

## AQUA MORTGAGE No. 1

(Article 62 Asset Identification Code 200812TGSFINSXXN0029)  
€203,176,000 Class A Mortgage-Backed Floating Rate Notes due 2063  
€29,824,000 Class B Mortgage-Backed Floating Rate Notes due 2063  
€3,500,000 Class C Notes due 2063

Issue Price: 100 per cent. for the Class A and for the Class B Notes and 126.43 per cent. for the Class C Notes

Issued by

**TAGUS Sociedade de Titularização de Créditos, S.A.**

(Incorporated in Portugal with limited liability under registered number 507 130 820)

This Prospectus is dated 10 December 2008.

The €203,176,000 Class A Mortgage-Backed Floating Rate Notes due 2063 (the "**Class A Notes**" or the "**Rated Notes**"), the €29,824,000 Class B Mortgage-Backed Floating Rate Notes due 2063 (the "**Class B Notes**") and together with the Class A Notes the "**Mortgage-Backed Notes**") and the €3,500,000 Class C Notes due 2063 (the "**Class C Notes**") of TAGUS – Sociedade de Titularização de Créditos, S.A. (the "**Issuer**") are together referred to hereafter as the "**Notes**". The Notes will be issued on 9 December 2008, (the "**Closing Date**"). The issue price of the Class A Notes and the Class B Notes is 100 per cent. of their principal amount. The issue price of the Class C Notes is 126.43 per cent. of their principal amount.

Interest on the Class A Notes and Class B Notes and the Class C Distribution Amount is payable on 15th January 2009 and thereafter monthly in arrear on the 15th day of each month in each year (or, if such day is not a Business Day, the next succeeding Business Day, unless such day would fall in the next calendar month, in which case it will be brought forward to the immediately preceding Business Day). Interest on the Class A Notes and the Class B Notes is payable in respect of each Interest Period at an annual rate set by reference to EURIBOR for six month deposits plus a margin of 0.15 per cent. per annum for the Class A Notes and of 0.40 per cent. for the Class B Notes. The Class C Notes will not bear interest but will be entitled to the Class C Distribution Amount to the extent of available funds.

Payments on the Notes will be made in euro after any Tax Deduction (as defined below). The Notes will not provide for additional payments by way of gross-up in the case that interest payable under the Class A Notes or the Class B Notes or the Class C Distribution Amount payable under the Class C Notes is or becomes subject to income taxes (including withholding taxes) or other taxes. See "Principal Features of the Notes – Taxes".

The Class A Notes and the Class B Notes will be redeemed at their Principal Amount Outstanding on the Final Legal Maturity Date to the extent not previously redeemed and, following the end of the Revolving Period, will be subject to mandatory redemption in whole or in part on each Interest Payment Date on which the Issuer has an Available Principal Distribution Amount available for redeeming the Class A Notes and the Class B Notes, as calculated on the related Calculation Date. The Class C Notes will be subject to mandatory redemption in whole or in part following the end of the Revolving Period, on each Interest Payment Date on which the Issuer has an Available Interest Distribution Amount available for redeeming the Class C Notes as calculated on the related Calculation Date (see "Principal Features of the Notes").

No amounts will be applied in redemption of the principal amount of the Notes of any Class during the Revolving Period, save if the Issuer has received a Notice of No Intention to Sell Additional Mortgage Assets from the Originator. Following the end of the Revolving Period, prior to the delivery of an Enforcement Notice and subject to the satisfaction of the Pro-Rata Test on an Interest Payment Date and to the extent that the Principal Outstanding Balance of the Class A Notes and the Class B Notes on such Interest Payment Date is not lower than 10 per cent. of the initial Principal Outstanding Balance of the Class A Notes and the Class B Notes, payments of principal on the Class A Notes and the Class B Notes on such Interest Payment Date will be made *pari passu* without preference or priority. Prior to the delivery of an Enforcement Notice and if the Pro-Rata Test has not been satisfied on an Interest Payment Date, payments of principal on the Class A Notes on such Interest Payment Date will be made sequentially by redeeming all principal due on the Class A Notes and thereafter by redeeming all principal due on the Class B Notes. After the delivery of an Enforcement Notice or whenever the Principal Outstanding Balance of the Class A Notes and the Class B Notes on such Interest Payment Date is equal to or lower than 10 per cent. of the initial Principal Outstanding Balance of the Class A Notes and the Class B Notes, payments of principal on the Class A Notes and the Class B Notes on such Interest Payment Date will be made sequentially by redeeming all principal due on the Class A Notes and thereafter by redeeming all principal due on the Class B Notes.

The Notes will be subject to optional redemption (in whole but not in part) at their Principal Amount Outstanding together with accrued interest at the option of the Issuer on any Interest Payment Date: (a) following the occurrence of certain tax changes concerning, *inter alia*, the Issuer, the Mortgage Assets and/or the Notes; or (b) following a Calculation Date on which the Aggregate Principal Outstanding Balance of the Mortgage Loans is equal to or less than 10 per cent. of the Aggregate Principal Outstanding Balance of the Mortgage Loans as at the Initial Collateral Determination Date; or (c) after the occurrence of a Regulatory Change with respect to the Originator.

The source of funds for the payment of principal and interest on the Notes will be the right of the Issuer to receive payments in respect of receivables arising under mortgage loans originated by Finibanco, S.A..

The Notes are limited recourse obligations and are obligations solely of the Issuer and are not the obligations of, or guaranteed by, and will not be the responsibility of, any other entity. In particular, the Notes will not be obligations of and will not be guaranteed by Finibanco, S.A..

The Prospectus has been approved by the Irish Financial Services Regulatory Authority (the "**Financial Regulator**"), as competent authority under Directive 2003/71/EC (the "**Prospectus Directive**"). The Financial Regulator only approves this Prospectus as meeting the requirements imposed under Irish and EU law pursuant to the Prospectus Directive. Such approval relates only to the Notes which are to be admitted to trading on the regulated market of Irish Stock Exchange Limited (the "**Irish Stock Exchange**") or other regulated markets for the purposes of Directive 2004/39/EC or which are to be offered to the public in any Member State of the European Economic Area. Application has been made to the Irish Stock Exchange for the notes to be admitted to the Official List (the "**Official List**") and trading on its regulated market. This document constitutes a "prospectus" for the purposes of the Prospectus Directive.

The language of the Prospectus is English. Certain legislative references and technical terms have been cited in their original language in order that the correct technical meaning may be ascribed to them under applicable law.

The Class A Notes are expected to be rated by Standard & Poor's Ratings Services, a division of the McGraw-Hill Companies, Inc. ("S&P"), while the Class B Notes and Class C Notes are expected to be unrated. It is a condition to the issuance of the Notes that the Class A Notes receive a rating of AAA from S&P.

**A credit rating is not a recommendation to buy, sell or hold securities and may be subject to revision, suspension or withdrawal at any time by any one or all of the Rating Agencies.**

The Notes of each Class will be issued in new global note (NGN) form and will be initially represented by a Temporary Global Note in bearer form, without coupons or talons, which are expected to be deposited with one of the International Central Securities Depositories (the ICSDs) as common safekeeper for Euroclear and Clearstream, Luxembourg on or about the Closing Date. Interests in each Temporary Global Note will, not earlier than 40 days after the Closing Date, upon certification as to non-U.S. beneficial ownership, be exchangeable for interests in a Permanent Global Note of the relevant Class, in bearer form, without coupons, which will also be deposited with one of the ICSDs as common safekeeper for Euroclear and Clearstream, Luxembourg. Interests in each Permanent Global Note will, in certain limited circumstances, be exchangeable for Notes in definitive bearer form as described in the Conditions.

The Notes are intended to be held in a manner which will allow Eurosystem eligibility. This 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.

**Particular attention is drawn to the section herein entitled "Risk Factors"**

*Arranger and Manager*



## Responsibility Statements

The Issuer accepts responsibility for the information contained in this document. To the best of the knowledge and belief of the Issuer, the information contained in this document is in accordance with the facts and does not omit anything likely to affect the import of such information. This statement is without prejudice to any liability which may arise under Portuguese law. The Issuer further confirms that this Prospectus contains all information which is material in the context of the issue of the Notes, that such information contained in this Prospectus is true and accurate in all material respects and is not misleading, that the opinions and the intentions expressed in it are honestly held by it and that there are no other facts the omission of which makes this Prospectus as a whole or any of such information or the expression of any such opinions or intentions misleading in any material respect and all proper enquiries have been made to ascertain and to verify the foregoing. The Issuer accepts responsibility accordingly (except where another party mentioned below accepts responsibility for certain information) and the Issuer has confirmed to the Arranger and to the Manager that the Issuer accepts such responsibility.

Finibanco, S.A., in its capacity as Originator and as Servicer, accepts responsibility for the information in this document relating to itself, to the description of its rights and obligations in respect of all information relating to the Mortgage Assets, the Mortgage Sale Agreement, the Mortgage Servicing Agreement and all information relating to the Mortgage Asset Portfolio in the sections headed "**Characteristics of the Mortgage Assets**", "**Originator's Standard Business Practices, Servicing and Credit Assessment**" and "**The Originator**" (together the "**Originator Information**") and confirms that such Originator Information is in accordance with the facts and does not omit anything likely to affect the import of such information. No representation, warranty or undertaking, express or implied, is made and no responsibility or liability is accepted by the Originator as to the accuracy or completeness of any information contained in this Prospectus (other than the Originator Information) or any other information supplied in connection with the Notes or their distribution.

Deutsche Bank AG, London Branch, in its capacity as the Accounts Bank, accepts responsibility for the information in this document relating to itself in this regard in the section headed "**The Accounts Bank**" (the "**Accounts Bank Information**") and such Accounts Bank Information is in accordance with the facts and does not omit anything likely to affect the import of such information. No representation, warranty or undertaking, express or implied, is made and no responsibility or liability is accepted by the Accounts Bank as to the accuracy or completeness of any information contained in this Prospectus (other than the Accounts Bank Information) or any other information supplied in connection with the Notes or their distribution.

KPMG & Associados - SROC, S.A., in its capacity as the auditor of the Issuer, accepts responsibility for the financial information relating to the Issuer in the section headed "**Description of the Issuer**" including the Independent Auditor's Report, the balance sheet and profit and loss information and accompanying notes and such financial information is in accordance with the facts and does not omit anything likely to affect the import of such information. No representation, warranty or undertaking, express or implied, is made and no responsibility or liability is accepted by KPMG & Associados - SROC, S.A. as to the accuracy or completeness of any information contained in this Prospectus (other than such financial information) or any other information supplied in connection with the Notes or their distribution.

The Notes will be obligations solely of the Issuer and will not be obligations of, and will not be guaranteed by, and will not be the responsibility of, any other entity. In particular, the Notes will not be the obligations of, and will not be guaranteed by the Originator, the Servicer, the Transaction Manager, the Common Representative, the Accounts Bank, the Principal Paying Agent, the Agent Bank, the Arranger or the Manager (together the "**Transaction Parties**").

This Prospectus may only be used for the purposes for which it has been published. This Prospectus is not, and under no circumstances is to be construed as an advertisement, and the offering contemplated in

this Prospectus is not, and under no circumstances is it to be construed as, an offering of the Notes to the public.

### **Financial Condition of the Issuer**

Neither the delivery of this Prospectus nor the offering, sale or delivery of any Note shall in any circumstances create any implication that there has been no adverse change, or any event reasonably likely to involve any adverse change, in the condition (financial or otherwise) of the Issuer since the date of this Prospectus.

### **Forward Looking Statements**

Certain statements in this Prospectus constitute “forward-looking statements”. Such forward-looking statements involved known and unknown risks, uncertainties and other factors that may cause the actual cash flow generated by the Mortgage Loans (as defined herein) or other matters described in such forward-looking statements to differ materially from the information set forth herein and to be materially different from any future results, performance or financial condition expressed or implied by such forward-looking statements. See “Risk Factors”.

While all reasonable care has been taken to ensure that the facts stated herein are accurate and that the forward-looking statements, opinions and expectations contained herein are based on fair and reasonable assumptions, the matters described in such forward-looking statements may differ materially from the projections set forth in any forward-looking statements herein. Investors should not place undue reliance on forward-looking statements and are advised to make their own independent analysis and determination with respect of any forecasted periods contained in this Prospectus. No party to the offering undertakes any obligation to revise these forward-looking statements to reflect subsequent events or circumstances.

### **Selling Restrictions Summary**

This Prospectus does not constitute an offer of, or an invitation by or on behalf of any of the Transaction Parties to subscribe for or purchase any of the Notes and this document may not be used for or in connection with an offer to, or a solicitation of an offer by, anyone in any jurisdiction or in any circumstances in which such offer or solicitation is not authorised or is unlawful.

The distribution of this Prospectus and the offering, sale and delivery of the Notes in certain jurisdictions is restricted by law. Persons into whose possession this Prospectus comes are required by the Issuer, the Arranger and the Manager to inform themselves about and to observe any such restrictions. For a description of certain restrictions on offers, sales and deliveries of the Notes and on distribution of this Prospectus and other offering material relating to the Notes, see "**Subscription and Sale**" herein.

### **Representations about the Notes**

No person has been authorised to give any information or to make any representations, other than those contained in this Prospectus, in connection with the issue and sale of the Notes and, if given or made, such information or representations must not be relied upon as having been authorised by any of the Transaction Parties. Neither the delivery of this Prospectus nor any sale made hereunder shall, under any circumstances, create any implication that the information herein is correct as of any time subsequent to the date hereof.

No action has been taken by the Issuer, the Arranger or the Manager other than as set out in this Prospectus that would permit a public offer of the Notes in any country or 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 part hereof) nor any preliminary prospectus, prospectus, form of application, advertisement or other offering materials may be issued, distributed or published in any country or jurisdiction except in circumstances that will result in compliance with applicable laws, orders, rules and

regulations, and the Issuer, the Arranger and the Manager have represented that all offers and sales by them have been made on such terms.

Each person receiving this Prospectus shall be deemed to acknowledge that (i) such person has not relied on the Manager or on any person affiliated with the Manager in connection with its investment decision, and (ii) no person has been authorised to give any information or to make any representation concerning the Notes offered hereby except as contained in this Prospectus, and, if given or made, such other information or representation should not be relied upon as having been authorised by the Issuer, the Arranger or the Manager.

If you are in any doubt about the contents of this document you should consult your stockbroker, bank manager, solicitor, accountant or other financial adviser.

It should be remembered that the price of securities and the income from them can go down as well as up.

### **Currency**

In this Prospectus, unless otherwise specified, references to "€", "EUR" or "euro" are to the lawful currency of the member states of the European Union participating in Economic and Monetary Union as contemplated by the Treaty.

Certain figures included in this Prospectus have been subject to rounding adjustments; accordingly, figures shown for the same category presented in different tables may vary slightly and figures shown as totals in certain tables may not be an arithmetic aggregation of the figures which precede them.

### **Interpretation**

Capitalised terms used in this Prospectus, unless otherwise indicated, have the meanings set out in this Prospectus and, in particular, in the Conditions. An index of defined terms used in this Prospectus appears on pages 247 to 248. A reference to a "Condition" or the "Conditions" is a reference to a numbered Condition or Conditions set out in the "**Terms and Conditions of the Notes**" below.

The language of the Prospectus is English. Certain legislative references and technical terms have been cited in their original language in order that the correct technical meaning may be ascribed to them under applicable law.



## Contents

Heading	Page
THE PARTIES .....	6
PRINCIPAL FEATURES OF THE NOTES.....	9
OVERVIEW OF THE TRANSACTION.....	15
STRUCTURE AND CASH FLOW DIAGRAM OF TRANSACTION .....	25
RISK FACTORS .....	26
OVERVIEW OF CERTAIN TRANSACTION DOCUMENTS.....	40
ESTIMATED WEIGHTED AVERAGE LIVES OF THE NOTES AND ASSUMPTIONS .....	62
USE OF PROCEEDS .....	64
CHARACTERISTICS OF THE MORTGAGE ASSETS .....	65
DESCRIPTION OF THE ISSUER.....	74
DESCRIPTION OF THE ORIGINATOR.....	161
DESCRIPTION OF THE ACCOUNTS BANK.....	179
SELECTED ASPECTS OF PORTUGUESE LAW RELEVANT TO THE MORTGAGE ASSETS AND THE TRANSFER OF THE MORTGAGE ASSETS .....	180
FORM OF THE NOTES .....	185
TERMS AND CONDITIONS OF THE NOTES .....	187
TAXATION .....	240
SUBSCRIPTION AND SALE .....	242
GENERAL INFORMATION .....	245
INDEX OF DEFINED TERMS .....	247

## THE PARTIES

- Issuer:** Tagus – Sociedade de Titularização de Créditos, S.A., a limited liability company incorporated under the laws of Portugal as a special purpose vehicle for the purposes of issuing securities, having its registered office at Rua Castilho, no. 20, Lisbon, Portugal, with a share capital of €250,000 and registered with the Commercial Registry of Lisbon under the sole registration and taxpayer number 507 130 820.
- Originator:** Finibanco, S.A., a bank incorporated under the laws of Portugal, with its registered office at Rua Júlio Dinis 157, 4050-323, Porto, Portugal, with a share capital of €120,000,000.00, registered with the Commercial Registry of Porto under the sole registration and taxpayer number 505 087 286.
- Servicer:** Finibanco, S.A., a bank incorporated under the laws of Portugal, in its capacity as Servicer, with its registered office at Rua Júlio Dinis 157, 4050-323, Porto, Portugal, with a share capital of €120,000,000.00, registered with the Commercial Registry of Porto under the sole registration and taxpayer number 505 087 286, or any successor appointed in accordance with the provisions of the Mortgage Servicing Agreement.
- Common Representative:** Deutsche Trustee Company Limited, a company incorporated under the laws of England and Wales, with registered number 00338230, having its registered office at Winchester House, 1 Great Winchester Street, London EC2N 2DB, United Kingdom, in its capacity as initial representative of the Noteholders pursuant to article 65 of the Securitisation Law and in accordance with the Conditions.
- Transaction Manager:** Deutsche Bank AG, London Branch a corporation duly organised and existing under the law of the Federal Republic of Germany and having its principal place of business in the City of Frankfurt (Main) and operating in the United Kingdom under branch number BR000005 at Winchester House, 1 Great Winchester Street, London EC2N 2DB, United Kingdom, or any successor or replacement transaction manager appointed in accordance with the Transaction Management Agreement.
- Accounts Bank:** Deutsche Bank AG, London Branch a corporation duly organised and existing under the law of the Federal Republic of Germany and having its principal place of business in the City of Frankfurt (Main) and operating in the United Kingdom under branch number BR000005 at Winchester House, 1 Great Winchester Street, London EC2N 2DB, United Kingdom, or any successor or replacement accounts bank appointed in accordance with the Accounts Agreement.

<b>Collection Account Bank:</b>	Finibanco, S.A., a bank incorporated under the laws of Portugal, in its capacity as the bank at which the Collection Account is held, with its registered office at Rua Júlio Dinis 157, 4050-323, Porto, Portugal, with a share capital of €120,000,000.00, registered with the Commercial Registry of Porto under the sole registration and taxpayer number 505 087 286, or any successor appointed in accordance with the provisions of the Mortgage Servicing Agreement.
<b>Agent Bank:</b>	Deutsche Bank AG, London Branch a corporation duly organised and existing under the law of the Federal Republic of Germany and having its principal place of business in the City of Frankfurt (Main) and operating in the United Kingdom under branch number BR000005 at Winchester House, 1 Great Winchester Street, London EC2N 2DB, United Kingdom, or any successor or replacement Agent Bank appointed in accordance with the Paying Agency Agreement.
<b>Principal Paying Agent:</b>	Deutsche Bank AG, London Branch a corporation duly organised and existing under the law of the Federal Republic of Germany and having its principal place of business in the City of Frankfurt (Main) and operating in the United Kingdom under branch number BR000005 at Winchester House, 1 Great Winchester Street, London EC2N 2DB, United Kingdom, or any successor or replacement Principal Paying Agent appointed in accordance with the Paying Agency Agreement.
<b>Transaction Creditors:</b>	The Common Representative, the Agents, the Transaction Manager, the Accounts Bank, the Originator and the Servicer.
<b>Rating Agency:</b>	Standard & Poor's Ratings Services, a division of the McGraw-Hill Companies, Inc..
<b>Arranger:</b>	Finibanco, S.A., a bank incorporated under the laws of Portugal, with its registered office at Rua Júlio Dinis 157, 4050-323, Porto, Portugal, with a share capital of €120,000,000.00, registered with the Commercial Registry of Porto under the sole registration and taxpayer number 505 087 286.
<b>Manager:</b>	Finibanco, S.A., a bank incorporated under the laws of Portugal, with its registered office at Rua Júlio Dinis 157, 4050-323, Porto, Portugal, with a share capital of €120,000,000.00, registered with the Commercial Registry of Porto under the sole registration and taxpayer number 505 087 286.
<b>Listing Agent:</b>	Deutsche Bank Luxembourg, S.A., in its capacity as listing agent, acting through its office at 2, boulevard Konrad Adenauer, L-1115 Luxembourg.
<b>International Central Securities Depositories ("ICSDs"):</b>	Each of Euroclear and Clearstream Luxembourg.

**Common Safekeeper:**

Clearstream Banking Luxembourg, S.A., with offices at 42 Avenue  
J.F. Kennedy, L-1855 Luxembourg

## PRINCIPAL FEATURES OF THE NOTES

*The following is a summary of certain aspects of the Conditions of the Notes of which prospective Noteholders should be aware. This summary is not intended to be exhaustive and prospective Noteholders should read the detailed information set out in this document and reach their own views prior to making any investment decision.*

- Notes:** The Issuer intends to issue on the Closing Date in accordance with the terms of the Common Representative Appointment Agreement and the Conditions the following Notes (the "**Notes**"): €203,176,00 Class A Mortgage-Backed Floating Rate Notes due 2063; €9,824,000 Class B Mortgage-Backed Floating Rate Notes due 2063; €3,500,000 Class C Notes due 2063;
- Issue Price:** Class A Notes and Class B Notes will be issued at 100 per cent. of their principal amount.  
Class C Notes will be issued at 126.73 per cent. of their principal amount.
- Denomination:** The Notes will be issued in minimum denominations of €50,000 each.
- Form:** The Notes will be in bearer form and in minimum denominations of €50,000 each (the "**Minimum Denomination**") and in additional increments of €1,000 in excess thereof. The Notes of each Class will initially be in the form of a Temporary Global Note in bearer form of such Class without interest coupons, which will be delivered on the Closing Date to a common safekeeper for Euroclear and Clearstream, Luxembourg.
- The Temporary Global Note of each Class of Notes will be exchangeable, in whole or in part, for interests in a Permanent Global Note in bearer form of that Class of Notes, without interest coupons or talons, not earlier than forty days after the Closing Date upon certification as to non-U.S. beneficial ownership. In certain limited circumstances Notes in bearer definitive form with interest coupons, principal receipts and talons attached may be issued.
- Each Global Note will be in the form of a new global note. The Notes are intended to be held in a manner which will allow Eurosystem eligibility. This means that the Notes are intended upon issue to be deposited with Clearstream Luxembourg as Common Safekeeper 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.

**Status and Ranking:**

The Notes will constitute direct secured limited recourse obligations of the Issuer and will benefit from the statutory segregation provided by the Securitisation Law (as defined in "*Risk Factors – The Securitisation Law*") and the security interests over the Transaction Accounts as provided by the Security Deed.

The Notes represent the right to receive interest and principal payments from the Issuer in accordance with the Conditions, the Common Representative Appointment Agreement and the relevant Payments Priorities.

Prior to the delivery of an Enforcement Notice and subject to the satisfaction of the Pro-Rata Test on an Interest Payment Date and to the extent that the Principal Outstanding Balance of the Class A Notes and the Class B Notes on such Interest Payment Date is not lower than 10 per cent. of the initial Principal Outstanding Balance of the Class A Notes and the Class B Notes, payments of principal on the Class A Notes and Class B Notes on such Interest Payment Date will be made *pari passu* without preference or priority for any particular Class of Mortgage-Backed Notes.

Prior to the delivery of an Enforcement Notice and if the Pro-Rata Test has not been satisfied on an Interest Payment Date, payments of principal on the Class A Notes and the Class B Notes on such Interest Payment Date will be made sequentially by redeeming all principal due on the Class A Notes and thereafter by redeeming all principal due on the Class B Notes.

Prior to the delivery of an Enforcement Notice, if on any Interest Payment Date the Gross Cumulative Default Ratio exceeds 20 per cent., then payments of principal on the Class A Notes and the Class B Notes on such Interest Payment Date will be made sequentially by redeeming all principal due on the Class A Notes and thereafter by redeeming all principal due on the Class B Notes.

After the delivery of an Enforcement Notice or whenever the Principal Outstanding Balance of the Class A Notes and the Class B Notes on such Interest Payment Date is equal to or lower than 10 per cent. of the initial Principal Outstanding Balance of the Class A Notes and the Class B Notes, payments of principal on the Class A Notes and the Class B Notes on such Interest Payment Date will be made sequentially by redeeming all principal due on the Class A Notes and thereafter by redeeming all principal due on the Class B Notes.

All payments of interest due on the Class A Notes will rank in priority to payments of interest due on the Class B Notes and to payments of the Class C Distribution Amount and any principal repayments on the Class C Notes; all payments of interest due on the Class B Notes will rank in priority to payments of the Class C Distribution Amount and any principal repayments on the Class C Notes.

<b>Limited Recourse:</b>	All obligations of the Issuer to the Noteholders or to the Transaction Parties in respect of the Notes or the other Transaction Documents, including, without limitation, the Issuer Obligations, are limited in recourse and, as set out in Condition 9 ( <i>Limited Recourse</i> ), the Noteholders and/or the Transaction Parties will only have a claim in respect of the Transaction Assets and will not have any claim, by operation of law or otherwise, against, or recourse to, any of the Issuer's other assets or its contributed capital.				
<b>Statutory Segregation and Security for the Notes:</b>	<p>The Notes and the other obligations of the Issuer under the Transaction Documents owing to the Transaction Creditors:</p> <p>(i) will have the benefit of the statutory segregation provided by the Securitisation Law; and</p> <p>(ii) will be secured by first ranking security over each of the Transaction Accounts, created pursuant to the Security Deed (the "<b>Security</b>"). The Common Representative will hold the benefit of such security for itself, the Noteholders and the Transaction Creditors and any receiver appointed under the Security Deed.</p>				
<b>Use of Proceeds:</b>	<p>On or about the Closing Date, the Issuer will apply the proceeds of the issue of the Mortgage-Backed Notes solely towards the purchase of the Mortgage Assets pursuant to the Mortgage Sale Agreement.</p> <p>The proceeds of the issue of the Class C Notes shall be used (i) towards the funding of the Initial Cash Reserve Amount and (ii) to pay up-front Issuer Expenses.</p>				
<b>Rate of Interest:</b>	<p>The Class A Notes and the Class B Notes will represent entitlements to payment of interest in respect of each successive Interest Period from the Closing Date at an annual rate in respect of each Class equal to EURIBOR plus the following Relevant Margins:</p> <table border="0" style="margin-left: 40px;"> <tr> <td style="padding-right: 40px;">Class A Notes</td> <td>0.15 per cent.</td> </tr> <tr> <td>Class B Notes</td> <td>0.40 per cent.</td> </tr> </table>	Class A Notes	0.15 per cent.	Class B Notes	0.40 per cent.
Class A Notes	0.15 per cent.				
Class B Notes	0.40 per cent.				
<b>Class C Distribution Amount:</b>	In respect of any Interest Payment Date, the Class C Notes will bear an entitlement to payment of the Class C Distribution Amount in the amount calculated by the Transaction Manager to be paid from the Available Interest Distribution Amount on such Interest Payment Date. This amount will only be payable to the extent that funds are available to the Issuer for that purpose under the Pre-Enforcement Interest Payment Priorities or the Post-Enforcement Payments Priorities (as applicable).				
<b>Interest Accrual Period:</b>	Interest on the Class A Notes and the Class B Notes and the Class C Distribution Amount will be paid monthly in arrear. Interest will accrue from, and including, the immediately preceding Interest Payment Date (or, in the case of the First Interest Payment Date, the Closing Date) to, but excluding, the relevant Interest Payment Date.				

<b>Interest Payment Date:</b>	Interest on the Class A Notes and the Class B Notes and the Class C Distribution Amount is payable monthly in arrear on the 15th day of each month in each year (or, if such day is not a Business Day, the next succeeding Business Day, unless such day would fall into the next calendar month, in which case, it will be brought forward to the immediately preceding Business Day).
<b>Business Day:</b>	Any day which is a TARGET Day, a Lisbon Business Day and a day on which banks are open for business in London.
<b>Lisbon Business Day:</b>	Any day on which banks are open for business in Lisbon.
<b>Final Redemption:</b>	Unless the Notes have previously been redeemed in full as described in Condition 8 ( <i>Final Redemption, Mandatory Redemption in part and Optional Redemption</i> ), the Notes will be redeemed by the Issuer on the Final Legal Maturity Date at their Principal Amount Outstanding.
<b>Final Legal Maturity Date:</b>	The Interest Payment Date falling in December 2063.
<b>Authorised Investments:</b>	The Issuer has the right to make Authorised Investments using amounts standing to the credit of the Payment Account and the Cash Reserve Account.
<b>Taxation in respect of the Notes:</b>	<p>Payments of interest and principal and other amounts due under the Notes will be subject to income taxes, including applicable withholding taxes (if any), and other taxes (if any) and neither the Issuer nor any other person will be obliged to pay additional amounts in relation thereto.</p> <p>Income generated by the holding (distributions) or transfer (capital gains) of the Notes is generally subject to Portuguese tax for debt notes (<i>obrigações</i>) if the holder is a Portuguese resident or has a permanent establishment in Portugal to which the income might be attributable. Pursuant to the Securitisation Tax Law, any payments of interest made in respect of the Notes to Noteholders who are not Portuguese residents and who do not have a permanent establishment in Portugal to which the income might be attributable will be exempt from Portuguese income tax. The above-mentioned exemption from income tax does not apply to non-resident entities if (i) more than 25 per cent. of its share capital is held, either directly or indirectly, by Portuguese residents, or (ii) its country of residence is any of the jurisdictions listed as a tax haven in Portuguese Ministry of Finance Regulation 150/2004 of 13 February 2004 (as amended).</p>
<b>No Purchase of Notes by the Issuer:</b>	The Issuer may not at any time purchase any of the Notes.
<b>Ratings:</b>	The Class A Notes are expected on issue to be assigned a rating of AAA by S&P.



**A credit 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 Rating Agency.**

**Mandatory Redemption:**

Each Class of Notes will be subject to mandatory redemption in part on each Interest Payment Date following the end of the Revolving Period in accordance with the relevant Priority of Payments.

No amounts will be applied in redemption of the principal amount of the Notes of any Class during the Revolving Period.

**Optional Redemption in Whole:**

The Issuer may redeem all (but not some only) of the Notes in each Class at their Principal Amount Outstanding together with accrued interest on any Interest Payment Date:

- (a) when, on the related Calculation Date, the Aggregate Principal Outstanding Balance of the Mortgage Loans is equal to or less than 10 per cent. of the Aggregate Principal Outstanding Balance of all of the Mortgage Loans as at the Initial Collateral Determination Date; or
- (b) after the date on which, by virtue of a change in Tax law of the Issuer's Jurisdiction (or the application or official interpretation of such Tax law), the Issuer would be required to make a Tax Deduction from any payment in respect of the Notes (other than by reason of the relevant Noteholder having some connection with the Republic of Portugal, other than the holding of the Notes); or
- (c) after the date on which, by virtue of a change in the Tax law of the Issuer's Jurisdiction (or the application or official interpretation of such Tax law), the Issuer would not be entitled to relief for the purposes of such Tax law for any material amount which it is obliged to pay, or the Issuer would be treated as receiving for the purposes of such Tax law any material amount which it is not entitled to receive under the Transaction Documents; or
- (d) after the date of a change in the Tax law of the Issuer's Jurisdiction (or the application or official interpretation of such Tax law) which would cause the total amount payable in respect of any of the Notes to cease to be receivable by the Noteholders including as a result of any of the Borrowers being obliged to make a Tax Deduction in respect of any payment in relation to any Mortgage Asset or the Issuer being obliged to make a Tax Deduction in respect of any payment in relation to any Note; or

- (e) after the occurrence of a Regulatory Change with respect to the Originator,

provided that if on such Interest Payment Date the funds available to the Issuer are not sufficient to redeem the Class C Notes at their Principal Amount Outstanding, the Class C Notes shall be redeemed in full and all the claims of the Class C Noteholders for any shortfall in the Principal Amount Outstanding of the Class C Notes shall be extinguished.

**Principal Paying Agent:**

The Issuer will appoint the Principal Paying Agent with respect to payments due under the Notes. The Issuer will procure that, for so long as any Notes are outstanding, there will always be a Principal Paying Agent to perform the functions assigned to it. The Issuer may at any time, by giving not less than thirty days notice, replace the Principal Paying Agent by one or more banks or other financial institutions which will assume such functions. As consideration for performance of the paying agency services, the Issuer will pay the Principal Paying Agent a fee.

**Transfers of Notes:**

Transfers of Notes will require appropriate entries in securities accounts. Transfers of Notes between Euroclear participants, between Clearstream, Luxembourg participants and between Euroclear participants on the one hand and Clearstream, Luxembourg participants on the other hand will be effected in accordance with procedures established for these purposes by Euroclear and Clearstream, Luxembourg respectively.

**Settlement:**

Delivery of the Notes is expected to be made on or about the Closing Date.

**Listing:**

Application has been made to the Irish Stock Exchange for the Notes to be admitted to the Official List and to trading on its regulated market.

**Governing Law:**

The Notes, the Common Representative Appointment Agreement, the Note Purchase Agreement and each other Transaction Document will be governed by Portuguese law other than the Transaction Management Agreement, the Security Deed, the Paying Agency Agreement and the Accounts Agreement which will be governed by English law.

## OVERVIEW OF THE TRANSACTION

<b>Initial Purchase of Mortgage Assets:</b>	Under the terms of the Mortgage Sale Agreement, the Originator will assign to the Issuer and the Issuer will, subject to satisfaction of certain conditions precedent, purchase from the Originator, certain Mortgage Assets on the Closing Date.
<b>Consideration for Purchase of the Initial Mortgage Asset Portfolio:</b>	In consideration for the assignment of the Initial Mortgage Asset Portfolio on the Closing Date, the Issuer will pay the Initial Purchase Price to the Originator for the relevant Mortgage Assets to be assigned to the Issuer.
<b>Purchase of Additional Mortgage Asset Portfolios:</b>	During the Revolving Period, on any Additional Purchase Date, under the terms of the Mortgage Sale Agreement, the Originator may assign to the Issuer and the Issuer shall, subject to satisfaction of certain conditions precedent, including the Eligibility Criteria and the Portfolio Tests, purchase from the Originator, additional Mortgage Assets (as more fully described under "Overview of Certain Transaction Documents - Mortgage Sale Agreement - Revolving Period" below).
<b>Consideration for Purchase of Additional Mortgage Asset Portfolios:</b>	In consideration for the assignment of each Additional Mortgage Asset Portfolio on an Additional Purchase Date, the Issuer will, on such Additional Purchase Date, pay to the Originator the Additional Purchase Price for the relevant Additional Mortgage Asset Portfolio to be assigned to the Issuer
<b>Eligibility Criteria:</b>	The Mortgage Assets in the Initial Mortgage Asset Portfolio shall comply with the Eligibility Criteria as at the Initial Collateral Determination Date and the Mortgage Assets in each Additional Mortgage Asset Portfolio shall comply with the Eligibility Criteria as at the relevant Additional Collateral Determination Date.
<b>Portfolio Tests:</b>	Where an Additional Purchase is made on an Additional Purchase Date, the Portfolio Tests, which will be verified by the Servicer, by reference to the relevant Additional Collateral Determination Date, must be met.
<b>Servicing of the Mortgage Assets:</b>	<p>Pursuant to the terms of the Mortgage Servicing Agreement, the Servicer will agree to administer and service the Mortgage Assets assigned by the Originator to the Issuer on behalf of the Issuer and, in particular, to:</p> <ul style="list-style-type: none"><li>(a) collect the Receivables due in respect thereof;</li><li>(b) set interest rates applicable to the Mortgage Loans;</li><li>(c) administer relationships with Borrowers; and</li><li>(d) undertake enforcement proceedings in respect of any Borrowers which may default on their obligations under the relevant Mortgage Asset Agreement.</li></ul>

**Servicer Reporting:**

Each month, the Servicer will be required no later than five Lisbon Business Days after each Calculation Date to deliver to the Issuer and the Transaction Manager a report in a form reasonably acceptable to the Transaction Manager (the "**Servicer Report**") relating to the period from the last date covered by the previous Servicer Report.

The Servicer Report will form part of an investor report to be in a form acceptable to the Issuer, the Transaction Manager and the Common Representative (the "**Transaction Manager Report**") to be made available by the Transaction Manager to, *inter alios*, the Common Representative and the Noteholders on its website not less than two Business Days prior to each Interest Payment Date.

**Collection Account:**

All Collections received by the Servicer from a Borrower pursuant to a Mortgage Asset will be credited by the Servicer to the Collection Account. The Collection Account will be operated by the Servicer in accordance with the terms of the Mortgage Servicing Agreement.

The Servicer will on each Business Day direct the Collection Account Bank to transfer to the Payment Account, no later than 3:00 p.m., any cleared funds standing to the credit of the Collection Account at such time, except that the Servicer shall not, in respect of the Collection Account, give any such direction if it would cause the Collection Account to become overdrawn.

**Payment Account:**

The Issuer will establish the Payment Account in its name at the Accounts Bank. The Payment Account will be operated by the Transaction Manager in accordance with the terms of the Accounts Agreement.

A downgrade of the rating of the Accounts Bank by the Rating Agencies below the Minimum Short-Term Rating will require the Issuer to transfer the Payment Account and the funds standing to the credit thereof to a bank whose rating meets or exceeds the Minimum Short-Term Rating.

**Payments from Payment Account on each Business Day:**

Prior to delivery of an Enforcement Notice, on each Business Day during a Collection Period (other than an Interest Payment Date), funds standing to the credit of the Payment Account will be applied by the Issuer in or towards payment of: (i) any Tax Payment and any amount due in respect of VAT at the rate applicable from time to time as notified in writing to the Transaction Manager; (ii) any Third Party Expenses; (iii) an amount equal to any Incorrect Payment to the Originator due on such Business Day which is also a Lisbon Business Day; and (iv) any Withheld Amounts due to the relevant Portuguese Tax Authority.

**Statutory Segregation for the Notes, right of recourse and Issuer Obligations:**

The Notes will have the benefit of the statutory segregation provided for by Article 62 of the Securitisation Law which provides that the assets and liabilities (*patrimonio autónomo*) of the Issuer in respect of each transaction entered into by the Issuer are completely segregated from the other assets and liabilities of the Issuer.

In accordance with the terms of Article 61 and the subsequent articles of the Securitisation Law, the right of recourse of the Noteholders is limited to the specific pool of assets, including the Mortgage Assets, the Collections, the Transaction Accounts, the Issuer's rights in respect of the Transaction Documents and any other right and/or benefit, either contractual or statutory, relating thereto, purchased or received by the Issuer in connection with the Mortgage Asset Portfolios and the issue of the Notes. Accordingly, the obligations of the Issuer in relation to the Notes under the Transaction Documents are limited in recourse, in accordance with the Securitisation Law, to the Transaction Assets.

**Use of Issuer's funds to reduce or eliminate a Payment Shortfall:**

If, in respect of an Interest Payment Date, the Transaction Manager determines, as at the Calculation Date immediately preceding such Interest Payment Date, that a Payment Shortfall will exist on such Interest Payment Date, the Transaction Manager will ensure that an amount equal to the Principal Draw Amount is deducted from the Available Principal Distribution Amount and such amount is added to the Available Interest Distribution Amount on or prior to such Interest Payment Date to reduce or, as applicable, eliminate such Payment Shortfall.

**Principal Draw Amount:**

In relation to any Interest Payment Date, the Principal Draw Amount is the aggregate amount determined on the related Calculation Date as being the amount (if any) of the Available Principal Distribution Amount which is to be utilised by the Issuer to reduce or eliminate any Payment Shortfall on such Interest Payment Date.

**Cash Reserve Account:**

On or about the Closing Date, the Cash Reserve Account will be established with the Accounts Bank in the name of the Issuer into which an amount equal to the Initial Cash Reserve Amount will be transferred on the Closing Date.

Funds will be debited from and credited to the Cash Reserve Account in accordance with the payment instructions of the Transaction Manager, on behalf of the Issuer, in accordance with the terms of the Transaction Management Agreement, the Accounts Agreement and the Security Deed.

A downgrade of the rating of the Accounts Bank by any of the Rating Agencies below the Minimum Short-Term Rating will require the Transaction Manager, on behalf of the Issuer, to transfer the Cash Reserve Account and the funds standing to the credit thereof to a bank whose rating meets or exceeds the Minimum Short-Term Rating.

**Replenishment of Cash Reserve Account:**

On each Interest Payment Date, to the extent that (i) amounts standing to the credit of the Cash Reserve Account are less than the Cash Reserve Account Required Balance and (ii) monies are available for the purpose, amounts will be credited to the Cash Reserve Account in accordance with the Pre-Enforcement Interest Payments Priorities until the amount standing to the credit thereof equals the Cash Reserve Account Required Balance.

**Available Interest Distribution Amount:**

"Available Interest Distribution Amount" means, in respect of any Interest Payment Date, the amount calculated by the Transaction Manager, in conjunction with the Servicer (to the extent the Transaction Manager does not possess any of the required information), on the Calculation Date immediately preceding such Interest Payment Date equal to the sum of:

- (a) any Interest Collection Proceeds and other interest amounts received by the Issuer as interest payments under the Mortgage Assets during the Collection Period immediately preceding such Interest Payment Date;
- (b) where the proceeds or estimated proceeds of disposal or, on maturity, the maturity proceeds of any Authorised Investment received in relation to the relevant Collection Period exceeds the original cost of such Authorised Investment, the amount of such excess together with interest thereon;
- (c) all amounts standing to the credit of the Cash Reserve Account;
- (d) the amount of any Principal Draw Amount to be made on such Interest Payment Date to cover any Payment Shortfall in respect of such Interest Payment Date;
- (e) interest accrued and credited to the Transaction Accounts during the relevant Collection Period; less
- (f) any Withheld Amount.

Prior to the delivery of an Enforcement Notice, the Available Interest Distribution Amount will be applied by the Issuer on each Interest Payment Date in accordance with the Pre-Enforcement Interest Payments Priorities.

**Available Principal  
Distribution Amount:**

"**Available Principal Distribution Amount**" means, in respect of any Interest Payment Date, the amount calculated by the Transaction Manager, in conjunction with the Servicer (to the extent the Transaction Manager does not possess any of the required information), as at the Calculation Date immediately preceding such Interest Payment Date as being equal to:

- (a) the amount of any Principal Collection Proceeds to be received by the Issuer as principal payments under the Mortgage Assets during the Collection Period immediately preceding such Interest Payment Date; plus
- (b) such amount of the Available Interest Distribution Amount as is credited to the Payment Account and which is applied by the Transaction Manager on such Interest Payment Date in reducing the debit balance on the Class A Principal Deficiency Ledger and the Class B Principal Deficiency Ledger; plus
- (c) such amount as is credited in the Excess Available Principal Account; less
- (d) the amount of any Principal Draw Amount to be made on such Interest Payment Date;

**Principal Deficiency Ledger:**

The Issuer will establish in its books a principal deficiency ledger comprising two sub-ledgers (the "**Class A Principal Deficiency Ledger**" and the "**Class B Principal Deficiency Ledger**") and, on each Interest Payment Date, the Transaction Manager shall record (i) any Deemed Principal Losses in relation to the Mortgage Loans that have occurred in the related Collection Period and (ii) any Principal Draw Amount that will be made on such Interest Payment Date (together the "**Principal Deficiency**") by debiting the Principal Deficiency Ledger as set out below.

Any Principal Deficiency will first be debited to the Class B Principal Deficiency Ledger so long as the debit balance on the Class B Principal Deficiency Ledger is not greater than the Principal Amount Outstanding of the Class B Notes. Thereafter, any Principal Deficiency will be debited to the Class A Principal Deficiency Ledger.

**Revolving Period:**

To commence on the Closing Date and end on (and exclude) the earliest to occur of the following (the "**Amortisation Period Start Date**"):

- (a) the Interest Payment Date falling in January 2011;
- (b) the date on which a Notification Event occurs;

- (c) the Calculation Date on which the aggregate of (i) the aggregate Principal Outstanding Balance of the Mortgage Loans in arrears by not less than 90 days and (ii) the aggregate Principal Outstanding Balance of the Defaulted Mortgage Assets is more than 10 per cent. of the sum of (A) Aggregate Principal Outstanding Balance of the Mortgage Loans in the Mortgage Asset Portfolio as at the Initial Collateral Determination Date and (B) the balance standing to the credit of the Excess Available Principal Account on the Closing Date;
- (d) the date on which the Originator informs the Issuer, the Transaction Manager and the Common Representative that it wishes to end the Revolving Period; and
- (e) the date on which the Cash Reserve Account has not been replenished on the immediately succeeding Interest Payment Date with an amount necessary to maintain the Cash Reserve Account Required Balance

During the Revolving Period the Available Interest Distribution Amount will be applied on each Interest Payment Date in accordance with the Pre-Enforcement Interest Priorities of Payments, the Available Principal Distribution Amount will be applied on each Interest Payment Date in accordance with the Pre-Enforcement Principal Priorities of Payments and no amounts will be applied in redemption of the principal amount of the Notes of any Class, save if the Issuer has received a Notice of No Intention to Sell Additional Mortgage Assets from the Originator, in which case the Available Principal Distribution Amount will be applied in accordance with the Pre-Enforcement Principal Priorities of Payments established for the Amortisation Period.

**Amortisation Period:**

The Amortisation Period will commence on the Amortisation Period Start Date and will end on the earlier of (i) Final Legal Maturity Date, (ii) the date on which a Notification Event occurs and (iii) the date on which the Notes have been repaid in full.

During the Amortisation Period, the Available Interest Distribution Amount will be applied on each Interest Payment Date in accordance with the Pre-Enforcement Interest Payments Priorities, the Available Principal Distribution Amount will be applied on each Interest Payment Date in accordance with the Pre-Enforcement Principal Payments Priorities and each Note of each Class will be subject to redemption of principal.



**Priorities of Payments:**

Prior to the delivery of an Enforcement Notice, the Issuer is required to apply the Available Interest Distribution Amount in accordance with the Pre-Enforcement Interest Payments Priorities and the Available Principal Distribution Amount in accordance with the Pre-Enforcement Principal Payments Priorities, provided that, if on any Interest Payment Date the Gross Cumulative Default Ratio exceeds 20 per cent., as well as after the delivery of an Enforcement Notice, then all amounts received or recovered by the Issuer and/or the Common Representative will be applied in accordance with the Post-Enforcement Payments Priorities.

**Pre-Enforcement Interest Payments Priorities:**

Prior to the delivery of an Enforcement Notice, the Available Interest Distribution Amount determined by the Transaction Manager in respect of any Interest Payment Date will be applied by the Transaction Manager on such Interest Payment Date in making the following payments or provisions in the following order of priority, but in each case only to the extent that all payments or provisions of a higher priority that fall due to be paid or provided for on such Interest Payment Date have been made in full:

- (a) *first*, in or towards payment of the Issuer's liability to Tax, in relation to this transaction, if any;
- (b) *second*, in or towards payment of the Common Representative's Fees and the Common Representative's Liabilities;
- (c) *third*, in or towards payment of the Issuer Expenses, excluding the Issuer's liability to tax, paid under item (a) above and the Common Representative's Fees and the Common Representative's Liabilities paid under item (b) above;
- (d) *fourth*, in or towards payment *pari passu* on a *pro rata* basis of the Interest Amount in respect of the Class A Notes, but so that interest past due will be paid before current interest;
- (e) *fifth*, in or towards reduction of the debit balance on the Class A Principal Deficiency Ledger until such balance is equal to zero;
- (f) *sixth*, in or towards payment to the Cash Reserve Account up to the Cash Reserve Account Required Balance;
- (g) *seventh*, in or towards payment *pari passu* on a *pro rata* basis of the Interest Amount in respect of the Class B Notes;
- (h) *eighth*, in or towards reduction of the debit balance on the Class B Principal Deficiency Ledger until such balance is equal to zero; and

- (i) *ninth*, in or towards payment of the Class C Distribution Amount due and payable in respect of Class C Notes.

Provided that, if on any Interest Payment Date the Gross Cumulative Default Ratio exceeds 20 per cent., then the Available Interest Distribution Amount shall be applied on that Interest Payment Date in accordance with the Post-Enforcement Payments Priorities.

For the avoidance of any doubt, the event above will not be an Event of Default.

**"Gross Cumulative Default Ratio"** means as at any Calculation Date, the Aggregate Principal Outstanding Balance of the Mortgage Assets which are Defaulted Mortgage Assets as at such Calculation Date divided by the sum of (A) the Aggregate Principal Outstanding Balance of the Mortgage Assets and (B) the balance standing to the credit of the Excess Available Principal Account, as at such Calculation Date, calculated by the Servicer and reported in the Servicer Report.

**Pre-Enforcement Principal Payments Priorities:**

Prior to the delivery of an Enforcement Notice, the Available Principal Distribution Amount determined by the Transaction Manager in respect any Interest Payment Date will be applied by the Transaction Manager on each Interest Payment Date in making the following payments in the following order of priority, but in each case only to the extent that all payments of a higher priority that fall due to be paid on such Interest Payment Date have been made in full:

*(1) During the Revolving Period,*

- (a) *first*, provided the Portfolio Tests have been met, in or towards purchasing Additional Mortgage Assets (if any);
- (b) *second*, the remainder, if any, to be transferred to the Excess Available Principal Account.

provided that, if the Issuer has received a Notice of No Intention to Sell Additional Mortgage Assets from the Originator, and notice thereof has been sent by the Issuer to the Transaction Manager, the Transaction Manager shall apply the Available Principal Distribution Amount at the relevant Interest Payment Date in accordance with the Pre-Enforcement Principal Payments Priorities established for the Amortisation Period.

*(2) During the Amortisation Period,*

- (a) *first*, in or towards payment *pari passu* on a *pro rata* basis of the Principal Amount Outstanding of the Class A Notes until all the Class A Notes have been redeemed in full;

- (b) *second*, in or towards payment *pari passu* on a *pro rata* basis of the Principal Amount Outstanding of the Class B Notes until all the Class B Notes have been redeemed in full;
- (c) *third*, in or towards payment *pari passu* on a *pro rata* basis of principal amounts due under the Class C Notes until the Principal Amount Outstanding of each Class C Note is equal to 1 euro; and
- (d) *fourth*, in or towards payment, *pari passu* on a *pro rata* basis, of any remaining amounts to the Class C Noteholders.

Provided that, if on any Interest Payment Date the Gross Cumulative Default Ratio, as at the preceding Calculation Date, exceeds 20 per cent., then the Available Principal Distribution Amount shall be applied on that Interest Payment Date in accordance with the Post-Enforcement Payments Priorities.

For the avoidance of any doubt, the event above will not be an Event of Default.

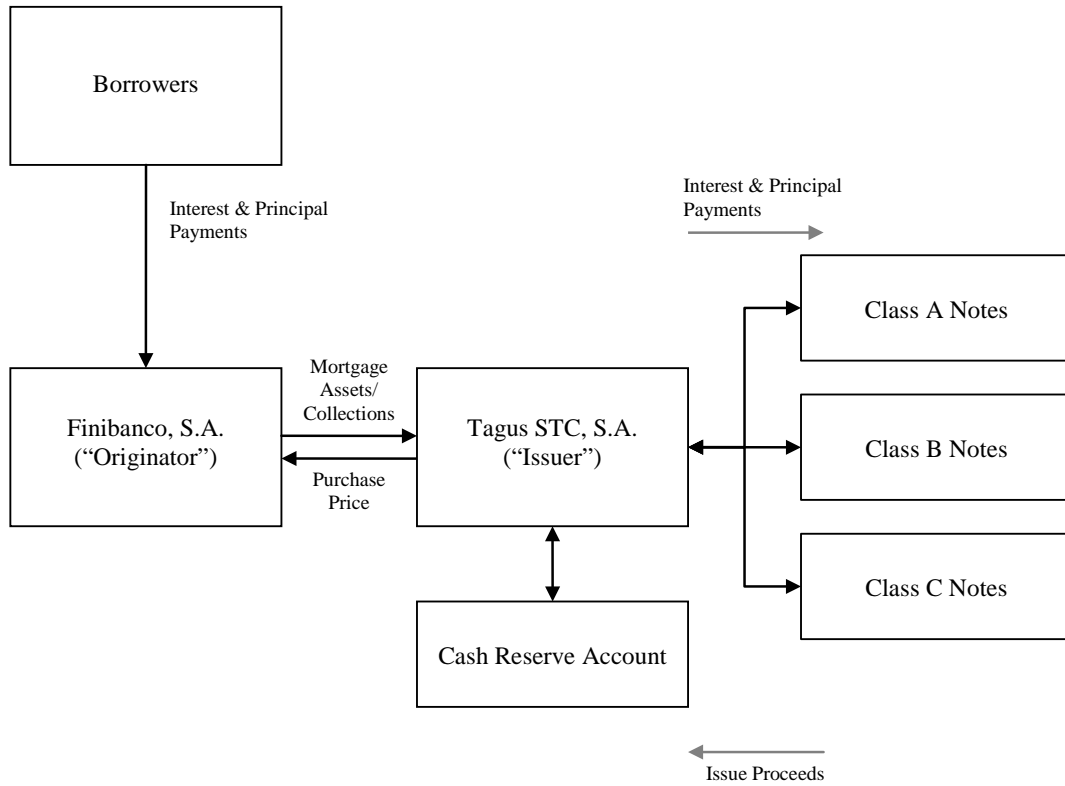
**Post-Enforcement Payments  
Priorities:**

If on any Interest Payment Date the Gross Cumulative Default Ratio as at the preceding Calculation Date exceeds 20 per cent., and following the delivery of an Enforcement Notice, all amounts received or recovered by the Common Representative will be applied by the Common Representative or the Transaction Manager (on behalf of the Common Representative), in each case in making the following payments in the following order of priority, but in each case only to the extent that all payments of a higher priority have been made in full:

- (a) *first*, in or towards payment *pari passu* on a *pro rata* basis of (i) any remuneration then due and payable to any receiver of the Issuer and all costs, expenses and charges incurred by such receiver, in relation to this transaction, (ii) the Common Representative's Fees and the Common Representative's Liabilities and (iii) the Issuer's liability to Tax, in relation to this transaction, if any;
- (b) *second*, in or towards payment of the Issuer Expenses excluding those paid under item (a) above;
- (c) *third*, in or towards payment *pari passu* on a *pro rata* basis of the Interest Amount in respect of the Class A Notes, but so that interest past due will be paid before current interest;
- (d) *fourth*, in or towards payment *pari passu* on a *pro rata* basis of the Principal Amount Outstanding of the Class A Notes until all Class A Notes have been redeemed in full;

- (e) *fifth*, in or towards payment *pari passu* on a *pro rata* basis of the Interest Amount in respect of the Class B Notes;
- (f) *sixth*, in or towards payment *pari passu* on a *pro rata* basis of the Principal Amount Outstanding of the Class B Notes until all Class B Notes have been redeemed in full;
- (g) *seventh*, in or towards payment of Class C Distribution Amount due and payable in respect of Class C Notes;
- (h) *eighth*, in or towards payment *pari passu* on a *pro rata* basis of principal amounts due under the Class C Notes until the Principal Amount Outstanding of each Class C Note is equal to 1 euro; and
- (i) *ninth*, in or towards payment, *pari passu* on a *pro rata* basis, of any remaining amounts to the Class C Noteholders.

## STRUCTURE AND CASH FLOW DIAGRAM OF TRANSACTION



## **RISK FACTORS**

*Prior to making an investment decision, prospective purchasers of the Notes should consider carefully, in light of the circumstances and their investment objectives, the information contained in this entire Prospectus and reach their own views prior to making any investment decision. Prospective purchasers should nevertheless consider, among other things, the risk factors set out below.*

### **Disruption in the Global Credit Markets and Associated Impacts**

Since the second half of 2007, disruption in the global credit markets, coupled with the repricing of credit risk, and the deterioration of the housing market in certain jurisdictions created increasingly difficult conditions in the financial markets. These conditions have resulted in historic volatility, less liquidity, widening of credit spreads and a lack of price transparency in certain markets. Most recently, these conditions have resulted in the failures of a number of financial institutions, states and unprecedented action by governmental authorities and central banks around the world. It is not possible to predict how long these conditions will exist and how the transaction contemplated by the Transaction Documents will be adversely affected. These conditions may be exacerbated by persisting volatility in the financial sector and the capital markets, or concerns about, or a default by, one or more institutions, which could lead to significant marketwide liquidity problems, losses or defaults by other institutions. Accordingly, these conditions could adversely affect the Issuer's and/or the Originator's financial condition in future periods. In addition, the Issuer and/or the Originator may become subject to litigation and regulatory or governmental scrutiny, or may be subject to changes in applicable regulatory regimes that may be materially adverse to the Issuer and/or the Originator and their prospects. Furthermore, it is not possible to predict what structural and/or regulatory changes may result from the current market conditions or whether such changes may be materially adverse to the Issuer and its prospects.

### **Absence of a Secondary Market**

There is currently no market for the Notes. There can be no assurance that a secondary market for any of the Notes will develop or, if a secondary market does develop, that it will provide the holders of such Notes with liquidity of investment or that it will continue for the entire life of the Notes. Consequently, any purchaser of the Notes must be prepared to hold the Notes until final redemption or earlier application in full of the proceeds of enforcement of the Security by the Common Representative. The market price of the capital in the Notes could be subject to fluctuation in response to, among other things, variations in the value of the Mortgage Assets, the market for similar securities, prevailing interest rates, changes in regulation and general market and economic conditions.

In addition, Noteholders should be aware of the prevailing and widely reported global credit market conditions (which continue at the date hereof), whereby there is a general lack of liquidity in the secondary market for instruments similar to the Notes. The Issuer cannot predict when these circumstances will change and if and when they do whether conditions of general market illiquidity for the Notes and instruments similar to the Notes will return in the future.

### **Lack of Liquidity in the Secondary Market**

The secondary mortgage markets are currently experiencing disruptions resulting from reduced investor demand for mortgage loans and mortgage-backed securities and increased investor yield requirements for those loans and securities. As a result, the secondary market for mortgage-backed securities is experiencing limited liquidity. These conditions may improve, continue or worsen in the future. Limited liquidity in the secondary market for mortgage-backed securities has had an adverse effect on the market value of mortgage-backed securities. Limited liquidity in the secondary market

may continue to have an adverse effect on the market value of mortgage-backed securities, especially those securities that are more sensitive to credit or interest rate risk and those securities that have been structured to meet the investment requirements of limited categories of investors. Consequently, investors may not be able to sell their Notes readily. The market values of the Notes are likely to fluctuate. Any of these fluctuations may be significant and could result in significant losses to investors.

### **Counterparty and Rating Trigger Risk**

The Issuer and/or the Originator faces the possibility that a counterparty will be unable to honour its contractual obligations to it. These parties may default on their obligations to the Issuer and/or the Originator due to bankruptcy, lack of liquidity, operational failure or other reasons. This risk may arise, for example, from entering into swap or other derivative contracts under which counterparties have obligations to make payments to the Issuer and/or the Originator, executing currency or other trades that fail to settle at the required time due to non-delivery by the counterparty or systems failure by clearing agents, exchanges, clearing houses or other financial intermediaries.

While certain Transaction Documents provide for rating triggers to address the insolvency risk of counterparties, such rating triggers may be ineffective in certain situations. Rating triggers may require counterparties, inter alia, to provide for collateral or to arrange for a new counterparty to become a party to the relevant Transaction Document upon a rating downgrade or withdrawal of the original counterparty. It may, however, occur that a counterparty having a requisite rating becomes insolvent before a rating downgrade or withdrawal occurs or that insolvency occurs immediately upon such rating downgrade or withdrawal or that the relevant counterparty does not have sufficient liquidity for implementing the measures required upon a rating downgrade or withdrawal.

### **Eligibility of Class A Notes for Eurosystem monetary policy**

The Class A Notes are intended to be held in a manner which will allow Eurosystem eligibility. This does not necessarily mean that the Class A Notes will be recognised as eligible collateral for Eurosystem monetary policy and intra-day credit operations by the Eurosystem ("**Eurosystem Eligible Collateral**") either upon issue, or at any or all times during their life. Such recognition will depend upon satisfaction of the Eurosystem eligibility criteria as specified by the European Central Bank. If the Class A Notes do not satisfy the criteria specified by the European Central Bank, there is a risk that the Class A Notes will not be Eurosystem Eligible Collateral. The Issuer gives no representation, warranty, confirmation or guarantee to any investor in the Class A Notes that the Class A Notes will, either upon issue, or at any or all times during their life, satisfy all or any requirements for Eurosystem eligibility and be recognised as Eurosystem Eligible Collateral. Any potential investors in the Class A Notes should make their own determinations and seek their own advice with respect to whether or not the Class A Notes constitute Eurosystem Eligible Collateral.

### **Potential Conflicts of Interest**

One or more parties to this transaction may, from time to time, hold some or all of the Notes and be therefore entitled to all of the rights to which the holders of such Notes are entitled (including, without limitation, voting rights). By reason of the different appointments made within the context of this transaction, such parties' interests, with respect to the holding of such Notes, will be different from that of other Noteholders. So long as such parties continue to hold the Notes, in the exercise of the rights to which it is entitled under the Notes, it will be in their best interests to minimise any adverse impact or potential adverse impact on itself in their respective other capacities.

Each of the Transaction Parties (other than the Issuer) and their affiliates in the course of each of their respective businesses may provide services to other Transaction Parties and to third parties and in the course of the provision of such services it is possible that conflicts of interest may arise between such Transaction Parties and their affiliates or between such Transaction Parties and their affiliates and third parties. Each of the Transaction Parties (other than the Issuer) and their affiliates may provide such services and enter into arrangements with any person without regard to or constraint as a result of any such conflicts of interest arising as a result of it being a Transaction Party in respect of the Transaction.

### **Restrictions on Transfer**

The Notes have not been, and will not be, registered under the Securities Act or with any securities regulatory authority of any state or other jurisdiction of the United States. The offering of the Notes will be made pursuant to exemptions from the registration provisions under Regulation S of the Securities Act and from state securities laws. No person is obliged or intends to register the Notes under the Securities Act or any state securities laws. Accordingly, offers and sales of the Notes are subject to the restrictions described under "**Subscription and Sale**".

### **Liability under the Notes**

The Notes are limited recourse obligations and are obligations solely of the Issuer and will not be obligations or responsibilities of any other entity. In particular, the Notes will not be obligations of and will not be guaranteed by Finibanco, S.A..

Repayment of the Notes is limited to the funds received from or derived from the Transaction Assets. If there are insufficient funds available to the Issuer from the Transaction Assets to pay in full all principal, interest and other amounts due in respect of the Notes at the Final Legal Maturity Date, then the Noteholders will have no further claim against the Issuer in respect of any such unpaid amounts and such unpaid amounts shall be deemed discharged in full. No recourse may be had for any amount due in respect of any Notes or any other obligations of the Issuer against any officer, member, director, employee, shareholder, security holder or incorporator of the Issuer or their respective successors or assigns.

### **Limited Resources of the Issuer**

The Notes will not be obligations or responsibilities of any of the parties to the Transaction Documents other than the Issuer and shall be limited to the segregated portfolio of Mortgage Assets corresponding to this transaction (as identified by the corresponding asset code awarded by the CMVM pursuant to article 62 of the Securitisation Law) and such other Transaction Assets.

The obligations of the Issuer under the Notes are without recourse to any other assets of the Issuer pertaining to other issuances of securitisation notes by the Issuer or to the Issuer's own funds or to the Issuer's directors, officers, employees, managers or shareholders. None of such persons or entities has assumed or will accept any liability whatsoever in respect of any failure by the Issuer to make any payment of any amount due on or in respect of the Notes.

The Issuer will not have any assets available for the purpose of meeting its payment obligations under the Notes other than the Mortgage Assets, the Collections, its rights pursuant to the Transaction Documents and amounts standing to the credit of certain of the Transaction Accounts and the Transaction Assets in general. The Issuer's ability to meet its obligations in respect of the Notes, its operating expenses and its administrative expenses is wholly dependent upon, *inter alia*:

- (a) Collections and recoveries made from the Mortgage Asset Portfolio by the Servicer;



- (b) the Transaction Accounts arrangements; and
- (c) the performance by all of the parties to the Transaction Documents (other than the Issuer) of their respective obligations under the Transaction Documents.

The Issuer will not have any other funds available to it to meet its obligations under the Notes or any other payments ranking in priority to, or *pari passu* with, the Notes. There is no assurance that there will be sufficient funds to enable the Issuer to pay interest on any Class of Notes or, on the redemption date of any Class of Notes (whether on the Final Legal Maturity Date, upon acceleration following the delivery of an Enforcement Notice or upon early redemption in part or in whole as permitted under the Conditions) that there will be sufficient funds to enable the Issuer to repay principal in respect of such Class of Notes in whole or in part.

#### **Limited Recourse Nature of the Notes**

The Notes will be direct limited recourse obligations solely of the Issuer in respect of the Transaction Assets and therefore the Noteholders will have a claim under the Notes against the Issuer only to the extent of the cashflows generated by the Mortgage Asset Portfolio and any other amounts paid to the Issuer pursuant to the Transaction Documents, subject to the payment of amounts ranking in priority to payment of amounts due in respect of the Notes. If there are insufficient funds available to the Issuer to pay in full all principal, interest and other amounts due in respect of the Notes at the Final Legal Maturity Date or upon acceleration following delivery of an Enforcement Notice or upon mandatory early redemption in part or in whole as permitted under the Conditions, then the Noteholders will have no further claim against the Issuer in respect of any such unpaid amounts. No recourse may be had for any amount due in respect of any Notes or any other obligations of the Issuer against any officer, member, director, employee, security holder or incorporator of the Issuer or their respective successors or assignees.

None of the Transaction Parties or any other person has assumed any obligation in case the Issuer fails to make a payment due under any of the Notes.

#### **Ratings are Not Recommendations**

There is no obligation on the part of any of the Transaction Parties under the Notes or the Transaction Documents to maintain any rating for itself or the Rated Notes. None of the foregoing or any other person has assumed any obligation in case the Issuer fails to make a payment due under any of the Notes. A securities 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. Each securities rating should be evaluated independently of any other securities rating. In the event that the rating initially assigned to the Rated Notes is subsequently lowered, withdrawn or qualified for any reason, no person will be obliged to provide any credit facilities or credit enhancement to the Issuer for the original rating to be restored. Any such lowering, withdrawal or qualification of a rating may have an adverse effect on the liquidity and market price of the Notes.

The Rating Agency's rating of the Class A Notes addresses the likelihood that Noteholders of such Class will receive timely payments of interest and ultimate repayment of principal. The rating of "AAA" is the highest rating that S&P assigns to notes.

The rating takes into consideration the characteristics of the Mortgage Assets and the structural, legal and tax aspects associated with the Rated Notes. However, the ratings assigned to the Rated Notes do not represent any assessment of the likelihood or rate of principal prepayments. The ratings do not address the possibility that the Noteholders might suffer a lower than expected yield due to prepayments.

The ratings address the expected loss or the default probability posed to investors by the Final Legal Maturity Date. In the Rating Agency's opinion, the structure of the transaction allows for timely payment of interest and ultimate payment of principal at par on or before the Final Legal Maturity Date. The Rating Agency's ratings address only the credit risks associated with the transaction. Other non-credit risks have not been addressed but may have a significant effect on yield to investors.

The Issuer has not requested a rating of the Rated Notes by any rating agency other than the Rating Agency; there can be no assurance, however, as to whether any other rating agency will rate the Rated Notes or, if it does, what rating would be assigned by such other rating agency. The rating assigned by such other rating agency to the Rated Notes could be lower than the respective ratings assigned by the Rating Agency.

#### **Liquidity and Credit Risk for the Issuer**

The Issuer will be subject to the risk of delays in the receipt, or risk of defaults in the making, of payments due from Borrowers in respect of the Mortgage Assets. There can be no assurance that the levels or timeliness of payments of Collections and recoveries received from the Mortgage Assets will be adequate to ensure fulfillment of the Issuer's obligations in respect of the Notes on each Interest Payment Date or on the Final Legal Maturity Date.

#### **Credit Risk on the Parties to the Transaction**

The ability of the Issuer to meet its payment obligations in respect of the Notes depends partially on the full and timely payments by the parties to the Transaction Documents of the amounts due to be paid thereby. If any of the Parties to the Transaction Documents fails to meet its payment obligations, there is no assurance that the ability of the Issuer to meet its payment obligations under the Notes will not be adversely affected.

#### **Projections, forecasts and estimates**

Forward looking statements, including estimates, any other projections and forecasts in this document are necessarily speculative in nature and some or all of the assumptions underlying the forward looking statements may not materialise or may vary significantly from actual results.

#### **Originator's Lending Criteria**

Under the Mortgage Sale Agreement, the Originator will warrant that, as at the Closing Date, each Borrower in relation to a Mortgage Asset Agreement comprised in the Mortgage Asset Portfolio meets the Originator's lending criteria for new business in force at the time such Borrower entered into the relevant Mortgage Asset Agreement. The lending criteria considers, among other things, a Borrower's credit history, employment history and status, repayment ability, debt-to-income ratio and the need for guarantees or other collateral. No assurance can be given that the Originator will not change the characteristics of its lending criteria in the future and that such change would not have an adverse effect on the cashflows generated by any Substitute Mortgage Asset to ultimately repay the principal and interest due on the Notes. See the description of the limited circumstances when Substitute Mortgage Assets may form part of the Mortgage Asset Portfolio in "**Overview of Certain Transaction Documents – Mortgage Sale Agreement**".

#### **Borrowers**

The Mortgage Loans in the Mortgage Asset Portfolio were originated in accordance with the criteria set out in "**Originator's Standard Business Practices, Servicing And Credit Assessment**". General economic conditions and other factors, such as loss of subsidies or increase of interest rates (which

may or may not affect property values), may have an impact on the ability of Borrowers to meet their repayment obligations under the Mortgage Loans. Loss of earnings, illness, divorce and other similar factors may lead to an increase in delinquencies and bankruptcy or insolvency filings by Borrowers, which may lead to a reduction in payments by such Borrowers on their Mortgage Loans and could reduce the Issuer's ability to service payments on the Notes.

However, the Originator's lending criteria take into account, *inter alia*, a potential Borrower's credit history, employment history and status, repayment ability and debt-to-income ratio and are utilised with a view, in part, to mitigate the risks in lending to Borrowers.

### **Competition in the Portuguese Residential Mortgage Market**

The Issuer is, among other things, subject to the risk of the contractual interest rates on the Mortgage Loans being less than that required by the Issuer to meet its commitments under the Notes, which may result in the Issuer having insufficient funds available to meet the Issuer's commitment under the Notes and other Issuer obligations. There are a number of lenders in the Portuguese residential mortgage market and competition may result in lower interest rates on offer in such market. In the event of lower interest rates, Borrowers under Mortgage Loans may seek to repay such Mortgage Loans early, with the result that the Mortgage Asset Portfolio may not continue to generate sufficient cashflows and the Issuer may not be able to meet its commitments under the Notes.

### **Risks of Losses Associated with Rising Mortgage Rates**

The interest rates payable under the Mortgage Loans may be subject to variations. The Issuer could be subject to a higher risk of default in payment by a Borrower under a Mortgage Loan as a result of an increase in interest rates.

### **Risks of Losses Associated with Declining Property Values**

The security for the Notes consists of, *inter alia*, the Issuer's interest in the Mortgages. This security may be affected by, among other things, a decline in property values. No assurance can be given that values of the Properties have remained or will remain at the level at which they were on the dates of origination of the related Mortgages. If the property market in Portugal should experience an overall decline in property values, such a decline could in certain circumstances result in the value of the security created by the Mortgages being significantly reduced and, ultimately, may result in losses to the Noteholders if such security is required to be enforced. Investors should be aware that, other than the valuation of Properties undertaken as at origination of the original Mortgage, no revaluation of any Property has been undertaken by Finibanco, the Issuer, or any other person for the purposes of the transactions described in this Prospectus.

### **Insurance**

In accordance with the Mortgage Sale Agreement, on the Closing Date and on any Additional Purchase Date, the Originator will transfer to the Issuer its right, title, interest and benefit (if any) in the insurance policies for the mortgaged properties and the Issuer's interest therein will form part of the property of the Issuer. However, as the insurance policies may not, in each case, refer to assignees in title of the Originator, such an assignment may not provide the Issuer with an insurable interest under the relevant policies and the ability of the Issuer to make a claim under such a policy is not certain. Further, the Originator does not intend to notify each individual insurer of the assignment of the insurance policies to the Issuer. The Issuer may effect the relevant notification of the relevant insurers after the occurrence of certain events.

### **No Independent Investigation in relation to the Mortgage Assets**

None of the Issuer, the Transaction Manager, the Common Representative or any other Transaction Party (other than the Originator) has undertaken or will undertake any investigations, searches or other actions in respect of any Borrower, Mortgage Asset, Mortgage Asset Agreement or any historical information relating to the Mortgage Assets and each will rely instead on the representations and warranties made by the Originator in relation thereto set out in the Mortgage Sale Agreement.

### **Withholding Taxes**

Should any withholding or deduction for or on account of any Taxes, duties, assessments or governmental charges of whatsoever nature imposed, levied, collected, withheld or assessed by any government or state with authority to tax or any political subdivision or any authority thereof or therein having power to tax be required to be made from any payment in respect of the Notes (as to which, in relation to the United Kingdom and Portugal, see "**Taxation**" below), neither the Issuer, the Common Representative nor any Principal Paying Agent will be obliged to make any additional payments to Noteholders, Couponholders or Receiptholders to compensate them for the reduction in the amounts that they will receive as a result of such withholding or deduction.

### **Charge**

The Security includes a charge over the Transaction Accounts under the Security Deed. This charge is expressed to be fixed but a court may characterise it as floating. This charge may not be recognised as an effective security interest in jurisdictions other than England. However, the covenants given by the Issuer in the Master Framework Agreement will (i) restrict the Issuer from creating any security other than those created pursuant to the Transaction Documents, (ii) restrict the business activities of the Issuer and (iii) restrict the Issuer from having a place of business outside its jurisdiction of incorporation.

### **Reliance on the Originator's Representations and Warranties**

If any of the Mortgage Assets fails to comply with any of the Mortgage Asset Warranties which could have a material adverse effect on (i) any Mortgage Asset, (ii) its related Mortgage Asset Agreements or (iii) the Receivables in respect of such Mortgage Asset, the Originator is obliged to hold the Issuer harmless against any losses which the Issuer may suffer as a result of such failure. The Originator may discharge this liability either by, at its option, (A) repurchasing or procuring a third party to repurchase such Mortgage Asset from the Issuer for an amount equal to the aggregate of: (i) the Principal Outstanding Balance of the relevant Mortgage Asset as at the date of re-assignment of such Assigned Mortgage Rights; (ii) an amount equal to all other amounts due in respect of the relevant Mortgage Asset and its related Mortgage Asset Agreement on or before the date of re-assignment of such Mortgage Assets; and (iii) the costs and expenses properly incurred by the Issuer in relation to such re-assignment, or (B) making an indemnity payment equal to such amount or, (C) in certain circumstances, substituting or procuring the substitution of a Substitute Mortgage Asset in replacement for any Mortgage Asset in respect of which such Mortgage Asset Warranty is breached, provided that this shall not limit any other remedies available to the Issuer if the Originator fails to discharge such liability. The Originator is also liable for any losses or damages suffered by the Issuer as a result of any breach or inaccuracy of the representations and warranties given in relation to itself or its entering into any of the Transaction Documents.

The Issuer's rights arising out of breach or inaccuracy of the representations and warranties are however unsecured and, consequently, a risk of loss exists if a Mortgage Asset Warranty is breached

and the Originator is unable to repurchase or cause a third party to purchase or substitute the relevant Mortgage Asset or indemnify the Issuer.

#### **Limited Liquidity of the Mortgage Assets**

In the event of the occurrence of an Event of Default and the delivery of an Enforcement Notice to the Issuer by the Common Representative, the disposal of the Transaction Assets of the Issuer (including its rights in respect of the Mortgage Assets) is restricted by Portuguese law in that any such disposal will be restricted to a disposal to the Originator or another Securitisation Company (*Sociedade de Titularização de Créditos* or STC) or Securitisation Fund (*Fundo de Titularização de Créditos* or FTC) established under Portuguese law. In such circumstances, the Originator has no obligation to repurchase the Receivables from the Issuer under the Transaction Documents and there can be no certainty that any other purchaser could be found as there is not, at present, and the Issuer believes it is unlikely to develop, an active and liquid secondary market for receivables of this type in Portugal.

In addition, even if a purchaser could be found for the Mortgage Assets, the amount realised by the Issuer in respect of their disposal to such purchaser in such circumstances may not be sufficient to redeem all of the Notes in full at their then Principal Amount Outstanding together with accrued interest.

#### **Authorised Investments**

The Issuer has the right to make certain interim investments of money standing to the credit of the Transaction Accounts. The investments must have appropriate ratings depending on the term of the investment and the term of the investment instrument. However, it may be that, irrespective of any such rating, such investments will be irrecoverable due to bankruptcy or insolvency of the debtor under the investment or of a financial institution involved or due to the loss of an investment amount during the transfer thereof. Additionally, the return on an investment may not be sufficient to cover fully interest payment obligations due from the investing entity in respect of its corresponding payment obligations. In this case, the Issuer may not be able to meet all its payment obligations. No Transaction Party other than the Issuer will be responsible for any such loss or shortfall.

#### **Estimated Weighted Average Lives of the Notes**

The yield to maturity of the Notes will depend on, among other things, the amount and timing of payment of principal (including prepayments, sale proceeds arising on the enforcement of a Mortgage Asset and repurchases due to breaches of representations and warranties) on the Mortgage Assets and the price paid by the holders of the Notes. Upon any early payment by the Borrowers in respect of the Mortgage Assets, the principal repayment of the Notes may be earlier than expected and, therefore, the yield on the Notes may be adversely affected by a higher or lower than anticipated rate of prepayment of Mortgage Assets. The rate of prepayment of the Mortgage Assets cannot be predicted and is influenced by a wide variety of economic and other factors, including prevailing interest rates, the buoyancy of the residential property market, the availability of alternative financing and local and regional economic conditions. With effect from 6 April 2007 (following publication of Decree-Law no. 51/2007 in the Official Gazette), the ability of banks in Portugal to levy prepayment charges on borrowers is limited. It is not yet possible to ascertain the effect, if any, that this will have upon the rate of prepayment of the Mortgage Assets by the Borrowers. As a result of these factors no assurance can be given as to the level of prepayment that the Mortgage Asset Portfolio will experience. See "**Estimated Weighted Average Lives of the Notes and Assumptions**" herein.

### **Reliance on Performance by Servicer**

The Issuer has engaged the Servicer to administer the Mortgage Asset Portfolio pursuant to the Mortgage Servicing Agreement. While the Servicer is under contract to perform certain services under the Mortgage Servicing Agreement there can be no assurance that it will be willing or able to perform such services in the future. In the event the appointment of the Servicer is terminated by reason of the occurrence of a Servicer Event, there can be no assurance that the transition of servicing will occur without adverse effect on investors or that an equivalent level of performance on collections and administration of the Mortgage Assets can be maintained by a successor servicer after any replacement of the Servicer as many of the servicing and collections techniques currently employed were developed by the Servicer.

If the appointment of the Servicer is terminated, the Issuer shall endeavour to appoint a substitute servicer. No assurances can be made as to the availability of, and the time necessary to engage, such a substitute servicer.

The Servicer may not resign its appointment as Servicer without a justified reason and furthermore pursuant to the Mortgage Servicing Agreement, such resignation shall only be effective if the Issuer has appointed a substitute servicer provided that such appointment does not have an adverse effect on the current ratings of the Rated Notes. The appointment of a substitute servicer is subject to the prior approval of the CMVM.

### **Termination of Appointment of the Transaction Manager**

In the event of the termination of the appointment of the Transaction Manager by reason of the occurrence of a Transaction Manager Event (as defined in the Transaction Management Agreement) it would be necessary for the Issuer to appoint a substitute transaction manager. The appointment of the substitute transaction manager is subject to the condition that, *inter alia*, such substitute transaction manager is capable of administering the Transaction Accounts of the Issuer.

There is no certainty that it would be possible to find a substitute or a substitute of satisfactory standing and experience, who would be willing to act as transaction manager on the terms of the Transaction Management Agreement.

In order to appoint a substitute transaction manager it may be necessary to pay higher fees than those paid to the Transaction Manager and depending on the level of fees payable to any substitute, the payment of such fees could potentially adversely affect the rating of the Rated Notes.

### **Change of Counterparties**

The parties to the Transaction Documents who receive and hold monies pursuant to the terms of such documents (such as the Accounts Bank) are required to satisfy certain criteria in order to continue to receive and hold such monies.

These criteria include requirements in relation to the short-term, unguaranteed and unsecured ratings ascribed to such party by the Rating Agency. If the party concerned ceases to satisfy the applicable criteria, including such ratings criteria, then the rights and obligations of that party may be required to be transferred to another entity which does satisfy the applicable criteria. In these circumstances, the terms agreed with the replacement entity may not be as favourable as those agreed with the original party pursuant to the Transaction Documents.

In addition, should the applicable criteria cease to be satisfied, then the parties to the relevant Transaction Document may agree to amend or waive certain of the terms of such document, including

the applicable criteria, in order to avoid the need for a replacement entity to be appointed. The consent of Noteholders may not be required in relation to such amendments and/or waivers.

### **Geographical Concentration of the Mortgage Assets**

The security for the Notes may be affected by, among other things a decline in real estate values. No assurance can be given that the values of the Properties have remained or will remain at their levels on the dates of origination of the related Mortgage Loans. The residential real estate market in Portugal in general, or in any particular region may from time to time experience a decline in economic conditions and housing markets than will other regions and, consequently, may experience higher rates of loss and delinquency on mortgage loans generally. Although the Borrowers are located throughout Portugal, the Borrowers may be concentrated in certain locations, such as densely populated areas (see "**Characteristics of the Mortgage Assets – Geographic Region**"). Any deterioration in the economic condition of the areas in which the Borrowers are located, or any deterioration in the economic condition of other areas that causes an adverse effect on the ability of the Borrowers to repay the Mortgage Assets could increase the risk of losses on the Mortgage Assets. A concentration of Borrowers in such areas may therefore result in a greater risk of loss than would be the case if such concentration had not been present. Such losses, if they occur, could have an adverse effect on the yield to maturity of the Notes as well as on the repayment of principal and interest due on the Notes.

### **Consumer Protection**

Portuguese law (namely the Portuguese Constitution, the *Código Civil* (the Portuguese Civil Code) and the *Lei de Defesa do Consumidor* (the Law for Consumer Protection) contains general provisions in relation to consumer protection. These provisions cover general principles of information disclosure, information transparency (contractual clauses must be clear, precise and legible) and a general duty of diligence, neutrality and good faith in the negotiation of contracts.

In addition Portuguese law, provides for the protection of consumers pursuant to the following:

- Decree-Law 446/85 of 25 October 1985, as amended by Decree-Law 220/95 of 31 July 1995 and Decree-Law 249/99 of 7 July 1999 (which implemented Directive 93/13/CEE of 5 April 1993) and Decree-Law 323/2001 of 17 December 2001 known as the *Lei das Cláusulas Contratuais Gerais* (the Law of General Contractual Clauses) prohibits, in general terms, the introduction of abusive clauses in contracts entered into with consumers. Pursuant to this law, a clause is deemed to be abusive if such clause has not been specifically negotiated by the parties and leads to an unbalanced situation insofar as the rights and obligations of the consumer (regarded as the weaker party) and the rights and obligations of the counterparty (regarded as the stronger party) are concerned. The introduction of clauses that are prohibited will cause such clauses to be considered null and void;
- Decree-Law 220/94 of 23 August 1994 states the minimum level of information to be included in mortgage loans, such as the annual effective rate (*taxa anual efectiva*);
- Decree-Law 240/2006 of 22 December 2006 sets the rules applicable to the determination and the rounding-up of interest rates that are linked to reference indexes applicable in residential mortgage loans;
- Decree-Law 51/2007 of 7 March 2007 establishes, *inter alia*, certain rules on the calculation of interest due under residential mortgage loans and sets a cap on prepayment fees chargeable thereunder;

- Decree-Law 171/2007 of 8 May 2007 establishes, *inter alia*, that the rules on the calculation of interest due under residential mortgage loans established in Decree-Law 51/2007 of 7 March 2007 (referred above) apply to non-residential mortgage loans entered into with non-consumers; and
- Decree-Law 88/2008 of 29 May 2008 establishes, *inter alia*, that the calculation of interest due under residential and non-residential mortgage loans shall adopt the 30/360 day count convention, as well as that the reference rate used to determine the interest rate shall also assume a year of 360 days.

The foregoing should not be viewed as an exhaustive description of the provisions which could be invoked in respect of consumer protection. Although the Originator has warranted and represented to the Issuer that the Mortgage Assets comply with all applicable Portuguese laws, there can be no assurance that a court in Portugal would not apply the relevant consumer protection laws to vary the terms of a loan or to relieve a Borrower of its obligations thereunder.

### **Interest Rate Risk**

The Issuer expects to meet its obligations under the Notes primarily from payments received in respect of the Receivables and such payments may not correlate or be referenced to EURIBOR payable by the Issuer in relation to the Mortgage-Backed Notes. Interest payable on the Mortgage-Backed Notes is in euro at a EURIBOR-related floating rate, whilst amounts receivable by the Issuer under the Mortgage Loans are in euro at a floating-rate of interest indexed to 3 month, 6 month or 12 month EURIBOR.

### **Segregation of Transaction Assets and the Issuer Obligations**

The Notes and the obligations owing to the Transaction Creditors will have the benefit of the segregation provided pursuant to the Securitisation Law. Accordingly, the Issuer Obligations are limited, in accordance with the Securitisation Law, solely to the assets of the Issuer which collateralise the Notes, specifically the Transaction Assets.

Both before and after any Insolvency Event in relation to the Issuer, the Transaction Assets will be available for satisfying the obligations of the Issuer to the Noteholders in respect of the Notes and the Transaction Creditors pursuant to the Transaction Documents.

The Transaction Assets and all amounts deriving therefrom may not be used by creditors of the Issuer other than the Noteholders and the Transaction Creditors and may only be used by the Noteholders and the Transaction Creditors in accordance with the terms of the Transaction Documents including the relevant Payments Priorities.

Equivalent provisions will apply in relation to any other series of notes issued by the Issuer.

### **Ranking of Claims of Transaction Creditors and Noteholders**

Both before and after an Insolvency Event in relation to the Issuer, amounts deriving from the Transaction Assets will be available for the purposes of satisfying the Issuer Obligations to the Transaction Creditors and Noteholders in priority to the Issuer's obligations to any other creditor.

In addition, pursuant to the Common Representative Appointment Agreement, the Transaction Management Agreement, the Security Deed and the Conditions, the claims of certain Transaction Creditors will rank senior to the claims of the Noteholders in accordance with the relevant Payments Priorities (see "**Overview of the Transaction**" – "**Pre-Enforcement Interest Payments Priorities**" and "**Post-Enforcement Payments Priorities**").



Both before and after an Insolvency Event in relation to the Issuer, amounts deriving from the assets of the Issuer other than the Transaction Assets will not be available for purposes of satisfying the Issuer's Obligations to the Noteholders and the other Transaction Creditors as they are legally segregated from the Transaction Assets.

### **Common Representative's rights under the Transaction Documents**

The Common Representative has been appointed by the Issuer under the Common Representative Appointment Agreement in order to exercise, following the occurrence of an Event of Default, certain rights on behalf of the Issuer and the Transaction Creditors in accordance with the terms of the Transaction Documents for the benefit of the Noteholders and the Transaction Creditors and to give certain directions and make certain requests in accordance with the terms and subject to the conditions of the Transaction Documents and the Securitisation Law.

The Common Representative will not be granted the benefit of any contractual rights or any representations, warranties or covenants by the Originator or the Servicer under the Mortgage Sale Agreement or the Mortgage Servicing Agreement but will acquire the benefit of such rights from the Issuer through the Co-ordination Agreement. Accordingly, although the Common Representative may give certain directions and make certain requests to the Originator and the Servicer on behalf of the Issuer under the terms of the Mortgage Sale Agreement and the Mortgage Servicing Agreement, the exercise of any action by the Originator and the Servicer in response to any such directions and requests will be made to and with the Issuer only and not with the Common Representative.

Therefore, if an Insolvency Event has occurred in relation to the Issuer, the Common Representative may not be able to circumvent the involvement of the Issuer in the Transaction by, for example, pursuing actions directly against the Originator or the Servicer under the Mortgage Sale Agreement or the Mortgage Servicing Agreement. Although the Notes have the benefit of the segregation provided for by the Securitisation Law, the above may impair the ability of the Noteholders and the Transaction Creditors to be repaid amounts due to them in respect of the Notes and under the Transaction Documents.

### **Enforcement of Security**

The terms on which the Security for the Notes will be held will provide that, after the delivery of an Enforcement Notice, payments will rank in order of priority set out under the heading "**Overview of Transaction – Post-Enforcement Payments Priorities**". In the event that the Security for the Notes is enforced, no amount will be paid in respect of any Class of Notes until all amounts owing in respect of any Class of Notes ranking in priority to such Notes (if any) and any other amounts ranking in priority to payments in respect of such Notes have been paid in full.

### **Assignment of Mortgage Assets Not Affected by Originator Insolvency**

In the event of the Originator becoming insolvent, the Mortgage Sale Agreement, and the sale of the Mortgage Assets conducted pursuant to it, will not be affected and therefore will neither be terminated nor will such Mortgage Assets form part of the Originator's insolvent estate, save if a liquidator appointed to the Originator or any of the Originator's creditors produces evidence that the Originator and the Issuer have entered into and executed such agreement in bad faith.

### **Collections Not Affected by Servicer Insolvency**

In the event of the Servicer becoming insolvent, all the amounts which the Servicer may then hold in respect of the Mortgage Assets assigned by the Originator to the Issuer, will not form part of the

Servicer's insolvent estate and the replacement of Servicer provisions referred to in the "**Mortgage Servicing Agreement – Termination**" below will then apply.

#### **Assignment and Borrower Set-Off Risks**

The assignment of the Mortgage Assets to the Issuer under the Securitisation Law is not dependent upon the awareness or acceptance of the relevant Borrowers or notice to them by the Originator, the Issuer or the Servicer to become effective. Therefore the assignment of the Mortgage Assets becomes effective, from a legal point of view, both between the parties and towards the Borrowers as from the moment on which it is effective between the Originator and the Issuer.

Set-off issues in relation to the Mortgage Assets are essentially those associated with the Borrower's possibility of exercising against the Issuer any set-off rights the Borrower held against the Originator prior to the assignment of the relevant Mortgage Loans to the Issuer. Such set-off rights held by the Borrower against the Originator prior to the assignment of the relevant Mortgage Loans to the Issuer are not affected by the assignment of the Mortgage Assets to the Issuer. Such set-off issues will not arise where the Originator (i) was solvent at the time of assignment of the relevant Mortgage Assets to the Issuer, or (ii) had no obligations then due and payable to the relevant Borrower which were not met in full at a later date given that the Originator is under an obligation to transfer to the Issuer any sums which the Originator holds or receives from the Borrowers in relation to the Mortgage Assets including sums in the possession of the Originator and Servicer arising from set-off effected by a Borrower. The Securitisation Law does not contain any direct provisions in respect of set-off (which therefore continues to be regulated by the Portuguese Civil Code's general legal provisions on this matter) but it may have an impact on the set-off risk related matters to the extent the Securitisation Law has varied the Portuguese Civil Code rules on assignment of credits. (See "**Selected Aspects of Laws of the Portuguese Republic Relevant to the Mortgage Assets and the Transfer of the Mortgage Assets**".)

#### **The Securitisation Law**

The Securitisation Law was enacted in Portugal by Decree Law 453/99 of 5 November 1999 as amended by Decree Law 82/2002 of 5 April 2002, by Decree Law 303/2003 of 5 December 2003, by Decree Law 52/2006 of 15 March 2006 and by Decree-Law 211-A/2008 of 3 November 2008. The Portuguese Securitisation Tax Law was enacted by Decree Law 219/2001 of 4 August 2001 as amended by Law 109-B/2001 of 27 December 2001, by Decree Law 303/2003 of 5 December 2003, by Law 107-B/2003 of 31 December 2003 and by Law 53-A/2006 of 29 December 2006 (the "**Securitisation Tax Law**"). As at the date of this Prospectus the application of the Securitisation Law and of the Securitisation Tax Law has not been considered by any Portuguese Court and no interpretation of its application has been issued by any Portuguese governmental or regulatory authority. Consequently, it is possible that such authorities may issue further regulations relating to the Securitisation Law and of the Securitisation Tax Law or the interpretation thereof, the impact of which cannot be predicted by the Issuer as at the date of this Prospectus.

Decree-Law 211-A/2008, which was published on 3 November 2008, amended the Securitisation Law to the extent that adapted the securitisation legal framework to recent developments regarding the elimination of barriers to renegotiation of mortgage loans. These amendments allow for the substitution of credits that have been assigned to an issuer in those cases where a renegotiation of the relevant mortgage loans results in a non-compliance with the eligibility criteria established at the moment of respective assignment. However, the precise conditions and limitations to the substitution of credits in the aforementioned circumstances are yet to be approved by the CMVM. There is no indication on whether the rules that are being prepared by the CMVM will have an impact on the current securitisation legal framework beyond the mere establishment of such conditions and limitations and therefore the Issuer is not in a position to ensure that any such impact will not occur.

### **Limited Provision of Information**

The Issuer will not be under any obligation to disclose to the Noteholders any financial or other information received by it in relation to the Mortgage Asset Portfolio or to notify them of the contents of any notice received by it in respect of the Mortgage Asset Portfolio. In particular, it will have no obligation to keep any Noteholder or any other person informed as to matters arising in relation to the Mortgage Asset Portfolio, except for the information provided in the Transaction Manager Report concerning the Mortgage Asset Portfolio and the Notes which will be made available to the Principal Paying Agent on or about each Interest Payment Date.

### **Change of Law**

The structure of the transaction and, *inter alia*, the issue of the Notes and ratings assigned to the Rated Notes are based on law, tax rules, rates, procedures and administrative practice in effect at the date hereof, and having due regard to the expected tax treatment of all relevant entities under such law and practice. No assurance can be given that law, tax rules, rates, procedures or administration practice will not change after the date of this Prospectus or that such change will not adversely impact the structure of the transaction and the treatment of the Notes.

### **Changes to the Basel Capital Accord ("Basel II")**

The original Basel Accord was agreed in 1988 by the Basel Committee on Banking Supervision (the "Committee"). The 1988 Accord, now referred to as Basel I, helped to strengthen the soundness and stability of the international banking system as a result of the higher capital ratios that it required. The Committee published the text of the new capital accord under the title: "Basel II; International Convergence on Capital Measurement and Capital Standards: a revised framework" (the "Framework") in June 2004. In November 2005, the Committee issued an updated version of the Framework. On 4 July 2006, the Committee issued a comprehensive version of the Framework. This Framework places enhanced emphasis on market discipline and sensitivity to risk and serves as a basis for national and supra-national rule-making and approval processes for banking organisations. The Framework was put into effect for credit institutions in Europe via the recasting of a number of prior directives. This consolidating directive is referred to as the EU Capital Requirements Directive ("CRD"). Member states were required to transpose, and the financial services industry to apply, the CRD by 1 January 2007. The more sophisticated measurement approaches for operational risk have, and to the extent that they have not yet, will, come into effect during 2008. The Framework affects (or will affect, as the case may be), risk weighting of the Notes for investors subject to the new Framework following implementation (whether via the CRD or otherwise by non-EU regulators). Consequently, Noteholders should consult their own advisers as to the consequences to and effect on them of the application of the Framework, as implemented by their own regulator, to their holding of Notes. The Issuer is not responsible for informing Noteholders of the effects of the changes to risk weighting which will result for investors from the adoption by their own regulator of the Framework (whether or not implemented by them in its current form or otherwise).

*The Issuer believes that the risks described above are some of the main risks inherent in the transaction for Noteholders. However, the inability of the Issuer to pay interest, the Class C Distribution Amount or repay principal on the Notes may occur for other reasons and, accordingly, the Issuer does not represent that the above statements of the risks of holding the Notes are comprehensive. While the various structural elements described in this Prospectus are intended to lessen some of these risks for Noteholders, there can be no assurance that these measures will be sufficient or effective to ensure payment to the Noteholders of interest or principal on such Notes on a timely basis or at all.*

## OVERVIEW OF CERTAIN TRANSACTION DOCUMENTS

The description of certain Transaction Documents set out below is a summary of certain features of such documents and is qualified by reference to the detailed provisions thereof. Prospective Noteholders may inspect a copy of the documents described below upon request at the specified office of each of the Common Representative and the Principal Paying Agent.

### **Mortgage Sale Agreement**

#### *Purchase of Mortgage Assets*

Under the terms of the Mortgage Sale Agreement, the Originator and the Issuer have agreed that, on the Closing Date and on each Additional Purchase Date, the Originator will offer to assign and sell to the Issuer and the Issuer will, subject to satisfaction of certain conditions precedent, accept such offer and purchase from the Originator Mortgage Assets meeting the Eligibility Criteria.

#### *Consideration for Purchase of the Initial Mortgage Asset Portfolio*

In consideration for the assignment and sale of the Initial Mortgage Asset Portfolio to be assigned to the Issuer on the Closing Date, the Issuer will pay an amount to the Originator equal to the Aggregate Principal Outstanding Balance of the Mortgage Loans in the Initial Mortgage Asset Portfolio, as calculated at the Initial Collateral Determination Date (the "**Initial Purchase Price**").

The Initial Mortgage Asset Portfolio to be assigned to the Issuer on the Closing Date will be the Mortgage Asset Portfolio as at the Initial Collateral Determination Date as varied, in accordance with the Mortgage Sale Agreement, by (a) the conversion of Mortgage Assets which are repaid between that date and the Closing Date into their cash equivalent and (b) the substitution, on the Closing Date, of (i) Mortgage Assets which do not comply with the Mortgage Asset Warranties to be set out in the Mortgage Sale Agreement and/or (ii) any other Mortgage Assets chosen by, and at the option of, the Originator, with Substitute Mortgage Assets which do comply with such Mortgage Asset Warranties or (c) the conversion of the Mortgage Assets referred to in (b) into their cash equivalent.

The principal component of any proceeds resulting from repayment or prepayment of Mortgage Assets between the Initial Collateral Determination Date and the Closing Date and the principal component of any cash received by the Issuer for Mortgage Assets which are converted into their cash equivalent as referred to in the previous paragraph will form part of the Available Principal Distribution Amount on the next Interest Payment Date.

#### *Consideration for Purchase of Additional Mortgage Assets*

On each Additional Purchase Date, the Issuer will pay to the Originator an applicable purchase price (the "**Additional Purchase Price**"), to be calculated as an amount equal to the Principal Outstanding Balance of the Additional Mortgage Assets which are the subject of the Additional Purchase as at the relevant Additional Collateral Determination Date.

Each Additional Mortgage Asset Portfolio to be assigned to the Issuer on the relevant Additional Purchase Date will be the relevant Additional Mortgage Asset Portfolio as at the relevant Additional Collateral Determination Date as varied, in accordance with the Mortgage Sale Agreement, by (a) the conversion of the Additional Mortgage Assets which are repaid between that date and the relevant Additional Purchase Date into their cash equivalent and (b) the substitution, on the relevant Additional Purchase Date, of (i) Additional Mortgage Assets which do not comply with the Mortgage Asset Warranties to be set out in the Mortgage Sale Agreement and/or (ii) any other Mortgage Assets chosen by, and at the option of, the Originator, with Substitute Mortgage Assets which do comply with such

Mortgage Asset Warranties or (c) the conversion of the Additional Mortgage Assets referred to in (b) into their cash equivalent.

The principal component of any proceeds resulting from repayment or prepayment of Additional Mortgage Assets between the each Additional Collateral Determination Date and the relevant Additional Purchase Date and the principal component of any cash received by the Issuer for Additional Mortgage Assets which are converted into their cash equivalent as referred to in the previous paragraph will form part of the Available Principal Distribution Amount on the next Interest Payment Date.

#### *Effectiveness of the Assignment*

The assignments of the Mortgage Asset Portfolios by the Originator to the Issuer will be governed by the Securitisation Law (See "**Selected Aspects Of Laws Of The Portuguese Republic Relevant To The Mortgage Assets And The Transfer Of The Mortgage Assets**"). Paragraph 4 of Article 6 of the Securitisation Law facilitates the process of transferring receivables under a securitisation transaction in those cases, *inter alia*, where the seller is a credit institution, by establishing that the assignment shall become effective, both between the parties thereto and against the Borrowers, at the time of execution of the relevant sale agreement, this being exceptional in relation to the general principle on the effectiveness of the transfer of receivables, provided by Article 583 of the Portuguese Civil Code. No notice to Borrowers is, therefore, required to give effect to the assignment of the Mortgage Loans to the Issuer. However, for the assignment of the security created by the Mortgages to be effective against the Borrowers it must be registered with the relevant Portuguese Real Estate Registry Offices (see below "**Notification Event**").

#### *Notification Event*

Following the occurrence of a Notification Event, the Originator will execute and deliver to, or to the order of, the Issuer: (a) all Property Deeds (including the copy substituting the property tax certificates and the official land registry certificates irrespective of whether or not they are in the Originator's possession) in the most recent form the Originator has at its disposal and in certified and official form, and all other documents which are in the Originator's possession and which are necessary in order to register the transfer of the Mortgage Assets from the Originator to the Issuer, (b) an official application form duly filled in to be filed in the relevant Portuguese Real Estate Registry Office requesting registration of the assignment to the Issuer of each Mortgage or, whenever possible, a set of Mortgages, (c) Notification Event Notices addressed to the relevant Borrowers and copied to the Issuer in respect of the assignment to the Issuer of each of the Assigned Mortgage Rights included in the Mortgage Asset Portfolio, and (d) such other documents and provide such other assistance as is necessary in order to register the assignment of the Mortgage Asset Portfolio and notify the relevant Borrowers.

The notice will instruct the relevant Borrowers, with effect from the date of receipt by the Borrowers of the notice, to pay all sums due in respect of the relevant Mortgage Loan into an account designated by the Issuer. In the event that the Originator cannot or will not effect such actions, the Issuer, is entitled under Portuguese Law: (a) to have delivered to it any such deeds and documents as referred to above, (b) to complete any such application forms as referred to above and (c) to give any such notices to Borrowers as referred to above.

The Mortgage Sale Agreement will be effective to transfer the Assigned Mortgage Rights to the Issuer on the Closing Date, on each Additional Purchase Date and on each other date on which a substitute Mortgage Asset is purchased by the Issuer.

No further act, condition or thing will be required to be done in connection with the assignment of the Assigned Mortgage Rights to enable the Issuer to require payment of the Receivables arising under the Mortgage Assets or to enforce any such rights in court other than the registration of the assignment at the relevant Portuguese Real Estate Registry Office. Such action by the Issuer will only be effected following the occurrence of a Notification Event.

**"Property Deeds"** means, in respect of a Property, the official land registry certificates or other documents evidencing definitive title to the Property and the Mortgage;

**"Notification Event"** means:

- (a) the delivery by the Common Representative of an Enforcement Notice to the Issuer in accordance with the Conditions;
- (b) the occurrence of an Insolvency Event in respect of the Originator;
- (c) the termination of the appointment of Finibanco as servicer in accordance with the terms of the Mortgage Servicing Agreement; and/ or
- (d) if the Originator is required to deliver a Notification Event Notice by the laws of the Portuguese Republic;

**"Notification Event Notice"** means a notice substantially in the form set out in Schedule 4 of the Mortgage Sale Agreement.

*Representations and Warranties as to the Mortgage Assets*

The Originator will make certain representations and warranties in respect of the Mortgage Assets included in the Initial Mortgage Asset Portfolio on the Closing Date and on the Initial Collateral Determination Date, of the Additional Mortgage Assets on the relevant Additional Purchase Date and on the relevant Additional Collateral Determination Date and on each date upon which a Mortgage Asset is substituted in accordance with the Mortgage Sale Agreement, including statements to the following effect which together constitute the "Eligibility Criteria" in respect of the Mortgage Assets:

(a) Eligible Receivables

The Receivables arising under each Mortgage Asset Agreement are Eligible Receivables (as defined in the Mortgage Sale Agreement) in that they:

- (i) are originated by the Originator in accordance with the Originator's standard practices and are legally and beneficially owned by the Originator;
- (ii) are created in compliance with the laws of the Portuguese Republic;
- (iii) are payable in euro without any deduction, rebate or discount;
- (iv) are not the subject of any dispute, right of set-off, counterclaim, defence or claim existing or pending against the Originator;
- (v) are debts, the rights to which may be freely sold and transferred by way of assignment under the laws of the Portuguese Republic;
- (vi) are free and clear of any Encumbrance;
- (vii) are payable in full at least thirty-six months prior to the Final Legal Maturity Date;

- (viii) can be segregated and identified on any day;
  - (ix) have a Principal Outstanding Balance as at the relevant Collateral Determination Date, which does not exceed €1,000,000;
  - (x) have not been the object of a notice of early repayment received by the Originator prior to the relevant Collateral Determination Date; and
  - (xi) have no payments that are due and remain unpaid for more than thirty days prior to the relevant Collateral Determination Date.
- (b) Eligible Mortgage Asset Agreements

Each Mortgage Asset Agreement was, as at its execution date, and is an Eligible Mortgage Asset Agreement (as defined in the Mortgage Sale Agreement), which:

- (i) was entered into in the ordinary course of the Originator's business, on arms' length commercial terms;
- (ii) has been concluded in accordance with applicable laws and regulations in Portugal, including but not limited to, the *Lei de Defesa do Consumidor*, the *Lei das Cláusulas Contratuais Gerais* and all applicable legislation governing mortgages;
- (iii) has been duly executed by the relevant Borrower or Borrowers and constitutes the legal, valid, binding and enforceable obligations of the relevant Borrower or Borrowers;
- (iv) has been duly executed by the Originator and constitutes the legal, valid, binding and enforceable obligations of the Originator;
- (v) is governed by and subject to the laws of the Portuguese Republic;
- (vi) does not contain any restriction on assignment of the benefit of any right, title and interest to the relevant Mortgage Asset Agreement or, where consent to assign is required, such consent has been obtained;
- (vii) in respect of which at least one instalment due under the relevant Mortgage Asset Agreement has been paid in full prior to the relevant Collateral Determination Date and, in respect of a Substitute Mortgage Asset, at least one instalment has been paid in full prior to the Substitution Date;
- (viii) is entered into in writing on the terms of the standard documentation of the Originator;
- (ix) does not contain provisions which may give rise (after the Closing Date or the relevant Additional Purchase Date, as applicable) to a liability on the part of the Originator to make further advances, pay money or perform any other onerous act;
- (x) has been duly registered in the relevant Portuguese Real Estate Registry Office in favour of the Originator (rendering the Mortgage Asset Agreement a fully valid security interest with first ranking priority, with the exception of Mortgage Loans secured by a second or lower ranking priority mortgage provided that, in such cases, (a) all higher ranking mortgages over the relevant Property have also been granted by the Borrower to the Originator on or before the date on which the lower ranking mortgage was granted and (b) all Mortgage Loans with the higher ranking mortgages are included

in the Mortgage Asset Portfolio) for the performance of all payment obligations under the Mortgage Loan;

- (xi) relates to a Mortgage over a residential Property located in Portugal;
- (xii) does not contain provisions permitting the deferral of payment of interest thereunder;
- (xiii) is secured on one mortgage asset only;
- (xiv) bears a floating interest rate indexed to 1 month, 3 month, 6 month or 12 month-EURIBOR and to ECB Rate;
- (xv) is a loan with payments due monthly, has a fixed maturity date and whose instalments can only change because of interest fluctuations;
- (xvi) does not have a cap on interest rates;
- (xvii) is covered by property insurance;
- (xviii) has a term of no longer than fifty years;
- (xix) includes information on the property valuation;
- (xx) includes information on the ranking of the mortgage, the identification of the notary and the lien registration number;
- (xxi) has a maximum CLTV of 100 per cent.;
- (xxii) in the case of a Mortgage Asset Agreement for construction purposes, the construction proposed in such Mortgage Asset Agreement is complete; and
- (xxiii) was not granted to a Borrower for the purpose of renting the relevant Property.

"CLTV" means, in respect of all Mortgage Loans relating to a Borrower and secured on the same property, the ratio calculated in respect of an Interest Payment Date, of the aggregate amount of the Principal Outstanding Balance of such Mortgage Loans on such Interest Payment Date to the most recent valuation of the relevant property, provided that the CLTV as at the Closing Date or the Additional Purchase Date, as applicable, is calculated as the ratio of the aggregate amount of the Principal Outstanding Balance of such Mortgage Loans on the relevant Collateral Determination Date to the most recent valuation of the relevant Property;

(c) Eligible Borrowers

Each Borrower in respect of each Mortgage Asset Agreement to which it is a party is an Eligible Borrower (as defined in the Mortgage Sale Agreement) who:

- (i) is a party to a Mortgage Asset Agreement as primary borrower or guarantor;
- (ii) as far as the Originator is aware, is not dead or untraceable;
- (iii) as far as the Originator is aware, is not insolvent;
- (iv) complied with the Originator's lending criteria prior to entering into the relevant Mortgage Asset Agreement;
- (v) has an account with the Originator which is capable of direct debit; and



- (vi) had his/her identity verified by the Originator when entering into the Mortgage Asset Agreement;
- (vii) if employed or self-employed, has shown that his/her regular income, aggregated with the regular income of other Borrower(s) in the same Mortgage Asset Agreement, complied with the Lending Criteria at the time the relevant Mortgage Asset Agreement was entered into.

*Revolving Period*

During the Revolving Period, subject to satisfying the conditions described below, the Additional Purchase Available Amount will be available to the Issuer for the purpose of making further purchases of Mortgage Assets (each of these being an "**Additional Purchase**") on each Interest Payment Date falling within the Revolving Period (each such date being an "**Additional Purchase Date**"). The Mortgage Assets which will be the subject of each Additional Purchase shall have substantially the same characteristics as the Mortgage Assets in the Initial Mortgage Asset Portfolio purchased on the Closing Date and shall comply with the Eligibility Criteria (as set out above).

Other conditions that have to be met for the Originator to be allowed to make any Additional Purchase is that (i) it shall provide to the Issuer a solvency certificate each month during the Revolving Period and that (ii) the balances of both the Class A Principal Deficiency Ledger and the Class B Principal Deficiency Ledger shall be equal to zero.

Moreover, where an Additional Purchase is made on an Additional Purchase Date, the following requirements, verified by the Servicer, by reference to the relevant Additional Collateral Determination Date, must be met (each a "**Portfolio Test**" and together the "**Portfolio Tests**"):

- (a) the weighted average margin over EURIBOR of Mortgage Assets purchased on such Additional Purchase Date shall be equal to or greater than 0.90 per cent. per annum;
- (b) (i) the aggregate Principal Outstanding Balance of the Mortgage Assets which constitute Interest-Only Loans included in the Mortgage Asset Portfolio after such Additional Purchase divided by (ii) the sum of (α) the aggregate Principal Outstanding Balance of all of the Mortgage Assets included in the Mortgage Asset Portfolio after such Additional Purchase and (β) the amount as is credited in the Excess Available Principal Account after such Additional Purchase, shall be equal to or lower than 0.55 per cent. at such Additional Collateral Determination Date;
- (c) for each Region, (A) shall be equal to or lower than the sum of (i) (B) and (ii) 10 per cent., where:
  - (A) is the result of (1) the Aggregate Principal Outstanding Balance of the Mortgage Assets pertaining to such Region included in the Mortgage Asset Portfolio after such Additional Purchase divided by (2) the sum of (α) the Aggregate Principal Outstanding Balance of all of the Mortgage Assets included in the Mortgage Asset Portfolio after such Additional Purchase and (β) the amount as is credited in the Excess Available Principal Account after such Additional Purchase; and
  - (B) is the result of the sum of (1) the Aggregate Principal Outstanding Balance of the Mortgage Assets pertaining to the same Region included in the Initial Mortgage Asset Portfolio as at the Initial Collateral Determination Date divided by (2) the sum of (α) the aggregate Principal Outstanding Balance of all of the Mortgage Assets included in the Initial Mortgage Asset Portfolio as at the Initial Collateral Determination Date and

(β) the amount as is credited in the Excess Available Principal Account as at the Initial Collateral Determination Date; and

(d) (i) the aggregate Principal Outstanding Balance of the Mortgage Assets which constitute Employee Loans included in the Mortgage Asset Portfolio after such Additional Purchase divided by (ii) the sum of (α) the aggregate Principal Outstanding Balance of all of the Mortgage Assets included in the Mortgage Asset Portfolio after such Additional Purchase and (β) the amount as is credited in the Excess Available Principal Account after such Additional Purchase, shall be equal to or lower than 1.4 per cent. at such Additional Collateral Determination Date;

(e) for each Benchmark Index, (A) shall be equal to or lower than the sum of (i) (B) and (ii) 10 per cent., where:

(A) is the result of (1) the Aggregate Principal Outstanding Balance of the Mortgage Assets pertaining to such Benchmark Index included in the Mortgage Asset Portfolio after such Additional Purchase divided by (2) the sum of (α) the Aggregate Principal Outstanding Balance of all of the Mortgage Assets included in the Mortgage Asset Portfolio after such Additional Purchase and (β) the amount as is credited in the Excess Available Principal Account after such Additional Purchase; and

(B) is the result of the sum of (1) the Aggregate Principal Outstanding Balance of the Mortgage Assets pertaining to the same Benchmark Index included in the Initial Mortgage Asset Portfolio as at the Initial Collateral Determination Date divided by (2) the sum of (α) the aggregate Principal Outstanding Balance of all of the Mortgage Assets included in the Initial Mortgage Asset Portfolio as at the Initial Collateral Determination Date and (β) the amount as is credited in the Excess Available Principal Account as at the Initial Collateral Determination Date;

(f) the weighted average CLTV of the Mortgage Asset Portfolio taking into account the Additional Mortgage Assets does not exceed the weighted average CLTV of the Mortgage Asset Portfolio before such Additional Purchase by more than 0.50 per cent;

(g) the weighted average seasoning of the Mortgage Asset Portfolio before such Additional Purchase does not exceed the weighted average seasoning of the Mortgage Asset Portfolio taking into account the Additional Mortgage Assets by more than 4 months;

(h) (i) the aggregate Principal Outstanding Balance of the Mortgage Assets which constitute Loans to Borrowers who are not resident in Portugal which are included in the Mortgage Asset Portfolio after such Additional Purchase divided by (ii) the sum of (α) the aggregate Principal Outstanding Balance of all of the Mortgage Assets included in the Mortgage Asset Portfolio after such Additional Purchase and (β) the amount as is credited in the Excess Available Principal Account after such Additional Purchase, shall be equal to or lower than 2.5 per cent. at such Additional Collateral Determination Date;

(i) (i) the aggregate Principal Outstanding Balance of the Mortgage Assets which constitute Loans for Cash-Out Purposes which are included in the Additional Mortgage Asset Portfolio divided by (ii) the aggregate Principal Outstanding Balance of all of the Mortgage Assets included in the Additional Mortgage Asset Portfolio shall be equal to or lower than 15 per cent. at such Additional Collateral Determination Date; and

- (j) (i) the aggregate amount held as demand deposits by Borrowers divided by (ii) the Original Balance of the Mortgage Assets to those same Borrowers which are included in the Additional Mortgage Asset Portfolio shall be equal to or lower than 3 per cent. at such Additional Collateral Determination Date;

provided that, if any of the thresholds indicated in paragraphs (b) to (i) above, calculated by reference to the relevant Additional Collateral Determination Date but in respect of the Mortgage Assets included in the Mortgage Asset Portfolio prior to the relevant Additional Purchase, has already been surpassed, the relevant Portfolio Test shall be deemed to have been met if the result of such Portfolio Test, calculated by reference to the Mortgage Assets included in the Mortgage Asset Portfolio after the relevant Additional Purchase, is lower than the result of the same Portfolio Test calculated in respect of the relevant Mortgage Assets included in the Mortgage Asset Portfolio prior to the relevant Additional Purchase.

*Breach of Mortgage Asset Warranties and Variations other than Permitted Variations*

If there is a breach of any of the warranties given by the Originator in respect of the Mortgage Asset Portfolio in the Mortgage Sale Agreement (each a "**Mortgage Asset Warranty**") which, in the opinion of the Common Representative, upon receiving advice at the cost of the Issuer from a reputable Portuguese counsel selected by the Common Representative and such advice is in form and substance satisfactory to it, (without limitation, having regard to whether a loss is likely to be incurred in respect of the Mortgage Asset to which the breach relates) could have a material adverse effect on the validity or enforceability of any Mortgage Asset, its related Mortgage Asset Agreements or the Receivables in respect of such Mortgage Asset, if such breach is capable of remedy, the Originator shall remedy such breach within thirty days after receiving written notice of such breach from the Issuer or the Common Representative.

If, in the reasonable opinion of the Common Representative, such breach is not capable of remedy, or, if capable of remedy, is not remedied within the thirty day period, the Originator shall hold the Issuer harmless against any losses which the Issuer may suffer as a result thereof. In addition, if, in the case of the representation made by the Originator that no rights of set-off exist or are pending against the Originator in respect of a Receivable being proved to have been breached, the Originator fails to pay to the Issuer an amount equal to the amount so set-off, the Originator shall also hold the Issuer harmless against any losses which the Issuer may suffer as a result thereof. The Originator may discharge the liability by, at its option, repurchasing or causing a third party to repurchase or, in certain circumstances, substituting or causing the substitution of the relevant Mortgage Asset in accordance with the paragraph below.

The consideration payable by the Originator or a third party purchaser, as the case may be, in relation to the repurchase of a relevant Mortgage Asset will be an amount equal to the aggregate of: (a) the Principal Outstanding Balance of the relevant Mortgage Asset as at the date of re-assignment of such Assigned Mortgage Rights, (b) an amount equal to all other amounts due on or before the date of re-assignment in respect of the relevant Mortgage Asset and its related Mortgage Asset Agreement, and (c) the properly incurred costs and expenses of the Issuer incurred in relation to such re-assignment.

If a Mortgage Asset expressed to be included in the Mortgage Asset Portfolio has never existed or has ceased to exist so that it is not outstanding on the date on which it is due to be re-assigned, the Originator shall, on demand, indemnify the Issuer against any and all liabilities suffered by the Issuer by reason of the breach of the relevant Mortgage Asset Warranty.

Pursuant to the Mortgage Sale Agreement, the Originator may, instead of repurchasing a Mortgage Asset from the Issuer or indemnifying the Issuer, require the Issuer to accept in consideration for the

repurchase or in place of an indemnity payment, the assignment of Substitute Mortgage Assets such that the aggregate of the Principal Outstanding Balance of such Substitute Mortgage Assets will be at least equal to the said payment in cash that would have been payable by the Originator to the Issuer.

Substitute Mortgage Assets will be required to meet the original Eligibility Criteria for the inclusion of Mortgage Assets in the Mortgage Asset Portfolio and all the following additional requirements:

- (a) the weighted average CLTV of the Mortgage Asset Portfolio taking into account the Substitute Mortgage Assets does not exceed the weighted average CLTV of the Mortgage Asset Portfolio before such substitution by more than 0.25 per cent.;
- (b) the maturity date of the Substitute Mortgage Asset must not be later than three years prior to the Final Legal Maturity Date and each shall bear a floating rate of interest indexed to EURIBOR;
- (c) the weighted average spread of the Mortgage Asset Portfolio taking into account the Substitute Mortgage Assets must be no more than 0.25 per cent. below the weighted average spread of the Mortgage Asset Portfolio before such substitution;
- (d) the resultant weighted average spread of the Mortgage Asset Portfolio must be at least equal to the lower of: (i) 1.00 per cent.; (ii) the weighted average margin over EURIBOR of the Mortgage Asset Portfolio before such substitution;
- (e) the Principal Outstanding Balance of the Substitute Mortgage Asset Pool on any date of substitution must be greater than or equal to the Principal Outstanding Balance of the Retired Mortgage Asset Pool on the same date of substitution unless: (i) the amount by which the Principal Outstanding Balance of the Substitute Mortgage Asset Pool on the previous Substitution Date exceeded the Principal Outstanding Balance of the Retired Mortgage Asset Pool on the same Substitution Date is greater than the amount by which the Principal Outstanding Balance of the Retired Mortgage Asset Pool on the current Substitution Date would exceed the Principal Outstanding Balance of the Substitute Mortgage Asset Pool on the same Substitution Date; or (ii) the Originator pays an amount in cash to the Issuer that is equal to the amount by which the Principal Outstanding Balance of the Retired Mortgage Asset Pool on the current Substitution Date would exceed the Principal Outstanding Balance of the Substitute Mortgage Asset Pool on the same Substitution Date;
- (f) where the Property relating to the Retired Mortgage Asset (which is subject to a first ranking mortgage) has a lesser ranking mortgage over the same Property, such associated Mortgage Asset must also be substituted at the same time;
- (g) the aggregate Principal Outstanding Balance of Substitute Mortgage Assets which have been substituted or, where the Originator was unable to identify a Substitute Mortgage Asset, for which an amount in cash has been paid as consideration, by reason of any variation in the terms of the relevant Retired Mortgage Assets within the twelve month period following the relevant Collateral Determination Date may not exceed 5 per cent. of the Principal Outstanding Balance of the Mortgage Asset Portfolio on the Initial Collateral Determination Date and the Principal Outstanding Balance of Substitute Mortgage Assets (either substituted or for which an amount in cash has been paid, as above) may not exceed 10 per cent. of the Principal Outstanding Balance of the Mortgage Asset Portfolio on the Initial Collateral Determination Date during the life of the transaction (such percentages may be altered during the life of the transaction, if (i) such alteration does not affect the ratings of the Rated Notes and (ii) S&P has previously

confirmed in writing to the Issuer that such alteration does not negatively affect the ratings of the Rated Notes);

- (h) the Substitute Mortgage Asset constitutes the same ranking and priority of security over a property as the security provided in respect of the relevant Retired Mortgage Assets and if the Substitute Mortgage Asset is secured by a second or lower ranking priority mortgage, the Mortgage Asset which includes any first ranking priority mortgages over that same property must be included in the Mortgage Asset Portfolio after the substitution;
- (i) the Substitute Mortgage Asset is an Eligible Receivable, the borrower in respect of the Substitute Mortgage Asset is an Eligible Borrower and the relevant Mortgage Asset Agreement is an Eligible Mortgage Asset Agreement, where references to the Closing Date in the defined terms used in this paragraph shall be references to the Additional Purchase Date or the date upon which the relevant Mortgage Asset or Mortgage Assets and the related Receivables were substituted, as applicable; and references to the "Collateral Determination Date" were references to the date upon which the Principal Outstanding Balance of the relevant Mortgage Asset or Mortgage Assets and the related Receivables was determined for the purposes of such substitution;
- (j) no Enforcement Notice in respect of the Notes has been delivered by the Common Representative to the Issuer in accordance with the Conditions;
- (k) no Servicer Termination Notice has been delivered by the Issuer to the Servicer in accordance with the Mortgage Servicing Agreement;
- (l) the balance of the Cash Reserve Account at the previous Interest Payment Date was greater than or equal to the Cash Reserve Account Required Balance;
- (m) the maturity date of the Substitute Mortgage Asset must be earlier or equal to the maturity date of the retired Mortgage Asset; and
- (n) the Gross Cumulative Default Ratio, as at the Calculation Date immediately preceding the relevant Substitution Date, is less than 20 per cent..

If there is a breach of any other representations and warranties and the Issuer has suffered a loss, the Originator has an obligation to pay a compensation payment to the Issuer in respect of such loss.

**"Retired Mortgage Asset Pool"** means the pool of Retired Mortgage Assets that are retired from the Mortgage Asset Portfolio on any given substitution date.

**"Substitute Mortgage Asset Pool"** means the pool of Substitute Mortgage Assets that are substituted into the Mortgage Asset Portfolio on any given Substitute Date.

*Borrower Set-Off*

Pursuant to the terms of the Mortgage Sale Agreement, the Originator will undertake to pay to the Issuer an amount equal to the amount of any reduction in any payment due with respect to any Mortgage Loan sold to the Issuer as a result of any exercise of any right of set-off by any Borrower against the Issuer which has occurred on or prior to the Closing Date or the relevant Additional Purchase Date, as applicable.

*Applicable law and jurisdiction*

The Mortgage Sale Agreement will be governed by and construed in accordance with the laws of the Portuguese Republic. The judicial courts of Lisbon will have exclusive jurisdiction to hear any disputes that may arise in connection therewith.

## **Mortgage Servicing Agreement**

### *Servicing and Collection of Receivables*

Pursuant to the terms of the Mortgage Servicing Agreement, the Issuer will appoint the Servicer to provide certain services relating to the servicing of the Mortgage Assets and the collection of the Receivables in respect of such Mortgage Assets (the "**Services**").

### *Sub-Contractor*

The Servicer may appoint any of its Group companies as its sub-contractor and may appoint any other person as its sub-contractor to carry out certain of the services subject to certain conditions specified in the Mortgage Servicing Agreement, including, but not limited to, the Servicer retaining liability to the Issuer for the Services performed by such sub-contractor. In certain circumstances the Issuer may require the Servicer to assign any rights which it may have against a sub-contractor.

### *Servicer's Duties*

The duties of the Servicer will be set out in the Mortgage Servicing Agreement, and will include, but not be limited to:

- (a) servicing and administering the Mortgage Assets;
- (b) implementing the enforcement procedures in relation to defaulted Mortgage Assets and undertaking enforcement proceedings in respect of any Borrowers which may default on their obligations under the relevant Mortgage Asset Agreement;
- (c) complying with its customary and usual servicing procedures for servicing comparable residential mortgages in accordance with its policies and procedures relating to its residential mortgage business;
- (d) servicing and administering the cash amounts received in respect of the Mortgage Assets including transferring amounts to the Payment Account on the Collection Payment Date following the day on which such amounts are credited to the Collection Account;
- (e) preparing periodic reports for submission to the Issuer and the Transaction Manager in relation to the Mortgage Asset Portfolio in an agreed form including reports on delinquency and default rates;
- (f) collecting amounts due in respect of the Mortgage Asset Portfolio;
- (g) setting interest rates applicable to the Mortgage Loans; and
- (h) managing relationships with the Borrowers.

The Servicer has undertaken to prepare and submit to the Issuer and the Transaction Manager, within 5 Lisbon Business Days after each Calculation Date, the Servicer Report containing information as to the Mortgage Asset Portfolio and Collections in respect of the preceding Collection Period.

### *Collections and Transfers to the Collection Account*

The Servicer covenants in the Mortgage Servicing Agreement that it shall ensure (or, where it is not also the Collection Account Bank, that it shall give instructions to the Collection Account Bank to ensure) that monies received by the Collection Account Bank from Borrowers in respect of the Mortgage Assets on any particular Lisbon Business Day are, on such Lisbon Business Day of receipt, paid into the Collection Account, if received prior to 3.00 p.m., or on the next Lisbon Business Day, if received after 3.00 p.m., in accordance with the provisions of the Mortgage Servicing Agreement. The Servicer will, on each Business Day, transfer (or, where it is not also the Collection Account Bank, direct the Collection Account Bank to transfer) to the Payment Account, no later than 3:00 p.m., any cleared funds standing to the credit of the Collection Account at such time, except that the Servicer shall not, in respect of the Collection Account, act or give any such direction if it would cause the Collection Account to become overdrawn. If the Collection Account Bank (where it is not also the Servicer) fails to comply with such directions, the Servicer shall, so far as it is able, take all such reasonable administrative actions as are reasonable to ensure compliance by the Collection Account Bank with its obligations under the Mortgage Servicing Agreement and the Collection Account Mandate (to the extent applicable).

#### *Variations of Mortgage Assets*

The Servicer will covenant in the Mortgage Servicing Agreement that it shall not agree to any amendment, variation or waiver of any Material Term in a Mortgage Asset Agreement, other than (i) a Permitted Variation, or (ii) a variation made while Enforcement Procedures are being taken against such Mortgage Asset.

In addition, the Servicer will not agree to any Permitted Variation of a Mortgage Asset Agreement where:

- (a) the aggregate Principal Outstanding Balance of Mortgage Assets which are subject to Permitted Variations exceeds 20 per cent. of the Principal Outstanding Balance of the Initial Mortgage Asset Portfolio on the Initial Collateral Determination Date (provided that such percentage may be altered during the life of the transaction if (i) such alteration does not affect the Rating of the Rated Notes and (ii) S&P has previously confirmed in writing to the Issuer that such alteration does not negatively affect the Rating of the Rated Notes); or
- (b) such Mortgage Asset has already been subject to two Permitted Variations after the Closing Date (provided that such number may be altered during the life of the transaction if (i) such alteration does not affect the Rating of the Rated Notes and (ii) S&P has previously confirmed in writing to the Issuer that such alteration does not negatively affect the Rating of the Rated Notes).

To the extent that the Servicer agrees, under clause 8.3 of the Mortgage Servicing Agreement, to an amendment, variation or waiver to a Mortgage Asset Agreement that is not otherwise permitted, the Originator will be required to substitute the relevant Mortgage Asset as described in "*Breach of Mortgage Asset Warranties and Variations other than Permitted Variations*" or, where the Originator is unable to identify a Substitute Mortgage Asset, the Originator or a third party shall pay an amount in cash as consideration for the relevant Mortgage Asset. Any amount in cash so paid will be considered for the purposes of determining the limits set out in item (a) of the list of requirements that Substitute Mortgage Assets must comply with which are contained in clause 11.2 (*Conditions for Substitutions*) of the Mortgage Sale Agreement.

If the Servicer determines that it will accept a request by a Borrower for an amendment, variation or waiver of any Material Term of a Mortgage Asset Agreement that is not otherwise permitted (as described in "*Variations of Mortgage Assets*" above), the Servicer shall substitute (or, where the

Servicer is not also the Originator, the Servicer shall notify the Originator of such a determination, and the Originator must substitute), within thirty-seven days of such amendment, variation or waiver being made, the Mortgage Asset in question with a Substitute Mortgage Asset (save where such amendment is made in the fifty day period commencing on the Initial Collateral Determination Date in which case the Originator will have thirty-seven days from the end of this period to substitute the relevant Mortgage Asset). Where the Originator is unable to identify a Substitute Mortgage Asset which meets the specified conditions upon substitution, the Originator or, if applicable, a third party purchaser shall pay an amount in cash to the Issuer to purchase the Assigned Mortgage Rights in respect of such Mortgage Asset or Mortgage Assets.

In any case, the Servicer may only amend, vary or waive any Material Term in a Mortgage Asset Agreement, (other than a Permitted Variation or any amendment or variation made while Enforcement Procedures are being taken against such Mortgage Asset) if, further to the conditions set under clause 13.2 (*Conditions for Substitution*) of the Mortgage Sale Agreement, the following conditions are met:

- (a) such amendment, variation or waiver arises from circumstances that do not relate to the solvency or ability to pay of the respective Borrower; and
- (b) such amendment, variation or waiver is based on changes to the prevailing market conditions, including more favourable offers regarding the Borrower's Material Terms by competing entities (whether in relation to specific terms or as a package) or changes to applicable laws and regulations.

**"Permitted Variation"** means, in relation to any Mortgage Asset, any amendment or variation to the Material Terms of the relevant Mortgage Asset Agreement where following such amendment:

- (a) the interest rate payable under such amended Mortgage Asset is not reduced by more than 0.5 per cent. per annum, subject to a minimum 0 per cent. per annum margin;
- (b) the remaining term of such amended Mortgage Asset is not extended by more than 15 per cent. of the original term of such Mortgage Asset;
- (c) the maturity of such Mortgage Asset subject to such amendment shall not be greater than three years prior to the Final Legal Maturity Date,

(in each case as determined from the latest Servicer Report);

**"Material Term"** means, in respect of any Mortgage Asset Agreement, any provision thereof on the date on which the Mortgage Asset is assigned to the Issuer relating to (i) the maturity date of the Mortgage Asset, (ii) the ranking of the Mortgage provided by the relevant Borrower, (iii) the spread over the index used to determine the rate of interest thereunder, (iv) the Principal Outstanding Balance of such Mortgage Loan and (v) the amortisation profile of such Mortgage Asset.

**"Servicer Records"** means the original and/or any copies of all documents and records, in whatever form or medium, relating to the Services including all information maintained in electronic form (including computer tapes, files and discs) relating to the Services;

**"Services"** means the services to be provided by the Servicer as set out in Schedule 1 to the Mortgage Servicing Agreement;

*Servicing Fee*



The Servicer will, on each Interest Payment Date, receive a servicing fee monthly in arrears from the Issuer calculated by reference to the Principal Outstanding Balance of the Mortgage Assets as at the first day of the relevant Collection Period.

#### *Representations and Warranties*

The Servicer will make certain representations and warranties to the Issuer in accordance with the terms of the Mortgage Servicing Agreement relating to itself and any subcontracted servicer and its entering into the relevant Transaction Documents to which it is a party.

#### *Covenants of the Servicer*

The Servicer will be required to make positive and negative covenants in favour of the Issuer in accordance with the terms of the Mortgage Servicing Agreement relating to itself and any subcontracted servicer and its entering into the relevant Transaction Documents to which it is a party.

#### *Servicer Event*

The occurrence of a Servicer Event leading to the replacement of the Servicer or a Notification Event will not, on itself, constitute an Event of Default under the Conditions.

The following events will be "**Servicer Events**" under the Mortgage Servicing Agreement, the occurrence of which will entitle the Issuer, to serve a notice on the Servicer (a "**Servicer Event Notice**"):

- (a) default is made by the Servicer in ensuring the payment on the due date of any payment required to be made under the Mortgage Servicing Agreement and such default continues unremedied for a period of five Business Days after the earlier of the Servicer becoming aware of the default or receipt by the Servicer of written notice from the Issuer requiring the default to be remedied; or
- (b) without prejudice to clause (a) above:
  - (i) default is made by the Servicer in the performance or observance of any of its other covenants and obligations under the Mortgage Servicing Agreement; or
  - (ii) any of the Servicer Warranties (as defined in the Mortgage Servicing Agreement) made by the Servicer proves to be untrue, incomplete or incorrect; or
  - (iii) any certification or statement made by the Servicer in any certificate or other document delivered pursuant to the Mortgage Servicing Agreement proves to be untrue,

and in each case (1) such default or such warranty, certification or statement proving untrue, incomplete or incorrect could reasonably be expected to have a Material Adverse Effect on the ability of the Servicer to perform or comply with its obligations and (2) (if such default is capable of remedy) such default continues unremedied for a period of five Business Days after the earlier of the Servicer becoming aware of such default and receipt by the Servicer of written notice from the Issuer requiring the same to be remedied; or

- (c) it is or will become unlawful for the Servicer to perform or comply with any of its material obligations under the Mortgage Servicing Agreement; or

- (d) if the Servicer is prevented or severely hindered for a period of sixteen days or more from complying with its obligations under the Mortgage Servicing Agreement as a result of a force majeure event;
- (e) any Insolvency Event occurs in relation to the Servicer;
- (f) a material adverse change occurs in the financial condition of the Servicer (or, for so long as the Originator is the Servicer, the Finibanco Group) since the date of the latest audited financial statements of the Servicer which, in the opinion of the Issuer, impairs due performance of the obligations of the Servicer under the Mortgage Servicing Agreement; and/or
- (g) the Bank of Portugal intervenes under Title VIII of Decree Law no. 298/92 of 31 December (as amended) into the regulatory affairs of the Servicer where such intervention could lead to the withdrawal by the Bank of Portugal of the Servicer's authorisation to carry on its business;

After receipt by the Servicer of a Servicer Event Notice but prior to the delivery of a notice terminating the appointment of the Servicer under the Mortgage Servicing Agreement (the "**Servicer Termination Notice**"), the Servicer shall, *inter alia*:

- (a) hold to the order of the Issuer the records relating to the Mortgage Assets, the Servicer Records and the Transaction Documents;
- (b) hold to the order of the Issuer any monies then held by the Servicer on behalf of the Issuer together with any other Mortgage Assets of the Issuer;
- (c) other than as the Issuer may direct, continue to perform all of the Services (unless prevented by any Portuguese law or any applicable law) until the date specified in the Servicer Termination Notice;
- (d) take such further action, in accordance with the terms of the Mortgage Servicing Agreement, as the Issuer may reasonably direct in relation to the Servicer's obligations under the Mortgage Servicing Agreement, including, if so requested, giving notice to the Borrowers and providing such assistance as may be necessary to enable the Services to be performed by a successor servicer; and
- (e) stop taking any such action under the terms of the Mortgage Servicing Agreement as the Issuer may reasonably direct, including, the collection of the Receivables into the Collection Account, communication with Borrowers or dealing with the Mortgage Assets.

At any time after the delivery of a Servicer Event Notice, the Issuer may deliver the Servicer Termination Notice to the Servicer, the effect of which will be to terminate the Servicer's appointment from the date specified in such notice and from such date, *inter alia*:

- (a) all authority and power of the retiring Servicer under the Mortgage Servicing Agreement shall be terminated and shall be of no further effect;
- (b) the retiring Servicer shall no longer hold itself out in any way as the agent of the Issuer pursuant to the Mortgage Servicing Agreement; and
- (c) the rights and obligations of the retiring Servicer and any obligations of the Issuer and the Originator to the retiring Servicer shall cease but such termination shall be without prejudice to, *inter alia*:

- (i) any liabilities or obligations of the retiring Servicer to the Issuer, the Originator or any successor Servicer incurred before such date;
- (ii) any liabilities or obligations of the Issuer or the Originator to the retiring Servicer incurred before such date;
- (iii) any obligations relating to computer systems referred to in Paragraph 31 of Schedule 1 of the Mortgage Servicing Agreement;
- (iv) the retiring Servicer's obligation to deliver documents and materials; and
- (v) the duty to provide assistance to the successor Servicer as required to safeguard its interests or its interest in the Mortgage Assets.

#### *Notice of Breach*

The Servicer will, as soon as practicable, upon becoming aware of:

- (a) any breach of any Originator Warranty;
- (b) the occurrence of a Servicer Event; or
- (c) any breach by a Sub-contractor pursuant to Clause 5.3 (*Events requiring assignment of rights against Sub-contractor*) of the Servicing Agreement;

notify the Issuer, the Common Representative and the Transaction Manager of the occurrence of any such event and do all other things and make all such arrangements as are permitted and necessary pursuant to such Transaction Document in relation to such event.

#### *Termination*

The appointment of the Servicer will continue (unless otherwise terminated by the Issuer) until the Final Discharge Date when the obligations of the Issuer under the Transaction Documents will be discharged in full. The Issuer may terminate the Servicer's appointment and appoint a successor servicer (such appointment being subject to the prior approval of the CMVM and the written approval of the Common Representative) provided that it shall not have an adverse effect on the Rating of the Rated Notes, upon the occurrence of a Servicer Event by delivering a Servicer Termination Notice in accordance with the provisions of the Mortgage Servicing Agreement.

#### *Applicable law and jurisdiction*

The Mortgage Servicing Agreement will be governed by and construed in accordance with the laws of the Portuguese Republic. The judicial courts of Lisbon will have exclusive jurisdiction to hear any disputes that may arise in connection therewith.

#### **Common Representative Appointment Agreement**

On the Closing Date, the Issuer and the Common Representative will enter into an agreement setting forth the form and Terms and Conditions of the Notes and providing for the appointment of the Common Representative as common representative of the Noteholders for the Notes pursuant to Article 65 of the Securitisation Law.

Pursuant to the Common Representative Appointment Agreement, the Common Representative will agree to act as Common Representative of the Noteholders in accordance with the provisions set out

therein and the terms of the Conditions. The Common Representative shall have, among other things, the power:

- (a) to exercise in the name and on behalf of the Noteholders all the rights, powers, authorities and discretions vested on the Noteholders or on it (in its capacity as the common representative of the Noteholders pursuant to article 65 of the Securitisation Law) at law, under the Common Representative Appointment Agreement or under any other Transaction Document;
- (b) to start any action in the name and on behalf of the Noteholders in any proceedings;
- (c) to enforce or execute in the name and on behalf of the Noteholders any Resolution passed by a Meeting of the Noteholders; and
- (d) to exercise, in its name and on its behalf, the rights of the Issuer under the Transaction Documents pursuant to the terms of the Co-ordination Agreement.

The rights and obligations of the Common Representative are set out in the Common Representative Appointment Agreement and include, but are not limited to:

- (a) determining whether any proposed modification to the Notes, the Conditions or the Transaction Documents is materially prejudicial to the interest of any of the Noteholders;
- (b) giving any consent required to be given in accordance with the terms of the Transaction Documents;
- (c) waiving certain breaches of the terms of the Notes, the Conditions or the Transaction Documents on behalf of the holders of the Notes; and
- (d) determining certain matters specified in the Common Representative Appointment Agreement, including any questions in relation to any of the provisions therein.

In addition, the Common Representative may, at any time without the consent or sanction of the Noteholders or any other Transaction Creditor, concur with the Issuer and any other relevant Transaction Party in making (A) any modification to the Notes, the Conditions or the Transaction Documents in relation to which the consent of the Common Representative is required (other than in respect of a Reserved Matter or any provisions of the Notes, the Common Representative Appointment Agreement or any Transaction Document referred into the definition of Reserved Matter) which, in the opinion of the Common Representative will not be materially prejudicial to the interests of the holders of the Most Senior Class of Notes then outstanding and (B) any modification, other than a modification in respect of a Reserved Matter, to any provision of the Notes, the Conditions, the Common Representative Appointment Agreement or any of the Transaction Documents in relation to which the consent of the Common Representative is required, if, in the opinion of the Common Representative, such modification is of a formal, minor, administrative or technical nature, or is made to correct a manifest error or an error which, in the reasonable opinion of the Common Representative, is proven provided that such changes have always been previously notified to the Rating Agencies.

#### *Remuneration of the Common Representative*

The Issuer shall pay to the Common Representative remuneration for its services as Common Representative as from the date of the Common Representative Appointment Agreement, such remuneration to be at such rate as may from time to time be agreed between the Issuer and the Common Representative. Such remuneration shall accrue from day to day and be payable in accordance with the Payments Priorities until the powers, authorities and discretions of the Common Representative are discharged.

In the event of the occurrence of an Event of Default or Potential Event of Default or the Common Representative considering it expedient or necessary or being requested by the Issuer to undertake duties which the Common Representative and the Issuer agree to be of an exceptional nature or otherwise outside the scope of the normal duties of the Common Representative under the Common Representative Appointment Agreement, the Issuer shall pay to the Common Representative such additional remuneration as shall be agreed between them.

#### *Retirement of the Common Representative*

The Common Representative may retire at any time upon giving not less than three calendar months' prior notice in writing to the Issuer without assigning any reason therefor and without being responsible for any Liabilities occasioned by such retirement. The retirement of the Common Representative shall not become effective until the appointment of a new Common Representative. In the event of the Common Representative giving notice under the Common Representative Appointment Agreement, the Issuer shall use its best endeavours to find a substitute common representative and prior to the expiry of the three calendar months notice period the Common Representative shall convene a Meeting for appointing such person as the new common representative and the retirement of the common representative shall become effective after such meeting has been held irrespective of whether a new common representative has been appointed.

#### *Termination of the Common Representative*

The Noteholders may at any time, by means of resolutions passed in accordance with the relevant terms of the Conditions and the Common Representative Appointment Agreement remove the Common Representative and appoint a new common representative, which shall enter into a similar agreement to the Common Representative Agreement.

The Common Representative Appointment Agreement will be governed by and construed in accordance with Portuguese law. The courts of Lisbon will have exclusive jurisdiction to hear and determine any disputes that may arise in connection therewith.

#### **Accounts Agreement**

On or about the Closing Date, the Issuer, the Common Representative and the Accounts Bank will enter into an Accounts Agreement pursuant to which the Accounts Bank will agree to open and maintain the Transaction Accounts which are held in the name of the Issuer and provide the Issuer with certain services in connection with account handling and reporting requirements in relation to the monies from time to time standing to the credit of the Transaction Accounts. The Accounts Bank will pay interest on the amounts standing to the credit of the Payment Account, the Excess Available Principal Account and the Cash Reserve Account.

The Accounts Bank will agree to comply with any directions given by the Issuer or the Common Representative in relation to the management of the Payment Account, the Excess Available Principal Account and the Cash Reserve Account.

If the short-term unsecured debt obligations of the Accounts Bank are downgraded below the Minimum Short-Term Rating or it otherwise ceases to be rated this will result in the termination of the appointment of the Accounts Bank within sixty calendar days of the downgrade by S&P and the appointment of a replacement Accounts Bank subject to the provisions of the Accounts Agreement.

The Accounts Agreement will be governed by and construed in accordance with English law. The courts of England will have exclusive jurisdiction to hear and determine any disputes that may arise in connection therewith.

### **Co-ordination Agreement**

On the Closing Date, the Issuer, the Originator, the Servicer and the Common Representative will enter into the Co-ordination Agreement pursuant to which the parties (other than the Common Representative) will be required, subject to Portuguese law, to give certain information and notices to and give due consideration to any request from or opinion of the Common Representative in relation to certain matters regarding the Mortgage Asset Portfolio, the Originator and its obligations under the Mortgage Sale Agreement, the Servicer and its obligations under the Mortgage Servicing Agreement.

Pursuant to the terms of the Co-ordination Agreement, the Common Representative Appointment Agreement, the Terms and Conditions of the Notes and the relevant provisions of the Securitisation Law, the Common Representative shall, following the delivery of an Enforcement Notice, act in the name and on behalf of the Issuer in connection with the Transaction Documents and in accordance with the Co-ordination Agreement.

Pursuant to the terms of the Co-ordination Agreement, the Common Representative will have the direct benefit of certain representations and warranties made by the Originator and the Servicer in the Mortgage Sale Agreement and the Mortgage Servicing Agreement respectively. The Issuer will authorise the Common Representative to exercise the rights provided for in the Co-ordination Agreement and the Originator and the Servicer will acknowledge such authorisation therein.

The Co-ordination Agreement will be governed by and construed in accordance with Portuguese law. The Courts of Lisbon will have exclusive jurisdiction to hear any disputes that may arise in connection therewith.

### **Transaction Management Agreement**

On the Closing Date, the Issuer, the Transaction Manager, the Accounts Bank and the Common Representative will enter into the Transaction Management Agreement pursuant to which each of the Issuer and the Common Representative (according to their respective interests) will appoint the Transaction Manager to perform cash management duties, including:

- (a) operating the Payment Account, the Cash Reserve Account, the Excess Available Principal Account and the Principal Deficiency Ledgers in such a manner as to enable the Issuer to perform its financial obligations pursuant to the Notes and the Transaction Documents;
- (b) providing the Issuer and the Common Representative with certain cash management, calculation, notification and reporting information in relation to the Payment Account, the Cash Reserve Account, the Excess Available Principal Account and the Principal Deficiency Ledgers;
- (c) maintaining adequate records to reflect all transactions carried out by or in respect of the Payment Account, the Cash Reserve Account, the Excess Available Principal Account and the Principal Deficiency Ledgers;
- (d) on the written instruction of the Issuer and using funds standing to the credit of the Excess Available Principal Account, transfer to an account of the Originator the Additional Purchase Price in respect of any Additional Purchase; and
- (e) on the written instruction of the Issuer and on a non-discretionary basis, investing, on a non-discretionary basis, the funds credited to the Payment Account and the Cash Reserve Account in Authorised Investments in accordance with the written instructions of the Issuer and the terms and conditions of the Transaction Management Agreement.

The Transaction Manager will receive a fee to be paid on a monthly basis in arrears on each Interest Payment Date in accordance with the Pre-Enforcement Interest Payments Priorities.

The appointment of the Transaction Manager under the Transaction Management Agreement may be terminated:

- (a) without cause by the Issuer (with the prior written approval of the Common Representative) at any time upon 30 days' prior written notice to the Transaction Manager (copied to the Common Representative and the Accounts Bank); or
- (b) for cause by the Issuer (with the prior written approval of the Common Representative) at any time upon notice to the Transaction Manager (copied to the Common Representative and the Accounts Bank) upon the occurrence of any of the following:
  - (i) default by the Transaction Manager in ensuring the payment on the due date of any payment required to be made under the Transaction Management Agreement when the amount required for such payment is available in cleared funds in the Payment Account and such default does not result from circumstances outside the control of the Transaction Manager and continues unremedied for a period of 5 Business Days after the earlier of (A) the Transaction Manager becoming aware of the default and (B) receipt by the Transaction Manager of written notice from the Issuer or, after the occurrence of an Event of Default, the Common Representative requiring the default to be remedied; or
  - (ii) without prejudice to paragraph (i) above: (A) default by the Transaction Manager in the performance or observance of any of its other covenants and obligations under the Transaction Management Agreement; or (B) any of the representations and warranties of the Transaction Manager proves to be untrue, incomplete or incorrect; or (C) any certification or statement made by the Transaction Manager in any certificate or other document delivered pursuant to the Transaction Management Agreement proves, as a result of the Transaction Manager's gross negligence, wilful default or fraud to be untrue, incomplete or incorrect, and in each case the Issuer certifies that such default or such warranty, certification or statement proving to be untrue, incomplete or incorrect could reasonably be expected to have a material adverse effect in respect of the Issuer and (if such default is capable of remedy) such default continues unremedied for a period of 10 Business Days after the earlier of the Transaction Manager becoming aware of such default and receipt by the Transaction Manager of written notice from the Issuer or, after the occurrence of an Event of Default, the Common Representative requiring the same to be remedied; or
  - (iii) it is or will become unlawful for the Transaction Manager to perform or comply with any of its material obligations under the Transaction Management Agreement; or
  - (iv) any Insolvency Event occurs in relation to the Transaction Manager,

provided that such termination shall not take effect until a replacement transaction manager has been appointed in accordance with the Transaction Management Agreement.

The Transaction Management Agreement will be governed by and construed in accordance with English law. The courts of England have exclusive jurisdiction to hear and determine any disputes that may arise in connection therewith.

#### **Paying Agency Agreement**

On the Closing Date, the Issuer, the Common Representative and the Agents will enter into the Paying Agency Agreement pursuant to which the Issuer will appoint the Agents to act as principal paying agent and as calculation agent in respect of the Notes.

The Issuer may at any time terminate the appointment of any Agent under the Paying Agency Agreement by giving to the Common Representative, the Principal Paying Agent and the Rating Agency and the Agent concerned at least 30 days' prior written notice to that effect, provided always that:

(a) in the case of termination of the appointment of any Agent no such notice shall take effect until a replacement Agent to exercise the powers and undertake the duties hereby conferred and imposed upon such Agent has been appointed in accordance with the Paying Agency Agreement; and

(b) the Issuer shall to the extent practicable ensure that there will at all times be a Principal Paying Agent in an EU member state that will not be obliged to withhold or deduct tax pursuant to the European Council Directive 2003/48/EC or any other Directive implementing the conclusions of the ECOFIN Council meeting of 26-27 November 2000 or any law implementing or complying with, or introduced in order to conform to, such Directive.

If at any time any Agent shall be adjudged bankrupt or insolvent, or shall file a voluntary petition in bankruptcy or make an assignment for the benefit of its creditors or consent to the appointment of a receiver or similar official of all or any substantial part of its property, or if a receiver of it or of all or any substantial part of its property shall be appointed, or if any public officer shall take charge or control of the Agent or of its property or affairs for the purpose of rehabilitation, conservation or liquidation, or a resolution is passed or an order made for the winding up of the Agent, the Issuer may terminate the appointment of such Agent forthwith upon giving written notice. The termination of the appointment of any Agent hereunder shall not entitle such Agent to any amount by way of compensation but shall be without prejudice to any amount then accrued due.

Any Agent may at any time resign its appointment under the Paying Agency Agreement by giving to the Issuer, the Common Representative and the Rating Agency and (except in the case of resignation of the Principal Paying Agent, respectively) the Principal Paying Agent at least 30 days' written notice to that effect, provided that no such resignation by an Agent shall be effective until a successor Agent has been appointed in accordance with the Paying Agency Agreement.

Upon any termination of the appointment or resignation of an Agent, the Issuer shall use reasonable endeavours to appoint a replacement agent, provided that such appointment shall:

(a) be subject to the prior written approval of the Common Representative; and

(b) be on substantially the same terms as the Paying Agency Agreement, and the Common Representative and the Agents agree that they will enter into an agreement with the Issuer and such replacement agent on substantially the same terms as this Agreement.

If any Agent gives notice of its resignation and by the tenth day before the expiration of such notice a replacement Agent has not been appointed by the Issuer, such Agent may itself, with the prior written consent of the Common Representative, appoint as its replacement any reputable and experienced financial institution.

### **Security Deed**

The Notes will be secured by a first fixed charge over all the Transaction Accounts (which may take effect as a floating charge) as particularly set out in the security deed made on or about the Closing



Date between the Issuer and the Common Representative (the "**Security Deed**"). The Common Representative will hold the benefit of such security on trust for the Noteholders and the Transaction Creditors.

The Security Deed will be governed by and construed in accordance with English law and the courts of England will have exclusive jurisdiction to hear and determine any disputes that may arise in connection therewith.

## ESTIMATED WEIGHTED AVERAGE LIVES OF THE NOTES AND ASSUMPTIONS

Weighted average life refers to the average amount of time that will elapse from the date of issuance of a security to the date of distribution to the investor of amounts distributed in reduction of principal of such security. The actual weighted average lives of each Class of the Mortgage-Backed Notes cannot be predicted as the actual rate at which the Mortgage Loans will be repaid and a number of other relevant factors are unknown.

The model used in this Prospectus for the Mortgage Assets uses an assumed constant per annum rate of prepayment (“CPR”) each month relative to the then outstanding principal balance of a pool of mortgages. CPR does not purport to be either an historical description of the prepayment experience of any pool of mortgage loans or a prediction of the expected rate of prepayment of any mortgage loans, including the Mortgage Loans to be included Mortgage Asset Portfolio.

As at the 13 November 2008 the Mortgage Loans in the provisional Initial Mortgage Asset Portfolio had a weighted average remaining term of 300 months and a current interest rate of 6.20% per annum. During the Revolving Period it is expected that the Originator will assign to the Issuer additional Mortgage Loans, which will affect, *inter alia*, the remaining term and current interest rate on the Mortgage Asset Portfolio. For the purposes of the weighted average life calculations, a single repline has been assumed with a remaining term and constant interest rate adjusted to account for the Revolving Period as described below.

Calculations of possible weighted average lives of each Class of the Mortgage-Backed Notes can be made under certain assumptions. The tables below are based upon certain assumptions, including that:

- (a) the Mortgage Loans are modelled as a single repline of assets with an initial Aggregate Principal Outstanding Balance, as of the Closing Date, of €233,000,000, a remaining term of 324 months and a constant interest rate of 6.13% per annum;
- (b) the Mortgage Loans amortise according to a fixed amortisation schedule beginning on the Interest Payment Date occurring in January 2011;
- (c) the Mortgage Loans are subject to a constant annual rate of principal prepayments shown in the table below beginning on the Interest Payment Date occurring in January 2011;
- (d) no Mortgage Loans are sold by the Issuer except as may be necessary to enable the Issuer to realise sufficient funds to exercise its option to redeem the Notes;
- (e) there are no delinquencies or Deemed Principal Losses on the Mortgage Loans;
- (f) no Principal Deficiency arises;
- (g) payments on the Mortgage Loans and on the Notes occur monthly on the 15<sup>th</sup> of each month beginning in January 2009; and
- (h) in the case of the table stating “with Clean-Up Call” the Issuer chooses to redeem each Class of the Mortgage-Backed Notes in whole at their Principal Amount Outstanding on the Interest Payment Date following the Interest Payment Date on which the Aggregate Principal Outstanding Balance of the Mortgage Loans is less than or equal to 10 per cent. of the assumed initial Aggregate Principal Outstanding Balance of all of the Mortgage Loans as of the Closing Date.

Assumptions (a), (b), (d), (e) and (f) relate to circumstances which are not predictable.

Assumption (c) is stated as an average annualised prepayment rate as the prepayment rate for one Interest Period may be substantially different from that for another. The constant prepayment rates shown above are purely illustrative and do not represent the full range of possibilities for constant prepayment rates.

Assumption (h) reflects the current intentions of the Issuer but no assurance can be given that redemption of each Class of the Mortgage-Backed Notes will occur as described.

The weighted average lives shown below were determined by (i) multiplying the net reduction, if any, of the Principal Amount Outstanding of each Class of the Mortgage-Backed Notes by the number of years from the date of issuance of the Notes to the related Interest Payment Date, (ii) adding the results and (iii) dividing the sum by the aggregate of the net reductions of the Principal Amount Outstanding described in (i) above.

Subject to the foregoing discussion and assumptions, the following tables indicate the weighted average life of each Class of the Mortgage-Backed Notes, at various CPR assumptions:

**With Clean-Up Call:**

Weighted Average Life (years)	CPR (%)					
	0%	4%	6%	8%	10%	12%
Class A Notes	17.16	12.54	10.91	9.60	8.55	7.69
Class B Notes	20.46	15.39	13.40	11.73	10.40	9.36

**Without Clean-Up Call:**

Weighted Average Life (years)	CPR (%)					
	0%	4%	6%	8%	10%	12%
Class A Notes	17.21	12.67	11.09	9.83	8.81	7.97
Class B Notes	20.61	15.79	13.98	12.51	11.36	10.48

The weighted average lives of each Class of the Mortgage-Backed Notes are subject to factors largely outside the control of the Issuer and consequently no assurance can be given that the assumptions and the estimates above will prove in any way to be realistic and they must therefore be viewed with considerable caution.

The information contained in the section entitled "**Estimated Weighted Average Lives of the Notes and Assumptions**" has been subject to certain agreed-upon procedures defined by the Manager and performed by external auditors; it has not been audited by the Issuer, the Common Representative, the Manager or any other independent entity.

## USE OF PROCEEDS

### Proceeds of the Notes

The gross proceeds of the issue of the Notes will amount to €237,425,000.

On or about the Closing Date the Issuer will apply the proceeds of the issue of the Class A Notes and Class B Notes towards the purchase of the Mortgage Assets pursuant to the Mortgage Sale Agreement, with any excess proceeds being deposited in the Excess Available Principal Account.

The proceeds of the issue of the Class C Notes shall be used (i) towards the funding of the Initial Cash Reserve Amount; and (ii) to pay any up-front Issuer Expenses.

The direct cost of the admission of the Notes to trading on the Stock Exchange's regulated market and the listing on the Stock Exchange will amount to approximately €5,032.40.

## CHARACTERISTICS OF THE MORTGAGE ASSETS

The information set out below has been prepared on the basis of a provisional pool of the Mortgage Assets as at 13 November 2008.

### The Mortgages

*The Mortgage Asset Portfolio:* The initial Mortgage Asset Portfolio as at the Initial Collateral Determination Date will be selected (in accordance with the criteria summarised below) from, and will substantially comprise, a pool of Mortgage Assets owned by the Originator which has the characteristics indicated in Tables 1 to 15 below:

The initial Mortgage Asset Portfolio will be selected so that it complies with the Mortgage Asset Warranties set out in the Mortgage Sale Agreement.

The interest rate in respect of each Mortgage Loan comprised in the Mortgage Asset Portfolio is a variable rate of interest indexed to EURIBOR.

### Characteristics of the provisional Initial Mortgage Asset Portfolio

The provisional initial Mortgage Asset Portfolio had the aggregate characteristics indicated in Tables 1 to 15 below as at 13 November 2008. Amounts are rounded to the nearest €1 with 50 cents being rounded upwards. This may give rise to some rounding errors in the tables.

**Table 1: Summary Data**

Aggregate Current Outstanding Balance	€36,293,334.93
Average Original Outstanding Balance	€74,267.56
Average Current Outstanding Balance	€66,059.08
Maximum Original Outstanding Balance	€650,000.00
Maximum Current Outstanding Balance	€620,592.65
Total Number of Loan Parts	3,577
Weighted Average Seasoning (Months)	33
Weighted Average Remaining Term (Months)	300
Weighted Average Current LTV	66.57%
Weighted Average Original LTV	72.05%
Weighted Average Margin	1.13%
Weighted Average Interest Rate	6.20%

**Table 2: Breakdown by Original Loan Balance**

Original Loan Balance Interval (in €)	Aggregate Original Loan Balance (€)	% of Aggregate Original Loan Balance	Number of Loan Parts	% of Loan Parts
<= 50,000.00	42,222,346.10	15.89%	1419	39.67%
50,000.01 to 75,000.00	51,079,562.53	19.23%	784	21.92%
75,000.01 to 100,000.00	57,172,880.06	21.52%	638	17.84%
100,000.01 to 125,000.00	34,308,869.43	12.91%	297	8.30%
125,000.01 to 150,000.00	29,055,062.01	10.94%	205	5.73%
150,000.01 to 175,000.00	12,014,471.35	4.52%	73	2.04%
175,000.01 to 200,000.00	14,071,785.14	5.30%	73	2.04%
200,000.01 to 225,000.00	4,994,225.40	1.88%	23	0.64%
225,000.01 to 250,000.00	4,685,969.08	1.76%	19	0.53%
250,000.01 to 275,000.00	2,124,243.65	0.80%	8	0.22%
275,000.01 to 300,000.00	2,656,240.39	1.00%	9	0.25%
300,000.01 to 325,000.00	1,594,160.11	0.60%	5	0.14%
325,000.01 to 350,000.00	3,097,986.01	1.17%	9	0.25%
350,000.01 to 375,000.00	1,113,251.63	0.42%	3	0.08%
375,000.01 to 400,000.00	1,570,000.00	0.59%	4	0.11%
400,000.01 to 425,000.00	844,000.00	0.32%	2	0.06%
425,000.01 to 450,000.00	900,000.00	0.34%	2	0.06%
450,000.01 to 475,000.00	0.00	0.00%	0	0.00%
475,000.01 to 500,000.00	1,500,000.00	0.56%	3	0.08%
> 500,000.00	650,000.00	0.24%	1	0.03%
<b>Total</b>	<b>€265,655,052.89</b>	<b>100.00%</b>	<b>3,577</b>	<b>100.00%</b>

Maximum: 650,000.00

Minimum: 957.70

Average: 74,267.56

**Table 3: Breakdown by Current Loan Balance**

Current Loan Balance Interval (in €)	Aggregate Current Loan Balance (€)	% of Aggregate Current Loan Balance	Number of Loan Parts	% of Loan Parts
<= 50,000.00	44,116,474.43	18.67%	1,623	45.37%
50,000.01 to 75,000.00	49,164,222.45	20.81%	775	21.67%
75,000.01 to 100,000.00	48,296,301.19	20.44%	554	15.49%
100,000.01 to 125,000.00	28,737,741.22	12.16%	256	7.16%
125,000.01 to 150,000.00	23,566,200.26	9.97%	171	4.78%
150,000.01 to 175,000.00	11,940,978.83	5.05%	74	2.07%
175,000.01 to 200,000.00	9,450,821.89	4.00%	50	1.40%
200,000.01 to 225,000.00	4,043,514.65	1.71%	19	0.53%
225,000.01 to 250,000.00	4,098,612.37	1.73%	17	0.48%
250,000.01 to 275,000.00	2,130,840.40	0.90%	8	0.22%
275,000.01 to 300,000.00	2,602,725.17	1.10%	9	0.25%
300,000.01 to 325,000.00	925,804.04	0.39%	3	0.08%
325,000.01 to 350,000.00	2,066,177.34	0.87%	6	0.17%
350,000.01 to 375,000.00	1,465,872.04	0.62%	4	0.11%
375,000.01 to 400,000.00	392,593.22	0.17%	1	0.03%
400,000.01 to 425,000.00	1,241,780.85	0.53%	3	0.08%
425,000.01 to 450,000.00	442,103.12	0.19%	1	0.03%
450,000.01 to 475,000.00	0.00	0.00%	0	0.00%
475,000.01 to 500,000.00	989,978.81	0.42%	2	0.06%
> 500,000.00	620,592.65	0.26%	1	0.03%
<b>Total</b>	<b>€236,293,334.93</b>	<b>100.00%</b>	<b>3,577</b>	<b>100.00%</b>

Maximum: 620,592.65

Minimum: 948.70

Average: 66,059.08

**Table 4: Breakdown by Year of Origination**

Year of Origination	Aggregate Current Loan Balance (€)	% of Aggregate Current Loan Balance	Number of Loan Parts	% of Loan Parts
1997	117,135.54	0.05%	2	0.06%
1998	427,559.31	0.18%	8	0.22%
1999	5,617,394.04	2.38%	131	3.66%
2000	7,267,169.13	3.08%	146	4.08%
2001	6,875,062.00	2.91%	130	3.63%
2002	10,808,022.42	4.57%	175	4.89%
2003	15,633,967.49	6.62%	241	6.74%
2004	17,176,418.39	7.27%	291	8.14%
2005	21,966,859.13	9.30%	348	9.73%
2006	31,339,851.78	13.26%	475	13.28%
2007	55,949,228.82	23.68%	815	22.78%
2008	63,114,666.88	26.71%	815	22.78%
<b>Total</b>	<b>€236,293,334.93</b>	<b>100.00%</b>	<b>3,577</b>	<b>100.00%</b>

**Table 5: Breakdown by Remaining Maturity**

Remaining Term Interval (in months)	Aggregate Current Loan Balance (€)	% of Aggregate Current Loan Balance	Number of Loan Parts	% of Loan Parts
0 to 30	385,449.83	0.16%	44	1.23%
>30 to 60	2,035,767.45	0.86%	81	2.26%
>60 to 90	4,623,043.27	1.96%	132	3.69%
>90 to 120	8,293,349.20	3.51%	159	4.45%
>120 to 150	9,103,412.08	3.85%	190	5.31%
>150 to 180	13,202,842.60	5.59%	216	6.04%
>180 to 210	14,985,883.92	6.34%	241	6.74%
>210 to 240	22,690,306.51	9.60%	348	9.73%
>240 to 270	20,109,103.47	8.51%	281	7.86%
>270 to 300	27,311,024.39	11.56%	388	10.85%
>300 to 330	27,103,496.60	11.47%	370	10.34%
>330 to 360	25,011,687.94	10.59%	333	9.31%
>360 to 390	7,448,739.96	3.15%	97	2.71%
>390 to 420	13,604,404.23	5.76%	191	5.34%
>420 to 450	8,082,602.07	3.42%	101	2.82%
>450 to 480	17,638,296.85	7.46%	225	6.29%
>480 to 510	5,049,867.28	2.14%	61	1.71%
>510 to 540	4,773,649.88	2.02%	58	1.62%
>540 to 570	2,166,471.16	0.92%	28	0.78%
>570 to 600	2,673,936.24	1.13%	33	0.92%
<b>Total</b>	<b>€236,293,334.93</b>	<b>100.00%</b>	<b>3,577</b>	<b>100.00%</b>

Maximum: 598

Minimum: 4

Weighted Average: 300



**Table 6: Breakdown by Seasoning**

Seasoning Interval (in months)	Aggregate Current Loan Balance (€)	% of Aggregate Current Loan Balance	Number of Loan Parts	% of Loan Parts
0 to 12	73,288,455.33	31.02%	949	26.53%
>12 to 24	50,810,417.13	21.50%	754	21.08%
>24 to 36	28,362,337.88	12.00%	443	12.38%
>36 to 48	22,734,914.65	9.62%	352	9.84%
>48 to 60	16,232,568.69	6.87%	271	7.58%
>60 to 72	14,818,066.05	6.27%	236	6.60%
>72 to 84	10,740,068.69	4.55%	174	4.86%
>84 to 96	6,351,304.48	2.69%	121	3.38%
>96	12,955,202.03	5.48%	277	7.74%
<b>Total</b>	<b>€236,293,334.93</b>	<b>100.00%</b>	<b>3,577</b>	<b>100.00%</b>

Maximum: 138

Minimum: 0

Weighted Average: 33

**Table 7: Breakdown by Repayment Method Type**

Repayment Method Type	Aggregate Current Loan Balance (€)	% of Aggregate Current Loan Balance	Number of Loan Parts	% of Loan Parts
Amortising	235,762,525.25	99.78%	3,568	99.75%
Interest-Only	530,809.68	0.22%	9	0.25%
<b>Total</b>	<b>€236,293,334.93</b>	<b>100.00%</b>	<b>3,577</b>	<b>100.00%</b>

**Table 8: Breakdown by Payment Frequency**

Payment Frequency	Aggregate Current Loan Balance (€)	% of Aggregate Current Loan Balance	Number of Loan Parts	% of Loan Parts
Monthly	236,293,334.93	100.00%	3,577	100.00%
Other	0.00	0.00%	0	0.00%
<b>Total</b>	<b>€236,293,334.93</b>	<b>100.00%</b>	<b>3,577</b>	<b>100.00%</b>

**Table 9: Breakdown by Interest Product Type**

Payment Frequency	Aggregate Current Loan Balance (€)	% of Aggregate Current Loan Balance	Number of Loan Parts	% of Loan Parts
Floating	236,293,334.93	100.00%	3,577	100.00%
Fixed	0.00	0.00%	0	0.00%
<b>Total</b>	<b>€236,293,334.93</b>	<b>100.00%</b>	<b>3,577</b>	<b>100.00%</b>

**Table 10: Breakdown Benchmark Index**

Benchmark Index	Aggregate Current Loan Balance (€)	% of Aggregate Current Loan Balance	Number of Loan Parts	% of Loan Parts
1-month Euribor	3,214,058.11	1.36%	38	1.06%
3-month Euribor	28,652,901.10	12.13%	383	10.71%
6-month Euribor	204,283,965.39	86.45%	3,154	88.17%
12-month Euribor	142,410.33	0.06%	2	0.06%
<b>Total</b>	<b>€236,293,334.93</b>	<b>100.00%</b>	<b>3,577</b>	<b>100.00%</b>

**Table 11: Breakdown by Spread to Benchmark Index**

Spread to Benchmark Index Interval (in %)	Aggregate Current Loan Balance (€)	% of Aggregate Current Loan Balance	Number of Loan Parts	% of Loan Parts
<= 0.50%	25,667,918.96	10.86%	270	7.55%
0.51% to 0.75%	53,564,335.89	22.67%	675	18.87%
0.76% to 1.00%	62,344,544.78	26.38%	929	25.97%
1.01% to 1.25%	32,883,011.51	13.92%	502	14.03%
1.26% to 1.50%	25,410,118.03	10.75%	467	13.06%
1.51% to 1.75%	8,896,157.61	3.76%	165	4.61%
1.76% to 2.00%	13,523,778.12	5.72%	287	8.02%
2.01% to 2.25%	2,990,237.06	1.27%	53	1.48%
2.26% to 2.50%	5,849,903.88	2.48%	123	3.44%
2.51% to 2.75%	685,476.43	0.29%	12	0.34%
2.76% to 3.00%	2,460,166.84	1.04%	55	1.54%
3.01% to 3.25%	187,493.63	0.08%	5	0.14%
3.26% to 3.50%	1,206,099.92	0.51%	16	0.45%
3.51% to 3.75%	0.00	0.00%	0	0.00%
3.76% to 4.00%	277,536.86	0.12%	8	0.22%
> 4.00%	346,555.41	0.15%	10	0.28%
<b>Total</b>	<b>€236,293,334.93</b>	<b>100.00%</b>	<b>3,577</b>	<b>100.00%</b>

Maximum: 5.50%

Minimum: 0.00%

Weighted Average: 1.13%

**Table 12: Breakdown by Interest Rate**

Interest Rate Interval (in %)	Aggregate Current Loan Balance (€)	% of Aggregate Current Loan Balance	Number of Loan Parts	% of Loan Parts
< 5.00%	218,646.74	0.09%	2	0.06%
5.01% to 5.25%	489,580.67	0.21%	5	0.14%
5.26% to 5.50%	11,016,193.98	4.66%	119	3.33%
5.51% to 5.75%	38,479,207.16	16.28%	463	12.94%
5.76% to 6.00%	55,473,535.48	23.48%	758	21.19%
6.01% to 6.25%	49,631,227.26	21.00%	731	20.44%
6.26% to 6.50%	28,757,650.26	12.17%	473	13.22%
6.51% to 6.75%	18,501,921.39	7.83%	339	9.48%
6.76% to 7.00%	11,097,307.25	4.70%	203	5.68%
7.01% to 7.25%	9,425,776.90	3.99%	221	6.18%
7.26% to 7.50%	4,259,391.30	1.80%	80	2.24%
7.51% to 7.75%	4,040,339.17	1.71%	80	2.24%
7.76% to 8.00%	1,205,045.30	0.51%	28	0.78%
8.01% to 8.25%	1,747,282.66	0.74%	38	1.06%
8.26% to 8.50%	367,168.64	0.16%	8	0.22%
> 8.50%	1,583,060.77	0.67%	29	0.81%
<b>Total</b>	<b>€36,293,334.93</b>	<b>100.00%</b>	<b>3,577</b>	<b>100.00%</b>

Maximum: 10.66%

Minimum: 4.95%

Weighted Average: 6.20%

**Table 13: Breakdown by Current Loan to Value**

Current Loan-to-Value Interval (in %)	Aggregate Current Loan Balance (€)	% of Aggregate Current Loan Balance	Number of Loan Parts	% of Loan Parts
0.00% to 25.00%	9,465,235.06	4.01%	336	9.39%
25.01% to 30.00%	6,422,815.51	2.72%	132	3.69%
30.01% to 35.00%	6,849,766.55	2.90%	135	3.77%
35.01% to 40.00%	10,854,752.26	4.59%	169	4.72%
40.01% to 45.00%	10,889,605.84	4.61%	187	5.23%
45.01% to 50.00%	12,298,247.12	5.20%	184	5.14%
50.01% to 55.00%	12,018,532.56	5.09%	187	5.23%
55.01% to 60.00%	14,140,759.69	5.98%	186	5.20%
60.01% to 65.00%	15,886,304.48	6.72%	228	6.37%
65.01% to 70.00%	18,182,633.41	7.69%	261	7.30%
70.01% to 75.00%	19,594,368.64	8.29%	258	7.21%
75.01% to 80.00%	22,880,677.48	9.68%	296	8.28%
80.01% to 85.00%	20,834,266.70	8.82%	271	7.58%
85.01% to 90.00%	26,551,503.78	11.24%	363	10.15%
90.01% to 95.00%	16,262,321.17	6.88%	209	5.84%
95.01% to 100.00%	13,161,544.68	5.57%	175	4.89%
<b>Total</b>	<b>€36,293,334.93</b>	<b>100.00%</b>	<b>3,577</b>	<b>100.00%</b>

Maximum: 99.89%

Minimum: 1.06%

Weighted Average: 66.57%

**Table 14: Breakdown by Property Location**

Region	Aggregate Current Loan Balance (€)	% of Aggregate Current Loan Balance	Number of Loan Parts	% of Loan Parts
Norte	80,780,709.28	34.19%	1,249	34.92%
LVT	54,633,295.56	23.12%	755	21.11%
Centro	55,161,119.35	23.34%	928	25.94%
Algarve	41,030,455.32	17.36%	565	15.80%
Alentejo	4,431,431.31	1.88%	77	2.15%
Islas (Maderia + Azores)	256,324.11	0.11%	3	0.08%
<b>Total</b>	<b>€36,293,334.93</b>	<b>100.00%</b>	<b>3,577</b>	<b>100.00%</b>

**Table 15: Breakdown by Property Type**

Property Type	Aggregate Current Loan Balance (€)	% of Aggregate Current Loan Balance	Number of Loan Parts	% of Loan Parts
Apartment	105,038,531.59	44.45%	1,714	47.92%
House	131,254,803.34	55.55%	1,863	52.08%
<b>Total</b>	<b>€236,293,334.93</b>	<b>100.00%</b>	<b>3,577</b>	<b>100.00%</b>

## DESCRIPTION OF THE ISSUER

### Introduction

The Issuer is a limited liability company by shares registered and incorporated in Portugal on 11 November 2004 as a special purpose vehicle (known as "Securitisation Company") for the purpose of issuing asset-backed securities under the Securitisation Law and has been duly authorised by the Portuguese securities supervising authority (*Comissão do Mercado de Valores Mobiliários*, the "CMVM") through a resolution of the Board of Directors of the CMVM for an unlimited period of time and was given registration number 9114.

The registered office of the Issuer is at Rua Castilho, no. 20, Lisbon, Portugal. The contact details of the Issuer are as follows: telephone number +351 21 352 6334; fax number +351 21 311 1200. The Issuer is registered with the Commercial Registry Office of Lisbon under the sole registration and taxpayer number 507 130 820.

The Issuer has no subsidiaries.

### Main Activities

The principal activities of the Issuer are set out in its articles of association (*Estatutos* or *Contrato de Sociedade*) and include, *inter alia*, the purchase of a number of portfolios of assets from public and private entities and the issue of notes in series to fund the purchase of such assets and the entry into of such transaction documents to effect the necessary arrangements for such purchase and issuance including, but not limited to, handling enquiries and making appropriate filings with Portuguese regulatory bodies and any other competent authority and any relevant stock exchange.

### Directors and Secretary

The directors of the Issuer and their respective business addresses and their main occupations are:

Name	Business Address	Main Occupation
Filipe Quintin Crisóstomo Silva	Rua Castilho, n.º 20, 1250-069 Lisboa, Portugal	Chairman
José Francisco Gonçalves de Arantes e Oliveira	Rua Castilho, n.º 20, 1250-069 Lisboa, Portugal	Director
Joaquim António Furtado Baptista	Rua Castilho, n.º 20, 1250-069 Lisboa, Portugal	Director

There are no potential conflicts of interest between any duties of the persons listed above to the Issuer and their private interests.

The Issuer's independent auditor is KPMG & Associados - SROC, S.A. ("KPMG"), which is registered with the Chartered Accountants Bar under number 189 and is represented by Inês Maria Bastos Viegas Clare Neves Girão de Almeida, ROC no. 967. The registered office of KPMG is Edifício Monumental, Avenida Praia da Vitória, 71-A, 11th floor, 1069-006 Lisbon, Portugal. KPMG has taxpayer number 502 161 078.

The Issuer has no employees. The directors of the Issuer are officers of Deutsche Bank (Portugal), S.A..

### **Legislation Governing the Issuer's Activities**

The Issuer's activities are specifically governed by the Securitisation Law and supervised by the Portuguese securities market regulatory body (CMVM).

### **Financial Statements**

Audited financial statements of the Issuer are published on an annual basis and are certified by an auditor registered with the CMVM. The first audited financial statement is for the period starting on the date of incorporation and ending on 31 December 2005.

### **Bankruptcy**

The Issuer is a special purpose vehicle and as such it is not permitted to carry out any activity other than the carrying out of securitisation transactions by means of the acquisition, management and transfer of credits, the issue of securitisation notes and certain activities ancillary thereto including, but not limited to, the borrowing of funds in order to ensure that securitisation notes have the necessary liquidity support and the entering into of documentation in connection with each such issue of securitisation notes.

Accordingly, the Issuer will not have any creditors other than the Noteholders and the Transaction Creditors, third parties in relation to any Transaction Expenses, and Noteholders and other creditors in relation to other series of securitisation notes issued or to be issued in the future by the Issuer from time to time, and the Republic of Portugal in respect of tax liabilities, if any.

The segregation principle imposed by the Securitisation Law and the related privileged nature of the Noteholders' entitlements, on the one hand, together with the own funds requirements and the limited number of general creditors a Securitisation Company may have, on the other, makes the insolvency of the Issuer a remote possibility. In any case, under the terms of the Securitisation Law, such remote insolvency would not prevent Noteholders from enjoying privileged entitlements to the Transaction Assets.

### **Capital Requirements**

The Securitisation Law imposes on the Issuer certain capitalisation requirements for supervisory purposes.

The level of capitalisation of the Issuer is determined by reference to the net amount outstanding of notes issued by the Issuer and traded (*em circulação*) at any given point in time. Apart from the minimum share capital, a Securitisation Company must meet further own funds levels depending upon the net amount outstanding of the securitisation notes issued. In this respect, (a) if the nominal amount outstanding of the notes issued and traded is €75 million or less, the own funds of Tagus shall be no less than 0.5 per cent. of the nominal amount outstanding of such notes, or (b) if the nominal amount outstanding of the notes issued and traded exceeds €75 million, the own funds of Tagus, in relation to the portion of the nominal amount outstanding of the notes in excess of €75 million, shall be 0.1 per cent. of the nominal amount outstanding of such notes (the requirement referred to in (a) being applicable to the portion of the nominal amount outstanding of the notes up to €75 million).

A Securitisation Company may use its own funds to pursue its activity. However if, at any time, the Securitisation Company's own funds fall below the percentages referred to above, the Securitisation Company must, within three months from the occurrence of such fact, ensure that such percentages are met. CMVM will supervise the Issuer in order to ensure that it complies with the relevant capitalisation requirements.

The required level of capitalisation can be met, *inter alia*, through share capital, ancillary contributions (*prestações acessórias*) and reserves as adjusted by profit and losses.

The entire authorised share capital of the Issuer comprises 50,000 issued and fully paid shares (the “**Shares**”) of € each.

The amount of supplementary capital contributions (*prestações acessórias*) made by Deutsche Bank (Portugal), S.A. (the “**Shareholder**”) so far is €886,000.

### **The Shareholder**

All of the Shares are held directly by the Shareholder.

### **Capitalisation**

The following table sets out the capitalisation and indebtedness of the Issuer as at Closing Date, adjusted to give effect to the issue of the Notes on the Issue Date.

	As at Closing Date
<b>Indebtedness</b>	
Aqua Mortgage No. 1	€236,500,000
Other Securitisation Transactions	€780,000,000
<b>Shareholder's Equity</b>	
Share Capital	€250,000
Supplementary Capital Contributions	€886,000



## **Financial Information and Independent Auditor's Report**

**Tagus – Sociedade de Titularização  
de Créditos, S.A.**

**Financial Statements**

**31 December, 2006 and 2005**

*(With Statutory Auditor's opinion)*

*This report is a translation to English of the Portuguese version. In case of  
doubt, or misinterpretation the Portuguese version will prevail*

April, 27 2007  
*This report contains 38 pages*



**KPMG & Associados – Sociedade de Revisores  
Oficiais de Contas, S. A.**  
Edifício Monumental  
Av. Praia da Vitória, 71 – A, 11º  
1069-006 Lisbon  
Portugal

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Fax: +351 210 110 121  
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## **TAGUS – SOCIEDADE DE TITULARIZAÇÃO DE CRÉDITOS, S.A.**

### **STATUTORY AUDIT OPINION AND AUDITORS' REPORT**

#### **Introduction**

1. In accordance with the applicable legislation, we present our Audit Report on the financial information included in the Annual Report of the Board of Directors and in the accompanying financial statements for the year ended 31 December 2006, of **Tagus – Sociedade de Titularização de Créditos, S.A.**, which comprise the balance sheet as at 31 December 2006 (showing total assets of Euros 381,271,126 and total equity of Euros 694,146, including a profit for the year of Euros 13,544), the statements of income, by nature and functions, of cash flows and of changes in equity for the year then ended and the corresponding Notes to the accounts.

#### **Responsibilities**

2. The Board of Directors is responsible for:
  - a) the preparation of financial statements that present fairly, in all material respects, the financial position of the Company, the results of its operations and its cash flows;
  - b) maintaining historical financial information, prepared in accordance with generally accepted accounting principles for Credit Securitisation Companies which is complete, true, current, clear, objective and lawful as required by the Stock Exchange Code (“Código dos Valores Mobiliários”);
  - c) the adoption of adequate accounting policies and criteria, for Credit Securitisation Companies;
  - d) maintaining an appropriate system of internal control; and
  - e) the communication of any relevant fact that may have influenced the activity of the Company, its financial position or results.
3. Our responsibility is to verify the financial information included in the above referred documents, namely as to whether it is complete, true, current, clear, objective and lawful as required by the Código dos Valores Mobiliários, in order to issue a professional and independent report based on our audit.

KPMG & Associados – Sociedade de Revisores Oficiais de Contas, S.A., a portuguese company and a member firm of the KPMG network of independent member firms affiliated with KPMG International, a Swiss cooperative.

KPMG & Associados - SROC, S.A.  
Capital Social: 511.700 Euros  
Pessoa Colectiva N.º PT 502 161 078  
Inscrito na O.R.D.C. N.º 189  
Inscrito na C.M.V.M. N.º 9093

Matriculada na  
Conservatória do registo  
Comercial de Lisboa sob o  
n.º 715, fls. 178 do Livro C-  
2/3

## Scope

4. Our audit was performed in accordance with the Technical Standards, and Guidelines issued by the Portuguese Institute of Statutory Auditors (“Ordem dos Revisores Oficiais de Contas”), which require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements. Accordingly our audit included:
  - verification, on a test basis, of the information underlying the figures and its disclosures contained therein, and an assessment of the estimates, based on the judgements and criteria defined by the Board of Directors, used in the preparation of the referred financial statements;
  - assessment of the appropriateness of the accounting policies used and of their disclosure, taking into account the circumstances applicable;
  - verification of the application of the going concern principle;
  - assessment of the appropriateness of the overall presentation of the financial statements; and
  - assessment of whether the financial information, is complete, true, current, clear, objective and lawful.
5. Our review also included the verification that the financial information contained in the Annual Report of the Board of Directors is consistent with the financial statements presented.
6. We believe that our audit provides a reasonable basis for our opinion.

## Opinion

7. In our opinion, the financial statements referred to above present fairly in all material respects the financial position of **Tagus – Sociedade de Titularização de Créditos, S.A.** as at 31 December 2006, the results of its operations and its cash flows for the year then ended in accordance with the generally accepted accounting principles in Portugal for Credit Securitisation Companies, and the information contained therein is complete, true, current, clear, objective and lawful.

Lisbon, April, 27 2007

**KPMG & Associados, SROC, S.A. (SROC nº 189)**

(CMVM no. 9093)

Represented by



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Inês Maria Bastos Viegas Clare Neves Girão de Almeida (ROC no. 967)

**Statutory Accounts**  
(Pages 4 to 8)

**Financial statements**

- **Notes to the Financial Statements**  
(Pages 10 to 38)

# Tagus - Sociedade de Titularização de Créditos, S.A.

## Balance Sheet as at 31 December, 2006 and 2005

(Article 3th of Decree-Law no. 410/89)

<i>Assets</i>	2006						2005		
	Euros						Euros		
	Altis AB	Pérola AB	Global AB	Altis AP	Pérola AP	Global AP	Pérola AL	Global AL	Total AL
Tangible assets	-	-	10,354	-	-	6,327	-	7,478	7,478
Financial investments	230,000,000	150,000,000	-	-	-	-	150,000,000	-	150,000,000
	<b>230,000,000</b>	<b>150,000,000</b>	<b>10,354</b>	<b>-</b>	<b>-</b>	<b>6,327</b>	<b>150,000,000</b>	<b>7,478</b>	<b>150,007,478</b>
Circulate:									
Trade debtors - short term:									
Other debtors	17,500	-	1,555	-	-	-	-	20,000	20,000
	<b>17,500</b>	<b>-</b>	<b>1,555</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>20,000</b>	<b>20,000</b>
Cash and deposits at banks									
Deposits	-	1,020	903,777	-	-	-	-	426,647	426,647
	<b>-</b>	<b>1,020</b>	<b>903,777</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>426,647</b>	<b>426,647</b>
Prepayments and accrued income									
Accrued income	57,781	285,466	-	-	-	-	205,600	1,409	207,009
	<b>57,781</b>	<b>285,466</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>205,600</b>	<b>1,409</b>	<b>207,009</b>
<i>Total Assets</i>	<b>230,075,281</b>	<b>150,286,486</b>	<b>915,686</b>	<b>-</b>	<b>-</b>	<b>6,327</b>	<b>150,205,600</b>	<b>455,534</b>	<b>150,661,134</b>

CHIEF ACCOUNTANT

THE BOARD OF DIRECTORS

# Tagus - Sociedade de Titularização de Créditos, S.A.

## Balance Sheet as at 31 December, 2006 and 2005

(Article 3th of Decree-Law no. 410/89)

	Altis Euros 2006	Pérola Euros 2006	Geral Euros 2006	Total Euros 2006	Pérola Euros 2005	Geral Euros 2005	Total Euros 2005
<b>Equity and Liabilities</b>							
Equity							
Share capital	-	-	250,000	250,000	-	250,000	250,000
Supplementary capital	-	-	446,000	446,000	-	220,000	220,000
Retained earnings	-	-	(15,398)	(15,398)	-	-	-
Net income for the year/period	-	-	13,544	13,544	-	(15,398)	(15,398)
<b>Total Equity</b>	-	-	<b>694,146</b>	<b>694,146</b>	-	<b>454,602</b>	<b>454,602</b>
Liabilities							
Medium and long terms loans	230,000,000	150,000,000	-	380,000,000	150,000,000	-	150,000,000
	<b>230,000,000</b>	<b>150,000,000</b>	-	<b>380,000,000</b>	<b>150,000,000</b>	-	<b>150,000,000</b>
Short term:							
Suppliers	-	-	-	-	-	932	932
Others creditors	-	1,020	-	1,020	-	-	-
	-	<b>1,020</b>	-	<b>1,020</b>	-	<b>932</b>	<b>932</b>
Accruals and deferred income							
Accrued expense	75,281	285,466	8,773	369,520	205,600	-	205,600
Deferred income	-	-	206,440	206,440	-	-	-
	<b>75,281</b>	<b>285,466</b>	<b>215,213</b>	<b>575,960</b>	<b>205,600</b>	-	<b>205,600</b>
<b>Total Liabilities</b>	<b>230,075,281</b>	<b>150,286,486</b>	<b>215,213</b>	<b>380,576,980</b>	<b>150,205,600</b>	<b>932</b>	<b>150,206,532</b>
<b>Total Equity and Total Liabilities</b>	<b>230,075,281</b>	<b>150,286,486</b>	<b>909,359</b>	<b>381,271,126</b>	<b>150,205,600</b>	<b>455,534</b>	<b>150,661,134</b>

CHIEF ACCOUNTANT

THE BOARD OF DIRECTORS

# Tagus - Sociedade de Titularização de Créditos, S.A.

## Statement of income for the years ended 31 December, 2006 and 2005

(Article 3th of Decree-Law no. 410/89)

<i>Expense</i>	Altis	Pérola	Global	Total	Pérola	Global	Total
	Euros 2006	Euros 2006	Euros 2006	Euros 2006	Euros 2005	Euros 2005	Euros 2005
Other administrative costs	17,500	-	15,207	32,707	-	13,931	13,931
Depreciation	-	-	3,451	3,451	-	2,876	2,876
Taxes	-	-	90	90	-	-	-
(A)	17,500	-	18,748	36,248	-	16,807	16,807
Interests and similar costs	57,781	5,167,483	-	5,225,264	205,600	-	205,600
(C)	75,281	5,167,483	18,748	5,261,512	205,600	16,807	222,407
Losses and extraordinary expenses	-	-	-	-	-	-	-
(E)	75,281	5,167,483	18,748	5,261,512	205,600	16,807	222,407
Income taxes	-	-	-	-	-	-	-
(G)	75,281	5,167,483	18,748	5,261,512	205,600	16,807	222,407
Net income for the year/period	-	-	13,544	13,544	-	(15,398)	(15,398)
	75,281	5,167,483	32,292	5,275,056	205,600	1,409	207,009

# Tagus - Sociedade de Titularização de Créditos, S.A.

## Statement of income for the years ended 31 December, 2006 and 2005

(Article 3th of Decree-Law no. 410/89)

	2006		2006		2006		2005		2005	
	Altis Euros	Pérola Euros	Global Euros	Total Euros	Pérola Euros	Global Euros	Total Euros	Pérola Euros	Global Euros	Total Euros
<b>Income</b>										
Sales and services rendered	-	-	32,292	32,292	-	1,409	1,409	-	1,409	1,409
(B)										
Financial income	57,781	5,167,483	-	5,225,264	205,600	-	205,600	-	-	205,600
(D)										
Extraordinary income	17,500	-	32,292	5,257,556	205,600	1,409	207,009	-	-	-
(F)										
	<b>75,281</b>	<b>5,167,483</b>	<b>32,292</b>	<b>5,275,056</b>	<b>205,600</b>	<b>1,409</b>	<b>207,009</b>	<b>205,600</b>	<b>1,409</b>	<b>207,009</b>

### Resume:

Operational results: (B) - (A) =  
 Financial results: (D-B) - (C-A) =  
 Current results: (D) - (C) =  
 Income before income taxes: (F) - (E) =  
 Net income for the year: (F) - (G) =

(15,398)  
 -  
 (15,398)  
 (15,398)  
 (15,398)

(3,956)  
 -  
 (3,956)  
 13,544  
 13,544



# Tagus - Sociedade de Titularização de Créditos, S.A.

## **Annex to balance sheet and statement of income for the years ended 31 December, 2006 and 2005**

(Article 3rd of Decree-Law no. 410/89)

The matters not mentioned and established in the Portuguese Chart of Accounts, are not applicable due to the absence of values or situations to report.

2. “Altis No. 1 Securitisation Notes” Operation was performed as at 28 December, 2006, therefore the Statement of Income refers to the period 28 December, 2006 and 31 December, 2006.
3. The main valuation criteria are presented in note 1 to the Financial Statements.
7. During 2006, there were no employees working for the company.
16. The company is 100% held by the Deutsche Bank (Portugal), S.A.
35. Company’s Share capital in the amount of Euros 250,000 is fully subscribed by Deutsche Bank (Portugal), S.A. and realized in cash. As at 28 December, 2006, it was determined in General Assembly, the creation of supplementary capital, by the single shareholder of the Company, in the amount of Euros 226,000.
36. Share capital is represented by 50,000 shares with the nominal value of Euros 5 each.
37. Share capital is fully subscribed by Deutsche Bank (Portugal), S.A.
40. The movements occurred in equity are analysed in note 8 to the Financial Statements.
44. The balance “Services provided” in the amount of Euros 32,292 (2005: Euros 1,409) refers to securitised notes management commissions, which were exclusively obtained in internal market.
45. Financial income is analysed in note 13 to the Financial Statements.
46. Extraordinary results in the amount of Euros 17,500 are referring to audit costs related with Altis Operation.

**Financial statements**

**- Notes to the Financial Statements  
(Pages 10 to 38)**

# Tagus - Sociedade de Titularização de Créditos, S.A.

## Balance Sheet as at 31 December, 2006 and 2005

Notes	Total operations		Global		Total	
	2006 (Euros)	2005 (Euros)	2006 (Euros)	2005 (Euros)	2006 (Euros)	2005 (Euros)
<b>Assets</b>						
2	-	-	4,027	7,478	4,027	7,478
3	380,000,000	150,000,000	-	-	380,000,000	150,000,000
4	17,500	-	1,555	20,000	19,055	20,000
5	1,020	-	903,777	426,647	904,797	426,647
6	343,247	205,600	-	1,409	343,247	207,009
	<b>380,361,767</b>	<b>150,205,600</b>	<b>909,359</b>	<b>455,534</b>	<b>381,271,126</b>	<b>150,661,134</b>
<b>Liabilities</b>						
	1,020	-	-	932	1,020	932
7	380,000,000	150,000,000	-	-	380,000,000	150,000,000
8	360,747	205,600	215,213	-	575,960	205,600
	<b>380,361,767</b>	<b>150,205,600</b>	<b>215,213</b>	<b>932</b>	<b>380,576,980</b>	<b>150,206,532</b>
<b>Equity</b>						
9	-	-	250,000	250,000	250,000	250,000
9	-	-	446,000	220,000	446,000	220,000
10	-	-	(15,398)	-	(15,398)	-
10	-	-	13,544	(15,398)	13,544	(15,398)
	<b>-</b>	<b>-</b>	<b>694,146</b>	<b>454,602</b>	<b>694,146</b>	<b>454,602</b>
	<b>380,361,767</b>	<b>150,205,600</b>	<b>909,359</b>	<b>455,534</b>	<b>381,271,126</b>	<b>150,661,134</b>

CHIEF ACCOUNTANT

THE BOARD OF DIRECTORS

# Tagus - Sociedade de Titularização de Créditos, S.A.

## Statement of income for the years ended 31 December, 2006 and 2005

Notes	Total operations		Global		Total	
	2006 (Euros)	2005 (Euros)	2006 (Euros)	2005 (Euros)	2006 (Euros)	2005 (Euros)
Operating income						
11 Services provided	-	-	32,292	1,409	32,292	1,409
Operating expense						
12 Other administrative costs	17,500	-	15,207	13,931	32,707	13,931
2 Depreciation	-	-	3,451	2,876	3,451	2,876
Taxes	-	-	90	-	90	-
Net operating income	17,500	-	18,748	16,807	36,248	16,807
	(17,500)	-	13,544	(15,398)	(3,956)	(15,398)
13 Financial income	5,225,264	205,600	-	-	5,225,264	205,600
13 Financial expense	5,225,264	205,600	-	-	5,225,264	205,600
Financial income	-	-	-	-	-	-
Extraordinary income	17,500	-	-	-	17,500	-
Extraordinary expense	-	-	-	-	-	-
Extraordinary income	17,500	-	-	-	17,500	-
Income before income taxes	-	-	13,544	(15,398)	13,544	(15,398)
Net income for the year	-	-	13,544	(15,398)	13,544	(15,398)

# Tagus - Sociedade de Titularização de Créditos, S.A.

## Income statement by functions for the years ended 31 December, 2006 and 2005

	Total operations		Global		Total	
	2006 (Euros)	2005 (Euros)	2006 (Euros)	2005 (Euros)	2006 (Euros)	2005 (Euros)
Sales and services rendered	-	-	32,292	1,409	32,292	1,409
Income	-	-	32,292	1,409	32,292	1,409
Other operating income	17,500	-	18,748	16,807	36,248	16,807
Operating expense	17,500	-	18,748	16,807	36,248	16,807
Operating net income	-	-	-	-	-	-
Net financial cost	-	-	-	-	-	-
Financial income	5,225,264	205,600	-	-	5,225,264	205,600
Financial expense	5,225,264	205,600	-	-	5,225,264	205,600
Current income	(17,500)	-	13,544	(15,398)	(3,956)	(15,398)
Income taxes	-	-	-	-	-	-
Current income after taxes	(17,500)	-	13,544	(15,398)	(3,956)	(15,398)
Extraordinary income	17,500	-	-	-	17,500	-
Net income for the year	-	-	13,544	(15,398)	13,544	(15,398)
Earnings per share	-	-	0.271	(0.308)	0.271	(0.308)

Tagus - Sociedade de Titularização de Créditos, S.A.

Statement of Cash Flows  
for the years ended 31 December, 2006 and 2005

	Total operations		Global		Total	
	2006 (Euros)	2005 (Euros)	2006 (Euros)	2005 (Euros)	2006 (Euros)	2005 (Euros)
<b><i>Cash flows arising from operating activities</i></b>						
Other receivables / payments associated with the operating activity	-	-	242,447	(13,000)	242,447	(13,000)
Other receivables / payments	1,020	-	(90)	(20,000)	930	(20,000)
	1,020	-	242,357	(33,000)	243,377	(33,000)
<b><i>Cash flows arising from investing activities</i></b>						
Financial investments	(230,000,000)	(150,000,000)	8,773	-	(229,991,227)	(150,000,000)
Tangible assets	-	-	-	(10,353)	-	(10,353)
	(230,000,000)	(150,000,000)	8,773	(10,353)	(229,991,227)	(10,353)
	(230,000,000)	(150,000,000)	8,773	(10,353)	(229,991,227)	(10,353)
<b><i>Cash flows arising from financing activities</i></b>						
Loans	230,000,000	150,000,000	-	-	230,000,000	150,000,000
Increases in share capital, supplementary capital and earnings per share	-	-	226,000	220,000	226,000	220,000
	230,000,000	150,000,000	226,000	220,000	230,226,000	150,220,000
	230,000,000	150,000,000	226,000	220,000	230,226,000	150,220,000
Net changes in cash and equivalents	1,020	-	477,130	176,647	478,150	176,647
Cash and equivalents balance at the beginning of the year	-	-	426,647	250,000	426,647	250,000
Cash and equivalents balance at the end of the year	1,020	-	903,777	426,647	904,797	426,647

# Tagus - Sociedade de Titularização de Créditos, S.A.

## Statement of changes in equity for the years ended 31 December, 2006 and 2005

(Amounts expressed in Euros)

	<b>Total equity</b>	<b>Share capital</b>	<b>Supplementary capital</b>	<b>Retained earnings</b>	<b>Net income for the year</b>
Balance on 31 December, 2004	250,000	250,000	-	-	-
Supplementary capital	220,000	-	220,000	-	-
Net income for the year	(15,398)	-	-	-	(15,398)
Balance on 31 December, 2005	454,602	250,000	220,000	-	(15,398)
Supplementary capital	226,000	-	226,000	-	-
Retained earnings	-	-	-	(15,398)	15,398
Net income for the year	13,544	-	-	-	13,544
Balance on 31 December, 2006	694,146	250,000	446,000	(15,398)	13,544

# Tagus - Sociedade de Titularização de Créditos, S.A.

## Balance Sheet as at 31 December, 2006 and 2005

	Notes	Altis	Pérola	
		2006	2006	2005
		(Euros)	(Euros)	(Euros)
<b>Assets</b>				
Tangible assets	2	-	-	-
Financial investments	3	230,000,000	150,000,000	150,000,000
Trade debtors	4	17,500	-	-
Cash and deposits at banks	5	-	1,020	-
Prepayments and accrued income	6	57,781	285,466	205,600
Total Assets		<u>230,075,281</u>	<u>150,286,486</u>	<u>150,205,600</u>
<b>Liabilities</b>				
Trade creditors		-	1,020	-
Loans	7	230,000,000	150,000,000	150,000,000
Accruals and deferred income	8	75,281	285,466	205,600
Total Liabilities		<u>230,075,281</u>	<u>150,286,486</u>	<u>150,205,600</u>
<b>Equity</b>				
Share capital	9	-	-	-
Supplementary capital	9	-	-	-
Reserves and retained earnings	10	-	-	-
Net income for the year	10	-	-	-
Total Equity		<u>-</u>	<u>-</u>	<u>-</u>
		<u>230,075,281</u>	<u>150,286,486</u>	<u>150,205,600</u>

CHIEF ACCOUNTANT

THE BOARD OF DIRECTORS



# Tagus - Sociedade de Titularização de Créditos, S.A.

## Statement of income for the years ended 31 December, 2006 and 2005

	Notes	Altis	Pérola	
		2006	2006	2005
		(Euros)	(Euros)	(Euros)
Operating income				
Services provided	11	-	-	-
		-	-	-
Operational expense				
Other administrative costs	12	17,500	-	-
Depreciation	2	-	-	-
		17,500	-	-
Net operating income		(17,500)	-	-
Financial income	13	57,781	5,167,483	205,600
Financial expense	13	57,781	5,167,483	205,600
Financial income		-	-	-
Extraordinary income		17,500	-	-
Extraordinary expense		-	-	-
Extraordinary income		17,500	-	-
Income before income taxes		-	-	-
Net income for the year		-	-	-

# Tagus - Sociedade de Titularização de Créditos, S.A.

## Income statement by functions for the years ended 31 December, 2006 and 2005

	<u>Altis</u>	<u>Pérola</u>	
	<u>2006</u>	<u>2006</u>	<u>2005</u>
	(Euros)	(Euros)	(Euros)
Sales and services rendered	-	-	-
Income	-	-	-
Other operating income	-		
Custos operacionais	17,500	-	-
Operating net income	(17,500)	-	-
Net financial cost			
Financial income	57,781	5,167,483	205,600
Financial expense	57,781	5,167,483	205,600
Current income	(17,500)	-	-
Income taxes	-	-	-
Current income after taxes	(17,500)	-	-
Extraordinary income	17,500	-	-
Net income for the year	-	-	-

# Tagus - Sociedade de Titularização de Créditos, S.A.

## Statement of Cash Flows for the years ended 31 December, 2006 and 2005

	<u>Altis</u>	<u>Pérola</u>	
	<u>2006</u>	<u>2006</u>	<u>2005</u>
	(Euros)	(Euros)	(Euros)
<i>Cash flows arising from investing activities</i>			
Financial investments	(230,057,781)	(5,247,349)	(150,000,000)
Other receivements and payments	-	(1,020)	-
		<u>(5,248,369)</u>	<u>(150,000,000)</u>
<i>Cash flows arising from financing activities</i>			
Debt issued	230,057,781	5,247,349	150,000,000
	-	<u>5,247,349</u>	<u>150,000,000</u>
Net changes in cash and equivalents	-	(1,020)	-
Cash and equivalents balance at the beginning of the year	-	-	-
Cash and equivalents balance at the end of the year	<u>-</u>	<u>(1,020)</u>	<u>-</u>

# Tagus - Sociedade de Titularização de Créditos, S.A.

## Balance Sheet as at 31 December, 2006 and 2005

	Notes	Pérola	
		2006 (Euros)	2005 (Euros)
<i>Assets</i>			
Tangible assets	2	-	-
Financial investments	3	150,000,000	150,000,000
Trade debtors	4	-	-
Cash and deposits at banks	5	1,020	-
Prepayments and accrued income	6	285,466	205,600
<b>Total Assets</b>		<b>150,286,486</b>	<b>150,205,600</b>
<i>Liabilities</i>			
Trade creditors		1,020	-
Loans	7	150,000,000	150,000,000
Accruals and deferred income	8	285,466	205,600
<b>Total Liabilities</b>		<b>150,286,486</b>	<b>150,205,600</b>
<i>Equity</i>			
Share capital	9	-	-
Supplementary capital	9	-	-
Reserves and retained earnings	10	-	-
Net income for the year	10	-	-
<b>Total Equity</b>		<b>-</b>	<b>-</b>
		<b>150,286,486</b>	<b>150,205,600</b>

CHIEF ACCOUNTANT

THE BOARD OF DIRECTORS

# Tagus - Sociedade de Titularização de Créditos, S.A.

## Statement of income for the years ended 31 December, 2006 and 2005

	Notes	Pérola	
		2006	2005
		(Euros)	(Euros)
Operating income			
Services provided	11	-	-
		-	-
Operating expense			
Other administrative costs	12	-	-
Depreciation	2	-	-
		-	-
Net operating income		-	-
Financial income	13	5,167,483	205,600
Financial expense	13	5,167,483	205,600
Financial income		-	-
Extraordinary income		-	-
Extraordinary income		-	-
Extraordinary income		-	-
Income before income taxes		-	-
Net income for the year		-	-

# Tagus - Sociedade de Titularização de Créditos, S.A.

## Pérola

### Income statement by functions for the years ended 31 December, 2006 and 2005

	Pérola	
	2006	2005
	(Euros)	(Euros)
Sales and services rendered	-	-
Income	-	-
Other operating income	-	-
Operating expense	-	-
Operating net income	-	-
Net financial cost	-	-
Financial income	5,167,483	205,600
Financial expense	5,167,483	205,600
Current result	-	-
Income taxes	-	-
Current income after taxes	-	-
Extraordinary income	-	-
Net income for the year	-	-

# Tagus - Sociedade de Titularização de Créditos, S.A.

## Statement of Cash Flows for the years ended 31 December, 2006 and 2005

	Pérola	
	2006	2005
	(Euros)	(Euros)
<b>Cash flows arising from investing activities</b>		
Financial investments	(5,247,349)	(150,000,000)
Other receivements / payments	(1,020)	
	<u>(5,248,369)</u>	<u>(150,000,000)</u>
<b>Cash flows arising from financing activities</b>		
Debt issued	5,247,349	150,000,000
	<u>5,247,349</u>	<u>150,000,000</u>
Net changes in cash and equivalents	(1,020)	-
Cash and equivalents balance at the beginning of the year	-	-
Cash and equivalents balance at the end of the year	<u>(1,020)</u>	<u>-</u>

# Tagus - Sociedade de Titularização de Créditos, S.A.

## Balance Sheet as at 31 December, 2006 and 2005

	Notes	<u>Altis</u> <u>2006</u> (Euros)
<i>Assets</i>		
Tangible assets	2	-
Financial investments	3	230,000,000
Trade debtors	4	17,500
Cash and deposits at banks	5	-
Prepayments and accrued income	6	57,781
		<hr/>
Total Assets		230,075,281 <hr/> <hr/>
<i>Liabilities</i>		
Trade creditors		-
Loans	7	230,000,000
Accruals and deferred income	8	75,281
		<hr/>
Total Liabilities		230,075,281 <hr/> <hr/>
<i>Equity</i>		
Share capital	9	-
Supplementary capital	9	-
Reserves and retained earnings	10	-
Net income for the year	10	-
		<hr/>
Total Equity		- <hr/> <hr/>
		230,075,281 <hr/> <hr/>

CHIEF ACCOUNTANT

THE BOARD OF DIRECTORS



# Tagus - Sociedade de Titularização de Créditos, S.A.

## Statement of income for the period 28 December, 2006 and 31 December, 2006

	Notes	<u>Altis</u> <u>2006</u> (Euros)
Operating income		
Services provided	11	-
		-
Operating expense		
Other administrative costs	12	17,500
Depreciation	2	-
		17,500
Net operating income		(17,500)
Financial income	13	57,781
Financial expense	13	57,781
Financial income		-
Extraordinary income		17,500
Extraordinary expense		-
Extraordinary income		17,500
Income before income taxes		-
Net income for the year		-

Tagus - Sociedade de Titularização de Créditos,  
S.A.

**Income statement by functions**  
**for the period 28 December, 2006 and 31 December, 2006**

	<u>Altis</u>
	<u>2006</u>
	(Euros)
Sales and services rendered	-
Income	-
Other operating income	-
Operational expense	17,500
Operating net income	(17,500)
Net financial cost	
Financial income	57,781
Financial expense	57,781
Current income	(17,500)
Income taxes	-
Current income after taxes	(17,500)
Extraordinary income	17,500
Net income for the year	-

# Tagus - Sociedade de Titularização de Créditos, S.A.

## Statement of cash flows for the period 28 December, 2006 and 31 December, 2006

	<u>Altis</u>
	<u>2006</u>
	(Euros)
<b>Cash flows arising from investing activities</b>	
Financial investments	(230,057,781)
<b><i>Cash flows arising from financing activities</i></b>	
Debt issued	230,057,781
Net changes in cash and equivalents	-
Cash and equivalents balance at the beginning of the year	-
Cash and equivalents balance at the end of the year	-

# Tagus – Sociedade de Titularização de Créditos, S.A.

## Notes to the Financial Statements 31 December, 2006 and 2005

### 1 Accounting policies

#### *a) Basis of presentation*

Tagus – Sociedade de Titularização de Créditos, S.A., was established on 11 November, 2004, in accordance with Decree-Law no. 453/99, of 5 November, which was reviewed by Decree-Law no. 82/2002, of 5 April and by Decree Law no. 303/2003, of 5 December, which regulate the activity of credit securitisation companies.

The main objective of the Company is to carry out activities permitted to credit securitisation companies, in accordance with the current legislation, mainly credit securitisation operations, through credit acquisition, management and transmission and through securitisation notes issued for the payment of the credits acquired.

The Company's share capital in the amount of Euros 250,000, represented by 50,000 shares of 5 Euros each, is fully subscribed by Deutsche Bank (Portugal), S.A. and realized in cash.

The financial statements of Tagus – Sociedade de Titularização de Créditos, S.A. have been prepared in accordance with the generally accepted accounting principles in Portugal, as established by the Portuguese Chart of Accounts, with the adaptations established by Regulation no. 12/2002 of CMVM. The accounting records are prepared in accordance with patrimonial segregation rules which allow the identification, for each bond issue, the assets associated and the gains and losses arising from those bond issues.

As at 31 December, 2006 the Company has two operations recognised in the financial statements, in accordance with patrimonial segregation rules above mentioned.

In accordance with the article 1<sup>st</sup> of Regulation no 12/2002 of CMVM, "credit securitisation companies should periodically test the assets associated to the securitisation notes issued with the purpose of recognising possible impairment losses".

In accordance with the economical substance of the above mentioned operations, the obligation of the notes' reimbursement is directly related with the performance of the assets, therefore any surplus amount will be paid to the owners of the notes, and any deficit will be assumed by them, and will not contribute to the operating accounts of the Company.

Therefore, in accordance to the above paragraph, when assets impairment losses occur they should directly be reflected the securitised notes' reimbursement value.

In accordance with the established in Accounting Directive no.18 – “Financial Statements’ Objectives and Generally Accepted Accounting Principles”, “CNC (Portuguese Accounting Standards Board) privileges the economical substance perspective for the financial reporting, therefore sustains that Generally Accepted Accounting Principles should comply with the following hierarchy: i) Portuguese Chart of Accounts; ii) Accounting Directives; iii) International Accounting Standards issued by IASC.” Since there is no procedure established in the Portuguese Chart of Accounts or in the Accounting Directives for this situations, the criteria established by International Financial Reporting Standards (IFRS) for the operations. Therefore, for the securitisation operations accounted for in Tagus, the accounting procedures established by IASB in IAS 39 were adopted, particularly for embedded derivatives.

Therefore, in accordance with the established in paragraph 10<sup>th</sup> of IAS 39, an embedded derivative is a component of a hybrid (combined) instrument that also includes a non-derivative host contract. In this case and in accordance with paragraph 11<sup>th</sup> “An embedded derivative shall be separated from the host contract and accounted for as a derivative under this Standard if, and only if: (a) the economic characteristics and risks of the embedded derivative are not closely related to the economic characteristics and risks of the host contract; (b) a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative; and (c) the hybrid (combined) instrument is not measured at fair value with changes in fair value recognised in profit or loss ...”, also in accordance with the above mentioned regulation, in paragraph AG 30 “The economic characteristics and risks of an embedded derivative are not closely related to the host contract (paragraph 11(a)) ... In these circumstances, assuming the conditions in paragraph 11(b) and (c) are met, an entity accounts for the embedded derivative separately from the host contract if: “...Credit derivatives that are embedded in a host debt instrument and allow one party (the ‘beneficiary’) to transfer the credit risk of a particular reference asset, which it may not own, to another party (the ‘guarantor’) are not closely related to the host debt instrument. Such credit derivatives allow the guarantor to assume the credit risk associated with the reference asset without directly owning it”.

In accordance with the above definition, we consider that securitised bond issues are in compliance with the rules established in IAS 39.23 and have an embedded credit derivative which transfers the credit risk to the owners of the notes. Therefore, in accordance with IAS 39, and considering the substance over form principle, the accounting for the notes would be the recognition of these notes at amortised cost and of a derivative separately recognised and accounted for at fair value with changes in fair value recognised through profit or loss.

This accounting allows the assets to be recognised at acquisition cost deducted from impairment losses and the related liabilities (securitised notes) to reflect through the embedded derivative value, their real value in each period which will be the symmetric value of the asset.

As a result and in accordance with the established in the above paragraphs, the adoption of this criteria will allow Tagus – Sociedade de Titularização de Créditos, S.A. to reflect in the financial statements, for each period, the true financial positions. As at 1 January, 2006 this criteria was adopted obligatory in accordance with the application of International Financial Reporting Standards for the Companies supervised by CMVM.

*b) "Pérola" Operation*

As at 13 December, 2005 the Company performed the "Pérola No. 1 Securitisation Notes" Operation – this operation consisted on the acquisition of a trade debt portfolio from Madeira Regional Government (to suppliers) and on the issue of securitised notes in the amount of Euros 150,000,000. These notes were subject to a private placement and were subsequently registered with the "Comissão do Mercado de Valores Mobiliários" (CMVM).

Following the acquisition mentioned in the above paragraph, the company issued the "Pérola No. 1 Securitisation Notes" with nominal value equal to the acquisition value of credits.

The notes bear interest at a rate equal to Euribor 6 months plus spread of 0.5%. In accordance with the contract the reimbursement date will occur only once and as at December, 2012.

In accordance with the contract, the remuneration of the notes (including capital reimbursement) depends on the performance of the assets being the cases of delinquency fully reflected on the remuneration of the notes. Any surplus amount generated by assets will be paid to the holders of the notes, and any deficit will be assumed by them, at the reimbursement date as at December, 2012, and will not contribute to the operating accounts of the Company.

*Impairment*

The Company performs, on a periodic basis, the evaluation of the impairment of assets portfolio, using a model developed for that effect. When impairment loss exists is presented as a deduction to the investment.

*c) "Altis" Operation*

As at 28 December, 2006 the Company performed the "Altis No. 1 Securitisation Notes" Operation – this operation consisted on the acquisition of future credits over income from TAP S.A. (Transportes Aéreos Portugueses) and the issue of securitised notes in the amount of Euros 230,000,000. These notes were subject to a private placement and subsequently registered with the "Comissão do Mercado de Valores Mobiliários" (CMVM).

Following the acquisition mentioned in the above paragraph, the company issued the "Altis No. 1 Securitisation Notes" with nominal value equal to the acquisition value of credits.

The notes bear interest at a rate equal to Euribor 3 months plus spread of 0.80%. In accordance with the contract the reimbursement date will occur only once and as at December, 2016.

In accordance with the contract, the Originator guarantees sufficient cash flows to cover the amounts established between parties. In case of income established in the contract turn out to be insufficient, the Originator guarantees the Company, at the term of the contract, an amount initially established.

Any surplus amount generated by assets will be paid to the holders of the notes, and any deficit will be assumed by them, at the reimbursement date as at December, 2016, and will not contribute to the operating accounts of the Company.

*d) Recognition of income and expenses*

Income and expenses are recorded on an accrual basis, regardless of the moment they are received or paid.

*e) Tangible assets*

Tangible fixed assets are recorded at the acquisition cost and are amortised for a 3 year period.

*f) Financial investments*

Financial investments are recognised at the acquisition cost, net from the capital amortisations and impairment.

## 2 Tangible assets

This balance is analysed as follows:

	2006 Euros			2005 Euros		
	Total operations	Global	Total	Total operations	Global	Total
<i>Acquisition cost</i>						
Software	-	10,354	10,354	-	10,354	10,354
Accumulated depreciation	-	(6,327)	(6,237)	-	(2,876)	(2,876)
	-	4,027	4,027	-	7,478	7,478

As at 31 December, 2006 and 2005 the depreciation for the year represented Euros 3,451 e Euros 2,876, respectively.

## 3 Financial investments

This balance is analysed as follows:

	2006 Euros			2005 Euros		
	Total operations	Global	Total	Total operations	Global	Total
Credits issued	380,000,000	-	380,000,000	150,000,000	-	150,000,000

	Altis		Pérola		Total operations	
	2006 Euros	2005 Euros	2006 Euros	2005 Euros	2006 Euros	2005 Euros
Credits issued	230,000,000	-	150,000,000	150,000,000	380,000,000	150,000,000

The caption Credits issued “Pérola” refers to the nominal value of the acquired credits in relation to that securitisation operation amounts to Euros 150,000,000.

The caption Credits issued “Altis” refers to the nominal value of the acquired credits in this operation in the amount of Euros 230,000,000.



## 4 Trade debtors

As at 31 December, 2006 and 2005, this balance is analysed as follows:

	2006 Euros			2005 Euros		
	Total operations	Global	Total	Total operations	Global	Total
Public sector	-	1,414	1,414	-	-	-
Other debtors	17,500	141	17,641	-	20,000	20,000
	17,500	1,555	19,055	-	20,000	20,000

	Altis		Pérola		Total operations	
	2006 Euros	2005 Euros	2006 Euros	2005 Euros	2006 Euros	2005 Euros
Public sector	-	-	-	-	-	-
Other debtors	17,500	-	-	-	17,500	-
	17,500	-	-	-	17,500	-

The caption Other debtors – Altis refers to an audit commission in the amount of Euros 17,500. The Company receives the referred amount from the originator and pays it to the audit company.

## 5 Cash and deposits at banks

As at 31 December, 2006 and 2005, this balance is analysed as follows:

	2006 Euros			2005 Euros		
	Total operations	Global	Total	Total operations	Global	Total
Deposits	1,020	903,777	904,797	-	426,647	426,647

	Altis	Pérola	Total operations

	<u>2006</u> <u>Euros</u>	<u>2005</u> <u>Euros</u>	<u>2006</u> <u>Euros</u>	<u>2005</u> <u>Euros</u>	<u>2006</u> <u>Euros</u>	<u>2005</u> <u>Euros</u>
Deposits	-	-	1,020	-	1,020	-

The balance Deposits – Global refers to a time deposit in Deutsche Bank (Portugal), S.A. in the amount of Euros 903,777 (2005: Euros 426,647).

The referred caption records the amount of Euros 1,020 associated with the interests of the time deposit account.

## 6 Prepayments and accrued income

As at 31 December, 2006 and 2005, this balance is analysed as follows:

	<u>2006</u> <u>Euros</u>			<u>2005</u> <u>Euros</u>		
<i>Accrued income:</i>	<u>Total operations</u>	<u>Global</u>	<u>Total</u>	<u>Total operations</u>	<u>Global</u>	<u>Total</u>
Interest receivable	343,247	-	343,247	205,600	1,409	207,009

	<u>Altis</u>		<u>Pérola</u>		<u>Total operations</u>	
<i>Accrued income:</i>	<u>2006</u> <u>Euros</u>	<u>2005</u> <u>Euros</u>	<u>2006</u> <u>Euros</u>	<u>2005</u> <u>Euros</u>	<u>2006</u> <u>Euros</u>	<u>2005</u> <u>Euros</u>
Interest receivable	57,781	-	285,466	205,600	343,247	205,600

The balance Accrued income associated with the operations refers to the amount of interest receivable from the financial investments described in note 3. The operation “Pérola” records the amount of 285,466 (2005: Euros 205,600), while the operation “Altis” accounts of Euros 57,781.

## 7 Loans

This balance is analysed as follows:

<i>Subordinated debt</i>	2006 Euros			2005 Euros		
	Total operations	Global	Total	Total operations	Global	Total
Securitisation notes	380,000,000	-	380,000,000	150,000,000	-	150,000,000

<i>Subordinated debt</i>	Altis		Pérola		Total operations	
	2006 Euros	2005 Euros	2006 Euros	2005 Euros	2006 Euros	2005 Euros
Securitisation notes	230,000,000	--	150,000,000	150,000,000	380,000,000	150,000,000

	Maturity	Amount Euros	Interest rate	Interest rate as at 31.12.2006
Pérola no. 1 Securitisation Notes	December 2012	150,000,000	EUR 6M+0.50%	3.782%

The caption securitisation notes – “Pérola” refers securitisation notes book value, resulting from that operation. This issue related to only notes with variable income of Euribor 6 months plus spread of 0.80%. Half-yearly, securitised credit interests received are calculated and transferred to the Company. This amount is fully paid to the debt securities owners.

	Maturity	Amount Euros	Interest rate	Interest rate as at 31.12.2006
Altis no. 1 Securitisation Notes	December 2016	230,000,000	EUR 3M+0.80%	3.722%

The caption securitisation notes – “Altis” refers to the securitisation notes book value, resulting from that operation. This issue related only to notes with variable income of Euribor 3 months plus spread of 0.80%. Quarterly, securitised credit interests received are calculated and transferred to the Company. This amount is fully paid to the debt securities owners.

## 8 Accruals and deferred income

This balance is analysed as follows:

	2006 Euros			2005 Euros		
	Total operations	Global	Total	Total operations	Global	Total
<i>Accrued expense:</i>						
Interest on subordinated debt	343,247	8,773	352,020	205,600	-	205,600
Audit	17,500	-	17,500	-	-	-
<i>Deferred income:</i>						
Management commission	-	206,440	206,440	-	-	-
	<u>360,747</u>	<u>215,213</u>	<u>575,960</u>	<u>205,600</u>	<u>-</u>	<u>205,600</u>

	Altis		Pérola		Total operations	
	2006 Euros	2005 Euros	2006 Euros	2005 Euros	2006 Euros	2005 Euros
<i>Accrued expense:</i>						
Interest on subordinated debt	57,781	-	285,466	205,600	343,247	205,600
Audit	17,500	-	-	-	17,500	-
<i>Deferred income:</i>						
Management commission	-	-	-	-	-	-
	<u>75,281</u>		<u>285,466</u>	<u>205,600</u>	<u>360,747</u>	<u>205,600</u>

The caption Deferred expenses refers to the amount of interests resulting from the subordinated debt issued of securitisation operations.

The caption Deferred income refers to the amount of Euros 206,440 related with the management commissions of the operations “Pérola” and “Altis”.

## 9 Share capital

As described in note 1 a), the Company Share capital in the amount of Euros 250,000 is represented by 50,000 shares with the nominal value of Euros 5 each.

As at 12 December, 2005, it was determined in General Assembly, the creation of supplementary capital, by the single shareholder of the Company, in the amount of Euros 200,000.

As at 29 December, 2005, it was determined in General Assembly, the creation of supplementary capital, by the single shareholder of the Company, in the amount of Euros 20,000.

As at 28 December, 2006, it was determined in General Assembly, the creation of supplementary capital, by the single shareholder of the Company, in the amount of Euros 226,000.

As at 31 December, 2006, the equity of the Company corresponds to Euros 694,146 (2005: Euros 454,602), allowing the Company to hold securitisation notes until the amount maximum of Euros 394,146,000 (2005: Euros 154,602,000), in accordance with the Regulation 22/2002 of CMVM.

## 10 Reserves and retained earnings

This balance is analysed as follows:

	2006 Euros			2005 Euros		
	Total operations	Global	Total	Total operations	Global	Total
Retained earnings	-	(15,398)	(15,398)	-	-	-
Net income for the year	-	13,544	13,544	-	(15,398)	(15,398)
	-	(1,854)	(1,854)	-	(15,398)	(15,398)

On 31 March, 2006, following the General Assembly deliberation, the Company approved income distribution for the year 2005, which results the transfer in the amount of Euros 15,398 to retained earnings.

## 11 Services provided

This balance is analysed as follows:

	2006 Euros			2005 Euros		
	Total operations	Global	Total	Total operations	Global	Total
<i>Management Fee</i>						
Pérola	-	32,151	32,151	-	1409	1409
Altis	-	141	141	-	-	-
	-	32,292	32,292	-	1,409	1,409

The caption Services provided records the amount of Euros 32,292 (2005: Euros 1,409) related with the received commissions from both operations.

## 12 Other administrative costs

This balance is analysed as follows:

	2006 Euros			2005 Euros		
	Total operations	Global	Total	Total operations	Global	Total
Legal assistance	-	6,655	6,655	-	-	-
Audit	17,500	5,445	22,945	-	-	-
Informatics	-	2,837	2,837	-	9,255	9,255
Legal costs	-	270	270	-	4,676	4,676
	17,500	15,207	32,707	-	13,931	13,931

	Altis		Pérola		Total operations	
	2006 Euros	2005 Euros	2006 Euros	2005 Euros	2006 Euros	2005 Euros
Audit	17,500	-	-	-	17,500	-
	17,500	-	-	-	17,500	-

## 13 Financial income

This balance is analysed as follows:

	2006 Euros			2005 Euros		
	Total operations	Global	Total	Total operations	Global	Total
<i>Financial income:</i>						
Interest on securitised credits	5,225,264	-	5,225,264	205,600	-	205,600
<i>Financial expense:</i>						
Interest on subordinated debt	5,225,264	-	5,225,264	205,600	-	205,600
Financial result	-	-	-	-	-	-

	Altis		Pérola		Total operations	
	2006 Euros	2005 Euros	2006 Euros	2005 Euros	2006 Euros	2005 Euros
<i>Financial income:</i>						
Interest on securitised credits	57,781	-	5,167,483	205,600	5,225,264	205,600
<i>Financial expense:</i>						
Interest on subordinated debt	57,781	-	5,167,483	205,600	5,225,264	205,600
Financial income	-	-	-	-	-	-

**Tagus – Sociedade de Titularização  
de Créditos, S.A.**

## **Financial Statements**

**31 December, 2007 and 2006**

*(With Statutory Auditor's opinion)*

*This report is a translation to English of the Portuguese version. In case of  
doubt, or misinterpretation the Portuguese version will prevail*

14 March, 2008  
*This report contains 44 pages*





**KPMG & Associados – Sociedade de Revisores  
Oficiais de Contas, S. A.**  
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## **TAGUS – SOCIEDADE DE TITULARIZAÇÃO DE CRÉDITOS, S.A.**

### **STATUTORY AUDIT OPINION AND AUDITORS' REPORT**

#### **Introduction**

1. In accordance with the applicable legislation, we present our Audit Report on the financial information included in the Annual Report of the Board of Directors and in the accompanying financial statements for the year ended 31 December 2007, of **Tagus – Sociedade de Titularização de Créditos, S.A.**, which comprise the balance sheet as at 31 December 2007 (showing total assets of Euro 1,268,612 and total equity of Euro 1,084,060, including a negative net income for the year of Euro 50,086), the income statement, by nature and by functions, statements of cash flows and of changes in equity for the year then ended and the corresponding Notes to the accounts.

#### **Responsibilities**

2. The Board of Directors is responsible for:
  - a) the preparation of financial statements that present fairly, in all material respects, the financial position of the Company, the results of its operations and its cash flows;
  - b) maintaining historical financial information, prepared in accordance with generally accepted accounting principles for Credit Securitisation Companies which is complete, true, current, clear, objective and lawful as required by the Stock Exchange Code ("Código dos Valores Mobiliários");
  - c) the adoption of adequate accounting policies and criteria, for Credit Securitisation Companies;
  - d) maintaining an appropriate system of internal control; and
  - e) the communication of any relevant fact that may have influenced the activity of the Company, its financial position or results.
3. Our responsibility is to verify the financial information included in the above referred documents, namely as to whether it is complete, true, current, clear, objective and lawful as required by the Código dos Valores Mobiliários, in order to issue a professional and independent report based on our audit.

KPMG & Associados – Sociedade de Revisores Oficiais de Contas, S.A., a Portuguese company and a member firm of the KPMG network of independent member firms affiliated with KPMG International, a Swiss cooperative.

KPMG & Associados - SROC, S.A.  
Capital Social: 511.700 Euros  
Pessoa Colectiva N.º PT 502 161 078  
Inscrito na O.R.O.C. N.º 189  
Inscrito na C.M.V.M. N.º 9083

Matriculada na Conservatória do registo Comercial de Lisboa sob o n.º 715, lts. 178 do Livro C-2/3

## Scope

4. Our audit was performed in accordance with the Technical Standards, and Guidelines issued by the Portuguese Institute of Statutory Auditors ('Ordem dos Revisores Oficiais de Contas'), which require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements. Accordingly our audit included:
  - verification, on a test basis, of the information underlying the figures and its disclosures contained therein, and an assessment of the estimates, based on the judgements and criteria defined by the Board of Directors, used in the preparation of the referred financial statements;
  - assessment of the appropriateness of the accounting policies used and of their disclosure, taking into account the circumstances applicable;
  - verification of the application of the going concern principle;
  - assessment of the appropriateness of the overall presentation of the financial statements; and
  - assessment of whether the financial information, is complete, true, current, clear, objective and lawful.
5. Our review also included the verification that the financial information contained in the Annual Report of the Board of Directors is consistent with the financial statements presented.
6. We believe that our audit provides a reasonable basis for our opinion.

## Opinion

7. In our opinion, the financial statements referred to above present fairly in all material respects the financial position of **Tagus – Sociedade de Titularização de Créditos, S.A.** as at 31 December 2007, the results of its operations and its cash flows for the year then ended in accordance with the generally accepted accounting principles in Portugal for Credit Securitisation Companies, and the information contained therein is complete, true, current, clear, objective and lawful.

Lisbon, 14 March, 2008

**KPMG & ASSOCIADOS, SROC, S.A. (SROC nº 189)**

(CMVM no. 9093)

Represented by



Inês Maria Bastos Viegas Clare Neves Girão de Almeida (ROC no. 967)

**Statutory Accounts**  
(Pages 4 to 8)

**Financial Statements**

- **Notes to the Financial Statements**  
(Pages 10 to 44)

Tagus - Sociedade de Titularização de Créditos, S.A.

Balance Sheet as at 31 December, 2007 and 2006

(Article 38 of Decree-Law no. 41/08/99)

	2007						2006					
	Rose		Global		Pérola		Altis		Global		Pérola	
Assets	AB	AP	AB	AP	AB	AP	AB	AL	AL	AL	AL	AL
Tangible assets												
Financial investments	400,000,000	-	10,354	-	-	-	230,000,000	-	9,778	4,027	150,000,000	4,027
	<b>400,000,000</b>	-	<b>10,354</b>	-	-	-	<b>230,000,000</b>	-	<b>9,778</b>	-	<b>150,000,000</b>	-
Circulate:												
Trade debtors - short term:												
Public sector	41,005	-	12,929	-	-	-	17,500	-	1,414	1,414	-	1,414
Other debtors	<b>41,005</b>	-	<b>38,730</b>	-	-	-	<b>17,500</b>	-	<b>1,555</b>	141	-	17,641
Cash and deposits at banks	-	-	1,214,330	-	-	-	-	-	-	903,777	-	904,797
Deposits	-	-	<b>1,214,330</b>	-	-	-	-	-	-	<b>903,777</b>	-	<b>904,797</b>
Prepayments and accrued income	1,016,500	-	14,967	-	-	-	57,781	-	-	-	285,466	343,247
Accrued income	<b>1,016,500</b>	-	<b>14,967</b>	-	-	-	<b>57,781</b>	-	-	-	<b>285,466</b>	<b>343,247</b>
<b>Total Assets</b>	<b>401,057,505</b>	-	<b>1,278,390</b>	-	-	-	<b>230,075,281</b>	-	<b>9,778</b>	<b>150,286,486</b>	-	<b>381,271,126</b>

# Tagus - Sociedade de Titularização de Créditos, S.A.

## Balance Sheet as at 31 December, 2007 and 2006

(Article 3th of Decree-Law no. 410/89)

	Rose Euro 2007	Altris Euro 2007	Pérola Euro 2007	Geral Euro 2007	Total Euro 2007	Altris Euro 2006	Pérola Euro 2006	Geral Euro 2006	Total Euro 2006
<i>Equity and Liabilities</i>									
Equity									
Share capital	-	-	-	250,000	250,000	-	-	250,000	250,000
Supplementary capital	-	-	-	886,000	886,000	-	-	446,000	446,000
Legal reserves	-	-	-	-	-	-	-	-	-
Retained earnings	-	-	-	(1,854)	(1,854)	-	-	(15,398)	(15,398)
Net income for the year/period	-	-	-	(50,086)	(50,086)	-	-	13,544	13,544
<i>Total Equity</i>	-	-	-	<b>1,084,060</b>	<b>1,084,060</b>	-	-	<b>694,146</b>	<b>694,146</b>
Liabilities									
Medium and long terms loans:									
Subordinated debt	400,000,000	230,000,000	150,000,000	-	780,000,000	230,000,000	150,000,000	-	380,000,000
	<b>400,000,000</b>	<b>230,000,000</b>	<b>150,000,000</b>	-	<b>780,000,000</b>	<b>230,000,000</b>	<b>150,000,000</b>	-	<b>380,000,000</b>
Others creditors	-	428	3,403	2,070	5,901	-	1,020	-	1,020
	-	<b>428</b>	<b>3,403</b>	<b>2,070</b>	<b>5,901</b>	-	<b>1,020</b>	-	<b>1,020</b>
Accruals and deferred income									
Accrued expense	1,057,505	487,295	337,375	9,831	1,892,006	75,281	285,466	8,773	369,520
Deferred income	-	-	-	172,651	172,651	-	-	206,440	206,440
	<b>1,057,505</b>	<b>487,295</b>	<b>337,375</b>	<b>182,482</b>	<b>2,064,657</b>	<b>75,281</b>	<b>285,466</b>	<b>215,213</b>	<b>575,960</b>
<i>Total Liabilities</i>	<b>401,057,505</b>	<b>230,487,723</b>	<b>150,340,778</b>	<b>184,552</b>	<b>782,070,558</b>	<b>230,075,281</b>	<b>150,286,486</b>	<b>215,213</b>	<b>380,576,980</b>
<i>Total Equity and Total Liabilities</i>	<b>401,057,505</b>	<b>230,487,723</b>	<b>150,340,778</b>	<b>1,268,612</b>	<b>783,154,618</b>	<b>230,075,281</b>	<b>150,286,486</b>	<b>909,359</b>	<b>381,271,126</b>

CHIEF ACCOUNTANT

Elisabete Martins

THE BOARD OF DIRECTORS

Filipe Quinim Crisóstomo Silva

José Francisco Gonçalves de Arantes e Oliveira

Joaquim António Furtado Baptista

# Tagus - Sociedade de Titularização de Créditos, S.A.

## Income statement for the years ended 31 December, 2007 and 2006

(Article 3th of Decree-Law no. 410/89)

	Rose Euro	2007	Altis Euro	2007	Pérola Euro	2007	Global Euro	2007	Total Euro	2007	Altis Euro	2006	Pérola Euro	2006	Global Euro	2006	Total Euro	2006
<b>Expense</b>																		
Other administrative costs	41,005		60,343		-		107,397		208,745		17,500		-		15,207		32,707	
Depreciation	-		-		-		3,451		3,451		-		-		3,451		3,451	
Taxes	-		-		-		12		12		-		-		90		90	
(A)	41,005		60,343		-		110,860		212,208		17,500		-		18,748		36,248	
Interests and similar costs	1,016,500		11,593,942		6,976,738		-		19,587,180		57,781		5,167,483		-		5,225,264	
(C)	1,057,505		11,654,285		6,976,738		110,860		19,799,388		75,281		5,167,483		18,748		5,261,512	
Losses and extraordinary expenses	-		-		-		-		-		-		-		-		-	
(E)	1,057,505		11,654,285		6,976,738		110,860		19,799,388		75,281		5,167,483		18,748		5,261,512	
Income taxes	-		-		-		-		-		-		-		-		-	
(G)	1,057,505		11,654,285		6,976,738		110,860		19,799,388		75,281		5,167,483		18,748		5,261,512	
Net income for the year/period	-		-		-		(50,086)		(50,086)		-		-		13,544		13,544	
	1,057,505		11,654,285		6,976,738		60,774		19,749,302		75,281		5,167,483		32,292		5,275,056	

# Tagus - Sociedade de Titularização de Créditos, S.A.

## Income statement for the years ended 31 December, 2007 and 2006

(Article 3th of Decree-Law no. 410/89)

	Rose	Altis	Pérola	Global	Total	Altis	Pérola	Global	Total
	Euro	Euro	Euro	Euro	Euro	Euro	Euro	Euro	Euro
	2007	2007	2007	2007	2007	2006	2006	2006	2006
<b>Income</b>									
Sales and services rendered	41,005	60,343	-	60,774	162,122	-	-	32,292	32,292
(B)	<b>41,005</b>	<b>60,343</b>	-	<b>60,774</b>	<b>162,122</b>	-	-	<b>32,292</b>	<b>32,292</b>
Financial income	1,016,500	11,593,942	6,976,738	-	19,587,180	57,781	5,167,483	-	5,225,264
(D)	<b>1,057,505</b>	<b>11,654,285</b>	<b>6,976,738</b>	<b>60,774</b>	<b>19,749,302</b>	<b>57,781</b>	<b>5,167,483</b>	<b>32,292</b>	<b>5,257,556</b>
Extraordinary income	-	-	-	-	-	17,500	-	-	17,500
(F)	<b>1,057,505</b>	<b>11,654,285</b>	<b>6,976,738</b>	<b>60,774</b>	<b>19,749,302</b>	<b>75,281</b>	<b>5,167,483</b>	<b>32,292</b>	<b>5,275,056</b>

### Resume:

Operational results: (B) - (A) =	(3,956)	(50,086)
Financial results: (D-B) - (C-A) =	-	-
Current results: (D) - (C) =	(3,956)	(50,086)
Income before income taxes: (F) - (E) =	13,544	(50,086)
Net income for the year: (F) - (G) =	13,544	(50,086)

### CHIEF ACCOUNTANT

Elisabete Martins

### THE BOARD OF DIRECTORS

Filipe Quintin Crisóstomo Silva

José Francisco Gonçalves de Arantes e Oliveira

Joaquim António Furtado Baptista

# Tagus - Sociedade de Titularização de Créditos, S.A.

## **Annex to balance sheet and income statement for the years ended 31 December, 2007 and 2006**

(Article 3rd of Decree-Law no. 410/89)

The matters not mentioned and established in the Portuguese Chart of Accounts, are not applicable due to the absence of values or situations to report.

2. 'Rose No. 1 Securitisation Notes' Operation was performed as at 17 December, 2007, therefore the Income Statement refers to the period 17 December, 2007 and 31 December, 2007.
3. The main valuation criteria are presented in note 1 to the Financial Statements.
7. During 2007, there were no employees working for the company.
16. The company is 100% held by the Deutsche Bank (Portugal), S.A.
35. Company's Share capital in the amount of Euro 250,000 is fully subscribed by Deutsche Bank (Portugal), S.A. and realized in cash. As at 10 December, 2007, it was determined in General Assembly, the creation of supplementary capital, by the single shareholder of the Company, in the amount of Euro 440,000.
36. Share capital is represented by 50,000 shares with the nominal value of Euro 5 each.
37. Share capital is fully subscribed by Deutsche Bank (Portugal), S.A.
40. The movements occurred in equity are analysed in note 9 to the Financial Statements.
44. The balance 'Services provided' in the amount of Euro 162,122 (2006: Euro 32,292) refers to securitised notes management commissions, which were exclusively obtained in internal market.
45. Financial income is analysed in note 13 to the Financial Statements.



**Financial Statements**

**- Notes to the Financial Statements  
(Pages 10 to 44)**

# Tagus - Sociedade de Titularização de Créditos, S.A.

Balance Sheet as at 31 December, 2007 and 2006

Notes	Total operations		Global		Total	
	2007 (Euro)	2006 (Euro)	2007 (Euro)	2006 (Euro)	2007 (Euro)	2006 (Euro)
<b>Assets</b>						
2	-	-	576	4,027	576	4,027
3	780,000,000	380,000,000	-	-	780,000,000	380,000,000
4	93,331	17,500	38,730	1,555	132,061	19,055
5	12,551	1,020	1,214,339	903,777	1,226,890	904,797
6	1,780,124	343,247	14,967	-	1,795,091	343,247
	<b>781,886,006</b>	<b>380,361,767</b>	<b>1,268,612</b>	<b>909,359</b>	<b>783,154,618</b>	<b>381,271,126</b>
<b>Liabilities</b>						
	3,831	1,020	2,070	-	5,901	1,020
7	780,000,000	380,000,000	-	-	780,000,000	380,000,000
8	1,882,175	360,747	182,482	215,213	2,064,657	575,960
	<b>781,886,006</b>	<b>380,361,767</b>	<b>184,552</b>	<b>215,213</b>	<b>782,070,558</b>	<b>380,576,980</b>
<b>Equity</b>						
9	-	-	250,000	250,000	250,000	250,000
9	-	-	886,000	446,000	886,000	446,000
10	-	-	(1,854)	(15,398)	(1,854)	(15,398)
10	-	-	(50,086)	13,544	(50,086)	13,544
	-	-	1,084,060	694,146	1,084,060	694,146
	<b>781,886,006</b>	<b>380,361,767</b>	<b>1,268,612</b>	<b>909,359</b>	<b>783,154,618</b>	<b>381,271,126</b>
CHIEF ACCOUNTANT						
Elisabete Martins						
THE BOARD OF DIRECTORS						
Filipe Quintin Crisostomo Silva						
José Francisco Gonçalves de Araújo e Oliveira						
Joaquim Antonio Furtado Baptista						

Tagus - Sociedade de Titularização de Créditos, S.A.

Income statement  
for the years ended 31 December, 2007 and 2006

Notes	Total operations		Global		Total	
	2007 (Euro)	2006 (Euro)	2007 (Euro)	2006 (Euro)	2007 (Euro)	2006 (Euro)
Operating income						
Services provided	101,348	-	60,774	32,292	162,122	32,292
	101,348	-	60,774	32,292	162,122	32,292
Operating expense						
Other administrative costs	101,348	17,500	107,397	15,207	208,745	32,707
Depreciation	-	-	3,451	3,451	3,451	3,451
Taxes	-	-	12	90	12	90
	101,348	17,500	110,860	18,748	212,208	36,248
Net operating income	-	(17,500)	(50,086)	13,544	(50,086)	(3,956)
Financial income	19,587,180	5,225,264	-	-	19,587,180	5,225,264
Financial expense	19,587,180	5,225,264	-	-	19,587,180	5,225,264
Financial income	-	-	-	-	-	-
Extraordinary income	-	17,500	-	-	-	17,500
Extraordinary expense	-	-	-	-	-	-
Extraordinary income	-	17,500	-	-	-	17,500
Income before income taxes	-	-	(50,086)	13,544	(50,086)	13,544
Net income for the year	-	-	(50,086)	13,544	(50,086)	13,544

CHIEF ACCOUNTANT

THE BOARD OF DIRECTORS

Elisabete Martins

Filipe Quimín Crisóstomo Silva

José Francisco Gonçalves de Arantes e Oliveira

Joaquim António Furtado Baptista

Tagus - Sociedade de Titularização de Créditos, S.A.

Income statement by functions  
for the years ended 31 December, 2007 and 2006

	Total operations		Global		Total	
	2007 (Euro)	2006 (Euro)	2007 (Euro)	2006 (Euro)	2007 (Euro)	2006 (Euro)
Sales and services rendered	101,348	-	60,774	32,292	162,122	32,292
Income	101,348	-	60,774	32,292	162,122	32,292
Other operating income	-	-	-	-	-	-
Operating expense	101,348	17,500	110,860	18,748	212,208	36,248
Operating net income	101,348	17,500	110,860	18,748	212,208	36,248
Net financial cost						
Financial income	19,587,180	5,225,264	-	-	19,587,180	5,225,264
Financial expense	19,587,180	5,225,264	-	-	19,587,180	5,225,264
Current income	-	(17,500)	(50,086)	13,544	(50,086)	(3,956)
Income taxes						
Current income after taxes	-	(17,500)	(50,086)	13,544	(50,086)	(3,956)
Extraordinary income	-	17,500	-	-	-	17,500
Net income for the year	-	-	(50,086)	13,544	(50,086)	13,544

# Tagus - Sociedade de Titularização de Créditos, S.A.

## Statement of Cash Flows for the years ended 31 December, 2007 and 2006

	Total operations		Global		Total	
	2007 (Euro)	2006 (Euro)	2007 (Euro)	2006 (Euro)	2007 (Euro)	2006 (Euro)
<i>Cash flows arising from operating activities</i>						
Other receivables / payments associated with the operating activity	-	-	(129,426)	242,447	(129,426)	242,447
Other receivables / payments	2,383	1,020	(12)	(90)	2,371	930
	2,383	1,020	(129,438)	242,357	(127,055)	243,377
<i>Cash flows arising from investing activities</i>						
Financial investments	(418,144,049)	(235,247,349)	-	8,773	(418,144,049)	(235,238,576)
Tangible assets	-	-	-	-	-	-
	(418,144,049)	(235,247,349)	-	8,773	(418,144,049)	(235,238,576)
	(418,144,049)	(235,247,349)	-	8,773	(418,144,049)	(235,238,576)
<i>Cash flows arising from financing activities</i>						
Loans	418,153,197	235,247,349	-	-	418,153,197	235,247,349
Increases in share capital, supplementary capital and earnings per share	-	-	440,000	226,000	440,000	226,000
	418,153,197	235,247,349	440,000	226,000	418,593,197	235,473,349
	418,153,197	235,247,349	440,000	226,000	418,593,197	235,473,349
Net changes in cash and equivalents	11,531	1,020	310,562	477,130	322,093	478,150
Cash and equivalents balance at the beginning of the year	1,020	-	903,777	426,647	904,797	426,647
Cash and equivalents balance at the end of the year	12,551	1,020	1,214,339	903,777	1,226,890	904,797

# Tagus - Sociedade de Titularização de Créditos, S.A.

## Statement of changes in equity for the years ended 31 December, 2007 and 2006

(Amounts expressed in Euro)

	Total equity	Share capital	Supplementary capital	Retained earnings	Net income for the year
Balance on 31 December, 2005	454,602	250,000	220,000	-	(15,398)
Supplementary capital	226,000	-	226,000	-	-
Retained earnings	-	-	-	(15,398)	15,398
Net income for the year	13,544	-	-	-	13,544
Balance on 31 December, 2006	694,146	250,000	446,000	(15,398)	13,544
Supplementary capital	440,000	-	440,000	-	-
Retained earnings	-	-	-	13,544	(13,544)
Net income for the year	(50,086)	-	-	-	(50,086)
Balance on 31 December, 2007	1,084,060	250,000	886,000	(1,854)	(50,086)

Tagus - Sociedade de Titularização de Créditos, S.A.

Balance Sheet as at 31 December, 2007 and 2006

	Notes	Rose	Altis		Pérola	
		2007	2007	2006	2007	2006
		(Euro)	(Euro)	(Euro)	(Euro)	(Euro)
<b>Assets</b>						
Tangible assets	2	-	-	-	-	-
Financial investments	3	400,000,000	230,000,000	230,000,000	150,000,000	150,000,000
Trade debtors	4	41,005	52,326	17,500	-	-
Cash and deposits at banks	5	-	9,148	-	3,403	1,020
Prepayments and accrued income	6	1,016,500	426,249	57,781	337,375	285,466
<b>Total Assets</b>		<b>401,057,505</b>	<b>230,487,723</b>	<b>230,075,281</b>	<b>150,340,778</b>	<b>150,286,486</b>
<b>Liabilities</b>						
Trade creditors		-	428	-	3,403	1,020
Loans	7	400,000,000	230,000,000	230,000,000	150,000,000	150,000,000
Accruals and deferred income	8	1,057,505	487,295	75,281	337,375	285,466
<b>Total Liabilities</b>		<b>401,057,505</b>	<b>230,487,723</b>	<b>230,075,281</b>	<b>150,340,778</b>	<b>150,286,486</b>
<b>Equity</b>						
Share capital	9	-	-	-	-	-
Supplementary capital	9	-	-	-	-	-
Reserves and retained earnings	10	-	-	-	-	-
Net income for the year	10	-	-	-	-	-
<b>Total Equity</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
		<b>401,057,505</b>	<b>230,487,723</b>	<b>230,075,281</b>	<b>150,340,778</b>	<b>150,286,486</b>

CHIEF ACCOUNTANT

Elisabete Martins

THE BOARD OF DIRECTORS

Filipe Quintin Crisóstomo Silva

José Francisco Gonçalves de Arantes e Oliveira

Joaquim António Furtado Baptista

Tagus - Sociedade de Titularização de Créditos, S.A.

**Income statement**  
for the years ended 31 December, 2007 and 2006

	Notes	Rose	Altis		Pérولا	
		2007	2007	2006	2007	2006
		(Euro)	(Euro)	(Euro)	(Euro)	(Euro)
<b>Operating income</b>						
Services provided	11	41,005	60,343	-	-	-
		41,005	60,343	-	-	-
<b>Operational expense</b>						
Other administrative costs	12	41,005	60,343	17,500	-	-
Depreciation	2	-	-	-	-	-
		41,005	60,343	17,500	-	-
Net operating income		-	-	(17,500)	-	-
Financial income	13	1,016,500	11,593,942	57,781	6,976,738	5,167,483
Financial expense	13	1,016,500	11,593,942	57,781	6,976,738	5,167,483
Financial income		-	-	-	-	-
Extraordinary income		-	-	17,500	-	-
Extraordinary expense		-	-	-	-	-
Extraordinary income		-	-	17,500	-	-
Income before income taxes		-	-	-	-	-
Net income for the year		-	-	-	-	-

CHIEF ACCOUNTANT

\_\_\_\_\_  
Elisabete Martins

THE BOARD OF DIRECTORS

\_\_\_\_\_  
Filipe Quintin Crisóstomo Silva

\_\_\_\_\_  
José Francisco Gonçalves de Arantes e Oliveira

\_\_\_\_\_  
Joaquim António Furtado Baptista



Tagus - Sociedade de Titularização de Créditos, S.A.

**Income statement by functions**  
for the years ended 31 December, 2007 and 2006

	Rose	Altris		Pérola	
	2007	2007	2006	2007	2006
	(Euro)	(Euro)	(Euro)	(Euro)	(Euro)
Sales and services rendered	41,005	60,343	-	-	-
Income	41,005	60,343	-	-	-
Other operating income	-	-	-	-	-
Custos operacionais	41,005	60,343	17,500	-	-
Operating net income	(41,005)	(60,343)	(17,500)	-	-
Net financial cost					
Financial income	1,016,500	11,593,942	57,781	6,976,738	5,167,483
Financial expense	1,016,500	11,593,942	57,781	6,976,738	5,167,483
Current income	-	-	(17,500)	-	-
Income taxes					
Current income after taxes	-	-	(17,500)	-	-
Extraordinary income	-	-	17,500	-	-
Net income for the year	-	-	-	-	-

Statement of Cash Flows  
for the years ended 31 December, 2007 and 2006

	Rose	Altis		Pérولا	
	2007	2007	2006	2007	2006
	(Euro)	(Euro)	(Euro)	(Euro)	(Euro)
<i>Cash flows arising from operating activities</i>					
Other receivements and payments related to operating activities	-	-	-	-	-
Other receivements and payments	-	-	-	2,383	1,020
	-	-	-	-	-
<i>Cash flows arising from investing activities</i>					
Financial investments	(400,000,000)	(11,181,500)	(230,000,000)	(6,962,545)	(5,247,349)
Other receivements and payments	-	-	-	-	-
	(400,000,000)	(11,181,500)	(230,000,000)	(6,962,545)	(5,247,349)
<i>Cash flows arising from financing activities</i>					
Debt issued	400,000,000	11,190,648	230,000,000	6,962,549	5,247,349
	400,000,000	11,190,648	230,000,000	6,962,549	5,247,349
Net charges in cash and equivalents	-	9,148	-	-	-
Cash and equivalents balance at the beginning of the year	-	-	-	-	-
Cash and equivalents balance at the end of the year	-	9,148	-	-	-

# Tagus - Sociedade de Titularização de Créditos, S.A.

## Balance Sheet as at 31 December, 2007 and 2006

	Notes	Pérola	
		2007	2006
		(Euro)	(Euro)
<b>Assets</b>			
Tangible assets	2	-	-
Financial investments	3	150,000,000	150,000,000
Trade debtors	4	-	-
Cash and deposits at banks	5	3,403	1,020
Prepayments and accrued income	6	337,375	285,466
Total Assets		150,340,778	150,286,486
<b>Liabilities</b>			
Trade creditors		3,403	1,020
Loans	7	150,000,000	150,000,000
Accruals and deferred income	8	337,375	285,466
Total Liabilities		150,340,778	150,286,486
<b>Equity</b>			
Share capital	9	-	-
Supplementary capital	9	-	-
Reserves and retained earnings	10	-	-
Net income for the year	10	-	-
Total Equity		-	-
		150,340,778	150,286,486

CHIEF ACCOUNTANT

THE BOARD OF DIRECTORS

Elisabete Martins

Filipe Quintin Crisóstomo Silva

José Francisco Gonçalves de Arantes e Oliveira

Joaquim António Furtado Baptista

# Tagus - Sociedade de Titularização de Créditos, S.A.

## Income statement for the years ended 31 December, 2007 and 2006

	Notes	Pérola	
		2007	2006
		(Euro)	(Euro)
Operating income			
Services provided	11	-	-
		-	-
Operating expense			
Other administrative costs	12	-	-
Depreciation	2	-	-
		-	-
Net operating income		-	-
Financial income	13	6,976,738	5,167,483
Financial expense	13	6,976,738	5,167,483
Financial income		-	-
Extraordinary income		-	-
Extraordinary income		-	-
Extraordinary income		-	-
Income before income taxes		-	-
Net income for the year		-	-

CHIEF ACCOUNTANT

THE BOARD OF DIRECTORS

Elisabete Martins

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Joaquim António Furtado Baptista

# Tagus - Sociedade de Titularização de Créditos, S.A.

## Income statement by functions for the years ended 31 December, 2007 and 2006

	Pérola	
	2007	2006
	(Euro)	(Euro)
Sales and services rendered	-	-
Income	-	-
Other operating income		
Operating expense	-	-
Operating net income	-	-
Net financial cost		
Financial income	6,976,738	5,167,483
Financial expense	6,976,738	5,167,483
Current result	-	-
Income taxes		
Current income after taxes	-	-
Extraordinary income	-	-
Net income for the year	-	-

# Tagus - Sociedade de Titularização de Créditos, S.A.

## Statement of Cash Flows for the years ended 31 December, 2007 and 2006

	Pérola	
	2007	2006
	(Euro)	(Euro)
<i>Cash flows arising from operating activities</i>		
Other receivements and payments	2,383	1,020
	<u>2,383</u>	<u>1,020</u>
<i>Cash flows arising from investing activities</i>		
Financial investments	(6,962,549)	(5,247,349)
Other receivements / payments	-	-
	<u>(6,962,549)</u>	<u>(5,247,349)</u>
<i>Cash flows arising from financing activities</i>		
Debt issued	6,962,549	5,247,349
	<u>6,962,549</u>	<u>5,247,349</u>
Net changes in cash and equivalents	2,383	1,020
Cash and equivalents balance at the beginning of the year	1,020	-
Cash and equivalents balance at the end of the year	<u><u>3,403</u></u>	<u><u>1,020</u></u>

# Tagus - Sociedade de Titularização de Créditos, S.A.

## Balance Sheet as at 31 December, 2007 and 2006

	Notes	Altis	
		2007	2006
<i>Assets</i>		(Euro)	(Euro)
Tangible assets	2	-	-
Financial investments	3	230,000,000	230,000,000
Trade debtors	4	52,326	17,500
Cash and deposits at banks	5	9,148	-
Prepayments and accrued income	6	426,249	57,781
<b>Total Assets</b>		<b>230,487,723</b>	<b>230,075,281</b>
<i>Liabilities</i>			
Trade creditors		428	-
Loans	7	230,000,000	230,000,000
Accruals and deferred income	8	487,295	75,281
<b>Total Liabilities</b>		<b>230,487,723</b>	<b>230,075,281</b>
<i>Equity</i>			
Share capital	9	-	-
Supplementary capital	9	-	-
Reserves and retained earnings	10	-	-
Net income for the year	10	-	-
<b>Total Equity</b>		<b>-</b>	<b>-</b>
		<b>230,487,723</b>	<b>230,075,281</b>

CHIEF ACCOUNTANT

THE BOARD OF DIRECTORS

Elisabete Martins

Filipe Quintin Crisóstomo Silva

José Francisco Gonçalves de Arantes e Oliveira

Joaquim António Furtado Baptista

# Tagus - Sociedade de Titularização de Créditos, S.A.

## Income statement for the years ended 31 December, 2007 and 2006

	Notes	Altis	
		2007	2006
		(Euro)	(Euro)
Operating income			
Services provided	11	60,343	-
		60,343	-
Operating expense			
Other administrative costs	12	60,343	17,500
Depreciation	2	-	-
		60,343	17,500
Net operating income		-	(17,500)
Financial income	13	11,593,942	57,781
Financial expense	13	11,593,942	57,781
Financial income		-	-
Extraordinary income		-	17,500
Extraordinary expense		-	-
Extraordinary income		-	17,500
Income before income taxes		-	-
Net income for the year		-	-

CHIEF ACCOUNTANT

Elisabete Martins

THE BOARD OF DIRECTORS

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Joaquim António Furtado Baptista



# Tagus - Sociedade de Titularização de Créditos, S.A.

## Income statement by functions for the years ended 31 December, 2007 and 2006

	Altis	
	2007	2006
	(Euro)	(Euro)
Sales and services rendered	60,343	-
Income	60,343	-
Other operating income	-	-
Operational expense	60,343	17,500
Operating net income	(60,343)	(17,500)
Net financial cost		
Financial income	11,593,942	57,781
Financial expense	11,593,942	57,781
Current income	-	(17,500)
Income taxes		
Current income after taxes	-	(17,500)
Extraordinary income	-	17,500
Net income for the year	-	-

# Tagus - Sociedade de Titularização de Créditos, S.A.

## Statement of cash flows for the years ended 31 December, 2007 and 2006

	Altis	
	2007	2006
	(Euro)	(Euro)
<b>Cash flows arising from investing activities</b>		
Financial investments	(11,181,500)	(230,000,000)
<b>Cash flows arising from financing activities</b>		
Debt issued	11,190,648	230,000,000
Net changes in cash and equivalents	9,148	-
Cash and equivalents balance at the beginning of the year	-	-
Cash and equivalents balance at the end of the year	9,148	-

# Tagus - Sociedade de Titularização de Créditos, S.A.

## Balance Sheet as at 31 December, 2007

	Notes	Rose 2007 (Euro)
<b>Assets</b>		
Tangible assets	2	-
Financial investments	3	400,000,000
Trade debtors	4	41,005
Cash and deposits at banks	5	-
Prepayments and accrued income	6	1,016,500
Total Assets		401,057,505
<b>Liabilities</b>		
Trade creditors		-
Loans	7	400,000,000
Accruals and deferred income	8	1,057,505
Total Liabilities		401,057,505
<b>Equity</b>		
Share capital	9	-
Supplementary capital	9	-
Reserves and retained earnings	10	-
Net income for the period	10	-
Total Equity		-
		401,057,505

CHIEF ACCOUNTANT

BOARD OF DIRECTORS

Elisabete Martins

Filipe Quintin Crisóstomo Silva

José Francisco Gonçalves de Arantes e Oliveira

Joaquim António Furtado Baptista

# Tagus - Sociedade de Titularização de Créditos, S.A.

## Income statement for the period 17 December, 2007 and 31 December, 2007

	Notes	Rose <u>2007</u> (Euro)
Operating income		
Services provided	11	41,005
		<u>41,005</u>
Operating expense		
Other administrative costs	12	41,005
Depreciation	2	-
		<u>41,005</u>
Net operating income		-
Financial income	13	1,016,500
Financial expense	13	1,016,500
Financial income		-
Extraordinary income		-
Extraordinary income		-
Extraordinary income		-
Income before income taxes		-
Net income for the period		<u>-</u>

CHIEF ACCOUNTANT

BOARD OF DIRECTORS

\_\_\_\_\_  
Elisabete Martins

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Filipe Quintin Crisóstomo Silva

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José Francisco Gonçalves de Arantes e Oliveira

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Joaquim António Furtado Baptista

# Tagus - Sociedade de Titularização de Créditos, S.A.

## Income statement by functions for the period 17 December, 2007 and 31 December, 2007

	<u>Rose</u>
	<u>2007</u>
	(Euro)
Sales and services rendered	41,005
Income	<u>41,005</u>
Other operating income	-
Operating expense	41,005
Operating net income	<u>41,005</u>
Net financial cost	
Financial income	1,016,500
Financial expense	1,016,500
Current result	<u>-</u>
Income taxes	
Current income after taxes	-
Extraordinary income	-
Net income for the period	<u><u>-</u></u>

# Tagus - Sociedade de Titularização de Créditos, S.A.

## Statement of Cash Flows for the period 17 December, 2007 and 31 December, 2007

	<u>Rose</u>
	<u>2007</u>
	(Euro)
<b>Cash flows arising from investing activities</b>	
Financial investments	(400,000,000)
<b><i>Cash flows arising from financing activities</i></b>	
Debt issued	400,000,000
Net changes in cash and equivalents	-
Cash and equivalents balance at the beginning of the period	-
Cash and equivalents balance at the end of the period	-

# Tagus – Sociedade de Titularização de Créditos, S.A.

## Notes to the Financial Statements 31 December, 2007 and 2006

### 1 Accounting policies

#### *a) Basis of presentation*

Tagus – Sociedade de Titularização de Créditos, S.A., was established on 11 November, 2004, in accordance with Decree-Law no. 453/99, of 5 November, which was reviewed by Decree-Law no. 82/2002, of 5 April and by Decree Law no. 303/2003, of 5 December, which regulate the activity of credit securitisation companies.

The main objective of the Company is to carry out activities permitted to credit securitisation companies, in accordance with the current legislation, mainly credit securitisation operations, through credit acquisition, management and transmission and through securitisation notes issued for the payment of the credits acquired.

The Company's share capital in the amount of Euro 250,000, represented by 50,000 shares of Euro 5 each, is fully subscribed by Deutsche Bank (Portugal), S.A. and realized in cash.

The financial statements of Tagus – Sociedade de Titularização de Créditos, S.A. have been prepared in accordance with the generally accepted accounting principles in Portugal, as established by the Portuguese Chart of Accounts, with the adaptations established by Regulation no. 12/2002 of CMVM. The accounting records are prepared in accordance with patrimonial segregation rules which allow the identification, for each bond issue, the assets associated and the gains and losses arising from those bond issues.

As at 31 December, 2007 the Company has three operations recognised in the financial statements, in accordance with patrimonial segregation rules above mentioned.

In accordance with the article 1<sup>st</sup> of Regulation no 12/2002 of CMVM, 'credit securitisation companies should periodically test the assets associated to the securitisation notes issued with the purpose of recognising possible impairment losses'.

In accordance with the economical substance of the above mentioned operations, the obligation of the notes' reimbursement is directly related with the performance of the assets, therefore any surplus amount will be paid to the owners of the notes, and any deficit will be assumed by them, and will not contribute to the operating accounts of the Company.

Therefore, in accordance to the above paragraph, when assets impairment losses occur they should directly be reflected the securitised notes' reimbursement value.

In accordance with the established in Accounting Directive no.18 – ‘Financial Statements’ Objectives and Generally Accepted Accounting Principles’, ‘CNC (Portuguese Accounting Standards Board) privileges the economical substance perspective for the financial reporting, therefore sustains that Generally Accepted Accounting Principles should comply with the following hierarchy: i) Portuguese Chart of Accounts; ii) Accounting Directives; iii) International Accounting Standards issued by IASC.’ Since there is no procedure established in the Portuguese Chart of Accounts or in the Accounting Directives for this situations, the criteria established by International Financial Reporting Standards (IFRS) for the operations. Therefore, for the securitisation operations accounted for in Tagus, the accounting procedures established by IASB in IAS 39 were adopted, particularly for embedded derivatives.

Therefore, in accordance with the established in paragraph 10<sup>th</sup> of IAS 39, an embedded derivative is a component of a hybrid (combined) instrument that also includes a non-derivative host contract. In this case and in accordance with paragraph 11<sup>th</sup> ‘An embedded derivative shall be separated from the host contract and accounted for as a derivative under this Standard if, and only if: (a) the economic characteristics and risks of the embedded derivative are not closely related to the economic characteristics and risks of the host contract; (b) a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative; and (c) the hybrid (combined) instrument is not measured at fair value with changes in fair value recognised in profit or loss ...’, also in accordance with the above mentioned regulation, in paragraph AG 30 ‘The economic characteristics and risks of an embedded derivative are not closely related to the host contract (paragraph 11(a)) ...’ In these circumstances, assuming the conditions in paragraph 11(b) and (c) are met, an entity accounts for the embedded derivative separately from the host contract if: ‘...Credit derivatives that are embedded in a host debt instrument and allow one party (the ‘beneficiary’) to transfer the credit risk of a particular reference asset, which it may not own, to another party (the ‘guarantor’) are not closely related to the host debt instrument. Such credit derivatives allow the guarantor to assume the credit risk associated with the reference asset without directly owning it’.

In accordance with the above definition, we consider that securitised bond issues are in compliance with the rules established in IAS 39.23 and have an embedded credit derivative which transfers the credit risk to the owners of the notes. Therefore, in accordance with IAS 39, and considering the substance over form principle, the accounting for the notes would be the recognition of these notes at amortised cost and of a derivative separately recognised and accounted for at fair value with changes in fair value recognised through profit or loss.

This accounting allows the assets to be recognised at acquisition cost deducted from impairment losses and the related liabilities (securitised notes) to reflect through the embedded derivative value, their real value in each period which will be the symmetric value of the asset.

As a result and in accordance with the established in the above paragraphs, the adoption of this criteria will allow Tagus – Sociedade de Titularização de Créditos, S.A. to reflect in the financial statements, for each period, the true financial positions. As at 1 January, 2006 this criteria was adopted obligatory in accordance with the application of International Financial Reporting Standards for the Companies supervised by CMVM.



*b) 'Pérola' Operation*

As at 13 December, 2005 the Company performed the 'Pérola No. 1 Securitisation Notes' Operation – this operation consisted on the acquisition of a trade debt portfolio from Madeira Regional Government (to suppliers) and on the issue of securitised notes in the amount of Euro 150,000,000. These notes were subject to a private placement and were subsequently registered with the 'Comissão do Mercado de Valores Mobiliários' (CMVM).

Following the acquisition mentioned in the above paragraph, the company issued the 'Pérola No. 1 Securitisation Notes' with nominal value equal to the acquisition value of credits.

The notes bear interest at a rate equal to Euribor 6 months plus spread of 0.5%. In accordance with the contract the reimbursement date will occur only once and as at December, 2012.

In accordance with the contract, the remuneration of the notes (including capital reimbursement) depends on the performance of the assets being the cases of delinquency fully reflected on the remuneration of the notes. Any surplus amount generated by assets will be paid to the holders of the notes, and any deficit will be assumed by them, at the reimbursement date as at December, 2012, and will not contribute to the operating accounts of the Company.

*Impairment*

The Company performs, on a periodic basis, the evaluation of the impairment of assets portfolio, using a model developed for that effect. When impairment loss exists is presented as a deduction to the investment.

*c) 'Altis' Operation*

As at 28 December, 2006 the Company performed the 'Altis No. 1 Securitisation Notes' Operation – this operation consisted on the acquisition of future credits over income from TAP S.A. (Transportes Aéreos Portugueses) and the issue of securitised notes in the amount of Euro 230,000,000. These notes were subject to a private placement and subsequently registered with the 'Comissão do Mercado de Valores Mobiliários' (CMVM).

Following the acquisition mentioned in the above paragraph, the company issued the 'Altis No. 1 Securitisation Notes' with nominal value equal to the acquisition value of credits.

The notes bear interest at a rate equal to Euribor 3 months plus spread of 0.80%. In accordance with the contract the reimbursement date will occur only once and as at December, 2016.

In accordance with the contract, the Originator guarantees sufficient cash flows to cover the amounts established between parties. In case of income established in the contract turn out to be insufficient, the Originator guarantees the Company, at the term of the contract, an amount initially established.

Any surplus amount generated by assets will be paid to the holders of the notes, and any deficit will be assumed by them, at the reimbursement date as at December, 2016, and will not contribute to the operating accounts of the Company.

*d) 'Rose' Operation*

As at 17 December, 2007 the Company performed the 'Rose No. 1 Securitisation Notes' Operation – this operation consisted on the acquisition of future receivables over income from Brisa (Brisa – Auto-Estradas de Portugal, S.A.) and the issue of securitised notes in the amount of Euro 400,000,000. These notes were subject to a private placement and subsequently registered with the 'Comissão do Mercado de Valores Mobiliários' (CMVM).

Following the acquisition mentioned in the above paragraph, the company issued the 'Rose No. 1 Securitisation Notes' with nominal value equal to the acquisition value of credits.

The notes bear interest at a rate equal to Euribor 3 months plus spread of 1.15%. In accordance with the contract the reimbursement date will occur only once and as at December, 2012.

*e) Recognition of income and expenses*

Income and expenses are recorded on an accrual basis, regardless of the moment they are received or paid.

*f) Tangible assets*

Tangible assets are recorded at the acquisition cost and are amortised for a 3 year period.

*g) Financial investments*

Financial investments are recognised at the acquisition cost, net from the capital amortisations and impairment.

## 2 Tangible assets

This balance is analysed as follows:

	2007 Euro			2006 Euro		
	Total operations	Global	Total	Total operations	Global	Total
<i>Acquisition cost</i>						
Software	-	10,354	10,354	-	10,354	10,354
Accumulated depreciation	-	(9,778)	(9,788)	-	(6,327)	(6,237)
	-	576	576	-	4,027	4,027

As at 31 December, 2007 and 2006 the depreciation for the year represented Euro 3,451 e Euro 3,451, respectively.

## 3 Financial investments

This balance is analysed as follows:

	2007 Euro			2006 Euro		
	Total operations	Global	Total	Total operations	Global	Total
Credits issued	780,000,000	-	780,000,000	380,000,000	-	380,000,000
	<b>Altis</b>		<b>Pérola</b>		<b>Rose</b>	
	<b>2007 Euro</b>	<b>2006 Euro</b>	<b>2007 Euro</b>	<b>2006 Euro</b>	<b>2007 Euro</b>	<b>2006 Euro</b>
Credits issued	230,000,000	230,000,000	150,000,000	150,000,000	400,000,000	-

The caption Credits issued 'Pérola' refers to the nominal value of the acquired credits in relation to that securitisation operation amounts to Euro 150,000,000 (2006: Euro 150,000,000).

The caption Credits issued 'Altis' refers to the nominal value of the acquired credits in this operation in the amount of Euro 230,000,000 (2006: Euro 230,000,000).

The caption Credits issued 'Rose' refers to the nominal value of the acquired credits in this operation in the amount of Euro 400,000,000.

## 4 Trade debtors

As at 31 December, 2007 and 2006, this balance is analysed as follows:

	2007 Euro			2006 Euro		
	Total operations	Global	Total	Total operations	Global	Total
Public sector	-	12,929	12,929	-	1,414	1,414
Other debtors	93,331	25,801	119,132	17,500	141	17,641
	<u>93,331</u>	<u>38,730</u>	<u>132,061</u>	<u>17,500</u>	<u>1,555</u>	<u>19,055</u>

	Altis		Pérola		Rose	
	2007 Euro	2006 Euro	2007 Euro	2006 Euro	2007 Euro	2006 Euro
Public sector		-		-		-
Other debtors	52,326	17,500		-	41,005	-
	<u>52,236</u>	<u>17,500</u>		<u>-</u>	<u>41,005</u>	<u>-</u>

The caption Public sector in the amount of Euro 12,929 (2006: Euro 1,414) refers to the income taxes pre-payment.

The caption Other debtors – ‘Altis’ includes the amount of Euro 42,350 (2006: Euro 17,500) related to an audit commission. This caption also includes the amount of Euro 1,065 related to bank fees and issuer fees. The Company receives the referred amounts from the originator of the operation (TAP S.A.) and pays it to the companies that deliver the services.

The caption Other debtors – ‘Rose’ includes the amount of Euro 39,325 related to an audit commission in. This caption also includes the amount of Euro 1,680 related to bank fees and issuer fees. The Company receives the referred amounts from the originator of the operation (Brisa, S.A.) and pays it to the companies that deliver the services.

## 5 Cash and deposits at banks

As at 31 December, 2007 and 2006, this balance is analysed as follows:

	2007 Euro			2006 Euro		
	Total operations	Global	Total	Total operations	Global	Total
Deposits	12,551	1,214,339	1,226,890	1,020	903,777	904,797

	Altis		Pérola		Rose	
	2007 Euro	2006 Euro	2007 Euro	2006 Euro	2007 Euro	2006 Euro
Deposits	9,148	-	3,403	1,020	-	-

The balance Deposits – Global refers to a time deposit in Deutsche Bank (Portugal), S.A. in the amount of Euro 1,214,339 (2006: Euro 903,777).

The referred caption regarding the operation ‘Pérola’ records the amount of Euro 3,403 (2006: Euro 1,020) associated with the interests of the time deposit account in Deutsche Bank (Portugal), S.A., while the operation ‘Altis’ records the amount of Euro 9,148.

## 6 Prepayments and accrued income

As at 31 December, 2007 and 2006, this balance is analysed as follows:

	2007 Euro			2006 Euro		
	Total operations	Global	Total	Total operations	Global	Total
Interest receivable	1,780,124	-	1,780,124	343,247	-	343,247
Accrued income	-	14,967	14,967	-	-	-
	1,780,124	14,967	1,795,091	343,247	-	343,247

	Altis		Pérola		Rose	
	2007	2006	2007	2006	2007	2006
	Euro	Euro	Euro	Euro	Euro	Euro
Interest receivable	426,249	57,781	337,375	285,466	1,016,500	-

The balance Accrued income associated with the operations refers to the amount of interest receivable from the financial investments described in note 3.

## 7 Loans

This balance is analysed as follows:

<i>Subordinated debt</i>	2007			2006		
	Euro			Euro		
	Total operations	Global	Total	Total operations	Global	Total
Securitisation notes	780,000,000	-	780,000,000	380,000,000	-	380,000,000

<i>Subordinated debt</i>	Altis		Pérola		Rose	
	2007	2006	2007	2006	2007	2006
	Euro	Euro	Euro	Euro	Euro	Euro
Securitisation notes	230,000,000	230,000,000	150,000,000	150,000,000	400,000,000	-

	Maturity	Amount Euro	Interest rate	Interest rate as at 31.12.2007
Pérola no. 1 Securitisation Notes	December 2012	150,000,000	EUR 6M+0.50%	4.898%

The caption securitisation notes – ‘Pérola’ refers securitisation notes book value, resulting from that operation. This issue related to only notes with variable income of Euribor 6 months plus spread of 0.50%. Half-yearly, securitised credit interests received are calculated and transferred to the Company. This amount is fully paid to the debt securities owners.

	<b>Maturity</b>	<b>Amount Euro</b>	<b>Interest rate</b>	<b>Interest rate as at 31.12.2007</b>
Altis no. 1 Securitisation Notes	December 2016	230,000,000	EUR 3M+0.80%	4,876%

The caption securitisation notes – ‘Altis’ refers to the securitisation notes book value, resulting from that operation. This issue related only to notes with variable income of Euribor 3 months plus spread of 0.80%. Quarterly, securitised credit interests received are calculated and transferred to the Company. This amount is fully paid to the debt securities owners.

	<b>Maturity</b>	<b>Amount Euro</b>	<b>Interest rate</b>	<b>Interest rate as at 31.12.2007</b>
Rose no. 1 Securitisation Notes	December 2012	400,000,000	EUR 3M+1.15%	4,949%

The caption securitisation notes – ‘Rose’ refers to the securitisation notes book value, resulting from that operation. This issue related only to notes with variable income of Euribor 3 months plus spread of 1.15%. Quarterly, securitised credit interests received are calculated and transferred to the Company. This amount is fully paid to the debt securities owners.

## 8 Accruals and deferred income

This balance is analysed as follows:

	<b>2007 Euro</b>			<b>2006 Euro</b>		
	<b>Total operations</b>	<b>Global</b>	<b>Total</b>	<b>Total operations</b>	<b>Global</b>	<b>Total</b>
<i>Accrued expense:</i>						
Interest on subordinated debt	1,780,124	-	1,780,124	343,247	-	352,020
Legal assistance	-	6,655	6,655	-	3,328	-
Commissions	20,376	-	20,376	-	-	-
Audit	81,675	3,176	84,851	17,500	5,445	17,500
<i>Deferred income:</i>						
Management commission	-	172,651	172,651	-	206,440	206,440
	<b>1,882,175</b>	<b>182,482</b>	<b>2,064,657</b>	<b>360,747</b>	<b>215,213</b>	<b>575,960</b>

	Altis		Pérola		Rose	
	2007 Euro	2006 Euro	2007 Euro	2006 Euro	2007 Euro	2006 Euro
<i>Accrued expense:</i>						
Interest on subordinated debt	426,249	57,781	337,375	285,466	1,016,500	343,247
Commissions	18,696	-	-	-	1,680	-
Audit	42,350	17,500	-	-	39,325	17,500
	<u>487,295</u>	<u>75,281</u>	<u>337,375</u>	<u>285,466</u>	<u>1,057,505</u>	<u>360,747</u>

The caption Accrued expense includes the amount of Euro 6,655 (2006: Euro 3,328) related to the semi-annual legal assistance.

The caption Deferred income refers to the amount of Euro 172,651 (2006: Euro 206,440) related with the management commissions of the operations 'Pérola' and 'Altis', as described in note 11.

## 9 Share capital

As described in note 1 a), the Company Share capital in the amount of Euro 250,000 is represented by 50,000 shares with the nominal value of Euro 5 each.

As at 12 December, 2005, it was determined in General Assembly, the creation of supplementary capital, by the single shareholder of the Company, in the amount of Euro 200,000.

As at 29 December, 2005, it was determined in General Assembly, the creation of supplementary capital, by the single shareholder of the Company, in the amount of Euro 20,000.

As at 28 December, 2006, it was determined in General Assembly, the creation of supplementary capital, by the single shareholder of the Company, in the amount of Euro 226,000.

As at 10 December, 2007, it was determined in General Assembly, the creation of supplementary capital, by the single shareholder of the Company, in the amount of Euro 440,000.

As at 31 December, 2007, the equity of the Company corresponds to Euro 1,084,060 (2006: Euro 694,146), allowing the Company to hold securitisation notes until the amount maximum of Euro 784,060,000 (2006: Euro 394,146,000), in accordance with the Regulation 12/2002 of CMVM.



## 10 Reserves and retained earnings

This balance is analysed as follows:

	2007 Euro			2006 Euro		
	Total operations	Global	Total	Total operations	Global	Total
Retained earnings	-	(1,854)	(1,854)	-	(15,398)	(15,398)
Net income for the year	-	(50,086)	(50,086)	-	13,544	13,544
	-	(51,940)	(51,940)	-	(1,854)	(1,854)

As defined by the Portuguese legislation, the Company must transfer to Legal reserve a minimum of 5% of the net income for each year, until it represents 20% of the Share capital.

For the year 2007, the Company transferred Euro 1,354 to Legal reserve and the remaining Euro 12,190 to Retained earnings.

## 11 Services provided

This balance is analysed as follows:

	2007 Euro			2006 Euro		
	Total operations	Global	Total	Total operations	Global	Total
<i>Management Fee</i>						
Pérola	-	32,143	32,143	-	32,151	32,151
Altis	-	1,521	1,521	-	141	141
Rose	-	125	125	-	-	-
Audit	64,175	-	64,175	-	-	-
Commissions	37,173	26,985	64,158	-	-	-
	101,348	60,774	162,122	-	32,292	32,292

The caption Services provided – Management fee records the amount of Euro 33,789 (2006: Euro 32,292) related with the acceptance commissions that will be differed throughout the maturity of the operations ‘Pérola’, ‘Altis’ and ‘Rose’.

	Altis		Pérola		Rose	
	2007 Euro	2006 Euro	2007 Euro	2006 Euro	2007 Euro	2006 Euro
Audit	24,850	-	-	-	39,325	-
Commissions	35,493	-	-	-	1,680	-
	<u>60,343</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>41,005</u>	<u>-</u>

The caption Audit – ‘Altis’ includes the amount of Euro 21,175 received from TAP S.A. related to the audit fees, as described in note 4.

The caption Audit – ‘Rose’ refers to audit fees received from Brisa S.A. in the amount of Euro 39,325, as described in note 4.

The caption Commissions refers to the bank and issuer commissions that the Company receives from the originators of the operations ‘Altis’ and ‘Rose’.

## 12 Other administrative costs

This balance is analysed as follows:

	2007 Euro			2006 Euro		
	Total operations	Global	Total	Total operations	Global	Total
Legal assistance	-	12,389	12,389	-	6,655	6,655
Fiscal assistance	-	7,406	7,406	-	-	-
Commissions	37,173	-	37,173	-	-	-
Audit	64,175	3,176	67,351	17,500	5,445	22,945
Informatics	-	-	-	-	2,837	2,837
Legal costs	-	41	41	-	270	270
Other specialised services	-	84,385	84,385	-	-	-
	<u>101,348</u>	<u>107,397</u>	<u>208,745</u>	<u>17,500</u>	<u>15,207</u>	<u>32,707</u>

The Company has signed a Service Level Agreement (SLA) with Deutsche Bank (Portugal), S.A. and with Navigator SGFTC, S.A., that defines the terms of the services provided from these companies to Tagus. This contract has effects since 1 January, 2007.

The caption Other specialised services in the amount of Euro 59,561 and Euro 24,824 refers to the services rendered from Deutsche Bank (Portugal) S.A. and Navigator SGFTC, S.A., respectively, as a result of the SLA signed.

	Altis		Pérola		Rose	
	2007 Euro	2006 Euro	2007 Euro	2006 Euro	2007 Euro	2006 Euro
Commissions	35,493	-	-	-	1,680	-
Audit	24,850	17,500	-	-	39,325	17,500
	60,343	17,500	-	-	41,005	17,500

The caption Commissions refers to the amounts of bank and issuer commissions that the Company pays, after receiving the same amounts from the originators of the operations 'Altis' and 'Rose', as described in note 11.

The caption Audit for the operation 'Altis' segment includes the amount of Euro 3,675 related to VAT from 2006.

## 13 Financial income

This balance is analysed as follows:

	2007 Euro			2006 Euro		
	Total operations	Global	Total	Total operations	Global	Total
<i>Financial income:</i>						
Interest on securitised credits	19,587,180	-	19,587,180	5,225,264	-	5,225,264
<i>Financial expense:</i>						
Interest on subordinated debt	19,587,180	-	19,587,180	5,225,264	-	5,225,264
Financial income	-	-	-	-	-	-

	Altis		Pérola		Rose	
	2007 Euro	2006 Euro	2007 Euro	2006 Euro	2007 Euro	2006 Euro
<i>Financial income:</i>						
Interest on securitised credits	11,593,942	57,781	6,976,738	5,167,483	1,016,500	-
<i>Financial expense:</i>						
Interest on subordinated debt	11,593,942	57,781	6,976,738	5,167,483	1,016,500	-
Financial income	-	-	-	-	-	-

## DESCRIPTION OF THE ORIGINATOR

### OVERVIEW OF FINIBANCO FINANCIAL GROUP

#### History and Organisation

Finibanco was incorporated in 1993, succeeding Finindústria, an investment company founded in 1988 by the VIC Group, which is still its core shareholder.

Finindústria and Finibanco set up a number of different companies to operate in various lines of business, since due to the legal framework in place at that time, the bank was unable to operate in those lines of business directly. In light of that, the group companies at that time were:

- Título-Sociedade Financeira de Corretagem, S.A. (Stockbrokerage Firm);
- Finicrédito-Instituição Financeira de Crédito, S.A (Consumer Credit Company);
- Finisegur-Sociedade Mediadora de Seguros, S.A. (Insurance Brokerage Company);
- Finimóveis-Sociedade Imobiliária de Serviços Auxiliares, S.A. (Auxiliary Company Managing Real Estate received as collateral);
- Finivalor-Sociedade Gestora de Fundos, S.A. (Equity & REIT Fund Management Company) (“Finivalor”);
- Finimus-Sociedade Gestora de Fundos Imobiliários, S.A. (REIT Fund Management Company) (“Finimus”); and
- Finipatrimónio-Sociedade Gestora de Patrimónios, S.A. (Asset Management Company - Private Individuals)(“Finipatrimónio”).

In 1994, Finibanco began expanding the Branch network and currently has 174 branches. In 1995, Finibanco (Macau), S.A. was created as a non-strategic project and was subsequently sold in 2002. In 1998, Finibanco listed on the Lisbon Stock Exchange and in 1999, launched its telebanking, net-banking and business promoters network. In 2001, some re-structuring was carried out that led to the creation of Finibanco-Holding, SGPS, SA, which then became the 100% shareholder of all the subsidiary companies.

In 2004, to simplify the corporate structure, Finivalor absorbed Finimus and Finipatrimónio, now managing REIT and Equity Funds, as well as individual portfolios.

During the first six months of 2005, Título-Sociedade Financeira de Corretagem, S.A. was merged into Finibanco, S.A. Concluded on the 21<sup>st</sup> of July 2005, the date of its public deed being signed, it then came into effect legally on the following day, when it was registered at the Oporto Companies Registry Office. At the same time, Leasecar-Comércio e Aluguer de Veículos e Equipamentos, S.A. was merged into Finicrédito-Instituição Financeira de Crédito, S.A..

In 2006, based on Finibanco Group’s development strategy and with a view to promoting business internationalisation, a decision was made to expand into Angola, in partnership with other entities. The bank in Angola was constituted by public deed in Luanda on the 4<sup>th</sup> of September 2007. Finibanco holds 61% of Finibanco Angola, S.A.. On the 9<sup>th</sup> of June 2008, the first Finibanco-Angola, S.A. branch was opened.

Along the same strategic guidelines, with the objective of widening our business activity to areas with development potential outside a strictly banking framework, it was also decided to create an insurance company operating in the life segment in Portugal, which was named Finibanco Vida-Companhia de Seguros de Vida, S.A., whose public deed was signed on the 23rd of January of 2007, after all legal formalities were completed. The Company operates a direct insurance business, as well as other connected or complementary activities to the core business.

Also within the scope of the internationalisation of the Group's activity, at the level of the holding company, a public limited company was constituted in Luxemburg under the corporate name Fini International Luxemburg, S.A., with a share capital of €32,000. This occasion was also marked by the transfer of the head office of the company Fini International (Cayman) to Luxemburg, the increase in its share capital and alteration of its corporate name to Fini International (Cayman), S.A. Aimed at the strengthening of the entrepreneurial capacity of these units and in order to ensure the development of its business based on more efficient standards, this was followed by the merger, by a take-over, of Fini International (Cayman), S.A. at Fini International Luxemburg, S.A.

### **Diagram of the Finibanco Financial Group's Activities**

Finibanco Group focuses its activity on retail banking, attracting funds (saving deposits, private banking services, debt issue, tax efficiency products, mutual and REIT funds, insurances, etc.) and granting credit (mortgage loans, personal loans, consumer credit, SME loans, credit cards, etc.) to private individuals and small and medium sized companies.

Finibanco Group has a total of 1,566 employees distributed across the Group companies as follows:

- Finibanco, S.A. 1,317 employees;
- Finibanco Angola, S.A. 22 employees;
- Finicrédito – Instituição Financeira de Crédito, S.A. 180 employees;
- Finivalor - Sociedade Gestora de Fundos, S.A. 27 employees;
- Finibanco Vida-Companhia de Seguros de Vida, S.A. 10 employees; and
- Finisegur - Sociedade Mediadora de Seguros, S.A. 10 employees.

Finibanco Group's major competitive advantage stems from its size. This enables it to develop a close personalized relationship with the customer, which enhances decisions and makes them more agile, a fact much valued by the users of financial products and services.

This business is carried out by Finibanco, S.A., with consumer credit activities being undertaken by the subsidiary company, Finicrédito – Instituição Financeira de Crédito, S.A..

Finibanco Angola, S.A. was constituted in partnership with various predominantly local entities. In the Angolan market it consists of a universal bank, with hands-on commercial action aimed at getting to know people and the full meeting of the financial needs of its customers. Finibanco Angola, S.A.'s main priority is to grant credit to industry and agriculture, and it is planned to open 30 branches across Angola by 2011.

A second line of banking activity is linked to the capital markets, namely brokerage and trading. That line of business is also carried out by Finibanco, S.A. (previously by Título - Sociedade Financeira de Corretagem, S.A. that in 2005 was merged by incorporation into Finibanco, S.A.)

A third line of banking business, carried out by Finivalor - Sociedade Gestora de Fundos, S.A., is that of asset management, both of individual and collective assets. Finivalor - Sociedade Gestora de Fundos, S.A. manages equity and REIT investment funds, which have frequently received awards from several entities that analyse the Portuguese Investment Fund space, including Standard & Poor's and some financial newspapers.

The fourth line of business – insurance – has been developed by Finisegur - Sociedade Mediadora de Seguros, S.A., an insurance brokerage company. Since 2007, Finibanco Vida-Companhia de Seguros de Vida, S.A. has operated in direct insurance activities, as well as in certain connected or complementary areas.

The Group also boasts two other instrumental companies, Fini International Luxembourg, S.A., which together with the Madeira (SFEM) and Cayman branches are aimed at improving fiscal efficiency, and Finimóveis-Sociedade Imobiliária de Serviços Auxiliares, S.A., whose mission is to acquire and manage real estate received as collateral.

### Diagram of the current Finibanco Financial Group Structure



### Shareholder Structure of Finibanco SGPS, S.A.

Within the terms of Regulation number 04/2004 of the Securities Market Commission, a list of shareholders holding over 2% of the voting rights corresponding to the capital stock of Finibanco-Holding, SGPS S.A., on the 30<sup>th</sup> of June 2008, is presented:

Shareholders	Number of Shares	% Voting Rights
VIC (S.G.P.S.), S.A.	77,137,752	67.076
Banif – SGPS, S.A. (*)	9,917,974	8.624
Vicaima Madeiras (S.G.P.S.), S.A. (**)	8,440,059	7.339
António Luís Alves Ribeiro de Oliveira	3,541,217	3.079

(\*) As per shareholder communication, after considering indirectly-held shares, Banif-SGPS, S.A. held 8.681% of voting rights, as follows:

Shareholders	Number of Shares	% Voting Rights
Directly	9,917,974	8.624
Indirectly		
Via a parent entity	35,734	0.031
Via member of the Supervisory Body	30,349	0.026

Banif-SGPS, S.A. is controlled by Rentipar Financeira SGPS, S.A., which in turns is held in its majority by Mr. Comendador Horácio da Silva Roque. Therefore, the aforementioned voting rights are equally vested on that entity.

(\*\*) After considering the indirectly-held shares, via its subsidiaries, Vicaima Madeiras (S.G.P.S.) S.A. held on the 30<sup>th</sup> of June 2008, 7.359% of the voting rights, as follows:

Shareholders	Number of Shares	% Voting Rights
Directly	8,440,059	7.339
Indirectly (via its subsidiaries)	22,524	0.020

Mr. Álvaro Pinho da Costa Leite and spouse, holders of the financial company APCL Financeira-S.G.P.S., Lda., whose direct and indirect stake in VIC (S.G.P.S.), S.A is 77.53%, hold directly and indirectly, a qualified share of 67.080% in Finibanco-Holding, SGPS S.A., as follows:

Shareholders	Number of Shares	% Voting Rights
Directly	4,111	0.004
Indirectly		
Through VIC (S.G.P.S.), S.A., whose majority is held by APCL Financeira-S.G.P.S., Lda.	77,137,752	67.076

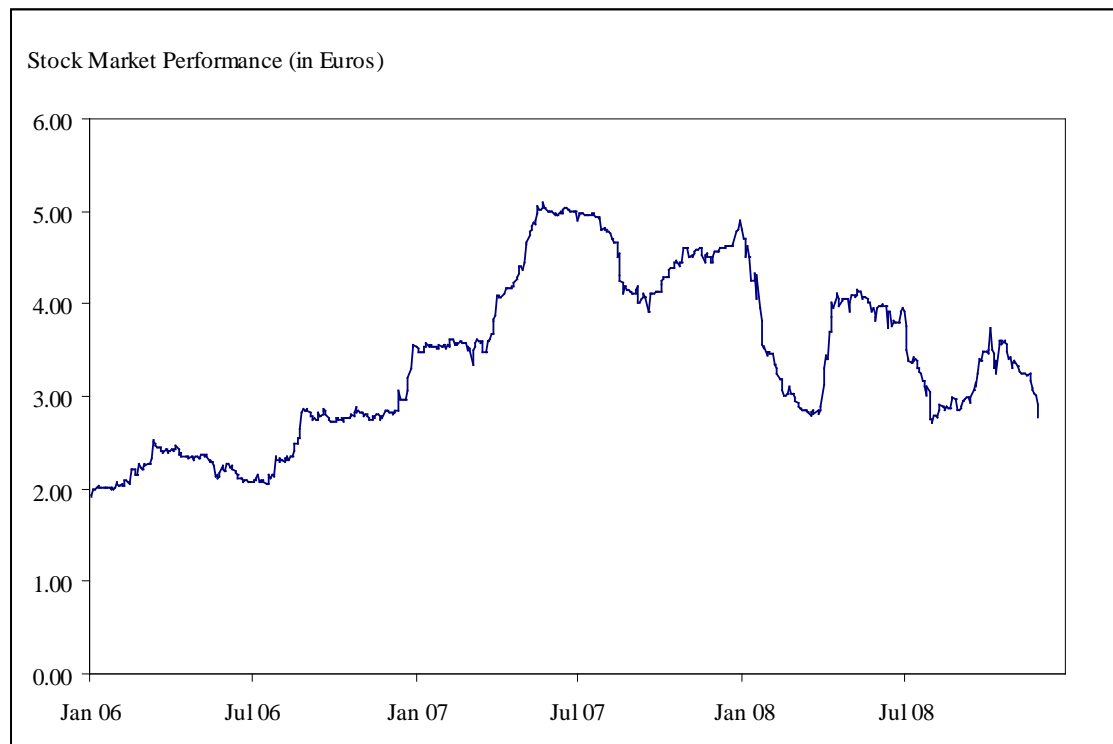
For the purposes defined in section d), number 2 of article no. 66 of the Commercial Companies Code, the information is given that Finibanco-Holding, SGPS S.A. did not hold or trade any of its own shares on the 30<sup>th</sup> of June 2008.

None of the controlled companies, under the terms defined in article no. 486 of the Commercial Companies Code, held or traded any Finibanco-Holding, SGPS S.A. shares.



## Stock Market Performance of Finibanco SGPS, S.A.'s shares

Stock Market Performance of Finibanco SGPS, S.A.'s shares from 2006 to the present, is as shown below:



Finibanco SGPS, S.A.'s market capitalisation as of the 31<sup>st</sup> of October 2008 was approximately €387,550,000. There are currently 115,000,000 Finibanco-Holding SGPS, S.A.'s shares listed on the Euronext Lisbon market.

### Main Financial Consolidated Indicators of Finibanco Financial Group

#### Main Financial Consolidated Indicators for the 1<sup>st</sup> Semester of 2008

##### *I - Assets*

As at 30th of June of 2008, the net assets of the Finibanco Group registered €3,093 million, growing 19% year-on-year and 13.5% (annualised rate) in relation to the 31<sup>st</sup> of December 2007.

##### *II - Loan portfolio*

The gross loan portfolio grew by €392.3 million in relation to the same period of the previous year, corresponding to an increase of 19.1%. A securitisation of SME loans was carried out in June 2007 in the amount of €250 million, a value incorporated in the balance sheet.

			Thousand €
Loans and advances to customers	30-06-2008	30-06-2007	Δ (%)
<b>1. Individuals</b>	<b>964,576</b>	<b>779,069</b>	<b>23.8</b>
...Mortgage loans	262,638	224,175	17.2
...Other loans	701,938	554,894	26.5
<b>2. Corporate</b>	<b>1,477,910</b>	<b>1,271,132</b>	<b>16.3</b>
<b>Total</b>	<b>2,442,486</b>	<b>2,050,200</b>	<b>19.1</b>

Mortgage loans grew by 17.2%, whereas individuals loans for other purposes increased by 26.5%. The growth in corporate loans (16.3%) was slightly below the total loan portfolio average growth rate.

The ratio of loans in arrears for more than 90 days (deducting loans totally covered by provisions) registered a slight year-on-year deterioration, from 1.6% to 1.7% of total loans.

The cost of risk, net of recoveries, fell from 202 basis points to 125 basis points.

As at the 30<sup>th</sup> of June 2008, loans 100% covered by provisions stood at €6.8 million and loans in arrears for more than 90 days (deducting those 100% covered by provisions) were 131% covered by provisions.

### *III – Customer funds*

Total customer funds (including asset management) grew by 17.1% (+€16.8 million) in relation to the same period of the previous year.

			thousand €
	30-06-2008	30-06-2007	Δ (%)
...Deposits	2,162,037	1,732,087	24.8
...Debt issued	190,173	196,939	(3.4)
...Capitalisation insurance & Retir. Savings Plans	25,141	1,382	1719.4
Customer funds on the balance sheet <sup>(1)</sup>	2,377,350	1,930,408	23.2
Asset Managemet <sup>(2)</sup>	477,053	507,202	(5.9)
<b>TOTAL CUSTOMER FUNDS</b>	<b>2,854,403</b>	<b>2,437,610</b>	<b>17.1</b>

<sup>(1)</sup> Not considering interest and other adjustments.

<sup>(2)</sup> Includes investment funds, savings plans in shares and management of portfolios corrected for duplication of records (deposits of investment funds, participation units in portfolio and other).

Customer deposits grew by €429.9 million, corresponding to an increase of 24.8% in relation to June 2007.

Debt issued decreased by 3.4% year-on-year.

As a consequence of the crisis in the financial markets, asset management fell by €30.1 million, representing a decrease of 5.9%.

### *IV – Shareholders' equity*

As at 30<sup>th</sup> of June of 2008, shareholders' equity stood at €172 million, registering a decrease of €18.3 million in relation to 31 December 2007.

ROE stood at 7.2%, as a consequence of the reduction in net profit by €8.8 million.

As at 30<sup>th</sup> of June of 2008, the ratio of own funds requirements, according to Bank of Portugal rules, stood at 8.3% and Core Tier I came to 5.8%.

### V – Profit and Loss Account

P&L Account	30-06-2008	30-06-2007	thousand €	
			Value	Δ %
Net interest income	44,971	42,842	2,129	5.0
Other current income	35,445	56,208	(20,763)	(36.9)
Commissions and other net income (net)	24,438	20,979	3,459	16.5
Profits from financial operations (net)	11,007	35,229	(24,222)	(68.8)
<b>Net operating income from banking</b>	<b>80,416</b>	<b>99,050</b>	<b>(18,634)</b>	<b>(18.8)</b>
Loan provisions and Impairments	14,678	27,075	(12,397)	(45.8)
Administrative overheads, amortization and depreciation	55,751	48,607	7,144	14.7
Personnel and other administrative costs	51,220	44,691	6,529	14.6
Depreciation of fixed assets	4,531	3,916	615	15.7
Equity-accounted results of subsidiaries	(441)	(238)	(203)	-
<b>Profits before income tax</b>	<b>9,546</b>	<b>23,130</b>	<b>(13,584)</b>	<b>(58.7)</b>
Corporate income tax	2,869	7,551	(4,682)	(62.0)
Minority interests	(98)	0	(98)	-
<b>Net profit</b>	<b>6,775</b>	<b>15,579</b>	<b>(8,804)</b>	<b>(56.5)</b>
<b>Cash-flow before taxation</b>	<b>28,755</b>	<b>54,121</b>	<b>(25,366)</b>	<b>(46.9)</b>

Net operating income from banking decreased by 18.8% in relation to June 2007, mainly justified by the reduction in profits from financial operations of €24.2 million.

Net interest income increased by €2.1 million (+5%), less than the growth in turnover, explained by the relative decrease in net interest income.

The global decrease reached 48 basis points, 31 on the assets side and 17 on the liabilities side, having been boosted by the international financial crisis.

Profits from financial operations fell 68.8% (-€24.2 million) as a consequence of the abovementioned crisis in the financial markets.

Net commissions and other net income grew by 16.5%, corresponding to an increase of €3.5 million.

Commissioning associated to banking services increased by €3.3 million in relation to 2007, essentially as a result of the increase in activity. This item increased 24% in relation to 2007, representing 68.8% of total commissions and other income (64.6% in June 2007).

This item was, nonetheless, affected negatively by €727 thousand, following the Aqua Finance N°2 credit securitisation operation, which began amortisation in July 2006.

The crisis in the financial markets explains the reduction in brokerage commissions by €303 thousand (-44.3%) and moderate growth in commissions from investment funds and asset management (+2.7%).

In 2007 the Finibanco Group began to operate in the insurance business, registering a positive net contribution of €855 thousand during the 1st half-year of 2008.

The retail and investment banking areas accounted for 85.5% and 14.5% of total commissions, respectively.

In 2008, loans provisions and impairments were reinforced by €14.7 million, representing a decrease of €12.4 million in relation to the same period of the previous year.

In 2008, the recoveries of the written-off credits came to €4.6 million, representing an increase of €1.6 million (+51.4%).

The cost of risk fell 77 basis points to 125 basis points.

Administrative overheads, amortisation and depreciation costs increased by €7.1 million year-on-year (+14.7%), to which the 24.4% increase in the number of branches over the same period and the start of operations of Finibanco Angola contributed.

Personnel costs grew by €4 million (+14.7%), with 175 new employees having been contracted during the period (+12.4%). As at the 30<sup>th</sup> of June of 2008, the Finibanco Group had 1,591 employees, corresponding to 9.5 employees per branch (10.5 in June 2007). The increase in personnel costs is associated with the opening of new branches and the start of operations of Finibanco Angola in 2008.

Administrative expenses grew by 14.5%, representing an increase of €2.5 million, a value which compared favourably with the expansion of the branch network (+24.4%). The increase in this item reflects the growth of the branch network and the internationalisation of activity in Angola.

Amortisation and depreciation increased by 15.7%, with the “equipment” component having registered the highest growth.

Cost to income (with capital markets) deteriorated by 20.5 percentage points, rising from 49.2% to 69.7%. Contributing negatively to this deterioration were the following previously mentioned facts: the relative decline of net interest income, new branches and the creation of new institutions.

The fall in net profit for the period was affected by:

- the instability of financial markets, which was reflected in net income from financial operations (-€4.2 million) and net interest income;
- the negative contribution of 57 branches opened in 2006, 2007 and in the first half-year of 2008, which collectively represent 33.9% of the current network and negatively affected net income by €5.2 million;
- the start of operations of Finibanco Angola, on a smaller scale.

## VI. Reference indicators of the Bank of Portugal

The table below presents the reference indicators, in accordance with Instruction number 16/2004 of the Bank of Portugal.

REFERENCE INDICATORS OF THE BANK OF PORTUGAL	30-06-2008	31-12-2007	30-06-2007
<b>1. Financial Strength</b>			
Ratio of own funds requirements	8.3%	10.0%	11.0%
Tier I	5.8%	6.6%	7.2%
<b>2. Assets' Quality</b>			
Loans in arrears and doubtful loans <sup>(a)</sup> / Total loans	3.3%	2.9%	2.8%
Loans in arrears and doubtful loans, net <sup>(b)</sup> / Total loans, net <sup>(b)</sup>	1.,0%	0.8%	0.4%
<b>3. Earnings and Profitability</b>			
Profits before income tax / Average net assets	0.6%	1.5%	1.9%
Net operating income <sup>(c)</sup> / Average net assets	5.4%	6.8%	8.2%
Profits before income tax / Average net shareholders' equity	10.1%	21.8%	28.7%
<b>4. Efficiency</b>			
Administrative overheads and depreciation / Net operating income <sup>(c)</sup>	69.7%	57.6%	49.2%
Personnel costs + depreciation / Net operating income <sup>(c)</sup>	39.1%	32.6%	27.6%

(a) According to the definition in Circular Letter number 99/03/2003 of the Bank of Portugal.

(b) Credit net of provisions for overdue loans and for doubtful loans.

(c) According to the definition contained in Instruction number 16/2004 of the Bank of Portugal (with written-offs recoveries and interest deducted from assets).

Consolidated balance sheet for 1st semester of 2008, comparing with 1st semester 2007

M.€	30-06-2007	30-06-2008
Cash and deposits at central banks	142.91	177.53
Loans and advances to credit institutions	94.42	57.12
Loans and advances to Customers	2,197.57	2,373.77
Financial assets held for dealing	80.41	71.00
Financial assets available for sale	151.37	147.02
Financial assets held to maturity	0.00	3.18
Investments in associated companies	0.00	37.05
Intangible assets	3.64	3.82
Other tangible assets	58.30	63.50
Tax assets	2.07	12.85
Other assets	166.93	145.87
<b>TOTAL ASSETS</b>	<b>2,897.61</b>	<b>3,092.72</b>
Resources of other credit institutions	132.33	167.56
Financial liabilities held for dealing	31.23	37.45
Resources of Customers and other loans	2,030.86	2,181.70
Other financial liabilities at fair value through net income	163.52	155.33
Debt securities	0.22	2.25
Financial liabilities associated to transferred assets	248.80	248.94
Hedging derivatives		0.00
Tax liabilities	9.78	3.16
Other liabilities	45.11	71.64
Provisions	1.97	1.96
Technical provisions	14.53	25.29
Subordinated debt	0.65	0.65
Shareholders' equity	190.29	171.95
Minority interests	2.72	18.07
Net profit	25.61	6.78
<b>TOTAL LIABILITIES</b>	<b>2,897.61</b>	<b>3,092.72</b>

Consolidated P&L account for 1st semester of 2008, comparing with 1st semester 2007

M.€	30-06-2007	30-06-2008
Net interest income	42.84	44.97
Other current income	56.21	35.45
Commissions and other similar income (net)	20.98	24.44
Profits from financial operations	35.23	11.01
<b>Net operating income from banking</b>	<b>99.05</b>	<b>80.42</b>
Loan provisions and impairments	27.08	14.68
Administrative overheads, amortisation and depreciation	48.61	55.75
Personnel costs	27.29	31.30
Other administrative expenses	17.41	19.92
Depreciation of fixed assets	3.92	4.53
Equity-accounted results of subsidiaries	(0.24)	(0.44)
<b>Profits before income tax</b>	<b>23.13</b>	<b>9.55</b>
Corporate income tax	7.55	2.87
Minority interests	0.00	-0.10
<b>Net profit</b>	<b>15.58</b>	<b>6.78</b>
Cash-flow before taxation	54.12	28.75

## Main Financial Consolidated Indicators for the year 2007

Consolidated balance sheet for 2007, comparing with 2006

M.€	31-12-2006	31-12-2007
Cash and deposits at central banks	116.63	142.91
Loans and advances to credit institutions	44.04	94.42
Loans and advances to Customers	1,794.78	2,197.57
Financial assets held for dealing	59.08	80.41
Financial assets available for sale	63.80	151.37
Investments in associated companies	0.79	0.00
Intangible assets	2.61	3.64
Other tangible assets	54.72	58.30
Tax assets	6.29	2.07
Other assets	103.53	166.93
<b>TOTAL ASSETS</b>	<b>2,246.26</b>	<b>2,897.62</b>
Resources of other credit institutions	133.42	132.33
Financial liabilities held for dealing	27.36	31.23
Resources of Customers and other loans	1,679.61	2,030.86
Other financial liabilities at fair value through net income	201.87	163.52
Debt securities	0.00	0.22
Financial liabilities associated to transferred assets	0.00	248.80
Hedging derivatives	0.00	0.00
Tax liabilities	3.60	9.78
Other liabilities	44.35	45.11
Provisions	0.23	1.97
Technical provisions	0.00	14.53
Subordinated debt	0.00	0.66
Shareholders' equity	134.68	190.29
Minority interests	0.00	2.72
Net profit	21.14	25.61
<b>TOTAL LIABILITIES</b>	<b>2,246.26</b>	<b>2,897.62</b>

Consolidated P&L account for 2007, comparing with 2006

M.€	31-12-2006	31-12-2007
Net interest income	77.58	82.49
Other current income	59.57	94.70
Commissions and other similar income (net)	41.18	44.75
Profits from financial operations	18.39	49.95
<b>Net operating income from banking</b>	<b>137.15</b>	<b>177.19</b>
Loan provisions and impairments	22.90	36.87
Administrative overheads, amortisation and depreciation	88.30	100.90
Personnel costs	50.30	57.18
Other administrative expenses	30.49	35.41
Depreciation of fixed assets	7.51	8.31
Equity-accounted results of subsidiaries	(0.03)	(2.00)
<b>Profits before income tax</b>	<b>25.92</b>	<b>37.42</b>
Corporate income tax	4.78	11.81
Minority interests	0.00	0.00
<b>Net profit</b>	<b>21.14</b>	<b>25.61</b>
Cash-flow before taxation	56.33	82.60

## OVERVIEW OF FINIBANCO, S.A. – THE ORIGINATOR

### Organisation and Activities of Finibanco

Finibanco, S.A. represents approximately 88% of Finibanco Group's total assets, so the gross activity of the Group is mainly focused on Finibanco, S.A..

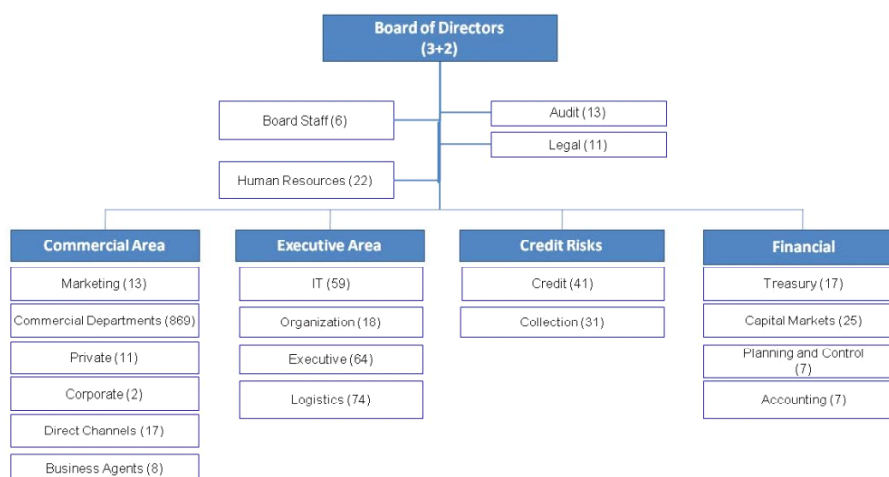
Finibanco, S.A. focuses its activity on retail banking, attracting funds (saving deposits, private banking services, debt issue, tax efficiency products, etc.) and granting credit (mortgage loans, personal loans, SME's loans, credit cards, etc.) to private individuals (96,922 clients) and small and medium sized companies (21,241 clients). Its activity is developed by a 174 branch network and 234 business agents. The direct channels have been improving their importance in the bank's activity (Net-banking – 59,023 users, 356 ATM's and 2,050 POS).

Finibanco, S.A.'s major competitive advantage stems from its size. This enables it to develop a close personalized relationship with the customer, which enhances decisions and makes them more agile, a fact which is much valued by the users of financial products and services.

Finibanco, S.A. market share is shown below:

Type of product / service	Market Share
Deposits	1.3%
Credit	0.9%
Branches network	2.8%
Brokerage (stocks)	0.9%

As of the 30<sup>th</sup> of September 2008, Finibanco, S.A. has a total of 1,317 employees distributed across the following departments:



### Main Financial Indicators of Finibanco

#### Main Financial Indicators of Finibanco for the 1<sup>st</sup> Semester of 2008

##### I - Assets

As at 30<sup>th</sup> of June of 2008, the net assets of the Finibanco Group registered €2,998 million, growing 17% year-on-year (+€436.2 million). In the first semester, total assets grew €163 million.



## II – Loan portfolio

The gross loan portfolio grew by €449.9 million in relation to the same period of the previous year, corresponding to an increase of 24.8%. A securitisation operation relative to SME loans was carried out in June 2007 in the amount of €250 million, a value incorporated in the balance sheet.

			Thousand €
Loans and advances to customers	30-06-2008	30-06-2007	Δ (%)
<b>1. Individuals</b>	<b>651,544</b>	<b>552,450</b>	<b>17.9</b>
...Mortgage loans	262,638	224,175	17.2
...Other loans	388,906	328,275	18.5
<b>2. Corporate</b>	<b>1,614,071</b>	<b>1,263,236</b>	<b>27.8</b>
<b>Total</b>	<b>2,265,615</b>	<b>1,815,686</b>	<b>24.8</b>

Mortgage loans grew by 17.2%, whereas individuals loans for other purposes increased by 18.5%. The growth in corporate loans (27.8%) was slightly below the total loan portfolio average growth rate.

The ratio of loans in arrears for more than 90 days (deducting loans totally covered by provisions) stood at 1.6%.

The cost of risk, net of recoveries, fell from 138 basis points to 82 basis points.

As at 30<sup>th</sup> of June 2008, loans 100% covered by provisions stood at €8.8 million and loans in arrears for more than 90 days (deducting those 100% covered by provisions) were 125.3% covered by provisions.

## III – Customer funds

Total customer funds (including asset management) grew by 15.4% (+€378 million) in relation to the same period of the previous year.

			thousand €
	30-06-2008	30-06-2007	Δ (%)
...Deposits	2,179,371	1,767,658	23.3
...Debt issued	173,142	176,727	(2.0)
Customer funds on the balance sheet <sup>(1)</sup>	2,352,513	1,944,384	21.0
Asset Management <sup>(2)</sup>	477,053	507,202	(5.9)
<b>TOTAL CUSTOMER FUNDS</b>	<b>2,829,566</b>	<b>2,451,586</b>	<b>15.4</b>

<sup>(1)</sup> Not considering interest and other adjustments.

<sup>(2)</sup> Includes investment funds, savings plans in shares and management of portfolios corrected for duplication of records (deposits of investment funds, participation units in portfolio and other).

Customer deposits grew by €411.7 million, corresponding to an increase of 23.3% in relation to June 2007.

Debt issued decreased by 2.0% year-on-year.

As a consequence of the crisis in the financial markets, asset management fell by €30.1 million, representing a decrease of 5.9%.

#### *IV – Shareholders' equity*

As at 30<sup>th</sup> of June of 2008, Shareholders' equity stood at €139 million, registering a decrease of €4,0 million in relation to 31 December 2007.

ROE stood at 7.3%, as a consequence of the reduction in net profit by €9.8 million.

As at 30<sup>th</sup> of June of 2008, the ratio of own funds requirements, according to Bank of Portugal rules, stood at 8.4% and Core Tier I came to 5.8%.

#### *V – Profit and Loss Account*

P&L Account	30-06-2008	30-06-2007	thousand €	
			Value	Δ %
Net interest income	36,611	34,664	1,947	5.6
Other current income	25,013	44,858	(19,845)	(44.2)
Commissions and other net income (net)	18,374	11,130	7,244	65.1
Profits from financial operations (net)	6,639	33,728	(27,089)	(80.3)
<b>Net operating income from banking</b>	<b>61,624</b>	<b>79,522</b>	<b>(17,898)</b>	<b>(22.5)</b>
Loan provisions and Impairments	8,944	19,456	(10,512)	(54.0)
Administrative overheads, amortization and depreciation	47,506	40,026	7,480	18.7
Personnel and other administrative costs	43,599	36,690	6,909	18.8
Depreciation of fixed assets	3,907	3,336	571	17.1
<b>Profits before income tax</b>	<b>5,174</b>	<b>20,040</b>	<b>(14,866)</b>	<b>(74.2)</b>
Corporate income tax	1,002	6,107	(5,105)	(83.6)
<b>Net profit</b>	<b>4,172</b>	<b>13,933</b>	<b>(9,761)</b>	<b>(70.1)</b>
<b>Cash-flow before taxation</b>	<b>18,025</b>	<b>42,832</b>	<b>(24,807)</b>	<b>(57.9)</b>

Net operating income from banking decreased by 22.5% in relation to June 2007, mainly justified by the reduction in profits from financial operations of €27.1 million.

Net interest income increased by €1.9 million (+5.6%), less than the growth in turnover, explained by the relative decrease in net interest income.

The global decrease reached 25 basis points, 8 on the assets side and 17 on the liabilities side, having been boosted by the international financial crisis.

Profits from financial operations fell 80.3% (-€27.1 million) as a consequence of the abovementioned crisis in the financial markets.

Net commissions and other net income grew by 65.1%, corresponding to an increase of €7.2 million.

The crisis in the financial markets explains the reduction in brokerage commissions by €303 thousand (-44.3%) and moderate growth in commissions from investment funds and asset management (+2.2%).

In 2008, Loans provisions and impairments were reinforced by €14.7 million, representing a decrease of €12.4 million in relation to the same period of the previous year.

In 2008, the recoveries of the written-off credits came to €1.4 million, representing of 13.9%.

Administrative overheads, amortisation and depreciation costs increased by €7.5 million year-on-year (+18.7%), to which the 24.4% increase in the number of branches over the same period.

Personnel costs grew by €4 million (+18.1%), with 125 new employees having been contracted during the period (+10.2%). As at 30<sup>th</sup> of June of 2008, Finibanco had 1.354 employees, corresponding to 8.1 employees per branch (9.1 in June 2007). The increase in personnel costs is associated with the opening of 33 new branches (+24.4%).

Administrative expenses grew by 20%, representing an increase of €2.7 million, a value which compared favourably with the expansion of the branch network (+24.4%).

Amortisation and depreciation increased by 17.1%, with the “equipment” component having registered the highest growth.

Cost to income deteriorated by 26.8 percentage points, rising from 50.3% to 77.1%. Contributing negatively to this deterioration were the following previously mentioned facts: the relative decline of net interest income, new branches and the creation of new institutions.

The fall in net profit for the period was affected by:

- the instability of financial markets, which was reflected in net income from financial operations (-€27.1 million) and net interest income;
- the negative contribution of 57 branches opened in 2006, 2007 and in the first half-year of 2008, which collectively represent 33.9% of the current network and negatively affected net income by €5.2 million;

## VI. Reference indicators of the Bank of Portugal

The table below presents the reference indicators, in accordance with Instruction number 16/2004 of the Bank of Portugal.

REFERENCE INDICATORS OF THE BANK OF PORTUGAL	30-06-2008	31-12-2007	30-06-2007
<b>1. Financial Strength</b>			
Ratio of own funds requirements	8.4%	8.1%	8.5%
Tier I	5.8%	5.1%	5.8%
<b>2. Assets' Quality</b>			
Loans in arrears and doubtful loans <sup>(a)</sup> / Total loans	2.3%	2.3%	2.1%
Loans in arrears and doubtful loans, net <sup>(b)</sup> / Total loans, net <sup>(b)</sup>	0.8%	0.6%	0.4%
<b>3. Earnings and Profitability</b>			
Profits before income tax / Average net assets	0.4%	1.2%	1.7%
Net operating income <sup>(c)</sup> / Average net assets	4.3%	5.5%	6.7%
Profits before income tax / Average net shareholders' equity	7.3%	22.5%	30.6%
<b>4. Efficiency</b>			
Administrative overheads and depreciation / Net operating income <sup>(c)</sup>	77.1%	60.7%	50.3%
Personnel costs + depreciation / Net operating income <sup>(c)</sup>	44.1%	34.9%	28.9%

(a) According to the definition in Circular Letter number 99/03/2003 of the Bank of Portugal.

(b) Credit net of provisions for overdue loans and for doubtful loans.

(c) According to the definition contained in Instruction number 16/2004 of the Bank of Portugal (with written-offs recoveries and interest deducted from assets).

Balance sheet for 1st semester of 2008, comparing with 1st semester 2007

M.€	30-06-2007	30-06-2008
Cash and deposits at central banks	116.15	176.38
Loans and advances to credit institutions	289.89	318.17
Loans and advances to Customers	1,791.94	2,242.59
Financial assets held for dealing	55.48	66.35
Financial assets available for sale	126.26	42.11
Intangible assets	1.73	2.10
Other tangible assets	35.97	42.47
Tax assets	15.43	8.13
Other assets	128.92	99.77
<b>TOTAL ASSETS</b>	<b>2,561.76</b>	<b>2,998.08</b>
Resources of other credit institutions	113.21	150.23
Financial liabilities held for dealing	21.24	33.59
Resources of Customers and other loans	1,779.02	2,199.06
Other financial liabilities at fair value through net income	158.43	144.42
Financial liabilities associated to transferred assets	248.06	248.94
Tax liabilities	22.65	0.56
Other liabilities	37.54	54.64
Provisions	18.96	22.65
Subordinated debt	0.00	0.65
Shareholders' equity	148.72	139.17
Net profit	13.93	4.17
<b>TOTAL LIABILITIES</b>	<b>2,561.76</b>	<b>2,998.08</b>

P&L account for 1st semester of 2008, comparing with 1st semester 2007

M.€	30-06-2007	30-06-2008
Net interest income	34.66	36.61
Other current income	44.86	25.01
Commissions and other similar income (net)	11.13	18.37
Profits from financial operations	33.73	6.64
<b>Net operating income from banking</b>	<b>79.52</b>	<b>61.62</b>
Loan provisions and impairments	19.46	8.94
Administrative overheads, amortisation and depreciation	40.03	47.51
Personnel costs	23.00	27.17
Other administrative expenses	13.69	16.43
Depreciation of fixed assets	3.34	3.91
<b>Profits before income tax</b>	<b>20.04</b>	<b>5.17</b>
Corporate income tax	6.11	1.00
<b>Net profit</b>	<b>13.93</b>	<b>4.17</b>
Cash-flow before taxation	42.83	18.03

## Main Financial Indicators for the year 2007

Balance sheet for 2007, comparing with 2006

M.€	31-12-2006	31-12-2007
Cash and deposits at central banks	116.62	136.04
Loans and advances to credit institutions	182.80	330.07
Loans and advances to Customers	1,646.37	2,035.98
Financial assets held for dealing	58.92	76.73
Financial assets available for sale	55.84	73.24
Investments in associated companies	0.00	0.00
Intangible assets	1.66	2.06
Other tangible assets	34.65	38.31
Tax assets	5.27	1.29
Other assets	87.37	141.38
<b>TOTAL ASSETS</b>	<b>2,189.48</b>	<b>2,835.09</b>
Resources of other credit institutions	120.49	110.84
Financial liabilities held for dealing	25.81	28.31
Resources of Customers and other loans	1,693.11	2,067.13
Other financial liabilities at fair value through net income	182.95	151.59
Debt securities	0.00	0.00
Financial liabilities associated to transferred assets	0.00	248.80
Tax liabilities	1.56	7.21
Other liabilities	27.49	34.66
Provisions	16.12	21.44
Subordinated debt	0.00	0.65
Shareholders' equity	111.72	143.16
Net profit	10.23	21.28
<b>TOTAL LIABILITIES</b>	<b>2,189.48</b>	<b>2,835.09</b>

P&L account for 2007, comparing with 2006

M.€	31-12-2006	31-12-2007
Net interest income	71.08	66.76
Other current income	34.15	72.82
Commissions and other similar income (net)	23.81	24.00
Profits from financial operations	10.33	48.82
<b>Net operating income from banking</b>	<b>105.23</b>	<b>139.58</b>
Loan provisions and impairments	16.75	24.50
Administrative overheads, amortisation and depreciation	74.02	84.75
Personnel costs	43.10	48.77
Other administrative expenses	24.41	28.96
Depreciation of fixed assets	6.51	7.02
<b>Profits before income tax</b>	<b>14.46</b>	<b>30.33</b>
Corporate income tax	4.22	9.05
<b>Net profit</b>	<b>10.23</b>	<b>21.28</b>
Cash-flow before taxation	37.71	61.85

## DESCRIPTION OF THE ACCOUNTS BANK

Deutsche Bank Aktiengesellschaft ("Deutsche Bank" or the "Bank") originated from the reunification of Norddeutsche Bank Aktiengesellschaft, Hamburg, Rheinisch-Westfälische Bank Aktiengesellschaft, Duesseldorf and Süddeutsche Bank Aktiengesellschaft, Munich; pursuant to the Law on the Regional Scope of Credit Institutions, these had been disincorporated in 1952 from Deutsche Bank which was founded in 1870. The merger and the name were entered in the Commercial Register of the District Court Frankfurt am Main on 2 May 1957. Deutsche Bank is a banking institution and a stock corporation incorporated under the laws of Germany under registration number HRB 30 000. The Bank has its registered office in Frankfurt am Main, Germany. It maintains its head office at Theodor-Heuss-Allee 70, 60486 Frankfurt am Main and branch offices in Germany and abroad including in London, New York, Sydney, Tokyo and an Asia-Pacific Head Office in Singapore which serve as hubs for its operations in the respective regions.

The Bank is the parent company of a group consisting of banks, capital market companies, fund management companies, a real estate finance company, instalment financing companies, research and consultancy companies and other domestic and foreign companies.

Deutsche Bank AG, London Branch is the London branch of Deutsche Bank AG. On 12 January 1973, Deutsche Bank AG filed in the United Kingdom the documents required pursuant to section 407 of the Companies Act 1948 to establish a place of business within Great Britain. On 14 January 1993, Deutsche Bank registered under Schedule 21A to the Companies Act 1985 as having established a branch (Registration No. BR000005) in England and Wales. Deutsche Bank AG, London Branch is an authorized person for the purposes of section 19 of the Financial Services and Markets Act 2000. In the United Kingdom, it conducts wholesale banking business and through its Private Wealth Management division, it provides holistic wealth management advice and integrated financial solutions for wealthy individuals, their families and selected institutions.

As of 30 September 2008, Deutsche Bank's issued share capital amounted to Euro 1,461,399,078.40 consisting of 570,859,015 ordinary shares without par value. The shares are fully paid up and in registered form. The shares are listed for trading and official quotation on all the German Stock Exchanges. They are also listed on the New York Stock Exchange.

The consolidated financial statements for fiscal years starting 1 January 2007 are prepared in compliance with International Financial Reporting Standards (IFRS). As of 30 September 2008, Deutsche Bank Group had total assets of EUR 2,060,691 million, total liabilities of EUR 2,024,063 million and total equity of EUR 36,628 million on the basis of IFRS (unaudited).

Deutsche Bank's long-term senior debt has been assigned a rating of AA- (outlook negative) by Standard & Poor's, Aa1 (outlook stable) by Moody's Investors Services and AA- (outlook stable) by Fitch Ratings.

## **SELECTED ASPECTS OF PORTUGUESE LAW RELEVANT TO THE MORTGAGE ASSETS AND THE TRANSFER OF THE MORTGAGE ASSETS**

### **Securitisation Legal Framework**

#### *Securitisation Law*

Decree Law 453/99 of 5 November 1999 as amended by Decree Law 82/2002 of 5 April 2002, Decree Law 303/2003 of 5 December 2003, Decree Law 52/2006 of 15 March 2006 and Decree-Law 211-A/2008 of 3 November 2008 (together the "**Securitisation Law**") has implemented a specific securitisation legal framework in Portugal, which contains a simplified process for the assignment of credits. The Securitisation Law regulates, amongst other things; (i) the establishment and activity of Portuguese securitisation vehicles; (ii) the type of credits that may be securitised; and (iii) the entities which may assign credits for securitisation purposes. Some of the most important aspects of this legal framework include:

- (a) the establishment of special rules facilitating the assignment of credits (including mortgage loans) in the context of securitisation transactions;
- (b) the types of originators/assignors which may assign their credits pursuant to the Securitisation Law;
- (c) the types of credits that may be securitised and the legal eligibility criteria such credits have to comply with; and
- (d) the creation of two different types of securitisation vehicles: (i) Credit Securitisation Funds (*Fundos de Titularização de Créditos* – "**FTC**"), and (ii) Credit Securitisation Companies (*Sociedades de Titularização de Créditos* – "**STC**").

#### *Securitisation Tax Law*

Decree Law 219/2001 of 4 August 2001 as amended by Law 109-B/2001 of 27 December 2001, by Decree Law 303/2003 of 5 December 2003, by Law 107-B/2003 of 31 December 2003 and by Law 53-A/2006 of 29 December 2006 (together the "**Securitisation Tax Law**") established the tax regime applicable to the securitisation of credits implemented under the Securitisation Law. The Securitisation Tax Law allows for a neutral fiscal treatment of securitisation vehicles as well as tax exemptions regarding the amounts paid by the securitisation vehicles to non-resident entities without a permanent establishment in Portuguese territory. However, where a Portuguese resident entity holds more than 25 per cent. of such non-resident entity, a 20 per cent. withholding tax applies regarding the amounts paid by the company to such non-resident entity, unless a tax treaty that might be applicable to the situation establishes a reduced withholding tax rate. Withholding tax also becomes due in the event that such non-resident entity is located in a country or territory included in the list of countries determined by the Portuguese Tax Ministry pursuant to Regulation No. 150/2004 of 13 February 2004.

### **STC - Securitisation Companies**

STCs are established for the exclusive purpose of carrying out securitisation transactions in accordance with the Securitisation Law. The following is a description of the main features of an STC.

#### *Corporate Structure*

STCs are commercial companies ("*sociedades anónimas*") incorporated with limited liability, having a minimum share capital of €250,000. The shares in STCs can be held by one or more shareholders. STCs are subject to the supervision of the CMVM and their incorporation is subject to the prior



authorisation by the CMVM. STCs are subject to ownership requirements. A prospective shareholder must obtain approval from the CMVM in order to establish an STC. Such approval is granted when the prospective shareholder shows that it is capable of providing the company with a sound and prudent management.

If the shares in an STC are to be transferred to another shareholder or shareholders, prior authorisation of the CMVM regarding the prospective shareholder has to be obtained. The interest of the new shareholder in the STC has to be registered within fifteen days of the purchase.

#### *Regulatory Compliance*

In order to ensure the sound and prudent management of STCs, the Securitisation Law provides that the members of the board of directors and the members of the board of auditors meet high standards of professional qualification and personal reputation.

The members of the board of directors and the members of the board of auditors must be registered with the CMVM.

#### *Corporate Object*

STCs can only be incorporated for the purpose of carrying out one or more securitisation transactions by means of the acquisition, management and transfer of receivables and the issue of securitisation notes for payment of the purchase price for the acquired receivables.

An STC may primarily finance its activities with its own funds and by issuing notes.

Without prejudice to the above, pursuant to the Securitisation Law, STCs are permitted to carry out certain financial activities, but only to the extent that such financial activities are (i) ancillary to the issuance of the securitisation notes, and (ii) aimed at ensuring that the appropriate levels of liquidity funds are available to the STC.

#### *Types of credits which may be securitised and types of assignors*

The Securitisation Law sets out details of the types of credits that may be securitised and the specific requirements which are to be met in order for such credits to be securitised.

The Securitisation Law allows a wide range of originators to assign their credits for securitisation purposes including the Republic of Portugal, public entities, credit institutions, financial companies, insurance companies, pension funds, pension fund management companies and other corporate entities whose accounts have been audited for the last three years by an auditor registered with the CMVM.

#### **Assignment of credits**

Under the Securitisation Law, the sale of credits for securitisation is effected by way of assignment of credits. In this context the following should be noted:

#### **Notice to Debtors**

In general, an assignment of credits is effective against the relevant debtor after notification of assignment is made to such debtor.

Notification to the debtor is required to be made by means of a registered letter (to be sent to the debtor's address included in the relevant receivables contract) and such notification will be deemed to have occurred on the third business day following the date of posting of the registered letter.

An exception to this requirement applies when the assignment of credits is made under the Securitisation Law by, *inter alia*, credit institutions or financial companies, and such entities are the servicers of the credits in which case there is no requirement to notify the relevant debtor since such assignment is deemed to be effective in relation to such debtor when it is effective between assignor and assignee.

Accordingly, in the situation set out above, any payments made by the debtor to its original creditor after an assignment of credits has been made will effectively belong to the assignee who may, at any time and even in the context of the insolvency of the assignor, claim such payments from the assignor.

### **Assignment Formalities**

There are no specific formality requirements for an assignment of credits under the Securitisation Law. A simple contract between the parties is sufficient for a valid assignment to occur (including an assignment of mortgage loans). Transfer by means of a notarial deed is not required. In the case of an assignment of mortgage loans, the signatures to the assignment contract must be certified by a notary public or the company secretary of each party (when the parties have appointed such a person).

In order to perfect an assignment of mortgage loans against third parties, the assignment must be followed by the corresponding registration (as described in the paragraph below) of the transfer of the mortgage loans in the relevant Real Estate Registry Office.

Application for registration of the transfer of a pool of mortgage loans may, from a practical point of view, be a cumbersome procedure. In fact, even if only one application for registration is made (with a list of the assigned mortgage loans, and therefore amounting to a multiple title in respect of the mortgage loans over the relevant properties located in the area of jurisdiction of each given Real Estate Registry Office) with each relevant Real Estate Registry Office, there will have to be, at least, as many applications for registration as Real Estate Registry Offices involved, depending on the location of the relevant mortgaged properties. The registration of the transfer of the mortgage loans will require the payment of a fee for each mortgage loan of approximately €200.

The Securitisation Law provides for the assignment of credits to be effective between the parties upon execution of the relevant assignment agreement. This means that in the event of insolvency of the assignor prior to registration of the assignment of credits, the credits will not form part of the insolvency estate of the assignor even if the assignee may have to claim its entitlement to the assigned credits before a competent court.

However, the assignment of the security is only effective against third parties acting in good faith further to registration of such assignment with the competent registry by or on behalf of the assignee. The Issuer is entitled under the Securitisation Law to effect such registration.

### **Assignment and Insolvency**

Unless an assignment of credits is effected in bad faith, such assignment under the Securitisation Law cannot be challenged for the benefit of the assignor's insolvency estate and any payments made to the assignor in respect of credits assigned prior to a declaration of insolvency will not form part of the assignor's insolvency estate even when the term of the credits falls after the date of declaration of insolvency of the assignor. In addition any amounts held by the servicer as a result of its collection of payments in respect of the credits assigned under the Securitisation Law will not form part of the servicer's insolvency estate.

## **Mortgages charging real estate under Portuguese law**

### *Concept*

A mortgage entitles the mortgagee, in the event of default of the relevant obligations, to be paid in preference to non-secured creditors from the proceeds of the sale of the relevant property, which is the object of the mortgage.

### *Legal Form, Registry and Priority Rights*

Mortgages are created by means of a notarial deed, which is a contract prepared and testified by, and executed before, a public notary or by a written agreement subject to a special procedure and executed at the Real Estate Registry Office and must comply with certain formalities as to its creation (in some cases banks may have special template forms, pursuant to applicable legislation).

The execution of the agreement for the creation of a mortgage is not sufficient for the full validity and enforceability of this type of security, and registration with the Real Estate Registry Office of the area where the property is located is required in order for a mortgage to be considered validly created.

Furthermore, registration also rules the ranking of creditors in the event that several mortgages are created over the same property. In this case, the ranking of rights among such creditors will correspond to the priority of mortgage registration (i.e., the creditor with a prior registered mortgage will rank ahead of the others).

Although mortgagees have priority over non secured creditors, there are preferential rights which apply as a matter of law and which rank ahead of a mortgage, such as: (i) amounts due to the Portuguese Republic in respect of social security charges and taxes (except when insolvency of the obligor has been declared); and (ii) employees' credits in respect of unpaid salaries due by the mortgagor.

In accordance with the *Código Civil* (the "**Portuguese Civil Code**"), the relevant originator as lender of a mortgage loan may require a borrower to provide additional security for a mortgage loan if the value of the property securing the mortgage loan is insufficient to cover the amount of the mortgage loan due to reasons which are not attributable to the lender.

### *Enforcement and court procedures*

Enforcement of a mortgage over real property may only be made through a court procedure, whereby the mortgagee is entitled to demand the sale by a court of the property and be paid from the proceeds of such sale (after payment to the preferential creditors, if any).

The mortgagee may not take possession or become owner of the property (foreclosure) by virtue of enforcement of the mortgage, and is only entitled to be paid out of the proceeds of sale of the relevant property.

Should the mortgagee be willing to acquire the property, he may bid in the court sale along with (but with no preference) any other parties interested in the purchase of the property.

In case there are various creditors with mortgages over the same property, the proceeds of the sale of the property are distributed among the secured creditors in accordance with the registration priority and are allocated first to the payment of the first ranking secured creditor, with the remaining amount (if any) being allocated to the next ranking creditor.

Court procedures in relation to enforcement of mortgages over real property usually take two to four years on average for a final decision to be reached on the execution of a mortgage loan. Court fees

payable in relation to the enforcement process are calculated on the basis of a fixed percentage of the value of the property.

### **Risk of Set-Off by Borrowers**

#### *General*

The Securitisation Law does not contain any specific provisions in respect of set-off. Accordingly, Articles 847 to 856 of the Portuguese Civil Code are applicable. The Securitisation Law has an impact on set-off risk to the extent that, by virtue of establishing that the assignment of credits by a credit institution, a financial company, an insurance company, pension funds and pension fund managers is effective against the debtor on the date of assignment of such credits without notification to the debtor being required (provided that the assignor is the servicer of the assigned credit), it effectively prevents a debtor from exercising any right of set-off against an assignee if such right did not exist against the assignor prior to the date of assignment.

#### *Set-Off on Insolvency*

Under article 99 of the *Código de Insolvência e Recuperação de Empresas* (the Code for the Insolvency and Recovery of Companies), implemented by Decree Law 53/2004 of 18 March 2004, applicable to insolvency proceedings commenced on or after 15 September 2004, a debtor will only be able to exercise any right of set-off against a creditor after a declaration of insolvency of such creditor provided that, prior to the declaration of insolvency, (i) such set-off right existed, and (ii) the circumstances allowing set-off, as described in article 847 of the Portuguese Civil Code were met.

### **Data Protection Law**

Law 67/98 of 26 October 1998, ("**Law 67/98**", which implemented Directive 95/46/EC, of 24 October 1995) provides for the protection of individuals regarding the processing and transfer of personal data.

Pursuant to Law 67/98, any processing of personal data requires express consent from the data subject, unless the processing is necessary in certain specific circumstances as provided under the relevant laws.

The entity collecting and processing personal data must obtain prior authorisation from the *Comissão Nacional de Protecção de Dados* (the "**CNPD**", the Portuguese data protection authority) before processing such data.

Transfer of personal data to an entity within a European Union Member State does not require to be authorised by the CNPD but must be notified to the relevant data subjects.

## FORM OF THE NOTES

Each Class of Notes will be issued in NGN form and will initially be in the form of a Temporary Global Note which will be delivered on or around the Closing Date to a common safekeeper for Euroclear and Clearstream, Luxembourg. Each Temporary Global Note will be exchangeable in whole or in part for interests in the related Permanent Global Note not earlier than forty days after the Closing Date upon certification as to non-U.S. beneficial ownership. Interest payments in respect of the Notes cannot be collected until certification of non-U.S. beneficial ownership is received by the Principal Paying Agent. Details of any exchange of a Temporary Global Note for a Permanent Global Note will be entered in the records of Euroclear and Clearstream, Luxembourg.

The Permanent Global Notes will become exchangeable in whole, but not in part, for Notes in definitive form in the denomination of €50,000 each and additional increments of €1,000 in excess thereof, at the request of the bearer of a Permanent Global Note against presentation and surrender of the Permanent Global Note to the Principal Paying Agent if any of the following events (each, an "**Exchange Event**") occurs:

- (a) an Event of Default (as set out in Condition 12 (*Events of Default*)) has occurred and is continuing; or
- (b) the Issuer has been notified that both Euroclear and Clearstream, Luxembourg have been closed for business for a continuous period of fourteen days (other than by reason of holiday, statutory or otherwise) or have announced an intention permanently to cease business or have in fact done so and no successor clearing system is available; or
- (c) the Issuer has or will become subject to adverse tax consequences which would not be suffered were the Notes in definitive form.

Whenever a Permanent Global Note is to be exchanged for Definitive Notes, the Issuer shall procure the prompt delivery (free of charge to the bearer) of such Definitive Notes, duly authenticated and with Receipts, Coupons and Talons attached, in an aggregate principal amount equal to the principal amount of the Permanent Global Note to the bearer of the Permanent Global Note against the surrender of the Permanent Global Note at the Specified Office of the Principal Paying Agent within thirty days of the occurrence of the relevant Exchange Event.

In addition, the Temporary Global Notes and the Permanent Global Notes will contain provisions which modify the Conditions of the Notes as they apply to the Temporary Global Notes and the Permanent Global Notes. The following is a summary of certain of those provisions:

### **Nominal Amounts**

The nominal amount of the Notes represented by each Global Note shall be the aggregate amount from time to time entered in the records of both Euroclear and Clearstream, Luxembourg (in their capacity as the "**ICSDs**"). The records of the ICSDs (which expression means the records that each ICSD holds for its customers which reflect the amount of such customer's interest in the Notes) shall be conclusive evidence of the nominal amount of the Notes and, for these purposes, a statement issued by an ICSD stating the nominal amount of the Notes at any time (which statement shall be made available to the bearer upon request) shall be conclusive evidence of the records of such ICSD at that time.

### **Payments**

All payments in respect of the Temporary Global Notes and the Permanent Global Notes will be made against presentation and (in the case of payment of principal in full with all interest accrued thereon)

surrender of a Temporary Global Note or (as the case may be) a Permanent Global Note at the Specified Office of the Principal Paying Agent and will be effective to satisfy and discharge the corresponding liabilities of the Issuer in respect of the Notes.

A record of each payment made on a Global Note, distinguishing between any payment of interest and principal will be entered *pro rata* in the records of the ICSDs and, upon any such entry being made, the nominal amount of the Notes recorded in the records of the ICSDs and represented by the relevant Global Note shall be reduced by the aggregate nominal amount of such instalment so paid. Any failure to make the entries referred to above shall not affect the discharge of the corresponding liabilities of the Issuer in respect of the Notes.

### **Notices**

Notwithstanding the Notices Condition, while all the Notes are represented by this Permanent Global Note (or by this Permanent Global Note and a Temporary Global Note) and this Permanent Global Note is (or this Permanent Global Note and a Temporary Global Note are) kept with a common safekeeper for Euroclear and Clearstream, Luxembourg, notices to Noteholders may be given by delivery of the relevant notice to Euroclear and Clearstream, Luxembourg, along with the company announcement office notification, and, in any such case, such notices shall be deemed to have been given to the Noteholders in accordance with the Notices Condition on the date of delivery to Euroclear and Clearstream, Luxembourg.

### **Meetings**

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

## TERMS AND CONDITIONS OF THE NOTES

*The terms and conditions (the Conditions) of the Notes will be as set out below.*

### 1. **General**

- 1.1 The Issuer has agreed to issue the Notes subject to the terms of the Common Representative Appointment Agreement.
- 1.2 The Paying Agency Agreement records certain arrangements in relation to the payment of interest and principal in respect of the Notes.
- 1.3 Certain provisions of these Conditions are summaries of the Common Representative Appointment Agreement, the Security Deed, the Co-ordination Agreement and the Paying Agency Agreement and are subject to their detailed provisions.
- 1.4 The Noteholders are bound by the terms of the Common Representative Appointment Agreement and are deemed to have notice of all the provisions of the Transaction Documents.
- 1.5 Copies of the Transaction Documents are available for inspection, on reasonable notice, during normal business hours at the registered office for the time being of the Common Representative and at the Specified Office of the Principal Paying Agent, the initial Specified Offices of which are set out below.

### 2. **Definitions**

In these Conditions the defined terms have the meanings set out in Condition 23 (*Definitions*).

### 3. **Form, Denomination and Title**

#### 3.1 **Form and Denomination**

The Notes are in bearer form in the minimum denomination of €50,000 each and in integral multiples of €1,000 in excess thereof, with Receipts and Coupons attached at the time of issue. Title to the Notes, the Coupons and the Receipts will pass by delivery.

#### 3.2 **Title**

The holder of any Note, Coupon or Receipt shall (except as otherwise required by law) be treated as its absolute owner for all purposes (including the making of any payment) whether or not any payment is overdue and regardless of any notice of ownership, trust or any other interest therein, any writing thereon or any notice of any previous loss or theft thereof and no person shall be liable for so treating such holder.

#### 3.3 **Form of Notes and Exchange**

Each Class of Notes will initially be represented by a temporary global note in bearer form, without coupons, receipts or talons, which is expected to be delivered to the Common Safekeeper for Euroclear and Clearstream, Luxembourg on or about the Closing Date. Each such Temporary Global Note will be exchangeable forty days after the later of the Closing Date and the commencement of the offering of the Notes upon certification of non-U.S. beneficial ownership for interests in a permanent global note in bearer form, without coupons, receipts or talons for the relevant Class of Notes which will also be delivered to the Common Safekeeper for Euroclear and Clearstream, Luxembourg. Each Global Note will be in the form of a new global note.

#### 4. **Status, Ranking and Security**

##### 4.1 **Status**

The Notes of each Class constitute limited recourse obligations of the Issuer and the Notes and the other Issuer Obligations have the benefit of the statutory segregation under the Securitisation Law.

##### 4.2 **Ranking**

The Notes in each Class will at all times rank *pari passu* amongst themselves without preference or priority.

##### 4.3 **Sole Obligations**

The Notes are obligations solely of the Issuer limited to the segregated Mortgage Asset Portfolio corresponding to this transaction (as identified by the corresponding asset code awarded by the CMVM pursuant to article 62 of the Securitisation Law) and the Transaction Assets and without recourse to any other assets of the Issuer pertaining to other issuances of securitisation notes by the Issuer or to the Issuer's own funds or to the Issuer's directors, managers or shareholders and are not obligations of, or guaranteed by, any of the other Transaction Parties.

##### 4.4 **Priorities of Payments**

Prior to the delivery of an Enforcement Notice, the Issuer is required to apply the Available Interest Distribution Amount in accordance with the Pre-Enforcement Interest Payments Priorities and the Available Principal Distribution Amount in accordance with the Pre-Enforcement Principal Payments Priorities respectively and thereafter both in accordance with the Post-Enforcement Payments Priorities.

##### 4.5 **Pre-Enforcement Interest Payments Priorities**

Prior to the delivery of an Enforcement Notice, the Available Interest Distribution Amount determined in respect of the Collection Period ending immediately preceding the relevant Interest Payment Date will be applied by the Transaction Manager on such Interest Payment Date in making the following payments or provisions in the following order of priority, but in each case only to the extent that all payments or provisions of a higher priority that fall due to be paid or provided for on such Interest Payment Date have been made in full:

- (a) *first*, in or towards payment of the Issuer's liability to Tax, in relation to this transaction, if any;
- (b) *second*, in or towards payment of the Common Representative's Fees and the Common Representative's Liabilities;
- (c) *third*, in or towards payment of the Issuer Expenses, excluding the Issuer's liability to tax, paid under item (a) above and the Common Representative's Fees and the Common Representative's Liabilities paid under item (b) above;
- (d) *fourth*, in or towards payment *pari passu* on a *pro rata* basis of the Interest Amount in respect of the Class A Notes, but so that interest past due will be paid before current interest;



- (e) *fifth*, in or towards reduction of the debit balance on the Class A Principal Deficiency Ledger until such balance is equal to zero;
- (f) *sixth*, in or towards payment to the Cash Reserve Account up to the Cash Reserve Account Required Balance;
- (g) *seventh*, in or towards payment *pari passu* on a *pro rata* basis of the Interest Amount in respect of the Class B Notes;
- (h) *eighth*, in or towards reduction of the debit balance on the Class B Principal Deficiency Ledger until such balance is equal to zero; and
- (i) *ninth*, in or towards payment of Class C Distribution Amount due and payable in respect of Class C Notes;

Provided that, if on any Interest Payment Date the Gross Cumulative Default Ratio as at the preceding Calculation Date exceeds 20 per cent., then the Available Interest Distribution Amount shall be applied on that Interest Payment Date in accordance with the Post-Enforcement Payments Priorities.

For the avoidance of any doubt, the event above will not be an Event of Default.

#### 4.6 **Pre-Enforcement Principal Payments Priorities**

Prior to the delivery of an Enforcement Notice, the Available Principal Distribution Amount determined by the Transaction Manager in respect of the Collection Period immediately preceding each Interest Payment Date, together with such amount of the Available Interest Distribution Amount as is credited to the Issuer Account and which is applied by the Transaction Manager on the relevant Interest Payment Date in reducing the debit balance on the Class A Principal Deficiency Ledger or the Class B Principal Deficiency Ledger, will be applied by the Transaction Manager on each Interest Payment Date in making the following payments in the following order of priority but in each case only to the extent that all payments of a higher priority that fall due to be paid on such Interest Payment Date have been made in full:

- (1) *During the Revolving Period*,
  - (a) *first*, provided the Portfolio Tests have been met, in or towards purchasing Additional Mortgage Assets (if any);
  - (b) *second*, the remainder, if any, to be transferred to the Excess Available Principal Account,

provided that, if the Issuer has received a Notice of No Intention to Sell Additional Mortgage Assets from the Originator, and notice thereof has been sent by the Issuer to the Transaction Manager, the Transaction Manager shall apply the Available Principal Distribution Amount at the relevant Interest Payment Date in accordance with the Pre-Enforcement Principal Payments Priorities established for the Amortisation Period;

- (2) *During the Amortisation Period*,
  - (i) provided the Pro-Rata Test has been satisfied:

- (a) *first*, in or towards payment, *pari passu*, on a *pro rata* basis, of the Principal Amount Outstanding of the Class A Notes and of the Class B Notes; and
  - (b) *second*, after redemption in full of the Class A Notes and the Class B Notes, in or towards payment of principal amounts due under the Class C Notes; or
- (ii) provided the Pro-Rata Test has not been satisfied:
- (a) *first*, in or towards payment *pari passu* on a *pro rata* basis of the Principal Amount Outstanding of the Class A Notes until all the Class A Notes have been redeemed in full;
  - (b) *second*, in or towards payment *pari passu* on a *pro rata* basis of the Principal Amount Outstanding of the Class B Notes until all the Class B Notes have been redeemed in full;
  - (c) *third*, in or towards payment *pari passu* on a *pro rata* basis of principal amounts due under the Class C Notes until the Principal Amount Outstanding of each Class C Note is equal to 1 euro; and
  - (d) *fourth*, in or towards payment, *pari passu* on a *pro rata* basis, of any remaining amounts to the Class C Noteholders.

Provided that, if on any Interest Payment Date the Gross Cumulative Default Ratio exceeds 20 per cent., then the Available Principal Distribution Amount shall be applied on that Interest Payment Date in accordance with the Post-Enforcement Payments Priorities.

For the avoidance of any doubt, the event above will not be an Event of Default.

#### 4.7 **Post-Enforcement Payments Priorities**

Following the delivery of an Enforcement Notice or if on any Interest Payment Date the Gross Cumulative Default Ratio exceeds 20 per cent., all amounts received or recovered by the Issuer and/or the Common Representative will be applied by the Transaction Manager or the Common Representative in making the following payments in the following order of priority but in each case only to the extent that all payments of a higher priority have been made in full:

- (a) *first*, in or towards payment *pari passu* on a *pro rata* basis of (i) any remuneration then due and payable to any receiver of the Issuer and all costs, expenses and charges incurred by such receiver, in relation to this transaction, (ii) the Common Representative's Fees and the Common Representative's Liabilities and (iii) the Issuer's liability to Tax, in relation to this transaction, if any;
- (b) *second*, in or towards payment of the Issuer Expenses excluding those paid under item (a) above;
- (c) *third*, in or towards payment *pari passu* on a *pro rata* basis of the Interest Amount in respect of the Class A Notes, but so that interest past due will be paid before current interest;
- (d) *fourth*, in or towards payment *pari passu* on a *pro rata* basis of the Principal Amount Outstanding of the Class A Notes until all Class A Notes have been redeemed in full;

- (e) *fifth*, in or towards payment *pari passu* on a *pro rata* basis of the Interest Amount in respect of the Class B Notes;
- (f) *sixth*, in or towards payment *pari passu* on a *pro rata* basis of the Principal Amount Outstanding of the Class B Notes until all Class B Notes have been redeemed in full;
- (g) *seventh*, in or towards payment of Class C Distribution Amount due and payable in respect of Class C Notes;
- (h) *eighth*, in or towards payment *pari passu* on a *pro rata* basis of principal amounts due under the Class C Notes until the Principal Amount Outstanding of each Class C Note is equal to 1 euro; and
- (i) *ninth*, *pari passu* on a *pro rata* basis, in or towards payment *pari passu* on a *pro rata* basis of principal amounts due under the Class C Notes and in release of any balance to the Class C Noteholders.

#### 4.8 **Security**

As continuing security for the payment or discharge of the Secured Amounts and subject always to the right of redemption of the Issuer, the Issuer will, in favour of the Common Representative, for itself and on trust for the Noteholders and the Transaction Creditors, in accordance with the terms of the Security Deed, create a first fixed charge over the benefit of the Transaction Accounts and any other bank or other accounts in which the Issuer may at any time have or acquire any benefit in respect of this transaction.

#### 4.9 **Enforceability**

The Security will become enforceable upon delivery by the Common Representative of an Enforcement Notice in accordance with Condition 12 (*Events of Default*) and subject to the provisions of Condition 13 (*Proceedings*).

### 5. **Statutory Segregation of Transaction Assets**

#### 5.1 **Segregation under the Securitisation Law**

The Notes and any Issuer Obligations have the benefit of the statutory segregation under the Securitisation Law.

#### 5.2 **Restrictions on Disposal of Transaction Assets**

The Common Representative shall only be entitled to dispose of the Transaction Assets upon the delivery by the Common Representative of an Enforcement Notice in accordance with Condition 12 (*Events of Default*) and subject to the provisions of Condition 13 (*Proceedings*).

### 6. **Issuer Covenants**

#### 6.1 **Issuer Covenants**

So long as any Note remains outstanding, the Issuer shall comply with all the covenants of the Issuer, as set out in the Transaction Documents, including but not limited to those covenants set out in Schedule 5 of the Master Framework Agreement.

#### 6.2 **Transaction Manager Report**

The Issuer Covenants include an undertaking by the Issuer to provide to the Common Representative, the Rating Agency and the Principal Paying Agent or to procure that the Common Representative, the Rating Agency and the Principal Paying Agent are provided with the Transaction Manager Report.

### **6.3 Transaction Manager Report available for inspection**

Each Transaction Manager Report will be made available to the Issuer, the Common Representative, the Rating Agencies and the Noteholders via the Transaction Manager's internet website currently located at <https://tss.sfs.db.com/investpublic>. It is not intended that the Transaction Manager Reports will be made available in any other format, save in certain limited circumstances with the Transaction Manager's agreement. The Transaction Manager's website does not form part of the information provided for the purposes of this Prospectus and disclaimers may be posted with respect to the information posted thereon. Registration may be required for access to such website and persons wishing to access the website will be required to certify that they are Noteholders or the other persons referred to above (as the case may be).

## **7. Interest and Class C Distribution Amount**

### **7.1 Accrual**

Each Class A Note and Class B Note bears interest on its Principal Amount Outstanding from the Closing Date. The Class C Notes bear an entitlement to receive the Class C Distribution Amount.

### **7.2 Cessation of Interest**

Each Class A Note and Class B Note shall cease to bear interest from its due date for final redemption unless, upon due presentation, payment of the principal is improperly withheld or refused, in which case, it will continue to bear interest in accordance with this Condition (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 Noteholder; and
- (B) the day which is seven days after the date on which the Principal Paying Agent or the Common Representative has notified the Noteholders of such Class that it has received all sums due in respect of the Notes of such Class up to such seventh day (except to the extent that there is any subsequent default in payment).

### **7.3 Calculation Period of less than one year**

Whenever it is necessary to compute an amount of interest in respect of any Class A Note or Class B Note for a period of less than a full year, such interest shall be calculated on the basis of the applicable Day Count Fraction.

### **7.4 Interest Payments**

Interest on each Class A Note and Class B Note is payable in euro in arrear on each Interest Payment Date commencing on the First Interest Payment Date, in an amount equal to the Interest Amount in respect of such Note for the Interest Period ending on the day immediately preceding such Interest Payment Date.

### **7.5 Class C Distribution Amount Payments**

Payment of any Class C Distribution Amount in relation to the Class C Notes is payable in euro in arrear on each Interest Payment Date commencing on the First Interest Payment Date, in an amount equal to the Class C Distribution Amount calculated as at the Calculation Date immediately preceding such Interest Payment Date and notified to the Class C Noteholders in accordance with the Notices Condition.

**7.6 Calculation of Interest Amount**

On, or as soon as practicable after, each Interest Determination Date, the Issuer shall calculate (or shall cause the Agent Bank to calculate) the Interest Amount payable on each Class A Note and Class B Note for the related Interest Period.

**7.7 Calculation of Class C Distribution Amount**

Upon or as soon as practicable after each Calculation Date, the Issuer shall calculate (or shall cause the Transaction Manager to calculate) the Class C Distribution Amount payable on each Class C Note on the following Interest Payment Date.

**7.8 Notification of Note Rate, Interest Amount and Interest Payment Date**

As soon as practicable after each Interest Determination Date, the Agent Bank will cause:

- (A) the Note Rate for the Class A Notes and for the Class B Notes, for the related Interest Period;
- (B) the Interest Amount for the Class A Notes and for the Class B Notes for the related Interest Period; and
- (C) the Interest Payment Date next following the related Interest Period,

to be notified to the Issuer, the Transaction Manager, the Common Representative, the Principal Paying Agent, each of Euroclear and Clearstream, Luxembourg (so long as the Notes are in global form) and the other Paying Agent and, for so long as the Notes are listed on the Stock Exchange no later than the first day of the relevant Interest Period.

**7.9 Notification of Class C Distribution Amount**

As soon as practicable after each Calculation Date, the Transaction Manager will cause the Class C Distribution Amount to be notified to the Issuer, the Agent Bank, the Common Representative, the Principal Paying Agent and, for so long as the Notes are listed on the Stock Exchange, such Stock Exchange.

**7.10 Publication of Note Rate, Interest Amount and Interest Payment Date**

As soon as practicable after receiving each notification of the Note Rate, the Interest Amount and the Interest Payment Date in accordance with Condition 7.8 (*Notification of Note Rate, Interest Amount and Interest Payment Date*) the Issuer will cause such Note Rate and Interest Amount for the Class A Notes and for the Class B Notes and the next following Interest Payment Date to be published in accordance with the Notices Condition.

**7.11 Amendments to Publications**

The Note Rate and the Interest Amount for the Class A Notes and for the Class B Notes and the Class C Distribution Amount for the Class C Notes and the Interest Payment Date so published or notified may subsequently be amended (or appropriate alternative arrangements made by

way of adjustment) without notice in the event of any extension or shortening of the relevant Interest Period.

**7.12 Determination or Calculation by Common Representative**

If the Agent Bank does not at any time for any reason determine the Note Rate or the Interest Amount for the Class A Notes or for the Class B Notes in accordance with this Condition, or if the Transaction Manager does not at any time for any reason determine the Class C Distribution Amount for the Class C Notes in accordance with this Condition, the Common Representative may (but without any liability accruing to the Common Representative as a result of so doing or of failing to do so):

- (A) determine the Note Rate for that Class of Notes at such rate as, in its absolute discretion (having such regard as it shall think fit to the procedure described in this Condition), it shall deem fair and reasonable in all the circumstances; and/or
- (B) calculate the Interest Amount for each Class of Notes in the manner specified in this Condition; and/or
- (C) calculate the Class C Distribution Amount for the Class C Notes in the manner specified in this Condition,

and any such determination and/or calculation shall be deemed to have been made by the Transaction Manager.

**7.13 Deferral of Interest Amounts in Arrears**

If there are any Deferred Interest Amount Arrears in respect of Class B Notes on any Interest Payment Date (other than the Final Legal Maturity Date), such amounts shall not be regarded as due on such date and shall accrue interest during the Interest Period in which such Interest Payment Date falls in accordance with Condition 7.15 (*Default Interest*).

**7.14 Notification of Deferred Interest Amount Arrears**

If, on any Calculation Date, the Issuer shall determine that any Deferred Interest Amount Arrears will arise on the immediately succeeding Interest Payment Date, notice to this effect shall be given by the Issuer in accordance with the Notices Condition, specifying the amount of the Deferred Interest Amount Arrears to be deferred on such following Interest Payment Date in respect of the Class B Notes.

**7.15 Default Interest**

Any Deferred Interest Amount Arrears shall bear interest during the period from (and including) the Interest Payment Date upon which such Deferred Interest Amount Arrears is deferred to (and excluding) the date upon which the obligations of the Issuer to pay any Deferred Interest Amount Arrears is discharged. Interest on such Deferred Interest Amount Arrears shall accrue from day to day at the Note Rate from time to time applicable to the relevant Class and shall be due and payable in accordance with Condition 7.4 (*Interest Payments*) or on such other date or dates as the Common Representative may specify by written notice to the Issuer.

**7.16 Notification of Availability for Payment**

The Issuer shall cause notice of the availability for payment of any Deferred Interest Amount Arrears and interest thereon (and any payment date thereof) to be published in accordance with the Notices Condition.

**7.17 Priority of Payment of Interest and Deferred Interest**

The Issuer shall pay the Interest Amount due and payable on any Interest Payment Date prior to any Deferred Interest Amount Arrears payable on such Interest Payment Date which shall, in turn, be paid prior to any default interest on any such Deferred Interest Amount Arrears arising under Condition 7.15 (*Default Interest*) which is payable on such Interest Payment Date.

**8. Final Redemption, Mandatory Redemption in part and Optional Redemption**

**8.1 Final Redemption**

Unless previously redeemed as provided in this Condition, the Issuer shall redeem the Notes in each Class at their Principal Amount Outstanding on the Final Legal Maturity Date.

On the Interest Payment Date when the Notes are redeemed in full if the funds available to the Issuer are not sufficient to redeem the Class C Notes at their Principal Amount Outstanding, the Class C Notes shall be deemed to be redeemed in full and all the claims of the Class C Noteholders for any shortfall in the Principal Amount Outstanding of the Class C Notes shall be extinguished.

**8.2 Pro-Rata Mandatory Redemption in part of Mortgage-Backed Notes**

During the Amortisation Period, on each Interest Payment Date prior to the delivery of an Enforcement Notice on which the Pro-Rata Test has been satisfied, the Issuer will cause any Available Principal Distribution Amount available for this purpose on such Interest Payment Date to be applied in or towards payment on a *pari passu* and *pro rata* basis of the Principal Amount Outstanding of the Mortgage-Backed Notes in each case in an amount rounded down to the nearest 0.01 euro and as determined on the related Calculation Date.

**8.3 Mandatory Redemption in part of the Class C Notes**

During the Amortisation Period, on each Interest Payment Date, the Issuer will cause the Class C Notes to be redeemed in an amount which is equal to the lesser of:

- (A) the Available Interest Distribution Amount calculated as at the related Calculation Date less the aggregate of the amounts to be paid by the Issuer in respect of items (a) to (h) of the Pre-Enforcement Interest Payments Priorities on such Interest Payment Date; and
- (B) the Principal Amount Outstanding of the Class C Notes,

in each case and rounded down to the nearest Minimum Denomination and in accordance with the Pre-Enforcement Interest Payments Priorities.

#### 8.4 **Mandatory Redemption in whole of the Class C Notes**

On the last Interest Payment Date (after redemption in full of all of the Mortgage-Backed Notes) if any Class C Distribution Amount is to be paid by the Issuer in accordance with Condition 7.5 (*Class C Distribution Amount Payments*), the Issuer will cause the Class C Notes to be redeemed in full from such Class C Distribution Amount.

#### 8.5 **Calculation of Note Principal Payments and Principal Amount Outstanding**

On (or as soon as practicable after) each Calculation Date, the Issuer shall calculate (or cause the Transaction Manager to calculate):

8.5.1 the aggregate of any Note Principal Payments due in relation to each Class on the Interest Payment Date immediately succeeding such Calculation Date; and

8.5.2 the Principal Amount Outstanding of each Note in each Class on the Interest Payment Date immediately succeeding such Calculation Date (after deducting any Note Principal Payment due to be made on that Interest Payment Date in relation to such Class).

#### 8.6 **Calculations final and binding**

Each calculation by or on behalf of the Issuer of any Note Principal Payment or the Principal Amount Outstanding of a Note of each Class shall in each case (in the absence of any Breach of Duty) be final and binding on all persons.

#### 8.7 **Common Representative to determine amounts in case of Issuer default**

If the Issuer does not at any time for any reason calculate (or cause the Transaction Manager to calculate) any Note Principal Payment or the Principal Amount Outstanding in relation to each Class in accordance with this Condition, such amounts may be calculated by the Common Representative (without any liability accruing to the Common Representative as a result of so doing or of failing to do so) in accordance with this Condition (based on information supplied to it by the Issuer or the Transaction Manager) and each such calculation shall be deemed to have been made by the Issuer.

#### 8.8 **Optional Redemption in whole**

The Issuer may redeem all (but not some only) of the Notes in each Class at their Principal Amount Outstanding (together with accrued interest) on any Interest Payment Date:

8.8.1 when, on the related Calculation Date, the Aggregate Principal Outstanding Balance of the Mortgage Loans is equal to or less than 10 per cent. of the Aggregate Principal Outstanding Balance of all of the Mortgage Loans as at the Initial Collateral Determination Date; or

8.8.2 after the occurrence of a Regulatory Change with respect to the Originator;

subject to the following:

(i) that the Issuer has given not more than sixty nor less than thirty days' notice to the Common Representative and the Noteholders in accordance with the Notices Condition of its intention to redeem all (but not some only) of the Notes in each Class;



- (ii) that prior to giving any such notice, the Issuer shall have provided to the Common Representative a certificate signed by two directors of the Issuer to the effect that it will have the funds on the relevant Interest Payment Date, not subject to the interest of any other person, required to redeem the Mortgage-Backed Notes pursuant to this Condition and meet its payment obligations of a higher priority under the Pre-Enforcement Payments Priorities: and
- (iii) that the sale of the Mortgage Asset Portfolio has been agreed at then current market price. For such purposes, the Issuer shall request a firm quotation from at least three reputable entities acting in this type of business which are (A) authorised to purchase the Mortgage Asset Portfolio and (B) capable of providing firm quotations for the Mortgage Asset Portfolio at market prices. The Issuer shall obtain all valuation reports as it considers necessary in order to establish the market value of the Mortgage Asset Portfolio,

provided that if on such Interest Payment Date the funds available to the Issuer are not sufficient to redeem the Class C Notes at their Principal Amount Outstanding, the Class C Notes shall be redeemed in full and all the claims of the Class C Noteholders for any shortfall in the Principal Amount Outstanding of the Class C Notes shall be extinguished.

#### 8.9 **Optional Redemption in whole for taxation reasons**

The Issuer may redeem all (but not some only) of the Notes in each Class at their Principal Amount Outstanding on any Interest Payment Date:

- 8.9.1 after the date on which, by virtue of a change in Tax law of the Issuer's Jurisdiction (or the application or official interpretation of such Tax law), the Issuer would be required to make a Tax Deduction from any payment in respect of the Notes (other than by reason of the relevant Noteholder having some connection with the Republic of Portugal, other than the holding of the Notes or related Coupons); or
- 8.9.2 after the date on which, by virtue of a change in the Tax law of the Issuer's Jurisdiction (or the application or official interpretation of such Tax law), the Issuer would not be entitled to relief for the purposes of such Tax law for any material amount which it is obliged to pay, or the Issuer would be treated as receiving for the purposes of such Tax law any material amount which it is not entitled to receive, under the Transaction Documents; or
- 8.9.3 after the date of a change in the Tax law of the Issuer's Jurisdiction (or the application or official interpretation of such Tax law) which would cause the total amount payable in respect of any Note to cease to be receivable by the Noteholders including as a result of any of the Borrowers being obliged to make a Tax Deduction in respect of any payment in relation to any Mortgage Asset or the Issuer being obliged to make a Tax Deduction in respect of any payment in relation to any Note,

subject to the following:

- (i) that the Issuer has given not more than sixty nor less than thirty days' notice to the Common Representative and the Noteholders in accordance with the Notices Condition of its intention to redeem all (but not some only) of the Mortgage-Backed in each Class; and
- (ii) that the Issuer has provided to the Common Representative:

- (a) a legal opinion (in form and substance satisfactory to the Common Representative) from a firm of lawyers in the Issuer's Jurisdiction (approved in writing by the Common Representative), opining on the relevant change in Tax law; and
- (b) a certificate signed by two directors of the Issuer to the effect that the obligation to make a Tax Deduction cannot be avoided; and
- (c) a certificate signed by two directors of the Issuer to the effect that it will have the funds on the relevant Interest Payment Date, not subject to the interest of any other person, required to redeem the Notes pursuant to this Condition and meet its payment obligations of a higher priority under the Pre-Enforcement Payments Priorities;

provided that if on such Interest Payment Date the funds available to the Issuer are not sufficient to redeem the Class C Notes at their Principal Amount Outstanding, the Class C Notes shall be redeemed in full and all the claims of the Class C Noteholders for any shortfall in the Principal Amount Outstanding of the Class C Notes shall be extinguished.

#### **8.10 Conclusiveness of certificates and legal opinions**

Any certificate or legal opinion given by or on behalf of the Issuer pursuant to Condition 8.8 (*Optional Redemption in whole*) and Condition 8.9 (*Optional Redemption in whole for taxation reasons*) may be relied on by the Common Representative without further investigation and shall be conclusive and binding on the Noteholders and on the Transaction Creditors. All certificates required to be signed by the Issuer will be signed by the Issuer's directors without personal liability.

#### **8.11 Notice of Calculation**

The Issuer will cause the Transaction Manager to notify the Common Representative and the Agents of a Note Principal Payment and the Principal Amount Outstanding in relation to each Class of Notes immediately after calculation and, for so long as the Notes are listed on the Stock Exchange, the Stock Exchange and will immediately cause details of each calculation of a Note Principal Payment and a Principal Amount Outstanding in relation to each Class to be published in accordance with the Notices Condition by not later than three Business Days prior to each Interest Payment Date.

#### **8.12 Notice of no Note Principal Payment**

If no Note Principal Payment is due to be made on the Notes in relation to any Class on any Interest Payment Date, a notice to this effect will be given to the Noteholders in accordance with the Notices Condition by not later than three Business Days prior to such Interest Payment Date.

#### **8.13 Notice irrevocable**

Any such notice as is referred to in Condition 8.8 (*Optional Redemption in whole*) or Condition 8.9 (*Optional Redemption in whole for taxation reasons*) or Condition 8.11 (*Notice of Calculation*) shall be irrevocable and, upon the expiration of such notice, the Issuer shall be bound to redeem the Notes to which such notice relates at their Principal Amount Outstanding if effected pursuant to Condition 8.8 (*Optional Redemption in whole*) or Condition 8.9 (*Optional Redemption in whole for taxation reasons*) and in an amount equal to the Note

Principal Payment calculated as at the related Calculation Date if effected pursuant to Condition 8.2 (*Pro-Rata Mandatory Redemption in part of Mortgage-Backed Notes*), Condition 8.3 (*Mandatory Redemption in part of Class C Notes*) and Condition 8.4 (*Mandatory Redemption in whole of Class C Notes*).

**8.15. No Purchase**

The Issuer may not at any time purchase any of the Notes.

**9. Limited Recourse**

Each of the Noteholders will be deemed to have agreed with the Issuer that notwithstanding any other provisions of these Conditions or the Transaction Documents, all obligations of the Issuer to the Noteholders, including, without limitation, the Issuer Obligations, are limited in recourse as set out below:

- (A) it will have a claim only in respect of the Transaction Assets and will not have any claim, by operation of law or otherwise, against, or recourse to, any of the Issuer's other assets or its contributed capital;
- (B) sums payable to each Noteholder in respect of the Issuer's obligations to such Noteholder shall be limited to the lesser of (a) the aggregate amount of all sums due and payable to such Noteholder and (b) the aggregate amounts received, realised or otherwise recovered by or for the account of the Issuer in respect of the Transaction Assets (whether arising from an enforcement of the Security or otherwise), net of any sums which are payable by the Issuer in accordance with the Payments Priorities in priority to or *pari passu* with sums payable to such Noteholder; and
- (C) on the Final Legal Maturity Date or upon the Common Representative giving written notice to the Noteholders or any of the Transaction Creditors that it has determined in its sole opinion, following the Servicer having certified to the Common Representative, that there is no reasonable likelihood of there being any further realisations in respect of the Transaction Assets (other than the Transaction Accounts) and the Transaction Manager having certified to the Common Representative that there is no reasonable likelihood of there being any further realisations in respect of the Transaction Accounts which would be available to pay in full the amounts outstanding under the Transaction Documents and the Notes owing to such Transaction Creditors and Noteholders, then such Transaction Creditors shall have no further claim against the Issuer in respect of any such unpaid amounts and such unpaid amounts shall be discharged in full.

**10. Payments**

**10.1 Principal**

Payments of principal shall be made only against:

- (A) (in the case of final redemption, provided that payment is made in full) presentation and surrender of the relevant Notes; and
- (B) in respect of any Note Principal Payment which becomes due on an Interest Payment Date, presentation and (in the case of payment in full) surrender of the appropriate Receipts,

at the Specified Office of any Paying Agent outside the United States, by cheque drawn in euro, or by transfer to an account in euro maintained by the payee with a bank in a city in which banks have access to the TARGET System.

#### 10.2 **Interest on Coupons**

Payments of interest or any Class C Distribution Amount shall, subject to Condition 10.6 (*Payments on Business Days*) below, be made only against presentation and (provided that payment is made in full) surrender of the appropriate Coupons at the specified office of any Paying Agent outside the United States in the manner described in Condition 10.1 (*Principal*).

#### 10.3 **Payments subject to fiscal laws**

All payments in respect of the Notes are subject in all cases to any applicable fiscal or other laws and regulations, but without prejudice to the provisions of Condition 11 (*Taxation*), no commissions or expenses shall be charged to the holder of any Note, Coupon or Receipt in respect of such payments.

#### 10.4 **Unmatured Receipts Void**

On the due date for final redemption of any Note pursuant to Condition 8.1 (*Final Redemption*) or early redemption of such Note pursuant to Condition 8.2 (*Pro-Rata Mandatory Redemption in part of Class A Notes and Class B Notes*), Condition 8.3 (*Mandatory Redemption in part of Class C Notes*) and Condition 8.4 (*Mandatory Redemption in whole of Class C Notes*), Condition 8.9 (*Optional Redemption in whole*), Condition 8.10 (*Optional Redemption in whole for taxation reasons*) or Condition 12 (*Events of Default*), all unmaturing Receipts relating thereto (whether or not still attached) shall become void and no payment will be made in respect thereof.

#### 10.5 **Unmatured Coupons Void**

On the due date for final redemption of any Note pursuant to Condition 8.2 (*Pro-Rata Mandatory Redemption in part of Class A Notes and Class B Notes*), Condition 8.3 (*Mandatory Redemption in part of Class C Notes*) and Condition 8.4 (*Mandatory Redemption in whole of Class C Notes*), Condition 8.9 (*Optional Redemption in whole*), Condition 8.10 (*Optional Redemption in whole for taxation reasons*) or Condition 12 (*Events of Default*), all unmaturing Coupons relating thereto (whether or not still attached) shall become void and no payment will be made in respect thereof.

#### 10.6 **Payments on Business Days**

If the due date for payment of any amount in respect of any Notes or Coupon is not a business day in the place of presentation, the holder shall not be entitled to payment in such place of the amount due until the next succeeding business day in the place of presentation on which banks are open for business in such place of presentation and shall not be entitled to any further interest or other payment in respect of any such delay.

#### 10.7 **Business Days**

In this Condition 10, "**business day**" means, in respect of any place of presentation, any day on which banks are open for presentation and payment of bearer debt securities and for dealings in euro in such place of presentation and, in the case of payment by transfer to an account in euro, as referred to above, on which dealings in euro may be carried on both in London and in such place of presentation and in which the TARGET System is open.

## 10.8 **Payments other than in respect of matured Coupons**

Payments of interest other than in respect of matured Coupons shall be made only against presentation of the relevant Notes at the specified office of any Paying Agent outside the United States.

## 10.9 **Endorsement of payments**

If a Paying Agent makes a payment in respect of any Instrument (otherwise than against presentation and surrender of a Coupon) or a partial payment in respect of any Coupon presented to it for payment, such Paying Agent shall instruct Euroclear and Clearstream, Luxembourg to make the appropriate entries in their records to reflect such payment.

## 10.10 **Exchange of Talons**

On or after the Interest Payment Date of the final Coupon which is (or was at the time of issue) part of a coupon sheet relating to the Notes (each, a "**Coupon Sheet**"), the Talon forming part of such Coupon Sheet may be exchanged at the Specified Office of the Principal Paying Agent for a further Coupon Sheet (including a further Talon but excluding any Coupons in respect of which claims have already become void pursuant to Condition 17 (*Prescription*)). Upon the due date for redemption of any Note, any unexchanged Talon relating to such Note shall become void and no Coupon will be delivered in respect of such Talon.

## 10.11 **Notifications to be final**

All notifications, opinions, determinations, certificates, calculations, quotations and decisions given, expressed, made or obtained for the purposes of this Condition, whether by the Reference Banks (or any of them), the Principal Paying Agent, the Agent Bank or the Common Representative shall (in the absence of any gross negligence, wilful default, fraud or manifest error) be binding on the Issuer and all Noteholders and Couponholders and Transaction Creditors and (in the absence of any gross negligence, wilful default or fraud) no liability to the Common Representative, the Noteholders or the Couponholders shall attach to the Reference Banks, the Agents, or the Common Representative in connection with the exercise or non exercise by them or any of them of their powers, duties and discretions under this Condition 10.

## 11. **Taxation**

### 11.1 **Payments free of Tax**

All payments of principal and interest in respect of the Notes shall be made free and clear of, and without withholding or deduction for, any Taxes unless the Issuer, the Common Representative or the Principal Paying Agent (as the case may be) is required by law to make any such payment subject to any such withholding or deduction. In that event, the Issuer, the Common Representative or the Principal Paying Agent (as the case may be) shall be entitled to withhold or deduct the required amount for or on account of Tax from such payment and shall account to the relevant Tax Authorities for the amount so withheld or deducted.

### 11.2 **No payment of additional amounts**

Neither the Issuer, the Common Representative nor the Principal Paying Agent will be obliged to pay any additional amounts to Noteholders in respect of any Tax Deduction made in accordance with Condition 11.1 (*Taxation - Payments Free of Tax*) above.

### 11.3 **Taxing Jurisdiction**

If the Issuer becomes subject at any time to any taxing jurisdiction other than the Republic of Portugal, references in these Conditions to the Republic of Portugal shall be construed as references to the Republic of Portugal and/or such other jurisdiction.

#### 11.4 **Tax Deduction not Event of Default**

Notwithstanding that the Common Representative, the Issuer or any Paying Agent is required to make a Tax Deduction in accordance with in Condition 11.1 (*Taxation - Payments Free of Tax*) above this shall not constitute an Event of Default.

### 12. **Events of Default**

#### 12.1 **Events of Default**

Subject to the other provisions of this Condition, each of the following events shall be treated as an "**Event of Default**":

- (A) *Non-payment of Principal*: the Issuer fails to pay any amount of principal in respect of the Notes, provided that any such failure to pay such principal continues for a period of five days;
- (B) *Non-Payment of Interest*: the Issuer fails to pay any interest in respect of any Class A Notes when the same becomes due or payable or, following redemption and payment in full of the Class A Notes, the Issuer fails to pay any interest on any Class B Notes when the same becomes due and payable (other than Deferred Interest Amount Arrears), provided that any such failure to pay such interest continues for a period of ten days;
- (C) *Breach of other obligations*: the Issuer defaults in the performance or observance of any of its other obligations under or in respect of the Notes, the other Transaction Documents or in respect of the Issuer Covenants and such default is (a) in the opinion of the Common Representative, incapable of remedy or (b) being a default which is, in the opinion of the Common Representative, capable of remedy, remains unremedied for thirty days or such longer period as the Common Representative may agree after the Common Representative has given written notice of such default to the Issuer; or
- (D) *Issuer Insolvency*: an Insolvency Event occurs with respect to the Issuer; or.
- (D) *Unlawfulness*: it is or will become unlawful for the Issuer to perform or comply with any of its obligations under or in respect of the Notes or the other Transaction Documents.

#### 12.2 **Delivery of Enforcement Notice**

If an Event of Default occurs and is continuing, the Common Representative may at its absolute discretion and shall if so requested in writing by the holders of at least 25 per cent. of the Principal Amount Outstanding of the Most Senior Class of outstanding Notes or if so directed by a Resolution of the holders of the Most Senior Class of outstanding Notes deliver an Enforcement Notice to the Issuer.

#### 12.3 **Conditions to delivery of Enforcement Notice**

Notwithstanding Condition 12.2 (*Delivery of an Enforcement Notice*) the Common Representative shall not be obliged to deliver an Enforcement Notice unless:

- (A) in the case of the occurrence of any of the events mentioned in Condition 12.1(C) (*Breach of other obligations*), the Common Representative shall have certified in writing that the occurrence of such event is in its opinion materially prejudicial to the interests of the Noteholders; and
- (B) in any case it shall have been indemnified and/or secured and/or pre-funded to its satisfaction against all Liabilities to which it may thereby become liable or which it may incur by so doing.

#### 12.4 **Consequences of delivery of Enforcement Notice**

Upon the delivery of an Enforcement Notice, the Notes of each Class shall become immediately due and payable without further action or formality at their Principal Amount Outstanding together with any accrued interest and any Deferred Interest Amount Arrears.

### 13. **Proceedings**

#### 13.1 **Proceedings**

After the occurrence of an Event of Default, the Common Representative may at its absolute discretion, and without further notice, institute such proceedings as it thinks fit to enforce its rights under the Notes and the Common Representative Appointment Agreement in respect of the Notes of each Class and under the other Transaction Documents, in any case acting to serve the best interests of the Noteholders as a class, but it shall not be bound to do so unless:

- (A) so requested in writing by the holders of at least 25 per cent. of the Principal Amount Outstanding of the Most Senior Class of outstanding Notes; or
- (B) so directed by a Resolution of the Noteholders of the Most Senior Class of outstanding Notes;

and in any such case, only if it shall have been indemnified and/or secured and/or pre-funded to its satisfaction against all Liabilities to which it may thereby become liable or which it may incur by so doing.

#### 13.2 **Directions to the Common Representative**

Without prejudice to Condition 13.1 (*Proceedings*), the Common Representative shall not be bound to take any action described in Condition 13.1 (*Proceedings*) and may take such action without having regard to the effect of such action on individual Noteholders, Receiptholders or Couponholders or any other Transaction Creditor. The Common Representative shall have regard to the Noteholders of each Class as a Class and, for the purposes of exercising its rights, powers, duties or discretions, the Common Representative shall have regard only to the Most Senior Class of Notes then outstanding, provided that so long as any of the Most Senior Class of Notes are outstanding, the Common Representative shall not, and shall not be bound to, act at the request or direction of the Noteholders of any other Class of Notes unless:

- (A) to do so would not, in its opinion, be materially prejudicial to the interests of the Noteholders of all the Classes of Notes ranking senior to such other Class; or

- (B) (if the Common Representative is not of that opinion) such action of each Class is sanctioned by a Resolution of the Noteholders of the Class or Classes of the Notes ranking senior to such other Class.

### 13.3 Restrictions on disposal of Transaction Assets

If an Enforcement Notice has been delivered by the Common Representative, the Common Representative will only be entitled to dispose of the Mortgage Asset Portfolio to a Portuguese securitisation fund (FTC) or to another Portuguese securitisation company (STC) or to the Originator in accordance with the Securitisation Law.

### 14. No action by Noteholders, Couponholders or any other Transaction Party

14.1 The Noteholders may be restricted from proceeding individually against the Issuer and the Transaction Assets or to enforce the Security or otherwise seek to enforce the Issuer's Obligations, where such action or actions, taken on an individual basis, contravene a Resolution of the Noteholders.

14.2 Furthermore, and to the extent permitted by Portuguese Law, only the Common Representative may pursue the remedies available under the general law or under the Common Representative Appointment Agreement against the Issuer and the Transaction Assets and, other than as permitted in this Condition 14.2, no Transaction Creditor (other than the Common Representative) shall be entitled to proceed directly against the Issuer and the Transaction Assets or to enforce the Security or otherwise seek to enforce the Issuer's Obligations. In particular, each Transaction Creditor agrees with and acknowledges to each of the Issuer and the Common Representative, and the Common Representative agrees with and acknowledges to the Issuer that:

- (A) none of the Transaction Creditors other than the Common Representative (nor any person on their behalf) is entitled, otherwise than as permitted by the Transaction Documents, to direct the Common Representative to take any proceedings against the Issuer or take any proceedings against the Issuer unless the Common Representative, having become bound to serve an Enforcement Notice or having been requested in writing or directed by a Resolution of the Noteholders in accordance with Condition 13.1 (*Proceedings*) to take any other action to enforce its rights under the Notes and the Common Representative Appointment Agreement and under the other Transaction Documents (such obligation a "**Common Representative Action**"), fails to do so within a reasonable time of becoming so bound or of having been so requested or directed and that failure is continuing (in which case each of the Noteholders and the Transaction Creditors shall (subject to Conditions 14.2(C) and 14.2(D)) be entitled to take any such steps and proceedings as it shall deem necessary in respect of the Issuer);
- (B) none of the Transaction Creditors other than the Common Representative (nor any person on their behalf) shall have the right to take or join any person in taking any steps against the Issuer for the purpose of obtaining payment of any amount due from the Issuer to any of such Transaction Parties unless the Common Representative, having become bound to take a Common Representative Action, fails to do so within a reasonable time of having become so bound and that failure is continuing (in which case each of the Noteholders and the Transaction Creditors shall (subject to Conditions 14.2(C) and 14.2(D)) be entitled to take any such steps and proceedings as it shall deem necessary in respect of the Issuer);



- (C) until the date falling two years after the Final Discharge Date none of the Transaction Creditors nor any person on their behalf (including the Common Representative) shall initiate or join any person in initiating any Insolvency Event or the appointment of any insolvency official in relation to the Issuer; and
- (D) none of the Transaction Creditors shall be entitled to take or join in the taking of any steps or proceedings which would result in the Payments Priorities not being observed.

### 14.3 **Common Representative and Agents**

In the exercise of its powers and discretions under these Conditions and the Common Representative Appointment Agreement, the Common Representative will have regard to the interests of the Noteholders as a class and will not be responsible for any consequence for individual holders of the Notes of any such Class of Notes as a result of such holders being connected in any way with a particular territory or taxing jurisdiction provided that:

- (A) so long as any of the Class A Notes are outstanding, if there is a conflict of interest between the interests of the holders of the Class A Notes and the interests of the holders of the Class B Notes and/or the Class C Notes, the Common Representative shall only have regard to the interests of the holders of the Class A Notes;
- (B) after the Class A Notes have been redeemed in full, if there is a conflict of interest between the interests of the holders of the Class B Notes and the interests of the holders of the Class C Notes, the Common Representative shall only have regard to the interests of the holders of the Class B Notes,

provided further that, while any Notes of a Class ranking senior to any other Class of Notes are then outstanding, the Common Representative shall not and shall not be bound to, act at the request or direction of the Noteholders of any other Class of Notes unless: (a) to do so would not, in its opinion, be materially prejudicial to the interests of the Noteholders of all the Classes of Notes ranking senior to such other Class; or (b) (if the Common Representative is not of that opinion) such action of each Class is sanctioned by a Resolution of the Noteholders of the Class or Classes of the Notes ranking senior to such other Class.

When the Notes are no longer outstanding, as regards all the powers, authorities, duties and discretions vested in the Common Representative described above, where, in the opinion of the Common Representative, there is conflict, actual or potential, between the interests of the Transaction Parties, it shall only have regard to the interests of that Transaction Party which is, or those Transaction Parties which are, most senior in the Payments Priorities and which claim is still outstanding thereunder and no other Transaction Party shall have any claim against the Common Representative for so doing. If there are two or more Transaction Parties who rank *pari passu* in the Payments Priorities then the Common Representative shall have regard to the interests of the Transaction Party whose claim is provided in writing first in time;

- 14.4 In accordance with article 65.3 of the Securitisation Law the power of replacing the Common Representative and appointing a substitute common representative shall be vested in the Noteholders and no person shall be appointed to act as a substitute common representative without a previous Resolution for such purpose having been approved.

## 15. **Meetings of Noteholders**

### 15.1 **Convening**

The Common Representative Appointment Agreement contains Provisions for Meetings of Noteholders for convening separate or combined meetings of Noteholders of any Class to consider matters relating to the Notes, including the modification of any provision of these Conditions or the Common Representative Appointment Agreement and the circumstances in which modifications may be made if sanctioned by a Resolution.

#### 15.2 **Separate and combined meetings**

The Common Representative Appointment Agreement provides that (subject to Condition 15.6 (*Relationship between Classes*)):

- (A) a Resolution which in the opinion of the Common Representative affects the Notes of only one Class shall be transacted at a separate meeting of the Noteholders of that Class;
- (B) a Resolution which in the opinion of the Common Representative affects the Noteholders of more than one Class of Notes but does not give rise to an actual or potential conflict of interest between the Noteholders of one Class of Notes and the holders of another Class of Notes may be transacted either at separate meetings of the Noteholders of each such Class or at a single meeting of the Noteholders of all such Classes of Notes as the Common Representative shall determine in its absolute discretion; and
- (C) a Resolution which in the opinion of the Common Representative affects the Noteholders of more than one Class and gives rise to any actual or potential conflict of interest between the Noteholders of one Class of Notes and the Noteholders of any other Class of Notes shall be transacted at separate meetings of the Noteholders of each such Class.

#### 15.3 **Request from Noteholders**

A meeting of Noteholders of a particular Class may be convened by the Common Representative or the Issuer at any time and must be convened by the Common Representative (subject to its being indemnified and/or secured and/or pre-funded to its satisfaction) upon the request in writing of Noteholders of a particular Class holding not less than five per cent. of the aggregate Principal Amount Outstanding of the outstanding Notes of that Class.

#### 15.4 **Quorum**

The quorum at any Meeting convened to vote on:

- (A) a Resolution not regarding a Reserved Matter, relating to a meeting of a particular Class or Classes of the Notes, will be any person or persons holding or representing such Class or Classes of Notes whatever the Principal Amount Outstanding of the Notes then outstanding held or represented at the Meeting ; and
- (B) a Resolution regarding a Reserved Matter, relating to a Meeting of a particular Class or Classes of the Notes, will be any person or persons holding or representing at least 50 per cent. of the Principal Amount Outstanding of the Notes then outstanding so held or represented in such Class or Classes or, at any adjourned Meeting, any person holding or representing such Class or Classes whatever the Principal Amount Outstanding of the Notes then outstanding so held or represented.

#### 15.5 **Majorities**

The majorities required to pass a Resolution at any meeting convened in accordance with these rules shall be:

- (A) if in respect to a Resolution not regarding a Reserved Matter, the majority of the votes cast at the relevant meeting; or
- (B) if in respect to a Resolution regarding a Reserved Matter (which must be proposed separately to each Class of Noteholders), at least 50 per cent. of the Principal Amount Outstanding of the Notes then outstanding in the relevant Class or Classes or, at any adjourned meeting two-thirds of the votes cast at the relevant meeting.

#### 15.6 **Relationship between Classes**

In relation to each Class of Notes:

- (A) no Resolution involving a Reserved Matter that is passed by the holders of one Class of Notes shall be effective unless it is sanctioned by a Resolution of the holders of each of the other Classes of Notes (to the extent that there are outstanding Notes in each such other Classes);
- (B) no Resolution to approve any matter other than a Reserved Matter of any Class of Notes shall be effective unless it is sanctioned by a Resolution of the holders of each of the other Classes of Notes then outstanding ranking senior to such Class to the extent that there are Notes outstanding ranking senior to such Class unless the Common Representative considers that none of the holders of each of the other Classes of Notes ranking senior to such Class, would be materially prejudiced by the absence of such sanction; and
- (C) any Resolution passed at a Meeting of Noteholders of one or more Classes of Notes duly convened and held in accordance with the Common Representative Appointment Agreement shall be binding upon all Noteholders of such Class or Classes, whether or not present at such Meeting and whether or not voting and upon all Couponholders of such Class or Classes and Receiptholders of such Class or Classes and, except in the case of a meeting relating to a Reserved Matter, any resolution passed at a meeting of the holders of the Most Senior Class of Notes duly convened and held as aforesaid shall also be binding upon the holders of all the other Classes of Notes and the holders of the Coupons and Receipts relating thereto.

#### 15.7 **Resolutions in writing**

A Written Resolution shall take effect as if it were a Resolution.

### 16. **Modification and Waiver**

#### 16.1 **Modification**

The Common Representative may at any time and from time to time, without the consent or sanction of the Noteholders or any other Transaction Party, concur with the Issuer and any other relevant Transaction Party in making:

- (A) any modification to these Conditions or any of the other Transaction Documents in relation to which the consent of the Common Representative is required (other than in respect of a Reserved Matter or any provision of the Notes, these Conditions or any of the Transaction Documents referred to in the definition of a Reserved Matter),

which, in the opinion of the Common Representative will not be materially prejudicial to the interests of the holders of the Most Senior Class of Notes then outstanding; or

- (B) any modification, other than a modification in respect of a Reserved Matter, to these Conditions or any of the Transaction Documents in relation to which the consent of the Common Representative is required, if, in the opinion of the Common Representative, such modification is of a formal, minor, administrative or technical nature, results from mandatory provisions of Portuguese law or is made to correct a manifest error or an error which, to the satisfaction of the Common Representative, is proven or is necessary or desirable for the purposes of clarification.

## 16.2 **Waiver**

In addition, the Common Representative may, in its sole discretion, at any time and from time to time, without prejudice to its rights in respect of any subsequent breach, condition, event or act, without the consent or sanction of the Noteholders or the Transaction Parties, concur with the Issuer and any other relevant Transaction Party in authorising or waiving on such terms and subject to such conditions (if any) as it may decide, a proposed breach or breach by the Issuer of any of the covenants or provisions contained in the Common Representative Appointment Agreement, the Notes or the other Transaction Documents (other than in respect of a Reserved Matter or any provision of the Notes, the Common Representative Appointment Agreement or such other Transaction Document referred to in the definition of a Reserved Matter) which, in the opinion of the Common Representative, will not be materially prejudicial to the interests of the holders of the Most Senior Class of Notes then outstanding (provided that it may not and only the Noteholders may by Resolution determine that any Event of Default shall not be treated as such for the purposes of the Common Representative Appointment Agreement, the Notes or any of the other Transaction Documents).

## 16.3 **Restriction on power to waive**

The Common Representative shall not exercise any powers conferred to it by Condition 16.2 (*Waiver*) in contravention of any of the restrictions set out therein or any express direction by a Resolution of the holders of the Most Senior Class of Notes then outstanding or of a request or direction in writing made by the holders of not less than 50 per cent. in aggregate Principal Amount Outstanding of the Most Senior Class of Notes then outstanding, but no such direction or request (a) shall affect any authorisation or waiver previously given or made or (b) shall authorise or waive any such proposed breach or breach relating to a Reserved Matter unless the holders of each Class of Notes then outstanding has, by Resolution, so authorised or waived such proposed breach or breach.

## 16.4 **Notification**

Unless the Common Representative otherwise agrees, the Issuer shall cause any such waiver or modification to be notified to the Rating Agency and the other relevant Transaction Parties, in accordance with the Transaction Documents, and the Noteholders, in accordance with Condition 20 (*Notices*) and the Transaction Documents, as soon as practicable after it has been made.

## 16.5 **Binding Nature**

Any waiver or modification referred to in Condition 16.1 (*Modification*) or Condition 16.2 (*Waiver*), as the case may be, shall be binding on the Instrumentholders and the other Transaction Creditors.

**17. Prescription**

**17.1 Principal**

Claims for principal in respect of the Notes shall become void unless the relevant Notes are presented for payment within twenty years of the appropriate Relevant Date.

**17.2 Interest**

Claims for interest in respect of the Notes and any Class C Distribution Amount, shall become void unless the relevant Coupons are presented for payment within five years of the appropriate Relevant Date.

**18. Replacement of Notes and Coupons**

If any Note, Receipt, Coupon or Talon is lost, stolen, mutilated, defaced or destroyed, it may be replaced at the specified office of the Principal Paying Agent, subject to all applicable laws and stock exchange 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 may reasonably require. Mutilated or defaced Notes, Receipts, Coupons or Talons must be surrendered before replacements will be issued.

**19. Common Representative and Agents**

**19.1 Common Representative's right to Indemnity**

Under the Transaction Documents, the Common Representative is entitled to be indemnified by the Issuer and relieved from responsibility in certain circumstances and to be paid or reimbursed for any Liabilities incurred by it in priority to the claims of the Noteholders and the other Transaction Creditors. The Common Representative shall not be required to do anything which would require it to risk or expend its own funds. In addition, the Common Representative is entitled to enter into business transactions with the Issuer and/or any other person who is a party to the Transaction Documents and/or any of their subsidiary or associated companies and to act as common representative for the holders of any other securities issued by or relating to the Issuer without accounting for any profit and to exercise and enforce its rights, comply with its obligations and perform its duties under or in relation to any such transactions or, as the case may be, any such role. For the avoidance of doubt, the Common Representative will not be obliged to enforce the provisions of the Common Representative Appointment Agreement unless it is directed to do so by the Noteholders and unless it is indemnified, secured and/or pre-funded to its satisfaction.

**19.2 Common Representative not responsible for loss or for monitoring**

The Common Representative will not be responsible for any loss, expense or liability which may be suffered as a result of the Transaction Assets, the Charged Property or any documents of title thereto being uninsured or inadequately insured or being held by or to the order of the Servicer or by any person on behalf of the Common Representative. The Common Representative shall not be responsible for monitoring the compliance by any of the other Transaction Parties (including the Issuer, the Transaction Manager and the Servicer) with their obligations under the Transaction Documents and the Common Representative shall assume,

until it has actual knowledge to the contrary, that such persons are properly performing their duties.

The Common Representative shall have no responsibility (other than arising from its wilful default, gross negligence or fraud) in relation to the legality, validity, sufficiency, adequacy and enforceability of the Security or the Transaction Documents.

The Common Representative will not be responsible for any loss, expense or liability which may be suffered as a result of any assets comprised in the Charged Property, or any deeds or documents of title thereto, being uninsured or inadequately insured.

### 19.3 **Regard to classes of Noteholders**

In the exercise of its powers and discretions under these Conditions and the Common Representative Appointment Agreement and the other Transaction Documents, the Common Representative will have regard to the interests of each class of Noteholders as a class and will not be responsible for any consequence for individual Instrumentholders as a result of such holders being domiciled or resident in, or otherwise connected in any way with, or subject to the jurisdiction of, a particular territory or taxing jurisdiction.

### 19.4 **Paying Agent solely agents of Issuer**

In acting under the Paying Agency Agreement and in connection with the Notes, the Agents act solely as agents of the Issuer and (to the extent provided therein) the Common Representative and do not assume any obligations towards or relationship of agency or trust for or with any of the Noteholders.

### 19.5 **Successor Agents**

The Issuer reserves the right (with the prior written approval of the Common Representative) to vary or terminate the appointment of any Agent and to appoint a successor paying agent or agent bank and additional or successor paying agents at any time, having given not less than thirty days notice to such Agent and the Common Representative.

### 19.6 **Maintenance of Agents**

The Issuer shall at all times maintain a Paying Agent in accordance with any requirements of any Stock Exchanges on which the Notes are or may from time to time be listed, a principal paying agent and an agent bank. The Issuer will maintain a paying agent in a EU Member State that will not be obliged to withhold or deduct tax pursuant to European Council Directive 2003/48/EC or any other Directive implementing the conclusions of the ECOFIN Council meeting of 26-27 November 2000 or any law implementing or complying with, or introduced in order to conform to, such Directive. Notice of any change in any of the Agents or in their Specified Offices shall promptly be given to the Noteholders in accordance with the Notices Condition.

## 20. **Notices**

### 20.1 **Valid Notices**

Any notice to Noteholders and the Rating Agency shall be validly given if such notice is either:

- (A) published in a newspaper of daily circulation in Ireland or, if any of such newspapers shall cease to be published or timely publication therein shall not be practicable, in

such English language newspaper or newspapers as the Common Representative shall approve having a general circulation in Europe; or

- (B) published on a page of the Reuters service or of the Bloomberg service, or of any other medium for the electronic display of data as may be previously approved in writing by the Common Representative and as has been notified to the Noteholders in accordance with the Notices Condition (the "**Relevant Screen**")

provided that for so long as the relevant Notes are listed on the Official List of the Irish Stock Exchange and admitted to trading on the regulated market of the Irish Stock Exchange any notice shall also be published in accordance with the relevant listing rules and regulations (which includes appropriate notification being made to the Company Announcements Office of the Irish Stock Exchange).

## 20.2 **Date of publication**

Any notices so published 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 shall have been made in the newspaper or newspapers in which publication is required or on the Relevant Screen.

## 20.3 **Other Methods**

The Common Representative shall be at liberty to sanction some other method of giving notice to the Noteholders or to a Class or category of them if, in its opinion, such other method is reasonable having regard to market practice then prevailing and to the requirements of the Stock Exchange (if any) on which the Notes are then listed and provided that notice of such other method is given to the Noteholders in such manner as the Common Representative shall require.

## 20.4 **Couponholders deemed to have notice**

The Couponholders and Receiptholders will be deemed for all purposes to have notice of the contents of any notice given to the Noteholders in accordance with this Condition.

## 21. **Governing Law and Jurisdiction**

### 21.1 **Governing law**

The Common Representative Appointment Agreement and the Notes are governed by, and shall be construed in accordance with, Portuguese law.

### 21.2 **Jurisdiction**

The courts of Lisbon are to have exclusive jurisdiction to settle any disputes that may arise out of or in connection with the Notes and accordingly any legal action or proceedings arising out of or in connection with the Notes may be brought in such courts.

## 22. **Issue of Other Series**

The Issuer will be entitled (but not obliged) at its sole option from time to time without the consent of the Noteholders and the other Transaction Creditors to raise funds in any currency by the creation and issue of notes of another series which will be collateralised by further assets acquired by the Issuer which do not form part of the Transaction Assets.

23. **Definitions**

"**Accounts Agreement**" means the account agreement relating to the Transaction Accounts dated on or about the Closing Date and made between the Issuer, the Accounts Bank, the Transaction Manager and the Common Representative;

"**Accounts Bank**" means Deutsche Bank AG, London Branch, in its capacity as the bank at which the Transaction Accounts are held in accordance with the terms of the Accounts Agreement acting through its office at Winchester House, 1 Great Winchester Street, London EC2N 2DB, United Kingdom, together with any successor or replacement accounts bank appointed from time to time in connection with the Notes in accordance with same Agreement;

"**Additional Collateral Determination Date**" means each Collateral Determination Date in relation to an Additional Purchase Date, as determined by the Originator in relation to the Additional Mortgage Assets to be assigned to the Issuer on such Additional Purchase Date;

"**Additional Mortgage Asset Portfolio**" means each portfolio of Mortgage Assets assigned by the Originator to the Issuer on any Additional Purchase Date,

"**Additional Mortgage Assets**" means the Mortgage Assets which are to be assigned by the Originator to the Issuer on an Additional Purchase Date

"**Additional Purchase**" means a purchase made by the Issuer of an Additional Mortgage Asset Portfolio which is an addition to the Initial Mortgage Asset Portfolio;

"**Additional Purchase Available Amount**" means the amount standing to the credit of the Excess Available Principal Account;

"**Additional Purchase Date**" means each Interest Payment Date, falling within the Revolving Period, on which the Issuer makes an Additional Purchase;

"**Additional Purchase Price**" means the consideration paid by the Issuer to the Originator for the assignment of an Additional Mortgage Asset Portfolio, as calculated at the relevant Collateral Determination Date;

"**Agent Bank**" means Deutsche Bank AG London Branch, in its capacity as the agent bank in respect of the Notes in accordance with the Paying Agency Agreement acting through its office at Winchester House, 1 Great Winchester Street, London EC2N 2DB, United Kingdom, together with any successor or replacement accounts bank appointed from time to time in connection with the Notes in accordance with same Agreement;

"**Agents**" means the Agent Bank and the Principal Paying Agent and "**Agent**" means any one of them;

"**Aggregate Principal Outstanding Balance**" means, with respect to all Mortgage Assets at any time, the aggregate amount of the Principal Outstanding Balance of each Mortgage Asset;

"**Amortisation Event**" means the occurrence of any of the events referred to in items (b) to (f) of the definition of "Revolving Period":

"**Amortisation Period**" means the period commencing on the Amortisation Period Start Date and will end on the earlier of (i) Final Legal Maturity Date, (ii) the date on which a Notification Event occurs or (iii) the date on which the Notes have been repaid in full.



**"Amortisation Period Start Date"** means the earliest to occur of the following:

- (a) the Interest Payment Date falling in January 2011;
- (b) the date on which a Notification Event occurs;
- (c) the Calculation Date on which the aggregate of (i) the aggregate Principal Outstanding Balance of the Mortgage Loans in arrears by not less than 90 days and (ii) the aggregate Principal Outstanding Balance of the Defaulted Mortgage Assets is more than 10 per cent. of the sum of (A) Aggregate Principal Outstanding Balance of the Mortgage Loans in the Mortgage Asset Portfolio as at the Initial Collateral Determination Date and (B) the balance standing to the credit of the Excess Available Principal Account on the Closing Date;
- (d) the date on which the Originator informs the Issuer, the Transaction Manager and the Common Representative that it wishes to end the Revolving Period; and
- (e) the date on which the Cash Reserve Account has not been replenished on the immediately succeeding Interest Payment Date with an amount necessary to maintain the Cash Reserve Account Required Balance;

**"Ancillary Mortgage Rights"** means, in respect of each Mortgage Loan and its Mortgage:

- (a) any advice, report, valuation, opinion, certificate, undertaking, or other statement of fact or of law or opinion given in connection with such Mortgage Loan or Mortgage to the extent transferable;
- (b) any related Insurance Policies;
- (c) all monies and proceeds other than principal payable or to become payable under, in respect of or pursuant to such Mortgage Loan and its related Mortgage;
- (d) the benefit of all covenants, undertakings, representations, warranties and indemnities in favour of the Originator contained in or relating to such Mortgage Loan or Mortgage including, without limitation, those contained in the relevant Mortgage Asset Agreement; and
- (e) all causes and rights of action (present and future) against any person relating to such Mortgage Loan or Mortgage including, without limitation, such causes and rights of action arising under the relevant Mortgage Asset Agreement and including the benefit of all powers and remedies for enforcing or protecting the Originator's right, title, interest and benefit in respect of such Mortgage Loan or Mortgage,

but so that Ancillary Mortgage Rights shall not include any Excluded Rights;

**"Arranger"** means Finibanco, S.A.;

**"Assets"** means the Assigned Mortgage Rights, the benefit of the Payment Account, the Excess Available Principal Account and the Cash Reserve Account and the benefit of the Transaction Documents;

**"Assigned Mortgage Rights"** means the Mortgage Asset Portfolio, including the Mortgage Assets and the Receivables assigned to the Issuer by the Originator in accordance with the terms of the Mortgage Sale Agreement;

**“Auditor”** means, in respect of the Issuer, KPMG & Asociados - SROC, S.A.;

**"Authorised Investments"** means any investment:

- (a) denominated in euro or other demand or time deposits and money market funds in respect of which a security interest can be created pursuant to the Security Deed;
- (b) which complies with Article 3 of CMVM Regulation 12/2002;
- (c) which received a rating from S&P of, or (in the case of a bank account or term deposit) is held at or made with an institution having a minimum rating given by S&P equal to "A-1" or "A+" if no short term rating is available;
- (d) the investment in which would not adversely affect the Rating; and
- (d) which matures, or (in the case of a bank account) from which amounts deposited may be withdrawn at any time without penalty, before the next Interest Payment Date;

**"Available Interest Distribution Amount"** means, in respect of any Interest Payment Date, the amount calculated by the Transaction Manager in conjunction with the Servicer (to the extent the Transaction Manager does not possess any of the required information) on the Calculation Date immediately preceding such Interest Payment Date equal to the sum of:

- (a) any Interest Collection Proceeds and other interest amounts received by the Issuer as interest payments under the Mortgage Assets during the Collection Period immediately preceding such Interest Payment Date;
- (b) where the proceeds or estimated proceeds of disposal or, on maturity, the maturity proceeds of any Authorised Investment received in relation to the relevant Collection Period exceeds the original cost of such Authorised Investment, the amount of such excess together with interest thereon;
- (c) all amounts standing to the credit of the Cash Reserve Account;
- (d) the amount of any Principal Draw Amount to be made on such Interest Payment Date to cover any Payment Shortfall in respect of such Interest Payment Date;
- (e) interest accrued and credited to the Transaction Accounts during the relevant Collection Period;
- (f) any portion of the Available Principal Distribution Amount remaining after the redemption in full of the Mortgage-Backed Notes; less
- (g) any Withheld Amount;

**"Available Principal Distribution Amount"** means, in respect of any Interest Payment Date, the amount calculated by the Transaction Manager in conjunction with the Servicer (to the extent the Transaction Manager does not possess any of the required information) as at the Calculation Date immediately preceding such Interest Payment Date as being equal to:

- (a) the amount of any Principal Collection Proceeds to be received by the Issuer as principal payments under the Mortgage Assets during the Collection Period immediately preceding such Interest Payment Date; plus

- (b) such amount of the Available Interest Distribution Amount as is credited to the Payment Account and which is applied by the Transaction Manager on such Interest Payment Date in reducing the debit balance on the Class A Principal Deficiency Ledger or the Class B Principal Deficiency Ledger; plus
- (c) such amount as is credited in the Excess Available Principal Account; less
- (d) the amount of any Principal Draw Amount to be made on such Interest Payment Date;

"**Benchmark Index**" means each interest rate index that is used as the basis for calculating the interest rate applicable to each Mortgage Loan, as established in the relevant Mortgage Asset Agreement;

"**Borrower**" means, in respect of any Mortgage Loan, the related borrower or borrowers or other person or persons who is or are under any obligation to repay that Mortgage Loan, including any guarantor of such borrower and "**Borrowers**" means all of them;

"**Breach of Duty**" means in relation to any person, a wilful default, fraud, illegal dealing, negligence or breach of any agreement or trust by such person;

"**Business Day**" means a TARGET Settlement Day or, if such TARGET Settlement Day is not a day on which banks are open for business in London and Lisbon, the next succeeding TARGET Settlement Day on which banks are open for business in London and Lisbon;

"**Calculation Date**" means the last Lisbon Business Day of each month in each year, the first Calculation Date being the last Lisbon Business Day of December;

"**Cash Reserve Account**" means the account established with the Accounts Bank, or such other bank to which the Cash Reserve Account may be transferred, in the name of the Issuer, into which, on the Closing Date, an amount equal to the Initial Cash Reserve Amount will be credited;

"**Cash Reserve Account Required Balance**" means €3,500,000 on the Closing Date and, thereafter, on each Interest Payment Date, the Cash Reserve Account Required Balance on the immediately preceding Interest Payment Date, provided that, on each Interest Payment Date falling on or after the first Interest Payment Date on which the balance of Cash Reserve Account is equal to or greater than 3.00 per cent. of the Principal Amount Outstanding of the Mortgage-Backed Notes on such date and if the following conditions are satisfied:

- (a) at least three years have passed since the Closing Date;
- (b) there are no debits outstanding to any Principal Deficiency Ledger;
- (c) the amount standing to the credit of the Cash Reserve Account at the previous Interest Payment Date was equal to or greater than the Cash Reserve Account Required Balance as at such date;
- (d) the aggregate Principal Outstanding Balance of the Mortgage Loans included in the Mortgage Asset Portfolio which are ninety days or more in arrears does not exceed 10.00 per cent. of the aggregate Principal Outstanding Balance of all the Mortgage Loans included in the Mortgage Asset Portfolio; and
- (e) the Gross Cumulative Default Ratio Test is satisfied,

then the Cash Reserve Account Required Balance will mean an amount equal, on such Interest Payment Date, to the greater of €1,200,000 and 3.00 per cent. of the Current Principal Outstanding Balance of the Mortgage Loans.

**"Charged Property"** means all the property of the Issuer which is subject to the Security;

**"Class"** or **"class"** means the Class A Notes, the Class B Notes and the Class C Notes as the context may require, and **"Classes"** or **"classes"** shall be construed accordingly;

**"Class A Coupons"** means the interest coupons related to the Class A Definitive Notes in or substantially in the form set out in Part 2 of Schedule 3 to the Common Representative Appointment Agreement and for the time being outstanding or, as the context may require, a specific number of such coupons;

**"Class A Definitive Notes"** means any Class A Notes issued in definitive bearer form;

**"Class A Notes"** means the €203,176,000 Class A Mortgage-Backed Floating Rate Notes due 2063 issued by the Issuer on the Closing Date;

**"Class A Permanent Global Note"** means any permanent global note representing any Class A Notes in, or substantially in, the form set out in Schedule 2 to the Common Representative Appointment Agreement;

**"Class A Principal Deficiency Ledger"** means the principal deficiency ledger created and maintained by the Transaction Manager in accordance with the Transaction Management Agreement, so that the debit balance on such principal deficiency ledger is not greater than the aggregate Principal Amount Outstanding of the Class A Notes;

**"Class A Receipts"** means the principal receipts related to the Class A Definitive Notes;

**"Class A Temporary Global Note"** means any temporary global note representing any Class A Notes in, or substantially in, the form set out in Schedule 1 to the Common Representative Appointment Agreement;

**"Class B Coupons"** means the interest coupons related to the Class B Definitive Notes in or substantially in the form set out in Part 2 of Schedule 3 to the Common Representative Appointment Agreement and for the time being outstanding or, as the context may require, a specific number of such coupons;

**"Class B Definitive Notes"** means any Class B Notes issued in definitive bearer form;

**"Class B Notes"** means the €29,824,000 Class B Mortgage-Backed Floating Rate Notes due 2063 issued by the Issuer on the Closing Date;

**"Class B Permanent Global Note"** means any permanent global note representing any Class B Notes in, or substantially in, the form set out in Schedule 2 to the Common Representative Appointment Agreement;

**"Class B Principal Deficiency Ledger"** means the principal deficiency ledger created and maintained by the Transaction Manager in accordance with the Transaction Management Agreement, so that the debit balance on such principal deficiency ledger is not greater than the aggregate Principal Amount Outstanding of the Class B Notes;

**"Class B Receipts"** means the principal receipts related to the Class B Definitive Notes;

**"Class B Temporary Global Note"** means any temporary global note representing any Class B Notes in, or substantially in, the form set out in Schedule 1 to the Common Representative Appointment Agreement;

**"Class C Coupons"** means the interest coupons related to the Class C Definitive Notes in or substantially in the form set out in Part 2 of Schedule 3 to the Common Representative Appointment Agreement and for the time being outstanding or, as the context may require, a specific number of such coupons;

**"Class C Definitive Notes"** means any Class C Notes issued in definitive bearer form;

**"Class C Distribution Amount"** means in relation to an Interest Payment Date:

- (a) other than the last Interest Payment Date on which a Class C Distribution Amount is to be paid in respect of the Class C Notes, the Available Interest Distribution Amount calculated as at the related Calculation Date less the aggregate of the amounts to be paid by the Issuer in respect of Paragraphs (a) to (h) of the Pre-Enforcement Interest Payments Priorities on such Interest Payment Date; and
- (b) which is the last Interest Payment Date or such other date on which amounts are to be paid in respect of the Class C Notes:
  - (i) the Principal Amount Outstanding of the Class C Notes as at such Interest Payment Date or such other date as applicable; and
  - (ii) the Available Interest Distribution Amount calculated as at the related Calculation Date less (A) the aggregate of the amounts to be paid by the Issuer in respect of Paragraphs (a) to (h) of the Pre-Enforcement Interest Payments Priorities on such Interest Payment Date or, the aggregate of the amounts to be paid by the Issuer in respect of Clauses (a) to (d) of the Post-Enforcement Payments Priorities, as applicable and (B) the Principal Amount Outstanding of the Class C Notes as at such Interest Payment Date or such other date as applicable;

**"Class C Notes"** means the €3,500,000 Class C Notes due 2063 issued by the Issuer on the Closing Date;

**"Class C Permanent Global Note"** means any permanent global note representing any Class C Notes in, or substantially in, the form set out in Schedule 2 to the Common Representative Appointment Agreement;

**"Class C Receipts"** means the principal receipts related to the Class C Definitive Notes;

**"Class C Temporary Global Note"** means any temporary global note representing any Class C Notes in, or substantially in, the form set out in Schedule 1 of the Common Representative Appointment Agreement;

**"Clean-up Call Date"** means the Interest Payment Date on which the Aggregate Principal Outstanding Balance of the Mortgage Loans is equal to or less than 10 per cent. of the Aggregate Principal Outstanding Balance of all of the Mortgage Loans as at the Initial Collateral Determination Date;

**"Clearstream, Luxembourg"** means Clearstream Banking Société anonyme, Luxembourg;

**"Closing Date"** means 9 December 2008;

**"CLTV"** means, in respect of all Mortgage Loans relating to a Borrower and secured on the same property, the ratio calculated in respect of an Interest Payment Date, of the aggregate amount of the Principal Outstanding Balance of such Mortgage Loans on such Interest Payment Date to the most recent valuation of the relevant property, provided that the CLTV as at the Closing Date or at the relevant Additional Purchase Date, as applicable, is calculated as the ratio of the aggregate amount of the Principal Outstanding Balance of such Mortgage Loans on the Initial Collateral Determination Date or the relevant Additional Collateral Determination Date, as applicable, respectively, to the most recent valuation of the relevant Property;

**"CMVM"** means "*Comissão do Mercado de Valores Mobiliários*", the Portuguese Securities Market Commission;

**"Collateral Determination Date"** means the Initial Collateral Determination Date and each Additional Collateral Determination Date, such being a date on which the Aggregate Principal Outstanding Balance of the Mortgage Loans comprised in a given Mortgage Asset Portfolio is calculated for the purposes of determining the relevant Purchase Price;

**"Collection Account"** means the account in the name of the Originator at the Collection Account Bank, utilised for the time being by the Originator and/or the Servicer in relation to Collections on the Mortgage Assets or, with the prior written consent of the Issuer, such other account or accounts as may for the time being be in addition thereto or substituted therefor and designated as a Collection Account;

**"Collection Account Bank"** means Finibanco or, with the prior written consent of the Issuer, such other bank or banks as may for the time being be nominated by the Originator and/or the Servicer in addition thereto;

**"Collection Account Mandate"** means the mandate relating to the Collection Account delivered on or about the Closing Date;

**"Collection Payment Date"** means each Lisbon Business Day of each month or, if Collections are received after 3:00 p.m., the next Lisbon Business Day;

**"Collection Period"** means the period commencing on (but excluding) a Calculation Date and ending (and including) on the next succeeding Calculation Date, and, in the case of the first Collection Period, commencing on (and including) the Initial Collateral Determination Date and ending on (and including) the next Calculation Date;

**"Collection Proceeds"** means the Interest Collection Proceeds and the Principal Collection Proceeds.

**"Collections"** means, in relation to any Mortgage Asset, all cash collections, and other cash proceeds thereof including any and all (a) principal, interest, late payment, early payment or similar charges which the Originator, or where the Originator is no longer the Servicer, the Servicer applies in the ordinary course of its business to amounts owed in respect of such Mortgage Asset, (b) Liquidation Proceeds and (c) Repurchase Proceeds, but excluding any Excluded Rights;

**"Common Representative"** means Deutsche Trustee Company Limited in its capacity as initial representative of the Noteholders pursuant to Article 65 of the Securitisation Law and in accordance with the terms and conditions of the Notes and the terms of the Common

Representative Appointment Agreement and any replacement common representative or common representative appointed from time to time under the Common Representative Appointment Agreement;

**"Common Representative Appointment Agreement"** means the agreement so named to be entered into on the Closing Date between the Issuer and the Common Representative;

**"Common Representative's Fees"** means the fees payable by the Issuer to the Common Representative in accordance with the Common Representative Appointment Agreement;

**"Common Representative's Liabilities"** means any Liabilities due to the Common Representative in accordance with the terms of the Common Representative Appointment Agreement together with interest payable in accordance with the terms of the Common Representative Appointment Agreement;

**"Common Safekeeper"** means Clearstream Banking Luxembourg, S.A., with offices at 42 Avenue J.F. Kennedy, L-1855 Luxembourg;

**"Conditions"** means the terms and conditions to be endorsed on the Notes, in or substantially in the form set out in Schedule 1 of the Common Representative Appointment Agreement, as any of them may from time to time be modified in accordance with the Common Representative Appointment Agreement and any reference to a particular numbered Condition shall be construed in relation to the Notes accordingly;

**"Co-ordination Agreement"** means the agreement so named to be entered into on the Closing Date between the Issuer, the Originator, the Servicer and the Common Representative;

**"Couponholders"** means the persons who for the time being are holders of the Coupons;

**"Coupons"** means, the Class A Coupons, the Class B Coupons and the Class C Coupons;

**"Current Principal Outstanding Balance"** means in relation to any Mortgage Loan the Principal Outstanding Balance of such Mortgage Loan on the relevant date;

**"Day Count Fraction"** means in respect of an Interest Period, the actual number of days in such period divided by three-hundred and sixty;

**"Deemed Principal Loss"** means (without double-counting a Mortgage Asset under (a) and (b) below), in relation to any Mortgage Asset on any Calculation Date:

- (a) in respect of which no Liquidation Proceeds have yet been realised and which is not a Written-off Mortgage Asset by reason of having been so classified by the Servicer:
  - (i) on the date on which twelve or more monthly instalments have not been paid when due and which remain outstanding, an amount equal to 25 per cent. of the Principal Outstanding Balance of such Mortgage Asset determined as at such Calculation Date; and
  - (ii) on the date on which twenty-four or more monthly instalments have not been paid when due and which remain outstanding, an amount equal to 50 per cent. of the Principal Outstanding Balance of such Mortgage Asset determined as at such Calculation Date; and

- (iii) on the date on which thirty-six or more monthly instalments have not been paid when due and which remain outstanding, and amount equal to 100 per cent. of the Principal Outstanding Balance of such Mortgage Asset determined as at such Calculation Date;
- (b) in respect of which Liquidation Proceeds have been realised or which is a Written-off Mortgage Asset by reason of having been so classified by the Servicer, the Principal Outstanding Balance (which shall not be deemed to be zero) of such Mortgage Asset less the sum of all Collections, Repurchase Proceeds and other recoveries, if any, on such Mortgage Asset, which will be applied first to outstanding expenses incurred with respect to such Mortgage Asset, then to accrued and unpaid interest and, finally, to principal;

**"Defaulted Mortgage Asset"** means any Mortgage Asset which is not a Written-off Mortgage Asset in respect of which twelve or more monthly instalments, or four or more quarterly instalments, or two or more semi-annual instalments have not been paid when due and which remain outstanding;

**"Deferred Interest Amount Arrears"** means, in respect of each class (other than the Class A Notes) on any Interest Payment Date, any Interest Amount in respect of such class which is due but not paid as at such date;

**"Definitive Notes"** means any Notes issued in definitive bearer form;

**"Deutsche Bank AG, London Branch"** means Deutsche Bank AG, acting through its London Branch, a corporation duly organised and existing under the law of the Federal Republic of Germany and having its principal place of business in the City of Frankfurt (Main) and operating in the United Kingdom under branch number BR000005 at Winchester House, 1 Great Winchester Street, London EC2N 2DB;

**"Employee Loans"** means a Mortgage Loan which Borrower is an employee of the Originator;

**"Encumbrance"** means:

- (a) a mortgage, charge, pledge, lien or other encumbrance securing any obligation of any person or granting any security to a third party; or
- (b) any other type of preferential arrangement (including any title transfer and retention arrangement) having a similar effect;

**"Enforcement Notice"** means a notice delivered by the Common Representative to the Issuer in accordance with the Condition 12 (*Events of Default*) which declares the Notes to be immediately due and payable;

**"Enforcement Procedures"** means the exercise, according to the Servicer's Operating Procedures, of rights and remedies against a Borrower in respect of such Borrower's obligations arising from any Mortgage Asset in respect of which such Borrower is in default;

**"EURIBOR"** means, as applicable, the Euro Screen Rate or the Euro Reference Rate;

**"Euro"**, **"€"** or **"euro"** means the lawful currency of member states of the European Union that adopt the single currency introduced in accordance with the Treaty;



**"Euro Reference Rate"** means, on any TARGET day, the rate determined by the Agent Bank by reference to the Euro Screen Rate on such date, or if, on such date, the Euro Screen Rate is unavailable:

- (a) the Rounded Arithmetic Mean of the offered quotations, as at or about 11.00 a.m. (Brussels time) on that date, of the Reference Banks to leading banks for Euro-zone interbank market for euro deposits for the Relevant Period in the Representative Amount, determined by the Agent Bank after request of the principal Euro-zone office of each of the Reference Banks; or
- (b) if, on such date, two or three only of the Reference Banks provide such quotations, the rate determined in accordance with paragraph (a) above on the basis of the quotations of those Reference Banks providing such quotations; or
- (c) if, on such date, one only or none of the Reference Banks provide such a quotation, the Rounded Arithmetic Mean of the rates quoted, as at or about 11.00 a.m. (Brussels time) on such Interest Determination Date, by leading banks in the Euro-zone for loans in euros for the Relevant Period in the Representative Amount to leading European banks, determined by the Agent Bank after request of the principal office in the principal financial centre of the relevant Participating Member State of each such leading European bank;

**"Euro Screen Rate"** means, in relation to an Interest Determination Date, the offered quotations for euro deposits for the Relevant Period by reference to the Screen as at or about 11.00 a.m. (Brussels time) on that date;

**"Eurosystem Eligible Collateral"** means assets that may be pledged to the Eurosystem as security for credit operations with the European Central Bank;

**"Event of Default"** means any one of the events specified in Condition 12 (*Events of Default*);

**"Excess Available Principal Account"** means the account so called and established in the name of the Issuer with the Transaction Accounts Bank, in accordance with the Transaction Accounts Agreement and any replacement for such account which may be established from time to time with the prior written consent of the Common Representative;

**"Exchange Date"** means, in relation to each Temporary Global Note, the first day following the expiry of forty days after the date of issue of such Note;

**"Excluded Rights"** means, in relation to any Receivable and related Mortgage Loan, any rights which relate to fees payable by a Borrower to the Originator in relation to such Receivable and the related Mortgage Loan in connection with any (i) late payment penalties and similar charges; (ii) early payment penalties and similar charges and/or (iii) fees due in connection with an amendment or variation of the relevant Mortgage Loan and which would, but for this exception, constitute Ancillary Mortgage Rights;

**"Final Discharge Date"** means the date on which the Common Representative is satisfied that all Secured Amounts and/or all other monies and other liabilities due or owing by the Issuer in connection with the Notes have been paid or discharged in full;

**"Final Legal Maturity Date"** means the Interest Payment Date falling in December 2063;

**"Finibanco"** means Finibanco, S.A., acting through its office at Rua Júlio Dinis 157, 4050-323, Porto, Portugal;

**"Finibanco Group"** means Finibanco and its subsidiaries or affiliates for the time being;

**"First Interest Payment Date"** means 15th January 2009;

**"Global Notes"** means the Permanent Global Notes and the Temporary Global Notes, each in the form of a new global note;

**"Gross Cumulative Default Ratio"** means as at any Calculation Date, the Aggregate Principal Outstanding Balance of the Mortgage Assets which are Defaulted Mortgage Assets as at such Calculation Date divided by the sum of (A) the Aggregate Principal Outstanding Balance of the Mortgage Assets and (B) the balance standing to the credit of the Excess Available Principal Account, as at such Calculation Date, calculated by the Servicer and reported in the Servicer Report.

**"Gross Cumulative Default Ratio Test"** means that the Gross Cumulative Default Ratio is less than 3.5 per cent. after at least three years and prior to five years having passed since the Closing Date, 5.5 per cent. after at least five years and prior to seven years having passed since the Closing Date and 7.5 per cent. after at least seven years have passed since the Closing Date.

**"Holder"** means the owner of the rights to a Note and the words **"holders"** and related expressions shall (where appropriate) be construed accordingly;

**"ICSDs"** means each of Euroclear and Clearstream, Luxembourg, as International Central Securities Depositaries;

**"Incorrect Payments"** means a payment incorrectly paid or transferred to the Payment Account, identified as such by the Servicer and confirmed by the Transaction Manager;

**"Initial Cash Reserve Amount"** means an amount equal to €3,500,000 to be paid on the Closing Date from the proceeds of the issue of the Class C Notes into the Cash Reserve Account;

**"Initial Collateral Determination Date"** means 28 November 2008;

**"Initial Mortgage Asset Portfolio"** means the portfolio of Mortgage Assets assigned by the Originator to the Issuer on the Closing Date;

**"Initial Purchase Price"** means the consideration paid by the Issuer to the Originator for the assignment of the Initial Mortgage Asset Portfolio, as calculated at the Initial Collateral Determination Date;

**"Insolvency Event"** in respect of a natural person or entity means:

- (a) the initiation of, or consent to any Insolvency Proceedings by such person or entity;
- (b) the initiation of Insolvency Proceedings against such a person or entity and such proceeding is not contested in good faith on appropriate legal advice;
- (c) the application (and such application is not contested in good faith on appropriate legal advice) to any court for, or the making by any court of, a bankruptcy, an insolvency or an administration order against such person or entity;
- (d) the enforcement of, or any attempt to enforce (and such attempt is not contested in good faith on appropriate legal advice) any security over the whole or a material part of the assets and revenues of such a person or entity;

- (e) any distress, execution, attachment or similar process (and such process, if contestable, is not contested in good faith on appropriate legal advice) being levied or enforced or imposed upon or against any material part of the assets or revenues of such a person or entity;
- (f) the appointment by any court of a liquidator, provisional liquidator, administrator, administrative receiver, receiver or manager, common representative, trustee or other similar official in respect of all (or substantially all) of the assets of such a person or entity generally; or
- (g) the making of an arrangement, composition or reorganisation with the creditors of such a person or entity;

**"Insolvency Proceedings"** means:

- (a) the presentation of any petition for the bankruptcy or insolvency of a natural person (whether such petition is presented by such person or another party); or
- (b) the winding-up, dissolution or administration of an entity,

and shall be construed so as to include any equivalent or analogous proceedings under the law of the jurisdiction in which such person or entity is ordinarily resident or incorporated (as the case may be) or of any jurisdiction in which such person or entity may be liable to such proceedings;

**"Instalment Due Date"** means in relation to any Mortgage Asset the original date on which each monthly instalment, quarterly instalment or semi annual instalment (as the case may be) is due and payable under the relevant Mortgage Asset Agreement;

**"Instruments"** means the Temporary Global Notes, the Permanent Global Notes, the Definitive Notes, the Coupons, the Receipts and the Talons and **"Instrument"** means any of them;

**"Instrumentholders"** means the persons who for the time being are the holders of the Instruments;

**"Insurance Policies"** means the insurance policies taken out by Borrowers in respect of Mortgage Assets and the related Properties regarding which the Originator is also a beneficiary and any other insurance contracts of similar effect in replacement, addition or substitution therefore from time to time and **"Insurance Policy"** means any one of those insurance policies;

**"Interest Amount"** means, in respect of a Mortgage-Backed Note for any Interest Period, the aggregate of:

- (a) the amount of interest calculated on the related Interest Determination Date in respect of such Mortgage-Backed Note for such Interest Period by multiplying the Principal Amount Outstanding of such Mortgage-Backed Note on the Interest Payment Date next following such Interest Determination Date by the relevant Note Rate and multiplying the amount so calculated by the relevant Day Count Fraction and rounding the resultant figure to the nearest 0.01 euro;
- (b) in relation to a Class of Mortgage-Backed Notes for any Interest Period, the aggregate amount in paragraph (a) above, of all notes in such Class of Mortgage-Backed Notes for such Interest Period; and

- (c) in relation to Class B Notes, any Deferred Interest Amount Arrears which remains outstanding;

**"Interest Collection Proceeds"** means, in respect of any Business Day, the portion of the aggregate amount that stands to the credit of the relevant Collection Account that relates to the Interest Component of the Mortgage Assets;

**"Interest Component"** means in respect of any Collections:

- (a) all interest collected and to be collected thereunder from and including the relevant Collateral Determination Date which shall be determined, in respect of the Mortgage Assets, on the basis of the rate of interest specified in the relevant Mortgage Asset Agreement;
- (b) all Liquidation Proceeds in respect of the Mortgage Assets allocated to interest;
- (c) all Collections with respect to a Mortgage Asset that relate to principal where, and to the extent of, a debit balance recorded on the Principal Deficiency Ledger with respect to such Mortgage Asset;
- (d) all Collections in respect of Written-off Mortgage Assets;
- (e) all Repurchase Proceeds allocated to interest; and
- (f) all interest accrued and credited to the Payment Account, the Excess Available Principal Account and the Cash Reserve Account in the Collection Period ending immediately prior to the related Calculation Date;

**"Interest Determination Date"** means each day which is two Business Days prior to an Interest Payment Date, and, in relation to an Interest Period, the **"related Interest Determination Date"** means, the Interest Determination Date immediately preceding the commencement of such Interest Period;

**"Interest-Only Loans"** means a Mortgage Loan under which Mortgage Loan Agreement the relevant Borrower has undertaken to repay principal owed only at maturity and which regular instalments are comprised of interest only;

**"Interest Payment Date"** means the 15th day of each month in each year commencing on the First Interest Payment Date, provided that if any such day is not a Business Day, it shall be the immediately succeeding Business Day unless it would as a result fall into the next calendar month, in which case it will be brought forward to the next preceding Business Day;

**"Interest Period"** means each period from (and including) an Interest Payment Date (or the Closing Date) to (but excluding) the next (or First) Interest Payment Date and, in relation to an Interest Determination Date, the **"related Interest Period"** means the Interest Period next commencing after such Interest Determination Date;

**"Issuer"** means TAGUS;

**"Issuer Covenants"** has the meaning given to such term in Condition 6 (*Issuer Covenants*);

**"Issuer Expenses"** means any fees, liabilities and expenses, in relation to this transaction, payable by the Issuer to the Servicer (or any successor), the Transaction Manager (or any successor), the Principal Paying Agent, the Accounts Bank, the Agent Bank, the Common

Representative (or any appointee or delegate of the Common Representative), the Common Safekeeper, the Listing Agent and any Third Party Expenses that would be paid or provided for by the Issuer on the next Interest Payment Date, including the Issuer Fixed Transaction Revenue;

**"Issuer Fixed Transaction Revenue"** means an amount equal to 0.015 per cent. per annum of the Principal Amount Outstanding of the Notes on the relevant Interest Payment Date payable in arrear on each Interest Payment Date;

**"Issuer-ICSD Agreement"** means the agreement dated on or about the Closing Date between the Issuer and the ICSD;

**"Issuer Obligations"** means the aggregate of all moneys and Liabilities which from time to time are or may become due, owing or payable by the Issuer to each, some or any of the Noteholders or the other Transaction Creditors under the Transaction Documents;

**"Issuer's Jurisdiction"** means the Republic of Portugal;

**"Manager"** means Finibanco;

**"Lending Criteria"** means the lending criteria set out in the Operating Procedures;

**"Liabilities"** means in respect of any person, any losses, liabilities, damages, costs, awards, expenses (including properly incurred legal fees) and penalties incurred by that person together with any VAT thereon;

**"Liquidation Proceeds"** in relation to a Mortgage Asset means the net proceeds of realisation of such Mortgage Asset including those arising from the sale or other disposition of other collateral or property of the related Borrower or any other party directly or indirectly liable for payment of the Receivables related to such Mortgage Asset and available to be applied thereon;

**"Lisbon Business Day"** means any TARGET Settlement Day on which banks are open for business in Lisbon;

**"Loans for Cash-Out Purposes"** means an additional loan to a Borrower which is secured by a second or subsequent charge over the same property;

**"Master Framework Agreement"** means the Agreement so named dated on or about the Closing Date and initialled for the purpose of identification by each of the Transaction Parties;

**"Material Adverse Effect"** means, a material adverse effect on the validity or enforceability of any of the Transaction Documents or, in respect of a Transaction Party, a material adverse effect on:

- (a) the business, operations, property, condition (financial or otherwise) of such Transaction Party to the extent that such effect would, with the passage of time or the giving of notice, be likely to impair such Transaction Party's performance of its obligations under any of the Transaction Documents;
- (b) the Transaction Documents;
- (c) the rights or remedies of such Transaction Party under any of the Transaction Documents including the accuracy of the representations and warranties given by such party thereunder; or

(d) in the context of the Assigned Mortgage Rights, a material adverse effect on the interests of the Issuer or the Common Representative in the Assets;

**"Material Term"** means, in respect of any Mortgage Asset Agreement, any provision thereof on the date on which the Mortgage Asset is assigned to the Issuer relating to (i) the maturity date of the Mortgage Asset, (ii) the ranking of the Mortgage provided by the relevant Borrower, (iii) the spread over the index used to determine the rate of interest thereunder, (iv) the Principal Outstanding Balance of such Mortgage Loan and (v) the amortisation profile of such Mortgage Asset.

**"Meeting"** means a meeting of Noteholders of any class or classes (whether originally convened or resumed following an adjournment);

**"Minimum Short-Term Rating"** means in respect of any entity, such entity's short term unsecured, unsubordinated, unguaranteed debt obligations being rated "A-1" by S&P;

**"Mortgage"** means, in respect of any Mortgage Loan, the charge created over the relevant Property together with all other Encumbrances or guarantees the benefit of which is vested in the Originator as security for the repayment of that Mortgage Loan;

**"Mortgage Asset"** means any Mortgage Loan, its Mortgage and its Ancillary Mortgage Rights assigned by the Originator to the Issuer;

**"Mortgage Asset Agreement"** means, in respect of a Mortgage Asset, the public deed by which the Mortgage was granted and which includes the loan agreement and all other agreements or documentation relating to that Mortgage Asset;

**"Mortgage Asset Portfolio"** means, at any given moment, the Mortgage Loans and the related Mortgages, Ancillary Mortgage Rights and Receivables included in the Initial Mortgage Asset Portfolio plus those included in any Additional Mortgage Asset Portfolio assigned by the Originator to the Issuer, as updated from time to time to reflect the additions of Substitute Mortgage Assets and the removal of Retired Mortgage Assets;

**"Mortgage Asset Warranty"** means any of the warranties given by the Originator in respect of the Mortgage Asset Portfolio in Schedule 2 of the Mortgage Sale Agreement;

**"Mortgage Loan"** means the aggregate advances made by the Originator to the relevant Borrower by way of a loan and from time to time outstanding;

**"Mortgage Sale Agreement"** means the agreement so named to be entered into on the Closing Date and made between the Originator and the Issuer;

**"Mortgage Servicing Agreement"** means an agreement so named to be entered into on the Closing Date between the Servicer, the Collection Account Bank and the Issuer;

**"Most Senior Class"** means, the Class A Notes whilst they remain outstanding and thereafter the Class B Notes whilst they remain outstanding;

**"Note Principal Payment"** means, any payment to be made or made by the Issuer in accordance with Condition 8.2 (*Pro-Rata Mandatory Redemption in part of Rated Notes*), Condition 8.3 (*Mandatory Redemption in part of Class C Notes*) and Condition 8.4 (*Mandatory Redemption in whole of the Class C Notes*);

"**Note Purchase Agreement**" means an agreement so named dated on or about the Signing Date between the Issuer, and Finibanco, S.A.;

"**Note Rate**" means, in respect of each class of Mortgage-Backed Notes for each Interest Period, the Euro Reference Rate determined as at the related Interest Determination Date plus the Relevant Margin in respect of such class;

"**Notes**" means the Class A Notes, the Class B Notes and the Class C Notes;

"**Noteholders**" means the persons who for the time being are the holders of the Notes;

"**Notice of No Intention to Sell Additional Mortgage Assets**" means the notice essentially in the form attached to the Mortgage Sale Agreement as Schedule 9, to be sent by the Originator to the Issuer to the extent that the Originator does not intend to purchase Additional Mortgage Assets on any given Interest Payment Date and intends to allow for the Available Principal Distribution Amount to be used in accordance with the Pre-Enforcement Principal Payments Priorities established for the Amortisation Period;

"**Notices Condition**" means Condition 20 (*Notices*);

"**Notification Event**" means:

- (a) the delivery by the Common Representative of an Enforcement Notice to the Issuer in accordance with the Conditions;
- (b) the occurrence of an Insolvency Event in respect of the Originator;
- (c) the termination of the appointment of Finibanco as servicer in accordance with the terms of the Mortgage Servicing Agreement; and/ or
- (d) if the Originator is required to deliver a Notification Event Notice by the laws of the Portuguese Republic;

"**Notification Event Notice**" means a notice substantially in the form set out in Schedule 4 of the Mortgage Sale Agreement.

"**Official List**" means the Official List of the Irish Stock Exchange;

"**Operating Procedures**" means the operating procedures applicable to the Originator and initialled for identification by the Originator and delivered on the Closing Date (as amended, varied or supplemented from time to time in accordance with the Mortgage Servicing Agreement);

"**Original Principal Outstanding Balance**" means in relation to any Mortgage Loan the Principal Outstanding Balance of such Mortgage Loan on the Closing Date;

"**Originator**" means Finibanco, S.A.;

"**Originator Warranty**" means each statement of the Originator contained in Schedule 2 to the Mortgage Sale Agreement and "**Originator's Warranties**" means all of those statements;

"**Outstanding**" means, in relation to the Instruments, all the Instruments other than:

- (a) those which have been redeemed and cancelled in full in accordance with their respective Conditions;

- (b) those in respect of which the date for redemption, in accordance with the provisions of the Conditions, has occurred and for which the redemption monies (including all interest accrued thereon to such date for redemption) have been duly paid to the Common Representative or the Principal Paying Agent in the manner provided for in the Paying Agency Agreement (and, where appropriate, notice to that effect has been given to the Instrumentholders in accordance with the Notices Condition) and remain available for payment in accordance with the Conditions;
- (c) those which have become void under the Conditions;
- (d) those mutilated or defaced Instruments which have been surrendered or cancelled and those Instruments which are alleged to have been lost, stolen or destroyed and in all cases in respect of which replacement Instruments have been issued pursuant to the Conditions; and
- (e) any Temporary Global Note, to the extent that it shall have been exchanged for a Permanent Global Note of the same class or any Permanent Global Note, to the extent that it shall have been exchanged for the related Definitive Notes pursuant to the provisions contained therein and their respective Conditions;

provided that for each of the following purposes, namely:

- (i) the right to attend and vote at any meeting of Instrumentholders;
- (ii) the determination of how many and which Notes are for the time being outstanding for the purposes of Clause 17 (*Waiver*), Clause 18 (*Modification*), Clause 20 (*Proceedings and Actions by the Common Representative*), Clause 28 (*Appointment of Common Representative*) and Clause 29 (*Notice of New Common Representative*) of the Common Representative Appointment Agreement and Condition 12 (*Event of Default*), Condition 13 (*Proceedings*) and Condition 15 (*Meetings of Noteholders*) and the Provisions for Meetings of Noteholders; and
- (iii) any discretion, power or authority, whether contained in the Common Representative Agreement or provided by law, which the Common Representative is required to exercise in or by reference to the interests of the Noteholders or any of them,

those Instruments(if any) which are for the time being held by or for the benefit of the Issuer, the Originator, the Servicer or the Transaction Manager shall (unless and ceasing to be so held) be deemed not to remain outstanding;

**"Participating Member State"** means at any time any member state of the European Union that has adopted the euro as its lawful currency in accordance with the Treaty;

**"Paying Agency Agreement"** means the agreement so named dated on or about the Closing Date between the Issuer, the Agents, and the Common Representative;

**"Payment Account"** means the account in the name of the Issuer and maintained at the Accounts Bank (or such other bank to which the Payment Account may be transferred) and into which Collections are transferred by the Servicer;



**"Payments Priorities"** means the Pre-Enforcement Interest Payments Priorities, the Pre-Enforcement Principal Payments Priorities and the Post-Enforcement Payments Priorities, as the case may be;

**"Payment Shortfall"** means, as at any Interest Payment Date, an amount equal to the greater of:

- (a) zero; and
- (b) the aggregate of the amounts required to pay or provide in full on such Interest Payment Date for the items falling in (a) to (d) of the Pre-Enforcement Interest Payments Priorities less the amount of the Available Interest Distribution Amount calculated in respect of such Interest Period but before taking into account any Principal Draw Amount;

**"Permanent Global Notes"** means the Class A Permanent Global Note, the Class B Permanent Global Note and the Class C Permanent Global Note;

**"Portfolio Tests"** means the following requirements (each a **"Portfolio Test"**) which must be met, where an Additional Purchase is made on an Additional Purchase Date, calculated by reference to the relevant Additional Collateral Determination Date:

- (a) the weighted average margin over EURIBOR of Mortgage Assets purchased on such Additional Purchase Date shall be equal to or greater than 0.90 per cent. per annum;
- (b) (i) the aggregate Principal Outstanding Balance of the Mortgage Assets which constitute Interest-Only Loans included in the Mortgage Asset Portfolio after such Additional Purchase divided by (ii) the sum of (α) the aggregate Principal Outstanding Balance of all of the Mortgage Assets included in the Mortgage Asset Portfolio after such Additional Purchase and (β) the amount as is credited in the Excess Available Principal Account after such Additional Purchase, shall be equal to or lower than 0.55 per cent. at such Additional Collateral Determination Date;
- (c) for each Region, (A) shall be equal to or lower than the sum of (i) (B) and (ii) 10 per cent., where:

(A) is the result of (1) the Aggregate Principal Outstanding Balance of the Mortgage Assets pertaining to such Region included in the Mortgage Asset Portfolio after such Additional Purchase divided by (2) the sum of (α) the Aggregate Principal Outstanding Balance of all of the Mortgage Assets included in the Mortgage Asset Portfolio after such Additional Purchase and (β) the amount as is credited in the Excess Available Principal Account after such Additional Purchase; and

(B) is the result of the sum of (1) the Aggregate Principal Outstanding Balance of the Mortgage Assets pertaining to the same Region included in the Initial Mortgage Asset Portfolio as at the Initial Collateral Determination Date divided by (2) the sum of (α) the aggregate Principal Outstanding Balance of all of the Mortgage Assets included in the Initial Mortgage Asset Portfolio as at the Initial Collateral Determination Date and (β) the amount as is credited in the Excess Available Principal Account as at the Initial Collateral Determination Date; and

- (d) (i) the aggregate Principal Outstanding Balance of the Mortgage Assets which constitute Employee Loans included in the Mortgage Asset Portfolio after such

Additional Purchase divided by (ii) the sum of (α) the aggregate Principal Outstanding Balance of all of the Mortgage Assets included in the Mortgage Asset Portfolio after such Additional Purchase and (β) the amount as is credited in the Excess Available Principal Account after such Additional Purchase, shall be equal to or lower than 1.4 per cent. at such Additional Collateral Determination Date;

- (e) for each Benchmark Index, (A) shall be equal to or lower than the sum of (i) (B) and (ii) 10 per cent., where:

(A) is the result of (1) the Aggregate Principal Outstanding Balance of the Mortgage Assets pertaining to such Benchmark Index included in the Mortgage Asset Portfolio after such Additional Purchase divided by (2) the sum of (α) the Aggregate Principal Outstanding Balance of all of the Mortgage Assets included in the Mortgage Asset Portfolio after such Additional Purchase and (β) the amount as is credited in the Excess Available Principal Account after such Additional Purchase; and

(B) is the result of the sum of (1) the Aggregate Principal Outstanding Balance of the Mortgage Assets pertaining to the same Benchmark Index included in the Initial Mortgage Asset Portfolio as at the Initial Collateral Determination Date divided by (2) the sum of (α) the aggregate Principal Outstanding Balance of all of the Mortgage Assets included in the Initial Mortgage Asset Portfolio as at the Initial Collateral Determination Date and (β) the amount as is credited in the Excess Available Principal Account as at the Initial Collateral Determination Date;

- (f) the weighted average CLTV of the Mortgage Asset Portfolio taking into account the Additional Mortgage Assets does not exceed the weighted average CLTV of the Mortgage Asset Portfolio before such Additional Purchase by more than 0.50 per cent;
- (g) the weighted average seasoning of the Mortgage Asset Portfolio before such Additional Purchase does not exceed the weighted average seasoning of the Mortgage Asset Portfolio taking into account the Additional Mortgage Assets by more than 4 months;
- (h) (i) the aggregate Principal Outstanding Balance of the Mortgage Assets which constitute Loans to Borrowers who are not resident in Portugal which are included in the Mortgage Asset Portfolio after such Additional Purchase divided by (ii) the sum of (α) the aggregate Principal Outstanding Balance of all of the Mortgage Assets included in the Mortgage Asset Portfolio after such Additional Purchase and (β) the amount as is credited in the Excess Available Principal Account after such Additional Purchase, shall be equal to or lower than 2.5 per cent. at such Additional Collateral Determination Date;
- (i) (i) the aggregate Principal Outstanding Balance of the Mortgage Assets which constitute Loans for Cash-Out Purposes which are included in the Additional Mortgage Asset Portfolio divided by (ii) the aggregate Principal Outstanding Balance of all of the Mortgage Assets included in the Additional Mortgage Asset Portfolio shall be equal to or lower than 15 per cent. at such Additional Collateral Determination Date; and
- (j) (i) the aggregate amount held as demand deposits by Borrowers divided by (ii) the Original Balance of the Mortgage Assets to those same Borrowers which are included in the Additional Mortgage Asset Portfolio shall be equal to or lower than 3 per cent. at such Additional Collateral Determination Date;

provided that, if any of the thresholds indicated in paragraphs (b) to (i) above, calculated by reference to the relevant Additional Collateral Determination Date but in respect of the Mortgage Assets included in the Mortgage Asset Portfolio prior to the relevant Additional Purchase, has already been surpassed, the relevant Portfolio Test shall be deemed to have been met if the result of such Portfolio Test, calculated by reference to the Mortgage Assets included in the Mortgage Asset Portfolio after the relevant Additional Purchase, is lower than the result of the same Portfolio Test calculated in respect of the relevant Mortgage Assets included in the Mortgage Asset Portfolio prior to the relevant Additional Purchase.

**"Post-Enforcement Payments Priorities"** means the provisions relating to the order of payments priorities set out in Condition 4.7 (*Post-Enforcement Payments Priorities*);

**"Potential Event of Default"** means any event which may become (with the passage of time, the giving of notice, the making of any determination or any combination thereof) an Event of Default;

**"Pre-Enforcement Interest Payments Priorities"** means the provisions relating to the order of payments priorities set out in Condition 4.5 (*Pre-Enforcement Interest Payments Priorities*);

**"Pre-Enforcement Payments Priorities"** means the Pre-Enforcement Interest Payments Priorities and the Pre-Enforcement Principal Payments Priorities as the case may be;

**"Pre-Enforcement Principal Payments Priorities"** means the provisions relating to the order of payments priorities set out in Condition 4.6 (*Pre-Enforcement Principal Payments Priorities*);

**"Principal Amount Outstanding"** means, on any day:

- (a) in relation to a Note, the principal amount of that Note upon issue less the aggregate amount of any principal payments in respect of that Note which have become due and payable on or prior to that day;
- (b) in relation to a class, the aggregate of the amount in (a) in respect of all Notes outstanding in such class; and
- (c) in relation to the Notes outstanding at any time, the aggregate of the amount in (a) in respect of all Notes outstanding, regardless of class;

**"Principal Collection Proceeds"** means, in respect of any Business Day, the portion of the aggregate amount that stands to the credit of the relevant Collection Account that relates to the Principal Component of the Mortgage Assets;

**"Principal Component"** in respect of any Collections:

- (a) all cash collections and other cash proceeds of any Mortgage Asset in respect of principal collected or to be collected thereunder from the relevant Collateral Determination Date including repayments and prepayments of principal thereunder and similar charges allocated to principal (other than such amounts as are referred to in item (d) of the definition of "Interest Component");
- (b) all Liquidation Proceeds in respect of such Mortgage Asset (other than Liquidation Proceeds arising after such Mortgage Asset becomes a Written-off Mortgage Asset) allocated to principal (other than such amounts as are referred to in item (d) of the definition of "Interest Component"); and

(c) all Repurchase Proceeds allocated to principal;

**"Principal Deficiency"** means the sum of (i) any Deemed Principal Losses in relation to the Mortgage Loans that have occurred in the related Collection Period and (ii) any Principal Draw Amounts that will be made on a related Interest Payment Date;

**"Principal Deficiency Ledgers"** means the Class A Principal Deficiency Ledger and the Class B Principal Deficiency Ledger;

**"Principal Draw Amount"** means in relation to any Interest Payment Date the amount (if any) of the Available Principal Distribution Amount which is to be utilised by the Issuer to reduce or eliminate any Payment Shortfall on such Interest Payment Date being the amount determined on the related Calculation Date by which the Issuer would be unable to make payment in full of items (a) to (d) of the Pre-Enforcement Interest Priorities;

**"Principal Outstanding Balance"** means in relation to any Mortgage Loan and on any date, the aggregate of:

- (a) the original principal amount advanced to the Borrower; plus
- (b) any other disbursement, legal expense, fee or charge capitalised; plus
- (c) any further advance of principal to the Borrower; less
- (d) any repayments of the amounts in (a), (b) and (c) above,

provided that, in respect of any Written-off Mortgage Asset, the Principal Outstanding Balance will be deemed to be zero;

**"Principal Paying Agent"** means Deutsche Bank AG, London Branch in its capacity as the principal paying agent in respect of the Notes; together with any successor or replacement principal paying agent appointed from time to time in connection with the Notes in accordance with the Paying Agency Agreement.

**"Pro-Rata Test"** means that on a Calculation Date, falling after the date which is three years after the Closing Date, the Transaction Manager, in conjunction with the Servicer (to the extent the Transaction Manager does not possess any of the required information), has determined that:

- (a) the Principal Amount Outstanding of the Class A Notes as at the immediately succeeding Interest Payment Date after payments of any principal in respect thereof have been made will be less than or equal to 75 per cent. of the Principal Amount Outstanding of the Class A Notes as at the Closing Date; and
- (b) the balance of the Cash Reserve Account as at the immediately succeeding Interest Payment Date after any replenishment thereof will be equal to the Cash Reserve Account Required Balance as at such Interest Payment Date; and
- (c) the Aggregate Principal Outstanding Balance of the Mortgage Loans in the Mortgage Asset Portfolio in arrears by not less than ninety days as at such Calculation Date is less than 10 per cent. of the sum of (A) the Aggregate Principal Outstanding Balance of the Mortgage Loans in the Mortgage Asset Portfolio as at the Initial Collateral Determination Date and (B) the balance standing to the credit of the Excess Available Principal Account on the Closing Date;

- (d) the aggregate Principal Amount Outstanding of the Mortgage-Backed Notes, as at the relevant date, is greater than 10 per cent. of the aggregate Principal Amount Outstanding at the Closing Date;
- (e) the Principal Deficiency Ledgers are equal to zero; and
- (f) the Gross Cumulative Default Ratio Test is satisfied;

**"Property"** means, in relation to any Mortgage Loan, the property upon which the repayment of such Mortgage Loan is secured by the corresponding Mortgage and **"Properties"** means any of them;

**"Property Deeds"** means, in respect of a Property, the official land registry certificates or other documents evidencing definitive title to the Property and the Mortgage;

**"Prospectus"** means the Prospectus dated 10 December 2008 prepared in connection with the issue by the Issuer of the Notes;

**"Provisions for Meetings of Noteholders"** means the provisions contained in Schedule 5 of the Common Representative Appointment Agreement;

**"Purchase Price"** means the Initial Purchase Price or any Additional Purchase Price, as the context requires;

**"Rated Notes"** means the Class A Notes;

**"Rating"** means the then current rating of each class of Rated Notes given by the Rating Agency and **"Ratings"** shall be construed accordingly;

**"Rating Agency"** means S&P;

**"Receiptholders"** means the persons who for the time being are holders of the Receipts;

**"Receipts"** means the Class A Receipts, the Class B Receipts and the Class C Receipts;

**"Receivables"** means the Principal Component and the Interest Component;

**"Receiver"** means any receiver, manager, receiver and manager or administrative receiver appointed in respect of the Issuer by the Common Representative in accordance with Clause 15 (*Receiver*) of the Security Deed;

**"Reference Bank"** means the principal Euro-zone office of four major banks selected by the Agent Bank from time to time;

**"Region"** means each of the following regions used by S&P for purposes of the classification of each Property in terms of geographical location:

- (a) "Norte";
- (b) "LVT" or "Lisboa e Vale do Tejo";
- (c) "Centro";
- (d) "Algarve";
- (e) "Alentejo"; and

(f) "Islas (Madeira and Azores)".

**"Regulatory Change"** means a change published on or after the Closing Date in the Basle Capital Accord promulgated by the Basle Committee on Banking Supervision (the **"Basle Accord"**) or in the international, European or Portuguese regulations, rules or instructions (including the solvency regulations and transfer of credit risk rules for securitisation transactions issued by the Bank of Portugal) (the **"Bank Regulations"**) applicable to the Originator (including any change in the Bank Regulations enacted for purposes of implementing a change to the Basle Accord) or a change in the manner in which the Basle Accord or such Bank Regulations are interpreted or applied by the Basle Committee on Banking Supervision or by any relevant competent international, European or Portuguese body (including, but not limited to, the Bank of Portugal or any other competent regulatory or supervisory authority) which, in the reasonable opinion of the Originator, may adversely affect the rate of return on its capital and/or increase the cost and/or reduce or negate the benefit of the transaction contemplated by the Notes with respect to the Originator;

**"Relevant Date"** means, in respect of any Notes, the date on which payment in respect thereof first becomes due or (if any amount of the money payable is improperly withheld or refused) the date on which payment in full of the amount outstanding is made or (if earlier) the date seven days after the date on which notice is duly given to the Noteholders in accordance with the Notices Condition that, upon further presentation of the Notes being made in accordance with the Conditions, such payment will be made, provided that payment is in fact made upon such presentation;

**"Relevant Margin"** means, in relation to the Class A Notes, 0.15 per cent. per annum and in relation to the Class B Notes, 0.40 per cent. per annum;

**"Relevant Period"** means the period of six months;

**"Relevant Screen"** means a page of the Reuters Service or of the Bloomberg service, or of any other medium for the electronic display of data as may be previously approved in writing by the Common Representative and as has been notified to the Noteholders in accordance with the Notices Condition;

**"Representative Amount"** means an amount that is representative for a single transaction in the relevant market at the relevant time;

**"Repurchase Proceeds"** means such amounts as are received by the Issuer pursuant to the re-assignment of certain Mortgage Assets by the Issuer to the Originator pursuant to the Mortgage Sale Agreement;

**"Reserved Matter"** means any proposal:

- (a) to change any date fixed for payment of principal or interest in respect of the Notes of any Class, to reduce the amount of principal or interest due on any date in respect of the Notes of any Class or to alter the method of calculating the amount of any payment in respect of the Notes of any Class on redemption or maturity;
- (b) to effect the exchange, conversion or substitution of the Notes, or the conversion of such Notes into, shares, bonds or other obligations or securities of the Issuer or any other person or body corporate formed or to be formed;
- (c) to change the currency in which amounts due in respect of the Notes are payable;

- (d) to alter the priority of payment of interest or principal in respect of the Notes; or
- (e) to amend this definition;

**"Resolution"** means, in respect of matters other than a Reserved Matter, a resolution passed at a Meeting duly convened and held in accordance with the quorums of the provisions for Meetings of Noteholders by a majority of the votes cast and, in respect of matters relating to a Reserved Matter, a resolution passed at a Meeting duly convened and held in accordance with the quorums of the provisions for Meetings of Noteholders by 50 per cent. of votes cast or by two-thirds of votes cast in any adjourned meeting;

**"Retired Mortgage Asset"** means a Mortgage Asset in respect of which (i) any amendment, variation or waiver of a Material Term of such Mortgage Asset was proposed and such Mortgage Asset is substituted by a Mortgage Asset in accordance with the Mortgage Sale Agreement and the Mortgage Servicing Agreement or (ii) any other Mortgage Asset which is substituted at the option of the Originator upon a breach of representation or warranty in accordance with the Mortgage Sale Agreement;

**"Retired Mortgage Asset Pool"** means the pool of Retired Mortgage Assets that are retired from the Mortgage Asset Portfolio on any given Substitution Date;

**"Revolving Period"** means the period commencing on the Closing Date and ending on (and excluding) the Amortisation Period Start Date;

**"Rounded Arithmetic Mean"** means the arithmetic mean (rounded, if necessary, to the nearest 0.0001, 0.00005 being rounded upwards);

**"S&P"** means Standard & Poor's Ratings Services, a division of the McGraw-Hill Companies, Inc.;

**"Screen"** means, the display designated as EURIBOR01 as quoted on the Reuters Service; or

- (a) such other page as may replace EURIBOR01 on that service for the purpose of displaying such information; or
- (b) if that service ceases to display such information, such page as displays such information on such service (or, if more than one, that one previously approved in writing by the Common Representative) as may replace such services;

**"Secured Amounts"** means the aggregate of all moneys and Liabilities which from time to time are or may become due, owing or payable by the Issuer to each of the Transaction Creditors under the Notes or the Transaction Documents;

**"Securitisation Law"** means Decree Law no. 453/99 of 5 November 1999 as amended from time to time by Decree Law no. 82/2002 of 5 April 2002, Decree Law no. 303/2003 of 5 December 2003, Decree Law no. 52/2006 of 15 March 2006 and Decree-Law 211-A/2008 of 3 November 2008;

**"Security"** means the security over the Charged Property created pursuant to the Security Deed;

**"Security Deed"** means the deed so named dated on or about the Closing Date between the Issuer and the Common Representative;

"**Servicer**" means Finibanco in its capacity as servicer under the Mortgage Servicing Agreement;

"**Servicer Records**" means the original and/or any copies of all documents and records, in whatever form or medium, relating to the Services including all information maintained in electronic form (including computer tapes, files and discs) relating to the Services;

"**Servicer Report**" means the report so named relating to the Mortgage Assets to be delivered by the Servicer to the Issuer, the Transaction Manager and the Manager pursuant to paragraph 22 of Schedule 1 to the Mortgage Servicing Agreement in the form set out in Schedule 5 thereto or as otherwise specified from time to time by the Transaction Manager.

"**Services**" means the services to be provided by the Servicer as set out in Schedule 1 to the Mortgage Servicing Agreement;

"**Signing Date**" means 9 December 2008;

"**Specified Offices**" means in relation to any Agent:

- (a) the office specified against its name in Schedule 6 to the Master Framework Agreement; or
- (b) such other office as such Agent may specify in accordance with Clause 18 (*Notices*) of the Paying Agency Agreement;

"**Stock Exchange**" means the Irish Stock Exchange Limited;

"**Substitution Date**" means any given date on which a Retired Mortgage Asset is substituted into the Mortgage Asset Portfolio in accordance with the terms of the Mortgage Sale Agreement and the Mortgage Servicing Agreement;

"**Substitute Mortgage Asset**" means, in respect of a Retired Mortgage Asset, a Mortgage Asset which is substituted into the Mortgage Asset Portfolio in accordance with the terms of the Mortgage Sale Agreement and the Mortgage Servicing Agreement;

"**Substitute Mortgage Asset Pool**" means the pool of Substitute Mortgage Assets that are substituted into the Mortgage Asset Portfolio on any given substitute date;

"**Tagus**" means Tagus – Sociedade de Titularização de Créditos, S.A., a limited liability company incorporated under the laws of Portugal as a special purpose vehicle for the purposes of issuing asset-backed securities, having its registered office at Rua Castilho, no. 20, Lisbon, Portugal, with a share capital of €250,000 and registered with the Commercial Registry of Lisbon under the sole registration and taxpayer number 507 130 820, in its capacity as issuer of the Notes;

"**Talon**" and "**Talons**" means the talons for further Receipts and further Coupons attached to the Definitive Notes on issue;

"**TARGET2**" means the Trans-European Automated Real-time Gross Settlement Express Transfer payment system which utilises a single shared platform and which was launched on 19 November 2007;

"**TARGET Settlement Day**" means any day on which TARGET2 is open for the settlement of payments in euro;



"**Tax**" shall be construed so as to include any present or future tax, levy, impost, duty, charge, fee, deduction or withholding of any nature whatsoever (including any penalty or interest payable in connection with any failure to pay or any delay in paying any of the same) imposed or levied by or on behalf of any Tax Authority and "**Taxes**", "**taxation**", "**taxable**" and comparable expressions shall be construed accordingly;

"**Tax Authority**" means any government, state, municipal, local, federal or other fiscal, revenue, customs or excise authority, body or official anywhere in the world exercising a fiscal, revenue, customs or excise function, including H.M. Revenue and Customs;

"**Tax Deduction**" means any deduction or withholding on account of Tax;

"**Temporary Global Notes**" means the Class A Temporary Global Note, the Class B Temporary Global Note and the Class C Temporary Global Note;

"**Third Party Expenses**" means any amounts due and payable by the Issuer to third parties (not being Transaction Creditors) including any liabilities payable in connection with:

- (a) the purchase or disposal of any Authorised Investments;
- (b) any filing or registration of any Transaction Documents, including, for the avoidance of doubt, the re-registration of the Mortgages upon the occurrence of a Notification Event;
- (c) any provision for and payment of the Issuer's liability to tax (if any) in relation to the transaction contemplated by the Transaction Documents;
- (d) any law or any regulatory direction with whose directions the Issuer is accustomed to comply;
- (e) any legal or audit or other professional advisory fees (including Rating Agency fees);
- (f) any directors' fees or emoluments;
- (g) any advertising, publication, communication and printing expenses including postage, telephone and telex charges;
- (h) the admission of the Notes to listing or to trading on the Stock Exchange; and
- (i) any other amounts then due and payable to third parties and incurred without breach by the Issuer of the provisions of the Transaction Documents;

"**Transaction Accounts**" means the Payment Account, the Excess Available Principal Account and the Cash Reserve Account opened in the name of the Issuer with the Accounts Bank or such other accounts as may, with the prior written consent of the Common Representative, be designated as such accounts;

"**Transaction Assets**" means the specific pool of assets of the Issuer which collateralises the Issuer Obligations including, the Mortgage Assets, Collections, the Transaction Accounts, the Issuer's rights in respect of the Transaction Documents and any other right and/or benefit either contractual or statutory relating thereto, purchased or received by the Issuer in connection with the Notes;

"**Transaction Creditors**" means the Common Representative, the Agents, the Transaction Manager, the Accounts Bank, the Originator and the Servicer;

**"Transaction Documents"** means the Prospectus, the Master Framework Agreement, the Mortgage Sale Agreement, the Mortgage Servicing Agreement, the Note Purchase Agreement, the Common Representative Appointment Agreement, the Co-ordination Agreement, the Notes, the Coupons, the Transaction Management Agreement, the Paying Agency Agreement, the Security Deed, the Accounts Agreement, the Issuer-ICSD Agreement and any other agreement or document entered into from time to time by the Issuer pursuant thereto;

**"Transaction Management Agreement"** means the agreement so named to be entered into on the Closing Date between the Issuer, the Transaction Manager, the Accounts Bank and the Common Representative;

**"Transaction Manager"** means Deutsche Bank AG London, in its capacity as transaction manager to the Issuer in accordance with the terms of the Transaction Management Agreement together with any successor or replacement transaction manager appointed from time to time in connection with the Notes in accordance with same agreement;

**"Transaction Manager Report"** means a report (which shall include information on the Mortgage Assets) to be in a form acceptable to the Issuer, the Transaction Manager, the Manager and the Common Representative, to be made available by the Transaction Manager to, *inter alios*, the Common Representative and the Noteholders on its internet website currently located at <https://tss.sfs.db.com/investpublic> not less than two Business Days prior to each Interest Payment Date;

**"Transaction Party"** means any person who is a party to a Transaction Document and **"Transaction Parties"** means some or all of them;

**"Treaty"** means the treaty establishing the European Communities, as amended by the Treaty on European Union;

**"value added tax"** means the tax imposed in conformity with the Sixth Directive of the European Economic Communities (77/388/EEC) (including in relation to the United Kingdom, value added tax imposed by the Value Added Tax Act 1994 and legislation and regulations supplemental thereto) and any other tax of a similar fiscal nature substituted for, or levied in addition to, such tax whether imposed in a member state of the European Union or elsewhere;

**"VAT"** means value added tax provided for in the VAT Legislation and any other tax of a similar fiscal nature whether imposed in Portugal (instead of or in addition to value added tax) or elsewhere from time to time;

**"VAT Legislation"** means the Portuguese Value Added Tax Code approved by Decree Law no. 394-B/84 of 26 December 1984 as amended from time to time;

**"Withheld Amount"** means an amount paid (in respect of Tax imposed by the Republic of Portugal) by the Issuer on an Interest Payment Date to the Payment Account which will not form part of the Available Interest Distribution Amount or the Available Principal Distribution Amount on such Interest Payment Date;

**"Written-off Mortgage Asset"** means on any day, any Receivables in respect of a Mortgage Asset in respect of which:

- (a) thirty-six or more monthly instalments have not been paid by the respective Instalment Due Dates relating thereto and are outstanding on such day of determination;

- (b) the Liquidation Proceeds have been realised;
- (c) proceedings have been commenced by or against the relevant Borrower for such Borrower's insolvency, in particular any proceedings against the relevant Borrower under the Insolvency and Company Recovery Code, enacted by Decree Law no. 53/2004 of 18 March 2004 (as amended) and the Servicer is aware or has been notified of such proceedings; or
- (d) a classification as a Written-off Mortgage Asset has been made by the Originator, or where the Originator is no longer the Servicer, the Servicer; and

"**Written Resolution**" means, in relation to any Class, a resolution in writing signed by or on behalf of all holders of Notes of the relevant Class who for the time being are entitled to receive notice of a Meeting in accordance with the Provisions for the Meetings of Noteholders, whether contained in one document or several documents in the same form, each signed by or on behalf of one or more such holders of the Notes.

Any defined terms used in these Conditions which are not defined above shall bear the meanings given to them in the Transaction Documents.

## TAXATION

The following is a general description of certain tax considerations in Portugal relating to the Notes. It does not purport to be a complete analysis of all tax considerations relating to the Notes. Prospective Noteholders should consult their tax advisers as to the consequences of acquiring, holding and disposing of Notes and receiving payments of interest, principal and/or other amounts under the Notes under the tax laws of the country of which they are resident for tax purposes and the tax laws of Portugal and the United Kingdom. This summary is based upon the law as in effect on the date of this Prospectus and is subject to any change in law that may take effect after such date.

### Portuguese Taxation

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

Noteholders who may be liable to taxation in jurisdictions other than Portugal in respect of their acquisition, holding or disposal of the Notes are particularly advised to consult their professional advisers as to whether they are so liable (and if so under the laws of which jurisdictions). In particular, Noteholders should be aware that they may be liable to taxation under the laws of Portugal and of other jurisdictions in relation to payments in respect of the Notes even if such payments may be made without withholding or deduction for or on account of taxation under the laws of Portugal.

The reference to "**interest**" and "**capital gains**" in the paragraphs below mean "**interest**" and "**capital gains**" as understood in Portuguese tax law. The statements below do not take any account of any different definitions of "**interest**" or "**capital gains**" which may prevail under any other law or which may be created by the Conditions or any related documentation.

The present transaction qualifies as a securitisation transaction (*operação de titularização de créditos*) for the purposes of the Securitisation Law. Portuguese tax-related issues for transactions which qualify as securitisation transactions under the Securitisation Law generally are governed by Decree Law number 219/2001 of 4 August 2001 as amended by Law 109-B/2001 of 27 December 2001, by Decree Law 303/2003 of 5 December 2003, by Law 107-B/2003 of 31 December 2003 and by Law 53-A/2006 of 29 December 2006 (the "**Securitisation Tax Law**").

### Noteholder's Income Tax

Income generated by the holding (distributions) or transfer (capital gains) of the Notes is generally subject to the Portuguese tax regime for debt securities (*obrigações*). Any payments of interest made in respect of the Notes to Noteholders who are not Portuguese residents and do not have a permanent establishment in Portugal to which the income might be attributable will be exempt from Portuguese income tax implications. The exemption from income tax liability does not apply to non-resident entities if: (i) more than 25 per cent. of its share capital is held, either directly or indirectly, by Portuguese residents, or (ii) its country of residence is any of the jurisdictions listed as tax havens in Regulation 150/2004 of 13 February 2004, as amended ("**Tax Haven**"). If the above exemption does not apply, interest payments on the Notes made to non-resident entities are subject to withholding tax at the current definitive rate of 20 per cent, which may be reduced under the provisions of any applicable treaties relating to the avoidance of double taxation.

Under current Portuguese law, interest payments in respect of the Notes made to Portuguese tax resident companies are subject to withholding tax for corporate income tax purposes at the current rate of 20 per cent. on account of the final tax bill. Interest payments on the Notes to Portuguese tax resident individuals are subject to withholding tax for personal income tax purposes at the current definitive rate of 20 per cent, unless an option is made for the inclusion of such income within the individual's global taxable income, in which case the withholding tax will be treated as a payment on account of the final tax bill.

Capital gains obtained by non-resident entities on the transfer of the Notes are exempt from corporate income tax in the same terms referred above for interest payments, unless the said exemption does not apply. In such cases, capital gains are subject to taxation at a 25 per cent. flat rate. Capital gains obtained by non-resident individuals on the transfer of the Notes are excluded from taxation for personal income tax purposes.

Capital gains obtained by Portuguese tax resident companies with the transfer of the Notes are subject to corporate income tax in general terms, currently at a rate of 25 per cent. to which is added, in most municipalities, the maximum of 1.5 per cent. municipal surcharge (*derrama*) on the profits subject to tax, where applicable, resulting in a combined rate of 26.5 per cent. Capital gains obtained by Portuguese tax resident individuals with the transfer of the Notes are excluded from taxation for personal income tax purposes.

In order to comply with the Securitisation Tax Law an operating procedure has been instituted pursuant to which Euroclear and Clearstream, Luxembourg will obtain from participants, who are not resident in Portugal, a commitment not to render custody and settlement services to Portuguese tax residents and to non-exempt Noteholders in general. As a result of this limitation (i) Noteholders which are exempt from Portuguese income tax may be required to certify such status to the financial intermediary that holds and/or settles the Notes on his behalf, and (ii) Portuguese tax residents and non-exempt Noteholders in general may be prevented from using certain financial intermediaries to hold and/or make settlements in respect of the Notes.

### **EU Savings Directive**

Under EC Council Directive 2003/48/EC on the taxation of savings income, each Member States is required, from 1 July 2005, to provide to the tax authorities of another Member State details of payments of interest or other similar income paid by a person within its jurisdiction to, or collected by such person for, an individual resident in that other Member State; however, for a transitional period, Austria, Belgium and Luxembourg may instead apply a withholding system in relation to such payments, deducting tax at rates rising over time to 35 per cent. The transitional period is to terminate at the end of the full fiscal year following agreement by certain non-EU countries to the exchange of information relating to such payments.

Also with effect from 1 July 2005, a number of non-EU countries and certain dependent or associated territories of certain Member States have agreed to adopt similar measures (either provision of information or transitional withholding) in relation to payments made by a person within its jurisdiction to, or collected by such person for, an individual resident in a Member State. In addition, the Member States have entered into reciprocal provision of information or transitional withholding arrangements with certain of those dependent or associated territories in relation to payments made by a person in a Member State to, or collected by such person for, an individual resident in one of those territories.

## SUBSCRIPTION AND SALE

### General

It is likely that all or a substantial portion of the Notes will be acquired by the Originator or another member of the Finibanco Group.

### United States of America

The Notes have not been, and will not be, registered under the US Securities Act 1933, as amended (the "**Securities Act**") and may not be offered, sold or delivered 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 and any coupons appertaining thereto (the "**Coupons**") will bear a legend to the following effect: "**Any United States person 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 Internal Revenue Code**". The sections referred to in such legend provide that a United States person who holds a Note or Coupon will generally not be allowed to deduct any loss realised on the sale, exchange or redemption of such Note or Coupon and any gain (which might otherwise be characterised as capital gain) recognised on such sale, exchange or redemption will be treated as ordinary income.

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 United States Internal Revenue Code and regulations thereunder.

The Manager has represented to and agreed with the Issuer that, except as permitted by the Note Purchase Agreement, it will not offer, sell or deliver the Notes (a) as part of their distribution at any time or (b) otherwise, until forty days after the later of the commencement of the offering and the Closing Date, within the United States or to, or for the account or benefit of, U.S. persons, and that it will have sent to each dealer to which it sells Notes during the distribution compliance period relating thereto 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.

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

### United Kingdom

The Manager has represented to and agreed with the Issuer that:

- (a) it has only communicated or caused to be communicated and will only communicate or cause to be communicated any invitation or inducement to engage in investment activity (within the meaning of section 21 of the Financial Services Market Act 2000 (the "**FSMA**") received by it in connection with the issue or sale of the relevant Class of Notes) in circumstances in which section 21(1) of the FSMA does not apply to the Issuer; and

- (b) 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.

### **Ireland**

The Notes have not and may not be underwritten or placed, nor may anything be done in Ireland in respect of the Notes:

- (a) otherwise than in conformity with the provisions of the Irish European Communities (Markets in Financial Instruments) Regulations 2007 (nos. 1 and 2), including, without limitation, Regulations 7 and 152 thereof or any codes of conduct used in connection therewith;
- (b) otherwise than in conformity with the provisions of the Irish Central Bank Acts 1942-1999 (as amended) and any codes of conduct rules made under Section 117(1) thereof;
- (c) otherwise than in conformity with the provisions of the Market Abuse (Directive 2003/6/EC) Regulations 2005 and any rules issued by the Financial Regulator under Section 34 of the Irish Investment Funds, Companies and Miscellaneous Provisions Act 2005; and
- (d) otherwise than in conformity with the provisions of the Prospectus (Directive 2003/71/EC) Regulations 2005 and any rules issued by the Financial Regulator under Section 51 of the Irish Investment Funds, Companies and Miscellaneous Provisions Act 2005.

### **Portugal**

The Manager has agreed with the Issuer that (i) it has not directly or indirectly taken any action or offered, advertised or sold or delivered and will not directly or indirectly offer, advertise, sell, re-sell, re-offer or deliver any Notes in circumstances which could qualify as a public offer pursuant to the *Código dos Valores Mobiliários* (the Portuguese Securities Code) and in circumstances which could qualify the issue of the Notes as an issue in the Portuguese market otherwise than in accordance with all applicable laws and regulations and (ii) it has not directly or indirectly distributed and will not directly or indirectly distribute any document, circular, advertisements or any offering material except in accordance with all applicable laws and regulations.

### **Public Offers Generally**

In relation to each Member State of the European Economic Area which has implemented the Prospectus Directive (each, a "**Relevant Member State**") the Manager has represented and agreed that with effect from and including the date on which the Prospectus Directive is implemented in that Relevant Member State (the "**Relevant Implementation Date**") it has not made and will not make an offer of the Notes to the public in that Relevant Member State except that it may, with effect from and including the Relevant Implementation Date, make an offer of Notes to the public in that Relevant Member State:

- (a) in (or in Germany, where the offer starts within) the period beginning on the date of publication of a prospectus in relation to those notes which has been approved by the competent authority in that Relevant Member State or, where appropriate approved in another Relevant Member State and notified to the competent authority in that Relevant Member State, all in accordance with the Prospectus Directive and ending on the date which is twelve months after the date of such publication;
- (b) at any time to legal entities which are authorised or regulated to operate in the financial markets or, if not so authorised or regulated, whose corporate purpose is solely to invest in securities;

- (c) at any time to any legal entity which has two or more of:
  - (i) an average of at least 250 employees during the last financial year;
  - (ii) a total balance sheet of more than €43,000,000; and
  - (iii) an annual net turnover of more than €50,000,000, as shown in its last annual or consolidated accounts; or
  - (iv) at any time in any other circumstances which do not require the publication by the Issuer of a prospectus pursuant to Article 3 of the Prospectus Directive.

For the purposes of this provision, the expression an "**offer of Notes to the public**" in relation to any Notes in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the offer and the Notes to be offered so as to enable an investor to decide to purchase or subscribe for the Notes, as the same may be varied in the Relevant Member State by a measure implementing the Prospectus Directive in such Relevant Member State, and the expression "**Prospectus Directive**" means Directive 2003/71/EC and includes any relevant implementing measure in each Relevant Member State.

Save for applying for admission of the Notes to trading on the Stock Exchange's regulated market, no action has been or will be taken in any jurisdiction by the Issuer or the Manager that would, or is intended to, permit a public offering of the Notes, or possession or distribution of this Prospectus or any other offering material, in any country or jurisdiction where action for that purpose is required.

#### **Investor Compliance**

Persons into whose hands this Prospectus comes are required by the Issuer and the Manager to comply with all applicable laws and regulations in each country or jurisdiction in which they purchase, offer, sell or deliver Notes or have in their possession, distribute or publish this Prospectus or any other offering material relating to the Notes, in all cases at their own expense.



## GENERAL INFORMATION

1. The creation and issue of the Notes has been authorised by a resolution of the Board of Directors of the Issuer dated 4 December 2008.
2. It is expected that the Notes will be admitted to the Official List of the Irish Stock Exchange on the Closing Date subject only to the issue of the Temporary Global Notes of each class of Notes.
3. Save as disclosed in this Prospectus, there are no governmental, litigation or arbitration proceedings, including any which are pending or threatened of which the Issuer is aware, which may have, or have had during the twelve months prior to the date of this Prospectus, a significant effect on the financial position of the Issuer.
4. Save as disclosed in this Prospectus, since 31 December 2007 (the date of the most recent audited annual accounts of the Issuer) there has been (i) no significant change in the financial or trading position of the Issuer, and (ii) no material adverse change in the financial position or prospects of the Issuer.
5. Save as disclosed in this Prospectus, the Issuer has no outstanding or created but unissued loan capital, term loans, borrowings, indebtedness in the nature of borrowing or contingent liabilities, nor has the Issuer created any mortgages, charges or given any guarantees.
6. The Transaction Manager shall produce a Transaction Manager Report no later than two Business Days prior to each Interest Payment Date. The Transaction Manager Report shall be available at the specified offices of the Common Representative.
7. The Notes have been accepted for clearance through Euroclear and Clearstream, Luxembourg. The ISIN and the Common Codes for the Notes are as follows:

	Common Code	ISIN
Class A Notes	040098127	XS0400981279
Class B Notes	040098208	XS0400982087
Class C Notes	040098305	XS0400983051

8. The *Comissão do Mercado de Valores Mobiliários*, pursuant to Article 62 of the Securitisation Law, has assigned asset identification code 200812TGSFINSXXN0029 to the Aqua Mortgages No. 1 Notes.
9. Copies of the following documents will be available in physical and/ or electronic form at the Specified Office of the Principal Paying Agent during usual business hours on any week day (Saturdays, Sundays and public holidays excepted) after the date of this document and for the life of the Notes:
  - (a) the *Estatutos or Contrato de Sociedade* (constitutional documents) of the Issuer;
  - (b) the following documents:
    - (1) Master Framework Agreement;

- (2) Mortgage Sale Agreement;
  - (3) Mortgage Servicing Agreement;
  - (4) Common Representative Appointment Agreement;
  - (5) Paying Agency Agreement;
  - (6) Transaction Management Agreement;
  - (7) Accounts Agreement;
  - (8) Co-ordination Agreement;
  - (9) Security Deed;
  - (10) Note Purchase Agreement;
  - (11) Issuer - ICSD Agreement;
10. The most recent publicly available financial statements for each of the last three accounting financial periods of the Issuer (which at the date hereof are only expected to be the audited annual financial statements) will be available for inspection at the following website: [www.cmvm.pt](http://www.cmvm.pt).
  11. KPMG & Associados, SROC, S.A. have given, and have not withheld, their consent to the inclusion of their report in respect of the accounts of the Issuer in this Prospectus in the form and context in which it is included and have authorised the contents of that part of the Prospectus.
  12. The Notes of each class shall be freely transferable. No transaction made on the Stock Exchange after the Closing Date shall be cancelled.
  13. Any website (or the contents thereof) referred to in this Prospectus does not form part of this Prospectus as approved by the IFSRA.
  14. The Securitisation Law combined with the holding structure of the Issuer and the role of the Common Representative are together intended to prevent any abuse of control of the Issuer.
  15. The Issuer does not intend to provide post issuance transaction information on the Notes or the underlying assets.

## INDEX OF DEFINED TERMS

Accounts Agreement	212	Couponholders	220
Accounts Bank	212	Coupons	220
Additional Collateral Determination Date	212	Current Principal Outstanding Balance	220
Additional Mortgage Asset Portfolio	212	Day Count Fraction	220
Additional Mortgage Assets	212	Deemed Principal Loss	220
Additional Purchase	212	Defaulted Mortgage Asset	220
Additional Purchase Available Amount	212	Deferred Interest Amount Arrears	221
Additional Purchase Date	212	Definitive Notes	221
Additional Purchase Price	212	Deutsche Bank AG, London Branch	221
Agent Bank	212	Employee Loans	221
Agents	212	Encumbrance	221
Aggregate Principal Outstanding Balance	212	Enforcement Notice	221
Amortisation Event	212	Enforcement Procedures	221
Amortisation Period	213	EURIBOR	221
Amortisation Period Start Date	213	Euro	221
Ancillary Mortgage Rights	213	Euro Reference Rate	221
Arranger	213	Euro Screen Rate	222
Assets	214	Eurosystem Eligible Collateral	222
Assigned Mortgage Rights	214	Event of Default	222
Auditor	214	Excess Available Principal Account	222
Authorised Investments	214	Exchange Date	222
Available Interest Distribution Amount	214	Excluded Rights	222
Available Principal Distribution Amount	215	Final Discharge Date	222
Benchmark Index	215	Final Legal Maturity Date	222
Borrower	215	Finibanco	222
Breach of Duty	215	Finibanco Group	222
Business Day	215	First Interest Payment Date	222
Calculation Date	215	Global Notes	222
Cash Reserve Account	215	Gross Cumulative Default Ratio	222
Cash Reserve Account Required Balance	215	Gross Cumulative Default Ratio Test	223
Charged Property	216	Holder	223
Class	216	ICSDs	223
Class A Coupons	216	Incorrect Payments	223
Class A Definitive Notes	216	Initial Cash Reserve Amount	223
Class A Notes	216	Initial Collateral Determination Date	223
Class A Permanent Global Note	216	Initial Mortgage Asset Portfolio	223
Class A Principal Deficiency Ledger	216	Initial Purchase Price	223
Class A Receipts	216	Insolvency Event	223
Class A Temporary Global Note	216	Insolvency Proceedings	224
Class B Coupons	216	Instalment Due Date	224
Class B Definitive Notes	217	Instrumentholders	224
Class B Notes	217	Instruments	224
Class B Permanent Global Note	217	Insurance Policies	224
Class B Principal Deficiency Ledger	217	Interest Amount	224
Class B Receipts	217	Interest Collection Proceeds	225
Class B Temporary Global Note	217	Interest Component	225
Class C Coupons	217	Interest Determination Date	225
Class C Definitive Notes	217	Interest Payment Date	225
Class C Distribution Amount	217	Interest Period	225
Class C Notes	218	Interest-Only Loans	225
Class C Permanent Global Note	218	Issuer	225
Class C Receipts	218	Issuer Covenants	225
Class C Temporary Global Note	218	Issuer Expenses	225
Clean-up Call Date	218	Issuer Fixed Transaction Revenue	226
Clearstream, Luxembourg	218	Issuer Obligations	226
Closing Date	218	Issuer-ICSD Agreement	226
CLTV	218	Issuer's Jurisdiction	226
CMVM	218	Lending Criteria	226
Collateral Determination Date	218	Liabilities	226
Collection Account	218	Liquidation Proceeds	226
Collection Account Bank	218	Lisbon Business Day	226
Collection Account Mandate	219	Loans for Cash-Out Purposes	226
Collection Payment Date	219	Manager	226
Collection Period	219	Master Framework Agreement	226
Collection Proceeds	219	Material Adverse Effect	226
Collections	219	Material Term	227
Common Representative	219	Meeting	227
Common Representative Appointment Agreement	219	Minimum Short-Term Rating	227
Common Representative's Fees	219	Mortgage	227
Common Representative's Liabilities	219	Mortgage Asset	227
Common Safekeeper	219	Mortgage Asset Agreement	227
Conditions	219	Mortgage Asset Portfolio	227
Co-ordination Agreement	220	Mortgage Asset Warranty	227

Mortgage Loan	227	Regulatory Change	235
Mortgage Sale Agreement	227	Relevant Date	235
Mortgage Servicing Agreement	227	Relevant Margin	236
Most Senior Class	227	Relevant Period	236
Note Principal Payment	228	Relevant Screen	236
Note Purchase Agreement	228	Representative Amount	236
Note Rate	228	Repurchase Proceeds	236
Noteholders	228	Reserved Matter	236
Notes	228	Resolution	236
Notice of No Intention to Sell Additional Mortgage Assets	228	Retired Mortgage Asset	236
Notices Condition	228	Retired Mortgage Asset Pool	236
Notification Event	228	Revolving Period	237
Notification Event Notice	228	Rounded Arithmetic Mean	237
Official List	228	S&P	237
Operating Procedures	228	Screen	237
Original Principal Outstanding Balance	228	Secured Amounts	237
Originator	229	Securitisation Law	237
Originator Warranty	229	Security	237
Outstanding	229	Security Deed	237
Participating Member State	230	Servicer	237
Paying Agency Agreement	230	Servicer Records	237
Payment Account	230	Servicer Report	237
Payment Shortfall	230	Services	237
Payments Priorities	230	Signing Date	237
Permanent Global Notes	230	Specified Offices	237
Portfolio Tests	230	Stock Exchange	238
Post-Enforcement Payments Priorities	232	Substitute Mortgage Asset	238
Potential Event of Default	232	Substitute Mortgage Asset Pool	238
Pre-Enforcement Interest Payments Priorities	232	Substitution Date	238
Pre-Enforcement Payments Priorities	232	Tagus	238
Pre-Enforcement Principal Payments Priorities	232	Talon	238
Principal Amount Outstanding	232	TARGET Settlement Day	238
Principal Collection Proceeds	233	TARGET2	238
Principal Component	233	Tax	238
Principal Deficiency	233	Tax Authority	238
Principal Deficiency Ledgers	233	Tax Deduction	238
Principal Draw Amount	233	Temporary Global Notes	238
Principal Outstanding Balance	233	Third Party Expenses	239
Principal Paying Agent	233	Transaction Accounts	239
Property	234	Transaction Assets	239
Property Deeds	234	Transaction Creditors	239
Pro-Rata Test	234	Transaction Documents	239
Prospectus	234	Transaction Management Agreement	239
Provisions for Meetings of Noteholders	234	Transaction Manager	240
Purchase Price	234	Transaction Manager Report	240
Rated Notes	234	Transaction Party	240
Rating	234	Treaty	240
Rating Agency	234	value added tax	240
Receiptholders	235	VAT	240
Receipts	235	VAT Legislation	240
Receivables	235	Withheld Amount	240
Receiver	235	Written Resolution	241
Reference Bank	235	Written-off Mortgage Asset	240
Region	235		

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