



ESFIL - Espírito Santo Financière 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-46.338)

€150,000,000

4.50 per cent. Guaranteed Notes due 2011

unconditionally and irrevocably guaranteed by

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)

Issue Price: 99.619 per cent.

The €150,000,000 4.50 per cent. Guaranteed Notes due 2011 (the **Notes**) are issued by ESFIL - Espírito Santo Financière S.A. (the **Issuer**). The payment of all amounts payable by the Issuer in respect of the Notes will be unconditionally and irrevocably guaranteed by Espírito Santo Financial Group S.A. (**ESFG** or the **Guarantor**).

Interest on the Notes will be payable annually in arrear on 31 May of each year. Interest will accrue from and including 28 May 2009 to but excluding 31 May 2011.

The Notes mature on 31 May 2011. The Issuer, may at its option, redeem all (but not some only) of the Notes at any time at par plus accrued interest, in the event of certain tax changes described under “*Terms and Conditions of the Notes – Redemption and Purchase*”.

Application has been made to the *Commission de Surveillance du Secteur Financier* (the **CSSF**) in its capacity as competent authority under the Luxembourg Act dated 10 July 2005 on prospectuses for securities (the **Luxembourg Act**) to approve this document as a prospectus and to the Luxembourg Stock Exchange for the listing of the Notes on the Official List of the Luxembourg Stock Exchange and admission to trading on the Luxembourg Stock Exchange’s regulated market. The Luxembourg Stock Exchange’s Regulated Market is a regulated market for the purposes of Directive 2004/39/EC (the *Markets in Financial Instruments Directive*) and Directive 2003/71/EC (the *Prospectus Directive*).

The Notes will be rated A2 by Moody’s Investors Service, Inc. (**Moody’s**) and A- by Fitch Ratings Limited (**Fitch Ratings**). Moody’s has indicated that it has placed its rating under review for possible downgrade. A rating is not a recommendation to buy, sell or hold securities and may be subject to revision, suspension or withdrawal at any time by the assigning rating organisation.

The Notes will initially be represented by a temporary global note (the **Temporary Global Note**), without interest coupons, which will be issued in new global note (NGN) form. The Temporary Global Note will be delivered on or about 28 May 2009 (the **Closing Date**) to a common safekeeper for Euroclear Bank S.A./N.V. (**Euroclear**) and Clearstream Banking, société anonyme (**Clearstream, Luxembourg**). The Temporary Global Note will be exchangeable for interests recorded in the records of Euroclear and Clearstream, Luxembourg in a permanent global note (the **Permanent Global Note** and, together with the Temporary Global Note, the **Global Notes**), without interest coupons, on or after 8 July 2009 (the **Exchange Date**), upon certification as to non-U.S. beneficial ownership.

An investment in Notes involves certain risks. Prospective investors should have regard to the factors described under the heading “Risk Factors” on page 5.

Credit Suisse

Espírito Santo Investment

The date of this Prospectus is 26 May 2009

This Prospectus comprises a prospectus for the purposes of Article 5.3 of Directive 2003/71/EC (the **Prospectus Directive**).

The Issuer and the Guarantor accept responsibility for the information contained in this Prospectus. To the best of the knowledge of the Issuer and the Guarantor (each having taken all reasonable care to ensure that such is the case) the information contained in this Prospectus is in accordance with the facts and does not omit anything likely to affect the import of such information.

This Prospectus is to be read in conjunction with all documents which are deemed to be incorporated herein by reference (see “*Documents Incorporated by Reference*”). This Prospectus should be read and construed on the basis that such documents are incorporated and form part of the Prospectus.

No representation, warranty or undertaking, express or implied, is made and to the fullest extent permitted by law, no responsibility or liability is accepted by the Managers (as defined in “*Subscription and Sale*”) as to the accuracy or completeness of the information contained or incorporated in this Prospectus or any other information provided by the Issuer or the Guarantor in connection with the offering of the Notes. No Manager accepts any liability in relation to the information contained or incorporated by reference in this Prospectus or any other information provided by the Issuer or the Guarantor in connection with the offering of the Notes or their distribution.

No person is or has been authorised by the Issuer, the Guarantor or the Managers to give any information or to make any representation not contained in or not consistent with this Prospectus or any other information supplied in connection with the offering of the Notes and, if given or made, such information or representation must not be relied upon as having been authorised by the Issuer, the Guarantor or the Managers.

Neither this Prospectus nor any other information supplied in connection with the offering of the Notes (a) is intended to provide the basis of any credit or other evaluation or (b) should be considered as a recommendation by the Issuer, the Guarantor or the Managers that any recipient of this Prospectus or any other information supplied in connection with the offering of the Notes should purchase any Notes. Each investor contemplating purchasing any Notes should make its own independent investigation of the financial condition and affairs, and its own appraisal of the creditworthiness, of the Issuer and the Guarantor. Neither this Prospectus nor any other information supplied in connection with the offering of the Notes constitutes an offer or invitation by or on behalf of the Issuer, the Guarantor or the Managers to any person to subscribe for or to purchase any Notes.

Neither the delivery of this Prospectus nor the offering, sale or delivery of the Notes shall in any circumstances imply that the information contained herein concerning the Issuer, the Guarantor or the ESFG Group is correct at any time subsequent to the date hereof or that any other information supplied in connection with the offering of the Notes is correct as of any time subsequent to the date indicated in the document containing the same. The Managers expressly do not undertake to review the financial condition or affairs of the Issuer or the Guarantor during the life of the Notes or to advise any investor in the Notes of any information coming to their attention.

The Notes have not been and will not be registered under the United States Securities Act of 1933, as amended, (the **Securities Act**) and are subject to U.S. tax law requirements. Subject to certain exceptions, the Notes may not be offered, sold or delivered within the United States or to U.S. persons. For a further description of certain restrictions on the offering and sale of the Notes and on distribution of this document, see “*Subscription and Sale*” below.

This Prospectus does not constitute an offer to sell or the solicitation of an offer to buy the Notes in any jurisdiction to any person to whom it is unlawful to make the offer or solicitation in such jurisdiction. The distribution of this Prospectus and the offer or sale of Notes may be restricted by law in certain jurisdictions. None of the Issuer, the Guarantor or the Managers represent that this Prospectus may be lawfully distributed, or that the Notes may be lawfully offered, in compliance with any applicable registration or other

requirements in any such jurisdiction, or pursuant to an exemption available thereunder, or assume any responsibility for facilitating any such distribution or offering. In particular, no action has been taken by the Issuer, the Guarantor or the Managers which is intended to permit a public offering of the Notes or the distribution of this Prospectus in any jurisdiction where action for that purpose is required. Accordingly, no Notes may be offered or sold, directly or indirectly, and neither this Prospectus nor any advertisement or other offering material may be distributed or published in any jurisdiction, except under circumstances that will result in compliance with any applicable laws and regulations. Persons into whose possession this Prospectus or any Notes may come must inform themselves about, and observe, any such restrictions on the distribution of this Prospectus and the offering and sale of Notes. In particular, there are restrictions on the distribution of this Prospectus and the offer or sale of Notes in the United States and the United Kingdom, see “*Subscription and Sale*”.

Unless a specific source is identified, all information regarding market and other operating and statistical data provided in this document is based on the ESFG Group’s own estimates. In making estimates, the ESFG Group relies on data produced internally and, where appropriate, external sources, including information made public by other market participants or associations, such as the Association of Mutual Funds, Pension Plans and Asset Management Companies and the Portuguese Association of Insurance Companies. As far as ESFG is aware and is able to ascertain from such external sources, no facts have been omitted which would render any such information or data presented in this document inaccurate or misleading. However, although publications prepared by other market participants or associations generally state that the information they contain has been obtained from sources believed to be reliable, the accuracy and completeness of such information is not guaranteed and neither ESFG nor any other member of the ESFG Group has independently verified such information.

Certain terms used in this document, including capitalised terms, are defined and explained in “Definitions”.

Certain of the Managers and their affiliates have engaged, and may in the future engage, in investment banking and/or commercial banking transactions with, and may perform services to, the Issuer, the Guarantor and their affiliates in the ordinary course of business.

IN CONNECTION WITH THE ISSUE OF THE NOTES, CREDIT SUISSE SECURITIES (EUROPE) LIMITED AS STABILISING MANAGER (THE STABILISING MANAGER) (OR PERSONS ACTING ON BEHALF OF THE STABILISING MANAGER) MAY OVER-ALLOT NOTES OR EFFECT TRANSACTIONS WITH A VIEW TO SUPPORTING THE MARKET PRICE OF THE NOTES AT A LEVEL HIGHER THAN THAT WHICH MIGHT OTHERWISE PREVAIL. HOWEVER, THERE IS NO ASSURANCE THAT THE STABILISING MANAGER (OR PERSONS ACTING ON BEHALF OF THE STABILISING MANAGER) WILL UNDERTAKE STABILISATION ACTION. ANY STABILISATION ACTION MAY BEGIN ON OR AFTER THE DATE ON WHICH ADEQUATE PUBLIC DISCLOSURE OF THE TERMS OF THE OFFER OF THE NOTES IS MADE AND, IF BEGUN, MAY BE ENDED AT ANY TIME, BUT IT MUST END NO LATER THAN THE EARLIER OF 30 DAYS AFTER THE CLOSING DATE OF THE NOTES AND 60 DAYS AFTER THE DATE OF THE ALLOTMENT OF THE NOTES. ANY STABILISATION ACTION OR OVER-ALLOTMENT MUST BE CONDUCTED BY THE STABILISING MANAGER (OR PERSONS ACTING ON BEHALF OF THE STABILISING MANAGER) IN ACCORDANCE WITH ALL APPLICABLE LAWS AND RULES.

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 pursuant to the Treaty establishing the European Community, as amended.

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RISK FACTORS

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

In addition, factors which are material for the purpose of assessing the market risks associated with the Notes are described below.

The Issuer and the Guarantor believe that the factors described below represent the principal risks inherent in investing in the Notes, but the inability of the Issuer or the Guarantor to pay interest, principal or other amounts on or in connection with the Notes may occur for other reasons which may not be considered significant risks by the Issuer or the Guarantor based on information currently available to them or which they may not currently be able to anticipate. Prospective investors should consider carefully the following information and also read the detailed information set out elsewhere in this Prospectus and reach their own views prior to making any investment decision relating to the Notes.

Factors that may affect the Issuer's or the Guarantor's ability to fulfil its obligations under the Notes

Risks relating to the ESFG Group

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

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

Deterioration of the economic environment

During the first half of 2008, the ongoing financial crisis ran concurrently with a substantial increase in the price of commodities, most notably oil. This was followed, in the second half of 2008, by a dramatic fall in prices as investors saw the inevitable spread of the financial turmoil to the general economic environment. In the last quarter of 2008, the financial markets experienced particularly negative performances after the declarations of insolvency of several leading financial institutions. This situation caused significant disruptions to world markets in relation to liquidity and funding, furthermore it has placed considerable pressure on the core business of many investment banks, commercial banks and insurance companies globally.

Principal economies have now entered into a recessionary period despite concerted efforts by governments and economic groups to revive beleaguered businesses and consumers by coordinated reductions in interest rates and fiscal stimulus packages.

Within this context, and when recognising the complexity of these unprecedented events, the following points, outlining possible challenges for the ESFG Group, are made:

- There has been a general slowdown in the business of ESFG's principal subsidiaries. The increase in the cost of funding and a reduction of share prices and in asset values has led to a reduction in profitability at ESFG. If there were a worsening of these circumstances ESFG could suffer further. A worsening of the current economic environment might jeopardise further strategic expansion.
- ESFG is exposed to risk of loss if financial institutions or other counterparties become insolvent or are not able to meet their obligations.

- Numerous financial institutions worldwide have received support through various rescue plans and other types of support by their respective governments. ESFG is unable to predict for how much longer governments will continue this support. Any failure by governments might lead to a worsening of the position of some banks and insurance companies and might cause further insolvencies and a loss of confidence in the global banking system.
- As previously mentioned several European countries, as well as the United States and other globally significant economies, are in recession. This worsening situation could adversely affect ESFG's financial condition and results of operations by reducing business activity and profitability. Such an impact could lead to dividend cuts which may affect the trading prices of ESFG's shares. Additionally, results from investments could also be adversely affected through the recognition of losses, impairments or write downs of investments on a consolidated basis.

In summary the developments relating to the current economic and financial environments are unfavourable. These potential developments, outlined above, could have a materially adverse effect on ESFG's business, financial condition and operational results.

The core businesses of the ESFG Group are banking (taking deposits and using them and other borrowings to make loans), selling life and non-life insurance and other financial activities. As its operations are concentrated mainly in Portugal, the state of the Portuguese economy affects the performance of the ESFG Group. In addition, the ESFG Group's performance, results of operations and financial condition are also affected by the economic conditions and levels of economic activity in other countries where the ESFG Group operates, such as Spain, Brazil and Angola. A downturn in the economy of any of these countries, particularly in Portugal, could lead to an increase in the defaults by the ESFG Group's customers on the loans extended to them, as well as a reduction in the amount of premiums written in the insurance business. In addition, protracted economic declines could reduce the overall level of economic activity in the market, thereby reducing the ESFG Group's ability to collect deposits and forcing it to satisfy its liquidity requirements by resort to the more expensive capital markets and wholesale markets as a result.

A downturn in the Portuguese economy could have a material adverse effect on the ESFG Group's business. The ESFG Group's ability to grow may be restricted by slower growth in the banking and insurance markets in which it operates.

Changes in the regulatory environment or additional regulatory restrictions/requirements

The ESFG Group 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 activity of the ESFG Group may change at any time in ways which have an adverse effect on its business. Furthermore, the ESFG Group 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 the ESFG Group conducts its business, the products and services it may offer and the value of its assets.

In particular, the ESFG Group's banking and insurance activities are subject to extensive regulation by the European Central Bank, the Bank of Portugal and the Portuguese Insurance Institute (the *Instituto de Seguros de Portugal*, or ISP), mainly relating to liquidity levels, solvency, provisioning, and insurance policy terms and conditions.

- The minimum cash requirement applicable to Portuguese banks is currently fixed at 2 per cent. of the total amount of deposits. An increase in this minimum cash requirement or a decline in the rate accrued on those cash reserves would have an adverse impact on the ESFG Group's net income.

- The solvency ratio is defined as Tier I capital plus Tier II capital divided by risk-weighted assets. At 31 December 2008, the BES Group's total solvency ratio, Core Tier I ratio, Tier I ratio and Tier II ratio, were 11.3 per cent., 6.1 per cent., 7.1 per cent. and 4.2 per cent. (based on risk-weighted assets as at 31 December 2008), respectively, under the Basel II, IRB Foundation Method. As at 31 December 2008, the BES Group's total solvency ratio, Tier I ratio and Tier II ratio were 10.5 per cent., 6.6 per cent. and 3.9 per cent., respectively, under the Basel II, Standard Method. In November 2008, the Bank of Portugal issued an order recommending credit institutions to maintain, at a minimum, 8 per cent. of risk-weighted assets on a consolidated basis composed exclusively of Tier I capital starting on 30 September 2009. Although the ESFG Group believes the Bank of Portugal's order is an adequate response to the current financial and economic environment, the capital adequacy requirements of the ESFG Group and the BES Group may limit the BES Group's ability to extend credit 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.
- At 31 December 2008, the ESFG Group's Core Tier I, Tier I ratio and solvency ratio were 5.7 per cent., 7.0 per cent. and 9.5 per cent., respectively, calculated under Basel II, IRB Foundation Method. Following BES' share capital increase on 16 April 2009, the pro forma Core Tier I and Tier I ratios of the ESFG Group at 31 December 2008, for illustrative purposes (as if BES' share capital increase had been completed prior to or on 31 December 2008), were 7.2 per cent. and 8.8 per cent., respectively under the Basel II, IRB Foundation Method.
- Any change in the existing, or the introduction of new, capital adequacy requirements could have an adverse impact on the ESFG Group's results of operations.
- In addition, the Bank of Portugal has established minimum provisioning requirements regarding current loans, non-performing loans, overdue loans, impairment for securities and equity holdings, sovereign risk and other contingencies. Therefore, any change in these requirements could have a material adverse impact on the ESFG Group's results of operations.

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

The BES Group 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 the BES Group believes that its current policies and procedures sufficiently comply with applicable rules and regulations, the BES Group 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 the BES Group's financial condition and results of operations.

In October 2005, BES and other Portuguese credit institutions were subject to investigation procedures directed by the Public Prosecutor (Ministério Público), in the context of a criminal investigation related to suspicions of money laundering and fiscal fraud involving some clients of BES. Until the present date, neither BES, nor any of its directors or officers, have been charged as defendants in such investigations. The investigations are in a preliminary phase and are being conducted exclusively by the Public Prosecutor.

In November 2006, the Spanish judicial authorities launched fact-gathering investigations into several Spanish financial institutions, including into BES' Spanish operations, with respect to money-laundering activities and fiscal fraud by clients of these institutions. The BES Group fully complied with all steps of these investigations, and, as of the date of this Prospectus, no formal accusation against the BES Group or its employees has been made.

Market risks

The ESFG Group is subject to the risks typical of banking and insurance activities, such as interest rate fluctuations, exchange rate variations and capital markets volatility. As is the case with other banking groups in Portugal, the ESFG Group, and especially its retail and corporate banking operations segment, is particularly exposed to differentials between the interest rates payable by it on deposits and the interest rates that it is able to charge on loans to customers and other banks. This exposure stems 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 and six months. As a result, Portuguese banks, including the BES Group, 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 among the banks. If the ESFG Group is unable to adjust interest on deposits in line with the interest rates on loans, its interest income could rise less or decline more than its interest expense, in which case the ESFG Group's results could be negatively affected.

The ESFG Group is subject to the risk that liquidity may not always be readily available; this risk is exacerbated by current conditions in global financial markets

Within its normal course of business, banking subsidiaries of the ESFG Group (including the BES Group) grant credit to, and receive deposits from, their customers. The medium to long term nature of customer loans compared to the short term nature of customer deposits creates a mismatch in the maturity profile of ESFG's consolidated assets and liabilities.

The ESFG Group's liquidity could be impaired by an inability to access debt markets, an inability to sell assets or redeem its investments, outflows of cash or collateral deterioration. This situation may arise due to circumstances that the ESFG Group is unable to control, such as continued general market disruption, loss in confidence in financial markets, uncertainty and speculation regarding the solvency of market participants, credit rating downgrades or operational problems that affect third parties. Recent events in global markets have exacerbated this risk. Even a perception among market participants that a financial institution is experiencing greater liquidity risk can cause significant damage to the institution. Specific ways in which the ESFG Group could find its liquidity impaired include the following:

- The ESFG Group's ability to sell assets may be impaired if other market participants are seeking to sell similar assets at the same time or are not in the position to finance themselves, or when the market value of assets, including financial instruments underlying derivative transactions to which a member of the ESFG Group is a party, is difficult to ascertain, as has occurred in current market conditions.
- Financial institutions with which the ESFG Group interacts may exercise set-off rights or the right to require additional collateral, which could further impair the ESFG Group's access to liquidity.
- An increase in interest rates and/or credit spreads, as well as the restriction on the availability of credit, including, but not limited to, inter-bank credit, can impact the ESFG Group's ability to borrow on a secured or unsecured basis. Given the current disruption in the credit markets, the ESFG Group may be forced to fund its operations at a higher cost or it may be unable to raise as much short- or long-term funding as it needs to support its business activities.

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

Credit risk

In addition to the risks described above, the ESFG Group is subject to credit risk, i.e., the risk that the ESFG Group's borrowers and other counterparties may become unable to meet their payment obligations to the ESFG Group. Although the ESFG Group regularly reviews its exposure to specific borrowers and other counterparties and to specific industries and countries that it believes present special concerns, defaults may arise from events and circumstances that are difficult or impossible to predict or detect. In addition, the ESFG Group's collateral may be insufficient to cover its exposure, for example, as a result of sudden market declines that reduce the value of the collateral. Accordingly, if a major borrower or other counterparty were to default on its obligations, the ESFG Group's results of operations and financial condition could suffer.

The ESFG Group's provisions for credit losses provide a reserve against incurred losses inherent in loans and advances. Estimating incurred losses, however, is inherently uncertain and depends on many factors, including general economic conditions, changes in the ratings assigned to the ESFG Group's borrowers and other counterparties, structural changes in industries that alter the competitive position of the companies operating in these industries as well as other external factors, such as legal and regulatory requirements. An increase in the ESFG Group's provisions for loan losses or any loan losses in excess of these provisions could have a material adverse effect on the ESFG Group's financial condition and results of operations.

Insurance risks

Part of the ESFG Group'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. The ESFG Group also maintains technical 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, the ESFG Group cannot ensure that actual losses on claims will not differ from the initial estimates made and recorded in the accounts. Even though the ESFG Group normally seeks to reduce its exposure to such events through the purchase of reinsurance, claims related to such events could adversely affect the ESFG Group's financial results.

The availability and cost of reinsurance is primarily related to factors such as prevailing insurance premiums, levels of insured claims, the 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 market may affect the results of ESFG's insurance subsidiaries.

Operational risks

The ESFG Group is subject to certain operational risks, including interruption of service, errors, fraud by third parties, omissions or delays in providing services and in complying with risk management requirements. The ESFG Group continually monitors these risks by means of, among other things, advanced administrative and information systems and insurance coverage in respect of certain operational risks. However, the ESFG Group may be unable successfully to monitor and prevent these risks in the future. Any failure successfully to apply the ESFG Group's risk management and control policies could materially adversely affect its financial condition and results of operations.

Competition

Structural changes in the Portuguese economy over the past several years have significantly increased the strength and scope of competition in the Portuguese banking and insurance sectors. These changes principally relate to the privatisation of several sectors of the economy, including banking and insurance, as well as to the integration of the Portuguese economy into the European Union and the introduction of the euro.

The ESFG Group faces intense competition in all of its areas of operation; in particular, competition in the Portuguese banking (deposits, mortgages, consumer credit, leasing, investment banking, specialised credit and asset management) and insurance markets has the most significant effect on the ESFG Group's results and operations. The ESFG Group's competitors in the Portuguese markets are Portuguese commercial banks, savings and investment banks, foreign banks (some of which have recently entered the Portuguese market), and domestic and foreign insurance companies. Over recent years, mergers and acquisitions involving the largest Portuguese banks and insurance companies have resulted in a significant concentration of market shares, a process which ESFG expects may continue. Competition has increased further with the emergence of non-traditional distribution channels, such as internet and telephone banking. The ESFG Group's principal competitors in banking (ranking in terms of assets as of 31 December 2008) as well as insurance activities (in terms of premiums as of 31 December 2008) are Caixa Geral de Depósitos Group, Millennium BCP Group, Santander Totta Group and BPI Group in the banking sector and Fidelidade Mundial, Império-Bonança, Millennium BCP Fortis, Santander Totta, AXA, Allianz, Banif, BPI Vida and Zurich in the insurance sector.

Competition is affected by consumer demand, technological changes, impact of consolidation, regulatory actions and other factors. The ESFG Group expects competition to intensify as continued merger activity in the financial industry produces larger, better-capitalised companies that are capable of offering a wider array of products and services, and at competitive prices. If the ESFG Group is unable to provide attractive product and service offerings that are profitable, it may lose market share or incur losses on some or all activities.

Although the ESFG Group believes that it is in a strong position to continue to compete in the Portuguese market, there can be no assurance that it will be able to compete effectively in the markets in which it operates, or that it will be able to maintain or increase the level of its results of operations.

Pledge of BES shares

In June 2006, BESPARG, a member of the ESFG Group, obtained a loan from a consortium of banks led by Caixa Geral de Depósitos, S.A. in the amount of EUR 101.5 million which is repayable in June 2010. To secure this loan, BESPARG pledged to Caixa Geral de Depósitos, S.A. 11 million shares in BES, representing 2.2 per cent. of the share capital of BES. If, pursuant to the terms of this pledge, Caixa Geral de Depósitos, S.A. were to become entitled to and decide to enforce its security in relation to all or some of the pledged shares in BES, this would result in a reduction of ESFG's indirect holding in BES.

Structure of the ESFG Group

ESFG is a financial holding company, holding and administering participating interests in other companies. It does not conduct business of its own. Dividends from ESFG's direct and indirect subsidiaries, together with any investment income, are ESFG's main source of funds to pay interest and other expenses and any dividends. The inability of ESFG's direct and indirect subsidiaries to pay dividends in an amount sufficient to enable it 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 including the Notes.

Majority shareholders

As at 18 May 2009 Espírito Santo International S.A. and Espírito Santo Irmãos SGPS, S.A. (together **Espírito Santo International**) held, directly or indirectly, approximately 38.71 per cent. of the issued share capital of ESFG.

Espírito Santo International is able to influence significantly the affairs and actions of ESFG, including matters requiring shareholder approval, such as the approval of significant corporate actions and the composition of the board of directors of ESFG. Seven of the directors of Espírito Santo International are also directors of ESFG. Espírito Santo International is 49.1 per cent. owned, directly or indirectly, by

members of the Espírito Santo family and certain Portuguese nationals close to the family (including certain of the directors of Espírito Santo International and ESFG).

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

The Notes may not be a suitable investment for all investors

Each potential investor in the Notes 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 Notes, the merits and risks of investing in the Notes and the information contained or incorporated by reference in this Prospectus or any applicable supplement;
- (ii) have access to, and knowledge of, appropriate analytical tools to evaluate, in the context of its particular financial situation, an investment in the Notes and the impact the Notes 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 Notes, including where the currency for principal or interest payments is different from the potential investor's currency;
- (iv) understand thoroughly the terms of the Notes and be familiar with the behaviour of any relevant 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.

The Global Note is held by or on behalf of the relevant Clearing System

The Notes will be represented by a Global Note. The Global Note will be deposited with a common safekeeper for Euroclear and Clearstream, Luxembourg. Except in certain limited circumstances described in the Global Note, investors will not be entitled to receive Notes in definitive form. The relevant Clearing System will maintain records of the beneficial interests in the Global Note. While the Notes are represented by the Global Note, investors will be able to trade their beneficial interests in the Global Note only through the relevant Clearing System.

The Issuer (or the Guarantor) will discharge its payment obligations under the Notes by making payments to the common safekeeper for Euroclear and Clearstream, Luxembourg for distribution to their accountholders. A holder of a beneficial interest in the Global Note must rely on the procedures of the relevant Clearing System to receive payments under the Notes. Neither the Issuer nor the Guarantor has responsibility or liability for the records relating to, or payments made in respect of, beneficial interests in the Global Note.

Risks related to the Notes generally

Set out below is a brief description of certain risks relating to the Notes generally:

Modification, waivers and substitution

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

Change of law

The terms and conditions of the Notes are based on English law in effect as at the date of issue of the relevant Notes. No assurance can be given as to the impact of any possible judicial decision or change to English law or administrative practice after the date of issue of the relevant Notes.

Integral multiples of less than €50,000

The denomination of the Notes is €50,000 plus integral multiples of €1,000 in excess thereof up to and including €99,000 (the **Specified Denominations**). In relation to any issue of Notes which have a denomination consisting of the minimum Specified Denomination of €50,000 plus a higher integral multiple of another smaller amount, it is possible that the Notes may be traded in amounts in excess of €50,000 (or its equivalent) that are not integral multiples of €50,000 (or its equivalent). In such a case a Noteholder who, as a result of trading such amounts, holds a principal amount of less than the minimum Specified Denomination will not receive a definitive Note in respect of such holding (should definitive Notes be printed) and would need to purchase a principal amount of Notes such that it holds an amount equal to one or more Specified Denominations.

Risks related to the market generally

Set out below is a brief description of the principal market risks, including liquidity risk, exchange rate risk, interest rate risk and credit risk:

The secondary market generally

The Notes may have no established trading market when issued, and one may never develop. If a market does develop, it may not be very liquid. Therefore, investors may not be able to sell their Notes easily or at prices that will provide them with a yield comparable to similar investments that have a developed secondary market.

Exchange rate risks and exchange controls

The Issuer (or the Guarantor) will pay principal and interest on the Notes in euro. This presents certain risks relating to currency conversions if an investor's financial activities are denominated principally in a currency or currency unit (the **Investor's Currency**) other than euro. These include the risk that exchange rates may significantly change (including changes due to devaluation of the euro or revaluation of the Investor's Currency) and the risk that authorities with jurisdiction over the Investor's Currency may impose or modify exchange controls. An appreciation in the value of the Investor's Currency relative to euro would decrease (1) the Investor's Currency-equivalent yield on the Notes, (2) the Investor's Currency equivalent value of the principal payable on the Notes and (3) the Investor's Currency equivalent market value of the Notes.

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

Interest rate risks

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

Credit ratings may not reflect all risks

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

EU Savings Directive

Under EC Council Directive 2003/48/EC on the taxation of savings income, Member States are required to provide to the tax authorities of another Member State details of payments of interest (or similar income) paid by a person within its jurisdiction to an individual resident in that other Member State. However, for a transitional period, Belgium, Luxembourg and Austria are instead required (unless during that period they elect otherwise) to operate a withholding system in relation to such payments (the ending of such transitional period being 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 similar 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 and an amount of, or in respect of tax were to be withheld from that payment, none of the Issuer, the Guarantor or any Paying Agent or 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 and the Guarantor are required to maintain a Paying Agent in a Member State that is not obliged to withhold or deduct tax pursuant to the Directive.

DOCUMENTS INCORPORATED BY REFERENCE

The following documents which have previously been published or are published simultaneously with this Prospectus and have been filed with the CSSF shall be incorporated in, and form part of, this Prospectus:

- (a) the auditors' report and audited annual financial statements of the Issuer for the financial year ended 31 December 2008, including the information set out at the following pages in particular:

Profit and Loss Account	Page 2
Balance Sheet.....	Page 1
Accounting Principles and Notes	Pages 3 to 14
Auditors' Report.....	First page behind front cover

Any other information not listed above but contained in such document of the Issuer is incorporated by reference for information purposes only;

- (b) the auditors' report and audited annual financial statements of the Issuer for the financial year ended 31 December 2007, including the information set out at the following pages in particular:

Profit and Loss Account	Page 2
Balance Sheet.....	Page 1
Accounting Principles and Notes	Pages 3 to 12
Auditors' Report.....	First page behind front cover

Any other information not listed above but contained in such document of the Issuer is incorporated by reference for information purposes only;

- (c) the auditors' report and audited consolidated annual financial statements of the Guarantor for the financial year ended 31 December 2008, including the information set out at the following pages in particular:

Consolidated Income Statement.....	Page F-2
Consolidated Balance Sheet.....	Page F-3
Statement of Changes in Consolidated Equity.....	Page F-4
Consolidated Cash Flow Statement.....	Page F-5
Accounting Principles and Notes	Pages F-6 to F-150
Auditors' Report.....	Page F-1

Any other information not listed above but contained in such document of the Guarantor is incorporated by reference for information purposes only;

- (d) the auditors' report and audited consolidated annual financial statements of the Guarantor for the financial year ended 31 December 2007, including the information set out at the following pages in particular:

Consolidated Income Statement	Page F-2
Consolidated Balance Sheet.....	Page F-3
Statement of Changes in Consolidated Equity	Page F-4
Consolidated Cash Flow Statement.....	Page F-5
Accounting Principles and Notes	Pages F-6 to F-145
Auditors' Report.....	Page F-1

Any other information not listed above but contained in such document of the Guarantor is incorporated by reference for information purposes only; and

- (e) the announcement by the Guarantor in relation to its interim unaudited consolidated financial statements for the three months ended 31 March 2009, including the information set out at the following pages in particular:

Consolidated Income Statement	Page 11
Consolidated Balance Sheet.....	Page 10

Any other information not listed above but contained in such document of the Guarantor is incorporated by reference for information purposes only.

Any documents themselves incorporated by reference in the documents incorporated by reference in this Prospectus shall not form part of this Prospectus.

TERMS AND CONDITIONS OF THE NOTES

The issue of the EUR 150,000,000 Guaranteed Notes due 2011 (the **Notes**, which expression shall in these Terms and Conditions, unless the context otherwise requires, include any further notes issued pursuant to Condition 12 and forming a single series with the Notes) of ESFIL - Espírito Santo Financière S.A. (the **Issuer**) was authorised by resolutions of the Board of Directors of the Issuer passed on 24 April 2009 and the guarantee of the Notes by Espírito Santo Financial Group S.A. (the **Guarantor**) was authorised by a resolution of the Board of Directors of the Guarantor passed on 20 May 2009. Copies of the fiscal agency agreement dated 28 May 2009 (the **Fiscal Agency Agreement**) entered into in relation to the Notes between the Issuer, the Guarantor, KBL European Private Bankers S.A. as fiscal agent and the paying agents named in it are available for inspection during normal business hours by Noteholders and Couponholders at the specified offices of the Paying Agents. The fiscal agent and the paying agents for the time being are referred to below respectively as the **Fiscal Agent** and the **Paying Agents** (which expression shall include the Fiscal Agent). The Fiscal Agency Agreement includes the form of the Notes and the coupons relating to them (the **Coupons**). The holders of the Notes (the **Noteholders**) and the holders of the Coupons (whether or not attached to them) (the **Couponholders**) are deemed to have notice of all the provisions of the Fiscal Agency Agreement applicable to them.

1. Form, Denomination and Title

(a) *Form and denomination*

The Notes are serially numbered and in bearer form in the denominations of €50,000 and integral multiples of €1,000 in excess thereof, up to and including €9,000, with Coupons attached on issue.

(b) *Title*

Title to the Notes and Coupons passes by delivery. The holder of any Note or Coupon 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, any writing on it, or its theft or loss) and no person will be liable for so treating the holder.

2. Guarantee and Status

(a) *Guarantee*

The Guarantor has unconditionally and irrevocably guaranteed the due payment of all sums expressed to be payable by the Issuer under the Notes and the Coupons. Its obligations in that respect (the **Guarantees**) are set out on each of the Notes.

(b) *Status*

The Notes and Coupons constitute direct, unconditional, unsecured (subject to the provisions of Condition 3) and unsubordinated obligations of the Issuer. The payment obligations of the Issuer under the Notes and Coupons and of the Guarantor under the Guarantees shall rank *pari passu* with all present and future unsecured (subject as aforesaid) and unsubordinated obligations of the Issuer and the Guarantor, respectively, except for obligations given priority by law.

3. Negative Pledge

So long as any of the Notes remain outstanding (as defined in the Fiscal Agency Agreement), neither the Issuer nor the Guarantor shall 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 Noteholders an equal and rateable interest in the same or providing to the Noteholders such other security as shall be approved by an Extraordinary Resolution of the Noteholders.

In these terms and conditions (the **Conditions**):

Indebtedness means any borrowings having an original maturity of more than one year in the form of or represented by bonds, notes, debentures or other securities which with the consent of the Issuer or the Guarantor, 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).

Extraordinary Resolution means a resolution passed at a meeting of Noteholders duly convened and held in accordance with the Fiscal Agency Agreement by a majority of at least 75 per cent. of the votes cast.

4. **Interest**

(a) ***Interest Rate and Interest Payment Dates***

The Notes bear interest from and including 28 May 2009 at the rate of 4.50 per cent. per annum (the **Rate of Interest**), payable annually in arrear on 31 May in each year (each an **Interest Payment Date**). The first payment in respect of the period from and including 28 May 2009 to but excluding 31 May 2010 of €6,805,479.45 shall be made on 31 May 2010. Interest in respect of any Note, if the Notes are in definitive form, shall be calculated per €1,000 in principal amount of the Notes (the **Calculation Amount**). The amount of interest payable per Calculation Amount for any period shall, save as provided below in relation to calculation of broken interest, be €45 per Calculation Amount payable annually in arrear on each Interest Payment Date. In the case of Notes which are represented by a global Note, interest shall be calculated in respect of any period by applying the Rate of Interest to the aggregate outstanding principal amount of Notes represented by such global Note.

(b) ***Interest Accrual***

Each Note will cease to bear interest from the due date for redemption unless, upon due presentation, payment of principal in respect of the Note is improperly withheld or refused. In such event each Note shall continue to bear interest at such rate (both before and after judgment) until whichever is the earlier of (a) the day on which all sums due in respect of such Note up to that day are received by or on behalf of the relevant holder, and (b) the day seven days after the Fiscal Agent has notified Noteholders of receipt of all sums due in respect of all the Notes up to that seventh day (except to the extent that there is failure in the subsequent payment to the relevant holders under these Conditions).

(c) ***Calculation of Broken Interest***

Where interest is to be calculated in respect of a period of less than a full year, it shall be calculated on the basis of (i) the actual number of days in the period from and including the date from which interest begins to accrue (the **Accrual Date**) to but excluding the date on which it falls due divided by (ii) the actual number of days from and including the Accrual Date to but excluding the next following Interest Payment Date, rounding the resulting figure to the nearest cent (half a cent being rounded upwards) and without any further rounding.

5. **Redemption and Purchase**

(a) ***Final redemption***

Unless previously redeemed, or purchased and cancelled, the Notes will be redeemed at their principal amount on 31 May 2011. The Notes may not be redeemed at the option of the Issuer other than in accordance with this Condition.

(b) ***Redemption for taxation reasons***

The Notes may be redeemed at the option of the Issuer in whole, but not in part, at any time, on giving not less than 30 nor more than 60 days' notice to the Noteholders in accordance with Condition 13 (which notice shall be irrevocable), at their principal amount, (together with interest accrued to but excluding the date fixed for redemption), if (i) the Issuer (or, if the Guarantees were called, the Guarantor) has or will become obliged to pay additional amounts as provided or referred to in Condition 7 as a result of any change in, or amendment to, the laws or regulations of Luxembourg or any political subdivision or any authority thereof or therein having power to tax, or any change in the application or official interpretation of such laws or regulations, which change or amendment becomes effective on or after 28 May 2009, and (ii) such obligation cannot be avoided by the Issuer (or the Guarantor, as the case may be) taking reasonable measures available to it, provided that no such notice of redemption shall be given earlier than 90 days prior to the earliest date on which the Issuer (or the Guarantor, as the case may be) would be obliged to pay such additional amounts were a payment in respect of the Notes (or the Guarantees, as the case may be) then due. Prior to the publication of any notice of redemption pursuant to this paragraph, the Issuer shall deliver to the Fiscal Agent a certificate signed by two directors of the Issuer (or the Guarantor, as the case may be) stating that the Issuer is entitled to effect such redemption and setting forth a statement of facts showing that the conditions precedent to the right of the Issuer so to redeem have occurred, and an opinion of independent legal advisers of recognised standing to the effect that the Issuer (or the Guarantor, as the case may be) has or will become obliged to pay such additional amounts as a result of such change or amendment.

(c) ***Notice of redemption***

All Notes in respect of which any notice of redemption is given under this Condition shall be redeemed on the date specified in such notice in accordance with this Condition.

(d) ***Purchase***

The Issuer and the Guarantor and any of their respective subsidiaries may at any time purchase Notes in the open market or otherwise at any price (provided that they are purchased together with all unmatured Coupons relating to them). The Notes so purchased, while held by or on behalf of the Issuer, the Guarantor or any such subsidiary, shall not entitle the holder to vote at any meetings of the Noteholders and shall not be deemed to be outstanding for the purposes of calculating quorums at meetings of the Noteholders or for the purposes of Condition 11(a).

(e) ***Cancellation***

All Notes so redeemed and any unmatured Coupons attached to or surrendered with them will be cancelled and may not be re-issued or resold.

6. Payments

(a) *Method of Payment*

Payments of principal and interest will be made against presentation and surrender (or, in the case of a partial payment, endorsement) of Notes or the appropriate Coupons (as the case may be) at the specified office of any Paying Agent by euro cheque drawn on, or by transfer to a euro account maintained by the payee with, a bank in a city with access to the TARGET System (as defined below). Payments of interest due in respect of any Note other than on presentation and surrender of matured Coupons shall be made only against presentation and either surrender or endorsement (as appropriate) of the relevant Note.

(b) *Payments subject to laws*

All payments are subject in all cases to any applicable fiscal or other laws and regulations in the place of payment, but without prejudice to the provisions of Condition 7. No commissions or expenses shall be charged to the Noteholders or Couponholders in respect of such payments.

(c) *Surrender of unmatured Coupons*

Each Note should be presented for redemption together with all unmatured Coupons relating to it, failing which the amount of any such missing unmatured Coupon (or, in the case of payment not being made in full, that proportion of the amount of such missing unmatured Coupon which the sum of principal so paid bears to the total principal amount due) will be deducted from the sum due for payment. Each amount of principal so deducted will be paid in the manner mentioned above against surrender of the relevant missing Coupon not later than 10 years after the Relevant Date (as defined in Condition 7) for the relevant payment of principal.

(d) *Payments on business days*

A Note or Coupon may only be presented for payment on a day which is a business day in the place of presentation. If such a date would otherwise fall on a day that is not a business day, then that date shall be postponed to the first following day that is a business day unless that day falls in the next calendar month, in which case that date shall be brought forward to the first preceding day that is a business day. No further interest or other payment will be made as a consequence of the day on which the relevant Note or Coupon may be presented for payment under this paragraph falling after the due date. In this Condition **business day** means a day on which commercial banks and foreign exchange markets are open in the place of presentation and which is a day on which the Trans-European Automated Real-Time Gross Settlement Transfer (known as TARGET2) System which was launched on 19 November 2007 or any successor thereto (the **TARGET System**) is operating.

(e) *Paying Agents*

The initial Paying Agents and their initial specified offices are listed below. The Issuer and the Guarantor reserve the right at any time to vary or terminate the appointment of any Paying Agent and appoint additional or other Paying Agents, provided that they will maintain (i) a Fiscal Agent, (ii) Paying Agents having specified offices in at least two major European cities, and (iii) a Paying Agent with a specified office in a European Union Member State 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 change in the Paying Agents or their specified offices will promptly be given to the Noteholders.

7. Taxation

All payments of principal and interest by or on behalf of the Issuer or the Guarantor in respect of the Notes and the Coupons or under the Guarantees shall be made free and clear of, and without withholding or deduction for, any taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed, in each case, by or within Luxembourg or any authority therein or thereof having power to tax, unless such withholding or deduction is required by law. In that event the Issuer or, as the case may be, the Guarantor shall pay such additional amounts as will result in receipt by the Noteholders and the Couponholders of such amounts as would have been received by them had no such withholding or deduction been required, except that no such additional amounts shall be payable in respect of any Note or Coupon presented for payment:

(a) *Other connection*

by or on behalf of a holder who is liable to such taxes, duties, assessments or governmental charges in respect of such Note or Coupon by reason of his having some connection with Luxembourg other than the mere holding of the Note or Coupon; or

(b) *Presentation more than 30 days after the Relevant Date*

more than 30 days after the Relevant Date except to the extent that the holder of it would have been entitled to such additional amounts on presenting such Note or Coupon for payment on the last day of such period of 30 days; or

(c) *Payment to individuals*

where such withholding or deduction is imposed on a payment to or for an individual and is required to be made pursuant to European Council Directive 2003/48/EC or any law implementing or complying with, or introduced to conform to, such Directive; or

(d) *Payment by another Paying Agent*

by or on behalf of a Noteholder or a Couponholder who would have been able to avoid such withholding or deduction by presenting the relevant Note or Coupon to another Paying Agent in a Member State of the European Union.

Relevant Date means whichever is the later of (i) the date on which such payment first becomes due and (ii) if the full amount payable has not been received by the Fiscal Agent on or prior to such due date, the date on which, the full amount having been so received, notice to that effect shall have been given to the Noteholders. Any reference in these Conditions to principal and/or interest shall be deemed to include any additional amounts which may be payable under this Condition.

8. Events of Default

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

- (i) default is made in the payment of any principal or interest due in respect of the Notes or any of them and such default continues, in the case of principal, for a period of seven days or, in the case of interest, for a period of 14 days; or
- (ii) the Issuer or the Guarantor fails to perform or observe any of its other obligations in respect of the Notes which default is incapable of remedy or is not remedied within and the period of 30 days after notice thereof has been given to the Issuer or, as the case may be, the Guarantor or the Fiscal Agent requiring the same to be remedied; or

- (iii) the repayment of any indebtedness for borrowed money owing by the Issuer or by the Guarantor or the Principal Subsidiary of the Guarantor is accelerated by reason of default and such acceleration has not been rescinded or annulled, or the Issuer or the Guarantor or the Principal Subsidiary of the Guarantor defaults (after whichever is the longer of any originally applicable period of grace and 14 days after the due date) in any payment of any indebtedness 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
- (iv) any order shall be made by any competent court or resolution passed for the winding up or dissolution of the Issuer or the Guarantor or the Principal Subsidiary of the Guarantor (other than for the purpose of (a) an amalgamation, merger or reconstruction approved by an Extraordinary Resolution of the Noteholders or (b) a voluntary solvent winding up of the Issuer or the Principal Subsidiary of the Guarantor where the surplus assets of the Issuer or the Principal Subsidiary of the Guarantor, as the case may be, are distributed to its shareholders and, in the case of the Issuer, it is substituted as Issuer in accordance with the provisions of Condition 11(c)); or
- (v) the Issuer or the Guarantor or the Principal Subsidiary of the Guarantor 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 (iv) of this Condition 8 or in connection with the transfer of all or a major part of the business, undertaking and assets of the Issuer or the Principal Subsidiary of the Guarantor to the Guarantor or for arm's length consideration receivable by the Issuer or the Principal Subsidiary of the Guarantor, as the case may be); or
- (vi) the Issuer or the Guarantor or the Principal Subsidiary of the Guarantor shall stop payment or shall be unable to, or shall admit inability to, pay its debts as they fall due, or shall be adjudicated or found bankrupt or insolvent by a court of competent jurisdiction or shall make a conveyance or assignment for the benefit of, or shall enter into any composition or other arrangement with, its creditors generally; or
- (vii) a receiver, trustee or other similar official shall be appointed in relation to the Issuer or the Guarantor or the Principal Subsidiary of the Guarantor or in relation to the whole or a substantial part of the assets of any of them or an encumbrancer shall take possession of the whole or a substantial part of the assets of the Issuer or the Guarantor or the Principal Subsidiary of the Guarantor, or a distress or execution or other process shall be levied or enforced upon or sued out against the whole or a substantial part of the assets of any of them and in any of the foregoing cases it or he shall not be discharged within 60 days; or
- (viii) the Issuer or the Guarantor or the Principal Subsidiary of the Guarantor sells, transfers, lends or otherwise disposes of the whole or a major part of its undertaking or assets (including shareholdings in its subsidiaries or associated companies) and such disposal is substantial in relation to the assets of the Guarantor and its subsidiaries as a whole, other than (a) the selling, transferring, lending or otherwise disposing on an arm's length basis or (b) in the case of the Issuer and the Principal Subsidiary of the Guarantor, selling, transferring, lending or otherwise disposing to the Guarantor; or
- (ix) except where the Issuer has been substituted as principal debtor pursuant to Condition 11, the Issuer ceases to be a subsidiary wholly owned and controlled, directly or indirectly, by the Guarantor; or
- (x) the Guarantee is terminated or shall cease to be in full force and effect,

then any Note may, by notice in writing given to the Fiscal Agent at its specified office by the holder, be declared immediately due and payable whereupon it shall become immediately due and payable at its principal amount together with accrued interest without further formality unless such event of default shall have been remedied prior to the receipt of such notice by the Fiscal Agent.

Notice of any Event of Default will promptly be given to the Noteholders by the Issuer.

For the purposes of these Conditions, the **Principal Subsidiary of the Guarantor** means Banco Espírito Santo S.A.

9. Prescription

Claims in respect of principal and interest will become void unless presentation for payment is made as required by Condition 6 within a period of 10 years in the case of principal and five years in the case of interest from the appropriate Relevant Date.

10. Replacement of Notes and Coupons

If any Note or Coupon is lost, stolen, mutilated, defaced or destroyed it may be replaced at the specified office of the Paying Agent in Luxembourg subject to all applicable laws and stock exchange or other relevant authority requirements, upon payment by the claimant of the expenses incurred in connection with such replacement and on such terms as to evidence, security, indemnity and otherwise as the Issuer and the Guarantor may require (provided that the requirement is reasonable in the light of prevailing market practice). Mutilated or defaced Notes or Coupons must be surrendered before replacements will be issued.

11. Meetings of Noteholders and Modification/Modification and Substitution

(a) Meetings of Noteholders

The Fiscal Agency Agreement contains provisions for convening meetings of Noteholders to consider matters affecting their interests, including the sanctioning by Extraordinary Resolution of a modification of any of these Conditions. Such a meeting may be convened by Noteholders holding not less than 10 per cent. in principal amount of the Notes for the time being outstanding. The quorum for any meeting convened to consider an Extraordinary Resolution will be one or more persons holding or representing a clear majority in principal amount of the Notes for the time being outstanding, or at any adjourned meeting one or more persons being or representing Noteholders whatever the principal amount of the Notes held or represented, unless the business of such meeting includes consideration of proposals, inter alia, (i) to modify the maturity of the Notes or the dates on which interest is payable in respect of the Notes, (ii) to reduce or cancel the principal amount of, or interest on, the Notes, (iii) to change the currency of payment of the Notes or the Coupons, (iv) to modify the provisions concerning the quorum required at any meeting of Noteholders or the majority required to pass an Extraordinary Resolution, or (v) to modify or cancel the Guarantees, in which case the necessary quorum will 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 Notes for the time being outstanding. Any Extraordinary Resolution duly passed shall be binding on Noteholders (whether or not they were present at the meeting at which such resolution was passed) and on all Couponholders.

(b) Modification of Fiscal Agency Agreement

The Issuer and the Guarantor shall only permit any modification of, or any waiver or authorisation of any breach or proposed breach of or any failure to comply with, the Fiscal

Agency Agreement, if to do so could not reasonably be expected to be prejudicial to the interests of the Noteholders.

(c) ***Substitution***

The Issuer, or any previous substituted company, may at any time, without the consent of the Noteholders or the Couponholders, substitute for itself as principal debtor under the Notes and the Coupons such company (the **Substitute**) as is specified in the Fiscal Agency Agreement, provided that no payment in respect of the Notes or the Coupons is at the relevant time overdue. The substitution shall be made by a deed poll (the **Deed Poll**), to be substantially in the form exhibited to the Fiscal Agency Agreement, and may take place only if (i) the Substitute shall, by means of the Deed Poll, agree to be bound by the terms of the Conditions, the Notes and the Coupons, (ii) where the Substitute is not the Guarantor, the obligations of the Substitute under the Deed Poll, the Notes and the Coupons shall be unconditionally guaranteed by the Guarantor by means of the Deed Poll, (iii) all action, conditions and things required to be taken, fulfilled and done (including the obtaining of any necessary consents) to ensure that the Deed Poll, the Notes and Coupons represent valid, legally binding and enforceable obligations of the Substitute and in the case of the Deed Poll of the Guarantor have been taken, fulfilled and done and are in full force and effect, (iv) the Substitute shall have become party to the Fiscal Agency Agreement, with any appropriate consequential amendments, as if it had been an original party to it (including, where the Substitute Party is incorporated, domiciled or resident in, or subject to the taxing jurisdiction of a territory other than or in addition to Luxembourg or any authority therein or thereof having power to tax, undertakings or covenants shall be given by the Substitute Party in terms corresponding (where applicable) to the provisions of Conditions 5(b) and 7 with the substitution for (or, as the case may be, the addition to) the references to Luxembourg of references to that additional territory in which the Substituted Company is incorporated, domiciled or resident or to whose taxing authority it is subject) and, (v) legal opinions addressed to the Noteholders shall have been delivered to them (care of the Fiscal Agent) from a lawyer or firm of lawyers with a leading securities practice in each jurisdiction of the country of the Substitute's residence for tax purposes and, if different, of its incorporation and in England as to the fulfilment of the preceding conditions of this paragraph (c) and the other matters specified in the Deed Poll and (vi) the Issuer shall have given at least 14 days' prior notice of such substitution to the Noteholders, stating that copies, or pending execution the agreed text, of all documents in relation to the substitution which are referred to above, or which might otherwise reasonably be regarded as material to Noteholders, will be available for inspection at the specified office of each of the Paying Agents. References in Condition 8 to obligations under the Notes shall be deemed to include obligations under the Deed Poll, and, where the Deed Poll contains a guarantee, the events listed in Condition 8 shall be deemed to include that guarantee not being (or being claimed by the guarantor not to be) in full force and effect.

(d) ***Requirements of Luxembourg Stock Exchange***

In the case of substitution pursuant to this Condition, the new Issuer shall comply (for so long as the Notes are listed on the Luxembourg Stock Exchange) with the then prevailing requirements of the Luxembourg Stock Exchange in connection with any such substitution.

12. **Further Issues**

The Issuer may from time to time without the consent of the Noteholders or Couponholders create and issue further securities either having the same terms and conditions as the Notes in all respects (or in all respects except for the first payment of interest on them) and so that such further issue shall be consolidated and form a single series with the outstanding securities of any series (including the Notes) or upon such terms as the Issuer may determine at the time of their issue. References in these

Conditions to the Notes include (unless the context requires otherwise) any other securities issued pursuant to this Condition and forming a single series with the Notes.

13. Notices

Notices to Noteholders will be valid if published in a leading newspaper having general circulation in London (which is expected to be the Financial Times) and (so long as the Notes are listed on the Luxembourg Stock Exchange and the rules of that Stock Exchange so require) published either on the website of the Luxembourg Stock Exchange (www.bourse.lu) or in a leading newspaper having general circulation in Luxembourg (which is expected to be the Luxemburger Wort) or, if such publication shall not be practicable, in an English language newspaper of general circulation in Europe. Any such notice shall be deemed to have been given on the date of such publication or, if published more than once or on different dates, on the first date on which publication is made. Couponholders will be deemed for all purposes to have notice of the contents of any notice given to the Noteholders in accordance with this Condition.

14. Contracts (Rights of Third Parties) Act 1999

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

15. Governing Law

(a) Governing Law

The Fiscal Agency Agreement, the Notes and the Coupons, and any non-contractual obligations arising out of or in connection with them, are governed by and shall be construed in accordance with English law. 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 they would have been applicable.

(b) Jurisdiction

The courts of England are to have exclusive jurisdiction to settle any disputes which may arise out of or in connection with the Fiscal Agency Agreement, the Notes, the Coupons or the Guarantees (including any non-contractual obligations arising out of or in connection with the Fiscal Agency Agreement, the Notes, the Coupons or the Guarantees) and accordingly have submitted to the exclusive jurisdiction of the English courts. Each of the Issuer and the Guarantor waives any objection to the courts of England on the grounds that they are an inconvenient or inappropriate forum. The Noteholders and the Couponholders may take any suit, action or proceeding arising out of or in connection with the Fiscal Agency Agreement, the Notes, the Coupons or the Guarantees (including any non-contractual obligations arising out of or in connection with the Fiscal Agency Agreement, the Notes, the Coupons or the Guarantees) (together referred to as **Proceedings**) against the Issuer or the Guarantor in any other court of competent jurisdiction and, to the extent permitted by law, concurrent Proceedings in any number of jurisdictions.

(c) Agent for Service of Process

Each of the Issuer and the Guarantor will receive service of process in England in connection with any Proceedings at the Guarantor's London representative office being (currently at 33 Queen Street, London EC4 1ES). If for any reason the Issuer or the Guarantor does not have such an agent in England, it will promptly appoint a substitute process agent and notify the Noteholders of 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 NOTES WHILE IN GLOBAL FORM

The Temporary Global Note and the Permanent Global Note contain provisions which apply to the Notes while they are in global form, some of which modify the effect of the terms and conditions of the Notes set out in this document. The following is a summary of certain of those provisions:

1. Nominal Amount and Exchange

The nominal amount of the Notes represented by the Global Notes shall be the aggregate amount from time to time entered in the records of Euroclear and Clearstream, Luxembourg or, in the case of the Permanent Global Note, any permitted alternative clearing system (each a **relevant Clearing System**). The records of the relevant Clearing Systems (which expression means the records that each relevant Clearing System holds for its accountholders which reflect the amount of such accountholders' interests in the Notes) shall be conclusive evidence of the nominal amount of Notes represented by the Global Notes and a statement issued by a relevant Clearing System stating the nominal amount of Notes represented by the Global Notes at any time shall be conclusive evidence of the records of that relevant Clearing System at that time.

The Temporary Global Note is exchangeable in whole or in part for interests recorded in the records of the relevant Clearing System in the Permanent Global Note on or after a date which is expected to be 8 July 2009 upon certification as to non-U.S. beneficial ownership in the form set out in the Temporary Global Note.

The Permanent Global Note is exchangeable in whole but not, except as provided in the next paragraph, in part (free of charge to the holder) for the Definitive Notes described below (i) if the Permanent Global Note is held on behalf of a relevant Clearing System and any such relevant Clearing System is closed for business for a continuous period of 14 days (other than by reason of holidays, statutory or otherwise) or announces an intention permanently to cease business or does in fact do so, (ii) if principal in respect of any Notes is not paid when due and payable; or (iii) the Issuer (or the Guarantor) has or will become subject to adverse tax consequences which would not be suffered were the Notes represented by the Permanent Global Note in definitive form. Thereupon (in the case of (i) or (ii) above) the holder may give notice to the Fiscal Agent, and (in the case of (iii) above) the Issuer (or the Guarantor) may give notice to the Fiscal Agent and the Noteholders, of its intention to exchange the Permanent Global Note for Definitive Notes on or after the Exchange Date specified in the notice.

If the principal in respect of any Note is not paid when due and payable the holder of the Permanent Global Note may by notice to the Fiscal Agent (which may but need not be the default notice referred to in "Default" below) require the exchange of a specified principal amount of the Permanent Global Note (which may be equal to or (provided that, if the Permanent Global Note is held by or on behalf of a relevant Clearing System, that relevant Clearing System agrees) less than the outstanding principal amount of Notes represented thereby) for Definitive Notes on or after the Exchange Date (as defined below) specified in such notice.

On or after any Exchange Date (as defined below) the holder of the Permanent Global Note may, or in the case of paragraph (iii) above shall, surrender the Permanent Global Note or present it for endorsement to or to the order of the Fiscal Agent. In exchange for the Permanent Global Note or, the part thereof to be exchanged, the Issuer will deliver, or procure the delivery of, an equal aggregate principal amount of duly executed and authenticated Definitive Notes (having attached to them all Coupons in respect of interest which has not already been paid on the Permanent Global Note), security printed in accordance with any applicable legal and stock exchange requirements and in or substantially in the form set out in Schedule 1 to the Fiscal Agency Agreement. On exchange in full of the Permanent Global Note, the Issuer will if the holder so requests, procure that it is cancelled and returned to the holder together with any relevant Definitive Notes.

Exchange Date means a day specified in the notice requiring exchange falling not less than 60 days, or in the case of exchange pursuant to (ii) above 30 days, after that on which the notice requiring exchange is given and being a day on which banks are open for general business in the place in which the specified office of the Fiscal Agent is located and, except in the case of exchange pursuant to (i) above, in the place in which the relevant Clearing System is located.

2. Payments

No payment will be made on the Temporary Global Note unless exchange for an interest in the Permanent Global Note is improperly withheld or refused. Payments of principal and interest in respect of Notes represented by the Permanent Global Note will be made to its holder. The Issuer shall procure that details of each such payment shall be entered pro rata in the records of the relevant Clearing System and, in the case of payments of principal, the nominal amount of the Notes will be reduced accordingly. Each payment so made will discharge the Issuer's obligations in respect thereof. Any failure to make the entries in the records of the relevant Clearing System shall not affect such discharge.

3. Notices

So long as the Notes are represented by a Global Note and such Global Note is held on behalf of a relevant Clearing System, notices to Noteholders may be given by delivery of the relevant notice to that relevant Clearing System for communication by it to entitled accountholders in substitution for publication as required by the Conditions except that, so long as the Notes are listed on the Luxembourg Stock Exchange and the rules of that Exchange so require, notices shall also be published on the website of the Luxembourg Stock Exchange (www.bourse.lu).

4. Prescription

Claims against the Issuer in respect of principal and interest on the Notes while the Notes are represented by the Permanent Global Note will become void unless it is presented for payment within 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 Condition 7).

5. Meetings

The holder of the Permanent Global Note will be treated as being two persons for the purposes of any quorum requirements of, or the right to demand a poll at, a meeting of Noteholders and, at any such meeting, as having one vote in respect of each €1,000 in principal amount of Notes for which the Permanent Global Note may be exchanged.

6. Cancellation

On cancellation of any Note required by the Conditions to be cancelled following its redemption, or if the Issuer requires any Notes represented by a Global Note to be cancelled following purchase, the Issuer shall procure that details of such cancellation shall be entered pro rata in the records of the relevant Clearing Systems and, upon any such entry being made, the nominal amount of the Notes recorded in the records of the relevant Clearing Systems and represented by this Global Note shall be reduced by the aggregate nominal amount of the Notes so cancelled.

7. Default

The Permanent Global Note provides that the holder may cause the Permanent Global Note to become due and payable in the circumstances described in Condition 8 by stating in the notice to the Fiscal Agent the principal amount of Notes which is being declared due and payable. If principal in respect of any Note is not paid when due and payable, the holder of the Permanent Global Note may

elect that the Permanent Global Note becomes void as to a specified portion and that the persons entitled to such portion as accountholders with a relevant Clearing System acquire direct enforcement rights against the Issuer under further provisions of the Permanent Global Note executed by the Issuer as a deed poll.

USE OF PROCEEDS

The net proceeds of the issue of the Notes, amounting to approximately €148,892,800, will be applied by the Issuer for general financing and corporate purposes.

THE ISSUER

History

ESFIL - Espírito Santo Financière S.A. (the **Issuer**) is a limited liability company (*société anonyme*) incorporated under Luxembourg law on 23 December 1993 for an unlimited duration. The Issuer is a wholly owned subsidiary of Espírito Santo Financial Group S.A. (the **Guarantor**). The registered office and principal place of business of the Issuer is located at 231, Val des Bons Malades, L-2121 Luxembourg, Grand Duchy of Luxembourg and its telephone number is +352 437-227. The Issuer is registered with the Luxembourg Register of Commerce and Companies under number B-46.338.

Business

The principal activity of the Issuer is the acquisition of interests in other Luxembourg or foreign companies and investment in industrial or trading companies. It also participates in the organisation and development of industrial or trading companies by granting assistance to such companies in the form of loans, guarantees or in any other way. In particular, the Issuer holds the Guarantor's interests in Banque Privée Espírito Santo, S.A., an asset management company based in Lausanne, and the Guarantor's interest in Banque Espírito Santo et de la Vénétie, S.A., a small bank based in Paris. The Issuer is also engaged in the financing of Espírito Santo International S.A. and certain of its subsidiaries' long-term investments.

Directors

Details of each of the directors of the Issuer (being all members of the Issuer's administrative, management or supervisory bodies) and their positions are set out in the table below accompanied by their principal outside activities.

<u>Name</u>	<u>Position</u>	<u>Principal Outside Activities</u>
Bernard Basecqz	Chairman	Director of ESFG Non-Executive Director of Banco Espírito Santo de Investimento, S.A. Chairman of Benetton International, Luxembourg
Jorge Manuel Amaral Penedo	Director	Director of BEM, SGPS, S.A., ES Bank (Panama) S.A., Esconcessões, SGPS, S.A., Escopar, SGPS, S.A., Espírito Santo Industrial (Portugal) - SGPS, S.A., Espírito Santo Industrial S.A., Espírito Santo Irmãos SGPS, S.A., Espírito Santo Property S.A., Espírito Santo Resources (Portugal) S.A., Gestres – Gestão Estratégica Espírito Santo, S.A. and Suliglor – Imobiliária do Sul, S.A.
Roland Cottier	Director	Director of Espírito Santo BVI Participation Limited, Espírito Santo Resources Limited, Espírito Santo Agriculture and Development Limited, Espírito Santo International S.A., Espírito Santo Control S.A., Control Developments Limited, Espírito Santo International (BVI) S.A., Espírito Santo Enterprises S.A., Espírito Santo Industrial (BVI) S.A., Espírito Santo Property (BVI) S.A., Espírito Santo Tourism Limited, GES Finance Limited, ESAT S.A., E.S. International Overseas Limited, E.S. Resources Overseas Limited and E.S. International Panama S.A.

The Directors' current business addresses are as follows:

Name	Current business address
Bernard Basecqz	1 Rue Plaetis, L-2338 Luxembourg, Grand Duchy of Luxembourg
Jorge Manuel Amaral Penedo	Rua de S. Bernardo 62, 1249-092 Lisbon, Portugal
Roaldn Cottier	Ch. du Levant 8, 1023 Crissier, Switzerland

The Directors of the Issuer believe that, save as described above under the heading "Principal Outside Activities", no director has any potential conflict of interest between his duties to the Issuer and his private interests and/or other duties.

ESPÍRITO SANTO FINANCIAL GROUP S.A.

Espírito Santo Financial Group S.A. is a limited liability company (*société anonyme*) incorporated under Luxembourg law on 28 November 1984 for an unlimited duration. The registered office and principal place of business of ESFG is located at 231, Val des Bons-Malades, L-2121 Luxembourg, Grand Duchy of Luxembourg and its telephone number is +352 437-227. ESFG is registered with the Luxembourg Register of Commerce and Companies under number B-22.232.

Introduction

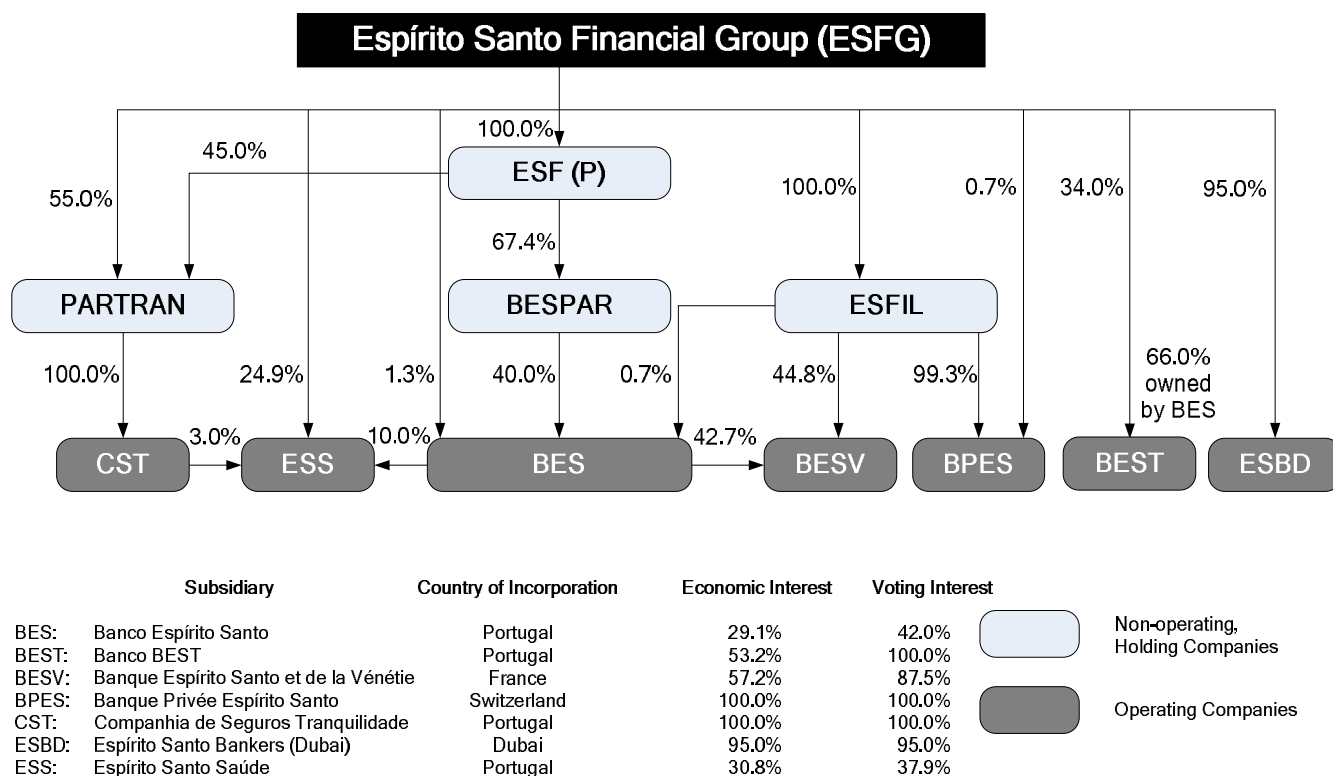
The ESFG Group is an integrated financial services group comprising ESFG and its subsidiary companies. Its banking operations are located primarily in Portugal, and also in Spain, Angola and Brazil. The ESFG Group had consolidated assets of EUR 78.1 billion and consolidated equity (attributable to equity holders of ESFG) of EUR 1,282.7 million at 31 December 2008. At 31 March 2009 the ESFG Group had consolidated assets of EUR 79.8 billion and consolidated equity (attributable to equity holders of ESFG) of EUR 1,290.1 million. Consolidated net profit for the year ended 31 December 2008 (attributable to equity holders of ESFG) was EUR 77.1 million. Consolidated net profit for the three months ended 31 March 2009 (attributable to equity holders of ESFG) was EUR 29.8 million.

The ESFG Group engages in a broad range of banking, insurance and financial activities, including taking deposits, lending, asset management, private banking, leasing and factoring, investment banking and brokerage services. The ESFG Group conducts its commercial banking activities primarily through Banco Espírito Santo S.A. (BES), the third largest full-service financial group in Portugal in terms of total assets, headquartered in Portugal. BES is the largest Portuguese listed bank by market capitalisation. The ESFG Group's investment banking business is managed primarily through Banco Espírito Santo Investimento, S.A. (BESI), while its asset management and private banking activities are operated through Espírito Santo Activos Financeiros, SGPS, S.A. (ESAF), Banco BEST, Banque Privée Espírito Santo, S.A. (BPES) and ES Bankers (Dubai) Limited (ESBD) based in Portugal, Switzerland and the U.A.E., respectively. The ESFG Group conducts its stockbrokerage activities through BESI in Portugal and through branches of BESI in Spain and Poland, through BESI's Brazilian subsidiary BES Investimento do Brasil, S.A., in which Banco Bradesco, S.A. holds a 20 per cent. interest, in Brazil and through E.S. Financial Services, Inc, an Espírito Santo Bank subsidiary, in the United States. The ESFG Group conducts its insurance business through Tranquilidade, T-Vida and LOGO, in the non-*bancassurance* area, and in the *bancassurance* area through BES Vida and BES Seguros in each of which Crédit Agricole has a 50 per cent. interest and controls their activities.

The ESFG Group holds a voting interest of 42.0 per cent. in BES, a level which cannot exceed 50 per cent. without triggering provisions of the Portuguese takeover law, which would require it to offer to purchase all of the outstanding shares.

The ESFG Group conducts its non-life non-*bancassurance* insurance activities in Portugal mainly through Tranquilidade, a wholly owned subsidiary. The ESFG Group's life non-*bancassurance* insurance activities in Portugal are conducted through T-Vida, which is wholly owned by Tranquilidade. The ESFG Group conducts its activities in healthcare services through Espírito Santo Saúde (ESS) a holding company which operates in the following main areas of healthcare management: hospitals and out-patient clinics, residential hospitals and senior citizen residences.

The principal organisational structure of the ESFG Group as at 18 May 2009 is set out below:



History

The ESFG Group's origins date from 1869, when José Maria de Espírito Santo Silva founded a bank in Lisbon, which was BES' predecessor. In the 1930s, the Espírito Santo family acquired a significant shareholding in Tranquilidade. After the Second World War, BES became one of Portugal's largest commercial banks and Tranquilidade became one of its leading insurance companies. In 1975, the Portuguese government nationalised virtually all institutions in the domestic banking and insurance industries, including BES and Tranquilidade. The Espírito Santo family, deprived of its Portuguese base, began new operations outside Portugal, primarily in the financial services industry, and in 1984, ESFG was established.

In 1986, when the Portuguese government enacted legislation which once again permitted the private ownership of financial services companies, the ESFG Group recommenced its operations in Portugal through Banco Internacional de Crédito, S.A. (BIC) and BESI. In the same year, the Portuguese government embarked on a programme of privatising state-owned companies which they had previously nationalised, including many in the financial services sector. In association with Crédit Agricole, a major French financial services group, and other investors, ESFG acquired control of Tranquilidade and BES between 1990 and 1992. In order to maximise its resources and gain access to additional sector know-how, the ESFG Group has made its primary investments in these companies primarily in association with strategic partners which have assisted the ESFG Group in formulating its strategy, particularly in connection with the development and marketing of products in the retail sector.

Key minority interests in ESFG Group companies

The ESFG Group has made most of its investments in association with partners in the financial services industry in order to maximise its resources. The ESFG Group's most significant association has been with Crédit Agricole, which in 1990 and 1991 joined with the ESFG Group in the acquisition of BES and Tranquilidade. To this end, ESFG and Crédit Agricole formed two acquisition vehicles, BESPAR and

PARTRAN. ESFG acquired full control and ownership of PARTRAN in 2006. Through BESPARG, Cr dit Agricole participates as a strategic partner in the management and operation of BES. In 2006 Cr dit Agricole assumed management control of BES Vida and BES Seguros. The ESFG Group's association with Cr dit Agricole has been mutually beneficial, in terms of profitability for the ESFG Group and introducing the ESFG Group to new financial techniques (including the *bancassurance* operations described below). The association has also enabled Cr dit Agricole to gain access to the Portuguese market.

BESPARG is controlled, directly and indirectly, by the ESFG Group, which, as of 31 December 2008 held, 67.4 per cent. of the voting interest in this entity. In order to reflect Cr dit Agricole's interest, the articles of association of BESPARG provide certain protections for minority shareholders. Pursuant to these provisions, any two directors who vote against a resolution of the board of directors because they view it as contrary to the shareholders' interests have the right to request a general meeting of shareholders. Resolutions facing such objections will be suspended unless and until approved by a majority of 76 per cent. of the shareholders. A super-majority of 76 per cent. of the shareholders is also required for the transfer of shares of BES by BESPARG, amendments to the articles of association of these companies, the issuance of convertible bonds, and the election and removal of corporate officers. As of 31 December 2008, Cr dit Agricole had a voting interest of 32.6 per cent. in BESPARG. Consequently, Cr dit Agricole's votes are necessary to obtain the required super-majority.

Because the ESFG Group's interests in certain of its subsidiaries are held by one or more entities controlled by the ESFG Group, ESFG's economic interest (i.e. the percentage interest in the shareholders' equity and net income of such subsidiary after eliminating minority interests in such subsidiary and immediate ESFG Group controlled entities) in such subsidiaries is less than the ESFG Group's direct or indirect voting interest therein.

In June 2006, BESPARG, obtained a loan from a consortium of banks led by Caixa Geral de Dep sitos, S.A. in the amount of EUR 101.5 million which is repayable in June 2010. To secure this loan, BESPARG pledged to Caixa Geral de Dep sitos, S.A. 11 million shares in BES, representing 2.2 per cent. of the share capital of BES.

The ESFG Group's business

Principal activities and markets

The ESFG Group is engaged principally in three business areas, banking, insurance and healthcare services, and its operations are concentrated mainly in Portugal. Banking comprises banking, leasing, consumer credit, asset management, brokerage, factoring and others. Insurance comprises life insurance and non-life insurance. Healthcare services include hospitals, outpatient clinics, residential hospitals and senior citizen residences.

The ESFG Group's operations outside of Portugal complement its Portuguese activities, primarily serving Portuguese businesses and individuals abroad. For the year ended 31 December 2008, the ESFG Group derived 72.5 per cent. of its consolidated net profit attributable to equity holders from its operations in Portugal, after intra-group eliminations.

Banking

The ESFG Group conducts a broad range of banking activities, including corporate and retail banking, investment banking, asset management, specialised credit and others. The BES Group is one of the leading banking groups in Portugal offering individual and corporate customers a wide range of banking and financial services. The BES Group is the third largest provider of financial services in Portugal based on total assets. The BES Group accounted for 94.0 per cent. of the ESFG Group's total assets as at 31 December 2008, 87.5 per cent. of the ESFG Group's revenues for the 12 months ended 31 December 2008 and 74.0 per cent. of the ESFG Group's operating income for the 12 months ended 31 December 2008, in each case after intra-group eliminations.

At the BES Group level, Core Tier I and Tier I ratios, and the solvency ratio, under Basel II, IRB Foundation Method were 6.1 per cent. and 7.1 per cent., and 11.3 per cent., respectively, at 31 December 2008. On 16 April 2009 BES completed a EUR 1.2 billion increase of its share capital and the pro forma Core Tier I and Tier I ratios of BES at 31 December 2008, for illustrative purposes (as if BES' share capital increase had been completed prior to or on 31 December 2008), were 8.3 per cent. and 9.2 per cent., respectively, under the Basel II, IRB Foundation Method.

At 31 December 2008, the ESFG Group's Core Tier I ratio, Tier I ratio and solvency ratio were 5.7 per cent., 7.0 per cent. and 9.5 per cent., respectively, calculated under Basel II, IRB Foundation Method. Following BES' share capital increase on 16 April 2009, the pro forma Core Tier I and Tier I ratios of the ESFG Group at 31 December 2008, for illustrative purposes (as if BES' share capital increase had been completed prior to or on 31 December 2008), were 7.2 per cent. and 8.8 per cent., respectively, under the Basel II, IRB Foundation Method.

Based on internal studies, the ESFG Group believes that, in 2008, the BES Group had an average market share in the Portuguese banking market of 20.7 per cent. (compared with 20.4 per cent. in 2007 and 19.0 per cent. in 2006). The BES Group calculates its average market share based on the non-weighted average of the market shares it holds in products such as deposits, individual pension plans, other financial life insurance, mutual funds, production of mortgage loans, loans to corporations, consumer loans, leasing, factoring and POS (traded volume). In calculating market share data, the BES Group uses relevant available official sources of information, including publications by the Bank of Portugal, the Portuguese Banks Association, the Association of Mutual Funds, the APFIN – Associação Portuguesa das Sociedades Gestoras de Fundos de Investimento and the Portuguese Association of Insurance Companies. Where no official sources exist, the BES Group relies on its own estimates.

Since 1992, the BES Group has substantially expanded its banking network, increasing the number of BES Group branches from 230 at 31 December 1992 to 757 at 31 December 2007 and to 803 at 31 December 2008. While the BES Group has focused on organic growth through expansion of its branch network in Portugal, it embarked on a strategic branch expansion in Spain in June 1992 when it acquired a small Spanish bank, with currently 26 branches many of which are located along the Portuguese-Spanish border. BES Angola has 28 branches in Angola. The BES Group also has 13 representative offices and three centres for residents abroad.

Corporate and retail banking

Corporate and retail banking consists of the ESFG Group's banking business with retail, corporate and private banking customers, including its mortgage business. The ESFG Group is active in Portugal, Spain, the United States, China and Angola through BES' international branches, subsidiaries and representative offices, and separately in France and Dubai.

The ESFG Group's corporate and retail banking operations in Portugal are conducted primarily through BES, in which the ESFG Group holds a 42.0 per cent. voting and a 29.1 per cent. economic interest. Crédit Agricole is a minority investor in BES and is the ESFG Group's strategic partner in the management and operation of BES. See "*Key minority interests in ESFG Group companies*". Further to the capital increase that took place on 16 April 2009, 38.4 per cent. of BES' ordinary shares, which are listed on NYSE Euronext Lisbon, are held by shareholders with less than 2 per cent. individually. At such date, on a pro forma basis, BES had consolidated shareholders' equity of EUR 5,861.5 million (including minority interests).

BES in turn conducts a portion of its commercial banking business through its subsidiaries, namely, BAC (corporate banking in the Azores Islands), BES Oriente (private and corporate banking in Macao), ESB (private and corporate banking in the United States) and BES Angola (corporate banking in Angola).

The ESFG Group's commercial banking activities are carried out in France through BES Vénétie, which is jointly controlled by ESFG and BES.

ESBD is a private banking and wealth management operation incorporated in Dubai. ESBD's activities include asset and cash management, leverage and credit facilities, investment and advisory services, securities trading, structured products, investment funds, alternative investments and investment banking. ESBD is also able to offer shariah compliant investments.

The ESFG Group's customer base is diverse and is comprised of large Portuguese corporations, Portuguese subsidiaries of foreign corporations, public sector institutions, small- to medium-sized Portuguese businesses and individuals.

The ESFG Group believes its success in broadening its customer base over the last decade is evidenced by the expansion in loans to individuals, including mortgages and consumer credit during that period. Accounting for a small percentage of the total in 1992, such loans represented 27.7 per cent. of the ESFG Group's total loan portfolio at the end of 2008. In 2008, the ESFG Group's gross consolidated loan portfolio grew by 11.4 per cent. to EUR 50.4 billion, with domestic loans growing 9.2 per cent.

The ESFG Group's gross consolidated domestic (non-cross border) loan portfolio amounted to EUR 35.7 billion as of 31 December 2008 and was directed to the following principal business sectors: real estate – mortgage 29.1 per cent., consumer and other loans 6.8 per cent. and corporate credit 64.1 per cent. As of 31 December 2008, total gross international loans amounted to EUR 14.0 billion and were directed to the following principal business sectors: real estate – mortgage loans 3.9 per cent., consumer credit and other loans 3.0 per cent. and corporate credit 93.0 per cent.

The ESFG Group's strategy is to increase its lending activity with respect to the corporate segment which increased by 21.7 per cent. in 2007 and by 15.1 per cent. in 2008. Corporate loans accounted for 64.4 per cent. of total gross loans at 31 December 2008, while loans to individuals represented 27.7 per cent. of total gross loans at 31 December 2008. The percentage of the loan portfolio with a maturity of less than one year decreased from 63 per cent. as of 31 December 1995 to 24.7 per cent. as of 31 December 2008.

As at 31 December 2008 approximately 27.7 per cent. of the ESFG Group's consolidated loans are to customers who are not resident in Portugal. Most of these loans are extended through BES' overseas branches (London, New York, Nassau, Cayman Islands and Madeira-offshore), and various subsidiaries of ESFG and BES (BES Vénétie in France, Espírito Santo Bank (Panama), S.A. in Panama, BPES in Switzerland, ESFIL - Espírito Santo Financière, S.A. in Luxembourg, BES Oriente in Macao, ESB in the United States, ESBD in Dubai and BES Angola). Most of the trade finance lending is conducted through these entities.

Investment banking

The ESFG Group conducts investment banking operations in Portugal through BESI, a wholly owned subsidiary of BES. BESI's investment banking and advisory activities focus on domestic as well as certain international markets (Brazil, Spain, Ireland and the United Kingdom) and mainly concentrate on project finance, structured finance, mergers and acquisitions, corporate finance and capital markets (including privatisations, primary and secondary market securities trading as well as underwriting of equity and debt issues).

BESI had total consolidated assets of EUR 5,331.8 million at 31 December 2008 and a net profit of EUR 47.6 million for the 12 months ended 31 December 2008. In 2007/2008 the strategy adopted for investment banking continued to focus on Iberia and Brazil. In Brazil, BES Group continues to develop the investment banking joint venture with Banco Bradesco, S.A. in order to benefit from the potential for this business area in Brazil.

Asset management and private banking

The ESFG Group carries out asset management activities mainly through two operations, ESAF in Portugal (fund management) and BPES in Switzerland (private banking). Private banking activities are also carried

out at BES. The ESFG Group holds a 90.0 per cent. voting and a 29.7 per cent. economic interest in ESAF, whose subsidiaries are involved in various fund management activities.

Outside Iberia, the ESFG Group conducts private banking activities principally through BPES, a wholly owned portfolio management company established in Switzerland in 1975 under the name of Compagnie Financière Espírito Santo. BPES's income primarily comprises management commissions, transaction fees income from foreign exchange transactions and lending activities.

Investment funds managed by the ESFG Group amounted to approximately EUR 18.1 billion at 31 December 2008.

Specialised credit

Through BES, the ESFG Group is also involved in leasing and factoring and in the credit card business, following the merger into BES of Besleasing e Factoring – Instituição Financeira de Crédito, S.A in December 2008 and through the merger into BES of CREDIFLASH Sociedade Financeira para Aquisição a Crédito, S.A., a credit card management company, during the course of 2007. The BES Group also provides many types of consumer credit through its network of branches.

Insurance

According to the Portuguese Insurance Institute (ISP), at 31 December 2008, the ESFG Group's insurance operations, Tranquilidade, T-Vida, LOGO, together with BES Vida and BES Seguros (where Crédit Agricole has a 50 per cent. interest and controls their activities) were, together, the second largest insurance group in Portugal in terms of premium income. At the ESFG Group consolidated level, after intra-group eliminations, the insurance companies accounted for 1.8 per cent. of ESFG's total assets at 31 December 2008, 5.7 per cent. of the ESFG Group's revenues for the 12 months ended 31 December 2008 in each case excluding gains on the sale of investments in subsidiaries and associates and share of profit of associates, and 14.1 per cent. of the ESFG Group's operating income for the 12 months ended 31 December 2008.

Since it acquired control of Tranquilidade in 1990, the ESFG Group has achieved substantial growth in its insurance business. Prior to the formation of Tranquilidade-Vida in 1994 (renamed BES Vida in 2006), Tranquilidade conducted both the ESFG Group's life insurance business and its non-life insurance business. In 1994, the ESFG Group's life insurance business was transferred to this new entity. In part based on the experience of Crédit Agricole in France, the ESFG Group has been able to expand its activities by using BES' branch network to distribute life and non-life *bancassurance* products and by implementing policies to increase efficiency and enhance cost reduction. According to the figures published by ISP, at 31 December 2008, Tranquilidade, LOGO, BES Seguros (formerly ES Seguros), BES Vida and T-Vida achieved an overall market share of 17.4 per cent. in the Portuguese insurance market (20.5 per cent. in life and 9.5 per cent. in non-life), based on insurance premiums. The Portuguese insurance market increased 10.9 per cent. to 31 December 2008 with an increase of 17.3 per cent. in life and a 2.1 per cent. decrease in non-life. In particular, motor insurance decreased by 6.5 per cent. in the 12 months ended 31 December 2008.

Non-life insurance

Tranquilidade conducts its private and commercial business (comprising accident and health, fire and other damage, motor, marine and third party liability insurance) via non-banking channels, while BES Seguros markets its products primarily through the branch networks of BES.

Tranquilidade is also active in the *assurfinance* business, which involves selling products such as mortgage loans, personal loans and current accounts through selected agents. At the end of 2008, Tranquilidade's *assurfinance* programme accounted for approximately 13.0 per cent. of BES' new mortgage loans. The 465 insurance managers, 1,147 best agents and 5,500 other *assurfinance* agents contributed 22.9 per cent. of the total clients acquired by BES as at the end of December 2008. In addition, the programme allows Tranquilidade to improve retention of its best agents and brokers, who at the end of December 2008 had

contributed 65.0 per cent. and 20.0 per cent., respectively of the total income of Tranquilidade. Commercial lines business coming from BES represents 21.1 per cent. of commercial business premiums and 38.5 per cent. of motor business is linked to the T-Credit launched together with BES.

In 2008, Tranquilidade also expanded its franchise network. As of 31 December 2008, Tranquilidade operated 48 of its own branches and through 69 franchise outlets. Together with a further 217 independent agent outlets, these 334 outlets have permitted Tranquilidade to expand significantly its geographical coverage in Portugal. Management believes that its coverage is critical in terms of client service and nationwide brand development.

LOGO, the ESFG Group's direct insurer, established in January 2008, achieved 30,000 clients in its first year of operation exceeding its objective of 20,000 clients. The telephone and internet based insurer reported premiums relating to the motor sector of EUR 4.1 million.

Life Insurance

T-Vida, a subsidiary dedicated to the life insurance business was established in August 2006, reported a net loss of EUR 13.2 million for the 12 month period to 31 December 2008 due to negative financial results which declined by 110.8 per cent. in 2008. T-Vida acquired BES Vida's agent life portfolio for EUR 50.0 million. T-Vida explores the opportunities available in the Portuguese life insurance market, namely in the areas of life risk and private pension plans, using non-*bancassurance* channels for marketing purposes.

Healthcare

ESS operates in the following main areas of healthcare management: hospitals and outpatient clinics, residential hospitals and senior citizen residences. The main events in 2008 were:

- 44.2 per cent. rise in operating income;
- the sale of the spa tourism business; and
- launch of radiotherapy services at Hospital da Luz.

Turnover at the healthcare operator in 2008 rose by 44.2 per cent., from EUR 128.5 million to EUR 185.3 million, primarily due to strong growth at Hospital da Luz. Hospital da Luz opened for business in March 2007, is located in Lisbon and is ESS's flagship operation. In 2008, Hospital da Luz also celebrated the opening of its radiotherapy unit, which is key to Hospital da Luz's profitability.

RECENT DEVELOPMENTS

Espírito Santo Financial Group S.A.

On 13 May 2009, the unaudited results of ESFG and its consolidated subsidiaries for the three months ended 31 March 2009, prepared in accordance with IFRS as adopted by the European Union were announced. The following is a summary of those results:

- Consolidated net income in the first quarter decreased by 26.0 per cent. year on year to EUR 29.8 million (compared with EUR 40.3 million for the first quarter of 2008).
- Consolidated net interest income increased by 22.1 per cent. year on year to EUR 328.3 million (compared with EUR 268.8 million for the first quarter of 2008) on the back of strong volume growth with the international business continuing to make a significant contribution.

- Consolidated net fees and commissions rose by 12.7 per cent. year on year to EUR 172.5 million (compared with EUR 153.0 million for the first quarter of 2008), representing a resilient performance given strong competitive pressures witnessed during the period.
- Consolidated market results (being the aggregate of net gains/losses from financial assets at fair value through profit and loss, net gains on available for sale financial assets, net gains from foreign exchange differences and net gains/losses from the sale of other assets) decreased 49.8 per cent. year on year to EUR 26.6 million (compared with EUR 53.0 million for the first quarter of 2008) but compared favourably to the performance in the two previous quarters.
- Consolidated insurance earned premiums, net of reinsurance decreased 16.2 per cent. year on year to EUR 73.5 million (compared with EUR 87.8 million for the first quarter of 2008) reflecting increased competition.
- Consolidated claims incurred net of reinsurance decreased by 5.7 per cent. year on year to EUR 56.7 million (compared with EUR 60.1 million for the first quarter of 2008).
- Consolidated staff costs and general administrative expenses increased moderately by 5.5 per cent. to EUR 284.8 million (compared with EUR 270.0 million for the first quarter of 2008) and was primarily impacted by increased staff costs following a rise in pension costs due to the amortisation of actuarial differences resulting from the depreciation of fund assets.
- Consolidated results were negatively affected by the deterioration of overdue loan ratios at BES and the resulting rise of provisioning charges to 0.80 per cent. (compared with 0.57 per cent. for the 2008 full year).
- The 112.1 per cent. rise year on year in income tax at ESFG to EUR 49.2 million (compared with EUR 23.1 million for the first quarter of 2008) reflects the limited capacity for deductions for the losses on the sale of securities within the AFS (available for sale) portfolio and the high level of taxation at ESFG's Brazilian operations.

ESFG subscribed its full entitlement in BES' recent EUR 1.2 billion capital increase which was concluded on 16 April 2009.

The full text of the results of ESFG Group for the three months ended 31 March 2009 is available for inspection. See "*General Information – Documents Available*".

Banco Espírito Santo, S.A.

On 5 May 2009, the unaudited results of ESFG's subsidiary BES and its consolidated subsidiaries for the three months ended 31 March 2009, prepared in accordance with IFRS as adopted by the European Union were announced. The following is a summary of those results:

- Net income of EUR 101.3 million for the first quarter, which was affected by the global crisis, represents a reduction of 30.6 per cent. year on year and an increase of 50 per cent. quarter on quarter, equivalent to an annualised return on equity of 9.3 per cent.
- The performance of the international area (net income of EUR 55.2 million; 50 per cent. year on year growth) represents 54 per cent. of the 2009 first quarter consolidated result (compared with 36 per cent. for the 2008 full year).
- Accelerated growth of on-balance sheet client funds, which increased by 10.2 per cent. (compared with 3.0 per cent. for December 2008); lending to clients grew by 7.1 per cent. (compared with 9.7 per cent.

for December 2008), highlighting, in particular, lending to companies, which grew by 11.2 per cent. (compared with 13.4 per cent. for December 2008).

- Commercial banking income grew by 18.7 per cent., supported by the performance of net interest income (an increase of 22.1 per cent.). The contribution of the international area was an important part of this growth, with banking income for this area increasing by 48.1 per cent. and net interest income by 61.1 per cent.
- Operating costs increased by 5.5 per cent., due to the effect of writing down actuarial deviations determined during the financial year 2008. Excluding pension costs, a reduction of 0.2 per cent. in costs relative to the first quarter of 2008 would have been registered.
- A significant improvement in productivity and efficiency, with the commercial cost to income (excluding trading gains) having reached 52.5 per cent. (compared with 58.2 per cent. for the 2008 full year).
- The credit provision in charge was increased to 0.80 per cent. (compared with 0.57 per cent. for the 2008 full year). As a result of the current recessionary cycle, the ratio of loans overdue by more than 90 days increased to 1.20 per cent. (compared with 1.09 per cent. for December 2008). The provisioning ratio for loans overdue by more than 90 days was 210 per cent. and the level of provision for total credit increased from 2.38 per cent. (for December 2008) to 2.52 per cent.
- The BES Group received the authorisation from the Bank of Portugal to use, beginning with the first quarter of 2008, the Internal Ratings Based (IRB) approach for credit risk and TSA (or standardised) approach to operational risk, placing the bank in a leadership position in terms of risk management and in line with international best practice. For March 2009, Core Tier 1 and Tier 1 ratios according to these methods were 5.8 per cent. and 6.6 per cent., respectively; and taking into account BES' share capital increase, these would have been 7.8 per cent. and 8.6 per cent.
- BES' capital increase, which began in March and was concluded in mid-April, was successful (138.9 per cent. subscribed), demonstrating investor confidence in the strategic choices made by BES and in its track record of creating value.

The full text of the results of BES Group for the three months ended 31 March 2009 is available for inspection. See "*General Information – Documents Available*".

SUPERVISION AND REGULATION

Introduction

Since the majority of the ESFG Group's activities are conducted in Portugal, a summary of Portuguese banking and insurance regulations is set out below. There are no applicable regulatory controls under Luxembourg law that are likely to have a material impact on the ESFG Group's future financial performance.

In 1997, the Bank of Portugal initiated supervision of ESFG on a consolidated basis pursuant to Council Directive 92/30/EEC of 6 April 1992 on the supervision of credit institutions on a consolidated basis, and since 15 June 2000 pursuant to Directive 2000/12/EC of the European Parliament and of the Council of 20 March 2000 relating to the taking up and pursuit of the business of credit institutions.

Portugal

Regulation of Portuguese banking companies

The Bank of Portugal is a part of the European System of Central Banks (“ESCB”), which was created in connection with the European Economic and Monetary Union (“EMU”). The EMU implies a single monetary policy, the main features of which are a single currency – the Euro – and the creation of a European Central Bank (“ECB”) and the ESCB. According to the European Union (“EU”) treaty, the primary objective of the ESCB is to maintain price stability through monetary policy.

The Bank of Portugal is directed to provide for the stability of the domestic financial system, performing for this purpose the function of lender of last resort. This goal is achieved through the supervision of credit institutions, financial companies and some holding companies of credit institutions and financial companies.

According to the “*Regime Geral das Instituições de Crédito e Sociedades Financeiras*”, or the Portuguese Legal Framework of Credit Institutions and Financial Companies (Decree Law NR 298/92 of 31 December 1992 as amended from time to time), the Bank of Portugal authorises the setting up of credit institutions and financial companies based on technical and prudential criteria, monitors the activity of the institutions under its supervision and their compliance with the rules governing their activities, issues recommendations for the correction of any deviations from such rules, sanctions breaches, should they occur, and is able to take extraordinary measures of reorganisation.

The Bank of Portugal has established rules governing solvency ratios, reserve requirements, control of major risks and provisions for specific and general credit risks. It monitors compliance with these rules through periodic inspections, review of regularly filed financial statements and reports and continuing assessment of adherence to current legislation.

The Bank of Portugal is also charged with the duty to regulate, oversee and promote the smooth operation of payment systems, namely within the scope of its participation in the ESCB.

Membership in the EU subjects Portugal and Portuguese Credit Institutions to compliance with European legislation. The Portuguese authorities have introduced EU directives and recommendations into legislation to adapt Portuguese laws to European regulatory standards.

Additional supervision

Credit institutions incorporated in Portugal are also subject to the supervision of the CMVM with respect to the performance of investment services/ancillary services. Therefore, CMVM supervises BES in relation to its performance of the activities foreseen in Articles 290 and 291 of the Portuguese Securities Code (*Código dos Valores Mobiliários*), or Portuguese Securities Code, such as asset management on behalf of third parties, securities custody, assistance and placement of public offers of securities, investment consultancy and brokerage.

Furthermore, BES is also subject to the supervision of CMVM as an issuer with securities admitted to trading on a Portuguese regulated market, which qualifies it as a public company (*sociedade aberta*) that is required to comply with the applicable provisions of the Portuguese Securities Code, in particular, with regard to qualifying holdings and disclosure requirements (such as inside information and financial information).

Capital adequacy requirements

Capital and solvency ratios

Portuguese credit institutions are subject to solvency ratio requirements. These requirements conform to the EU legal framework establishing common standards for the measurement of capital and a system for

weighting assets according to credit risk (currently contained principally in the “Banking Consolidation Directive”) with the requirement that, since 31 December 1992, all credit institutions must maintain capital of at least 8 per cent. of risk-weighted assets. In particular cases, the Bank of Portugal may impose a higher solvency ratio to ensure weighting assets according to credit risk. Credit institutions that fail to comply with these requirements are subject to various measures that may be imposed by the Bank of Portugal, including possible restrictions on dividends and imposition of fines and other sanctions on, not only the bank, but also its directors and executive officers.

At the BES Group level, Core Tier I and Tier I ratios, and the solvency ratio, under Basel II, IRB Foundation Method were 6.1 per cent. and 7.1 per cent., and 11.3 per cent., respectively, at 31 December 2008. On 16 April 2009 BES completed a EUR 1.2 billion increase of its share capital and the pro forma Core Tier I and Tier I ratios of BES at 31 December 2008, for illustrative purposes (as if BES’ share capital increase had been completed prior to or on 31 December 2008), were 8.3 per cent. and 9.2 per cent., respectively, under the Basel II, IRB Foundation Method.

At 31 December 2008, the ESFG Group’s Core Tier I ratio, Tier I ratio and solvency ratio were 5.7 per cent., 7.0 per cent. and 9.5 per cent., respectively, calculated under Basel II, IRB Foundation Method. Following BES’ share capital increase on 16 April 2009, the pro forma Core Tier I and Tier I ratios of the ESFG Group at 31 December 2008, for illustrative purposes (as if BES’ share capital increase had been completed prior to or on 31 December 2008), were 7.2 per cent. and 8.8 per cent., respectively, under the Basel II, IRB Foundation Method.

Own Funds and Large Exposures

Credit institutions are required under Portuguese law to maintain an adequate level of own funds, which shall be at least equal to the minimum share capital. The relevant criteria to determine the level of own funds are determined by the Bank of Portugal.

Under Portuguese law, credit institutions may not incur an exposure to a client or group of connected clients exceeding 25 per cent. of own funds. Institutions may also not incur large exposures (exposures to a client or group of connected clients with a value equal to or exceeding 10 per cent. of own funds) which in total exceed 800 per cent. of its own funds.

Minimum cash requirements

The minimum cash requirement is set by the ECB, and the rate of interest is the rediscount rate at which the ECB lends to the other European central banks. The failure of a bank to maintain adequate liquidity may result in (i) an increase in the cash amount required (of up to three times the original amount), or (ii) an additional payment of up to twice the rediscount rate, or (iii) up to 5 basis points over that market rate.

Deposit Guarantee Fund

The Deposit Guarantee Fund was established in December 1994 and has administrative and financial autonomy. All credit institutions with head offices in Portugal that accept deposits must participate in this fund. The financial resources of the Deposit Guarantee Fund are mainly composed of initial contributions from the Bank of Portugal and the participating credit institutions and, thereafter, periodic contributions from the participating credit institutions.

The annual contributions are defined according to the monthly average of the deposits made in the previous year and the fixed contribution rate, weighted by the solvency ratio of each institution in the previous year (the lower an institution’s ratio, the higher its contribution). The annual contributions rate is determined by the Bank of Portugal annually and the rate is 0.03 per cent. for 2009.

The Bank of Portugal may determine that the payment of up to 75 per cent. of the annual contributions may be partly replaced by an irrevocable contract, guaranteed where necessary by securities that have a low credit

risk and high liquidity. The Bank of Portugal determined that this limit would be 10 per cent. for the 2009 annual contribution. If the resources are insufficient to comply with its commitments, the Deposit Guarantee Fund may ask for additional contributions or resort to loans.

When a credit institution is unable to comply with its commitments, the Deposit Guarantee Fund guarantees the total repayment to depositors up to EUR 100,000 per depositor. Decree Law 211-A/2008 of 3 November 2008 increased this limit from EUR 25,000 until 31 December 2011.

The deposits made on Portuguese territory are guaranteed regardless of the currency in which they are denominated, and whether the depositor is resident or non-resident in Portugal. However, some deposits are excluded from the guarantee scheme – such as those of credit institutions, financial companies, insurance companies, investment funds, pension funds and central or local administration bodies in their own name and for their own account. Moreover, in order to prevent a conflict of interests, the Deposit Guarantee Fund does not cover deposits made by an institution's managing bodies, qualifying shareholders, external auditors and non-financial companies under the control of the credit institution at issue, or which together with the latter belong to the same group.

Unlike the systems existing in other countries, the Deposit Guarantee Fund is not responsible for any procedures aimed at the reorganisation and recovery of participating credit institutions.

Borrowing from the Bank of Portugal

The Bank of Portugal has followed a policy of intervening as a lender of last resort in cases of liquidity shortfalls in the banking system. The basic method of lending employed takes the form of advances and overdrafts against collateral. For this purpose the Bank of Portugal discloses a list of securities eligible as collateral. The rediscount rate is now set by the ECB.

International capital flows

The Portuguese authorities have established a programme of liberalisation of international capital flows in furtherance of the country's integration into the single market of the European Union.

Restrictions on acquisition of capital stock of a bank

According to the Legal Framework of Credit Institutions and Financial Companies, any legal or natural person who proposes either to acquire directly or indirectly a qualified direct or indirect holding (5 per cent. or more of the capital or the voting rights, or a holding which makes it possible to exercise significant influence over management) in a credit institution is required to give the Bank of Portugal prior notice of such intention.

Prior notice must also be given to the Bank of Portugal by any such person intending to increase an existing qualified holding as a result of which the percentage of the voting rights or of the share capital held by such person would directly or indirectly (through persons acting in concert pursuant to the provisions governing the attribution of voting rights, that include companies and their affiliates) reach or exceed 5 per cent., 10 per cent., 20 per cent., 33 per cent. or 50 per cent., or when such credit institution would become a subsidiary of such person.

The Bank of Portugal may oppose any such acquisition or increase if it does not consider the concerned person to meet certain conditions designed to ensure sound and prudent management of the credit institution.

All acquisitions of holdings as a result of which the percentage of the voting rights or of the share capital held by such person would reach or exceed 2 per cent. must be notified to the Bank of Portugal within a period of 15 days after they occur. The Bank of Portugal will then determine if the holding is qualified or not. Should the Bank of Portugal not consider such holding as a qualifying holding, it may require the

participant to disclose the increase of its holding to 3 per cent. or 4 per cent. of the shareholding or voting rights.

Similarly, any legal or natural person who proposes either to dispose of a qualified holding in a credit institution or to reduce the percentage of the voting rights and/or of the share capital directly or indirectly held in a credit institution as a result of which: (i) such person's holding in the credit institution would fall below any of the percentages referred to above, (ii) such person would no longer be able to exercise a significant influence over the credit institution, or (iii) such credit institution would cease to be a subsidiary of such person, is also required to give the Bank of Portugal notice prior to proceeding with the proposed transaction. The notification must include information on the new amount of the holding.

Under the Portuguese Securities Code (*Código dos Valores Mobiliários*), any natural or legal person who directly or indirectly (through persons acting in concert pursuant to the provisions governing the attribution of voting rights, that include companies and their affiliates) reaches or exceeds a holding of 5 per cent., 10 per cent., 20 per cent., 33 per cent., 50 per cent., 66 per cent. or 90 per cent. of the voting rights attributable to the share capital of any public company (*sociedade aberta*) or reduces its holding below any of the above referred limits, must notify the CMVM and the company within three days from the occurrence of the event. The notice must identify, *inter alia*, the chain of entities to which, according to law, such holding is attributed. In the event the target company is the issuer of shares or of other securities that grant the holder the right to subscribe or acquire shares listed on regulated markets located or operating in Portugal, the respective stock exchange authorities must also be notified.

In addition, these requirements also apply in the case of a listed company in Portugal if any natural or legal person directly or indirectly (through persons acting in concert pursuant to the provisions governing the attribution of voting rights, that include companies and their affiliates) reaches or exceeds a holding of 2 per cent. or 5 per cent. of the voting rights attributable to the share capital of the company or reduce such holding to an amount below any of these limits.

The Portuguese Securities Code provides that any natural or legal person or persons acting in concert (including companies and their affiliates) whose holding reaches or exceeds 33 per cent. or 50 per cent. of the voting rights attributable to the share capital of a public company, are required to launch a takeover offer for all the shares and other securities issued by the company that grant the holder the right to subscribe for or acquire shares. Such offer must be for cash or have a cash alternative. These provisions would apply in the event that ESFG increased its voting control of BES to more than 50 per cent. The ESFG Group's current voting interest in BES of 42.0 per cent. allows it to maintain control of BES. ESFG has no present intention of increasing its percentage shareholding in BES.

Investment in non-banking companies

According to the Legal Framework of Credit Institutions and Financial Companies, no credit institution may, in principle, have any direct or indirect qualified holding exceeding 15 per cent. of its own funds. In addition, the total amount of qualified holdings by a credit institution in such non-banking companies may not exceed 60 per cent. of its own funds (qualifying capital and reserves).

The Legal Framework of Credit Institutions and Financial Companies also provides that no credit institution may directly or indirectly own more than 25 per cent. of the capital of any single non-financial company for a period longer than three years (five years for shareholdings held through venture capital companies). These limitations are not applicable to auxiliary service companies.

Treasury shares

Portuguese law prohibits a company from subscribing for its own shares and generally from issuing guarantees or lending money to any third party in connection with the subscription for or acquisition of such shares, except for loans made in the ordinary course of business by banks and other financial institutions. In the event the by-laws of a company do not prohibit the acquisition of its own shares, the company may only

acquire or sell its own shares on terms and conditions determined at a general meeting of shareholders and, with certain exceptions, such shares, together with shares held by the company as collateral, may not exceed 10 per cent. of its capital. During the period the company owns such shares, all rights relating to the ownership of such shares are suspended except for the right to receive additional, free or bonus shares. With certain exceptions, a Portuguese subsidiary is prohibited from subscribing for, or acquiring, shares of its parent.

Treasury shares of a company that exceed the 10 per cent. limit must be sold within one year (if unlawfully acquired) or within three years (if lawfully acquired). Failure to sell shares in accordance with these provisions will subject such shares to cancellation and the directors of the company to potential personal liability for damages to the company, to the creditors of the company or to third parties.

Issuers subject to Portuguese or foreign law with shares or other securities that confer rights of subscription, acquisition or disposal and that are admitted to trading on regulated markets located or operating in Portugal must notify the managing body of that market and the CMVM, within three business days from the date of the relevant transaction, of any acquisitions or disposals by them of such treasury shares or securities conferring rights over treasury shares, indicating:

- the final position resulting from such transactions where such position amounts to, exceeds or falls 1 per cent. and subsequent multiples of the equity capital; or
- all acquisitions or disposals, irrespective of their net balance, made in the same trading session of a regulated market located or operating in Portugal, where such transactions, either individually or together with any already effected, amount to or exceed 5 per cent. of the quantity admitted to trading.

Controlling companies must give notice, in accordance with the terms of the preceding paragraph, of all acquisitions and disposals of securities issued by the controlling company itself and executed by a company controlled by it.

Other controls

The Bank of Portugal imposes a number of other controls covering various aspects of a bank's business. It administers these controls through reporting requirements and ongoing supervision, including periodic examinations of the operations and asset portfolios of individual banks and consolidated banking groups.

Regulation of Portuguese insurance companies

Decree Law number 94-B/98, as amended, regulates the insurance and reinsurance activities in Portugal and established the autonomy of the ISP which regulates and supervises insurance companies in Portugal.

Insurance companies are subject to minimum capital requirements which are EUR 7.5 million for non-life companies with more than one branch of activity, the same amount for life companies and EUR 15.0 million for companies with life and non-life activities.

The ISP is responsible for setting the accounting and solvency requirements to be followed by insurance companies in Portugal. ISP regulations require that life and non-life insurance companies be subject to technical provisions, solvency margins and guarantee funds.

The calculation of technical provisions follow methods, rules and principles established by the ISP. The amount in technical provisions should allow an insurance company to fulfil its commitments within reasonable expectations. Required technical provisions are unearned premium reserve, unexpired risk reserve, claims reserve, provision for results participation and equalisation reserve.

Technical provisions must be represented by assets kept separately in a permanent inventory, which cannot be offered in guarantee by the company or be subject to any lien. The nature, valuation and limits relating to each category of assets are established by the ISP.

Solvency margins must be sufficient to support an insurance company's activities, with a minimum of 100 per cent. It corresponds to the assets of the company free from any reasonably anticipated liability and excluding intangibles. As with technical provisions, the valuation criteria of these assets is established by the ISP.

Insurance companies incorporated in Portugal and branches of insurance companies incorporated outside the European Union, must file annually with the ISP detailed information which allows the assessment of their global solvency. The ISP has issued rules relating to documentation and financial and statistical information required to be filed by insurance companies, for purposes of supervision. This includes:

- documentation: including report and accounts, reports from the official accounts review body (*revisor oficial de contas*) actuary's reports, reports on attribution of costs to branches and operational areas and reports on the use of derivative products;
- accounts and other accounting information: general costs and provision for receivables;
- solvency calculations;
- investments: assets and other investments, derivatives and income from investments;
- technical provisions and technical analysis of non-life activity: including unearned premium reserve, unexpired risk reserve, claims reserve, provision for results participation, equalisation reserve and analysis of the activities of workers compensation, motor and health;
- information on reinsurance; and
- statistical analysis: including quarterly data, provisional accounts and the amounts in pension funds managed and information on personnel.

Switzerland

The ESFG Group conducts asset management and private banking activities principally through BPES, a wholly owned portfolio management company established in Switzerland in 1976 (the company changed its name from Compagnie Bancaire Espírito Santo, S.A. to Banque Privée Espírito Santo, S.A. on 11 January 2007). BPES is separately and solely regulated in Switzerland by the Swiss Federal Banking Commission.

Directors

Details of each of the directors of ESFG (being all the members of ESFG's administrative, management or supervisory bodies) and their positions are set out in the table below accompanied by their principal outside activities.

Name	Position	Principal Outside Activities
Ricardo Espírito Santo Silva Salgado	Chairman	Vice-Chairman of the board of directors of Banco Espírito Santo and Chairman of its Executive Committee; Chairman of BESI, BES.com, Banco BEST, BESPARG, EBSD, ESAF, Espírito Santo Ventures, S.A., ES Tech Ventures, Espírito Santo – Empresa de Prestação de Serviço 2, ACE, Espírito Santo Financial (Portugal) SGPS, S.A., ESS, Espírito Santo Ventures – Sociedade de Capitale de Risco, S.A. and

		PARTRAN; Director of BES Oriente, BES Vénétie, BPES and ESB; Chairman of Casa dos Pórticos - Sociedade de Administração de Bens, S.A. and Pedra da Nau, S.A; Director of Banco Bradesco, S.A., Espírito Santo International and Espírito Santo Resources Limited; member of the Institut International d'Études Bancaires, the Supervisory Board of NYSE Euronext and the Conseil de Cooperation Economique (Europe).
José Manuel Pinheiro Espírito Santo Silva	Vice- Chairman	Chairman of Banque Privée Espírito Santo, Espírito Santo Financial Consultants, S.A. and Fiduprivate – Sociedade de Serviços Consultoria Administração de Empresas, S.A.; Vice-Chairman of Espírito Santo Financial (Portugal) SGPS, S.A; Director of BES, BESI, BES Vénétie, BESPARG, ESAF and ESB; Chairman of Sociedade Imobiliária e Turística da Quinta do Perú, S.A.; Director of Espírito Santo International, Espírito Santo Resources Limited, Espírito Santo Services, S.A., Espírito Santo Control, S.A. and Europ Assistance.
António Luís Roquette Ricciardi	Director	Chairman of Espírito Santo Services, S.A.; Vice-Chairman of BESPARG; Director of BPES; Chairman of Espírito Santo Control, S.A. and Espírito Santo International; Director of Espírito Santo Resources Limited, Espírito Santo Resources (Portugal), S.A., Espírito Santo Services S.A, Casa do Guincho – Sociedade de Administração de Bens, S.A. and Consultoria de Gestão Empresarial, S.A.
Mário Mosqueira do Amaral	Director	Chairman of Banco Espírito Santo North American Capital Corporation; Director of BPES, BES Finance Ltd, BESPARG, Espírito Santo Services, S.A., Espírito Santo Empresa de Prestação de Serviços, S.A. and PARTRAN; Vice-Chairman of Espírito Santo Control, S.A. and Espírito Santo International; Director of Banque Marocaine du Commerce Extérieur, Espírito Santo Resources Limited and COPORGEST - Companhia Portuguesa de Gestão e Desenvolvimento Imobiliário, S.A; Chairman of Amaral e Pinto, S.A.
Manuel Fernando de Moniz Galvão Espírito Santo Silva	Director	Director of BESPARG and ESB. Chairman of Academia de Música de Santa Cecília, Espírito Santo Health & SPA, S.A., Espírito Santo Resources Limited, Espírito Santo (Portugal), S.A., Espírito Santo Tourism (Europe), S.A., Espírito Santo Tourism Ltd., Euroamerican Finance Corporation, Inc. and Herdade da Comporta-Actividades Agro Silvícolas e Turísticas, S.A.; Director of BES, Espírito Santo Control, S.A., Espírito Santo International, Espírito Santo Industrial, S.A., Santogal, SGPS, S.A., Sapec, S.A. and Sociedade de Investimentos Imobiliários SODIM, S.A.
Jackson Behr Gilbert	Director	Chairman Emeritus of ESB.
Patrick Monteiro de Barros	Director	Chairman of Argus Resources (UK) Ltd.; Director of Petroplus Holdings.
Robert Studer	Director	Director of Schindler Switzerland
Philippe Guiral	Director	Chairman of BES Vénétie; Vice-Chairman of Banco delle Tre Venezie.
Manuel António Ribeiro Serzedelo de	Director	Director of Estrela SGPS and Lusoponte.

Almeida

José Maria Espírito Santo Silva Ricciardi	Director	Director and member of the Executive Committee of BES; Chairman of BES Investimento do Brasil, S.A.; Chairman of the Executive Committee of BESI, ESI, ESSI – Comunicações SGPS, S.A., ESSI – Investimentos SGPS, S.A. and ESSI SGPS, S.A; Vice-Chairman of BESI and ESAF; Director of BES, BESPARG, Espírito Santo Cobranças, S.A. and Espírito Santo Capital - Sociedade de Capital de Risco, S.A.; Director of Espart – Espírito Santo Participações Financeiras, SGPS, S.A.; Vice-Chairman of the Supervisory Board of Sporting Clube de Portugal.
Pedro Guilherme Beauvillain de Brito e Cunha	Director	Chairman of Advancecare, BES Seguros, Espírito Santo Contact Center and Esumédica; Director of BESPARG, BES Vida, Tranquilidade and ESS.; Director of Europ Assistance Portugal.
Carlos Augusto Machado de Almeida Freitas	Director	-
Aníbal da Costa Reis Oliveira	Director	Director of BES; Chairman of ACRO SGPS, S.A., Diliva – Sociedade de Investimentos Imobiliários, S.A., and Olinveste SGPS Lda.
Juan Villalonga Navarro	Director	-
Othman Benjelloun	Director	Chairman of Banque Marocaine de Commerce Exterieur, BMCE Capital, BMCE International, RMA WATANYA, the Moroccan Bankers' Association, the Centre Monétique Interbancaire and Union des Banques Maghrébines and Adviser to the Center for Strategic International Studies in Washington D.C.
José Pedro Torres Garcia Caldeira da Silva	Director	Director of BPES, ESBD, ESFG International Limited and ES Bank (Panama), S.A.; Member of the Supervisory Board of Banco delle Tre Venezie; Director of E.S. Private Equity Ltd. and E.S. Venture Ltd.
Fernando Pedro Braga Pereira Coutinho	Director	-
Yves Alain Marie Morvan	Director	Director of BES Vénétie and Vice Chairman of ESBD.
Alexandre da Paixão Coelho	Director	Partner of O. Lima, N. Silva, F. Colaço, A. Coelho e L. Rosa - Sociedade de Revisores Oficiais de Contas Lda. which is an independent member of Baker Tilly International; Member of the Quality Control Committee of the Portuguese Institute of Statutory Auditors.
José Carlos Cardoso Castella	Director	Director of ESFIL - Espírito Santo Financière, S.A. Lausanne Branch, Espírito Santo Financial (Portugal) SGPS, S.A. and ESFG International Limited.
Horácio Lisboa	Director	-

Afonso

Bernard Basecqz	Director	Chairman of ESFIL – Espírito Santo Financière S.A. and non-executive director of BESI and Chairman of Benetton International, Luxembourg.
Gerard Laffineur Petracchini	Director	Member of the board of directors of the CFCII (French Chamber of Commerce and Industry in Italy, Milan); Conseiller du Commerce Extérieur de la France (French Foreign Trade Advisor); Academician of the Accademia Angelica Costantiniana of Rome, Italy.
Manuel Guerrero Péman	Director	President of the Advisory Board of BESI in Madrid.; Director and Assistant to the Chairman of Inveravante; Director and Vice-Chairman of Grupo CETSSA Seguridad, S.A.; Chairman of Parque Temático de Madrid (Parque Warner); Director of Grupo Prensa Joly, Tradisa, Repsol Group and Grupo Troll; Chairman of the Advisory Board of University Francisco de Vitoria; Advisor for the Business School ESIC.

The Directors' current business addresses are as follows:

Name	Current business address
Ricardo Espírito Santo Silva Salgado	Avenida da Liberdade 195, 1250-142 Lisbon, Portugal
José Manuel Pinheiro Espírito Santo Silva	Avenida da Liberdade 195, 1250-142 Lisbon, Portugal
António Luís Roquette Ricciardi	Rua de São Bernardo 62, 1200-826 Lisbon, Portugal
Mário Mosqueira do Amaral	Avenida da Liberdade 195, 1250-142 Lisbon, Portugal
Manuel Fernando de Moniz Galvão Espírito Santo Silva	Rua de São Bernardo 62, 1200-826 Lisbon, Portugal
Jackson Behr Gilbert	1395 Bricknell Avenue, Miami, Florida 33131, USA
Patrick Monteiro de Barros	19 Berkeley Street, London W1J 8ED, United Kingdom
Robert Studer	Sonnenblick 15, Schönberg, Switzerland
Philippe Guiral	45 avenue Georges Mandel, 75116 Paris, France
Manuel António Ribeiro Serzedelo de Almeida	Avenida Sidónio Pais 14, 1050-214 Lisbon, Portugal
José Maria Espírito Santo Silva Ricciardi	Rua Alexandre Herculano, No 38, 1269-161 Lisbon, Portugal
Pedro Guilherme Beauvillain de Brito e Cunha	Avenida da Liberdade, 242, 1250-149 Lisbon, Portugal

Carlos Augusto Machado de Almeida Freitas	Rua N. Senhora da Ajuda, 193, Moreira de Cónegos 4815-257, Portugal
Aníbal da Costa Reis Oliveira	Avenida Reopele 888, 4770-405, Pousada de Saramagos, V.N. Famalicão, Portugal
Juan Villalonga Navarro	14 Cottessmore Gardens, London W8 5PR, United Kingdom
Othman Benjelloun	140 avenue Hassan II, Casablanca 2000, Morocco
José Pedro Torres Garcia Caldeira da Silva	Avenue de Montchoisi, 15, CH-1001 Lausanne, Switzerland
Fernando Pedro Braga Pereira Coutinho	Avenida da Liberdade 195, 1250-142 Lisbon, Portugal
Yves Alain Marie Morvan	45 avenue Georges Mandel, 75116 Paris, France
Alexandre da Paixão Coelho	Avenida da Liberdade 195, 1250-142 Lisbon, Portugal
José Carlos Cardoso Castella	Rua de São Bernardo 62, 1200-826 Lisbon, Portugal
Horácio Lisboa Afonso	Avenida da Liberdade 195, 1250-142, Lisbon, Portugal
Bernard Basecqz	1, Rue Plaetis, L-2338, Luxembourg, Grand Duchy of Luxembourg
Gerard Laffineur Petracchini	33 Queen Street, London EC4R 1ES, United Kingdom
Manuel Guerrero Péman	Calle Santiso 9, 1ªA, 28050, Madrid, Spain

The Directors of ESFG believe that, save as described above under the heading “Principal Outside Activities”, no director has any potential conflict of interest between his duties to ESFG and his private interests and/or other duties.

Major Shareholders and related party transactions

As at 18 May 2009, Espírito Santo International held directly or indirectly 30,138,789 shares with a nominal value of 10 euro each in the share capital of ESFG (the **Shares**), representing approximately 38.71 per cent. of the share capital of ESFG.

Espírito Santo International S.A., a limited liability corporation (*société anonyme*) incorporated under the laws of Luxembourg, holds 29.08 per cent. of the Shares directly and the remaining 9.63 per cent. of the Shares are held indirectly through Espírito Santo Irmãos SGPS, S.A., a limited liability corporation organised under the laws of Portugal and controlled by Espírito Santo International. In so far as is known to ESFG, there are no other persons who have an interest in, or voting rights in respect of, 10 per cent. or more of ESFG’s share capital.

Espírito Santo International S.A. is the immediate holding company of ESFG. Seven of the directors of Espírito Santo International S.A. are also directors of ESFG. Espírito Santo International S.A. is 49.1 per cent. owned, directly or indirectly, by members of the Espírito Santo family and certain Portuguese nationals close to the family (including certain of the directors of Espírito Santo International S.A. and ESFG). Private individuals not related to the family hold the balance of the shares in Espírito Santo International S.A.

Espírito Santo International S.A.'s and Espírito Santo Irmãos SGPS, S.A.'s voting rights do not differ from those of other shareholders of ESFG.

ESFG does not know of any arrangements the operation of which may at a subsequent date result in a change of its control.

The ESFG Group has business relationships with a number of entities in which it owns significant equity interests, which own significant equity stakes in the ESFG Group, or with which it is otherwise associated. It also has business relationships with a number of entities in which members of the Board hold management positions. The ESFG Group conducts all of its business with these entities on terms equivalent to those that would exist if it did not have equity interests in them or management members in common and were not otherwise associated with them.

TAXATION

EU Savings Directive

Under EC Council Directive 2003/48/EC of 3 June 2003 on the taxation of savings income in the form of interest payments (the EU Savings Directive), Member States are required to provide to the tax authorities of another Member State details of payments of interest (or similar income) paid by a paying agent within its jurisdiction to, or for the benefit of, an individual resident or a residual entity established in that other Member State. However, for a transitional period, Belgium, Luxembourg and Austria are instead required (unless during that period they elect otherwise) to operate a withholding system in relation to such payments (the ending of such transitional period being dependent upon the conclusion of certain other agreements relating to information exchange with certain other countries). A number of non-EU countries including Switzerland and dependent or associated territories have adopted similar measures (a withholding system in the case of Switzerland).

Luxembourg Taxation

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

Withholding Tax

(i) Non-resident holders of Notes

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

Under the Laws implementing the EU Savings Directive and ratifying the treaties entered into by Luxembourg and certain dependent and associated territories of EU Member States (the **Territories**), payments of interest or similar income made or ascribed by a paying agent established in Luxembourg to or for the immediate benefit of an individual beneficial owner or a residual entity, as defined by the Laws, which is a resident of, or established in, an EU Member State (other than Luxembourg) or one of the Territories will be subject to a withholding tax unless the relevant recipient has adequately instructed the relevant paying agent to provide details of the relevant payments of interest or similar income to the fiscal authorities of his/her/its country of residence or establishment, or, in the case of an individual beneficial owner, has provided a tax certificate issued by the fiscal authorities of his/her country of residence in the required format to the relevant paying agent. Where withholding tax is applied, it will be levied at a rate of 20 per cent. and will increase to a rate of 35 per cent. as from 1 July 2011. Responsibility for the withholding of the tax will be assumed by the Luxembourg paying agent. Payments of interest under the Notes coming within the scope of the Laws would at present be subject to withholding tax of 20 per cent.

(ii) Resident holders of Notes

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

Under 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 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 the Luxembourg paying agent. Payments of interest under the Notes coming within the scope of the Law would be subject to withholding tax of 10 per cent.

Taxation of the holders of Notes

Taxation of Luxembourg non-residents

Holders of Notes who are non-residents of Luxembourg and who have neither a permanent establishment, a permanent representative nor a fixed base of business in Luxembourg with which the holding of the Notes is connected are not liable for any Luxembourg income tax, whether they receive payments of principal, payments of interest (including accrued but unpaid interest), payments received upon redemption or repurchase of the Notes, or realize capital gains on the sale of any Notes.

Taxation of Luxembourg residents

Holders of Notes who are residents of Luxembourg will not be liable for any Luxembourg income tax on repayment of principal.

Luxembourg resident individuals

Pursuant to the Law, Luxembourg resident individuals, acting in the course of their private wealth, can opt to self-declare and pay a 10 per cent. tax (the **10% Tax**) on interest payments made after 31 December 2007 by paying agents (defined in the same way as in the EU Savings Directive) located in an EU Member State other than Luxembourg, a Member State of the European Economic Area or in a State or territory which has concluded an international agreement directly related to the EU Savings Directive. The 10% Luxembourg Withholding Tax or the 10% Tax represents the final tax liability on interest received for the Luxembourg resident individuals receiving the interest payment in the course of their private wealth and can be reduced in consideration of foreign withholding tax, based on double tax treaties concluded by Luxembourg. Individual Luxembourg resident holders of Notes receiving the interest as business income must include this interest in their taxable basis; if applicable, the 10% Luxembourg Withholding Tax levied will be credited against their final income tax liability.

Luxembourg resident individual holders of Notes are not subject to taxation on capital gains upon the disposal of the Notes, unless the disposal of the Notes precedes the acquisition of the Notes or the Notes are disposed of within six months of the date of acquisition of the Notes. Upon the sale, redemption or exchange of the Notes, accrued but unpaid interest will be subject to the 10% Luxembourg Withholding Tax or to the 10% Tax if the Luxembourg resident individuals opt for the 10% Tax. Individual Luxembourg resident holders of Notes receiving the interest as business income must include the portion of the price corresponding to this interest in their taxable income; the 10% Luxembourg Withholding Tax levied will be credited against their final income tax liability.

Luxembourg resident companies

Luxembourg resident companies (*société de capitaux*) holders of Notes or foreign entities of the same type which have a permanent establishment or a permanent representative in Luxembourg with which the holding of the Notes is connected, must include in their taxable income any interest (including accrued but unpaid

interest) and the difference between the sale or redemption price (received or accrued) and the lower of the cost or book value of the Notes sold or redeemed.

Luxembourg resident companies benefiting from a special tax regime

Holders of Notes who are undertakings for collective investment subject to the law of December 20, 2002 or to the law of February 13, 2007 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), other than the subscription tax calculated on their net asset value. This annual tax is paid quarterly on the basis of the total net assets as determined at the end of each quarter. Holders of Notes who are holding companies subject to the law of July 31, 1929 as repealed or to the law of May 11, 2007 on family estate management companies are also not subject to income tax and are liable only for the so-called subscription tax at the rate of respectively 0.2 per cent. and 0.25 per cent.

Net Wealth Tax

Luxembourg net wealth tax will not be levied on a holder of Notes, unless (i) such holder is a Luxembourg fully taxable resident company or (ii) such Notes are attributable to an enterprise or part thereof which is carried on through a Luxembourg permanent establishment by a non-resident company.

Other Taxes

There is no Luxembourg registration tax, stamp duty or any other similar tax or duty payable in Luxembourg by holders of Notes as a consequence of the issuance of the Notes, nor will any of these taxes be payable as a consequence of a subsequent transfer, repurchase or redemption of the Notes. Proceedings in a Luxembourg court or the presentation of documents relating to the Notes, other than the Notes 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.

There is no Luxembourg VAT payable in respect of payments in consideration for the issuance of the Notes or in respect of the payment of interest or principal under the Notes or the transfer of the Notes.

Luxembourg VAT may, however, be payable in respect of fees charged for certain services rendered to the Issuer, if for Luxembourg VAT purposes such services are rendered or are deemed to be rendered in Luxembourg and an exemption from Luxembourg VAT does not apply with respect to such services.

No Luxembourg inheritance taxes are levied on the transfer of the Notes upon death of a holder of Notes in cases where the deceased was not a resident of Luxembourg for inheritance tax purposes. No Luxembourg gift tax will be levied on the transfer of the Notes by way of gift unless the gift is registered in Luxembourg.

SUBSCRIPTION AND SALE

Credit Suisse Securities (Europe) Limited and Banco Espírito Santo de Investimento, S.A. (together the **Managers**) have pursuant to a Subscription Agreement dated 26 May 2009, jointly and severally agreed with the Issuer and the Guarantor, subject to the satisfaction of certain conditions, to subscribe the Notes at an issue price 99.619 per cent. of their principal amount. The Issuer has agreed to reimburse the Managers for certain of their expenses in connection with the issue of the Notes. The Subscription Agreement entitles the Managers to terminate it in certain circumstances prior to payment being made to the Issuer. The yield of the Note is 4.703 per cent. on an annual basis. The yield is calculated at 28 May 2009 on the basis of the issue price. It is not an indication of future yield.

United States

The Notes have not been and will not be registered under the Securities Act and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons except in certain transactions exempt from the registration requirements of the Securities Act. Terms used in this paragraph have the meanings given to them by Regulation S under the Securities Act.

The Notes are subject to U.S. tax law requirements and may not be offered, sold or delivered within the United States or its possessions or to a United States person, except in certain transactions permitted by U.S. tax regulations. Terms used in this paragraph have the meanings given to them by the U.S. Internal Revenue Code of 1986 and regulations thereunder.

Each Manager has represented and agreed that, except as permitted by the Subscription Agreement, it has not offered, sold or delivered and will not offer, sell or deliver the Notes, (i) as part of their distribution at any time or (ii) otherwise until 40 days after the later of the commencement of the offering and the closing date of the issue of the Notes within the United States or to, or for the account or benefit of, U.S. persons, and it will have sent to each dealer to which it sells Notes during the distribution compliance period a confirmation or other notice setting forth the restrictions on offers and sales of the Notes within the United States or to, or for the account or benefit of, U.S. persons. Terms used in this paragraph have the meanings given to them by Regulation S of the Securities Act.

In addition, until 40 days after the commencement of the offering of the Notes, an offer or sale of Notes within the United States by a dealer that is not participating in the offering may violate the registration requirements of the Securities Act.

United Kingdom

Each Manager has represented and agreed that:

1. it has only communicated or caused to be communicated and will only communicate or cause to be communicated an invitation or inducement to engage in investment activity (within the meaning of section 21 of the Financial Services and Markets Act 2000 (the **FSMA**)) received by it in connection with the issue or sale of any Notes in circumstances in which section 21(1) of the FSMA does not apply to the Issuer or the Guarantor; and
2. it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to the Notes in, from or otherwise involving the United Kingdom.

General

No action has been taken by the Issuer or any of the Managers that would, or is intended to, permit a public offer of the Notes in any country or jurisdiction where any such action for that purpose is required. Accordingly, each Manager has undertaken that it will not, directly or indirectly, offer or sell any Notes or

distribute or publish any offering circular, prospectus, form of application, advertisement or other document or information in any country or jurisdiction except under circumstances that will result in compliance with any applicable laws and regulations and all offers and sales of Notes by it will be made on the same terms.

GENERAL INFORMATION

Listing and admission to trading

1. Application has been made to the CSSF to approve this document as a prospectus. Application has also been made to the Luxembourg Stock Exchange for the Notes to be admitted to trading on the Luxembourg Stock Exchange's regulated market and to be listed on the Official List of the Luxembourg Stock Exchange. The Luxembourg Stock Exchange's Regulated Market is a regulated market for the purposes of Directive 2004/39/EC (the Markets in Financial Instruments Directive) and Directive 2003/71/EC (the Prospectus Directive).

Clearing Systems

2. The Notes have been accepted for clearance through Euroclear and Clearstream, Luxembourg. The International Securities Identification Number (ISIN) for the Notes is XS0431301703 and the Common Code is 043130170.

The address of Euroclear is Euroclear Bank S.A./N.V., 1 Boulevard du Roi Albert II, B-1210 Brussels and the address of Clearstream, Luxembourg is Clearstream Banking, 42 Avenue JF Kennedy, L-1855 Luxembourg.

No significant or material adverse change

3. There has been no significant change in the financial or trading position of the Issuer since 31 December 2008, there has been no significant change in the financial or trading position of the ESFG Group since 31 March 2009 and there has been no material adverse change in the financial position or prospects of the Issuer, the Guarantor or of the ESFG Group since 31 December 2008.

Litigation

4. Save as set out below, none of the Issuer, the Guarantor or any other member of the ESFG Group 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 or Guarantor is aware) in the 12 months preceding the date of this document which may have or have in such period had a significant effect on the financial position or profitability of the Issuer, the Guarantor or the ESFG Group.

In August 2007, a BES officer was charged by the Public Prosecutor (Ministério Público) for abuse of authority/influence peddling in connection with his corporate functions. After a preliminary and secret hearing phase, the BES officer requested a process to present new facts and evidence.

Auditors

5. The auditors of the Issuer and the Guarantor are KPMG Audit S.à.r.l, chartered accountants (a member of the Luxembourg *Institut des Réviseurs d'Enterprises*) whose registered address is at 9 Allée Scheffer, L-2520 Luxembourg, who have audited the Issuer's and the Guarantor's accounts, without qualification, in accordance with IFRS for each of the two financial years ended on 31 December 2008. The auditors of the Issuer and the Guarantor have no material interest in either the Issuer or the Guarantor.

U.S. tax

6. The Notes and Coupons will contain the following legend: "Any United States person (as defined in Section 7701(A)(30) of the United States Internal Revenue Code of 1986, as amended (the **Code**) who holds this obligation will be subject to limitations under the United States income tax laws, including the limitations provided in Sections 165(j) and 1287(a) of the Code."

Material Contracts

7. The Subordinated Guarantee dated 6 June 2007 of the Issuer in respect of EUR 400,000,000 Series A Non-Cumulative Guaranteed Step-Up Preferred Securities issued by ESFG International Limited is the only contract (not being a contract entered into in the ordinary course of business) which has been entered into by members of the ESFG Group which is material as at the date of this document.

Miscellaneous

8. The total expenses related to the admission to trading of the Notes are estimated to be EUR 115,000.

Documents Available

9. For the period of 12 months following the date of this Prospectus, copies of the following documents will be available for inspection from the registered office of the Issuer and from the specified offices of the Listing Agent for the time being in Luxembourg:
 - (a) the *Statuts* of each of the Issuer and the Guarantor;
 - (b) the audited financial statements of the Issuer in respect of the financial years ended 2007 and 2008, in each case together with the auditors' reports in connection therewith;
 - (c) the audited consolidated financial statements of the Guarantor in respect of the financial years ended 2007 and 2008, in each case together with the auditors' reports in connection therewith;
 - (c) the announcement of the unaudited consolidated financial statements of ESFG for the three months ended 31 March 2009;
 - (d) the announcement of the unaudited consolidated financial statements of BES for the three months ended 31 March 2009; and
 - (e) the Fiscal Agency Agreement in draft form and then in final form when available.

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

In addition, copies of this Prospectus and each document incorporated by reference is available on the Luxembourg Stock Exchange's website at www.bourse.lu.

DEFINITIONS

“BAC”	Banco Espírito Santo dos Açores, S.A.
“BES”	Banco Espírito Santo, S.A.
“BES Angola”	Banco Espírito Santo de Angola, SARL
“BES Group”	BES and its consolidated subsidiaries
“BESI” or “Espírito Santo Investment”	Banco Espírito Santo de Investimento, S.A.
“Besleasing e Factoring”	Besleasing e Factoring – Instituição Financeira de Crédito, S.A.
“BES Oriente”	Banco Espírito Santo do Oriente, S.A.
“BES Seguros”	BES, Companhia de Seguros, S.A.
“BES Vénétie”	Banque Espírito Santo et de la Vénétie, S.A.
“Bes Vida”	BES Vida, Companhia de Seguros, S.A.
“BESPAR”	BESPAR SGPS, S.A.
“Banco BEST”	Banco Electrónico de Serviço Total, S.A.
“BIC”	Banco Internacional de Crédito, S.A.
“BPES”	Banque Privée Espírito Santo, S.A. (formerly Companie Bancaire Espírito Santo, S.A.)
“CMVM”	Comissão do Mercado de Valores Mobiliários, the Portuguese securities market authority
“Crédit Agricole”	Caisse Nationale de Crédit Agricole, S.A.
“ECB”	European Central Bank
“economic interest”	the percentage interest in the shareholders’ equity and net income of a subsidiary after eliminating the minority interests in such subsidiary and intermediate ESFG Group-controlled entities
“EMU”	European Economic and Monetary Union
“ESAF”	Espírito Santo Activos Financeiros, SGPS, S.A.
“ESB”	Espírito Santo Bank
“ESBD”	ES Bankers (Dubai) Limited
“ESCB”	European System of Central Banks
“ESFG” or “Guarantor”	Espírito Santo Financial Group S.A.

“ESFG Group”	Espírito Santo Financial Group S.A. and its consolidated subsidiaries
“ESFS”	ES Financial Services, Inc
“ESIA”	Espírito Santo Inter-Atlântico Companhia de Seguros, S.A.
“ESI”	Espírito Santo Investimentos, S.A.
“ESS”	Espírito Santo Saúde, SGPS, S.A.
“Espírito Santo International”	Espírito Santo International S.A. and Espírito Santo Irmãos SGPS, S.A.
“ES Seguros”	Espírito Santo Companhia de Seguros, S.A. (now renamed BES Seguros)
“EU”	the European Union
“Europ Assistance”	Europ Assistance – Companhia Portuguesa Seguros Assistência, S.A
“ISP”	the Portuguese Insurance Institute or Instituto de Seguros de Portugal
“Issuer”	ESFIL - Espírito Santo Financière S.A.
“LOGO”	Seguros Logo S.A.
“PARTRAN”	PARTRAN SGPS, S.A.
“Securities Act”	the US Securities Act of 1933, as amended
“ <i>Statuts</i> ”	the Articles of Association of ESFG, as most recently amended on 26 February 2009
“Tranquilidade”	Companhia de Seguros Tranquilidade, S.A.
“T-Vida”	T-Vida, Companhia de Seguros, S.A.

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