer uses these funds to fund investments and to meet the capital requirements set and regulated by the Bank of Portugal. At the end of July 2009, ESFIL – Espírito Santo Financière S.A. (“**ESFIL**”) and the Issuer established a EUR 1 billion Euro Commercial Paper Programme (“**ECP Programme**”). Commercial paper issued by ESFIL under the ECP Programme is unconditionally and irrevocably guaranteed by the Issuer. The amount of short term debt outstanding under the ECP Programme, issued by ESFIL, at 31 December 2013 was EUR 171.1 million. At the beginning of May 2011, the Issuer and ESFIL established a EUR 2 billion Euro Medium Term Note Programme (“**EMTN Programme**”). Medium term notes issued by ESFIL under the EMTN Programme are unconditionally and irrevocably guaranteed by the Issuer. On 2 May 2013 ESFIL issued EUR 200 million 5.25 per cent. Fixed Rate Bonds due 12 June 2015 under the EMTN Programme which are guaranteed by the Issuer.

The following table shows all of ESFG’s sources of funds as at 31 December 2011, 2012 and 2013:

Funding Sources (in EUR millions)

	2011	2012	2013
Convertible Debt	311.8	311.8	376.2
Subordinated Debt (Tier II).....	351.1	351.1	351.1
Preferred Shares (Tier I)	74.3	57.8	53.0
Share Capital*	1,313.3	1,813.3	1,813.3
Total	2,050.5	2,534.0	2,593.6

* Including share premium and non-distributable capital reserve

ESFG’s banking subsidiary, Banco Espírito Santo, S.A., has established a funding policy for all types of liabilities, from customer funding (customer deposits) to issuing ordinary and preferred shares and the use of financing instruments in the financial markets. The funding mechanisms used by BES include interbank lines, certificates of deposit and commercial paper programmes (ECP and USCP) for short-term funding and the euro medium term note programme (for issuing senior and subordinated debt), credit lines, covered bonds and other instruments for medium- and long-term funding.

The ECB’s long-term refinancing operation (“**LTRO**”) began on 29 February 2012. In light of volatility and disruption in the global capital and credit markets, BES has actively continued to promote the diversification of its funding sources as part of its prudent liquidity management policy in order to ensure a high-quality, liquid asset base. To strengthen its liquidity position and reinforce contingency tools under stress scenarios BES has undertaken additional funding initiatives, such as increasing assets eligible for rediscount with the ECB and the Federal Reserve notably through securitising portions of its securities and loan portfolio. Although BES continues to review measures to diversify away from ECB funding, increased funding costs or a prolonged interruption in renewing funding would have a material adverse effect on ESFG’s business, financial condition and results of operations.

BES is constrained in its ability to obtain funding in the capital markets and is dependent on the ECB for funding and liquidity

Notwithstanding the continuous improvement in the ability to access the financial markets, financing conditions for Portuguese banks are still constrained. In this context, despite the ECB’s net funding (net of investment) having been reduced to EUR 5.4 billion in December 2013 (December 2012: EUR 6.9 billion),

BES' liquidity operations with the ECB continue to be very important. The ECB currently makes funding available to European banks that satisfy certain conditions to obtain such funding, including pledging eligible collateral.

As at 31 December 2013, BES' portfolio of securities eligible for rediscount with the ECB was EUR 18.6 billion, compared to EUR 19.4 billion as at 31 December 2012. 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, downgrades of the credit rating of Portugal or of Portuguese companies could result in an increase in haircuts to any eligible collateral or to the non-eligibility of such assets and thereby decreasing the total amount of eligible portfolio. As the Portuguese government has elected not to negotiate a precautionary programme at the end of the Adjustment Programme, the eligibility of Portuguese public debt will depend on the maintenance of an "investment grade" rating by at least one rating agency (currently Dominion Bond Rating Service or "DBRS" is the only rating agency that attributes an "investment grade" rating to Portugal). In this context, a credit rating downgrade of Portugal by DBRS would result in the non-eligibility of Portuguese public debt for financing with the ECB.

The curtailment or termination of liquidity operations by the ECB, including the end of the ECB LTRO Programme without a substitute or transitional measure, would force BES to substitute its financing with the ECB with alternative sources of funding which may be available, if at all, at unfavourable conditions or force BES to dispose of its assets, potentially with a high discount to their book values, in order to comply with its obligations and could significantly increase its funding costs. This would have a corresponding negative impact on its results of operations and financial condition.

BES has been implementing measures in order to diversify its financing sources beyond the ECB, and has implemented a deleveraging process, since 2010, by making an effort to increase customer funds and reduce customer loans, having resumed its financing in the capital markets in November 2012. Since then, BES has been able to access the market by issuing senior unsecured debt (EUR 500 million in January 2013, EUR 750 million in January 2014 and EUR 750 million in May 2014), exchangeable bonds, exchangeable for shares of Banco Bradesco S.A. (U.S.\$450 million in December 2012) and subordinated Tier 2 debt (EUR 750 million in November 2013). This situation represents a risk of increasing financing costs, particularly considering the significant difference between ECB financing cost and the cost associated with collecting deposits and financing operations in the market, which may not be completely offset by the process of repricing of loans, and could have a negative impact on the financial margin of BES.

In addition to the usual and to the extraordinary liquidity measures implemented throughout the Euro Zone and provided through the ECB in the last years, there is a further measure of last resort, the Emergency Liquidity Assistance, that allows all Euro Zone central banks to support domestic financial institutions, which is applicable to illiquid but solvent financial institutions.

Reductions in ESFG's credit ratings could increase the cost of borrowing and adversely affect its ability to raise new funds or renew maturing debt

Credit ratings affect the cost and other terms upon which ESFG is able to obtain funding. Rating agencies regularly evaluate each of the Issuer and Banco Espírito Santo, S.A., and their long-term debt ratings are based on a number of factors, including its financial strength, the rating of Portugal and conditions affecting the financial services industry generally and the Portuguese banking system in particular. Despite the positive trend over the past year, as evidenced by the evolution of credit spreads (which has not been reflected in the ratings), in light of the difficulties in the financial services industry and the financial markets, it cannot be assured that the rating agencies will maintain their current ratings or outlooks with respect to the Issuer and Banco Espírito Santo, S.A.

As of the date of these Listing Particulars, the Issuer's ratings are as follows:

- (i) DBRS Ratings Limited – long-term rating: BBBL; short-term: R-2 (mid); negative outlook; and
- (ii) Moody's Investors Service, España, S.A. – long-term rating: B2; short-term: NP, negative outlook.

As of the date of these Listing Particulars, Banco Espírito Santo, S.A.'s ratings are as follows:

- (i) Standard & Poor's Credit Market Services Europe Limited – long-term rating: BB-; short-term: B; stable outlook;
- (ii) DBRS Ratings Limited – long-term rating: BBBL; short-term: R-2 (mid); negative outlook;
- (iii) Moody's Investors Service, España, S.A. – long-term rating: Ba3; short-term: NP, negative outlook; and
- (iv) Dagong Europe Credit Rating S.r.l. – long-term rating: BB; short-term: B, negative outlook.

Downgrades of each of the Issuer's and Banco Espírito Santo, S.A.'s credit ratings (or the threat of a downgrade) could increase its cost of funding and adversely affect its net interest margin or, in a scenario that combines a sharp ratings drop with a further deterioration of the credit environment, could result in increasing difficulties or the total inability of ESFG in accessing funding in the markets. Additionally, this can have an adverse impact on ESFG's contractual obligations that depend on rating triggers.

Since 2010, Portugal has had its long-term debt rating downgraded several times. This was driven by the deterioration of Portuguese public finances and the increased difficulties Portugal had in accessing funding in international markets following the financial crisis.

The rating agencies' future outlook for Portugal is dependent on a variety of factors, including the conditions of access to the financial markets. As of the date of these Listing Particulars, Portugal's ratings are as follows:

- (i) Standard & Poor's Credit Market Services Europe Limited – long term rating: BB; stable outlook;
- (ii) DBRS Ratings Limited– long term rating: BBBL; negative outlook;
- (iii) Moody's Investors Service, España, S.A. – long term rating: Ba2 (on review for possible further upgrade);
- (iv) Fitch Ratings Inc.– long term rating: BB+; positive outlook; and
- (v) Dagong Europe Credit Rating S.r.l. – long-term rating: BB, negative outlook.

All the rating agencies referred to above are registered with ESMA – European Securities and Markets Authority, in accordance with the Regulation (EC) no. 1060/2009 on credit rating agencies

Further deterioration in Portugal's public finances could lead to a further downgrade of its sovereign rating. In addition to increasing the cost of funding for Portugal, a sovereign downgrade could have a negative effect on the Portuguese economy and a negative impact on each of ESFG's and Banco Espírito Santo, S.A.'s credit rating and funding base, such as a withdrawal of deposits from Banco Espírito Santo, S.A.

ESFG's business is particularly sensitive to volatility in interest rates

ESFG is subject to the risks typical for banking and insurance 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. ESFG is 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 Banco Espírito Santo, S.A., 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 ESFG'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 ESFG's banking subsidiaries receive on its interest-earning assets, in a different way when compared to the rates that ESFG pays for its interest bearing liabilities. This difference may reduce the net interest margin, which could have a material adverse effect on ESFG's results of operations.

A rise in interest rates could reduce the demand for credit and ESFG's ability to generate credit for its clients, as well as contribute to an increase in the credit default rate of its clients. Conversely, a further reduction in the level of interest rates may adversely affect ESFG 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 results of operations of ESFG.

ESFG's principal banking subsidiary, Banco Espírito Santo, S.A., has been re-pricing its loan portfolio. Banco Espírito Santo, S.A.'s portfolio of mortgages, as at 31 December 2013, represented 21.8 per cent. of its gross loans to clients (31 December 2012, 22.1 per cent.). Therefore Banco Espírito Santo, S.A. 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 Banco Espírito Santo, S.A. 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 BES' 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 ESFG's results could be negatively affected.

Market risk

ESFG faces the risk of possible losses resulting from an adverse change in the value of financial instruments due to fluctuations in interest rates, foreign exchange rates, share prices or commodities prices.

The main measure of market risk is the assessment of potential losses under adverse market conditions, for which the Value at Risk ("**VaR**") valuation criteria is used. BES' VaR model uses the Monte Carlo simulation, based on a confidence level of 99 per cent. and an investment period of 10 days. BES presented a VaR of EUR 36.8 million as at 31 December 2013 (an increase from EUR 38.1 million as at 31 December 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).

Volatilities and correlations are historical, based on an observation period of one year. Other initiatives have also been developed to improve on the VaR assessment, such as back testing, which consists of comparing the losses foreseen by the VaR model with actual losses. These exercises permit BES to fine-tune the model and improve its predictive capabilities, along with stress testing which has also been developed in order to permit BES to assess the impact of higher potential losses than those considered using VaR valuation. ESFG will be subject to losses whenever these procedures are insufficient to adequately manage the risk of possible losses resulting from adverse changes in the value of financial instruments.

ESFG faces currency fluctuation risks relating to its operations outside the Euro Zone

ESFG's reporting currency is the Euro. However, a portion of ESFG's operations, assets and customers are located in countries outside of the member states of the EU that use the Euro. As at 31 December 2013, BES' net exposure to currencies other than the Euro was EUR 238.3 million. The currencies other than the Euro to which BES has substantial exposure are the Angolan Kwanza and the U.S. dollar. As at 31 December 2013, these negative exposures were EUR 157 million and EUR 82 million, respectively.

Foreign currency transactions are translated using the exchange rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated into Euro at the foreign exchange rates in effect at the balance sheet date. Foreign exchange differences arising on translation are recognised in the income statement.

Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate in effect at the date of the transaction. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated at the foreign exchange rates in effect at the dates the fair value was determined. The resulting exchange differences are accounted for in the income statement, except if related to equity instruments classified as available-for-sale, which are accounted for in reserves. In order to mitigate this risk, ESFG seeks to hedge currency risk as appropriate. However, there can be no assurance that these hedging activities will be effective and hedge counterparties are subject to credit risk.

Fluctuations in currency exchange rates can adversely affect ESFG's net income and assets. In addition, these currency fluctuations can adversely affect ESFG's capital ratios and thus impact its ability to conduct business in line with its strategy.

ESFG's business is significantly affected by credit risk

ESFG is subject to credit risk, the risk that ESFG's clients and other counterparties are unable to fulfil their payment obligations. Risks arising from changes in credit quality and the repayment of loans and amounts due from borrowers and counterparties are inherent in ESFG's businesses. Adverse changes in the credit quality of ESFG's clients, a general deterioration in Portuguese or global economic conditions, or increased systemic risks in financial systems, affect the recovery rate and value of ESFG's assets and could require an increase in provisions. In addition, ESFG may be affected by reclassifications of restructured loans, which could require additional provisions. BES' ratio of overdue loans over 90 days to gross loans has increased from 2.7 per cent. as at 31 December 2011 to 3.9 per cent. as at 31 December 2012 and to 5.7 per cent. as at 31 December 2013, with coverage ratio of 119.9 per cent. The ratio of overdue loans over 90 days has increased to 6.0 per cent. with a coverage ratio of 119.0 per cent. as at 31 March 2014 and the ratio of credit at risk (calculated according to Bank of Portugal Instruction no. 23/2011) increasing from 9.4 per cent. in December 2012 to 10.6 per cent. in December 2013, with a coverage ratio of 64.5 per cent. (December 2012: 56.6 per cent.). The ratio of credit at risk was 11.1 per cent. with a coverage ratio of 64.2 per cent. as at 31 March 2014. The ratio between restructured loans and gross loans to customers, calculated according to the definitions set forth in Bank of Portugal Instruction No. 32/2013, was of 11.18 per cent. in 2013 and 9.5 per cent. as at 31 March 2014. The exposure of BES to corporate loans was 73.4 per cent. of total loans in 2013, compared to an average in the Portuguese banking system of 53.3 per cent. in 2012 (according to the most recent available information from the Portuguese Banking Association). Considering that the default rate of this segment is, on average, higher than the default rate of loans to individuals (10.3 per cent. in corporate loans compared to 2.1 per cent. in mortgage loans in December 2013, according to the Bank of Portugal), BES' exposure to credit risk is higher than the sector average.

BES has set aside provisions for credit impairment (through its income statement) of EUR 600.6 million, EUR 814.8 million and EUR 1.0 billion in each of 2011, 2012 and 2013, respectively. BES' increase in provisions over the last three years is the result of Portugal's economic and financial environment, which has been significantly impacted by the implementation of the Adjustment Programme and has translated into a significant deterioration of BES' assets, particularly its loan portfolio. This impact is noticeable on the provision charge, defined as the quotient of the provisions for credit impairment and gross loans to customers, which increased from 1.62 per cent. to 2.02 per cent. between 2012 and 2013. In the context of

its supervisory activity, the Bank of Portugal developed a “credit portfolio impairment review exercise” (ETRICC), which resulted in a reinforcement of BES’ provisions of EUR 28.7 million.

In a context of continued market turmoil, continued weak economic conditions and high levels of unemployment, loans to corporates and individuals and the value of assets collateralising BES’ loans will remain under pressure.

ESFG is exposed to many different counterparties in the normal course of its business, but its exposure to counterparties in the financial services industry is also 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 ESFG to credit risk in the event of default of a counterparty or client. In addition, ESFG’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 ESFG also involve transactions with financial services counterparties. The insolvency of these counterparties may impair the effectiveness of ESFG’s hedging and other risk management strategies, which could in turn have a material adverse effect on ESFG’s financial condition and results of operations.

Although ESFG regularly reviews its exposure to its clients and other counterparties, as well as its exposure to certain economic sectors and countries which ESFG 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 ESFG may be insufficient to cover the exposure, 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 ESFG’s financial condition and results of operations.

ESFG actively manages credit risk and analyses credit transactions. Expectations about future credit losses may, however, be incorrect for a variety of reasons. A prolonged decline in general economic conditions, particularly of those in Portugal, unanticipated political events or a lack of liquidity in the economy may result in losses which exceed the amount of ESFG’s provisions or the maximum probable losses envisaged by its risk management models. As part of the asset quality review that is being undertaken by the ECB in anticipation of assuming its supervisory authority, there is a risk that the results of the assessment may require BES to increase its provisions. An increase in BES’ provisions for loan losses or any losses in excess of the provisions mentioned above could have a material adverse effect on ESFG’s financial condition and results of operations.

BES is exposed to credit concentration risks

BES has significant credit exposure to certain groups of clients. Excluding banks and sovereigns, the 20 largest clients (on a consolidated group basis) represented, as at 31 December 2013, 12.6 per cent. of total credit exposure (12.2 per cent. as at 31 December 2012) calculated in accordance with Bank of Portugal instructions. In addition, BES has a significant exposure to certain segments of its business, mainly services provided to corporate customers, with a total exposure (including financial and off-balance sheet assets) of EUR 7 billion, and business sectors such as the real estate sector, with an exposure of EUR 6.1 billion. In the event that any of these groups default, such defaults may lead to a material increase in impairment charges, which could have a material adverse effect on BES’ results of operations and asset quality.

BES is exposed to the Portuguese real estate market

BES is exposed to the Portuguese real estate market, either directly, through assets related to its operations or obtained in lieu of payments, or indirectly, through real estate that secures loans or by financing real estate projects, which makes it vulnerable to a downturn in the housing market.

Any significant devaluation of Portuguese real estate market prices may result in impairment losses on such assets held directly by BES, as well as cause a decrease in the coverage of credit exposures of real estate collateral, thus adversely affecting the financial condition and results of operations of BES.

Competition in Portugal and in the international markets in which ESFG operates could have a negative effect on ESFG's business

ESFG 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. ESFG's competitors in the markets in which it is active are principally commercial and investment banks.

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 EU 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. As at 31 December 2013, the five main financial groups in the Portuguese banking sector are: Caixa Geral de Depósitos, the Millennium BCP Group, the BES Group, the Santander Totta Group and the BPI Group, which represented approximately 78.6 per cent. of total assets in the Portuguese banking system, according to the Portuguese Banking Association statistics (December 2012).

Competition for customer deposits has been especially intense in Portugal. Competition in the Portuguese market can have an adverse effect on the activities of ESFG. The competition is affected by consumer demand, technological changes, and the impact of consolidation, regulatory actions and other factors. If ESFG 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 ESFG 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.

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

Insurance Markets

ESFG faces intense competition in all of its areas of operation (including life and non-life insurance business), both in Portugal and its international markets. Competition for customer premium has been especially intense in Portugal. ESFG's competitors in the markets in which it is active are principally other domestic and international insurance operators: Caixa Geral de Depósitos Group, the Millennium BCP Fortis, Santander Totta, AXA, Allianz, Banif and BPI Vida.

Part of ESFG's property and casualty insurance business involves covering losses from unpredictable events such as floods, earthquakes, hurricanes, fires, industrial explosions, terrorist attacks and other man-made or natural disasters. ESFG also maintains technical reserves (which include reserves for unearned premiums, unexpired risks, outstanding claims (incurred but not reported claims) and equalisation reserves) to cover potential claims in its life insurance business and sets up provisions for claims in its property and casualty insurance business, based on actuarial valuations. These provisions do not represent an exact liability. Instead, they are based on statistical projections. Therefore, ESFG cannot ensure that actual losses on claims will not differ from the initial estimates made and recorded in the accounts. Even though ESFG normally seeks to reduce its exposure to such events through the purchase of reinsurance, claims related to such events could adversely affect ESFG's business, financial condition and results of operations.

The availability and cost of reinsurance is primarily related to factors such as prevailing insurance premiums, levels of insured claims, underwriting policies and processes of the reinsured, levels of insurance, industry surplus and use of underwriting capacity, which may in turn fluctuate in response to changes in rates of return on investments earned in the reinsurance industry. Changes in the reinsurance industry may affect the results of ESFG's insurance subsidiaries.

ESFG's success depends on BES' ability to maintain its customer base

BES' success depends on its ability to maintain its customer base which, as at 31 December 2013, amounted to 2.0 million in Portugal and 200,000 overseas as at 31 December 2013, and to offer its customers a wide range of high quality and competitive products and consistently high levels of service. BES has sought to achieve this objective by segmenting its branch networks, with 788 branches globally (of which 643 comprise the domestic network and 145 comprise the international network), to better serve the diverse needs of each customer segment through, amongst other things, cross-selling the products and services of BES through its marketing and distribution networks in Portugal. Any failure or reputational damage resulting from an inability to maintain BES' customer base or to offer BES' customers a wide range of high quality and competitive products or consistently high levels of service could have a material adverse effect on ESFG's financial condition and results of operations and the value of its shares.

ESFG is exposed to reputational risks

Reputational risk is embedded in ESFG's activities. Negative public opinion regarding ESFG or the financial services sector as a whole may arise from actual or perceived practices within the banking sector, such as defaults by issuers of securities sold to investors through entities related to ESFG, or in the way, real or perceived, that ESFG conducts its activities. Negative publicity or negative public opinion may adversely affect the ability of ESFG to retain and attract customers, especially retail and institutional depositors, the loss of which could have a material adverse effect on ESFG's financial position and its results of operations.

Majority shareholder(s)

As at 31 December 2013, Espírito Santo International, S.A. ("**ESI**") and its wholly owned subsidiary Espírito Santo Irmãos SGPS, S.A. together held, directly or indirectly, 49.41 per cent. of the issued share capital of the Issuer. On 23 January 2014, Espírito Santo Irmãos SGPS, S.A. acquired ESI's stake in the Issuer and, as of the date of these Listing Particulars, Espírito Santo Irmãos SGPS, S.A. held, directly or indirectly, 49.26 per cent. of the issued share capital of the Issuer.

There can be no assurance that the interests of the majority shareholder of the Issuer will coincide with the interests of other shareholders of the Issuer.

Risks for ESFG associated with a potential default of ESI or its subsidiaries or other subsidiaries of ESFG

In its audit report to the Issuer's consolidated financial statements for the year ended 31 December 2013, KPMG Luxembourg S.à r.l. included emphasis of matter with respect to notes 41 and 47 therein, which makes reference to the EUR 700 million provision in relation to ESFG clients having subscribed, through ESFG's network, debt instruments issued by ESI and certain of its subsidiaries. As at 31 December 2013, the total amount of these debt instruments that remained outstanding was EUR 4.75 billion, of which EUR 3.26 billion was held by retail investors and EUR 1.49 billion was held by institutional investors (including EUR 1.57 billion of which were held by retail clients of BES and EUR 1.47 billion by its institutional clients). As at 30 April 2014, the amount of these debt instruments held by retail clients of BES was EUR 516 million, while the amount held by institutional clients of BES was EUR 732 million. As at 19 May 2014, the amount of debt instruments held by retail clients was EUR 395 million, while the amount held by institutional clients of BES was EUR 564 million. Although ESI has put in place reorganisation and deleveraging programmes aimed at rebalancing its financial position, given the challenges associated with ESI's ability to fully implement these programmes and its financial position generally, ESFG has unconditionally and irrevocably guaranteed the obligations of ESI under the debt instruments distributed to BES retail and institutional clients. In the event ESFG's clients suffer losses from debt securities issued by ESI, this may have a material adverse effect on ESFG's financial condition and results of operations.

Additional risks relating to ESI's financial position

ESI has been subject to a special purpose limited review, regarding the pro forma consolidated financial statements of 30 September 2013 and 31 December 2013, carried out by an external auditor, which identified irregularities on its accounts and concluded that ESI is in a serious financial position.

The Audit Committee of the Issuer has also identified material irregularities in ESI accounts.

Despite not being responsible for ESI's financial position and the Issuer having implemented measures to safeguard potential events of default by ESI that may have an impact on ESFG, further deterioration of ESI's financial position as well as the irregularities detected in its accounts, and the possible consequences they may give rise to, may affect the reputation of each of the Issuer and Banco Espírito Santo, S.A. and the price of their shares, notably because some of the former members of ESI's board of directors are current members of the Issuer's board of directors and are current members of Banco Espírito Santo, S.A.'s board of directors and because ESI holds a qualifying holding, even though indirectly, in the share capital of each of the Issuer and Banco Espírito Santo, S.A.

Structure of ESFG and the Issuer's dependence on dividends from its subsidiaries

The Issuer is a financial holding company, holding and administering participating interests in other companies. It does not conduct business of its own. Dividends from the Issuer's direct and indirect subsidiaries, together with investment income, are the Issuer's main source of funds to pay interest and other expenses and any dividends. The inability (which may result from a recommendation of the Bank of Portugal not to pay dividends, and as a result of such a recommendation with respect to Banco Espírito Santo, S.A.'s dividend for the financial years ended 31 December 2012 and 2013, Banco Espírito Santo, S.A. did not pay a dividend with respect to the financial years ended 31 December 2012 and 2013) of the Issuer's direct and indirect subsidiaries to pay dividends in an amount sufficient to enable the Issuer to meet its cash requirements at the holding company level could have a material adverse effect on its business, its ability to pay dividends and its ability to pay interest and/or capital in connection with its debt obligations and other borrowings.

Key minority interests in ESFG companies

ESFG has made most of its investments in association with partners in the financial services industry in order to maximise its resources. ESFG's most significant association has been with Cr dit Agricole, in the acquisition of, and as a strategic partner in the management and operation of Banco Espírito Santo, S.A. Any change of circumstances, or strategy, of any of the strategic partners of ESFG that hold key minority interests in ESFG companies may have a material adverse effect on the Issuer's business, financial condition and results of operations.

As a financial services holding company, the Issuer may from time to time acquire or dispose of participating interests in other companies, including in association with partners in the financial services industry. In the event that the Issuer, whether directly or through any of its subsidiaries (including Banco Espírito Santo, S.A.), engages in any such acquisition or disposal activity, this could have an adverse effect on the solvency of ESFG or such subsidiary.

The guarantee provided by the Portuguese state for loans provided by the European Investment Bank ("EIB") to Portuguese credit institutions may not be renewed and as a consequence Banco Espírito Santo, S.A. may lose its eligibility status with the EIB

The Portuguese state has provided a guarantee in favour of Banco Espírito Santo, S.A., as well as in favour of other Portuguese credit institutions, to address the need for these banks to provide additional collateral in favour of the EIB under the agreements by which the banks borrow funds.

This guarantee was provided on 7 December 2012 due to the EIB requirement for Portuguese banks to post additional collateral, for the purpose of preventing an increase in borrowing costs for Portuguese banks with the EIB, and as a consequence for the Portuguese economy. This ensures that Portuguese banks keep

their eligibility status with the EIB (which was lost after the consecutive downgrades of the ratings of both the banks and the Portuguese state), notably, as lenders and guarantors.

The guarantee was provided for current and future exposures, to cover operations up to EUR 6.0 billion and with the maximum amount of EUR 2.8 billion. Banco Espírito Santo, S.A. benefits from a guarantee of the Portuguese state in the amount of EUR 1.283 billion as of 31 March 2014.

This guarantee was considered compliant with the European state aids regime on 27 June 2013 and the final agreement was signed by the relevant Portuguese banks, the Portuguese government and the EIB on 30 September 2013. However, it will be re-examined every six months by the EC to assess its compatibility with the EU treaties relating to competition rules. The guarantee was considered compliant following the first re-examination performed in December 2013.

If the guarantee is not renewed, or Banco Espírito Santo, S.A. is no longer considered as an eligible bank by the EIB, its business, financial conditions and results from operations could be materially adversely affected.

Guarantees granted by the Portuguese state to debt instruments issued by Banco Espírito Santo, S.A. may be enforced

Banco Espírito Santo, S.A. currently has issued three tranches of non-subordinated bonds maturing between December 2014 and February 2015 and totalling EUR 3.5 billion that are guaranteed by the Portuguese state pursuant to Law no. 60-A/2008, of 20 October, and Ordinance no. 1219-A/2008, of 23 October 2008, as amended. In accordance with Portuguese law, in the event such guarantees are enforced, the Portuguese state has the right, among other things, to appoint members to Banco Espírito Santo, S.A.'s board of directors (the "**BES Board**"), decide on certain corporate governance matters or the directors' remuneration policy, and/or convert the amount paid out under the guarantee into special shares in Banco Espírito Santo, S.A.'s share capital. These special shares entitle the Portuguese state, among others, to receive a dividend in priority to other shareholders and may carry voting rights.

To ensure compliance with these requirements, in respect of each issuance of bonds guaranteed by Portugal, a general meeting of Banco Espírito Santo, S.A.'s shareholders approved the suppression of the shareholders' pre-emption rights in the event of the capital increase to be resolved by the BES Board following the enforcement of the guarantees granted by Portugal. In a scenario where the guarantee is enforced, any payment of interests or dividends by Banco Espírito Santo, S.A. will depend on the prior approval of the Portuguese government (except to satisfy legal obligations) and any share capital increase to allow the conversion of the amount paid out under the guarantee into share capital would result in a dilution of the existing shareholders' ownership.

The guarantee provided by the Angolan state in favour of Banco Espírito Santo de Angola, S.A. ("BES Angola"), regarding transactions with Angolan companies, may not be renewed

Due to the importance of BES Angola in the financing of Angolan companies, particularly those from the non-oil sectors considered strategic for the economic development of Angola and its major role in providing loans relevant to the objectives of the National Development Plan for 2013-2017, the Angolan state granted to BES Angola, on 31 December 2013, a sovereign, independent and on first-demand guarantee, up to a total of U.S.\$5.7 billion (equivalent to EUR 4.2 billion as at 31 December 2013).

Considering that in the overall context of the economic recovery of the Angolan private sector, Angolan companies and investors may not have the necessary liquidity to timely meet their financial responsibilities, the Angolan state has established this guarantee as a way of protecting BES Angola from late payments and defaults on the assets, covering loans and interest, covered by the guarantee (loans and proceeds of real estate sales).

The guarantee of the Angolan state is valid for eighteen months from the date of signature and was established between the Angolan State and BES Angola such that, during the period of the guarantee, it can be replaced by another guarantee or by the negotiation of a global agreement, as long as it has the same

purpose provided by the guarantee. As of the date of these Listing Particulars, this guarantee has not been executed.

Although the guarantee was considered in the calculation of the credit impairments as of 31 December 2013, it was not reflected in ESFG's capital position since it is still being considered by the Bank of Portugal.

Additionally, this guarantee does not cover the entirety of BES Angola's loan portfolio, thus the part of BES Angola's loan portfolio that is not covered by the guarantee is, naturally, subject to the general risks of operating in Angola. In the first quarter of 2014, due in part to such risks, BES Angola recognised credit impairment losses of EUR 70 million.

If the guarantee of the Angolan state is not renewed, and if there are defaults on loans or devaluations in the real estate assets covered by the guarantee, the financial condition and results of operations of BES Angola may be adversely affected, and as a consequence, negatively affect the financial position and results of operations of ESFG.

ESFG's hedging operations may not avoid losses or be effective

ESFG undertakes hedging operations in order to reduce its exposure to the different risks associated with its activities, such as interest rate risk, credit risk and currency risk, among others. However, ESFG does not hedge all of its risk exposure. In addition, ESFG cannot assure its hedging strategies will be successful, and in case they are not effective, this could have a material adverse effect on the financial condition and results of operations of ESFG.

ESFG's business is subject to operational risks

ESFG is subject to certain operational risks, including interruption of service, errors, fraud by third parties (including large-scale organised frauds, as a result of ESFG's financial operations), breach or delays in the provision of services, confidentiality obligations with regards to customer information and compliance with risk management requirements. ESFG 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, ESFG may be unable to successfully monitor or prevent these risks in the future. Any failure to successfully execute ESFG's operational risk management and control policies could have a material adverse effect on ESFG's financial condition and results of operations.

ESFG is increasingly dependent on information technology systems and, as a result, is exposed to the risk of information technology system failure

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 defects, malicious hacking, physical damage to vital IT centres and computer viruses. Harmonising the IT systems in ESFG 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.

ESFG may not be able to implement necessary upgrades on a timely basis, and such 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, ESFG could face fines from banking regulators if its IT systems fail to enable it to comply with applicable banking or reporting regulations.

ESFG 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 ESFG 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.

ESFG 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, ESFG could find the smooth functioning of its IT systems compromised.

Critical system failure, any prolonged loss of service availability or any material breach of data security, particularly involving confidential customer data, could cause serious damage to ESFG's ability to service its clients, result in a loss of customers and significant compensation costs, breach regulations under which ESFG operates and cause long term damage to ESFG's business and reputation. For example, the failure to protect ESFG's operations from cyber-attacks could result in the loss of customer data or other sensitive information. Although ESFG has been implementing measures to improve its resilience to the increasing intensity and sophistication of cyber-attacks, ESFG expects to be the target of cyber-attacks in the future and there can be no assurance that ESFG will be able to prevent all threats.

Any of the foregoing could have a material adverse effect on the normal operation of ESFG's business and thus on its reputation, financial condition and results of operations.

ESFG could face difficulties in hiring and retaining qualified personnel

ESFG's capacity to implement its strategy depends on its ability to recruit and maintain appropriately qualified and competent employees. The inability to attract and retain qualified and competent employees for each specific task, in particular on a senior level, could limit or delay the execution of ESFG's strategy, which could have a negative impact on the business, financial condition and operating results of ESFG.

Terrorist attacks, a pandemic or other unpredictable events could have an adverse effect on the business and results of ESFG

Despite the likelihood, time, place and degree of disruption of an event of this nature being very difficult to measure, a major terrorist attack or a pandemic or other similar unpredictable events could cause a significant disturbance to economic activity, an increase in the degree of economic uncertainty, a reduction in the levels of economic confidence and could lead to a serious distortion in global economic activity. The occurrence of any of these events could have a material adverse effect on the business, financial condition and results of operations of ESFG.

Changes in the regulatory environment or additional regulatory restrictions/requirements

ESFG is subject to banking, insurance and financial services laws and government regulations in each jurisdiction where it conducts its business. Regulatory agencies have broad administrative powers over many aspects of the financial services business, which may include liquidity, capital adequacy and permitted investments, ethical issues, money laundering, privacy, record keeping and marketing and selling practices.

Banking, insurance and financial services laws, regulations and policies currently governing the activities of ESFG may change at any time in ways which could have an adverse effect on its business. Furthermore, ESFG cannot predict the timing or form of any future regulatory initiatives. Changes in existing banking, insurance and financial services laws and regulations may materially affect the way in which ESFG conducts its business, the products and services it may offer and the value of its assets.

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, 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.

ESFG's insurance activities are subject to extensive regulation by the Portuguese Insurance Institute (*Instituto de Seguros de Portugal*, ISP), mainly relating to liquidity levels, solvency, provisioning and insurance policy terms and conditions.

ESFG capital ratios are calculated under the Basel II regulations. As from the first quarter of 2009, ESFG has been authorised by the Bank of Portugal to use the Internal Ratings Based (“**IRB**”) approach to calculate credit risk extended by its principal subsidiaries namely: Banco Espírito Santo, S.A.’s headquarters, Banco Espírito Santo, S.A.’s London branch and Banco Espírito Santo de Investimento, S.A., to be extended with a roll-out to other BES entities and portfolios. The Standardised Approach method (“**TSA method**”) is used for operational risk.

At the end of September 2010, the Basel Committee on Banking Supervision made several decisions regarding the functioning of the global financial system, that have resulted in a set of recommendations, named Basel III. Banks have a transitory period (from 1 January 2013 to 1 January 2019) to comply with the approved rules, aimed at strengthening financial institutions and preventing new financial crises in the future.

Basel III rules set out the following regulatory framework to be gradually implemented 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 6.0 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 comprise Common Equity Tier I capital, under conditions to be determined by the regulatory authorities; and
- establishment of transitional periods for the absorption of deductions of capital items not eligible under Basel III and new deductions to the capital base.

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.

On 20 July 2011, the EC 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 31 December 2013, the Core Tier 1 ratio of ESFG was 9.2 per cent., with its Tier 1 ratio and Total Capital ratio equal to 9.0 per cent. and 10.9 per cent., respectively. Such ratios were, respectively, 10.1 per cent., 10.1 per cent. and 11.5 per cent. at 31 December 2012. The capital adequacy requirements applicable to ESFG 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 ESFG’s financial condition and results of operations.

The regulatory laws governing the activity of ESFG may change at any time in ways which may have an adverse effect on its business. Furthermore, ESFG cannot predict the timing or form of any future regulatory initiatives. Changes in existing regulatory laws may materially affect the way in which ESFG conducts its business, the products and services it may offer and the value of its assets and may have a material adverse effect on ESFG’s business, financial condition and results of operations.

In addition, ESFG’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.

Under the Single Supervisory Mechanism, the ECB will take on the supervision of the Issuer and BES in late 2014

In order to ensure financial stability and to create the foundations for sustainable economic growth, the member states of the EU have created the Banking Union. Under this framework, the ECB will assume responsibility for the supervision of the majority of credit institutions operating within the EU.

As part of the European single supervisory mechanism, certain bank supervisory responsibilities will be transferred from national regulators to the ECB. In a transitional period, which began in the first quarter of 2014 as part of a comprehensive balance sheet assessment, the Issuer’s asset portfolio was subject to review by external auditors on behalf of the ECB in order to assess the quality of Banco Espírito Santo, S.A.’s assets. Based on the balance sheet as at 31 December 2013, the assessment covered credit and market exposures, off-balance sheet arrangements and domestic and non-domestic exposures and an assessment of the adequacy of BES’ asset valuation, its classification of non-performing exposures, collateral valuation as well as a recalculation of BES’ provisions for risk-weighted assets.

The asset quality review will be followed by a stress test, which builds on and complements the asset quality review, to be conducted by the ECB and the European Banking Authority (the “EBA”). The ECB announced that it expects to release results of the asset quality review before assuming bank supervisory functions in November 2014.

In preparation for the asset quality review, on 21 October 2013, the EBA published draft technical standards on non-performing loans and forbearance reporting requirements, which are intended to provide consistent indicators of asset quality of banks across the EU and to harmonise the definitions of non-performing loans. This evaluation could have a significant impact on ESFG’s balance sheet and BES’ balance sheet, and, as a result, the amount of loan loss provision, and regulatory capital requirements for the Issuer and for BES.

Should the result of the asset quality assessment not be deemed satisfactory by the ECB, this could result in the imposition of corrective measures to ESFG by the regulators (for example, recapitalisation through profit retention, equity issuance, re-orientation of funding sources, asset separation and sales).

ESFG anticipates that the regulators will continue to ask for similar stress tests and will announce the results to the public. If the Issuer (or BES) fails these tests or if the result is not perceived as satisfactory by the regulators, the market or the rating agencies, it can trigger an intervention by the regulators, which may require an increase in regulatory capital.

The occurrence of any of these events could have a material adverse effect on ESFG's business, financial position and results of operations.

Compliance with anti-money laundering and anti-terrorism financing rules involves significant cost and effort

ESFG is subject to rules and regulations regarding money laundering and the financing of terrorism. Monitoring compliance with anti-money laundering and anti-terrorism financing rules can put a significant financial burden on banks and other financial institutions and pose significant technical problems. Although ESFG believes that its current policies and procedures enable it to comply with applicable rules and regulations, ESFG cannot guarantee that its group-wide anti-money laundering and anti-terrorism financing policies and procedures completely prevent the violation of anti-money laundering and anti-terrorism financing rules. Any violation of anti-money laundering and anti-terrorism financing rules, or even the suggestion of violations, may have severe consequences, notably reputational consequences, and could have a material adverse effect on ESFG's business, financial condition and results of operations.

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

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:

- (i) 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;
- (ii) 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;
- (iii) 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;
- (iv) understand thoroughly the terms of the Bonds and be familiar with the behaviour of any relevant indices and/or financial markets; and
- (v) 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.

Bondholders have no shareholder rights

An investor in a Bond will not be a holder of the BES Shares. No Bondholder will have any voting rights, any right to receive dividends or other distributions or any other rights with respect to the underlying BES Shares.

Bondholders have no security interest in the Exchange Property

There are no custody arrangements relating to the Exchange Property. The Trust Deed does not create any security interest in favour of the Bondholders either to secure payment obligations arising under the Bonds or to secure the performance of the Exchange Rights thereunder. Accordingly, in the event of any insolvency of the Issuer, the Bondholders will rank on a *pari passu* basis with all other unsecured and unsubordinated creditors of the Issuer and will have no direct rights in respect of the Exchange Property.

The Bonds may not have an active trading market

The Bonds have not been and will not be registered under the Securities Act or any state securities laws and, unless so registered, may not be offered or sold except in a transaction exempt from, or not subject to, the registration requirements of the Securities Act and applicable state securities laws. There may be little or no secondary market for the Bonds. Even if a secondary market for the Bonds develops, it may not provide significant liquidity and it is expected that transaction costs in any secondary market would be high. As a result, the difference between bid and asked prices for the Bonds in any secondary market could be substantial.

Bondholders have limited anti-dilution protection

The Exchange Property into which the Bonds may be exchanged on a *pro rata* basis will be adjusted in the event that there is a subdivision, consolidation or redenomination, a rights issue, bonus issue, reorganisation, payment or other adjustment, including an Offer, which affects the property comprising the Exchange Property, but only in the situations and only to the extent described herein under Condition 8(b)(i) (“*Adjustments to the Exchange Property – Subdivision, Consolidation or Redenomination*”), Condition 8(b)(ii) (“*Adjustments to the Exchange Property – Rights Issues*”), Condition 8(b)(iii) (“*Adjustments to the Exchange Property – Bonus Issues, Capital Distributions, Reorganisations and Payments*”), Condition 8(h) (“*Adjustments to the Exchange Property – Other Adjustments to the Exchange Property and Contemporaneous Events*”) and Condition 9 (“*General Offers*”). There is no requirement that there would be an adjustment for every corporate or other event that may affect the value of the Exchange Property. Those events may adversely affect the value of the Exchange Property and, therefore, adversely affect the value of the Bonds.

The Issuer can redeem the Bonds at its option

The Issuer has the option to redeem the Bonds prior to their scheduled maturity date as described herein under Condition 11(b) (“*Redemption and Purchase – Redemption at the Option of the Issuer*”). Even if the Issuer does not exercise its option to redeem the Bonds, its ability to do so may adversely affect the value of the Bonds.

Risks Relating to the Exercise of Exchange Rights

Bondholders should be aware that the Bonds, being exchangeable for the Exchange Property, bear certain risks. Depending on the performance of the Exchange Property, the value of the Exchange Property may be substantially lower than when the Bonds were initially purchased. In addition, the value of the Exchange Property to be delivered may vary substantially between the date on which Exchange Rights are exercised and the date on which such Exchange Property is delivered. Bondholders who exercise Exchange Rights before maturity of the Bonds will receive the minimum proportion of Exchange Property attributable to such Bonds.

Credit ratings assigned to the Issuer or the Bonds may not reflect all risks associated with an investment in those Bonds

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 (1) Bonds are legal investments for it, (2) Bonds can be used as collateral for various types of borrowing, and (3) other restrictions apply to its purchase or pledge of any Bonds. Financial institutions should consult their legal advisors or the appropriate regulators to determine the appropriate treatment of Bonds under any applicable risk-based capital or similar rules.

EU Savings Directive

Under Council Directive 2003/48/EC on the taxation of savings income (the “**EU Savings Directive**”), Member States are required to provide to the tax authorities of other Member States details of certain payments of interest or similar income paid or secured by a person established in a Member State to or for the benefit of an individual resident in another Member State or certain limited types of entities established in another Member State.

On 24 March 2014, the Council of the European Union adopted a Council Directive amending and broadening the scope of the requirements described above. Member States are required to apply these new requirements from 1 January 2017. The changes will expand the range of payments covered by the EU Savings Directive, in particular to include additional types of income payable on securities. The EU Savings Directive will also apply a “look through approach” to payments made via certain persons, entities or legal arrangements (including trusts and partnerships), where certain conditions are satisfied, where an individual resident in a Member State is regarded as the beneficial owner of the payment for the purposes of the EU Savings Directive. This approach may in some cases apply where the person, entity or arrangement is established or effectively managed outside of the European Union.

For a transitional period, Austria and Luxembourg are instead required (unless during such period they elect otherwise) to operate a withholding tax in relation to such payments. The Luxembourg Government announced that it will no longer apply the withholding tax system as from 1 January 2015 and will then commence automatic information exchange under the EU Savings Directive. The transitional period will end after agreement on exchange of information is reached between the EU and certain non-EU states.

The end of the transitional period is dependent upon the conclusion of certain other agreements relating to information exchange with certain other countries. A number of non-EU countries and territories, including Switzerland, have adopted equivalent measures (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 any 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 nor any paying agent nor any other person would be obliged to pay additional amounts with respect to any Note as a result of the imposition of such withholding tax. The Issuer is required to maintain a Paying Agent in a Member State that will not be obliged to withhold or deduct tax pursuant to the EU Savings Directive.

Investors who are in any doubt as to their position should consult their professional advisors.

The attention of Bondholders is drawn to Condition 13 of the “*Terms and Conditions of the Bonds*”.

The proposed financial transaction tax (FTT)

The European Commission has published a proposal for a Directive for a common FTT in certain participating Member States.

The proposed FTT has very broad scope and could, if introduced in its current form, apply to certain dealings in financial instruments (including secondary market transactions). The issuance and subscription of Bonds should, however, be exempt.

Under current proposals, the FTT could apply to persons both within and outside of the participating Member States. Generally, it would apply to certain dealings in financial instruments where at least one party is a financial institution, and at least one party is established in a participating Member State. A financial institution may be, or be deemed to be, “established” in a participating Member State in a broad range of circumstances, including (i) by transacting with a person established in a participating Member State or (ii) where the financial instrument which is subject to the dealings is issued in a participating Member State.

The proposed Directive remains subject to negotiation between the participating Member States. It may therefore be altered prior to any implementation, the timing of which remains unclear. Additional Member States may decide to participate.

Prospective holders of Bonds are advised to seek their own professional advice in relation to the FTT.

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, ESFG, Banco Espírito Santo, S.A. or BES 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.

The following documents which have previously been published or are published simultaneously with these Listing Particulars and have been filed with the Luxembourg Stock Exchange shall be incorporated by reference in, and form part of, these Listing Particulars.

The documents set out below are incorporated herein by reference:

ESFG

(a) The following pages of the Issuer's annual report and consolidated financial statements 2013 (including the auditors' report):

(i) *Description of ESFG's principal activities, products and services*

- Commercial Banking	Pages 19 to 21
- Investment Banking	Pages 22 to 23
- Asset and Wealth Management	Pages 24 to 25
- Insurance	Pages 26 to 28
- Other Subsidiaries	Page 29

(ii) *Description of ESFG and Issuer's position within it* Page 1

(iii) *Description of the directors of the Issuer (being the members of the Issuer's administrative, management or supervisory bodies)* Page 30 and pages 32 to 38

Save that the following changes are to be acknowledged or approved at the Issuer's Annual General Meeting of Shareholders to be held on 30 May 2014:

The acknowledgement of the retirement of the following directors who will not be renewing their mandates:

- Manuel Fernando de Moniz Galvão Espírito Santo Silva
- Carlos Augusto Machado de Almeida Freitas
- Aníbal da Costa Reis Oliveira
- José Pedro Torres Garcia Caldeira da Silva

To approve the renewal of the mandates of the following directors for a new period of six years, until the Annual General Meeting in 2020:

- Ricardo Espírito Santo Silva Salgado
- José Manuel Pinheiro Espírito Santo Silva
- António Luís Roquette Ricciardi

- Jackson Behr Gilbert
- Patrick Monteiro de Barros
- Philippe Guiral
- José Maria Espírito Santo Silva Ricciardi
- Pedro Guilherme Beauvillain de Brito e Cunha
- Othman Benjelloun
- Yves Alain Marie Morvan
- Fernando Pedro Braga Pereira Coutinho
- José Carlos Cardoso Castella
- Bernard Basecqz
- Gherardo Laffineur Petracchini
- Manuel Guerrero Péman
- José Manuel Ruivo Da Pena
- Luis António Burnay Pinto de Carvalho Daun e Lorena
- Roger H. Hartmann

To approve the appointment of Pedro Amaral as a director of the Issuer for a period of six years until the Annual General Meeting in 2020.

(iv) Financial Information relating ESFG

- consolidated income statement.....	Page F-2
- consolidated balance sheet.....	Page F-4
- statement of changes in consolidated equity	Page F-5
- consolidated cashflow statement	Page F-6
- accounting principals and explanatory notes.....	Pages F-7 to F-183
- the amount of issued share capital, number and classes of securities and their principal characteristics.....	Pages F-128 to F-129
- the amount of any debt securities and other liabilities	Pages F-113 to F-119 and F-125 to F-127
- information concerning the recent developments and prospects of ESFG	Page 16

(b) The following pages of the Issuer's consolidated financial statements as at 31 December 2012 (including the auditors' report):

- consolidated income statement.....	Page F-2
- consolidated balance sheet.....	Page F-4
- statement of changes in consolidated equity	Page F-5
- consolidated cashflow statement	Page F-6
- accounting principles and explanatory notes.....	Pages F-7 to F-151
- auditors' report.....	Page F-1

(c) the unaudited consolidated financial statements of the Issuer for the three month period ended 31 March 2014 (“**Q1 2014 Unaudited Financial Statements**”):

- consolidated income statement.....	Last page of the Q1 2014 Unaudited Financial Statements
- consolidated balance sheet	Penultimate page of the Q1 2014 Unaudited Financial Statements

BES

(a) The following pages of Banco Espírito Santo, S.A.’s annual report (“**BES 2013 Annual Report**”), the financial statements and notes to the financial statements 2013 (“**Notes to the Financial Statements**”) and Banco Espírito Santo, S.A.’s corporate governance report 2013 (“**BES Corporate Governance Report**”):

(i) Description of BES’ principal activities, products and services

- Retail Banking.....	Pages 78 to 88, BES 2013 Annual Report
- Corporate Banking.....	Pages 89 to 94, BES 2013 Annual Report
- Investment Banking.....	Pages 98 to 101, BES 2013 Annual Report
- Asset Management	Pages 102 to 105, BES 2013 Annual Report

(ii) Description of BES and Banco Espírito Santo, S.A.’s position within it

Pages 13 to 14, BES 2013 Annual Report

(iii) Financial Information relating to BES

- consolidated income statement.....	Page 180 of the BES 2013 Annual Report, and page 3 of the Notes to the Financial Statements
- consolidated balance sheet	Pages 179 of the BES 2013 Annual Report, and page 5 of the Notes to the Financial Statements
- statement of changes in consolidated equity	Page 6 of the Notes to the Financial Statements
- consolidated cashflow statement	Page 7 of the Notes to the Financial Statements
- accounting principals and explanatory notes.....	Pages 3 to 179 of the Notes to the Financial Statements
- the amount of issued share capital, number and classes of securities and their principal characteristics.....	Pages 118 to 121 of the Notes to the Financial Statements

- the amount of any debt securities and other liabilities Pages 105 to 110, and 116 to 118 of the Notes to the Financial Statements
- information concerning the recent developments and prospects of BES..... Pages 15 and 16 of the BES 2013 Annual Report

(iv) Description of BES shares and the rights attached thereto

- the rights attached to BES' shares Page 5 and 10 to 11 of the BES Corporate Governance Report
- the form and transfer of BES' shares Page 5 of the BES Corporate Governance Report
- shareholder meetings Page 13 of the BES Corporate Governance Report
- dividends and distributions Page 30 of the BES 2013 Annual Report

(b) the following pages of Banco Espírito Santo, S.A.'s audited annual report and consolidated financial statements 2012:

- consolidated income statement..... Pages 86 and 100
- consolidated balance sheet Pages 85 and 102
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TERMS AND CONDITIONS OF THE BONDS

The following, other than the paragraphs in italics, are the terms and conditions of the Bonds, substantially as they will appear on the reverse of the Bonds in definitive form (if issued):

The issue of the €200,000,000 3.125 per cent. Exchangeable Bonds due 2018 (the “**Bonds**”, which expression shall, unless the context otherwise requires, include any Further Bonds) of Espírito Santo Financial Group S.A. (the “**Issuer**”) was (save in respect of any Further Bonds) authorised by resolutions of the Board of Directors of the Issuer passed on 22 November 2013. The Issuer is a public limited liability company incorporated as a société anonyme under the laws of Luxembourg and registered with the Luxembourg Trade and Companies Register (*Registre du Commerce et des Sociétés*) under number B-22.232. Its registered office is at 22-24 Boulevard Royal, L-2449 Luxembourg, Grand Duchy of Luxembourg. The Bonds are constituted by a trust deed (as modified, amended, supplemented and/or restated from time to time in accordance with its terms) (the “**Trust Deed**”) dated 2 December 2013 and made between the Issuer and BNY Mellon Corporate Trustee Services Limited (the “**Trustee**”, which expression shall include its successor(s)) as trustee for the Bondholders (as defined below). The Issuer has entered into a paying, transfer and exchange agency agreement (as modified, amended, supplemented and/or restated from time to time in accordance with its terms (the “**Agency Agreement**”) with the Trustee, The Bank of New York Mellon (Luxembourg) S.A. as registrar, The Bank of New York Mellon, acting through its London branch as principal paying, transfer and exchange agent, and the other paying, transfer and exchange agents named therein. The registrar and 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 and definitions in the Trust Deed, which includes the forms of the Bonds. Copies of the Trust Deed and the Agency Agreement are available for inspection by Bondholders at the specified office for the time being of the Trustee, being at the date of issue of the Bonds at One Canada Square, London E14 5AL and at the specified office of each of the Paying, Transfer and Exchange Agents. The Bondholders are entitled to the benefit of, 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.

Capitalised terms used but not defined in these Conditions shall have the meanings attributable to them in the Trust Deed unless the context otherwise requires or unless otherwise stated.

1. **Form, Denomination and Title**

(a) *Form and Denomination*

The Bonds are in registered form in the principal amount of €100,000 each (the “**authorised denomination**”).

The Bonds on issue will be represented by a global Bond (the “**Global Bond**”) registered in the name of, and held by a nominee on behalf of, a common depositary for Euroclear Bank SA/NV (“**Euroclear**”) and/or Clearstream Banking, société anonyme (“**Clearstream, Luxembourg**”).

(b) *Title*

Title to the Bonds passes by transfer and registration as described in Condition 4. The holder (as defined below) 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 theft or loss of it or that of the related certificate, as applicable) or anything written on it or the certificate representing it (other than a duly executed transfer thereof) and no person will be liable for so treating the holder.

2. Status

The Bonds are direct, unconditional, unsubordinated and (subject to Condition 3) unsecured obligations of the Issuer and rank and will rank *pari passu* and rateably, without any preference among themselves and equally with all other unsecured and unsubordinated obligations of the Issuer from time to time outstanding (other than obligations mandatorily preferred by law).

3. Negative Pledge

So long as any of the Bonds remain outstanding (as defined in the Trust Deed), the Issuer shall not create or permit to be outstanding any 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 an encumbrance or security interest, at the same time and, in any other case, promptly according to the Bondholders an equal and rateable interest in the same or providing to the Bondholders such other security as either (i) the Trustee shall in its absolute discretion deem not materially less beneficial to the interest of the Bondholders or (ii) shall be approved by an Extraordinary Resolution of the Bondholders.

“**Indebtedness**” means any borrowings having an original maturity of more than one year, which is evidenced by bonds, notes, debentures or other securities which with the consent of the Issuer, are, or are intended to be, listed or traded on any stock exchange, over-the-counter or other organised market for securities (whether or not initially distributed by way of private placing).

4. Registration and Transfer of Bonds

(a) Registration

The Issuer will cause a register (the “**Register**”) to be kept at the specified office of the Registrar on 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, redemptions and exchanges of Bonds.

A register of Bonds will be kept at the registered office of the Issuer in accordance with the provisions of the Luxembourg law of 10 August 1915, on commercial companies, as amended. In the case of any discrepancy between the Register held by the Registrar and the register kept by, and at the registered office of, the Issuer, the registrations in the register held by the Issuer shall prevail for Luxembourg law purposes.

(b) Transfer

Bonds may, subject to the terms of the Agency Agreement and to Conditions 4(c) and 4(d), be transferred in an authorised denomination by lodging 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 (subject as set out under Condition 4(a)). 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 seven business days, in the place of the specified office of the Registrar, of any duly made application for the transfer of a Bond, register the relevant transfer in the Register and deliver a new Bond to the transferee (and, in the case of a transfer of some only of a holders Bonds, deliver a new Bond certificate for the untransferred balance to the transferor) at the specified office of the Registrar or (at the risk and, if mailed at the request of the transferee or, as the case may be, the transferor

otherwise than by ordinary mail, at the expense of the transferee or, as the case may be, the transferor) mail the relevant Bond by uninsured mail to such address as the transferee or, as the case may be, the transferor may request.

(c) ***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, (ii) the Registrar being satisfied with the documents of title and/or identity of the person making the application and (iii) such reasonable regulations as the Issuer may from time to time agree with the Registrar (and as initially set out in the Agency Agreement).

(d) ***Closed Periods***

Neither the Issuer nor the Registrar will be required to register the transfer of any Bond (i) during the period of 15 days ending on and including the day immediately prior to the Final Maturity Date (as defined below) or any earlier date fixed for redemption of the Bonds pursuant to Condition 11(b); (ii) in respect of which an Exchange Notice (as defined below) has been delivered in accordance with Condition 7(b); (iii) in respect of which a Bondholder has exercised its right to require redemption pursuant to Condition 11(c); or (iv) during the period of 15 days ending on (and including) any Record Date (as defined below) in respect of any payment of interest on the Bonds.

5. **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 7(b)(ii);

“**Authorised Officers**” has the meaning given in the Trust Deed;

“**BES**” means Banco Espírito Santo, S.A.;

“**BES Shares**” means fully paid ordinary shares with no nominal value in the capital of BES (ISIN PTBES0AM007) 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 BES;

“**Bondholder**” and “**holder**” means the person in whose name a Bond is registered in the Register (as defined in Condition 4(a));

“**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) any Non-Cash Dividend; or
- (b) any Cash Dividend (the “**Relevant Cash Dividend**”) paid or made in any Relevant Year (as specified below) in respect of any Unit of Equity Shares if and to the extent that the sum of:
 - (i) the Fair Market Value of the Relevant Cash Dividend; and

- (ii) the aggregate of the Fair Market Value of any other Cash Dividend paid or made in such Relevant Year (disregarding for such purpose all or any part of any such Cash Dividend or Cash Dividends which shall previously have been determined to be a Capital Distribution in respect of such Relevant Year),

(and, where at any time a Unit of Equity Shares would comprise a fraction of an Equity Share, taking into account the *pro rata* proportion of any such Cash Dividend in respect of any such Equity Share (rounded down, if necessary, to 4 decimal places with 0.00005 being rounded down)) such sum being the “**Current Year Dividends**”, exceeds the Reference Amount in respect of such Relevant Year (as specified below), and in such case the amount of the relevant Capital Distribution shall be the lesser of:

- (i) the amount by which the Current Year Dividends exceeds the Reference Amount; and
- (ii) the Fair Market Value of the Relevant Cash Dividend.

For the purposes of the above, Fair Market Value in respect of any Relevant Cash Dividend or any such other Cash Dividend shall (subject as otherwise provided in paragraph (a) of the definition of “**Dividend**”) be determined as at the Effective Date in respect of such Relevant Cash Dividend or such other Cash Dividend, as the case may be, and “**Unit of Equity Shares**” means at any time the BES Shares or any other Equity Shares comprised in the *pro rata* share of the Exchange Property in respect of the Bond in the principal amount of €100,000, including for this purpose any fraction of an Equity Share (rounded down, if necessary, to 4 decimal places with 0.00005 being rounded down).

“**Relevant Year**” and “**Reference Amount**” are set out below:

Relevant Year	Reference Amount (euro)
From and including the Closing Date to but excluding 2 December 2014	0.00
From and including 2 December 2014 to but excluding 2 December 2015	0.00
From and including 2 December 2015 to but excluding 2 December 2016	1,523.3453
From and including 2 December 2016 to but excluding 2 December 2017	1,523.3453
From and including 2 December 2017 to but excluding the Final Maturity Date	1,523.3453

For the purposes of the definition of Capital Distribution, “Fair Market Value” (subject as provided in paragraph (a) of the definition of “Dividend” and in the definition of “Fair Market Value”) shall be determined as at the Effective Date in respect of the relevant Dividend.

“**Cash Alternative Amount**” has the meaning provided in Condition 7(c);

“**Cash Alternative Calculation Period**” has the meaning provided in Condition 7(c);

“**Cash Dividend**” means (i) any Dividend which is to be paid in cash (in whatever currency), but other than falling within paragraph (b) of the definition of “**Spin-Off**” and (ii) any Dividend determined to be a Cash Dividend pursuant to paragraph (a) or (b) of the definition of “Dividend”;

“**Cash Election**” has the meaning provided in Condition 7(c);

“**Cash Election Exercise Date**” has the meaning provided in Condition 7(c);

“**Closing Date**” means 2 December 2013;

A “**Coverage Event**” shall occur if at any time:

- (a) the Exchange Property does not comprise BES Shares, or the Exchange Property comprises BES Shares and other Equity Share Capital but BES Shares are not the Predominant Equity Share Capital; and
- (b) the Issuer does not directly or indirectly legally and beneficially own, on an attributable basis (free from all encumbrances and any other third party interests) including, for the avoidance of doubt, through a Subsidiary, 4 times the number of Relevant Securities comprised in the Exchange Property;

“**CVM**” means the Portuguese centralised system of registration of securities managed by Interbolsa Sociedade Gestora de Sistemas de Liquidação e de Sistemas Centralizados de Valores Mobiliários, S.A. (*Central de Valores Mobiliários*) or its successor from time to time;

A “**Delisting Event**” shall occur if the Exchange Property comprises or includes BES Shares and at any time:

- (i) BES Shares are not listed and admitted to trading on the NYSE Euronext Lisbon or another EEA Regulated Market; and
- (ii) listing or trading of the BES Shares on the NYSE Euronext Lisbon or another EEA Regulated Market is suspended for a period of 20 consecutive Trading Days or more;

“**Dividend**” means any dividend or distribution to holders of Relevant Securities (including a Spin-Off), whether of cash, assets or other property, and however described and whether payable out of share premium account, profits, retained earnings or any other capital or revenue reserve or account, and including a distribution or payment to shareholders upon or in connection with a reduction of capital (and for these purposes 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 Dividend in cash 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, or where a capitalisation of profits or reserves is announced which is to be, or may at the election of a holder or holders of Relevant Securities be, satisfied by the payment of cash, then the Dividend or capitalisation in question shall be treated as a Cash Dividend of an amount equal to (i) the Fair Market Value of such cash amount or (ii) the Fair Market Value of such Relevant Securities or other property or assets, in any such case as at the Effective Date in respect of the relevant Dividend or capitalisation (or, if later, the date on which the number of Relevant Securities (or amount of other property or assets, as the case may be) is determined), the Issuer being entitled to make such election as it may determine in its sole discretion in respect of any such Dividend or capitalisation by giving notice to the Trustee by not later than the last day on which a holder of the Relevant Securities would be required or entitled to make the relevant election, and failing such notice, the Dividend or capitalisation shall be treated as a Cash Dividend of whichever is the greater of (i) and (ii);

- (b) where there shall be any issue of Relevant Securities by way of capitalisation of profits or reserves where such issue is or is expressed to be in lieu of a Dividend (whether or not a cash dividend equivalent or amount is announced or would otherwise be payable to holders of the Relevant Securities), the capitalisation in question shall be treated as a Cash Dividend of an amount equal to the Fair Market Value of such Relevant Securities as at the Effective Date in respect of the relevant capitalisation or, if later, the date on which the number of Relevant Securities to be issued is determined;
- (c) any issue of Relevant Securities falling within Condition 8(b)(i) or 8(b)(iii)(A) shall be disregarded;
- (d) any offer by 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(b)(ii) shall be disregarded;
- (e) a repurchase or redemption of Equity Shares by or on behalf of a Relevant Company shall be disregarded;
- (f) where a Dividend is paid to holders of any Equity Shares pursuant to any plan implemented by the Relevant Company for the purpose of enabling holders of the Equity Shares to elect, or which may require such holders, to receive Dividends in respect of such Equity Shares held by them from a person other than, or in addition to, the Relevant Company, such Dividend shall for the purposes of these Conditions be treated as a Dividend paid to holders of the Equity Shares by the Relevant Company, and the foregoing provisions of this definition and the provisions of these Conditions shall be construed accordingly; and
- (g) a Dividend that is a Spin-Off shall be deemed to be a Non-Cash Dividend,

and any such determination shall be made on a gross basis and disregarding any withholding or deduction required to be made on account of tax, and disregarding any associated tax credit;

“Effective Date” means the first date on which the BES Shares or, as the case may be, the relevant Equity Share Capital, are traded ex- the relevant Dividend or capitalisation on the Relevant Exchange (or, if not listed, quoted or dealt in on any stock exchange or securities market, the date for establishing entitlement in respect of the relevant Dividend) or, in the case of a Spin-Off, on the first date on which the BES Shares or, as the case may be, the relevant Equity Share Capital are traded ex- the relevant Spin-Off on the Relevant Exchange (or, if not listed, quoted or dealt in on any stock exchange or securities market, the date for establishing entitlement in respect of the relevant Spin-Off);

“Equity Share Capital” means, in relation to any entity, its issued share capital (or equivalent) excluding any part of that capital (or equivalent) which, neither as respect dividends nor as respect capital, carries any right to participate beyond a specific amount in a distribution, and **“Equity Share”** shall be construed accordingly;

“Equivalent Amount” has the meaning set out in Condition 7(b)(iii)(a);

“Excepted Person” means Espírito Santo International S.A. and/or Espírito Santo Irmãos SGPS, S.A. and/or any person or persons controlled by either or both of them;

“Exchange Date” has the meaning set out in Condition 7(b)(i);

“Exchange Expenses” has the meaning set out in Condition 7(b)(i);

“Exchange Notice” has the meaning set out in Condition 7(b)(i);

“Exchange Period” has the meaning set out in Condition 7(a)(v);

“Exchange Property” has the meaning set out in Condition 8(a);

“Exchange Right” has the meaning set out in Condition 7(a)(i);

“Extraordinary Resolution” has the meaning provided in the Trust Deed;

“Fair Market Value” means, with respect to any property as at or on any date, the fair market value of that property as determined in good faith by an Independent Adviser; provided that (i) the fair market value of a Cash Dividend paid or to be paid per BES Share or other Equity Share shall be the amount of such Cash Dividend per BES Share or other Equity Share (determined on a gross basis and disregarding any withholding or deduction required to be made on account of tax, and disregarding any associated tax credit); (ii) where Spin-Off Securities or other securities are publicly traded on a stock exchange or securities market of adequate liquidity (as determined by such Independent Adviser) the fair market value of such Spin-Off Securities or other securities shall equal the arithmetic mean of the daily Volume Weighted Average Price of such Spin-Off Securities or other securities during the period of 5 Trading Days on the relevant stock exchange or securities market commencing on such date (or, if later, on the first such Trading Day such Spin-Off Securities, shares, options, warrants or other rights are publicly traded) or such shorter period as such Spin-Off Securities or other securities are publicly traded; (iii) where Spin-Off Securities or other securities are not publicly traded on a stock exchange or securities market of adequate liquidity (as aforesaid) the fair market value thereof shall be determined by such Independent Adviser on the basis of a commonly accepted market valuation method and taking account of such factors as it considers appropriate, including volatility, prevailing interest rates and the terms of such Spin-Off Securities or other securities and (iv) in each case converted into the currency in which the BES Shares (where such determination relates to the BES Shares) or such other Equity Shares (where such determination relates to such other Equity Shares) are traded on the Relevant Exchange (if expressed in a currency other than such currency) at the Screen Rate on such date (or, in the case of (ii), 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 the Offer becomes or is declared unconditional in all respects;

“Final Maturity Date” means 2 December 2018;

“First Call Date” has the meaning provided in Condition 11(b)(ii);

“Free Float” means the aggregate number of BES Shares held by (i) collective investment schemes or mutual funds, (ii) pension funds and (iii) persons that own (together with any other person or persons with whom they act in concert) BES Shares representing less than 5 per cent. of the total number of issued and outstanding BES Shares, as determined by an Independent Adviser acting reasonably and in good faith, in consultation with the Issuer and where (a) references to “BES Shares” shall include BES Shares represented by depositary or other receipts or certificates representing BES Shares; (b) BES Shares held by on behalf of a depositary or custodian or similar person in respect of any such depositary or other receipts or certificates representing BES Shares from time to time shall be treated as being held by the holder of the relevant depositary or other receipts or certificates and not by such depositary, custodian or similar person; (c) BES Shares that have been borrowed and remain borrowed pursuant to any stock lending arrangement shall be treated as not being owned by the relevant lender; and (d) BES Shares held by or on behalf of BES or any subsidiary of BES shall be treated as not constituting part of the Free Float;

A **“Free Float Event”** shall occur if the Exchange Property comprises or includes BES Shares and for any period of at least 30 consecutive Trading Days the number of BES Shares comprising the Free Float is equal to or less than 20 per cent. of the total number of issued and outstanding BES Shares;

“Further Bonds” means any Further Bonds issued pursuant to Condition 21 and consolidated and forming a single series with the then outstanding Bonds;

“Independent Adviser” means an independent institution or adviser appointed by the Issuer at its own expense and approved in writing by the Trustee or, if the Issuer fails to make such appointment and such failure continues for a reasonable period (as determined by the Trustee in its sole discretion) and the Trustee is indemnified and/or secured and/or prefunded to its satisfaction against the costs, fees and expenses of such adviser and otherwise in connection with such appointment, appointed by the Trustee following consultation (if, in the opinion of the Trustee, reasonably practicable) with the Issuer or, if such consultation is not (in the opinion of the Trustee) reasonably practicable, following notification to the Issuer;

“Interest Payment Date” has the meaning set out in Condition 6(a);

“Interest Period” has the meaning set out in Condition 6(a);

An **“Issuer Shareholding Reduction Event”** shall occur if the Exchange Property comprises or includes BES Shares and, other than by operation of or as otherwise permitted by these Conditions, at any time the Issuer ceases to directly or indirectly legally and beneficially own, on an attributable basis (free from all encumbrances and any other third party interests) including, for the avoidance of doubt, through a Subsidiary, more than 20 per cent. of the issued and outstanding BES Shares (disregarding any BES Shares delivered upon exercise of Exchange Rights);

“Non-Cash Dividend” means any Dividend which is not a Cash Dividend;

“Offer” means an offer to the holders of any Equity Shares 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 Equity Shares (or all or substantially all such holders other than any holder to whom such offer may not be extended pursuant to applicable securities or other laws or 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);

“Offer Consideration” has the meaning set out in Condition 9(b);

“Predominant Equity Share Capital” means, if at any time there is more than one type or series of Equity Share Capital comprised in the Exchange Property, such type or series of Equity Share Capital which in the determination of an Independent Adviser represents the largest proportion or weighting by value in the Exchange Property at such time;

“Predominant Exchange Security” means, if at any time there is more than one type or series of Relevant Securities in the Exchange Property, such type or series of Relevant Securities which in the determination of an Independent Adviser represents the largest proportion or weighting by value in the Exchange Property at such time;

“Principal Subsidiary” means BES;

“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 Exchange Property or the relevant Cash Alternative Amount has not yet been delivered or paid and excluding from the Exchange Property such *pro rata* share of the Exchange Property in relation to such Bonds);

“Realisation Proceeds” means the proceeds of sale (after the deduction of costs and expenses of such sale and any applicable stamp, transfer, registration or similar taxes or duties) of the relevant Exchange Property (in the case of Condition 7(b)(ii)) or the relevant dividends or other income or distributions or rights (in the case of Condition 7(b)(iii)(b)) carried out by an independent broker

or investment bank selected by the Issuer and approved by the Trustee, on an arm's length basis (converted if necessary into euro at the Screen Rate on the date of receipt of such proceeds);

“Record Date” has the meaning provided in Condition 12(c);

“Register” has the meaning provided in Condition 4(a);

“Registered Securities” has the meaning set out in Condition 7(b)(ii);

“Registration Date” means in respect of any Registered Securities comprised in the Exchange Property to be delivered to a Bondholder upon exercise of Exchange Rights, 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 7(b)(i);

“Relevant Bond” has the meaning set out in Condition 6(c);

“Relevant Company” means BES, and any corporation or company derived from or resulting or surviving from the merger, consolidation, amalgamation, reconstruction or acquisition of BES 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, in respect of any Bond, the date on which the payment first becomes due but, if the full amount of the money payable has not been received by the Principal Paying, Transfer and Exchange Agent or the Trustee on or before the due date, it means the date on which, the full amount of the money having been so received, notice to that effect has been duly given to the Bondholders by the Issuer in accordance with Condition 19.

“Relevant Event” means the occurrence of any of the following:

- (a) a Free Float Event;
- (b) a Delisting Event;
- (c) an Issuer Shareholding Reduction Event; or
- (d) a Coverage Event;

“Relevant Event Notice” has the meaning provided in Condition 10(e);

“Relevant Event Period” means the period commencing on the occurrence of a Relevant Event and ending 60 days following the occurrence of the Relevant Event or, if later, 60 days following the date on which a Relevant Event Notice is given to Bondholders as required by Condition 10(e);

“Relevant Event Put Date” has the meaning provided in Condition 11(c);

“Relevant Event Put Exercise Notice” has the meaning provided in Condition 11(c);

“Relevant Exchange” means:

- (i) in the case of the BES Shares, NYSE Euronext Lisbon or, if the BES Shares are no longer admitted to trading on NYSE Euronext Lisbon, the principal stock exchange or securities market on which the BES Shares are then listed, admitted to trading or quoted or dealt in; or

- (ii) in the case of any other Equity Shares or Relevant Securities or other securities, the principal stock exchange or securities market on which such Equity Shares or Relevant Securities or other securities are then listed, admitted to trading or quoted or dealt in;

“Relevant Jurisdiction” means Luxembourg or any political subdivision or any authority thereof or therein having power to tax or any other jurisdiction or any political subdivision or any authority thereof or therein having power to tax to which the Issuer becomes subject in respect of payments made by it of principal and interest on the Bonds;

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

“Rights Issue” has the meaning set out in Condition 8(b)(ii);

“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 or derived from the relevant Bloomberg page as at or about 12 noon (London time) on that day, 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 reasonably determine;

“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);

“Settlement Date” means in the case of the exercise of Exchange Rights the date falling seven Trading Days after the relevant Exchange Date;

“Specified Event” has the meaning set out in Condition 8(b)(iii);

“Spin-Off” means:

- (a) a distribution of Spin-Off Securities by BES to holders of BES Shares as a class or, as the case may be, by any Relevant Company to the holders of its Equity Share Capital as a class; or
- (b) any issue, transfer or delivery of any property or assets (including cash or shares or securities of or in or issued or allotted by any entity) by any entity (other than BES or, as the case may be, the Relevant Company) to holders of BES Shares as a class or, as the case may be, by any Relevant Company to the holders of its Equity Share Capital as a class or, in the case of or in connection with a Newco Scheme, to Existing Shareholders as a class (but excluding the issue and allotment of ordinary shares (or units or equivalent securities or depositary or other receipts or certificates representing ordinary shares or units or equivalent securities) by Newco to Existing Shareholders as a class), pursuant in each case to any arrangements with BES or any of its Subsidiaries or, as the case may be, with the Relevant Company or any of its Subsidiaries;

“Spin-Off Securities” means Equity Share Capital of an entity other than BES, or as the case may be, the Relevant Company or options, warrants or other rights to subscribe for or purchase Equity Share Capital of an entity other than BES, or as the case may be, the Relevant Company;

“Sub-division, Consolidation or Redenomination” has the meaning set out in Condition 8(b)(i);

“Subsidiary” of any person means (i) a company where more than 50 per cent. of the Voting Rights of which is owned or controlled, directly or indirectly, by such person or by one or more other Subsidiaries of such person or by such person and one or more Subsidiaries thereof or (ii) any other person (other than a company) in which such person, or one or more other Subsidiaries

of such person or such person and one or more other Subsidiaries thereof, directly or indirectly, has at least a majority ownership and power to direct the policies, management and affairs thereof;

“**TARGET Business Day**” means a day (other than a Saturday or Sunday) on which the TARGET System is operating;

“**TARGET System**” means the Trans-European Automated Real-Time Gross Settlement Express Transfer (known as TARGET2) system or any successor thereto;

“**Tax Redemption Date**” has the meaning provided in Condition 11(b)(i);

“**Tax Redemption Notice**” has the meaning provided in Condition 11(b)(i);

“**Trading Day**” means in respect of BES Shares or any Relevant Security, Spin-Off Securities or other securities or options, warrants or other rights, a day on which the Relevant Exchange is open for business, other than, in any such case, a day on which the Relevant Exchange is scheduled to or does close prior to its regular closing time, provided that for the purposes of determining the Cash Alternative Calculation Period or any date on which payment of any amount or delivery of any Exchange Property is to be made, “**Trading Day**” will be the Trading Day applicable to the Predominant Exchange Security;

the “**Value**” of any Exchange Property on any day means the aggregate of:

- (i) the value of publicly traded securities included in such 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 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 euro at the Screen Rate on such day; and
- (ii) the value of all other assets (other than cash) and of publicly traded securities for which a value cannot be determined pursuant to (i) above included in such Exchange Property, which shall be deemed to be the value on such day (converted (if necessary) into euro as aforesaid) as certified by an Independent Adviser; and
- (iii) the value of cash shall be deemed to be the amount thereof (converted (if necessary) into euro,

provided that (A) if on any day any such publicly traded securities are quoted or traded on the Relevant Exchange cum any dividend or other entitlement, or any assets or publicly traded securities the value of which is to be determined pursuant to (ii) above have the benefit of, or are entitled to, or carry the right to, any dividend or other entitlement, in any such case which a Bondholder would not be entitled to pursuant to these Conditions (including in respect thereof pursuant to Condition 7(b)(iii) or Condition 7(b)(ii) in the absence of a Cash Election) on exercising Exchange Rights on the last day permitted pursuant to these Conditions (disregarding for this purpose any Cash Election), 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 Adviser) of any entitlement or dividend where that is other than cash and (B) if on any day any such publicly traded securities are quoted or traded on the Relevant Exchange ex any dividend or other entitlement, or any assets or publicly traded securities the value of which is to be determined pursuant to (ii) 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 which a Bondholder would be entitled to pursuant to these Conditions (or in respect of which the relevant Bondholder would have been entitled to receive any amount pursuant to Condition 7(b)(iii) or which would have been taken into account for the purposes of Condition 7(b)(ii) in the absence of a Cash Election) on exercising Exchange Rights on the last day permitted pursuant to these Conditions (disregarding for this

purpose any Cash Election), 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 Adviser) of any entitlement or dividend where that is other than cash less 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;

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

- (i) in the case of BES Shares, the order book volume weighted average price of a BES Share published by or derived from Bloomberg page VAP in respect of such Trading Day; and
- (ii) in the case of any other Relevant Security, Spin-Off Securities, shares, options, warrants or other rights, the order book volume weighted average price published by or derived from the relevant Bloomberg page in respect of such Trading Day or, if not able to be so determined, the volume weighted average price as obtained or derived from the Relevant Exchange on that Trading Day,

or, in any such case, such other source as shall be determined to be appropriate by an Independent Adviser in respect of such Trading Day, provided that if in respect of any such Trading Day such price is not available or cannot otherwise be determined as provided above, the Volume Weighted Average Price of a BES Share or, as the case may be, any other Relevant Security, Spin-Off Security, share, option, warrant or other right in respect of such Trading Day shall be the Volume Weighted Average Price, determined as provided above, on the immediately preceding Trading Day on which the same can be so determined, or as it might otherwise determine to be appropriate;

“**Voting Rights**” means the right generally to vote at a general meeting of shareholders or the like of the relevant entity (irrespective of whether or not, at the time, stock of any other class or classes shall have, or might have, voting power by reason of the happening of any contingency); and

“**€**” and “**euro**” means 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.

References to any act or statute or any provision of any act or statute shall be deemed also to refer to any statutory modification or re-enactment thereof or any statutory instrument, order or regulation made thereunder or under such modification or re-enactment.

6. Interest

(a) *Interest Rate*

The Bonds bear interest from (and including) the Closing Date at the rate of 3.125 per cent. per annum calculated by reference to the principal amount thereof and payable semi-annually in arrear in equal instalments on 2 June and 2 December in each year (each an “**Interest Payment Date**”), the first Interest Payment Date being 2 June 2014 and the amount of interest payable on each Interest Payment Date will amount to €1,562.50 per €100,000 principal amount of the Bonds.

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**”.

The amount of interest payable in respect of any period which is shorter than an Interest Period shall be calculated on the basis of the number of days in the relevant period from (and including) the first day of such period to (but excluding) the last day of such period divided by the number of days from (and including) the immediately preceding Interest

Payment Date (or, if none, the Closing Date) to (but excluding) the next Interest Payment Date.

(b) *Accrual of Interest*

Each Bond will cease to bear interest (i) where the Exchange Right shall have been exercised in respect of such Bond, from, and including, the Interest Payment Date immediately preceding the relevant Exchange Date or, if none, the Closing Date (subject in any such case as provided in Condition 6(c)) or (ii) where such Bond is redeemed or repaid pursuant to Condition 11 or Condition 14, from, and including, the due date for redemption or repayment thereof unless, upon due surrender thereof, payment of the full amount due is improperly withheld or refused, in which event such Bond shall continue to bear interest at the rate specified in Condition 6(a) (both before and after judgment) until whichever is the earlier of (a) the day on which all sums due in respect of such Bond up to that day are received by or on behalf of the relevant holder and (b) the day seven days after the Trustee or the Principal Paying, Transfer and Exchange Agent has notified Bondholders of receipt of all sums due in respect of all the Bonds up to that seventh day (except to the extent that there is any subsequent default in payment to the relevant Bondholder).

(c) *Interest upon Exchange prior to Early Redemption*

If:

- (i) any notice requiring the redemption of any Bonds is given pursuant to Condition 11(b) 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 BES Shares (or other Relevant Securities comprising on such date more than one-quarter by Value of the Exchange Property);
- (ii) such notice specifies a date for redemption falling on or before (or within 14 days after) the Interest Payment Date next following such record date or other due date for the establishment of the entitlement; and
- (iii) 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 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 euro account maintained with a bank in a city in which banks have access to the TARGET System in accordance with instructions given by the relevant Bondholder in the relevant Exchange Notice.

(d) *Additional Interest Amounts*

The Issuer shall be entitled, at its option, to make a pass through election (a “**Pass Through Election**”) in respect of any Cash Dividend in respect of the BES Shares or any other Equity Share Capital comprised in the Exchange Property (a “**Relevant Cash Dividend**”) by giving notice (a “**Pass Through Election Notice**”) to the Bondholders

pursuant to Condition 19 and to the Trustee by not later than 10 days prior to the Effective Date in respect of the Relevant Cash Dividend.

If the Issuer shall make a Pass Through Election in respect of any Relevant Cash Dividend, then:

- (i) no adjustment shall be made in respect thereof pursuant to Condition 8(b)(iii)(B); and
- (ii) to the extent that all or part of such Relevant Cash Dividend shall constitute a Capital Distribution, the Issuer shall pay an additional interest amount (an “**Additional Interest Amount**”) in respect of each €100,000 principal amount of Bonds calculated in accordance with the following formula:

$$\text{AIA} = \text{A/B}$$

where

AIA is the Additional Interest Amount

A is the aggregate amount of the Capital Distribution in respect of the BES Shares or, as the case may be, the relevant Equity Share Capital comprised in the Exchange Property;

B is the aggregate principal amount of Bonds outstanding on the Effective Date in respect of the Relevant Cash Dividend divided by €100,000; and

Where a Pass Through Election shall have been made, an Additional Interest Amount shall be paid in respect of each Bond where the Effective Date in respect of the Relevant Cash Dividend falls on or prior to the Final Maturity Date or any earlier due date for redemption of such Bond and, in the case of a Bond in respect of which Exchange Rights are or shall have been exercised, where the Effective Date in respect of the Relevant Cash Dividend falls on or prior to the relevant Exchange Date, unless in such case the record date or other due date for establishment in respect of the Relevant Cash Dividend falls on or after such Exchange Date with the result that the relevant Bondholder shall be entitled to receive such Relevant Cash Dividend in respect of the BES Shares or relevant Equity Share Capital to be delivered as part of the Exchange Property by virtue of Condition 8(b)(iii).

Additional Interest Amounts shall be paid to Bondholders in the currency in which the Relevant Cash Dividend is paid by not later than 10 TARGET Business Days (in the case of a payment in euro) or 10 business days in the principal financial centre of the relevant currency (in the case of a payment in a currency other than euro) following the date on which the Relevant Cash Dividend is paid to holders of the relevant Equity Shares.

For the avoidance of doubt, any payment of an Additional Interest Amount shall be calculated by reference to the gross amount of the Relevant Cash Dividend, disregarding any withholding or deduction required to be made on account of tax, and disregarding any associated tax credit.

References to the date of payment of a Relevant Cash Dividend shall be to the date of payment as determined and/or announced by BES (in respect of BES Shares) or by the relevant entity (in the case of any other Equity Share Capital comprised in the Exchange Property).

7. Exchange Right

(a) *Exchange Period, Exchange Rights and Cash Election*

- (i) Subject to the right of the Issuer to make a Cash Election, each Bondholder shall have the right to have all or any of its Bonds redeemed at any time during the Exchange Period referred to below for, a *pro rata* share of the Exchange Property as at the relevant Exchange Date. Such redemption of a Bond for a *pro rata* share of the Exchange Property (and/or as the case may be for payment of the Cash Alternative Amount) is referred to herein as an “**exchange**” and the right of a Bondholder to require an exchange is herein referred to as the “**Exchange Right**”. Upon exercise of Exchange Rights, the Issuer shall (subject to the right of the Issuer to make a Cash Election) deliver or procure the delivery of the relevant *pro rata* share of the Exchange Property (and/or as the case may be, make payment of the relevant Cash Alternative Amount) as provided in this Condition.
- (ii) Subject to applicable law and as provided in Condition 7(a)(iii) and save as provided in these Conditions, the Exchange Right relating to any Bond may be exercised by the holder thereof, at any time during the period from (and including) 13 January 2013 up to (and including) the close of business (at the place where the Bond is deposited for exchange) on the date which falls 40 Luxembourg and Lisbon business days prior to the Final Maturity Date or if such Bond is to be redeemed pursuant to Condition 11(b) prior to the Final Maturity Date, then up to (and including) the close of business (at the place aforesaid) on the date which falls 10 Luxembourg and Lisbon 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 (and including) the close of business (at the place aforesaid) on the date on which the full amount of such payment has been received by the Trustee or the Principal Paying, Transfer and Exchange Agent and notice thereof has been duly given to the Bondholders in accordance with Condition 19 or, if earlier, the Final Maturity Date, provided that, in each case, if such final date for the exercise of Exchange Rights is not a business day at the place aforesaid, then the period for exercise of Exchange Rights by Bondholders shall end on the immediately preceding business day at the place aforesaid.

Exchange Rights may not be exercised in respect of a Bond where the holder shall have exercised its right to require redemption pursuant to Condition 11(c).

- (iii) If the Trustee shall give notice to the Issuer 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 19 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 14 days after the Due Date (but not thereafter), to elect (by delivering in accordance with the provisions of this Condition 7 a duly signed and completed Exchange Notice, together with the relevant Bond, 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 as being the Due Date), save that no such election may be made in respect of a Bond which has been surrendered 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 surrender). Subject as provided in this Condition 7, Exchange Rights shall lapse in the event that the Trustee shall give notice to the Issuer that the Bonds are immediately due and repayable.

- (iv) Save where a notice of redemption is given by the Issuer in circumstances provided in Condition 6(c), Exchange Rights may not be exercised by a Bondholder in circumstances where the relevant Exchange Date would fall during the period commencing on the Record Date in respect of any payment of interest on the Bonds and ending on the relevant Interest Payment Date (both days inclusive).
- (v) The period during which Bondholders shall be entitled to exercise Exchange Rights pursuant to these Conditions is referred to as the “**Exchange Period**”.
- (vi) Other than where a Cash Election is made by the Issuer and in respect of the Exchange Property to which such Cash Election relates, upon a due exercise of Exchange Rights the relevant Bondholder shall be entitled to receive a *pro rata* share of the Exchange Property calculated as at the relevant Exchange Date.
- (vii) 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.
- (viii) If more than one Bond is to be exchanged by a Bondholder pursuant to any one Exchange Notice, the Exchange Property to be delivered and any sum payable to that Bondholder (including, where applicable, any Cash Alternative Amount) shall be calculated on the basis of the aggregate principal amount of such Bonds.

(b) Procedure for exercise of Exchange Rights

- (i) Exchange Rights may be exercised by a Bondholder during the Exchange Period by delivering the relevant Bond to the specified office of any Paying, Transfer and Exchange Agent, during its usual business hours, accompanied by a duly completed and signed notice of exchange (an “**Exchange Notice**”) in the form (for the time being current) obtainable from any Paying, Transfer and Exchange Agent.

Exchange Rights shall be exercised subject in each case to any applicable fiscal or other laws or regulations applicable in the jurisdiction in which the specified office of the Paying, Transfer and Exchange Agent to whom the relevant Exchange Notice is delivered is located.

If such delivery is made after the end of normal business hours or on a day which is not a business day in the place at the specified office of the relevant Paying, Transfer and Exchange Agent, such delivery shall be deemed for all purposes of these Conditions to have been made on the next following such business day.

An Exchange Notice, once delivered, shall be irrevocable.

Any determination as to whether any Exchange Notice has been duly completed and properly delivered shall be made by the relevant Paying, Transfer and Exchange Agent (following consultation with the Issuer) and shall, save in the case of manifest error, be conclusive and binding on the Issuer, the Trustee, the Paying, Transfer and Exchange Agents and the relevant Bondholder.

A Bondholder exercising Exchange Rights will be required to certify in the relevant Exchange Notice (a “**U.S. Certification**”) that such exchange is being made outside of the United States (as such term is defined in Regulation S (“**Regulation S**”) under the United States Securities Act of 1933) and it and any person for whom it is acquiring Exchange Property is not a U.S. person (as such

term is defined in Regulation S) and it is not acting as agent for, or on behalf of, a U.S. person. If such U.S. Certification is not provided, the relevant Exchange Notice shall be void.

Exchange Rights may only be exercised in respect of an authorised denomination.

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 Luxembourg and Lisbon business day immediately following the date of the delivery of the Exchange Notice and the relevant Bond as provided in this Condition 7(b).

The Issuer 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 which are payable or imposed in Luxembourg, Portugal, the United Kingdom 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) on which title to and transfers of such securities are recorded or maintained is located) or imposed or payable by virtue of the place of incorporation, domicile or tax residence of the issuer of any Relevant Securities comprised in the relevant *pro rata* share of the Exchange Property, and all other costs, fees and expenses in connection with the transfer or delivery of Exchange Property on exercise of Exchange Rights, including the costs, fees and expenses of any custodian, depositary, agent or other entity appointed by the Issuer to facilitate the relevant transfer or delivery (together “**Exchange Expenses**”).

Subject to the above, a Bondholder exercising Exchange Rights must pay directly to the relevant authorities any other taxes and capital, stamp, issue, registration, documentary, transfer or other duties (including penalties) arising in any jurisdiction not mentioned above on exchange and/or on the transfer, delivery or other disposition of Exchange Property arising on exercise of Exchange Rights.

Neither the Trustee nor any Paying, Transfer and Exchange Agent shall be responsible for determining whether any Exchange Expenses are payable or the amount thereof and they shall not be responsible or liable for any failure by the Issuer to pay such Exchange Expenses.

If the Issuer shall fail to pay any Exchange Expenses for which it is responsible as provided above, the relevant holder shall be entitled to tender and pay the same and the Issuer as a separate and independent stipulation, covenants to reimburse each such Bondholder in respect of the payment of such Exchange Expenses and any penalties payable in respect thereof.

Each Bondholder must pay all, if any, taxes imposed on it and arising by reference to any disposal or deemed disposal of a Bond or interest therein in connection with the exercise of Exchange Rights by it.

- (ii) Other than where a Cash Election is made by the Issuer and in respect of the Exchange Property to which such Cash Election relates, the Issuer shall, as soon as practicable, and in any event not later than the Settlement Date:
 - (1) in respect of BES Shares comprising the relevant *pro rata* share of the Exchange Property, effect delivery of such BES Shares through CVM to the person designated for the purpose in the relevant Exchange Notice;

- (2) procure that Relevant Securities (other than BES Shares) 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
- (3) 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 euro 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 the above, in the event that the Issuer delivers a certificate to the Trustee signed by two Authorised Officers to the effect that CVM (or, where the Exchange Property is comprised of Relevant Securities other than BES 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 period from (and including) the Exchange Date to (but excluding) the Settlement Date, then the Issuer will notify the relevant Bondholder in accordance with Condition 19 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 the Settlement Date and the earliest practicable date on which the relevant Exchange Property may be delivered by or through CVM or, as the case may be, the relevant clearing system.

Neither the Issuer nor the Trustee 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.

Notwithstanding the above, if, after the relevant Exchange Date, 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 Equity Share Capital, in each case as provided in Condition 9, then the Issuer will notify the relevant Bondholder in accordance with Condition 19 or at the address of the Bondholder specified in the relevant Exchange Notice (as the Issuer may determine) and the time for such delivery shall be the longer of such period set out above and the day falling 10 Luxembourg and Lisbon business days after the Offer Consideration Date or, as the case may be, the day falling 10 Luxembourg and Lisbon business days following the date on which the consideration pursuant to such compulsory acquisition is received by the Issuer.

If, at any time when the transfer or delivery of any Exchange Property (other than cash) to a Bondholder is required, 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 19 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 to the relevant Bondholder equal to the aggregate of the Realisation Proceeds in respect of the relevant Exchange Property in lieu of the delivery of such Exchange Property to such Bondholder. The Issuer will pay any such amount to the relevant Bondholder not later than 10 Luxembourg and Lisbon business days after the relevant Settlement Date.

If:

- (A) 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 BES 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
- (B) the Exchange Date in respect of any Bond shall be on or 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 Specified Event in respect of any Registered Securities comprising Exchange Property but before the date on which any resulting adjustment of the Exchange Property becomes effective in accordance with Condition 8(b); or
- (C) 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 Specified 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 the relevant Bondholder (other than where a Cash Election applies to the relevant exercise of Exchange Rights and in respect of the Exchange Property to which such Cash Election relates, in which case the provisions of Condition 7(c)(ii) shall apply) shall, subject as provided in Condition 7(b)(iv), be entitled to receive, in respect of the exercise of the relevant Exchange Rights, such *pro rata* amount or, as the case may be, further *pro rata* amount of the Exchange Property (“**Additional Exchange Property**”) as would have been receivable 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, and such Additional Exchange Property shall be delivered to the relevant Bondholder in accordance with instructions contained in the relevant Exchange Notice as soon as practicable following the relevant adjustment to the Exchange Property or the receipt by the Issuer of the relevant Additional Exchange Property.

- (iii) Unless a Cash Election is made by the Issuer and in respect of the Exchange Property to which such Cash Election relates, 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 (and including) the relevant Exchange Date and will be entitled to all rights, distributions or payments in respect of such Exchange Property from (and including) such Exchange Date and, in respect of any related Additional Exchange

Property, will be entitled to all rights, distributions or payments in respect of such Additional Exchange Property from (and including) such Exchange Date.

Subject as provided herein, Exchange Property delivered on exercise of Exchange Rights 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 (and, where appropriate, any Additional Exchange Property) delivered or transferred or to be delivered or transferred upon exchange 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.

If the record date or other due date for the establishment of the relevant entitlement for or in respect of any dividend, interest or other income, payment or distribution or rights on or in respect of such Exchange Property 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, payment or distribution or rights):

- (a) (in the case of dividends, interest or other income, payment or distributions or rights to be paid or made 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 euro at the Screen Rate on the date of receipt thereof by the Issuer (the “**Equivalent Amount**”). The Issuer will pay the Equivalent Amount, or procure that it is paid, to the relevant Bondholder by not later than 10 London business days after payment is made of the dividend, interest or other income, payment or distribution or rights; and
- (b) (in the case of dividends, or other income or distributions or rights to be satisfied or made otherwise than in cash) deliver, or procure the delivery of, the same to the relevant Bondholder not later than 10 London business days after the receipt by the Issuer of such dividend or other income or distribution or rights. 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 will make a cash payment equal to the aggregate Realisation Proceeds of such dividend or other income or distribution or rights, converted, if necessary into euro at the Screen Rate on the date of receipt by the Issuer of the Realisation Proceeds. The Issuer will pay any such amount to the relevant Bondholders not later than 10 London business days after the receipt by the Issuer of such dividend or other income or distribution or rights.

For the purposes of the above, if there is an option to receive the relevant entitlement in the form of a cash amount or otherwise than in cash, the entitlement shall be treated as being paid or made in cash, and accordingly the provision of (a) above shall apply.

- (iv) If, in respect of any dividend, interest or other income, payment or distributions or rights to be paid or made in cash, the provision of Condition 7(b)(iii) require an Equivalent Amount to be paid to a Bondholder and in respect of such dividend, interest or other income, payment or distributions or rights the provisions of Condition 7(b)(ii)(C) require Additional Exchange Property to be delivered to such Bondholder, then the provisions of Condition 7(b)(iii) shall prevail and the relevant Bondholder shall be entitled to receive the relevant Equivalent Amount, and Condition 7(b)(ii)(C) shall not apply to such dividend, interest or other income, payment or distributions or rights.
- (v) Upon exercise of Exchange Rights, a Bondholder shall, in the relevant Exchange Notice, specify a euro account with a bank in a city in which banks have access to the TARGET System to which any cash amount payable on or in respect of the exercise of Exchange Rights by that Bondholder (including any Premium Compensation Amount) shall be credited and the Issuer shall pay such sum to the relevant Bondholder in accordance with any such directions.

(c) **Cash Election**

- (i) Upon the exercise of Exchange Rights by a Bondholder, the Issuer may make an election (a “**Cash Election**”) by giving notice (a “**Cash Election Notice**”) to the relevant Bondholders by not later than the date (the “**Cash Election Exercise Date**”) falling four Target Business Days following the relevant Exchange Date, to the address (or, if a fax number or email address is provided in the relevant Exchange Notice, that fax number or email address) specified for that purpose in the relevant Exchange Notice, to satisfy the exercise of the Exchange Right in respect of the relevant Bonds, in whole or in part, by making payment, or procuring that payment is made, to the relevant Bondholder of the Cash Alternative Amount, together with any other amounts payable by the Issuer to such Bondholder pursuant to these Conditions in respect of, or relating to, the relevant exercise of Exchange Rights, including any interest payable pursuant to Condition 6(c).

A Cash Election may be made in respect of the whole or any part of the Exchange Property that would otherwise be deliverable in respect of the relevant exercise of Exchange Rights. The relevant Cash Election Notice shall specify whether the Cash Election is in respect of the whole of such Exchange Property or any part thereof, and if in respect of part, shall specify the relevant part.

A Cash Election shall be irrevocable.

The Issuer will pay the Cash Alternative Amount, together with any other amount as aforesaid, by not later than the Cash Alternative Payment Date by transfer to a euro account with a bank in a city in which banks have access to the TARGET System in accordance with instructions contained in the relevant Exchange Notice.

“**Cash Alternative Amount**” means a sum in euro equal to the average of the Value on each Trading Day in the Cash Alternative Calculation Period of the relevant *pro rata* share of the Exchange Property (or in the case of a partial exercise of the Cash Election, the relevant proportion of such *pro rata* share) which, had a Cash Election not been made, would otherwise fall to be delivered to such Bondholder upon exercise of Exchange Rights in respect of the relevant Bonds.

“**Cash Alternative Calculation Period**” means the period of 15 consecutive Trading Days commencing on the second Trading Day following the relevant Cash Election Exercise Date.

“Cash Alternative Payment Date” means the date falling 5 TARGET Business Days after the last day of the Cash Alternative Calculation Period.

- (ii) If a Bondholder would otherwise have been entitled to receive, in respect of the exercise of Exchange Rights, any Additional Exchange Property pursuant to Condition 7(b)(ii) in circumstances where a Cash Election is made in respect of the relevant exercise of Exchange Rights, the Issuer shall, in lieu of delivering such Additional Exchange Property, pay to the relevant Bondholder an amount (the **“Further Amount”**) equal to the Value of such Additional Exchange Property 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 such Further Amount shall be paid by transfer to a euro account maintained with a bank in a city in which banks have access to the TARGET System in accordance with the instructions given by the Bondholder in the relevant Exchange Notice by not later than the latest of (a) the date falling five Trading Days after the Change Date (or if that is not a TARGET Business Day, the next following TARGET Business Day) and (b) the relevant Cash Alternative Payment Date in accordance with the instructions given by the relevant Bondholder in the relevant Exchange Notice.

(d) ***Exchange following an Issuer Shareholding Reduction Event or a Coverage Event***

If, following the occurrence of an Issuer Shareholding Reduction Event or a Coverage Event, Exchange Rights are exercised in circumstances where the relevant Exchange Date falls during the Relevant Event Period, then in addition to the relevant *pro rata* share of the Exchange Property (and/or as appropriate any Cash Alternative Amount) the Issuer shall pay to the relevant Bondholder the Adjusted Premium Compensation Amount in respect of each €100,000 principal amount of Bonds in respect of which Exchange Rights shall have been exercised by such Bondholder.

The Issuer shall pay the Adjusted Premium Compensation Amount by not later than the relevant Settlement Date by transfer to a euro account maintained with a bank in a city in which banks have access to the TARGET System in accordance with instructions contained in the relevant Exchange Notice.

“Adjusted Premium Compensation Amount” means the Premium Compensation Amount as determined or provided in Condition 9 save that:

- (i) the component $“(CB/(CB+CS))”$ shall be equal to 1;
- (ii) the **“Final Acceptance Date”** will be the date of the occurrence of the Issuer Shareholding Reduction Event or Coverage Event; and
- (iii) **“MP”** will be the Value of the *pro rata* share of the Exchange Property in respect of a Bond in the principal amount of €100,000 on the date of occurrence of the Issuer Shareholding Reduction Event or Coverage Event.

8. **The Exchange Property**

(a) ***Initial Exchange Property***

The **“Exchange Property”** shall initially comprise 152,334,526 BES Shares and shall include such other Relevant Securities and other property 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 be deemed to have ceased to form part of the Exchange Property, excluding any Cash Dividend other than to the extent comprising a Capital Distribution and excluding any other income and other benefits, rights and entitlements derived from the Exchange Property except to the extent forming or to form

part of or giving rise to an adjustment to the Exchange Property pursuant to these Conditions.

If the Issuer shall make a Pass Through Election, no part of the Relevant Cash Dividend (as defined in Condition 6(d)) shall be added to or form part of the Exchange Property.

On the exercise of Exchange Rights, Bondholders will initially be entitled to receive 76,167.263 BES Shares for each €100,000 principal amount of Bonds (equivalent to an initial exchange price of €1.3129 per BES Share) 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.

(b) Adjustments to the Exchange Property

(i) 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 upon receipt by the Issuer of such securities.

(ii) 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 the Bondholders in accordance with Condition 19 and (provided that it is possible to sell such rights under applicable law and/or the terms of the Rights Issue), 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 (the “**Election Date**”), the Issuer may elect either:

(A) to procure on an arm’s length basis in good faith, the sale by an independent broker or investment bank selected by the Issuer 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 and of any applicable stamp, transfer, registration or similar taxes or duties, in the taking up of such rights (with any excess proceeds of sale being added to and forming part of the Exchange Property); or

(B) to add to the Exchange Property such number of BES Shares or other securities or options, warrants or rights as is equal to the Relevant Number determined as provided below (rounded down, if necessary, to the nearest whole number):

$$RN = \frac{1}{N} \sum_{n=1}^N P_n \times R$$

Where

- “RN” is the number of BES Shares or other securities, options, warrants or rights to be added to the Exchange Property;
- “Pn” is the Volume Weighted Average Price in respect of such rights issued, awarded or granted in respect of the Relevant Securities comprised in the Exchange Property on the nth Trading Day of the Relevant Number Calculation Period divided by the Volume Weighted Average Price of the Relevant Securities in respect of which the relevant Rights Issue is made on such Trading Day (provided that for the purposes of the determination of the Volume Weighted Average Price of the Relevant Securities, if on any Trading Day in the Relevant Number Calculation Period such Relevant Securities are quoted or traded on the Relevant Exchange cum-Dividend or any other entitlement, then the Volume Weighted Average Price of such Relevant Securities on such Trading Day shall be reduced by an amount equal to the Fair Market Value of such Dividend or other entitlement);
- “Relevant Number Calculation Period” means the period of five consecutive Trading Days commencing on the first Trading Day on which such rights may be dealt in on the Relevant Exchange (or, if such period of dealings is less than five consecutive Trading Days, then such number of Trading Days on which such rights may be dealt in on the Relevant Exchange);
- “R” is the total number of rights conferred or granted in respect of the Relevant Securities comprised in the Exchange Property; and
- “N” is the number of Trading Days in the Relevant Number Calculation Period.

In the absence of any such election being notified to the Trustee and to the Bondholders in accordance with Condition 19 by not later than the Election Date, paragraph (B) shall apply.

If such rights may not be sold under applicable law and/or the terms of the Rights Issue, 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, including any taxes payable, or determined by the Issuer in good faith to be payable, in connection therewith) 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 upon receipt by the Issuer be added to and form part of the Exchange Property.

(iii) *Bonus Issues, Capital Distributions, Reorganisations and Payments*

If any of the following events occurs (each a “**Specified Event**”):

- (A) 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 (other than where the Specified Event is determined to constitute a Cash Dividend pursuant to paragraph (a) or (b) of the definition of Dividend); or

- (B) any Capital Distribution is paid or made in respect of any BES Shares or Equity Share Capital comprised in the Exchange Property (other than in respect of which the Issuer makes a Pass Through Election as provided in Condition 6(d)); or
- (C) subject to Condition 8(g)(B) a Relevant Company purchases or redeems any Relevant Securities comprised in Exchange Property; or
- (D) 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, or
- (E) any Non-Cash Dividend is paid or made in respect of any BES Share or Equity Share Capital comprised in the Exchange Property; or
- (F) any cash amount is paid or distributed in whatever manner (including by way of payment of interest, distribution, Dividend, repayment of principal or capital or redemption monies) or any securities or other property is distributed, issued, transferred or delivered in whatever manner, in each case in respect of any Relevant Securities or other property or assets (other than BES Shares or Equity Share Capital) comprised in the Exchange Property,

then the further Relevant Securities, securities or other property or assets (including cash amounts) received in relation to the Specified Event, so far as attributable to the Exchange Property or, as the case may be, the relevant Capital Distribution in respect of the BES Shares or Equity Share Capital comprised in Exchange Property, shall upon receipt by the Issuer be included as part of the Exchange Property (and, if applicable, applied in accordance with Condition 8(e)).

(c) *Notice of Change in Exchange Property*

The Issuer shall give notice to the Trustee and to the Bondholders in accordance with Condition 19 and to the Principal Paying, Transfer and Exchange Agent and the Luxembourg Stock Exchange (so long as the Bonds are listed on the Official List of the Luxembourg Stock Exchange and admitted to trading on the Luxembourg Stock Exchange's Euro MTF Market) of any change in composition of the Exchange Property as soon as reasonably practicable following such change, and such notice shall include details of the Exchange Property to which the holder of €100,000 principal amount of Bonds would be entitled upon exercise of the Exchange Right in respect of such Bond following such change.

(d) *Release from the Exchange Property*

Upon delivery of Exchange Property to the relevant Bondholder and/or payment of the Cash Alternative Amount or 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.

(e) *Purchase of Equity Securities etc.*

If at any time Equity Share Capital is comprised in the Exchange Property and any cash amount or securities or other property is comprised in or is to be added to and form part of the Exchange Property pursuant to these Conditions (other than (i) any additional Equity Share Capital of a class already comprised in the Exchange Property or (ii) as included in the Offer Consideration under Condition 9) before the Exchange Rights lapse, then 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 and of any applicable stamp, transfer, registration or similar taxes or duties) shall be applied, by the Issuer as soon as reasonably practicable and to the extent possible in purchasing additional Equity Share Capital of the class then comprised in the Exchange Property (and where at the relevant time the Exchange Property comprises more than one class of Equity Share Capital, in purchasing, on a *pro rata* basis further Equity Share Capital of each such class) provided that if such purchase is not made within 10 London business days following receipt of the relevant cash amount or securities or other property as aforesaid, then there shall be deemed to be added to and form part of the Exchange Property such additional Equity Share Capital of the relevant class or classes as is determined by dividing the relevant proportion of such cash amount or as the case may be the relevant proportion of the Fair Market Value of such securities or other property by the average of the Volume Weighted Average Price of the relevant Equity Share Capital on each Trading Day in the period of five consecutive Trading Days commencing on the Trading Day immediately following the last day of such 10 London business day period (rounded down, if necessary, to the nearest whole number). Any such additional Equity Share Capital shall be added to and form part of the Exchange Property.

If any cash amount is to be added to and form part of the Exchange Property in circumstances where the Exchange Property comprises solely cash, such cash amount (converted, if necessary, into euro at the Screen Rate prevailing on the date of receipt of such cash amount) shall be or as the case may be, shall be added to the Exchange Property and thereafter the Exchange Property shall comprise and remain solely cash. No interest shall accrue on or in respect of any such cash amount.

(f) *Voting Rights etc.*

Bondholders and the Trustee shall have no voting rights in respect of the BES Shares or any other part of the Exchange Property prior to their delivery or transfer to the relevant Bondholder (or as it may direct) upon exercise of Exchange Rights.

Where a Dividend in cash is announced by a Relevant Company in respect of Equity Shares 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 or where a capitalisation of profits or reserves is announced which may, at the election of a holder or holders of such Equity Shares, be satisfied by the payment of cash, the Issuer shall be entitled to make such election as it may determine in its sole discretion in respect of any such Dividend or capitalisation, provided that notice of such election shall be given to the Trustee and the Bondholders by not later than the last day on which a holder or holders of the Relevant Securities would be required or entitled to make the relevant election, and failing such notice, the Dividend or capitalisation shall be treated as a Cash Dividend of whichever is the higher of (i) the Fair Market Value of such cash amount on the Effective Date in respect of the relevant Dividend or capitalisation and (ii) the Fair Market Value, on the Effective Date in respect of the relevant Dividend or capitalisation, of such Relevant Securities or other property or assets.

In exercising any voting rights attaching to the BES Shares and other Relevant Securities that it may have or making any such election to which it may be entitled, the Issuer is not obliged to take account of the interests of the Bondholders and accordingly the Issuer may act in a manner in connection therewith that is contrary to the interests of the Bondholders.

(g) Maintenance of Exchange Property

Exchange Rights are not exercisable in respect of any specific BES Shares or other property comprising Exchange Property from time to time and no BES Shares or other Exchange Property has been or will be charged or otherwise placed in custody or set aside to secure or satisfy the Issuer's obligations in respect of the Exchange Rights. At any time the Issuer may or may not be the owner of the whole or any part of BES Shares or other property comprising Exchange Property from time to time and the Issuer is not under any obligation to hold any BES 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 in relation to the Exchange Property 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, if the Issuer at any time holds any BES Shares or other property comprising Exchange Property from time to time and the Issuer is or becomes insolvent, bankrupt or in liquidation, such Exchange Property will form part of the assets of the Issuer available on a pari passu basis to all unsecured creditors of the Issuer.

(A) Ownership of Exchange Property: At any particular time, the Issuer may or may not hold or be the beneficial owner of sufficient Exchange Property required to be delivered on exercise of Exchange Rights or otherwise pursuant to these Conditions in respect of all outstanding Bonds. However, these Conditions shall be read and construed as though at all times the Issuer were the holder and beneficial owner of sufficient Exchange Property required to be delivered on exercise of Exchange Rights or otherwise pursuant to these Conditions in respect of all 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 BES 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 sufficient Exchange Property to satisfy exercise of Exchange Rights or otherwise required to be delivered pursuant to these Conditions 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):

- (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(b)(ii) in relation thereto;
- (ii) Purchase of Equity Securities etc.:** If pursuant to Condition 8(e) the Issuer is required to purchase additional Equity Share Capital and at the

relevant time the Issuer is not the holder and beneficial owner of sufficient Exchange Property to satisfy Exchange Rights and all other obligations to deliver Exchange Property pursuant to these Conditions in respect of all outstanding Bonds, such additional Equity Share Capital 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;

- (iii) *Realisation Proceeds:* If at any time when the Realisation Proceeds of any property 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, the Realisation Proceeds in respect thereof shall 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 relevant property as provided in these Conditions;
- (iv) *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, shall 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;
- (v) *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 to satisfy Exchange Rights and all other obligations to deliver Exchange Property pursuant to these Conditions in respect of all outstanding Bonds at all relevant times;
- (vi) *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 to satisfy Exchange Rights and all other obligations to deliver Exchange Property pursuant to these Conditions in respect of all outstanding Bonds at all relevant times, and the Issuer shall be required to deliver or distribute the same accordingly; and
- (vii) *Offers and Schemes:* for the purposes of Condition 9, the Issuer shall be entitled by notice to the Trustee and the Bondholders in accordance with Condition 19 to elect to be treated as accepting (including as to any alternative consideration) or (unless the Relevant Securities are subject to compulsory acquisition) rejecting such Offer as if it owned the Relevant Securities the subject of such Offer and subject to the provisions of Condition 9.

(B) *Purchase or Redemption of Relevant Securities:* Condition 8(b)(iii)(C) 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(b)(iii)(C) shall apply accordingly in respect of the number of Relevant Securities representing such shortfall.

(h) ***Other Adjustments to the Exchange Property and Contemporaneous Events***

If the Issuer determines that:

- (i) 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(b)(i), 8(b)(ii) or 8(b)(iii), even if the relevant event is or circumstances are specifically excluded from the operation of Condition 8(b)(i), 8(b)(ii) or 8(b)(iii); or
- (ii) more than one event which gives rise or may give rise to an adjustment to the Exchange Property has occurred or will occur within such a short period of time that a modification to the operation of the adjustment provisions is required in order to give the intended result; or
- (iii) one event which gives rise or may give rise to more than one adjustment to the Exchange Property has occurred or will occur such that a modification to the operation of the adjustment provisions is required in order to give the intended result,

the Issuer shall, at its own expense and acting reasonably, request an Independent Adviser 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 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(h) if such Independent Adviser is so requested to make such determination in writing not more than 21 days after the occurrence of the relevant event or circumstance and provided that such adjustment shall result in an increase to the Exchange Property.

(i) ***Decision of an Independent Adviser***

If any doubt shall arise as to whether an adjustment falls to be made to the Exchange Property, or as to the appropriate adjustment to the Exchange Property, or as to when such adjustment shall take effect or be deemed to have taken effect, and following consultation between the Issuer and an Independent Adviser, a written opinion of such Independent Adviser in respect thereof shall be conclusive and binding on the Issuer, the Bondholders and the Trustee, save in the case of manifest error.

9. General Offers

(a) ***Acceptance of Offers***

In the event of an Offer for any Equity Shares, comprised in the Exchange Property, the Issuer shall have absolute discretion to accept such Offer (and as to any alternative consideration) or reject such Offer, provided that the Issuer will not accept such Offer (a) prior to the Specified Date and (b) unless the value of the consideration offered for such Equity Shares pursuant to the Offer or, where there is any alternative consideration, unless the value of the consideration accepted by the Issuer, is equal to or greater than the value of such Equity Shares.

For the avoidance of doubt, (i) the Issuer may announce its intention to accept any Offer prior to the Specified Date, and (ii) if there are two simultaneous Offers, the Issuer may accept either Offer (including the Offer which includes the lower consideration) or neither Offer.

The value of such Equity Shares and the value of any consideration will be determined by an Independent Adviser by reference to market values, where applicable, and such other considerations as the Independent Adviser shall consider appropriate.

The Issuer will not accept any Offer in respect of such part of the Exchange Property (disregarding, for this purpose, any Cash Election) which would be deliverable to those Bondholders who have exercised Exchange Rights in respect of Bonds where the relevant Exchange Date falls prior to the commencement of any Suspension Period.

The Issuer shall at all times be entitled at its discretion, in relation to any shares or other securities owned or controlled by it or in respect of which it is entitled to exercise voting rights (whether or not such shares or securities comprise Exchange Property), to vote on, exercise its rights in respect of, or otherwise participate in (or in any such case refrain from doing so), any scheme of arrangement, reorganisation, amalgamation, merger, demerger or reconstruction of any company or companies or other entity or entities (whether or not involving liquidation or dissolution) as it thinks fit.

The Issuer shall give notice to the Trustee and the Bondholders in accordance with Condition 19 as soon as practicable upon becoming aware of the existence of any Offer.

In accepting or rejecting any Offer or electing for any alternative consideration or in voting on, exercising its rights in respect of, or otherwise participating in, any scheme of arrangement, compromise, reorganisation, amalgamation, merger, demerger or reconstruction, the Issuer is not obliged to take account of the interests of the Bondholders and accordingly the Issuer may act in a manner which is contrary to the best interests of the Bondholders.

(b) Adjustment to Exchange Property

If the Issuer accepts such Offer and the Offer becomes unconditional in all respects (or if all the Relevant Securities not tendered in relation to the relevant Offer are subject to compulsory acquisition) then, and in relation to each Bond for which the Exchange Date has not occurred prior to the Final Acceptance Date, with effect from the Offer Consideration Date, the Relevant Securities the subject of such Offer or compulsory acquisition shall be deemed no longer to form part of the Exchange Property and shall be deemed to be replaced by the consideration in respect of the Relevant Securities under the Offer or pursuant to such compulsory acquisition or, if there is alternative consideration, such consideration as the Issuer may elect for the purposes of these Conditions, and if the Issuer shall fail to make such election by not later than five London business days prior to the Final Date in respect of the relevant Offer, that consideration as shall be determined by an Independent Adviser to have the greatest value (the “**Offer Consideration**”).

(c) Suspension of Exchange Rights

The Exchange Rights shall be suspended during the period from and including (i) the Specified Date until the relevant Offer is withdrawn or the relevant Offer lapses or the Final Acceptance Date or, if earlier, until the Final Date and (ii) the date any vote is cast in relation to any applicable scheme referred to in this Condition, which is approved by the required majority, until the same is approved or rejected by any relevant judicial or other authority or otherwise is or becomes or is declared to be effective or the like.

If the Issuer accepts the relevant Offer and the Offer is or becomes unconditional in all respects, Exchange Rights will also be suspended during the period from the Final Acceptance Date, or if earlier, the Final Date until the Offer Consideration Date.

The period during which Exchange Rights are suspended pursuant to this Condition 9(c) is referred to as the “**Suspension Period**”.

Notice of any such Suspension Period (including the commencement and termination thereof) will be given by the Issuer to the Trustee, the Principal Paying, Transfer and Exchange Agent and to the Bondholders in accordance with Condition 19.

If Exchange Rights are exercised such that the relevant Exchange Date would otherwise fall in the Suspension Period, such exercise shall be null and void.

(d) Premium Compensation Amount

If the Offer Consideration consists wholly or partly of cash or other property (other than Eligible Equity Shares), such cash or such other property shall be added to and form part of the Exchange Property and if the Exchange Date in respect of any Bond falls after the Offer Consideration Date, then the relevant Bondholder shall be entitled to receive, in addition to the relevant *pro rata* share of the Exchange Property pursuant to Condition 7 (and/or as appropriate any Cash Alternative Amount), an amount (the “**Premium Compensation Amount**”) in respect of each €100,000 principal amount of Bonds 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	=	€100,000
IP	=	€75,474.1409
CB	=	the Offered Cash Amount
CS	=	the Offered Property Value
MP	=	the Value of the <i>pro rata</i> share of the Exchange Property in respect of a Bond in the principal amount of €100,000 on the Final Acceptance Date
C	=	1,826 days, being the number of days from (but excluding) the Closing Date to (and including) the Final Maturity Date
T	=	the number of days from (but excluding) the Final Acceptance Date to (and including) the Final Maturity Date (which shall be zero if the Final Acceptance Date occurs after such date)

Any Premium Compensation Amount payable on exercise of Exchange Rights shall be paid by not later than the relevant Settlement Date by transfer to a euro account maintained with a bank in a city in which banks have access to the TARGET System in accordance with instructions contained in the relevant Exchange Notice.

If any doubt shall arise as to the calculation of the Premium Compensation Amount, and following consultation between the Issuer and an Independent Adviser, a written opinion of such Independent Adviser in respect thereof shall be conclusive and binding on the Issuer, the Bondholders and the Trustee, save in the case of manifest error.

(e) ***Subsequent Offers***

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.

(f) ***Self tenders***

If a tender or other offer is made by or on behalf of the issuer of any Relevant Securities comprised in the Exchange Property (or any person associated with such issuer) to purchase or otherwise acquire, redeem or exchange such Relevant Securities, then for the purposes of the determination of the composition of the Exchange Property only, the Issuer shall be treated as not having tendered any such Relevant Securities which are comprised in the Exchange Property or be treated as having accepted any such offer in respect of any such Relevant Securities in relation to any such tender or other offer, nor shall the Issuer be treated as having exercised any option which it may have in connection therewith or otherwise to require the redemption or repayment of such Relevant Securities.

For the avoidance of doubt, if the Issuer at the relevant time is the holder of any Relevant Securities, it shall be entitled to accept or reject any tender or other offer in respect of such Relevant Securities.

(g) ***Definitions***

As used in these Conditions:

“EEA Regulated Market” means a market as defined by Article 4.1(14) of Directive 2004/39 EC of the European Parliament and of the Council on Markets in Financial Instruments;

“Eligible Equity Shares” means Equity Share Capital of the offeror provided that, (i) the offeror is a limited liability company (or equivalent) incorporated in or established under the laws of a European Union member state, a state within the European Economic Area or an OECD member state; and (ii) such Equity Share Capital is listed and admitted to trading on an EEA Regulated Market; and (iii) the Equity Share Free Float in respect of such Equity Share Capital shall have been not less than 20 per cent. of the issued and outstanding Equity Share Capital on each of the 30 consecutive Trading Days ending on and including the Final Date;

“Equity Share Free Float” means, in respect of any Equity Shares, the aggregate number of such Equity Shares held by persons that own (together with any other person or persons with whom they act in concert, as defined in the Takeover Code of the United Kingdom on Takeovers and Mergers) Equity Shares representing less than 5 per cent. of the total number of such Equity Shares issued and outstanding, as determined by an Independent Adviser acting reasonably and in good faith, in consultation with the Issuer and where (i) references to “Equity Shares” shall include Equity Shares represented by depositary or other receipts or certificates representing Equity Shares; (ii) Equity Shares held by or on behalf of a depositary or custodian or similar person in respect of any such depositary or other receipts or certificates representing Equity Shares from time to time shall be treated as being held by the holder of the relevant depositary or other receipts or certificates and not by such depositary, custodian or similar person; (iii) Equity Shares that have been borrowed and remain borrowed pursuant to any stock lending arrangement

shall be treated as not being owned by the relevant lender; and (iv) Equity Shares held by or on behalf of the issuer of such Equity Shares or any subsidiary of such issuer or any person acting in concert with such issuer shall be treated as not constituting part of the Equity Share Free Float;

“**Equity Share Capital**” and “**Equity Shares**” have the meaning provided in Condition 5;

“**Final Acceptance Date**” means, in respect of any Offer, the final date for acceptance of such Offer which, if such Offer is extended prior to becoming unconditional, shall be the final date for acceptance of the extended Offer (but, if such Offer is or becomes unconditional, disregarding any additional or further period during which such Offer is open for acceptance);

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

“**Offer Consideration Date**” means, in relation to any Offer (or compulsory acquisition), the date upon which the Offer Consideration is made available to the holders of the relevant Equity Shares;

“**Offered Cash Amount**” means the cash amount in euro (or, where applicable, converted into euro at the applicable Screen Rate, 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 or property other than Eligible Equity Shares, such securities or property 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;

“**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 or securities or property other than Eligible Equity Shares, the Offered Property Value shall be zero;

“**Specified Date**” means, in relation to any Offer, five Trading Days prior to the Final Acceptance Date.

10. Undertakings

- (a) The Issuer undertakes to use all reasonable endeavours to maintain the listing of the Bonds on the Luxembourg Stock Exchange’s Euro MTF market. If the Issuer is unable to maintain such listing or if the maintenance of such listing is unduly onerous, the Issuer undertakes to use all reasonable endeavours to obtain and maintain a listing for the Bonds on such other stock exchange as the Issuer may from time to time determine, and the Issuer will forthwith give notice to the Bondholders in accordance with Condition 19 of the listing or delisting of the Bonds by any of such stock exchanges.
- (b) 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.
- (c) Where these Conditions require or contemplate a sale of any property or assets to be made or procured to be made by the Issuer, the Issuer shall procure that the relevant sale is made as soon as reasonably practicable and in any event, if a payment calculated by

reference to any such sale (including payment of the Realisation Proceeds) is to be made pursuant to these Conditions, in such time to enable the relevant payment to be made by the time specified in these Conditions.

- (d) If the appointment of an Independent Adviser is required by these Conditions or if these Conditions relate to any matter to be determined by an Independent Adviser, the Issuer shall procure that the relevant appointment is made as soon as practicable and, in any event, in time to enable the proper operation of the relevant provisions of these Conditions.
- (e) Within 14 days following the occurrence of a Relevant Event, the Issuer shall give notice thereof to the Trustee and to the Bondholders in accordance with Condition 19 (a “**Relevant Event Notice**”). Such notice shall contain a statement informing Bondholders of their entitlement to exercise their Exchange Rights as provided in these Conditions and their entitlement to exercise their rights to require redemption of their Bonds pursuant to Condition 11(c).

The Relevant Event Notice shall also specify:

- (i) the Value of the *pro rata* share of the Exchange Property attributable to each authorised denomination of Bonds as at the most recent practicable date prior to the publication of the Relevant Event Notice;
- (ii) the last day of the Relevant Event Period;
- (iii) the Relevant Event Put Date;
- (iv) in the case of an Issuer Shareholding Reduction Event or Coverage Event, the Adjusted Premium Compensation Amount payable upon an exercise of Exchange Rights following an Issuer Shareholding Reduction Event or Coverage Event pursuant to Condition 7(c); and
- (v) such other information relating to the Relevant Event as the Trustee may require.

The Trustee shall not be required to take any steps to ascertain whether any such Relevant Event or any event which could lead to such Relevant Event has occurred or may occur and will not be responsible or liable to Bondholders or any other person for any loss arising from any failure by it to do so.

11. **Redemption and Purchase**

(a) ***Final Redemption***

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

The Bonds may only be redeemed at the option of the Issuer prior to the Final Maturity Date in accordance with Condition 11(b).

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

(i) *For tax reasons*

If:

- (a) as a result of any change in, or amendment to, the laws or regulations of the Relevant Jurisdiction, or any change in the official interpretation

of the laws or regulations of the Relevant Jurisdiction, which change or amendment becomes effective on or after 25 November 2013, the Issuer would be required to pay additional amounts as provided or referred to in Condition 13; and

- (b) the requirement cannot be avoided by the Issuer taking reasonable measures available to it,

the Issuer may at any time at its option, having given not less than 30 nor more than 60 days' notice (a "**Tax Redemption Notice**") to the Bondholders in accordance with Condition 19, redeem all (but not some only) of the Bonds on the date (the "**Tax Redemption Date**") specified in the Tax Redemption Notice at their principal amount together with interest accrued but unpaid to but excluding the Tax Redemption Date, provided that no such notice of redemption shall be given earlier than 90 days prior to the earliest date on which the Issuer would be obliged to pay such additional amounts, were a payment in respect of the Bonds then due. Prior to the publication of a Tax Redemption Notice, the Issuer shall deliver to the Trustee a certificate signed by two Authorised Officers of the Issuer stating that the requirement referred to in (a) above cannot be avoided by the Issuer taking reasonable measures available to it and the Trustee shall be entitled to accept the certificate as sufficient evidence of the satisfaction of the conditions precedent set out above, in which event it will be conclusive and binding on the Bondholders.

Any Tax Redemption Notice shall be irrevocable.

On the Tax Redemption Date, the Issuer shall (subject to the next following paragraph) redeem the Bonds at their principal amount, together with interest accrued but unpaid to but excluding the Tax Redemption Date.

If the Issuer gives a Tax Redemption Notice pursuant to this Condition 11(b)(i), each Bondholder will have the right to elect that its 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 such interest on such Bonds shall be made subject to the deduction or withholding of any taxation required to be withheld or deducted in the Relevant Jurisdiction. To exercise such right, the holder of the relevant Bond must complete, sign and deposit at the specified office of any Paying, Transfer and Exchange Agent a duly completed and signed notice of election, in the form for the time being current, obtainable from the specified office of any Paying, Transfer and Exchange Agent together with the relevant Bonds on or before the day falling 10 days prior to the Tax Redemption Date.

Any Tax Redemption Notice shall specify (i) the Tax Redemption Date, (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 authorised denomination of the Bonds as at the most recent practicable date prior to the publication of the relevant Tax Redemption Notice.

- (ii) *For other reasons*

All (but not some only) of the Bonds may be redeemed at the option of the Issuer, at their principal amount together with interest accrued but unpaid to but excluding the relevant date fixed for redemption:

- (i) at any time on or after 23 December 2016 (the “**First Call Date**”), provided that the Value of the *pro rata* share of the Exchange Property attributable to each €100,000 principal amount of Bonds on each of not less than 20 Trading Days in any period of 30 consecutive Trading Days ending not earlier than seven Luxembourg and Lisbon business days prior to the date on which the relevant notice of redemption is given by the Issuer to the Bondholders shall have exceeded €130,000; or
- (ii) at any time if, prior to the date on which the relevant notice of redemption is given to Bondholders, Exchange Rights shall have been exercised and/or purchases (and corresponding cancellations) and/or redemptions effected in respect of 85 per cent. or more in aggregate principal amount of the Bonds originally issued (which shall for this purpose include any Further Bonds); or
- (iii) on a date falling not less than 60 nor more than 90 days following the relevant Offer Consideration Date, if following any Offer, the Exchange Property comprises solely cash and/or other property (other than Eligible Equity Shares).

In order to exercise such option the Issuer shall give not less than 30 nor more than 60 days’ notice (an “**Optional Redemption Notice**”) to the Bondholders in accordance with Condition 19 specifying the date for redemption (the “**Optional Redemption Date**”).

Any Optional Redemption Notice shall be irrevocable.

On the Optional Redemption Date, the Issuer shall redeem the Bonds at their principal amount, together with interest accrued but unpaid to but excluding the Optional Redemption Date.

Any Optional Redemption Notice shall specify (i) the Optional Redemption Date, (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 authorised denomination of Bonds as at the most recent practicable date prior to the publication of the relevant Optional Redemption Notice.

(c) ***Redemption at the Option of the Bondholders***

Following the occurrence of a Relevant Event, the holder of each Bond will have the right to require the Issuer to redeem that Bond on the Relevant Event Put Date at its principal amount, together with accrued but unpaid interest to but excluding the Relevant Event Put Date. To exercise such right, the holder of the relevant Bond must deliver such Bond to the specified office of any Paying, Transfer and Exchange Agent, together with a duly completed and signed notice of exercise in the form for the time being current obtainable from the specified office of any Paying, Transfer and Exchange Agent (a “**Relevant Event Put Exercise Notice**”), at any time during the Relevant Event Period. The “**Relevant Event Put Date**” shall be the 14th calendar day after the expiry of the Relevant Event Period (or if that is not a Luxembourg business day, the next following Luxembourg business day).

Payment in respect of any such Bond shall be made by transfer to a euro account with a bank in a city in which banks have access to the TARGET System as specified by the relevant Bondholder in the Relevant Event Put Exercise Notice.

A Relevant Event Put Exercise Notice, once delivered, shall be irrevocable and the Issuer shall redeem all Bonds the subject of Relevant Event Put Exercise Notices delivered as aforesaid on the Relevant Event Put Date.

(d) *Multiple Notices*

If more than one notice of redemption is given pursuant to this Condition 11, the first of such notices to be given shall prevail.

(e) *Purchase*

The Issuer or any of its Subsidiaries may at any time purchase Bonds in the open market or otherwise at any price.

(f) *Cancellation*

Bonds purchased by the Issuer or any of its 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. Payments

(a) *Principal and Interest*

Payment of principal in respect of the Bonds (other than pursuant to Condition 11(c)), payment of accrued interest payable on a redemption of the Bonds (other than pursuant to Condition 11(c)) payment of any interest due on an Interest Payment Date and payment of any Additional Interest Amount in respect of the Bonds will be made 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 any interest due on an Interest Payment Date, subject to surrender (or in the case of partial payment only, endorsement) of the relevant Bond, at the specified office of any Paying, Transfer and Exchange Agent.

Payment of all other amounts will be made as provided in these Conditions.

(b) *Method of Payment*

Each payment referred to in Condition 12(a) (other than in respect of Additional Interest Amounts) will be made in euro by transfer to a euro account maintained with a bank in a city in which banks have access to the TARGET System specified by the relevant Bondholder.

Payments of Additional Interest Amounts will be made in the currency in which the Relevant Cash Dividend is paid and will be made by transfer to an account maintained in such currency with a bank in the principal financial centre of that currency as specified by the relevant Bondholder.

(c) *Record Date*

“**Record Date**” means the seventh business day, in the place of the specified office of the Registrar, before the due date for the relevant payment.

All payments in respect of Bonds represented by the Global Bond will be made to, or to the order of, the person whose name is entered on the Register at the close of business on the Clearing System Business Day immediately prior to the date for payment, where Clearing System Business Day means Monday to Friday inclusive except 25 December and 1 January.

(d) **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 it will at all times maintain Paying, Transfer and Exchange Agents having specified offices in (i) any place required by the rules of any relevant stock exchange if and for so long as the Bonds are listed or admitted to trading on any stock exchange or admitted to listing by any other relevant authority for which the rules require the appointment of a Paying, Transfer and Exchange Agent in any particular place and (ii) a European Union member state (if any) that will not be obliged to withhold or deduct tax pursuant to European Council Directive 2003/48/EC or any law implementing or complying with, or introduced in order to conform to, such Directive. 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 19.

(e) **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 in the place of payment, but without prejudice to Condition 13. No commissions or expenses shall be charged to the Bondholders in respect of such payments.

(f) **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 such unit.

(g) **Delay in payment**

Bondholders will not be entitled to any further interest or other payment for any delay after the due date in receiving any amount due:

- (i) as a result of the due date not being a business day; or
- (ii) if the relevant Bondholder is late in surrendering the relevant Bond (where such surrender is required pursuant to these Conditions as a precondition to payment).

In this Condition 12(g) “**business day**” means a day (other than a Saturday or Sunday) which is a TARGET Business Day (in the case of a payment in euro), a business day in the principal financial centre of the currency in which the relevant payment is to be made (in the case of a payment in a currency other than euro) and (where surrender of the relevant Bond is required pursuant to these Conditions as a precondition to payment) which is a business day in the place of the specified office of the Paying, Transfer and Exchange Agent to whom the relevant Bond is surrendered.

13. **Taxation**

All payments in respect of the Bonds by or on behalf of the Issuer shall be made without withholding or deduction for, or on account of, any present or future taxes, duties, assessments or governmental charges of whatever nature (“**Taxes**”) imposed or levied by or on behalf of the Relevant Jurisdiction, unless the withholding or deduction of the Taxes is required by law. In that event, the Issuer will pay such additional amounts as may be necessary in order that the net amounts received by the Bondholders after the withholding or deduction shall equal the respective amounts which would have been receivable in respect of the Bonds in the absence of the

withholding or deduction; except that no additional amounts shall be payable in relation to any payment in respect of any Bond:

- (a) to a Bondholder (or to a third party on behalf of a Bondholder) who is subject to such Taxes in respect of such Bond by reason of his having some connection with the Relevant Jurisdiction otherwise than merely by holding the Bond or by the receipt of amounts in respect of the Bond; or
- (b) where surrender of a Bond is required pursuant to these Conditions, if the Bond is surrendered more than 30 days after the Relevant Date except to the extent that the holder would have been entitled to such additional amount on surrendering the Bond for payment on the last day of such period of 30 days; or
- (c) where such withholding or deduction is (i) imposed on a payment to an individual or to a residual entity and is required to be made pursuant to European Council Directive 2003/48/EC or any other Directive implementing the conclusions of the ECOFIN Council meeting of November 26-27, 2000 on the taxation of savings income or any law implementing or complying with, or introduced in order to conform to, such Directive or (ii) is required to be made pursuant to any agreements between the European Community and other countries or territories providing for measures equivalent to those laid down in the European Council Directive 2003/48/EC or any law or other governmental regulation implementing or complying with, or introduced in order to conform to, such agreements; or
- (d) where surrender of a Bond is required pursuant to these Conditions, surrendered for payment in Luxembourg or by or on behalf of a Bondholder who would have been able to avoid such withholding or deduction by presenting the relevant Bond to another Paying, Transfer and Exchange Agent in a Member State of the European Union.

References in these Conditions to principal and/or interest and/or any other amounts payable in respect of the Bonds shall be deemed also to refer to any additional amounts which may be payable under this Condition or any undertaking or covenant given in addition thereto or in substitution therefor pursuant to the Trust Deed.

The provisions of this Condition 13 shall not apply in respect of any payments of interest which fall due after the relevant Tax Redemption Date in respect of any Bonds which are the subject of a Bondholder election pursuant to Condition 11(b)(i).

14. Events of Default

The Trustee at its discretion may, and if so requested in writing by the holders of at least one-quarter in 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 pre-funded to its satisfaction), give notice to the Issuer that the Bonds are, and they shall accordingly forthwith become, immediately due and repayable at the Relevant Amount, in any of the following events (“**Events of Default**”):

- (a) if default is made in the payment of any principal, interest, Cash Alternative Amount or any other amount due in respect of the Bonds or any of them and the default continues for a period of 14 days in the case of interest or seven days in the case of principal, Cash Alternative Amount or any other amount; or
- (b) if default is made in the delivery of any Exchange Property upon, or in the performance by the Issuer of any of its other obligations arising on, an exercise of Exchange Rights and the default continues for a period of seven days; or
- (c) the Issuer fails to perform or observe any of its other obligations in respect of the Bonds or the Trust Deed and (except in either case where the Trustee certifies in writing that it

considers such failure to be incapable of remedy when no such notice or continuation as is hereinafter mentioned will be required) such failure continues for the period of 30 days (or such longer period as the Trustee may permit) after notice thereof has been given to the Issuer by the Trustee requiring the same to be remedied; or

- (d) the repayment of any indebtedness for borrowed money owing by the Issuer or by the Principal Subsidiary is accelerated by reason of default and such acceleration has not been rescinded or annulled, or the Issuer or the Principal Subsidiary 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 for borrowed money or in the honouring of any guarantee or indemnity in respect of any indebtedness for borrowed money 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 €20,000,000 (or its equivalent in any other currency or currencies); or
- (e) any order shall be made by any competent court or resolution passed for the winding up or dissolution of the Issuer or the Principal Subsidiary (other than for the purpose of (i) an amalgamation, merger or reconstruction approved by the Trustee or by an Extraordinary Resolution of the Bondholders or (ii) a voluntary solvent winding up of the Principal Subsidiary where the surplus assets of the Principal Subsidiary are distributed to its shareholders); or
- (f) the Issuer or the Principal Subsidiary shall cease to carry on the whole or substantially the whole of its business (other than a cessation in the circumstances referred to in the exception to paragraph (e) of this Condition 14 or in connection with the transfer of all or a major part of the business, undertaking and assets of the Principal Subsidiary to the Issuer or (provided that the Principal Subsidiary is substituted as principal debtor under the Bonds, subject to and as provided in Condition 16(c)) in connection with the transfer of all or a major part of the business, undertaking and assets of the Issuer to the Principal Subsidiary or for arm's length consideration receivable by the Issuer or the Principal Subsidiary, as the case may be); or
- (g) the Issuer or the Principal Subsidiary 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
- (h) a receiver, trustee or other similar official shall be appointed in relation to the Issuer or the Principal Subsidiary or in relation to the whole or a substantial part of the assets of either of them or an encumbrancer shall take possession of the whole or a substantial part of the assets of the Issuer or the Principal Subsidiary, 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
- (i) the Issuer or the Principal Subsidiary 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 Issuer and its subsidiaries as a whole, other than (i) the selling, transferring, lending or otherwise disposing on an arm's length basis or (ii) in the case of the Principal Subsidiary, selling, transferring, lending or otherwise disposing to the Issuer or (iii) (provided that the Principal Subsidiary is substituted as principal debtor under the Bonds, subject to and as provided in Condition 16(c)), in the case of the Issuer, selling, transferring, lending or otherwise disposing to the Principal Subsidiary,

provided that in the case of paragraphs (c), (f), and (i) the Trustee shall have certified that in its opinion such event is materially prejudicial to the interests of Bondholders.

“**Relevant Amount**” means, in respect of each authorised denomination of Bonds, an amount equal to €100,000, together with interest accrued but unpaid thereon, save that if the relevant Event of Default occurs as a result of or in connection with a failure by the Issuer to comply with any of its obligations in relation to the exercise of Exchange Rights, it means an amount equal to the higher of:

- (i) the Value of the *pro rata* share of the Exchange Property and any other amounts which would have been payable and/or deliverable on exchange in respect of such authorised denomination had the date of such declaration been the Exchange Date; and
- (ii) €100,000, together with accrued but unpaid interest.

References in these Conditions and the Trust Deed to the principal amount of the Bonds shall, other than in Condition 6 and unless the context otherwise requires, include the Relevant Amount.

15. Prescription

Claims in respect of the principal amount or interest or Additional Interest Amounts on Bonds will become void unless made within 10 years (in the case of the principal amount) and five years (in the case of interest or Additional Interest Amounts from the appropriate Relevant Date in respect thereof.

Claims in respect of any other amounts payable in respect of the Bonds will become void unless made within ten years following the due date for a payment thereof.

16. Meetings of Bondholders, Modification and Waiver, Entitlement of Trustee, Substitution, Change and Indemnification of Trustee

(a) Meetings of Bondholders

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 or the Trustee and shall be convened by the Issuer if requested in writing by Bondholders holding not less than 10 per cent. in principal amount of the Bonds for the time being outstanding. The quorum for any meeting convened to consider an Extraordinary Resolution shall be one or more persons holding or representing more than 50 per cent. in principal amount of the Bonds for the time being outstanding, or at any adjourned meeting one or more persons being or representing Bondholders whatever the principal amount of the Bonds held or represented, unless the business of such meeting includes consideration of proposals, inter alia, (i) to change the Final Maturity Date or the First Call Date (other than deferring the First Call Date) or any date for payment of interest on the Bonds, (ii) to modify the circumstances in which the Issuer is, or Bondholders are, entitled to redeem the Bonds or have the Bonds redeemed by the Issuer pursuant to Condition 11(b) or (c), (iii) to reduce or cancel the principal amount of, or any interest on, the Bonds or to reduce the amount payable on redemption or repayment of, the Bonds, (iv) to reduce the rate of interest in respect of the Bonds or to vary the method or basis of calculating the rate of interest or the basis for calculating any other amount payable in respect of the Bonds, (v) to modify or cancel the Exchange Rights (other than an increase in the Exchange Property deliverable on exercise of Exchange Rights), (vi) to vary the currency of the denomination or any payment in respect of the Bonds, (vii) to modify the provisions concerning the quorum required at any meeting of Bondholders or the majority required to pass an Extraordinary Resolution, or (viii) to change the governing law of the Bonds, in which case the necessary quorum shall be one or more

persons holding or representing not less than two-thirds, or at any adjourned meeting not less than one-third, in principal amount of the Bonds for the time being outstanding. Any Extraordinary Resolution duly passed shall be binding on Bondholders (whether or not they were present at the meeting at which such resolution was passed).

The Trust Deed provides that (i) a resolution in writing signed by or on behalf of holders of not less than 75 per cent. of the aggregate principal amount of the Bonds outstanding (a “**Written Resolution**”), or (ii) where the Bonds are held on or on behalf of a clearing system or clearing systems, approval of a resolution proposed by the Issuer or the Trustee (as the case may be) given by way of electronic consents communicated through the electronic communication systems of the relevant clearing system(s) in accordance with their operating rules and procedures by or on behalf of the holders of not less than 75 per cent. aggregate in principal amount of Bonds outstanding (“**Electronic Consent**”), shall, in each case, for all purposes be as valid and effective as an Extraordinary Resolution passed at a meeting of Bondholders duly convened and held. Such a Written Resolution and/or Electronic Consent will be binding on all Bondholders whether or not they participated in such Written Resolution or Electronic Consent. A Written Resolution in writing may be contained in one document or several documents in the same form, each signed by or on behalf of one or more Bondholders.

(b) *Modification and Waiver*

The Trustee may agree, without the consent of the Bondholders, to (i) any modification of any of the provisions of the Trust Deed, any trust deed supplemental to the Trust Deed, the Agency Agreement, any agreement supplemental to the Agency Agreement, the Bonds or these Conditions which in the Trustee’s opinion is of a formal, minor or technical nature or is made to correct a manifest error or an error, which in the opinion of the Trustee, is proven or to comply with mandatory provisions of law, and (ii) any other modification (except as mentioned in the Trust Deed) to the Trust Deed, any trust deed supplemental to the Trust Deed, the Agency Agreement, any agreement supplemental to the Agency Agreement, the Bonds or these Conditions, and any waiver or authorisation of any breach or proposed breach, of any of the provisions of the Trust Deed, any trust deed supplemental to the Trust Deed, the Agency Agreement, any agreement supplemental to the Agency Agreement, the Bonds or these Conditions which is, in the opinion of the Trustee, not materially prejudicial to the interests of the Bondholders. The Trustee may, without the consent of the Bondholders, determine any Event of Default or a Potential Event of Default (as defined in the Trust Deed) should not be treated as such, provided that in the opinion of the Trustee, the interests of Bondholders will not be materially prejudiced thereby. Any such modification, authorisation or waiver shall be binding on the Bondholders, and, if the Trustee so requires, such modification shall be notified to the Bondholders in accordance with Condition 19 as soon as practicable thereafter.

(c) *Substitution*

The Trustee may, without the consent of the Bondholders, agree to the substitution in place of the Issuer (or any previous substitute or substitutes under this Condition) as the principal debtor under the Bonds and the Trust Deed of any Subsidiary of the Issuer subject to (a) the Bonds being unconditionally and irrevocably guaranteed by the Issuer, and (b) the Bonds continuing to be exchangeable for the Exchange Property as provided in these Conditions *mutatis mutandis* as provided in these Conditions, with such amendments as the Trustee shall consider appropriate provided that in any such case, (x) the Trustee being satisfied that the interests of the Bondholders will not be materially prejudiced by the substitution, and (y) certain other conditions set out in the Trust Deed being complied with. In the case of such a substitution the Trustee may agree, without the consent of the Bondholders, to a change of the law governing the Bonds and/or the Trust Deed provided that such change would not in the opinion of the Trustee be materially prejudicial to the interests of the Bondholders. Any such substitution shall be binding on

the Bondholders and shall be notified promptly to the Bondholders in accordance with Condition 19.

(d) Entitlement of the Trustee

In connection with the exercise of its functions (including but not limited to those referred to in this Condition) the Trustee shall have regard to the interests of the Bondholders as a class and, in particular but without limitation, shall not have regard to the consequences of the exercise of its trusts, powers or discretions for individual Bondholders resulting from their being for any purpose domiciled or resident in, or otherwise connected with, or subject to the jurisdiction of, any particular territory, and the Trustee shall not be entitled to require, nor shall any Bondholder be entitled to claim, from the Issuer or any other person any indemnification or payment in respect of any tax consequence of any such exercise upon individual Bondholders.

17. Enforcement

The Trustee may at any time, at its discretion and without notice, take such steps, actions or proceedings against the Issuer as it may think fit to enforce the provisions of the Trust Deed and the Bonds, but it shall not be bound to take any such steps, actions or proceedings or any other action in relation to the Trust Deed or the Bonds unless (i) it shall have been so directed by an Extraordinary Resolution of the Bondholders or so requested in writing by the holders of at least one-quarter in principal amount of the Bonds then outstanding, and (ii) 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 the failure shall be continuing.

18. The Trustee

The Trust Deed contains provisions for the indemnification of the Trustee and for its relief from responsibility, including relieving it from taking proceedings unless indemnified and/or secured and/or prefunded to its satisfaction. The Trustee is entitled to enter into business transactions with the Issuer and any entity related to the Issuer without accounting for any profit. The Trustee may rely without liability to Bondholders on a report, confirmation or certificate or any advice of any accountants, financial advisers or investment bank, whether or not addressed to it and whether their liability in relation thereto is limited (by its terms or by any engagement letter relating thereto entered into by the Trustee or in any other manner) by reference to a monetary cap, methodology or otherwise. The Trustee shall be obliged to accept and be entitled to rely on any such report, confirmation or certificate or advice where the Issuer procures delivery of the same pursuant to its obligation to do so under any provision of these Conditions or the Trust Deed and such report, confirmation or certificate or advice shall be binding on the Issuer, the Trustee and the Bondholders in the absence of manifest error.

The Trustee has no responsibility for delivery of Exchange Property to Bondholders nor for the value or sufficiency of the Exchange Property.

The Trustee shall not be responsible for loss, diminution in value or theft of all or part of the Exchange Property.

The Trustee shall not be required to take any steps to ascertain whether any Relevant Event or any event which could lead to a Relevant Event has occurred or may occur and will not be responsible or liable to Bondholders or any other person for any loss arising from any failure or delay by it to do so.

19. Notices

All notices regarding the Bonds will be valid if published through the electronic communication system of Bloomberg and (so long as the Bonds are listed on the Official List of the Luxembourg

Stock Exchange and admitted to trading on the Luxembourg Stock Exchange's Euro MTF Market and the rules of that Stock Exchange so require) published in a leading daily newspaper with general circulation in Luxembourg (which is expected to be the *Luxemburger Wort*) or, to the extent and in the manner permitted by such rules and regulations, published on the website of the Luxembourg Stock Exchange (*www.bourse.lu*). The Issuer shall also ensure that all notices are duly published (if such publication is required) in a manner which complies with the rules and regulations of any stock exchange or other relevant authority on which the Bonds are for the time being listed and/or admitted to trading. Any such notice shall be deemed to have been given on the date of such notice. If publication as provided above is not practicable, notice will be given by publication in a newspaper of general circulation in London (which is expected to be the *Financial Times*), or as otherwise approved by the Trustee.

However, so long as the Bonds are represented by a global Bond registered in the name of, and held by a nominee or on behalf of, a common depositary for Euroclear or Clearstream, Luxembourg, notices to Bondholders shall instead be given by the delivery of the relevant notice to Euroclear and/or Clearstream, Luxembourg as the case may be.

20. Replacement of Bonds

If any Bond 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 Bonds must be surrendered before replacements will be issued.

21. Further Issues

The Issuer may from time to time without the consent of the Bondholders create and issue further notes, bonds or debentures either having the same terms and conditions in all respects as the outstanding notes, bonds or debentures of any series (including the Bonds) or in all respects except for the first payment of interest on them and the first date on which exchange rights may be exercised and so that such further issue shall be consolidated and form a single series with the outstanding notes, bonds or debentures of any series (including the Bonds) or upon such terms as to interest, exchange, premium, redemption and otherwise as the Issuer may determine at the time of their issue. Any further notes, bonds or debentures forming a single series with the outstanding notes, bonds or debentures of any series (including the Bonds) constituted by the Trust Deed or any deed supplemental to it shall, and any other notes, bonds or debentures 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 notes, bonds or debentures of other series in certain circumstances where the Trustee so decides.

22. Contracts (Rights of Third Parties) Act 1999

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

23. Governing Law and Jurisdiction

(a) Governing law

The Trust Deed, the Agency Agreement and the Bonds and any non-contractual obligations arising out of or in connection with them are governed by, and shall be construed in accordance with, English law. The provisions of Articles 86 to 94-8 of the Luxembourg law of 10 August 1915 on commercial companies, as amended, are hereby excluded to the extent that they would have been applicable.

(b) ***Jurisdiction***

The courts of England are to have jurisdiction to settle any disputes which may arise out of or in connection with the Trust Deed, the Agency Agreement or the Bonds (including any non-contractual obligations) and accordingly any legal action or proceedings arising out of or in connection with the Trust Deed, the Agency Agreement or the Bonds (including any non-contractual obligations) (“**Proceedings**”) may be brought in such courts. The Issuer has in the Trust Deed and the Agency Agreement irrevocably submitted to the jurisdiction of such courts and has waived any objection to Proceedings in such courts whether on the ground of venue or on the ground that the Proceedings have been brought in an inconvenient forum. This submission is made for the benefit of the Trustee and each of the Bondholders and shall not limit the right of any of them to take Proceedings against the Issuer in any other court of competent jurisdiction nor shall the taking of Proceedings in one or more jurisdictions preclude the taking of Proceedings in any other jurisdiction (whether concurrently or not).

(c) ***Agent for Service of Process***

The Issuer will receive service of process in England in connection with any Proceedings at its London representative office for the time being (currently at 10 Paternoster Square, London EC4M 7AL). If for any reason the Issuer does not have a London representative office, it will promptly appoint a substitute agent to receive service of process in England in connection with any Proceedings and promptly notify the Trustee and the Bondholders of any such appointment. Service of process in respect of such Proceedings may also be made in any other manner permitted by law.

SUMMARY OF PROVISIONS RELATING TO THE BONDS IN GLOBAL FORM

General

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 these Listing Particulars. 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.

Exchange

The Global Bond will be exchangeable in whole but not in part (free of charge to the holder) for individual definitive registered Bonds if (a) either Euroclear or Clearstream, Luxembourg (or any other clearing system as shall have been designated by the Issuer and approved by the Trustee on behalf of which the Bonds evidenced by such Global Bond may be held) 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, (b) there shall have occurred and be continuing an Event of Default or (c) the Issuer would suffer a disadvantage as a result of a change in laws or regulations (taxation or otherwise) or as a result of a change in the practice of Euroclear and/or Clearstream, Luxembourg which would not be suffered were the Bonds in definitive registered form and a certificate to such effect signed by two directors of the Issuer is given to the Trustee. Thereupon (in the case of (a) and (b) above) the holder of the Global Bond or the Trustee may give notice to the Issuer, and (in the case of (c) above) the Issuer may give notice to the Trustee, the Principal Paying, Transfer and Exchange Agent, the Registrar and the Bondholders, of its intention to exchange such Global Bond for definitive registered Bonds on or after the Exchange Date (as defined below).

On or after the Exchange Date, the holder of the Global Bond may or, in the case of (c) above, shall surrender such Global Bond to or to the order of the Registrar. In exchange for the Global Bond, the Issuer will deliver, or procure the delivery of, an equal aggregate principal amount of duly executed and authenticated definitive Bonds 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. Such definitive registered Bonds will be registered in the name of the accountholders at Clearstream, Luxembourg and Euroclear which previously had Bonds credited to the accounts.

“Exchange Date” means a day falling not less than 60 days after that on which the notice requiring exchange is given and on which the banks are open for business in the city in which the specified office of the Registrar is located.

The Conditions are modified as follows in so far as they apply to the Bonds represented by the Global Bond as issued.

Exchange Rights

Subject to the requirements of Euroclear and Clearstream, Luxembourg, the Exchange Rights attaching to Bonds represented by the Global Bond may be exercised by the presentation of one or more Exchange Notices duly completed by or on behalf of a holder of a book-entry interest in such Bond together with the Global Bond to the Principal Paying, Transfer and Exchange Agent or such other Agent as shall have been notified to the holder of the Global Bond for such purpose for annotation and the principal amount of the Bonds will be reduced in the Register accordingly. The provisions of Condition 7 of the Bonds will otherwise apply.

Redemption at the Option of the Issuer

The options of the Issuer provided for in Condition 11(b) shall be exercised by the Issuer giving notice to the Bondholders within the time limits set out in, and containing the information required by, that Condition.

Redemption at Option of the Bondholders

The Bondholders' put option in Condition 11(c) may be exercised by the holder of the Global Bond giving notice to the Principal Paying, Transfer and Exchange Agent of the principal amount of Bonds in respect of which the relevant option is exercised and presenting the Global Bond for endorsement or exercise within the time limits specified in such Conditions.

Redemption or Purchase and Cancellation

Cancellation of any Bond following its redemption, purchase or the exercise of Exchange Rights will be effected by reduction in the principal amount of the Bonds in the Register and endorsement by or on behalf of the relevant Agent on the Global Bond of the reduction in the principal amount of the Global Bond.

Payments

Payments of principal and interest in respect of Bonds represented by the Global Bond will be made against presentation and, if no further payment falls to be made in respect of the Bonds, surrender of the Global Bond to or to the order of the Principal Paying, Transfer and Exchange Agent or such other Agent as shall have been notified to the holder of the Global Bond for such purpose. A record of each payment so made will be endorsed in the appropriate schedule to the Global Bond, which endorsement will be prima facie evidence that such payment has been made.

Notices

So long as Bonds are represented by the Global Bond and the Global Bond is registered in the name of, and held by a nominee or on behalf of, a common depositary for Euroclear or Clearstream, Luxembourg, notices to the holders of such Bonds may be given by delivery of the relevant notice to the relevant clearing system for communication by it to entitled accountholders in substitution for notification, as required by the Conditions, except that the Issuer shall also ensure that all notices are duly published in a manner which complies with the rules and regulations of the Luxembourg Stock Exchange or other relevant authority on which the Bonds are for the time being listed and/or admitted to trading. Any such notice shall be deemed to have been given to Bondholders on the day the same has been delivered to the relevant clearing system.

Prescription

Claims against the Issuer in respect of principal and interest on the Bonds while the Bonds are represented by the Global Bond will become prescribed after a period of 10 years (in the case of principal) and five years (in the case of interest) from the appropriate Relevant Date (as defined in the Conditions).

Claims in respect of any other amounts payable in respect of the Bonds shall be prescribed and become void unless made within 10 years following the due date for payment thereof.

Trustee's Powers

In considering the interests of Bondholders while the Global Bond is registered in the name of a nominee for Euroclear and/or Clearstream, Luxembourg, the Trustee may, to the extent it considers it appropriate to do so in the circumstances, (a) 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 Bonds and (b) consider such interests on the basis that such accountholders were the holders of the Bonds represented by the Global Bond.

Enforcement

For the purposes of enforcement of the provisions of the Trust Deed against the Trustee, the persons named in a certificate of the holder of the Bonds represented by the Global Bond shall be recognised as the beneficiaries of the trusts set out in the Trust Deed to the extent of the principal amount of their interest in the Bonds set out in the certificate of the holder as if they were themselves the holders of Bonds in such principal amounts.

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.

Meetings

The holder of the Global Bond will be treated as having one vote in respect of each €1.00 in principal amount of Bonds represented by such Global Bond. The Trustee may allow to attend and speak (but not to vote) at any meeting of Bondholders any accountholder (or the representative of any such person) of a clearing system with an interest in the Bonds represented by such Global Bond on confirmation of entitlement and proof of his identity.

USE OF PROCEEDS

The net proceeds of the issue of the Bonds, amounting to €196,580,026.24 were used by the Issuer for its repurchase of its outstanding €500,000,000 Fixed Rate Step-up Notes due 2025 issued with 10,000 Warrants and for general corporate purposes.

ESPÍRITO SANTO FINANCIAL GROUP S.A.

Espírito Santo Financial Group S.A. (the “**Issuer**”) is a limited liability company (*société anonyme*) incorporated under Luxembourg law on 28 November 1984 for an unlimited duration. The Issuer is a financial holding company, holding and administering participating interests in other companies. It does not conduct business of its own. The registered office and principal place of business of the Issuer is located at 22-24 Boulevard Royal, L-2449 Luxembourg, Grand Duchy of Luxembourg and its telephone number is +352 265 728. The Issuer is registered with the Luxembourg Register of Commerce and Companies under number B-22.232.

Objects and corporate purpose

The corporate objects of the Issuer are set out in Article 3 of its *Statuts* and are as follows: (i) the acquisition, holding and disposal of participations directly or indirectly, in any form whatsoever, in Luxembourg companies and/or foreign companies or other entities, (ii) the acquisition by purchase, subscription or in any other manner as well as the transfer by sale, exchange or otherwise of stock, bonds, debentures, notes or other securities or any kind of instrument and contracts thereon or relative thereto, (iii) the direct and/or indirect financing of Luxembourg companies and/or foreign companies or other entities in which the Issuer holds a participation or which are members of its group, and (iv) the ownership, administration, development and management of the Issuer’s portfolio holdings.

The *Statuts* also provide that the Issuer may (i) grant any direct and/or indirect financial assistance whatsoever to the companies and/or enterprises in which it holds a participation or which are members of its group, in particular by granting loans, facilities or guarantees in any form and for any term whatsoever and provide them any advice and assistance in any form whatsoever, (ii) carry out any transactions, whether commercial or financial, which are directly or indirectly connected with its objects at the exclusion of any banking activity, and (iii) in general, carry out any operation which the Issuer may deem useful or necessary in the accomplishment and the development of its corporate purpose.

BANCO ESPÍRITO SANTO, S.A.

Banco Espírito Santo, S.A. is a bank incorporated in Portugal (with commercial registry and tax payer number 500 852 367) on 26th September, 1990, for an unlimited duration, and with limited liability (societies anonym), under the provisions of Decree-Law no. 262/86, of 2nd September, 1986, as amended. As of 31st December, 2012, the share capital of BES was EUR 5,040,124,063.26, represented by 4,017,928,471 ordinary registered book-entry shares with no par value. BES' activities are mainly governed by Decree-Law 298/92, of 31st December, 1992, as amended. BES' registered office is at 195 Avenida da Liberdade, 1250-142 Lisbon, Portugal.

RECENT DEVELOPMENTS

On 15 May 2014, the Issuer announced, together with Crédit Agricole, S.A., the following:

- (a) the dissolution and division of assets held by BESPARGPS, S.A. (“**BESPARG**”), the holding company incorporated in 1991 for the purposes of participating in the privatisation of Banco Espírito Santo, S.A. Following the dissolution of BESPARG, the Issuer now holds, directly or indirectly, a 27.36 per cent. of the share capital of Banco Espírito Santo, S.A. and Crédit Agricole, S.A. now holds 20.12 per cent.; and
- (b) the sale by the Crédit Agricole group to Companhia de Seguros Tranquilidade, S.A. of 10 per cent. of the share capital of ESAF – Espírito Santo Activos Financeiros, SGPS, S.A. and 50 per cent. of the share capital of BES, Companhia de Seguros, S.A. The Crédit Agricole group will cease to be a shareholder of those companies. Completion of the sale of shares is subject to market conditions, including with respect to BES, Companhia de Seguros, S.A. the approval of the relevant competent supervisory or regulatory authorities.

On 15 May 2014, Banco Espírito Santo, S.A. launched a capital increase of up to 1,607 million new ordinary shares in Banco Espírito Santo, S.A. at a subscription price of EUR 0.65 per new ordinary share, raising gross proceeds of up to EUR 1.045 billion. The capital increase will enable Banco Espírito Santo, S.A. to strengthen its capital ratios, leveraging on its competitive position in order to take advantage of the recovery of the Portuguese economy and to expand its international units, as well as creating additional capital buffers to face (i) the new regulatory framework known as CRD IV, applicable to EU financial institutions since 1 January 2014, aligning the fully loaded Basel III common equity tier 1 ratio with the new market benchmark; and (ii) the asset quality review and stress tests which will be performed before the ECB assumes the supervisory function of Portuguese banks at the end of 2014.

On 27 May 2014, the Issuer announced its decision to exercise a number of rights to subscribe for new shares in Banco Espírito Santo, S.A.’s rights issue process, which is expected to be completed by mid-June 2014, which would enable the Issuer to hold approximately 25 per cent. of the share capital of Banco Espírito Santo, S.A. immediately following the closing of the rights issue.

On 28 May 2014, the Issuer announced, together with Crédit Agricole, S.A., the conclusion by Crédit Agricole, S.A. group and ESFG of a placing of 667.3 million and 332.3 million pre-emptive rights (“Rights”) to subscribe for new shares of Banco Espírito Santo, S.A. respectively, via an accelerated bookbuilding process at a price of EUR 0.11 per Right. The settlement of the sale of the Rights is expected to occur on 2 June 2014. Crédit Agricole, S.A. group and ESFG will not sell any further Rights or shares of Banco Espírito Santo, S.A. prior to the closing of the Banco Espírito Santo, S.A. rights issue and will not sell their remaining shareholding in Banco Espírito Santo, S.A. during the period of 180 days following physical settlement of such rights issue.

TAXATION

EU Savings Directive

Under Council Directive 2003/48/EC on the taxation of savings income (the “**EU Savings Directive**”), Member States are required to provide to the tax authorities of other Member States details of certain payments of interest or similar income paid or secured by a person established in a Member State to or for the benefit of an individual resident in another Member State or certain limited types of entities established in another Member State.

On 24 March 2014, the Council of the European Union adopted a Council Directive amending and broadening the scope of the requirements described above. Member States are required to apply these new requirements from 1 January 2017. The changes will expand the range of payments covered by the EU Savings Directive, in particular to include additional types of income payable on securities. The EU Savings Directive will also apply a “look through approach” to payments made via certain persons, entities or legal arrangements (including trusts and partnerships), where certain conditions are satisfied, where an individual resident in a Member State is regarded as the beneficial owner of the payment for the purposes of the EU Savings Directive. This approach may in some cases apply where the person, entity or arrangement is established or effectively managed outside of the European Union.

For a transitional period, Austria and Luxembourg are instead required (unless during such period they elect otherwise) to operate a withholding tax in relation to such payments. The Luxembourg Government announced that it will no longer apply the withholding tax system as from 1 January 2015 and will then commence automatic information exchange under the EU Savings Directive.

The end of the transitional period is dependent upon the conclusion of certain other agreements relating to information exchange with certain other countries. A number of non-EU countries and territories, including Switzerland, have adopted equivalent measures (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 any 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 nor any paying agent nor any other person would be obliged to pay additional amounts with respect to any Note as a result of the imposition of such withholding tax. The Issuer is required to maintain a Paying Agent in a Member State that will not be obliged to withhold or deduct tax pursuant to the EU Savings Directive.

Investors who are in any doubt as to their position should consult their professional advisors.

The attention of Bondholders is drawn to Condition 13 of the “*Terms and Conditions of the Bonds*”.

The proposed financial transaction tax (“FTT”)

The European Commission has published a proposal for a Directive for a common FTT in certain participating Member States.

The proposed FTT has very broad scope and could, if introduced in its current form, apply to certain dealings in financial instruments (including secondary market transactions). The issuance and subscription of Bonds should, however, be exempt.

Under current proposals, the FTT could apply to persons both within and outside of the participating Member States. Generally, it would apply to certain dealings in financial instruments where at least one party is a financial institution, and at least one party is established in a participating Member State. A financial institution may be, or be deemed to be, “established” in a participating Member State in a broad range of circumstances, including (i) by transacting with a person established in a participating Member State or (ii) where the financial instrument which is subject to the dealings is issued in a participating Member State.

The proposed Directive remains subject to negotiation between the participating Member States. It may therefore be altered prior to any implementation, the timing of which remains unclear. Additional Member States may decide to participate.

Prospective holders of Bonds are advised to seek their own professional advice in relation to the FTT.

Luxembourg Taxation

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

The residence concept used under the respective headings below applies to Luxembourg income tax assessment purposes only. Any reference to a tax, duty, levy impost or other charge or withholding of a similar nature refers to Luxembourg tax law and/or concepts only. Also, a reference to Luxembourg income tax encompasses corporate income tax (*impôt sur le revenu des collectivités*), municipal business tax (*impôt commercial communal*), a solidarity surcharge (*contribution au fonds pour l'emploi*) as well as personal income tax (*impôt sur le revenu*) generally. Corporate investors may further be subject to net wealth tax (*impôt sur la fortune*) as well as other duties, levies or taxes. Corporate income tax, municipal business tax as well as the solidarity surcharge invariably apply to most corporate taxpayers resident of Luxembourg for tax purposes. Individual taxpayers are generally subject to personal income tax and the solidarity surcharge. Under certain circumstances, where an individual taxpayer acts in the course of the management of a professional or business undertaking, municipal business tax may apply as well.

Withholding Tax

(i) Non-resident holders of Bonds

Under Luxembourg general tax laws currently in force and subject to the application of the Luxembourg laws of 21 June 2005, as amended (the “**Laws**”) implementing the EU Savings Directive and several agreements concluded between Luxembourg and certain dependant territories of the European Union, there is no withholding tax on payments of interest (including accrued but unpaid interest) made to Luxembourg non-resident holders of Bonds. There is also no Luxembourg withholding tax, upon repayment of the principal or, subject to the application of the Laws, upon redemption or exchange of the Bonds.

Under the Laws, a Luxembourg based paying agent (within the meaning of the EU Savings Directive) is required since 1 July 2005 to withhold tax on interest and other similar income (including reimbursement premium received at maturity) paid by it to (or under certain circumstances, to the benefit of) an individual or a residual entity in accordance with article 4.2. of the EU Savings Directive (i.e. an entity without legal personality except for (1) a Finnish *avoin yhtiö* and *kommandiittiyhtiö / öppet bolag* and *kommanditbolag* and (2) a Swedish *handelsbolag* and *kommanditbolag*, and whose profits are not taxed under the general arrangements for the business taxation and that is not, or has not opted to be considered as, a UCITS recognised in accordance with Council Directive 85/611/EEC, as replaced by Directive 2009/65/EC) (“**Residual Entities**”), resident or established in another Member State of the European Union unless the beneficiary of the interest payments elects for an exchange of information. The same regime applies to payments to individuals or Residual Entities resident in any of the following territories: Aruba, British Virgin Islands, Guernsey, Isle of Man, Jersey, Montserrat and the former Netherlands Antilles (Bonaire, Curaçao, St. Maarten, St. Eustatius and Saba).

The withholding tax rate is currently 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 exchange with certain other countries. It has been publicly announced by the Luxembourg Government that, as from 1 January 2015, the withholding tax system will be replaced by an automatic exchange of information.

Responsibility for the withholding of the tax will be assumed by a Luxembourg paying agent.

(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**”), payments of interest or similar income made or ascribed by a paying agent established in Luxembourg to or for the immediate benefit of an individual beneficial owner who is a resident of Luxembourg or to certain residual entities that secure interest payments on behalf of such individuals (unless such entities have opted either to be treated as UCITS recognised in accordance with the Council Directive 85/611/EEC, as replaced by the Council Directive 2009/65/EC or for the exchange of information regime) will be subject to a withholding tax of 10 per cent. (the “**10% Luxembourg Withholding Tax**”). 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 a 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.

Taxation of the Bondholders

Taxation of Luxembourg non-residents

Bondholders who are non-residents of Luxembourg and who have neither a permanent establishment, permanent representative nor a fixed place of business in Luxembourg with which the holding of the Bonds is connected are not subject to any Luxembourg income tax on interest accrued or received, redemption premiums or issue discounts, under the Bonds. A gain realised by such non-resident of Luxembourg, on the sale or disposal, in any form whatsoever, of the Bonds is further not subject to Luxembourg income tax.

Taxation of Luxembourg residents

Luxembourg resident individuals

Luxembourg resident individuals, acting in the course of the management of their private wealth, are subject to Luxembourg income tax in respect of interest received, redemption premiums or issue discounts, under the Bonds, except if (i) withholding tax has been levied on such payments in accordance with the Law, or (ii) the individual holder of the Bonds has opted for the application of a 10% tax in full discharge of income tax in accordance with the Law (the “**10% Tax**”), which applies if a payment of interest has been made or ascribed by a paying agent established in a EU Member State (other than Luxembourg), or in a Member State of the European Economic Area (other than a EU Member State), or in a state that has entered into a treaty with Luxembourg relating to the EU Savings Directive.

Luxembourg resident individual holders of Bonds are not subject to taxation on capital gains upon the disposal of the Bonds, unless the disposal of the Bonds precedes the acquisition of the Bonds or the Bonds are disposed of within six months of the date of acquisition of the Bonds. Upon the sale, redemption or exchange of the Bonds, accrued but unpaid interest will be subject to the 10% Luxembourg Withholding Tax or to the 10% Tax if the Luxembourg resident individual holder of the Bonds opts for the 10% Tax, except if tax has been levied on such interest in accordance with the Law.

Luxembourg resident individual holders of Bonds acting in the course of the management of a professional or business undertaking must include any interest accrued or received, any redemption premium or issue discount, as well as any gain realised on the sale or disposal, in any form whatsoever, of the Bonds in its taxable basis for income tax purposes. If applicable, the 10% Luxembourg Withholding Tax levied in accordance with the Law will be credited against their final income tax liability.

Luxembourg resident companies

Luxembourg resident corporate holders of Bonds or foreign entities of the same type which have a permanent establishment or a permanent representative in Luxembourg with which the holding of the Bonds is connected, must include in their taxable income any interest accrued or received, any redemption premium or issue discount, as well as any gain realised on the sale or disposal of the Bonds.

Luxembourg resident companies benefiting from a special tax regime

Bondholders who are undertakings for collective investment subject to the law of 17 December 2010 or to the law of 13 February 2007 on specialised investment funds, as amended, are tax exempt entities in Luxembourg, and are thus not subject to any Luxembourg tax (i.e. corporate income tax, municipal business tax and net wealth tax), in respect of interest accrued or received, any redemption premium or issue discount, nor on gains realised on the sale or disposal of the Bonds. Bondholders who are companies subject to the law of 11 May 2007 on family estate management companies, as amended, are also not subject to income tax.

Net Wealth Tax

Luxembourg resident investors or non-resident investors who have a permanent establishment or a permanent representative in Luxembourg to which the Bonds are attributable, are subject to Luxembourg net wealth tax on such Bonds, except if the investor is (i) a resident or non-resident individual taxpayer, (ii) an undertaking for collective investment subject to the law of 17 December 2010, (iii) a securitisation company governed by the amended law of 22 March 2004 on securitisation, (iv) a company governed by the amended law of 15 June 2004 on venture capital vehicles, (v) a specialised investment fund subject to the law of 13 February 2007 or (vi) or a family wealth management company governed by the amended law of 11 May 2007.

Other Taxes

There is no Luxembourg registration tax, stamp duty or any other similar tax or duty payable in Luxembourg by holders of Bonds as a consequence of the issuance of the Bonds, nor will any of these taxes be payable as a consequence of a subsequent transfer, repurchase or redemption of the Bonds, unless the documents relating to the Bonds are voluntarily registered in Luxembourg. Proceedings in a Luxembourg court or the presentation of documents relating to the Bonds, other than the Bonds themselves, to an “*autorité constituée*” may require registration of the documents, in which case the documents will be subject to registration duties depending on the nature of the documents.

Under present Luxembourg tax law, where an individual holder of Bonds is a resident for inheritance tax purposes of Luxembourg at the time of his/her death, the Bonds are included in his or her taxable estate for inheritance tax purposes. Gift tax may be due on a gift or donation of the Bonds, if the gift is recorded in a Luxembourg deed.

GENERAL INFORMATION

1. Authorisation

The creation and issue of the Bonds has been authorised by resolutions of the Board of Directors of the Issuer passed on 22 November 2013.

2. Documents available

For so long as any Bonds are outstanding, executed copies of the following documents in respect of the Bonds will, when published, be available free of charge during usual business hours at the specified offices of the Paying, Transfer and Exchange Agents:

- (a) these Listing Particulars;
- (b) the Paying, Transfer and Exchange Agency Agreement;
- (c) the Trust Deed;
- (d) the constitutional documents of the Issuer;
- (e) Issuer's annual report and consolidated financial statements 2013 (including the auditors' report);
- (f) the Issuer's consolidated financial statements (including the auditors' report) for the financial year ended 31 December 2012;
- (g) the unaudited consolidated financial statements of the Issuer for the three month period ended 31 March 2014;
- (h) Banco Espírito Santo, S.A.'s annual report 2013, financial statements and notes to the financial statements for the financial year ended 31 December 2013 and corporate governance report 2013;
- (i) Banco Espírito Santo, S.A.'s annual report and consolidated financial statements 2012 (including the auditors' report);
- (j) the unaudited consolidated financial statements of Banco Espírito Santo, S.A. for the three month period ended 31 March 2014; and
- (k) the most recently published audited non-consolidated annual financial statements and unaudited non-consolidated half-yearly financial statements of the Issuer, in each case together with any audit or review reports prepared in connection therewith.

The Issuer currently prepares audited consolidated accounts on an annual basis and unaudited consolidated interim accounts on a quarterly basis.

Banco Espírito Santo, S.A. also currently prepares audited consolidated accounts on an annual basis and unaudited consolidated interim accounts on a quarterly basis. Copies of the annual and interim accounts for Banco Espírito Santo, S.A. are available on Banco Espírito Santo, S.A.'s website. Notices of Banco Espírito Santo, S.A.'s general meetings are published on the Portuguese Securities Market Commission's website.

In addition, a copy of these Listing Particulars and each document incorporated by reference are available on the Luxembourg Stock Exchange's website at www.bourse.lu.

Banco Espírito Santo, S.A.'s Bylaws are available on its website at <http://www.bes.pt/sitebes/cms.aspx?plg=c4ed17d9-af34-4c5b-bfc8-e544e7748b91>.

3. Clearing Systems

The Bonds have been accepted for clearance through the Clearstream, Luxembourg and Euroclear systems with a Common Code of 099753927. The International Securities Identification Number (ISIN) for the Bonds is XS0997539274.

4. Yield

The yield to maturity of the Bonds is 3.125 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.

5. Litigation

Save as disclosed in these Listing Particulars, neither the Issuer nor any member of ESFG is or has been involved in any governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the Issuer is aware) during a period covering at least the twelve months preceding the date of this document which may have, or have had, in such period a significant effect on the financial position or profitability of the Issuer or ESFG.

Disputes relating to Banco Privado Português, S.A. (“BPP”)

Banco Espírito Santo, S.A. and other BES companies judicially and extra-judicially have challenged the triggering of payouts under the Portuguese Investor Compensation Scheme (“PICS”) due to the insolvency of BPP. BES believes that when BPP’s financial difficulties began, the legal framework of the PICS did not cover BPP investor rights in a way that should trigger payouts. Such rights were only encompassed within the PICS through a later amendment, the constitutionality and retroactive application of which is questionable. Banco Espírito Santo, S.A. and other BES companies are co-plaintiffs in related administrative proceedings which are currently underway against the PICS. In October 2011, the PICS made public a draft decision requiring the payment of contributions of EUR 20,997,622.80 by Banco Espírito Santo, S.A. individually and EUR 24,453,648.27 by all BES companies that participate in the PICS, including Banco Espírito Santo, S.A. The issue of whether Banco Espírito Santo, S.A. and the other BES companies are bound by this payment obligation is currently being disputed. Following the PICS decision, Banco Espírito Santo, S.A. and BES companies stated their disagreement in a Portuguese court, made payment under protest and, together with other financial institutions, presented a claim contesting the resolution to trigger payouts under the PICS. These proceedings are presently awaiting trial in Portugal.

Separately, in December 2008, various banks, including Banco Espírito Santo, S.A., extended a loan to BPP with a guarantee from the Portuguese state. Following BPP’s default, the Portuguese banks enforced the guarantee granted by the Portuguese state. In April 2011, Privado Clientes—Associação de Defesa dos Clientes do Banco Privado Português, an association for the protection of BPP client interests, initiated judicial proceedings to invalidate the payments made by the Portuguese state to the Portuguese banks and to request the restitution to the state of the amounts paid out under the guarantee, Banco Espírito Santo, S.A. having been paid EUR 80 million. Banco Espírito Santo, S.A. presented its defence in June 2011 and the resolution of the case is currently pending in a Portuguese court.

Investigation by the Competition Authority in Portugal

On 6 March 2013, the Competition Authority of Portugal, (*Autoridade da Concorrência*), searched the premises of various banks, including Banco Espírito Santo, S.A., under infringement proceedings (PRC/2012/9). The search was performed to obtain evidence of the exchange of commercially sensitive information allegedly related to collusion in the markets of mortgage lending, consumer lending, commercial lending, deposits, structured products and banking products-related insurance. The case is currently under investigation and its conclusion is expected within the current year.

Espírito Santo Bank Legal Proceedings

In December 2013, a claim was filed with the United States Bankruptcy Court, Southern District of Florida, against Espírito Santo Bank by the trustee of Banco Santos S.A., a Brazilian bank that was subject to a bankruptcy proceeding in 2005. The complaint refers to alleged collusion and participation of Espírito Santo Bank in illicit activities carried out by members of Banco Santos S.A. management, including fraud and money laundering. U.S.\$38.7 million is claimed for losses and damages. Espírito Santo Bank contested the accusations and filed a motion to dismiss in February 2014. A court hearing on this motion is scheduled for 9 June 2014.

Allegations of violation on Spanish anti-money laundering laws

On 24 March 2014, a Spanish branch of Banco Espírito Santo, S.A. was fined EUR 1.2 million for alleged infringement of Spanish anti-money laundering laws. The penalties relate to two specific clients. Banco Espírito Santo, S.A. contested the penalties and has filed an appeal in a Spanish court, which is currently pending. Banco Espírito Santo, S.A. believes that it implements best practices and rigorously complies with anti-money laundering laws.

Legal proceedings regarding Banco Espírito Santo, S.A. directors and top management

Allegations of improper trading by Banco Espírito Santo, S.A. staff

In August 2007, a senior Banco Espírito Santo, S.A. manager was accused by the Portuguese Public Prosecutor of the crime of trading in influence within his duties at the bank. The proceedings ended with the acquittal of the staff member, but the Public Prosecutor appealed the decision and a final decision by a court of appeal is expected in the second half of 2014.

Insider trading investigation in Portugal

Two directors of Banco Espírito Santo, S.A. and three employees of Banco Espírito Santo, S.A. are currently under investigation by the Portuguese Public Prosecutor's Office for insider trading. Several managers and employees of Banco Espírito Santo, S.A. provided statements to the Portuguese Public Prosecutor's Office in order to explain the legality of the operations under investigation and to demonstrate that no insider information was revealed or used. Banco Espírito Santo, S.A. is actively cooperating with the authorities in order to clarify facts in question and show their absolute compliance with the law.

Investigation in Portugal

A director of BES was investigated by public prosecutors in Portugal regarding allegations of improper trading. The director in question cooperated actively with the authorities to clarify the facts and to demonstrate that they are in full compliance with the law. The proceedings are confidential.

6. Significant or material change

Save as disclosed in these Listing Particulars, there has been no significant change in the financial or trading position of the Issuer or ESFG since 31 December 2013, the date of the Issuer's most recently published financial statements which are incorporated by reference in this document in "*Documents Incorporated by Reference*", were prepared.

Save as disclosed in these Listing Particulars, there has been no material adverse change in the financial position or prospects of the Issuer or ESFG since 31 December 2013, the date to which the last audited consolidated financial statements of the Issuer, which are incorporated by reference in this document in "*Documents Incorporated by Reference*", were prepared.

7. Auditors

The auditors of the Issuer for the three financial years ended 31 December 2013, 2012 and 2011 were KPMG Luxembourg S.à r.l., chartered accountants (a *réviseur d'entreprises agréé* and a member of the

Luxembourg *Institut des Réviseurs d'Entreprises Agréés*), whose registered address is at 9 Allée Scheffer, L-2520 Luxembourg, Grand Duchy of Luxembourg. KPMG have audited the consolidated financial statements of the Issuer for the three financial years ended 31 December 2013, 2012 and 2011 in accordance with international standards on auditing as adopted for Luxembourg by the CSSF.

8. Issue and subscription of the Bonds

The Bonds were issued pursuant to a subscription agreement dated 25 November 2013 between the Issuer, Nomura International plc, Banco Espírito Santo de Investimento, S.A. and UBS Limited (together, the **Joint Bookrunners**), pursuant to which the Joint Bookrunners subscribed and paid for, or procured subscriptions and payment for, the Bonds.

9. BES Shares

The BES Shares (ISIN: PTBES0AM0007) are traded under the symbol "BES". The table below sets out, for the periods indicated, the reported high and low closing sales prices per BES Share on which are listed on NYSE Euronext Lisbon, the principal market for the BES Shares.

Period	<i>Price per BES Share</i>	
	<i>High</i>	<i>Low</i>
<i>(in €)</i>		
2011		
First Quarter	1.979	1.506
Second Quarter	1.836	1.461
Third Quarter	1.617	1.104
Fourth Quarter	1.188	0.597
2012		
First Quarter	1.041	0.688
Second Quarter	0.796	0.442
Third Quarter	0.702	0.466
Fourth Quarter	0.910	0.573
2013		
First Quarter	1.152	0.785
Second Quarter	0.923	0.606
Third Quarter	0.909	0.545
Fourth Quarter	1.083	0.808
2014		
First Quarter	1.460	1.047

(Source: Bloomberg)

REGISTERED OFFICE OF THE ISSUER

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