

# **Banco Espírito Santo, S.A.**

*(Incorporated with limited liability in Portugal  
and acting through its head office)*

## **€750,000,000 7.125 per cent. Callable Reset Tier 2 Subordinated Notes due 2023 under the €20,000,000,000 Euro Medium Term Note Programme of Banco Espírito Santo and BES Finance Ltd.**

The €750,000,000 7.125 per cent. Callable Reset Tier 2 Subordinated Notes due 2023 (the “**Notes**”) are being issued by Banco Espírito Santo, S.A. (the “**Bank**” or the “**Issuer**”) as a series of notes under its €20,000,000,000 Euro medium term note programme (the “**Programme**”).

This drawdown prospectus (the “**Drawdown Prospectus**”) has been approved by the Luxembourg *Commission de Surveillance du Secteur Financier* (the “**CSSF**”) in its capacity as competent authority under the Luxembourg Act dated 10th July 2005 on prospectuses for securities, as amended by the Luxembourg law of 3rd July 2012 (the “**Luxembourg Prospectus Law**”), for the purposes of Directive 2003/71/EC as amended (which includes the amendments made by Directive 2010/73/EU to the extent that such amendments have been implemented in a relevant Member State of the European Economic Area, the “**Prospectus Directive**”) as a prospectus issued in compliance with the Prospectus Directive and the relevant implementing provisions of the Luxembourg Prospectus Law. The CSSF assumes no responsibility as to the economic and financial soundness of the transactions contemplated by this Drawdown Prospectus or the quality or solvency of the Bank in accordance with Article 7(7) of the Luxembourg Prospectus Law.

Application has been made to the Luxembourg Stock Exchange for the Notes to be admitted to trading on the regulated market (*Bourse de Luxembourg*) of the Luxembourg Stock Exchange 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 the Markets in Financial Instruments Directive (Directive 2004/39/EC).

The Notes will be held through *Interbolsa-Sociedade Gestora de Sistemas de Liquidação e de Sistemas Centralizados de Valores Mobiliários, S.A.* (“**Interbolsa**”) (each an “**Interbolsa Note**”) in book-entry form (*forma escritural*) and they will be in registered form (*nominativas*).

**An investment in the Notes involves certain risks. For a discussion of these risks see “Risk Factors”.**

The Bank has a rating of “BB-” by Standard & Poor’s Credit Market Services Europe Limited (“**S&P**”), “Ba3” by Moody’s Investors Service España, S.A. (“**Moody’s**”) and “BBB (low)” by DBRS Ratings Limited (“**DBRS**”). The Notes are expected to be rated “B” by S&P, “B2” by Moody’s and “BB (high)” by DBRS. S&P, Moody’s and DBRS are established in the European Union and are registered under the CRA Regulation (as amended). As such S&P, Moody’s and DBRS are included in the list of credit rating agencies published by the European Securities and Markets Authority on its website in accordance with such Regulation.

### **Joint Lead Managers**

**BOFA MERRILL LYNCH**

**CITIGROUP**

**ESPÍRITO SANTO  
INVESTMENT BANK**

**MORGAN STANLEY**

The date of this Drawdown Prospectus is 26th November 2013.

## **IMPORTANT INFORMATION**

**This Drawdown Prospectus constitutes a prospectus for the purposes of Article 5.3 of the Prospectus Directive.**

**The Bank accepts responsibility for the information contained in this Drawdown Prospectus. To the best of the knowledge and belief of the Bank (having taken all reasonable care to ensure that such is the case), the information contained in this Drawdown Prospectus is in accordance with the facts and does not omit anything likely to affect the import of such information.**

**This Drawdown Prospectus is to be read in conjunction with all documents which are deemed to be incorporated herein by reference (see “*Documents Incorporated by Reference*” below). This Drawdown Prospectus shall be read and construed on the basis that such documents are incorporated and form part of this Drawdown Prospectus. The Bank accepts responsibility for the accuracy of the translations into English of such documents.**

**Neither the Joint Lead Managers nor the Common Representative have separately verified the information contained herein. Accordingly, no representation, warranty or undertaking, express or implied, is made and no responsibility or liability is accepted by the Joint Lead Managers or the Common Representative as to the accuracy or completeness of the information contained in this Drawdown Prospectus or any other information provided by the Bank in connection with the Notes or their distribution. The statements made in this paragraph are made without prejudice to the responsibility of the Bank under the Programme.**

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

**Neither this Drawdown Prospectus nor any other information supplied in connection with the Notes (i) is intended to provide the basis of any credit or other evaluation or (ii) should be considered as a recommendation or constituting an invitation or offer by the Bank, the Common Representative or any of the Joint Lead Managers that any recipient of this Drawdown Prospectus or any other information supplied in connection with 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 Bank. Neither this Drawdown Prospectus nor any other information supplied in connection with the issue of the Notes constitutes an offer or invitation by or on behalf of the Bank or any of the Joint Lead Managers or the Common Representative to any person to subscribe for or to purchase any Notes.**

**Neither the delivery of this Drawdown Prospectus nor the offering, sale or delivery of any Notes shall in any circumstances imply that the information contained herein concerning the Bank is correct at any time subsequent to the date hereof. The Joint Lead Managers and the Common Representative expressly do not undertake to advise any investor in the Notes of any information coming to their attention.**

## **IMPORTANT INFORMATION RELATING TO THE USE OF THIS DRAWDOWN PROSPECTUS AND OFFERS OF NOTES GENERALLY**

This Drawdown Prospectus does not constitute an offer to sell or the solicitation of an offer to buy any 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 Drawdown Prospectus and the offer or sale of Notes may be restricted by law in certain jurisdictions. The Bank, the Joint Lead Managers and the Common Representative do not represent that this Drawdown Prospectus may be lawfully distributed, or that any 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 Bank, the Joint Lead Managers or the Common Representative which is intended to permit a public offering of any Notes or distribution of this Drawdown 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 Drawdown 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 Drawdown Prospectus or any Notes may come must inform themselves about, and observe, any such restrictions on the distribution of this Drawdown Prospectus and the offering and sale of Notes. In particular, there are restrictions on the distribution of this Drawdown Prospectus and the offer or sale of Notes in the United States, the United Kingdom, Italy, Luxembourg, Portugal, Cayman Islands and Japan (see "*Subscription and Sale*" in the Base Prospectus (as defined below)).

All references in this document to "Euro", "EUR" and "€" refer to the currency introduced at the start of the third stage of European economic and monetary union pursuant to the Treaty on the Functioning of the European Union, as amended.

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 may wish to consider, either on its own or with the help of its financial and other professional advisers, whether it:

- (i) has 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 Drawdown Prospectus or any applicable supplement;
- (ii) has 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) has sufficient financial resources and liquidity to bear all of the risks of an investment in the Notes, including Notes where the currency for principal or interest payments is different from the potential investor's currency;
- (iv) understands thoroughly the terms of the Notes and is familiar with the behaviour of financial markets; and
- (v) is able to evaluate possible scenarios for economic, interest rate and other factors that may affect its investment and its ability to bear the applicable risks.

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) Notes are legal investments for it, (2) Notes can be used as collateral for various types of

borrowing and (3) other restrictions apply to its purchase or pledge of any Notes. Financial institutions should consult their legal advisers or the appropriate regulators to determine the appropriate treatment of Notes under any applicable risk-based capital or similar rules.

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, Notes may not be offered, sold or delivered within the United States or to, or for the account or benefit of, U.S. persons (see “*Subscription and Sale*” in the Base Prospectus (as defined below)).

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## STABILISATION

**In connection with the issue of the Notes, Merrill Lynch International (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 issue 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.**

## **RISK FACTORS**

*In purchasing Notes, investors assume the risk that the Bank may become insolvent or otherwise be unable to make all payments due in respect of the Notes. There is a wide range of factors which individually or together could result in the Bank becoming unable to make all payments due in respect of the Notes. It is not possible to identify all such factors or to determine which factors are most likely to occur, as the Bank may not be aware of all relevant factors and certain factors which it currently deems not to be material may become material as a result of the occurrence of events outside the Bank's control. The Bank has identified a number of factors which could materially adversely affect its business and ability to make payments due under the Notes. In addition, factors which are material for the purpose of assessing the market risks associated with the Notes are also described herein.*

*Prospective investors should also read the detailed information set out elsewhere or incorporated by reference into this Drawdown Prospectus and reach their own views prior to making any investment decision.*

### **FACTORS THAT MAY AFFECT THE BANK'S ABILITY TO FULFIL ITS OBLIGATIONS UNDER THE NOTES**

The risk factors relating to the Bank are set out on pages 31 to 46 under the heading "*Factors that may affect BES' ability to fulfil its obligations under Notes to be issued by BES under the Programme or guaranteed by BES under the Deed of Guarantee*" in the section entitled "*Risk Factors*" in the Base Prospectus (as defined below) and on pages 2 and 3 in the section entitled "*Risk Factors*" in the Second Supplement (as defined below).

### **RISK FACTORS RELATING TO THE NOTES**

The risk factors relating to the Notes are set out under the heading "*Risk Factors Relating To The Notes Issued Under The Programme*" on pages 47 to 56 in the section entitled "*Risk Factors*" in the Base Prospectus (as defined below) and below:

#### **Tier 2 Subordinated Notes, Remedies for Non-Payment**

The sole remedy against the Issuer available to the Common Representative or any Noteholder for recovery of amounts owing in respect of any payment of principal or interest in respect of any Notes will be the institution of proceedings for the winding up of the Issuer and/or proving in any winding up of the Issuer. As such, the remedies available to holders of the Notes are more limited than those typically available to holders of senior-ranking securities, which may make enforcement more difficult.

## DOCUMENTS INCORPORATED BY REFERENCE

The base prospectus dated 17th July 2013 (the “**Base Prospectus**”) relating to the €20,000,000,000 euro medium term note programme of the Bank and BES Finance Ltd. (except for the section entitled “*Summary*” on pages 11 to 30 and the information incorporated by reference therein in accordance with Article 28.4 of the Commission Regulation (EC) No. 809/2004 of 29th April 2004 which are either not relevant for investors or are covered elsewhere in this drawdown prospectus), as supplemented on 2nd September 2013 (the “**First Supplement**”) and 6th November 2013 (the “**Second Supplement**”), shall, to the extent and as set out below, be deemed to be incorporated by reference in, and to form part of, this Drawdown Prospectus.

The following documents, which have been filed with the CSSF, shall be incorporated in, and form part of, this Drawdown Prospectus:

- (a) the Base Prospectus, including:
  - (i) “*Risk Factors - Factors that may affect BES’ ability to fulfil its obligations under Notes to be issued by BES under the Programme or guaranteed by BES under the Deed of Guarantee*” on pages 31 to 46;
  - (ii) “*Risk Factors – Risk factors relating to the Notes issued under the Programme*” on pages 47 to 56;
  - (iii) “*Terms and Conditions of the Notes*” on pages 89 to 129;
  - (iv) “*Banco Espírito Santo, S.A. and BES Group*” on pages 136 to 201;
  - (v) “*Subscription and Sale*” on pages 218 to 221; and
  - (vi) “*General Information*” on pages 222 to 226;
- (b) the First Supplement;
- (c) the Second Supplement;
- (d) the press release of the Bank dated 25th October 2013 entitled “*Banco Espírito Santo Group Activity and Results in 3Q13*” presenting the unaudited consolidated financial results for the nine month period ended on 30th September 2013, including:
  - (i) income statement (page 42); and
  - (ii) balance sheet (page 41).
- (e) the press release of the Bank dated 26th July 2013 entitled “*Banco Espírito Santo Group Activity and Results in 1H13*” presenting the unaudited consolidated financial results for the six month period ended on 30th June 2013, including:
  - (i) income statement (page 39); and
  - (ii) balance sheet (page 38);

- (f) the press release of the Bank dated 7th May 2013 entitled “*Banco Espírito Santo Group Activity and Results in 1Q13*” presenting the unaudited consolidated financial results for the three month period ended on 31st March 2013, including:
  - (i) income statement (page 40); and
  - (ii) balance sheet (page 39).
- (g) the auditors’ report and audited consolidated and non-consolidated annual financial statements of the Bank for the financial year ended 31st December 2012, as set out on pages 99-215 of the Bank’s 2012 annual report including:
  - (i) statements of income (pages 100 and 101);
  - (ii) balance sheet (page 102);
  - (iii) statement of changes in equity (page 103);
  - (iv) cashflow statements (page 104);
  - (v) accounting policies and explanatory notes (pages 105-212); and
  - (vi) auditors’ report (pages 213-215).
- (h) the auditors’ report and audited consolidated and non-consolidated annual financial statements of the Bank for the financial year ended 31st December 2011, as set out on pages 98-202 of the Bank’s 2011 annual report including:
  - (i) statements of income (pages 100, 101, 127 and 128);
  - (ii) balance sheet (pages 102, 129 and 130);
  - (iii) statement of changes in equity (page 103);
  - (iv) cashflow statements (page 104);
  - (v) accounting policies and explanatory notes (pages 105-199); and
  - (vi) auditors’ report (pages 200-202).

For items (a) to (h), the information incorporated by reference that is not included in the cross-reference lists above, except for the non-incorporated parts, is considered to be additional information that is not required by the relevant annexes of Commission Regulation (EC) No. 809/2004 of 29th April 2004.

Copies of documents incorporated by reference in this Drawdown Prospectus can be obtained from the registered office of the Bank and from the specified offices of the Paying Agents for the time being in London, Lisbon and Luxembourg.

In addition, such documents will be published on the Luxembourg Stock Exchange’s web site ([www.bourse.lu](http://www.bourse.lu)).

BES Finance and the Bank will, in the event of any significant new factor, material mistake or inaccuracy relating to information included in this Drawdown Prospectus which is capable of



affecting the assessment of the Notes, prepare a supplement to this Drawdown Prospectus or publish a new prospectus for use in connection with any subsequent issue of Notes.

## TERMS AND CONDITIONS OF THE NOTES

The terms and conditions of the Notes shall consist of the “*Terms and Conditions of the Notes*” set out on pages 89 to 129 of the Base Prospectus (the “**Programme Conditions**”) which is incorporated by reference herein, as amended and completed by the Issue Specific Terms of the Notes set out herein. References in the Programme Conditions to “Final Terms” shall be deemed to refer to the information set out under the heading “*Part A – Contractual Terms*” in the Issue Specific Terms set out herein and the Appendix attached thereto.

## ISSUE SPECIFIC TERMS

26th November 2013

**BANCO ESPÍRITO SANTO, S.A.**  
(acting through its head office)

**Issue of €750,000,000 7.125 per cent. Callable Reset Tier 2 Subordinated Notes due 2023**

**under the €20,000,000,000**  
**Euro Medium Term Note Programme**

### PART A - CONTRACTUAL TERMS

Terms used herein shall be deemed to be defined as such for the purposes of the Programme Conditions of the Notes incorporated by reference in this Drawdown Prospectus from the base prospectus dated 17th July 2013, as supplemented on 2nd September 2013 and 6th November 2013. This document constitutes the Issue Specific Terms of the Notes described herein and must be read in conjunction with the Drawdown Prospectus and the documents incorporated by reference therein. Full information on the Issuer and the offer of the Notes is only available on the basis of the combination of these Issue Specific Terms, the Drawdown Prospectus and the documents incorporated by reference therein. The Drawdown Prospectus and the documents incorporated by reference therein have been published on the website of the Luxembourg Stock Exchange ([www.bourse.lu](http://www.bourse.lu)) and are available for viewing at [www.bes.pt](http://www.bes.pt).

- |    |       |  |   |
|----|-------|--|---|
| 1. | (i)   | Series Number:   | 34  |
|    | (ii)  | Tranche Number:  | 1   |
|    | (iii) | Date on which the Notes will be consolidated and form a single Series: | Not Applicable                                |
| 2. |       | Specified Currency or Currencies:                                      | EUR (“€”)                                     |
| 3. |       | Aggregate Nominal Amount:  |   |
|    | -     | Series:  | €750,000,000                                  |
|    | -     | Tranche:   | €750,000,000                                  |
| 4. |       | Issue Price of Tranche:  | 100 per cent. of the Aggregate Nominal Amount |
| 5. |       |  |   |
|    | (i)   | Specified Denomination:  | €100,000                                      |
|    | (ii)  | Calculation Amount   | €100,000                                      |

- |            |      |   |  |
|------------|------|---|--|
| <b>6.</b>  | (i)  | Issue Date:   | 28th November 2013   |
|            | (ii) | Interest Commencement Date:                         | Issue Date   |
| <b>7.</b>  |      | Maturity Date:                                      | 28th November 2023   |
| <b>8.</b>  |      | Interest Basis:                                     | Reset Notes<br>(further particulars specified in paragraph 14 below)   |
| <b>9.</b>  |      | Redemption/Payment Basis:                           | Subject to any purchase and cancellation or early redemption, the Notes will be redeemed on the Maturity Date at 100 per cent. of their nominal amount |
| <b>10.</b> |      | Change of Interest Basis:                           | See paragraph 14 below   |
| <b>11.</b> |      | Put/Call Options:                                   | Issuer Call, subject to the Relevant Authority's prior permission (as set out in the Appendix)<br>(further particulars specified below)                |
| <b>12.</b> | (i)  | Status of the Notes:                                | Subordinated   |
|            | (ii) | Date Board approval for issuance of Notes obtained: | 21st November 2013   |

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

- |            |                            |   |
|------------|----------------------------|---|
| <b>13.</b> | Fixed Rate Note Provisions | Not Applicable  |
| <b>14.</b> | Reset Note Provisions      | Applicable  |
|            | (i)                        | (a) Initial Rate of Interest:   |
|            |                            | For the period from (and including) the Issue Date up to (but excluding) the First Reset Date, 7.125 per cent. per annum payable in arrear on each Interest Payment Date  |
|            |                            | (b) Interest rate from (and including) the First Reset Date:  |
|            |                            | For the period from (and including) the First Reset Date up to (and including) the Maturity Date, a rate per annum which is calculated as the 5 year Single Mid-Swap Rate which appears on the Relevant Screen Page on the Reset Determination Date plus the First Margin |
|            | (ii)                       | First Margin:   |
|            |                            | + 6.058 per cent. per annum (the First Margin has been calculated as the difference between the Initial Rate of Interest and the 5 year Single Mid-Swap Rate which appears on the Relevant Screen Page on 21st November 2013)   |
|            | (iii)                      | Subsequent Margin:  |
|            |                            | Not Applicable  |
|            | (iv)                       | Interest Payment Date(s):   |
|            |                            | 28th November in each year up to (and including) the  |

|            |   |  |
|------------|---|--|
|            |   | Maturity Date  |
| (v)        | Fixed Coupon Amount up to (but excluding) the First Reset Date: | €7,125 per Calculation Amount  |
| (vi)       | Broken Amount(s):   | Not Applicable   |
| (vii)      | First Reset Date:   | 28th November 2018   |
| (viii)     | Second Reset Date:  | Not Applicable   |
| (ix)       | Subsequent Reset Date(s):                                       | Not Applicable   |
| (x)        | Relevant Screen Page:   | Reuters Screen ISDAFIX2 page under the heading “EURIBOR BASIS – EUR” and above the caption “11:00AM FRANKFURT” |
| (xi)       | Mid-Swap Rate:  | Single Mid-Swap Rate   |
| (xii)      | Mid-Swap Maturity:  | 5 years  |
| (xiii)     | Day Count Fraction:   | Actual/Actual (ICMA)   |
| (xiv)      | Determination Dates:  | 28th November in each year   |
| (xv)       | Business Centre(s):   | Lisbon and TARGET2   |
| (xvi)      | Calculation Agent:  | Banco Espírito Santo, S.A.   |
| <b>15.</b> | Floating Rate Note Provisions                                   | Not Applicable   |
| <b>16.</b> | Zero Coupon Note Provisions                                     | Not Applicable   |

#### **PROVISIONS RELATING TO REDEMPTION**

|            |   |   |
|------------|---|---|
| <b>17.</b> | Notice periods for Condition 7(b):  | Minimum period: 30 days<br>Maximum period: 60 days  |
| <b>18.</b> | Issuer Call:  | Applicable, subject to the Relevant Authority’s prior permission (as set out in the Appendix) |
| (i)        | Optional Redemption Date(s):  | First Reset Date  |
| (ii)       | Optional Redemption Amount(s) and method, if any, of calculating of such amount(s): | €100,000 per Calculation Amount   |
| (iii)      | Redemption Margin:  | Not Applicable  |
| (iv)       | Reference Bond:   | Not Applicable  |
| (v)        | Quotation Time:   | Not Applicable  |
| (vi)       | If redeemable in part:  | Not Applicable  |

|       |                 |  |
|-------|-----------------|--|
| (vii) | Notice periods: | Minimum period: 30 days<br>Maximum period: 60 days |
|-------|-----------------|--|

- |            |   |                                 |
|------------|---|---------------------------------|
| <b>19.</b> | Investor Put:   | Not Applicable                  |
| <b>20.</b> | Final Redemption Amount:  | €100,000 per Calculation Amount |
| <b>21.</b> | Early Redemption Amount(s) payable on redemption for taxation reasons or on event of default: | See the Appendix                |

#### **GENERAL PROVISIONS APPLICABLE TO THE NOTES**

- |            |   |   |
|------------|---|---|
| <b>22.</b> | (i) Form of Notes:  | Book-entry form registered Notes (Interbolsa Notes) |
|            | (ii) New Global Note:   | No  |
| <b>23.</b> | Additional Financial Centre(s):                               | Not Applicable                                      |
| <b>24.</b> | Talons for future Coupons to be attached to Definitive Notes: | No  |
| <b>25.</b> | U.S. Selling Restrictions:                                    | Reg.S Compliance Category 2; TEFRA not applicable   |

By: .....

*Duly authorised*

By: .....

*Duly authorised*

## **PART B – OTHER INFORMATION**

### **1. LISTING AND ADMISSION TO TRADING**

- |      |  |   |
|------|--|---|
| (i)  | Listing and admission to trading:                            | Application has been made by the Issuer (or on its behalf) for the Notes to be admitted to listing on the Official List of the Luxembourg Stock Exchange and to trading on the Regulated Market of the Luxembourg Stock Exchange with effect from 28th November 2013. |
| (ii) | Estimate of total expenses relating to admission to trading: | €12,300   |

### **2. RATINGS**

|          |  |
|----------|--|
| Ratings: | The Notes to be issued have been rated:<br><br>Moody's Investors Service España, S.A.: B2<br><br>Standard & Poor's Credit Market Services Europe Limited: B<br><br>DBRS Ratings Limited: BB (high) |
|----------|--|

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

Save for any fees payable to the Managers, so far as the Bank is aware, no person involved in the issue of the Notes has an interest material to the issue. 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 other services for, the Issuer and its affiliates in the ordinary course of business.

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

|                      |  |
|----------------------|--|
| Indication of yield: | 7.125 per cent. per annum up to (but excluding) the First Reset Date |
|----------------------|--|

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

Not Applicable

### **6. OPERATIONAL INFORMATION**

- |       |   |  |
|-------|---|--|
| (i)   | ISIN Code:  | PTBEQJOM0012   |
| (ii)  | Common Code:  | 099818018  |
| (iii) | Any clearing system(s) other than Euroclear Bank S.A./ N.V. and Clearstream Banking, société anonyme and the relevant identification number(s): | Interbolsa – Sociedade Gestora de Sistemas de Liquidação e de Sistemas Centralizados de Valores Mobiliários, S.A., Avenida da Boavista, 3433 - 4100-138 Porto - Portugal (“ <b>Interbolsa</b> ”) |

|       |  |   |
|-------|--|---|
| (iv)  | Delivery:  | Delivery against payment  |
| (v)   | Names and addresses of additional Paying Agent(s) (if any):                  | Not Applicable  |
| (vi)  | Deemed delivery of clearing system notices for the purposes of Condition 14: | Any notice delivered to Noteholders through the clearing systems will be deemed to have been given on the second business day after the day on which it was given to Interbolsa.  |
| (vii) | Intended to be held in a manner which would allow Eurosystem eligibility:    | Yes<br><br>Note that the designation “yes” simply means that the Notes are intended upon issue to be registered with Interbolsa in its capacity as a securities settlement system, and does not necessarily mean that the Notes will be recognised as eligible collateral for Eurosystem monetary policy and intra-day credit operations by the Eurosystem either upon issue or at any or all times during their life. Such recognition will depend upon satisfaction of the Eurosystem eligibility criteria. |

## 7. DISTRIBUTION:

|       |   |  |
|-------|---|--|
| (i)   | Method of distribution:                                 | Syndicated   |
| (ii)  | If syndicated, names of Managers:                       | Banco Espírito Santo de Investimento, S.A<br>Citigroup Global Markets Limited<br>Merrill Lynch International<br>Morgan Stanley & Co. International plc |
| (iii) | Date of Subscription Agreement:                         | 26th November 2013   |
| (iv)  | Stabilising Manager (if any):                           | Merrill Lynch International  |
| (v)   | If non-syndicated, name and address of relevant Dealer: | Not Applicable   |



## APPENDIX

In relation to the issue of the Notes under this Drawdown Prospectus only:

1. Condition 7(d) shall be deleted in its entirety and replaced with the following:

The Notes may be redeemed at the option of the Issuer, in whole but not in part, at their principal amount together with unpaid interest accrued to (but excluding) the date of redemption, at any time on the Issuer giving not less than 30 nor more than 60 days' notice to the Noteholders (which notice shall be irrevocable), if, at any time after the Issue Date, the Issuer determines that there is a Capital Event.

2. The following shall be added to the end of Condition 7(b):

In addition, the Notes may be redeemed at the option of the Issuer in whole, but not in part, at their principal amount together with unpaid interest accrued to (but excluding) the date of redemption, at any time on the Issuer giving not less than 30 nor more than 60 days' notice to the Noteholders (which notice shall be irrevocable), if, at any time after the Issue Date, the Issuer determines that it would not be entitled to claim a deduction in computing taxation liabilities in respect of the next interest payment to be made on the Notes or the value of such deduction to the Issuer would be reduced in either case as a result of any change in, or amendment to, the laws or regulations of any Relevant Tax Jurisdiction or any political subdivision or any authority thereof or therein having power to tax, or any change in the application or official interpretation of such laws or regulations, which change or amendment becomes effective on or after the Issue Date of the Notes.

3. A new Condition 7(i) shall be added as follows:

The Issuer shall not be permitted to redeem or purchase the Notes prior to the Maturity Date unless the following conditions (in each case, if and to the extent then required by Applicable Banking Regulations) are satisfied:

- (i) the Issuer has given any requisite notice to the Relevant Authority and has obtained the Relevant Authority's prior permission or non-objection to the redemption or purchase (as the case may be) of the Notes;
- (ii) such redemption or purchase (as the case may be) complies with Applicable Banking Regulations;
- (iii) in the case of any redemption of Notes upon the occurrence of a Capital Event or pursuant to Condition 7(b), the Issuer has demonstrated to the satisfaction of the Relevant Authority (i) that the circumstances giving rise to the Capital Event or the right to redeem under Condition 7(b) were not reasonably foreseeable as at the Issue Date and, (ii) in the case of Condition 7(b), that the change in the applicable tax treatment is material or, in the case of a Capital Event only, that the change in the applicable regulatory classification is sufficiently certain; and
- (iv) Notes may be purchased by the Issuer prior to the fifth anniversary of the Issue Date only if then permitted by Applicable Banking Regulations and authorised by the Relevant Authority.

4. For the purposes of these Conditions:

**Applicable Banking Regulations** means at any time the laws, regulations, requirements, guidelines and policies relating to capital adequacy then in effect in Portugal and applicable to the Issuer, including, without limitation to the generality of the foregoing, those regulations, requirements,

guidelines and policies relating to capital adequacy then in effect of the Relevant Authority and/or any regulation, directive or other binding rules, standards or decisions adopted by the institutions of the European Union;

**Capital Event** means the determination by the Issuer after consultation with the Relevant Authority that the Notes are not eligible for inclusion in whole or in part in the Tier 2 capital of the Group or the Issuer pursuant to Applicable Banking Regulations (other than as a result of any applicable limitation on the amount of such capital as applicable to the Group or the Issuer, as the case may be);

**Group** means together the Issuer and its subsidiaries; and

**Relevant Authority** means the Bank of Portugal or such other authority (whether in Portugal or elsewhere) having primary responsibility for prudential supervision of the Issuer.

5. Condition 10(B) shall be deleted and replaced by the following:

- (i) If default is made in the payment of any interest due in respect of the Notes or any of them and such default continues for a period of five Portuguese Business Days (as defined in Condition 10(A)) then the Common Representative shall, if so requested in writing through a request addressed to it and to the Issuer by the holders of not less than 20 per cent. of the nominal amount of the Notes then outstanding, or if so directed by an Extraordinary Resolution of the Noteholders, without further notice, institute proceedings for the winding-up of the Issuer, but may take no other action in respect of such default.
- (ii) If any order shall be made by any competent court or resolution passed for the winding up or dissolution of the Issuer (other than for the purpose of an amalgamation, merger or reconstruction approved by an Extraordinary Resolution of the Noteholders), then the Common Representative shall, if so requested in writing through a request addressed to it and to the Issuer by the holders of not less than 20 per cent. of the nominal amount of the Notes then outstanding, or if so directed by an Extraordinary Resolution of the Noteholders, give notice to the Issuer (the **Acceleration Notice**) and to the Portuguese Paying Agent at the respective specified office, effective upon the date of receipt thereof by the Portuguese Paying Agent, that the Notes are, and they shall accordingly thereby forthwith become, immediately due and payable at the Early Redemption Amount (as described in Condition 7(e)) together with accrued interest (if any) to the date of repayment, without demand, protest or other notice of any kind. In such event the Common Representative shall be entitled to prove in the winding-up of the Issuer and shall have no other remedy against the Issuer.

### **USE OF PROCEEDS**

The net proceeds from the issue of the Notes will be applied by the Bank for general financing requirements in the Bank's general corporate purposes, which include making a profit.

## **SUBSCRIPTION AND SALE**

Pursuant to a subscription agreement dated 26th November 2013 entered into by the Bank and the Joint Lead Managers (the “**Subscription Agreement**”), subject to the conditions contained therein and in the programme agreement dated 17th July 2013 relating to the Programme (the “**Programme Agreement**”), the Joint Lead Managers have agreed to purchase and the Bank has agreed to issue the aggregate nominal amount of the Notes.

The Bank will pay the Joint Lead Managers commissions as agreed between them in respect of the Notes subscribed by them. The Bank has agreed to reimburse the Joint Lead Managers for certain of their expenses incurred in connection with the offering of the Notes. The Bank has also agreed to indemnify the Joint Lead Managers against certain liabilities in connection with the offer and sale of the Notes. The Subscription Agreement and the Programme Agreement entitle the Joint Lead Managers to be released and discharged from their obligations thereunder in the event that the conditions precedent are not satisfied by the issue date of the Notes.

## GENERAL INFORMATION

### Authorisation

The issue of the Notes has been duly authorised by resolutions of the Board of Directors of the Bank dated 21st November 2013.

### Approval, admission to trading and listing of the Notes on the Luxembourg Stock Exchange

This Drawdown Prospectus has been approved by the CSSF as a prospectus issued in compliance with the Prospectus Directive and the relevant provisions of the Luxembourg Prospectus Law. Application has been made to the Luxembourg Stock Exchange for the Notes to be admitted to trading on the Regulated Market of the Luxembourg Stock Exchange and listed on the Official List of the Luxembourg Stock Exchange. The Regulated Market of the Luxembourg Stock Exchange is a regulated market for the purposes of the Markets in Financial Instruments Directive (Directive 2004/39/EC).

### Documents Available

For so long as the Notes are outstanding, copies of the following documents will be available from the registered office of the Bank and from the office of the Paying Agents for the time being in London, Lisbon and Luxembourg:

- (i) the constitutional documents of the Bank (in English);
- (ii) the press release of the Bank dated 25th October 2013 entitled “*Banco Espírito Santo Group Activity and Results in 3Q13*” presenting the unaudited consolidated financial results for the nine month period ended on 30th September 2013;
- (iii) the press release of the Bank dated 26th July 2013 entitled “*Banco Espírito Santo Group Activity and Results in 1H13*” presenting the unaudited consolidated financial results for the six month period ended on 30th June 2013;
- (iv) the press release of the Bank dated 7th May 2013 entitled “*Banco Espírito Santo Group Activity and Results in 1Q13*” presenting the unaudited consolidated financial results for the three month period ended on 31st March 2013;
- (v) the audited consolidated financial statements of the Bank in respect of the financial years ended 31st December 2012 and 31st December 2011 (with an English translation thereof), in each case together with the audit reports prepared in connection therewith;
- (vi) the most recently published audited annual consolidated financial statements of the Bank and the most recently published unaudited interim consolidated financial statements of the Bank (with an English translation thereof) in each case together with any audit or review reports prepared in connection therewith;
- (vii) the Programme Agreement, the Agency Agreement, the Interbolsa Notes Agency Agreement, the Trust Deed and the agreement appointing the Common Representative (each as defined in the Base Prospectus);
- (viii) a copy of the Base Prospectus, the First Supplement, the Second Supplement and any other supplements thereto and any other information incorporated therein by reference; and
- (ix) a copy of this Drawdown Prospectus.

In addition, copies of this Drawdown Prospectus and each document incorporated by reference herein shall be published on the Luxembourg Stock Exchange's website ([www.bourse.lu](http://www.bourse.lu)).

### **Clearing Systems**

The Notes have been accepted for clearance through LCH Clearnet, S.A., the clearing system operated at Interbolsa with identification reference (ISIN) PTBEQJOM0012.

### **Financial Statements**

The financial statements of the Bank's group are prepared in accordance with the International Financial Reporting Standards (IFRS) as adopted for use in the European Union.

### **Significant or Material Change**

Save as disclosed in:

- (i) pages 1, 2, 41 and 42 of the press release of the Bank dated 25th October 2013 entitled "*Banco Espírito Santo Group Activity and Results in 3Q13*" presenting the unaudited consolidated financial results for the nine month period ended on 30th September 2013;
- (ii) pages 1, 2, 38 and 39 of the press release of the Bank dated 26th July 2013 entitled "*Banco Espírito Santo Group Activity and Results in 1H13*" presenting the unaudited consolidated financial results for the six month period ended on 30th June 2013; and
- (iii) pages 1, 2, 39 and 40 of the press release of the Bank dated 7th May 2013 entitled "*Banco Espírito Santo Group Activity and Results in 1Q13*" presenting the unaudited consolidated financial results for the three month period ended on 31st March 2013,

there has been no significant change in the financial or trading position of the Bank or the Bank's group since 31st December 2012.

Save as disclosed in:

- (i) pages 1, 2, 41 and 42 of the press release of the Bank dated 25th October 2013 entitled "*Banco Espírito Santo Group Activity and Results in 3Q13*" presenting the unaudited consolidated financial results for the nine month period ended on 30th September 2013;
- (ii) pages 1, 2, 38 and 39 of the press release of the Bank dated 26th July 2013 entitled "*Banco Espírito Santo Group Activity and Results in 1H13*" presenting the unaudited consolidated financial results for the six month period ended on 30th June 2013; and
- (iii) pages 1, 2, 39 and 40 of the press release of the Bank dated 7th May 2013 entitled "*Banco Espírito Santo Group Activity and Results in 1Q13*" presenting the unaudited consolidated financial results for the three month period ended on 31st March 2013,

there has been no material adverse change in the prospects of the Bank or the Bank's group since 31st December 2012.

### **Litigation**

In August 2007, an officer from the Bank was accused by the Public Prosecutor for the crime of trading in influence in connection with the performance of his duties. The court's final decision occurred during 2012 and absolved the officer. However, the Public Prosecutor appealed from such decision (although having

considered during the trial that there was no evidence of the crime). The final decision from the Court of Appeal is expected during the second half of 2013.

In December 2008, several Portuguese banks (the “**banks**”) granted a loan to Banco Privado Português, S.A. (“**BPP**”) secured by a guarantee of the Portuguese State (the “**State Guarantee**”). Upon BPP’s default, the banks claimed under the State Guarantee. In April 2011, the *Privado Clientes – Associação de Defesa dos Clientes do Banco Privado Português* (BBP Clients Protection Association) commenced judicial proceedings requesting payments made by the Portuguese State to the banks under the State Guarantee to be declared void, and requesting the restitution to the Portuguese State of any amounts received by the banks under the State Guarantee, which amounts to €80 million in respect of the Bank. The Bank filed its defence in June 2011. The process is pending to be heard on first instance before the court.

BES and other entities of the BES Group challenged (before court and outside) the decision to call on the Investors Compensation System (“**SII**”) due to the insolvency of BPP. At the time BPP’s financial difficulties began, the legal framework for the SII did not cover investors’ rights in BPP under or in relation to contracts or asset management with guaranteed return, offshore vehicles, or civil liabilities. A piece of legislation was subsequently passed, the constitutionality and retroactive application of which are in dispute, which covered these. The Bank and other entities of the Bank’s group are co-plaintiffs in an administrative proceeding on this issue, filed against SII, currently under court review. In October 2011, the SII issued a statement draft regarding the obligations that are the subject of the court proceeding by the Bank and other entities of the Bank’s group, which was quantified by SII at €20,997,622 with respect to the Bank only and €24,453,648 for the Bank’s joint group entities which are SII members, including the Bank. The Bank and the Bank’s group entities contested this decision in the hearing, and although they were in disagreement, they have made the payment and commenced, together with other financial institutions, a court proceeding to challenge the decision to call the SII. The court decision is still pending.

Administrative sanctioning proceedings have been carried out by the Spanish Ministry of Economy against Banco Espírito Santo, S.A (branch of Spain) for failure to comply with certain administrative obligations under the applicable Money Laundering legislation in Spain. The outcome of such proceeding (imposing certain penalties to the entity) has been appealed in administrative jurisdiction by Banco Espírito Santo, S.A (branch of Spain). The decision on the appeal is still pending.

Two of the Bank’s directors and three of the Bank’s employees are currently under an investigation – conducted by the Portuguese Public Prosecutors’ Office – on insider trading. Several managers and employees of the Bank provided statements to the Portuguese Public Prosecutor’s Office in order to explain the rationality of the operations under investigation and to evidence that in fact no inside information was revealed or used. The Bank is actively cooperating with the authorities with the intention of providing a full clarification of the facts in question and of their absolute compliance with the law.

## **Auditors**

KPMG and Associados, SROC, S.A. Edifício Monumental, Avenida Praia da Vitória, 71A, 11º 1069 - 006, Lisbon, Portugal, chartered accountants and registered auditors, a member of *Ordem dos Revisores Oficiais de Contas*, are the appointed auditors of the Bank and have audited the respective financial statements for the years ending 31st December 2012 and 31st December 2011 prepared in accordance with the International Financial Reporting Standards (IFRS) as adopted by the European Union.

The auditors of the Bank have no material interest in the Bank.

## **Certain of the Joint Lead Managers transacting with the Issuers or their affiliates**

Certain of the Joint Lead Managers and their affiliates have engaged in, and may in the future engage in, investment banking and other commercial dealings in the ordinary course of business with the Bank and/or

its respective affiliates and have received, or may in the future receive, customary fees and commissions for these transactions.

In addition, in the ordinary course of their business activities, the Joint Lead Managers and their affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (including bank loans) for their own account and for the accounts of their customers. Such investments and securities activities may involve securities and/or instruments of the Bank and/or its affiliates. If any of the Joint Lead Managers or their affiliates has a lending relationship with the Bank, certain of those Joint Lead Managers or their affiliates routinely hedge, and certain other of those Joint Lead Managers or their affiliates may hedge their credit exposure to the Bank and/or its affiliates consistent with their customary risk management policies. Typically, such Joint Lead Managers and their affiliates would hedge such exposure by entering into transactions which consist of either the purchase of credit default swaps or the creation of short positions in the Bank's and/or its affiliates' securities, including potentially the Notes. Any such credit default swaps or short positions could adversely affect future trading prices of the Notes. The Joint Lead Managers and their affiliates may also make investment recommendations and/or publish or express independent research views in respect of such securities or financial instruments and may hold, or recommend to clients that they acquire, long and/or short positions in such securities and instruments.

## **Yield**

The yield for the Notes is specified in the section entitled "*Issue Specific Terms*" in this Drawdown Prospectus.



## **ISSUER**

### **Registered Head Office of Banco Espírito Santo, S.A.**

Avenida da Liberdade, 195  
1250-195 Lisbon  
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Tel. +351 21 350 11 57  
Fax. +351 21 350 11 80

## **COMMON REPRESENTATIVE**

### **Vieira de Almeida & Associados Sociedade de Advogados R.L.**

Av. Eng. ° Duarte Pacheco, 26  
1070-110 Lisboa  
Portugal

## **LONDON PAYING AGENT**

### **The Bank of New York Mellon**

One Canada Square  
London E14 5AL  
United Kingdom

## **LUXEMBOURG PAYING AGENT**

### **The Bank of New York Mellon (Luxembourg) S.A.**

2-4, rue Eugène Ruppert  
L-2453 Luxembourg

## **PORTUGUESE PAYING AGENT**

### **Banco Espírito Santo, S.A.**

Avenida da Liberdade, 195  
1250-195 Lisbon  
Portugal

## LEGAL ADVISERS

*To the Bank  
as to Portuguese law*

**Vieira de Almeida & Associados  
Sociedade de Advogados R.L.**  
Av. Eng. ° Duarte Pacheco, 26  
1070-110 Lisboa  
Portugal

*To the Joint Lead Managers as to English law*

**Allen & Overy LLP**  
One Bishops Square  
London E1 6AD  
United Kingdom

*To the Bank as to English law*

**Freshfields Bruckhaus Deringer LLP**  
65 Fleet Street  
London EC4Y 1HS  
United Kingdom

## AUDITORS

*To Banco Espírito Santo, S.A.*  
**KPMG & Associados, SROC, S.A.**  
Edifício Monumental  
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1069 - 006 Lisboa  
Portugal

## JOINT LEAD MANAGERS

**Banco Espírito Santo de Investimento, S.A.**  
Rua Alexandre Herculano, 38  
1269-161 Lisboa  
Portugal

**Citigroup Global Markets Limited**  
Citigroup Centre  
Canada Square  
Canary Wharf  
London E14 5LB  
United Kingdom

**Merrill Lynch International**  
2 King Edward Street  
London EC1A 1HQ  
United Kingdom

**Morgan Stanley & Co. International plc**  
25 Cabot Square  
Canary Wharf  
London E14 4QA  
United Kingdom

## LUXEMBOURG LISTING AGENT

**KBL European Private Bankers S.A.**  
43A Boulevard Royal  
L-2955 Luxembourg