

# **PELICAN MORTGAGES NO. 1**

## **PUBLIC LIMITED COMPANY**

*(Incorporated in Ireland with limited liability under registered number 361759)*

€611,000,000 Class A Mortgage Backed Floating Rate Notes due 2037

€16,250,000 Class B Mortgage Backed Floating Rate Notes due 2037

€22,750,000 Class C Mortgage Backed Floating Rate Notes due 2037

Issue Price: 100 per cent.

**Lead Manager**

**ABN AMRO**

**Co-Managers**

**BCP Investimento**

**DZ BANK AG**

The €650,000,000 Mortgage Backed Floating Rate Notes due 2037 issued by Pelican Mortgages No. 1 Public Limited Company (the “**Issuer**”) will comprise the €611,000,000 Class A Mortgage Backed Floating Rate Notes due 2037 (the “**Class A Notes**”), the €16,250,000 Class B Mortgage Backed Floating Rate Notes due 2037 (the “**Class B Notes**”) and the €22,750,000 Class C Mortgage Backed Floating Rate Notes due 2037 (the “**Class C Notes**” and, together with the Class A Notes and Class B Notes, the “**Notes**”). In connection with the issue of the Notes, the Issuer will also issue the €3,250,000 Class D Mortgage Backed Residual Entitlement Notes due 2037 (the “**Class D Notes**”). The Notes and the Class D Notes will be issued on or about 19 December 2002 (the “**Closing Date**”). The Class D Notes are not described in detail in this Offering Circular.

Interest on the Notes is payable quarterly in arrear on the 15th day of June, September, December and March in each year (or if such day is not a Business Day (as defined in Condition 2 (*Definitions*)), the next succeeding Business Day) , the first such payment to be made on 15 March 2003. Interest on the Notes is payable at an annual rate equal to the sum of the European Interbank Offered Rate (“**EURIBOR**”) for three month euro deposits (the “**Euro Reference Rate**”) plus a margin of 28 per cent. per annum in relation to the Class A Notes, 65 per cent. per annum in relation to the Class B Notes and 135 per cent. per annum in relation to the Class C Notes.

The Notes will be subject to optional redemption (in whole but not in part) at their Principal Amount Outstanding (as defined in Condition 2 (*Definitions*)) together with accrued interest at the option of the Issuer: (a) on any Interest Payment Date (as defined in Condition 2 (*Definitions*)) following the Interest Payment Date on which the aggregate Principal Amount Outstanding of the outstanding Notes is less than 10 per cent. of the Initial Principal Amount (as defined in Condition 2 (*Definitions*)) of the Notes; or (b) on any Interest Payment Date following the occurrence of certain tax changes concerning, *inter alia*, the Notes. Each Note will be subject to mandatory redemption in part on each Interest Payment Date on which there are Available Redemption Funds, in an amount equal to the Note Principal Payment in respect of each Note in such class as calculated on the related Calculation Date. See “*Principal Features of the 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, the Class C Notes and the Class D Notes. All payments of interest due on the Class B Notes will rank in priority to payments of interest due on the Class C Notes and Class D Notes. All payments of interest due on the Class C Notes will rank in priority to distributions of income in respect of the Class D Notes.

All payments of principal due on the Class A Notes will rank in priority to payments of principal due on the Class B Notes, the Class C Notes and the Class D Notes. All payments of principal due on the Class B Notes will rank in priority to payments of principal due on the Class C Notes and the Class D Notes. All payments of principal due on the Class C Notes will rank in priority to payments of principal due on the Class D Notes.

The source of funds for the payment of principal and interest on the Notes will be the right of the Issuer to receive distributions in respect of certain securitisation units (*Unidades de Titularização de Créditos*) (the “**Units**”) issued by Fundo MG Títulos FTC, a Portuguese securitisation fund (*Fundo de Titularização de Créditos*) organised under the laws of the Portuguese Republic (the “**Fund**”).

The Fund will make payment of such distributions in respect of the Units from interest and principal collections which the Fund will be entitled to receive from a portfolio of Portuguese residential mortgages sold to it by Caixa Económica Montepio Geral (“**Montepio Geral**” or the “**Seller**”).

The Notes will be obligations solely of the Issuer and will not be guaranteed by, or be the responsibility of, any other entity including any of the other parties to the Transaction Documents.

Application has been made for the Notes to be admitted to the Daily Official List of the Irish Stock Exchange Limited (the “**Irish Stock Exchange**”). Prior to this offering there has been no public market for the Notes.

Copies of this Offering Circular have been delivered for registration to the Registrar of Companies in Ireland as required by Regulation 13 of the European Communities (Stock Exchange) Regulations 1984 (as amended) of Ireland (the “**1984 Regulations**”) and comprise listing particulars approved by the Irish Stock Exchange in accordance with the requirements of the 1984 Regulations and the listing rules of the Irish Stock

Exchange (the “**Listing Rules**”). No application will be made to list the Notes on any other stock exchange. No application will be made to list the Class D Notes on the Irish Stock Exchange or on any other stock exchange. Particulars of the dates of, parties to and general nature of each document to which the Fund or the Issuer is a party (the “**Transaction Documents**”) are set out in various sections of this Offering Circular.

The Class A Notes are expected upon issue to be rated Aaa by Moody’s Investors Service Limited (“**Moody’s**”) and AAA by Fitch Ratings Limited (“**Fitch**” and, together with Moody’s, the “**Rating Agencies**”). The Class B Notes are expected upon issue to be rated A2 by Moody’s and AA- by Fitch. The Class C Notes are expected upon issue to be rated Baa2 by Moody’s and BBB+ by Fitch. The Class D Notes will not be assigned a credit rating.

**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.**

Each class of the Notes will initially be represented by a temporary global note in bearer form (each a “**Temporary Global Note**”), without coupons or talons, which is expected to be deposited with a common depositary (the “**Common Depositary**”) for Euroclear Bank S.A./N.V. (“**Euroclear**”) and Clearstream Banking, société anonyme, Luxembourg (“**Clearstream, Luxembourg**”) on or about the Closing Date. Each such Temporary Global Note will be exchangeable 40 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 (a “**Permanent Global Note**”), without coupons or talons, (together with each Temporary Global Note, the “**Global Notes**”) for the relevant class of Notes which will also be deposited with a common depositary for Euroclear and Clearstream, Luxembourg.

**Particular attention is drawn to the section herein entitled “Special Considerations”.**

### **Responsibility Statement**

The Issuer accepts responsibility for the information contained in this document and to the best of the knowledge and belief of the Issuer (which has taken all reasonable care to ensure that such is the case) 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.

Montepio Geral accepts responsibility for the information contained in this document relating to itself and the Mortgage Asset Portfolio in the sections headed “*Overview of the Transaction – The Mortgages*”, “*The Portuguese Mortgage Market*”, “*Description of Montepio Geral*”, “*Description of Montepio Geral Group’s Residential Mortgage Business*” and “*The Mortgage Asset Portfolio*” and to the best of the knowledge and belief of Montepio Geral (which has taken all reasonable care to ensure that such is the case) such information is in accordance with the facts and does not omit anything likely to affect the import of such information.

The Fund Manager accepts responsibility for the information contained in this document relating to itself and the Fund in the sections headed “*Description of the Fund and the Fund Manager – Description of the Fund Manager*” and to the best of the knowledge and belief of the Fund Manager (which has taken all reasonable care to ensure that such is the case) such information is in accordance with the facts and does not omit anything likely to affect the import of such information.

### **Representations about the Notes**

No person has been authorised to give any information or to make any representations, other than those contained in this Offering Circular, 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 the Issuer, the Lead Manager, the Trustee, the Seller or the Fund. Neither the delivery of this Offering Circular nor any sale made hereunder shall, under any circumstances, create any implication that the information contained in this Offering Circular is correct as of any time subsequent to the date hereof.

## **Financial condition of the Issuer**

Neither the delivery of this Offering Circular nor the offering, sale or delivery of any Notes 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 Offering Circular.

## **Selling Restrictions summary**

This Offering Circular does not constitute an offer of, or an invitation to subscribe for or purchase, any Notes.

The distribution of this Offering Circular and the offering, sale and delivery of the Notes in certain jurisdictions may be restricted by law. Persons into whose possession this Offering Circular comes are required by the Issuer and the Managers 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 Offering Circular and other offering material relating to the Notes, see “*Subscription and Sale*”.

In particular, the Notes have not been, and will not be, registered under the United States Securities Act of 1933, as amended (the “**Securities Act**”) and are subject to United States tax law requirements. The Notes are being offered outside the United States by the Managers in accordance with Regulation S under 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 pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act. There are also restrictions on the distribution of this Offering Circular, and the offer and sale of the Notes, in Ireland.

## **Currency**

In this Offering Circular, unless otherwise specified, references to “€” or “euro” are to the single currency introduced at the start of the third stage of European Economic and Monetary Union pursuant to the Treaty establishing the European Communities, as amended by the Treaty on European Union.

## **Stabilisation**

**In connection with this issue, ABN AMRO Bank N.V. as the Lead Manager may over-allot or effect transactions with a view to supporting the market price of the Notes at a level higher than that which might otherwise prevail for a limited period after the Closing Date. However, there is no obligation on ABN AMRO Bank N.V. to do this. Such stabilising, if commenced, may be discontinued at any time and must be brought to an end after a limited period.**

## **Interpretation**

Capitalised terms used in this Offering Circular, unless otherwise indicated, have the meanings set out in this Offering Circular. An index of defined terms used in this Offering Circular appears on pages 114 to 118. 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**” (the “**Conditions**”) below.

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## THE PARTIES

### *Issuer*

Pelican Mortgages No. 1 Public Limited Company, a public limited liability company incorporated under the laws of Ireland and having its registered office at 25/28 North Wall Quay, International Financial Services Centre, Dublin 1, Ireland. The Issuer has been established for the purpose of acquiring the Units issued by the Fund, issuing the Notes and entering into the Transaction Documents to which it is a party. The entire issued share capital of the Issuer is held by the Share Trustee and/or its nominees initially, in accordance with the terms of a share trust deed executed by the Share Trustee on the Closing Date (the “**Share Trust Deed**”). For more detailed information see “*The Issuer*”.

### *Share Trustee*

SPV Management (Dublin) Limited, a private limited liability company incorporated under the laws of Ireland, as share trustee (the “**Share Trustee**”) in accordance with the terms of the Share Trust Deed through its office at 25/28 North Wall Quay, International Financial Services Centre, Dublin 1, Ireland.

### *Corporate Services Provider*

SPV Management (Dublin) Limited, as corporate services provider to the Issuer (the “**Corporate Services Provider**”) in accordance with the terms of the Corporate Services Agreement through its office at 25/28 North Wall Quay, International Financial Services Centre, Dublin 1, Ireland.

### *Seller*

Caixa Económica Montepio Geral (“**Montepio Geral**”) a credit institution established as a “*fundação*” under the laws of the Portuguese Republic and having its registered office at Rua Aurea, 219-241, Lisbon, Portugal. For more detailed information see “*Description of Montepio Geral*” and “*Description of Montepio Geral’s Residential Mortgage Business*”.

### *Servicer*

Montepio Geral, in its capacity as servicer to the Fund (the “**Servicer**”) in accordance with the terms of the Servicing Agreement.

### *The Fund*

Fundo MG Títulos FTC, a Portuguese securitisation fund (*Fundo de Titularização de Créditos*) organised under the laws of the Portuguese Republic (the “**Fund**”) to purchase a portfolio of residential mortgage loans (the “**Mortgage Loans**”) comprised in the Mortgage Asset Portfolio (as described in “**The Mortgage Asset Portfolio**”) from the Seller and issue the Units. For more detailed information see “*Description of the Fund and the Fund Manager*”.

### *The Fund Manager*

Servimédia SGFTC, SA, a securitisation fund management company (*Sociedade Gestora de Fundos de Titularização de Créditos*) organised under the laws of the Portuguese Republic (the “**Fund Manager**”) to manage the Fund on behalf of the holders of the Units pursuant to the Securitisation Law. For more detailed information see “*Description of the Fund and the Fund Manager*” below.

### *Custodian*

Montepio Geral, in its capacity as custodian (the “**Custodian**”) to the Fund in accordance with the terms of the Custodian Agreement through its office at Rua Aurea, 219-241, Lisbon, Portugal.

### ***Issuer Accounts Bank***

ABN AMRO Bank N.V. (London Branch), in its capacity as the bank at which the Issuer Accounts are held (the “**Issuer Accounts Bank**”) in accordance with the terms of the Issuer Accounts Bank Agreement through its office at 250 Bishopsgate, London EC2M 4AA.

### ***Fund Account Bank***

ABN AMRO Bank N.V. (London Branch), in its capacity as the bank at which the Fund Account is held (the “**Fund Account Bank**”) in accordance with the terms of the Fund Account Bank Agreement through its office at 250 Bishopsgate, London EC2M 4AA.

### ***Transaction Manager***

ABN AMRO Bank N.V. (London Branch), in its capacity as transaction manager (the “**Transaction Manager**”) and as its lawful non-exclusive agent, to the Issuer in accordance with the terms of the Transaction Management Agreement through its office at 250 Bishopsgate, London EC2M 4AA.

### ***Trustee***

ABN AMRO Trustees Limited, in its capacity as trustee (the “**Trustee**”) for the Noteholders and other Secured Creditors in accordance with the terms of the Trust Deed and the Security Deed through its office at 250 Bishopsgate, London EC2M 4AA.

### ***Swap Counterparty***

ABN AMRO Bank N.V., in its capacity as swap counterparty (the “**Swap Counterparty**”) in accordance with the terms of the Swap Agreement through its office at Gustav Mahlerlaan 10, 1082 PP Amsterdam, The Netherlands.

### ***Liquidity Facility Provider***

ABN AMRO Bank N.V., in its capacity as liquidity facility provider (the “**Liquidity Facility Provider**”) in accordance with the terms of the Liquidity Facility Agreement through its office at Gustav Mahlerlaan 10, 1082 PP Amsterdam, The Netherlands.

### ***Subordinated Loan Facility Provider***

Caixa Económica Montepio Geral – Sucursal Financeira Exterior, in its capacity as subordinated loan facility provider (the “**Subordinated Loan Facility Provider**”) in accordance with the terms of the Subordinated Loan Facility Agreement through its offices at Rua da Sé, 16, 9000-066 Funchal, Madeira, Portugal.

### ***Agent Bank***

ABN AMRO Bank N.V. (London Branch), in its capacity as the agent bank in respect of the Notes (the “**Agent Bank**”) in accordance with the terms of the Paying Agency Agreement through its office at 250 Bishopsgate London EC2M 4AA.

### ***Principal Paying Agent***

ABN AMRO Bank N.V. (London Branch), in its capacity as principal paying agent (the “**Principal Paying Agent**”) in respect of the Notes in accordance with the terms of the Paying Agency Agreement through its office at 250 Bishopsgate London EC2M 4AA.

### ***Irish Paying Agent***

NCB Stockbrokers Limited, a firm of stockbrokers organised as a limited liability company under the laws of Ireland, in its capacity as Irish paying agent (the “**Irish Paying Agent**”) in respect of the Notes in accordance with the terms of the Paying Agency Agreement through its office at 3 George’s Dock, International Financial Services Centre, Dublin 1, Ireland.

### ***Rating Agencies***

Moody’s Investors Service Limited and Fitch Ratings Limited.

### ***Listing Agent***

NCB Stockbrokers Limited, as listing agent (the “**Listing Agent**”) and having its registered office at 3 George’s Dock, International Financial Services Centre, Dublin 1, Ireland.

### ***Lead Manager***

ABN AMRO Bank N.V., Gustav Mahlerlaan 10, 1082 PP Amsterdam, The Netherlands in its capacity as lead manager (the “**Lead Manager**”) of the issue of the Notes in accordance with the terms of the Subscription Agreement.

### ***Co-Managers***

BCP Investimento – Banco Comercial Português de Investimento, S.A. Rua Augusta, 62-96, 1149-023 Lisbon and DZ BANK AG, Platz der Republik, 60265 Frankfurt am Main in their capacities as co-managers of the issue of the Notes in accordance with the terms of the Subscription Agreement.



## PRINCIPAL FEATURES OF THE NOTES

### *Title*

€611,000,000 Class A Mortgage Backed Floating Rate Notes due 2037;

€16,250,000 Class B Mortgage Backed Floating Rate Notes due 2037;

€22,750,000 Class C Mortgage Backed Floating Rate Notes due 2037,

to be issued in accordance with the terms of the Trust Deed and on the terms and subject to the Conditions.

### *Status and Ranking*

The Notes will constitute direct, secured and unconditional obligations of the Issuer. Each class of Notes will rank *pari passu* without preference or priority amongst themselves.

The Notes represent the right to receive interest and principal payments from the Issuer in accordance with the Conditions and the Trust Deed.

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 the Class C Notes. All payments of interest due on the Class B Notes will rank in priority to payments of interest due on the Class C Notes.

All payments of principal due on the Class A Notes will rank in priority to payments of principal due on the Class B Notes and the Class C Notes. All payments of principal due on the Class B Notes will rank in priority to payments of principal due on the Class C Notes.

### *Security for the Notes*

The Notes will be secured by the Security created pursuant to the Security Deed in favour of the Trustee, for itself and on trust for the Secured Creditors. For a description of the Security see “*Overview of the Transaction – Security Arrangements*”.

The terms on which the Security will be held will provide that upon enforcement, certain fees, expenses, costs, charges and liabilities due to be paid by the Issuer will rank in priority to amounts due to be paid by the Issuer under the Notes. See “*Overview of the Transaction – Security Arrangements – Enforcement of Security*”.

### *Note Rate*

The Notes of each Class will represent entitlements to payment of interest in respect of each successive Interest Period from the Closing Date at a rate (the “**Note Rate**”) in respect of each Class equal to the following percentages above the Euro Reference Rate:

Class A Notes	28 per cent.
Class B Notes	65 per cent.
Class C Notes	135 per cent.

### *Interest*

Interest on each Note is payable in euro at the Note Rate on the Principal Amount Outstanding in respect of each Note.

The Notes bear interest in respect of Interest Periods, payable quarterly in arrear on each Interest Payment Date (except for payments made on the first Interest Payment Date which will be based on an Interest Period with a duration of less than three months).

Interest payments will be made on Interest Payment Dates only to the extent the Issuer has funds available for the purpose and in accordance with the Pre-Enforcement Interest Payment Date Revenue Payments Priorities. For more detailed information see “*Overview of the Transaction*”.

Payments of interest on the Notes on any Interest Payment Date will derive only from Revenue Receipts determined by the Transaction Manager as at the related Calculation Date or from a drawing made under the Liquidity Facility or from the Reserve Fund or from the use of funds transferred to the Revenue Ledger from the Principal Ledger. Any unpaid interest on any class of Notes will carry interest at the Note Rate applicable to that class of Notes until paid.

#### ***Interest Payment Date***

Interest on the Notes is first payable on 15 March 2003 and thereafter quarterly in arrear on the 15th day of June, September, December and March 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).

#### ***Taxation***

If any Tax Deduction is required to be made by the Issuer in respect of any payment in respect of the Notes, none of the Issuer, the Paying Agents nor other Transaction Parties will be required to make any additional payments to Noteholders in respect of such Tax Deduction.

#### ***Form and Denomination***

The Notes will be issued in bearer form in denominations of €10,000 each. Each class of the Notes will initially be represented by a Temporary Global Note without interest coupons or talons attached, which will be deposited with the Common Depositary on or about the Closing Date.

Each Temporary Global Note will be exchangeable, in whole or in part, for interests in a Permanent Global Note relating to the same class, without interest coupons or talons attached, not earlier than 40 days after the Closing Date upon certification as to non-U.S. beneficial ownership. Interest payments in respect of the Temporary Global Notes cannot be collected until such certification of non-U.S. beneficial ownership has been received by the Principal Paying Agent.

In certain limited circumstances bearer Definitive Notes with interest coupons, principal receipts and talons attached will be issued in exchange for a Permanent Global Note.

#### ***Final Redemption***

Unless the Notes have previously been redeemed in full as described in Condition 8 (*Final Redemption, Mandatory Redemption in part and Optional Redemption*), the Notes will be redeemed by the Issuer on the Final Maturity Date at their Principal Amount Outstanding.

#### ***Mandatory Redemption in Part***

Prior to the delivery of an Enforcement Notice, each class of Notes will be subject to mandatory redemption in part on each Interest Payment Date on which there are Available Redemption Funds, in an amount equal to the Note Principal Payment in respect of each Note in such class as calculated as at the related Calculation Date.

The Issuer will cause the Transaction Manager to determine, within six Business Days of each Calculation Date, the amount of Available Redemption Funds and the Note Principal Payment payable in respect of each Note of each class in respect of the immediately succeeding Interest Payment Date.

#### ***Optional Redemption in whole***

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 when the aggregate Principal Amount Outstanding of the outstanding Notes is less than 10 per cent. of the Initial Principal Amount of all of the Notes, subject to the requirements specified in Condition 8.6 (*Optional Redemption in whole*), including the requirement that the Issuer has given not more than 60 nor less than 30 days' notice to the Trustee and the Noteholders of its intention to effect such redemption.

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 in the event of certain tax changes affecting payments in respect of the Mortgage Loans or payments in respect of the Units or payments in respect of the Notes (as specified in Condition 8 (*Final Redemption, Mandatory Redemption in part and Optional Redemption*)).

***No Purchase by the Issuer***

The Issuer may not at any time purchase any of the Notes.

***Ratings***

The Notes are expected on issue to be assigned the following ratings by the Rating Agencies:

*Moody's*

Class A Notes	–	Aaa
Class B Notes	–	A2
Class C Notes	–	Baa2

*Fitch*

Class A Notes	–	AAA
Class B Notes	–	AA-
Class C Notes	–	BBB+

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.

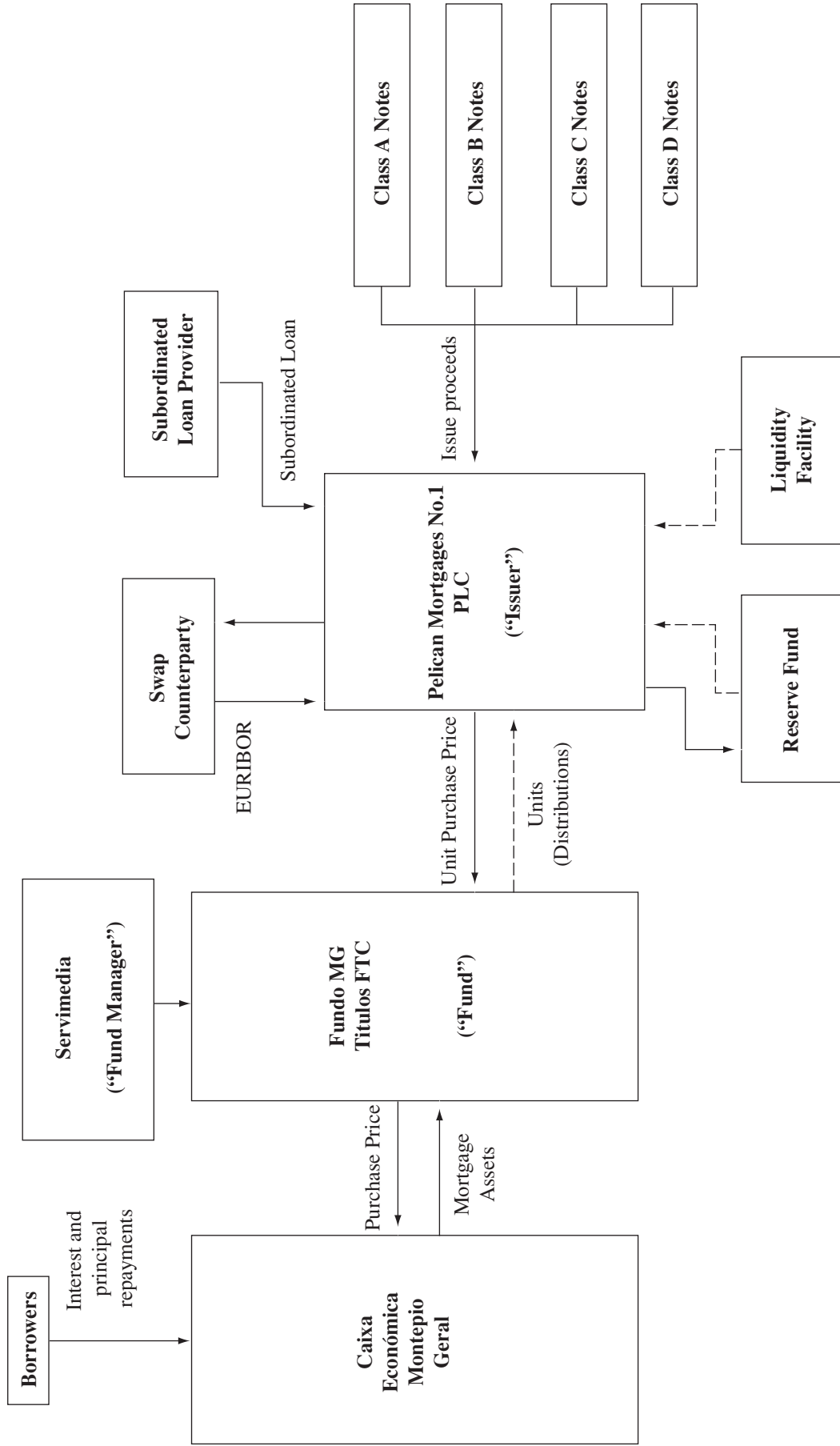
***Listing***

Application has been made for the Notes to be admitted to the Daily Official List of the Irish Stock Exchange.

***Governing Law***

The Notes, the Trust Deed and the Security Deed will be governed by English law.

## Structure Chart



This structure chart should be read in conjunction with the description of the structure of the transaction in this Offering Circular.

## OVERVIEW OF THE TRANSACTION

### The Mortgages

#### *The Mortgage Asset Portfolio*

A pool of Mortgage Loans and related security (the “**Mortgage Assets**”) to be assigned to the Fund by the Seller on the Closing Date (the “**Initial Mortgage Asset Portfolio**”) together with any further Mortgage Assets assigned to the Fund by the Seller in substitution for any Mortgage Asset repurchased by the Seller as a result of a breach of any warranties made by the Seller in respect of such Mortgage Asset as at the Closing Date or as a result of a breach of the terms and conditions relating to conversion of Mortgage Assets (see — *Conversion of Mortgage Assets*) will comprise the portfolio of Mortgage Assets (the “**Mortgage Asset Portfolio**”).

The Initial Mortgage Asset Portfolio to be assigned to the Fund on the Closing Date will be selected from, and will substantially comprise, a pool of Mortgage Assets owned by the Seller which has the characteristics shown below:

Aggregate Principal Outstanding Balance <sup>(1)</sup> .....	€659,607,576
Total number of Mortgage Loans .....	9,687
Average Principal Outstanding Balance .....	€68,092
Largest Mortgage Loan .....	€248,632
Weighted Average Current LTV <sup>(2)</sup> .....	60.3%
Latest maturing Mortgage Loan.....	18 September 2032

Notes:

(1) The balances referred to are to all amounts outstanding under each Mortgage Loan as at 13 November 2002.

(2) Current LTV means in respect of all Mortgage Loans relating to a Borrower and secured on the same property, the ratio of the aggregate amount of the Principal Outstanding Balance as of 13 November 2002 in respect of such Mortgage Loans to the current valuation of the relevant property, such valuation being the latest Montepio Geral internal valuation, as derived from the Confidential Imobiliário national property index (in more than 90% of cases).

For more detailed information see “*The Mortgage Asset Portfolio*”.

### Sale of Mortgage Assets

On the Closing Date and in accordance with the terms of the Mortgage Backed Credits Assignment Agreement, the Seller will assign the Initial Mortgage Asset Portfolio to the Fund without recourse in accordance with the Securitisation Law (as described in “*Selected Aspects of Laws of the Portuguese Republic Relevant to the Mortgage Asset Portfolio and the transfer of the Mortgage Asset Portfolio*”). (See “*The Mortgage Asset Portfolio*” and “*Overview of the Transaction Documents – Mortgage Backed Credits Assignment Agreement*”).

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

In consideration for the assignment of the Initial Mortgage Asset Portfolio, the Fund will pay a sum to the Seller equal to the Principal Outstanding Balance of the Mortgage Loans in the Initial Mortgage Asset Portfolio to be assigned to the Fund plus interest accrued but not yet paid calculated as at the Portfolio Determination Date (the “**Purchase Price**”), on the assumption that all principal repayments due and payable by Borrowers prior to the Portfolio Determination Date had actually been made.

“**Principal Outstanding Balance**” means in relation to any Mortgage Asset and on any date, the aggregate of (a) the original principal amount advanced to the Borrower; plus (b) any other disbursement, legal expense, fee, charge or premium capitalised by the Seller; plus (c) any further advance of principal to the Borrower; less (d) any repayments of such amounts, but, upon Completion of Enforcement Procedures in relation to a Mortgage Asset, such amount of such Mortgage Asset will be deemed to be zero.

“**Portfolio Determination Date**” means 29 November 2002.

## **Servicing of the Mortgage Asset Portfolio**

Pursuant to the terms of the Servicing Agreement, the Servicer has agreed to administer and service the Mortgage Asset Portfolio on behalf of the Fund and, in particular, to:

- (a) collect amounts due in respect thereof;
- (b) set interest rates applicable to the Mortgage Loans;
- (c) administer relationships with a borrower of a Mortgage Loan (a “**Borrower**”); and
- (d) undertake enforcement proceedings in respect of any Borrowers which may default on their obligations under the relevant Mortgage Loan.

The Servicer has undertaken to prepare and submit to the Fund within four Business Days after each Calculation Date a quarterly report containing information as to the Mortgage Asset Portfolio and any monies paid in respect of the Mortgage Loans (the “**Collections**”) in respect of the preceding Calculation Period.

## **The Units**

On the Closing Date, the Issuer will acquire the Units from ABN AMRO Bank N.V. (who will subscribe for the Units from the Fund) at a purchase price equal to the sum of the Initial Principal Amount of the Notes and an amount equal to interest accrued but not yet paid on the Initial Mortgage Asset Portfolio. The Units will be in book-entry form and the interest of the Issuer as Unitholder will, on the Closing Date, be registered on the register of Unitholders maintained by the Custodian.

### *Distributions in respect of the Units*

The Custodian, on behalf of the Fund, will make distributions in respect of the Units (“**Unit Distributions**”) one Business Day before each Interest Payment Date. See “*Credit and Liquidity Structure – Unit Distributions*”.

## **Swap Agreement**

In order to reduce the risk to the Issuer of a mismatch arising between the amounts of Unit Distributions received by the Issuer under the Units and the Issuer’s obligation to pay interest on the Notes, the Issuer will, on or before the Closing Date, enter into a 1992 (Multicurrency – Cross Border) ISDA Master Agreement (together with the respective schedule and confirmation thereto, the “**Swap Agreement**”) and the swap transaction (the “**Swap Transaction**”). See “*Credit and Liquidity Structure – Swap Agreement*”.

## **Credit Enhancement**

### *Liquidity Facility Agreement*

The Issuer will be entitled from time to time on any Interest Payment Date to make drawings up to the Available Liquidity Facility under the liquidity facility agreement to be entered into between, *inter alios*, the Issuer and the Liquidity Facility Provider (the “**Liquidity Facility Agreement**”) on the Closing Date to reduce or eliminate any Liquidity Shortfall on an Interest Payment Date, subject to the conditions set out in the Liquidity Facility Agreement and the Transaction Management Agreement. See “*Credit and Liquidity Structure – Liquidity Facility Agreement*”.

### *Reserve Fund*

The Issuer will establish a fund (the “**Reserve Fund**”) of €3,250,000 on the Closing Date representing an amount equal to 0.50 per cent. of the Initial Principal Amount of the Notes, from the proceeds of issuance of the Class D Notes. Drawings may be made on the Reserve Fund on any Interest Payment Date to reduce or eliminate any Revenue Shortfall. The Reserve Fund may be replenished up to the Reserve Fund Required Amount on each Interest Payment Date prior to delivery of an Enforcement Notice, in accordance with the Pre-Enforcement Interest Payment Date Revenue Payments Priorities if there are funds available to the Issuer to do so. The Reserve Fund Required Amount will be €5,850,000 prior to the Portfolio Trigger Event. The Reserve Fund Required Amount may from time to time be reduced to such a level as the Rating Agencies confirm will not result in the

withdrawal or reduction of the then current ratings of the Notes (See “*Credit and Liquidity Structure – Reserve Fund*”). On the Final Maturity Date, or on optional redemption in whole of the Notes, amounts remaining in the Reserve Fund will be added to the Principal Ledger and applied in accordance with the Pre-Enforcement Interest Payment Date Principal Payments Priorities.

*Issuer’s Revenue available on an Interest Payment Date*

On each Interest Payment Date, the Issuer will be entitled to utilise the “**Revenue Receipts**” which means, in respect of a related Calculation Period, the aggregate of: (a) the amount of any Unit Revenue Distributions received by the Issuer one Business Day before that Interest Payment Date in respect of Revenue Collections received during such Calculation Period; (b) the amount of any Principal Addition Amount to be transferred from the Principal Ledger on that Interest Payment Date; (c) all receipts under the Swap Agreement to be received by the Issuer on that Interest Payment Date; (d) all LF Revolving Drawings and any Liquidity Revolving Drawing during any Liquidity Loan Period to be made on that Interest Payment Date; (e) the amount of any Reserve Drawings to be made from the Reserve Fund on that Interest Payment Date; (f) where, during such Calculation Period, the proceeds of disposal or on maturity of any Authorised Investment made by the Transaction Manager in accordance with the terms of the Transaction Management Agreement exceed the original cost of such Authorised Investment, the amount of such excess; and (g) any interest, dividends or other income earned on any Authorised Investment made by the Transaction Manager in accordance with the terms of the Transaction Management Agreement during such Calculation Period.

*Pre-Enforcement Interest Payment Date Revenue Payments Priorities*

Prior to delivery of an Enforcement Notice by the Trustee, Revenue Receipts may be debited from the Revenue Ledger of the Issuer Operating Account and applied (save as the payee may otherwise agree) on each Interest Payment Date in making the following payments or provisions in the following order of priority (the “*Pre-Enforcement Interest Payment Date Revenue Payments Priorities*”):

- (i) to pay to the Trustee its fees and any Liabilities due and payable by the Issuer to the Trustee in accordance with the terms of the Trust Deed together with any interest which has accrued due and payable in respect of such amounts in accordance with the terms of the Trust Deed;
- (ii) to pay to the Agent Bank and the Paying Agents their fees and any Liabilities due and payable by the Issuer to the Agent Bank and the Paying Agents in accordance with the terms of the Paying Agency Agreement, in each case together with any interest which has accrued due and payable in respect of such amounts in accordance with the terms of the Trust Deed or any other Issuer Transaction Documents;
- (iii) to pay to the Transaction Manager its fees and any Liabilities incurred by the Transaction Manager in the performance of the Transaction Manager’s functions under the Transaction Management Agreement in the immediately preceding Calculation Period in each case together with any interest which has accrued due and payable in respect of such amounts in accordance with the terms of the Trust Deed or any other Issuer Transaction Documents;
- (iv) to pay to the Issuer Accounts Bank its fees in accordance with the terms of the Issuer Accounts Bank Agreement;
- (v) to pay to the Corporate Services Provider its fees and any Liabilities properly and reasonably incurred by the Corporate Services Provider in the performance of the Corporate Services Provider’s functions under the Corporate Services Agreement, in each case together with any interest which has accrued due and payable in respect of such amounts in accordance with the terms of the Trust Deed or any other Issuer Transaction Documents;
- (vi) to pay fees (other than commitment fees) payable to a successor transaction manager (after it has taken over as Transaction Manager) agreed by the Issuer with the successor transaction manager in relation to the successor transaction manager’s obligations under the replacement Transaction Management Agreement accrued due, in each case together with any interest which has accrued due and payable in respect of such amounts in accordance with the terms of the Trust Deed or any other Issuer Transaction Documents;



- (vii) to pay, *pari passu* (in no order of priority), any amounts due and payable by the Issuer to third parties (not being Secured Creditors) including any Liabilities payable in connection with:
  - (a) the purchase by the Issuer of the Units;
  - (b) the purchase or disposal of any Authorised Investment by the Transaction Manager in accordance with the terms of the Transaction Management Agreement;
  - (c) any filing or registration of any Issuer Transaction Documents;
  - (d) any requirement of law or any direction or requirement of any governmental or regulatory authority with whose directions the Issuer is accustomed to comply;
  - (e) any legal and audit fees and other professional advisory fees including any Rating Agency fees;
  - (f) any provision for and payment of the Issuer's liability to any tax authority for any Tax;
  - (g) any directors' fees or emoluments;
  - (h) any advertising, publication and communication expenses including postage, telephone and telex charges;
  - (i) the admission of the Notes to the Irish Stock Exchange; and
  - (j) any other amounts then due and payable to third parties and incurred without breach by the Issuer of the terms of the Issuer Transaction Documents;
- (viii) to pay to the Liquidity Facility Provider all amounts of interest which have fallen due under the Liquidity Facility Agreement on such Interest Payment Date together with any commitment fees or other amounts (other than amounts referred to in item (ix) below) which have fallen due pursuant to the Liquidity Facility Agreement;
- (ix) to pay either:
  - (a) all amounts in respect of any LF Revolving Drawing which are due, or which are otherwise to be repaid, to the Liquidity Facility Provider under the Liquidity Facility Agreement on such Interest Payment Date; or
  - (b) all amounts in respect of any Liquidity Revolving Drawing to be repaid to the Liquidity Ledger on such Interest Payment Date;
- (x) to pay, *pari passu* but in no order of priority, to the Swap Counterparty:
  - (a) all amounts which have fallen due for payment by the Issuer under the Swap Agreement on such Interest Payment Date and which remain outstanding; and
  - (b) all amounts in respect of any termination sum due for payment by the Issuer under the Swap Agreement (as a result of the occurrence of the termination of the Swap Agreement provided that the Swap Counterparty is not the Defaulting Party or the sole Affected Party (each as defined in the Swap Agreement)) on such Interest Payment Date;
- (xi) to pay the interest and arrears of interest due in respect of the Class A Notes on such Interest Payment Date;
- (xii) to transfer an amount equal to the aggregate of the Class A Revenue Addition Amount (if any) determined as at the related Calculation Date, to the Class A Principal Deficiency Ledger until the debit balance thereon is reduced to zero;
- (xiii) to pay the interest and arrears of interest due in respect of the Class B Notes on such Interest Payment Date;
- (xiv) to transfer an amount equal to the aggregate of the Class B Revenue Addition Amount (if any) determined as at the related Calculation Date, to the Class B Principal Deficiency Ledger until the debit balance thereon is reduced to zero;
- (xv) to pay the interest and arrears of interest due in respect of the Class C Notes on such Interest Payment Date;



- (xvi) to transfer an amount equal to the aggregate of the Class C Revenue Addition Amount (if any) determined as at the related Calculation Date, to the Class C Principal Deficiency Ledger until the debit balance thereon is reduced to zero;
- (xvii) to transfer to the Reserve Ledger from the Revenue Ledger in replenishment of the Reserve Fund, an amount up to the Reserve Fund Required Amount;
- (xviii) to pay to the Swap Counterparty, all amounts in respect of any termination sum due for payment by the Issuer under the Swap Agreement to the Swap Counterparty to the extent not satisfied pursuant to item (x) above on such Interest Payment Date and which remains outstanding;
- (xix) to pay all amounts of interest or any amounts of commitment fees or other amounts (other than principal) which are due for payment under the Subordinated Loan Facility Agreement and all arrears of interest accrued under the Subordinated Loan Facility Agreement and which remain outstanding to the Subordinated Loan Facility Provider;
- (xx) to pay all amounts of outstanding principal in respect of the loan outstanding under the Subordinated Loan Facility Agreement to the Subordinated Loan Facility Provider;
- (xxi) to pay the Residual Entitlement Amount in respect of the Class D Notes due on such Interest Payment Date; and
- (xxii) if the directors of the Issuer so resolve, to pay dividends to shareholders in the Issuer.

#### *Pre-Enforcement Interest Payment Date Principal Payments Priorities*

Amounts due and payable by the Issuer will, until delivery of an Enforcement Notice by the Trustee, be debited from the Principal Ledger of the Issuer Operating Account and applied (save as the payee may otherwise agree) on each Interest Payment Date in making the following payments or provisions in the following order of priority (the “*Pre-Enforcement Interest Payment Date Principal Payments Priorities*”):

- (i) to transfer an amount equal to the Principal Addition Amount (if any) determined as at the related Calculation Date, to the Revenue Ledger; and
- (ii) to pay Note Principal Payments pursuant to the Conditions.

#### **Security Arrangements**

##### *Security for the Notes*

The Notes will be obligations of the Issuer only. Pursuant to a security deed to be entered into between, *inter alios*, the Issuer and the Trustee (the “**Security Deed**”) on the Closing Date, the Notes will be secured by the Security granted in favour of the Trustee.

##### *Security Deed*

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, with full title guarantee, create in favour of the Trustee, for itself and on trust for the Secured Creditors, in accordance with the terms of the Security Deed:

- (i) an assignment by way of security of the benefit of each Unit and all Unit Distributions;
- (ii) a first fixed charge over the benefit of each Authorised Investment made by the Transaction Manager in accordance with the terms of the Transaction Management Agreement (which may take effect as a floating charge);
- (iii) a first fixed charge over the benefit of the Issuer Accounts and any other bank or other accounts in which the Issuer may at any time have or acquire any benefit (which may take effect as a floating charge);
- (iv) an assignment by way of security of the benefit of each Issuer Transaction Document (other than the Trust Deed and the Security Deed (the “**Trust Documents**”) and the Master Framework Agreement); and

- (v) a first floating charge over the whole of the Issuer's undertaking and all the Issuer's property, assets and rights whatsoever and wheresoever present and future including, without limitation, the Issuer's uncalled capital except to the extent otherwise charged or secured under the Security Deed.

“**Secured Creditors**” means the Trustee, the Noteholders, any Receiver, the Transaction Manager, the Liquidity Facility Provider, the Subordinated Loan Facility Provider, the Swap Counterparty, the Corporate Services Provider, the Paying Agents, the Agent Bank and the Issuer Accounts Bank.

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

#### *Enforcement of Security*

After an Enforcement Notice has been delivered by the Trustee, all monies held in the Issuer Accounts and all monies received or recovered by the Trustee will be held by the Trustee upon trust for the Secured Creditors to be applied in accordance with the Post-Enforcement Payments Priorities.

#### *Post-Enforcement Payments Priorities*

Following the delivery of an Enforcement Notice, all amounts received or recovered by the Issuer and/or the Trustee in respect of the Units and/or the Security will be applied as set out in the Pre-Enforcement Interest Payment Date Revenue Payments Priorities above except that such amounts can be applied on any Business Day at the discretion of the Trustee and:

- (i) any Note Principal Payment due and payable but unpaid in respect of the Class A Notes will be paid after the payments described in items (i) through (xi) (excluding item (vii)) but prior to the payments described in items (xii) through (xxii) and item (vii) of the Pre-Enforcement Interest Payment Date Revenue Payments Priorities;
- (ii) any Note Principal Payment due and payable but unpaid in respect of the Class B Notes will be paid after any Note Principal Payment due and payable in respect of the Class A Notes and the payments described in items (i) through (xiii) (excluding item (vii)) but prior to the payments described in items (xiv) through (xxii) and item (vii) of the Pre-Enforcement Interest Payment Date Revenue Payments Priorities;
- (iii) any Note Principal Payment due and payable but unpaid in respect of the Class C Notes will be paid after any Note Principal Payment due and payable in respect of the Class A Notes and the Class B Notes and the payments described in items (i) through (xv) (excluding item (vii)) but prior to the payments described in items (xvi) through (xxii) and item (vii) of the Pre-Enforcement Interest Payment Date Revenue Payments Priorities;
- (iv) any payments due and payable in respect of item (vii) of the Pre-Enforcement Interest Payment Date Revenue Payments Priorities will be paid after the payments described in items (i) through (xx) of the Pre-Enforcement Interest Payment Date Revenue Payments Priorities;
- (v) any Note Principal Payment due and payable but unpaid in respect of the Class D Notes will be paid after Note Principal Payment due and payable in respect of the Class A Notes, the Class B Notes and the Class C Notes and the payments described in items (i) through (xxi) and item (vii) of the Pre-Enforcement Interest Payment Date Revenue Payments Priorities; and
- (vi) no payments will be transferred to the Reserve Ledger in replenishment of the Reserve Fund, as described in item (xvii) of the Pre-Enforcement Interest Payment Date Revenue Payments Priorities.

## SPECIAL CONSIDERATIONS

The following is a summary of certain aspects of the Notes, the Units, the Issuer, the Fund, the Mortgage Asset Portfolio and the Seller 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.

### Liability under the Notes

The Notes will be solely the obligations of the Issuer and will not be obligations or responsibilities of, or guaranteed by, any other entity. In particular, the Notes will not be obligations or responsibilities of, and will not be guaranteed by the Seller, the Fund, the Fund Manager, the Custodian, the Fund Account Bank, the Servicer, the Trustee, the Transaction Manager, the Lead Manager, the Swap Counterparty, the Corporate Services Provider, the Liquidity Facility Provider, the Issuer Accounts Bank, the Subordinated Loan Facility Provider or the Paying Agents. Furthermore, 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 the Notes.

### Limited Resources of the Issuer

The Issuer's ability to meet its obligations in respect of the Notes, its operating expenses and its administrative expenses is wholly dependent upon:

- (i) collections and recoveries made from the Mortgage Asset Portfolio by the Servicer and consequently, the Unit Distributions;
- (ii) the Proceeds Accounts, the Fund Account and the Issuer Accounts arrangements;
- (iii) the performance by all of the Transaction Parties (other than the Issuer) of their respective obligations under the Transaction Documents;
- (iv) the hedging arrangements entered into under the Swap Agreement;
- (v) the entitlement to make drawings from the Reserve Fund; and
- (vi) the entitlement to make drawings under the Liquidity Facility Agreement.

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 Maturity Date, upon acceleration following the delivery of an Enforcement Notice or upon early mandatory 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 and therefore the Noteholders will have a claim under the Notes against the Issuer only to the extent of the Unit Distributions which are derived from 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 Maturity Date or upon acceleration following delivery of an Enforcement Notice or upon early mandatory 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 assigns.

## **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 Asset Portfolio and payment of Unit Distributions. There can be no assurance that the levels or timeliness of (i) payments of Collections and recoveries received from the Mortgage Asset Portfolio or (ii) payment by the Fund will be adequate to ensure timely payment of Unit Distributions and consequent fulfilment of the Issuer's obligations in respect of the Notes on each Interest Payment Date or on the Final Maturity Date.

## **Interest Rate Risk**

The Issuer expects to meet its obligations under the Notes primarily from payments received from Collections and recoveries from the Mortgage Asset Portfolio and consequent Unit Distributions. Payments received from collections and recoveries from the Mortgage Asset Portfolio may not correlate or be referenced to EURIBOR payable by the Issuer in relation to the Notes.

To mitigate these interest rate risks, the Issuer will enter into the Swap Agreement in order to enable the Issuer to exchange the Unit Distributions for a cash flow based on EURIBOR.

## **Borrowers**

The Mortgage Loans in the Mortgage Asset Portfolio were underwritten in accordance with the Lending Criteria (as defined in "*The Mortgage Asset Portfolio – Lending Criteria*") on terms generally consistent with those used by residential mortgage lenders lending to borrowers in Portugal. General economic conditions and other factors (which 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 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 Lending Criteria take into account, inter alia, a potential Borrower's credit history, employment history and status, repayment ability and debt service to income ratio and are utilised with a view, in part, to mitigate the risks in lending to Borrowers.

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

None of the Fund, the Custodian, the Issuer or the Trustee has undertaken or will undertake any investigations, searches or other actions in respect of the Mortgage Assets (as defined in "*The Mortgage Asset Portfolio – Lending Criteria*") and each will rely instead on the representations and warranties made by the Seller in relation thereto set out in the Mortgage Backed Credits Assignment Agreement.

## **Reliance on the Seller's Repurchase or Substitution of Mortgage Assets**

If (i) any of the Mortgage Assets fails to comply with any of the representations and warranties made by the Seller in the Mortgage Backed Credits Assignment Agreement in relation to the Mortgage Assets (each a "**Mortgage Asset Warranty**"), which could have a material adverse effect on the relevant Mortgage Asset, its related Mortgage Asset Agreement or the amounts due under such Mortgage Asset from the Borrowers (the "**Receivables**") and if such breach is not capable of remedy within 21 days after receipt of notice of such breach from the Fund or (ii) the Servicer breaches any of the conditions and restrictions relating to the conversion of Mortgage Assets as set out in the Servicing Agreement, the Seller undertakes to repurchase such Mortgage Asset from the Fund for an amount equal to the Repurchase Price (as defined below) or will substitute or procure the substitution of a similar loan and security in replacement for any Mortgage Asset in respect of which any Mortgage Asset Warranty is breached or in respect of which such conditions and restrictions relating to conversion are breached, provided that this shall not limit any other remedies available to the Fund if the Seller fails to repurchase or procure the repurchase of a Mortgage Asset when obliged to do so. The Seller is also liable for any losses or damages suffered by the Fund 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 Fund's rights arising out of the Seller's obligation to repurchase any Mortgage Asset or procure the substitution of a similar loan and security are however unsecured and, consequently, a risk of loss exists if a Mortgage Asset Warranty is

breached or the Servicer breaches such conditions and restrictions relating to conversion of Mortgage Assets and the Seller is unable to repurchase the relevant Mortgage Asset.

### **Limited Liquidity of the Mortgage Loans on liquidation of Fund**

In the event of the liquidation of the Fund pursuant to the Securitisation Law (see “*Description of the Fund and the Fund Manager – Liquidation of the Fund*”), the assets of the Fund, including the Mortgage Assets may be realised by the Fund at a value agreed between the Fund Manager and the relevant purchaser of such assets. Such value will be reviewed by an auditor registered with the CMVM. The amount realised by the Fund in respect of the transfer of its assets to a purchaser in such circumstances may not be sufficient to make Unit Distributions on the Units in an amount necessary to redeem all of the Notes in full at their then Principal Amount Outstanding. In addition, the Fund may not be able to sell its assets to a third party as there is not, at present, an active and liquid secondary market for residential mortgage loans of this type in Portugal.

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

Although application has been made to have the Notes admitted to the Irish Stock Exchange, there can be no assurance that such admission will be obtained, as to the liquidity of any markets which may develop for the Notes, as to the ability of the Noteholders to sell their Notes or as to the price at which the Noteholders will be able to sell their Notes. Consequently, any Noteholder must be prepared to hold the Notes until the Final Maturity Date. The market price of the Notes could be subject to fluctuations in response to, among other things, variations in the value of the Mortgage Assets (and, consequently, of the Units), the market for similar securities, prevailing interest rates, changes in regulation and general market and economic conditions.

### **Assignment of Mortgage Asset Portfolio Not Affected by Seller Bankruptcy**

In the event of the Seller becoming insolvent, the Mortgage Backed Credits Assignment Agreement, and the sale of the Mortgage Asset Portfolio conducted pursuant to it, will not be affected and therefore will neither be terminated nor will such Mortgage Asset Portfolio form part of the Seller’s bankrupt estate, save if a liquidator appointed to the Seller or any of the Seller’s creditors produce evidence that the Seller and the Fund have entered into and executed such agreement in bad faith.

### **Collections Not Affected by Servicer Bankruptcy**

In the event of the Servicer becoming bankrupt, all the amounts which the Servicer may then hold in respect of the Mortgage Assets assigned by the Seller to the Fund, will not form part of the Servicer’s bankrupt estate and the provisions of the Servicing Agreement relating to the replacement of the Servicer referred to in “*Servicer Substitution*” below will then apply.

### **Servicer Substitution**

In the event of the termination of the appointment of the Servicer by reason of the occurrence of a Servicer Event (as defined in the Servicing Agreement) it would be necessary for the Fund to appoint a successor servicer. There is no guarantee that a successor servicer could be found who would be willing to administer the Mortgage Assets on the terms of the Servicing Agreement (even though it provides for the fees payable to a successor servicer to be consistent with those payable generally at that time for the provision of the servicing of residential mortgage loans in Portugal). The appointment of a successor servicer is subject to some conditions including the approval of such appointment by the Bank of Portugal.

The ability of a successor servicer fully to perform such services would depend on the information and records then available to it and it is possible that there could be a delay in the servicing of the Mortgage Asset Portfolio during the course of the transition between servicers. The fees and expenses of a successor servicer for performing services in this way would be payable in accordance with the Pre-Enforcement Interest Payment Date Revenue Payments Priorities.

### **Custodian Substitution**

In the event of the termination of the appointment of the Custodian by reason of the occurrence of a Custodian Event (as defined in the Custodian Agreement) it would be necessary for the Fund to appoint a successor custodian. The appointment of the successor custodian is subject to a number of conditions including the approval by CMVM of the appointment.

### **Transaction Manager Substitution**

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 successor transaction manager. The appointment of the successor transaction manager is subject to the condition that, *inter alia*, such successor transaction manager is capable of administering assets reasonably similar to the Issuer's Assets.

### **Claims of Creditors of the Fund other than the Issuer**

In accordance with the terms of the Fund Regulation, the only liabilities the Fund may incur are those arising out of the Units and remuneration for services rendered to the Fund. This means that the extent to which the Fund will have creditors other than the Unitholders is extremely limited but that other creditors will exist. The entitlement of such other creditors of the Fund to its assets will, generally, rank *pari passu* with those of the Unitholders since, in general terms, no security can be created over the assets of the Fund.

### **Claims of Creditors of the Issuer other than Secured Creditors**

Pursuant to the Security Deed, the Issuer will create the Security over all of its assets. The Issuer does not and will not have any significant assets other than its rights under and in respect of the Units, its rights in respect of the Issuer Accounts and its rights under the Issuer Transaction Documents (the "Issuer's Assets"). The Issuer has no direct proprietary interest in the Mortgage Asset Portfolio or monies deriving therefrom except as that which arises in accordance with the terms of the Units. Both before and after an Insolvency Event in relation to the Issuer, amounts deriving from the Issuer's Assets will be available for the purposes of satisfying the Issuer's obligations to the Secured Creditors in priority to the Issuer's obligations to any other creditor.

However, pursuant to the Trust Deed, the Transaction Management Agreement, the Conditions and the Security Deed the claims of certain other creditors will rank senior to the claims of the Noteholders by virtue of the relevant priority of payments agreed to therein. To this extent the Noteholders and certain other affected creditors have accepted that their rights in respect of payment by the Issuer of amounts owed to them under the Issuer Transaction Documents will be arranged in accordance with such priority of payments. Pursuant to the Trust Deed and the Security Deed, the Trustee alone will be empowered to enforce the Security and to direct the Issuer to deal with the Issuer's Assets.

Under Irish law, any other creditor of the Issuer would (save where an examiner has been appointed to the Issuer – see "*Preferred Creditors under Irish Law and Floating Charges – Examination*" below) be able to commence insolvency or winding up proceedings against the Issuer in respect of any unpaid debt. However, the Issuer will undertake not to incur any debt or liability or enter into any other transaction other than as provided in, or contemplated by, the Issuer Transaction Documents.

### **Issuer's and Trustee's rights against the Fund**

The Issuer's rights in respect of the Units and against the Fund will not have the benefit of any security created by the Fund over its assets and accordingly the Issuer, the Trustee and the Noteholders will be unsecured creditors of the Fund.

As the Issuer and the Trustee are unsecured creditors of the Fund under the Units, the Issuer and the Trustee will have only a limited ability to realise the assets of the Fund in order to obtain amounts to repay the obligations of the Issuer under the Notes and the other Secured Amounts.

In the event of the delivery of an Enforcement Notice by the Trustee under the Conditions and an acceleration of the amounts due under the Notes and an enforcement of the Security, the Trustee may, in order to obtain amounts



to repay the obligations of the Issuer to the Noteholders and the other Secured Creditors take two forms of action. First, the Trustee may seek to dispose of the Units or, secondly the Trustee may seek to have the Fund liquidated and dispose of the Mortgage Assets. However, there is not, at present, an active and liquid secondary market for units in securitisation funds backed by residential mortgage loans of this type in Portugal. The Trustee may not, therefore, be able to realise the Units on appropriate terms should it be required to do so.

Should the Trustee seek to have the Fund dispose of the Mortgage Assets, it will give notice thereof to the Fund Manager and/or to the CMVM pursuant to the terms of the Co-ordination Agreement and, in accordance with the terms of the Fund Regulation, the Fund Manager will be required to liquidate the assets of the Fund. Prior to such liquidation occurring the Fund will still be required to make payment of the Unit Distributions to the Issuer in accordance with the terms of the Fund Regulation. However, as there is not an active and liquid secondary market for residential mortgage loans of this type in Portugal, the Fund may not be able to liquidate the Mortgage Assets on appropriate terms should it be required to do so. The value at which the Fund seeks to dispose of the Mortgage Assets will be reviewed by an auditor registered with the CMVM.

Although the obligations of the Fund under the Units are not secured because the Fund is not permitted to create any Encumbrances over any of its assets under the Securitisation Law and the Fund Regulation, the Fund is structured as a special purpose entity solely for the purposes of this transaction and can acquire no assets other than those it is permitted to acquire in accordance with the terms of the Mortgage Backed Credits Assignment Agreement and issue no Units other than those purchased on the Closing Date by the Issuer in accordance with the terms of the Securitisation Law and the Fund Regulation.

In addition, the obligations of the Fund under the Units are limited in recourse to the Collections received by the Fund from the Mortgage Asset Portfolio and all persons contracting with the Fund such as the Servicer, the Fund Manager and the Custodian have agreed in the relevant contracts with the Fund not to take any action against the Fund in any circumstances even if the Fund has insufficient monies to make payments to such persons in full in respect of the obligations of the Fund to such persons.

#### **Trustee's rights under the Co-ordination Agreement**

The Trustee will enter into the Co-ordination Agreement in order to enable it to protect the position of the Issuer as Unitholder of the Units and to give certain directions and make certain requests in respect of the Fund's obligations under the Units, the Fund's rights against the Seller under the Mortgage Backed Credits Assignment Agreement, the Fund's rights against the Servicer under the Servicing Agreement, the Fund's rights against the Custodian under the Custodian Agreement and the Fund's rights against the Fund Manager under the Fund Regulation. The Co-ordination Agreement is, however, subject to the provisions of the Fund Regulation and the Servicer, the Custodian and the Fund Manager may be restricted by Portuguese law and by their fiduciary duties to the Fund from complying with the Trustee's instructions.

As the obligations of the Fund under the Units are not secured in favour of any Unitholder over the assets of the Fund, neither the Issuer as Unitholder nor the Trustee as beneficiary of the Security will have any direct ability to realise the assets of the Fund in order to obtain amounts to repay the obligations of the Issuer to the Noteholders and the other Secured Creditors. The Issuer and the Trustee will therefore be solely dependent on the Fund making payment of the Unit Distributions in accordance with the terms of the Fund Regulation. As discussed above, in the event of the delivery of an Enforcement Notice by the Trustee under the Conditions, (and notification to the CMVM of such delivery), the Fund Manager will be required to liquidate the assets of the Fund.

The Fund is restricted under the Securitisation Law and the Fund Regulation from disposing of its assets (including the Mortgage Asset Portfolio) and the circumstances in which the Fund can be liquidated are also restricted (See – *"Description of the Fund and the Fund Manager -Description of the Fund – Liquidation of the Fund"*).

#### **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 *"Post-Enforcement Payments Priorities"* in *"Overview of the Transaction – Security Arrangements"*. In the event that the Security for the Notes is enforced, no amounts 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 and Borrower Set-Off Risks**

The assignment of the Mortgage Assets to the Fund under the Securitisation Law is not dependent upon the awareness or acceptance of the relevant Borrowers or notice to them by the Seller, the Fund 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 Seller and the Fund.

Set-off issues in relation to the Mortgage Assets are essentially those associated with the Borrower's possibility of exercising against the Fund any set-off rights the Borrower held against the Seller prior to the assignment of the relevant Mortgage Loans into the Fund. 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 Asset Portfolio and the transfer of the Mortgage Asset Portfolio*"). However, the terms of the Mortgage Backed Credits Assignment Agreement will provide for the Fund to receive from the Seller an amount equal to any reduction of Collections as a result of a Borrower exercising any set-off rights.

### **Preferred Creditors under Irish Law and Floating Charges**

Under Irish law, upon an insolvency of an Irish company such as the Issuer, when applying the proceeds of assets subject to fixed security which may have been realised in the course of a liquidation or receivership, the claims of a limited category of preferential creditors will take priority over the claims of creditors holding the relevant fixed security. These preferred claims include the remuneration, costs and expenses properly incurred by any examiner of the company (which may include any borrowings made by an examiner to fund the company's requirements for the duration of his appointment) which have been approved by the Irish courts. See "*Examination*" below.

The holder of a fixed security over the book debts of an Irish tax resident company (which would include the Issuer) may be required by the Irish Revenue Commissioners, by notice in writing from the Irish Revenue Commissioners, to pay to them sums equivalent to those which the holder received in payment of debts due to it by the company.

Where the holder of the security has given notice to the Irish Revenue Commissioners of the creation of the security within 21 days of its creation, the holder's liability is limited to the amount of certain outstanding Irish tax liabilities of the company (including liabilities in respect of value added tax) arising after the issuance of the Irish Revenue Commissioners' notice to the holder of fixed security.

The Irish Revenue Commissioners may also attach any debt due to an Irish tax resident company by another person in order to discharge any liabilities of the company in respect of outstanding tax whether the liabilities are due on its own account or as an agent or trustee. The scope of this right of the Irish Revenue Commissioners has not yet been considered by the Irish courts and it may override the rights of holders of security (whether fixed or floating) over the debt in question.

In relation to the disposal of assets of any Irish tax resident company which are subject to security, a person entitled to the benefit of the security may be liable for tax in relation to any capital gains made by the company on a disposal of those assets on exercise of the security.

### *Examination*

Examination is a court procedure available under the Irish Companies (Amendment) Act, 1990, as amended (the "**1990 Act**") to facilitate the survival of Irish companies in financial difficulties.

The Issuer, the directors of the Issuer, a contingent, prospective or actual creditor of the Issuer, or shareholders of the Issuer holding, at the date of presentation of the petition, not less than one-tenth of the voting share capital of



the Issuer are each entitled to petition the court for the appointment of an examiner. The examiner, once appointed, has the power to set aside contracts and arrangements entered into by the company after his appointment and, in certain circumstances, can avoid a negative pledge given by the company prior to his appointment. Furthermore, he may sell assets the subject of a fixed charge. However, if such power is exercised he must account to the holders of the fixed charge for the amount realised and discharge the amount due to them out of the proceeds of sale.

During the period of protection, the examiner will compile proposals for a compromise or scheme of arrangement to assist the survival of the company or the whole or any part of its undertaking as a going concern. A scheme of arrangement may be approved by the Irish High Court when at least one class of creditors has voted in favour of the proposals and the Irish High Court is satisfied that such proposals are fair and equitable in relation to any class of members or creditors who have not accepted the proposals and whose interests would be impaired by implementation of the scheme of arrangement.

In considering proposals by the examiner, it is likely that secured and unsecured creditors would form separate classes of creditors. In the case of the Issuer, if the Trustee represented the majority in number and value of claims within the secured creditor class (which would be likely given the restrictions agreed to by the Issuer in the Transaction Documents), the Trustee would be in a position to reject any proposal not in favour of the Noteholders. The Trustee would also be entitled to argue at the Irish High Court hearing at which the proposed scheme of arrangement is considered that the proposals are unfair and inequitable in relation to the Noteholders, especially if such proposals included a writing down to the value of amounts due by the Issuer to the Noteholders. The primary risks to the holders of Notes if an examiner were to be appointed to the Issuer are as follows:

- (a) the potential for a scheme of arrangement being approved involving the writing down of the debt due by the Issuer to the Noteholders as secured by the Security Deed;
- (b) the potential for the examiner to seek to set aside any negative pledge in the Notes prohibiting the creation of security or the incurring of borrowings by the Issuer to enable the examiner to borrow to fund the Issuer during the protection period; and
- (c) in the event that a scheme of arrangement is not approved and the Issuer subsequently goes into liquidation, the examiner's remuneration and expenses (including certain borrowings incurred by the examiner on behalf of the Issuer and approved by the Irish High Court) will take priority over the Secured Amounts.

### **Proposed European Withholding Tax Directive on the Taxation of Savings Income**

The Council of the European Union has published a revised draft directive regarding the taxation of savings income. It is proposed that, subject to a number of important conditions being met, member states of the European Union (“**Member States**”) will be required 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 for the benefit of an individual resident in that other Member State, except Belgium, Luxembourg and Austria will instead operate a withholding system for a transitional period in relation to such payments. The proposed directive is not yet final, and may be subject to further amendment.

### **The Securitisation Law**

The Securitisation Law was enacted in Portugal on 5 November 1999 (as amended by Decree-law 82/2002 of 5 April 2002) and the Portuguese Securitisation Tax Law Decree-Law number 219/2001 (as amended by Law 109-B/2001 of 27 December 2001) (the “**Portuguese Securitisation Tax Law**”), was enacted in Portugal on 4 August 2001, and as at the date of this Offering Circular the application of the Securitisation Law and of the Portuguese Securitisation Tax Law have not been considered by any Portuguese Court and no interpretation of their 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 the Portuguese Securitisation Tax Law or the interpretation thereof, the impact of which cannot be predicted by the Issuer as at the date of this Offering Circular.

### **Change in Law**

The structure of the transaction described in this Offering Circular and, *inter alia*, the issue of the Notes and the ratings assigned to the Notes are based on law, tax rules, rates and procedures, and administrative practice in effect

at the date of this document. No assurance can be given that there will be no change to such law, tax rules, rates, procedures or administrative practice after the date of this Offering Circular which change might have an adverse impact on the Notes and the expected payments of interest and repayment of principal in respect of the Notes.

#### **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 quarterly investor 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.

*The Issuer believes that the risks described above are certain of the principal risks inherent in the transaction for Noteholders but the inability of the Issuer to pay interest 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 Offering Circular 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.*

## CREDIT AND LIQUIDITY STRUCTURE

### Collection Arrangements In Respect of the Mortgage Assets

#### *Proceeds Accounts*

All Collections received by the Seller from a Borrower pursuant to a Mortgage Asset will be credited by the Seller to an account or accounts of the Seller (the “**Proceeds Accounts**”).

The Proceeds Accounts will be operated by the Servicer in accordance with the terms of the Servicing Agreement.

The Servicer will transfer all Collections in relation to the Mortgage Asset Portfolio from the Proceeds Accounts to the Fund Account on the Business Day following each Business Day on which such Collections are credited to the Proceeds Accounts in accordance with the terms of the Servicing Agreement.

#### *Fund Account*

The Fund will establish an account in its own name (the “**Fund Account**”) with ABN AMRO Bank N.V. (London Branch). The Fund Account will be operated by the Custodian in accordance with the terms of the Custodian Agreement and the Fund Account Bank Agreement. Amounts standing to the credit of the Fund Account may (subject as provided below) be invested by the Custodian in Authorised Investments in accordance with the terms of the Custodian Agreement.

#### *Payments of Fund Expenses From Fund Account*

The Custodian on behalf of the Fund will be entitled to make payment or make a reserve for payment on any Business Day of certain fees and expenses incurred by the Fund (the “**Fund Expenses**”). Fund Expenses include the Fund Manager’s fees, the Custodian’s fees, the Servicer’s fees, the Fund Account Bank’s fees and other amounts due and payable by the Fund to third parties including any expenses payable in connection with the purchase or disposal of any Authorised Investments. The Custodian will make payment of the Fund Expenses from the Net Revenue Collections deposited into the Fund Account.

#### *Unit Distributions*

Provided the Issuer is the only Unitholder, the Fund will one Business Day prior to each Interest Payment Date pay the Unit Distributions from moneys collected by the Servicer in relation to the Mortgage Assets during the immediately preceding Calculation Period and deposited by the Servicer into the Proceeds Accounts and subsequently transferred by the Servicer into the Fund Account. The Custodian on behalf of the Fund will make such Unit Distributions from the Fund Account to the Issuer as Unitholder on the Business Day prior to each Interest Payment Date in an aggregate amount calculated by the Custodian in accordance with the provisions of the Custodian Agreement, equal to:

- (i) the aggregate of:
  - (a) the amount of the Revenue Receivables from the Mortgage Assets received less any Borrower Repayment Amount repaid to a Borrower which is of a revenue nature (the “**Net Revenue Collections**”) received into the Fund Account during the Calculation Period immediately preceding such Interest Payment Date; and
  - (b) any amount of a revenue nature received in respect of a Mortgage Asset after the Completion of Enforcement Procedures in relation to such Mortgage Asset (the “**Revenue Recoveries**”) received into the Fund Account during the Calculation Period immediately preceding such Interest Payment Date;
  - (c) any amount (“**Authorised Investment Income**”) which represents (i) the proceeds of disposal (by sale or on maturity) of any Authorised Investment made by the Custodian in accordance with the terms of the Custodian Agreement where such proceeds exceed the original cost of such Authorised Investment and (ii) any interest, dividends or other income earned on any such Authorised Investment during such Calculation Period,

minus the amount of the Fund Expenses paid or reserved during such Calculation Period by the Custodian, on behalf of the Fund; and

- (ii) the amount of the Principal Receivables from the Mortgage Assets received less any Borrower Repayment Amount repaid to a Borrower which is of a principal nature (the “**Net Principal Collections**”) received into the Fund Account during the Calculation Period immediately preceding such Interest Payment Date; and
- (iii) any amount of a principal nature received in respect of a Mortgage Asset after the Completion of Enforcement Procedures in relation to such Mortgage Asset (the “**Principal Recoveries**”) received into the Fund Account during the Calculation Period immediately preceding such Interest Payment Date; and
- (iv) the aggregate of any Repurchase Price received by the Fund during such Calculation Period.

A “**Borrower Repayment Amount**” is the amount required on any day to make any repayment to a Borrower under the terms of the Mortgage Asset Agreement to which that Borrower is a party or by operation of law (but subject to any right to refuse or withhold payment of such amount or any right of set-off that has arisen by reason of the Borrower’s breach of the terms of such Mortgage Asset Agreement).

“**Repurchase Price**” means, in relation to any Assigned Rights, an amount equal to the Principal Outstanding Balance and interest accrued but not yet paid of the Mortgage Assets comprised in such Assigned Rights at the date of the reassignment of such Assigned Rights by the Fund to the Seller (or, as the case may be, the Principal Outstanding Balance of such Mortgage Assets which would have subsisted but for the breach of the Mortgage Asset Warranties giving rise to such reassignment).

#### *Issuer Accounts*

The Issuer will establish an operating account (the “**Issuer Operating Account**”) and a reserve account (the “**Issuer Cash Reserve Account**”) in its own name at the Issuer Accounts Bank (the “**Issuer Accounts**”). The Issuer Accounts will be operated by the Transaction Manager in accordance with the terms of, and subject to the conditions contained in, the Transaction Management Agreement, the Issuer Accounts Bank Agreement and the Security Deed. Amounts standing to the credit of the Issuer Cash Reserve Account and/or the Liquidity Ledger may (subject as provided below) be invested by the Transaction Manager in Authorised Investments in accordance with the terms of the Transaction Management Agreement.

A downgrade of the rating of the Issuer Accounts Bank by the Rating Agencies below the Minimum Short-term Rating will require the Transaction Manager, on behalf of the Issuer, to transfer the Issuer Accounts to a bank whose rating meets or exceeds the Minimum Short-term Rating.

#### **Use of Ledgers**

The Transaction Manager, on behalf of the Issuer, will be required to maintain the following ledgers as records in the books of the Issuer:

In the Issuer Operating Account:

- (i) the “**Revenue Ledger**”, which will be used to record, *inter alia*, revenue amounts distributed from the Fund to the Issuer and amounts (if any) transferred from the Principal Ledger, from the Reserve Ledger and drawings made under the Liquidity Facility Agreement and from which amounts will, *inter alia*, be debited in accordance with the Pre-Enforcement Interest Payment Date Revenue Payments Priorities;
- (ii) the “**Principal Ledger**”, which will be used to record, *inter alia*, principal amounts distributed from the Fund to the Issuer and amounts transferred from the Revenue Ledger to reduce debit balances on any Principal Deficiency Ledger, and from which amounts will, *inter alia*, be debited in connection with the mandatory redemption of Notes on each Interest Payment Date;
- (iii) the “**Liquidity Ledger**”, which will be used to record amounts added to such ledger upon the making of a Liquidity Loan Drawing and any drawings made from such Ledger to reduce or eliminate any Liquidity Shortfall; and

- (iv) the “**Principal Deficiency Ledger**”, which will be used to record from time to time, by debit entries, amounts of any Principal Losses and Deemed Principal Losses in respect of the Mortgage Assets and amounts transferred from the Principal Ledger to the Revenue Ledger to reduce or eliminate any Revenue Shortfall (and which will be divided into three sub-ledgers relating to the Class A Notes, the Class B Notes and the Class C Notes) and to which will be credited a sum equal to any amount transferred from the Revenue Ledger to the Principal Ledger to reduce or make good any debit balance on the Principal Deficiency Ledger. Any amounts debited to the sub-ledgers will be debited in the following order:
- (a) first, to the Class C Principal Deficiency Ledger, subject to a maximum debit balance equal to the Principal Amount Outstanding of the Class C Notes from time to time;
  - (b) secondly, to the Class B Principal Deficiency Ledger, subject to a maximum debit balance equal to the Principal Amount Outstanding of the Class B Notes from time to time; and
  - (c) thirdly, to the Class A Principal Deficiency Ledger, subject to a maximum debit balance equal to the Principal Amount Outstanding of the Class A Notes from time to time.

Any credits to these sub-ledgers will be made in reverse order to the above. To the extent that at maturity of the Class B Notes or the Class C Notes or, if earlier, the date upon which all of the Issuer’s Assets have been realised, the Class B Principal Deficiency Ledger or, as the case may be, the Class C Principal Deficiency Ledger records a debit balance, then the Principal Amount Outstanding of the Class B Notes or, as the case may be, the Principal Amount Outstanding of the Class C Notes shall be reduced accordingly.

In the Issuer Cash Reserve Account, the “**Reserve Ledger**”, which will be used to record from time to time amounts standing to the credit of the Reserve Fund.

#### **Amounts deducted from Issuer Accounts and invested in Authorised Investments**

Any amounts deducted from the Issuer Accounts and invested in Authorised Investments by the Transaction Manager on behalf of the Issuer shall not be recorded as a deduction from the relevant Ledger to which such sums were recorded and any amounts credited to the Issuer Accounts as a result of the repayment or disposal of any Authorised Investment by the Transaction Manager on behalf of the Issuer shall not be recorded as a credit to such relevant Ledger (other than in the case of interest earned on any Authorised Investments which shall be added to the Revenue Ledger).

#### **Calculation of Amounts as at each Calculation Date**

The Servicer, on behalf of the Fund, will calculate the Net Revenue Collections, the Net Principal Collections, the Revenue Recoveries, the Principal Losses, the Deemed Principal Losses, the Principal Recoveries and any Repurchase Price; and the Custodian, on behalf of the Fund, will calculate the Fund Expenses, the Unit Revenue Distributions and the Unit Principal Distributions, as at each Calculation Date.

The Transaction Manager, on behalf of the Issuer, will prior to each Interest Payment Date calculate the Principal Receipts and the Revenue Receipts in respect of the related Calculation Period and as at the immediately succeeding Interest Payment Date the Revenue Shortfall, the Liquidity Shortfall and the Available Redemption Funds.

“**Revenue Shortfall**” means, as at an Interest Payment Date, 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 (i) to (xvi) of the Pre-Enforcement Interest Payment Date Revenue Payments Priorities less the amount of the Revenue Receipts calculated in respect of the related Calculation Period but before taking into account any Principal Addition Amount, LF Revolving Drawing, Liquidity Revolving Drawing or Reserve Drawing.

“**Principal Receipts**” means, in respect of a Calculation Period, the amount calculated as at the related Calculation Date equal to the aggregate of:

- (a) in relation to the first Calculation Period, the difference between (i) the sum of the Initial Principal Amount of the Notes on such Closing Date and the Class D Unit Purchase Amount and (ii) the purchase price of the Units paid by the Issuer on such Closing Date;
- (b) the amount of any Available Redemption Funds on the immediately preceding Interest Payment Date which were not applied in redemption of Notes on such Interest Payment Date;
- (c) the amount of any Unit Principal Distributions received by the Issuer in respect of Collections received during such Calculation Period;
- (d) the Revenue Addition Amount (if any) to be added to the Principal Ledger on the immediately succeeding Interest Payment Date; and
- (e) the Reserve Fund Release Amount, if any, to be added to the Principal Ledger on the immediately succeeding Interest Payment Date.

“**Available Redemption Funds**” means the amount calculated as at the related Calculation Date equal to the aggregate of the Principal Receipts received by the Issuer in respect of the related Calculation Period minus the Principal Addition Amount (if any) to be added to the Revenue Ledger on the immediately succeeding Interest Payment Date.

*Use of Issuer’s funds to meet Revenue Shortfalls*

If, in respect of a Calculation Period, the Transaction Manager determines that a Revenue Shortfall will exist on the immediately succeeding Interest Payment Date, the Transaction Manager will:

- (a) first, to the extent that there is a credit balance on the Reserve Ledger, make a drawing from the Reserve Fund (a “**Reserve Drawing**”) in an amount equal to the lesser of such Revenue Shortfall and the credit balance of the Reserve Ledger and add such amount to the Revenue Ledger on or prior to the related Interest Payment Date to reduce or, as applicable, eliminate such Revenue Shortfall;
- (b) second, if after the making of a Reserve Drawing, there remains a Revenue Shortfall, ensure that, subject to the restrictions described under “*Use of Principal Receipts to meet Revenue Shortfall*” below, an amount equal to the Principal Addition Amount is deducted from the Principal Ledger and added to the Revenue Ledger on the related Interest Payment Date to reduce or, as applicable, eliminate such Revenue Shortfall; and
- (c) third, if after adding an amount equal to the Principal Addition Amount to the Revenue Ledger, there is a Liquidity Shortfall, procure that either (i) a drawing from the Liquidity Facility of an amount equal to the lesser of the Liquidity Shortfall and the Available Liquidity Facility is made or (ii) after the making of a Liquidity Loan Drawing, a Liquidity Revolving Drawing is made from the Liquidity Ledger and either of such amounts is credited to the Revenue Ledger on the relevant Interest Payment Date to reduce or, as applicable, eliminate such Liquidity Shortfall provided that no drawing from the Liquidity Facility or the Liquidity Ledger may be made if:
  - (i) such drawing is made in respect of the Class C Notes and the debit balance on the Class C Principal Deficiency Ledger as at close of business on such Interest Payment Date is equal to or more than 35 per cent. of the Principal Amount Outstanding of the Class C Notes as at close of business on such Interest Payment Date; or
  - (ii) such drawing is made in respect of the Class B Notes and the debit balance on the Class B Principal Deficiency Ledger as at close of business on such Interest Payment Date is equal to or more than 50 per cent. of the Principal Amount Outstanding of the Class B Notes as at close of business on such Interest Payment Date.

**Reserve Fund**

Certain funds standing to the credit of the Issuer Cash Reserve Account will be maintained in a separate ledger as reserve funds in order, when necessary, to reduce or eliminate any Revenue Shortfall on an Interest Payment Date. The Reserve Ledger will record amounts standing to the credit of the Reserve Fund. The Reserve Fund will



initially be funded in the amount of €3,250,000 from the proceeds of the issuance of the Class D Notes. Amounts will be added to the Reserve Fund as funds become available for such purpose in accordance with the Pre-Enforcement Interest Payment Date Revenue Payments Priorities to the extent that as at any Calculation Date the balance standing to the credit of the Reserve Ledger is less than the Reserve Fund Required Amount.

“**Reserve Fund Required Amount**” as at any Calculation Date means an amount equal to:

- (a) at any time prior to a Portfolio Trigger Event, €5,850,000; and
- (b) at any time subsequent to a Portfolio Trigger Event, the higher of (i) €7,605,000 and (ii) the sum of €5,850,000 and an amount equal to 10 per cent. of the Principal Outstanding Balance, as at such Calculation Date, of all Mortgage Loans which are in arrears by not less than three and up to twelve months.

A “**Portfolio Trigger Event**” will occur if at any time the sum of the Principal Outstanding Balance, as at any Calculation Date, of all Mortgage Loans which are in arrears by not less than three and up to twelve months exceeds 4.50% of the Principal Outstanding Balance of the Initial Mortgage Asset Portfolio as at the Portfolio Determination Date.

As the Principal Amount Outstanding of the Notes reduces through repayment of principal by the Issuer in accordance with the Pre-Enforcement Interest Payment Date Principal Payments Priorities, the Reserve Fund Required Amount may from time to time be reduced to such a level as the Rating Agencies confirm will not result in the withdrawal or reduction in the then current rating of the Notes. Any amount (the “**Reserve Fund Release Amount**”) standing to the credit of the Reserve Ledger (i) in excess of the Reserve Fund Required Amount as reduced from time to time or (ii) on final redemption, or on optional redemption in whole of the Notes, will be credited to the Revenue Ledger on an Interest Payment Date, on the Final Maturity Date of the Notes or on the date on which all of the Notes are subject to any optional redemption, as applicable.

#### **Use of Principal Receipts to meet Revenue Shortfall**

If, prior to an Interest Payment Date, the Transaction Manager determines that a Revenue Shortfall exists, the Transaction Manager will be permitted firstly to make a Reserve Drawing in an amount equal to the lesser of such Revenue Shortfall and the balance on the Reserve Ledger from the Reserve Fund and secondly, if after the making of the Reserve Drawing, the whole or any part of any Revenue Shortfall remains or will remain unpaid or unprovided for, transfer an amount equal to the Principal Addition Amount (but subject to the restrictions described below) from the Principal Ledger and add such amount to the Revenue Ledger on the related Interest Payment Date to reduce or, as applicable, eliminate such Revenue Shortfall.

The use of Principal Receipts to reduce or eliminate a Revenue Shortfall will result in an increase in the debit balance on the relevant Principal Deficiency Ledger and accordingly such use is restricted as follows:

- (a) Principal Receipts may not be utilised to pay interest on the Class C Notes on any Interest Payment Date to the extent that, after making such payment, there would exist any debit balance on the Class C Principal Deficiency Ledger in an amount equal to more than 25 per cent. of the Principal Amount Outstanding of the Class C Notes as at close of business on such Interest Payment Date; and
- (b) Principal Receipts may not be utilised to pay interest on the Class B Notes on any Interest Payment Date to the extent that, after making such payment, there would exist any debit balance on the Class B Principal Deficiency Ledger in an amount equal to more than 25 per cent. of the Principal Amount Outstanding of the Class B Notes as at close of business on such Interest Payment Date.

#### **Liquidity Facility Agreement**

On or prior to the Closing Date, the Issuer will enter into the Liquidity Facility Agreement with the Liquidity Facility Provider, the Transaction Manager and the Trustee pursuant to which the Liquidity Facility Provider will make available to the Issuer a 364-day renewable committed euro revolving liquidity facility in an amount of €19,500,000 (the “**Liquidity Facility**”), as reduced by amounts drawn under such facility (the “**Available Liquidity Facility**”).

In accordance with the terms of the Liquidity Facility Agreement, the Issuer may make a liquidity drawing (a “**LF Revolving Drawing**”) on or prior to an Interest Payment Date. If the Transaction Manager determines that, after the application of the Reserve Fund and the Principal Addition Amount, the whole or any part of any Revenue Shortfall remains or will remain unpaid or unprovided for on such Interest Payment Date, the Transaction Manager shall on behalf of the Issuer calculate the Liquidity Shortfall, and shall procure the drawing from the Liquidity Facility of an amount equal to the lesser of the Liquidity Shortfall and the Available Liquidity Facility and pay such amount to the Issuer Operating Account to reduce or, as applicable, eliminate such Liquidity Shortfall. The Issuer will repay each LF Revolving Drawing on the next Interest Payment Date in accordance with the Pre-Enforcement Interest Payment Date Revenue Payments Priorities. Amounts repaid may, subject to various conditions for drawing, be redrawn.

If the short term, unsecured unsubordinated and unguaranteed debt obligations of the entity then being the Liquidity Facility Provider cease to be rated at least the Minimum Short-term Rating or if the Liquidity Facility Provider does not renew the Liquidity Facility, then the Issuer may make a drawing (a “**Liquidity Loan Drawing**”) of the amount of the Available Liquidity Facility under the Liquidity Facility Agreement. The proceeds of the Liquidity Loan Drawing will be credited to the Issuer Operating Account and will be recorded as a credit entry on the Liquidity Ledger. The Liquidity Loan Drawing will be repayable only if the entity then being the Liquidity Facility Provider is re-rated with the Minimum Short-term Rating.

“**Minimum Short-term Rating**” means, in respect of any entity, the short term unsecured, unsubordinated and unguaranteed debt obligations of such entity are rated, in the case of Fitch, “F1+” and in the case of Moody’s “P-1”.

During the period after the date upon which the Issuer has made a Liquidity Loan Drawing, the Issuer may make a drawing from the Liquidity Ledger (a “**Liquidity Revolving Drawing**”) on an Interest Payment Date to reduce or, as applicable, eliminate any Liquidity Shortfall. The Issuer will repay each Liquidity Revolving Drawing upon the next Interest Payment Date in accordance with the Pre-Enforcement Interest Payment Date Revenue Payments Priorities. The repayment of any Liquidity Loan Drawing shall be paid into the Issuer Operating Account and recorded as a credit entry on the Liquidity Ledger.

Interest will accrue on any LF Revolving Drawing or Liquidity Revolving Drawing at an annual rate which will be determined by the Liquidity Facility Provider by reference to the Euro Reference Rate. During the period after the date upon which the Issuer has made a Liquidity Loan Drawing, the Issuer shall pay to the Liquidity Facility Provider the aggregate of (i) the commitment fee on the balance standing to the credit of the Liquidity Ledger in respect of the related Interest Period and (ii) any amounts earned by the Transaction Manager from Authorised Investments made in accordance with the terms of the Transaction Management Agreement in respect of the balance standing to the credit of the Liquidity Ledger in respect of the related Interest Period.

“**Liquidity Shortfall**” means, with respect to any Interest Payment Date, the aggregate of:

- (a) at any time when the debit balance of the Class B Principal Deficiency Ledger is zero after the transfer of a Principal Addition Amount, if any, on such date, the interest amount due and payable on the Class C Notes on such day less the amount available to the Issuer to pay such interest amount, after the application of the Reserve Fund and the Principal Addition Amount but prior to the utilisation of the Liquidity Facility, in accordance with the Pre-Enforcement Interest Payment Date Revenue Payments Priorities;
- (b) at any time when the debit balance of the Class A Principal Deficiency Ledger is zero after the transfer of a Principal Addition Amount, if any, on such date, the interest amount due and payable on the Class B Notes on such day less the amount available to the Issuer to pay such interest amount, after the application of the Reserve Fund and the Principal Addition Amount but prior to the utilisation of the Liquidity Facility, in accordance with the Pre-Enforcement Interest Payment Date Revenue Payments Priorities; and
- (c) the amounts due and payable in respect of items (i) through (xi) of the Pre-Enforcement Interest Payment Date Revenue Payments Priorities on such date less the amount available to the Issuer to pay such amounts, after the application of the Reserve Fund and the Principal Addition Amount but prior to the utilisation of the Liquidity Facility, in accordance with the Pre-Enforcement Interest Payment Date Revenue Payments Priorities.



## **Subordinated Loan Facility Agreement**

The Subordinated Loan Facility Provider will, pursuant to the Subordinated Loan Facility Agreement, provide a subordinated loan pursuant to which the Issuer will, on the Closing Date, be entitled to make a drawing of up to €3,800,000, to the extent of the aggregate of (i) the amount required to pay in full the initial expenses of the Issuer in connection with the purchase of the Units and the issue of the Notes, including the underwriting fees payable to the Managers and the fees and commissions payable to the Trustee, the Rating Agencies and legal counsel of the Managers and the Trustee and (ii) that portion of the purchase price of the Units which represents the interest accrued but not yet paid on the Initial Mortgage Asset Portfolio up to the Portfolio Determination Date.

Amounts drawn down pursuant to the Subordinated Loan Facility Agreement will be repaid by the Issuer from Revenue Receipts credited to the Issuer Operating Account in accordance with the Pre-Enforcement Interest Payment Date Revenue Payments Priorities.

## **Authorised Investments**

Funds standing to the credit of the Fund Account and not required for payment on the same day or the next Business Day in accordance with the terms of the Custodian Agreement may be invested temporarily at the direction of the Custodian in Authorised Investments.

Funds standing to the credit of the Issuer Cash Reserve Account and/or the Liquidity Ledger and not required for payment on the same day or the next Business Day in accordance with the terms of the Transaction Management Agreement may be invested temporarily by the Transaction Manager in Authorised Investments in accordance with the terms of the Transaction Management Agreement.

Authorised Investments must, prior to delivery of an Enforcement Notice, mature or be realisable and provide for payment in euro on or before the next Interest Payment Date.

“**Authorised Investments**” means:

- (a) euro denominated demand or time deposits, certificates of deposit and short-term unsecured debt obligations, including commercial paper, provided that the issuing entity or, if such investment is guaranteed, the guaranteeing entity, is rated the Minimum Short-term Rating; and
- (b) any other obligations the investment in which would not adversely affect the ratings of the Notes.

The criteria for Authorised Investments may be changed from time to time, subject to prior confirmation from the Rating Agencies that such change will not cause the then current rating of the Notes to be downgraded and subject to the prior written consent of the Trustee (who may rely on such confirmation from the Rating Agencies for the purpose of giving its consent).

## **Use of Revenue Receipts to meet Deemed Principal Losses and Principal Losses**

Revenue Receipts can be utilised by the Issuer to meet Principal Losses, Deemed Principal Losses and to repay any Principal Addition Amount added to the Revenue Ledger each of which will be debited to the Principal Deficiency Ledger in respect of each Class.

Any amount transferred from the Revenue Ledger and used to reduce a debit balance on the Principal Deficiency Ledger on an Interest Payment Date will be regarded as Principal Receipts on such date and added to the Principal Ledger.

“**Principal Loss**” means the amount (if any) determined in good faith by the Servicer, on behalf of the Fund, as being the principal amount due in respect of a Mortgage Asset after the Completion of Enforcement Procedures in relation to such Mortgage Asset.

“**Deemed Principal Loss**” means, in relation to any Mortgage Asset on any Calculation Date:

- (a) if there are unpaid payments due under such Mortgage Asset in respect of at least 12 but not more than 24 monthly instalments during the related Calculation Period, the amount equal to 50 per cent. of the Principal Outstanding Balance of such Mortgage Asset determined as at such Calculation Date; and

- (b) if there are unpaid payments due under such Mortgage Asset in respect of at least 24 monthly instalments during the related Calculation Period, the amount equal to 100 per cent. of the Principal Outstanding Balance of such Mortgage Asset determined as at such Calculation Date.

### **Use of Principal Recoveries**

Principal Recoveries received in respect of a Mortgage Asset after a deduction has been made in respect thereof from the Principal Deficiency Ledger will be added to the Revenue Ledger.

To the extent that on the Final Maturity Date of the Class B Notes or the Class C Notes or, if earlier, the date upon which all of the assets of the Issuer have been realised, the Class C Principal Deficiency Ledger or, as the case may be, the Class B Principal Deficiency Ledger records a debit balance, then the Principal Amount Outstanding of the Class C Notes or, as the case may be, the Class B Notes shall be reduced accordingly.

### **Swap Agreement**

In order to reduce the risk to the Issuer of a mismatch arising between the amounts of Unit Distributions received by the Issuer under the Units and the Issuer's obligation to pay interest on the Notes, the Issuer will, on or before the Closing Date, enter into a Swap Agreement, with the Swap Counterparty. The effect of the Swap Agreement will be to swap floating rate interest payments scheduled to be received in respect of the Unit Distributions into amounts calculated by reference to the Euro Reference Rate.

The general terms of the Swap Agreement will broadly have the effect that, on each Interest Payment Date, the Transaction Manager, on behalf of the Issuer, will pay to the Swap Counterparty an amount equal to the excess (if any) of X over Y and the Swap Counterparty will pay to the Issuer an amount equal to the excess (if any) of Y over X, which amount will be calculated by the Calculation Agent in respect of the Calculation Period immediately preceding such Interest Payment Date and where:

“X” equals an amount equal to the product of “Z” and the Principal Outstanding Balance of the Mortgage Assets on the first day of such Calculation Period, multiplied by  $D/360$ , where D is the number of days in such Calculation Period;

“Y” equals an amount equal to applying the Euro Reference Rate to the Principal Outstanding Balance of the Mortgage Assets on the first day of such Calculation Period, multiplied by  $D/360$ , where D is the number of days in such Calculation Period; and

“Z” means the rate of interest determined as at the last day of such Calculation Period, as being the weighted average rate of interest payable in respect of the Mortgage Assets during such Calculation Period less 1.33 per cent. per annum.

The Swap Agreement will terminate on the Final Maturity Date unless terminated earlier (see “*Early Termination*” below), including, but without limitation, in circumstances where payment of principal and interest on the Notes has been made in full on or before the Final Maturity Date, in which case they will terminate on the date on which such payment is made in full.

### *Taxation*

Neither the Issuer nor the Swap Counterparty are obliged under the Swap Agreement to gross up any payment due under the Swap Agreement if any deduction or withholding in respect of tax is imposed on payments made by a party under the Swap Agreement.

If the Issuer or the Swap Counterparty is required to make any deduction or withholding in respect of tax on payments to be made by it under the Swap Agreement, the Swap Counterparty shall, in order to rectify the effect of the requirement to make such deduction or withholding, endeavour to transfer all its interest and obligations in the Swap Agreement to another of the relevant Swap Counterparty's affiliates, branches or offices or to another entity whose short-term unsecured, unsubordinated and unguaranteed debt obligations are rated “F1+” or better by Fitch and “P-1” or better by Moody's and whose long-term unsecured, unsubordinated and unguaranteed debt obligations are rated “A1” or better by Moody's or whose obligations are fully guaranteed by such an entity and neither the Issuer nor the Swap Counterparty will be entitled to terminate the Swap Agreement merely by reason of the occurrence of such an event.

### *Early Termination*

The Swap Agreement may be terminated early by the non-defaulting or non-affected party, as applicable, in the following circumstances:

- (a) if there is a failure by either party to pay any amount due under the Swap Agreement (subject to relevant cure periods);
- (b) if the Notes become immediately due and payable prior to the Final Maturity Date or the Notes are redeemed in full in accordance with their terms; and
- (c) upon the occurrence of certain other events with respect to either party to such Swap Agreement, including insolvency or changes in law resulting in illegality.

In the event that the short-term unsecured, unsubordinated and unguaranteed debt obligations of the Swap Counterparty cease to be rated “F1+” or better by Fitch or “P-1” or better by Moody’s and the long-term unsecured, unsubordinated and unguaranteed debt obligations of the Swap Counterparty cease to be rated “A1” or better by Moody’s, the Transaction Manager on behalf of the Issuer may, within 30 days:

- (a) require the Swap Counterparty, at its cost, to provide credit support for its obligations under the Swap Agreement to the extent confirmed in writing by the Rating Agencies such that, after the provision of such credit support, the relevant event will not adversely affect the ratings of the Notes; or
- (b) require the Swap Counterparty, at its cost, to procure a party with a short-term unsecured, unsubordinated and unguaranteed debt rating of “F1+” or better by Fitch or “P-1” or better by Moody’s and with a long-term unsecured, unsubordinated and unguaranteed debt rating of “A1” or better by Moody’s to enter into an agreement with the Issuer on the same terms as the Swap Agreement; or
- (c) require the Swap Counterparty to, at its cost, procure a party with a short-term unsecured, unsubordinated and unguaranteed debt rating of “F1+” or better by Fitch or “P-1” or better by Moody’s and with a long-term unsecured, unsubordinated and unguaranteed debt rating of “A1” or better by Moody’s to be a guarantor of the obligations of the Swap Counterparty under the Swap Agreement.

If the Swap Counterparty fails to take any of the measures described in (a) to (c) above, then the Issuer shall be entitled to terminate the Swap Agreement.

### **Summary Description of the Class D Residual Entitlement Notes**

In connection with the issuance of the Notes, the Issuer will also issue the Class D Notes. The Class D Notes will be constituted by the Trust Deed and will be issued simultaneously with the Notes. The Class D Notes will not be listed on any stock exchange nor rated by any rating agency. The Class D Notes will be secured by the Security in accordance with the terms of the Security Deed.

The proceeds of the Class D Notes of €3,250,000 shall be applied by the Issuer to establish the Reserve Fund by transferring such amount to the Issuer Cash Reserve Account and crediting the Reserve Ledger.

The terms and conditions of the Class D Notes will be substantially similar to the Conditions with appropriate adjustments made to reflect the ranking of payments under the Class D Notes as against the Notes and the payment of residual revenue distributions rather than interest on each Interest Payment Date in accordance with the Pre-Enforcement Interest Payment Date Revenue Payments Priorities, to the extent funds are available for such distributions.

The redemption provisions of the Class D Notes will be identical to the redemption provisions which will apply to the Notes except that principal payments in respect of the Class D Notes will rank behind principal payments in respect of the Class C Notes.

## OVERVIEW OF THE TRANSACTION DOCUMENTS

The description of certain of the Transaction Documents and certain other material 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 Trustee, the Principal Paying Agent and the Irish Paying Agent.

### **Mortgage Backed Credits Assignment Agreement**

#### *Purchase of Mortgage Asset Portfolio*

Under the terms of the mortgage backed credits assignment agreement to be made between the Seller and the Fund on or about the Closing Date (the “**Mortgage Backed Credits Assignment Agreement**”), the Seller will assign to the Fund and the Fund will, subject to satisfaction of certain conditions precedent, purchase from the Seller, the Initial Mortgage Asset Portfolio.

The purchase price payable by the Fund to the Seller will be equal to the Principal Outstanding Balance of the Mortgage Assets included in the Initial Mortgage Asset Portfolio plus any interest accrued but not yet paid as at the Portfolio Determination Date on the assumption that all principal repayments due and payable by the relevant Borrowers prior to the Closing Date had been made (whether or not so made) (the “**Purchase Price**”).

#### *Effectiveness of the Assignment*

The assignment of the Mortgage Assets by the Seller to the Fund will be governed by the Securitisation Law (See “*Selected Aspects of Laws of the Portuguese Republic Relevant to the Mortgage Asset Portfolio and the transfer of the Mortgage Asset Portfolio*”). The Securitisation Law facilitates the process of transferring receivables by introducing an amendment to the general principles, provided by Article 583 of the Portuguese Civil Code, on the effectiveness of the transfer of receivables whereby the assignment becomes effective at the time of execution of the Mortgage Backed Credits Assignment Agreement, both between the parties thereto and against the Borrowers. No notice to Borrowers is required to give effect to the assignment.

The assignment of the Mortgage Assets, the related Mortgage Asset Agreements and the related Receivables (the “**Assigned Rights**”) by the Seller to the Fund in accordance with the terms of the Mortgage Backed Credits Assignment Agreement on the Closing Date will be effective to transfer the full, unencumbered benefit of and right, title and interest (present and future) to the Assigned Rights to the Fund.

No further act, condition or thing will be required to be done in connection with the assignment of the Assigned Rights to enable the Fund 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 Fund will only be effected following the occurrence of a Mortgage Asset Sale Notification Event.

A “**Mortgage Asset Sale Notification Event**” means:

- (a) the delivery by the Trustee of an Enforcement Notice in respect of the Issuer in accordance with the Conditions;
- (b) the occurrence of a Bankruptcy Event (as defined in the Mortgage Backed Credits Assignment Agreement) in respect of the Seller;
- (c) the termination of the appointment of the Seller as Servicer in accordance with the terms of the Servicing Agreement; or
- (d) the Seller being required under the laws of the Portuguese Republic to deliver the Mortgage Asset Sale Notification Event Notices.

Following the occurrence of a Mortgage Asset Sale Notification Event, the Seller will execute and deliver to the Fund: (a) all property deeds and other title deeds necessary in order to register the transfer of the Mortgage Assets from the Seller to the Fund, (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 Fund of each Mortgage Asset or,

whenever possible, a pool of Mortgage Assets, and (c) notices addressed to the relevant Borrowers in respect of the assignment to the Fund of each of the Assigned Rights included in the Mortgage Asset Portfolio. 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 Fund. In the event that the Seller cannot or will not effect such actions, the Fund Manager, on behalf of the Fund, is entitled under Portuguese Law: (a) to have delivered to it any such deeds 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.

#### *Representations and Warranties as to the Mortgage Assets*

The Seller will make certain representations and warranties in respect of the Mortgage Assets included in the Mortgage Asset Portfolio as at the Closing Date including statements to the following effect:

##### **(a) Eligible Receivables**

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

- (i) were originated by the Seller and are legally and beneficially owned by the Seller;
- (ii) are created in compliance with the laws of the Portuguese Republic;
- (iii) are payable 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 Seller;
- (v) 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 not in arrears for more than one month's instalment payment or were not in arrears for more than three months' instalment payments at any time in the last 12 months;
- (viii) are payable in full no later than 30 years from the Closing Date; and
- (ix) have a Principal Outstanding Balance, which, together with the aggregate Principal Outstanding Balance of all other Eligible Receivables owing by the same Borrower, does not exceed €250,000.

##### **(b) Eligible Mortgage Asset Agreements**

Each Mortgage Asset Agreement was, as at its execution date, an Eligible Mortgage Asset Agreement (as defined in the Mortgage Backed Credits Assignment Agreement), which:

- (i) was entered into in the ordinary course of the Seller's business, on arms' length commercial terms;
- (ii) 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;
- (iii) has been duly executed by the Seller and constitutes legal, valid, binding and enforceable obligations of the Seller;
- (iv) is governed by and subject to the laws of the Portuguese Republic;
- (v) 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;
- (vi) in respect of which at least one payment of Receivables due thereunder has been made prior to the Closing Date;
- (vii) provides for all payments under such Mortgage Asset Agreement to be denominated in euro;

- (viii) is entered into in writing on the terms of the standard documentation of the Seller without any modification or variation thereto other than certain permitted variations as specified in the Mortgage Backed Credits Assignment Agreement;
- (ix) does not contain provisions which may give rise (after the Closing Date) to a liability on the part of the Seller to make further advances, pay money or perform any other onerous act;
- (x) is entered into in compliance with the Lending Criteria for new business in force at the time it was entered into;
- (xi) has been duly registered in the relevant Portuguese Real Estate Registry Office in favour of the Seller rendering the Mortgage Asset Agreement a fully valid security interest for the performance of all payment obligations under the Mortgage Loan; and
- (xii) is fully disbursed.

(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 Backed Credits Assignment Agreement) who:

- (i) is a party to a Mortgage Asset Agreement as primary borrower or guarantor;
- (ii) as far as the Seller is aware, is not dead or untraceable;
- (iii) is not subject to a bankruptcy event;
- (iv) is not an employee of the Montepio Geral Group;
- (v) has an account with the Seller; and
- (vi) met the Lending Criteria for new business in force at the time such Borrower entered into the Mortgage Asset Agreement.

*Breach of Mortgage Asset Warranties*

If there is a breach of any of the warranties given by the Seller in respect of the Mortgage Asset Portfolio in the Mortgage Backed Credits Assignment Agreement (each a “**Mortgage Asset Warranty**”) which could have a material adverse effect on any Assigned Right, the Seller will have an obligation to rectify such breach within 21 days after receiving written notice of such breach from the Fund.

If such breach is not capable of remedy, or, if capable of remedy, is not remedied within the 21 day period, the Seller has an obligation to repurchase or cause a third party to repurchase the relevant Mortgage Asset.

The consideration payable by the Seller 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 and interest accrued but not yet paid of the relevant Mortgage Asset as at the date of the re-assignment; (b) all other amounts due in respect of the relevant Mortgage Asset; and (c) the reasonable costs and expenses of the Fund 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 on the date on which it is due to be re-assigned, the Seller shall, on demand, indemnify the Fund against any and all Liabilities suffered by the Fund by reason of the breach of the relevant Mortgage Asset Warranty.

Pursuant to the Mortgage Backed Credits Assignment Agreement, the Seller may, instead of repurchasing a Mortgage Asset from the Fund or indemnifying the Fund, require the Fund to accept in consideration for the re-assignment or indemnity payment, the assignment of further Mortgage Assets such that the aggregate of the Principal Outstanding Balance of such further Mortgage Assets will be at least equal to the consideration or indemnity payment in cash that would have been payable by the Seller to the Fund. Such further Mortgage Assets will be required to meet certain additional criteria as set forth in the Mortgage Backed Credits Assignment Agreement.



If there is a breach of any other representations and warranties (other than a Mortgage Asset Warranty) and the Fund has suffered a loss, the Seller has an obligation to pay a compensation payment to the Fund in respect of such loss.

#### *Borrower Set-Off*

Pursuant to the terms of the Mortgage Backed Credits Assignment Agreement, the Seller will undertake to pay to the Fund an amount equal to the amount of any reduction in any payment due with respect to any Mortgage Loan sold to the Fund as a result of any exercise of any right of set-off by any Borrower against the Fund.

#### *Applicable law and jurisdiction*

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

### **Servicing Agreement**

#### *Servicing and Collection of Receivables*

Pursuant to the terms of an agreement to be entered into between the Fund and the Servicer on the Closing Date (the “**Servicing Agreement**”), the Fund will appoint the Servicer to provide certain services relating to the servicing of the Mortgage Assets and the collection of Receivables in respect of such Mortgage Assets.

The Servicer will collect and recover all the amounts due in respect of the Mortgage Assets included in the Mortgage Asset Portfolio and perform all related functions.

#### *Servicer's Duties*

The duties of the Servicer will be set out in the 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;
- (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 (the “**Operating Procedures**”);
- (d) servicing and administering the cash amounts received in respect of the Mortgage Assets including transferring amounts to the Fund Account on the following Business Day after each Business Day on which such amounts are credited to the Proceeds Accounts; and
- (e) preparing periodic reports in relation to the Mortgage Asset Portfolio in an agreed form including reports on delinquency and default rates.

#### *Conversion of Mortgage Assets*

The Servicer on behalf of the Fund may agree to a request by a Borrower to extend the term of a Mortgage Asset or to amend the interest rate applicable to a Mortgage Asset. To the extent that the Servicer agrees to any such request which would breach any of the applicable restrictions and conditions relating thereto to be set out in the Servicing Agreement (which will include restrictions relating to a reduction of the applicable interest rate or the extension of the term of a Mortgage Asset), the Seller will be required either to repurchase such Mortgage Asset or substitute such Mortgage Asset for another equivalent Mortgage Asset. The terms and conditions on which any such repurchase and substitution will be permitted to be effected will be set out in detail in the Servicing Agreement and the Servicer may not effect any such repurchase or substitution other than in accordance with such terms and conditions.

### *Servicing Fee*

The Servicer will receive a servicer fee on a quarterly basis in an amount equal to 0.10 per cent. per annum of the Principal Outstanding Balance of the Mortgage Assets as at the commencement of each Calculation Period.

### *Representations and Warranties*

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

### *Termination*

The appointment of the Servicer will continue (unless otherwise terminated by the Fund) until the Final Discharge Date when the obligations of the Fund under the Transaction Documents will be discharged in full. The Fund may terminate the Servicer's appointment and appoint a successor servicer upon the occurrence of certain events of default or upon the bankruptcy of the Servicer and subject to approval from the Bank of Portugal.

### *Payments*

The Servicer will procure that all Collections received from Borrowers in respect of the Mortgage Assets are paid into the Proceeds Accounts. The Servicer will give instructions to the bank in which the Proceeds Accounts are maintained (the "**Proceeds Accounts Bank**") to ensure that monies received by the Proceeds Accounts Bank from Borrowers on any particular Business Day are paid on such Business Day into the Proceeds Accounts.

The Servicer will direct the Proceeds Accounts Bank to transfer the amount of all Collections relating to the Mortgage Assets received in the Proceeds Accounts on any Business Day to the Fund Account on the Business Day following receipt.

### *Applicable law and jurisdiction*

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

### **Custodian Agreement**

On the Closing Date, the Fund Manager and the Custodian will enter into an agreement (the "**Custodian Agreement**") pursuant to which the Fund Manager will appoint the Custodian to:

- (a) open and operate the Fund Account;
- (b) provide the Fund Manager with certain cash management, calculation, notification and reporting information in relation to the Fund Account;
- (c) make the relevant Unit Distributions to the Unitholders;
- (d) execute any other instructions it may receive from the Fund Manager in relation to the assets of the Fund or the Units;
- (e) ensure that the income of the Fund will be applied in accordance with the Securitisation Law and the Fund Regulation;
- (f) ensure compliance by the Fund with the Fund Regulation; and



- (g) invest the funds credited to the Fund Account in Authorised Investments in accordance with the terms and conditions of the Custodian Agreement.

The Custodian will receive a custodian fee to be paid on the first Business Day of each month in respect of the preceding month in an amount equal to 0.01 per cent. per annum of the Principal Outstanding Balance of the Mortgage Assets as at the commencement of each Calculation Period.

The appointment of the Custodian will continue (unless otherwise terminated by the Fund) until the Final Discharge Date when the obligations of the Custodian under the Custodian Agreement will be discharged in full. The Fund may terminate the Custodian's appointment and appoint a successor custodian upon the occurrence of certain events of default in relation to the Custodian or, upon the occurrence of certain insolvency events in relation to the Custodian.

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

### **Fund Regulation**

On the Closing Date, the Fund Manager will execute a document (the "**Fund Regulation**") pursuant to which the regulations relating to the Fund, the issue of the Units, the rights of the Unitholders and the terms relating to the making of Unit Distributions will be specified.

The Fund Regulation will provide for the issuance of the Units, the granting of certain rights and entitlements to the Unitholders, the liquidation of the Fund upon the occurrence of certain events (and the procedure for unwinding the Fund's assets upon such liquidation), and general administration provisions. See "*Description of the Fund and the Fund Manager*" below for further details. The Fund Regulation may only be amended if such amendment is approved by the CMVM.

The Fund Regulation will be governed by and construed in accordance with the laws of the Portuguese Republic. 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 and the Trustee will enter into an agreement (the "**Transaction Management Agreement**") pursuant to which the Issuer and the Trustee (according to their respective interests) each will appoint the Transaction Manager to carry out certain administrative tasks on behalf of the Issuer, including:

- (a) operating the Issuer Accounts in such a manner as to enable the Issuer to perform its financial obligations pursuant to the Notes and the Issuer Transaction Documents;
- (b) providing the Issuer and the Trustee with certain cash management, calculation, notification and reporting information in relation to the Issuer Accounts;
- (c) taking the necessary action and giving the necessary notices to ensure that the Issuer Accounts are credited with the appropriate amounts in accordance with the Transaction Management Agreement;
- (d) taking all necessary action to ensure that all payments are made out of the Issuer Accounts in accordance with the Transaction Management Agreement and the Conditions;
- (e) maintaining adequate records to reflect all transactions carried out by or in respect of the Issuer Accounts; and
- (f) investing the funds credited to the Issuer Cash Reserve Account and the Liquidity Ledger in Authorised Investments in accordance with the terms and conditions of the Transaction Management Agreement.

The Transaction Manager will receive a fee on each Interest Payment Date, in accordance with the Pre-Enforcement Interest Payment Date Revenue Payments Priorities.

The Transaction Management 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.

### **Issuer Accounts Bank Agreement**

On or about the Closing Date, the Issuer, the Trustee, the Issuer Accounts Bank and the Transaction Manager will enter into an agreement (the “**Issuer Accounts Bank Agreement**”) pursuant to which the Issuer Accounts Bank will agree to open and maintain the Issuer Accounts which are to be 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 Issuer Accounts. The Issuer Accounts Bank will pay interest on the amount standing to credit of the Issuer Accounts.

The Issuer Accounts Bank will agree to comply with any instructions given by the Transaction Manager or the Issuer (and in relation to directions given by the Issuer, as confirmed in writing by the Trustee) in relation to the management of the Issuer Accounts.

The Issuer Accounts Bank 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.

### **Fund Account Bank Agreement**

On or about the Closing Date, the Custodian and the Fund Account Bank will enter into an agreement (the “**Fund Account Bank Agreement**”) pursuant to which the Fund Account Bank will agree to open and maintain the Fund Account which is to be held in the name of the Custodian for and on behalf of the Fund and provide the Custodian 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 Fund Account. The Fund Account Bank will pay interest on the amount standing to credit of the Fund Account.

The Fund Account Bank will agree to comply with any instructions given by the Custodian in relation to the management of the Fund Account.

The Fund Account Bank 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.

### **Corporate Services Agreement**

On or about the Closing Date, the Issuer and the Corporate Services Provider will enter into an agreement (the “**Corporate Services Agreement**”) pursuant to which the Corporate Services Provider will agree to provide certain corporate book-keeping, taxation, secretarial and accounting services to the Issuer. In return for the services so provided, the Corporate Services Provider will receive a fee payable by the Issuer on each Interest Payment Date in accordance with the Pre-Enforcement Interest Payment Date Revenue Payments Priorities.

The Corporate Services Agreement may be terminated by any of the parties thereto on not less than 180 days’ written notice to the other party or at any time forthwith by notice in writing if the other party shall have at any time (a) committed any material breach of the terms of the Corporate Services Agreement or (b) been the subject of one or more insolvency events as defined in the Corporate Services Agreement. No termination of the appointment of the Corporate Services Provider may occur unless a successor corporate services provider acceptable to the Issuer has been appointed and has acceded to the terms of the Corporate Services Agreement.

The Corporate Services Provider will provide corporate administration and secretarial services to the Issuer which will include:

- (a) dispatch of shareholder and board meeting notices;
- (b) handling enquiries and making appropriate filings (or assisting the Issuer’s auditors in so doing) with regulatory bodies including the Irish Revenue Commissioners and other authorities and the Irish Stock Exchange;

- (c) keeping and maintaining books, records and statutory accounts and procuring that the same are distributed to relevant parties;
- (d) advising on the appointment of company lawyers and auditors and supervising performance of any agents of the relevant companies; and
- (e) maintaining registrations and licences.

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

### **Co-ordination Agreement**

On or about the Closing Date, the Seller, the Servicer, the Custodian, the Fund Manager, the Issuer and the Trustee will enter into an agreement (the “**Co-ordination Agreement**”) in accordance with which such parties (other than the Trustee) will be required, subject to Portuguese law and their fiduciary duties to the Fund, to give certain information and notices to and give due consideration to any request from or opinion of the Trustee in relation to certain matters regarding the Mortgage Asset Portfolio, the Seller and its obligations under the Mortgage Backed Credits Assignment Agreement, the Servicer and its obligations under the Servicing Agreement, the Fund Manager and its obligations under the Fund Regulation and the Custodian and its obligations under the Custodian Agreement.

In addition, pursuant to the Co-ordination Agreement, the Issuer and the Trustee will receive the benefit of the Mortgage Asset Representations and Warranties and certain other representations and warranties made by each of the Seller, the Servicer, the Fund Manager and the Custodian in the Mortgage Backed Credits Assignment Agreement, the Servicing Agreement, the Co-ordination Agreement and the Custodian Agreement respectively.

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

### **Trust Deed**

The Notes and the Class D Notes are constituted by the Trust Deed. The Conditions and the forms of the Instruments are set out in the Trust Deed.

The Trustee shall act as trustee for the Noteholders and the other Secured Creditors, holding the Charged Property upon trust for such persons.

In accordance with the terms of the Trust Deed, the Issuer will pay a fee to the Trustee for its services under the Trust Deed at the rate and times agreed between the Issuer and the Trustee until the Final Discharge Date together with any Liabilities incurred by the Trustee in relation to the Trustee’s performance of its obligations under the Trust Deed.

The Trustee from time to time may retire at any time upon giving not less than three calendar months’ 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 Trustee shall not become effective unless there remains a trustee in office after such retirement. The Issuer will agree in the Trust Deed that, in the event of the sole trustee or the only trustee under the Trust Deed giving notice of its retirement, it shall use its best endeavours to procure a new trustee to be appointed.

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

## THE ISSUER

### Introduction

The Issuer is a public limited liability company registered and incorporated in Ireland on 20 September 2002 (registered number 361759) under the Irish Companies Acts 1963 to 2001 (as amended).

The registered office of the Issuer is at 25/28 North Wall Quay, International Financial Services Centre, Dublin 1, Ireland. The Issuer has no subsidiaries.

### Principal Activities

The principal objects of the Issuer are set out in Clause 3 of its Memorandum of Association and permit, inter alia, the issuance of the Notes, entering into of the Issuer Transaction Documents, the purchase of the Units and any and all other activities related to the transactions described in this Offering Circular.

The Issuer has been established for the purpose of acquiring the Units, issuing the Notes and entering into the Issuer Transaction Documents. The Issuer will covenant in Condition 6 (*Covenants of the Issuer*) to observe certain restrictions on its activities which are detailed in Schedule 5 (*Issuer Covenants*) of the Master Framework Agreement until the Final Discharge Date including, covenants not to (a) carry on any business or enter into any documents other than those contemplated by the Issuer Transaction Documents; (b) sell, convey, transfer, lease, assign or otherwise dispose of or use, invest or otherwise deal with any of its properties, assets or undertaking; (c) grant, create or permit to exist any Encumbrance over the Assigned Rights; (d) pay dividends or make other distributions to its members out of profits available for distribution and then only in the manner permitted by its Memorandum and Articles of Association and by applicable laws; (e) incur any indebtedness; (f) make any loans, grant any credit or give any guarantee or indemnity to or for the benefit of any person or otherwise voluntarily assume any liability in respect of any obligation of any other person; (g) consolidate or merge with any other person; (h) surrender any losses to any other company; (i) have any employees or premises or have any subsidiary undertaking or become a director of any company; (j) have an interest in any bank account other than the Issuer Bank Account unless the account or interest is charged to the Trustee on terms acceptable to it; and (k) amend, supplement or otherwise modify its Memorandum and Articles of Association, save to the extent permitted by the Issuer Transaction Documents or with the prior consent of the Trustee.

### Directors and Secretary

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

<b>Name</b>	<b>Business Address</b>	<b>Principal Occupation</b>
James Farrie	Tower 42, International Financial Centre, 25 Old Broad Street, London EC2N 1HQ	Company Director
Peter Blessing	Corporate Finance Ireland Limited, CFI House, Clonskeagh Square, Dublin 14, Ireland.	Company Director
Roger McGreal	1, Burlington Road, Dublin 4, Ireland.	Company Director

The independent auditor of the Issuer is KPMG (Dublin), chartered accountants and registered auditors.

The Issuer has no employees. The directors are employees of the Corporate Services Provider. The secretary of the Issuer is the Corporate Services Provider with offices at the same address as the Corporate Services Provider.

### Issuer Expenses

The Issuer will fund the expenses incurred in connection with the issue of the Notes through a drawing under the Subordinated Loan Facility Agreement on the Closing Date.

## Share Capital

The entire authorised share capital of the Issuer comprises 100,000 Ordinary Shares (the “**Ordinary Shares**”) of €1 each, of which 40,000 shares have been issued and are fully paid up.

## The Share Trustee

The share capital of the Issuer is held directly or indirectly in trust for charitable purposes under the Share Trust Deed executed by the Share Trustee. All of the shares have been pledged, either directly or indirectly, by the Share Trustee to the trust established under the Share Trust Deed for the benefit of a charitable entity to be selected by the Share Trustee. Neither the Share Trustee nor any of its nominees may interfere with the management of the Issuer or any of its activities, or appoint or remove any director of the Issuer. Additionally, the Share Trustee may not propose or pass any resolution to wind up or take any other steps or action for the purposes of winding-up of the Issuer or make or support any petition to wind up the Issuer or appoint an administrator, examiner or similar person with respect to the Issuer.

## Capitalisation of Issuer

The following table sets out the capitalisation and indebtedness of the Issuer as at 13 December 2002, adjusted to give effect to the issue of the Notes and a drawing being made under the Subordinated Loan Facility Agreement on the Closing Date to fund the expenses of the issue of the Notes on the Closing Date. Other than the increase in the Issuer’s issued share capital from seven shares to 40,000 shares which became effective on 8 November, 2002, there has been no material change in the capitalisation of the Issuer since 20 September 2002, the date of its incorporation.

	<b>As at 13 December 2002 (in thousands of €)</b>
<b>Indebtedness</b>	
Class A Notes.....	611,000
Class B Notes .....	16,250
Class C Notes .....	22,750
Class D Notes .....	3,250
<b>Long-term liabilities</b>	
Subordinated Loan.....	3,800
<b>Stockholders’ equity</b>	
Share capital (Authorised 100,000; Issued 40,000 shares with a par value of €1 each) .....	40
<b>Total capitalisation</b> .....	<b>657,090</b>

## **USE OF PROCEEDS**

The net proceeds of the issue of the Notes will amount to €650,000,000 and such amount (without any deductions) will be used by the Issuer together with a portion of the proceeds of a drawing under the Subordinated Loan Facility Agreement to purchase the Units pursuant to the Unit Assignment Agreement. The net proceeds of the issue of the Units, expected to amount to €651,238,000 will be used by the Fund to purchase the Mortgage Asset Portfolio. The fees and expenses (including the Managers' commissions) relating to the issue of the Notes, estimated not to exceed €3,800,000 will be met on the Closing Date by the Issuer from the proceeds of a drawing under the Subordinated Loan Facility Agreement.



## DESCRIPTION OF THE FUND AND THE FUND MANAGER

### Description of the Fund (Fundo de Titularização de Créditos)

#### *Incorporation and domicile*

The Fund qualifies as a credit securitisation fund, under the terms of the Securitisation Law and has been duly authorised by the Portuguese Securities Commission (the “**CMVM**”) through a resolution of the Board of Directors of the CMVM expected to be obtained on or about 17 December 2002.

The Fund will create an undivided ownership interest in respect of its assets in favour of one or more entities or individuals (the “**Unitholders**”), whose entitlement to the Fund’s assets are at all times limited to the nominal amount of the relevant subscribed Units.

The Fund will not be liable for the debts of the Unitholders, the Seller, the Fund Manager, the Custodian or the Servicer. Its liability is limited to its obligations arising under the Fund Regulation.

The Fund is domiciled in Portugal.

#### *Purpose of the Fund*

The main purpose of the Fund is to grant to the Unitholders an undivided ownership interest in a portfolio of Mortgage Loans complying with the Eligibility Criteria provided for in the Mortgage Backed Credits Assignment Agreement and in the Fund Regulation.

#### *Information Concerning Units and Assets of the Fund*

The Fund is divided into 651,238 Units which are issued with a nominal value of €1,000 each on the Closing Date with an aggregate value of €651,238,000. The nominal value of the Units is subject to amortisation on the Business Day prior to each Interest Payment Date by reference to the Unit Distributions paid on such Business Day in the amount equal to the aggregate of the amount of the Net Principal Collections received into the Fund Account during the related Calculation Period.

The Units are in book entry form and 651,238 Units have been issued on the date of the incorporation of the Fund. The Fund consists of a fixed pool of assets and therefore the Fund cannot acquire any additional assets other than further Mortgage Assets by way of substitution in the event of a breach of a Mortgage Asset Warranty. The Fund cannot issue any additional Units. The Fund’s assets may not be subjected to any encumbrance nor transferred, (except in the event of (a) the repurchase of the relevant Mortgage Assets by the Seller upon a breach of a Mortgage Asset Warranty under the Mortgage Backed Credits Assignment Agreement, or (b) the liquidation of the Fund’s assets).

#### *Management and Custody*

The Fund is administered, managed and represented by the Fund Manager in accordance with the terms of the Securitisation Law and the Fund Regulation. The Fund’s assets will be held by the Custodian in accordance with the terms of the Securitisation Law and the Custodian Agreement.

#### *Miscellaneous Expenses of the Fund*

The Fund will be obligated to pay certain fees to entities providing services to it including:

- (a) a management fee of 0.025 per cent. per annum of the Principal Outstanding Balance of the Mortgage Assets as at the commencement of each Calculation Period payable quarterly to the Fund Manager (including any relevant costs and expenses) as provided in the Fund Regulation;
- (b) a custodian fee of 0.01 per cent. per annum of the Principal Outstanding Balance of the Mortgage Assets as at the commencement of each Calculation Period payable quarterly to the Custodian (including any relevant costs and expenses) as provided in the Fund Regulation and in the Custodian Agreement;

- (c) a servicer fee of 0.10 per cent. per annum of the Principal Outstanding Balance of the Mortgage Assets as at the commencement of each Calculation Period payable quarterly to the Servicer (including any relevant costs and expenses) as provided in the Fund Regulation and in the Servicing Agreement; and
- (d) all other costs, fees and expenses which are necessary to maintain the Fund (or the Fund Manager on behalf of the Fund).

#### *Financial Statements*

Audited financial statements of the Fund will be published on an annual basis and will be certified by an auditor registered with the CMVM.

#### *Liquidation of the Fund*

Generally, pursuant to the Securitisation Law, a securitisation fund may only be liquidated and its assets distributed at the end of its term. Unitholders may only request the liquidation of a fund prior to the end of its term, when either the Fund Regulation provides for such early liquidation or the Fund Manager has been removed and dissolved (for example, in the event that the Fund Manager's licence has been revoked) and the Fund Manager has not been replaced.

The liquidation of the assets of the Fund may occur upon the happening of certain specific events as set out in the Fund Regulation, including (but not limited to):

- (a) on the direction of the CMVM, in the event of the termination of the Fund Manager's licence or of the dissolution of the Fund Manager for any other reason;
- (b) the Units are held by a sole Unitholder and an Enforcement Notice is delivered by the Trustee under the Conditions; and
- (c) the Units are held by a sole Unitholder and an optional early redemption of all of the Notes occurs under the Conditions.

The Bank of Portugal has the power to revoke the Fund Manager's licence pursuant to the terms of the Portuguese Banking Law, if:

- (i) the licence was obtained on the basis of false declarations;
- (ii) the Fund Manager's activities cease to correspond with its stated corporate purpose;
- (iii) the Fund Manager remains inactive for a period in excess of twelve months;
- (iv) there are serious irregularities in the Fund Manager's management or accountancy practices; or
- (v) the Fund Manager breaches any laws or rules which regulate its activities.

Additionally, pursuant to the Portuguese Companies Code, the Fund Manager will be dissolved if it reaches the end of its term or the Fund Manager's shareholders approve a resolution to dissolve it, or the Fund Manager accomplishes its corporate purpose or a bankruptcy event occurs in relation to the Fund Manager.

Upon the revocation of the Fund Manager's licence or any other circumstance whereby the Fund Manager is dissolved or liquidated and it has not been replaced, the CMVM will require the liquidation of the Fund. On the liquidation of the Fund the Fund's assets will be sold either to the Seller or a third party, as negotiated by the Fund Manager who will be required to pay an amount equal to their then current value to the Fund. Any disposal of the assets of the Fund to either the Seller or a third party will require the value at which the Fund seeks to dispose of the Mortgage Assets to be reviewed by an auditor registered with the CMVM.

If the Fund Manager is dissolved and no replacement Fund Manager has been appointed within 4 months, the Custodian may apply to the CMVM for the liquidation of the Fund.

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

The Fund's activities are governed by the Securitisation Law.

### *Independent Auditor*

The independent auditor of the Fund is Figueiredo Neves and Associado S.R.O.C.

## **Description of The Fund Manager (Sociedade Gestora de Fundos de Titularização de Créditos)**

### *Incorporation and Purpose*

The Fund Manager is a financial company incorporated and organised under the laws of the Portuguese Republic and is in the form of a public limited liability company.

The Fund Manager has its registered head office and effective management at Av. José Malhoa, lote 1686, in Lisbon, Portugal, is registered with the Commercial Registry Office under number 7832 and has taxpayer number 502 500 646.

The Fund Manager is only permitted to carry out the administration, management and representation of securitisation funds for and on behalf of unitholders. It will perform all functions required by management companies of securitisation funds in accordance with the Securitisation Law and the Fund Regulation.

### *Information Concerning Fund Manager's Capital*

The share capital of the Fund Manager, in the amount of €1,110,000, is fully paid and divided into €1,110,000 shares with a nominal value of €1 each.

## **Fund Manager Corporate Bodies and Members**

### *Board of Auditors*

The Supervisory Board members of the Fund Manager and their respective business addresses and other principal occupations are:

<u>Name</u>	<u>Business Address</u>
Francisco Manuel Correia Coelho de Campos (Chairman)	Av. José Malhoa, lote 1686, Lisbon, Portugal
Mário Augusto Paiva Neto	Av. José Malhoa, lote 1686, in Lisbon, Portugal
João Fernandes & Associados, SROC, represented by João Carlos Almeida Fernandes (Certified Public Accountant)	Av. José Malhoa, lote 1686, in Lisbon, Portugal

### *Independent Auditor*

The independent auditor of the Fund Manager is KPMG, Edifício Monumental, 71-A, 11, 1069-006, Lisbon, Portugal.

### *Executive Board*

The Executive Board members of the Fund Manager and their respective business addresses and other principal occupations are:

<u>Name</u>	<u>Business Address</u>	<u>Principal Occupation</u>
Filipe Abecasis	BCP Investimento — Banco Comercial Portugues de Investimento, S.A., Av. José Malhoa, Lote 1686, 1070-157 Lisboa	Company Director
Miguel Cruz de Oliveira	Av. da Liberdade, 131-5, 1269-036, Lisboa	Company Director
ABN AMRO Bank N.V.	Gustav Mahlerlaan, 10 Amsterdam, Netherlands	Company Director
ABN AMRO Bank N.V. will be represented by Jose Sanches	Av. da Liberdade, 131-5, 1269-036	Country Representative, Portugal & Head of Loans Products

### *Responsibilities of the Fund Manager*

The Fund Manager acts for the sole benefit of the Unitholders, and is required to perform and execute all acts and transactions necessary or advisable for the proper administration of the Fund, in accordance with professional levels of competence under the Securitisation Law and the Fund Regulation including:

- (a) applying the proceeds of the issue of the Units in the acquisition of the Mortgage Assets included in the Mortgage Asset Portfolio from the Seller;
- (b) upon the occurrence of a Mortgage Asset Sale Notification Event, notifying the relevant Borrowers of the assignment of the relevant Mortgage Loans and effecting the registration of the assignment in the relevant Portuguese Real Estate Registry Office;
- (c) issuing the Units;
- (d) calculating and distributing the Unit Distributions;
- (e) effecting the payment of all costs and expenses of the Fund;
- (f) providing certain information required by the Securitisation Law and the Fund Regulation;
- (g) communicating with the CMVM;
- (h) selling Mortgage Assets in the event of the Fund's liquidation or a breach of any of the Mortgage Asset Warranties; and
- (i) performing the Fund's functions under the relevant Transaction Documents.

The Fund Manager is expressly prevented by the Securitisation Law and the Fund Regulation from:

- (a) entering into loan agreements in its own name or for its own account, without prejudice to the funding instruments obtained from its shareholders on a subordinated basis to meet own funds requirements;
- (b) creating any encumbrance over or selling the Mortgage Assets acquired by the Fund (except as described above);
- (c) acquiring, in its own name, any type of securities other than publicly traded securities;
- (d) granting credit, including the issuance of guarantees, on its own account or for the Fund's account; or
- (e) acquiring, on its own account, any estate (except for real property that may be necessary for its own premises and functioning).

## THE PORTUGUESE MORTGAGE MARKET

### The Portuguese Mortgage Loan Market

The economic growth during the last few years, the decrease of inflation and the process of nominal convergence of the Portuguese economy to achieve integration into the European Monetary Union have resulted in an improvement to the Portuguese standard of living, which, in conjunction with existing residential property needs, has determined the development of the Portuguese mortgage market.

Portugal's GDP grew at an average annual rate which was higher than that of the European Union (3.3% against 2.4% respectively for the period from 1981 to 1990 and 2.8% against 2.1% respectively for the period from 1991 to 2000). The average inflation rate (the Consumer Price Index) changed from 17% at the beginning of the 1980s to 2.9% in 2002 putting Portugal in line with its European peers. Real wages increased at an average rate of 2.3% between 1996 and 2000 in comparison with a rate of 0.8% in the European Union and Portugal's unemployment rate fell below the EU average rate (4.5% against 7.4%, respectively). Simultaneously, a substantial decrease in the level of interest rates occurred, coupled with the process of deregulation and liberalisation in the banking and financial markets. This process allowed additional banking institutions to enter the mortgage loans market and consequently led to increased competition in the mortgage market.

Until 1992, due to legal restrictions, residential mortgage lending was concentrated in just three banking institutions – Caixa Geral de Depósitos, Caixa Económica Montepio Geral and Crédito Predial Português. However, following deregulation and liberalisation referred to above, the mortgage business (in particular, residential mortgage loans activities) is now performed by most institutions in the banking sector.

New participants were mainly attracted (i) by the prospects of rapid and solid growth driven by increased demands for residential mortgage loans (following the lowering of interest rates) and (ii) by a business that, due to the associated security over the property, has lower average capital requirements than most other banking businesses and which provides for the development of a durable relationship with the customer.

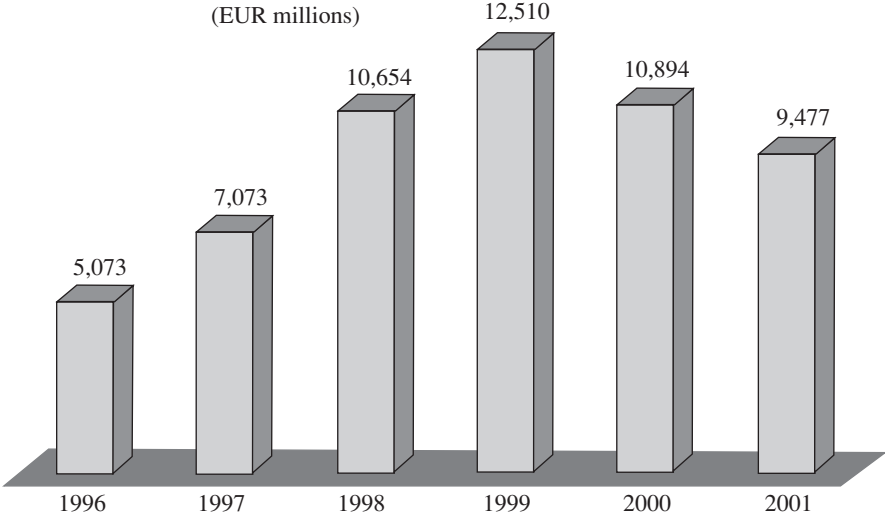
Residential mortgage lending has grown significantly in the recent years, with annual growth rates of 34.8% in December 1998, 29.7% in 1999, 20% in 2000 and 15.1% in 2001. The main factors for this growth were (i) the entry of new participants (ii) the emergence of an alternative to self-financing (mortgage loans outstanding per capita in Portugal were amongst the lowest in Europe) (iii) the lowering of interest rates in respect of residential mortgage loans (from 12.4% at the end of 1995 to 5.1% in July of 2002) and (iv) the improvement in the overall economic conditions which had a positive impact on consumer confidence. Significant investments in aggressive advertising by the largest lenders to attract new customers and provide them with long-term loans, increase in efficiency and quality of service and technological innovation (e.g. the use of the internet) to promote products and services have also had an important impact on the recent development of the residential mortgage market.

In 2001, the Portuguese residential mortgage market was largely dominated by the six largest lenders: Caixa Geral de Depósitos, which still retains market leadership, Banco Comercial Português, Banco Português de Investimento, Banco Espírito Santo, Totta Group controlled by the Spanish BSCH Group and Caixa Económica Montepio Geral.

Under the aegis of the European Commission, the most important Portuguese lenders, including Caixa Económica Montepio Geral, have signed the European Agreement on a Voluntary Code of Conduct for Pre-contractual Information on Housing Loans ("the Code"). The aim of the Code is to improve and standardise consumer information and help prospective borrowers choose their mortgage loans.

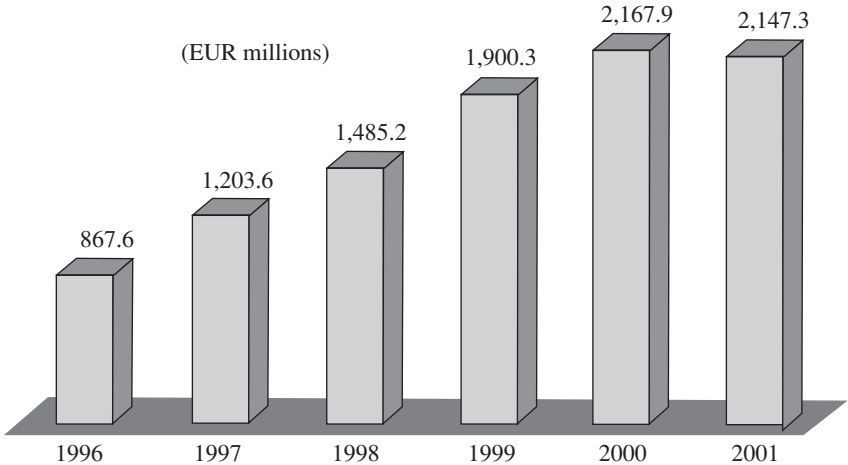
2002 has been marked by slower growth, which may be explained partially by the end of new subsidised housing loans (after 30th September 2002) and the slowdown in economic confidence. However, activity in the residential mortgage market is expected to remain healthy and stable backed by the long awaited development of the rental market and the need for home reconstruction and renovation.

**Portuguese Mortgage Market: New Loans Origination and Year-on-Year Growth**



Source: DGT

**Montepio Geral Group Mortgage Business: New Loan Origination**



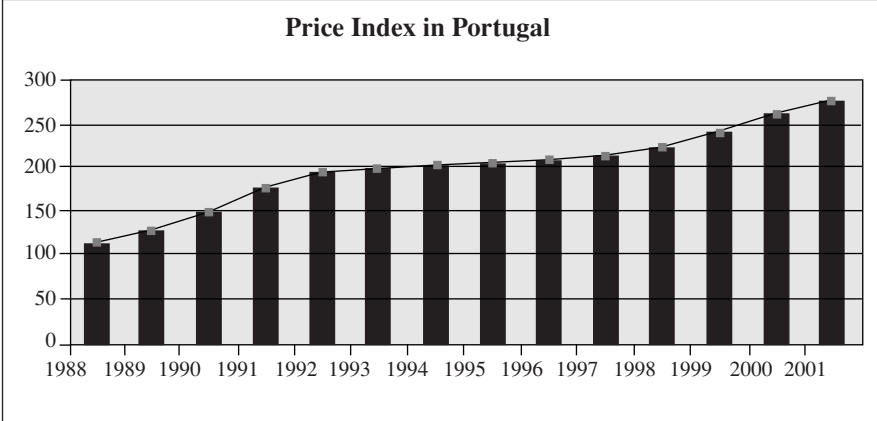
Source: MONTEPIO GERAL

According to official publications of the Housing Secretary of State (*Secretaria de Estado da Habitação*), the housing construction sector in 2000 was one of the most dynamic sectors in the Portuguese economy, with new licensing per capita being twice that of the European average and a record number of new homes being completed.

In 2001, the rate of construction continued to increase, with new licensing up by 5.7 per cent. year-on-year. These levels confirm that the market is now entering a more stable stage and it is expected that the residential mortgage market will not see the same level of demand as seen in previous years. Despite this large increase in housing supply through new construction, property prices continued to rise, which demonstrates the exceptionally high level of housing demand witnessed in Portugal in the 1990s. The residential housing sector has experienced continual year-on-year price growth for over a decade.



**Residential Housing Price Index in Portugal**



Source: Confidencial Imobiliário

Most residential mortgage loans pay interest on a floating rate basis, indexed to three-month EURIBOR with a spread depending on the LTV ratio. While most banks offer fixed or capped rate alternatives, borrowers have shown little interest in these types of products.

The residential mortgage legal framework, and in particular the rules concerning access to government-subsidised loans, was changed in late 1998 and again in 1999. Until then, the criteria to qualify for subsidised loans were relatively lax and subsidised loans accounted for more than half of the total number of new loans. The new rules clarified the criteria for subsidised loans and as a result, the proportion of such loans to total new loans declined sharply. Subsidised loans will not be included in the Mortgage Asset Portfolio, and access to the subsidised regime ended in relation to loans originated after 30 September 2002.

## DESCRIPTION OF MONTEPIO GERAL

Caixa Económica Montepio Geral is a savings bank, which was established on 24 March 1844, making it the oldest financial institution in Portugal. Its capital is wholly-owned by Montepio Geral Associação Mutualista (“MGAM”), which is a private non-profit organisation, constituted in 1840, whose objectives are, broadly, to develop social security and health initiatives and promote quality of life improvements for members.

Montepio Geral’s main activity is to collect retail deposits and to grant credit to individuals and companies (especially mortgage loans). Currently, together with its subsidiaries, Montepio Geral offers a wide range of financial products and services such as mutual, real-estate and pension funds, insurance (life and non-life) and investment management services.

Montepio Geral also carries out other international operations, in particular, the provision of foreign currency to its Portuguese customers, documentary credits, payment orders and the issue of traveller’s cheques. In addition, through its representative offices located in Europe and North America it provides its services to large groups of non-resident Portuguese nationals.

As at 30 June 2002, Montepio Geral’s non-consolidated total assets, net of provisions and depreciation, were €10,900.1 million (€7,725 million of which were mortgage loans), its total equity was €540.6 million and its total capital adequacy ratio, calculated according to Bank of Portugal rules, was 10.9%. Its capital adequacy ratio, calculated according to BIS standard, was 12.2%.

The short-term unsecured, unsubordinated and unguaranteed debt obligations of Montepio Geral are currently rated P-2, by Moody’s, and F2, by Fitch. The long-term unsecured, unsubordinated and unguaranteed debt obligations of Montepio Geral are currently rated A3, by Moody’s and A-, by Fitch.

## **DESCRIPTION OF MONTEPIO GERAL GROUP'S RESIDENTIAL MORTGAGE BUSINESS**

### **The Residential Mortgage Business of Montepio Geral**

Montepio Geral is one of Portugal's largest residential mortgage lenders, a business it was authorised to develop long before the market was liberalised in 1991. In spite of the strong competition that followed that event, Montepio Geral has managed to maintain its market position and its recognition as a major player in this business.

With the aim of defending its position as a mortgage market specialist, focus is given to the quality of the service provided to its customer base, along with the adoption of rigorous, ethical and transparent practices.

Since it started its mortgage lending activity, Montepio Geral has provided mortgage loans to its customers through its retail branch network in Portugal (at present, 280 branches).

### **Origination**

Montepio Geral's residential mortgage loans may be originated at the branch level, as a result of direct contact with borrowers, or via proposals submitted to it by real estate agents.

### **Underwriting**

Mortgage loans applications are submitted by customers at their local branches. At the branch, the information required in accordance with internal credit rules (i.e. financing application, identity documents, informative questionnaires and official documents evidencing the customer's income) is collected, checked and entered into the "Credit Scoring System". This system automatically checks whether there is any relevant information on the customer stored in internal and/or external databases and also checks the application against the main credit policies/rules (i.e. Loan-to-Value, Debt-to-Income). This appraisal methodology assists with the decision at the branch level as to whether or not to continue with the approval process.

The approval of housing loans is the responsibility of various levels of management, involving the branch, the Regional Department, the Commercial Manager, the Co-ordinating Managers and the Credit Committee, depending on the nature and on the amount concerned. Once a decision has been made by the competent decision level, the customer is formally informed of it by mail.

### **Insurance Cover**

Property insurance coverage is required in respect of any property which is the subject of a mortgage loan. The existence of fire or multi-risk insurance is compulsory for an amount equal to or greater than the property reconstruction value and with an insurance company approved by Montepio Geral.

Despite not being compulsory, life insurance is encouraged by Montepio Geral, for an amount at least equal to the value of the loan, which, in case of death or permanent invalidity of the borrower, guarantees Montepio Geral the payment of the capital outstanding.

### **Mortgage Products**

Under the laws of the Portuguese Republic, the term of any mortgage contract may exceed 30 years. All loans must be repaid in instalments (comprising interest and principal) and paid by direct debit (the system automatically debits the customer's current account associated with the loan), usually on a monthly basis.

The majority of residential mortgage loans pay interest on a floating rate basis, indexed to 3 or 6 month EURIBOR, plus a spread, depending on the LTV ratio and on the amount of the loan.

### **Arrears Procedures**

Delinquencies less than two months old are dealt with at the branch level. During this period, the branches are responsible for co-ordinating the recovery process.

After two months in arrears, (except for loans in relation to which a recovery plan has been approved or that are in negotiation for settlement), the process is automatically assigned by the internal information system to Montepio Geral's legal department which, in the first instance, tries to recover the overdue loans without recourse to litigation. Normally, if a solution is not reached within a four month period, legal proceedings will, at that point, be instigated.

## THE MORTGAGE ASSET PORTFOLIO

### The Mortgages

#### *The Mortgage Asset Portfolio*

The Initial Mortgage Asset Portfolio will be selected (in accordance with the criteria summarised below) from, and will substantially comprise, a pool of Mortgage Assets owned by the Seller which has the characteristics indicated in Tables A to Q below.

The Initial Mortgage Asset Portfolio will be selected so that it complies with the Mortgage Asset Warranties.

The Mortgage Loans comprised in the Mortgage Asset Portfolio will be amortising loans with instalments of both principal and interest due every month. All interest rates will be floating rate type, linked to either three month or six month EURIBOR.

### Characteristics of the Initial Mortgage Asset Portfolio

The pool of Mortgage Loans from which the Initial Mortgage Asset Portfolio will be selected had the aggregate characteristics indicated in Tables A to Q below as at 13 November 2002. Amounts are rounded to the nearest €1 (50 cents being rounded upwards). This gives rise to some rounding errors in the tables.

**Table A**

<b>Summary Data</b>	€
Aggregate Principal Outstanding Balance <sup>(1)</sup> .....	659,607,576
Average Principal Outstanding Balance .....	68,092
Average Principal Outstanding Balance by Borrower <sup>(1)</sup> .....	68,731
Average Original Principal Outstanding Balance .....	76,607
Maximum Original Principal Outstanding Balance .....	279,327
Maximum Current Principal Outstanding Balance <sup>(1)</sup> .....	248,632
Total Number of Loans .....	9,687
Total Number of Borrowers .....	9,597
Weighted Average Seasoning (Years) .....	2.3
Weighted Average Remaining Maturity (years) .....	23.2
Weighted Average Original LTV <sup>(2)</sup> (%) .....	69.9%
Weighted Average Current LTV <sup>(3)</sup> (%) .....	64.7%
Weighted Average Current LTV <sup>(4)</sup> (%).....	60.3%
Weighted Average Interest Rate – Index (%) .....	3.45%
Weighted Average Interest Rate – Spread (%) .....	1.33%
Weighted Average Interest Rate – Index + Spread (%) .....	4.79%

Notes:

- (1) The balances referred to are all amounts outstanding under each Mortgage Loan as at 13 November 2002.
- (2) Original LTV means in respect of all Mortgage Loans relating to a Borrower and secured on the same property, the ratio of the aggregate amount of the Principal Outstanding Balance as at the date such Mortgage Loans were originated to the original valuation of the relevant property completed when the Mortgage Loan was originated.
- (3) Current LTV means in respect of all Mortgage Loans relating to a Borrower and secured on the same property, the ratio of the aggregate amount of the Principal Outstanding Balance as at 13 November 2002 in respect of such Mortgage Loans to the original valuation of the relevant property completed when the Mortgage Loan was originated.
- (4) Current LTV means in respect of all Mortgage Loans relating to a Borrower and secured on the same property, the ratio of the aggregate amount of the Principal Outstanding Balance as at 13 November 2002 in respect of such Mortgage Loans to the current valuation of the relevant property, such valuation being the latest Montepio Geral internal valuation, as derived from the Confidencial Imobiliário national property index (in more than 90% of cases).

**Table B**

<b>Original Loan Amount (€)</b>	<b>Number of Loans</b>	<b>%</b>	<b>Outstanding Balance</b>	<b>%</b>
1-30.000 .....	1,256	12.97	€24,065,434.13	3.65
30.001-60.000.....	2,804	28.95	€113,048,660.87	17.14
60.001-90.000.....	2,656	27.42	€179,876,914.05	27.27
90.001-120.000.....	1,567	16.18	€148,363,794.85	22.49
120.001-150.000.....	952	9.83	€116,383,351.55	17.64
150.001-180.000.....	230	2.37	€35,545,894.96	5.39
180.001-210.000.....	65	0.67	€13,271,885.33	2.01
210.001-240.000.....	132	1.36	€23,683,577.11	3.59
240.001-270.000.....	23	0.24	€4,940,796.62	0.75
270.001-300.000.....	2	0.02	€427,266.26	0.06
<b>Total .....</b>	<b>9,687</b>	<b>100.00</b>	<b>€659,607,575.73</b>	<b>100.00</b>

**Table C**

<b>Outstanding Loan Amount (€)</b>	<b>Number of Loans</b>	<b>%</b>	<b>Outstanding Balance</b>	<b>%</b>
1-30.000 .....	1,881	19.42	€37,500,149.32	5.69
30.001-60.000.....	2,845	29.37	€129,049,745.91	19.56
60.001-90.000.....	2,443	25.22	€182,112,052.33	27.61
90.001-120.000.....	731	7.55	€96,877,750.49	14.69
120.001-150.000.....	1,408	14.53	€145,051,060.27	21.99
150.001-180.000.....	211	2.18	€34,732,706.78	5.27
180.001-210.000.....	115	1.19	€22,228,715.77	3.37
210.001-240.000.....	40	0.41	€8,875,159.71	1.35
240.001-270.000.....	13	0.13	€3,180,235.15	0.48
<b>Total .....</b>	<b>9,687</b>	<b>100.00</b>	<b>€659,607,575.73</b>	<b>100.00</b>

**Table D**

<b>Origination Date</b>	<b>Number of Loans</b>	<b>%</b>	<b>Outstanding Balance</b>	<b>%</b>
1990 .....	1	0.01	€5,578.22	0.00
1991 .....	10	0.10	€116,904.36	0.02
1992 .....	8	0.08	€134,154.86	0.02
1993 .....	20	0.21	€433,539.62	0.07
1994 .....	104	1.07	€2,786,016.47	0.42
1995 .....	113	1.17	€3,927,768.78	0.60
1996 .....	206	2.13	€8,104,622.40	1.23
1997 .....	375	3.87	€17,917,654.10	2.72
1998 .....	1,013	10.46	€59,730,792.27	9.06
1999 .....	1,893	19.54	€121,198,322.33	18.37
2000 .....	2,190	22.61	€151,872,487.78	23.02
2001 .....	2,237	23.09	€167,378,552.65	25.38
2002 .....	1,517	15.66	€126,001,181.89	19.10
<b>Total .....</b>	<b>9,687</b>	<b>100.00</b>	<b>€659,607,575.73</b>	<b>100.00</b>



**Table E**

<b>Maturity Date</b>	<b>Number of Loans</b>	<b>%</b>	<b>Outstanding Balance</b>	<b>%</b>
2004 – 2005 .....	40	0.41	€636,168.87	0.10
2006 – 2010 .....	605	6.25	€15,913,341.56	2.41
2011 – 2015 .....	1,074	11.09	€41,514,378.04	6.29
2016 – 2020 .....	1,660	17.14	€85,531,700.50	12.97
2021 – 2025 .....	1,854	19.14	€123,676,183.43	18.75
2026 – 2030 .....	2,719	28.07	€225,309,158.84	34.16
2031 .....	1,735	17.91	€167,026,644.49	25.32
<b>Total .....</b>	<b>9,687</b>	<b>100.00</b>	<b>€659,607,575.73</b>	<b>100.00</b>

**Table F**

<b>Index</b>	<b>Number of Loans</b>	<b>%</b>	<b>Outstanding Balance</b>	<b>%</b>
Three Month EURIBOR .....	2,300	23.74	€169,932,912.82	25.76
Six Month EURIBOR .....	7,387	76.26	€489,674,662.91	74.24
<b>Total .....</b>	<b>9,687</b>	<b>100.00</b>	<b>€659,607,575.73</b>	<b>100.00</b>

**Table G**

<b>Interest Rate (Spread to Index)</b>	<b>Number of Loans</b>	<b>%</b>	<b>Outstanding Balance</b>	<b>%</b>
<= 0,500% .....	31	0.32	€2,840,459.82	0.43
0,501% – 0,750% .....	344	3.55	€31,905,491.48	4.84
0,751% – 1,000% .....	2,302	23.76	€194,129,290.47	29.43
1,001% – 1,250% .....	1,674	17.28	€130,454,619.04	19.78
1,251% – 1,500% .....	1,935	19.98	€128,426,505.73	19.47
1,501% – 1,750% .....	1,152	11.89	€64,865,934.09	9.83
1,751% – 2,000% .....	1,472	15.20	€74,085,048.83	11.23
2,001% – 2,250% .....	650	6.71	€28,347,515.73	4.30
2,251% – 2,500% .....	13	0.13	€595,957.80	0.09
2,751% – 3,000% .....	113	1.17	€3,936,817.87	0.60
3,001% – 4,250% .....	1	0.01	€18,934.87	0.00
<b>Total .....</b>	<b>9,687</b>	<b>100.00</b>	<b>€659,607,575.73</b>	<b>100.00</b>

**Table H**

<b>Interest Rate</b>	<b>Number of Loans</b>	<b>%</b>	<b>Outstanding Balance</b>	<b>%</b>
<= 4,00% .....	63	0.65	€5,896,360.72	0.89
4,01% – 4,50% .....	2,138	22.07	€182,673,849.54	27.69
4,51% – 5,00% .....	3,806	39.29	€276,793,844.58	41.96
5,01% – 5,50% .....	2,301	23.75	€130,826,263.53	19.83
5,51% – 6,00% .....	1,258	12.99	€59,098,933.78	8.96
6,01% – 6,50% .....	56	0.58	€1,955,834.13	0.30
6,51% – 7,00% .....	64	0.66	€2,342,494.58	0.36
7,51% – 8,00% .....	1	0.01	€18,934.87	0.00
<b>Total .....</b>	<b>9,687</b>	<b>100.00</b>	<b>€659,607,575.73</b>	<b>100.00</b>

**Table I**

<b>Original LTV</b>	<b>Number of Loans</b>	<b>%</b>	<b>Outstanding Balance</b>	<b>%</b>
0,01 – 10,00 .....	28	0.29	€705,792.16	0.11
10,01 – 20,00 .....	290	2.99	€6,376,299.61	0.97
20,01 – 30,00 .....	594	6.13	€18.015,066.57	2.73
30,01 – 40,00 .....	794	8.20	€33,678,866.42	5.11
40,01 – 50,00 .....	982	10.14	€53,266,834.50	8.08
50,01 – 60,00 .....	1,091	11.26	€68,842,987.39	10.44
60,01 – 70,00 .....	1,229	12.69	€88,225,699.58	13.38
70,01 – 80,00 .....	1,884	19.45	€142,659,677.65	21.63
80,01 – 90,00 .....	2,795	28.85	€247,836,351.85	37.57
<b>Total .....</b>	<b>9,687</b>	<b>100.00</b>	<b>€659,607,575.73</b>	<b>100.00</b>

**Table J**

<b>Current LTV</b>	<b>Number of Loans</b>	<b>%</b>	<b>Outstanding Balance</b>	<b>%</b>
0,01 – 10,00 .....	147	1.52	€2,066,201.78	0.31
10,01 – 20,00 .....	599	6.18	€12,794,992.10	1.94
20,01 – 30,00 .....	873	9.01	€29,069,098.85	4.41
30,01 – 40,00 .....	978	10.10	€44,051,125.96	6.68
40,01 – 50,00 .....	1,105	11.41	€64,254,581.48	9.74
50,01 – 60,00 .....	1,169	12.07	€79,848,375.85	12.11
60,01 – 70,00 .....	1,402	14.47	€107,915,443.58	16.36
70,01 – 80,00 .....	1,549	15.99	€135,976,370.19	20.61
80,01 – 90,00 .....	1,865	19.25	€183,631,386.21	27.84
<b>Total .....</b>	<b>9,687</b>	<b>100.00</b>	<b>€659,607,575.73</b>	<b>100.00</b>

**Table K**

<b>Remaining (years)</b>	<b>Number of Loans</b>	<b>%</b>	<b>Outstanding Balance</b>	<b>%</b>
1,01 – 5,00 .....	141	1.46	€2,901,724.77	0.44
5,01 – 10,00 .....	842	8.69	€25,401,852.49	3.85
10,01 – 15,00 .....	1,299	13.41	€56,979,458.97	8.64
15,01 – 20,00 .....	1,816	18.75	€102,744,063.18	15.58
20,01 – 25,00 .....	1,830	18.89	€133,425,408.59	20.23
25,01 – 30,00 .....	3,759	38.80	€338,155,067.73	51.27
<b>Total .....</b>	<b>9,687</b>	<b>100.00</b>	<b>€659,607,575.73</b>	<b>100.00</b>

**Table M**

<b>Employment Status</b>	<b>Number of Loans</b>	<b>%</b>	<b>Outstanding Balance</b>	<b>%</b>
ADMINISTRATIVE WORKER .....	976	10.08	€60,703,935.43	9.20
DIRECTOR / ADMINISTRATOR .....	1,084	11.19	€89,270,771.47	13.53
EXECUTIVE .....	1,439	14.85	€104,342,337.02	15.82
FARMER .....	21	0.22	€1,139,602.36	0.17
HOUSEWIFE.....	75	0.77	€3,704,773.57	0.56
INDUSTRIAL .....	167	1.72	€12,731,771.81	1.93
INVESTOR/LANDLORD.....	49	0.51	€3,277,183.99	0.50
SPECIALIZED WORKER .....	1,635	16.88	€97,439,424.06	14.77
NO SPECIALIZED WORKER .....	249	2.57	€13,202,493.07	2.00
RETAILER.....	417	4.30	€29,074,897.61	4.41
RETIRED .....	424	4.38	€17,006,122.81	2.58
SELF-EMPLOYED .....	579	5.98	€41,850,713.39	6.34
STUDENT .....	91	0.94	€6,983,166.96	1.06
TECHNICIAN .....	2,457	25.36	€177,953,088.28	26.98
UNEMPLOYED .....	24	0.25	€927,293.90	0.14
<b>Total .....</b>	<b>9,687</b>	<b>100.00</b>	<b>€659,607,575.73</b>	<b>100.00</b>

**Table N**

<b>Property Location</b>	<b>Number of Loans</b>	<b>%</b>	<b>Outstanding Balance</b>	<b>%</b>
AVEIRO .....	371	3.83	€25,623,861.50	3.88
BEJA .....	88	0.91	€4,271,551.36	0.65
BRAGA .....	556	5.74	€33,609,283.84	5.10
BRAGANCA .....	40	0.41	€2,206,441.78	0.33
CASTELO BRANCO .....	149	1.54	€8,300,296.48	1.26
COIMBRA .....	413	4.26	€26,636,889.88	4.04
EVORA .....	125	1.29	€7,869,428.30	1.19
FARO .....	752	7.76	€39,525,501.45	5.99
GUARDA.....	45	0.46	€2,045,514.30	0.31
ILHA FAIAL .....	17	0.18	€1,243,143.76	0.19
ILHA MADEIRA.....	168	1.73	€15,286,033.73	2.32
ILHA PICO .....	36	0.37	€1,568,976.71	0.24
ILHA PORTO SANTO .....	6	0.06	€348,529.56	0.05
ILHA SAO JORGE .....	12	0.12	€455,875.51	0.07
ILHA SAO MIGUEL.....	110	1.14	€5,296,016.00	0.80
ILHA TERCEIRA .....	34	0.35	€1,737,187.62	0.26
LEIRIA.....	374	3.86	€23,788,385.34	3.61
LISBOA .....	3,348	34.56	€258,473,164.21	39.19
PORTALEGRE .....	128	1.32	€9,158,866.07	1.39
PORTO.....	1,269	13.10	€87,190,497.67	13.22
SANTAREM .....	351	3.62	€20,348,230.60	3.08
SETUBAL .....	1,032	10.65	€68,289,903.10	10.35
VIANA CASTELO .....	94	0.97	€5,758,409.68	0.87
VILA REAL.....	56	0.58	€3,468,982.38	0.53
VISEU .....	113	1.17	€7,106,604.90	1.08
<b>Total .....</b>	<b>9,687</b>	<b>100.00</b>	<b>€659,607,575.73</b>	<b>100.00</b>

**Table O**

<b>Property Type</b>	<b>Number of Loans</b>	<b>%</b>	<b>Outstanding Balance</b>	<b>%</b>
Flat .....	6,585	67.98	€432,286,766.61	65.54
House .....	3,057	31.56	€224,101,423.54	33.97
Other.....	45	0.46	€3,219,385.58	0.49
<b>Grand Total.....</b>	<b>9,687</b>	<b>100.00</b>	<b>€659,607,575.73</b>	<b>100.00</b>

**Table P**

<b>Loan Purpose</b>	<b>Number of Loans</b>	<b>%</b>	<b>Outstanding Balance</b>	<b>%</b>
Acquisition of Residential Property .....	7,993	82.51	€561,157,455.43	85.07
Construction of Residential Property .....	840	8.67	€61,731,827.45	9.36
Improvement of Residential Property .....	854	8.82	€36,718,292.85	5.57
<b>Grand Total.....</b>	<b>9,687</b>	<b>100.00</b>	<b>€659,607,575.73</b>	<b>100.00</b>

**Table Q**

<b>Insurance</b>	<b>Number of Loans</b>	<b>%</b>	<b>Outstanding Balance</b>	<b>%</b>
Fire .....	134	1.38	€6,329,080.92	0.96
Fully Comprehensive .....	9,553	98.62	€653,278,494.81	99.04
<b>Grand Total.....</b>	<b>9,687</b>	<b>100.00</b>	<b>€659,607,575.73</b>	<b>100.00</b>

**Lending Criteria**

Certain key features of the criteria applied prior to approval of any advance in respect of a Mortgage Loan to be comprised in the Mortgage Asset Portfolio (the “**Lending Criteria**”) are set out below. The Seller has the right to vary or waive the Lending Criteria from time to time in the manner of a reasonably prudent mortgage lender (a “**Prudent Mortgage Lender**”) and the Seller may have waived or varied the Lending Criteria acting as a Prudent Mortgage Lender in respect of the Mortgage Loans to be comprised in the Mortgage Asset Portfolio. Only underwriting staff expressly granted the authority to do so may approve applications for Mortgage Loans which vary from the Lending Criteria.

The key features of the Lending Criteria are as follows:

*Security*

- (a) each of the Mortgage Loans is secured by a first ranking mortgage over a property in Portugal;
- (b) an independent valuer selected by the Seller is required to assess the value of the property securing each Mortgage Loan. Independent valuers are selected based on their professional qualifications and experience, and the quality and accuracy of their valuation reports are regularly monitored by specialised staff of the Seller; and
- (c) Borrowers are required to effect and maintain property insurance in an amount sufficient to recover the reinstatement value of the property and the Seller is a joint beneficiary under the policy.

*Loan-to-Value (“LTV”)*

The LTV of each Mortgage Loan, calculated by dividing the total principal amount advanced under such Mortgage Loan, taken together with all Mortgage Loans secured on the same property, by the valuation of the property, cannot exceed 100 per cent. Mortgage Loans with an LTV in excess of 90 per cent. will not be included in the Mortgage Asset Portfolio.

### *Purpose*

The Mortgage Loans are granted for the:

- (a) acquisition of residential property;
- (b) construction of residential property;
- (c) improvement of residential property; or
- (d) refinancing of a mortgage loan granted by another credit institution for one of the above purposes,

where such residential property is the primary or secondary residence of the Borrower.

### *Term*

Each Mortgage Loan has an initial term no longer than 30 years.

### *Borrowers*

- (a) Borrowers must have a minimum age of 18 years;
- (b) The Borrower's credit history has been assessed based on the Seller's own internal records for the past twelve months as well as on the latest records from the Bank of Portugal in respect of such Borrower. These records contain details of dishonoured cheques and the aggregate outstanding amount of debts to all credit institutions in Portugal, including details of any arrears, defaults and write-offs;
- (c) Borrowers have a demand deposit account with the Seller to which the direct debit of the instalments under the Mortgaged Loans has been authorised; and
- (d) Borrowers are encouraged to effect and maintain a life insurance policy at least equal to the amount of the loan and for the duration of the term and the Seller is a joint beneficiary under the policy. The requirement to obtain life insurance is waived by the Seller in a limited number of cases.

### *Income*

Annual gross income is determined by the tax return of the Borrower and, in the case of an employed Borrower, by a certificate issued by the employer. The amount of the monthly instalments under the Mortgage Loan cannot normally exceed 50 per cent. of the gross income of the relevant Borrower.

### *Information on the Mortgage Assets*

The information on the Mortgage Assets set out in this Offering Circular is derived without material adjustment from information provided by the Seller. The information in the section entitled "The Mortgage Asset Portfolio" has not been audited by the Fund, the Fund Manager, the Issuer, the Trustee, the Managers or any other independent source.

# SELECTED ASPECTS OF LAWS OF THE PORTUGUESE REPUBLIC RELEVANT TO THE MORTGAGE ASSET PORTFOLIO AND THE TRANSFER OF THE MORTGAGE ASSET PORTFOLIO

## Securitisation Legal Framework

### *General*

Decree-law 453/99 of 5 November 1999 (as amended by Decree-law 82/2002 of 5 April 2002) (the “**Securitisation Law**”) has implemented a specific securitisation legal framework in Portugal, which contains a simplified process for the assignment of credits. It regulates (i) the establishment and activity of Portuguese securitisation vehicles and (ii) the type of credits that may be securitised and the entities which may assign credits for securitisation purposes.

The most important aspects of this new legal framework may be summarised as follows:

- (a) the establishment of special rules facilitating the assignment of credits (including mortgage loans) in the context of securitisation;
- (b) types of originators/assignors which may assign their credits pursuant to the Securitisation Law;
- (c) types of credits that may be securitised;
- (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 Funds*

The FTC structure requires that the Fund be managed by a managing company pursuant to the terms of the applicable fund management regulation, a servicer must manage the assets of the FTC and a custodian must hold any assets forming part of the FTC.

### *The Fund – Concept and Types*

An FTC consists of a segregated pool of assets in respect of which an undivided ownership interest is held jointly by the holders of units in the relevant FTC (the “**Securitisation Units**”), who may be individuals or corporates, there being no specific requirements regarding their nature. An FTC is not liable for the debts of the holders of the Securitisation Units, of its managing company or of the entities from whom it acquired the pool of assets. The pool of assets acquired by an FTC may be of a variable nature or a fixed nature, as defined by the applicable fund regulation. If an FTC is of a variable nature, it may acquire further assets and issue further Securitisation Units. If it is of a fixed nature, it may not acquire further assets or issue further Securitisation Units.

The Securitisation Units issued by an FTC are issued in a given number with a given nominal value each being defined by the fund regulation and which take the form of registered book-entry securities.

The Securitisation Units may be issued for subscription by investors (including any assignor of receivables to an FTC). The relevant proceeds are required to be invested in accordance with the fund regulation and applicable legal constraints.

The holders of the Securitisation Units become the owners of an FTC and they will have no liability to contribute towards any loss suffered by the FTC above and beyond the nominal amount of the Securitisation Units for which they have each already subscribed.

In accordance with the terms of the Fund Regulation, the Securitisation Units may entitle the holders to any or all of the following rights:

- (a) payments of periodic income;
- (b) the right to reimbursement of the nominal value of the Securitisation Units; and

- (c) sharing of the assets of the FTC on its liquidation, in proportion to the relevant participation of the relevant holders.

Holders of Securitisation Units are not entitled to give instructions to the Managing Company in respect of the management of an FTC nor can they require the liquidation of an FTC.

#### *The Managing Company*

An FTC is managed by a managing company (*Sociedade Gestora de Fundos de Titularização de Créditos - "SGFTC"*). A managing company is a financial company which is required to have its registered offices and effective management in Portugal, which is characterised as a sociedade anónima (limited liability company) and whose share capital (with a minimum amount of 250,000) is represented by nominative shares and which is exclusively engaged in the management of one or more FTC's on behalf of the holders of Securitisation Units and which includes in its name the expression "SGFTC".

The ownership of shares in a managing company by a seller of receivables to an FTC managed by such managing company may in certain circumstances be restricted. The managing company is also subject to specific capital adequacy requirements in that the capital qualifying as own funds of the managing company must be not less than the following minimum percentages of the net value of all funds managed by such managing company: up to euro 75 million, being 0.5 per cent. and in excess of euro 75 million, being 0.1 per cent.

#### *The Custodian*

An FTC's assets are required to be held by a custodian which must be a credit institution with capital qualifying as own funds of at least 7,500,000 and which is required to have its registered office in Portugal or in another member state of the European Community, in which case it must have a branch in Portugal.

A custodian has the power to apply an FTC's assets in accordance with the instructions of the managing company but it must at all times ensure that any instructions received from the managing company is in conformity with the Securitisation Law and the fund regulation. An agreement to regulate the relations between the managing company and the custodian must be entered into between such parties in relation to a securitisation thereunder.

The managing company and the custodian are jointly and severally liable to the holders of the Securitisation Units for the performance of the obligations they have assumed under the terms of the law or of the fund regulation and for the updated, accurate and sufficient nature of the information contained in the fund regulation.

#### *Types of credits which may be securitised*

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 respect of such credits.

#### *Who may assign assets for securitisation purposes?*

Securitisation under the Securitisation Law is available to a wide range of originators including the Portuguese Republic and public corporate entities, credit institutions, financial companies, insurance companies, pension funds and pension fund managing companies and any other corporate entities whose accounts have been audited by an auditor registered with the CMVM for three consecutive years.

#### *Assignment of credits*

Under the Securitisation Law, the sale of credits for securitisation purposes is effected by an assignment of such credits. Such assignments are the subject matter of specific regulation, which is described below.

- (a) Notice to Borrowers

Except as set out below, to enable an assignment of credits to be effective against the relevant debtor notification to the debtor of such assignment is, in accordance with general civil law, required.



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 contract out of which the relevant credit arises) and such notification will be deemed to have occurred on the third business day following registration of the relevant letter.

An exception to this requirement applies when the assignment is made within the terms of the Securitisation Law by, *inter alia*, a bank, in which case there is no requirement to notify the relevant debtor as, in this case, the assignment of credits is deemed to be effective as regards the relevant debtor when it is effective between assignor and assignee.

Accordingly, in these cases, any payments made by the debtor to their original creditor further to the assignment will effectively belong to the assignee who may, at any time and even in the context of the bankruptcy of the assignor, claim them from the assignor.

(b) Assignment Formalities

There are no specific formality requirements for an assignment of credits under the Securitisation Law. A simple contract signed between the parties is sufficient for a valid assignment to occur (including in the case of the 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 and before a notary public or in the presence of the company secretary of each party (when the parties are corporate entities who 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.

Failure to apply for such registration after assignment of the mortgage loans does not impact on the validity of the transfer between assignor and assignee as the Securitisation Law provides for the transfer to be effective between the parties thereto following execution of the relevant assignment agreement.

This means that in the event of bankruptcy of the assignor prior to registration of the transfer of the security, the security will not form part of the bankruptcy estate of the assignor even if the assignee may have to claim its entitlement to the securitised pool of assets and corresponding security before the competent court.

However, the assignment of the security can only be found to be effective *erga omnes* (i.e. against all unrelated third parties) further to registration of such assignment by or on behalf of the assignee. The Fund Manager is entitled under the Securitisation Law to effect such registration and the Fund Manager will acquire sufficient information from the Seller on the Closing Date to enable it to do so without any further act being required of the Seller.

(c) Assignment and Bankruptcy

Unless an assignment is concluded in bad faith, no assignment of credits for securitisation purposes may be challenged for the benefit of the assignor's bankruptcy estate and any payments made to the assignor in respect of credits assigned prior to a declaration of bankruptcy will not form part of its bankruptcy estate even when their maturity date is subsequent to the date of such declaration. In addition any amounts held by the servicer as a result of its collection of payments in respect of the credits assigned for securitisation purposes will not form part of the servicer's bankruptcy estate.

## *Mortgages of real property under Portuguese law*

### (a) Concept

A mortgage entitles the mortgagee, in the event of default of the relevant obligations, to be paid with preference to non-secured creditors from the proceeds of the sale of the relevant property, the subject of the mortgage.

### (b) 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 notary public and must comply with certain formalities as to its creation (in some cases banks may have special template forms, pursuant to applicable legislation).

The notarial deed 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. Lack of registration of a mortgage cannot be remedied, security being deemed, in those cases, to be non-existent for all legal purposes.

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 an earlier 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 bankruptcy of the obligor has been declared); and (ii) employees' credits in respect of unpaid salaries due by the mortgagor.

In accordance with the Portuguese Civil Code, the 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 unattributable to the lender.

### (c) Enforcement and judicial procedures

Enforcement of a mortgage on real property may only be made through a court procedure, whereby the mortgagee is entitled to demand the judicial sale 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, it 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 only bid in the judicial sale along with, and with no preference above, 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, the remaining amount (if any) being allocated to the next ranking creditor and so on.

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.

## *Set-Off Risk by Borrowers*

### (a) General

This section concerns the risk that the mortgagors may exercise against an assignee of the mortgage loans any set-off rights they held against the mortgagee.

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 in articles 847 to 856) but it has had an impact on set-off risk related matters to the extent it has varied the Portuguese Civil Code rules on the assignment of credits by a credit institution, a financial company, an insurance company, pension funds and pension fund managers by causing an assignment to be effective as regards the debtor on the date of assignment of the credit without notification being required to be given to the relevant debtor.

After the assignment of a credit pursuant to the Securitisation Law, a debtor is unable to exercise any right of set-off against an assignee of such credit other than to the extent that any such rights existed against the assignor of such credit prior to the date of such assignment.

### (b) Bankruptcy Set-Off

Under Article 153 of the Portuguese Bankruptcy Law, a debtor is unable to exercise any right of set-off against a creditor after a declaration of bankruptcy of such creditor. Accordingly, if an assignor of a credit is declared bankrupt after the assignment of such credit to an assignee, the debtor is unable to exercise any right of set-off which it may have had prior to such assignment against the assignee of such credit.

## **Data protection law**

As regards data protection, Law 67/98 of October 26, 1998 (hereinafter "Law 67/98") (which implemented Directive 95/46/EC, dated October 24, 1995) provides for the protection of individuals regarding the processing of personal data and the free movement of such data.

Pursuant to Law 67/98, any processing of personal data (i.e. any operation or set of operations which is performed on personal data, whether wholly or partly by automatic means, such as collection, recording, storage or disclosure by transmission) requires express consent of the respective person, unless the processing is necessary in certain specific circumstances provided under the relevant laws.

It should be noted that the controller (i.e. the entity that determines the purposes and means of the processing of personal data) or his representative, if any, must notify the Comissão Nacional de Protecção de Dados (CNPd) – i.e. the national independent authority with powers to monitor and supervise compliance with the requirements of the law and regulations with regard to the protection of personal data, before carrying out any wholly or partially automatic data processing operation or set of such operations intended to serve a single purpose or several related purposes.

## ESTIMATED AVERAGE LIFE OF THE NOTES AND ASSUMPTIONS

The average lives of the Class A Notes, the Class B Notes and the Class C 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. Calculations of possible average lives of the Class A Notes, the Class B Notes and the Class C Notes can be made under certain assumptions. Based on the assumptions that:

- (a) the Mortgage Loans are subject to a constant annual rate of principal prepayments shown in the table below;
- (b) no Mortgage Loans are sold by the Fund except as may be necessary to enable the Issuer to realise sufficient funds to exercise its option to redeem the Notes;
- (c) no Borrowers are offered and accept different mortgage products or further advances by Montepio Geral or any of its subsidiaries; and
- (d) the Mortgage Loans continue to be fully performing,

the approximate average lives of the Notes, at various assumed rates of prepayment of the Mortgage Loans, would be as follows:

<b>Constant Prepayment Rate (per cent. per annum)</b>	<b>Possible Average Life of Class A Notes (years)</b>	<b>Possible Average Life of Class B Notes (years)</b>	<b>Possible Average Life of Class C Notes (years)</b>
6.0	6.6	14.6	14.6
8.5	5.4	12.3	12.3
10.0	4.9	11.3	11.3

Assumption (a) 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.

Assumptions (b) and (c) relate to circumstances which are not predictable.

The average lives of the Class A Notes, the Class B Notes and the Class C 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.

## SUMMARY OF PROVISIONS RELATING TO NOTES IN GLOBAL FORM

Each class of Notes will initially be in the form of a Temporary Global Note which will be deposited on or around the Closing Date with a common depository 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 40 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.

The Permanent Global Notes will become exchangeable in whole, but not in part, for Notes in definitive form (“**Definitive Notes**”) in the denomination of €10,000 each 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 either of the following events (each, an “**Exchange Event**”) occurs:

- (a) either Euroclear or Clearstream, Luxembourg is closed for business for a continuous period of 14 days (other than by reason of holiday, statutory or otherwise) or announces an intention permanently to cease business or does in fact do so; or
- (b) as a result of any amendment to, or change in, the laws or regulations of the Republic of Ireland, the Issuer is or will be required to make any Tax Deduction which would not be required if the Notes were 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 30 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 Terms and 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:

### *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 any 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 endorsed on such Global Note by the Principal Paying Agent to which such Global Note was presented for the purpose of making such payment and such record shall be prima facie evidence that the payment in question has been made.

### *Notices*

Notwithstanding the Notices Condition, while any of the Notes are represented by a Permanent Global Note (or by a Permanent Global Note and/or a Temporary Global Note) and the Permanent Global Note is (or the Permanent Global Note and/or the Temporary Global Note are) deposited with a common depository for Euroclear and Clearstream, Luxembourg, notices to Noteholders may be given by delivery of the relevant notice to Euroclear and Clearstream, Luxembourg and, in any 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.

### *Transfers*

For so long as the Notes are represented by the relevant Global Notes, the Notes so represented by such Global Notes will be transferable in accordance with the rules and procedures for the time being of Euroclear, or, as the

case may be, Clearstream, Luxembourg and the Issuer, the Principal Paying Agent and the Trustee may treat each person who is for the time being shown in the records of Euroclear or of Clearstream, Luxembourg as the holder of a particular principal amount of Class A Notes, Class B Notes or Class C Notes (as the case may be) (in which regard any certificate or other document issued by Euroclear or Clearstream, Luxembourg as to the principal amount of the Notes standing to the account of any person shall be conclusive and binding for all purposes) as the holder of such principal amount of such Notes for all purposes, other than with respect to the payment of interest and repayment of principal on such Notes, the right to which shall be vested solely in the bearer of the relevant Global Note and in accordance with its terms.

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 and the Class C Notes, as the case may be, and, at any such meeting, as having one vote in respect of each €10,000 principal amount of Notes of the Class for which the Global Note may be exchanged.

## TERMS AND CONDITIONS OF THE NOTES

The following is the text of the Terms and Conditions of the Notes which (subject to completion and amendment) will be endorsed on each Definitive Note:

### 1. General

- 1.1 The Issuer has agreed to issue the Notes subject to the terms of the Trust Deed.
- 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 Trust Documents and the Paying Agency Agreement and are subject to their detailed provisions.
- 1.4 The Instrumentholders are bound by the terms of the Trust Documents and are deemed to have notice of all the provisions of the Issuer Transaction Documents.
- 1.5 Copies of the Issuer Transaction Documents are available for inspection by Noteholders during normal business hours at the principal office for the time being of the Trustee, being at the date hereof 82 Bishopsgate, London EC2N 4BN and at the Specified Offices of each of the Paying Agents, the initial Specified Offices of which are set out below.

### 2. Definitions

In these Conditions the following defined terms have the meaning set out below:

“**Account Details**” means the details of the Issuer Accounts set out in Schedule 8 to the Master Framework Agreement;

“**Agent Bank**” means ABN AMRO Bank N.V. (London Branch) in its capacity as the agent bank in respect of the Notes in accordance with the terms of the Paying Agency Agreement;

“**Agents**” means the Agent Bank and the Paying Agents and “**Agent**” means any one of them;

“**Ancillary Mortgage Rights**” means, in respect of each Mortgage Loan and its related 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;
- (b) any related Insurance Policies;
- (c) all monies and proceeds 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 Seller contained in or relating to such Mortgage Loan or Mortgage; and
- (e) all causes and rights of action (present and future) against any person relating to such Mortgage Loan or Mortgage, including the benefit of all powers and remedies for enforcing or protecting the Seller’s right, title, interest and benefit in respect of such Mortgage Loan or Mortgage;

“**Authorised Investments**” means:

- (a) euro denominated demand or time deposits, certificates of deposit and short-term unsecured debt obligations, including commercial paper, provided that the issuing entity or, if such investment is guaranteed, the guaranteeing entity, is rated the Minimum Short-term Rating; and
- (b) any other obligations the investment in which would not adversely affect the ratings of the Notes;

“**Available Redemption Funds**” means in relation to an Interest Payment Date, the amount calculated as at the related Calculation Date equal to the aggregate of the Principal Receipts received by the Issuer with



respect to the related Calculation Period minus the Principal Addition Amount (if any) to be added to the Revenue Ledger on the immediately succeeding Interest Payment Date;

“**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;

“**Borrower Repayment Amount**” means the amount required on any Business Day to make payment to a Borrower under the terms of the Mortgage Asset Agreement to which that Borrower is a party or by operation of law (but subject to any right to refuse or withhold payment of such amount or any right of set-off that has arisen by reason of the Borrower’s breach of the terms of such Mortgage Asset Agreement); “**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) for the purposes of (i) the definition of “**Calculation Date**”, (ii) the transfer of funds to and from the Proceeds Accounts and to the Fund Account, and (iii) the calculation of any amounts or the giving of any notices by the Seller, the Servicer, the Fund Manager or the Custodian, a day on which commercial banks and foreign exchange markets settle payments in Lisbon and London;
- (b) for the purposes of any day on which distributions are made with respect to the Units, a day on which commercial banks and foreign exchange markets settle payments in Lisbon and London;
- (c) for the purposes of the calculation of any amounts or the giving of any notices to Noteholders by the Agent Bank or the Principal Paying Agent, a day on which commercial banks and foreign exchange markets settle payments in London and a day on which the TARGET system is operating; and
- (d) for the purposes of effecting any payments in respect of the Notes, a day on which commercial banks and foreign exchange markets settle payments in London and a day on which the TARGET system is operating;

“**Calculation Date**” means the last Business Day of the month which immediately precedes the month in which any Interest Payment Date falls and in relation to any Interest Payment Date, the “**related Calculation Date**” means, unless the context otherwise requires, the Calculation Date immediately preceding such Interest Payment Date;

“**Calculation Period**” means the period from (and including) a Calculation Date (or in respect of the first Calculation Period, from (and including) the Portfolio Determination Date) to (but excluding) the next (or first) Calculation Date and, in relation to an Interest Payment Date, the “**related Calculation Period**” means, unless the context otherwise requires, the Calculation Period ending on the related Calculation Date;

“**Charged Property**” means all the property of the Issuer which is subject to the Security;

“**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 Trust Deed 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 Interest Amount Arrears**” means, in respect of the Class A Notes on any Interest Payment Date, any amount of interest in respect of the Class A Notes which is due but not paid as at such date;

“**Class A Interest Revenue Shortfall**” means, as at any Interest Payment Date, in respect of which the Transaction Manager has determined as at the related Calculation Date, that a Revenue Shortfall remains after the use of any amounts in the Reserve Ledger to reduce such shortfall but prior to the transfer of any Principal Addition Amount from the Principal Ledger, the amount by which the Issuer would be unable to make payments in full of items (i) to (xi) of the Pre-Enforcement Interest Payment Date Revenue Payments Priorities;

**“Class A Noteholders”** means the persons who for the time being are holders of the Class A Notes;

**“Class A Notes”** means the €611,000,000 Class A Mortgage Backed Floating Rate Notes due 2037 issued or due to be issued by the Issuer on the Closing Date or, as the case may be, a specific number thereof, whether represented by definitive or global notes;

**“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 of the Trust Deed;

**“Class A Principal Deficiency Ledger”** means the sub-ledger of the Principal Deficiency Ledger applicable to the Class A Notes created in accordance with Paragraph 13.3 (*Principal Deficiency sub-Ledgers*) of Schedule 1 of the Transaction Management Agreement;

**“Class A Receipts”** means the principal receipts related to the Class A Definitive Notes;

**“Class A Revenue Addition Amount”** means, in relation to any Interest Payment Date, the amount determined as at the related Calculation Date in accordance with the provisions of the Transaction Management Agreement, being the lesser of the debit balance on the Class A Principal Deficiency Ledger as at such Calculation Date and the amount of Revenue Receipts available to the Issuer in the Revenue Ledger as at such Calculation Date after payment of the amounts in item (i) to item (xi) of the Pre-Enforcement Interest Payment Date Revenue Payments Priorities;

**“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 Trust Deed;

**“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 Trust Deed 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 Interest Amount Arrears”** means, in respect of the Class B Notes on any Interest Payment Date, any amount of interest in respect of the Class B Notes which is due but not paid as at such date;

**“Class B Interest Revenue Shortfall”** means, as at any Interest Payment Date, in respect of which the Transaction Manager has determined as at the related Calculation Date, that a Revenue Shortfall remains after the use of any amounts in the Reserve Ledger to reduce such shortfall but prior to the transfer of any Principal Addition Amount from the Principal Ledger, the amount by which the Issuer would be unable to make payments of interest and arrears of interest in full in respect of the Class B Notes on such Interest Payment Date;

**“Class B Noteholders”** means the persons who for the time being are holders of the Class B Notes;

**“Class B Notes”** means the €16,250,000 Class B Mortgage Backed Floating Rate Notes due 2037 issued or due to be issued by the Issuer on the Closing Date or, as the case may be, a specific number thereof, whether represented by definitive or global notes;

**“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 Trust Deed;

**“Class B Principal Deficiency Ledger”** means the sub-ledger of the Principal Deficiency Ledger applicable to the Class B Notes created in accordance with Paragraph 13.3 (*Principal Deficiency sub-ledgers*) of Schedule 1 of the Transaction Management Agreement;

**“Class B Receipts”** means the principal receipts related to the Class B Definitive Notes;

**“Class B Revenue Addition Amount”** means, in relation to any Interest Payment Date, the amount determined as at the related Calculation Date in accordance with the provisions of the Transaction Management Agreement, being the lesser of the debit balance on the Class B Principal Deficiency Ledger as at such Calculation Date and the amount of Revenue Receipts available to the Issuer in the Revenue Ledger as at such Calculation Date after payment of the amounts in item (i) to item (xiii) of the Pre-Enforcement Interest Payment Date Revenue Payments Priorities;

**“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 Trust Deed;

**“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 Trust Deed 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 Interest Amount Arrears”** means, in respect of any Class C Note on any Interest Payment Date, any amount of any interest in respect of such Class C Note which is due but not paid on such date;

**“Class C Interest Revenue Shortfall”** means, as at any Interest Payment Date, in respect of which the Transaction Manager has determined as at the related Calculation Date, that a Revenue Shortfall remains after the use of any amounts in the Reserve Ledger to reduce such shortfall but prior to the transfer of any Principal Addition Amount from the Principal Ledger, the amount by which the Issuer would be unable to make payments of interest and arrears of interest in full in respect of the Class C Notes on such Interest Payment Date;

**“Class C Noteholders”** means the persons who for the time being are holders of the Class C Notes;

**“Class C Notes”** means the €22,750,000 Class C Mortgage Backed Floating Rate Notes due 2037 issued or due to be issued by the Issuer on the Closing Date or, as the case may be, a specific number thereof, whether represented by definitive or global notes;

**“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 of the Trust Deed;

**“Class C Principal Deficiency Ledger”** means the sub-ledger of the Principal Deficiency Ledger applicable to the Class C Notes created in accordance with Paragraph 13.3 (*Principal Deficiency sub-ledgers*) of Schedule 1 of the Transaction Management Agreement;

**“Class C Receipts”** means the principal receipts related to the Class C Definitive Notes;

**“Class C Revenue Addition Amount”** means, in relation to any Interest Payment Date, the amount determined as at the related Calculation Date in accordance with the provisions of the Transaction Management Agreement, being the lesser of the debit balance on the Class C Principal Deficiency Ledger as at such Calculation Date and the amount of Revenue Receipts available to the Issuer in the Revenue Ledger as at such Calculation Date after payment of the amounts item (i) to item (xv) of the Pre-Enforcement Interest Payment Date Revenue Payments Priorities;

**“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 Trust Deed;

**“Class D Note Purchase Agreement”** means the agreement so named dated on or about the Signing Date between the Issuer and Montepio Geral;

**“Class D Notes”** means the €3,250,000 Class D Mortgage Backed Residual Entitlement Notes due 2037 issued or due to be issued by the Issuer on the Closing Date;

**“Closing Date”** means 19 December 2002;

**“Completion of Enforcement Procedures”** means completion of the Enforcement Procedures such that the Servicer reasonably considers that continuation of the Enforcement Procedures is no longer cost effective;

**“Conditions”** means in relation to the Notes, the terms and conditions to be endorsed on the Notes in, or substantially in, the form set out in Schedule 7 to the Trust Deed as any of the same may from time to time be modified in accordance with the Trust Deed 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 entered into between, *inter alios*, the Trustee, the Issuer, the Fund Manager, the Custodian, the Servicer and the Seller on or about the Closing Date;

“**Corporate Services Agreement**” means the agreement so named dated on or about the Closing Date between the Corporate Services Provider, the Issuer and the Trustee;

“**Corporate Services Provider**” means SPV Management (Dublin) Limited;

“**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;

“**Custodian**” means Montepio Geral in its capacity as custodian pursuant to the Custodian Agreement;

“**Custodian Agreement**” means the agreement so named dated on or about the Closing Date between the Custodian and the Fund Manager;

“**Day Count Fraction**” means in respect of an Interest Period, the actual number of days in such period divided by 360;

“**Deferred Interest Amount Arrears**” means the Class A Interest Amount Arrears, the Class B Interest Amount Arrears and the Class C Interest Amount Arrears;

“**Deferred Interest Amount Arrears Discharge Date**” means the date upon which the obligation of the Issuer to pay any Deferred Interest Amount Arrears is discharged;

“**Definitive Notes**” means the Class A Definitive Notes, the Class B Definitive Notes and the Class C Definitive Notes;

“**EMU**” means European Economic and Monetary Union;

“**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;
- (b) any arrangement under which money or claims to, or the benefit of, a bank or other account may be applied, set-off or made subject to a combination of accounts so as to effect discharge of any sum owed or payable to any person; or
- (c) any other type of preferential arrangement (including any title transfer or retention arrangement) having a similar effect;

“**Enforcement Notice**” means a notice delivered by the Trustee to the Issuer in accordance with Condition 12 (*Events of Default*) which declares the Notes to be immediately due and payable;

“**Enforcement Procedures**” means the exercise 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;

“**euro**” or “**€**” means the single currency introduced at the start of the third stage of the EMU pursuant to the Treaty establishing the European Communities;

“**Euro Reference Rate**” means, on any Interest Determination Date, 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. (London time) on that date, of the Reference Banks to leading banks for euro deposits for the Relevant Period in the London interbank market in the Representative Amount, determined by the Agent Bank after request of the principal London 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 Euro Reserve Reference Rate;

“**Euro Reserve Reference Rate**” means on any Interest Determination Date:

- (a) the Rounded Arithmetic Mean of the rates quoted, as at or about 11.00 a.m. (local time in any Participating Member State selected by the Agent Bank in its discretion) on such Interest Determination Date, by leading banks in such Participating Member State, to leading banks in the interbank market in the relevant Participating Member State, for euro loans for the Relevant Period in the Representative Amount, 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 bank; or
- (b) if the Agent Bank certifies that it cannot determine such Rounded Arithmetic Mean as aforesaid, the Euro Reference Rate in effect for the Interest Period current on the relevant Interest Determination Date;

“**Euro Screen Rate**” means, in relation to an Interest Determination Date, the offered quotations for euro deposits for the Relevant Period in the London interbank market determined by reference to the Screen as at or about 11.00 a.m. (London time) on that date;

“**Event of Default**” means any one of the events specified in Condition 12 (*Events of Default*);

“**Extraordinary Resolution**” means a resolution passed at a Meeting duly convened and held in accordance with the Provisions for Meetings of Noteholders by not less than three quarters of the votes cast;

“**Final Discharge Date**” means the date on which the Trustee notifies the Issuer and the other Secured Creditors that it is satisfied that all the Secured Amounts and/or all other moneys and other liabilities due or owing by the Issuer have been paid or discharged in full;

“**Final Maturity Date**” means the Interest Payment Date falling in September 2037;

“**First Interest Payment Date**” means 15 March 2003;

“**Fitch**” means Fitch Ratings Limited;

“**Fund**” means Fundo MG Titulos, FTC, a Portuguese securitisation fund (*Fundo de Titularização de Créditos*) approved by a resolution of the Board of Directors of CMVM expected to be obtained on or about 17 December 2002;

“**Fund Account**” means the account so named specified in the Account Details or such other account or accounts as may be named the “Fund Account” in accordance with the terms of the Fund Account Bank Agreement;

“**Fund Account Bank**” means ABN AMRO Bank N.V. (London Branch);

“**Fund Account Bank Agreement**” means the agreement so named dated on or about the Closing Date between the Fund Manager, the Fund Account Bank and the Custodian;

“**Fund Expenses**” means the expenses of the Fund calculated in accordance with Clause 7.2 (*Payment of Fund Expenses*) of the Custodian Agreement;

“**Fund Manager**” means Servimédia, SGFTC, S.A.;

“**Fund’s Jurisdiction**” means the Portuguese Republic;

“**holder**” means the bearer of a Note and the words “holders” and related expressions shall (where appropriate) be construed accordingly;

**“Initial Principal Amount”** means, in relation to any Note, the Principal Amount Outstanding of such Note on the Closing Date;

**“Insolvency Act”** means the Insolvency Act 1986;

**“Insolvency Event”** in respect of a company means:

- (a) such company is (or admits it is) deemed unable to pay its debts as they fall due within the meaning of section 123 of the Insolvency Act, section 214 of the Irish Companies Act 1963 or section 2(3) of the Irish Companies (Amendment) Act 1990; or
- (b) such company admits it is or becomes unable to pay its debts as they fall due; or
- (c) the value of the assets of such company falls to less than the amount of its liabilities; or
- (d) such company otherwise becomes insolvent; or
- (e) the initiation of or consent to Insolvency Proceedings by such company or any other person or the presentation of a petition for the making of an administration order (other than in the case of the Issuer) and, in the opinion of the Trustee, such proceedings are not being disputed in good faith with a reasonable prospect of success;
- (f) the giving of notice of appointment of an administrator or the making of an administration order or an administrator being appointed or the appointment of an examiner in relation to such company; or
- (g) an encumbrancer (excluding, in relation to the Issuer, the Trustee or any Receiver) taking possession of the whole or, in the sole opinion of the Trustee, any substantial part of the undertaking or assets of such company; or
- (h) any distress, execution, attachment or other process being levied or enforced or imposed upon or against the whole or (in the opinion of the Trustee) any substantial part of the undertaking or assets of such company (excluding, in relation to the Issuer, by the Trustee or any Receiver) and such order, appointment, possession or process (as the case may be) not being discharged or otherwise ceasing to apply within 30 days; or
- (i) the making of an arrangement, composition, scheme of arrangement, reorganisation with or conveyance to or assignment for the creditors of such company generally or the making of an application to a court of competent jurisdiction for protection from the creditors of such company generally; or
- (j) the passing by such company of an effective resolution or the making of an order by a court of competent jurisdiction for the winding up, liquidation or dissolution of such company or for the appointment of an examiner (except, in the case of the Issuer, a winding up for the purpose of a merger, reorganisation or amalgamation the terms of which have previously been approved either in writing by the Trustee or by an Extraordinary Resolution of the holders of the Most Senior Class of outstanding Notes) or for the appointment of an examiner; or
- (k) the appointment of an Insolvency Official in relation to such company or in relation to the whole or in the opinion of the Trustee any substantial part of the undertaking or assets of such company (excluding, in relation to the Issuer, a Receiver);

**“Insolvency Official”** means, in connection with any Insolvency Proceedings, in relation to a company a liquidator, provisional liquidator, administrator, examiner, receiver or manager, nominee, supervisor, trustee, conservator, guardian or other similar official in respect of such company or in respect of all (or substantially all) of the company’s assets or in respect of any arrangement or composition with creditors;

**“Insolvency Proceedings”** means, in respect of a company, the winding-up, liquidation, dissolution, administration or examination of such company or any equivalent or analogous proceedings under the law of the jurisdiction in which such company is incorporated or of any jurisdiction in which such company carries on business including the seeking of liquidation, winding-up, reorganisation, dissolution, administration, examination, arrangement, adjustment, protection or relief of debtors;



**“Instrumentholders”** means the persons who for the time being are the holders of the Instruments;

**“Instruments”** means the Temporary Global Notes, the Permanent Global Notes, the Definitive Notes, the Coupons, the Receipts and the Talons and **“Instrument”** means any one of them;

**“Insurance Policies”** means the insurance policies described as such in Schedule 6 to the Mortgage Backed Credits Assignment Agreement and any other insurance contracts of similar effect in replacement, addition or substitution therefor from time to time and **“Insurance Policy”** means each of those insurance policies;

**“Interest Amount”** means:

- (a) in respect of a Note for any Interest Period, the aggregate of:
  - (1) the amount of interest calculated on the related Interest Determination Date in respect of such Note for such Interest Period by multiplying the Principal Amount Outstanding of such 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 Minimum Denomination; and
  - (2) in the case of each Class A Note and each Class B Note and each Class C Note, the Class A Interest Amount Arrears, the Class B Interest Amount Arrears or, as the case may be, the Class C Interest Amount Arrears, in respect of such Note on the preceding Interest Payment Date, together with accrued interest on such arrears in accordance with Condition 7.10 (*Deferral Interest Amount Arrears*); and
- (b) in relation to a class for any Interest Period, the aggregate amount calculated in accordance with paragraph (a) above, in respect of such class for such Interest Period;

**“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 save that the Interest Determination Date in respect of the First Interest Period shall be two Business Days prior to the Closing Date;

**“Interest Payment Date”** means the fifteenth day of March, June, September and December 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 in which such Interest Determination Date falls or, if such Interest Determination Date is not an Interest Payment Date, the Interest Period next commencing after such Interest Determination Date;

**“Issuer”** means Pelican Mortgages No. 1 Public Limited Company, a public limited company incorporated in Ireland with registered number 361759;

**“Issuer Accounts”** means the accounts so named specified in the Account Details or such other account or accounts as may, with the prior written consent of the Trustee, be designated by the Issuer as such account;

**“Issuer Accounts Bank”** means ABN AMRO Bank N.V. (London Branch) in its capacity as the bank at which the Issuer Accounts is held in accordance with the Issuer Accounts Bank Agreement;

**“Issuer Accounts Bank Agreement”** means the agreement so named dated on or about the Closing Date between the Issuer, the Transaction Manager, the Issuer Accounts Bank and the Trustee;

**“Issuer Covenants”** means the covenants of the Issuer set out in Schedule 5 (*Issuer Covenants*) to the Master Framework Agreement;



**“Issuer Transaction Documents”** means the Trust Deed, the Paying Agency Agreement, the Security Deed, the Master Framework Agreement, the Transaction Management Agreement, the Liquidity Facility Agreement, the Issuer Accounts Bank Agreement, the Subordinated Loan Facility Agreement, the Swap Agreement, the Corporate Services Agreement, the Co-ordination Agreement, the Unit Assignment Agreement, the Subscription Agreement and the Class D Notes Purchase Agreement;

**“Issuer’s Assets”** means the whole of the Issuer’s undertaking and all the Issuer’s property, assets and rights including the Issuer’s rights under and in respect of the Units, its rights in respect of the Issuer Accounts and its rights under the Issuer Transaction Documents;

**“Issuer’s Jurisdiction”** means the Republic of Ireland;

**“LF Revolving Drawing”** means a drawing made by the Issuer in accordance with the terms of the Liquidity Facility Agreement or, as the case may be, the principal amount of such drawing for the time being outstanding;

**“Liabilities”** means in respect of any person, any losses, liabilities, damages, costs, awards, claims, demands, expenses, judgments, actions, proceedings or other liabilities whatsoever (including properly incurred legal fees) and any Taxes and penalties incurred by that person together with any VAT charged or chargeable in respect thereof;

**“Liquidity Facility Agreement”** means the agreement so named dated on or about the Closing Date between the Issuer, the Liquidity Facility Provider and the Trustee;

**“Liquidity Facility Provider”** means ABN AMRO Bank N.V. in its capacity as liquidity facility provider in accordance with the terms of the Liquidity Facility Agreement;

**“Liquidity Ledger”** means the ledger in the books of the Issuer so named;

**“Liquidity Loan”** means, at any time, the amount equal to the aggregate of the amount then credited to the Liquidity Ledger;

**“Liquidity Loan Period”** means the period after the date upon which the Issuer has drawn down the Liquidity Loan during which the Liquidity Loan remains outstanding;

**“Liquidity Revolving Drawing”** means a drawing made by the Issuer during the Liquidity Loan Period in accordance with the terms of the Liquidity Facility Agreement and notified to the Liquidity Facility Provider by the delivery of a notice requiring the making of a Liquidity Revolving Drawing in accordance with the terms of the Liquidity Facility Agreement;

**“Managers”** means ABN AMRO Bank N.V. and BCP Investimento – Banco Comercial Português des Investimento S.A. and DZ BANK AG Deutsche-Zentral-Genossenschaftsbank, Frankfurt am Main;

**“Master Definitions Schedule”** means Schedule 1 to the Master Framework Agreement;

**“Master Framework Agreement”** means the agreement so named dated on or about the Closing Date between the Issuer and the Trustee;

**“Maximum Principal Addition Amount”** means, as at any Interest Payment Date the aggregate of:

- (a) an amount equal to the Class A Interest Revenue Shortfall as at such Interest Payment Date; and
- (b) an amount equal to the lesser of (i) the amount of the Class B Interest Revenue Shortfall as at such Interest Payment Date and (ii) an amount such that, after making any transfer of Principal Receipts from the Principal Ledger on such Interest Payment Date, any debit balance on the Class B Principal Deficiency Ledger would not exceed an amount equal to 25 per cent. of the Principal Amount Outstanding of the Class B Notes as at close of business on such Interest Payment Date; and
- (c) an amount equal to the lesser of (i) the Class C Interest Revenue Shortfall as at such Interest Payment Date and (ii) an amount such that, after making any transfer of Principal Receipts from the Principal Ledger on such Interest Payment Date, any debit balance on the Class C Principal

Deficiency Ledger would not exceed an amount equal to 25 per cent. of the Principal Amount Outstanding of the Class C Notes as at close of business on such Interest Payment Date;

“**Meeting**” means a meeting of Noteholders of any class or classes (whether originally convened or resumed following an adjournment);

“**Minimum Denomination**” means 0.01 euro;

“**Moody’s**” means Moody’s Investors Service Limited;

“**Mortgage**” means, in respect of any Mortgage Loan, the charge by way of legal mortgage over the relevant Property together with all other Encumbrances or guarantees the benefit of which is vested in the Seller 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 Seller to the Fund and “**Mortgage Assets**” means all of them;

“**Mortgage Asset Agreement**” means, in respect of a Mortgage Asset, the agreement made between the Seller and the relevant Borrower in respect of which the Seller has agreed to make a Mortgage Loan to that Borrower by way of public deed and which includes all other agreements or documentation relating to that Mortgage Asset;

“**Mortgage Loan**” means the aggregate euro advances made by the Seller to the relevant Borrower by way of a loan and from time to time outstanding;

“**Mortgage Backed Credits Assignment Agreement**” means the agreement so named dated on or about the Closing Date between the Seller and the Fund;

“**Most Senior Class**” means, the Class A Notes whilst they remain outstanding and thereafter the Class B Notes whilst they remain outstanding and thereafter the Class C Notes whilst they remain outstanding and thereafter the Class D Notes;

“**Net Principal Collections**” means the amount of the Principal Receivables from the Mortgage Assets received into the Proceeds Accounts during each Calculation Period less the amount required during such Calculation Period to make payment to a Borrower of a Borrower Repayment Amount which is of a principal nature;

“**Net Revenue Collections**” means the amount of the Revenue Receivables from the Mortgage Assets received into the Proceeds Accounts during each Calculation Period less the amount required during such Calculation Period to make payment to a Borrower of a Borrower Repayment Amount which is of a revenue nature;

“**Note Principal Payment**” means, on any Interest Payment Date:

- (a) in the case of each Class A Note, an amount equal to the lesser of the Available Redemption Funds and the Principal Amount Outstanding of the Class A Notes, each determined as at the related Calculation Date, divided by the number of outstanding Class A Notes;
- (b) in the case of each Class B Note, an amount equal to the lesser of the Available Redemption Funds (minus the amount to be applied in redemption of the Class A Notes (if any) on such Interest Payment Date) and the Principal Amount Outstanding of the Class B Notes, each determined as at the related Calculation Date, divided by the number of outstanding Class B Notes; and
- (c) in the case of each Class C Note, an amount equal to the lesser of the Available Redemption Funds (minus the aggregate of the amount to be applied in redemption of the Class A Notes (if any) and the amount to be applied in redemption of the Class B Notes (if any) on such Interest Payment Date) and the Principal Amount Outstanding of the Class C Notes, each determined as at the related Calculation Date, divided by the number of outstanding Class C Notes,

in any such case rounded down to the nearest Minimum Denomination;

“**Note Rate**” means, in respect of each class of 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;

“**Noteholders**” means the persons who for the time being are the holders of the Notes;

“**Notes**” means the Class A Notes, the Class B Notes and the Class C Notes;

“**Notices Condition**” means Condition 21 (*Notices*);

“**Notices Details**” means the provisions set out in Schedule 7 of the Master Framework Agreement;

“**outstanding**” means, in relation to the Notes, all the Notes other than:

- (a) those which have been redeemed in full and cancelled in accordance with the 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 Trustee 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 Noteholders in accordance with the Notices Condition) and remain available for payment in accordance with the Conditions;
- (c) those which have been purchased and surrendered for cancellation as provided in Condition 8 (*Final Redemption, Mandatory Redemption in part, Optional Redemption, Purchase and Cancellation*) and notice of the cancellation of which has been given to the Trustee;
- (d) those which have become void under the Conditions;
- (e) those mutilated or defaced Notes which have been surrendered or cancelled and those Notes which are alleged to have been lost, stolen or destroyed and in all cases in respect of which replacement Notes have been issued pursuant to the Conditions; and
- (f) 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 the Conditions;

provided that for each of the following purposes, namely:

- (i) the right to attend and vote at any meeting of Noteholders;
- (ii) the determination of how many and which Notes are for the time being outstanding for the purposes of Clause 16 (*Waiver*), Clause 17 (*Modification*), Clause 20 (*Proceedings and Actions by the Trustee*), Clause 30 (*Appointment of Trustees*) and Clause 31 (*Notice of New Trustee*) of the Trust Deed and Condition 12 (*Events of Default*), Condition 13 (*Enforcement*) and Condition 15 (*Meetings of Noteholders*) and in the case of the Class D Notes, Class D Condition 12 (*Events of Default*), Class D Condition 13 (*Enforcement*) and Class D Condition 15 (*Meeting of Noteholders*) and the Provisions for Meetings of Noteholders; and
- (iii) any discretion, power or authority, whether contained in the Trust Deed, the Security Deed or provided by law, which the Trustee is required to exercise in or by reference to the interests of the Noteholders or any of them,

those Notes (if any) which are for the time being held by or for the benefit of the Issuer, the Seller, the Servicer, the Fund Manager, the Custodian or the Corporate Services Provider shall (unless and until 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 Trustee;

**“Paying Agents”** means the paying agents named in the Paying Agency Agreement together with any successor or additional paying agents appointed from time to time in connection with the Notes under the Paying Agency Agreement;

**“Payments Priorities”** means the Pre-Enforcement Payments Priorities and the Post-Enforcement Payments Priorities;

**“Permanent Global Notes”** means each Class A Permanent Global Note, each Class B Permanent Global Note and each Class C Permanent Global Note;

**“Portfolio Determination Date”** means 29 November 2002;

**“Portfolio Trigger Event”** means if at any time the sum of the Principal Outstanding Balance, as at any Calculation Date, of all Mortgage Loans which are in arrears by not less than three and up to twelve months exceeds 4.50 per cent. of the Principal Outstanding Balance of the Initial Mortgage Asset Portfolio as at the Portfolio Determination Date;

**“Post-Enforcement Payments Priorities”** means the provisions relating to the order of priority of payments from the Issuer Accounts set out in Clause 14 (*Post-Enforcement Payments Priorities*) of the Security Deed;

**“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 Payments Priorities”** means the Pre-Enforcement Interest Payment Date Principal Payments Priorities and the Pre-Enforcement Interest Payment Date Revenue Payments Priorities;

**“Pre-Enforcement Interest Payment Date Principal Payments Priorities”** means the provisions relating to the order of priority of payments from the Principal Ledger set out in Paragraph 19 (*Payments from Principal Ledger on any Interest Payment Date*) of Schedule 1 to the Transaction Management Agreement;

**“Pre-Enforcement Interest Payment Date Revenue Payments Priorities”** means the provisions relating to the order of priority of payments from the Revenue Ledger set out in Paragraph 18 (*Payments from Revenue Ledger on any Interest Payment Date*) of Schedule 1 to the Transaction Management Agreement;

**“Principal Addition Amount”** means in relation to any Interest Payment Date, the aggregate amount determined on the related Calculation Date, in accordance with the provisions of Paragraph 11.2.2 (*Revenue Shortfall*) of Schedule 1 of the Transaction Management Agreement, as being the amount (if any) of Principal Receipts which are to be utilised by the Issuer to reduce or eliminate any Revenue Shortfall on such Interest Payment Date after the making of any Reserve Drawing on such Interest Payment Date, subject to the restriction that the amount so utilised may not exceed the Maximum Principal Addition Amount as at such Interest Payment Date;

**“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 (and been paid) 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 Deficiency Ledger”** means the ledger in the books of the Issuer so named;

**“Principal Ledger”** means the ledger in the books of the Issuer so named;

**“Principal Paying Agent”** means ABN AMRO Bank N.V. (London Branch) in its capacity as the principal paying agent in respect of the Notes;

**“Principal Receipts”** means, in relation to a Calculation Period, the amount calculated as at the related Calculation Date equal to the aggregate of:

- (a) in relation to the first Calculation Period after the Closing Date, the difference between (i) the sum of the Initial Principal Amount of the Notes on such Closing Date and an amount of €1,238,000 borrowed by the Issuer under the Subordinated Loan Facility Agreement on the Closing Date to fund the amount of accrued interest but not yet paid in respect of the Initial Mortgage Asset Portfolio and (ii) the purchase price of the Units paid by the Issuer on such Closing Date;
- (b) the amount of any Available Redemption Funds on the Interest Payment Date falling in such Calculation Period which were not applied in redemption of Notes on such Interest Payment Date;
- (c) the amount of all Unit Principal Distributions received by the Issuer in respect of Collections received during such Calculation Period;
- (d) the Revenue Addition Amount (if any) to be added to the Principal Ledger on the immediately succeeding Interest Payment Date; and
- (e) the Reserve Fund Release Amount, if any to be added to the Principal Ledger on the immediately succeeding Interest Payment Date;

**“Principal Receivables”** means, on any day:

- (a) the principal payments (whether or not yet due) which remain to be paid by the relevant Borrowers under a Mortgage Asset;
- (b) the amount of any proceeds of sale of any Mortgage Assets received by the Fund as a result of a sale of any Mortgage Asset to the Seller arising from any breach of any Mortgage Asset Warranty or breach by the Servicer of any condition and restrictions relating to conversion of Mortgage Assets; and
- (c) the aggregate amount of the proceeds of sale of any Mortgage Assets received by the Fund (other than as any taken into account under (b) above) but excluding any Principal Recoveries;

**“Principal Recovery”** means, on any date, an amount in respect of principal received in respect of a Mortgage Asset after the Completion of Enforcement Procedures in respect of such Mortgage Asset;

**“Proceeds Accounts”** means the Seller’s accounts so named specified in the Account Details or such other account or accounts as may be named the **“Proceeds Accounts”** in accordance with the terms of Part 4 Schedule 2 to the Servicing Agreement;

**“Property”** means, in relation to any Loan, the property upon which the repayment of such Loan is secured by the corresponding Mortgage;

**“Provisions for Meetings of Noteholders”** means the provisions contained in Schedule 9 of the Trust Deed;

**“Rating Agencies”** means Fitch and Moody’s;

**“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;

**“Receiver”** means any receiver, manager, receiver and manager or administrative receiver appointed in respect of the Issuer by the Trustee in accordance with Clause 16 (*Appointment and Removal of Receiver*) of the Security Deed;

**“Reference Banks”** means the principal London office of four major banks selected by the Agent Bank at the relevant time;

**“Relevant Date”** means, in respect of any payment in relation to the Notes, whichever is the later of:

- (a) the date on which the payment in question first becomes due; and

- (b) if the full amount payable has not been received by the Principal Paying Agent or the Trustee on or prior to such date, the date on which (the full amount having been so received) notice to that effect has been given to the Noteholders in accordance with the Notices Condition;

**“Relevant Margin”** means:

- (a) for the Class A Notes, 28 per cent. per annum;
- (b) for the Class B Notes, 65 per cent. per annum; and
- (c) for the Class C Notes, 135 per cent. per annum;

**“Relevant Period”** means, in relation to an Interest Determination Date, the length in months of the related Interest Period;

**“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 Trustee and as has been notified to the Noteholders in accordance with Condition 21 (*Notices*);

**“Representative Amount”** means an amount that is representative for a single transaction in the relevant market at the relevant time;

**“Repurchase Price”** means, in relation to the Mortgage Assets, the amount paid by the Seller to the Fund pursuant to Clause 10 (*Re-assignment*) of the Mortgage Backed Credits Assignment Agreement;

**“Reserve Drawing”** means a drawing from the Reserve Fund;

**“Reserve Fund”** means the credit balance from time to time of the Reserve Ledger;

**“Reserve Fund Release Amount”** means (i) on any Interest Payment Date the amount standing to the credit of the Reserve Ledger which is in excess of the Reserve Fund Required Amount as reduced from time to time and (ii) on the final Interest Payment Date on which the Notes are redeemed in full, the credit balance on the Reserve Ledger;

**“Reserve Fund Required Amount”** means, as at any Calculation Date, an amount equal to:

- (a) at any time prior to a Portfolio Trigger Event, €5,850,000; and
- (b) at any time subsequent to a Portfolio Trigger Event, the higher of (i) €7,605,000 and (ii) the sum of €5,850,000 and an amount equal to 10 per cent. of the Principal Outstanding Balance, as at such Calculation Date, of all Mortgage Loans which are in arrears by not less than three and up to twelve months;

**“Reserve Ledger”** means the ledger in the books of the Issuer so named;

**“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) (except in accordance with Condition 20 (*Substitution of Issuer*) and Clause 19 (*Substitution*) of the Trust Deed) to effect the exchange, conversion or substitution of the Notes of any class for, 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;
- (e) to change the quorum required at any Meeting or the majority required to pass an Extraordinary Resolution; or



(f) to amend this definition;

**“Revenue Addition Amount”** means any of a Class A Revenue Addition Amount, a Class B Revenue Addition Amount or a Class C Revenue Addition Amount;

**“Revenue Ledger”** means the ledger in the books of the Issuer so named;

**“Revenue Loss”** has the meaning ascribed thereto in the Servicing Agreement;

**“Revenue Receipts”** means, in respect of a related Calculation Period, the aggregate of: (a) the amount of any Unit Revenue Distributions received by the Issuer on the Business Day before the Interest Payment Date following such Calculation Period in respect of Revenue Collections received during such Calculation Period; (b) the amount of any Principal Addition Amount to be transferred from the Principal Ledger on the Interest Payment Date following such Calculation Period; (c) all receipts under the Swap Agreement to be received by the Issuer on the Interest Payment Date following such Calculation Period; (d) all LF Revolving Drawings and any Liquidity Revolving Drawing during any Liquidity Loan Period to be made on the Interest Payment Date following such Calculation Period; (e) the amount of any Reserve Drawing to be made from the Reserve Fund on the Interest Payment Date following such Calculation Period; (f) where, during such Calculation Period, the proceeds of disposal or on maturity of any Authorised Investment made by the Transaction Manager in accordance with the terms of the Transaction Management Agreement exceed the original cost of such Authorised Investment, the amount of such excess; and (g) any interest, dividends or other income earned on any Authorised Investment made by the Transaction Manager in accordance with the terms of the Transaction Management Agreement during such Calculation Period;

**“Revenue Receivables”** means all payments (whether or not yet due) which remain to be paid by the relevant Borrower under a Mortgage Asset Agreement, other than Principal Receivables, Principal Recoveries and Revenue Recoveries;

**“Revenue Recovery”** means, on any date, any interest received as late payments plus any amount (other than any Principal Recovery) received in respect of a Mortgage Asset after the Completion of Enforcement Procedures in respect of such Mortgage Asset;

**“Revenue 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 (i) to (xvi) of the Pre-Enforcement Interest Payment Date Revenue Payments Priorities less the amount of the Revenue Receipts calculated in respect of the related Calculation Period but before taking into account any Principal Addition Amount, LF Revolving Drawing, Liquidity Revolving Drawing or Reserve Drawing;

**“Rounded Arithmetic Mean”** means the arithmetic mean (rounded, if necessary, to the nearest 0.0001, 0.00005 being rounded upwards);

**“Screen”** means, the display as quoted on the Dow Jones/Telerate Monitor Telerate Screen No. 248; or

- (a) such other page as may replace Telerate Screen No. 248 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 Trustee) 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 Secured Creditors under the Notes or the Issuer Transaction Documents;

**“Secured Creditors”** means the Trustee, the Noteholders, any Receiver, the Transaction Manager, the Liquidity Facility Provider, the Subordinated Loan Facility Provider, the Swap Counterparty, the Paying Agents, the Agent Bank and the Issuer Accounts Bank;



“**Security**” means the security created in favour of the Trustee by the Issuer pursuant to the Security Deed;

“**Security Deed**” means the deed so named dated on or about the Closing Date between the Issuer and the Trustee;

“**Seller**” means Caixa Económica Montepio Geral in its capacity as seller under the Mortgage Backed Credits Assignment Agreement;

“**Servicer**” means Caixa Económica Montepio Geral in its capacity as servicer under the Servicing Agreement;

“**Servicing Agreement**” means the agreement so named dated on or about the Closing Date between, inter alios, the Servicer and the Fund;

“**Signing Date**” means 13 December, 2002;

“**Specified Office**” means, in relation to any Agent:

- (a) the office specified against its name in the Notices Details; or
- (b) such other office as such Agent may specify in accordance with Clause 13.8 (*Changes in Specified Offices*) of the Paying Agency Agreement;

“**SPV Criteria**” means the criteria established from time to time by the Rating Agencies for a single purpose company in the Issuer’s Jurisdiction;

“**Stock Exchange**” means the Irish Stock Exchange Limited;

“**Subordinated Loan Facility Agreement**” means the agreement so named dated on or about the Closing Date between the Issuer, the Subordinated Loan Facility Provider and the Trustee;

“**Subordinated Loan Facility Provider**” means Caixa Económica Montepio Geral — Sucursal Financeira Exterior in its capacity as subordinated loan facility provider in accordance with the Subordinated Loan Facility Agreement;

“**Subscription Agreement**” means the agreement so named dated on or about the Signing Date between the Issuer, the Seller, the Fund, the Fund Manager and the Managers;

“**Substituted Obligor**” means a single purpose company incorporated in any jurisdiction that meets the SPV Criteria;

“**Successor Trustee**” means an entity appointed in accordance with Clause 31 (*Notice of a New Trustee*) of the Trust Deed to act as successor trustee under the Trust Deed;

“**Swap Agreement**” means the agreement so named dated on or about the Closing Date between the Issuer and the Swap Counterparty;

“**Swap Counterparty**” means ABN AMRO Bank N.V., in its capacity as swap counterparty in accordance with the terms of the Swap Agreement;

“**Talon**” and “**Talons**” means the talons for further Receipts and further Coupons attached to the Definitive Notes on issue;

“**TARGET system**” means the Trans-European Automated Real-time Gross Settlement Express Transfer system;

“**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, but excluding taxes on net income) imposed or levied by or on behalf of any Taxing Authority in the Issuer’s Jurisdiction 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 including the Irish Revenue Commissioners and H.M. Customs & Excise;

“**Tax Deduction**” means any deduction or withholding on account of Tax;

“**Temporary Global Notes**” means each Class A Temporary Global Note, each Class B Temporary Global Note and each Class C Temporary Global Note;

“**Transaction Documents**” means the Mortgage Backed Credits Assignment Agreement, the Servicing Agreement, the Custodian Agreement, the Fund Regulation, the Fund Account Bank Agreement and the Issuer Transaction Documents;

“**Transaction Management Agreement**” means the agreement so named dated on or about the Closing Date between the Issuer, the Transaction Manager and the Trustee;

“**Transaction Manager**” means ABN AMRO Bank N.V. (London Branch). in its capacity as transaction manager under the Transaction Management Agreement;

“**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;

“**Trust Deed**” means the deed so named dated on or about the Closing Date between the Issuer and the Trustee;

“**Trust Documents**” means the Trust Deed and the Security Deed and (unless the context requires otherwise) includes any deed or other document executed in accordance with the provisions of the Trust Deed or (as applicable) the Security Deed and expressed to be supplemental to the Trust Deed or the Security Deed (as applicable);

“**Trustee**” means ABN AMRO Trustees Limited in its capacity as Trustee for the Noteholders and other Secured Creditors under the Trust Documents;

“**Unit Principal Distributions**” means in respect of any Calculation Period, the Net Principal Collections and any Repurchase Price received by the Fund during such period;

“**Unit Assignment Agreement**” means the agreement so named dated on or about the Closing Date entered into between the Issuer and ABN AMRO Bank N.V.;

“**Unit Revenue Distributions**” means in respect of any Calculation Period, the aggregate of the Net Revenue Collections, the Revenue Recoveries, the Principal Recoveries and the Authorised Investment Income received by the Fund during such period minus the amount of any Fund Expenses paid or reserved during such period;

“**Units**” means the securitisation units (*Unidades de Titularização de Créditos*) issued by the Fund and “Unit” means any one of them; and

“**Written Resolution**” means 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 Notes.

## **Interpretation**

Wording and expressions used in these Conditions have the constructions ascribed to them in the Master Definitions Schedule.

### **3. Form, Denomination and Title**

#### **3.1 Form and Denomination**

The Notes are in bearer form in the denomination of €10,000 each with Receipts, Coupons and Talons attached. Title to the Notes will pass by delivery.

#### **3.2 Title**

The holder of any Instrument 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.

### **4. Status and Ranking**

#### **4.1 Status**

The Notes, the Coupons and the Receipts of each class constitute secured obligations of the Issuer.

#### **4.2 Ranking**

The Notes in each class will at all times rank without preference or priority *pari passu* amongst themselves.

#### **4.3 Sole Obligations**

The Notes and the Coupons are obligations solely of the Issuer and are not obligations of, or guaranteed by the Trustee or any of the other Transaction Parties.

#### **4.4 Priority of Interest Payments**

Payments of interest on the Class A Notes will at all times rank in priority to payments of interest on the Class B Notes and payments of interest on the Class B Notes will at all times rank in priority to payments of interest on the Class C Notes and payments of interest on the Class C Notes will at all times rank in priority to income distributions in respect of the Class D Notes, in each case in accordance with the relevant Payments Priorities.

#### **4.5 Priority of Principal Payments**

Payments of principal on the Class A Notes will at all times rank in priority to payments of principal on the Class B Notes and payments of principal on the Class B Notes will at all times rank in priority to payments of principal on the Class C Notes and payments of principal on the Class C Notes will at all times rank in priority to payments of principal on the Class D Notes in each case in accordance with the relevant Payments Priorities.

#### **4.6 Payment Priorities**

Prior to the delivery of an Enforcement Notice, the Issuer is required to apply Revenue Receipts and Principal Receipts in accordance with the Pre-Enforcement Interest Payment Date Revenue Payments Priorities and the Pre-Enforcement Interest Payment Date Principal Payments Priorities, respectively and thereafter in accordance with the Post-Enforcement Payments Priorities.

### **5. Security**

#### **5.1 Security**

The Notes are secured by the Security.

## 5.2 **Enforceability**

The Security will become enforceable upon the delivery by the Trustee of an Enforcement Notice in accordance with Condition 12 (*Events of Default*) and subject to the matters referred to in Condition 13 (*Enforcement*).

## 6. **Issuer Covenants**

The Issuer Covenants contain certain covenants in favour of the Trustee from the Issuer which, amongst other things, restrict the ability of the Issuer to create or incur any indebtedness, dispose of assets or change the nature of its business (all save as permitted in the Trust Deed). So long as any Note remains outstanding, the Issuer shall comply with the Issuer Covenants.

## 7. **Interest**

### 7.1 **Accrual of Interest**

Each Note bears interest on its Principal Amount Outstanding from the Closing Date.

### 7.2 **Cessation of Interest**

Each Note of each class 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:

7.2.1 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

7.2.2 the day which is seven days after the Principal Paying Agent or the Trustee 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 1 year**

Whenever it is necessary to compute an amount of interest in respect of any 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 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 **Calculation of Interest Amount**

Upon 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 Note for the related Interest Period.

### 7.6 **Notification of Note Rate, Interest Amount and Interest Payment Date**

As soon as practicable after each Interest Determination Date, the Agent Bank will cause:

7.6.1 the Note Rate for each class for the related Interest Period;

7.6.2 the Interest Amount for each class for the related Interest Period; and

7.6.3 the Interest Payment Date next following the related Interest Period;

to be notified to the Issuer, the Transaction Manager, the Trustee, the Principal Paying Agent and, for so long as the Notes are listed on the Stock Exchange, the Stock Exchange.

#### **7.7 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 7.6 (*Notification of Note Rate, Interest Amount and Interest Payment Date*) the Issuer will cause such Note Rate and Interest Amount for each class and the next following Interest Payment Date to be published in accordance with the Notices Condition.

#### **7.8 Amendments to Publications**

The Note Rate and the Interest Amount for each class and the Interest Payment Date so published 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.

#### **7.9 Determination or Calculation by Trustee**

If the Agent Bank does not at any time for any reason determine the Note Rate or the Interest Amount for each class in accordance with this Condition, the Trustee may (but without any liability accruing to the Trustee as a result):

7.9.1 determine the Note Rate for each class 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

7.9.2 calculate the Interest Amount for each class in the manner specified in this Condition,

and any such determination and/or calculation shall be deemed to have been made by the Agent Bank.

#### **7.10 Deferral of Interest Amount Arrears**

If there are any Class B Interest Amount Arrears or Class C Interest Amount Arrears on any Interest Payment Date (other than the Final Maturity Date), such amounts shall not be regarded as payable on such date and shall accrue interest during the Interest Period in which such Interest Payment Date falls in accordance with Condition 7.12 (*Default Interest*).

#### **7.11 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 Class B Interest Amount Arrears and the amount of the Class C Interest Amount Arrears to be deferred on such following Interest Payment Date in respect of each Class B Note and each Class C Note.

#### **7.12 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 is deferred to (and excluding) the Deferred Interest Amount Arrears Discharge Date. 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 on the Deferred Interest Amount Arrears Discharge Date or on such other date or dates as the Trustee may specify by written notice to the Issuer.

#### **7.13 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 Deferred Interest Amount Arrears Discharge Date) to be published in accordance with the Notices Condition.

#### **7.14 Priority of Payment of Interest and Deferred Interest**

The Issuer shall pay the current portion of Interest Amount prior to any Deferred Interest Amount Arrears which shall, in turn, be paid prior to any interest on any such Deferred Interest Amount Arrears.

### **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 Maturity Date.

#### **8.2 Mandatory Redemption in part: On each Interest Payment Date on which there are Available Redemption Funds the Issuer will cause:**

8.2.1 each Class A Note to be redeemed on such Interest Payment Date in an amount equal to the Note Principal Payment in respect of such Class A Note determined on the related Calculation Date;

8.2.2 each Class B Note to be redeemed on such Interest Payment Date in an amount equal to the Note Principal Payment in respect of such Class B Note determined on the related Calculation Date; and

8.2.3 each Class C Note to be redeemed on such Interest Payment Date in an amount equal to the Note Principal Payment in respect of such Class C Note determined on the related Calculation Date.

#### **8.3 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):

8.3.1 the aggregate of any Note Principal Payments due in relation to each class on the Interest Payment Date immediately succeeding such Calculation Date;

8.3.2 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).

#### **8.4 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.

#### **8.5 Trustee 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 Trustee (without any liability accruing to the Trustee as a result) 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.

#### **8.6 Optional Redemption in whole**

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 when, on the related Calculation Date, the aggregate of the Principal Amount Outstanding of the outstanding Notes is less than 10 per cent. of the Initial Principal Amount of all of the Notes subject to the following:

8.6.1 that the Issuer has given not more than 60 nor less than 30 days' notice to the Trustee 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; and

- 8.6.2 that prior to giving any such notice, the Issuer shall have provided to the Trustee 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.

## 8.7 **Optional Redemption in whole for taxation reason**

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:

- 8.7.1 after the date on which the Issuer is to make any payment in respect of the Notes or the Swap Counterparty is to make any payment in respect of the relevant Swap Agreement and either the Issuer or the Swap Counterparty, as the case may be, would be required to make a Tax Deduction in respect of such relevant payment; or
- 8.7.2 after the date on which the Issuer would, by virtue of a change in the Tax law of the Issuer's Jurisdiction (or the application or official interpretation of such Tax law), not be entitled to relief for the purposes of such Tax law for any material amount which it is obliged to pay, or is treated as receiving for the purposes of such Tax law under the Issuer Transaction Documents; or
- 8.7.3 after the date of a change in the Tax law of the Issuer's Jurisdiction or the Fund's Jurisdiction (or the application or official interpretation of such Tax law) which would cause the total amount payable in respect of any Unit Revenue Distributions to cease to be receivable by the Issuer 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 Fund being obliged to make a Tax Deduction in respect of any payment in relation to any Unit Revenue Distribution,

subject to the following:

- 8.7.4 that the Issuer has given not more than 60 nor less than 30 days' notice to the Trustee 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; and
- 8.7.5 that the Issuer has provided to the Trustee:
- (a) a legal opinion (in form and substance satisfactory to the Trustee) from a firm of lawyers in the Issuer's Jurisdiction or, as the case may be, the Fund's Jurisdiction (approved in writing by the Trustee), 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.

## 8.8 **Conclusiveness of certificates and legal opinions**

Any certificate and legal opinion given by or on behalf of the Issuer pursuant to Condition 8.6 (*Optional Redemption in whole*) and Condition 8.7 (*Optional Redemption in whole for taxation reasons*) may be relied on by the Trustee without further investigation and shall be conclusive and binding on the Noteholders and on the other Secured Creditors.

## 8.9 **Notice of Calculation**

The Issuer will cause each calculation of a Note Principal Payment and the Principal Amount Outstanding in relation to each class of Notes to be notified immediately after calculation to the Trustee, the Agents 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.

#### **8.10 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.

#### **8.11 Notice irrevocable**

Any such notice as is referred to in Condition 8.6 (*Optional Redemption in whole*) or Condition 8.7 (*Optional Redemption in whole for taxation reasons*) or Condition 8.9 (*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 8.6 (*Optional Redemption in whole*) or Condition 8.7 (*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 (*Mandatory Redemption in part*).

#### **8.12 No Purchase**

The Issuer may not at any time purchase any of the Notes.

### **9. Limited Recourse**

#### **9.1 Limited Recourse**

The recourse of the Noteholders against the Issuer is limited, as more particularly described in the Trust Documents, to the Security.

#### **9.2 Limitation on Noteholders action**

Each of the Noteholders agrees with the Issuer that notwithstanding any other provision of the Issuer Transaction Documents, all obligations of the Issuer to the Noteholders are limited in recourse as set out below:

9.2.1 it will have a claim only in respect of the Charged Property 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; and

9.2.2 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 Charged Property whether pursuant to 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

9.2.3 on the Final Maturity Date or if following final enforcement of the Security the Trustee certifies, in its sole discretion, that the Issuer has insufficient funds to pay in full all of the Issuer's obligations to such Noteholder, then such Noteholder 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:

10.1.1 (in the case of final redemption, provided that payment is made in full) presentation and surrender of the relevant Notes; and

10.1.2 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 shall, subject to Condition 10.6 (*Payments on business days*), 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 each case to any applicable fiscal or other laws and regulations. No commissions or expenses shall be charged to the Instrumentholders 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 (*Mandatory Redemption in part*), Condition 8.6 (*Optional Redemption in whole*), Condition 8.7 (*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 (*Mandatory Redemption in part*) or early redemption of such Note pursuant to Condition 8.6 (*Optional Redemption in whole*), Condition 8.7 (*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 any Note, Receipt or Coupon is presented for payment on a day which is not a business day in the place of presentation, payment shall not be made on such day but on the next succeeding business day in such place and no further interest or other payment in respect of any such delay shall be due in respect of such Note, Receipt or Coupon.

## 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 foreign currencies 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 foreign currencies may be carried on both in London and in such place in which the TARGET system is open.

## 10.8 Other Interest

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 (or in New York City if permitted by Condition 10.3 (*Payments subject to fiscal laws*)).

## 10.9 Partial Payments

If a Paying Agent makes a partial payment in respect of any Note, Receipt or Coupon presented to it for payment, such Paying Agent will endorse on such Note, Receipt or Coupon a statement indicating the amount and date of 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 Paying Agents, the Agent Bank or the Trustee shall (in the absence of any Breach of Duty, or manifest error) be binding on the Issuer and all Noteholders and Couponholders and (in the absence of any Breach of Duty or manifest error) no liability to the Trustee, the Noteholders or the Couponholders shall attach to the Reference Banks, the Agents, or the Trustee 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 Instruments shall be made free and clear of, and without withholding or deduction for, any Taxes, imposed, levied, collected, withheld or assessed by the Issuer’s Jurisdiction or any political subdivision or any authority thereof or therein having power to tax, unless the Issuer, the Trustee or the Paying Agents (as the case may be) are required by law to make any Tax Deduction. In that event, the Issuer, the Trustee or the Paying Agents (as the case may be) shall make such payments after such Tax Deduction and shall account to the relevant authorities for the amount so withheld or deducted.

### 11.2 No payment of additional amounts

Neither the Trustee, the Issuer nor the Paying Agents will be obliged to pay any additional amounts to the Noteholders as a result of any such Tax Deduction as is referred to in Condition 11.1 (*Payments free of Tax*).

### 11.3 Taxing Jurisdiction

If the Issuer becomes subject at any time to any taxing jurisdiction other than the Issuer’s Jurisdiction, references in these Conditions to the Issuer’s Jurisdiction shall be construed as references to the Issuer’s Jurisdiction and/or such other jurisdiction.

### 11.4 Tax Deduction not Event of Default

Notwithstanding that the Trustee, the Issuer or the Paying Agents are required to make a Tax Deduction 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”:

#### *12.1.1 Non-payment*

the Issuer fails to pay any amount of principal in respect of the Notes within five days of the due date for payment of such principal or fails to pay any amount of interest in respect of the Notes within ten days of the due date for payment of such interest; or

#### *12.1.2 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 or in respect of the Issuer Covenants and such default (a) is, in the opinion of the Trustee, incapable of remedy or (b) being a default which is, in the opinion of the Trustee, capable of remedy, remains unremedied for 30 days or such longer period as the Trustee may agree after the Trustee has given written notice of such default to the Issuer; or

#### *12.1.3 Insolvency Event*

an Insolvency Event occurs in relation to the Issuer;

#### *12.1.4 Fund liquidation*

the commencement of liquidation proceedings in relation to the Fund; or

#### *12.1.5 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 Trust Documents.

### **12.2 Delivery of Enforcement Notice**

If an Event of Default occurs and is continuing, the Trustee may at its discretion and shall:

12.2.1 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

12.2.2 if so directed by an Extraordinary 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 Conditions 12.2.1 and 12.2.2, the Trustee shall not be obliged to deliver an Enforcement Notice unless:

12.3.1 in the case of the occurrence of any of the events mentioned in Condition 12.1.2 (*Breach of other obligations*), the Trustee shall have certified in writing that the happening of such event is in its opinion materially prejudicial to the interests of the Noteholders; and

12.3.2 it shall have been indemnified and/or secured 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 Deferred Interest Amount Arrears.

### 13. **Enforcement**

#### 13.1 **Proceedings**

The Trustee may at its discretion and without further notice, institute such proceedings as it thinks fit to enforce its rights under the Trust Deed in respect of the Notes of each class and under the other Issuer Transaction Documents, but it shall not be bound to do so unless it is:

13.1.1 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

13.1.2 so directed by an Extraordinary Resolution of the holders of the Most Senior Class of outstanding Notes,

and in any such case, only if it shall have been indemnified and/or secured 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 Trustee:* The Trustee may take such action as referred to in Condition 13 without having regard to the effect of such action on individual Noteholders and Couponholders or any other Secured Creditor, provided that so long as any of the Most Senior Class of Notes are outstanding, the Trustee shall not, and shall not be bound to, act at the request or direction of the Noteholders of any other class of Notes unless:

13.2.1 to do so would not, in its opinion, be materially prejudicial to the interests of the Noteholders of the classes of Notes ranking senior to such other class; or

13.2.2 (if the Trustee is not of that opinion) such action is sanctioned by an Extraordinary Resolution of the Noteholders of the Notes ranking senior to such other class.

#### 13.3 **Restrictions on disposal of Issuer's assets**

If an Enforcement Notice has been delivered by the Trustee otherwise than by reason of non-payment of any amount due in respect of the Notes, the Trustee will not be entitled to dispose of the Charged Property or any part thereof unless either:

13.3.1 a sufficient amount would be realised to allow payment in full of all amounts owing to the Noteholders and the Couponholders of each class after payment of all other claims ranking in priority to the Notes in accordance with the Post-Enforcement Payments Priorities; or

13.3.2 the Trustee is of the opinion, which shall be binding on the Noteholders and the other Secured Creditors, reached after considering at any time and from time to time the advice of a merchant bank or other financial adviser selected by the Trustee, (and if the Trustee is unable to obtain such advice having made reasonable efforts to do so this Condition shall not apply) that the cash flow prospectively receivable by the Issuer will not (or that there is a significant risk that it will not) be sufficient, having regard to any other relevant actual, contingent or prospective liabilities of the Issuer, to discharge in full in due course all amounts owing to the Noteholders and Couponholders after payment of all other claims ranking in priority to the Notes in accordance with the Post-Enforcement Payments Priorities and the Trustee shall not be bound to make this determination unless the Trustee shall have been indemnified and/or secured to its satisfaction against all Liabilities to which it may thereby become liable or which it may incur by so doing.

#### 13.4 **Third Party Rights**

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

#### **14. No action by Noteholders and Couponholders or any other Secured Creditor**

14.1 Subject to Condition 14.2, none of the Noteholders and Couponholders or any other Secured Creditor (other than the Trustee) (nor any person on its or their behalf) are entitled until the Final Discharge Date:

14.1.1 otherwise than as permitted by these Conditions, to direct the Trustee to enforce the Security or take any proceedings against the Issuer to enforce the Security;

14.1.2 to take or join any person in taking any steps against the Issuer for the purpose of obtaining payment of any amount due by the Issuer to such Noteholders and Couponholders or any other Secured Creditors;

14.1.3 to initiate or join any person in initiating any Insolvency Event in relation to the Issuer; or

14.1.4 to take any steps or join in the taking of steps which would result in the Payments Priorities not being observed.

14.2 If the Trustee having become bound to do so fails:

14.2.1 to deliver an Enforcement Notice; and/or

14.2.2 to take any steps to enforce the Security in accordance with Clause 13 (*Enforcement*) of the Security Deed,

within a reasonable time and such failure is continuing any Noteholder, Couponholder or other Secured Creditor shall be entitled to take any such steps as it shall deem necessary or desirable including steps for the appointment of a Successor Trustee (but not including, initiating or joining in the initiating of Insolvency Proceedings).

#### **15. Meetings of Noteholders**

##### **15.1 Convening**

The Trust Deed contains provisions for convening separate meetings of Noteholders of any class to consider matters relating to the Notes, including the modification of any provision of these Conditions or the Trust Deed, which modification may be made if sanctioned by an Extraordinary Resolution.

##### **15.2 Request from Noteholders**

A meeting of Noteholders may be convened by the Trustee or the Issuer at any time and must be convened by the Trustee (subject to its being indemnified and/or secured to its satisfaction) upon the request in writing of Noteholders holding not less than ten per cent. of the aggregate Principal Amount Outstanding of the outstanding Notes of the relevant class or classes.

##### **15.3 Quorum**

The quorum at any meeting convened to vote on:

15.3.1 an Extraordinary Resolution, other than regarding a Reserved Matter, relating to a meeting of a particular class of the Notes will be two or more persons holding or representing a majority of the Principal Amount Outstanding of the outstanding Notes in that class or, at any adjourned meeting, two or more persons being or representing Noteholders of that class, whatever the Principal Amount Outstanding of the outstanding Notes so held or represented in that class; and

15.3.2 an Extraordinary Resolution relating to a Reserved Matter (which must be proposed separately to each class of Noteholders) will be two or more persons holding or representing not less than in the aggregate 75 per cent. of the Principal Amount Outstanding of the outstanding Notes in the relevant class or classes or, at any adjourned meeting, two or more persons holding or representing not less than in the aggregate 33 1/3 per cent. of the Principal Amount Outstanding of the outstanding Notes in the relevant class or classes.

## 15.4 Relationship between Classes

In relation to each class of Notes:

- 15.4.1 no Extraordinary Resolution involving a Reserved Matter that is passed by the holders of one class of Notes shall be effective unless it is sanctioned by an Extraordinary Resolution of the holders of each of the other classes of Notes (to the extent that there are Notes outstanding in each such other classes);
- 15.4.2 no Extraordinary Resolution to approve any matter other than a Reserved Matter of any class of Notes shall be effective unless it is sanctioned by an Extraordinary Resolution of the holders of each of the other classes of Notes ranking senior to such class (to the extent that there are Notes outstanding ranking senior to such class) unless the Trustee 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;
- 15.4.3 any resolution passed at a Meeting of the Noteholders of one or more classes of Notes duly convened and held in accordance with the Trust Deed 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.

## 15.5 Resolutions in writing

A Written Resolution shall take effect as if it were an Extraordinary Resolution.

## 16. Modification and Waiver

### 16.1 Modification

The Trustee may, at any time and from time to time, without the consent or sanction of the Instrumentholders or any other Secured Creditors concur with the Issuer and any other relevant parties in making:

- 16.1.1 any modification to these Conditions, the Trust Documents (other than in respect of a Reserved Matter or any provisions of the Trust Documents referred to in the definition of a Reserved Matter), the Notes or the other Transaction Documents in relation to which its consent is required) which, in the opinion of the Trustee it may be proper to make and will not be materially prejudicial to the interests of holders of the Most Senior Class of outstanding Notes; or
- 16.1.2 any modification to these Conditions, the Trust Documents or the other Transaction Documents in relation to which its consent is required if, in the opinion of the Trustee, such modification is of a formal, minor or technical nature, is made to correct a manifest error or is necessary or desirable for the purposes of clarification,

provided that any modification pursuant to Condition 16.1.1 is notified to the Rating Agencies.

### 16.2 Waiver

In addition, the Trustee may, without the consent of the Instrumentholders or any other Secured Creditor, concur with the Issuer or any other relevant parties in authorising or waiving any proposed breach or breach of the covenants or provisions contained in the Trust Documents, the Instruments, the other Transaction Documents (including an Event of Default or Potential Event of Default) if, in the opinion of the Trustee, the holders of the Most Senior Class of outstanding Notes will not be materially prejudiced by such waiver, provided that such authorisation or waiver is notified to the Rating Agencies.



### **16.3 Restriction on power to waive**

The Trustee shall not exercise any powers conferred upon it by Condition 16.2 (*Waiver*) in contravention of any express direction by an Extraordinary 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 25 per cent. in aggregate Principal Amount Outstanding of the Most Senior Class of Notes then outstanding, but so that no such direction or request shall affect (a) any authorisation, waiver or determination 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 outstanding have, by Extraordinary Resolution, so authorised its exercise.

### **16.4 Notification**

Unless the Trustee otherwise agrees, the Issuer shall cause any such authorisation, waiver, modification or determination to be notified to the Noteholders and the other Secured Creditors in accordance with the Notices Condition and the Issuer Transaction Documents, as soon as practicable after it has been made.

### **16.5 Binding Nature**

Any authorisation, waiver, determination or modification referred to in Condition 16.1 (*Modification*) or Condition 16.2 (*Waiver*) shall be binding on the Instrumentholders and the other Secured Creditors.

## **17. Prescription**

### **17.1 Principal**

Claims for principal in respect of Notes shall become void unless the relevant Notes (and, in the case of any Note Principal Payment which became due on an Interest Payment Date, the relevant Receipts) are presented for payment and surrendered within ten years of the appropriate Relevant Date.

### **17.2 Interest**

Claims for interest in respect of Notes, shall become void unless the relevant Coupons are presented for payment and surrendered within five years of the appropriate Relevant Date.

## **18. Replacement of Instruments**

If any Instruments are 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 Instruments must be surrendered before replacements will be issued.

## **19. Trustee and Agents**

### **19.1 Trustee's right to Indemnity**

Under the Issuer Transaction Documents, the Trustee is entitled to be indemnified and relieved from responsibility in certain circumstances and to be paid or reimbursed any Liabilities incurred by it in priority to the claims of the Noteholders. In addition, the Trustee is entitled to enter into business transactions with the Issuer and any entity relating to the Issuer without accounting for any profit.

### **19.2 Trustee not responsible for loss or for monitoring**

The Trustee will not be responsible for any loss, expense or liability which may be suffered as a result of the Charged Property or any documents of title thereto being uninsured or inadequately insured or being held by or to the order of the Transaction Manager or by any person on behalf of the Trustee. The Trustee shall not be responsible for monitoring the compliance by any of the other Transaction Parties with their obligations under the Issuer Transaction Documents.

### **19.3 Regard to classes of Noteholders**

In the exercise of its powers and discretions under these Conditions and the Trust Deed, the Trustee will:

19.3.1 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; and

19.3.2 have regard only to the holders of the Most Senior Class of outstanding Notes and will not have regard to any lower ranking class of Notes nor to the interests of the other Secured Creditors except to ensure the application of the Issuer's funds after the delivery of an Enforcement Notice in accordance with the Post-Enforcement Payments Priorities.

### **19.4 Paying Agents solely agents of Issuer**

In acting under the Paying Agency Agreement and in connection with the Instruments, the Paying Agents act solely as agents of the Issuer and (to the extent provided therein) the Trustee and do not assume any obligations towards or relationship of agency or trust for or with any of the Instrumentholders.

### **19.5 Initial Paying Agents**

The initial Paying Agents and their initial Specified Offices are listed below. The Issuer reserves the right (with the prior written approval of the Trustee) to vary or terminate the appointment of any Agent and to appoint a successor principal paying agent or agent bank and additional or successor paying agents at any time, having given not less than 30 days notice to such Agent.

### **19.6 Maintenance of Agents**

The Issuer shall at all times maintain a paying agent in Dublin, a principal paying agent and an agent bank. 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. Substitution of Issuer**

### **20.1 Substitution of Issuer**

The Trustee may agree, without the consent of the Instrumentholders or any other Secured Creditor subject to:

20.1.1 the consent of the Issuer;

20.1.2 such further conditions as are specified in the Trust Deed (including the Rating Agencies confirming that the Notes will not be downgraded),

to the substitution of a Substituted Obligor in place of the Issuer as the principal debtor in respect of the Trust Documents, the Notes and the other Secured Amounts.

### **20.2 Notice of Substitution of Issuer**

Not later than fourteen days after any substitution of the Issuer in accordance with this Condition, the Substituted Obligor shall cause notice of such substitution to be given to the Noteholders and the other Secured Creditors in accordance with the Notices Condition.

### **20.3 Change of Law**

In the case of a substitution pursuant to this Condition, the Trustee may in its absolute discretion agree, without the consent of the Instrumentholders or the other Secured Creditors to a change of the law governing the Instruments and/or any of the Issuer Transaction Documents provided that such change

would not, in the opinion of the Trustee, be materially prejudicial to the interests of the holders of the Most Senior Class of outstanding Notes, provided that the Rating Agencies are notified.

#### **20.4 No indemnity**

No Instrumentholder shall, in connection with any such substitution, be entitled to claim from the Issuer any indemnification or payment in respect of any tax consequence of any such substitution upon individual Instrumentholders.

### **21. Notices**

#### **21.1 Valid Notices**

Any notice to Noteholders shall be validly given if such notice is either:

21.1.1 published in the Financial Times or, if such newspaper shall cease to be published or timely publication therein shall not be practicable, in such English language newspaper or newspapers as the Trustee shall approve having a general circulation in Europe; or

21.1.2 published on the Relevant Screen.

#### **21.2 Date of publication**

Any notices so published shall be deemed to have been given on the date on which it was so published 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.

#### **21.3 Other Methods**

The Trustee 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 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 Trustee shall require.

#### **21.4 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.

### **22. Governing Law and Jurisdiction**

#### **22.1 Governing law**

The Trust Documents and the Notes are governed by, and shall be construed in accordance with, English law.

#### **22.2 Jurisdiction**

The Courts of England are to have exclusive jurisdiction to settle any disputes that may arise out of or in connection with the Instruments and the Issuer Transaction Documents (except for the Co-ordination Agreement) and accordingly any legal action or proceedings arising out of or in connection with the Instruments and/or the Issuer Transaction Documents (except for the Co-ordination Agreement) may be brought in such Courts. The Issuer has in each of the Issuer Transaction Documents (except for the Co-ordination Agreement) irrevocably submitted to the Jurisdiction of such Courts.

*There will appear at the foot of the Conditions endorsed on each Definitive Note the names and Specified Offices of the Paying Agents as set out at the end of this Offering Circular.*

## TAXATION

The following is a general description of certain tax considerations in Ireland, the United Kingdom and Portugal relating to the Notes. It does not purport to be a complete analysis of all tax considerations relating to the Notes. Prospective holders of Notes 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 Ireland, United Kingdom or Portugal. This summary is based upon the law as in effect on the date of this Offering Circular and is subject to any change in law that may take effect after such date.

### Irish Taxation

The following is a summary of the principal Irish tax consequences of ownership of the Notes based on the laws and practices currently in force in Ireland. It deals with investors who beneficially own their Notes. Particular rules not discussed below may apply to certain classes of taxpayers holding Notes. The summary does not constitute tax or legal advice and the comments below are of a general nature only. Prospective investors in the Notes should consult their professional advisers on the tax implications of the purchase, holding, redemption or sale of the Notes and the receipt of interest thereon under the laws of their country of residence, citizenship or domicile.

#### *Withholding Tax*

In general, tax at the standard rate of income tax (currently 20 per cent.), is required to be withheld from payments of Irish source interest which would include interest payable on the Notes. However, an exemption from withholding on interest payments exists for certain securities ("quoted eurobonds") issued by a body corporate (such as the Issuer) which are in bearer form, interest bearing and quoted on a recognised stock exchange (which would include the Irish Stock Exchange).

Any interest paid on such quoted eurobonds can be paid free of withholding tax provided:

- (a) the person by or through whom the payment is made is not in Ireland; or
- (b) the payment is made by or through a person in Ireland, and either:
  - (i) the quoted eurobond is held in a clearing system recognised by the Irish Revenue Commissioners; Euroclear, Clearstream, Luxembourg and the Depository Trust Company (DTC) are so recognised, or
  - (ii) the person who is the beneficial owner of the quoted eurobond and who is beneficially entitled to the interest is not resident in Ireland and has made a declaration to a relevant person (such as an Irish paying agent) in the prescribed form.

So long as the Notes continue to be in bearer form (whether as Temporary Global Notes or Permanent Global Notes or Definitive Notes), continue to be quoted on the Irish Stock Exchange and are held in Euroclear and/or Clearstream, Luxembourg and/or the Depository Trust Company (DTC), interest on the Notes can be paid by any Paying Agent acting on behalf of the Issuer without any withholding or deduction for or on account of Irish income tax.

If, for any reason, the quoted eurobond exemption referred to above ceases to apply, the Issuer can pay interest on the Notes in the ordinary course of its business or trade free of withholding tax to a company which is resident in a Member State of the European Union (other than Ireland) or in a country with which Ireland has a double taxation agreement. For this purpose, residence is determined by reference to the law of the country in which the recipient claims to be resident. This exemption from withholding tax will not apply, however, if the interest is paid to that company in connection with a trade or business carried on by it through a branch or agency in Ireland. For other holders of Notes, interest may be paid free of withholding tax if clearance in the prescribed form has been received under the terms of an applicable double taxation agreement.

In certain circumstances, Irish tax will be required to be withheld at the standard rate from interest on any Note, where such interest is collected by a bank in Ireland on behalf of any Noteholder who is Irish resident.

### *Taxation of Noteholders*

Notwithstanding that a Noteholder may receive interest on the Notes free of withholding tax, the Noteholder may still be liable to pay Irish income tax with respect to such interest. Interest paid on the Notes has an Irish source and therefore is within the charge to Irish income tax and levies. Ireland operates a self-assessment system in respect of income tax and any person, including a person who is neither resident nor ordinarily resident in Ireland, with Irish source income comes within its scope.

There is an exemption from Irish tax on interest payments made by a company in the ordinary course of its trade or business provided the recipient of the interest is a person resident in a Member State of the European Union (other than Ireland) or in a country with which Ireland has a double tax treaty and provided it does not carry on a trade in Ireland through a branch or agency in Ireland. For this purpose, residence is determined under the terms of the relevant double taxation agreement or in any other case, the law of the country in which the recipient claims to be resident. In addition, any interest which can be paid free of withholding tax under the quoted eurobond exemption is exempt from tax where the payment is made to such a recipient.

Notwithstanding these exemptions from income tax, a corporate recipient that carries on a trade in Ireland through a branch or agency in respect of which the Notes are held or attributed, may have a liability to Irish corporation tax on the interest.

Relief from Irish income tax may also be available under the specific provisions of a double tax treaty between Ireland and the country of residence of the recipient.

Interest on the Notes which does not fall within the above exemptions is within the charge to Irish income tax. However, it is understood that the Irish Revenue Commissioners have, in the past, operated a practice not to take any action to pursue any liability to such tax in respect of persons who are not regarded as being resident in Ireland except where such persons:

- (a) are chargeable in the name of a person (including a trustee) or in the name of an agent or branch in Ireland having the management or control of the interest; or
- (b) seek to claim relief and/or repayment of tax deducted at source in respect of taxed income from Irish sources; or
- (c) are chargeable to Irish corporation tax on the income of an Irish branch or agency or to income tax on the profits of a trade carried on in Ireland to which the interest is attributable.

There can be no assurance that the Irish Revenue Commissioners will apply this practice in the case of the Noteholders.

### *Capital Gains Tax*

A holder of Notes will not be subject to Irish tax on capital gains on a disposal of Notes unless such holder is either resident or ordinarily resident in Ireland or carries on a trade in Ireland through a branch or agency in respect of which the Notes were used or held.

### *Capital Acquisitions Tax*

A gift or inheritance comprising of Notes will be within the charge to capital acquisitions tax if either (i) the disponer or the donee/successor in relation to the gift or inheritance is resident or ordinarily resident in Ireland (or, in certain circumstances, if the disponer is domiciled in Ireland irrespective of his residence or that of the donee/successor) or (ii) if the Notes are regarded as property situate in Ireland (i.e. if the Notes are physically located in Ireland or if the register of the Notes is maintained in Ireland).

### *Stamp Duty*

No stamp duty or similar tax is imposed in Ireland (on the basis of an exemption provided for in Section 85(2)(c) to the Irish Stamp Duties Consolidation Act, 1999 assuming the proceeds of the Notes are used in the course of the Issuer's business), on the issue, transfer or redemption of the Notes.

## United Kingdom Taxation

The following is a summary of certain taxation considerations in the United Kingdom relating to the Notes. The comments 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 the United Kingdom 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 the United Kingdom 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 the United Kingdom.

### *UK withholding tax on interest payments by the Issuer*

Interest on the Notes may be paid by the Issuer without withholding or deduction for or on account of United Kingdom income tax except in circumstances where such interest has a United Kingdom source. Interest on Notes may have a United Kingdom source where, for example, the Notes are secured on assets situate in the United Kingdom or the interest is paid out of funds maintained in the United Kingdom.

Interest which has a United Kingdom source (“**UK interest**”) may be paid by the Issuer without withholding or deduction for or on account of United Kingdom income tax if the Notes in respect of which the UK interest is paid constitute “quoted Eurobonds”. Notes which carry a right to interest will constitute quoted Eurobonds provided they are and continue to be listed on a recognised stock exchange. The Irish Stock Exchange is a recognised stock exchange for these purposes.

All UK interest on the Notes may also be paid without withholding or deduction for or on account of United Kingdom income tax where the Issuer reasonably believes that the person beneficially entitled to the interest is, *inter alia*, (i) a company resident in the United Kingdom, (ii) a partnership each member of which is a company which would be entitled to receive the payments gross or (iii) a company not resident in the United Kingdom which carries on a trade in the United Kingdom through a branch or agency and which is required to bring the interest into account in computing its profits chargeable to United Kingdom corporation tax. This is subject to the proviso that the United Kingdom Inland Revenue does not give a direction that it has reasonable grounds for believing that it is likely that none of (i), (ii) or (iii) above will be satisfied at the time the payment is made.

In all other cases where interest has a United Kingdom source, UK interest on the Notes will be paid under deduction of United Kingdom income tax at the lower rate (currently 20 per cent.) subject to such relief as may be available under the provisions of any applicable double taxation treaty.

### *Provision of information*

Noteholders who are individuals should note that where any interest on Notes is paid to them (or to any person acting on their behalf) by any person in the United Kingdom acting on behalf of the Issuer (a “paying agent”), or is received by any person in the United Kingdom acting on behalf of the relevant Noteholder (other than solely by clearing or arranging the clearing of a cheque) (a “collecting agent”), then the paying agent or the collecting agent (as the case may be) may, in certain cases, be required to supply to the United Kingdom Inland Revenue details of the payment and certain details relating to the Noteholder (including the Noteholder’s name and address). These provisions will apply whether or not the interest has been paid subject to withholding or deduction for or on account of United Kingdom income tax and whether or not the Noteholder is resident in the United Kingdom for United Kingdom taxation purposes. Where the Noteholder is not so resident, the details provided to the United Kingdom Inland Revenue may, in certain cases, be passed by the United Kingdom Inland Revenue to the tax authorities of the jurisdiction in which the Noteholder is resident for taxation purposes.

### *Proposed EU Savings Directive*

The Council of the European Union has published a revised draft directive regarding the taxation of savings income. It is proposed that, subject to a number of important conditions being met, Member States “) will be required 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 for the benefit of an individual resident in that other Member



State, subject to the right of Belgium, Luxembourg and Austria to instead operate a withholding system for a transitional period in relation to such payments. The proposed directive is not yet final, and may be subject to further amendment.

### **Portuguese Taxation**

The following is a summary of certain of the principal Portuguese withholding taxation treatment, corporate income tax, personal income tax, stamp duty and VAT considerations relating to the Units and the Notes as at the date hereof. 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 Portuguese Securitisation Law generally are governed by Decree-Law 219/2001, dated August 4, 2001 (the “Securitisation Tax Regime”).

#### *Withholding Tax*

Under the Securitisation Tax Regime, the Seller will be exempt from withholding taxes on the payments made by the Fund in respect of the purchase of the Mortgage Asset Portfolio. Furthermore, the payments of Collections made in respect of the Mortgage Asset Portfolio by the Servicer to the Fund are not subject to withholding tax.

#### *Corporate Income Tax*

The Fund is generally subject to the Portuguese corporate income tax regime, which applies to those entities whose main activity is of a commercial, industrial or agricultural nature. For the purpose of determining the Fund’s taxable profits, any amounts payable to the holders of the Units will be treated as a cost of the relevant fiscal year.

The Issuer’s income will only be subject to Portuguese corporate income tax if the head office or effective place of management of the Issuer is situated on Portuguese territory or if a permanent establishment to which the income is allocated is maintained by the Issuer in Portugal. A permanent establishment exists in Portugal when a company possesses any fixed installation or permanent representation through which a commercial, industrial or agricultural activity is carried on. A permanent establishment also exists when a person (other than an independent agent) is acting on behalf of the company in Portuguese territory and regularly exercises an authority to enter into contracts in the name of the company.

However, relevant double taxation treaties which have been entered into by Portugal provide that certain conditions must be satisfied before a company is treated as having a permanent establishment in Portugal.

#### *Unitholder’s Income Tax*

Income generated by the holding (distributions) or transfer (capital gains) of the Units is generally subject to the Portuguese tax regime for debt securities (“obrigações”). However, since the Units will be held by the Issuer, which is not a Portuguese resident and does not have a permanent establishment in Portugal, any income or distributions made in relation to the Units to the Issuer will be exempt from Portuguese income tax implications. The exemption from income tax liability does not apply to non-resident companies if: (i) more than 25 per cent. of the company’s share capital is held, either directly or indirectly, by Portuguese residents, or (ii) the company’s country of residence is designated by the Ministry of Finance of Portugal as not qualifying for the exemption. To qualify for the exemption, the Issuer will be required to provide the Fund Manager with a certificate of residence or an equivalent document issued by the tax authorities or another official entity of its country of residence or with a document issued by the local Portuguese Consulate certifying its residence in such foreign jurisdiction.

#### *Personal Income Tax*

Under current Portuguese law, interest payments in respect of the Notes made to Portuguese tax resident individuals are subject to personal income tax. Interest payments on the Notes made by a Portuguese paying agent (acting on behalf of non-residential entities) to individuals are subject to withholding tax at the current definitive rate of 20 per cent. If those payments are made to a Portuguese tax resident individual the applicable tax rate shall be limited to 15 per cent. by virtue of the double taxation treaty between the Portuguese Republic and the Republic of Ireland.



*Stamp Duty*

No stamp duty will be imposed on the sale or assignment of the Mortgage Asset Portfolio by the Seller to the Fund or on the commissions paid by the Fund to the Servicer and Custodian pursuant to the Securitisation Law.

*VAT*

No VAT will apply to the administration and management of the Fund or to the servicing or custody activities referred to in the Securitisation Law.

## SUBSCRIPTION AND SALE

### General

ABN AMRO Bank N.V. (the “**Lead Manager**”), BCP Investimento - Banco Comercial Português de Investimento, S.A. and DZ BANK AG Deutsche-Zentral-Genossenschaftsbank, Frankfurt am Main (the “**Co-Managers**”, and together with the Lead Manager, the “**Managers**”) have, in a subscription agreement dated 13 December 2002 (the “**Subscription Agreement**”) and made between the Fund, the Fund Manager, the Issuer, the Seller and the Managers upon the terms and subject to the conditions contained therein, agreed to subscribe and pay for the Notes at the issue price of 100 per cent. of their principal amount. The Issuer has agreed to pay to the Lead Manager for the account of the Managers a combined management, underwriting commission and selling commission of 0.22 per cent. of the aggregate of the Initial Principal Amount of the Class A Notes, 0.25 per cent. of the aggregate of the Initial Principal Amount of the Class B Notes and 0.30 per cent. of the aggregate of the Initial Principal Amount of the Class C Notes. The Issuer has also agreed to reimburse the Managers for certain of their expenses incurred in connection with the management of the issue of the Notes. The Managers are entitled in certain circumstances to be released and discharged from their obligations under the Subscription Agreement prior to the closing of the issue of the Notes.

### United States of America

The Notes have not been and will not be registered under the US Securities Act 1933 (the “**Securities Act**”) and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons except in certain transactions exempt from the registration requirements of the Securities Act. Terms used in this paragraph have the meanings given to them by Regulation S under the Securities Act.

The Notes are subject to U.S. tax law requirements and may not be offered, sold or delivered within the United States or its possessions or to a U.S. 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.

Each Manager has agreed that, except as permitted by the Subscription Agreement, it will not offer, sell or deliver the Notes, (a) as part of their distribution at any time or (b) otherwise, until 40 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 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 40 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

Each Manager has further represented to and agreed with the Issuer and the other Manager that:

- (a) No Offer to Public prior to listing:

it has not offered or sold and, prior to the expiry of a period of six months from the Closing Date, will not offer or sell any Notes to persons in the United Kingdom except to persons whose ordinary activities involve them in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of their businesses or otherwise in circumstances which have not resulted and will not result in an offer to the public in the United Kingdom within the meaning of the Public Offers of Securities Regulations 1995;

- (b) Investment Advertisements:

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 and Markets Act 2000 (the “**FSMA**”) received by it in connection with

the issue or sale of any Notes in circumstances in which section 21(1) of the FSMA does not apply to the Issuer; and

(c) **General Compliance:**

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**

Each Manager has represented and agreed that:

- (a) except in circumstances which do not constitute an offer to the public within the meaning of the Companies Act, 1963 (as amended) of Ireland, (the “1963 Act”), it has not offered or sold and will not offer or sell any Notes in Ireland or elsewhere, by means of any document prior to application for listing of the Notes being made and the Irish Stock Exchange having approved the relevant listing particulars in accordance with the 1984 Regulations and thereafter by means of any document other than (i) the relevant listing particulars and/or (ii) a form of application issued in connection with the Notes which indicates where the relevant listing particulars can be obtained or inspected or which is issued with the relevant listing particulars;
- (b) it has complied with and will comply with all applicable provisions of the 1963 Act and the 1984 Regulations with respect to anything done by it in relation to the Notes in, from or otherwise involving Ireland;
- (c) it has not made and will not make any offer of the Notes which would require a prospectus to be issued under the European Communities (Transferable Securities and Stock Exchange) Regulations 1992 of Ireland; and
- (d) to the extent applicable, it will not underwrite the issue of or place the Notes otherwise than in conformity with the provisions of the Irish Investment Intermediaries Act, 1995 (as amended), including, without limitation, Sections 9, 23 (including any advertising restrictions made thereunder) and 50 and any conduct made under Section 37.

Each holder and beneficial owner of Notes will be deemed to have represented and agreed that it is not a member of the public in Ireland.

## **Portugal**

Each Manager has agreed 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 or 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**

Save for applying for admission of the Notes to trading on the Irish Stock Exchange, no action has been or will be taken in any jurisdiction by the Issuer or any Manager that would, or is intended to, permit a public offering of the Notes, or possession or distribution of this Offering Circular or any other offering material, in any country or jurisdiction where action for that purpose is required.

## **Investor Compliance**

Persons into whose hands this Offering Circular comes are required by the Issuer and the Managers 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 Offering Circular 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 13 December 2002.
2. Save as disclosed in this Offering Circular, there are no 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 12 months prior to the date of this Offering Circular, a significant effect on the financial position of the Issuer.
3. Save as disclosed in this Offering Circular, since 20 September 2002 (the date of incorporation 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.
4. Save as disclosed in this Offering Circular, 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.
5. The Instruments 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, Coupon, Receipt or Talon will generally not be allowed to deduct any loss realised on the sale, exchange or redemption of such Note, Coupon, Receipt or Talon and any gain (which might otherwise be characterised as capital gain) recognised on such sale, exchange or redemption will be treated as ordinary income.
6. The Notes have been accepted for clearance through Euroclear and Clearstream, Luxembourg. The ISIN numbers and the Common Codes for the Notes are as follows:

<b>Common Code</b>	<b>ISIN</b>
Class A 15986107	XS0159861078
Class B 15986140	XS0159861409
Class C 15986247	XS0159862472

7. Transactions will normally be effected for settlement in euro and for delivery on the third Business Day after the day of the transaction. It is expected that listing of the Notes on the Irish Stock Exchange will be granted on or around 19 December 2002, subject only to issue of the Notes. The issue will be cancelled if the Global Notes are not issued.
8. Since its date of incorporation, the Issuer has not entered into any material contracts other than the Subscription Agreement, being a contract entered into other than in its ordinary course of business.
9. Copies of the following documents may be inspected during usual business hours at the registered offices of the Issuer and at the Specified Offices of the Irish Paying Agent in Dublin, NCB Stockbrokers Limited, for 14 days from the date of this document:
  - (a) the Memorandum and Articles of Association of the Issuer;
  - (b) the Subscription Agreement and the Class D Note Purchase Agreement;
  - (c) drafts (subject to modification) of the following:
    - (i) Trust Deed;
    - (ii) Security Deed;
    - (iii) Paying Agency Agreement;
    - (iv) Master Framework Agreement;
    - (v) Co-ordination Agreement;
    - (vi) Liquidity Facility Agreement

- (vii) Swap Agreement
- (viii) Subordinated Loan Facility Agreement;
- (ix) Transaction Management Agreement;
- (x) Issuer Accounts Bank Agreement;
- (xi) Corporate Services Agreement; and
- (xii) Unit Assignment Agreement.

10. Since the date of its incorporation, the Issuer has not commenced business (except for matters relating to the Notes and the other documents referred to at items 9 (b) and (c) above, and related matters) and no accounts have been created as of the date of this Offering Circular.

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